

**ND STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING**

Thursday, February 26, 2015 3:30 PM  
Workforce Safety and Insurance (WSI) – Board Room  
1600 East Century Avenue, Suite 1, Bismarck, ND 58503-0649

**AGENDA**

1. Call to Order and Approval of Agenda – Chair (committee action) (5 minutes)
2. Approval of November 20, 2014 Minutes – Chair (committee action) (5 minutes)
3. 2014 – 2015 Second Quarter Audit Activities Report – Terra Miller Bowley (committee action) (10 minutes)
4. 2014 – 2015 Third Quarter Audit Activities Update – Terra Miller Bowley (information) (10 minutes)
5. GASB 67 and 68 Update – Fay Kopp (information) (10 minutes)
6. Executive Limitation Audit – Terra Miller Bowley (committee action) (20 minutes)
7. Committee Meeting with Executive Director and Deputy Executive Director – Dave Hunter and Fay Kopp, SIB Audit Committee Members (15 minutes)
8. Committee Meeting with Supervisor of Audit Services and Auditor – Terra Miller Bowley and Dottie Thorsen, SIB Audit Committee Members (15 minutes)
9. Other – Next SIB Audit Committee Meeting – May 22, 2015 – 1:00 PM – Peace Garden Room – State Capitol
10. Adjournment

Any individual requiring an auxiliary aid or service should contact the Retirement and Investment Office at (701) 328-9885 at least (3) days prior to the scheduled meeting.

**STATE INVESTMENT BOARD  
AUDIT COMMITTEE MEETING  
MINUTES OF THE  
NOVEMBER 20, 2014, MEETING**

**COMMITTEE MEMBERS PRESENT:** Rebecca Dorwart, Chair  
Mike Gessner, TFFR Board/Liaison to the SIB  
Karol Riedman, Health Dept.  
Mike Sandal, PERS Board  
Cindy Ternes, Workforce Safety & Insurance

**STAFF PRESENT:** Connie Flanagan, Fiscal & Invt Op Mgr  
Bonnie Heit, Assistant to the Audit Committee  
David Hunter, Executive Director/CIO  
Fay Kopp, Deputy Executive Director/CRO  
Terra Miller Bowley, Suprv Audit Services  
Dottie Thorsen, Internal Auditor

**GUESTS:** Thomas Rey, CliftonLarsonAllen  
Ron Tolstad, Auditor's Office

**CALL TO ORDER:**

Ms. Dorwart called the State Investment Board (SIB) Audit Committee meeting to order at 3:00 p.m., on Thursday, November 20, 2014, at Workforce Safety & Insurance, 1600 East Century Ave., Bismarck, ND.

A quorum was present for the purpose of conducting business.

**AGENDA:**

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE AGENDA FOR THE NOVEMBER 20, 2014, MEETING AS DISTRIBUTED.**

**AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**MINUTES:**

**IT WAS MOVED BY MR. GESSNER AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO APPROVE THE OCTOBER 24, 2014, MINUTES AS AMENDED.**

**AYES: MR. GESSNER, MR. SANDAL, MS. TERNES, MS. RIEDMAN, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**FINANCIAL AUDIT REPORT:**

CliftonLarsonAllen representative, Mr. Thomas Rey, reviewed the results of the financial audit report of the Retirement and Investment Office for the fiscal year ending June 30, 2014. CliftonLarsonAllen has issued an unmodified, clean opinion that the financial statements are presented fairly, in all material respects, in conformity with US Generally Accepted Accounting Principals.

Mr. Rey also fielded questions from the Audit Committee and staff regarding implementation of GASB 67 and 68 statements as they relate to the school districts reporting to the Teachers' Fund for Retirement and on a national level.

The Audit Committee thanked the RIO team for all of their excellent work on the financial audit report to achieve the unmodified, clean opinion from CliftonLarsonAllen.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO ACCEPT THE FINANCIAL AUDIT REPORT FOR THE RETIREMENT AND INVESTMENT OFFICE FOR THE FISCAL YEAR ENDING JUNE 30, 2014.**

**AYES: MS. TERNES, MS. RIEDMAN, MR. SANDAL, MR. GESSNER, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**REQUEST FOR PROPOSAL:**

The State Auditor's representative, Mr. Tolstad, reviewed the Request for Proposal (RFP) process the agency conducts when searching for an external auditing firm to conduct the financial audit of state entities. CliftonLarsonAllen has conducted the financial audit of the Retirement and Investment Office for the 2012, 2013, and 2014 fiscal years. Normally the contracts are issued for a three year period and an RFP is then issued. The State Auditor's Office has and will award the contract to a previous contract holder but prefers to limit awarding the contract to any one particular external auditing firm to six years.

The Audit Committee requested the evaluation/criteria and cost ratings be changed from 60/40 to 70/30 and applied as followings: Methodology 30 percent, Management Plan for the Audit 15 percent, Experience/Qualifications 25 percent, and cost 30 percent. Mr. Tolstad will review the request with his constituents and will let staff know.

The Audit Committee thanked Mr. Tolstad and the State Auditor's Office for all of their work and flexibility, while also adhering to State Procurement policies/procedures, in issuing the RFP on behalf of RIO. The Audit Committee also thanked Mr. Tolstad for his assistance in implementing the GASB 67/68 statements.

**AUDIT ACTIVITIES REPORT:**

Ms. Miller Bowley updated the Audit Committee on Internal Audit activities for the period of July 1, 2014 through September 30, 2014.

School District Compliance Audit Reports - As of September 30, 2014, three audits were completed, two were in progress, and one not in compliance follow-up review was in progress.

Two school district audits scheduled to be audited will be delayed due to the GASB 68 TFFR Employer Census Data Audit by CliftonLarsonAllen. The Internal Audit Division has also been assisting CliftonLarsonAllen with their Census Data Audit.

File Maintenance Audit Report - Ms. Thorsen stated the audit was completed and there were no exceptions noted. Ms. Thorsen reviewed the table reports for all staff members, reviewed the transactions of the table reports of the IT staff, reviewed a refund account, and reviewed six member action forms on the CPAS system.

Also provided to the Audit Committee was an Internal Audit Division's budgeted hours report for the period of July 1, 2014 - June 30, 2015.

The Audit Committee was also provided a School District Audit Process/Status Report for the period of July 1, 2014 - June 30, 2015. Ms. Miller Bowley stated six additional school district audit notifications were sent out.

Upcoming quarter internal activities will include completing the not in compliance review. Staff will also be focusing on school district audits and the Executive Limitations Audit.

**IT WAS MOVED BY MS. TERNES AND SECONDED BY MR. SANDAL AND CARRIED BY A VOICE VOTE TO ACCEPT THE INTERNAL AUDIT ACTIVITIES REPORT FOR THE PERIOD OF JULY 1, 2014 THROUGH SEPTEMBER 30, 2014.**

**AYES: MR. GESSNER, MS. RIEDMAN, MR. SANDAL, MS. TERNES, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**EXECUTIVE LIMITATIONS ACTIVITIES:**

Executive Limitations Review - Ms. Miller Bowley updated the Audit Committee on the preliminary review of the Executive Limitations Audit. The Audit Committee was provided the preliminary results of the audit. A review of the Executive Director's level of compliance with the SIB Governance Manual Executive Limitation's policies/procedures was conducted. A full review will be completed in January 2015. Based on the preliminary review, the Audit Division is satisfied that the Executive Director is in compliance with the Executive Limitations policies.

The Audit Committee thanked Ms. Miller Bowley for all of her work on the preliminary Executive Limitations Audit. The report was completed in a short amount of time and was very thorough and detailed. This report will be distributed to the SIB at their November 21, 2014, meeting

**IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. GESSNER AND CARRIED BY A VOICE VOTE TO ACCEPT THE PREMILARY RESULTS OF THE EXECUTIVE LIMITATIONS AUDIT.**

**AYES: MR. SANDAL, MS. TERNES, MS. RIEDMAN, MR. GESSNER, AND MS. DORWART**

**NAYS: NONE**

**MOTION CARRIED**

**OTHER:**

The next Audit Committee meeting is scheduled for February 27, 2015, at 1:00 p.m. at Workforce Safety & Insurance, 1600 East Century Avenue, Bismarck ND.

**ADJOURNMENT:**

With no further business to come before the Audit Committee, Ms. Dorwart adjourned the meeting at 5:03 p.m.

Respectfully Submitted:

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Ms. Rebecca Dorwart, Chair  
SIB Audit Committee

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Bonnie Heit  
Assistant to the Audit Committee

## **RETIREMENT AND INVESTMENT OFFICE AUDIT SERVICES**

### **AUDIT ACTIVITIES REPORT FOR THE SECOND QUARTER OCTOBER 1, 2014 – DECEMBER 31, 2014**

The audit objective of Audit Services is twofold: first, to provide comprehensive, practical audit coverage of the Retirement and Investment Office (RIO) programs; second, to assist RIO management and the State Investment Board (SIB) by conducting special reviews or audits.

The SIB Audit Committee opted to postpone development of a detailed audit work program for Fiscal Year July 1, 2014 through June 30, 2015. The SIB Audit Committee did provide guidance related to audit activities and planning for Fiscal Year July 1, 2014 through June 30, 2015. The audit activities undertaken are consistent with the Audit Services charter and goals, and the goals of RIO. To the extent possible, our audits are being carried out in accordance with the International Standards for the Professional Practice of Internal Auditing. Audit effort is being directed to the needs of RIO and the concerns of management and the SIB Audit Committee.

#### **Audit Services Staff Update**

Terra Miller Bowley joined the RIO on October 13, 2014 as the Supervisor of Audit Services. Terra received a Bachelor of Arts in Computer Science from the University of Minnesota, Morris and a Master of Business Administration from Central Michigan University. Terra has spent a majority of her career in the insurance industry specializing in catastrophe related losses. Terra was most recently employed with Liberty Mutual Insurance. Terra was responsible for planning and executing field audits ensuring compliance with prevailing standards, contract provisions, published procedures, and government regulations. Terra holds several insurance industry professional designations (AIC and CPCU) along with numerous professional licenses.

#### **Retirement Program Audit Activities**

- **School District Reporting**

We examine school district reporting to the Teachers' Fund for Retirement (TFFR) to determine whether retirement salaries and contributions reported for members of TFFR are in compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). Other reporting procedures reviewed during the audit process are calculation of service hours and eligibility for TFFR membership. A written report is issued after each audit examination is completed.

As of December 31, 2014, four school district audits were completed, five school district audits were in progress, and one not in compliance follow-up review was in progress. Twelve additional school districts were notified of upcoming audits and information from five of those school districts was received. The attached report details the current status of these audits.

This is an area that requires special emphasis due to the level of risk identified through previous audit results. Our long-range plans include auditing each district over a five year period.

- **External Audit Support (GASB 68)**

Audit Services in cooperation with RIO's external auditors, CliftonLarsonAllen, LLC, notified thirteen school districts of upcoming GASB 68 Census Data Audits. Field work relating to the GASB 68 Census Data Audits will occur during two weeks in January of 2015. It is anticipated that Audit Services will provide additional support during this time to the field auditors. Audit Services has also been integral in facilitating the sharing of information between our external audit partners and staff by coordinating pre field work and post field work conference calls.

- **TFFR File Maintenance**

Audit Services quarterly tests changes made to TFFR member account data by RIO employees.

Audit tables are generated and stored indicating any file maintenance changes made to member accounts. Our external auditors recommended that Audit Services review these tables on a regular basis. The second quarter TFFR File Maintenance audit was completed and no exceptions were noted.

### **Administrative and Investment Audits**

- **Executive Limitation Preliminary Review**

Audit Services completed a preliminary review of the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation polices at the request of the SIB Audit Committee. To complete the preliminary review Audit Services conducted examinations of documentation and interviews with staff. Following the preliminary review Audit Services was sufficiently satisfied that the Executive Director/CIO is in compliance with the SIB Governance Manual Executive Limitation polices A-1 through A-11. A final audit report will be issued in February of 2015.

In conjunction with the Executive Limitation Audit, Audit Services facilitated an organization wide survey of employees. The purpose of the survey was to provide employees with the opportunity to evaluate the Executive Director/CIO in three key areas

– leadership, communication, and valuing employees. The results of the survey provided insight into the current status of the relationship which exists between staff and the Executive Director/CIO, survey results will be incorporated into the final Executive Limitation audit report.

- **Executive Limitation A-2 – Staff Relations**

The SIB Governance Manual Executive Limitation policy A-2 requires that staff upon termination of employment with the RIO be provided the opportunity to complete an employment questionnaire and exit interview with the Supervisor of Audit Services.

Retirement Program Specialist Denise Weeks voluntarily terminated her employment with the RIO on December 19, 2014. The Supervisor of Audit Services conducted an exit interview with Denise Weeks on December 18, 2014. A questionnaire was completed during the course of this interview.

### **Professional Development Activities**

Audit Services reinstated its membership with The Institute of Internal Auditors (IIA) in October of 2014. Audit Services intends to pursue networking and professional development opportunities moving forward via the IIA's local chapter, Central Nodak. Audit Services will begin attending monthly IIA meetings in January of 2015.

The Supervisor of Audit Services attended Auditor-In-Charge Training on November 12 and November 13, 2014 presented by the Central Nodak IIA Chapter and Woodington Training Solutions, LLC. Audit Services attended GASB 68 Employer Training on December 11, 2014 presented by the RIO Retirement Services Unit. Audit Services also attended an organization wide open records training session presented by Jan Murtha on November 7, 2014.

### **SUMMARY**

Audit effort will continue to be on those activities which are of greatest concern to the SIB Audit Committee, RIO management, and the external auditors.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE  
SCHOOL DISTRICT AUDIT PROGRESS AND STATUS REPORT**

**FISCAL YEAR JULY 1, 2014 - JUNE 30, 2015**

|    | Size | Auditor | School District   | Anticipated Notification Timeframe | 100% or On-site | Info Request | Info Received | Audit Started | Report Date | Status      | Members | Days b/w Info Request and Received | Days b/w Info Received and Report                      | Days b/w Info Received and Start Date | Days b/w Start and Report | Hours to Complete       |     |
|----|------|---------|---|------------------------------------|-----------------|--------------|---------------|---------------|-------------|-------------|---------|------------------------------------|--|---------------------------------------|---------------------------|-------------------------|-----|
| 1  |      | DT      | South Heart School (New Admin 08/14)                                |                                    |                 | 5/28/2014    | 6/9/2014      | 6/19/2014     | 8/6/2014    | Complete    | 31      | 12                                 | 58   | 10                                    | 48                        | Generally In Compliance | 54  |
| 2  |      | DT      | Grand Forks - fiscal agent for the Red River Valley Ed. Cooperative |                                    |                 | 6/18/2013    | 7/22/2013     | 3/10/2014     | 9/10/2014   | Complete    | 802     | 34                                 | 415  | 231                                   | 184                       | Generally In Compliance | 157 |
| 3  |      | DT      | Flasher   |                                    |                 | 2/18/2014    | 3/17/2014     | 5/29/2014     | 9/10/2014   | Complete    | 22      | 27                                 | 177  | 73                                    | 104                       | Generally In Compliance | 61  |
| 4  |      | DT      | Lake Region Spec Ed (New Admin 06/14)                               |                                    |                 | 5/28/2014    | 6/12/2014     | 9/16/2014     | 10/10/2014  | Complete    | 29      | 15                                 | 120  | 96                                    | 24                        | In Compliance           | 27  |
| 5  |      | DT      | Oliver-Mercer Spec Ed   |                                    |                 | 5/28/2014    | 6/26/2014     | 9/23/2014     | 12/8/2014   | Complete    | 19      | 29                                 | 165  | 89                                    | 76                        | Generally In Compliance | 87  |
| 6  |      | TMB     | Nesson (New Admin 06/14)  |                                    |                 | 5/28/2014    | 6/13/2014     | 10/20/2014    | 12/9/2014   | Complete    | 25      | 16                                 | 179  | 129                                   | 50                        | Generally In Compliance | 35  |
| 7  |      | TMB     | Mayville-Portland C-G   |                                    |                 | 9/16/2014    | 10/17/2014    | 12/2/2014     | 12/29/2014  | Complete    | 49      | 31                                 | 73   | 46                                    | 27                        | In Compliance           | 22  |
| 8  |      | TMB     | Edmore  |                                    |                 | 9/16/2014    | 11/3/2014     | 12/19/2014    | 1/26/2015   | Complete    | 16      | 48                                 | 84   | 46                                    | 38                        | Generally In Compliance | 36  |
| 9  |      | TMB     | Wolford   |                                    |                 | 9/16/2014    | 10/16/2014    | 11/24/2014    | 1/21/2015   | Complete    | 12      | 30                                 | 97   | 39                                    | 58                        | In Compliance           | 30  |
| 13 | S    | TMB     | Page  | November 2014                      |                 | 11/13/2014   | 12/15/2014    | 1/5/2015      | 2/3/2015    | Complete    | 16      | 32                                 | 50   | 21                                    | 29                        | In Compliance           | 21  |
| 10 |      | TMB     | Billings Co. Sch. District****                                      | September 2014                     |                 | 9/16/2014    | 10/23/2014    | 12/8/2014     |             | In Progress | 18      | 37                                 | ****ON HOLD - ESTIMATED COMPLETION DATE JULY 2015***** |                                       |                           |                         |     |
| 11 |      | DT      | Mohall/Lansford/Sherwood (New Bus Mgr)                              | April 2014                         |                 | 4/23/2014    | 5/27/2014     | 12/10/2014    |             | In Progress | 42      | 34                                 |  | 197                                   |                           |                         |     |
| 12 |      | DT      | Devil's Lake  | September 2014                     |                 | 9/16/2014    | 10/13/2014    | 12/29/2014    |             | In Progress | 173     | 27                                 | ***RETIREMENT SERVICES HAS CORRECTIONS***              |                                       |                           |                         |     |
| 14 | S    | DT      | South Prairie Elementary  | November 2014                      |                 | 11/13/2014   | 12/23/2014    | 1/14/2015     |             | In Progress | 40      | 40                                 |  | 22                                    |                           |                         |     |
| 15 | M    | TMB     | North Border School District  | November 2014                      |                 | 11/13/2014   | 12/19/2014    | 1/26/2015     |             | In Progress | 75      | 36                                 |  | 38                                    |                           |                         |     |
| 16 |      | TMB     | Hazelton-Moffit School** (New Bus Mgr/Admin 06/14)                  | May 2014                           |                 | 5/28/2014    | 6/18/2014     | 2/3/2015      |             | In Progress | 18      | 21                                 |  | 230                                   |                           |                         |     |
| 17 |      | DT      | Glen Ullin**  | May 2014                           |                 | 5/28/2014    | 7/10/2014     | 2/12/2015     |             | In Progress | 24      | 43                                 |  | 217                                   |                           |                         |     |
| 19 | S    | TMB     | Selfridge   | November 2014                      |                 | 11/13/2014   | 12/30/2014    |               |             |             | 23      | 47                                 |  |                                       |                           |                         |     |
| 20 | L    | DT      | West Fargo  | November 2014                      |                 | 11/13/2014   | 12/31/2014    |               |             |             | 875     | 48                                 |  |                                       |                           |                         |     |
| 18 | S    | DT      | Munich  | November 2014                      |                 | 11/13/2014   | 1/2/2015      |               |             |             | 32      | 50                                 |  |                                       |                           |                         |     |
| 25 | S    | DT      | Montpelior  | December 2014                      |                 | 12/29/2014   | 1/26/2015     |               |             |             | 27      | 28                                 |  |                                       |                           |                         |     |
| 22 | S    | DT      | Ft. Totten  | December 2014                      |                 | 12/29/2014   | 1/30/2015     |               |             |             | 36      | 32                                 |  |                                       |                           |                         |     |
| 21 | L    | TMB     | Fargo   | December 2014                      |                 | 12/29/2014   | 2/4/2015      |               |             |             | 1333    | 37                                 |  |                                       |                           |                         |     |
| 23 | S    | TMB     | Kensal  | December 2014                      |                 | 12/29/2014   | 2/5/2015      |               |             |             | 21      | 38                                 |  |                                       |                           |                         |     |
| 24 | M    | TMB     | Lewis & Clark School  | December 2014                      |                 | 12/29/2014   | 2/10/2015     |               |             |             | 63      | 43                                 |  |                                       |                           |                         |     |
| 26 | S    | DT      | Sheyenne Valley Area Vocation***                                    | December 2014                      |                 | 12/29/2014   |               |               |             |             | 11      |                                    |  |                                       |                           |                         |     |
| 27 | S    |         | North Valley Area Careers   | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 28 | S    |         | Southeast Region Career and Tech                                    | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 29 | L    |         | Dickinson   | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 30 | M    |         | Wilmac Special Education (Temp Bus Mgr 08/14)                       | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 31 | S    |         | Emerado   | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 32 | S    |         | Fordville-Lankin  | April 2015                         |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 33 | S    |         | James River Multidistrict   | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 34 | S    |         | Kulm  | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 35 | S    |         | Litchville-Marion   | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 36 | S    |         | Maple Valley (New Bus Mgr 06/14 & Admin 09/14)                      | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 37 | S    |         | New Public School (Williston) (New Admin 06/14)                     | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 38 | S    |         | Parshall  | June 2015                          |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 39 | S    |         | Solen-Cannonball  | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 40 | M    |         | St John   | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 41 | S    |         | Starkweather  | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 42 | S    |         | Warwick   | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 43 | S    |         | White Shield (Roseglen) (New Admin 09/14)                           | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |
| 44 | S    |         | Wing (New Admin 10/14)  | August 2015                        |                 |              |               |               |             |             |         |                                    |  |                                       |                           |                         |     |

Average: 102 27 142 78 64 53

| Assigned |  |     | Total Audit Days | Average Audit Days | Audits Completed | Total Hours | Average Hrs | Actual Audit Days |
|----------|--|-----|------------------|--------------------|------------------|-------------|-------------|-------------------|
| 9        |  | DT  | 55               | 11                 | 5                | 386         | 77          | 9.7               |
| 7        |  | TMB | 25               | 5                  | 5                | 143         | 29          | 3.6               |

**NOT IN COMPLIANCE FOLLOW-UP REVIEWS**

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE  
SCHOOL DISTRICT AUDIT PROGRESS AND STATUS REPORT**

**FISCAL YEAR JULY 1, 2014 - JUNE 30, 2015**

|   | Size | Auditor | School District | Anticipated Notification Timeframe | 100% or On-site | Info Request | Info Received | Audit Started  | Report Date | Status      | Members | Days b/w Info Request and Received | Days b/w Info Received and Report | Days b/w Info Received and Start Date | Days b/w Start and Report | Hours to Complete |
|---|------|---------|-----------------|------------------------------------|-----------------|--------------|---------------|----------------|-------------|-------------|---------|------------------------------------|-----------------------------------|---------------------------------------|---------------------------|-------------------|
|   | Size | Auditor | School District |                                    | 100% or On-site | Info Request | Info Received | Review Started | Report Date | Status      | Members | Days b/w Info Request and Received | Days b/w Info Received and Report | Days b/w Info Received & Start Date   | Days b/w Start and Report | Hours to Complete |
| 1 | S    | DT      | Halliday        |                                    |                 |              |               |                |             |             | 19      |                                    |                                   |                                       |                           |                   |
| 2 | S    | DT      | McClusky        |                                    |                 | 12/11/2014   | 12/23/2014    | 1/26/2015      |             | In Progress | 18      | 12                                 |                                   | 34                                    |                           |                   |
| 3 | S    | DT      | Ft. Yates       |                                    |                 |              |               |                |             |             | 35      |                                    |                                   |                                       |                           |                   |
| 4 | S    | DT      | Minnewaukan     |                                    |                 |              |               |                |             |             | 36      |                                    |                                   |                                       |                           |                   |
| 5 | L    | DT      | Williston       |                                    |                 | 1/7/2014     | 1/29/2014     | 4/14/2014      | 1/29/2015   | Complete    | 217     | 22                                 | 365                               | 75                                    | 290                       | Not In Compliance |

Average: 65

\*\* Compliance audit will begin in February of 2015 following completion of GASB field work by Clifton Larson Allen.

\*\*\*Business Manager on maternity leave, deadline for audit materials extended to February 27, 2015.

\*\*\*\*Due to multiple errors discovered during audit process and multiple years of salary which will require corrections staff feels it is best to close 2014-2015 and then process any and all corrections.

**NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE AUDIT DIVISION  
AUDIT SERVICES  
BUDGETED HOURS FOR THE FISCAL YEAR JULY 1, 2014 TO JUNE 30, 2015**

|   | <u>2014-15</u><br>BUDGET<br>HOURS<br>(2 FTE'S) | <u>2014-15</u><br>BUDGET<br>HOURS<br>(1 FTE'S) | <u>YTD</u><br>HOURS<br>7/1/2014 -<br>6/30/2015 | <u>UNDER/<br/>(OVER)<br/>BUDGET</u> | <u>1ST QTR</u><br>HOURS<br>7/1/2014 -<br>9/30/2014 | <u>2ND QTR</u><br>HOURS<br>10/1/2014 -<br>12/31/2014 | <u>3RD QTR</u><br>HOURS<br>1/1/15<br>3/31/15 | <u>4TH QTR</u><br>HOURS<br>4/1/15 -<br>6/30/2015 |
|---|--|--|--|-------------------------------------|--|--|--|--|
| <b>1. Audit</b>   |  |  |  |                                     |  |  |  |  |
| <b>Employer Audits: TFFR</b>  |  |  |  |                                     |  |  |  |  |
| School District Audits  |  |  | 429.00   |                                     | 175.00   | 254.00   |  |  |
| Follow-up On "Not-In-Compliance" Previous Audits  |  |  | 84.50  |                                     | 29.50  | 55.00  |  |  |
| Audit Planning and Notifications  |  |  | 80.25  |                                     | 39.50  | 40.75  |  |  |
| <b>Agency Audits: TFFR</b>  |  |  |  |                                     |  |  |  |  |
| Benefit Payments (Deaths, Long-Term Annuitants, Outstanding Checks, Purchases, and Refunds) |  |  | 68.25  |                                     | 68.25  | 0.00   |  |  |
| TFFR File Maintenance   |  |  | 41.25  |                                     | 19.50  | 21.75  |  |  |
| <b>Agency Administrative/Investment Audits:</b>   |  |  |  |                                     |  |  |  |  |
| Executive Limitations   |  |  | 94.50  |                                     | 0.00   | 94.50  |  |  |
| Investment Audits   |  |  | 0.00   |                                     | 0.00   | 0.00   |  |  |
| RIO External Audit - GASB 67 and 68, RFP Process, External Audit, etc.                      |  |  | 27.25  |                                     | 7.75   | 19.50  |  |  |
| Special Projects  |  |  | 0.00   |                                     | 0.00   | 0.00   |  |  |
| <b>Total Audit Hours</b>  |  |  | <b>825.00</b>                                  |                                     | <b>339.50</b>                                      | <b>485.50</b>  | <b>0</b>                                     | <b>0</b>   |
| <b>2. Administrative</b>  |  |  |  |                                     |  |  |  |  |
| Administrative - Staff Mtgs, Time Reports, Email, Records Retention, General Reporting      |  |  | 145.75   |                                     | 84.50  | 61.25  |  |  |
| Audit Committee/SIB/TFFR Attendance and Preparation   |  |  | 83.25  |                                     | 0.00   | 83.25  |  |  |
| Professional Development/CE/General Education   |  |  | 28.75  |                                     | 0.00   | 28.75  |  |  |
| <b>Total Administrative Hours</b>   |  |  | <b>257.75</b>                                  |                                     | <b>84.50</b>                                       | <b>173.25</b>  |  |  |
| <b>3. Audit Training - Supervisor of Audit Services</b>                                     |  |  | <b>150.75</b>                                  |                                     | <b>0.00</b>  | <b>150.75</b>  |  |  |
| <b>4. Annual/Sick Leave, Breaks, and Holidays</b>   |  |  | <b>290.00</b>                                  |                                     | <b>104.50</b>                                      | <b>185.50</b>  |  |  |
| <b>Total Budget Hours</b>   | <b>37%</b>                                     | <b>4,160</b>                                   | <b>3,555</b>                                   | <b>1,523.50</b>                     | <b>528.50</b>                                      | <b>995.00</b>  | <b>0</b>                                     | <b>0</b>   |

Note: Audit Supervisor Started 10/13/2014 - Additional hours have been added to the 2014-2015 Budget Hours to reflect additional staff member.

|                                   |       |
|-----------------------------------|-------|
| Total Budget Hours for 2014/15    | 4,160 |
| Budget Hours for D. Thorsen       | 2,080 |
| Budget Hours for T. Miller Bowley | 1,475 |

2

**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
LAKE REGION SPECIAL EDUCATION  
OCTOBER 10, 2014**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2011/12 through 2012/13 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined (see Primary Test).

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2011/12 through 2012/13. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for the fiscal years 2011/12 through 2012/13 reported by Lake Region Special Education were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following finding was noted.

The District reported service hours incorrectly for one part-time member.

**RECOMMENDATION AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

3

Finding:

The service hours error was an isolated occurrence. The member's account will be corrected and the member will be notified about the account change (see Schedule 5).

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie Thorsen  
Auditor

Enclosures

2

**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
OLIVER-MERCER SPECIAL EDUCATION  
DECEMBER 8, 2014**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2011/12 through 2012/13 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined (see Primary Test).

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited (see Primary Test).

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2011/12 through 2012/13. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for the fiscal years 2011/12 through 2012/13 reported by Oliver-Mercer Special Education were generally in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The District did not report an eligible annual national certification bonus for three members in 2013/14.
2. The District reported summer salary in the wrong fiscal year for three members.
3. The District reported service hours incorrectly for three members.

3

**RECOMMENDATIONS AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

**Finding 1:**

The District did not report an annual national certification bonus. The error only occurred in fiscal year 2013/14 and affected three members. The error caused a shortage of member/employer contributions. RIO will correct the members' accounts and notify them that an adjustment has been made (see Primary Test and Worksheet for Corrections).

**Finding 2:**

There was a rate change in the hourly wage paid for extended school year salary. The additional salary due to the rate change was reported in the wrong fiscal year. Since the salary reported in the wrong fiscal year was immaterial, no correction will be made to the accounts (see Primary Test).

**Finding 3:**

The District reported service hours incorrectly for three part-time members. Their accounts will be corrected (See Service Hours correction for each member).

The amount due for the shortage of contributions for Finding 1 is \$686.03 (Summary Schedule 2). The bill for the amount due is attached. Please provide a written response on the District's intent to correct the above errors in future reporting to TFFR. **Please return the written response along with the payment for the contributions due to the Retirement and Investment Office by January 14, 2015.**

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Dottie Thorsen  
Auditor

Enclosures

2

**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
NESSON PUBLIC SCHOOL DISTRICT  
DECEMBER 9, 2014**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2011/12 through 2012/13 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2011/12 through 2012/13. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2011/12 through 2012/13 reported by the Nesson Public School District were generally in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The District did not report eligible accompanist pay for one member.
2. The District did report ineligible bus driver training pay for seven members.
3. The District reported service hours incorrectly for one member.
4. The District reported summer salary without a written agreement for one member.

3

**RECOMMENDATIONS AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

Finding 1:

The District did not report eligible accompanist pay for one member. This member accompanies the high school choir during some practices and most programs/concerts. This member is a licensed teacher with a written agreement with the District for teaching and other extra-curricular duties. This error caused a shortage of contributions and the material salary amount will be corrected. RIO will notify the member that adjustments have been made to their account. It is the responsibility of the District to collect the contributions owed by the member. Please reference attached Primary Test and Salary Corrections Worksheet.

Finding 2:

The District did report ineligible bus driver training pay for seven members. The last bus driver training workshop was held by the District in 2011-2012. A total of fifteen employees attended, including seven teachers and eight ancillary employees. All bussing is now contracted to a third party vendor who is responsible for all bus driver pay and training, eliminating any future potential reporting errors related to bussing. This is an isolated error which resulted in immaterial overpayment of member/employer contributions. Given the immaterial nature of the overpayment no corrections will be made to six member accounts. Corrections will be made to one member account, this member account required corrections related to Finding 1, therefore a correction was also made for incorrectly reported bus driver training pay.

Finding 3:

The District reported service hours incorrectly for one member. The member account will be corrected. Please reference attached Service Hours Correction.

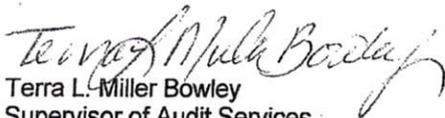
Finding 4:

The District reported summer salary without a written agreement for one member. TFFR recommends that the District provide written agreements for all members. A written agreement can be a contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to teachers from outside the District or teachers without a continuing contract with the District, the salary would not be reported.

The net amount of the contributions underpaid by the District is \$615.24. An invoice for the net amount of contributions due is included. Please reference attached Summary Schedule 2. Please provide payment for the contributions due and provide a written response on the District's intent to correct the above findings by January 23, 2015.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Terra L. Miller Bowley  
Supervisor of Audit Services  
Enclosures

2

**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
MAY-PORT CG PUBLIC SCHOOL DISTRICT  
DECEMBER 29, 2014**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2012/13 through 2013/14 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2012/13 through 2013/14. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2012/13 through 2013/14 reported by the May-Port CG Public School District were in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). No additional findings were noted.

**RECOMMENDATIONS AND CORRECTIVE ACTION**

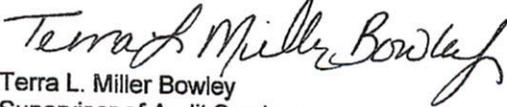
It was noted during the course of the audit that the superintendent's employment contract for 2013/14 was not revised to reflect changes in the Teacher Contractual Agreements negotiated by the District in 2013/14. Specifically the District paid 4.25% of member assessment for NDTFFR in 2013/14. NDTFFR assessment percentages are not anticipated to change at this time, the superintendent's employment contract for 2014/15 and 2015/16 reflects the correct percentage of member assessment paid by the District. It is recommended that any and all contracts be updated as needed as changes occur within the District.

Report on Compliance Audit (May-Port CG)  
Page 2

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.



Terra L. Miller Bowley  
Supervisor of Audit Services

Enclosures

## MEMORANDUM

FROM: Dottie Thorsen, Auditor

TO: Fay Kopp, Deputy Executive Director-Retirement Officer  
Shelly Schumacher, Retirement Program Manager

DATE: February 9, 2015

SUBJECT: TFFR File Maintenance Audit  
Second Quarter 2014-15  
(October, November, and December 2014)

**Conclusion: No exceptions noted.**

These are the audit procedures for the quarterly audit.

- 1) I ran and reviewed the table reports for all RIO employees- 8 employees had transactions.
- 2) I reviewed all of the transactions on the IT Supervisor and Data Processing Coordinator's table reports.
- 3) I receive monthly reports from IT listing refunds paid to members. I randomly selected one of the refunded accounts to review.
- 3) I receive monthly reports from IT listing purchase payments from members for installation purchases. I randomly selected one of the accounts to review.
- 4) I compared the information on 7 member action forms with the information posted on CPAS.

**LOCATION**

**MDU Resources Group, Inc.**  
1200 West Century Avenue  
Bismarck, ND 58506  
(701) 530-1000

**CREDITS**

All attendees of the full two-day seminar will be eligible for sixteen (16) hours of Continuing Professional Education (CPE), which may be applied toward professional (re)certification.

**CPE Credits: 16**

**QUESTIONS AND ASSISTANCE**

For questions, assistance or additional course information, contact:

Jon Breckel (Bismarck)  
(701) 530-1769

[jon.breckel@mduresources.com](mailto:jon.breckel@mduresources.com)



IIA CENTRAL NODAK CHAPTER  
PO Box 64  
Bismarck, ND 58502-0064



**RECEIVED**  
SEP 22 2014  
**NDRIO**

ND RETIREMENT & INVESTMENT OFFICE  
P.O. BOX 7100  
BISMARCK, ND 58507-7100

**THE INSTITUTE OF  
INTERNAL AUDITORS  
CENTRAL NODAK CHAPTER**

*Presents:*

**William Woodington  
Woodington Training  
Solutions, LLC**

**Auditor In-Charge  
Training  
November 12-13, 2014  
8:00 am - 4:30 pm**

**MDU Resources Group, Inc.  
Bismarck, ND**

**IAA The Institute of Internal Auditors**  
*Progress Through Sharing*

5850737100 8071

## CONDENSED COURSE SUMMARY

### Auditor In-Charge Training

This class is for individuals who need training related to auditor in-charge (AIC) skills. Audit topics and behavioral topics are presented in this class. The class topics include risk, internal audit overview, business analysis, risk assessment, assertiveness, fieldwork, interim performance appraisals, exit meetings, reporting, and follow-up. The **Auditor In-Charge Training** will provide the tools to effectively lead audit projects.

#### What you will gain from this seminar:

- Gain an understanding of risk and audit's role in risk assessment
- Identify the key components and related deliverables of each phase in the audit process
- Gain an understanding of the purpose of business analysis
- Learn how to define and identify business processes
- Learn how to define audit scope
- Gain an understanding of the purpose of risk assessment
- Practice identifying and assessing risks and controls
- Practice key assertiveness techniques in dealing with conflict and criticism
- Identify the key components of audit evidence, sampling, and fraud auditing
- Learn the key components of an Issue and Recommendation (I&R)
- Practice identifying proper workpaper documentation including workpaper review
- Learn about supportive and corrective feedback including writing behavioral based performance comments
- Learn the attributes of a successful exit meeting
- Identify proper ways to handle staff and business partner behavioral issues including conflict management
- Identify the key components of audit reporting and follow-up

#### Who Should Attend:

- Auditors and compliance specialists who desire additional skills related to leading an audit project

## Seminar Presenter: WILLIAM WOODINGTON

William Woodington, President  
Woodington Training Solutions, LLC  
bill@woodingtontraining.com  
763-568-1181

Bill spent 18 years managing the Learning & Development (L&D) function for Wells Fargo Audit & Security, and is based in Minneapolis. He is a CPA, CIA, and CRMA, with a bachelor's degree in Accounting and a master's degree in Finance. Bill is also a member of the Institute of Internal Auditors (IIA) and American Society for Training & Development (ASTD). He spent four years as an Audit Specialist supervising audit projects prior to moving into the L&D position. Prior to that, Bill worked for First Bank System and Deloitte and Touche. Bill was responsible for teaching the core curriculum classes (New Hire Orientation, Auditor In-Charge Training, CIA Exam Review, Effective Writing, Situational Leadership, and Leadership 101) to Wells Fargo's Audit staff. He was also responsible for developing and delivering virtual training related to audit topics, and managing Audit & Security University at Wells Fargo.

Bill has taught seminars for the Institute of Internal Auditors (IIA) and MIS Training Institute (MISTI). He is certified by the IIA to teach CIA Exam Review. He is also certified by the Ken Blanchard Companies to teach Situational Leadership II.

### Testimonials

"I must say in my professional career in audit across three large financial institutions, you had the best and most engaging training programs."

– **Scott Dawson**, Audit Manager, Wells Fargo

"Bill Woodington is one of the finest facilitators I have ever seen in action."

– **David Wikoff**, Former President, The Write Stuff, Inc.

For more seminar information, please visit:

<https://chapters.theiia.org/central-no-dak/Pages/default.aspx>

| Seminar Fee         | IIA Members | Non-Members |
|---------------------|-------------|-------------|
| By Oct. 24, 2014    | \$400.00    | \$450.00    |
| After Oct. 24, 2014 | \$425.00    | \$475.00    |

#### Seminar Hours:

**November 12-13, 2014 • 8:00 am - 4:30 pm**

Fee includes enrollment, all course materials, refreshments, snacks and lunch.

**Please Note:** A confirmation e-mail will be sent out after payment and notice of attendance has been received. Confirmation e-mails will be sent out at the end of each week leading up to the seminar.

*Refunds will not be made for cancellations received after November 7, 2014.*

## ND Teachers' Fund for Retirement/ND Public Employees Retirement System/ND State Auditor's Office

**TO:** TFFR and PERS participating employers and auditors  
State audit and fiscal personnel  
Interested stakeholder groups

**FROM:** TFFR, PERS, and State Auditor's Office

**DATE:** October 15, 2014

**SUBJ:** GASB 68 Employer Training Session

Important changes in state, municipal, and school district financial reporting will be occurring in the next year. As many of you are aware, the Governmental Accounting Standards Board (GASB) recently approved two new statements which will substantially change financial reporting of public employee pensions by state and local governments. Statement 67 replaces the financial disclosure requirements for public plans like TFFR and PERS effective for plan years beginning after June 15, 2013. Statement 68 replaces the disclosure requirements for participating employers of public plans (school districts, cities, counties, state) effective for fiscal years beginning on or after June 15, 2014. See GASB website for more information:  
[www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472](http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176163528472)

TFFR and PERS have been working with the State Auditor's Office on an implementation and training plan with plan actuaries, auditors, and staff. Earlier this year we also formed a working group of TFFR and PERS participating employers and auditors to assist in this effort, and we greatly appreciate their valuable input.

TFFR, PERS, and the State Auditor's Office have scheduled a **GASB 68 Employer Training Session on Thursday, December 11, from 8:30 am – 12 noon in the Prairie Rose Rooms (Upstairs, Exhibit Hall) at the Bismarck Events Center.** This meeting is intended for representatives of TFFR and PERS participating employers including the administrator/superintendent, business/ financial manager, and financial auditor. Please invite your auditor, and any other persons who may be interested in this topic. State audit and fiscal personnel, and other interested stakeholders have also been invited.

Mr. Eric Berman, a governmental audit consultant from Eide Bailly, will present the training which will include a presentation describing the new standards, timing of implementation, actuarial/financial information to be provided by the plans, audit issues, and Q & A forum with TFFR, PERS, and State Auditor's Office representatives.

We believe this training will be very beneficial for TFFR and PERS participating employers and auditors as you implement GASB 68 into your 2015 financial statements. A meeting agenda with program details will be provided at a later date. Please plan to attend this important training session. Thank you.

|                         |               |  |              |
|-------------------------|---------------|--|--------------|
| TFFR:                   | Fay Kopp      | <a href="mailto:fkopp@nd.gov">fkopp@nd.gov</a>       | 701-328-9885 |
| PERS:                   | Sparb Collins | <a href="mailto:scollins@nd.gov">scollins@nd.gov</a> | 701-328-3900 |
| State Auditor's Office: | Ron Tolstad   | <a href="mailto:rtolstad@nd.gov">rtolstad@nd.gov</a> | 701-328-2243 |

**MEMORANDUM**

**TO: State Investment Board (SIB) Audit Committee**

**FROM: Terra Miller Bowley, Supervisor of Audit Services**

**DATE: February 20, 2015**

**SUBJECT: Third Quarter Audit Activities Update**

This memorandum provides an update regarding audit activities which have occurred from January 1, 2015 – February 20, 2015.

**Retirement Program Audit Activities**

As of February 20, 2015 three school district audits have been completed, seven school district audits are in progress, one not in compliance follow-up review has been completed and one not in compliance follow-up review is in progress. Year to date a total of ten school district audits have been completed and one not in compliance follow-up review has been completed for a total of eleven audits.

All audits with information requested via an audit notification prior to November 2014 are in progress or completed. All pending audits include information requested within the last 30 to 60 days. Audit Services is now current with regards to our audit inventory. Of special note the Williston Public School District not in compliance follow-up review has been completed. Audit Services is now focusing efforts on integrating not in compliance follow-up reviews into our ongoing audit activities.

The accurate reporting of salary to the Teacher's Fund for Retirement (TFFR) is vital to the administration of retirement benefits, therefore each year Retirement Services during the third quarter of the fiscal year undertakes an effort to verify salaries reported to TFFR for prior years. Audit Services has been asked to assist with this process. Salary reconciliations will be completed on fifty member accounts representing forty one school districts for the fiscal years 2012-2013 and 2013-2014.

GASB 68 Census Data Audit fieldwork was completed by our external audit partners January 19 – January 30, 2015. A total of seventeen school districts received on-site visits. External auditors were in the Retirement and Investment Office (RIO) on January 29, 2015. Audit Services provided in office support on the 29<sup>th</sup> and continues to field questions and provide additional information and documentation. CliftonLarsonAllen, LLC is expected to issue a final report on the Census Data Audits in the near future. Two corrections were required as a result of the Census Data Audits.

The Office of the State Auditor has completed the RFP process for the selection of an external auditor for the upcoming three years. CliftonLarsonAllen, LLC has been awarded the contract for both RIO and PERS.

### **Administrative and Investment Audits**

An Executive Limitations Audit for the calendar year 2014 was completed. As a part of this work the Executive Limitations Audit process was revamped and Audit Services believes that significant groundwork has been laid for future audits of this type.

Audit Services facilitated a second organization wide survey of employees during the second quarter. The purpose of the survey was to provide employees an opportunity to evaluate their immediate supervisor as well as other members of the management staff.

### **Professional Development Activities**

In early January of 2015 a professional development plan was approved for the Supervisor of Audit Services. The Supervisor of Audit Services will begin pursuing a Certified Internal Auditor designation as well as Certified Government Auditing Professional designation through the Institute of Internal Auditors (IIA).

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**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
EDMORE PUBLIC SCHOOL DISTRICT  
JANUARY 16, 2015**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2012/13 through 2013/14 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Schedule 1 - Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Schedule 1 - Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2012/13 through 2013/14. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2012/13 through 2013/14 reported by the Edmore Public School District are generally in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The District did not report eligible in-staff subbing pay for fourteen members.
2. The District reported salary without a written agreement for one member.
3. The District reported service hours incorrectly for two members.

**RECOMMENDATIONS AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

**Finding 1:**

The District did not report eligible in-staff subbing pay for fourteen members. Members are allowed to substitute teach during their prep period. The members are licensed teachers who have written agreements with the District for teaching and other extra-curricular duties. This error caused a shortage of contributions and the material salary amounts will be corrected. Corrections will be made to eight of the fourteen member accounts. RIO will notify the members that adjustments have been made to their account. It is the responsibility of the District to collect the contributions owed by the member. Please reference attached Schedule 1 - Primary Test and Salary Correction Worksheet.

**Finding 2:**

The District reported salary without a written agreement for one member. A written agreement can be a contract, school board minutes, or other official document evidencing a contractual relationship between a teacher and a participating employer. If written agreements are not issued to teachers from outside the District or teachers without a continuing contract with the District, the salary should not be reported. This error caused an overpayment of contributions and the material salary amount will be refunded. Corrections will be made to one member account. RIO will notify the member that adjustments have been made to their account. Please reference attached Schedule 1 - Primary Test and Salary Correction Worksheet.

**Finding 3:**

The District reported service hours incorrectly for two members. Corrections will be made to one of the two member accounts. RIO will notify the members that adjustments have been made to their account. Please reference attached Schedule 5 - Service Hours Correction.

