



ND STATE INVESTMENT BOARD MEETING

Friday, May 23, 2014, 8:30 a.m.
Peace Garden Room, State Capitol
600 E Blvd, Bismarck, ND

AGENDA

I. CALL TO ORDER AND ACCEPTANCE OF AGENDA

II. ACCEPTANCE OF MINUTES (April 25, 2014)

III. INVESTMENTS

- A. Asset and Investment Performance Overview (enclosed)
 - 1. Peer Performance - Mr. Hunter 10 minutes
 - 2. Client Level Returns and Risk - Mr. Hunter 15 minutes
 - 3. Strategic Initiatives Update - Mr. Hunter 5 minutes
- B. Callan Associates
 - 1. Market Update 1st Quarter 2014 – Mr. Erlendson (to follow) 20 minutes
 - 2. Pension Trust Review Quarter Ending 3-31-14 - Mr. Erlendson (enclosed) 30 minutes
 - 3. Insurance Trust Review Quarter Ending 3-31-14 - Mr. Erlendson (enclosed) 30 minutes
- C. Board Education
 - 1. Return Definitions – Mr. Schulz (enclosed) 30 minutes

IV. GOVERNANCE

- A. Administration
 - 1. WSI Investment Policy Statement – Mr. Hunter (enclosed) 10 minutes (**Board Action**)
 - 2. RIO Staffing Update - Mr. Hunter 5 minutes
 - 3. Board Education Update - Mr. Hunter (enclosed) 10 minutes

V. OTHER

Next Meetings:
SIB meeting – June 27, 2014, 8:30 a.m. - State Capitol, Peace Garden Room
SIB Audit Committee meeting - May 23, 2014, 1:00 p.m. - State Capitol, Peace Garden Room

VI. ADJOURNMENT

**NORTH DAKOTA STATE INVESTMENT BOARD
MINUTES OF THE
APRIL 25, 2014, BOARD MEETING**

BOARD MEMBERS PRESENT: Drew Wrigley, Lt. Governor, Chair
Mike Sandal, Vice Chair
Clarence Corneil, Parliamentarian, TFFR Board
Lance Gaebe, Land Commissioner
Mike Gessner, TFFR Board
Rob Lech, TFFR Board
Howard Sage, PERS Board
Kelly Schmidt, State Treasurer
Cindy Ternes, WSI designee
Kim Wassim, PERS Board

BOARD MEMBERS ABSENT: Adam Hamm, Insurance Commissioner

STAFF PRESENT: Connie Flanagan, Fiscal & Invt Op Mgr
Bonnie Heit, Assist to the SIB
David Hunter, ED/CIO
Fay Kopp, Deputy ED/CRO
Cody Schmidt, Compliance Officer
Darren Schulz, Deputy CIO
Susan Walcker, Invt Acct

OTHERS PRESENT: Jeff Engleson, Deputy Land Commissioner
Levi Erdmann, Land Dept.
Jan Murtha, Attorney General's Office

CALL TO ORDER:

Lt. Governor Wrigley called the State Investment Board (SIB) meeting to order at 8:30 a.m. on Friday, April 25, 2014, at the State Capitol, Peace Garden Room, 600 E Boulevard, Bismarck, ND.

A quorum was present for the purpose of conducting business.

Commissioner Hamm was absent for business travel.

AGENDA:

IT WAS MOVED BY MR. GESSNER AND SECONDED BY MS. TERNES AND CARRIED ON A VOICE VOTE TO ACCEPT THE REVISED AGENDA FOR THE APRIL 25, 2014, MEETING.

AYES: MS. TERNES, MR. CORNEIL, TREASURER SCHMIDT, MS. WASSIM, MR. LECH, MR. SANDAL, MR. SAGE, MR. GESSNER, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM

MINUTES:

The minutes were considered from the March 28, 2014, meeting.

IT WAS MOVED BY MR. CORNEIL AND SECONDED BY MR. SANDAL AND CARRIED ON A VOICE VOTE TO ACCEPT THE MARCH 28, 2014, MINUTES AS WRITTEN.

AYES: MS. TERNES, MR. CORNEIL, MR. SANDAL, TREASURER SCHMIDT, MR. GESSNER, MR. SAGE, MR. LECH, MS. WASSIM, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER GAEBE, COMMISSIONER HAMM

INVESTMENTS:

Asset and Performance Review - Mr. Hunter reviewed SIB assets under management. Between June 30, 2013, and for the period ending February 28, 2014, client assets grew by \$1.35 billion and approached \$8.8 billion based on preliminary valuations. Gains from net investment income of over 11% (\$475 million) were recognized for the Pension Trust. The Insurance Trust benefitted from investment gains of 5.5% (\$180 million). Legacy Fund assets grew by over 55% (\$660 million) between June 30, 2013 and February 28, 2014, largely as a result of new deposits, although investment income of approximately 4% exceeded the policy benchmark.

Mr. Hunter also updated the SIB on pending projects with Callan; emerging market equity search, expansion of performance reporting for the SIB's five largest clients, The Northern Trust custody review, replacement for the WAMCO Mortgage Backed Securities mandate, and Callan College educational opportunities.

Staff will also be working with Callan to review the private capital structures to maximize the opportunities in each of the mandates and also the fixed income strategies to confirm sector allocations relative to long-term strategic goals and performance.

Mr. Hunter also stated Loomis, PIMCO, and WAMCO will remain on the Watch List. Staff as well as Callan are monitoring each manager's status and will provide updates to the SIB as conditions improve.

Workforce Safety & Insurance (WSI) Asset Allocation Study - Mr. Hunter stated Callan completed an asset allocation study for WSI and reviewed the results and options with the WSI Board of Directors on April 16, 2013. The WSI Board of Directors approved the study and requested the SIB's acceptance and subsequent implementation.

For the record, the results of the asset allocation study were previously reviewed and approved by the Governor.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. LECH AND CARRIED ON A VOICE VOTE TO ACCEPT THE WSI ASSET ALLOCATION STUDY.

AYES: MR. LECH, TREASURER SCHMIDT, MR. CORNEIL, COMMISSIONER GAEBE, MS. WASSIM, MR. SANDAL, MR. GESSNER, MR. SAGE, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

Westridge/WG Trading - Ms. Murtha requested the SIB enter into Executive Session to discuss the tolling agreement with Deloitte.

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MR. SAGE AND CARRIED ON A VOICE VOTE TO ENTER INTO EXECUTIVE SESSION PER NDCC §44-04-19.1(5) AND NDCC §44-04-19.2 FOR ATTORNEY CONSULTATION REGARDING THE WESTRIDGE/WG TRADING LITIGATION.

AYES: MS. TERNES, COMMISSIONER GAEBE, MR. GESSNER, MR. SAGE, MS. WASSIM, MR. SANDAL, MR. LECH, MR. CORNEIL, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSETN: COMMISSIONER HAMM

The SIB entered into Executive Session at 9:29 a.m. and exited at 9:56 a.m. The SIB, RIO staff, and Ms. Murtha were in attendance.

The SIB provided guidance to Ms. Murtha regarding the Westridge/WG Trading litigation strategy but did not find it necessary to take any formal action at this time after consulting with Ms. Murtha. Ms. Murtha will continue to provide updates as warranted.

The Board recessed at 10:00 am and reconvened at 10:08 am

EDUCATION:

Manager Searches - Mr. Hunter reviewed with the SIB Callan's manager search process, factors to consider, and the key players involved when a search takes place.

Securities Litigation - Ms. Murtha provided an educational segment on securities lending: what is securities lending; what the SIB's current practice is; and options to amend the current practice if so desired. The SIB and Ms. Murtha will continue to discuss and review this topic.

Cost of Doing Business - Mr. Hunter briefly reviewed a 2013 US Funds and Trust Cost of Doing Business Survey by Callan and compared some of the results to the SIB's program.

GOVERNANCE:

Staff Update - Mr. Hunter provided an update on office staff. Mr. Richard Nagel assumed the role of Information System's Supervisor effective April 1, 2014, and Mr. Michael DeWitt will assume the role of Data Processing Coordinator effective April 28, 2014.

Applications for the Audit Supervisor position were reviewed after the closing date of March 18, 2014. After reviews and interviews, the position will be posted again in June 2014.

The Investment Analyst position is scheduled to be posted in June.

Board of Medical Examiners - At the SIB's July 26, 2013, meeting, the Board gave staff preliminary approval to move forward with potentially contracting with the State Board of Medical Examiners for investment services. Staff has been working with the State Board of Medical Examiners in finalizing an investment policy statement for assets of approximately \$1.8 million. Mr. Schulz informed the SIB the Industrial Commission has approved allowing the State Board of Medical Examiners to join the SIB program and requested the SIB accept the investment policy statement as presented. Mr. Schulz also requested a waiver on the SIB's policy of allowing clients to enter the investment program only at quarter end. The State Board of Medical Examiners assets have been liquidated and the client would like the assets invested effective May 1, 2014.

IT WAS MOVED BY MR. SANDAL AND SECONDED BY MR. SAGE TO ACCEPT THE STATE BOARD OF MEDICAL EXAMINERS INVESTMENT POLICY STATEMENT AND ALSO APPROVE THE REQUESTED WAIVER.

AYES: MR. GESSNER, COMMISSIONER GAEBE, MR. SAGE, TREASURER SCHMIDT, MR. LECH, MR. CORNEIL, MS. WASSIM, MR. SANDAL, MS. TERNES, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

MONITORING:

IT WAS MOVED BY TREASURER SCHMIDT AND SECONDED BY MS. WASSIM AND CARRIED BY A VOICE VOTE TO ACCEPT THE FOLLOWING MONITORING REPORTS: BUDGET/FINANCIAL CONDITIONS, EXECUTIVE LIMITATIONS/STAFF RELATIONS, INVESTMENT PROGRAM, RETIREMENT PROGRAM, AND THE WATCH LIST.

AYES: MR. CORNEIL, MR. GESSNER, MR. SANDAL, MR. SAGE, MS. WASSIM, MS. TERNES, COMMISSINER GAEBE, MR. LECH, TREASURER SCHMIDT, AND LT. GOVERNOR WRIGLEY

NAYS: NONE

MOTION CARRIED

ABSENT: COMMISSIONER HAMM

OTHER:

The next SIB meeting is scheduled for May 23, 2014, at 8:30 am in the Peace Garden Room, State Capitol, Bismarck, ND.

The next SIB Audit Committee meeting is scheduled for May 23, 2014, at 1:00 pm in the Peace Garden Room, State Capitol, Bismarck, ND.

ADJOURNMENT:

With no further business to come before the SIB, Lt. Governor Wrigley adjourned the meeting at 11:35 a.m.