The net amount of the contributions underpaid by the District is \$1,017.83. An invoice for the net amount of contributions due is included. Please reference attached Schedule 2 - Summary. Please provide payment for the contributions due and provide a written response on the District's intent to correct the above findings by February 27, 2015.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

  
Terra L. Miller Bowley  
Supervisor of Audit Services

Enclosures

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**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
WOLFORD PUBLIC SCHOOL DISTRICT  
JANUARY 21, 2015**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2012/13 through 2013/14 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Schedule 1 - Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Schedule 1 - Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2012/13 through 2013/14. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2012/13 through 2013/14 reported by the Wolford Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

1. The District reported ineligible substitute bus driver pay for one member.
2. The District reported service hours incorrectly for two members.

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**RECOMMENDATIONS AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/riol/TFFR/Publications](http://www.nd.gov/riol/TFFR/Publications).

**Finding 1:**

The District reported ineligible substitute bus driver pay for one member. Bus driver pay (route, extracurricular, other, etc.) is not eligible salary which is reported to TFFR. This error caused an overpayment of employer and member contributions. The overpayment caused by the error was immaterial and the member account will not be corrected. This is an isolated error as all other members included in the test sample did not have ineligible bus driver pay reported. Please reference attached Schedule 1 - Primary Test.

**Finding 2:**

The District reported service hours incorrectly for two members. Actual hours worked should be reported to TFFR for part-time and retired teachers. The member accounts will not be corrected. The part-time member has refunded out of TFFR while the retired teacher did not surpass the maximum allotted hours even with the additional hours included.

Please provide a written response on the District's intent to correct the above findings by February 27, 2015.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

  
Terra L. Miller Bowley  
Supervisor of Audit Services

Enclosures



# ND Retirement and Investment Office

Teachers' Fund for Retirement  
State Investment Board

700  
53001

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

January 29, 2015

Viola LaFontaine  
Superintendent  
Williston School District  
PO Box 1407  
Williston, ND 58802-1407

**RE: TFFR Review of 2012 Audit Findings**

Dear Ms. LaFontaine:

In 2011/12, the North Dakota Retirement and Investment Office audited the Williston School District to determine whether salaries, service hours, and members reported to TFFR were in compliance with the North Dakota Century Code. The District was found not in compliance in a report dated May 23, 2012 and District response dated June 5, 2012. For all Districts found not to be in compliance, the TFFR Board policy requires a follow-up review after the audit period to ensure that reporting procedures have been corrected.

Audit Division staff reviewed payroll records and contracts requested from the District for six members reported to TFFR in fiscal year 2012/13. After a review of salary and service hours, the audit was expanded to include fiscal year 2013/14 due to a repeat of errors found in Finding 4 and 5 of the original 2012 audit. After reviewing the requested information, the following errors were noted.

- 1) The District reported summer salary in the wrong fiscal year for one member.
- 2) The District did not issue some form of written agreement for summer salary.
- 3) An ineligible member was reported to TFFR because the District did not issue a written agreement for summer salary.
- 4) The District reported the incorrect amount of contract salary due to a programming error for two members.
- 5) The District reported service hours incorrectly for part-members.

The net amount of contributions and interest due is \$4,909.93. Please provide a written response on the District's intent to correct the above errors in future reporting to TFFR. **Return the written response along with the payment for the contributions due to the Retirement and Investment Office by February 27, 2015.**

Since all of the findings noted in the 2012 compliance audit report were not corrected during the 2012/13 and 2013/14 review, the Audit Division will conduct a comprehensive audit of TFFR reporting by the Williston School District during the 2015/16 fiscal year. Because the District was found not to be in compliance with TFFR reporting in audits or reviews in 2012 and again in 2014, we continue to be concerned that the salaries, service hours, and members reported to TFFR are not being reported accurately. These are very important factors in calculating member and employer contributions owed to TFFR and in determining eligibility and calculating members' retirement benefits. Please review and improve your TFFR reporting procedures.



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TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications). We also recommend training for District personnel. TFFR personnel will be presenting a training segment on reporting to TFFR at the North Dakota Association of School Business Managers Regional Workshops scheduled in May 2015. Tentative dates for the training are as follows: May 5<sup>th</sup> at Bismarck, May 6<sup>th</sup> at Minot, and May 7<sup>th</sup> at Fargo. Their website address is <http://ndasbm.com/>. TFFR can also schedule in-house training at our office in Bismarck for Williston personnel. For more information, please contact Shelly Schumacher or Tami Volkert. The Williston District can also obtain training from Software Unlimited for programming issues.

If you have any questions regarding this review or any TFFR reporting requirements, please contact our office.

Sincerely,



Fay Kopp  
Deputy Executive Director/  
Chief Retirement Officer  
Enclosure



Dottie Thorsen  
Auditor

c: Sally Pitcher

## Timeline for Williston Not in Compliance Review

1/7/2014- Sent notification- information is due 2/7/2014

1/21/2014 – corresponded with the District

1/22/2014- District requested a copy of the ESR.

1/27/2014- corresponded through email with the District

1/29/2014 – received information from the District (electronic)

3/20/2014 - Reviewing the information- sent correspondence that I would be out-of-town.

4/16/2014 – finished reviewing information – sent a list of questions and the information was due 4/28/2014.

5/13/2014 – had not received the information requested by 4/28/2014, sent an email to remind the District that the information was due

5/19/2014 – heard from District, set the new due date for information to 5/28/2014.

6/16/2014 – had not received information, sent a reminder to the Business Manager

6/26/2014 – sent last request letter to the Superintendent, next letter would have a fine

7/7/2014 – received information from the District

7/9/2014 – sent information again because I did not send an electronic acceptance for the information

### **Time break- working on summer audit and TFFR File Maintenance- external auditors looked at the reports**

9/16/2014 – reviewed information received, had more questions, date due 10/7/2014

9/17/2014- District corresponded, had a question about one of my questions

9/24/2014 – received some of the information

9/26/2014- reviewed the information received, had more questions

10/7/2014 – received the some of the information from the District

10/14/2014 – received the last of the information requested from the District

### **Time break- training**

12/2/2014 and 12/5 – reviewed all of the information sent, sent final questions to the District with a due date of 12/24/2014. I am writing the report, indexing, completing the audit, and giving it to Chief Retirement Officer to review.

1/5/15 - I did not receive requested information on due date, so I sent a reminder.

1/5/15 - received the information.

1/7/15 through 1/9/15 -worked on the additional information.

1/12 – 1/14/15 – finished file and gave report to Supervisor for reviewed.

1/14/15 – sent corrections to Retirement Services

1/22/15 – got completed invoice from Retirement Services at the end of the day

1/26/15 – sent email to District to set-up a conference about the errors found

1/28/15 – prepared for the conference, had the conference, talked to Supervisor  
and ESC about call, gave Administrative Services the draft report,  
updated audit file and notes

2/3/15 - report mailed

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**REPORT ON COMPLIANCE AUDIT  
FOR REPORTING AND PAYMENTS  
TO THE TEACHERS' FUND FOR RETIREMENT  
PAGE PUBLIC SCHOOL DISTRICT  
FEBRUARY 2, 2015**

**PURPOSE**

The Teachers' Fund for Retirement (TFFR) Board of Trustees, through the Retirement and Investment Office (RIO), is responsible for ensuring that required reports and payments for TFFR members are made by public school districts and other member employers. This responsibility is contained in Chapter 15-39.1, NDCC, and most specifically, section 15-39.1-23, NDCC.

An Audit Program (AP) has been established within RIO to carry out this responsibility. This AP is in conjunction with and in addition to the audit performed by RIO's external auditors. Independent reports are filed with the RIO/TFFR Management upon completion and the Audit Committee of the State Investment Board (SIB) quarterly.

**SCOPE**

This audit is designed to test the accuracy of retirement salaries and contributions reported by the employer to determine compliance with the definition of salary as it appears in NDCC 15-39.1-04(9). The employer's master contracts, employer payment plan, salary schedules, extra-curricular payment schedules, along with the individual teacher contracts, are used in the examination.

A representative sample of TFFR accounts was selected from members of the District for the 2012/13 through 2013/14 school years. For each school year under audit, member accounts were selected from the final Employer's Report of Member and Employer Contributions. Member contributions, employer contributions, and salaries reported for the selected members were examined. See Schedule 1 - Primary Test.

The Primary Test calculates the member and employer contributions due to TFFR based on the information provided by the employer. The results are then compared to the amounts actually reported by the employer for the years being audited. See Schedule 1 - Primary Test.

The Primary Test did not disclose any reporting procedure used by the District that would affect a large portion of the population for fiscal years 2012/13 through 2013/14. Therefore, the Primary Test was not expanded to include 100 percent of the members.

However, it is the policy of the TFFR Board that the time limitation applied to reporting errors shall be from the onset of the error or 36 months prior to the beginning of the current school year.

**FINDINGS**

In our opinion, for the time period covered in the audit, the retirement salaries for fiscal years 2012/13 through 2013/14 reported by the Page Public School District are in compliance with the definition of salary as it appears in NDCC 15-39.1-04 (9). The following findings were noted.

The District did not report eligible book study pay for one member.

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**RECOMMENDATIONS AND CORRECTIVE ACTION**

TFFR recommends that District personnel review the *TFFR Employer Guide* for assistance in reporting salary to TFFR. The website address is [www.nd.gov/rio/TFFR/Publications](http://www.nd.gov/rio/TFFR/Publications).

**Finding 1:**

The District did not report eligible book study pay for one member. The book study is conducted by the principal and held after school hours. Teachers in K-12 are allowed to participate. The area of focus for the 2013-2014 school year was "Differentiated Instruction". This error caused a shortage of contributions, however given the immaterial dollar amount of the error no corrections will be made to the member account. Please reference attached Schedule 1 - Primary Test.

Please provide a written response on the District's intent to correct the above findings by February 27, 2015.

The findings and recommendations in this compliance audit are based on state statutes and rules in effect during the audit period. Legislative and rule changes may occur after the audit period. Therefore, any future modifications to negotiated agreements, salary schedules, or special payments should be discussed with TFFR in advance to confirm whether amounts should be reported as eligible TFFR salary and subject to member and employer contributions. Written authorization and documentation describing the payment details will be requested in order to make eligible salary determinations.

In addition to the compliance audit, all accounts are reviewed as members notify the TFFR of their intent to retire.

Terra L. Miller Bowley  
Supervisor of Audit Services

Enclosures

## Miller-Bowley, Terra L.

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**From:** Ostroski, Jason <Jason.Ostroski@claconnect.com>  
**Sent:** Friday, February 20, 2015 3:47 PM  
**To:** Miller-Bowley, Terra L.  
**Cc:** Jensen, Kendall; Flanagan, Connie L.; Thorsen, Dorothy C.; Schumacher, Shelly A.  
**Subject:** GASB 68 Audit - Census Testing Results

Terra,

Below are the results from our testing of the census data performed as part of our audit of the schedules of allocations and pension amounts by employer.

| Employer Name          | # of Employees Tested | # of Exceptions | Cause of exception, if any  |
|------------------------|-----------------------|-----------------|---|
| New Salem-Almont       | 12                    | 0               |   |
| Glen Ullin             | 16                    | 0               |   |
| Hebron                 | 8                     | 0               |   |
| Beulah                 | 13                    | 0               |   |
| Hazen                  | 5                     | 0               |   |
| Center Stanton         | 5                     | 0               |   |
| Washburn               | 11                    | 1               | One employee eligible for TFFR was not in the CPAS system. Employer did not know that if you have a coaching contract (not a teacher), that coach is still eligible for TFFR. Stacy Boeshans (#503271). |
| Hazelton-Moffit        | 6                     | 0               |   |
| Mandan                 | 25                    | 0               |   |
| YCC                    | 13                    | 0               |   |
| Linton                 | 12                    | 1               | Jamie Richter CPAS had the wrong DOB for one employee. Cause unknown.   |
| Kidder County          | 13                    | 0               |   |
| Wing                   | 8                     | 0               |   |
| Wilton                 | 9                     | 0               |   |
| Turtle Lake - Mercer   | 11                    | 0               |   |
| Underwood              | 10                    | 0               |   |
| Bismarck Public School | 25                    | 0               |   |
| <b>TOTAL</b>           | <b>202</b>            | <b>2</b>        |   |

Please let me know if you need any additional information.

Thanks,  
Jason



Jason Ostroski, CPA, Audit Manager  
State and Local Government, CliftonLarsonAllen LLP  
Direct 410-308-8029, Mobile 410-322-9136  
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**CliftonLarsonAllen LLP**

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# MEMORANDUM

**TO: SIB Audit Committee**

**FROM: Fay Kopp, Chief Retirement Officer**

**DATE: February 20, 2015**

**SUBJ: GASB 67 & 68 Implementation Update**

Much time and effort has been spent by staff from TFFR, PERS, and the State Auditor's Office over the last year as we continue to work through the details of implementing the new GASB 67 and 68 pension reporting standards, and to educate employers, auditors, and other stakeholders about the new requirements. The goal of this joint effort was to reduce costs, reduce duplication of effort, and provide consistent reporting for the State and participating TFFR and PERS employers.

- **GASB 67 and 68 Schedules and Required Information**

Staff from TFFR and PERS worked closely with plan auditors, CliftonLarsonAllen (CLA) and plan actuary, Segal, on developing sample template note disclosures, required supplementary information, schedule of employer allocations, schedule of employer pension amounts, and other information necessary for TFFR financial statements (2014) and employer financial statements (2015). Segal provided the necessary GASB 67 information as part of the 2014 TFFR valuation report in October, and delivered GASB 68 information in November.

- **GASB 68 Employer and Auditor Training**

As reported earlier, TFFR and PERS hired Eric Berman, a governmental audit consultant from Eide Bailly, to provide employer and auditor training on the new GASB requirements. A pilot training session was held in June for a small working group of about 40 representatives of school districts, cities, counties, state, audit firms, and other interested stakeholders. Based on positive feedback from that training, we conducted GASB 68 training for all TFFR and PERS participating employers and auditors on December 11, 2014 at the Bismarck Events Center. In addition to Eric's presentation which provided a comprehensive overview of the new GASB reporting requirements, Shelly Schumacher and Sharon Schiermeister also reviewed the GASB 68 employer financial statement

information and template note disclosures, and Ron Tolstad from the State Auditor's Office reviewed information on census data audits. There was also a Q & A session with the panel. About 110 individuals attended the training session, and we again received very positive feedback. Additionally, the training was recorded, and is available on TFFR and PERS websites.

As part of TFFR presentation to the ND School Board Association in October 2014, and the ND Council of Educational Leaders in January 2015, Fay and Shelly presented GASB information and training materials.

GASB 68 training will also be provided by Shelly at statewide business manager workshops in May 2015 in Bismarck, Minot, and Fargo.

- **TFFR Website** <http://www.nd.gov/rio/TFFR/Employers/default.htm>

The TFFR website now contains a wealth of GASB related information to inform employers, auditors, and the public about new GASB reporting requirements. It includes a [GASB overview](#), [frequently asked questions](#), toolkit, implementation guide, AICPA white papers, [GASB training presentation and video](#), [GASB report from actuary](#), and [template footnote disclosure](#). We hope that these additional resources will assist employers and their auditors in understanding and implementing the new standards.

- **Employer Census Data Audits (see IA 3<sup>rd</sup> quarter update for details)**

In addition to auditing RIO's financial statements and checking GASB 67 information for our 2014 audit, TFFR's auditor, CliftonLarsonAllen (CLA), has also audited the demographic information received from employers that is included in the TFFR plan's valuation file and used to calculate the plan's net pension liability and pension expense. CLA selected a sample of 17 TFFR employers based on guidance from the AICPA. RIO's audit staff contacted employers with TFFR's request to provide payroll information to CLA. CLA conducted onsite fieldwork at the school districts in January, and we expect to receive an audit opinion on the GASB schedules in the next few weeks. Once we receive the audit opinion, we will notify employers and post the audited GASB report on the TFFR website which can then be used by employers for their 2015 financial statements.

I am very pleased with the work done by the GASB implementation planning team, with special appreciation to Shelly Schumacher, Connie Flanagan, and Terra Miller Bowley at RIO, Sharon Schiermeister and Sparb Collins at PERS, and Ron Tolstad at the State Auditor's Office. While there is more work ahead, much of the implementation planning and training is now completed. I anticipate we will be able to provide accurate and audited GASB information to TFFR employers on a timely basis. Then it's up to employers and their auditors to incorporate the information into their annual financial statements. It's a big job.

## New GASB Rules Will Impact TFFR Plan and Employers

The [Governmental Accounting Standards Board \(GASB\)](#) recently approved two new statements that will change the way a public retirement system like the North Dakota Teachers' Fund for Retirement (TFFR) discloses its pension information. All financial disclosures made by TFFR are contained in the audited financial statements in the [Comprehensive Annual Financial Report \(CAFR\)](#). TFFR is a cost-sharing multiple-employer defined benefit pension plan and serves as the retirement plan for more than 200 public employers (primarily school districts) in North Dakota.

GASB [Statement No. 67, Financial Reporting for Pension Plans](#), affects the financial statements of the TFFR plan. Statement No. 67 replaces the requirements of the existing Statement No. 25, and is effective for fiscal years beginning after June 15, 2013. TFFR will include these new requirements in the June 30, 2014 financial statements.

GASB [Statement No. 68, Accounting and Financial Reporting for Pensions](#), affects the financial statements of TFFR participating employers. Statement No. 68 replaces the requirements of Statement No. 27, and is effective for fiscal years beginning after June 15, 2014. The majority of TFFR employers will need to include the new requirements in their June 30, 2015 financial statements.

The new GASB statements are a change from the way financial disclosures have been made in the past, and TFFR will assist employers in the development of the required information. **TFFR will provide much of the required GASB 68 financial reporting information for each employer; however it is the responsibility of the employer and employer auditor to correctly incorporate the information into employer financial statements.**

The new standards relate to accounting and financial reporting issues and how pension costs and obligations are measured and reported in audited financial reports. While there has historically been a close relationship between how governments fund, account for, and report pensions, the new guidance establishes a decided shift in financial reporting for pensions from a funding-based approach to an accounting-based approach. This shift was designed to improve pension information and increase transparency, consistency, and comparability of pension information across governments.

Historically, GASB viewed an unfunded pension obligation as a liability to be reported in future financial statements, rather than as an existing liability of the employer or plan. Information about the actuarial accrued liability was disclosed in the plan's footnotes and required supplemental information on an actuarial basis.

GASB has redefined the calculation of a pension liability to value the accumulation of each employee's work to the date of the pension valuation. The total pension liability is offset by the market value of assets in the plan to arrive at the Net Pension Liability.

GASB 68 requires employers to report their proportionate share of the Net Pension Liability on their Statement of Net Position (balance sheet). For TFFR employers, each employer's proportionate share is calculated based upon the employer's payroll divided by the total payroll of all employers reported to TFFR for the past year. This calculation may fluctuate from year to year.

The calculation for pension expense for employers will also change, and deferred inflows and outflows of resources related to pensions will be reflected on the financials. There will also be substantial financial statement note disclosures and additional required supplementary information related to the employer's participation in TFFR.

It is important to note that these new reporting requirements apply only to accounting and financial reporting. They do not apply to funding, and will not be used to determine statutory contribution requirements. The new requirements will not change the actual pension liability - only where and how pension costs are accounted for in financial statements.

The new requirements will not necessarily reflect the financial condition of a governmental entity because a pension liability cannot be made immediately due and payable to plan beneficiaries. In an instance where there might be a surplus attributable to the pension plan, the assets ultimately belong to the employees, retirees, and beneficiaries of the plan and not to the governmental employer. The assets cannot be used for any purpose other than to pay retirement distributions to employees once they are eligible to receive them.

# **GASB Statement 68 Q & A**

The Governmental Accounting Standards Board (GASB) recently issued Statement 68, Accounting and Financial Reporting for Pensions, which substantially changes the accounting and financial reporting of pensions for TFFR employers.

Here are answers to some frequently asked questions about this new reporting standard.

## **1) What is GASB?**

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for U.S. state and local governments. The GASB is recognized by governments, the accounting industry, and the capital markets as the official source of generally accepted accounting principles (GAAP) for state and local governments. The GASB is not a government entity but is a private sector not-for-profit entity recognized as the oversight body of accounting in the United States.

## **2) When does this new standard go into effect?**

Statement No. 68 replaces most of the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. This reporting requirement applies to the GAAP-based financial statements of employers and is effective for fiscal years beginning after June 15, 2014.

## **3) Does the new GASB 68 standard affect both GAAP and non-GAAP based employer financial statements?**

Statement No. 68 reporting requirements apply to GAAP-based financial statements. Employers that do not prepare GAAP based financial statements should contact their auditor to discuss the requirements of this new standard.

## **4) Why did GASB make this reporting change?**

GASB-68 was developed to improve the decision-usefulness of information in employer financial reports and to enhance its value for assessing accountability and inter-period equity by requiring recognition of the net pension liability and pension expense, along with new note disclosures and required supplementary information. The consistency and transparency of the information reported by employers about pension transactions will be improved. Previous GASB rules provided a standard that measured funding ratios and defined annual contributions needed to maintain healthy funding. New rules no longer provide that funding standard but merely tell governments how to account for and report pension costs.

## **5) What does this new standard mean for employers?**

Each employer is part of one pension trust fund at TFFR. GASB will now require, for purposes of governmental financial reporting, that a proportionate share of the plan's net pension liability (calculated as the actuarially determined total pension liability offset by the market value of assets available to pay pensions) of the pension trust fund at TFFR be shown on the face of each employer's financial statements. Similarly, a proportionate share of the total pension expense and collective deferred inflows of resources and deferred outflows of resources of the pension trust fund at TFFR will also be shown on the face of each employer's financial statements. In addition, these standards will require employers to include additional footnote disclosures about the pension trust fund in their financial statements.

## **6) What's wrong with showing this information more prominently?**

Transparency and disclosure are good, but it's important to provide context for the numbers. The presence on local government or school district balance sheets of a large number representing unfunded pension costs could give the incorrect impression that employers/taxpayers have an immense debt that must be paid immediately, in one year. This is not the case. Pension costs are amortized or paid off over long periods – much like home mortgages. Like a home owner who makes manageable monthly payments and pays down the mortgage debt over time, this is what governments do when they make regular contributions to the retirement system.

## **7) Won't people be alarmed if pension costs loom large on employer balance sheets?**

They shouldn't be. The net pension liability number required by GASB on employer balance sheets will reflect a liability that's amortized or paid down over many years and therefore not "due in full" in the fiscal year during which the number is reported. The pension liability amount reported on the employer balance sheet will represent the employer's proportionate share of liabilities and will be paid down by employers' annual contributions to the pension funds over many years. Again, the net pension liability is similar to a home mortgage as a liability to be managed and paid over time with assets either currently available or to be received in the future.

## **8) Is this pension liability due and payable immediately?**

No. The net pension liability is unlike most other liabilities and debts reported on an employer's Statement of Net Position (balance sheet), in that it is not immediately due and cannot be paid off under any accelerated schedule. Contribution rates are set in statute. As a result, an employer would not be able to remit payment, in addition to their statutory contribution amount, for their proportionate share of the net pension liability in order to remove this liability from their financial statements.

**9) How do the new GASB standards affect a pension plan's funded ratio?**

They don't. GASB standards have nothing to do with statutory funding requirements of TFFR. The new rules only address *accounting and financial reporting* for pension expenses, not how to fund them.

**10) Will these changes affect the amount of contributions sent to TFFR?**

No. Only the North Dakota Legislature has the power to change the member and employer contribution rates through the statutes that govern TFFR. Although a proportionate share of the collective net pension liability is shown on the face of each employer's financial statements, contribution requirements to TFFR are not impacted by this change.

**11) Does the new GASB Statement establish requirements for how governments should fund their pensions?**

No. The new reporting standard breaks the link between actuarial funding and financial reporting for pensions. Previous GASB standards for pension plans included an annual required contribution (ARC) and reporting of payments toward the ARC. This measured the plan's funding of the pension obligation. The new standards consider only how systems account for and report the net pension liability, pension expense and related deferred inflows of resources and deferred outflows of resources.

**12) Is the employer liable for the pension liability that will be recorded on the employer financial statements under GASB 68?**

GASB 68 requires that for accounting purposes only, the entities that are actually making the pension contributions (i.e. school districts, cities, counties, or state) are required to report their proportionate share of the collective net pension liability in their financial statements, regardless of whether the entities are legally required to fund the plan. The ND state legislature has the authority to set member and employer contribution rates, and employers are liable for paying those contributions required by law.

**13) Will the new GASB Statement affect an employer's bond rating?**

While we cannot speak for rating agencies, it is important to note that rating agencies have been aware of the funding policies and status of governmental pension plans. They have historically incorporated that information into their analysis of a government's ability to meet its debt obligations.

**14) What steps is TFFR taking to reduce the collective net pension liability of the pension trust fund?**

The financial crisis of 2008-09 resulted in a significant reduction in TFFR's investment portfolio, which brought into question the sustainability of the system. In response, the TFFR Board of

Trustees engaged stakeholders throughout North Dakota to gather input and develop a legislative proposal to improve TFFR's funded status. The plan included member and employer contribution increases, and benefit changes for certain non-grandfathered and new members of the plan. The plan was studied by the Legislative Employee Benefits Programs Committee during the 2010 interim, and given a favorable recommendation. The plan (HB 1134) was then carefully considered and approved by the 2011 Legislature, and signed by the Governor. Time is needed for the changes made to show positive funding results. With the contribution and benefit changes, plus 8% investment returns in the future, TFFR's funded level is projected to reach 80-100% in 20-30 years. A long term focus is important in financing pensions. Due to legislative action, TFFR's long term funding outlook is positive, and benefits are secure for past, present, and future ND educators.

**15) Will TFFR provide net pension liability and other pension-related amounts to assist employers with GASB Statement No. 68?**

Yes, TFFR will provide several calculated items to assist employers. These items will be at the employer level including: net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense amounts. The information for the prior fiscal year ended June 30, will be available the following March on the TFFR website. Although TFFR will provide most of the needed financial information, it will be the employer and employer's auditor's responsibility to correctly incorporate the information into the employer's financial statements.

**16) Will TFFR provide the allocation percentage necessary to derive an employer's proportionate share of the collective net pension liability and other collective pension-related amounts?**

Yes, TFFR will prepare a schedule of employer allocation percentages and schedule of employer pension amounts on an annual basis. These schedules will be audited by TFFR's auditors to ensure the employers are receiving accurate information.

**17) What is the basis used for calculating the employers' allocation percentages?**

TFFR will calculate the allocation percentage using the actual covered payroll reported by the employer for that year.

**18) Will employers need to maintain amortization schedules for deferred outflows of resources and deferred inflows of resources?**

No. TFFR's actuary will maintain amortization schedules for pension-related information at the employer level.

**19) Will TFFR assist employers with the note disclosures required by the new reporting standards?**

Yes. TFFR will provide a template footnote disclosure document which employers can choose to use. The template will include the plan information required and guidance on where to draw the information the employer auditor needs to enter. The template will also be available on the plan's website.

**20) In the note disclosure template provided by the pension plan, the employer is required to disclose any employer contributions paid subsequent to the measurement date. Should the amount of employer contributions include any employer paid member contributions?**

No. The employer contributions referred to in the disclosure notes and required supplemental information should only be the TFFR employer contribution (currently 12.75%) and should not include any employer paid member contributions under employer payment model 2 or 3.

**21) Who will audit the employer payroll and employee data?**

TFFR plan auditors will test the payroll and employee census data at the employer level. This data will be tested on a risk basis. Not all employers will be tested annually or on a certain schedule. TFFR will contact the employer prior to the census data audit.

**22) Do ND state agencies that participate in TFFR need to comply with the new reporting standards?**

Yes. If the state agency issues its own financial statements, the agency must implement the changes in Statement 68. However, if the state agency does not issue its own financial statements, the state agency may still be audited by the TFFR plan auditor as part of the census data audit testing requirements. Contact Ron Tolstad (701-328-2243) at the State Auditor's Office to discuss implications on your agency.

## Glossary

**Net Pension Liability (NPL)**—Each employer’s share of the unfunded liability (Total Pension Liability minus the Pension Plan’s Fiduciary Net Position) associated with their employees who participate in TFFR.

**Discount Rate**—A blended or single rate (expressed as a percentage) that reflects (1) the long-term expected rate of return on pension plan investments to the extent (a) this rate will support projected benefit payments of the plan, and, (b) assets will be invested using the current allocation targeted to achieve that return, and (2) for the period of benefit payments not supported, will incorporate an index rate for 20-year tax-exempt municipal bonds.

**Employer’s Proportion**—A measure of the proportionate relationship of an employer of a cost-sharing pension plan like TFFR to all employers of the plan.

**Pension Expense**—Represented by changes in TFFR’s Net Pension Liability, recognized in the current reporting period. There are some exceptions that include changes due to differences between expected and actual experience, changes in economic and demographic assumptions, and the difference between projected and actual earnings on pension plan investments.

**Pension Plan’s Fiduciary Net Position**—TFFR’s plan net assets at market value.

**Proportionate Shares**—Measures of the collective Net Pension Liability, collective Pension Expense and other disclosure items of the plan related to pensions—attributable to a specific employer, based on the Employer’s Proportion.

**Total Pension Liability**—The portion of the actuarial present value of projected benefit payments (reflecting projected service and anticipated salary increases) that is attributed to past periods of TFFR member service, similar to current Actuarial Accrued Liability (AAL), determined under the Entry Age Actuarial Cost Method, calculated using the Discount Rate.

*Disclaimer: The GASB Statement 68 Q & A information provided by the North Dakota Teachers’ Fund for Retirement (TFFR) is intended to provide general guidance. The information does not constitute, and should not be treated as, professional advice.*

North Dakota Teachers' Fund for Retirement  
North Dakota Public Employees Retirement System  
North Dakota State Auditor's Office



GASB-68 Implementation Town Hall Meeting  
December 2014



CPAs & BUSINESS ADVISORS

# A brief overview of the defined benefit pension provisions of GASB-68



FINANCIAL SERVICES



# Some Basic Definitions of Defined Benefit Plans – just an introduction

- **PERS and TFFR are both Cost Sharing Multiple – Employer Plans – what are they?**
  - A plan that includes more than one employer
  - Assets and liabilities are pooled
  - All assets are available to pay for all benefits
- Most common statewide plans nationwide



# Overview of the New GASB Requirements

- GASB 67 replaced existing guidance for pension plans contained in GASB-25
  - Financial statements are similar presenting, assets, deferred outflows of resources, liabilities, deferred inflows of resources, plan net position, additions, deductions and changes in net position
  - Full set of notes on plan operations, investments, actuarial information.
  - Required supplementary information
  - Some cost-sharing multiple employer plans presenting additional supplementary information on allocations to employers – not required
  - Both TFFR and PERS have implemented GASB 67 successfully and timely



# Overview of the New GASB Requirements

- GASB 68 provides for financial reporting by employers (replaces old GASB 27)
  - “Employers” are the entities making the contributions (e.g., State, Cities, Counties, School Districts, etc.)
- Net Pension Liability reported on each employer’s balance sheet and in each Plan’s notes to the financial statements
  - Entry age cost method calculates the liability using a blended discount rate
  - Offset by Market value of assets
- Accounting and financial reporting divorced from contribution requirements
- Annual pension expense (for employers) is essentially equal to change in Net Pension Liability during the year, with deferrals of certain items

# Why the Change Occurred

## **Focus on FINANCIAL REPORTING not operations**

- GASB establishes accounting and financial reporting standards, not funding policies
- Focus on pension obligation, changes in obligation, and attribution of expense
- **Therefore – converting from modified cash to full accrual basis**
  - Many employers operate on a cash / modified cash / modified accrual basis for budgetary operations
  - Existing note disclosure contains minimal pension information
  - Existing Required supplementary information is not on a full accrual basis
  - Employers with law not requiring GAAP will have minimal changes under GASB-68

## **Assume Governments Last Longer than 1 year Unlike Businesses**

- Cost of services to long-term operation
- “Interperiod equity” matches current period resources and costs

# Why the Change Occurred

## **Use Federal Guidance (US DOL / SSA) on Who is an Employee and Who they Work For**

- Employer incurs an obligation to its employees for pension benefits
- Transaction is in context of a career-long relationship
- **Therefore – EMPLOYER has reporting and not plan**

## **Pressure from the user community for better disclosure**

- Bond holders and rating agencies have largely had to build their own models for pension calculations / disclosure
- Public interest research groups have focused on the full cost of government including post-employment benefits in recent years
- *Proposed* model for changing retiree health care (OPEB) financial reporting is similar



# 4 Big Deals

1. **Brand New Net Pension Liability** (or asset) on the face of the employer's statement of net position *based on allocations made by Plans*
2. **Brand New Pension Expense** in statement of activities based on allocations made by plan with *potential further allocations* to funds
  - Has nothing to do with funding / contributions
3. **Brand New Note Disclosure**
4. **Brand New Required Supplementary information**



# Big Deal #1 – Brand New Net Pension Liability (or asset)

1. **Brand New Net Pension Liability** (or asset) on the face of the employer's statement of net position
  - Potential pension information in enterprise funds
  - Any current payable amounts to plans in governmental funds
  - Liability is a function of discount rate – more assets to pay benefits for longer period of time, higher rate
    - PERS / TFFR currently at 8%
  - Simple equation
    - Market value of pension assets held in trust at measurement date – less
    - Total pension liability



# Big Deal #1 -Actual Net Pension Liability – June 30, 2014 Per Segal (in thousands) (*unaudited*)

|   | PERS Main               | TFFR                      |
|---|-------------------------|---------------------------|
| Total Pension Liability at 8.00%                              | \$2,846,580             | \$3,138,800               |
| Net Plan Position (i.e., MVA)                                 | <u>(2,211,859)</u>      | <u>(2,090,977)</u>        |
| Net Pension Liability (NPL)                                   | <b><u>\$634,721</u></b> | <b><u>\$1,047,823</u></b> |
| Plan Fiduciary Net Position as a % of Total Pension Liability | <u>77.7%</u>            | <u>66.6%</u>              |
| <b>Sensitivity to changes in discount rate</b>                |                         |                           |
| • 1% decrease (7.00%)   | \$978,928               | \$1,414,755               |
| • Current discount rate (8.00%)                               | <b>634,721</b>          | <b>1,047,823</b>          |
| • 1% increase (9.00%)   | <b>346,917</b>          | <b>739,222</b>            |

- NPL is calculated for each Plan in total
- Each employer is assigned a share of the NPL, based on contribution data



## Big Deal #2 – Brand New Pension Expense

- **No change will occur in contribution rates *solely* due to implementation of GASB-68**
  - Old pension expense is based explicitly on an statutory rates
  - The ARC, which is the “annual required contribution”
    - Even though is not required to be contributed!
  - Based on established practices for managing contribution volatility
    - Asset smoothing and UAAL amortization
  - The ARC served as a de facto funding standard
- New GASB pension expense is the change in NPL each year, with deferred recognition of only certain elements
  - ARC Specifically not intended to be a funding target or standard
- Allocation of Pension Expense to Employers will be different from cash outflow to Plans



# Big Deal #2 – Brand New Pension Expense

- Changes in Total Pension Liability that are recognized (i.e., expensed) immediately—no deferrals allowed
  - Service cost – pensionable compensation x rate
  - + Annual interest on the TPL
  - - Projected investment returns over the year
  - + / - All plan amendments
- Immediate recognition of all plan amendments, whether for actives or retirees
  - Probably different from funding
- Changes in assumptions / demographics *may* be immediate expense *or* amortized over remaining service of covered employees



# Big Deal #2 – Brand New Pension Expense

- Summary of New Pension Expense Components in table below – a great *communication tool* to decision-makers
- Changes in the employer’s Net Pension Liability will be recognized in pension expense more quickly – could be confusing

| Source of Change in the Net Pension Liability                           | Current Standards     |  | New Standards         |  |  |
|---|-----------------------|--|-----------------------|--|--|
|   | Expense               | Deferral   | Expense               | Deferral   |  |
| Service Cost  | Immediate             | None   | Immediate             | None   |  |
| Interest on the TPL   | Immediate             | None   | Immediate             | None   |  |
| Projected Investment Earnings   | Immediate             | None   | Immediate             | None   |  |
| Changes in Benefit Terms  | Initial period amount | Amortization over a period up to 30 years (closed or open) | Immediate             | None   |  |
| Changes in Assumptions  |                       |  | Initial period amount | Expense over average remaining service period of actives and inactives |  |
| Differences between Assumed and Actual Economic and Demographic Factors |                       |  |                       | Expense over 5-year closed period                                      |  |
| Differences between Projected and Actual Earnings                       |                       |  | Immediate             | None   |  |
| Other Changes in the NPL  |                       |  | Immediate             | None   |  |



# Big Deal #2 Brand New Pension Expense - What Does it All Mean?

- Fiscal folk in the room will have some explaining to do to decision – makers
  - Decision – makers are used to compensation x statutory rate OR rate per employee
  - Budget and funding only a component of expense
  - **Suggestion – use the following slide to insert a schedule in MD&As to translate from annual contributions to annual expense as follows...**



# A Possible Way to Translate for Decision-makers

| Statutory Contributions   |  |
|---|--|
| <b>Adjustments for annual amortizations of:</b>   |  |
| Actuarial differences between payroll based contributions and GASB-68 expense, as well as recording of deferred inflows and outflows of resources |  |
| Current year Amortization of prior differences between actual and expected experience   |  |
| Changes in assumptions  |  |
| Current year amortization of prior differences between projected and actual earnings on plan investments  |  |
| Changes in proportion and differences between contributions and proportionate share of contributions  |  |
| Contributions subsequent to measurement date recognized as deferred outflows of resources (GASB-71)   | <i>Will need to be calculated by District*</i> |
| <b>Pension Expense</b>  |  |

**\*GASB-71 requires adjustment of expense for contributions after measurement date – see later**



# Actual Pension Expense for FYE June 30, 2014 per Segal (in thousands) (*unaudited*)

|   | PERS Main | TFFR      |
|---|-----------|-----------|
| Service cost  | \$91,683  | \$56,751  |
| Interest on the Total Pension Liability   | 213,342   | 237,821   |
| Projected earnings on plan investments  | (152,171) | (145,453) |
| Member contributions  | (65,623)  | (58,589)  |
| Recognized portion of current-period difference between expected and actual experience                            | 4,378     | 1,335     |
| Recognized portion of current-period difference between projected and actual earnings on pension plan investments | (30,975)  | (29,759)  |
| Administrative expense  | 2,169     | 1,586     |
| Pension expense (benefit) for FYE 6/30/2014   | \$62,803  | \$63,694  |

*Totals may not add due to rounding*



# Could Pension Expense Ever Be Negative?

- YES!
  - Key #1 - If fiduciary net position (level of assets) rises faster than level of total pension liability – could be a net benefit to employers
  - Key #2 - Demographics –
    - Younger demographics – longer amortizations of changes in plan
    - Amortization of investment return differences will be faster than demographic changes
  - Key #3 – large sustained increase in interest rates over discount rate
- Result - Amortizations of prior deferrals could release more negative expense (to the good) than positive expense (to the bad)



# Big Deal #2 – Brand New Pension Expense - continued

- Current standards are simple
  - Pension expense is equal to the statutorily required contribution
    - No “ARC” on financial statements
  - “Balance sheet” only presents the sum of the difference (if any) since 1988 between the statutorily required contribution and the actual contribution – currently \$0
  - Unfunded actuarial accrued liability is not reported at all on employers’ statements



## Big Deal #2 – Brand New Pension Expense – continued - Accounting for Cost-Sharing

- Recognize proportionate share of *the plan's* total
  - Net Pension Liability
  - Pension Expense
  - Deferred Inflows and Deferred Outflows Positions

**NONE of these are to be reported on the plan financial statements due to employer : employee exchange of work for compensation**



# Big Deal #2 – Brand New Pension Expense – continued - Impact on Employers - Summary

- Each employer must disclose their proportionate share of:
  - Net Pension Liability (Asset)
  - Pension expense
  - Deferred outflows of resources and deferred inflows of resources related to pensions
  
- For both PERS Main and TFFR, the proportionate share is allocated based on covered payroll
  - PERS Main proportionate share allocations range from 0.000962% to 2.532988%, State is 56.152315%.
  - TFFR proportionate share allocations range from 0.000687% to 10.894306%



# Proportionate Share of Accounting Elements – PERS Main System per Segal (in thousands) (unaudited)

|  | Total     | State<br>Employees | Large<br>Employer | Small<br>Employer |
|--|-----------|--------------------|-------------------|-------------------|
| Payroll  | \$842,379 | \$473,015          | \$21,337          | \$8               |
| NPL/Proportionate Share                        | 634,721   | 356,411            | 16,077            | 6                 |
| <b>Sensitivity to changes in discount rate</b> |           |                    |                   |                   |
| • 1% decrease (7.00%)                          | \$978,928 | \$549,691          | \$24,796          | 9                 |
| • Current discount rate (8.00%)                | 634,721   | 356,411            | 16,077            | 6                 |
| • 1% increase (9.00%)                          | 346,917   | 194,802            | 8,787             | 3                 |
| Pension Expense/Proportionate Share            | \$62,803  | \$35,265           | \$1,591           | \$0.6             |
| Deferred Outflows of Resources                 | 24,957    | 14,013             | 632               | \$0.2             |
| Deferred Inflows of Resources                  | (154,875) | (86,966)           | (3,923)           | (1)               |



# Proportionate Share of Accounting Elements – TFFR per Segal (in thousands) (unaudited)

|  | Total       | Large District | Small District |
|--|-------------|----------------|----------------|
| Covered Payroll                                | \$580,053   | \$43,480       | \$4            |
| NPL/Proportionate Share                        | 1,047,823   | \$78,543       | \$7            |
| <b>Sensitivity to changes in discount rate</b> |             |                |                |
| • 1% decrease (7.00%)                          | \$1,414,755 | \$106,047      | \$10           |
| • Current discount rate (8.00%)                | 1,047,823   | 78,543         | \$7            |
| • 1% increase (9.00%)                          | 739.222     | 55,411         | \$5            |
| Pension Expense/Proportionate Share            | \$63,694    | \$4,774        | \$0.44         |
| Deferred Outflows of Resources                 | 8,012       | 601            | \$0.06         |
| Deferred Inflows of Resources                  | (119,035)   | (8,923)        | (\$0.82)       |



# Big Deal #3 Brand New Note Disclosure

- **Information is being developed by the plan in a “template”**
- Descriptive Plan Information
  - Name of the Pension Plan
  - Identification as Single Employer/Agent Plan/Cost Sharing Plan and the Plan Administrator
  - Benefit Terms (classes of employees covered, types of benefits, key elements of the pension formula, automatic COLAs, authority under which benefit terms are established)
  - Brief description of Contribution Requirements
  - Whether the pension plan issues a standalone financial report or included part of another government entity.



# Big Deal #3 Brand New Note Disclosure

- Discount Rate Disclosures
  - Discount Rate applied and change from last measurement date.
  - Assumptions about projected cash flows related to the pension plan including contributions from employers, non-employers and employees.
  - Long-term expected rate of return and how it was determined.
  - Municipal bond rate used and source of that rate.
  - Breakdown of how projected benefit payments are allocated between those applied to the long-term expected rate of return and municipal bond rate to arrive at the discount rate.
  - Assumed Asset Allocation and long-term expected rate of return applied to each asset class.
  - NPL calculated using a discount rate that is +/-1% than stated Discount Rate



# Big Deal #3 Brand New Note Disclosure

## Significant Assumptions

- Inflation
- Salary Changes
- Ad Hoc post-employment benefit changes (COLA)
- Mortality Assumptions/Source of Assumptions (i.e. published mortality table/experience study)
- Dates of the Experience Study



# Big Deal #4 Brand New Required Supplementary Information

- **Schedule 1:**
  - **10 Year** – Employer’s Proportionate Share (% , Amount) of Collective NPL, Covered Employee Payroll, Net Pension Liability as a % of Employee Covered Payroll, Pension Plans Net Position as % of TPL
- **Schedule 2:**
  - **10 Year** - Statutory/Contractual Contributions to Actual Contributions and Payroll
- **Note disclosure to RSI**
- Existing information ends this year
  - Some plans / employers considering keeping it as a supplementary schedule for comparability –
    - Not required and **may confuse readers**



# Effective Date and Transition Issues

- **Plans** – Done
- **Employers** – Fiscal years *beginning after* June 15, 2014
  - December 31 employers would be 1/1/15
- Prior period adjustments will likely take place for a number of years as deferred positions become clarified
- RSI
  - If data is unknown at transition – must include a text box on each schedule explaining why – similar to GASB-54



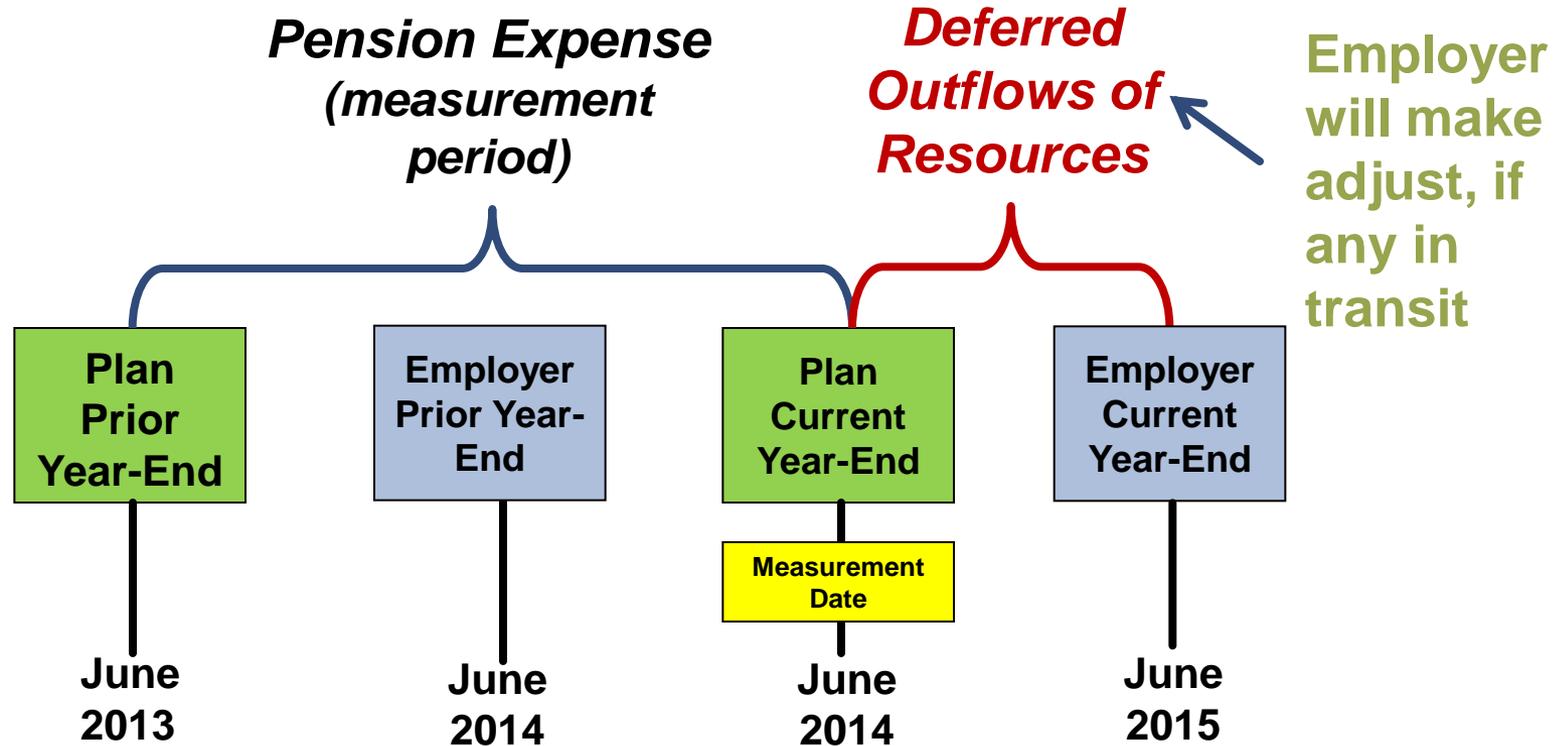
# Key Dates

- Potentially 3 different dates we need to think about
  - Employer fiscal year-end
  - Measurement date (of NPL)
    - As of date no earlier than end of prior fiscal year
    - Both components (TPL/plan net position) as of the same date
  - Actuarial valuation date (of TPL)
    - If not measurement date, as of date no more than 30 months (+1 day) prior to FYE
    - Actuarial valuations at least every 2 years (more frequent valuations encouraged)
      - **PERS and TFFR are annual valuations**
- Coordination with pension plan



# Timing of Measurement of Total Pension Liability

## 6/30 Example



Measurement date will most likely correspond to year-end of plan. Employer contributions made directly by the employer subsequent to the measurement date of the net pension liability and before the end of the employer's fiscal year should be recognized as a deferred outflow of resources.