Lt. Governor Wrigley, Chair
State Investment Board

Bonnie Heit
Assistant to the Board

State Investment Board

Asset and Investment Performance Overview

May 23, 2014

Dave Hunter, Executive Director / CIO
Darren Schulz, Deputy Chief Investment Officer
ND Retirement & Investment Office (RIO)
State Investment Board (SIB)

State Investment Board – Client Assets Under Management

| Fund Name | Market Values as of 3/31/14 ⁽¹⁾ | Market Values as of 12/31/13 ⁽¹⁾ | Market Values as of 6/30/13 ⁽²⁾ |
|---|---|--|---|
| Pension Trust Fund | | | |
| Public Employees Retirement System (PERS) | 2,243,514,709 | 2,204,819,633 | 2,000,899,336 |
| Teachers' Fund for Retirement (TFFR) | 1,995,969,373 | 1,970,377,031 | 1,810,735,455 |
| Job Service of North Dakota Pension | 95,949,225 | 95,276,201 | 90,442,764 |
| City of Bismarck Employees Pension | 76,180,588 | 74,832,971 | 68,822,847 |
| City of Grand Forks Employees Pension | 53,425,887 | 53,459,799 | 50,148,061 |
| City of Bismarck Police Pension | 33,473,553 | 32,887,889 | 30,072,819 |
| Grand Forks Park District | 5,744,021 | 5,653,023 | 5,109,311 |
| City of Fargo Employees Pension | 36,523 | 4,742,525 | 34,133,671 |
| Subtotal Pension Trust Fund | 4,504,293,878 | 4,442,049,072 | 4,090,364,264 |
| Insurance Trust Fund | | | |
| Legacy Fund | 1,930,191,282 | 1,695,950,111 | 1,194,779,193 |
| Workforce Safety & Insurance (WSI) | 1,660,256,351 | 1,627,545,930 | 1,557,719,286 |
| Budget Stabilization Fund | 589,665,298 | 588,744,084 | 401,353,181 |
| City of Fargo FargoDome Permanent Fund | 39,463,100 | 38,668,924 | 36,411,591 |
| PERS Group Insurance Account | 39,225,538 | 39,626,348 | 42,792,878 |
| State Fire and Tornado Fund | 28,883,451 | 28,625,262 | 26,633,417 |
| Petroleum Tank Release Compensation Fund | 6,993,990 | 6,899,622 | 6,839,483 |
| State Risk Management Fund | 6,738,970 | 6,593,046 | 6,187,298 |
| State Risk Management Workers Comp Fund | 5,777,405 | 5,654,121 | 5,247,448 |
| ND Association of Counties (NDACo) Fund | 3,352,331 | 2,894,408 | 2,717,444 |
| State Bonding Fund | 3,219,350 | 3,171,622 | 3,141,218 |
| Insurance Regulatory Trust Fund | 1,122,648 | 1,107,837 | 1,043,647 |
| Bismarck Deferred Sick Leave Account | 825,231 | 807,624 | 1,016,834 |
| Cultural Endowment Fund | 366,130 | 359,577 | 323,914 |
| Subtotal Insurance Trust Fund | 4,316,081,075 | 4,046,648,516 | 3,286,206,832 |
| PERS Retiree Insurance Credit Fund | 85,940,208 | 83,492,581 | 73,677,263 |
| Total Assets Under SIB Management | 8,906,315,161 | 8,572,190,169 | 7,450,248,360 |

⁽¹⁾ 3/31/14 and 12/31/14 market values are unaudited and subject to change.

⁽²⁾ 6/30/13 market values as stated in the Comprehensive Annual Financial Report.

- **SIB Client Assets Under Management grew by \$1.45 billion (or 19.5%) between June 30, 2013 and March 31, 2014.**
- **Net investment income was responsible for gains of over 12% (or \$500 million) for the Pension Trust and 5.6% (\$184 million) for the Insurance Trust.**
- **Legacy assets increased by over 61% (\$735 million) primarily due to tax collections.**
- **As of March 31, 2014, the market value of SIB client assets approximated \$8.9 billion based on preliminary valuations.**

Estimated Fiscal YTD Returns to May 15, 2014

Estimated Fiscal YTD: 5/15/2014
(Actual returns are net of fees; estimates are gross indices)

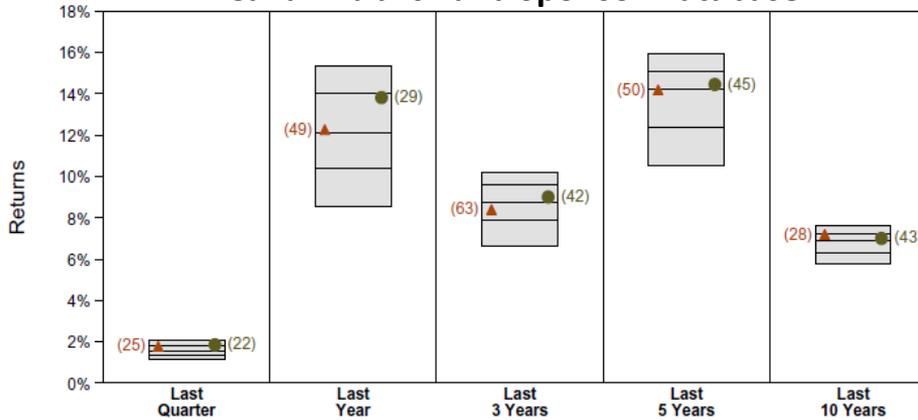
Note: Estimated FYTD Pension and Insurance Trust Returns > Policy Benchmark

| | | TFFR | PERS | WSI | Legacy | Budget Stabilization | Pension Trust | Insurance Trust |
|---|------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Preliminary and unaudited estimates which are subject to change. | | | | | | | | |
| Market Value | 31-Mar | 1,995,969,373 | 2,243,514,709 | 1,660,256,351 | 1,930,191,282 | 589,665,298 | 4,504,293,878 | 4,204,235,782 |
| Total Fund Actual through | 31-Mar | 12.49% | 12.33% | 8.29% | 4.21% | 1.41% | 12.28% | 5.63% |
| Total Fund Policy through | 31-Mar | 12.02% | 11.95% | 6.89% | 3.03% | 0.39% | 11.90% | 4.59% |
| | 30-Apr | | | | | | | |
| MSCI World | 0.73% | 16.0% | 16.0% | 0.0% | 0.0% | 0.0% | 16.0% | 0.0% |
| Russell 1000 | 0.47% | 16.6% | 16.6% | 9.8% | 13.1% | 0.0% | 16.5% | 10.3% |
| Russell 2000 | -3.88% | 4.8% | 4.8% | 3.3% | 4.8% | 0.0% | 4.9% | 3.7% |
| EAFE | 1.45% | 11.8% | 11.1% | 7.0% | 12.5% | 0.0% | 11.1% | 8.7% |
| Emerging Mkts | 0.33% | 2.8% | 3.5% | 0.0% | 0.0% | 0.0% | 3.1% | 0.0% |
| BC Agg | 0.84% | 12.0% | 12.0% | 51.0% | 26.5% | 0.0% | 13.0% | 33.4% |
| BC High Yield | 0.63% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 5.1% | 0.0% |
| BC Global Agg ex US | 1.13% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 5.0% | 0.0% |
| Real Estate | 0.91% | 20.0% | 20.0% | 6.0% | 3.4% | 0.0% | 19.4% | 3.9% |
| Private Equity | 0.00% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 4.9% | 0.0% |
| TIPS | 1.67% | 0.0% | 0.0% | 22.0% | 0.9% | 0.0% | 0.0% | 9.2% |
| ML 1-3Y Treasury | 0.14% | 0.0% | 0.0% | 0.0% | 38.8% | 100.0% | 0.0% | 28.9% |
| T-Bill | 0.00% | 1.0% | 1.0% | 1.0% | 0.0% | 0.0% | 1.0% | 1.9% |
| Est. MTD through | 4/30/2014 | 0.56% | 0.55% | 0.87% | 0.38% | 0.14% | 0.55% | 0.54% |
| | 15-May | | | | | | | |
| MSCI World | -0.09% | 16.0% | 16.0% | 0.0% | 0.0% | 0.0% | 16.0% | 0.0% |
| Russell 1000 | -0.53% | 16.6% | 16.6% | 9.8% | 13.1% | 0.0% | 16.5% | 10.3% |
| Russell 2000 | -2.67% | 4.8% | 4.8% | 3.3% | 4.8% | 0.0% | 4.9% | 3.7% |
| MSCI EAFE | 0.45% | 11.8% | 11.1% | 7.0% | 12.5% | 0.0% | 11.1% | 8.7% |
| MSCI Emerging Mkts | 3.47% | 2.8% | 3.5% | 0.0% | 0.0% | 0.0% | 3.1% | 0.0% |
| BC Aggregate | 0.85% | 12.0% | 12.0% | 51.0% | 26.5% | 0.0% | 13.0% | 33.4% |
| High Yield | 0.57% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 5.1% | 0.0% |
| BC Global Agg ex US | 0.18% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 5.0% | 0.0% |
| Real Estate | 0.45% | 20.0% | 20.0% | 6.0% | 3.4% | 0.0% | 19.4% | 3.9% |
| Private Equity | 0.00% | 5.0% | 5.0% | 0.0% | 0.0% | 0.0% | 4.9% | 0.0% |
| TIPS | 1.28% | 0.0% | 0.0% | 22.0% | 0.9% | 0.0% | 0.0% | 9.2% |
| ML 1-3Y Treasury | 0.14% | 0.0% | 0.0% | 0.0% | 38.8% | 100.0% | 0.0% | 28.9% |
| T-Bill | 0.00% | 1.0% | 1.0% | 1.0% | 0.0% | 0.0% | 1.0% | 1.9% |
| Est. MTD through | 5/15/2014 | 0.15% | 0.17% | 0.64% | 0.17% | 0.14% | 0.16% | 0.35% |
| Estimated FYTD Return | 5/15/2014 | 13.29% | 13.14% | 9.93% | 4.78% | 1.69% | 13.08% | 6.57% |
| Estimated FYTD Policy | 5/15/2014 | 12.82% | 12.76% | 8.51% | 3.59% | 0.67% | 12.70% | 5.52% |
| Estimated FYTD Excess Return to 5/15/2014 | | 0.47% | 0.38% | 1.42% | 1.19% | 1.02% | 0.38% | 1.05% |
| Comparison to 8% return assumption pro-rated FYTD | | 6.96% | 6.96% | | | | 6.96% | |

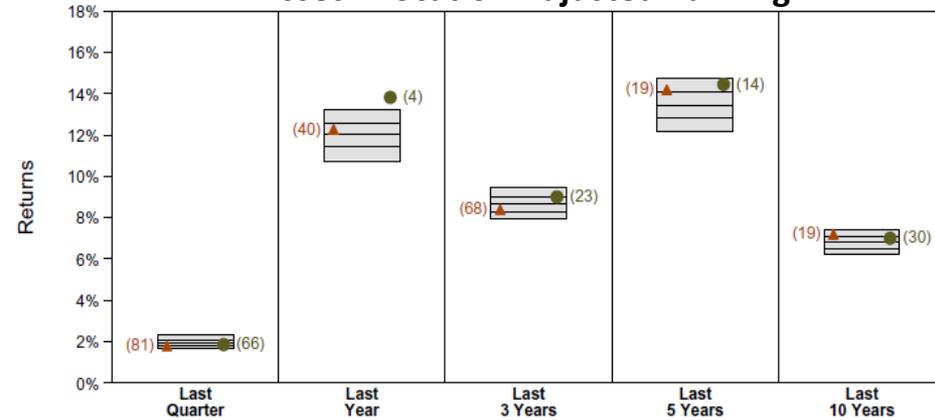
Peer Performance - Pension Trust Total Fund Ranking

The two charts show the ranking of the Total Fund's performance relative to that of the Public Fund Sponsor Database for periods ended March 31, 2014. The left chart is a standard unadjusted ranking. In the right chart each fund in the database is adjusted to have the same historical asset allocations that of the Total Fund.