# Example of Adjust After Year End

- The measurement date of TFFR is June 30, 2014. From July 1, 2014 to June 30, 2015, the next measurement date of TFFR is not until June 30, 2015 and will not be released in time for employers to issue 2015 financial statements **but can be used for 2016 financial statements under GAAP.**
- **Adjust is from 7/1/14 to 6/30/15**

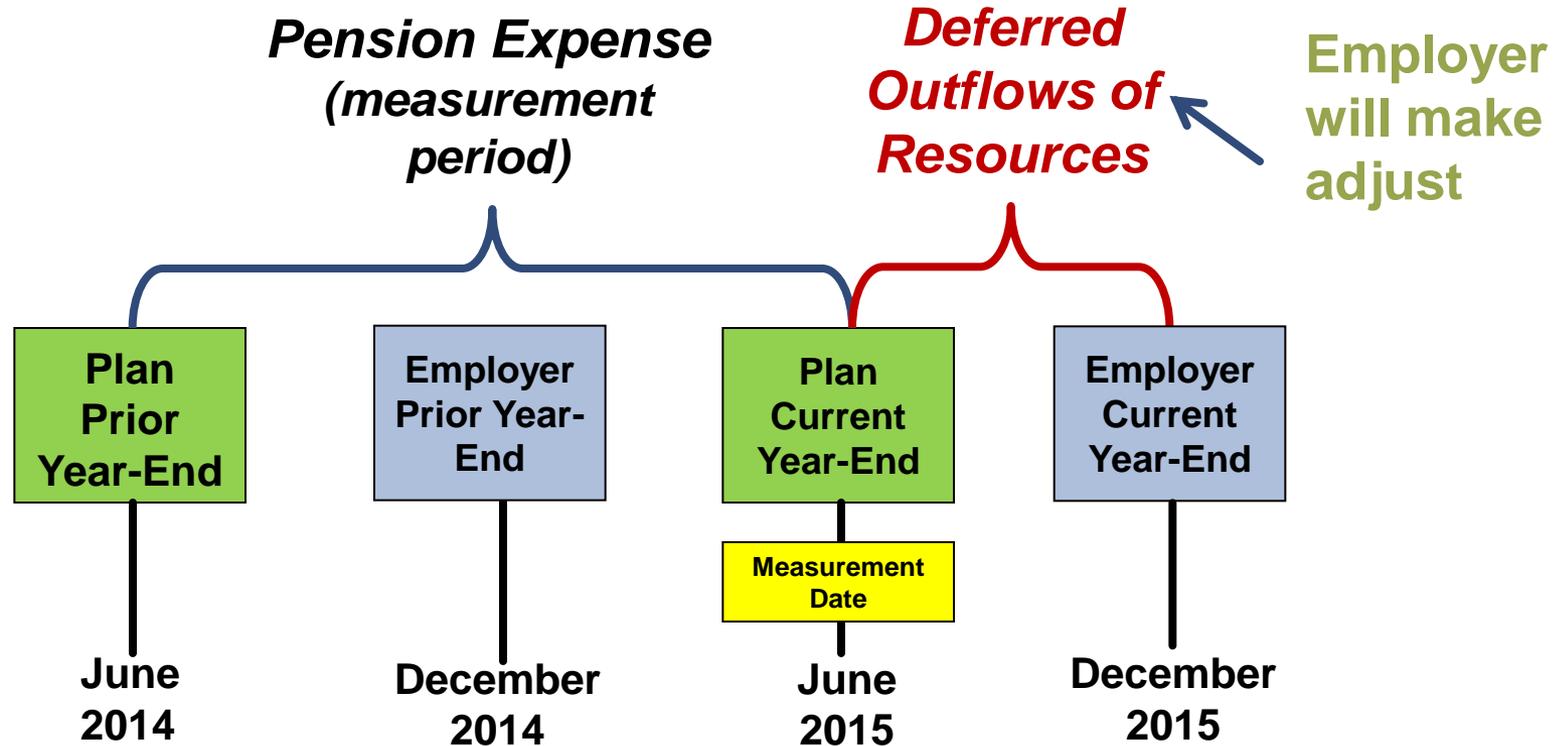
| Debit / Credit | Accounts                       | Amounts     |             |
|----------------|--------------------------------|-------------|-------------|
| Debit          | Deferred Outflows of Resources | \$#,###,### |             |
| Credit         | Pension Expense                |             | \$#,###,### |

- On July 1, 2015, reverse the transaction
- Similar structure (different numbers) annually after



# Timing of Measurement of Total Pension Liability

## 12/31 year end



Measurement date will most likely correspond to year-end of plan. Employer contributions made directly by the employer subsequent to the measurement date of the net pension liability and before the end of the employer's fiscal year should be recognized as a deferred outflow of resources.



# Example of Adjust After Year End 12/31 Employer

- The measurement date of **PERS** is June 30, 2015. From January 1, 2015 to December 31, 2015 – report is done on a timely basis
- ***Adjust for contributions made after measurement date (7/1/15-12/31/15)***

| Debit / Credit | Accounts                       | Amounts     |             |
|----------------|--------------------------------|-------------|-------------|
| Debit          | Deferred Outflows of Resources | \$#,###,### |             |
| Credit         | Pension Expense                |             | \$#,###,### |

- On January 1, 2016, reverse the transaction
- Similar structure (different numbers) annually

# Census Data Audits



FINANCIAL SERVICES



# Census Data to Be Audited

- Key census data
  - Date of birth
  - Gender (male or female)
  - Date of hire or years of service
  - Date of termination or retirement
  - Marital status
  - Spouse date of birth
  - *Eligible* compensation (may NOT equal W-2s, especially in higher education)
  - Employment status
- Auditing census data
  - Active employees
  - Inactive/retired
- Resolving exceptions

The auditor must test the reliability and completeness of the census data provided to the actuary.

# Cost Sharing Employers

- 2 White Papers published by AICPA
  - Census data testing
  - Plan reporting to employers
- Census data testing would be **based on risk**
  - Testing coordinated by plan auditor
    - Employers > 20% of plan active employees tested annually
    - Between 5% and 20% - tested every 5 years **Any?**
    - Less than 5% - tested every 10 years **but some tested annually to get comfort**
    - Very small employers may never get tested – immaterial
  - Report is an attestation report



## Cost-Sharing Plan Issues

- Audited plan financial statements don't give participating employers everything they need
- AICPA whitepapers at

<http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/GASBMATTERS/Pages/default.aspx>

Remember – these are “best practices”



# Cost-Sharing Plan Issues – Solutions provided by AICPA

- Plan provides supplemental “schedule of employer allocations” for which plan auditor is engaged to provide opinion

Note: Above not required by standard, but other alternatives create inconsistency and additional audit burden



# Cost-Sharing Plan Issues – Solutions Provided by AICPA

- Plan provides supplemental “schedule of plan pension amounts by employer” for which plan auditor engaged to provide opinion
  - Supplemental schedule showing the following amounts by employer
    - Net pension liability
    - Deferred outflows (by category)
    - Deferred inflows (by category)
    - Pension expense



# Cost-Sharing Plan - Employer Auditor Considerations

- Evaluate plan auditor's report on supplemental schedules (AU-C 805)
  - If plan auditor doesn't report on, evaluate necessary audit procedures
- Test amounts in schedules relating to employer
- Test census data?
- Additional procedures as considered necessary
- Objective - sufficient appropriate audit evidence

# Key Concerns and Decisions Made by TFFR and PERS



FINANCIAL SERVICES

# Key Questions and Decisions Made

| Key Question   | Decisions Made  |
|--|---|
| Timing of information  | TFFR and PERS will have annual GASB 68 information posted to plan websites by March 1 (i.e. June 30, 2014 information <b>will be available March 1, 2015 so employers <u>will likely use the prior year information</u></b> ).  |
| Who will be responsible for information                        | The pension plans and the employers <b>share responsibility</b> . TFFR and PERS will provide much of the required pension information. However, it will be the employer and employer auditor's responsibility to correctly incorporate the information into the employer's financials.            |
| What's the basis of allocation and to how many decimal places? | TFFR and PERS have selected actual covered payroll to determine the employer allocation percentages. Each retirement plan will use the number of decimal places needed to allocate the total NPL down to an immaterial amount (i.e. 6 decimal places after % or xx.xxxxxx% for 2014 information). |

# Key Questions and Decisions Made

| Key Question  | Decisions Made  |
|---|---|
| Will Plan prepare “templates” for employers with basic financial statement information / note disclosure / RSI? | Yes. TFFR, PERS, and plan actuary will prepare this information and make it available to employers annually on the plan’s websites.         |
| Who / When will auditing of census data take place?   | TFFR and PERS plan auditors plan to conduct the census data audits between August and January of each year.                                 |
| Who / When will auditing of “templates” take place?   | Employer’s auditor will review note disclosure as part of the financial statement audits  |
| Who / When will auditing of Employer Allocation Schedule and Schedule of Pension Amounts take place?            | TFFR and PERS plan auditors will audit these two schedules prior to the schedules being made available to employers on the plan’s websites. |



## Key Questions - Employers

- Employers are ultimately responsible for amounts disclosed in basic financial statements, required supplementary information and information contained in the notes to the basic financial statements
- Cost-sharing multiple-employer plans
  - Obtain amounts and disclosures for the financials
  - Evaluating accuracy of information
  - What work will my auditors need to do?



## Key Questions- Employer's Auditors

- Timing of information needed for audit
- Role in evaluating actuarial assumptions
- Need to engage auditor's specialist?
- Will plan engage auditors to provide assurance on employer information?
- Did plan auditors engage a specialist?
- Qualifications of plan auditor
- Implementation concerns (timing, resources)
- Sufficient appropriate audit evidence for unmodified opinion?



# Talking Points to Your Decision Makers / Media

- Remember the 3 C's
  - **Consistent** messaging
  - **Concise** information (not data)
  - **Calm** not chaos
- **Talking points**
  - GASB Pension standards are for financial reporting, not overall decision-making or funding
    - But may drive changes in decisions in the future
  - Transparency in financials are increasing due to new standards
  - New financial statements reflect economic reality rather than historical cash flow
  - The plan is NOT changing solely due to new standards
  - Coordination and administration are being done very conservatively at the state level

# Questions!



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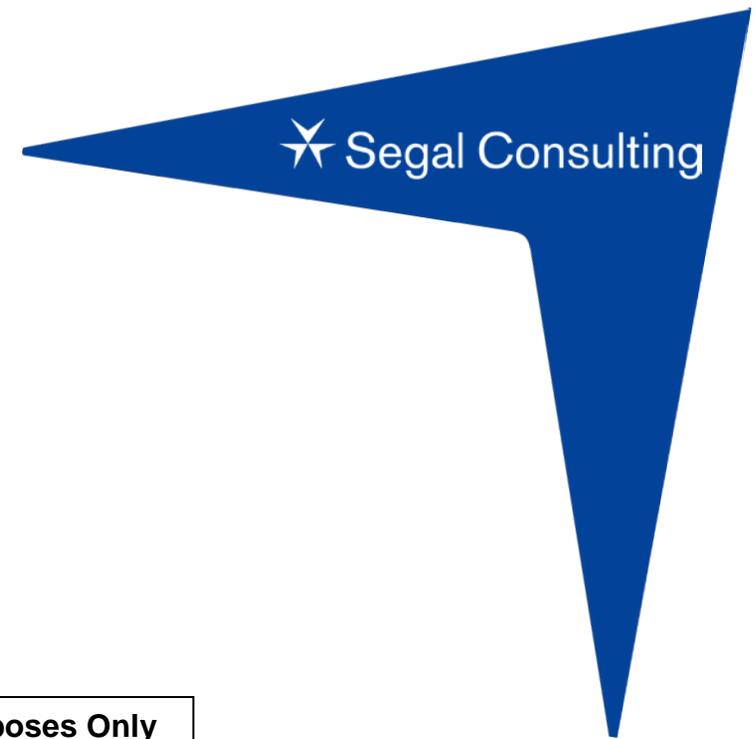
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# North Dakota Teachers' Fund for Retirement

Governmental Accounting Standards Board (GASB)  
Statement Nos. 67 and 68  
Actuarial Valuation as of July 1, 2014

**Unaudited – For Training Purposes Only**





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T 312.984.8500 www.segalco.com

*November 14, 2014*

*Board of Trustees*

*North Dakota Teachers' Fund for Retirement*

*1930 Burnt Boat Drive, P.O. Box 7100*

*Bismarck, ND 58507-7100*

*Dear Trustees:*

*We are pleased to submit the following report intended to be used for satisfying certain reporting requirements by Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 as of June 30, 2014.*

*This report was prepared in accordance with generally accepted actuarial principles and practices. The census and financial information on which our calculations were based was supplied by the staff of the Retirement and Investment Office. That assistance is gratefully acknowledged. The actuarial calculations were completed under the supervision of Matthew Strom, FSA, MAAA, Enrolled Actuary.*

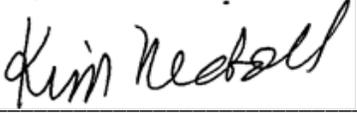
*The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.*

*We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Fund.*

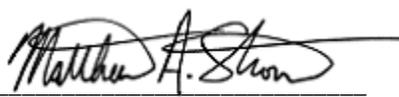
*We look forward to reviewing this report with you and to answering any questions.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

By: 

*Kim Nicholl, FSA, EA, MAAA  
Senior Vice President and Actuary*



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

## SECTION 1

### VALUATION SUMMARY

|  |     |
|--|-----|
| Purpose .....                                | i   |
| Significant Issues in Valuation<br>Year..... | i   |
| Summary of Key Valuation<br>Results.....     | iii |

## SECTION 2

### GASB 67 AND 68 INFORMATION

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## SECTION 3

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## SECTION 1: Valuation Summary for the North Dakota Teachers' Fund for Retirement

---

### Purpose

This report has been prepared by Segal Consulting to present certain disclosure information required by Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 as of June 30, 2014. This valuation is based on:

- The benefit provisions of the Fund, as administered by the Board;
- The characteristics of covered active members, terminated vested members, and retired members and beneficiaries as of July 1, 2014;
- The assets of the Fund as of June 30, 2014;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

### Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. Statement 67 is effective with the fiscal year ending June 30, 2014, for Plan reporting. Statement 68 is effective with the fiscal year ending June 30, 2015, for employer reporting. The information contained in this valuation is intended to be used (along with other information) in order to comply with both Statements 67 and 68.
- It is important to note that the new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Plans can still develop and adopt funding policies under current practices.
- When measuring pension liability for GASB purposes, the same actuarial cost method (Entry Age method) is used to determine the funded status of the Plan, the actuarially determined contribution rate, and the effective amortization period. In addition, the GASB blended discount rate calculation results in the same discount rate (expected return on assets) as used for funding purposes. This means that the total pension liability (TPL) measure for financial reporting shown in this report is determined on the same basis as the actuarial accrued liability (AAL) measure for funding.

## SECTION 1: Valuation Summary for the North Dakota Teachers' Fund for Retirement

---

- The net pension liability (NPL) is equal to the difference between the TPL and the plan fiduciary net position. The plan fiduciary net position is equal to the market value of assets and therefore, the NPL measure is very similar to an unfunded actuarial accrued liability (UAAL) on a market value basis. The NPL decreased from \$1.16 billion as of June 30, 2013, to \$1.05 billion as of June 30, 2014. Changes in these values during the prior fiscal year ending June 30, 2014, can be found in Exhibit 3.
- The discount rate used to determine the TPL and NPL was 8.00% as of both June 30, 2014 and 2013. The detailed calculations used in this derivation were provided under separate cover. Various information that is required to be disclosed can be found throughout Section 2 and Section 3.

## SECTION 1: Valuation Summary for the North Dakota Teachers' Fund for Retirement

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### Summary of Key Valuation Results

---

**2014**

---

#### Disclosure elements for fiscal year ending June 30:

|  |               |
|--|---------------|
| Service cost   | \$56,751,722  |
| Total pension liability  | 3,138,799,773 |
| Plan fiduciary net position  | 2,090,977,056 |
| Net pension liability  | 1,047,822,717 |
| Plan fiduciary net position as a percentage of total pension liability | 66.6%         |

---

#### Schedule of contributions for fiscal year ending June 30:

|                                      |              |
|--------------------------------------|--------------|
| Actuarially determined contributions | \$59,513,485 |
| Actual contributions                 | 62,355,146   |
| Contribution deficiency (excess)     | (2,841,661)  |

---

#### Demographic data as of July 1:

|                                       |        |
|---------------------------------------|--------|
| Number of retirees and beneficiaries  | 7,747  |
| Number of inactive vested members     | 1,509  |
| Number of inactive non-vested members | 661    |
| Number of active members              | 10,305 |

---

#### Key assumptions:

|                            |  |
|----------------------------|--|
| Discount rate              | 8.00%                                  |
| Inflation rate             | 3.00%                                  |
| Projected salary increases | 4.50% to 14.75%,<br>varying by service |
| Investment rate of return  | 8.00%                                  |

---

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

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**EXHIBIT 1**

**Membership Data**

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|                                   | <u><b>July 1, 2014</b></u> |
|-----------------------------------|----------------------------|
| Retired members and beneficiaries | 7,747                      |
| Vested inactive members           | 1,509                      |
| Non-vested inactive members       | 661                        |
| Active members:                   |                            |
| Vested                            | 7,406                      |
| Non-vested                        | <u>2,899</u>               |
| Total active members              | 10,305                     |
| Total membership                  | 20,222                     |

---

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**Active Membership By Plan Eligibility**

---

|                          | <u><b>July 1, 2014</b></u> |
|--------------------------|----------------------------|
| Tier 1 Grandfathered     | 3,240                      |
| Tier 1 Non-grandfathered | 3,395                      |
| Tier 2                   | <u>3,670</u>               |
| Total active membership  | 10,305                     |

---

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

**EXHIBIT 2**

**Net Pension Liability**

The components of the net pension liability are as follows:

|   | <u>June 30, 2014</u>   | <u>June 30, 2013</u>   |
|---|------------------------|------------------------|
| Total pension liability   | \$3,138,799,773        | \$2,997,139,087        |
| Plan fiduciary net position   | <u>(2,090,977,056)</u> | <u>(1,839,583,960)</u> |
| <b>Net pension liability</b>  | <b>\$1,047,822,717</b> | \$1,157,555,127        |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>66.6%</b>           | 61.4%                  |

*Plan provisions.* The plan provisions used in the measurement of the net pension liability are the same as those used in the actuarial valuation as of July 1, 2014.

*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of July 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation                  | 3.00%   |
| Salary increases           | 4.50% to 14.75%, varying by service, including inflation and productivity |
| Investment rate of return  | 8.00%, net of investment expenses   |
| Cost-of-living adjustments | None  |

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR.

The long-term expected investment rate of return assumption 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

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

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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:

| <b>Asset Class</b>  | <b>Target Allocation</b> | <b>Long-Term Expected Real Rate of Return</b> |
|---------------------|--------------------------|---|
| Global Equities     | 57%                      | 7.53%   |
| Global Fixed Income | 22%                      | 1.40%   |
| Global Real Assets  | 20%                      | 5.38%   |
| Cash Equivalents    | <u>1%</u>                | 0.00%   |
| <b>Total</b>        | 100%                     |   |

*Discount rate:* The discount rate used to measure the total pension liability was 8.00% as of June 30, 2014. 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, 2014, 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, 2014. 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, 2014.

Supporting documentation for these projections can be provided upon request.

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

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*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability as of June 30, 2013, and June 30, 2014, calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

|   | <b>1% Decrease<br/>(7.00%)</b> | <b>Current<br/>Discount Rate<br/>(8.00%)</b> | <b>1% Increase<br/>(9.00%)</b> |
|---|--------------------------------|--|--------------------------------|
| Net pension liability as of June 30, 2013 | \$1,511,142,356                | \$1,157,555,127                              | \$860,669,595                  |
| Net pension liability as of June 30, 2014 | \$1,414,755,083                | \$1,047,822,717                              | \$739,221,908                  |

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

**EXHIBIT 3**

**Schedule of Changes in Net Pension Liability**

|   | <b>2014</b>                   |
|---|-------------------------------|
| <b>Total pension liability</b>  |                               |
| Service cost  | \$56,751,722                  |
| Interest  | 237,820,894                   |
| Change of benefit terms   | 0                             |
| Differences between expected and actual experience                                | 9,347,346                     |
| Changes of assumptions  | 0                             |
| Benefit payments, including refunds of employee contributions                     | <u>(162,259,276)</u>          |
| <b>Net change in total pension liability</b>                                      | <b>\$141,660,686</b>          |
| <b>Total pension liability – beginning</b>  | <u><b>2,997,139,087</b></u>   |
| <b>Total pension liability – ending (a)</b>                                       | <u><b>\$3,138,799,773</b></u> |
| <b>Plan fiduciary net position</b>  |                               |
| Contributions – employer  | \$62,355,146                  |
| Contributions – member  | 56,554,767                    |
| Contributions – purchased service credit  | 2,034,289                     |
| Contributions – other   | 47,766                        |
| Net investment income   | 294,246,449                   |
| Benefit payments, including refunds of employee contributions                     | (162,259,276)                 |
| Administrative expense  | <u>(1,586,045)</u>            |
| <b>Net change in plan fiduciary net position</b>                                  | <b>\$251,393,096</b>          |
| <b>Plan fiduciary net position – beginning</b>                                    | <u><b>1,839,583,960</b></u>   |
| <b>Plan fiduciary net position – ending (b)</b>                                   | <u><b>\$2,090,977,056</b></u> |
| <b>Net pension liability – ending (a) – (b)</b>                                   | <u><b>\$1,047,822,717</b></u> |
| <b>Plan fiduciary net position as a percentage of the total pension liability</b> | <b>66.6%</b>                  |
| <b>Actual covered employee payroll</b>  | <b>\$580,053,235</b>          |
| <b>Plan net pension liability as percentage of covered employee payroll</b>       | <b>180.6%</b>                 |

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

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**EXHIBIT 4**

**Schedule of Employer Contributions**

---

| <b>Year Ended<br/>June 30</b> | <b>Actuarially<br/>Determined<br/>Contributions</b> | <b>Contributions in<br/>Relation to the<br/>Actuarially<br/>Determined<br/>Contributions</b> | <b>Contribution<br/>Deficiency (Excess)</b> | <b>Actual<br/>Covered Employee<br/>Payroll</b> | <b>Contributions as<br/>a Percentage of<br/>Covered Employee<br/>Payroll</b> |
|-------------------------------|---|--|---|--|--|
| 2013                          | \$52,396,153  | \$59,300,720   | \$(6,904,567)                               | \$551,655,590                                  | 10.75%   |
| 2014                          | 59,513,485  | 62,355,146   | (2,841,661)                                 | 580,053,235                                    | 10.75%   |

---

**SECTION 2: GASB 67 and 68 Information for North Dakota Teachers' Fund for Retirement**

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**Notes to Exhibit 4**

---

|   |  |
|---|--|
| <b>Valuation date</b>   | Actuarially determined contribution rates are calculated as of June 30, with appropriate interest to the middle of the fiscal year.  |
| <b>Methods and assumptions used to establish "actuarially determined contribution" rates:</b> |  |
| <b>Actuarial cost method</b>  | Entry Age Actuarial cost method  |
| <b>Amortization method</b>  | Level percentage of pay, closed  |
| <b>Remaining amortization period</b>  | 29 years as of July 1, 2014.<br><br>The amortization of unfunded actuarial accrued liability (UAAL) within the actuarially determined contribution rate calculation is based on the level percentage of pay required to amortize the UAAL over the 30-year closed period that began July 1, 2013. For this calculation, payroll is assumed to increase 3.25% per year. |
| <b>Asset valuation method</b>   | The market value of assets with a five-year phase-in of actual 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).  |
| <b>Actuarial assumptions:</b>   |  |
| Investment rate of return   | 8.00%, net of all expenses   |
| Inflation rate  | 3.00%  |
| Projected salary increases  | 4.50% to 14.75%, varying by service, includes inflation and productivity   |
| Mortality   | Healthy: 80% of GRS Table 378 and 75% of GRS Table 379, with active rates equal to these rates multiplied by 60% for males and 40% for females.<br><br>Disabled: RP-2000 Disabled-Life tables for Males and Females, multiplied by 80% and 95%, respectively.  |
| <b>Other assumptions:</b>   | Same as those used in the July 1, 2014, and July 1, 2013, actuarial funding valuations.  |

---

**SECTION 3: Additional Information for GASB 68 for North Dakota Teachers' Fund for Retirement**

Changes in the collective net pension liability from the beginning of the year to the end of the year arise from the net difference between changes in the total pension liability and plan fiduciary net position that occurred during the year. Changes in net pension liability will be recognized immediately as pension expense, or reported as deferred outflows of resources related to pensions or deferred inflows of resources related to pensions, depending on the nature of the change.

Differences between actual and expected investment-related experience are recognized over a closed five-year period. Differences between actual and expected non-investment-related experience and changes of assumptions are recognized over the average of the expected remaining service lives of all members who are provided with pensions through the pension plan (active employees and inactive employees). The amounts below that are not included in pension expense for the current year are included in deferred outflows of resources or deferred inflows of resources related to pensions.

**EXHIBIT A**

**Reconciliation of Collective Net Pension Liability**

|   | Increase/(Decrease)               |                                       |                                       |
|---|-----------------------------------|---------------------------------------|---------------------------------------|
|   | Total Pension<br>Liability<br>(a) | Plan Fiduciary<br>Net Position<br>(b) | Net Pension<br>Liability<br>(a) – (b) |
| <b>Balances at beginning of year</b>                          | \$2,997,139,087                   | \$1,839,583,960                       | \$1,157,555,127                       |
| <b>Changes for the year</b>                                   |                                   |                                       |                                       |
| Service cost  | 56,751,722                        |                                       | 56,751,722                            |
| Interest  | 237,820,894                       |                                       | 237,820,894                           |
| Differences between expected and actual experience            | 9,347,346                         |                                       | 9,347,346                             |
| Contributions – employer                                      |                                   | 62,355,146                            | (62,355,146)                          |
| Contributions – member  |                                   | 56,554,767                            | (56,554,767)                          |
| Contributions – purchased service credit                      |                                   | 2,034,289                             | (2,034,289)                           |
| Contributions – other   |                                   | 47,766                                | (47,766)                              |
| Net investment income   |                                   | 294,246,449                           | (294,246,449)                         |
| Benefit payments, including refunds of employee contributions | (162,259,276)                     | (162,259,276)                         | 0                                     |
| Administrative expense  |                                   | (1,586,045)                           | 1,586,045                             |
| Changes of assumptions  |                                   |                                       | 0                                     |
| Change of benefit terms                                       |                                   |                                       | 0                                     |
| <b>Net changes</b>  | <u>141,660,686</u>                | <u>251,393,096</u>                    | <u>(109,732,410)</u>                  |
| <b>Balances at end of year</b>                                | <u>\$3,138,799,773</u>            | <u>\$2,090,977,056</u>                | <u>\$1,047,822,717</u>                |

**SECTION 3: Additional Information for GASB 68 for North Dakota Teachers' Fund for Retirement**

As shown in Exhibit A, the change in net pension liability due to differences between expected and actual demographic experience is an increase of \$9,347,346. The average expected remaining service lives of all members is 7 years, determined as of July 1, 2013. Therefore, of the \$9,347,346 experience loss, \$1,335,335 is recognized in pension expense in the current year and \$8,012,011 is reflected as a deferred outflow of resources related to pensions.

Based on the assumed investment return of 8.00%, the expected net investment income for the year was \$145,452,583. As shown in Exhibit A, the actual net investment income for the year was \$294,246,449. The difference between actual and expected investment experience is a decrease in net pension liability of \$148,793,866, which is recognized over a 5-year period. Of this amount, \$29,758,773 is reflected in the current year and \$119,035,093 is reflected as a deferred inflow of resources related to pensions.

**EXHIBIT B**

**Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

|                       | <b>Year<br/>Established</b> | <b>Original<br/>Balance</b> | <b>Original<br/>Amortization<br/>Period</b> | <b>Amortization<br/>Amount</b> | <b>Outstanding<br/>Balance at<br/>June 30, 2014</b> |
|-----------------------|-----------------------------|-----------------------------|---|--------------------------------|---|
| <b>Outflows</b>       |                             |                             |   |                                |   |
| Demographic           | 2014                        | \$9,347,346                 | 7 years                                     | \$1,335,335                    | \$8,012,011   |
| <b>Total outflows</b> |                             |                             |   | <b>\$1,335,335</b>             | <b>\$8,012,011</b>                                  |
| <b>Inflows</b>        |                             |                             |   |                                |   |
| Investment            | 2014                        | \$148,793,866               | 5 years                                     | \$29,758,773                   | \$119,035,093                                       |
| <b>Total inflows</b>  |                             |                             |   | <b>\$29,758,773</b>            | <b>\$119,035,093</b>                                |

**SECTION 3: Additional Information for GASB 68 for North Dakota Teachers' Fund for Retirement**

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**EXHIBIT B (continued)**

**Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

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At June 30, 2014, deferred outflows of resources and deferred inflows of resources related to pensions are:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Difference between expected and actual experience                                   | \$8,012,011                               | \$0                                      |
| Changes of assumptions  | 0   | 0  |
| Net difference between projected and actual earnings<br>on pension plan investments | <u>-</u>                                  | <u>119,035,093</u>                       |
| Total   | <u>\$8,012,011</u>                        | <u>\$119,035,093</u>                     |

Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:

| <b>Year Ended June 30:</b> |                |
|----------------------------|----------------|
| 2015                       | (\$28,423,438) |
| 2016                       | (28,423,438)   |
| 2017                       | (28,423,438)   |
| 2018                       | (28,423,438)   |
| 2019                       | 1,335,335      |
| Thereafter                 | 1,335,335      |

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**SECTION 3: Additional Information for GASB 68 for North Dakota Teachers' Fund for Retirement**

Exhibit C below shows the individual components of collective pension expense, which totaled \$63,693,584 for the fiscal year that ended June 30, 2014.

Annual pension expense for the year can also be viewed as the change in net pension liability, plus employer and other contributions for the year, less the change in outstanding balances of deferred outflows and deferred inflows of resources from the end of the prior fiscal year to end of the current fiscal year. From Exhibit A, the change in net pension liability during the year was (\$109,732,410) and employer and other non-member contributions were \$62,355,146 and \$47,766, respectively. The net value of deferred outflows and deferred inflows of resources as of the end of the current fiscal year is (\$111,023,082) compared to the net value as of the end of the prior fiscal of \$0, for a change of (\$111,023,082). Therefore, the pension expense for the fiscal year that ended June 30, 2014, is  $(\$109,732,410) + \$62,355,146 + \$47,766 - (\$111,023,082)$ , or \$63,693,584.

**EXHIBIT C**

**Collective Pension Expense**

|   | <b>Fiscal Year<br/>Ending<br/>June 30, 2014</b> |
|---|---|
| <b>Components of pension expense</b>  |   |
| Service cost  | 56,751,722                                      |
| Interest on the total pension liability   | 237,820,894                                     |
| Projected earnings on plan investments  | (145,452,583)                                   |
| Contributions – member  | (56,554,767)                                    |
| Contributions – purchased service credit  | (2,034,289)                                     |
| Administrative expense  | 1,586,045                                       |
| Current year recognition of:  |   |
| Changes of assumptions  | 0   |
| Difference between expected and actual experience                               | 1,335,335                                       |
| Difference between projected and actual earnings on<br>pension plan investments | (29,758,773)                                    |
| Change of benefit terms   | <u>0</u>  |
| <b>Total pension expense</b>  | <u><b>\$63,693,584</b></u>                      |

### **SECTION 3: Additional Information for GASB 68 for North Dakota Teachers' Fund for Retirement**

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TFFR is classified as a cost-sharing multiple-employer defined benefit pension plan for GASB accounting purposes. As specified in GASB 68, employers that participate in TFFR are required to recognize their proportionate share of the collective pension amounts for all benefits provided through the Fund. Pension amounts to be recognized by employers include the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense. In addition, the effects of (1) a change in the employer's proportion of the collective net pension liability and (2) differences during the measurement period between the employer's contributions and its proportionate share of the total of contributions from employers included in the collective net pension liability are required to be determined and recognized.

The basis of an employer's allocation of the collective pension amounts should be consistent with the manner in which contributions to the plan are determined. Since contributions to TFFR are collected as a percentage of payroll, covered employee payroll for the fiscal year ending June 30, 2014, is used as the proportionate share allocation basis. Retirement and Investment Office staff supplied covered employee payroll for each employer.

The net effect of the change on an employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average of the expected remaining service lives of all members who are provided with pensions through TFFR. For this initial implementation of GASB 68, the same proportionate share allocation basis was used for June 30, 2013, and June 30, 2014. As a result, there are no changes in any employer's proportionate share of the total net pension liability during the measurement period ended June 30, 2014.

In addition, the difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended June 30, 2014, is recognized over the same period. However, since TFFR contributions are collected on the same basis as the proportionate share allocation, there is no difference between the actual employer contributions and the proportionate share of the employer contributions.

Exhibits D and E that follow show the proportionate share information for employers of TFFR for the fiscal year ending June 30, 2014.

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**EXHIBIT D**  
**Schedule of Employer Allocations**

| Employer Name                             | Covered<br>Employee Payroll | Employer's<br>Proportionate<br>Share Allocation |
|---|-----------------------------|---|
| Alexander School                          | \$ 830,899                  | 0.143245%                                       |
| Anamoose School                           | 618,769                     | 0.106675%                                       |
| Apple Creek Elem School                   | 338,460                     | 0.058350%                                       |
| Ashley School                             | 877,146                     | 0.151218%                                       |
| Bakker Elem School                        | 33,500                      | 0.005775%                                       |
| Barnes County North                       | 1,681,343                   | 0.289860%                                       |
| Beach School                              | 2,056,674                   | 0.354566%                                       |
| Belcourt School                           | 7,783,579                   | 1.341873%                                       |
| Belfield Public School                    | 1,270,974                   | 0.219113%                                       |
| Beulah School                             | 3,233,309                   | 0.557416%                                       |
| Billings Co. School Dist.                 | 730,500                     | 0.125937%                                       |
| Bismarck Public Schools                   | 61,729,312                  | 10.642008%                                      |
| Bismarck State College                    | 31,287                      | 0.005394%                                       |
| Blessed John Paul II Catholic Sch Network | 30,583                      | 0.005272%                                       |
| Bottineau School                          | 3,517,441                   | 0.606400%                                       |
| Bowbells School                           | 506,559                     | 0.087330%                                       |
| Bowman School                             | 2,588,190                   | 0.446199%                                       |
| Burke Central School                      | 834,871                     | 0.143930%                                       |
| Burleigh County Spec. Ed.                 | 67,427                      | 0.011624%                                       |
| Carrington School                         | 2,652,356                   | 0.457261%                                       |
| Cavalier School                           | 1,975,331                   | 0.340543%                                       |
| Center Stanton School                     | 1,318,874                   | 0.227371%                                       |
| Central Cass School                       | 3,318,777                   | 0.572150%                                       |
| Central Elementary School                 | 60,675                      | 0.010460%                                       |
| Central Valley School                     | 1,213,536                   | 0.209211%                                       |
| Dakota Prairie School                     | 1,642,062                   | 0.283088%                                       |
| Devils Lake School                        | 9,920,576                   | 1.710287%                                       |
| Dickinson School                          | 15,053,043                  | 2.595114%                                       |
| Divide School                             | 2,153,799                   | 0.371311%                                       |
| Drake School                              | 531,426                     | 0.091617%                                       |
| Drayton School                            | 1,073,296                   | 0.185034%                                       |
| Dunseith School                           | 2,417,614                   | 0.416792%                                       |
| E Central Ctr Exc Childn                  | 753,226                     | 0.129855%                                       |
| Earl Elem. School                         | 30,500                      | 0.005258%                                       |
| Edgeley School                            | 1,159,504                   | 0.199896%                                       |
| Edmore School                             | 636,310                     | 0.109699%                                       |
| Eight Mile School                         | 1,194,837                   | 0.205987%                                       |
| Elgin-New Leipzig School                  | 956,798                     | 0.164950%                                       |
| Ellendale School                          | 1,704,838                   | 0.293911%                                       |
| Emerado Elementary School                 | 532,695                     | 0.091836%                                       |
| Enderlin Area School District             | 1,798,257                   | 0.310016%                                       |
| Fairmount School                          | 938,411                     | 0.161780%                                       |
| Fargo Public Schools                      | 63,192,777                  | 10.894306%                                      |
| Fessenden-Bowdon School                   | 890,345                     | 0.153494%                                       |
| Finley-Sharon School                      | 1,089,511                   | 0.187829%                                       |
| Flasher School                            | 1,051,427                   | 0.181264%                                       |
| Fordville Lankin School                   | 543,046                     | 0.093620%                                       |
| Fort Ransom Elem School                   | 151,858                     | 0.026180%                                       |
| Fort Totten School                        | 1,527,893                   | 0.263406%                                       |
| Fort Yates School                         | 1,016,294                   | 0.175207%                                       |
| Gackle-Streeter Pub Sch                   | 714,480                     | 0.123175%                                       |
| Garrison School                           | 2,037,409                   | 0.351245%                                       |
| Glen Ullin School                         | 988,078                     | 0.170343%                                       |
| Glenburn School                           | 1,490,810                   | 0.257013%                                       |
| Goodrich School                           | 276,766                     | 0.047714%                                       |
| Grafton School                            | 3,993,377                   | 0.688450%                                       |
| Grand Forks School                        | 41,737,522                  | 7.195464%                                       |
| Great North West Cooperative              | 127,950                     | 0.022058%                                       |
| Grenora School                            | 969,771                     | 0.167187%                                       |
| Griggs County Central Sch                 | 1,687,790                   | 0.290972%                                       |
| Gst Educational Services                  | 1,444,577                   | 0.249042%                                       |
| Halliday School                           | 414,542                     | 0.071466%                                       |
| Hankinson School                          | 1,553,754                   | 0.267864%                                       |
| Harvey School                             | 2,087,474                   | 0.359876%                                       |
| Hatton Eielson Psd                        | 1,055,272                   | 0.181927%                                       |
| Hazelton - Moffit School                  | 764,749                     | 0.131841%                                       |
| Hazen School                              | 2,578,459                   | 0.444521%                                       |
| Hebron School                             | 1,090,884                   | 0.188066%                                       |

**EXHIBIT D**  
**Schedule of Employer Allocations**

| <b>Employer Name</b>                   | <b>Covered Employee Payroll</b> | <b>Employer's Proportionate Share Allocation</b> |
|--|---------------------------------|--|
| Hettinger School                       | 1,534,952                       | 0.264623%  |
| Hillsboro School                       | 2,120,182                       | 0.365515%  |
| Hope School                            | 589,222                         | 0.101581%  |
| Horse Creek Elem. School               | 34,500                          | 0.005948%  |
| James River Multidistrict Spec Ed Unit | 1,132,973                       | 0.195322%  |
| Jamestown School                       | 12,587,748                      | 2.170102%  |
| Kenmare School                         | 1,704,244                       | 0.293808%  |
| Kensal School                          | 374,636                         | 0.064586%  |
| Kidder County School District          | 2,129,282                       | 0.367084%  |
| Killdeer School                        | 2,322,433                       | 0.400383%  |
| Kindred School                         | 2,927,266                       | 0.504655%  |
| Kulm School                            | 1,025,716                       | 0.176831%  |
| Lake Region Spec Ed                    | 1,676,302                       | 0.288991%  |
| Lakota School                          | 1,137,076                       | 0.196030%  |
| Lamoure School                         | 1,398,670                       | 0.241128%  |
| Langdon Area School                    | 1,954,383                       | 0.336932%  |
| Larimore School                        | 2,067,930                       | 0.356507%  |
| Leeds School                           | 1,000,320                       | 0.172453%  |
| Lewis And Clark School                 | 2,355,419                       | 0.406069%  |
| Lidgerwood School                      | 1,084,728                       | 0.187005%  |
| Linton School                          | 1,579,946                       | 0.272379%  |
| Lisbon School                          | 3,216,870                       | 0.554582%  |
| Litchville-Marion School               | 806,940                         | 0.139115%  |
| Little Heart Elem. School              | 93,871                          | 0.016183%  |
| Logan County                           | 3,989                           | 0.000688%  |
| Lone Tree Elem. School                 | 194,193                         | 0.033479%  |
| Lonetree Spec Ed Unit                  | 138,100                         | 0.023808%  |
| Maddock School                         | 916,807                         | 0.158056%  |
| Mandan Public Schools                  | 16,362,090                      | 2.820791%  |
| Mandaree School                        | 1,603,025                       | 0.276358%  |
| Manning Elem School                    | 67,756                          | 0.011681%  |
| Marvel Elem. School                    | 734,118                         | 0.126560%  |
| Maple Valley School                    | 1,535,009                       | 0.264632%  |
| Mapleton Elem. School                  | 624,849                         | 0.107723%  |
| Marmarth Elem. School                  | 152,312                         | 0.026258%  |
| Max School                             | 1,064,424                       | 0.183505%  |
| May-Port C-G School                    | 2,419,251                       | 0.417074%  |
| Mcclusky School                        | 730,071                         | 0.125863%  |
| Mckenzie County                        | 52,000                          | 0.008965%  |
| Mckenzie County School                 | 4,451,391                       | 0.767411%  |
| Medina School                          | 915,109                         | 0.157763%  |
| Menoken Elem School                    | 115,900                         | 0.019981%  |
| Midkota                                | 1,000,510                       | 0.172486%  |
| Midway School                          | 1,333,369                       | 0.229870%  |
| Milnor School                          | 1,393,821                       | 0.240292%  |
| Minnewaukan School                     | 1,613,737                       | 0.278205%  |
| Minot School                           | 40,092,868                      | 6.911929%  |
| Minto School                           | 1,065,255                       | 0.183648%  |
| Mohall Lansford Sherwood               | 2,215,188                       | 0.381894%  |
| Montpelier School                      | 658,564                         | 0.113535%  |
| Morton County                          | 25,882                          | 0.004462%  |
| Mott-Regent School                     | 1,438,836                       | 0.248052%  |
| Mt Pleasant School                     | 1,438,971                       | 0.248076%  |
| Munich School                          | 750,564                         | 0.129396%  |
| N Central Area Career And Tech Center  | 137,820                         | 0.023760%  |
| Napoleon School                        | 1,390,415                       | 0.239705%  |
| Naughton Rural School                  | 65,511                          | 0.011294%  |
| Nd Center For Distance Education       | 881,057                         | 0.151892%  |
| Nd Dept Of Public Instruction          | 110,191                         | 0.018997%  |
| Nd School For Blind                    | 641,824                         | 0.110649%  |
| Nd School For Deaf                     | 811,734                         | 0.139941%  |
| Nd United                              | 293,459                         | 0.050592%  |
| Nd Youth Correctional Cnt              | 1,131,369                       | 0.195046%  |
| Nedrose School                         | 1,301,671                       | 0.224405%  |
| Nelson County                          | 10,607                          | 0.001829%  |
| Nesson School                          | 1,343,679                       | 0.231647%  |
| New England School                     | 1,087,601                       | 0.187500%  |
| New Public School                      | 1,995,103                       | 0.343952%  |

**EXHIBIT D**  
**Schedule of Employer Allocations**

| <b>Employer Name</b>                   | <b>Covered Employee Payroll</b> | <b>Employer's Proportionate Share Allocation</b> |
|--|---------------------------------|--|
| New Rockford Sheyenne School           | 1,627,943                       | 0.280654%  |
| New Salem-Almont                       | 1,546,941                       | 0.266689%  |
| New Town School                        | 3,778,325                       | 0.651376%  |
| Newburg United District                | 581,064                         | 0.100174%  |
| North Border School                    | 2,649,367                       | 0.456746%  |
| North Sargent School                   | 1,188,780                       | 0.204943%  |
| North Star                             | 1,428,747                       | 0.246313%  |
| North Valley Area Career               | 587,647                         | 0.101309%  |
| Northern Cass School Dist              | 2,377,286                       | 0.409839%  |
| Northern Plains Spec Ed                | 188,004                         | 0.032412%  |
| Northwood School                       | 1,293,641                       | 0.223021%  |
| Oakes School                           | 1,900,372                       | 0.327620%  |
| Oberon Elem School                     | 437,642                         | 0.075449%  |
| Oliver - Mercer Spec Ed                | 853,576                         | 0.147155%  |
| Page School                            | 666,813                         | 0.114957%  |
| Park River Area School District        | 1,995,232                       | 0.343974%  |
| Parshall School                        | 1,649,224                       | 0.284323%  |
| Peace Garden Spec Ed                   | 437,889                         | 0.075491%  |
| Pembina Spec Ed Coop                   | 167,922                         | 0.028949%  |
| Pingree - Buchanan School              | 759,383                         | 0.130916%  |
| Pleasant Valley Elem                   | 16,653                          | 0.002871%  |
| Powers Lake School                     | 938,531                         | 0.161801%  |
| Richardton-Taylor                      | 1,543,307                       | 0.266063%  |
| Richland School                        | 1,504,994                       | 0.259458%  |
| Robinson School                        | 70,620                          | 0.012175%  |
| Rolette County                         | 3,984                           | 0.000687%  |
| Rolette School                         | 1,027,903                       | 0.177208%  |
| Roosevelt School                       | 382,597                         | 0.065959%  |
| Roughrider Area Career And Tech Center | 159,749                         | 0.027540%  |
| Roughrider Service Program             | 87,133                          | 0.015021%  |
| Rugby School                           | 2,904,445                       | 0.500720%  |
| Rural Cass Spec Ed                     | 999,887                         | 0.172379%  |
| Sargent Central School                 | 1,323,924                       | 0.228242%  |
| Sawyer School                          | 795,679                         | 0.137173%  |
| Scranton School                        | 1,001,196                       | 0.172604%  |
| Se Region Career And Tech              | 1,257,571                       | 0.216803%  |
| Selfridge School                       | 785,386                         | 0.135399%  |
| Sheyenne Valley Area Voc               | 673,958                         | 0.116189%  |
| Sheyenne Valley Spec Ed                | 1,480,286                       | 0.255198%  |
| Slope County                           | 22,792                          | 0.003929%  |
| Solen - Cannonball School              | 1,643,353                       | 0.283311%  |
| Souris Valley Spec Ed                  | 1,464,235                       | 0.252431%  |
| South Cent. Prairie Sp Ed              | 92,600                          | 0.015964%  |
| South Heart School                     | 1,232,757                       | 0.212525%  |
| South Prairie Elem School              | 1,191,974                       | 0.205494%  |
| South Valley Spec Ed                   | 628,490                         | 0.108350%  |
| Southwest Special Education Unit       | 60,320                          | 0.010399%  |
| St. John'S School                      | 2,270,215                       | 0.391381%  |
| St. Thomas School                      | 634,787                         | 0.109436%  |
| Stanley School                         | 2,810,250                       | 0.484481%  |
| Starkweather School                    | 555,020                         | 0.095684%  |
| Sterling School                        | 205,087                         | 0.035357%  |
| Strasburg School District              | 812,275                         | 0.140035%  |
| Surrey School                          | 2,134,233                       | 0.367937%  |
| Sweet Briar Elem School                | 72,000                          | 0.012413%  |
| Tgu School District                    | 2,496,437                       | 0.430381%  |
| Thompson School                        | 1,863,106                       | 0.321196%  |
| Tioga School                           | 2,345,263                       | 0.404319%  |
| Turtle Lake-Mercer School              | 1,205,660                       | 0.207853%  |
| Twin Buttes Elem. School               | 440,692                         | 0.075974%  |
| Underwood School                       | 1,424,552                       | 0.245590%  |
| United School                          | 2,771,048                       | 0.477723%  |
| Upper Valley Spec Ed                   | 2,111,013                       | 0.363934%  |
| Valley - Edinburg School               | 1,401,830                       | 0.241673%  |
| Valley City School                     | 5,824,480                       | 1.004128%  |
| Velva School                           | 2,316,129                       | 0.399296%  |
| Wahpeton School                        | 6,234,148                       | 1.074754%  |
| Ward County                            | 26,031                          | 0.004488%  |

**EXHIBIT D**  
**Schedule of Employer Allocations**

| <b>Employer Name</b>        | <b>Covered Employee Payroll</b> | <b>Employer's Proportionate Share Allocation</b> |
|-----------------------------|---------------------------------|--|
| Warwick School              | 1,522,299                       | 0.262441%  |
| Washburn School             | 1,428,913                       | 0.246342%  |
| <b>West Fargo School</b>    | <b>43,479,882</b>               | <b>7.495843%</b>                                 |
| West River Student Services | 577,229                         | 0.099513%  |
| Westhope School             | 935,687                         | 0.161311%  |
| White Shield School         | 1,370,831                       | 0.236328%  |
| Williston School            | 13,883,985                      | 2.393571%  |
| Wilmac Special Education    | 2,466,035                       | 0.425139%  |
| Wilton School               | 1,133,768                       | 0.195459%  |
| Wing School                 | 629,112                         | 0.108458%  |
| Wishek School               | 1,090,646                       | 0.188025%  |
| Wolford School              | 458,187                         | 0.078990%  |
| Wyndmere School             | 1,364,980                       | 0.235320%  |
| Yellowstone Elem. School    | 460,673                         | 0.079419%  |
| Zeeland School              | 446,642                         | 0.077000%  |
| <b>Grand Totals:</b>        | <b>580,053,235</b>              | <b>100%</b>                                      |

**EXHIBIT E**

**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                             | Employer's Proportionate Share Allocation | Net Pension Liability | Covered Employee Payroll | Discount Rate Sensitivity |                               |                     | Schedule of Contributions       |  |                                   |   | Pension Expense                             |   |                                |
|---|---|-----------------------|--------------------------|---------------------------|-------------------------------|---------------------|---------------------------------|--|-----------------------------------|---|---|---|--------------------------------|
|   |   |                       |                          | 1% Decrease (7.00%)       | Current Discount Rate (8.00%) | 1% Increase (9.00%) | Statutory Required Contribution | Contributions In Relation to the Statutory Required Contribution | Contribution Deficiency/ (Excess) | Contributions as a Percentage of Covered Employee Payroll | Proportionate Share of Plan Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Share of Contributions | Total Employer Pension Expense |
|   | (1)                                       | (2)                   | (3)                      | (4)                       | (5)                           | (6)                 | (7)                             | (8)  | (9)                               | (10)  | (11)  | (12)  | (13)                           |
| Alexander School                          | 0.143245%                                 | \$ 1,500,954          | \$ 830,899               | \$ 2,026,566              | \$ 1,500,954                  | \$ 1,058,898        | \$ 89,321                       | \$ (89,321)  | \$ -                              | 10.75%  | \$ 91,238                                   | \$ -  | \$ 91,238                      |
| Anamoose School                           | 0.106675%                                 | 1,117,765             | 618,769                  | 1,509,190                 | 1,117,765                     | 788,565             | 66,517                          | (66,517)   | -                                 | 10.75%  | 67,945                                      | -   | 67,945                         |
| Apple Creek Elem School                   | 0.058350%                                 | 611,405               | 338,460                  | 825,510                   | 611,405                       | 431,336             | 36,384                          | (36,384)   | -                                 | 10.75%  | 37,165                                      | -   | 37,165                         |
| Ashley School                             | 0.151218%                                 | 1,584,497             | 877,146                  | 2,139,364                 | 1,584,497                     | 1,117,837           | 94,292                          | (94,292)   | -                                 | 10.75%  | 96,316                                      | -   | 96,316                         |
| Bakker Elem School                        | 0.005775%                                 | 60,512                | 33,500                   | 81,702                    | 60,512                        | 42,690              | 3,601                           | (3,601)  | -                                 | 10.75%  | 3,678                                       | -   | 3,678                          |
| Barnes County North                       | 0.289860%                                 | 3,037,219             | 1,681,343                | 4,100,809                 | 3,037,219                     | 2,142,709           | 180,743                         | (180,743)  | -                                 | 10.75%  | 184,622                                     | -   | 184,622                        |
| Beach School                              | 0.354566%                                 | 3,715,223             | 2,056,674                | 5,016,241                 | 3,715,223                     | 2,621,030           | 221,090                         | (221,090)  | -                                 | 10.75%  | 225,836                                     | -   | 225,836                        |
| Belcourt School                           | 1.341873%                                 | 14,060,450            | 7,783,579                | 18,984,216                | 14,060,450                    | 9,919,419           | 836,727                         | (836,727)  | -                                 | 10.75%  | 854,687                                     | -   | 854,687                        |
| Belfield Public School                    | 0.219113%                                 | 2,295,916             | 1,270,974                | 3,099,912                 | 2,295,916                     | 1,619,731           | 136,628                         | (136,628)  | -                                 | 10.75%  | 139,561                                     | -   | 139,561                        |
| Beulah School                             | 0.557416%                                 | 5,840,731             | 3,233,309                | 7,886,071                 | 5,840,731                     | 4,120,541           | 347,578                         | (347,578)  | -                                 | 10.75%  | 355,038                                     | -   | 355,038                        |
| Billings Co. School Dist.                 | 0.125937%                                 | 1,319,596             | 730,500                  | 1,781,700                 | 1,319,596                     | 930,954             | 78,528                          | (78,528)   | -                                 | 10.75%  | 80,214                                      | -   | 80,214                         |
| Bismarck Public Schools                   | 10.642008%                                | 111,509,377           | 61,729,312               | 150,558,349               | 111,509,377                   | 78,668,055          | 6,635,840                       | (6,635,840)  | -                                 | 10.75%  | 6,778,276                                   | -   | 6,778,276                      |
| Bismarck State College                    | 0.005394%                                 | 56,520                | 31,287                   | 76,312                    | 56,520                        | 39,874              | 3,363                           | (3,363)  | -                                 | 10.75%  | 3,436                                       | -   | 3,436                          |
| Blessed John Paul II Catholic Sch Network | 0.005272%                                 | 55,241                | 30,583                   | 74,586                    | 55,241                        | 38,972              | 3,287                           | (3,287)  | -                                 | 10.75%  | 3,358                                       | -   | 3,358                          |
| Bottineau School                          | 0.606400%                                 | 6,353,997             | 3,517,441                | 8,579,075                 | 6,353,997                     | 4,482,642           | 378,122                         | (378,122)  | -                                 | 10.75%  | 386,238                                     | -   | 386,238                        |
| Bowbells School                           | 0.087330%                                 | 915,064               | 506,559                  | 1,235,506                 | 915,064                       | 645,562             | 54,455                          | (54,455)   | -                                 | 10.75%  | 55,624                                      | -   | 55,624                         |
| Bowman School                             | 0.446199%                                 | 4,675,374             | 2,588,190                | 6,312,623                 | 4,675,374                     | 3,298,401           | 278,228                         | (278,228)  | -                                 | 10.75%  | 284,200                                     | -   | 284,200                        |
| Burke Central School                      | 0.143930%                                 | 1,508,131             | 834,871                  | 2,036,257                 | 1,508,131                     | 1,063,962           | 89,748                          | (89,748)   | -                                 | 10.75%  | 91,674                                      | -   | 91,674                         |
| Burleigh County Spec. Ed.                 | 0.011624%                                 | 121,799               | 67,427                   | 164,451                   | 121,799                       | 85,927              | 7,248                           | (7,248)  | -                                 | 10.75%  | 7,404                                       | -   | 7,404                          |
| Carrington School                         | 0.457261%                                 | 4,791,285             | 2,652,356                | 6,469,123                 | 4,791,285                     | 3,380,173           | 285,126                         | (285,126)  | -                                 | 10.75%  | 291,246                                     | -   | 291,246                        |
| Cavalier School                           | 0.340543%                                 | 3,568,287             | 1,975,331                | 4,817,849                 | 3,568,287                     | 2,517,368           | 212,346                         | (212,346)  | -                                 | 10.75%  | 216,904                                     | -   | 216,904                        |
| Center Stanton School                     | 0.227371%                                 | 2,382,445             | 1,318,874                | 3,216,743                 | 2,382,445                     | 1,680,776           | 141,778                         | (141,778)  | -                                 | 10.75%  | 144,821                                     | -   | 144,821                        |
| Central Cass School                       | 0.572150%                                 | 5,995,118             | 3,318,777                | 8,094,521                 | 5,995,118                     | 4,229,458           | 356,765                         | (356,765)  | -                                 | 10.75%  | 364,423                                     | -   | 364,423                        |
| Central Elementary School                 | 0.010460%                                 | 109,602               | 60,675                   | 147,983                   | 109,602                       | 77,323              | 6,522                           | (6,522)  | -                                 | 10.75%  | 6,662                                       | -   | 6,662                          |
| Central Valley School                     | 0.209211%                                 | 2,192,160             | 1,213,536                | 2,959,823                 | 2,192,160                     | 1,546,534           | 130,454                         | (130,454)  | -                                 | 10.75%  | 133,254                                     | -   | 133,254                        |
| Dakota Prairie School                     | 0.283088%                                 | 2,966,260             | 1,642,062                | 4,005,022                 | 2,966,260                     | 2,092,649           | 176,520                         | (176,520)  | -                                 | 10.75%  | 180,309                                     | -   | 180,309                        |
| Devils Lake School                        | 1.710287%                                 | 17,920,776            | 9,920,576                | 24,196,372                | 17,920,776                    | 12,642,816          | 1,066,452                       | (1,066,452)  | -                                 | 10.75%  | 1,089,343                                   | -   | 1,089,343                      |
| Dickinson School                          | 2.595114%                                 | 27,192,194            | 15,053,043               | 36,714,507                | 27,192,194                    | 19,183,651          | 1,618,187                       | (1,618,187)  | -                                 | 10.75%  | 1,652,921                                   | -   | 1,652,921                      |
| Divide School                             | 0.371311%                                 | 3,890,681             | 2,153,799                | 5,253,141                 | 3,890,681                     | 2,744,812           | 231,532                         | (231,532)  | -                                 | 10.75%  | 236,501                                     | -   | 236,501                        |
| Drake School                              | 0.091617%                                 | 959,984               | 531,426                  | 1,296,156                 | 959,984                       | 677,253             | 57,128                          | (57,128)   | -                                 | 10.75%  | 58,354                                      | -   | 58,354                         |
| Drayton School                            | 0.185034%                                 | 1,938,828             | 1,073,296                | 2,617,778                 | 1,938,828                     | 1,367,812           | 115,378                         | (115,378)  | -                                 | 10.75%  | 117,855                                     | -   | 117,855                        |
| Dunseith School                           | 0.416792%                                 | 4,367,241             | 2,417,614                | 5,896,586                 | 4,367,241                     | 3,081,018           | 259,891                         | (259,891)  | -                                 | 10.75%  | 265,470                                     | -   | 265,470                        |
| E Central Ctr Exc Childn                  | 0.129855%                                 | 1,360,650             | 753,226                  | 1,837,130                 | 1,360,650                     | 959,917             | 80,971                          | (80,971)   | -                                 | 10.75%  | 82,709                                      | -   | 82,709                         |
| Earl Elem. School                         | 0.005258%                                 | 55,095                | 30,500                   | 74,388                    | 55,095                        | 38,868              | 3,279                           | (3,279)  | -                                 | 10.75%  | 3,349                                       | -   | 3,349                          |
| Edgeley School                            | 0.199896%                                 | 2,094,556             | 1,159,504                | 2,828,039                 | 2,094,556                     | 1,477,675           | 124,645                         | (124,645)  | -                                 | 10.75%  | 127,321                                     | -   | 127,321                        |
| Edmore School                             | 0.109699%                                 | 1,149,451             | 636,310                  | 1,551,972                 | 1,149,451                     | 810,919             | 68,403                          | (68,403)   | -                                 | 10.75%  | 69,871                                      | -   | 69,871                         |
| Eight Mile School                         | 0.205987%                                 | 2,158,379             | 1,194,837                | 2,914,212                 | 2,158,379                     | 1,522,701           | 128,443                         | (128,443)  | -                                 | 10.75%  | 131,201                                     | -   | 131,201                        |
| Elgin-New Leipzig School                  | 0.164950%                                 | 1,728,384             | 956,798                  | 2,333,639                 | 1,728,384                     | 1,219,347           | 102,855                         | (102,855)  | -                                 | 10.75%  | 105,063                                     | -   | 105,063                        |
| Ellendale School                          | 0.293911%                                 | 3,079,666             | 1,704,838                | 4,158,121                 | 3,079,666                     | 2,172,655           | 183,269                         | (183,269)  | -                                 | 10.75%  | 187,202                                     | -   | 187,202                        |
| Emerado Elementary School                 | 0.091836%                                 | 962,278               | 532,695                  | 1,299,254                 | 962,278                       | 678,872             | 57,264                          | (57,264)   | -                                 | 10.75%  | 58,494                                      | -   | 58,494                         |
| Enderlin Area School District             | 0.310016%                                 | 3,248,418             | 1,798,257                | 4,385,967                 | 3,248,418                     | 2,291,706           | 193,311                         | (193,311)  | -                                 | 10.75%  | 197,460                                     | -   | 197,460                        |
| Fairmount School                          | 0.161780%                                 | 1,695,168             | 938,411                  | 2,288,791                 | 1,695,168                     | 1,195,913           | 100,878                         | (100,878)  | -                                 | 10.75%  | 103,043                                     | -   | 103,043                        |
| Fargo Public Schools                      | 10.894306%                                | 114,153,013           | 63,192,777               | 154,127,748               | 114,153,013                   | 80,533,097          | 6,793,160                       | (6,793,160)  | -                                 | 10.75%  | 6,938,974                                   | -   | 6,938,974                      |
| Fessenden-Bowdon School                   | 0.153494%                                 | 1,608,345             | 890,345                  | 2,171,564                 | 1,608,345                     | 1,134,661           | 95,711                          | (95,711)   | -                                 | 10.75%  | 97,766                                      | -   | 97,766                         |
| Finley-Sharon School                      | 0.187829%                                 | 1,968,115             | 1,089,511                | 2,657,320                 | 1,968,115                     | 1,388,473           | 117,121                         | (117,121)  | -                                 | 10.75%  | 119,635                                     | -   | 119,635                        |
| Flasher School                            | 0.181264%                                 | 1,899,325             | 1,051,427                | 2,564,442                 | 1,899,325                     | 1,339,943           | 113,027                         | (113,027)  | -                                 | 10.75%  | 115,454                                     | -   | 115,454                        |
| Fordville Lankin School                   | 0.093620%                                 | 980,972               | 543,046                  | 1,324,494                 | 980,972                       | 692,060             | 58,377                          | (58,377)   | -                                 | 10.75%  | 59,630                                      | -   | 59,630                         |
| Fort Ransom Elem School                   | 0.026180%                                 | 274,320               | 151,858                  | 370,383                   | 274,320                       | 193,528             | 16,325                          | (16,325)   | -                                 | 10.75%  | 16,675                                      | -   | 16,675                         |
| Fort Totten School                        | 0.263406%                                 | 2,760,028             | 1,527,893                | 3,726,550                 | 2,760,028                     | 1,947,155           | 164,247                         | (164,247)  | -                                 | 10.75%  | 167,773                                     | -   | 167,773                        |
| Fort Yates School                         | 0.175207%                                 | 1,835,859             | 1,016,294                | 2,478,750                 | 1,835,859                     | 1,295,169           | 109,251                         | (109,251)  | -                                 | 10.75%  | 111,596                                     | -   | 111,596                        |
| Gackle-Streeter Pub Sch                   | 0.123175%                                 | 1,290,656             | 714,480                  | 1,742,625                 | 1,290,656                     | 910,537             | 76,806                          | (76,806)   | -                                 | 10.75%  | 78,455                                      | -   | 78,455                         |
| Garrison School                           | 0.351245%                                 | 3,680,425             | 2,037,409                | 4,969,256                 | 3,680,425                     | 2,596,480           | 219,019                         | (219,019)  | -                                 | 10.75%  | 223,721                                     | -   | 223,721                        |
| Glen Ullin School                         | 0.170343%                                 | 1,784,893             | 988,078                  | 2,409,936                 | 1,784,893                     | 1,259,213           | 106,218                         | (106,218)  | -                                 | 10.75%  | 108,498                                     | -   | 108,498                        |
| Glenburn School                           | 0.257013%                                 | 2,693,041             | 1,490,810                | 3,636,104                 | 2,693,041                     | 1,899,896           | 160,261                         | (160,261)  | -                                 | 10.75%  | 163,701                                     | -   | 163,701                        |
| Goodrich School                           | 0.047714%                                 | 499,958               | 276,766                  | 675,036                   | 499,958                       | 352,712             | 29,752                          | (29,752)   | -                                 | 10.75%  | 30,391                                      | -   | 30,391                         |
| Grafton School                            | 0.688450%                                 | 7,213,735             | 3,993,377                | 9,739,881                 | 7,213,735                     | 5,089,173           | 429,284                         | (429,284)  | -                                 | 10.75%  | 438,498                                     | -   | 438,498                        |
| Grand Forks School                        | 7.195464%                                 | 75,395,706            | 41,737,522               | 101,798,193               | 75,395,706                    | 53,190,446          | 4,486,742                       | (4,486,742)  | -                                 | 10.75%  | 4,583,049                                   | -   | 4,583,049                      |
| Great North West Cooperative              | 0.022058%                                 | 231,129               | 127,950                  | 312,067                   | 231,129                       | 163,058             | 13,754                          | (13,754)   | -                                 | 10.75%  | 14,050                                      | -   | 14,050                         |
| Grenora School                            | 0.167187%                                 | 1,751,823             | 969,771                  | 2,365,287                 | 1,751,823                     | 1,235,883           | 104,250                         | (104,250)  | -                                 | 10.75%  | 106,487                                     | -   | 106,487                        |
| Griggs County Central Sch                 | 0.290972%                                 | 3,048,871             | 1,687,790                | 4,116,541                 | 3,048,871                     | 2,150,929           | 181,436                         | (181,436)  | -                                 | 10.75%  | 185,330                                     | -   | 185,330                        |
| Gst Educational Services                  | 0.249042%                                 | 2,609,519             | 1,444,577                | 3,523,334                 | 2,609,519                     | 1,840,973           | 155,291                         | (155,291)  | -                                 | 10.75%  | 158,624                                     | -   | 158,624                        |
| Halliday School                           | 0.071466%                                 | 748,837               | 414,542                  | 1,011,069                 | 748,837                       | 528,292             | 44,563                          | (44,563)   | -                                 | 10.75%  | 45,519                                      | -   | 45,519                         |
| Hankinson School                          | 0.267864%                                 | 2,806,740             | 1,553,754                | 3,789,620                 | 2,806,740                     | 1,980,109           | 167,027                         | (167,027)  | -                                 | 10.75%  | 170,612                                     | -   | 170,612                        |
| Harvey School                             | 0.359876%                                 | 3,770,862             | 2,087,474                | 5,091,364                 | 3,770,862                     | 2,660,282           | 224,401                         | (224,401)  | -                                 | 10.75%  | 229,218                                     | -   | 229,218                        |
| Hatton Eielson Psd                        | 0.181927%                                 | 1,906,272             | 1,055,272                | 2,573,821                 | 1,906,272                     | 1,344,844           | 113,441                         | (113,441)  | -                                 | 10.75%  | 115,876                                     | -   | 115,876                        |
| Hazelton - Moffitt School                 | 0.131841%                                 | 1,381,460             | 764,749                  | 1,865,227                 | 1,381,460                     | 974,598             | 82,210                          | (82,210)   | -                                 | 10.75%  | 83,974                                      | -   | 83,974                         |
| Hazen School                              | 0.444521%                                 | 4,657,792             | 2,578,459                | 6,288,883                 | 4,657,792                     | 3,285,997           | 277,182                         | (277,182)  | -                                 | 10.75%  | 283,131                                     | -   | 283                            |

**EXHIBIT E**  
**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                          | Employer's Proportionate Share Allocation | Net Pension Liability | Covered Employee Payroll | Discount Rate Sensitivity |                               |                     | Schedule of Contributions       |  |                                   |   | Pension Expense                             |   |                                |
|--|---|-----------------------|--------------------------|---------------------------|-------------------------------|---------------------|---------------------------------|--|-----------------------------------|---|---|---|--------------------------------|
|  |   |                       |                          | 1% Decrease (7.00%)       | Current Discount Rate (8.00%) | 1% Increase (9.00%) | Statutory Required Contribution | Contributions In Relation to the Statutory Required Contribution | Contribution Deficiency/ (Excess) | Contributions as a Percentage of Covered Employee Payroll | Proportionate Share of Plan Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Share of Contributions | Total Employer Pension Expense |
|  | (1)                                       | (2)                   | (3)                      | (4)                       | (5)                           | (6)                 | (7)                             | (8)  | (9)                               | (10)  | (11)  | (12)  | (13)                           |
| Hettinger School                       | 0.264623%                                 | 2,772,780             | 1,534,952                | 3,743,767                 | 2,772,780                     | 1,956,151           | 165,006                         | (165,006)  | -                                 | 10.75%  | 168,548                                     | -   | 168,548                        |
| Hillsboro School                       | 0.365515%                                 | 3,829,949             | 2,120,182                | 5,171,142                 | 3,829,949                     | 2,701,967           | 227,917                         | (227,917)  | -                                 | 10.75%  | 232,810                                     | -   | 232,810                        |
| Hope School                            | 0.101581%                                 | 1,064,389             | 589,222                  | 1,437,122                 | 1,064,389                     | 750,909             | 63,341                          | (63,341)   | -                                 | 10.75%  | 64,701                                      | -   | 64,701                         |
| Horse Creek Elem. School               | 0.005948%                                 | 62,324                | 34,500                   | 84,150                    | 62,324                        | 43,969              | 3,709                           | (3,709)  | -                                 | 10.75%  | 3,788                                       | -   | 3,788                          |
| James River Multidistrict Spec Ed Unit | 0.195322%                                 | 2,046,628             | 1,132,973                | 2,763,328                 | 2,046,628                     | 1,443,863           | 121,793                         | (121,793)  | -                                 | 10.75%  | 124,408                                     | -   | 124,408                        |
| Jamestown School                       | 2.170102%                                 | 22,738,822            | 12,587,748               | 30,701,628                | 22,738,822                    | 16,041,869          | 1,353,170                       | (1,353,170)  | -                                 | 10.75%  | 1,382,216                                   | -   | 1,382,216                      |
| Kenmare School                         | 0.293808%                                 | 3,078,587             | 1,704,244                | 4,156,664                 | 3,078,587                     | 2,171,893           | 183,204                         | (183,204)  | -                                 | 10.75%  | 187,137                                     | -   | 187,137                        |
| Kensal School                          | 0.064586%                                 | 676,747               | 374,636                  | 913,734                   | 676,747                       | 477,434             | 40,273                          | (40,273)   | -                                 | 10.75%  | 41,137                                      | -   | 41,137                         |
| Kidder County School District          | 0.367084%                                 | 3,846,390             | 2,129,282                | 5,193,340                 | 3,846,390                     | 2,713,565           | 228,896                         | (228,896)  | -                                 | 10.75%  | 233,809                                     | -   | 233,809                        |
| Killdeer School                        | 0.400383%                                 | 4,195,304             | 2,322,433                | 5,664,439                 | 4,195,304                     | 2,959,719           | 249,659                         | (249,659)  | -                                 | 10.75%  | 255,018                                     | -   | 255,018                        |
| Kindred School                         | 0.504655%                                 | 5,287,890             | 2,927,266                | 7,139,632                 | 5,287,890                     | 3,730,520           | 314,678                         | (314,678)  | -                                 | 10.75%  | 321,433                                     | -   | 321,433                        |
| Kulm School                            | 0.176831%                                 | 1,852,875             | 1,025,716                | 2,501,726                 | 1,852,875                     | 1,307,173           | 110,263                         | (110,263)  | -                                 | 10.75%  | 112,630                                     | -   | 112,630                        |
| Lake Region Spec Ed                    | 0.288991%                                 | 3,028,113             | 1,676,302                | 4,088,515                 | 3,028,113                     | 2,136,285           | 180,201                         | (180,201)  | -                                 | 10.75%  | 184,069                                     | -   | 184,069                        |
| Lakota School                          | 0.196030%                                 | 2,054,047             | 1,137,076                | 2,773,344                 | 2,054,047                     | 1,449,097           | 122,235                         | (122,235)  | -                                 | 10.75%  | 124,859                                     | -   | 124,859                        |
| Lamoure School                         | 0.241128%                                 | 2,526,594             | 1,398,670                | 3,411,371                 | 2,526,594                     | 1,782,471           | 150,356                         | (150,356)  | -                                 | 10.75%  | 153,583                                     | -   | 153,583                        |
| Langdon Area School                    | 0.336932%                                 | 3,530,450             | 1,954,383                | 4,766,763                 | 3,530,450                     | 2,490,675           | 210,094                         | (210,094)  | -                                 | 10.75%  | 214,604                                     | -   | 214,604                        |
| Larimore School                        | 0.356507%                                 | 3,735,561             | 2,067,930                | 5,043,701                 | 3,735,561                     | 2,635,378           | 222,300                         | (222,300)  | -                                 | 10.75%  | 227,072                                     | -   | 227,072                        |
| Leeds School                           | 0.172453%                                 | 1,807,002             | 1,000,320                | 2,439,788                 | 1,807,002                     | 1,274,810           | 107,533                         | (107,533)  | -                                 | 10.75%  | 109,841                                     | -   | 109,841                        |
| Lewis And Clark School                 | 0.406069%                                 | 4,254,883             | 2,355,419                | 5,744,882                 | 4,254,883                     | 3,001,751           | 253,205                         | (253,205)  | -                                 | 10.75%  | 258,640                                     | -   | 258,640                        |
| Lidgerwood School                      | 0.187005%                                 | 1,959,481             | 1,084,728                | 2,645,663                 | 1,959,481                     | 1,382,382           | 116,607                         | (116,607)  | -                                 | 10.75%  | 119,110                                     | -   | 119,110                        |
| Linton School                          | 0.272379%                                 | 2,854,049             | 1,579,946                | 3,853,496                 | 2,854,049                     | 2,013,485           | 169,842                         | (169,842)  | -                                 | 10.75%  | 173,488                                     | -   | 173,488                        |
| Lisbon School                          | 0.554582%                                 | 5,811,036             | 3,216,870                | 7,845,977                 | 5,811,036                     | 4,099,592           | 345,810                         | (345,810)  | -                                 | 10.75%  | 353,233                                     | -   | 353,233                        |
| Litchville-Marion School               | 0.139115%                                 | 1,457,679             | 806,940                  | 1,968,137                 | 1,457,679                     | 1,028,369           | 86,745                          | (86,745)   | -                                 | 10.75%  | 88,607                                      | -   | 88,607                         |
| Little Heart Elem. School              | 0.016183%                                 | 169,569               | 93,871                   | 228,950                   | 169,569                       | 119,628             | 10,091                          | (10,091)   | -                                 | 10.75%  | 10,308                                      | -   | 10,308                         |
| Logan County                           | 0.000688%                                 | 7,209                 | 3,989                    | 9,734                     | 7,209                         | 5,086               | 429                             | (429)  | -                                 | 10.75%  | 438   | -   | 438                            |
| Lone Tree Elem. School                 | 0.033479%                                 | 350,801               | 194,193                  | 473,646                   | 350,801                       | 247,484             | 20,876                          | (20,876)   | -                                 | 10.75%  | 21,324                                      | -   | 21,324                         |
| Lonetree Spec Ed Unit                  | 0.023808%                                 | 249,466               | 138,100                  | 336,825                   | 249,466                       | 175,994             | 14,846                          | (14,846)   | -                                 | 10.75%  | 15,164                                      | -   | 15,164                         |
| Maddock School                         | 0.158056%                                 | 1,656,147             | 916,807                  | 2,236,105                 | 1,656,147                     | 1,168,385           | 98,556                          | (98,556)   | -                                 | 10.75%  | 100,672                                     | -   | 100,672                        |
| Mandan Public Schools                  | 2.820791%                                 | 29,556,889            | 16,362,090               | 39,907,284                | 29,556,889                    | 20,851,905          | 1,758,908                       | (1,758,908)  | -                                 | 10.75%  | 1,796,663                                   | -   | 1,796,663                      |
| Mandaree School                        | 0.276358%                                 | 2,895,742             | 1,603,025                | 3,909,789                 | 2,895,742                     | 2,042,899           | 172,323                         | (172,323)  | -                                 | 10.75%  | 176,022                                     | -   | 176,022                        |
| Manning Elem. School                   | 0.011681%                                 | 122,396               | 67,756                   | 165,258                   | 122,396                       | 86,349              | 7,284                           | (7,284)  | -                                 | 10.75%  | 7,440                                       | -   | 7,440                          |
| Marvel Elem. School                    | 0.126560%                                 | 1,326,124             | 734,118                  | 1,790,514                 | 1,326,124                     | 935,559             | 78,917                          | (78,917)   | -                                 | 10.75%  | 80,611                                      | -   | 80,611                         |
| Maple Valley School                    | 0.264632%                                 | 2,772,874             | 1,535,009                | 3,743,895                 | 2,772,874                     | 1,956,218           | 165,012                         | (165,012)  | -                                 | 10.75%  | 168,554                                     | -   | 168,554                        |
| Mapleton Elem. School                  | 0.107723%                                 | 1,128,746             | 624,849                  | 1,524,017                 | 1,128,746                     | 796,312             | 67,171                          | (67,171)   | -                                 | 10.75%  | 68,613                                      | -   | 68,613                         |
| Marmarth Elem. School                  | 0.026258%                                 | 275,137               | 152,312                  | 371,486                   | 275,137                       | 194,105             | 16,373                          | (16,373)   | -                                 | 10.75%  | 16,725                                      | -   | 16,725                         |
| Max School                             | 0.183505%                                 | 1,922,807             | 1,064,424                | 2,596,146                 | 1,922,807                     | 1,356,509           | 114,425                         | (114,425)  | -                                 | 10.75%  | 116,881                                     | -   | 116,881                        |
| May-Port C-G School                    | 0.417074%                                 | 4,370,196             | 2,419,251                | 5,900,576                 | 4,370,196                     | 3,083,102           | 260,067                         | (260,067)  | -                                 | 10.75%  | 265,649                                     | -   | 265,649                        |
| Mcclusky School                        | 0.125863%                                 | 1,318,821             | 730,071                  | 1,780,653                 | 1,318,821                     | 930,407             | 78,482                          | (78,482)   | -                                 | 10.75%  | 80,167                                      | -   | 80,167                         |
| Mckenzie County                        | 0.008965%                                 | 93,937                | 52,000                   | 126,833                   | 93,937                        | 66,271              | 5,590                           | (5,590)  | -                                 | 10.75%  | 5,710                                       | -   | 5,710                          |
| Mckenzie County School                 | 0.767411%                                 | 8,041,107             | 4,451,391                | 10,856,986                | 8,041,107                     | 5,672,870           | 478,520                         | (478,520)  | -                                 | 10.75%  | 488,792                                     | -   | 488,792                        |
| Medina School                          | 0.157763%                                 | 1,653,077             | 915,109                  | 2,231,960                 | 1,653,077                     | 1,166,219           | 98,373                          | (98,373)   | -                                 | 10.75%  | 100,485                                     | -   | 100,485                        |
| Menoken Elem. School                   | 0.019981%                                 | 209,365               | 115,900                  | 282,682                   | 209,365                       | 147,704             | 12,459                          | (12,459)   | -                                 | 10.75%  | 12,727                                      | -   | 12,727                         |
| Midkota                                | 0.172486%                                 | 1,807,347             | 1,000,510                | 2,440,254                 | 1,807,347                     | 1,275,054           | 107,554                         | (107,554)  | -                                 | 10.75%  | 109,863                                     | -   | 109,863                        |
| Midway School                          | 0.229870%                                 | 2,408,630             | 1,333,369                | 3,252,098                 | 2,408,630                     | 1,699,249           | 143,336                         | (143,336)  | -                                 | 10.75%  | 146,412                                     | -   | 146,412                        |
| Milnor School                          | 0.240292%                                 | 2,517,834             | 1,393,821                | 3,399,543                 | 2,517,834                     | 1,776,291           | 149,834                         | (149,834)  | -                                 | 10.75%  | 153,051                                     | -   | 153,051                        |
| Minnewaukan School                     | 0.278205%                                 | 2,915,095             | 1,613,737                | 3,935,919                 | 2,915,095                     | 2,056,552           | 173,475                         | (173,475)  | -                                 | 10.75%  | 177,199                                     | -   | 177,199                        |
| Minot School                           | 6.911929%                                 | 72,424,762            | 40,092,868               | 97,786,867                | 72,424,762                    | 51,094,493          | 4,309,943                       | (4,309,943)  | -                                 | 10.75%  | 4,402,455                                   | -   | 4,402,455                      |
| Minto School                           | 0.183648%                                 | 1,924,305             | 1,065,255                | 2,598,169                 | 1,924,305                     | 1,357,566           | 114,514                         | (114,514)  | -                                 | 10.75%  | 116,972                                     | -   | 116,972                        |
| Mohall Lansford Sherwood               | 0.381894%                                 | 4,001,572             | 2,215,188                | 5,402,865                 | 4,001,572                     | 2,823,044           | 238,131                         | (238,131)  | -                                 | 10.75%  | 243,242                                     | -   | 243,242                        |
| Montpelier School                      | 0.113535%                                 | 1,189,646             | 658,564                  | 1,606,242                 | 1,189,646                     | 839,276             | 70,795                          | (70,795)   | -                                 | 10.75%  | 72,315                                      | -   | 72,315                         |
| Morton County                          | 0.004462%                                 | 46,754                | 25,882                   | 63,126                    | 46,754                        | 32,984              | 2,782                           | (2,782)  | -                                 | 10.75%  | 2,842                                       | -   | 2,842                          |
| Mott-Regent School                     | 0.248052%                                 | 2,599,145             | 1,438,836                | 3,509,328                 | 2,599,145                     | 1,833,655           | 154,673                         | (154,673)  | -                                 | 10.75%  | 157,993                                     | -   | 157,993                        |
| Mt Pleasant School                     | 0.248076%                                 | 2,599,397             | 1,438,971                | 3,509,668                 | 2,599,397                     | 1,833,832           | 154,688                         | (154,688)  | -                                 | 10.75%  | 158,008                                     | -   | 158,008                        |
| Munich School                          | 0.129396%                                 | 1,355,841             | 750,564                  | 1,830,636                 | 1,355,841                     | 956,524             | 80,685                          | (80,685)   | -                                 | 10.75%  | 82,417                                      | -   | 82,417                         |
| N Central Area Career And Tech Center  | 0.023760%                                 | 248,963               | 137,820                  | 336,146                   | 248,963                       | 175,639             | 14,816                          | (14,816)   | -                                 | 10.75%  | 15,134                                      | -   | 15,134                         |
| Napoleon School                        | 0.239705%                                 | 2,511,683             | 1,390,415                | 3,391,239                 | 2,511,683                     | 1,771,952           | 149,468                         | (149,468)  | -                                 | 10.75%  | 152,677                                     | -   | 152,677                        |
| Naughton Rural School                  | 0.011294%                                 | 118,341               | 65,511                   | 159,782                   | 118,341                       | 83,488              | 7,042                           | (7,042)  | -                                 | 10.75%  | 7,194                                       | -   | 7,194                          |
| Nd Center For Distance Education       | 0.151892%                                 | 1,591,559             | 881,057                  | 2,148,900                 | 1,591,559                     | 1,122,819           | 94,712                          | (94,712)   | -                                 | 10.75%  | 96,745                                      | -   | 96,745                         |
| Nd Dept Of Public Instruction          | 0.018997%                                 | 199,055               | 110,191                  | 268,761                   | 199,055                       | 140,430             | 11,846                          | (11,846)   | -                                 | 10.75%  | 12,100                                      | -   | 12,100                         |
| Nd School For Blind                    | 0.110649%                                 | 1,159,405             | 641,824                  | 1,565,412                 | 1,159,405                     | 817,942             | 68,995                          | (68,995)   | -                                 | 10.75%  | 70,476                                      | -   | 70,476                         |
| Nd School For Deaf                     | 0.139941%                                 | 1,466,334             | 811,734                  | 1,979,822                 | 1,466,334                     | 1,034,475           | 87,260                          | (87,260)   | -                                 | 10.75%  | 89,133                                      | -   | 89,133                         |
| Nd United                              | 0.050592%                                 | 530,114               | 293,459                  | 715,753                   | 530,114                       | 373,987             | 31,547                          | (31,547)   | -                                 | 10.75%  | 32,224                                      | -   | 32,224                         |
| Nd Youth Correctional Cnt              | 0.195046%                                 | 2,043,736             | 1,131,369                | 2,759,423                 | 2,043,736                     | 1,441,823           | 121,621                         | (121,621)  | -                                 | 10.75%  | 124,232                                     | -   | 124,232                        |
| Nedrose School                         | 0.224405%                                 | 2,351,367             | 1,301,671                | 3,174,781                 | 2,351,367                     | 1,658,851           | 139,928                         | (139,928)  | -                                 | 10.75%  | 142,932                                     | -   | 142,932                        |
| Nelson County                          | 0.001829%                                 | 19,165                | 10,607                   | 25,876                    | 19,165                        | 13,520              | 1,140                           | (1,140)  | -                                 | 10.75%  | 1,165                                       | -   | 1,165                          |
| Nesson School                          | 0.231647%                                 | 2,427,250             | 1,343,679                | 3,277,238                 | 2,427,250                     | 1,712,385           | 144,444                         | (144,444)  | -                                 | 10.75%  | 147,544                                     | -   | 147,544                        |
| New England School                     | 0.187500%                                 | 1,964,668             | 1,087,601                | 2,652,666                 | 1,964,668                     | 1,386,041           | 116,916                         | (116,916)  | -                                 | 10.75%  | 119,425                                     | -   | 119,425                        |
| New Public School                      | 0.343952%                                 | 3,604,007             | 1,995,103                | 4,866,078                 | 3,604,007                     | 2,542,569           | 214,472                         | (214,472)  | -                                 | 10.75%  | 219,075                                     | -   | 219,075                        |