Callan Public Fund Sponsor Database



Asset Allocation Adjusted Ranking



| Period | 10th Percentile | 25th Percentile | Median | 75th Percentile | 90th Percentile | Total Fund | Policy Target |
|---------------|-----------------|-----------------|--------|-----------------|-----------------|------------|---------------|
| Last Quarter | 2.10 | 1.79 | 1.57 | 1.34 | 1.13 | 1.86 | 1.79 |
| Last Year | 15.35 | 14.02 | 12.14 | 10.40 | 8.51 | 13.82 | 12.27 |
| Last 3 Years | 10.22 | 9.63 | 8.78 | 7.87 | 6.62 | 9.01 | 8.39 |
| Last 5 Years | 15.97 | 15.09 | 14.24 | 12.34 | 10.50 | 14.45 | 14.19 |
| Last 10 Years | 7.61 | 7.24 | 6.89 | 6.33 | 5.79 | 7.00 | 7.20 |

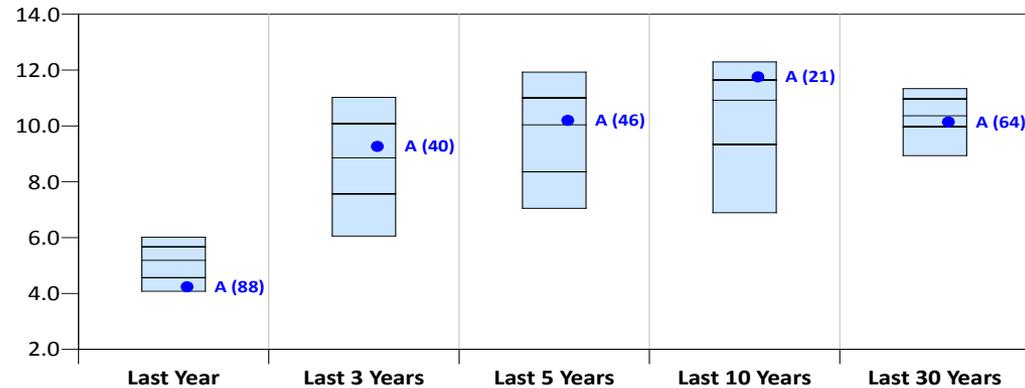
| Period | 10th Percentile | 25th Percentile | Median | 75th Percentile | 90th Percentile | Total Fund | Policy Target |
|---------------|-----------------|-----------------|--------|-----------------|-----------------|------------|---------------|
| Last Quarter | 2.33 | 2.09 | 1.93 | 1.81 | 1.65 | 1.86 | 1.79 |
| Last Year | 13.21 | 12.57 | 12.01 | 11.44 | 10.70 | 13.82 | 12.27 |
| Last 3 Years | 9.45 | 8.98 | 8.64 | 8.30 | 7.97 | 9.01 | 8.39 |
| Last 5 Years | 14.77 | 14.07 | 13.39 | 12.80 | 12.15 | 14.45 | 14.19 |
| Last 10 Years | 7.45 | 7.09 | 6.79 | 6.51 | 6.25 | 7.00 | 7.20 |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

Gross Returns: The Pension Trust generated 2nd quartile returns for the 1-, 3-, 5- and 10-year periods ended March 31, 2014. The 1-year performance ranked in the 29th percentile of the Callan Associates Public Fund Sponsor Database (unadjusted basis).

Pension “Risk” has declined as measured by Standard Deviation

Standard Deviation
for Periods Ended March 31, 2014
Group: CAI Public Fund Sponsor Database



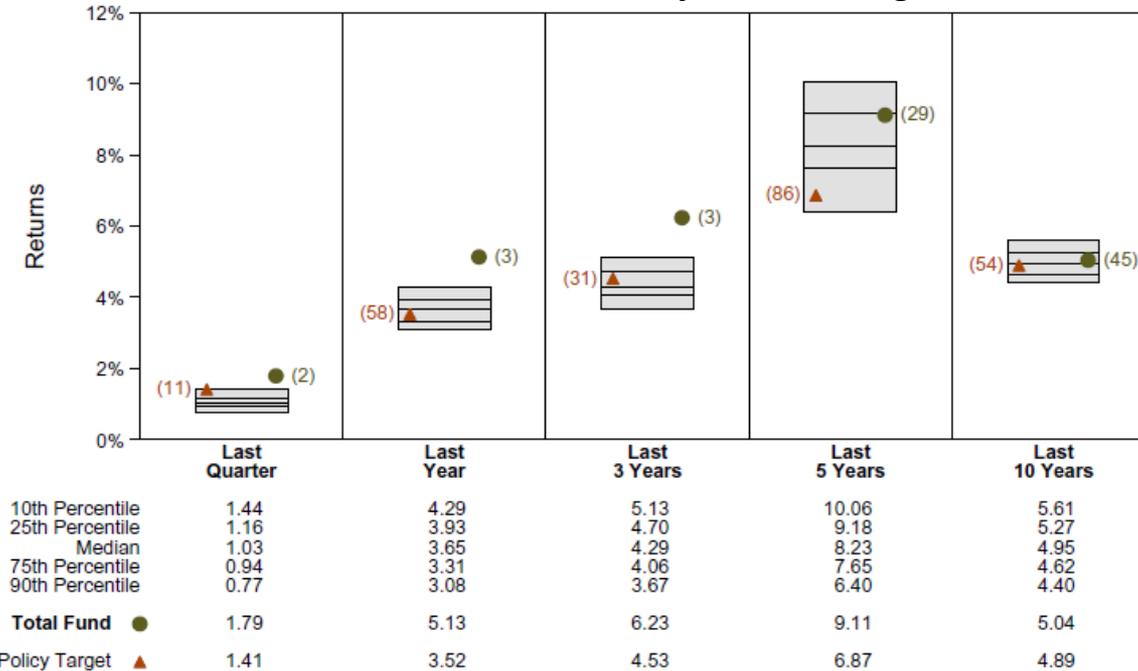
| | | | | | |
|-----------------------|-----|------|------|------|------|
| 10th Percentile | 6.0 | 11.0 | 11.9 | 12.3 | 11.3 |
| 25th Percentile | 5.7 | 10.1 | 11.0 | 11.6 | 11.0 |
| Median | 5.2 | 8.9 | 10.0 | 10.9 | 10.4 |
| 75th Percentile | 4.6 | 7.6 | 8.4 | 9.3 | 10.0 |
| 90th Percentile | 4.1 | 6.1 | 7.1 | 6.9 | 8.9 |
| Member Count | 229 | 215 | 205 | 175 | 24 |
| ND Pen-Total Fund ● A | 4.2 | 9.3 | 10.2 | 11.8 | 10.1 |

Investment Risk, as measured by Standard Deviation, has been reduced significantly in recent years and currently resides in the lowest risk quartile (at the 88th percentile).

Peer Performance - Insurance Trust Total Fund Ranking

Given the material difference in the asset allocation of the Insurance Trust versus the Callan Associates Public Pension Fund database, it is inappropriate to show the unadjusted ranking for the Insurance Trust. As such, the "Asset Allocation Adjusted Ranking" is presented below for the periods ended March 31, 2014.

Asset Allocation Adjusted Ranking



* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Linked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

Gross Returns: The Insurance Trust generated 1nd quartile returns for the 1- and 3-year periods ended March 31, 2014. The 5- and 10-year performance ranked in the 29th and 45th percentile, respectively, of the Callan Public Fund Database (adjusted basis).

Client Level Returns and Risk – March 31, 2014

Overview:

Current fiscal year to date performance reporting is summarized for each SIB Client over the following seven pages. Actual client level returns, net of fees, are also reported for the 1-, 3- and 5-year periods ended March 31, 2014. In order to determine relative performance, actual returns (net of fees) are compared to the policy benchmark for each relevant period. Risk metrics (standard deviation and risk adjusted excess return) are also reported for each SIB client, if applicable, for the 5-year period ended March 31, 2014. A brief overview is summarized immediately below. Please refer to the following seven pages for further detail.

Pension Trust:

Current fiscal year to date **Excess Returns** were positive for all non-liquidating Pension clients and ranged from 0.17% to 0.47% with PERS at 0.38% and TFFR at 0.47%. All Pension Trust clients generated positive **Excess Returns** for the 1-, 3- and 5-year periods ended March 31, 2014 with two exceptions. PERS returns for the last 5-years were 0.18% below the policy benchmark (13.9% vs. 14.1%), while the Grand Forks Park District returns for the last 3 years were 0.1% below the policy benchmark (9.3% vs. 9.4%).

Risk Adjusted Excess Returns for the five-years ended March 31, 2014 were positive for all current Pension Trust clients with one exception for PERS (-0.23%) primarily due to Emerging Market equity performance which was below expectations.

Insurance Trust:

All Insurance Trust clients generated positive **Excess Returns** for the 1-, 3- and 5-year periods ended March 31, 2014. Current fiscal year to date Excess Returns were generally positive and ranged from 1.0% to 1.9%. There were two small exceptions for PERS Retiree Health and PERS Group Insurance which were both 0.03% below policy benchmark. The Legacy Fund generated 1.18% of Excess Return (versus the policy benchmark) for the current fiscal year to date (4.2% vs. 3.0%), while WSI posted 1.4% of Excess Return (8.3% vs. 6.9%) for this nine month period.

Risk Adjusted Excess Returns for the five-years ended March 31, 2014 were positive for all current Insurance Trust clients. Current fiscal year to date risk adjusted excess returns ranged from 0.07% to 1.47% with WSI at 1.00%.

Actual asset allocations are within Target ranges and guidelines as confirmed by Callan Associates as of March 31, 2014.

Note: Current fiscal year to date returns are unaudited and subject to change.

INVESTMENT PERFORMANCE SUMMARY REPORT
PENSION TRUST FUNDS
March 31, 2014

| | Quarter Ended 3/31/2014 | Current FYTD 3/31/2014 | 1 Yr Ended 3/31/2014 | 3 Yrs Ended 3/31/2014 | 5 Yrs Ended 3/31/2014 | Risk 5 Yrs Ended 3/31/2014 | Risk Adj Excess Return 5 Yrs Ended 3/31/2014 |
|--|-------------------------------|------------------------------|-------------------------|--------------------------|--------------------------|----------------------------------|---|
| PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) | | | | | | | |
| Total Fund Return - Net | 1.77% | 12.33% | 13.57% | 8.79% | 13.89% | 9.80% | -0.23% |
| Policy Benchmark Return | 1.79% | 11.95% | 12.36% | 8.61% | 14.08% | 9.77% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.06% | 0.10% | 0.11% | -0.16% | | | |
| Manager Selection | 0.04% | 0.28% | 1.10% | 0.34% | | | |
| Total Relative Return | -0.01% | 0.38% | 1.21% | 0.19% | -0.18% | | |
| TEACHERS' FUND FOR RETIREMENT (TFFR) | | | | | | | |
| Total Fund Return - Net | 1.79% | 12.49% | 13.79% | 8.61% | 14.46% | 10.88% | 0.26% |
| Policy Benchmark Return | 1.79% | 12.02% | 12.50% | 7.95% | 14.24% | 10.91% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.05% | 0.18% | 0.18% | 0.14% | | | |
| Manager Selection | 0.04% | 0.28% | 1.11% | 0.52% | | | |
| Total Relative Return | 0.00% | 0.47% | 1.30% | 0.66% | 0.22% | | |
| CITY OF BISMARCK EMPLOYEES PENSION | | | | | | | |
| Total Fund Return - Net | 1.81% | 10.74% | 11.41% | 8.59% | 13.43% | 8.62% | 0.36% |
| Policy Benchmark Return | 1.82% | 10.36% | 10.33% | 8.21% | 12.95% | 8.54% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.13% | -0.04% | -0.05% | -0.04% | | | |
| Manager Selection | 0.11% | 0.41% | 1.13% | 0.42% | | | |
| Total Relative Return | -0.02% | 0.38% | 1.08% | 0.38% | 0.48% | | |
| CITY OF BISMARCK POLICE PENSION | | | | | | | |
| Total Fund Return - Net | 1.79% | 11.36% | 12.21% | 8.87% | 13.89% | 9.25% | 0.28% |
| Policy Benchmark Return | 1.80% | 10.98% | 11.10% | 8.51% | 13.59% | 9.24% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.11% | 0.03% | -0.01% | -0.02% | | | |
| Manager Selection | 0.10% | 0.36% | 1.12% | 0.38% | | | |
| Total Relative Return | -0.01% | 0.38% | 1.11% | 0.36% | 0.30% | | |
| JOB SERVICE PENSION PLAN | | | | | | | |
| Total Fund Return - Net | 1.94% | 10.04% | 9.83% | 8.48% | 12.50% | 7.65% | 0.17% |
| Policy Benchmark Return | 1.88% | 9.59% | 8.71% | 7.71% | 11.83% | 7.34% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.14% | 0.00% | 0.03% | -0.14% | | | |
| Manager Selection | 0.20% | 0.45% | 1.09% | 0.91% | | | |
| Total Relative Return | 0.06% | 0.45% | 1.11% | 0.77% | 0.68% | | |