**EXHIBIT E**  
**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                          | Employer's Proportionate Share Allocation | Net Pension Liability | Covered Employee Payroll | Discount Rate Sensitivity |                               |                     | Schedule of Contributions       |  |                                   |   | Pension Expense                             |   |                                |
|--|---|-----------------------|--------------------------|---------------------------|-------------------------------|---------------------|---------------------------------|--|-----------------------------------|---|---|---|--------------------------------|
|  |   |                       |                          | 1% Decrease (7.00%)       | Current Discount Rate (8.00%) | 1% Increase (9.00%) | Statutory Required Contribution | Contributions In Relation to the Statutory Required Contribution | Contribution Deficiency/ (Excess) | Contributions as a Percentage of Covered Employee Payroll | Proportionate Share of Plan Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Share of Contributions | Total Employer Pension Expense |
|  | (1)                                       | (2)                   | (3)                      | (4)                       | (5)                           | (6)                 | (7)                             | (8)  | (9)                               | (10)  | (11)  | (12)  | (13)                           |
| New Rockford Sheyenne School           | 0.280654%                                 | 2,940,756             | 1,627,943                | 3,970,567                 | 2,940,756                     | 2,074,656           | 175,002                         | (175,002)  | -                                 | 10.75%  | 178,759                                     | -   | 178,759                        |
| New Salem-Almont                       | 0.266689%                                 | 2,794,428             | 1,546,941                | 3,772,996                 | 2,794,428                     | 1,971,424           | 166,294                         | (166,294)  | -                                 | 10.75%  | 169,864                                     | -   | 169,864                        |
| New Town School                        | 0.651376%                                 | 6,825,266             | 3,778,325                | 9,215,375                 | 6,825,266                     | 4,815,114           | 406,166                         | (406,166)  | -                                 | 10.75%  | 414,885                                     | -   | 414,885                        |
| Newburg United District                | 0.100174%                                 | 1,049,646             | 581,064                  | 1,417,217                 | 1,049,646                     | 740,508             | 62,464                          | (62,464)   | -                                 | 10.75%  | 63,804                                      | -   | 63,804                         |
| North Border School                    | 0.456746%                                 | 4,785,888             | 2,649,367                | 6,461,837                 | 4,785,888                     | 3,376,366           | 284,805                         | (284,805)  | -                                 | 10.75%  | 290,918                                     | -   | 290,918                        |
| North Sargent School                   | 0.204943%                                 | 2,147,439             | 1,188,780                | 2,899,442                 | 2,147,439                     | 1,514,984           | 127,793                         | (127,793)  | -                                 | 10.75%  | 130,536                                     | -   | 130,536                        |
| North Star                             | 0.246313%                                 | 2,580,924             | 1,428,747                | 3,484,726                 | 2,580,924                     | 1,820,800           | 153,589                         | (153,589)  | -                                 | 10.75%  | 156,886                                     | -   | 156,886                        |
| North Valley Area Career               | 0.101309%                                 | 1,061,539             | 587,647                  | 1,433,274                 | 1,061,539                     | 748,898             | 63,171                          | (63,171)   | -                                 | 10.75%  | 64,527                                      | -   | 64,527                         |
| Northern Cass School Dist              | 0.409839%                                 | 4,294,386             | 2,377,286                | 5,798,218                 | 4,294,386                     | 3,029,620           | 255,556                         | (255,556)  | -                                 | 10.75%  | 261,041                                     | -   | 261,041                        |
| Northern Plains Spec Ed                | 0.032412%                                 | 339,620               | 188,004                  | 458,550                   | 339,620                       | 239,597             | 20,211                          | (20,211)   | -                                 | 10.75%  | 20,644                                      | -   | 20,644                         |
| Northwood School                       | 0.223021%                                 | 2,336,865             | 1,293,641                | 3,155,201                 | 2,336,865                     | 1,648,620           | 139,065                         | (139,065)  | -                                 | 10.75%  | 142,050                                     | -   | 142,050                        |
| Oakes School                           | 0.327620%                                 | 3,432,877             | 1,900,372                | 4,635,021                 | 3,432,877                     | 2,421,839           | 204,288                         | (204,288)  | -                                 | 10.75%  | 208,673                                     | -   | 208,673                        |
| Oberon Elem School                     | 0.075449%                                 | 790,572               | 437,642                  | 1,067,419                 | 790,572                       | 557,736             | 47,046                          | (47,046)   | -                                 | 10.75%  | 48,056                                      | -   | 48,056                         |
| Oliver - Mercer Spec Ed                | 0.147155%                                 | 1,541,924             | 853,576                  | 2,081,883                 | 1,541,924                     | 1,087,802           | 91,759                          | (91,759)   | -                                 | 10.75%  | 93,728                                      | -   | 93,728                         |
| Page School                            | 0.114957%                                 | 1,204,546             | 666,813                  | 1,626,360                 | 1,204,546                     | 849,787             | 71,682                          | (71,682)   | -                                 | 10.75%  | 73,220                                      | -   | 73,220                         |
| Park River Area School District        | 0.343974%                                 | 3,604,238             | 1,995,232                | 4,866,390                 | 3,604,238                     | 2,542,731           | 214,485                         | (214,485)  | -                                 | 10.75%  | 219,089                                     | -   | 219,089                        |
| Parshall School                        | 0.284323%                                 | 2,979,201             | 1,649,224                | 4,022,474                 | 2,979,201                     | 2,101,778           | 177,290                         | (177,290)  | -                                 | 10.75%  | 181,096                                     | -   | 181,096                        |
| Peace Garden Spec Ed                   | 0.075491%                                 | 791,012               | 437,889                  | 1,068,013                 | 791,012                       | 558,046             | 47,073                          | (47,073)   | -                                 | 10.75%  | 48,083                                      | -   | 48,083                         |
| Pembina Spec Ed Coop                   | 0.028949%                                 | 303,334               | 167,922                  | 409,557                   | 303,334                       | 213,997             | 18,051                          | (18,051)   | -                                 | 10.75%  | 18,439                                      | -   | 18,439                         |
| Pingree - Buchanan School              | 0.130916%                                 | 1,371,768             | 759,383                  | 1,852,141                 | 1,371,768                     | 967,760             | 81,633                          | (81,633)   | -                                 | 10.75%  | 83,385                                      | -   | 83,385                         |
| Pleasant Valley Elem                   | 0.002871%                                 | 30,083                | 16,653                   | 40,618                    | 30,083                        | 21,223              | 1,790                           | (1,790)  | -                                 | 10.75%  | 1,829                                       | -   | 1,829                          |
| Powers Lake School                     | 0.161801%                                 | 1,695,388             | 938,531                  | 2,289,088                 | 1,695,388                     | 1,196,068           | 100,891                         | (100,891)  | -                                 | 10.75%  | 103,057                                     | -   | 103,057                        |
| Richardton-Taylor                      | 0.266063%                                 | 2,787,869             | 1,543,307                | 3,764,140                 | 2,787,869                     | 1,966,796           | 165,904                         | (165,904)  | -                                 | 10.75%  | 169,465                                     | -   | 169,465                        |
| Richland School                        | 0.259458%                                 | 2,718,660             | 1,504,994                | 3,670,695                 | 2,718,660                     | 1,917,970           | 161,785                         | (161,785)  | -                                 | 10.75%  | 165,258                                     | -   | 165,258                        |
| Robinson School                        | 0.012175%                                 | 127,572               | 70,620                   | 172,246                   | 127,572                       | 90,000              | 7,592                           | (7,592)  | -                                 | 10.75%  | 7,755                                       | -   | 7,755                          |
| Rolette County                         | 0.000687%                                 | 7,199                 | 3,984                    | 9,719                     | 7,199                         | 5,078               | 428                             | (428)  | -                                 | 10.75%  | 438   | -   | 438                            |
| Rolette School                         | 0.177208%                                 | 1,856,826             | 1,027,903                | 2,507,059                 | 1,856,826                     | 1,309,960           | 110,498                         | (110,498)  | -                                 | 10.75%  | 112,870                                     | -   | 112,870                        |
| Roosevelt School                       | 0.065959%                                 | 691,133               | 382,597                  | 933,158                   | 691,133                       | 487,583             | 41,129                          | (41,129)   | -                                 | 10.75%  | 42,012                                      | -   | 42,012                         |
| Roughrider Area Career And Tech Center | 0.027540%                                 | 288,570               | 159,749                  | 389,624                   | 288,570                       | 203,582             | 17,173                          | (17,173)   | -                                 | 10.75%  | 17,541                                      | -   | 17,541                         |
| Roughrider Service Program             | 0.015021%                                 | 157,393               | 87,133                   | 212,510                   | 157,393                       | 111,039             | 9,366                           | (9,366)  | -                                 | 10.75%  | 9,567                                       | -   | 9,567                          |
| Rugby School                           | 0.500720%                                 | 5,246,658             | 2,904,445                | 7,083,962                 | 5,246,658                     | 3,701,432           | 312,225                         | (312,225)  | -                                 | 10.75%  | 318,927                                     | -   | 318,927                        |
| Rural Cass Spec Ed                     | 0.172379%                                 | 1,806,226             | 999,887                  | 2,438,741                 | 1,806,226                     | 1,274,263           | 107,487                         | (107,487)  | -                                 | 10.75%  | 109,794                                     | -   | 109,794                        |
| Sargent Central School                 | 0.228242%                                 | 2,391,572             | 1,323,924                | 3,229,065                 | 2,391,572                     | 1,687,215           | 142,321                         | (142,321)  | -                                 | 10.75%  | 145,376                                     | -   | 145,376                        |
| Sawyer School                          | 0.137173%                                 | 1,437,330             | 795,679                  | 1,940,662                 | 1,437,330                     | 1,014,013           | 85,534                          | (85,534)   | -                                 | 10.75%  | 87,370                                      | -   | 87,370                         |
| Scranton School                        | 0.172604%                                 | 1,808,584             | 1,001,196                | 2,441,924                 | 1,808,584                     | 1,275,927           | 107,627                         | (107,627)  | -                                 | 10.75%  | 109,938                                     | -   | 109,938                        |
| Se Region Career And Tech              | 0.216803%                                 | 2,271,711             | 1,257,571                | 3,067,231                 | 2,271,711                     | 1,602,655           | 135,188                         | (135,188)  | -                                 | 10.75%  | 138,090                                     | -   | 138,090                        |
| Selfridge School                       | 0.135399%                                 | 1,418,741             | 785,386                  | 1,915,564                 | 1,418,741                     | 1,000,899           | 84,428                          | (84,428)   | -                                 | 10.75%  | 86,240                                      | -   | 86,240                         |
| Sheyenne Valley Area Voc               | 0.116189%                                 | 1,217,455             | 673,958                  | 1,643,790                 | 1,217,455                     | 858,895             | 72,450                          | (72,450)   | -                                 | 10.75%  | 74,005                                      | -   | 74,005                         |
| Sheyenne Valley Spec Ed                | 0.255198%                                 | 2,674,023             | 1,480,286                | 3,610,427                 | 2,674,023                     | 1,886,480           | 159,129                         | (159,129)  | -                                 | 10.75%  | 162,545                                     | -   | 162,545                        |
| Slope County                           | 0.003929%                                 | 41,169                | 22,792                   | 55,586                    | 41,169                        | 29,044              | 2,450                           | (2,450)  | -                                 | 10.75%  | 2,503                                       | -   | 2,503                          |
| Solen - Cannonball School              | 0.283311%                                 | 2,968,597             | 1,643,353                | 4,008,157                 | 2,968,597                     | 2,094,297           | 176,659                         | (176,659)  | -                                 | 10.75%  | 180,451                                     | -   | 180,451                        |
| Souris Valley Spec Ed                  | 0.252431%                                 | 2,645,029             | 1,464,235                | 3,571,280                 | 2,645,029                     | 1,866,025           | 157,404                         | (157,404)  | -                                 | 10.75%  | 160,782                                     | -   | 160,782                        |
| South Cent. Prairie Sp Ed              | 0.015964%                                 | 167,274               | 92,600                   | 225,852                   | 167,274                       | 118,009             | 9,954                           | (9,954)  | -                                 | 10.75%  | 10,168                                      | -   | 10,168                         |
| South Heart School                     | 0.212525%                                 | 2,226,885             | 1,232,757                | 3,006,708                 | 2,226,885                     | 1,571,031           | 132,520                         | (132,520)  | -                                 | 10.75%  | 135,365                                     | -   | 135,365                        |
| South Prairie Elem School              | 0.205494%                                 | 2,153,213             | 1,191,974                | 2,907,237                 | 2,153,213                     | 1,519,057           | 128,136                         | (128,136)  | -                                 | 10.75%  | 130,886                                     | -   | 130,886                        |
| South Valley Spec Ed                   | 0.108350%                                 | 1,135,316             | 628,490                  | 1,532,887                 | 1,135,316                     | 800,947             | 67,562                          | (67,562)   | -                                 | 10.75%  | 69,012                                      | -   | 69,012                         |
| Southwest Special Education Unit       | 0.010399%                                 | 108,963               | 60,320                   | 147,120                   | 108,963                       | 76,872              | 6,484                           | (6,484)  | -                                 | 10.75%  | 6,623                                       | -   | 6,623                          |
| St. John'S School                      | 0.391381%                                 | 4,100,979             | 2,270,215                | 5,537,083                 | 4,100,979                     | 2,893,174           | 244,046                         | (244,046)  | -                                 | 10.75%  | 249,285                                     | -   | 249,285                        |
| St. Thomas School                      | 0.109436%                                 | 1,146,695             | 634,787                  | 1,548,251                 | 1,146,695                     | 808,975             | 68,239                          | (68,239)   | -                                 | 10.75%  | 69,704                                      | -   | 69,704                         |
| Stanley School                         | 0.484481%                                 | 5,076,502             | 2,810,250                | 6,854,220                 | 5,076,502                     | 3,581,390           | 302,099                         | (302,099)  | -                                 | 10.75%  | 308,583                                     | -   | 308,583                        |
| Starkweather School                    | 0.095684%                                 | 1,002,599             | 555,020                  | 1,353,694                 | 1,002,599                     | 707,317             | 59,664                          | (59,664)   | -                                 | 10.75%  | 60,945                                      | -   | 60,945                         |
| Sterling School                        | 0.035357%                                 | 370,479               | 205,087                  | 500,215                   | 370,479                       | 261,367             | 22,047                          | (22,047)   | -                                 | 10.75%  | 22,520                                      | -   | 22,520                         |
| Strasburg School District              | 0.140035%                                 | 1,467,319             | 812,275                  | 1,981,152                 | 1,467,319                     | 1,035,169           | 87,319                          | (87,319)   | -                                 | 10.75%  | 89,193                                      | -   | 89,193                         |
| Surrey School                          | 0.367937%                                 | 3,855,327             | 2,134,233                | 5,205,407                 | 3,855,327                     | 2,719,871           | 229,428                         | (229,428)  | -                                 | 10.75%  | 234,352                                     | -   | 234,352                        |
| Sweet Briar Elem School                | 0.012413%                                 | 130,066               | 72,000                   | 175,614                   | 130,066                       | 91,760              | 7,740                           | (7,740)  | -                                 | 10.75%  | 7,906                                       | -   | 7,906                          |
| Tgu School District                    | 0.430381%                                 | 4,509,630             | 2,496,437                | 6,088,837                 | 4,509,630                     | 3,181,471           | 268,365                         | (268,365)  | -                                 | 10.75%  | 274,125                                     | -   | 274,125                        |
| Thompson School                        | 0.321196%                                 | 3,365,565             | 1,863,106                | 4,544,137                 | 3,365,565                     | 2,374,351           | 200,282                         | (200,282)  | -                                 | 10.75%  | 204,581                                     | -   | 204,581                        |
| Tioga School                           | 0.404319%                                 | 4,236,546             | 2,345,263                | 5,720,124                 | 4,236,546                     | 2,988,815           | 252,114                         | (252,114)  | -                                 | 10.75%  | 257,525                                     | -   | 257,525                        |
| Turtle Lake-Mercer School              | 0.207853%                                 | 2,177,931             | 1,205,660                | 2,940,611                 | 2,177,931                     | 1,536,495           | 129,607                         | (129,607)  | -                                 | 10.75%  | 132,389                                     | -   | 132,389                        |
| Twin Buttes Elem. School               | 0.075974%                                 | 796,073               | 440,692                  | 1,074,846                 | 796,073                       | 561,616             | 47,374                          | (47,374)   | -                                 | 10.75%  | 48,391                                      | -   | 48,391                         |
| Underwood School                       | 0.245590%                                 | 2,573,348             | 1,424,552                | 3,474,497                 | 2,573,348                     | 1,815,455           | 153,138                         | (153,138)  | -                                 | 10.75%  | 156,425                                     | -   | 156,425                        |
| United School                          | 0.477723%                                 | 5,005,690             | 2,771,048                | 6,758,610                 | 5,005,690                     | 3,531,433           | 297,885                         | (297,885)  | -                                 | 10.75%  | 304,279                                     | -   | 304,279                        |
| Upper Valley Spec Ed                   | 0.363934%                                 | 3,813,383             | 2,111,013                | 5,148,775                 | 3,813,383                     | 2,690,280           | 226,932                         | (226,932)  | -                                 | 10.75%  | 231,803                                     | -   | 231,803                        |
| Valley - Edinburg School               | 0.241673%                                 | 2,532,305             | 1,401,830                | 3,419,081                 | 2,532,305                     | 1,786,500           | 150,696                         | (150,696)  | -                                 | 10.75%  | 153,930                                     | -   | 153,930                        |
| Valley City School                     | 1.004128%                                 | 10,521,481            | 5,824,480                | 14,205,952                | 10,521,481                    | 7,422,734           | 626,125                         | (626,125)  | -                                 | 10.75%  | 639,565                                     | -   | 639,565                        |
| Velva School                           | 0.399296%                                 | 4,183,914             | 2,316,129                | 5,649,060                 | 4,183,914                     | 2,951,684           | 248,982                         | (248,982)  | -                                 | 10.75%  | 254,326                                     | -   | 254,326                        |
| Wahpeton School                        | 1.074754%                                 | 11,261,517            | 6,234,148                | 15,205,137                | 11,261,517                    | 7,944,817           | 670,164                         | (670,164)  | -                                 | 10.75%  | 684,549                                     | -   | 684,549                        |
| Ward County                            | 0.004488%                                 | 47,026                | 26,031                   | 63,494                    | 47,026                        | 33,176              | 2,798                           | (2,798)  | -                                 | 10.75%  | 2,859                                       | -   | 2,859                          |

**EXHIBIT E**  
**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name               | Discount Rate Sensitivity                 |                       |                          |                      |                               |                     | Schedule of Contributions       |  |                                   |   | Pension Expense                             |   |                                |
|-----------------------------|---|-----------------------|--------------------------|----------------------|-------------------------------|---------------------|---------------------------------|--|-----------------------------------|---|---|---|--------------------------------|
|                             | Employer's Proportionate Share Allocation | Net Pension Liability | Covered Employee Payroll | 1% Decrease (7.00%)  | Current Discount Rate (8.00%) | 1% Increase (9.00%) | Statutory Required Contribution | Contributions In Relation to the Statutory Required Contribution | Contribution Deficiency/ (Excess) | Contributions as a Percentage of Covered Employee Payroll | Proportionate Share of Plan Pension Expense | Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Employer Pension Expense |
|                             | (1)                                       | (2)                   | (3)                      | (4)                  | (5)                           | (6)                 | (7)                             | (8)  | (9)                               | (10)  | (11)  | (12)  | (13)                           |
| Warwick School              | 0.262441%                                 | 2,749,916             | 1,522,299                | 3,712,897            | 2,749,916                     | 1,940,021           | 163,645                         | (163,645)  | -                                 | 10.75%  | 167,158                                     | -   | 167,158                        |
| Washburn School             | 0.246342%                                 | 2,581,227             | 1,428,913                | 3,485,136            | 2,581,227                     | 1,821,014           | 153,607                         | (153,607)  | -                                 | 10.75%  | 156,904                                     | -   | 156,904                        |
| West Fargo School           | 7.495843%                                 | 78,543,146            | 43,479,882               | 106,047,820          | 78,543,146                    | 55,410,914          | 4,674,044                       | (4,674,044)  | -                                 | 10.75%  | 4,774,371                                   | -   | 4,774,371                      |
| West River Student Services | 0.099513%                                 | 1,042,720             | 577,229                  | 1,407,865            | 1,042,720                     | 735,622             | 62,051                          | (62,051)   | -                                 | 10.75%  | 63,383                                      | -   | 63,383                         |
| Westhope School             | 0.161311%                                 | 1,690,253             | 935,687                  | 2,282,156            | 1,690,253                     | 1,192,446           | 100,586                         | (100,586)  | -                                 | 10.75%  | 102,745                                     | -   | 102,745                        |
| White Shield School         | 0.236328%                                 | 2,476,298             | 1,370,831                | 3,343,462            | 2,476,298                     | 1,746,988           | 147,363                         | (147,363)  | -                                 | 10.75%  | 150,526                                     | -   | 150,526                        |
| Williston School            | 2.393571%                                 | 25,080,381            | 13,883,985               | 33,863,167           | 25,080,381                    | 17,693,801          | 1,492,515                       | (1,492,515)  | -                                 | 10.75%  | 1,524,551                                   | -   | 1,524,551                      |
| Wilmac Special Education    | 0.425139%                                 | 4,454,703             | 2,466,035                | 6,014,676            | 4,454,703                     | 3,142,721           | 265,096                         | (265,096)  | -                                 | 10.75%  | 270,786                                     | -   | 270,786                        |
| Wilton School               | 0.195459%                                 | 2,048,064             | 1,133,768                | 2,765,266            | 2,048,064                     | 1,444,876           | 121,879                         | (121,879)  | -                                 | 10.75%  | 124,495                                     | -   | 124,495                        |
| Wing School                 | 0.108458%                                 | 1,136,448             | 629,112                  | 1,534,415            | 1,136,448                     | 801,745             | 67,629                          | (67,629)   | -                                 | 10.75%  | 69,081                                      | -   | 69,081                         |
| Wishek School               | 0.188025%                                 | 1,970,169             | 1,090,646                | 2,660,093            | 1,970,169                     | 1,389,922           | 117,243                         | (117,243)  | -                                 | 10.75%  | 119,760                                     | -   | 119,760                        |
| Wolford School              | 0.078990%                                 | 827,675               | 458,187                  | 1,117,515            | 827,675                       | 583,911             | 49,254                          | (49,254)   | -                                 | 10.75%  | 50,312                                      | -   | 50,312                         |
| Wyndmere School             | 0.235320%                                 | 2,465,736             | 1,364,980                | 3,329,202            | 2,465,736                     | 1,739,537           | 146,734                         | (146,734)  | -                                 | 10.75%  | 149,884                                     | -   | 149,884                        |
| Yellowstone Elem. School    | 0.079419%                                 | 832,170               | 460,673                  | 1,123,584            | 832,170                       | 587,083             | 49,522                          | (49,522)   | -                                 | 10.75%  | 50,585                                      | -   | 50,585                         |
| Zeeland School              | 0.077000%                                 | 806,823               | 446,642                  | 1,089,361            | 806,823                       | 569,201             | 48,013                          | (48,013)   | -                                 | 10.75%  | 49,044                                      | -   | 49,044                         |
| <b>Grand Totals:</b>        | <b>100%</b>                               | <b>1,047,822,708</b>  | <b>580,053,235</b>       | <b>1,414,755,068</b> | <b>1,047,822,708</b>          | <b>739,221,903</b>  | <b>62,355,140</b>               | <b>(62,355,140)</b>  | <b>-</b>                          | <b>10.75%</b>   | <b>63,693,590</b>                           | <b>-</b>  | <b>63,693,590</b>              |

Note: Columns may not foot due to rounding.

**EXHIBIT E (continued)**

**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                             | Deferred Outflows of Resources                     |                        |   |                                      | Deferred Inflows of Resources                      |   |                        |   | Deferred Inflows/(Outflows) Recognized In Future Pension Expense (Year Ended June 30): |             |             |             |             |          |            |
|---|--|------------------------|---|--------------------------------------|--|---|------------------------|---|--|-------------|-------------|-------------|-------------|----------|------------|
|   | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources  | 2015        | 2016        | 2017        | 2018        | 2019     | Thereafter |
|   |  |                        |   |                                      |  |   |                        |   |  | (14)        | (15)        | (16)        | (17)        | (18)     | (19)       |
| Alexander School                          | \$ 11,477  | \$ -                   | \$ -  | \$ 11,477                            | \$ -   | \$ 170,512  | \$ -                   | \$ -  | \$ 170,512   | \$ (40,715) | \$ (40,715) | \$ (40,715) | \$ (40,715) | \$ 1,913 | \$ 1,913   |
| Anamoose School                           | 8,547  | -                      | -   | 8,547                                | -  | 126,981   | -                      | -   | 126,981  | (30,321)    | (30,321)    | (30,321)    | (30,321)    | 1,424    | 1,424      |
| Apple Creek Elem School                   | 4,675  | -                      | -   | 4,675                                | -  | 69,457  | -                      | -   | 69,457   | (16,585)    | (16,585)    | (16,585)    | (16,585)    | 779      | 779        |
| Ashley School                             | 12,116   | -                      | -   | 12,116                               | -  | 180,002   | -                      | -   | 180,002  | (42,981)    | (42,981)    | (42,981)    | (42,981)    | 2,019    | 2,019      |
| Bakker Elem School                        | 463  | -                      | -   | 463                                  | -  | 6,874   | -                      | -   | 6,874  | (1,641)     | (1,641)     | (1,641)     | (1,641)     | 77       | 77         |
| Barnes County North                       | 23,224   | -                      | -   | 23,224                               | -  | 345,035   | -                      | -   | 345,035  | (82,388)    | (82,388)    | (82,388)    | (82,388)    | 3,871    | 3,871      |
| Beach School                              | 28,408   | -                      | -   | 28,408                               | -  | 422,058   | -                      | -   | 422,058  | (100,780)   | (100,780)   | (100,780)   | (100,780)   | 4,735    | 4,735      |
| Belcourt School                           | 107,511  | -                      | -   | 107,511                              | -  | 1,597,300   | -                      | -   | 1,597,300  | (381,406)   | (381,406)   | (381,406)   | (381,406)   | 17,918   | 17,918     |
| Belfield Public School                    | 17,555   | -                      | -   | 17,555                               | -  | 260,821   | -                      | -   | 260,821  | (62,279)    | (62,279)    | (62,279)    | (62,279)    | 2,926    | 2,926      |
| Beulah School                             | 44,660   | -                      | -   | 44,660                               | -  | 663,521   | -                      | -   | 663,521  | (158,437)   | (158,437)   | (158,437)   | (158,437)   | 7,443    | 7,443      |
| Billings Co. School Dist.                 | 10,090   | -                      | -   | 10,090                               | -  | 149,909   | -                      | -   | 149,909  | (35,796)    | (35,796)    | (35,796)    | (35,796)    | 1,682    | 1,682      |
| Bismarck Public Schools                   | 852,639  | -                      | -   | 852,639                              | -  | 12,667,724  | -                      | -   | 12,667,724   | (3,024,825) | (3,024,825) | (3,024,825) | (3,024,825) | 142,106  | 142,106    |
| Bismarck State College                    | 432  | -                      | -   | 432                                  | -  | 6,421   | -                      | -   | 6,421  | (1,533)     | (1,533)     | (1,533)     | (1,533)     | 72       | 72         |
| Blessed John Paul II Catholic Sch Network | 422  | -                      | -   | 422                                  | -  | 6,276   | -                      | -   | 6,276  | (1,498)     | (1,498)     | (1,498)     | (1,498)     | 70       | 70         |
| Bottineau School                          | 48,585   | -                      | -   | 48,585                               | -  | 721,829   | -                      | -   | 721,829  | (172,360)   | (172,360)   | (172,360)   | (172,360)   | 8,097    | 8,097      |
| Bowbells School                           | 6,997  | -                      | -   | 6,997                                | -  | 103,953   | -                      | -   | 103,953  | (24,822)    | (24,822)    | (24,822)    | (24,822)    | 1,166    | 1,166      |
| Bowman School                             | 35,750   | -                      | -   | 35,750                               | -  | 531,133   | -                      | -   | 531,133  | (126,825)   | (126,825)   | (126,825)   | (126,825)   | 5,958    | 5,958      |
| Burke Central School                      | 11,532   | -                      | -   | 11,532                               | -  | 171,327   | -                      | -   | 171,327  | (40,910)    | (40,910)    | (40,910)    | (40,910)    | 1,922    | 1,922      |
| Burleigh County Spec. Ed.                 | 931  | -                      | -   | 931                                  | -  | 13,837  | -                      | -   | 13,837   | (3,304)     | (3,304)     | (3,304)     | (3,304)     | 155      | 155        |
| Carrington School                         | 36,636   | -                      | -   | 36,636                               | -  | 544,301   | -                      | -   | 544,301  | (129,969)   | (129,969)   | (129,969)   | (129,969)   | 6,106    | 6,106      |
| Cavalier School                           | 27,284   | -                      | -   | 27,284                               | -  | 405,366   | -                      | -   | 405,366  | (96,794)    | (96,794)    | (96,794)    | (96,794)    | 4,547    | 4,547      |
| Center Stanton School                     | 18,217   | -                      | -   | 18,217                               | -  | 270,651   | -                      | -   | 270,651  | (64,627)    | (64,627)    | (64,627)    | (64,627)    | 3,036    | 3,036      |
| Central Cass School                       | 45,841   | -                      | -   | 45,841                               | -  | 681,059   | -                      | -   | 681,059  | (162,625)   | (162,625)   | (162,625)   | (162,625)   | 7,640    | 7,640      |
| Central Elementary School                 | 838  | -                      | -   | 838                                  | -  | 12,451  | -                      | -   | 12,451   | (2,973)     | (2,973)     | (2,973)     | (2,973)     | 140      | 140        |
| Central Valley School                     | 16,762   | -                      | -   | 16,762                               | -  | 249,035   | -                      | -   | 249,035  | (59,465)    | (59,465)    | (59,465)    | (59,465)    | 2,794    | 2,794      |
| Dakota Prairie School                     | 22,681   | -                      | -   | 22,681                               | -  | 336,974   | -                      | -   | 336,974  | (80,463)    | (80,463)    | (80,463)    | (80,463)    | 3,780    | 3,780      |
| Devils Lake School                        | 137,028  | -                      | -   | 137,028                              | -  | 2,035,842   | -                      | -   | 2,035,842  | (486,122)   | (486,122)   | (486,122)   | (486,122)   | 22,838   | 22,838     |
| Dickinson School                          | 207,921  | -                      | -   | 207,921                              | -  | 3,089,096   | -                      | -   | 3,089,096  | (737,621)   | (737,621)   | (737,621)   | (737,621)   | 34,653   | 34,653     |
| Divide School                             | 29,749   | -                      | -   | 29,749                               | -  | 441,990   | -                      | -   | 441,990  | (105,539)   | (105,539)   | (105,539)   | (105,539)   | 4,958    | 4,958      |
| Drake School                              | 7,340  | -                      | -   | 7,340                                | -  | 109,056   | -                      | -   | 109,056  | (26,041)    | (26,041)    | (26,041)    | (26,041)    | 1,223    | 1,223      |
| Drayton School                            | 14,825   | -                      | -   | 14,825                               | -  | 220,255   | -                      | -   | 220,255  | (52,593)    | (52,593)    | (52,593)    | (52,593)    | 2,471    | 2,471      |
| Dunseith School                           | 33,393   | -                      | -   | 33,393                               | -  | 496,129   | -                      | -   | 496,129  | (118,467)   | (118,467)   | (118,467)   | (118,467)   | 5,566    | 5,566      |
| E Central Ctr Exc Childn                  | 10,404   | -                      | -   | 10,404                               | -  | 154,573   | -                      | -   | 154,573  | (36,909)    | (36,909)    | (36,909)    | (36,909)    | 1,734    | 1,734      |
| Earl Elem. School                         | 421  | -                      | -   | 421                                  | -  | 6,259   | -                      | -   | 6,259  | (1,495)     | (1,495)     | (1,495)     | (1,495)     | 70       | 70         |
| Edgeley School                            | 16,016   | -                      | -   | 16,016                               | -  | 237,946   | -                      | -   | 237,946  | (56,817)    | (56,817)    | (56,817)    | (56,817)    | 2,669    | 2,669      |
| Edmore School                             | 8,789  | -                      | -   | 8,789                                | -  | 130,580   | -                      | -   | 130,580  | (31,180)    | (31,180)    | (31,180)    | (31,180)    | 1,465    | 1,465      |
| Eight Mile School                         | 16,504   | -                      | -   | 16,504                               | -  | 245,197   | -                      | -   | 245,197  | (58,549)    | (58,549)    | (58,549)    | (58,549)    | 2,751    | 2,751      |
| Elgin-New Leipzig School                  | 13,216   | -                      | -   | 13,216                               | -  | 196,348   | -                      | -   | 196,348  | (46,884)    | (46,884)    | (46,884)    | (46,884)    | 2,203    | 2,203      |
| Ellendale School                          | 23,548   | -                      | -   | 23,548                               | -  | 349,857   | -                      | -   | 349,857  | (83,540)    | (83,540)    | (83,540)    | (83,540)    | 3,925    | 3,925      |
| Emerado Elementary School                 | 7,358  | -                      | -   | 7,358                                | -  | 109,317   | -                      | -   | 109,317  | (26,103)    | (26,103)    | (26,103)    | (26,103)    | 1,226    | 1,226      |
| Enderlin Area School District             | 24,839   | -                      | -   | 24,839                               | -  | 369,028   | -                      | -   | 369,028  | (88,117)    | (88,117)    | (88,117)    | (88,117)    | 4,140    | 4,140      |
| Fairmount School                          | 12,962   | -                      | -   | 12,962                               | -  | 192,575   | -                      | -   | 192,575  | (45,983)    | (45,983)    | (45,983)    | (45,983)    | 2,160    | 2,160      |
| Fargo Public Schools                      | 872,853  | -                      | -   | 872,853                              | -  | 12,968,047  | -                      | -   | 12,968,047   | (3,096,536) | (3,096,536) | (3,096,536) | (3,096,536) | 145,475  | 145,475    |
| Fessenden-Bowdon School                   | 12,298   | -                      | -   | 12,298                               | -  | 182,712   | -                      | -   | 182,712  | (43,628)    | (43,628)    | (43,628)    | (43,628)    | 2,050    | 2,050      |
| Finley-Sharon School                      | 15,049   | -                      | -   | 15,049                               | -  | 223,582   | -                      | -   | 223,582  | (53,387)    | (53,387)    | (53,387)    | (53,387)    | 2,508    | 2,508      |
| Flasher School                            | 14,523   | -                      | -   | 14,523                               | -  | 215,768   | -                      | -   | 215,768  | (51,521)    | (51,521)    | (51,521)    | (51,521)    | 2,420    | 2,420      |
| Fordville Lankin School                   | 7,501  | -                      | -   | 7,501                                | -  | 111,441   | -                      | -   | 111,441  | (26,610)    | (26,610)    | (26,610)    | (26,610)    | 1,250    | 1,250      |
| Fort Ransom Elem School                   | 2,098  | -                      | -   | 2,098                                | -  | 31,163  | -                      | -   | 31,163   | (7,441)     | (7,441)     | (7,441)     | (7,441)     | 350      | 350        |
| Fort Totten School                        | 21,104   | -                      | -   | 21,104                               | -  | 313,546   | -                      | -   | 313,546  | (74,869)    | (74,869)    | (74,869)    | (74,869)    | 3,517    | 3,517      |
| Fort Yates School                         | 14,038   | -                      | -   | 14,038                               | -  | 208,558   | -                      | -   | 208,558  | (49,800)    | (49,800)    | (49,800)    | (49,800)    | 2,340    | 2,340      |
| Gackle-Streeter Pub Sch                   | 9,869  | -                      | -   | 9,869                                | -  | 146,621   | -                      | -   | 146,621  | (35,011)    | (35,011)    | (35,011)    | (35,011)    | 1,645    | 1,645      |
| Garrison School                           | 28,142   | -                      | -   | 28,142                               | -  | 418,105   | -                      | -   | 418,105  | (99,836)    | (99,836)    | (99,836)    | (99,836)    | 4,690    | 4,690      |
| Glen Ullin School                         | 13,648   | -                      | -   | 13,648                               | -  | 202,768   | -                      | -   | 202,768  | (48,417)    | (48,417)    | (48,417)    | (48,417)    | 2,275    | 2,275      |
| Glenburn School                           | 20,592   | -                      | -   | 20,592                               | -  | 305,936   | -                      | -   | 305,936  | (73,052)    | (73,052)    | (73,052)    | (73,052)    | 3,432    | 3,432      |
| Goodrich School                           | 3,823  | -                      | -   | 3,823                                | -  | 56,796  | -                      | -   | 56,796   | (13,562)    | (13,562)    | (13,562)    | (13,562)    | 637      | 637        |
| Grafton School                            | 55,159   | -                      | -   | 55,159                               | -  | 819,497   | -                      | -   | 819,497  | (195,681)   | (195,681)   | (195,681)   | (195,681)   | 9,193    | 9,193      |
| Grand Forks School                        | 576,501  | -                      | -   | 576,501                              | -  | 8,565,127   | -                      | -   | 8,565,127  | (2,045,198) | (2,045,198) | (2,045,198) | (2,045,198) | 96,084   | 96,084     |
| Great North West Cooperative              | 1,767  | -                      | -   | 1,767                                | -  | 26,257  | -                      | -   | 26,257   | (6,270)     | (6,270)     | (6,270)     | (6,270)     | 295      | 295        |
| Grenora School                            | 13,395   | -                      | -   | 13,395                               | -  | 199,011   | -                      | -   | 199,011  | (47,520)    | (47,520)    | (47,520)    | (47,520)    | 2,233    | 2,233      |
| Griggs County Central Sch                 | 23,313   | -                      | -   | 23,313                               | -  | 346,359   | -                      | -   | 346,359  | (82,704)    | (82,704)    | (82,704)    | (82,704)    | 3,885    | 3,885      |
| Gst Educational Services                  | 19,953   | -                      | -   | 19,953                               | -  | 296,447   | -                      | -   | 296,447  | (70,786)    | (70,786)    | (70,786)    | (70,786)    | 3,326    | 3,326      |
| Halliday School                           | 5,726  | -                      | -   | 5,726                                | -  | 85,070  | -                      | -   | 85,070   | (20,313)    | (20,313)    | (20,313)    | (20,313)    | 954      | 954        |
| Hankinson School                          | 21,461   | -                      | -   | 21,461                               | -  | 318,852   | -                      | -   | 318,852  | (76,136)    | (76,136)    | (76,136)    | (76,136)    | 3,577    | 3,577      |
| Harvey School                             | 28,833   | -                      | -   | 28,833                               | -  | 428,379   | -                      | -   | 428,379  | (102,289)   | (102,289)   | (102,289)   | (102,289)   | 4,806    | 4,806      |
| Hatton Eielson Psd                        | 14,576   | -                      | -   | 14,576                               | -  | 216,557   | -                      | -   | 216,557  | (51,710)    | (51,710)    | (51,710)    | (51,710)    | 2,429    | 2,429      |
| Hazelton - Moffitt School                 | 10,563   | -                      | -   | 10,563                               | -  | 156,937   | -                      | -   | 156,937  | (37,474)    | (37,474)    | (37,474)    | (37,474)    | 1,761    | 1,761      |
| Hazen School                              | 35,615   | -                      | -   | 35,615                               | -  | 529,136   | -                      | -   | 529,136  | (126,348)   | (126,348)   | (126,348)   | (126,348)   | 5,936    | 5,936      |
| Hebron School                             | 15,068   | -                      | -   | 15,068                               | -  | 223,865   | -                      | -   | 223,865  | (53,455)    | (53,455)    | (53,455)    | (53,455)    | 2,511    | 2,511      |

**EXHIBIT E (continued)**  
**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                          | Deferred Outflows of Resources                     |                        |   |                                      | Deferred Inflows of Resources                      |   |                        |   | Deferred Inflows/(Outflows) Recognized In Future Pension Expense (Year Ended June 30): |             |             |             |             |        |            |
|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|--|-------------|-------------|-------------|-------------|--------|------------|
|  | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources  | 2015        | 2016        | 2017        | 2018        | 2019   | Thereafter |
|  |  |                        |   |                                      |  |   |                        |   |  | (14)        | (15)        | (16)        | (17)        | (18)   | (19)       |
| Hettinger School                       | 21,202   | -                      | -   | 21,202                               | -  | 314,994   | -                      | -   | 314,994  | (75,215)    | (75,215)    | (75,215)    | (75,215)    | 3,534  | 3,534      |
| Hillsboro School                       | 29,285   | -                      | -   | 29,285                               | -  | 435,091   | -                      | -   | 435,091  | (103,892)   | (103,892)   | (103,892)   | (103,892)   | 4,881  | 4,881      |
| Hope School                            | 8,139  | -                      | -   | 8,139                                | -  | 120,917   | -                      | -   | 120,917  | (28,873)    | (28,873)    | (28,873)    | (28,873)    | 1,356  | 1,356      |
| Horse Creek Elem. School               | 477  | -                      | -   | 477                                  | -  | 7,080   | -                      | -   | 7,080  | (1,691)     | (1,691)     | (1,691)     | (1,691)     | 79     | 79         |
| James River Multidistrict Spec Ed Unit | 15,649   | -                      | -   | 15,649                               | -  | 232,502   | -                      | -   | 232,502  | (55,517)    | (55,517)    | (55,517)    | (55,517)    | 2,608  | 2,608      |
| Jamestown School                       | 173,869  | -                      | -   | 173,869                              | -  | 2,583,183   | -                      | -   | 2,583,183  | (616,818)   | (616,818)   | (616,818)   | (616,818)   | 28,978 | 28,978     |
| Kenmare School                         | 23,540   | -                      | -   | 23,540                               | -  | 349,735   | -                      | -   | 349,735  | (83,510)    | (83,510)    | (83,510)    | (83,510)    | 3,923  | 3,923      |
| Kensal School                          | 5,175  | -                      | -   | 5,175                                | -  | 76,880  | -                      | -   | 76,880   | (18,358)    | (18,358)    | (18,358)    | (18,358)    | 862    | 862        |
| Kidder County School District          | 29,411   | -                      | -   | 29,411                               | -  | 436,959   | -                      | -   | 436,959  | (104,338)   | (104,338)   | (104,338)   | (104,338)   | 4,902  | 4,902      |
| Killdeer School                        | 32,079   | -                      | -   | 32,079                               | -  | 476,596   | -                      | -   | 476,596  | (113,803)   | (113,803)   | (113,803)   | (113,803)   | 5,346  | 5,346      |
| Kindred School                         | 40,433   | -                      | -   | 40,433                               | -  | 600,717   | -                      | -   | 600,717  | (143,440)   | (143,440)   | (143,440)   | (143,440)   | 6,739  | 6,739      |
| Kulm School                            | 14,168   | -                      | -   | 14,168                               | -  | 210,491   | -                      | -   | 210,491  | (50,261)    | (50,261)    | (50,261)    | (50,261)    | 2,361  | 2,361      |
| Lake Region Spec Ed                    | 23,154   | -                      | -   | 23,154                               | -  | 344,001   | -                      | -   | 344,001  | (82,141)    | (82,141)    | (82,141)    | (82,141)    | 3,859  | 3,859      |
| Lakota School                          | 15,706   | -                      | -   | 15,706                               | -  | 233,344   | -                      | -   | 233,344  | (55,718)    | (55,718)    | (55,718)    | (55,718)    | 2,618  | 2,618      |
| Lamoure School                         | 19,319   | -                      | -   | 19,319                               | -  | 287,027   | -                      | -   | 287,027  | (68,537)    | (68,537)    | (68,537)    | (68,537)    | 3,220  | 3,220      |
| Langdon Area School                    | 26,995   | -                      | -   | 26,995                               | -  | 401,067   | -                      | -   | 401,067  | (95,768)    | (95,768)    | (95,768)    | (95,768)    | 4,499  | 4,499      |
| Larimore School                        | 28,563   | -                      | -   | 28,563                               | -  | 424,368   | -                      | -   | 424,368  | (101,332)   | (101,332)   | (101,332)   | (101,332)   | 4,761  | 4,761      |
| Leeds School                           | 13,817   | -                      | -   | 13,817                               | -  | 205,280   | -                      | -   | 205,280  | (49,017)    | (49,017)    | (49,017)    | (49,017)    | 2,303  | 2,303      |
| Lewis And Clark School                 | 32,534   | -                      | -   | 32,534                               | -  | 483,365   | -                      | -   | 483,365  | (115,419)   | (115,419)   | (115,419)   | (115,419)   | 5,422  | 5,422      |
| Lidgerwood School                      | 14,983   | -                      | -   | 14,983                               | -  | 222,602   | -                      | -   | 222,602  | (53,153)    | (53,153)    | (53,153)    | (53,153)    | 2,497  | 2,497      |
| Linton School                          | 21,823   | -                      | -   | 21,823                               | -  | 324,227   | -                      | -   | 324,227  | (77,419)    | (77,419)    | (77,419)    | (77,419)    | 3,637  | 3,637      |
| Lisbon School                          | 44,433   | -                      | -   | 44,433                               | -  | 660,147   | -                      | -   | 660,147  | (157,631)   | (157,631)   | (157,631)   | (157,631)   | 7,406  | 7,406      |
| Litchville-Marion School               | 11,146   | -                      | -   | 11,146                               | -  | 165,596   | -                      | -   | 165,596  | (39,541)    | (39,541)    | (39,541)    | (39,541)    | 1,858  | 1,858      |
| Little Heart Elem. School              | 1,297  | -                      | -   | 1,297                                | -  | 19,263  | -                      | -   | 19,263   | (4,600)     | (4,600)     | (4,600)     | (4,600)     | 216    | 216        |
| Logan County                           | 55   | -                      | -   | 55                                   | -  | 819   | -                      | -   | 819  | (196)       | (196)       | (196)       | (196)       | 9      | 9          |
| Lone Tree Elem. School                 | 2,682  | -                      | -   | 2,682                                | -  | 39,852  | -                      | -   | 39,852   | (9,516)     | (9,516)     | (9,516)     | (9,516)     | 447    | 447        |
| Lonetree Spec Ed Unit                  | 1,907  | -                      | -   | 1,907                                | -  | 28,340  | -                      | -   | 28,340   | (6,767)     | (6,767)     | (6,767)     | (6,767)     | 318    | 318        |
| Maddock School                         | 12,663   | -                      | -   | 12,663                               | -  | 188,142   | -                      | -   | 188,142  | (44,925)    | (44,925)    | (44,925)    | (44,925)    | 2,111  | 2,111      |
| Mandan Public Schools                  | 226,002  | -                      | -   | 226,002                              | -  | 3,357,731   | -                      | -   | 3,357,731  | (801,766)   | (801,766)   | (801,766)   | (801,766)   | 37,667 | 37,667     |
| Mandaree School                        | 22,142   | -                      | -   | 22,142                               | -  | 328,963   | -                      | -   | 328,963  | (78,550)    | (78,550)    | (78,550)    | (78,550)    | 3,690  | 3,690      |
| Manning Elem School                    | 936  | -                      | -   | 936                                  | -  | 13,904  | -                      | -   | 13,904   | (3,320)     | (3,320)     | (3,320)     | (3,320)     | 156    | 156        |
| Marvel Elem. School                    | 10,140   | -                      | -   | 10,140                               | -  | 150,651   | -                      | -   | 150,651  | (35,973)    | (35,973)    | (35,973)    | (35,973)    | 1,690  | 1,690      |
| Maple Valley School                    | 21,202   | -                      | -   | 21,202                               | -  | 315,005   | -                      | -   | 315,005  | (75,218)    | (75,218)    | (75,218)    | (75,218)    | 3,534  | 3,534      |
| Mapleton Elem. School                  | 8,631  | -                      | -   | 8,631                                | -  | 128,228   | -                      | -   | 128,228  | (30,619)    | (30,619)    | (30,619)    | (30,619)    | 1,438  | 1,438      |
| Marmarth Elem. School                  | 2,104  | -                      | -   | 2,104                                | -  | 31,256  | -                      | -   | 31,256   | (7,463)     | (7,463)     | (7,463)     | (7,463)     | 351    | 351        |
| Max School                             | 14,702   | -                      | -   | 14,702                               | -  | 218,435   | -                      | -   | 218,435  | (52,158)    | (52,158)    | (52,158)    | (52,158)    | 2,450  | 2,450      |
| May-Port C-G School                    | 33,416   | -                      | -   | 33,416                               | -  | 496,464   | -                      | -   | 496,464  | (118,547)   | (118,547)   | (118,547)   | (118,547)   | 5,569  | 5,569      |
| Mcclusky School                        | 10,084   | -                      | -   | 10,084                               | -  | 149,821   | -                      | -   | 149,821  | (35,775)    | (35,775)    | (35,775)    | (35,775)    | 1,681  | 1,681      |
| Mckenzie County                        | 718  | -                      | -   | 718                                  | -  | 10,671  | -                      | -   | 10,671   | (2,548)     | (2,548)     | (2,548)     | (2,548)     | 120    | 120        |
| Mckenzie County School                 | 61,485   | -                      | -   | 61,485                               | -  | 913,488   | -                      | -   | 913,488  | (218,125)   | (218,125)   | (218,125)   | (218,125)   | 10,248 | 10,248     |
| Medina School                          | 12,640   | -                      | -   | 12,640                               | -  | 187,793   | -                      | -   | 187,793  | (44,842)    | (44,842)    | (44,842)    | (44,842)    | 2,107  | 2,107      |
| Menoken Elem School                    | 1,601  | -                      | -   | 1,601                                | -  | 23,784  | -                      | -   | 23,784   | (5,679)     | (5,679)     | (5,679)     | (5,679)     | 267    | 267        |
| Midkota                                | 13,820   | -                      | -   | 13,820                               | -  | 205,319   | -                      | -   | 205,319  | (49,026)    | (49,026)    | (49,026)    | (49,026)    | 2,303  | 2,303      |
| Midway School                          | 18,417   | -                      | -   | 18,417                               | -  | 273,626   | -                      | -   | 273,626  | (65,337)    | (65,337)    | (65,337)    | (65,337)    | 3,070  | 3,070      |
| Milnor School                          | 19,252   | -                      | -   | 19,252                               | -  | 286,032   | -                      | -   | 286,032  | (68,299)    | (68,299)    | (68,299)    | (68,299)    | 3,209  | 3,209      |
| Minnewaukan School                     | 22,290   | -                      | -   | 22,290                               | -  | 331,162   | -                      | -   | 331,162  | (79,075)    | (79,075)    | (79,075)    | (79,075)    | 3,715  | 3,715      |
| Minot School                           | 553,785  | -                      | -   | 553,785                              | -  | 8,227,621   | -                      | -   | 8,227,621  | (1,964,608) | (1,964,608) | (1,964,608) | (1,964,608) | 92,297 | 92,297     |
| Minto School                           | 14,714   | -                      | -   | 14,714                               | -  | 218,606   | -                      | -   | 218,606  | (52,199)    | (52,199)    | (52,199)    | (52,199)    | 2,452  | 2,452      |
| Mohall Lansford Sherwood               | 30,597   | -                      | -   | 30,597                               | -  | 454,588   | -                      | -   | 454,588  | (108,547)   | (108,547)   | (108,547)   | (108,547)   | 5,100  | 5,100      |
| Montpelier School                      | 9,096  | -                      | -   | 9,096                                | -  | 135,146   | -                      | -   | 135,146  | (32,271)    | (32,271)    | (32,271)    | (32,271)    | 1,516  | 1,516      |
| Morton County                          | 357  | -                      | -   | 357                                  | -  | 5,311   | -                      | -   | 5,311  | (1,268)     | (1,268)     | (1,268)     | (1,268)     | 60     | 60         |
| Mott-Regent School                     | 19,874   | -                      | -   | 19,874                               | -  | 295,269   | -                      | -   | 295,269  | (70,505)    | (70,505)    | (70,505)    | (70,505)    | 3,312  | 3,312      |
| Mt Pleasant School                     | 19,876   | -                      | -   | 19,876                               | -  | 295,297   | -                      | -   | 295,297  | (70,512)    | (70,512)    | (70,512)    | (70,512)    | 3,313  | 3,313      |
| Munich School                          | 10,367   | -                      | -   | 10,367                               | -  | 154,027   | -                      | -   | 154,027  | (36,779)    | (36,779)    | (36,779)    | (36,779)    | 1,728  | 1,728      |
| N Central Area Career And Tech Center  | 1,904  | -                      | -   | 1,904                                | -  | 28,283  | -                      | -   | 28,283   | (6,753)     | (6,753)     | (6,753)     | (6,753)     | 317    | 317        |
| Napoleon School                        | 19,205   | -                      | -   | 19,205                               | -  | 285,333   | -                      | -   | 285,333  | (68,132)    | (68,132)    | (68,132)    | (68,132)    | 3,201  | 3,201      |
| Naughton Rural School                  | 905  | -                      | -   | 905                                  | -  | 13,444  | -                      | -   | 13,444   | (3,210)     | (3,210)     | (3,210)     | (3,210)     | 151    | 151        |
| Nd Center For Distance Education       | 12,170   | -                      | -   | 12,170                               | -  | 180,805   | -                      | -   | 180,805  | (43,173)    | (43,173)    | (43,173)    | (43,173)    | 2,028  | 2,028      |
| Nd Dept Of Public Instruction          | 1,522  | -                      | -   | 1,522                                | -  | 22,613  | -                      | -   | 22,613   | (5,400)     | (5,400)     | (5,400)     | (5,400)     | 254    | 254        |
| Nd School For Blind                    | 8,865  | -                      | -   | 8,865                                | -  | 131,711   | -                      | -   | 131,711  | (31,450)    | (31,450)    | (31,450)    | (31,450)    | 1,478  | 1,478      |
| Nd School For Deaf                     | 11,212   | -                      | -   | 11,212                               | -  | 166,579   | -                      | -   | 166,579  | (39,776)    | (39,776)    | (39,776)    | (39,776)    | 1,869  | 1,869      |
| Nd United                              | 4,053  | -                      | -   | 4,053                                | -  | 60,222  | -                      | -   | 60,222   | (14,380)    | (14,380)    | (14,380)    | (14,380)    | 676    | 676        |
| Nd Youth Correctional Cnt              | 15,627   | -                      | -   | 15,627                               | -  | 232,173   | -                      | -   | 232,173  | (55,439)    | (55,439)    | (55,439)    | (55,439)    | 2,605  | 2,605      |
| Nedrose School                         | 17,979   | -                      | -   | 17,979                               | -  | 267,121   | -                      | -   | 267,121  | (63,784)    | (63,784)    | (63,784)    | (63,784)    | 2,997  | 2,997      |
| Nelson County                          | 147  | -                      | -   | 147                                  | -  | 2,177   | -                      | -   | 2,177  | (520)       | (520)       | (520)       | (520)       | 24     | 24         |
| Nesson School                          | 18,560   | -                      | -   | 18,560                               | -  | 275,741   | -                      | -   | 275,741  | (65,842)    | (65,842)    | (65,842)    | (65,842)    | 3,093  | 3,093      |
| New England School                     | 15,023   | -                      | -   | 15,023                               | -  | 223,191   | -                      | -   | 223,191  | (53,294)    | (53,294)    | (53,294)    | (53,294)    | 2,504  | 2,504      |
| New Public School                      | 27,557   | -                      | -   | 27,557                               | -  | 409,424   | -                      | -   | 409,424  | (97,763)    | (97,763)    | (97,763)    | (97,763)    | 4,593  | 4,593      |

**EXHIBIT E (continued)**

**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name                          | Deferred Outflows of Resources                     |                        |   |                                      | Deferred Inflows of Resources                      |   |                        |   | Deferred Inflows/(Outflows) Recognized In Future Pension Expense (Year Ended June 30): |           |           |           |           |        |            |
|--|--|------------------------|---|--------------------------------------|--|---|------------------------|---|--|-----------|-----------|-----------|-----------|--------|------------|
|  | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources  | 2015      | 2016      | 2017      | 2018      | 2019   | Thereafter |
|  |  |                        |   |                                      |  |   |                        |   |  | (14)      | (15)      | (16)      | (17)      | (18)   | (19)       |
| New Rockford Sheyenne School           | 22,486   | -                      | -   | 22,486                               | -  | 334,077   | -                      | -   | 334,077  | (79,772)  | (79,772)  | (79,772)  | (79,772)  | 3,748  | 3,748      |
| New Salem-Almont                       | 21,367   | -                      | -   | 21,367                               | -  | 317,453   | -                      | -   | 317,453  | (75,802)  | (75,802)  | (75,802)  | (75,802)  | 3,561  | 3,561      |
| New Town School                        | 52,188   | -                      | -   | 52,188                               | -  | 775,366   | -                      | -   | 775,366  | (185,143) | (185,143) | (185,143) | (185,143) | 8,698  | 8,698      |
| Newburg United District                | 8,026  | -                      | -   | 8,026                                | -  | 119,242   | -                      | -   | 119,242  | (28,473)  | (28,473)  | (28,473)  | (28,473)  | 1,338  | 1,338      |
| North Border School                    | 36,595   | -                      | -   | 36,595                               | -  | 543,688   | -                      | -   | 543,688  | (129,823) | (129,823) | (129,823) | (129,823) | 6,099  | 6,099      |
| North Sargent School                   | 16,420   | -                      | -   | 16,420                               | -  | 243,954   | -                      | -   | 243,954  | (58,252)  | (58,252)  | (58,252)  | (58,252)  | 2,737  | 2,737      |
| North Star                             | 19,735   | -                      | -   | 19,735                               | -  | 293,199   | -                      | -   | 293,199  | (70,011)  | (70,011)  | (70,011)  | (70,011)  | 3,289  | 3,289      |
| North Valley Area Career               | 8,117  | -                      | -   | 8,117                                | -  | 120,593   | -                      | -   | 120,593  | (28,796)  | (28,796)  | (28,796)  | (28,796)  | 1,353  | 1,353      |
| Northern Cass School Dist              | 32,836   | -                      | -   | 32,836                               | -  | 487,852   | -                      | -   | 487,852  | (116,490) | (116,490) | (116,490) | (116,490) | 5,473  | 5,473      |
| Northern Plains Spec Ed                | 2,597  | -                      | -   | 2,597                                | -  | 38,582  | -                      | -   | 38,582   | (9,213)   | (9,213)   | (9,213)   | (9,213)   | 433    | 433        |
| Northwood School                       | 17,868   | -                      | -   | 17,868                               | -  | 265,473   | -                      | -   | 265,473  | (63,390)  | (63,390)  | (63,390)  | (63,390)  | 2,978  | 2,978      |
| Oakes School                           | 26,249   | -                      | -   | 26,249                               | -  | 389,983   | -                      | -   | 389,983  | (93,121)  | (93,121)  | (93,121)  | (93,121)  | 4,375  | 4,375      |
| Oberon Elem School                     | 6,045  | -                      | -   | 6,045                                | -  | 89,811  | -                      | -   | 89,811   | (21,445)  | (21,445)  | (21,445)  | (21,445)  | 1,007  | 1,007      |
| Oliver - Mercer Spec Ed                | 11,790   | -                      | -   | 11,790                               | -  | 175,166   | -                      | -   | 175,166  | (41,827)  | (41,827)  | (41,827)  | (41,827)  | 1,965  | 1,965      |
| Page School                            | 9,210  | -                      | -   | 9,210                                | -  | 136,839   | -                      | -   | 136,839  | (32,675)  | (32,675)  | (32,675)  | (32,675)  | 1,535  | 1,535      |
| Park River Area School District        | 27,559   | -                      | -   | 27,559                               | -  | 409,450   | -                      | -   | 409,450  | (97,769)  | (97,769)  | (97,769)  | (97,769)  | 4,593  | 4,593      |
| Parshall School                        | 22,780   | -                      | -   | 22,780                               | -  | 338,444   | -                      | -   | 338,444  | (80,814)  | (80,814)  | (80,814)  | (80,814)  | 3,797  | 3,797      |
| Peace Garden Spec Ed                   | 6,048  | -                      | -   | 6,048                                | -  | 89,861  | -                      | -   | 89,861   | (21,457)  | (21,457)  | (21,457)  | (21,457)  | 1,008  | 1,008      |
| Pembina Spec Ed Coop                   | 2,319  | -                      | -   | 2,319                                | -  | 34,459  | -                      | -   | 34,459   | (8,228)   | (8,228)   | (8,228)   | (8,228)   | 387    | 387        |
| Pingree - Buchanan School              | 10,489   | -                      | -   | 10,489                               | -  | 155,836   | -                      | -   | 155,836  | (37,211)  | (37,211)  | (37,211)  | (37,211)  | 1,748  | 1,748      |
| Pleasant Valley Elem                   | 230  | -                      | -   | 230                                  | -  | 3,417   | -                      | -   | 3,417  | (816)     | (816)     | (816)     | (816)     | 38     | 38         |
| Powers Lake School                     | 12,964   | -                      | -   | 12,964                               | -  | 192,600   | -                      | -   | 192,600  | (45,989)  | (45,989)  | (45,989)  | (45,989)  | 2,161  | 2,161      |
| Richardton-Taylor                      | 21,317   | -                      | -   | 21,317                               | -  | 316,708   | -                      | -   | 316,708  | (75,624)  | (75,624)  | (75,624)  | (75,624)  | 3,553  | 3,553      |
| Richland School                        | 20,788   | -                      | -   | 20,788                               | -  | 308,846   | -                      | -   | 308,846  | (73,747)  | (73,747)  | (73,747)  | (73,747)  | 3,465  | 3,465      |
| Robinson School                        | 975  | -                      | -   | 975                                  | -  | 14,493  | -                      | -   | 14,493   | (3,461)   | (3,461)   | (3,461)   | (3,461)   | 163    | 163        |
| Rolette County                         | 55   | -                      | -   | 55                                   | -  | 818   | -                      | -   | 818  | (195)     | (195)     | (195)     | (195)     | 9      | 9          |
| Rolette School                         | 14,198   | -                      | -   | 14,198                               | -  | 210,940   | -                      | -   | 210,940  | (50,369)  | (50,369)  | (50,369)  | (50,369)  | 2,366  | 2,366      |
| Roosevelt School                       | 5,285  | -                      | -   | 5,285                                | -  | 78,514  | -                      | -   | 78,514   | (18,748)  | (18,748)  | (18,748)  | (18,748)  | 881    | 881        |
| Roughrider Area Career And Tech Center | 2,207  | -                      | -   | 2,207                                | -  | 32,782  | -                      | -   | 32,782   | (7,828)   | (7,828)   | (7,828)   | (7,828)   | 368    | 368        |
| Roughrider Service Program             | 1,203  | -                      | -   | 1,203                                | -  | 17,880  | -                      | -   | 17,880   | (4,269)   | (4,269)   | (4,269)   | (4,269)   | 201    | 201        |
| Rugby School                           | 40,118   | -                      | -   | 40,118                               | -  | 596,033   | -                      | -   | 596,033  | (142,322) | (142,322) | (142,322) | (142,322) | 6,686  | 6,686      |
| Rural Cass Spec Ed                     | 13,811   | -                      | -   | 13,811                               | -  | 205,192   | -                      | -   | 205,192  | (48,996)  | (48,996)  | (48,996)  | (48,996)  | 2,302  | 2,302      |
| Sargent Central School                 | 18,287   | -                      | -   | 18,287                               | -  | 271,688   | -                      | -   | 271,688  | (64,874)  | (64,874)  | (64,874)  | (64,874)  | 3,048  | 3,048      |
| Sawyer School                          | 10,990   | -                      | -   | 10,990                               | -  | 163,284   | -                      | -   | 163,284  | (38,989)  | (38,989)  | (38,989)  | (38,989)  | 1,832  | 1,832      |
| Scranton School                        | 13,829   | -                      | -   | 13,829                               | -  | 205,459   | -                      | -   | 205,459  | (49,060)  | (49,060)  | (49,060)  | (49,060)  | 2,305  | 2,305      |
| Se Region Career And Tech              | 17,370   | -                      | -   | 17,370                               | -  | 258,072   | -                      | -   | 258,072  | (61,623)  | (61,623)  | (61,623)  | (61,623)  | 2,895  | 2,895      |
| Selfridge School                       | 10,848   | -                      | -   | 10,848                               | -  | 161,172   | -                      | -   | 161,172  | (38,485)  | (38,485)  | (38,485)  | (38,485)  | 1,808  | 1,808      |
| Sheyenne Valley Area Voc               | 9,309  | -                      | -   | 9,309                                | -  | 138,306   | -                      | -   | 138,306  | (33,025)  | (33,025)  | (33,025)  | (33,025)  | 1,552  | 1,552      |
| Sheyenne Valley Spec Ed                | 20,446   | -                      | -   | 20,446                               | -  | 303,775   | -                      | -   | 303,775  | (72,536)  | (72,536)  | (72,536)  | (72,536)  | 3,408  | 3,408      |
| Slope County                           | 315  | -                      | -   | 315                                  | -  | 4,677   | -                      | -   | 4,677  | (1,117)   | (1,117)   | (1,117)   | (1,117)   | 52     | 52         |
| Solen - Cannonball School              | 22,699   | -                      | -   | 22,699                               | -  | 337,240   | -                      | -   | 337,240  | (80,527)  | (80,527)  | (80,527)  | (80,527)  | 3,783  | 3,783      |
| Souris Valley Spec Ed                  | 20,225   | -                      | -   | 20,225                               | -  | 300,481   | -                      | -   | 300,481  | (71,750)  | (71,750)  | (71,750)  | (71,750)  | 3,371  | 3,371      |
| South Cent. Prairie Sp Ed              | 1,279  | -                      | -   | 1,279                                | -  | 19,003  | -                      | -   | 19,003   | (4,538)   | (4,538)   | (4,538)   | (4,538)   | 213    | 213        |
| South Heart School                     | 17,028   | -                      | -   | 17,028                               | -  | 252,979   | -                      | -   | 252,979  | (60,407)  | (60,407)  | (60,407)  | (60,407)  | 2,838  | 2,838      |
| South Prairie Elem School              | 16,464   | -                      | -   | 16,464                               | -  | 244,610   | -                      | -   | 244,610  | (58,408)  | (58,408)  | (58,408)  | (58,408)  | 2,744  | 2,744      |
| South Valley Spec Ed                   | 8,681  | -                      | -   | 8,681                                | -  | 128,975   | -                      | -   | 128,975  | (30,797)  | (30,797)  | (30,797)  | (30,797)  | 1,447  | 1,447      |
| Southwest Special Education Unit       | 833  | -                      | -   | 833                                  | -  | 12,378  | -                      | -   | 12,378   | (2,956)   | (2,956)   | (2,956)   | (2,956)   | 139    | 139        |
| St. John'S School                      | 31,357   | -                      | -   | 31,357                               | -  | 465,881   | -                      | -   | 465,881  | (111,244) | (111,244) | (111,244) | (111,244) | 5,226  | 5,226      |
| St. Thomas School                      | 8,768  | -                      | -   | 8,768                                | -  | 130,267   | -                      | -   | 130,267  | (31,105)  | (31,105)  | (31,105)  | (31,105)  | 1,461  | 1,461      |
| Stanley School                         | 38,817   | -                      | -   | 38,817                               | -  | 576,702   | -                      | -   | 576,702  | (137,706) | (137,706) | (137,706) | (137,706) | 6,469  | 6,469      |
| Starkweather School                    | 7,666  | -                      | -   | 7,666                                | -  | 113,898   | -                      | -   | 113,898  | (27,197)  | (27,197)  | (27,197)  | (27,197)  | 1,278  | 1,278      |
| Sterling School                        | 2,833  | -                      | -   | 2,833                                | -  | 42,087  | -                      | -   | 42,087   | (10,050)  | (10,050)  | (10,050)  | (10,050)  | 472    | 472        |
| Strasburg School District              | 11,220   | -                      | -   | 11,220                               | -  | 166,691   | -                      | -   | 166,691  | (39,803)  | (39,803)  | (39,803)  | (39,803)  | 1,870  | 1,870      |
| Surrey School                          | 29,479   | -                      | -   | 29,479                               | -  | 437,974   | -                      | -   | 437,974  | (104,580) | (104,580) | (104,580) | (104,580) | 4,913  | 4,913      |
| Sweet Briar Elem School                | 995  | -                      | -   | 995                                  | -  | 14,776  | -                      | -   | 14,776   | (3,528)   | (3,528)   | (3,528)   | (3,528)   | 166    | 166        |
| Tgu School District                    | 34,482   | -                      | -   | 34,482                               | -  | 512,304   | -                      | -   | 512,304  | (122,329) | (122,329) | (122,329) | (122,329) | 5,747  | 5,747      |
| Thompson School                        | 25,734   | -                      | -   | 25,734                               | -  | 382,336   | -                      | -   | 382,336  | (91,295)  | (91,295)  | (91,295)  | (91,295)  | 4,289  | 4,289      |
| Tioga School                           | 32,394   | -                      | -   | 32,394                               | -  | 481,281   | -                      | -   | 481,281  | (114,921) | (114,921) | (114,921) | (114,921) | 5,399  | 5,399      |
| Turtle Lake-Mercer School              | 16,653   | -                      | -   | 16,653                               | -  | 247,418   | -                      | -   | 247,418  | (59,079)  | (59,079)  | (59,079)  | (59,079)  | 2,776  | 2,776      |
| Twin Buttes Elem. School               | 6,087  | -                      | -   | 6,087                                | -  | 90,436  | -                      | -   | 90,436   | (21,594)  | (21,594)  | (21,594)  | (21,594)  | 1,015  | 1,015      |
| Underwood School                       | 19,677   | -                      | -   | 19,677                               | -  | 292,338   | -                      | -   | 292,338  | (69,805)  | (69,805)  | (69,805)  | (69,805)  | 3,279  | 3,279      |
| United School                          | 38,275   | -                      | -   | 38,275                               | -  | 568,658   | -                      | -   | 568,658  | (135,785) | (135,785) | (135,785) | (135,785) | 6,379  | 6,379      |
| Upper Valley Spec Ed                   | 29,158   | -                      | -   | 29,158                               | -  | 433,209   | -                      | -   | 433,209  | (103,443) | (103,443) | (103,443) | (103,443) | 4,860  | 4,860      |
| Valley - Edinburg School               | 19,363   | -                      | -   | 19,363                               | -  | 287,676   | -                      | -   | 287,676  | (68,692)  | (68,692)  | (68,692)  | (68,692)  | 3,227  | 3,227      |
| Valley City School                     | 80,451   | -                      | -   | 80,451                               | -  | 1,195,265   | -                      | -   | 1,195,265  | (285,408) | (285,408) | (285,408) | (285,408) | 13,408 | 13,408     |
| Velva School                           | 31,992   | -                      | -   | 31,992                               | -  | 475,302   | -                      | -   | 475,302  | (113,494) | (113,494) | (113,494) | (113,494) | 5,332  | 5,332      |
| Wahpeton School                        | 86,109   | -                      | -   | 86,109                               | -  | 1,279,334   | -                      | -   | 1,279,334  | (305,482) | (305,482) | (305,482) | (305,482) | 14,352 | 14,352     |
| Ward County                            | 360  | -                      | -   | 360                                  | -  | 5,342   | -                      | -   | 5,342  | (1,276)   | (1,276)   | (1,276)   | (1,276)   | 60     | 60         |

**EXHIBIT E (continued)**  
**Schedule of Pension Amounts by Employer as of June 30, 2014**

| Employer Name               | Deferred Outflows of Resources                     |                        |   |                                      | Deferred Inflows of Resources                      |   |                        |   | Deferred Inflows/(Outflows) Recognized In Future Pension Expense (Year Ended June 30): |                     |                     |                     |                     |                  |                  |
|-----------------------------|--|------------------------|---|--------------------------------------|--|---|------------------------|---|--|---------------------|---------------------|---------------------|---------------------|------------------|------------------|
|                             | Differences Between Expected and Actual Experience | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Differences Between Expected and Actual Experience | Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Inflows of Resources  | 2015                | 2016                | 2017                | 2018                | 2019             | Thereafter       |
|                             |  |                        |   |                                      |  |   |                        |   |  | (14)                | (15)                | (16)                | (17)                | (18)             | (19)             |
| Warwick School              | 21,027   | -                      | -   | 21,027                               | -  | 312,397   | -                      | -   | 312,397  | (74,595)            | (74,595)            | (74,595)            | (74,595)            | 3,504            | 3,504            |
| Washburn School             | 19,737   | -                      | -   | 19,737                               | -  | 293,233   | -                      | -   | 293,233  | (70,019)            | (70,019)            | (70,019)            | (70,019)            | 3,289            | 3,289            |
| West Fargo School           | 600,568  | -                      | -   | 600,568                              | -  | 8,922,684   | -                      | -   | 8,922,684  | (2,130,576)         | (2,130,576)         | (2,130,576)         | (2,130,576)         | 100,095          | 100,095          |
| West River Student Services | 7,973  | -                      | -   | 7,973                                | -  | 118,455   | -                      | -   | 118,455  | (28,285)            | (28,285)            | (28,285)            | (28,285)            | 1,329            | 1,329            |
| Westhope School             | 12,924   | -                      | -   | 12,924                               | -  | 192,017   | -                      | -   | 192,017  | (45,850)            | (45,850)            | (45,850)            | (45,850)            | 2,154            | 2,154            |
| White Shield School         | 18,935   | -                      | -   | 18,935                               | -  | 281,313   | -                      | -   | 281,313  | (67,173)            | (67,173)            | (67,173)            | (67,173)            | 3,156            | 3,156            |
| Williston School            | 191,773  | -                      | -   | 191,773                              | -  | 2,849,189   | -                      | -   | 2,849,189  | (680,335)           | (680,335)           | (680,335)           | (680,335)           | 31,962           | 31,962           |
| Wilmac Special Education    | 34,062   | -                      | -   | 34,062                               | -  | 506,065   | -                      | -   | 506,065  | (120,839)           | (120,839)           | (120,839)           | (120,839)           | 5,677            | 5,677            |
| Wilton School               | 15,660   | -                      | -   | 15,660                               | -  | 232,665   | -                      | -   | 232,665  | (55,556)            | (55,556)            | (55,556)            | (55,556)            | 2,610            | 2,610            |
| Wing School                 | 8,690  | -                      | -   | 8,690                                | -  | 129,103   | -                      | -   | 129,103  | (30,827)            | (30,827)            | (30,827)            | (30,827)            | 1,448            | 1,448            |
| Wishek School               | 15,065   | -                      | -   | 15,065                               | -  | 223,816   | -                      | -   | 223,816  | (53,443)            | (53,443)            | (53,443)            | (53,443)            | 2,511            | 2,511            |
| Wolford School              | 6,329  | -                      | -   | 6,329                                | -  | 94,026  | -                      | -   | 94,026   | (22,452)            | (22,452)            | (22,452)            | (22,452)            | 1,055            | 1,055            |
| Wyndmere School             | 18,854   | -                      | -   | 18,854                               | -  | 280,113   | -                      | -   | 280,113  | (66,886)            | (66,886)            | (66,886)            | (66,886)            | 3,142            | 3,142            |
| Yellowstone Elem. School    | 6,363  | -                      | -   | 6,363                                | -  | 94,536  | -                      | -   | 94,536   | (22,574)            | (22,574)            | (22,574)            | (22,574)            | 1,061            | 1,061            |
| Zeeland School              | 6,169  | -                      | -   | 6,169                                | -  | 91,657  | -                      | -   | 91,657   | (21,886)            | (21,886)            | (21,886)            | (21,886)            | 1,028            | 1,028            |
| <b>Grand Totals:</b>        | <b>8,012,012</b>                                   | <b>-</b>               | <b>-</b>  | <b>8,012,012</b>                     | <b>-</b>   | <b>119,035,086</b>  | <b>-</b>               | <b>-</b>  | <b>119,035,086</b>   | <b>(28,423,437)</b> | <b>(28,423,437)</b> | <b>(28,423,437)</b> | <b>(28,423,437)</b> | <b>1,335,339</b> | <b>1,335,339</b> |

Note: Columns may not foot due to rounding.

**Disclaimer:** The GASB 68 Employer Template Note Disclosures provided by the North Dakota Teachers' Fund for Retirement (TFFR) is intended to provide participating employers with general guidance in accounting and financial reporting matters. The materials do not constitute, and should not be treated as, professional advice regarding the use of any particular or financial reporting technique. Every effort has been made to assure the accuracy of these materials. However, TFFR participating employers and auditors should independently verify all statements made before applying them to a particular fact situation, and should independently determine the consequences of any particular technique before implementing.

**NOTE: Items in yellow will be input by employer or employer auditor each year.**

**West Fargo School District**  
**Notes to the Financial Statements**  
**for the Year Ended June 30, 2015**

### **Summary of Significant Accounting Policies**

*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 Teachers' Fund for Retirement (TFFR) and additions to/deductions from TFFR's fiduciary net position have been determined on the same basis as they are reported by TFFR. 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.

### **General Information about the Pension Plan**

#### ***North Dakota Teachers' Fund for Retirement***

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.

## ***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.

### ***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 non-vested 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 Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At **June 30, 2015** (employer's fiscal year-end), the Employer reported a liability of **\$78,543,146** (from Exhibit E, Column 2 in TFFR GASB Report) for its proportionate share of the net pension liability. The net pension liability was measured as of **July 1, 2014**, (date of TFFR GASB Report) and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the pension plan relative to the covered payroll of all participating TFFR employers. At **July 1, 2014**, (date of TFFR GASB Report) the Employer's proportion was **7.495843** percent, (from Exhibit E, Column 1 in TFFR GASB Report) which was an **increase or decrease** of **X.XXXXXX** (employer will select increase or decrease and calculate change – not applicable for first year of implementation) from its proportion measured as of **July 1, 2013** (one year prior to date above).

*[If there had been a change of benefit terms that affected the measurement of the total pension liability since the prior measurement date, the Employer should disclose information required by paragraph 80e of Statement 68.] (TFFR will provide if applicable.)*

*[If changes expected to have a significant effect on the measurement of the Employer's proportionate share of the net pension liability had occurred between the measurement date and the reporting date, the Employer should disclose information required by paragraph 80f of Statement 68.]*

For the year ended **June 30, 2015**, (employer's fiscal year-end) the Employer recognized pension expense of **\$4,774,371** (from Exhibit E, Column 13 of TFFR GASB Report). At **June 30, 2015**, (employer's fiscal year-end) the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (from Exhibit E, Columns 14 - 22 of TFFR GASB Report with the exception of employer contributions subsequent to the measurement date):

|   | <b>Deferred Outflows of Resources</b> | <b>Deferred Inflows of Resources</b> |
|---|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience  | <b>\$ 600,568</b>                     | <b>\$ X,XXX</b>                      |
| Changes of assumptions  | <b>X,XXX</b>                          | <b>X,XXX</b>                         |
| Net difference between projected and actual earnings on pension plan investments                              | <b>X,XXX</b>                          | <b>8,922,684</b>                     |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | <b>X,XXX</b>                          | <b>X,XXX</b>                         |
| Employer contributions subsequent to the measurement date (see below)   | <b>* **</b>                           | <b>-</b>                             |
| <b>Total</b>  | <b>*\$ X,XXX</b>                      | <b>\$8,922,684</b>                   |

\*\$600,568 plus Employer contributions subsequent to measurement date

**\$\*,\*\*\*** reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended **June 30, 2016** (employer's subsequent fiscal year-end). (Because valuation/measurement date will generally be one year prior to employers' fiscal year end, this amount will be the actual employer contributions (do not include employer paid member contributions) paid during the fiscal year for which this disclosure applies - in this example FY 2015 employer contributions – employers' responsibility to calculate).

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (from Exhibit E, Columns 23 - 28 of TFFR GASB Report – years will need to be rolled forward one year from dates in report):

**Year ended June 30:**

|            |                       |
|------------|-----------------------|
| 2016       | <b>\$ (2,130,576)</b> |
| 2017       | <b>(2,130,576)</b>    |
| 2018       | <b>(2,130,576)</b>    |
| 2019       | <b>(2,130,576)</b>    |
| 2020       | <b>100,095</b>        |
| Thereafter | <b>100,095</b>        |

**Actuarial assumptions.** The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                            |   |
|----------------------------|---|
| Inflation                  | 3.00%   |
| Salary increases           | 4.50% to 14.75%, varying by service, including inflation and productivity |
| Investment rate of return  | 8.00%, net of investment expenses   |
| Cost-of-living adjustments | None  |

For inactive members and healthy retirees, mortality rates are based on 80% of GRS Table 378 and 75% of GRS Table 379. For active members, mortality rates are based on the post-retirement mortality rates multiplied by 60% for males and 40% for females. For disabled retirees, mortality rates are based on the RP-2000 Disabled-Life tables for Males and Females multiplied by 80% and 95%, respectively.

The actuarial assumptions used were based on the results of an actuarial experience study dated January 21, 2010. They are the same as the assumptions used in the July 1, 2014, funding actuarial valuation for TFFR. *[If assumption changes result from a future experience study, the employer should summarize the changes.] (TFFR will provide if applicable.)*

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 Equities     | 57%               | 7.53%                                  |
| Global Fixed Income | 22%               | 1.40%                                  |
| Global Real Assets  | 20%               | 5.38%                                  |
| Cash Equivalents    | 1%                | 0.00%                                  |

**Discount rate.** The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. 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, 2014, 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, 2014. 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, 2014. [If there had been a change in the discount rate since the prior measurement date, the Employer should disclose information about that change, as required by paragraph 78a of Statement 68.] *(TFFR will provide if applicable.)*

**Sensitivity of the District'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: *(from Exhibit E, Columns 4-6 TFFR GASB Report)*

|   | 1% Decrease (7%) | Current Discount Rate (8%) | 1% Increase (9%) |
|---|------------------|----------------------------|------------------|
| Employer's proportionate share of the net pension liability | \$106,047,820    | \$78,543,146               | \$55,410,914     |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued TFFR financial report. [If significant changes had occurred that indicate that the disclosures included in the pension plan's financial report generally did not reflect the facts and circumstances at the measurement date, the Employer should disclose additional information, as required by paragraph 79 of Statement 68.] *(TFFR will provide if applicable.)*

#### Payables to the pension plan

[If the Employer reported payables to the defined benefit pension plan, it should disclose information required by paragraph 122 of Statement 68 – employers' responsibility to calculate.]

## Schedules of Required Supplementary Information

### Schedule of Employer's Share of Net Pension Liability ND Teachers' Fund for Retirement Last 10 Fiscal Years\*

(from Exhibit E and Exhibit 2 of TFFR GASB Report)

|  | 2015         |                           |
|--|--------------|---------------------------|
| 1. District's proportion of the net pension liability (asset)  | 7.495843%    | Exhibit E, Column 1       |
| 2. District's proportionate share of the net pension liability (asset)   | \$78,543,146 | Exhibit E, Column 2       |
| 3. District's covered-employee payroll   | \$43,479,882 | Exhibit E, Column 3       |
| 4. District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 180.64%      | Calculate, 2 divided by 3 |
| 5. Plan fiduciary net position as a percentage of the total pension liability  | 66.6%        | Exhibit 2                 |

\*Complete data for this schedule is not available prior to 2015.

If employer is using prior year measurement date may want to note that the amounts presented for each fiscal year have a measurement date of the previous fiscal year end.

### Schedule of Employer Contributions ND Teachers' Fund for Retirement Last 10 Fiscal Years\*

(from Exhibit E of TFFR GASB Report)

|  | 2015          |                      |
|--|---------------|----------------------|
| Statutorily required contribution                                  | \$4,674,044   | Exhibit E, Column 7  |
| Contributions in relation to the statutorily required contribution | (\$4,674,044) | Exhibit E, Column 8  |
| Contribution deficiency (excess)                                   | \$0.00        | Exhibit E, Column 9  |
| District's covered-employee payroll                                | \$43,479,882  | Exhibit E, Column 3  |
| Contributions as a percentage of covered-employee payroll          | 10.75%        | Exhibit E, Column 10 |

\*Complete data for this schedule is not available prior to 2015.

**Notes to Required Supplementary Information  
for the Year Ended June 30, 2015**

***Changes of benefit terms.***  
(TFFR will provide if applicable.)

***Changes of assumptions.***  
(TFFR will provide if applicable.)

SAMPLE

**MEMORANDUM**

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Terra Miller Bowley, Supervisor of Audit Services

**DATE:** February 26, 2015

**SUBJECT:** Executive Limitations Final Audit Report

Audit Services has completed the annual review of the Executive Director/CIO's level of compliance with State Investment Board (SIB) Governance Manual Executive Limitation polices for the calendar year beginning January 1, 2014 and ending December 31, 2014.

During the course of the audit, Audit Services conducted examinations of documentation, facilitated a survey of the SIB and staff, and interviewed key personnel. The policies reviewed during the course of the audit were:

- General Executive Constraint (A-1)
- Staff Relations (A-2)
- Relating to Public and Government (A-3)
- Budgeting (A-4)
- Financial Condition (A-5)
- Communication and Counsel to the Board (A-6)
- Asset Protection (A-7)
- Compensation and Benefits (A-8)
- Conflict of Interest (A-9)
- Code of Conduct (A-10)
- Unrelated Business Interests (A-11)

It is the opinion of Audit Services, that the Executive Director/CIO is in compliance with the SIB Governance Manual Executive Limitation polices A-1 through A-11.

Audit Services also agrees with the SIB that Executive Limitation A-4 (Budgeting), A-5 (Financial Condition), and A-6 (Communication and Counsel to the Board) are adequately monitored with adequate controls in place. Audit Services agrees that A-4 through A-6 could be excluded in future Executive Limitation audits which would align with the Governance Policy Monitoring Summary approved by the SIB on October 24, 2014.

# RETIREMENT AND INVESTMENT OFFICE AUDIT SERVICES

## EXECUTIVE LIMITATIONS AUDIT January 1, 2014 – December 31, 2014 FINAL REPORT

### **Executive Limitations – General Executive Constraint (A-1)**

The following procedures were undertaken during the review of Executive Limitations A-1:

- Independent interviews were conducted with the Executive Director/CIO, Deputy Chief Investment Officer, Deputy Executive Director/Chief Retirement Officer, and Fiscal and Investment Operations Manager
- Review of available State Investment Board (SIB) and Teachers' Fund for Retirement (TFFR) board meeting minutes for calendar year beginning January 1, 2014
- Review of RIO Outlook calendar for calendar year beginning January 1, 2014

Independent interviews with executive staff members confirmed that a high frequency of communication both written and verbal occurs between executive staff covering a wide range of investment, retirement, and agency operation topics. Executive staff is unanimous in their belief that operations would continue without interruption in the event of loss of executive services. Various members of the executive staff are regular attendees at SIB and TFFR board meetings. Published meeting minutes confirm significant information is shared related to board and chief executive issues and processes during the course of these meetings. The RIO Outlook calendar confirmed that an executive monthly staff meeting was initiated in December of 2014 to facilitate greater and regular communication. The RIO Outlook calendar also confirms multiple executive staff members attend formerly scheduled meetings which address investment, retirement, and agency operational issues. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-1.

### **Executive Limitations – Staff Relations (A-2)**

The following procedures were undertaken during the review of Executive Limitations A-2:

- Review of the Retirement and Investment Office (RIO) Administrative Manual and the policies contained within
- Review of RIO agency records and personnel files of terminated employees
- Survey of RIO employees for the purpose of evaluating the Executive Director/CIO
- Review meeting minutes from SIB Executive Review Committee and facilitated survey of SIB members for the purpose of evaluating the Executive Director/CIO

The RIO Administrative Manual sets forth staff responsibilities and administrative policies of the RIO. RIO Administrative Manual contains a wide range of policies addressing but not limited to code of conduct/ethics, equal employment opportunity policies, safety policies, grievance policy,

and leave requests. All staff employed from January 1, 2014 to December 31, 2014 reviewed and acknowledged understanding of the policies contained within the RIO Administrative Manual via their signature. Upon employment termination staff must be provided the opportunity to complete an employment termination questionnaire and an exit interview with the Supervisor of Audit Services or other available personnel. Two employees terminated their employment with the RIO during calendar year beginning January 1, 2014. Personnel files confirm both individuals were provided the opportunity to complete an exit interview as well as provided the opportunity to complete an employment termination questionnaire. Survey of RIO employees indicated that staff is ready for change and willing to participate in the process, looking for strong independent leadership, and greater organization wide communication. Overall staff is happy to have the Executive Director/CIO at the helm and look forward to the future under his leadership. Survey of SIB members indicates that the Executive Director/CIO is meeting the expectations of the SIB with regards to staff relations. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-2.

### **Executive Limitations – Relating to Public and Government (A-3)**

The following procedures were undertaken during the review of Executive Limitation A-3:

- Review of results of SIB Customer Satisfaction Survey
- Review of RIO Administrative Manual Media Policy
- Review of handling of media inquiry received during calendar year beginning January 1, 2014 including information provided to media and published article
- Review meeting minutes from SIB Executive Review Committee and facilitated survey of SIB members for the purpose of evaluating the Executive Director/CIO

A SIB customer satisfaction survey was conducted to ensure that the SIB via the staff of the RIO is meeting client expectations. SIB customers were asked to rate performance of verbal communication, clarity and effectiveness of written communication, detail provided on reports, service delivery, accessibility, responsiveness, efficiency, and knowledge of investments. Results were very positive and comments received indicated no areas of concern. A media inquiry was received in September of 2014 from the Fargo-Moorhead Forum and reporter Tu-Uyen Tran. This particular media inquiry was handled per RIO Administrative Manual Media Policy. Audit Services was provided with all written communication provided to reporter Tu-Uyen Tran. Written documentation reviewed is factual in nature and any interpretation or opinion provided was clearly designated as such. Interviews were also conducted with staff involved in the media request who confirmed that the article was fair and balanced. Ultimately the published article presented RIO, SIB, and management of Legacy Fund in a good light. Survey of SIB members indicates that the Executive Director/CIO is meeting the expectations of a majority of the members of the SIB with regards to his interactions with the public and other governmental agencies or groups. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-3.

### **Executive Limitations – Budgeting (A-4) and Financial Condition (A-5)**

The following procedures were undertaken during review of Executive Limitation A-4 and A-5:

- Review of 2015-2017 biennium budgeting process from creation to approval
- Review of 2013-2015 RIO biennium approved budget including examination of actual vs. budgeted expenses including the monitoring of appropriated and continuing expenses
- Review meeting minutes from SIB Executive Review Committee and facilitated survey of SIB members for the purpose of evaluating the Executive Director/CIO

The biennium budget includes both appropriations which are requested and ultimately must be approved by the legislature and estimated continuing appropriations which are not included in any formal budgeting request. The biennium budget is created via an executive staff review of past expenses, current expenses, anticipated changes, and future initiatives. Biennium budgets are submitted to OMB for review. OMB along with the governor creates final budget submitted to legislature for approval. RIO staff testifies before appropriation committees of the state legislature in defense of the proposed budget. The biennium budget ultimately is approved by the state legislature. The 2015-2017 RIO biennium budget to date has proceeded according to the process in place. Biennium budget appropriations and continuing expenses are monitored throughout the fiscal year by RIO staff and third parties. The most recent quarterly monitoring report provided at the October 24, 2014 SIB meeting confirms that the RIO is operating well within budget. An October 24, 2014 report regarding the review of the trust and custody services provided by Northern Trust Company determined that services provided are sufficient and fee structure is competitive. A November 21, 2014 report regarding the review of fees assessed by investment management firms was favorable and an overall reduction of management fees has been achieved. Survey of SIB members indicates that the Executive Director/CIO is meeting the expectations of the SIB with regards to budgeting and financial condition. For the calendar year beginning January 1, 2014 a reduction in the level of service provided by any RIO program has not been initiated nor has RIO requested the use of available contingency funds or Emergency Commission approval. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-4 and A-5.

### **Executive Limitations – Communication and Counsel to the Board (A-6)**

The following procedures were undertaken during review of Executive Limitation A-6:

- Review meeting minutes from SIB Executive Review Committee and facilitated survey of SIB members for the purpose of evaluating the Executive Director/CIO
- Review of available SIB meeting minutes for calendar year beginning January 1, 2014

A survey of SIB board members indicates that the Executive Director/CIO is meeting the expectations of the SIB members with regards to communication and counsel to the board. The Executive Director/CIO prepares agenda items with supporting information. Areas of concern are identified and communicated to the SIB with a corresponding plan of action or available options when needed. The Executive Director/CIO appears responsive to requests, adapts SIB recommendations, and keeps the SIB aware of current issues between board meetings. A review of the SIB Governance Manual was initiated in September of 2014 by the Executive

Director/CIO and the Deputy Chief Investment Officer. Additional governance manual review sessions will be conducted throughout 2015 culminating in a Governance Day offsite. Overall understanding of the SIB Governance model is crucial to the board-staff relationship. The Executive Director/CIO is responsible for providing the board with the necessary information required to facilitate informed decision making. A review of available SIB meeting minutes confirms that the board is provided with an abundance of information and access to industry experts and consultants which provide in depth information on various topics. Staff is also in regular attendance at SIB meetings to provide insight, opinions, and general information on a variety of topics. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-6.

### **Executive Limitations – Asset Protection (A-7)**

The following procedures were undertaken during review of Executive Limitation A-7:

- Review of Commercial Building and Personal Property declarations page issued by the State Fire and Tornado Fund
- Examination of the Commercial Blanket Bond Public Employees and/or Public Officials declaration page
- Review of yearly financial audit of RIO conducted by CliftonLarsonAllen on behalf of the State Auditor's Office
- Review of third party performance measurement monitoring reports
- Review meeting minutes from SIB Executive Review Committee and facilitated survey of SIB members for the purpose of evaluating the Executive Director/CIO

The Commercial Building and Personal Property policy currently in force for fiscal year 2014-2015 has a limit of liability of \$225 million with a \$1000 deductible and 90% coinsurance requirement. The RIO is sufficiently insured with regards to property losses. Liability coverage is provided by the Risk Management Fund. A blanket bond was issued to the RIO on January 1, 2014 by the North Dakota Insurance Department State Bonding Fund. The bond remains in effect until terminated and covers all staff, including those with access to operating and investment funds. CliftonLarsonAllen issued the results of their most recent audit of financial statements issued June 30, 2013 and 2014 in November of 2014. The RIO received an unmodified, clean opinion. Callan Associates Inc. is required to provide a quarterly monitoring report to the SIB for the consolidated pension trust, the consolidated insurance trust, and the five major clients of the RIO. This report includes investment performance along with peer group comparisons and comparisons to benchmarks. The most recent quarterly monitoring report was issued in September of 2014. Actual vs. target asset allocation data indicates that current asset allocations are within established thresholds. Investment performance data indicates that excess returns have been generated for 1, 3, and 5 year periods for a majority of funds. Risk as measured by standard deviation has continued to decline. A survey of SIB members indicates that the Executive Director/CIO adheres to the *Ends* set forth in the SIB Governance Manual and does not deviate from the investment process set forth by the SIB as contained in the board policy on investments. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-7.

### **Executive Limitations – Compensation and Benefits (A-8)**

The following procedures were undertaken during review of Executive Limitation A-8:

- Obtain copy of North Dakota Salary Ranges for July 1, 2013 – June 30, 2014 from Human Resource Management Services (HRMS)
- Obtain State of North Dakota Agency Position Number Listing for Business Unit 19000 from RIO Investment Accountant
- Review of personnel files and PeopleSoft including compensation documentation and payroll entries
- Review of available SIB meeting minutes for calendar year beginning January 1, 2014

Staff compensation and benefits are within required parameters. SIB meeting minutes from October 2013 confirm salary and benefit offer made to Executive Director/CIO at time of hire. Executive Director/CIO compensation and benefits are being administered per SIB directive. All staff salary increases reviewed which were effective July 1, 2014 were properly documented and correctly entered into PeopleSoft. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-8.

### **Executive Limitations – Conflict of Interest (A-9) , Code of Conduct (A-10), and Unrelated Business Interests (A-11)**

The following procedures were undertaken during review of Executive Limitation A-9, A-10, and A-11:

- Review of Executive Limitation Conflict of Interest policy within SIB Governance Manual
- Review of TFFR board members Code of Conduct policy within TFFR Board Program Manual
- Review of Code of Conduct policy within RIO Administrative Manual
- Review of business records available from Secretary of State of North Dakota

Review of RIO agency files confirms that the Executive Director/CIO, SIB members, and Deputy Executive Director/Chief Retirement Officer have signed required acknowledgement form indicating understanding of the applicable code of conduct policy from their respective governance manual and no parties indicated the existence of any conflict of interest. All executive staff has acknowledged reading and understating the Code of Conduct policy contained within the RIO Administrative Manual. A review of business records available from the Secretary of State of North Dakota confirms that at this time no executive staff member has registered a business in the state of North Dakota under their legal name nor do they appear to be pursuing personal business interests which would present a conflict of interest with regards to their employment with RIO. Audit Services is sufficiently satisfied that the Executive Director/CIO is in compliance with Executive Limitation A-9, A-10, and A-11.

## MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Terra Miller Bowley, Supervisor of Audit Services

**DATE:** February 20, 2015

**SUBJECT:** *Ends* and Compliance with Executive Limitations  
State Investment Board (SIB) Survey

The Executive Review Committee was appointed for the purpose of creating and recommending to the SIB a performance evaluation system for the Executive Director/CIO, Dave Hunter. As a part of this process a survey was created and approved by the SIB in August of 2014.

The survey, titled *Ends* and Compliance with Executive Limitations, was administered to members of the SIB in January of 2015. SIB members were asked to assess the Executive Director/CIO's compliance with the *Ends* and Executive Limitation policies set forth in the SIB Governance Manual. SIB members accomplished this by evaluating the Executive Director/CIO in six major categories which included board meeting, board relations, office operations, investment programs and program operations, public/legislative relations and professional skills and development. SIB members were asked to evaluate the Executive Director/CIO using a three point scale – (1) does not meet expectations, (2) meets expectations, and (3) exceeds expectations.