INVESTMENT PERFORMANCE SUMMARY REPORT

PENSION TRUST FUNDS

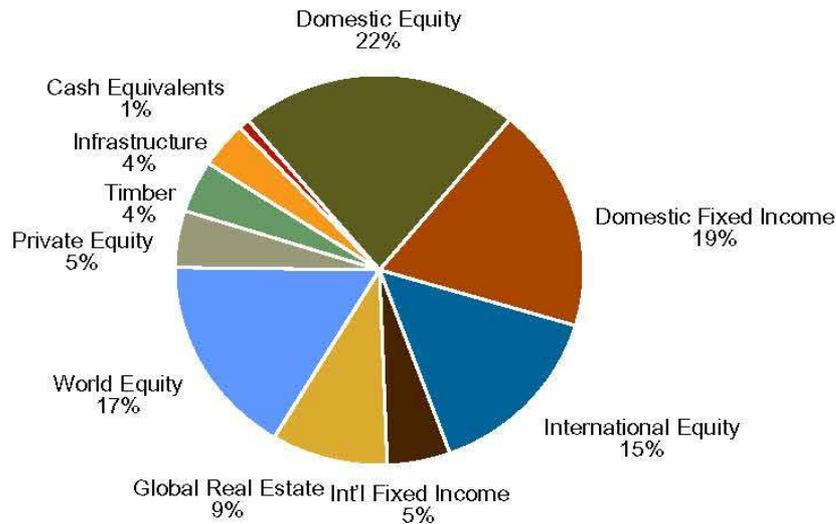
March 31, 2014

| | Quarter Ended 3/31/2014 | Current FYTD 3/31/2014 | 1 Yr Ended 3/31/2014 | 3 Yrs Ended 3/31/2014 | 5 Yrs Ended 3/31/2014 | Risk 5 Yrs Ended 3/31/2014 | Risk Adj Excess Return 5 Yrs Ended 3/31/2014 |
|---|-------------------------------|------------------------------|-------------------------|--------------------------|--------------------------|----------------------------------|---|
| CITY OF FARGO PENSION PLAN - Liquidating | | | | | | | |
| Total Fund Return - Net | -1.96% | 8.41% | 9.44% | 7.96% | 13.90% | 10.50% | -0.23% |
| Policy Benchmark Return | -1.65% | 8.43% | 8.85% | 7.87% | 13.61% | 10.11% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.33% | -0.23% | -0.27% | -0.02% | | | |
| Manager Selection | 0.02% | 0.21% | 0.86% | 0.11% | | | |
| Total Relative Return | -0.31% | -0.02% | 0.58% | 0.09% | 0.29% | | |
| CITY OF GRAND FORKS PENSION PLAN | | | | | | | |
| Total Fund Return - Net | 1.73% | 12.37% | 13.50% | 9.34% | N/A | N/A | N/A |
| Policy Benchmark Return | 1.78% | 12.20% | 12.65% | 9.11% | | | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.11% | -0.01% | 0.00% | 0.09% | | | |
| Manager Selection | 0.06% | 0.17% | 0.85% | 0.14% | | | |
| Total Relative Return | -0.04% | 0.17% | 0.85% | 0.22% | | | |
| GRAND FORKS PARK DISTRICT PENSION PLAN | | | | | | | |
| Total Fund Return - Net | 1.64% | 12.66% | 13.90% | 9.29% | N/A | N/A | N/A |
| Policy Benchmark Return | 1.70% | 12.28% | 12.76% | 9.38% | | | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.10% | -0.03% | -0.01% | -0.08% | | | |
| Manager Selection | 0.04% | 0.41% | 1.16% | -0.01% | | | |
| Total Relative Return | -0.07% | 0.38% | 1.15% | -0.10% | | | |

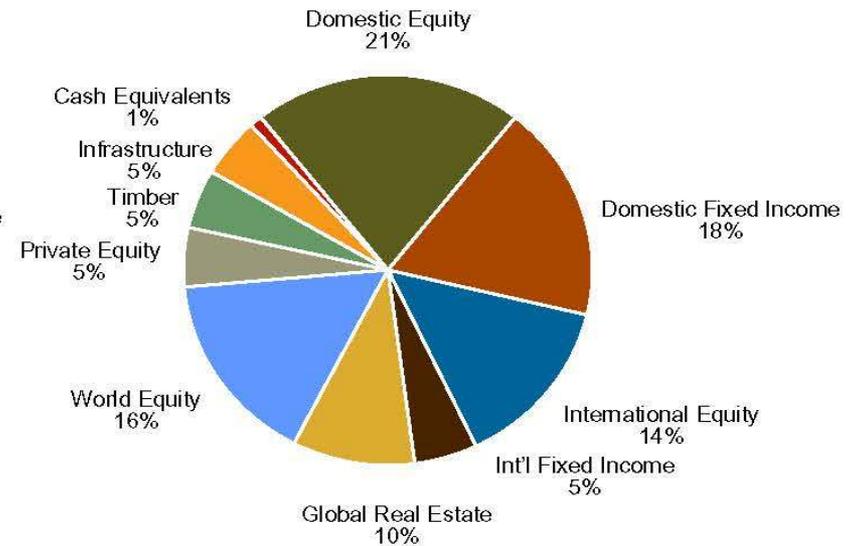
Actual vs Target Asset Allocation As of March 31, 2014

The top left chart shows the Fund's asset allocation as of March 31, 2014. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the Public Fund Sponsor Database.

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-----------------------|---------------|---------------|--------|--------------------|-------------------|
| Domestic Equity | 996,984 | 22.1% | 21.4% | 0.7% | 33,064 |
| Domestic Fixed Income | 838,027 | 18.6% | 18.0% | 0.6% | 27,254 |
| International Equity | 667,070 | 14.8% | 14.2% | 0.6% | 27,460 |
| Int'l Fixed Income | 225,476 | 5.0% | 5.0% | 0.0% | 262 |
| Global Real Estate | 413,342 | 9.2% | 9.7% | (0.5%) | (23,574) |
| World Equity | 746,710 | 16.6% | 16.0% | 0.6% | 26,023 |
| Private Equity | 209,671 | 4.7% | 4.9% | (0.2%) | (11,039) |
| Timber | 193,677 | 4.3% | 4.9% | (0.6%) | (27,034) |
| Infrastructure | 173,136 | 3.8% | 4.9% | (1.1%) | (47,575) |
| Cash Equivalents | 40,203 | 0.9% | 1.0% | (0.1%) | (4,840) |
| Total | 4,504,297 | 100.0% | 100.0% | | |

INVESTMENT PERFORMANCE SUMMARY REPORT
INSURANCE TRUST FUNDS
March 31, 2014

| | Quarter Ended 3/31/2014 | Current FYTD 3/31/2014 | 1 Yr Ended 3/31/2014 | 3 Yrs Ended 3/31/2014 | 5 Yrs Ended 3/31/2014 | Risk 5 Yrs Ended 3/31/2014 | Risk Adj Excess Return 5 Yrs Ended 3/31/2014 |
|---|----------------------------|---------------------------|-------------------------|--------------------------|--------------------------|-------------------------------|--|
| WORKFORCE SAFETY & INSURANCE (WSI) | | | | | | | |
| Total Fund Return - Net | 2.49% | 8.29% | 7.08% | 8.36% | 10.47% | 4.74% | 1.00% |
| Policy Benchmark Return | 2.03% | 6.89% | 4.75% | 6.17% | 8.07% | 4.10% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.04% | 0.15% | 0.27% | 0.00% | | | |
| Manager Selection | 0.50% | 1.25% | 2.06% | 2.19% | | | |
| Total Relative Return | 0.46% | 1.40% | 2.33% | 2.19% | 2.40% | | |
| FIRE & TORNADO FUND | | | | | | | |
| Total Fund Return - Net | 1.92% | 9.62% | 9.15% | 8.74% | 12.63% | 6.94% | 0.70% |
| Policy Benchmark Return | 1.58% | 7.90% | 7.18% | 6.64% | 9.75% | 5.73% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.16% | -0.03% | -0.03% | 0.06% | | | |
| Manager Selection | 0.50% | 1.74% | 2.00% | 2.04% | | | |
| Total Relative Return | 0.34% | 1.72% | 1.97% | 2.10% | 2.88% | | |
| STATE BONDING FUND | | | | | | | |
| Total Fund Return - Net | 1.47% | 2.47% | 1.12% | 4.04% | 5.25% | 2.25% | 1.47% |
| Policy Benchmark Return | 1.02% | 1.28% | -0.01% | 2.09% | 2.68% | 1.77% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.02% | -0.02% | -0.01% | 0.09% | | | |
| Manager Selection | 0.47% | 1.22% | 1.14% | 1.86% | | | |
| Total Relative Return | 0.45% | 1.20% | 1.13% | 1.95% | 2.57% | | |
| INSURANCE REGULATORY TRUST FUND (IRTF) | | | | | | | |
| Total Fund Return - Net | 1.29% | 7.60% | 7.48% | 6.51% | 9.55% | 5.73% | 0.61% |
| Policy Benchmark Return | 1.12% | 6.46% | 6.09% | 5.13% | 7.64% | 4.94% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.13% | -0.05% | -0.05% | 0.02% | | | |
| Manager Selection | 0.30% | 1.19% | 1.44% | 1.36% | | | |
| Total Relative Return | 0.17% | 1.14% | 1.39% | 1.38% | 1.91% | | |
| PETROLEUM TANK RELEASE COMPENSATION FUND | | | | | | | |
| Total Fund Return - Net | 1.33% | 2.24% | 1.03% | 3.63% | 4.77% | 2.02% | 1.39% |
| Policy Benchmark Return | 0.93% | 1.16% | 0.00% | 1.91% | 2.44% | 1.61% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.02% | -0.02% | -0.01% | 0.05% | | | |
| Manager Selection | 0.42% | 1.10% | 1.04% | 1.67% | | | |
| Total Relative Return | 0.40% | 1.08% | 1.03% | 1.72% | 2.33% | | |
| STATE RISK MANAGEMENT FUND | | | | | | | |
| Total Fund Return - Net | 2.18% | 8.96% | 8.53% | 9.35% | 12.98% | 6.12% | 0.44% |
| Policy Benchmark Return | 1.78% | 7.25% | 6.51% | 6.96% | 9.81% | 4.82% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.12% | -0.06% | -0.05% | 0.06% | | | |
| Manager Selection | 0.52% | 1.77% | 2.07% | 2.33% | | | |
| Total Relative Return | 0.40% | 1.71% | 2.02% | 2.39% | 3.17% | | |