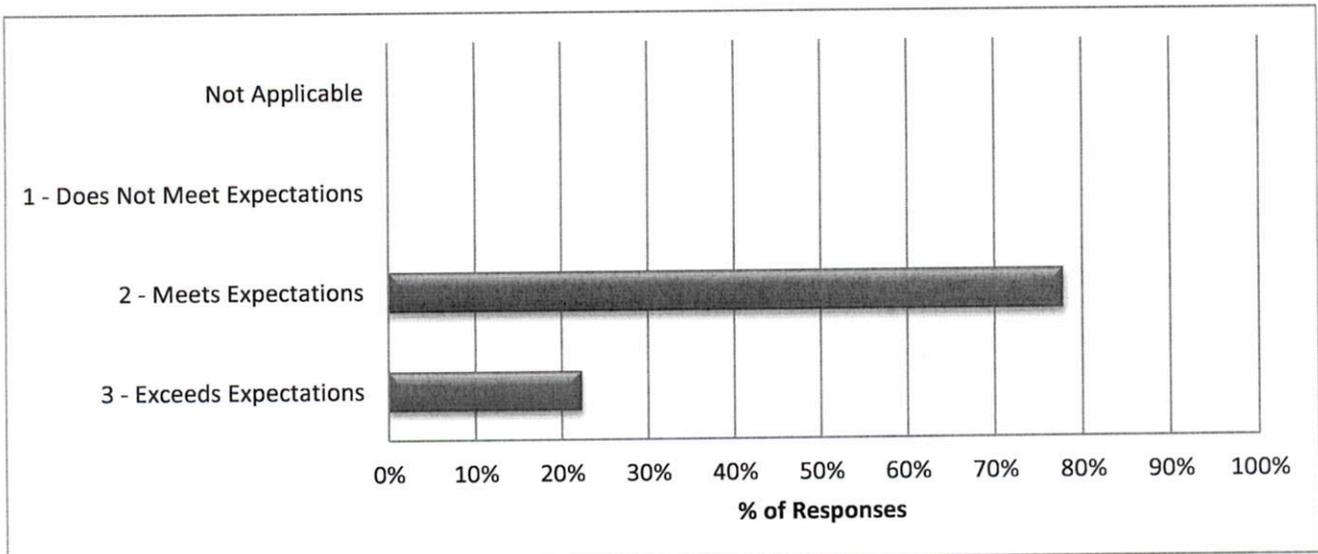
The results of the *Ends* and Compliance with Executive Limitations survey indicate that the Executive Director/CIO is meeting the expectations of the SIB in all six categories.

Detailed information regarding the survey including survey questions, results, and comments is included.

**Category: Board Meetings**  
**Overall Average Numerical Ranking: 2.22**  
**Overall Categorical Rating: Meets Expectations**

The Executive Director/CIO prepares agenda items with supporting information and disseminates to State Investment Board members at least three days prior to the meeting.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

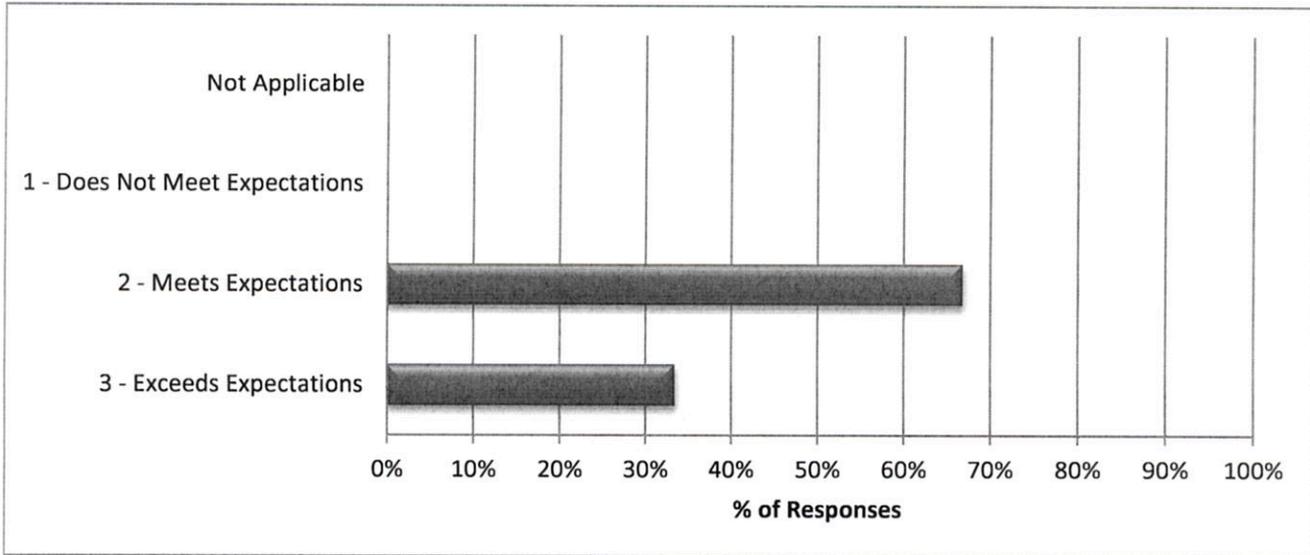


**Comments:**

- \* While the information has always been received in a timely manner, the move to an electronic system has expedited this even further.
- \* This last month (last week) I received my packet in Thurs's mail.
- \* Board information is timely and well organized.

The Executive Director/CIO provides appropriate information to the State Investment Board either in writing or verbally to aid in decision-making related to policy development, asset allocation, portfolio structure, and investment strategies.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 3                  | 33.33%             | 2.33                    |
| 2 - Meets Expectations         | 6                  | 66.67%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

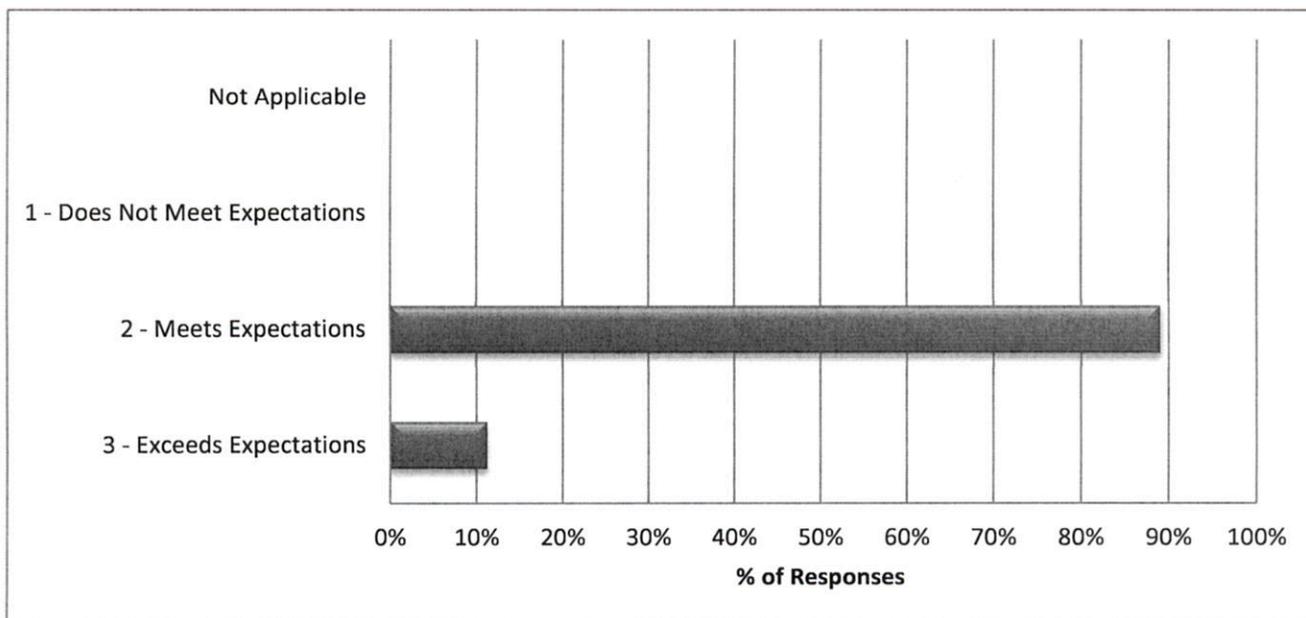


Comments:

\* I appreciate the comprehensive information and board memos that are used by Mr. Hunter to share his recommendations and rationalizations. I believe it greatly assists the board in preparation for the meeting.

The Executive Director/CIO provides board material that identify items, which need "Board Action" and makes a staff recommendation where appropriate.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 1                  | 11.11%             | 2.11                    |
| 2 - Meets Expectations         | 8                  | 88.89%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

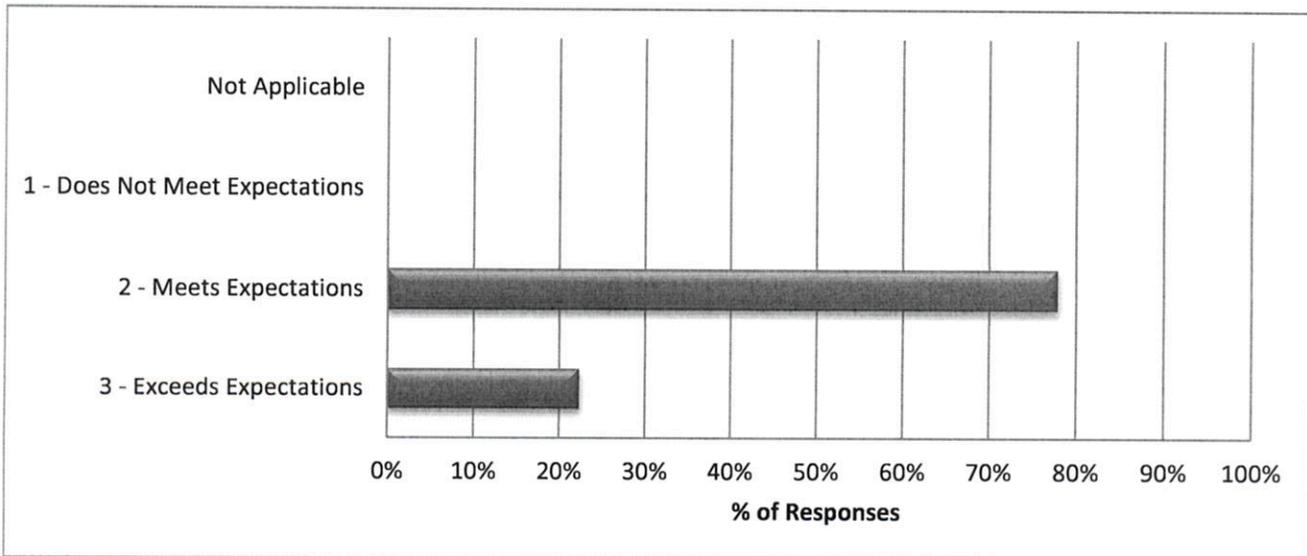


Comments:

\* I believe that there is still a learning curve in this area as there have been times when there seems to be confusion as to if items are for board action or information. It may be appropriate for Mr. Hunter and the chairman to meet or discuss the agenda prior to the meeting to ensure that they are both on the same page. While this is not a common occurrence or major problem area, it would help the meetings run more smoothly. I have noticed recently that the action requested is listed in the board memos, which I believe is a positive step in this area.

The Executive Director/CIO provides education at board meetings in order for the State Investment Board to adequately perform their role.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



Comments:

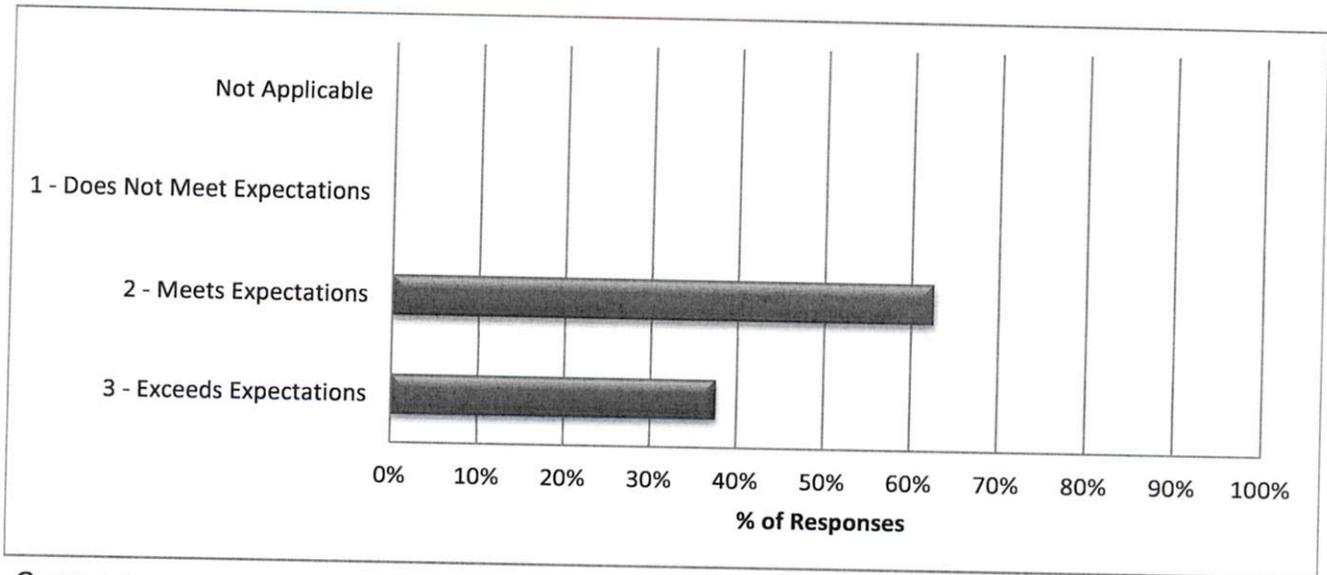
\* Mr. Hunter has done an excellent job in recognizing the needs of new members as well as the continuing education of experienced members.

\* I think there has been some good education regarding risk and I look forward to receiving additional information.

**Category: Board Relations**  
**Overall Average Numerical Ranking: 2.31**  
**Overall Categorical Rating: Meets Expectations**

The Executive Director/CIO is responsive to requests of the State Investment Board, adapts to the State Investment Board's direction on policy, and works with the board as a team member.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 3                  | 37.50%             | 2.38                    |
| 2 - Meets Expectations         | 5                  | 62.50%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

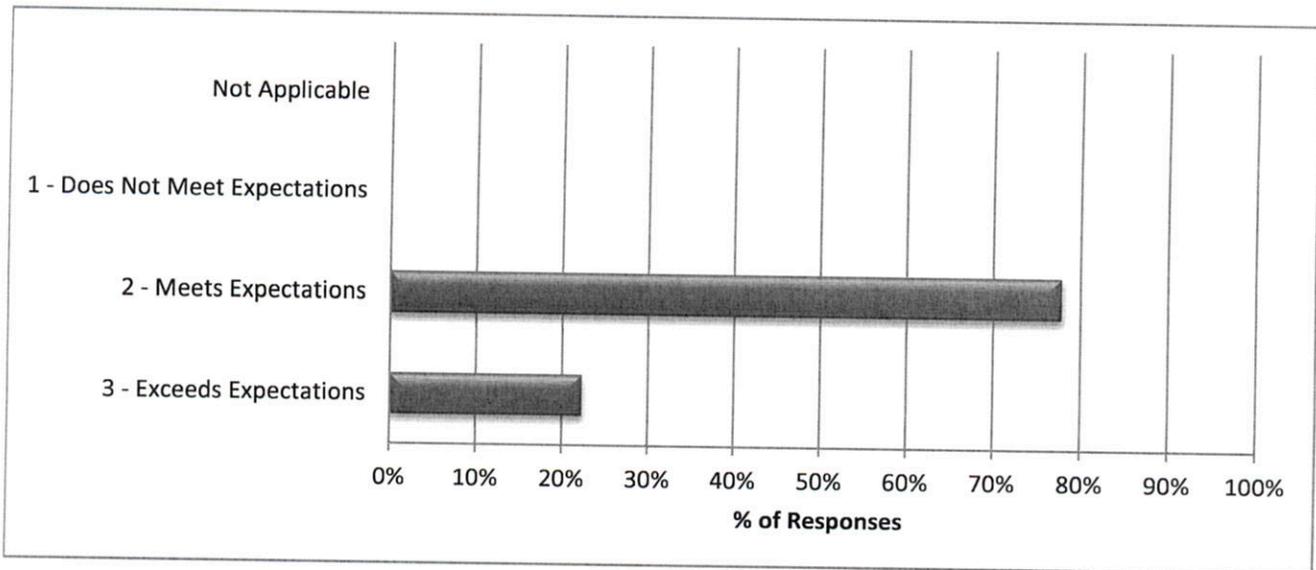


**Comments:**

\* In all of my dealings with Mr. Hunter, his responses have been well articulated and timely.

The Executive Director/CIO keeps the State Investment Board aware of current issues and, when appropriate, provides information between board meetings.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

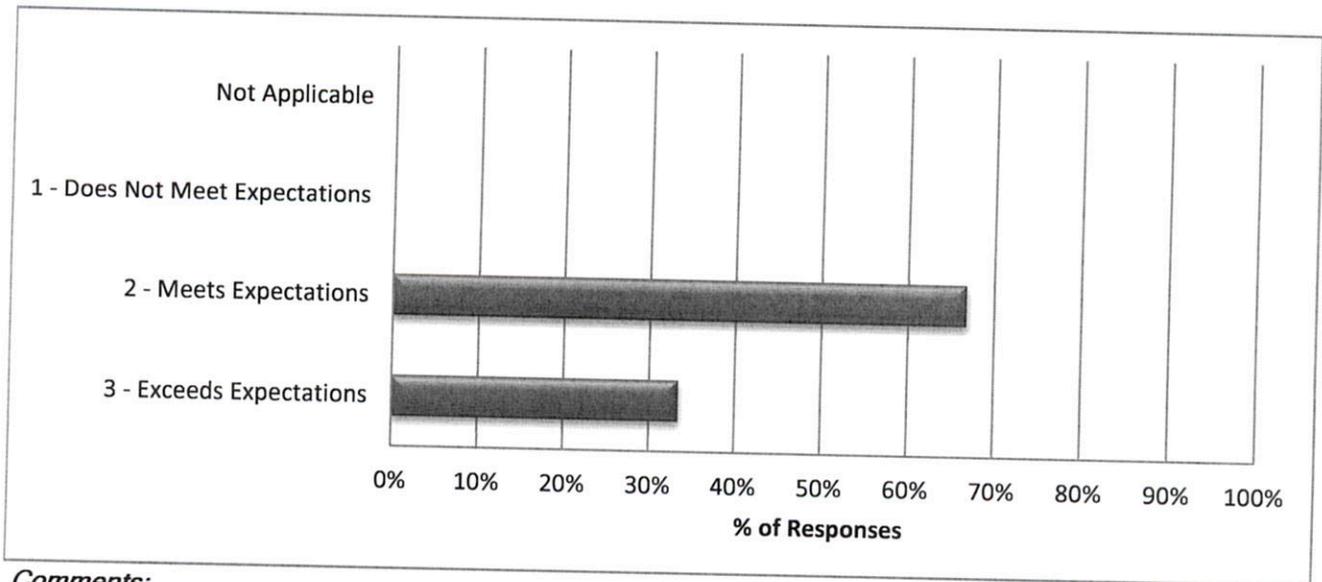


Comments:

\* I only have a limited experience in this area, but I feel it has been appropriate.

The Executive Director/CIO provides timely and accurate problem identification to the State Investment Board as well as solutions and options for consideration.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 3                  | 33.33%             | 2.33                    |
| 2 - Meets Expectations         | 6                  | 66.67%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



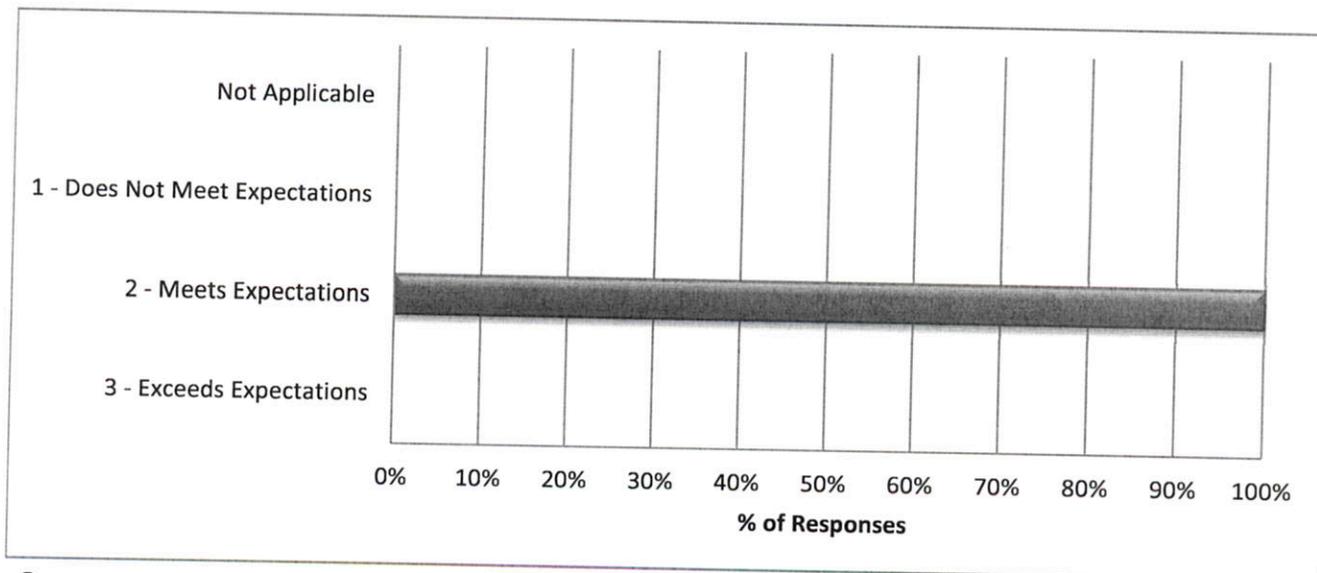
Comments:

\* Again, in reference to the written rationale and recommendations, I believe that Mr. Hunter articulates solutions and options well.

**Category: Office Operations**  
**Overall Average Numerical Ranking: 2.10**  
**Overall Categorical Rating: Meets Expectations**

The Executive Director/CIO adequately prepares a biennial budget, which includes, but is not limited to the following sub-categories: 3.2.1 - Biennial budget is prepared pursuant to OMB guidelines and submitted pursuant to guidelines established by the Office of the Governor. 3.2.2 - Does not reduce the level of service, or anticipate a reduction in the level of service, of any Retirement and Investment Office program without the prior approval of the State Investment Board. 3.2.3 - Expenditures for budget items do not exceed the appropriation without approval of the State Investment Board.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 9                  | 100.00%            |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

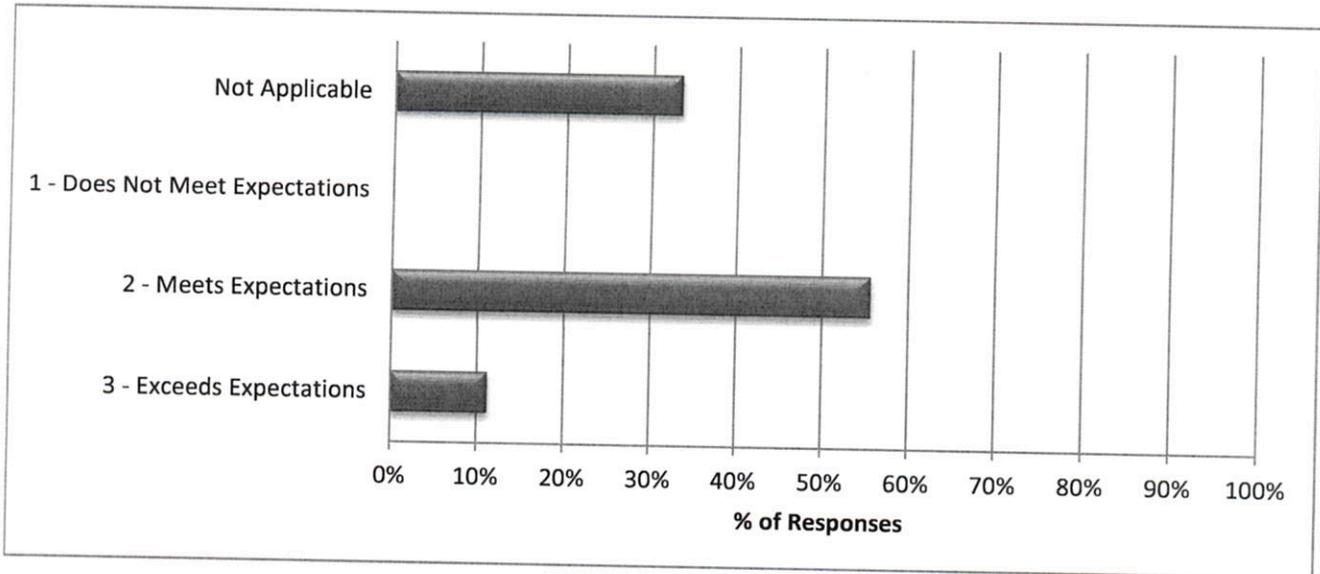


**Comments:**

\* It is difficult to rate this area any higher than "meets expectations" as he is still in the midst of his first complete budget cycle.

The Executive Director/CIO provides leadership, coaching and effective feedback to RIO staff, recommending measures to improve performance and increase efficiency.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 1                  | 11.11%             | 2.17                    |
| 2 - Meets Expectations         | 5                  | 55.56%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 3                  | 33.33%             |                         |

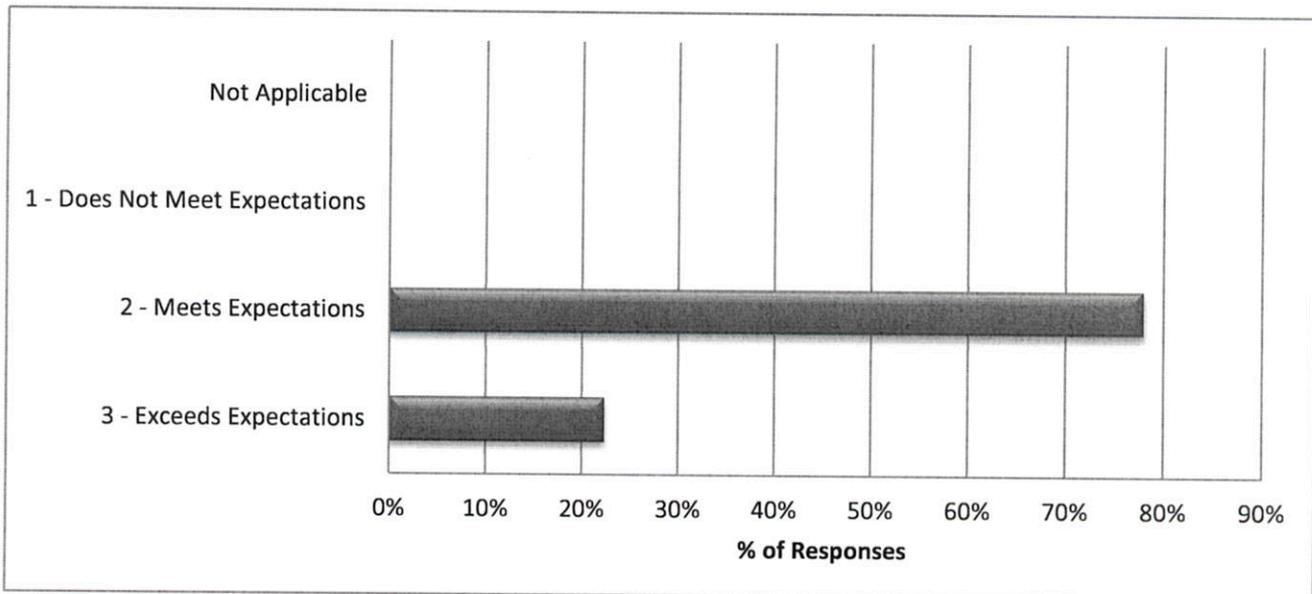


**Comments:**

- \* I am unable to comment, I do not know if this occurs.
- \* I have no way of know this....Our governance model does not allow for direct communication with staff unless the Board member is approached.
- \* My rating is based on limited knowledge outside of the reporting through the auditor, but Mr. Hunter appears to be appropriately providing feedback.
- \* Based on what we know of his interaction with staff.

The Executive Director/CIO maintains and continues to develop positive working relationships across all organizational units and levels.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



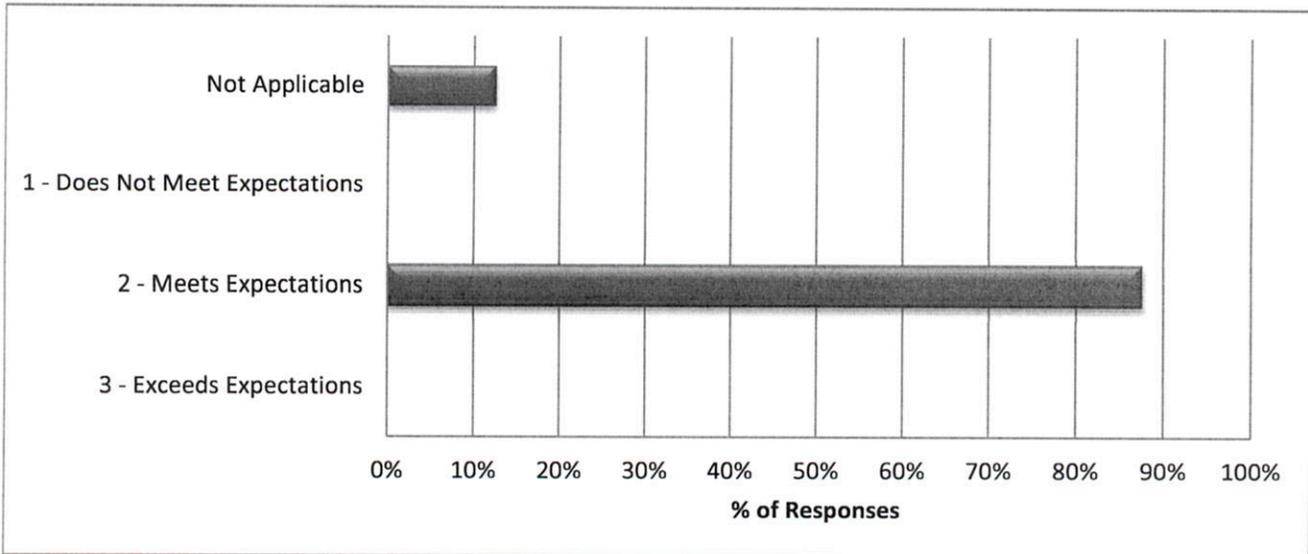
Comments:

\* No news is good news

\* I find Mr. Hunter to be an extremely positive leader that is open to critical feedback for professional improvement.

The Executive Director/CIO provides adequate staffing for the NDRIO, which includes, but is not limited to the following sub-categories: 3.4.1 - All applicable personnel rules of the State of North Dakota are followed.  
 3.4.2 - Staff performance evaluations are completed at least annually.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 7                  | 87.50%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 1                  | 12.50%             |                         |



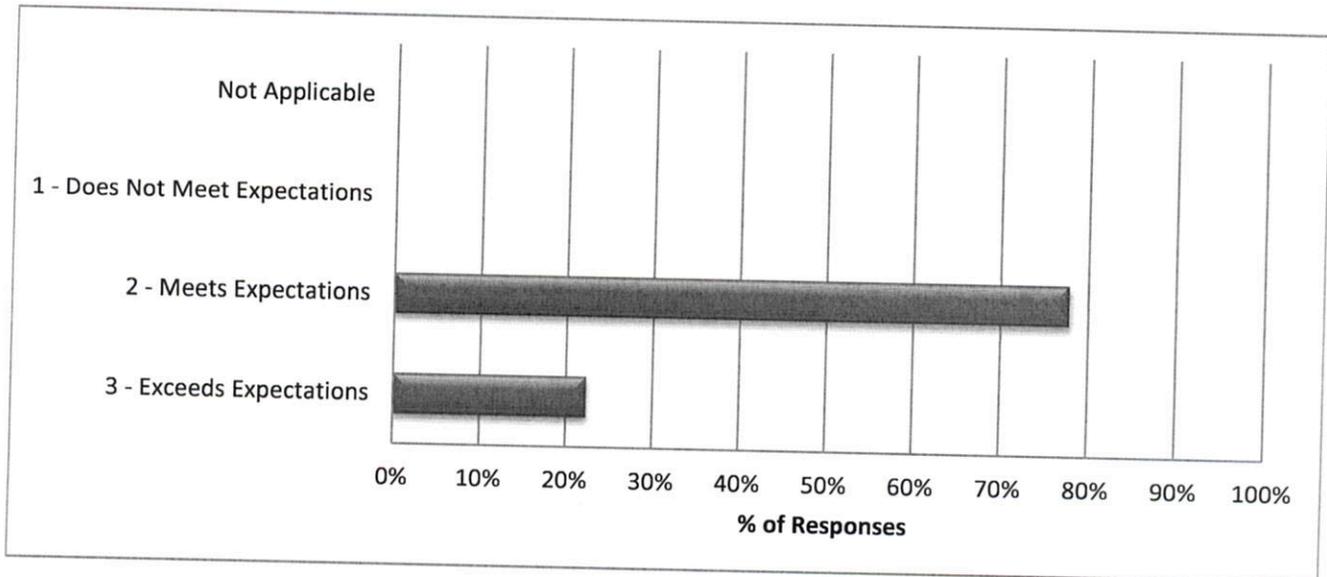
**Comments:**

- \* I don't have information regarding the proper completion of staff performance evaluations.
- \* I do not know.
- \* Mr. Hunter meets all requirements.
- \* This statement does not read well. I really can't interpret what the inquiry concerns.

Category: Investment Programs and Program Operations  
 Overall Average Numerical Ranking: 2.31  
 Overall Categorical Rating: Meets Expectations

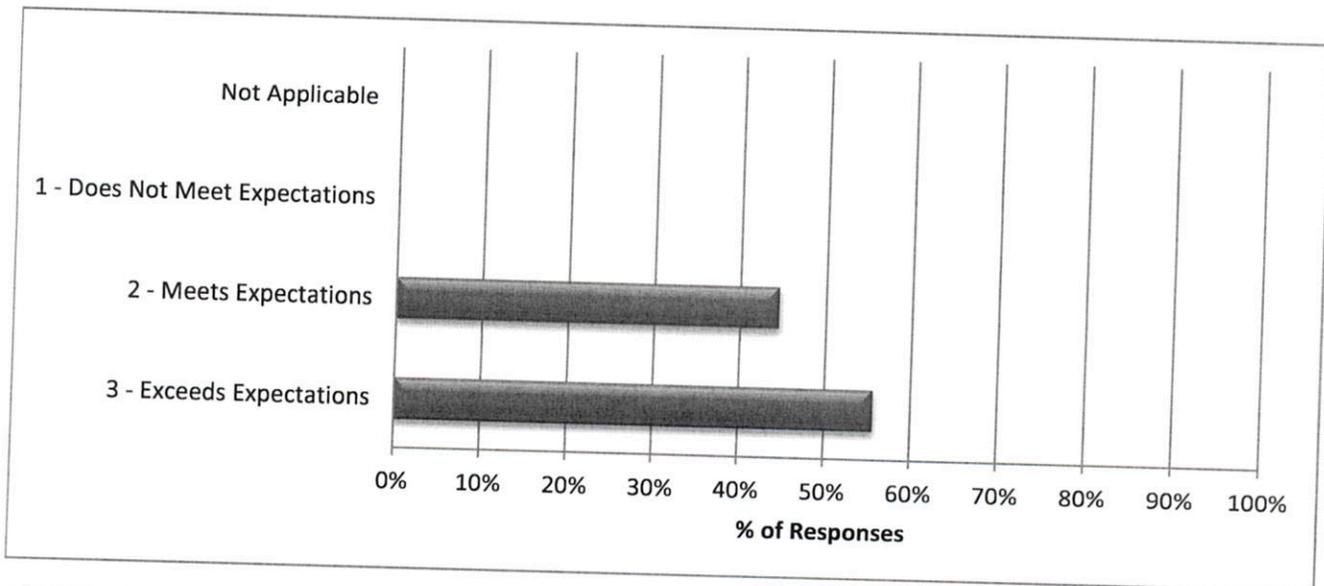
The Executive Director/CIO maintains approved Investment Objectives and Policies.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



The Executive Director/CIO effectively advises, monitors and reports investment performances, which includes, but is not limited to the following sub-categories: 4.2.1 - Produces accurate and timely reports which are provided to the State Investment Board concerning investments, progress and compliance with investment policies. 4.2.2 - Advises and makes recommendations to the State Investment Board regarding investment programs and strategies. 4.2.3 - Recommends corrective actions as necessary to investment strategies. 4.2.4 - Monitors, analyzes, and recommends changes for all investment costs, including commissions, manager fees, and other costs.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 5                  | 55.56%             | 2.56                    |
| 2 - Meets Expectations         | 4                  | 44.44%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

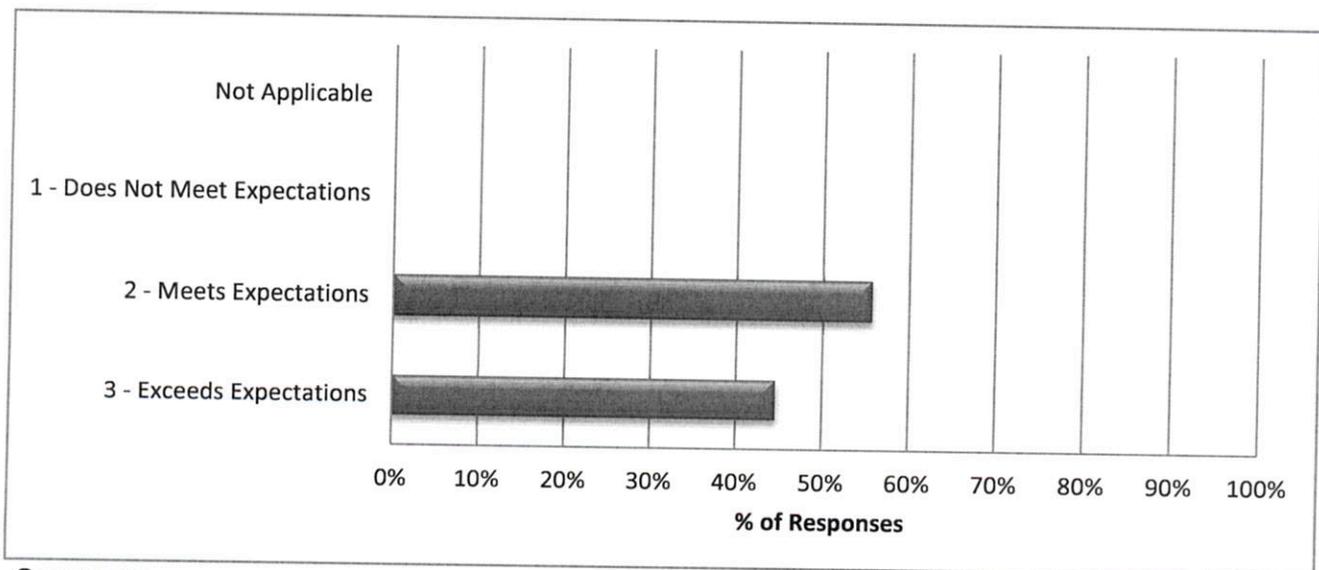


**Comments:**

- \* David is doing a great job monitoring funds and keeping investment costs low.
- \* This is an area of strength for Mr. Hunter. He consistently and effectively informs and advises the board. He, along with Darren, has done an excellent job in reducing fees. I have no doubt this has been a very time-intensive process, but the benefit to the fund is significant.
- \* Some very effective work has been done in the area of fee reduction.

The Executive Director/CIO effectively monitors investment strategies, which includes, but is not limited to the following sub-categories: 4.3.1 - Formulates, evaluates, and recommends an investment policy for all of the State Investment Board client assets, including asset allocation, structure of investment assets and, upon approval, implementation of the policy. 4.3.2 - Makes recommendations to the State Investment Board related to the Watch List. 4.3.3 - Monitors and evaluates total portfolio risk and return and recommend adjustments to the asset allocation, investment strategy, manager structure and guidelines. 4.3.4 - Researches and recommends new asset classes and innovative investment management styles that can increase the return on assets, reduce risk, or reduce costs to the plan.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 4                  | 44.44%             | 2.44                    |
| 2 - Meets Expectations         | 5                  | 55.56%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

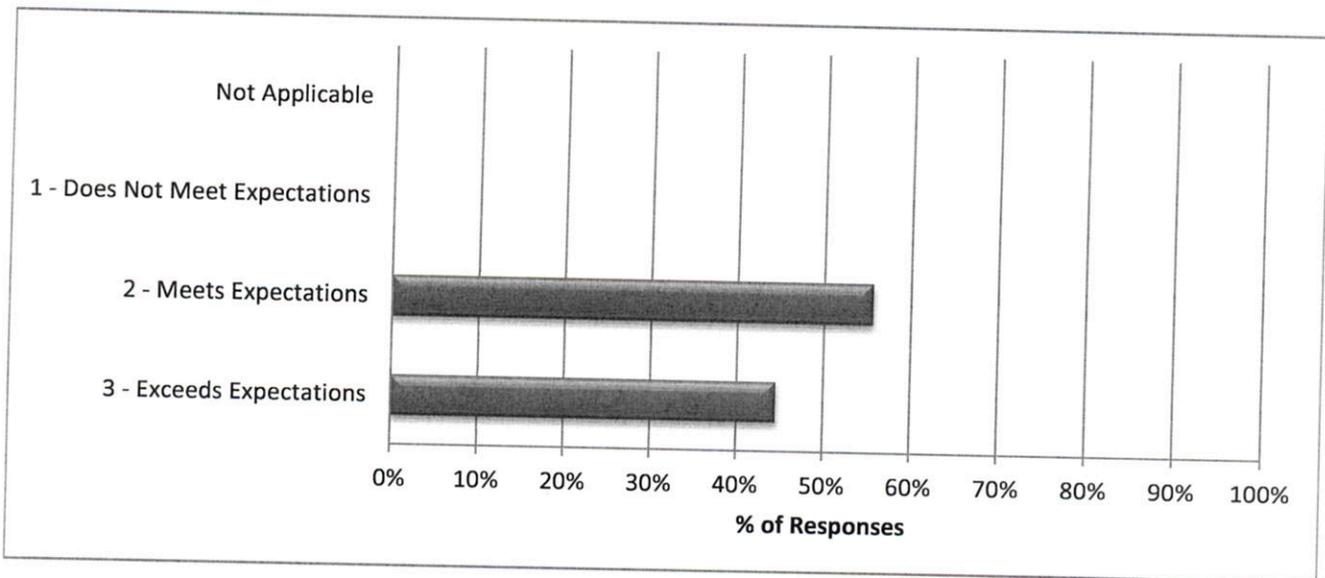


**Comments:**

- \* I am very confident of David's skills and abilities in this area.
- \* I have appreciated Mr. Hunter's leadership on managing downside risk. He is also vigilant on placing on and managing the Watch List.

The Executive Director/CIO effectively monitors investment managers, which includes, but is not limited to the following sub-categories: 4.4.1 - Adjust managers' assets to maintain proper risk levels and asset allocation targets. 4.4.2 - At least quarterly, evaluates and reviews the investment activity and portfolio management of the investment managers. 4.4.3 - Reports a summary of investment manager activity and compliance with investment policy and contractual guidelines to the State Investment Board and individual plan governing boards. 4.4.4 - Regularly meets with the investment managers to review performance and other activity. 4.4.5 - Oversees and, when necessary, participates in searches for new investment managers and consultants, negotiates fees and contracts, and recommends termination of managers.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 4                  | 44.44%             | 2.44                    |
| 2 - Meets Expectations         | 5                  | 55.56%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



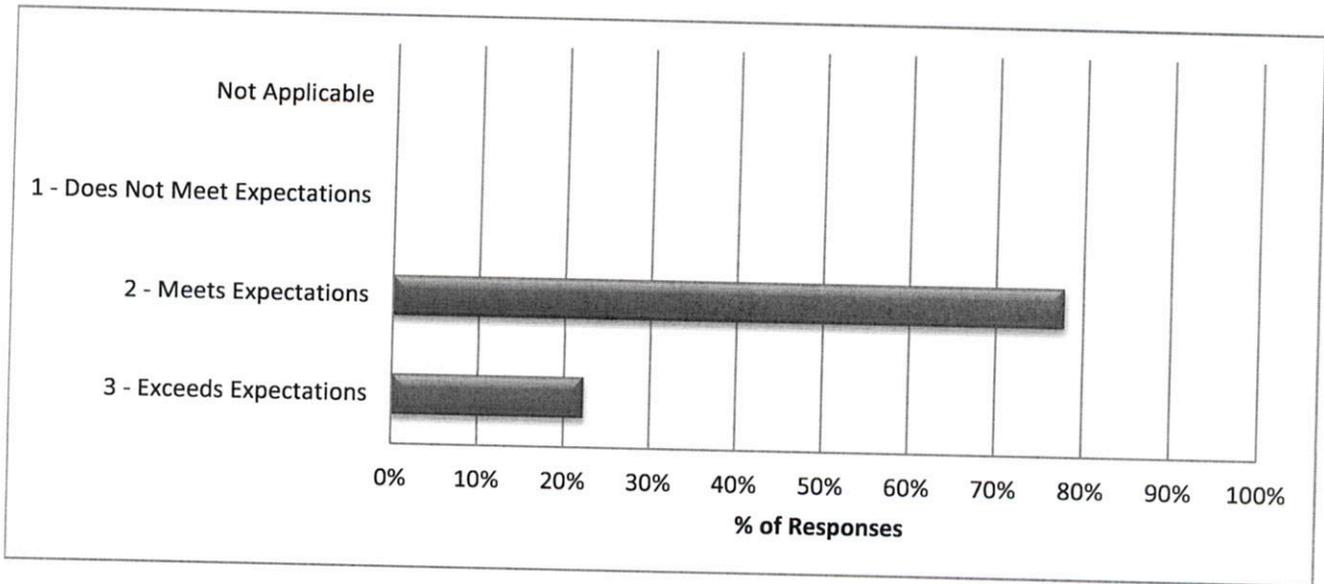
**Comments:**

\* Mr. Hunter has performed admirably in these areas. Mr. Hunter has clearly made significant efforts to connect with new and existing managers. I feel very confident when recommendations are made in these areas.

\* 4.4.1 should begin with "Adjusts" for the purposes of parallel construction.