INVESTMENT PERFORMANCE SUMMARY REPORT

INSURANCE TRUST FUNDS

March 31, 2014

| | Quarter Ended 3/31/2014 | Current FYTD 3/31/2014 | 1 Yr Ended 3/31/2014 | 3 Yrs Ended 3/31/2014 | 5 Yrs Ended 3/31/2014 | Risk 5 Yrs Ended 3/31/2014 | Risk Adj Excess Return 5 Yrs Ended 3/31/2014 |
|---|-------------------------------|------------------------------|-------------------------|--------------------------|--------------------------|-------------------------------------|--|
| STATE RISK MANAGEMENT WORKERS COMP FUND | | | | | | | |
| Total Fund Return - Net | 2.15% | 10.15% | 10.16% | 10.06% | 13.98% | 7.11% | 0.57% |
| Policy Benchmark Return | 1.82% | 8.50% | 8.08% | 7.81% | 11.13% | 5.94% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.13% | -0.06% | -0.06% | 0.06% | | | |
| Manager Selection | 0.45% | 1.72% | 2.14% | 2.19% | | | |
| Total Relative Return | 0.32% | 1.65% | 2.08% | 2.25% | 2.85% | | |
| ND ASSOCIATION OF COUNTIES FUND (NDACo) | | | | | | | |
| Total Fund Return - Net | 1.92% | 8.63% | 7.90% | 6.82% | 12.62% | 8.86% | 1.17% |
| Policy Benchmark Return | 1.53% | 6.98% | 6.05% | 4.85% | 10.29% | 8.04% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.14% | -0.08% | -0.07% | 0.04% | | | |
| Manager Selection | 0.53% | 1.73% | 1.92% | 1.93% | | | |
| Total Relative Return | 0.39% | 1.66% | 1.85% | 1.97% | 2.33% | | |
| CITY OF BISMARCK DEFERRED SICK LEAVE ACCOUNT | | | | | | | |
| Total Fund Return - Net | 2.24% | 9.08% | 8.14% | 8.68% | 12.58% | 6.46% | 0.56% |
| Policy Benchmark Return | 1.67% | 7.16% | 6.04% | 6.27% | 9.13% | 4.96% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.05% | -0.02% | -0.04% | 0.06% | | | |
| Manager Selection | 0.61% | 1.94% | 2.14% | 2.35% | | | |
| Total Relative Return | 0.56% | 1.92% | 2.10% | 2.41% | 3.45% | | |
| FARGODOME PERMANENT FUND | | | | | | | |
| Total Fund Return - Net | 2.03% | 12.64% | 12.56% | 9.93% | 14.69% | 9.22% | 0.65% |
| Policy Benchmark Return | 1.75% | 11.18% | 10.46% | 8.30% | 12.81% | 8.44% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | -0.14% | -0.07% | -0.06% | 0.07% | | | |
| Manager Selection | 0.41% | 1.53% | 2.16% | 1.56% | | | |
| Total Relative Return | 0.27% | 1.46% | 2.10% | 1.63% | 1.88% | | |

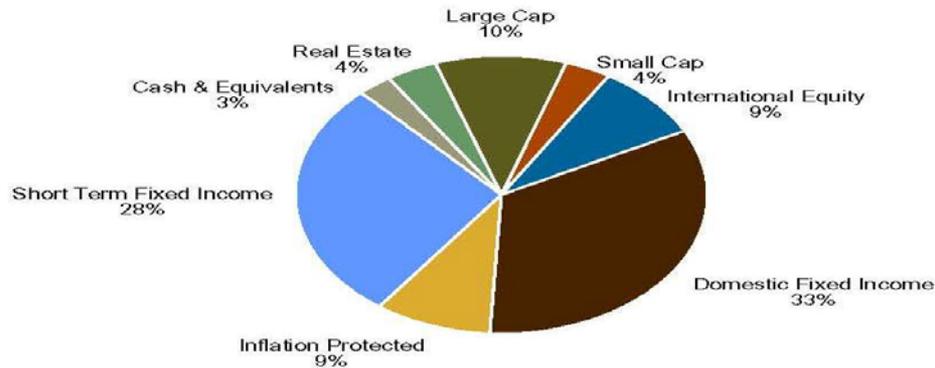
INVESTMENT PERFORMANCE SUMMARY REPORT
INSURANCE TRUST FUNDS
March 31, 2014

| | Quarter Ended 3/31/2014 | Current FYTD 3/31/2014 | 1 Yr Ended 3/31/2014 | 3 Yrs Ended 3/31/2014 | 5 Yrs Ended 3/31/2014 | Risk 5 Yrs Ended 3/31/2014 | Risk Adj Excess Return 5 Yrs Ended 3/31/2014 |
|----------------------------------|-------------------------------|------------------------------|-------------------------|--------------------------|--------------------------|-------------------------------------|--|
| PERS RETIREE HEALTH | | | | | | | |
| Total Fund Return - Net | 1.67% | 12.39% | 14.51% | 10.09% | 16.27% | 11.04% | 0.69% |
| Policy Benchmark Return | 1.74% | 12.41% | 12.64% | 9.37% | 14.72% | 10.45% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | | | | | | | |
| Manager Selection | | | | | | | |
| Total Relative Return | -0.07% | -0.03% | 1.87% | 0.72% | 1.55% | | |
| PERS GROUP INSURANCE | | | | | | | |
| Total Fund Return - Net | 0.00% | 0.01% | 0.07% | 0.20% | 0.27% | 0.06% | 0.07% |
| Policy Benchmark Return | 0.01% | 0.05% | 0.07% | 0.08% | 0.12% | 0.03% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | | | | | | | |
| Manager Selection | | | | | | | |
| Total Relative Return | -0.01% | -0.03% | 0.00% | 0.12% | 0.15% | | |
| BUDGET STABILIZATION FUND | | | | | | | |
| Total Fund Return - Net | 0.45% | 1.41% | 1.48% | 1.79% | 3.91% | 1.96% | 0.12% |
| Policy Benchmark Return | 0.12% | 0.39% | 0.33% | 0.34% | 0.27% | 0.14% | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | | | | | | | |
| Manager Selection | | | | | | | |
| Total Relative Return | 0.33% | 1.02% | 1.15% | 1.45% | 3.64% | | |
| LEGACY FUND | | | | | | | |
| Total Fund Return - Net | 1.53% | 4.21% | 3.93% | N/A | N/A | N/A | N/A |
| Policy Benchmark Return | 1.12% | 3.03% | 2.92% | N/A | N/A | N/A | |
| Attribution Analysis | | | | | | | |
| Asset Allocation | 0.00% | 0.34% | 0.33% | | | | |
| Manager Selection | 0.42% | 0.84% | 0.68% | | | | |
| Total Relative Return | 0.41% | 1.18% | 1.01% | N/A | | | |

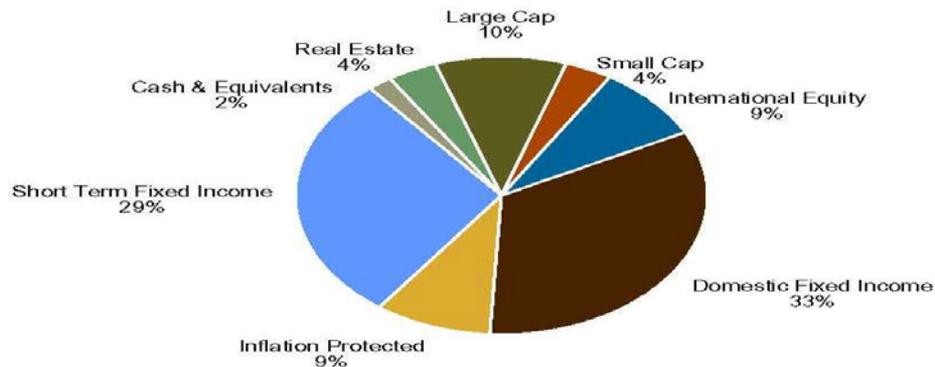
Actual vs Target Asset Allocation As of March 31, 2014

The first chart below shows the Fund's asset allocation as of March 31, 2014. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-------------------------|---------------|---------------|--------|--------------------|-------------------|
| Large Cap | 433,464 | 10.3% | 10.3% | 0.0% | 335 |
| Small Cap | 153,337 | 3.6% | 3.7% | (0.1%) | (2,253) |
| International Equity | 364,051 | 8.7% | 8.7% | 0.0% | (1,796) |
| Domestic Fixed Income | 1,408,639 | 33.5% | 33.4% | 0.1% | 4,121 |
| Inflation Protected | 385,706 | 9.2% | 9.2% | 0.0% | (1,167) |
| Short Term Fixed Income | 1,175,614 | 28.0% | 28.9% | (0.9%) | (39,672) |
| Cash & Equivalents | 115,631 | 2.7% | 1.9% | 0.8% | 35,734 |
| Real Estate | 168,699 | 4.0% | 3.9% | 0.1% | 4,698 |
| Total | 4,205,142 | 100.0% | 100.0% | | |

Strategic Initiatives - Executive Summary Update March 23, 2014

- **SIB client assets grew by \$1.45 billion (or 19.5%) to approximately \$8.9 billion** between June 30, 2013 and March 31, 2014. Net investment income was responsible for gains of over 12% (\$500 million) for the Pension Trust and 5.6% for the Insurance Trust (\$184 million), while Legacy assets increased by over 61% (\$735 million). (The March 31, 2014 values are preliminary and subject to change.)
- **Emerging Market Equity (2Q)** - RIO and Callan identified three finalists for recommendation to the SIB next month. RIO intends to conduct onsite due diligence at the offices of the three finalists in early-June.
- **Client Reporting (2Q/3Q)** - RIO is working with Callan to expand performance reporting for SIB clients. These enhancements are expected to be implemented for the reporting period ended June 30, 2014 and presented in 3Q/14.
- **Custody Review (2Q/3Q)** - Callan has commenced a custody review of Northern Trust to confirm performance standards and fee levels including a proposal to adopt a conservative securities lending program. A presentation will be made to the SIB in 3Q/14.
- **Private Capital (2Q/3Q)** - RIO commenced a review of our existing Private Equity, Infrastructure, Real Estate and Timber mandates to confirm our investment approach to less liquid strategies, rationalize smaller investments with limited upside, ease administrative reporting and identify potential fee savings.
- **Global Fixed Income (3Q/4Q)** – RIO will commence a review of our fixed income strategies with Callan so as to confirm sector allocations in light of our long-term strategic goals and strong performance.
- **Board Education (Ongoing)** - Introductory “Callan College” sessions will be presented to the SIB in July and August. Proposed topics include Asset Allocation, Capital Markets Theory, Fiduciary Role, Manager Structure and Performance Measurement. Two-day sessions will also be offered in San Francisco on October 28-29, 2014. This months topic is on Performance Reporting Methods.
- **Watch List (Ongoing)** - Loomis, PIMCO & WAMCO will be retained on the Watch List until performance improves and/or recent firm developments are satisfactorily resolved. RIO and Callan have commenced a search with regards to the WAMCO MBS mandate.



May 23, 2014

**North Dakota
State Investment Board**

1st Calendar Quarter 2014
Performance Review

Paul Erlendson
Senior Vice President

Agenda

- Economic Overview
- Pension Trust Quarterly Review
 - Results and Observations
- Insurance Trust Quarterly Review
 - Results and Observations

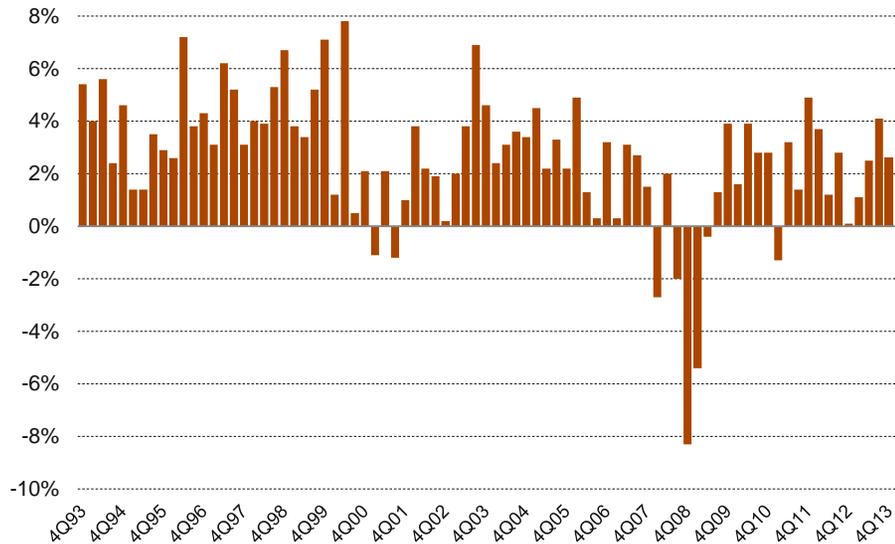


Economic Overview

U.S. Economy

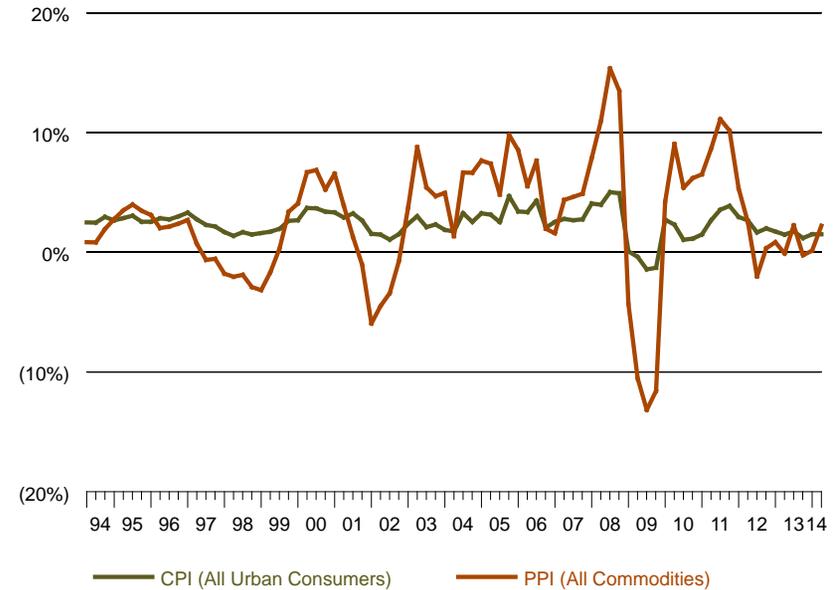
Quarter Ending March 31, 2014

Quarterly Real GDP Growth (20 Years)*



Source: Bureau of Economic Analysis

Inflation Year-Over-Year

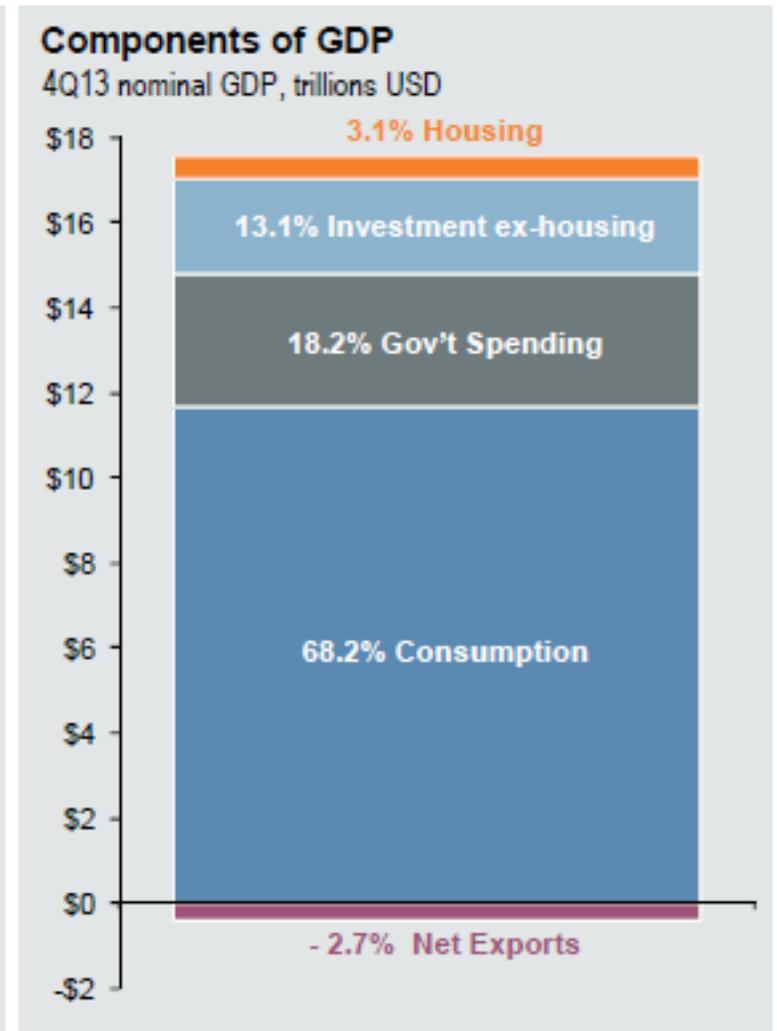
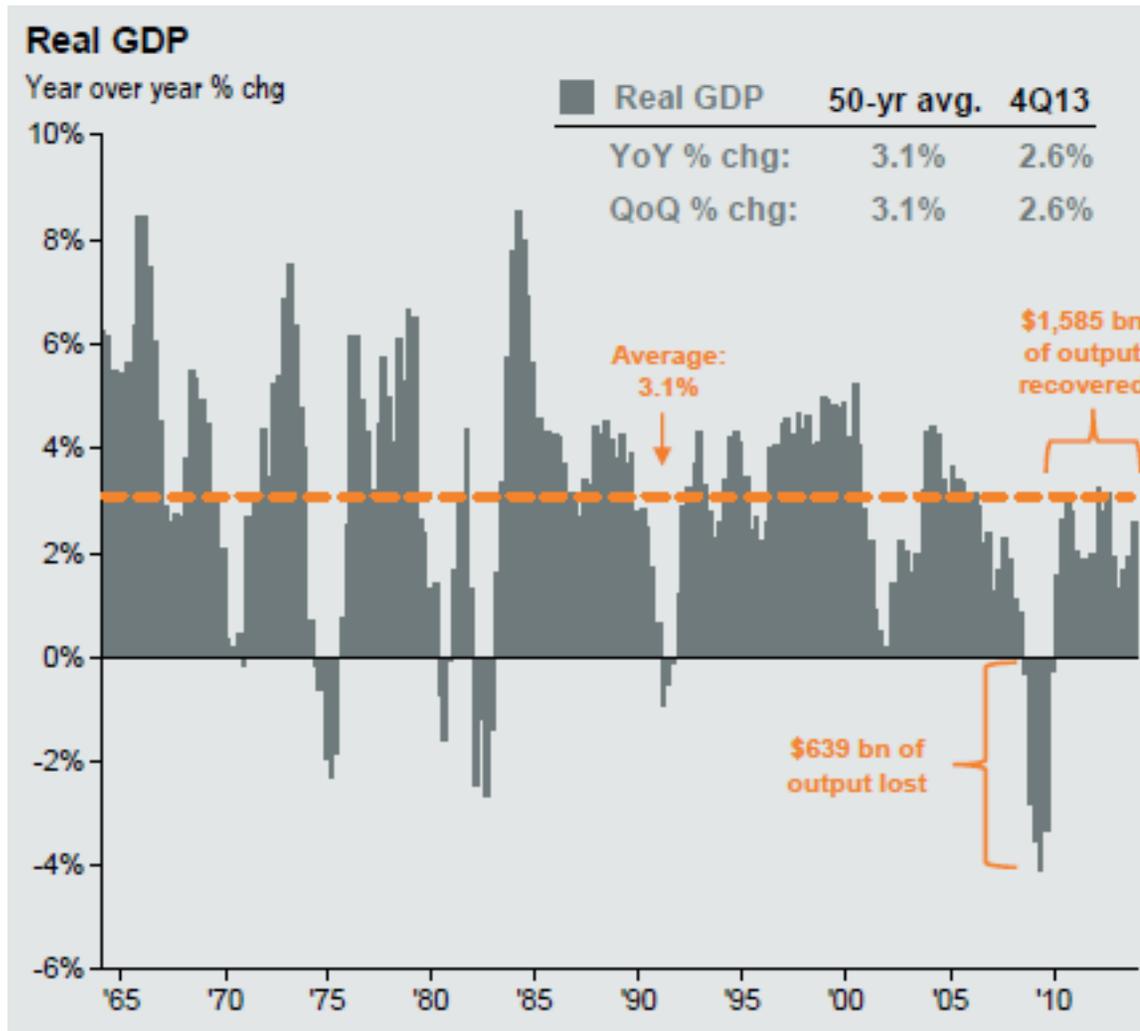


Source: Bureau of Labor Statistics

- The Federal Reserve scaled QE down to \$55B/month in April (from initial \$85B).
- 1st quarter GDP was 0.1% decreasing from the 4th quarter GDP of 2.6%.
- Inflation remains subdued: For the 12-months ending March, headline and core CPI (w/o food and energy) increased over the trailing year by 1.5% and 1.7%, respectively.
- The unemployment rate was static from last quarter holding steady at 6.7%.
- Private sector employment has added 8.9 million jobs since February 2010.