The Executive Director/CIO maintains high fiduciary standards.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

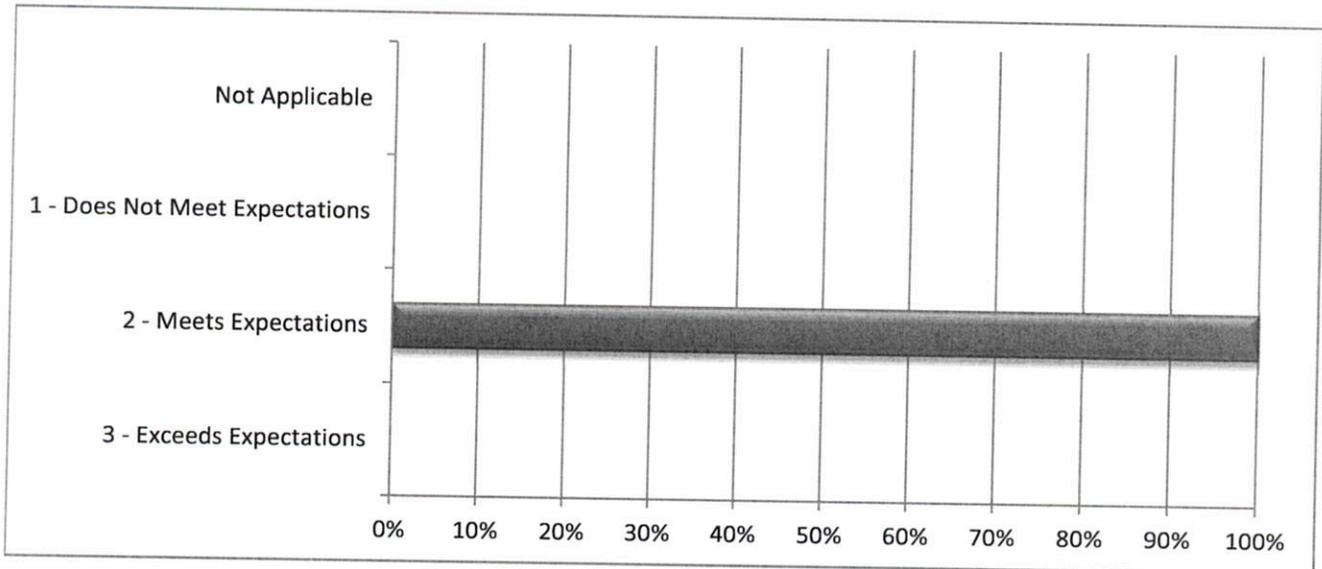


Comments:

\* While this is only one instance, I continue to struggle with the Bank of North Dakota Match Loan Program from a fiduciary standpoint. I would like to see Mr. Hunter either better explain how this meets the fiduciary responsibilities of the SIB, or take a firmer stand in opposition. From my perspective, it is hard to discern where Mr. Hunter sits on this issue and, as a result, I believe the SIB has had a more difficult time on reaching a resolution than with other issues. It is important to note that generally that Mr. Hunter exudes exemplary standards in communicating and rationalizing recommendations to the board, as evidenced in other rankings.

The Executive Director/CIO adequately provides State Investment Board contract management, which includes, but is not limited to the following sub-categories: 4.6.1 - Distributes and analyzes bids for services to facilitate decision-making for the State Investment Board. 4.6.2 - Monitors contractor performance and advises the State Investment Board of any issues, including options for responding and recommendations for associated action plans. 4.6.3 - Provide direction to all contracts to insure that State Investment Board objectives are achieved. 4.6.4 - Insure that all contractors comply with contract provision, state law and administrative rules.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 8                  | 100.00%            |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



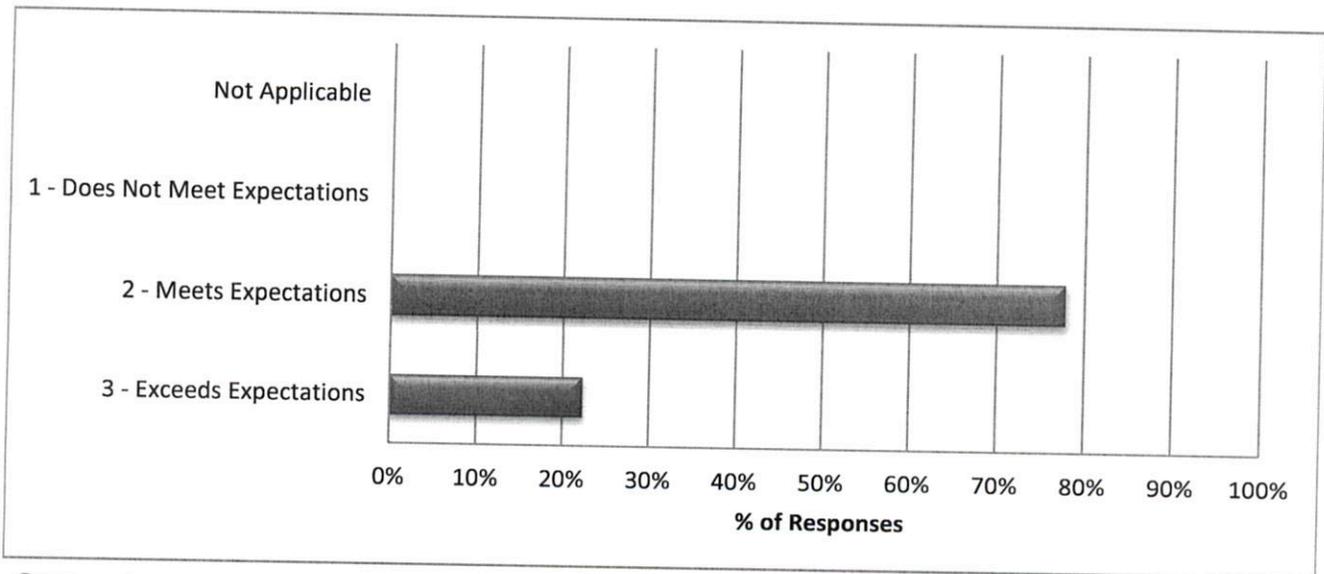
**Comments:**

\* Again, 4.6.3 and 4.6.4 should reflect the parallel construction demonstrated in the main statement and continued through 4.6.1 and 4.6.2.

Category: Public/Legislative Relations  
 Overall Average Numerical Ranking: 2.04  
 Overall Categorical Rating: Meets Expectations

The Executive Director/CIO provides necessary information, through regular effective communications and timely programs, to various stakeholders.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

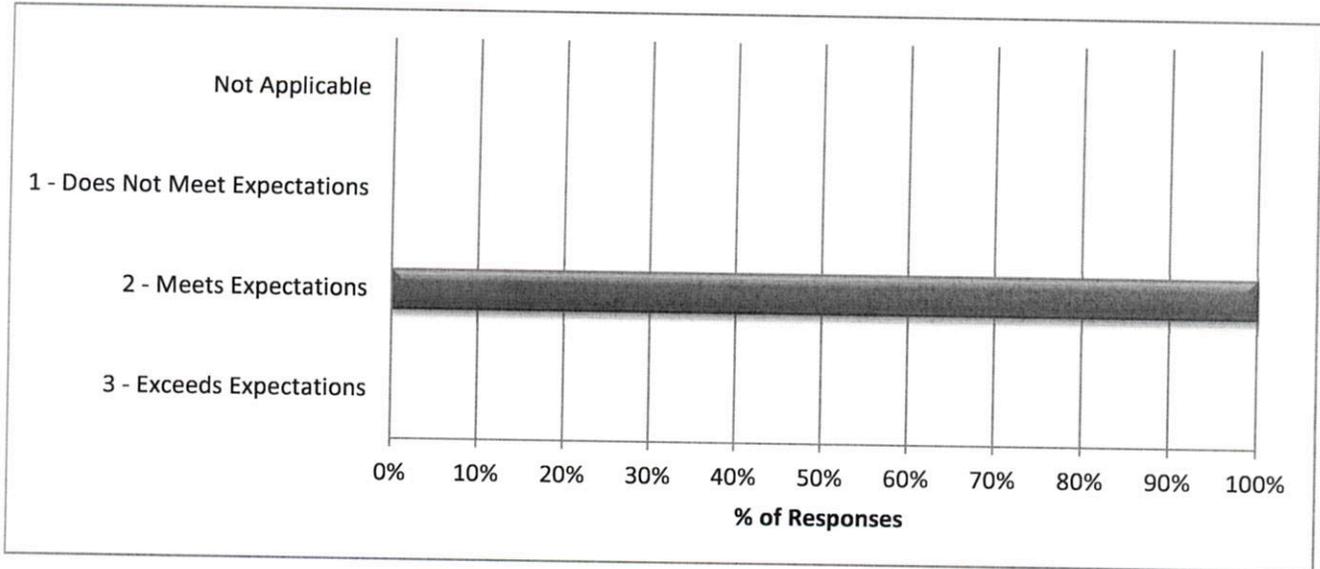


Comments:

\* Beyond the typical newsletter, I was very pleased that Mr. Hunter was so willing to attend the Study Council meeting and meet with school leaders regarding the SIB. It was a very positive experience for many in attendance and created some collegial connections.

The Executive Director/CIO represents RIO and promotes State Investment Board programs to various stakeholders, constituencies, political subdivisions and the state legislature.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 9                  | 100.00%            |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

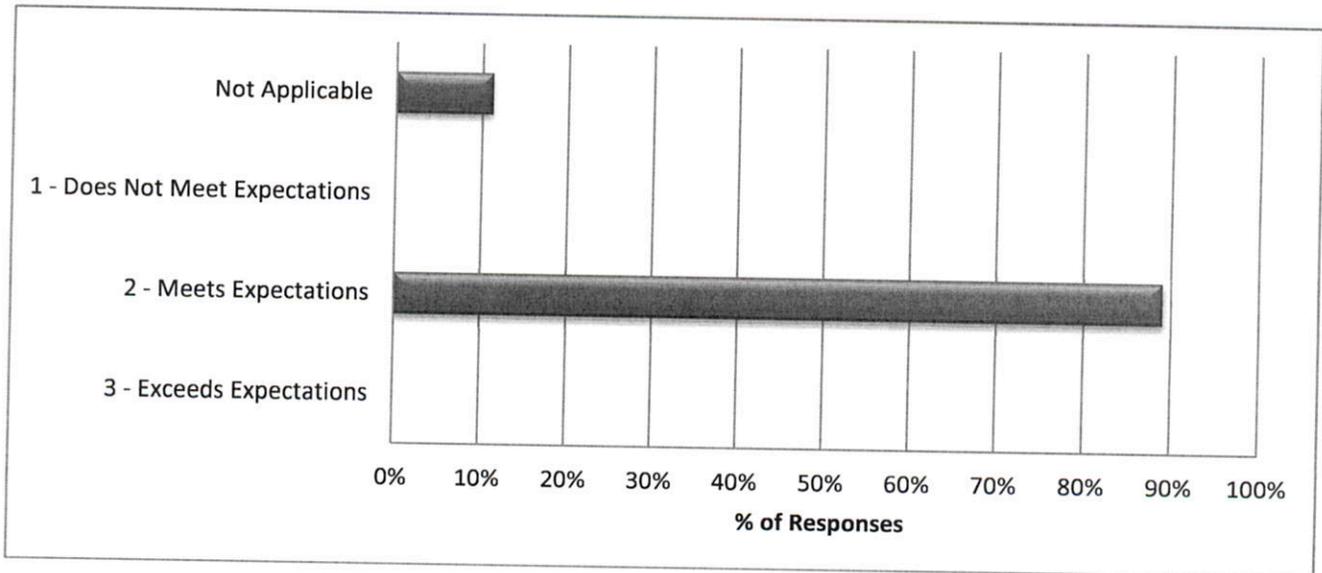


Comments:

- \* My understanding from legislators is that David is viewed as very knowledgeable and credible.
- \* So far as I am aware, his performance is satisfactory. I really have little exposure to his interaction with some of these elements. Just what is the definition of "stakeholder" as opposed to "constituent?"

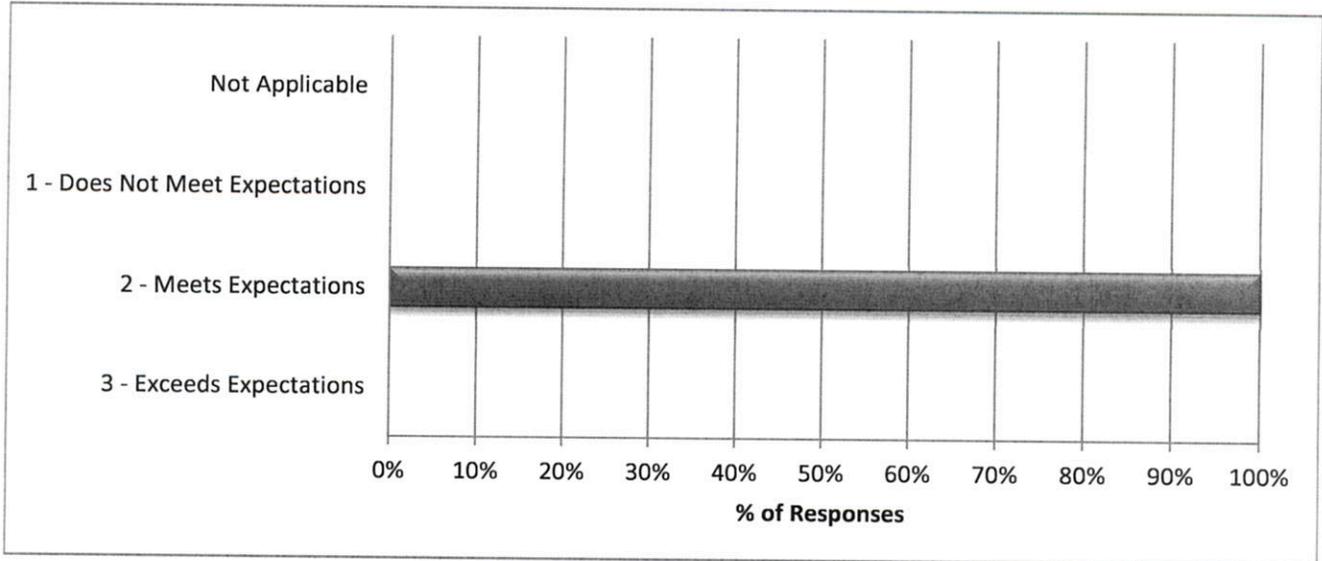
The Executive Director/CIO develops legislative proposals in concert with the State Investment Board and represents the board in communications and presentations to the legislature.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 8                  | 88.89%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 1                  | 11.11%             |                         |



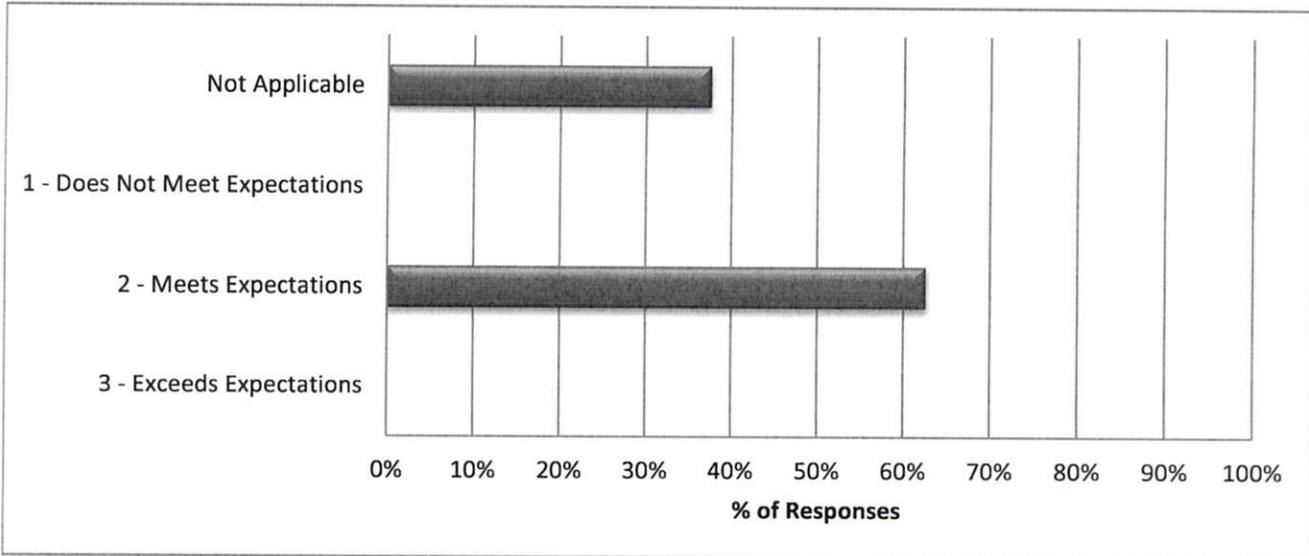
The Executive Director/CIO properly informs the Legislature, through the Interim Committee, regarding the status of the investment funds which fall under the oversight of the State Investment Board.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 9                  | 100.00%            |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



The Executive Director/CIO has developed a rapport with legislators to ensure the credible recognition of the positions of the State Investment Board.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 5                  | 62.50%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 3                  | 37.50%             |                         |



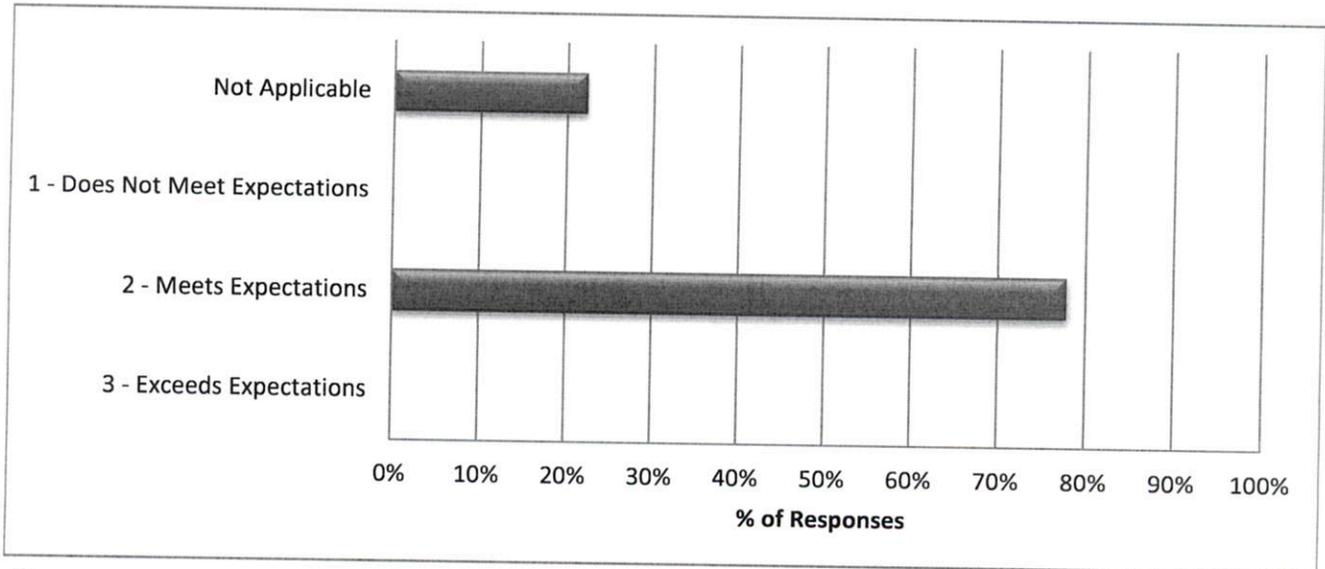
Comments:

- \* I do not know
- \* I believe Mr. Hunter has done well here and I believe that this relationship will improve over time as he gains more experience and builds additional trust.
- \* I have no knowledge of his relationship with individual legislators or of his rapport with the relevant committees of the Legislature.
- \* I have not seen this interaction and am unable to rate it.

Category: Professional Skills and Development  
 Overall Average Numerical Ranking: 2.23  
 Overall Categorical Rating: Meets Expectations

The Executive Director/CIO maintains membership and involvement in professional organizations and is current with applicable certifications.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 0                  | 0.00%              | 2.00                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 2                  | 22.22%             |                         |

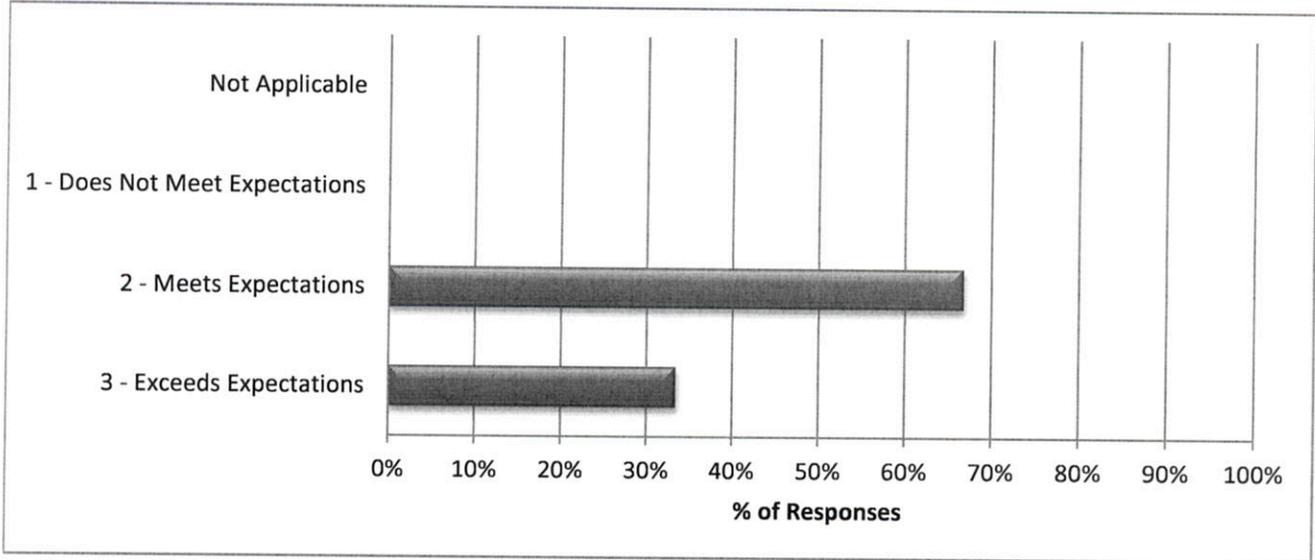


Comments:

- \* I have no way of knowing this
- \* I assume that to be the case.
- \* I do not know of any professional memberships that are maintained.

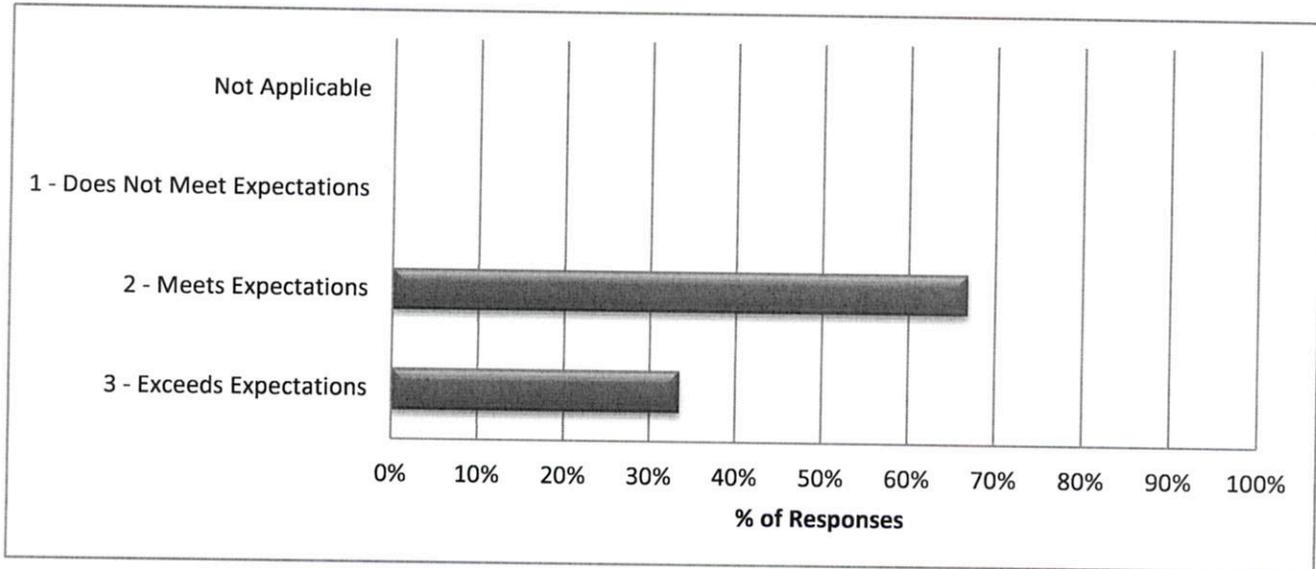
The Executive Director/CIO provides visionary and strategic leadership to the State Investment Board.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 3                  | 33.33%             | 2.33                    |
| 2 - Meets Expectations         | 6                  | 66.67%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



The Executive Director/CIO exhibits a positive and results-oriented style with a predisposition to building consensus and goal achievement through collaboration.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 3                  | 33.33%             | 2.33                    |
| 2 - Meets Expectations         | 6                  | 66.67%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



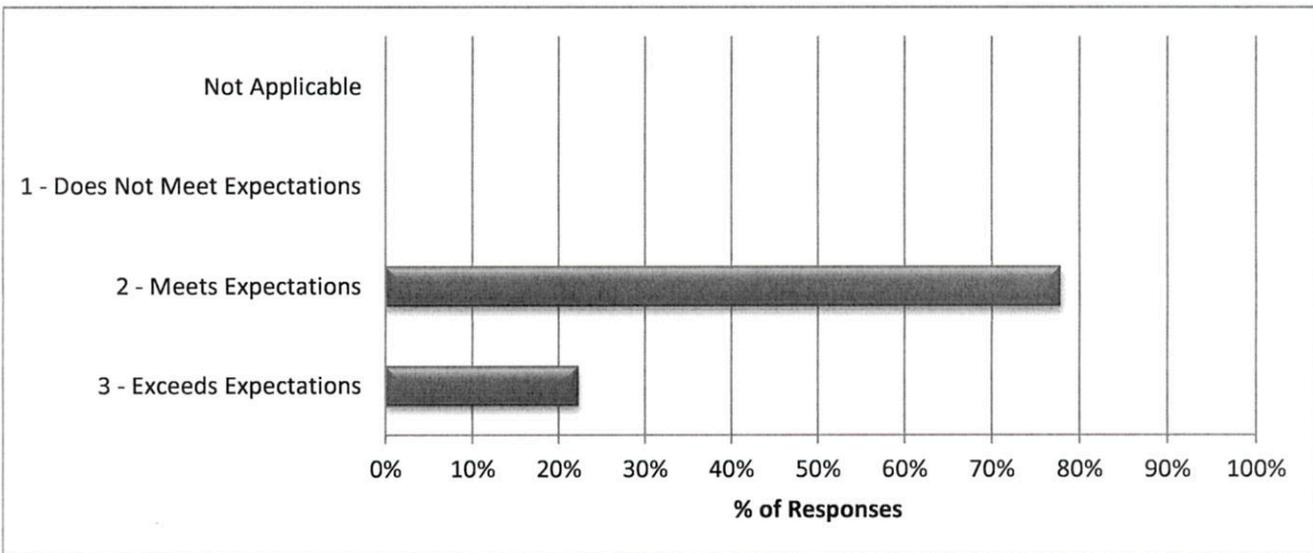
Comments:

\* David uses the expertise of his team to their full advantage.

\* I believe that Mr. Hunter has a positive and collaborative persona. The recent audit report, which Mr. Hunter acknowledged, suggested that collaboration with the staff was a priority by the staff.

The Executive Director/CIO demonstrates the ability to dissect highly complex issues and effectively develop and communicate a corresponding plan of action.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

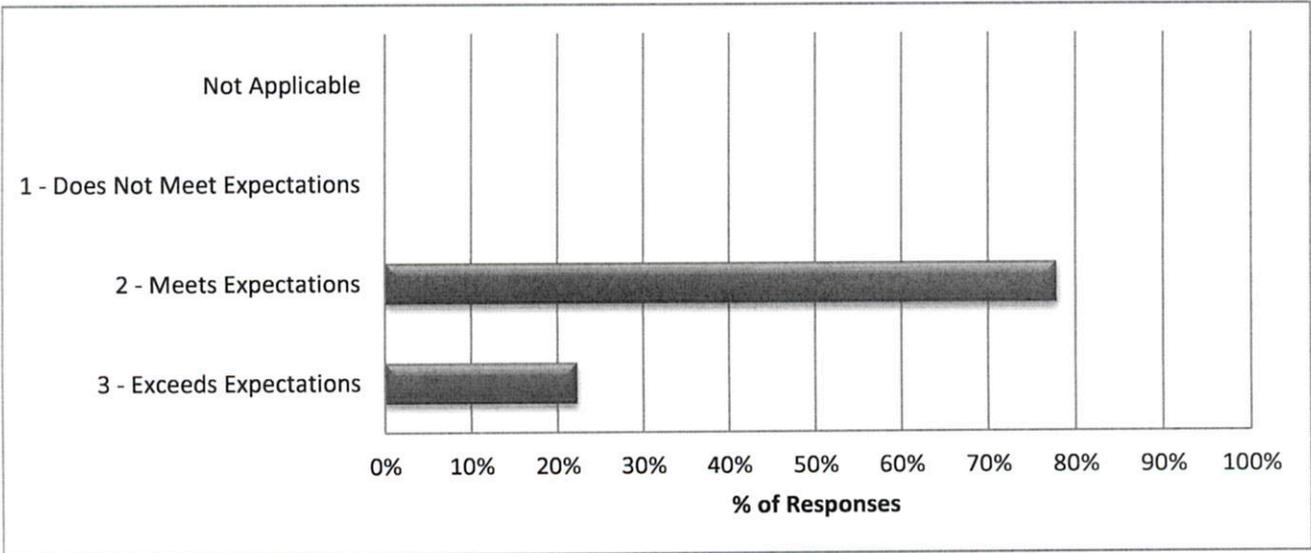


**Comments:**

- \* David is very clear in his explanations of complex issues.
- \* David does this well with the Board. However, he can go over his head of his audience when discussing things outside the Board setting.
- \* I believe that Mr. Hunter does well in this area and I believe this will continue to improve as well. It is my personal opinion that Mr. Hunter's thought process is best conveyed when first providing it in the written format of the board memo.

The Executive Director/CIO has reasonably attained professional goals for present year.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

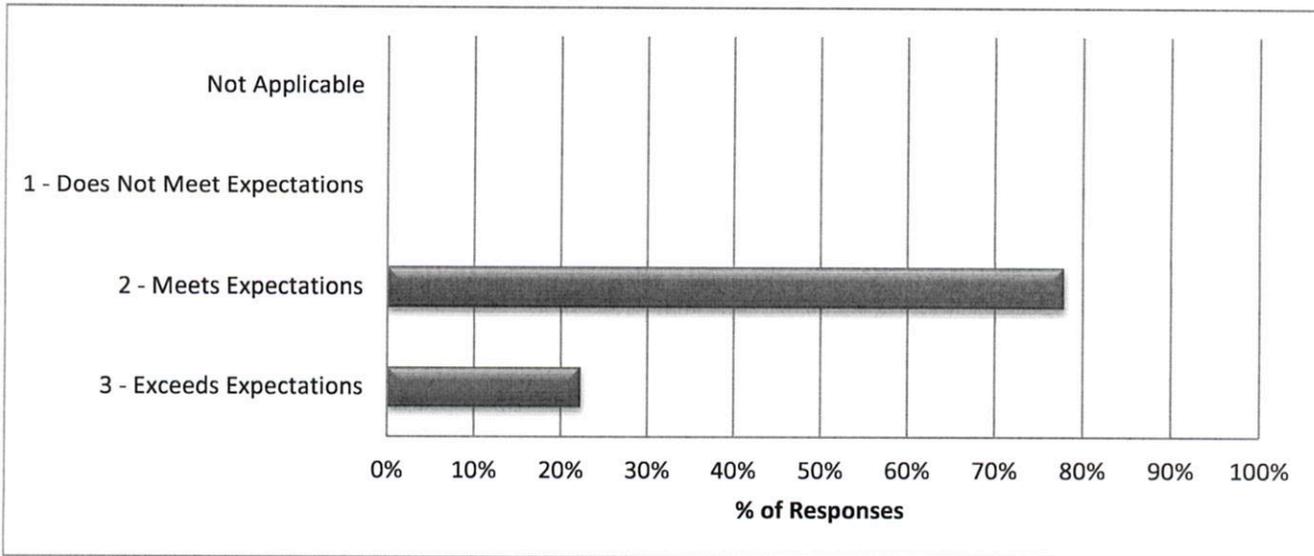


Comments:

\* Mr. Hunter created excellent short and long-term goals and I believe that he has made good progress.

The Executive Director/CIO adheres to all laws, rules, policies, procedures, and professional ethics.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



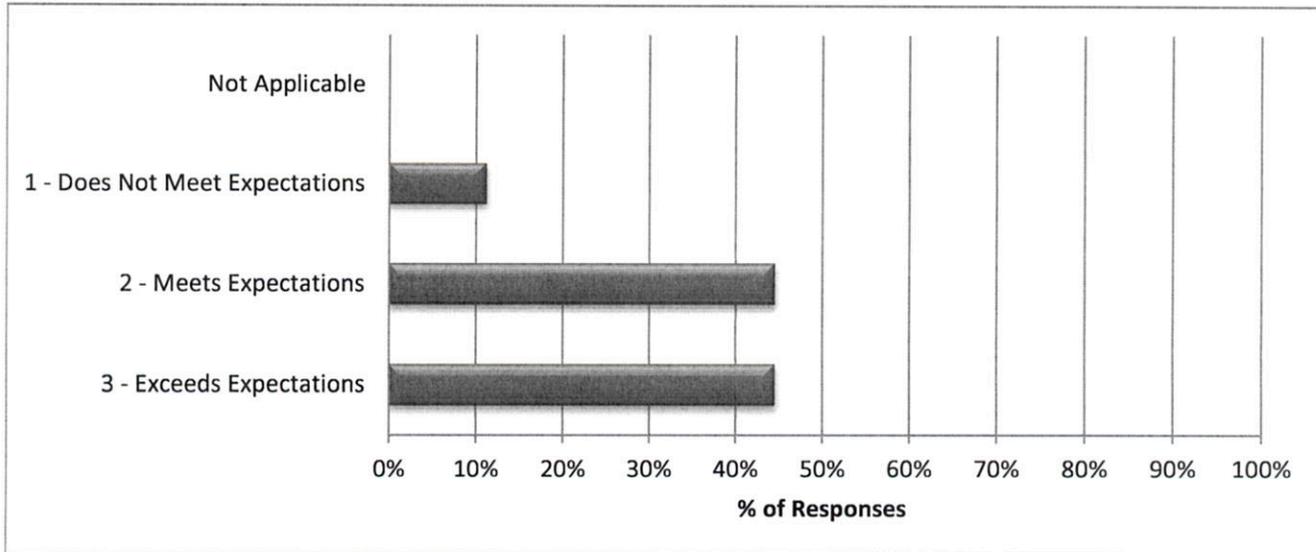
Comments:

\* I hope so, but I cannot confirm.

\* Again, I presume this to be the case.

The Executive Director/CIO exhibits courtesy and respect in all interactions.

| <i>Answer Choices</i>          | <i># Responses</i> | <i>% Responses</i> | <i>Average Response</i> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 4                  | 44.44%             | 2.33                    |
| 2 - Meets Expectations         | 4                  | 44.44%             |                         |
| 1 - Does Not Meet Expectations | 1                  | 11.11%             |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |

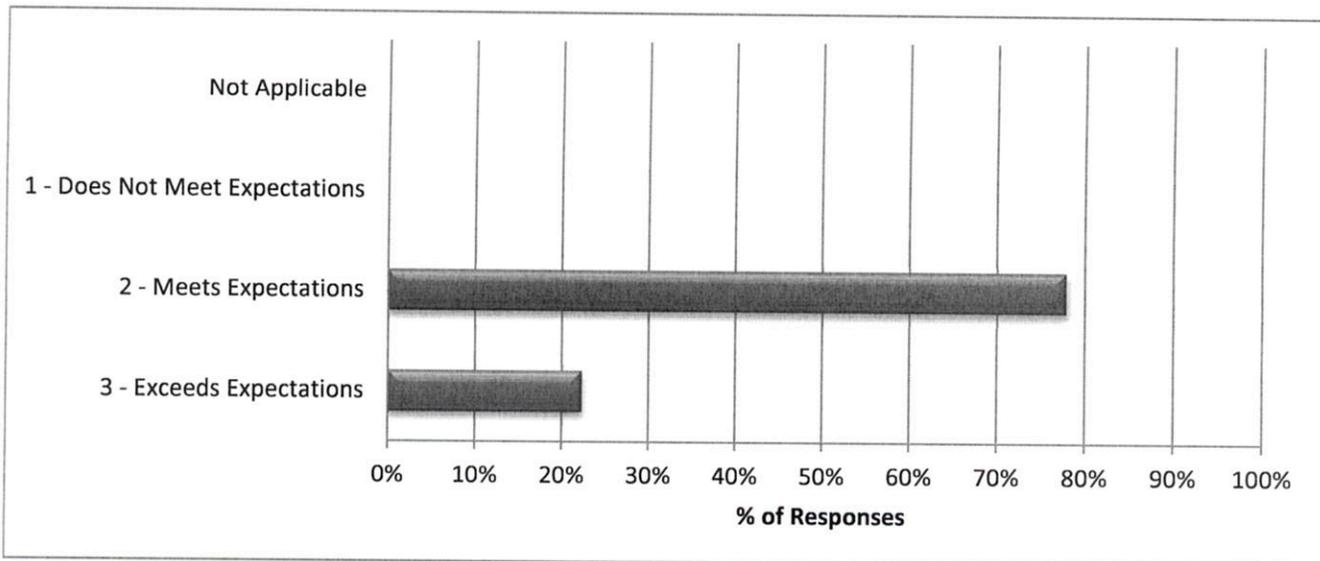


**Comments:**

- \* very gracious
- \* This is an area of strength for Mr. Hunter.

The Executive Director/CIO understands motivational drivers and is skilled at getting individuals, teams, and the entire organization to perform at the highest possible level and to embrace change.

| <u>Answer Choices</u>          | <u># Responses</u> | <u>% Responses</u> | <u>Average Response</u> |
|--------------------------------|--------------------|--------------------|-------------------------|
| 3 - Exceeds Expectations       | 2                  | 22.22%             | 2.22                    |
| 2 - Meets Expectations         | 7                  | 77.78%             |                         |
| 1 - Does Not Meet Expectations | 0                  | 0.00%              |                         |
| Not Applicable                 | 0                  | 0.00%              |                         |



**Comments:**

\* Again, in reference to the audit report of staff perceptions, Mr. Hunter recognizes the need to more fully involve the collaborative power of the NDRIO team.

\* The statement seems a little over the top.

## MEMORANDUM

**TO:** State Investment Board (SIB) Audit Committee

**FROM:** Terra Miller Bowley, Supervisor of Audit Services

**DATE:** February 26, 2015

**SUBJECT:** Proposed Meeting Dates – 2015-2016

The SIB Audit Committee will be meeting on May 22, 2015. One of the agenda items for this meeting will request that the Audit Committee discuss and approve proposed meeting dates and times for the upcoming fiscal year.

In the past the Teachers' Fund for Retirement (TFFR), the State Investment Board (SIB), and the Audit Committee have attempted to coordinate meeting dates and times. TFFR meetings are generally held on Thursday afternoon with the SIB meeting occurring Friday morning and Audit Committee meeting occurring Friday afternoon. For two meeting dates next fiscal year this schedule will not accommodate items which must first be discussed and approved by the Audit Committee and then reported timely to the SIB – specifically the yearly financial audit report provided by our external auditors, the executive limitation audit report, and the SIB survey results.

The following proposed meeting schedule is being provided for informational purposes only to allow board members to review the proposed schedule and provide feedback regarding proposed dates and times.

## SIB AUDIT COMMITTEE PROPOSED MEETING DATES JULY 2015 - JUNE 2016

| JULY 2015  | AUGUST 2015  | SEPTEMBER 2015   | OCTOBER 2015   | NOVEMBER 2015   | DECEMBER 2015 |
|--|--|--|--|---|---------------|
| <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 07/23/2015</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 07/24/2015</li> <li>- Retreat</li> </ul>        | <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 08/28/2015</li> <li>- 8:00 AM - Noon</li> </ul>  | <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 09/24/2015</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 09/25/2015</li> <li>- 8:00 AM – Noon</li> </ul> <p><b>SIB Audit Committee:</b></p> <ul style="list-style-type: none"> <li>- 09/25/2015</li> <li>- 1:00 – 3:00 PM</li> </ul> | <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 10/22/2015</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 10/23/2015</li> <li>- 8:00 AM – Noon</li> </ul> | <p><b>SIB Audit Committee:</b></p> <ul style="list-style-type: none"> <li>- 11/19/2015</li> <li>- 3:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 11/20/2015</li> <li>- 8:00 AM – Noon</li> </ul> <p>Financial Audit Report –<br/>External Auditors</p> |               |
| JANUARY 2016   | FEBRUARY 2016  | MARCH 2016   | APRIL 2016   | MAY 2016  | JUNE 2016     |
| <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 01/21/2016</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 01/22/2016</li> <li>- 8:00 AM - Noon</li> </ul> | <p><b>SIB Audit Committee:</b></p> <ul style="list-style-type: none"> <li>- 02/25/2016</li> <li>- 3:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 02/26/2016</li> <li>- 8:00 AM – Noon</li> </ul> <p>Executive Limitations Audit<br/>Report and SIB Survey<br/>Results</p> | <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 03/17/2016</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 03/18/2016</li> <li>- 8:00 AM – Noon</li> </ul>   | <p>TFFR Mtg.:</p> <ul style="list-style-type: none"> <li>- 04/21/2016</li> <li>- 1:00 – 5:00 PM</li> </ul> <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 04/22/2016</li> <li>- 8:00 AM – Noon</li> </ul> | <p>SIB Mtg.:</p> <ul style="list-style-type: none"> <li>- 05/27/2016</li> <li>- 8:00 AM – Noon</li> </ul> <p><b>SIB Audit Committee:</b></p> <ul style="list-style-type: none"> <li>- 05/27/2016</li> <li>- 1:00 – 3:00 PM</li> </ul>   |               |

### **Salary Verification Pending Retiree Form**

To assist TFFR in the salary verification process prior to a teacher retiring, complete the [Salary Verification-Pending Retiree form](#). Please complete and submit this form by March 1 for each person retiring. This form provides TFFR with salary detail for the current fiscal year and is used to estimate the teacher's final salary. This estimated salary is used to calculate the initial retirement benefit. Once the employer has reported all salary for the retiree, the retirement benefit is recalculated and corrected, if needed.

### **GASB Statement 68 Training**

The video and training documents (GASB 68 Report and Disclosure Template) from the GASB Statement 68 training, held in Bismarck on December 11, 2014, are now available on our [website](#). A GASB 68 Q & A document is also available.

TFFR's external auditor is currently working on the census data audits of several school districts. Once complete, they will render an opinion on the two schedules (Schedule of Employer Allocations and Schedule of Pension Amounts by Employer). The audited GASB schedules will be added to the TFFR website and available to employers and auditors to use in completing your 2015 financials.

GASB Statement 68 information will also be presented during the Business Manager Workshops in May.

### **TFFR Reports and Payment Due on the 15th**

To avoid being billed a \$250 penalty plus interest, please submit your report and payment by the 15<sup>th</sup> of each month following the month in which the member's salary was earned.

If you are still mailing your report and/or payment, please call our office and ask about uploading your report electronically and remitting your payment by ACH. They are both efficient ways to submit your report and payment by the due date!

### **TFFR Legislation Information**

The 2015 Legislature is in session!

The TFFR Board submitted one bill for consideration. HB 1064 updates certain dates to maintain compliance with federal Internal Revenue Code tax law changes related to qualified governmental pension plans.

We will keep you updated on future legislative developments throughout the session on our [website](#).

### **NDPERS Health Insurance Change**

A 2013 law change closed the ND Public Employees Retirement System (NDPERS) pre-Medicare health insurance plan to TFFR and PERS retirees effective July 1, 2015. In the past, if a TFFR member retired before age 65, the retiree had the option to obtain pre-Medicare health insurance through the NDPERS program. The national Affordable Care Act (ACA) has provisions that mandate access to insurance coverage without imposing pre-existing condition limitations or having to be medically underwritten. This eliminates the primary reason why the pre-Medicare coverage was originally made available. TFFR pre-Medicare retirees are able to choose from insurance plan options that are available through the National Health Care Exchange program provided by the Affordable Care Act.

Since the new law goes into effect July 1, 2015, to remain eligible for the NDPERS pre-Medicare health plan, new TFFR retirees must be in payment on June 1, 2015. Example: A June 1, 2015, new TFFR retiree who first gets paid July 1, 2015, retroactive to June 1, 2015, will not be eligible for

the NDPERS pre-Medicare insurance since they did not get paid on or before June 1, 2015. If a June 1, 2015, retiree wants to use the NDPERS pre-Medicare insurance, they need to notify TFFR and we will make every effort to get the first retirement payment to them on June 1, 2015.

Please note that pre-Medicare TFFR retirees who are already enrolled in the NDPERS pre-Medicare plan will be grandfathered. Coverage will remain in effect until they become entitled to Medicare, at which time they can apply for NDPERS coverage under the Dakota Retiree Plan (supplement to Medicare plan). Also, pre-Medicare retirees whose retirement payments begin after June 1, 2015, can also apply for NDPERS coverage under the Dakota Retiree Plan once they reach eligibility for Medicare.

If you have questions regarding this change, please contact NDPERS at (800) 803-7377 or (701) 328-3900.

## Tax Treatment of TFFR Contributions

Employers may report TFFR contributions on the W-2 form. TFFR is a 401(a) defined benefit plan and its contributions are mandatory, not elective. Under all models, the amount of TFFR contributions withheld or paid by the district is not required on the W-2 form. However, if the district wishes to place this information on the W-2, it belongs in Box 14.

## 2014 Annual Financial Report Available

For a complete review of the financial, investment, and actuarial conditions of the State Investment Board (SIB) and the Teachers' Fund for Retirement (TFFR), please view the Retirement and Investment Office (RIO) [2014 Comprehensive Annual Financial Report](#) (CAFR).