The Economy: Real GDP

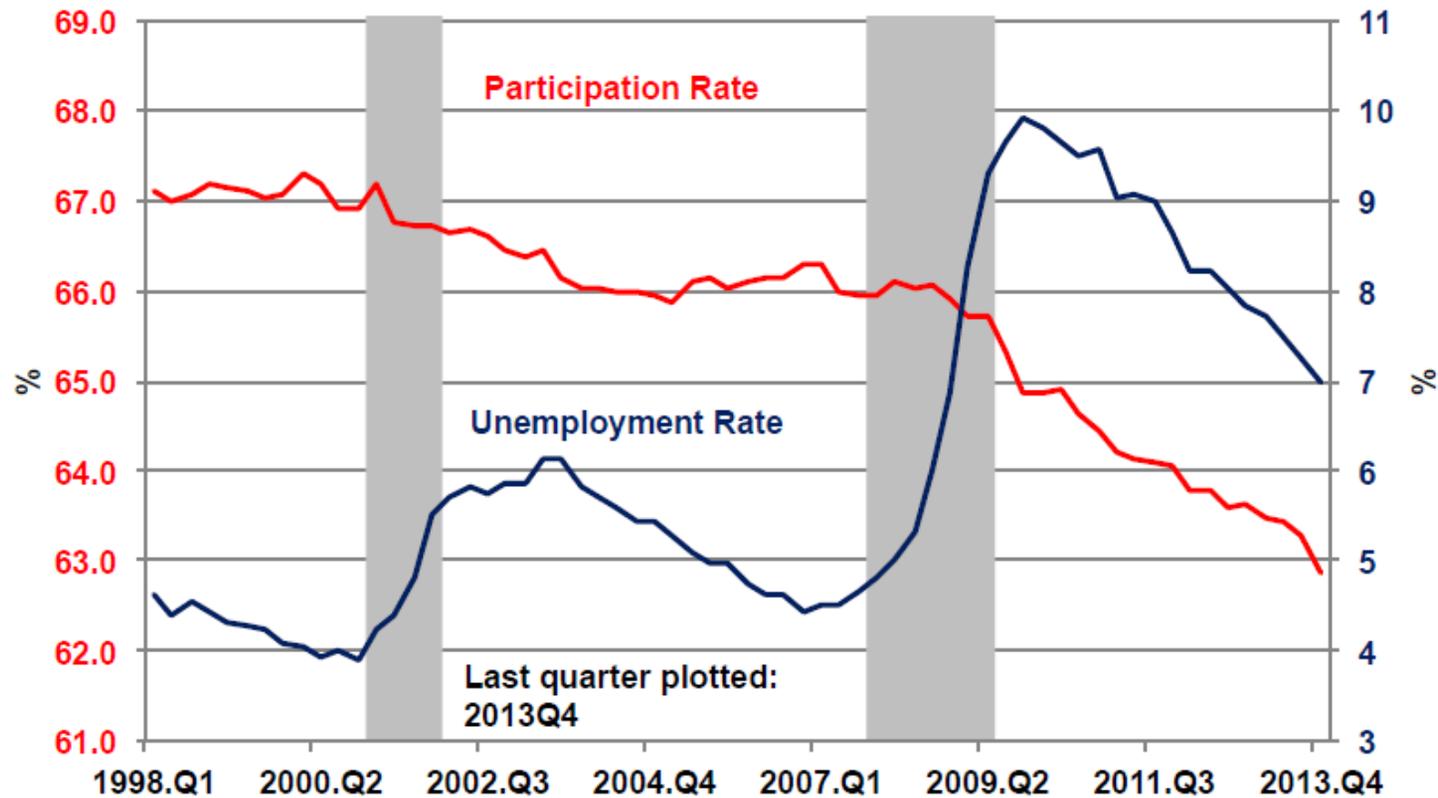
It's growing. Slowly. But it's growing.



Sources: BEA, FactSet, JP Morgan Asset Management

Fewer Participants in Labor Force

Retirements became a meaningful factor in 2010*



* Source: "On the Causes of Declines in the Labor Force Participation Rate," Shigeru Fujita, Federal Reserve Bank of Philadelphia, Feb., 2014

- Three reasons have been postulated for declines in the labor force participation rate:
 - Retirement
 - Disability
 - Returning to school

Asset Class Performance

Periods Ending March 31, 2014

Periodic Table of Investment Returns
for Periods Ended March 31, 2014

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| Barclays:Aggregate Index | Russell 2000 | S&P 500 | Russell 2000 | MSCI Emerging Markets | |
| 1.8% | 24.9% | 14.7% | 24.3% | 10.5% | |
| S&P 500 | S&P 500 | Russell 2000 | S&P 500 | Russell 2000 | |
| 1.8% | 21.9% | 13.2% | 21.2% | 8.5% | |
| Russell 2000 | MSCI:EAFE US\$ | MSCI:EAFE US\$ | MSCI:EAFE US\$ | S&P 500 | |
| 1.1% | 17.6% | 7.2% | 16.0% | 7.4% | |
| MSCI:EAFE US\$ | 3 Month T-Bill | Barclays:Aggregate Index | MSCI Emerging Markets | MSCI:EAFE US\$ | |
| 0.7% | 0.1% | 3.7% | 14.8% | 6.5% | |
| 3 Month T-Bill | Barclays:Aggregate Index | 3 Month T-Bill | Barclays:Aggregate Index | Barclays:Aggregate Index | |
| 0.0% | (0.1%) | 0.1% | 4.8% | 4.5% | |
| MSCI Emerging Markets | MSCI Emerging Markets | MSCI Emerging Markets | 3 Month T-Bill | 3 Month T-Bill | |
| (0.4%) | (1.1%) | (2.5%) | 0.1% | 1.7% | |

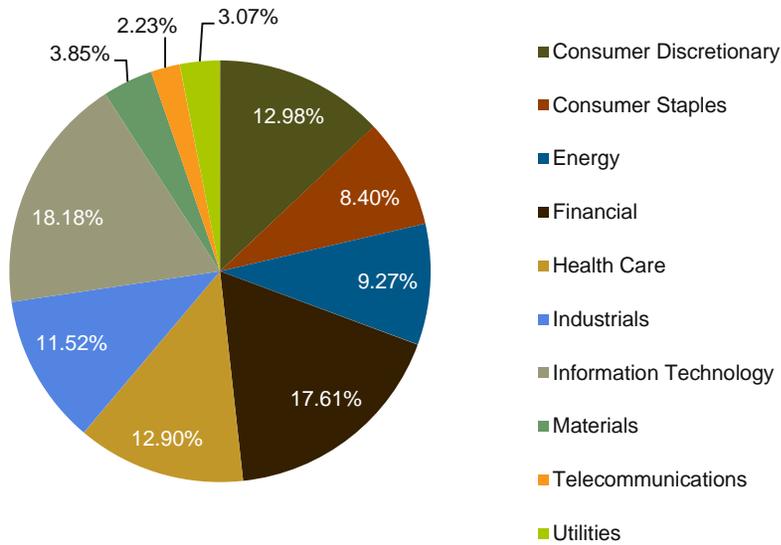
| At 4/16/14 | MTD | YTD |
|------------|-------|-------|
| S&P 500 | -0.2% | 2.1% |
| Russell 2K | -2.1% | -4.8% |
| EAFE | 0.3% | 2.4% |
| EM | 3.8% | 3.8% |
| BC Agg | 0.8% | 3.5% |

- Welcome back, emerging markets!

U.S. Sector Performance

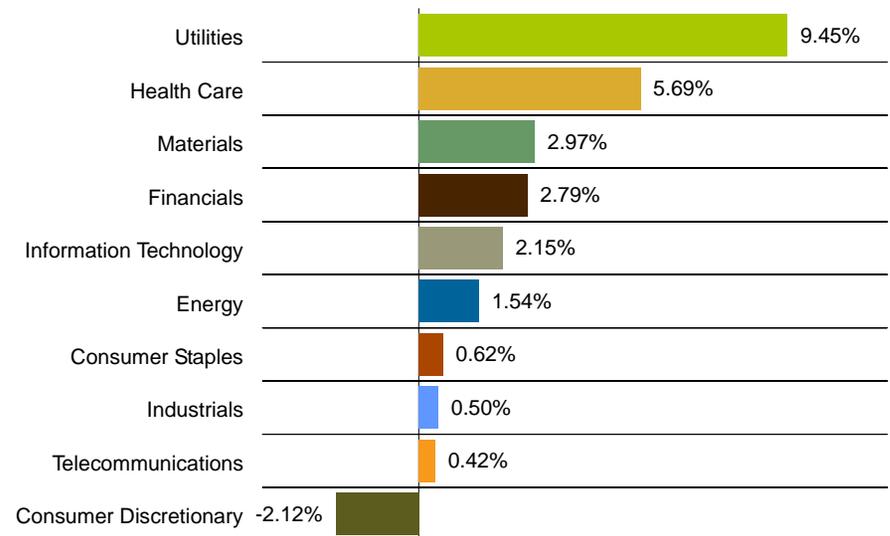
Quarter Ending March 31, 2014

Economic Sector Exposure (Russell 3000)



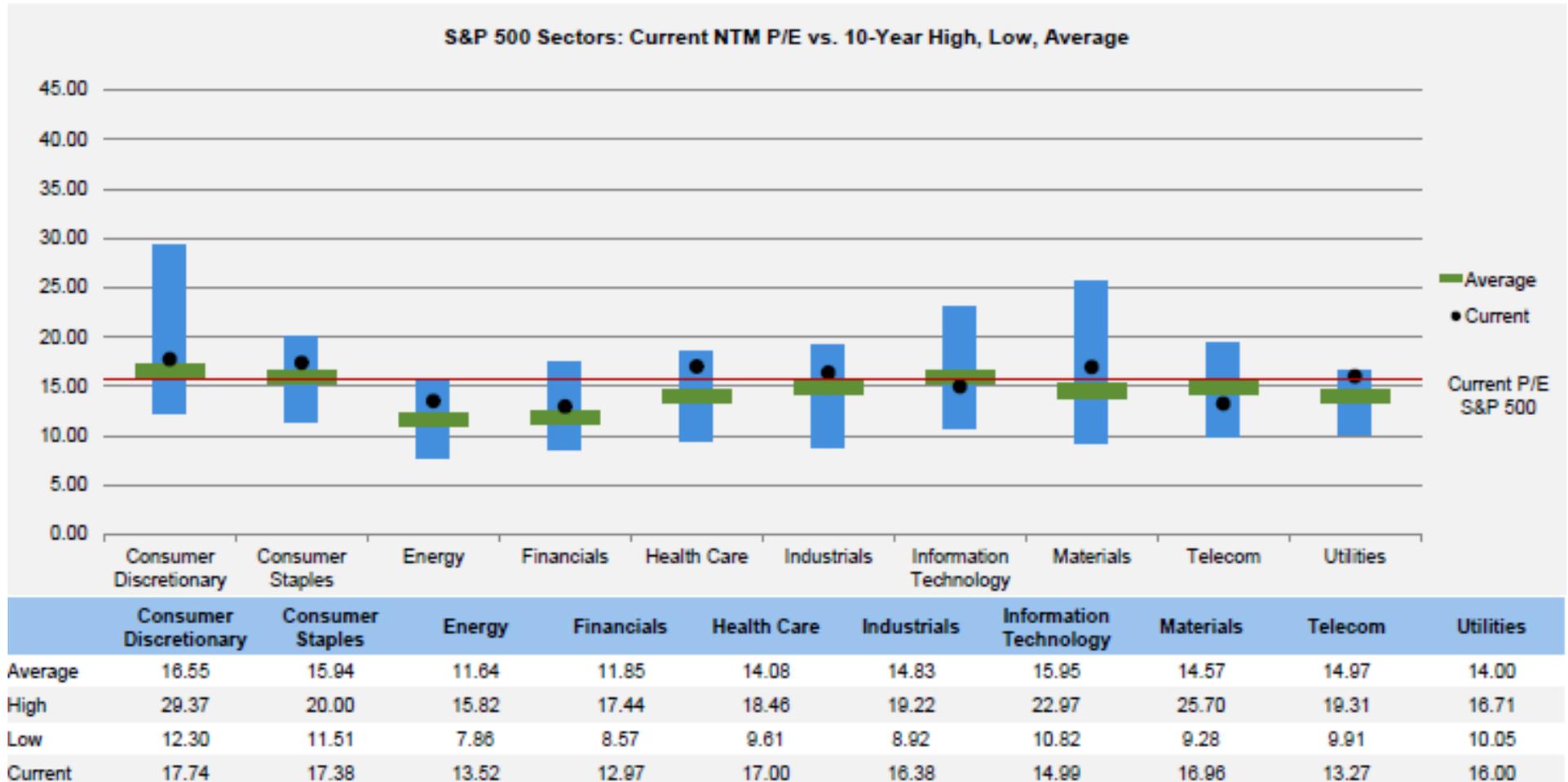
Pie chart may not sum to 100% due to rounding
Source: Russell Investment Group

Quarterly Returns (Russell 3000)



S&P Sector Valuations: rich?

8 or 10 sectors trade above long-term average valuations as of 3/31/14

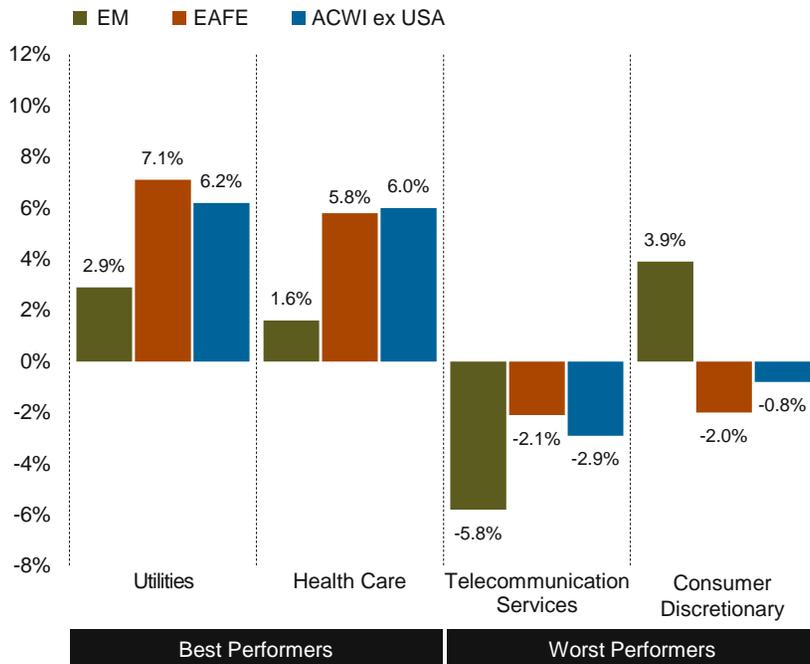


Sources: Eaton Vance; FactSet

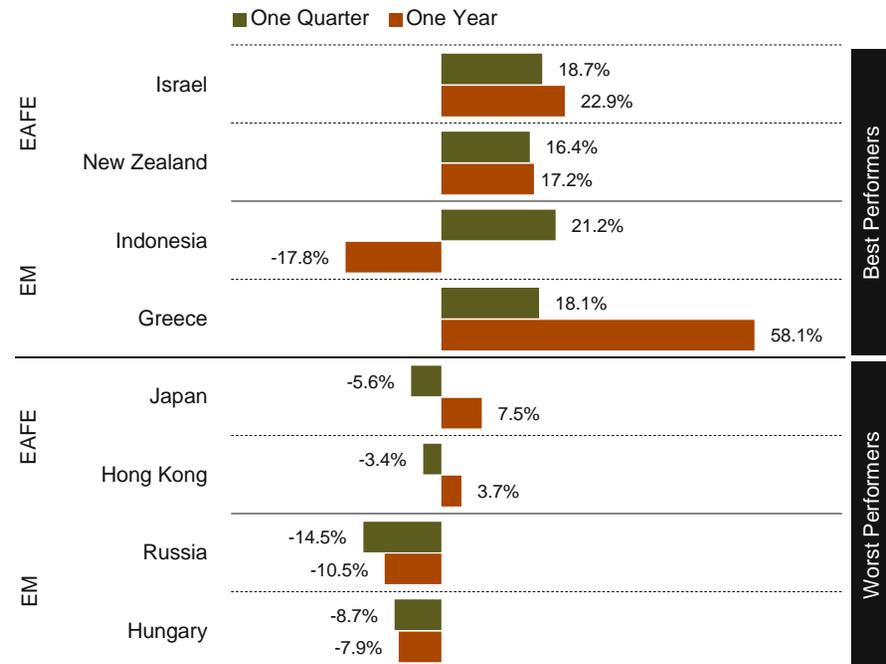
Non-U.S. Equity

Sector and regional performance around the world as of 3/31/14

Quarterly Returns: Strong and Struggling Sectors



Country Performance Snapshot



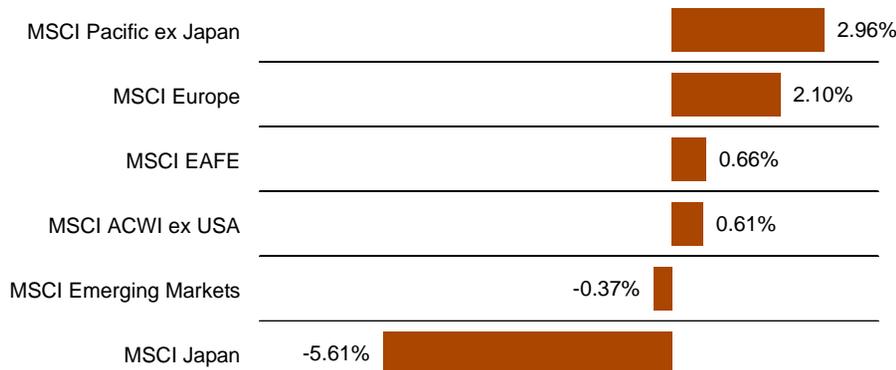
Source: MSCI

- Telecomm Services was a challenged sector across all geographic regions
- After teetering on the brink, Greece's equity market is rebounding

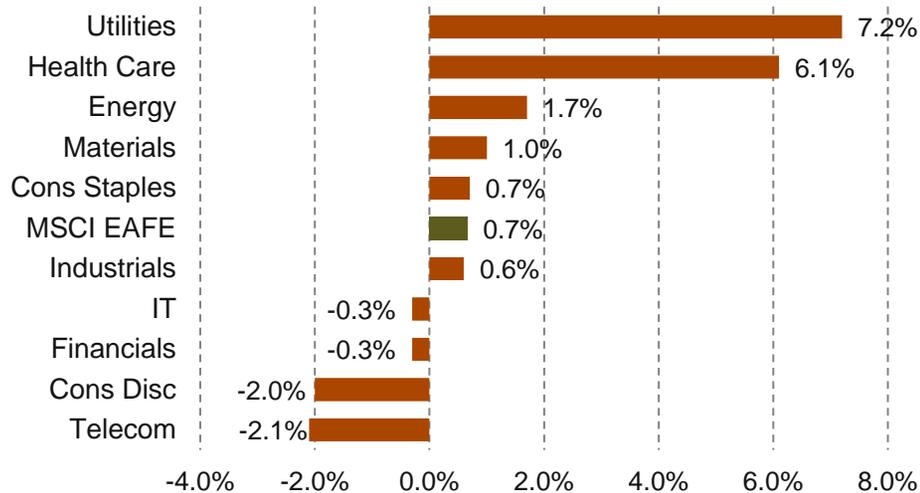
International Equity Returns

Quarter Ending March 31, 2014

Regional Quarterly Performance (U.S. Dollar)

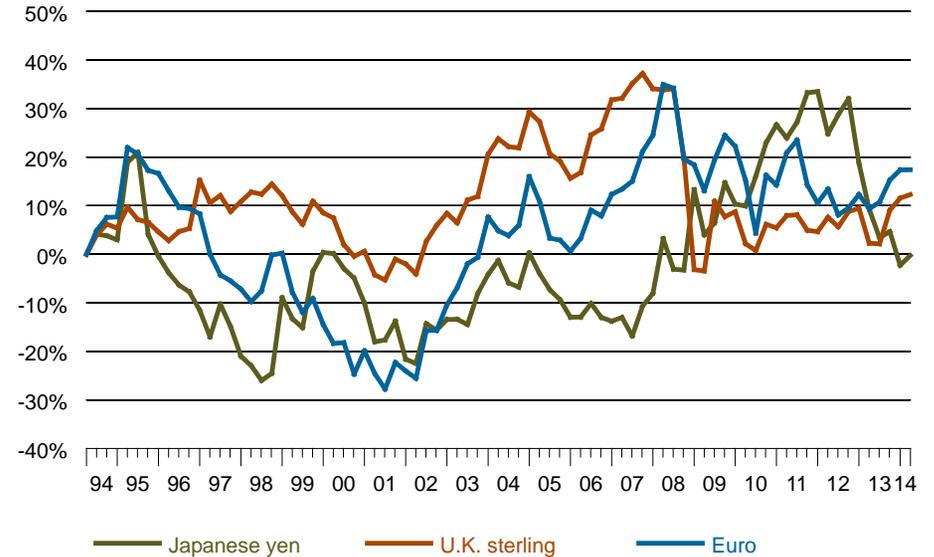


MSCI EAFE Sector Returns



Source: Barrow Hanley Quarterly Benchmark Review

Major Currencies' Cumulative Returns (vs. U.S. Dollar)



*Euro returns from 1Q99. German mark prior to 1Q99.

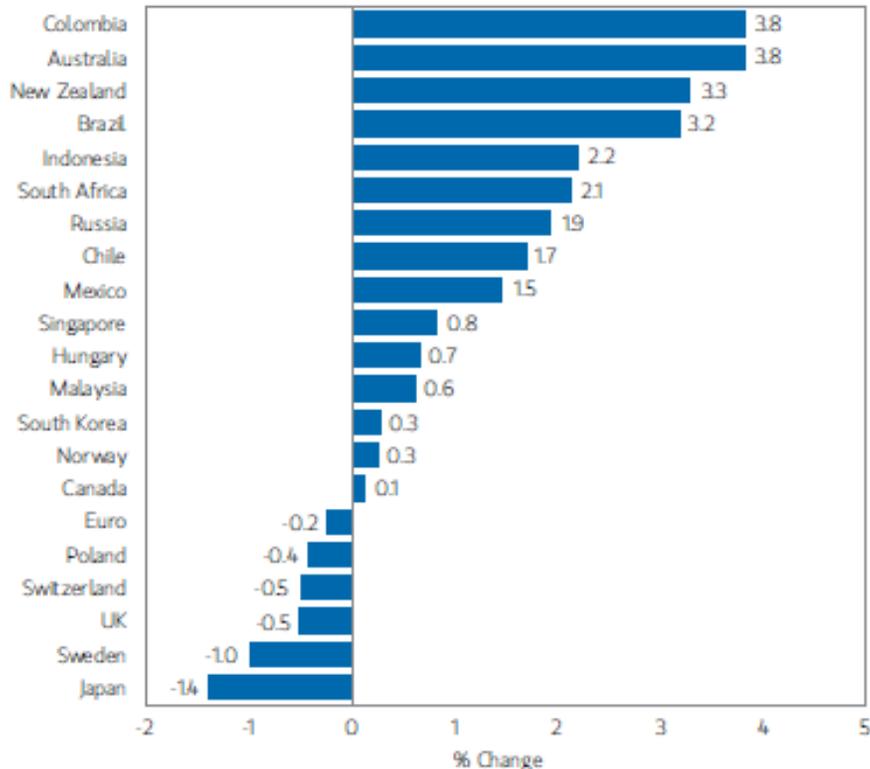
Source: MSCI

- Major non-U.S. equity indices rose in the quarter but trailed the U.S.; Japan lagged (-5.6%).
- Major currencies appreciated in value versus U.S. dollar.
- In the midst of strong overseas equity markets, emerging markets fell 1.1% over the trailing twelve-months.

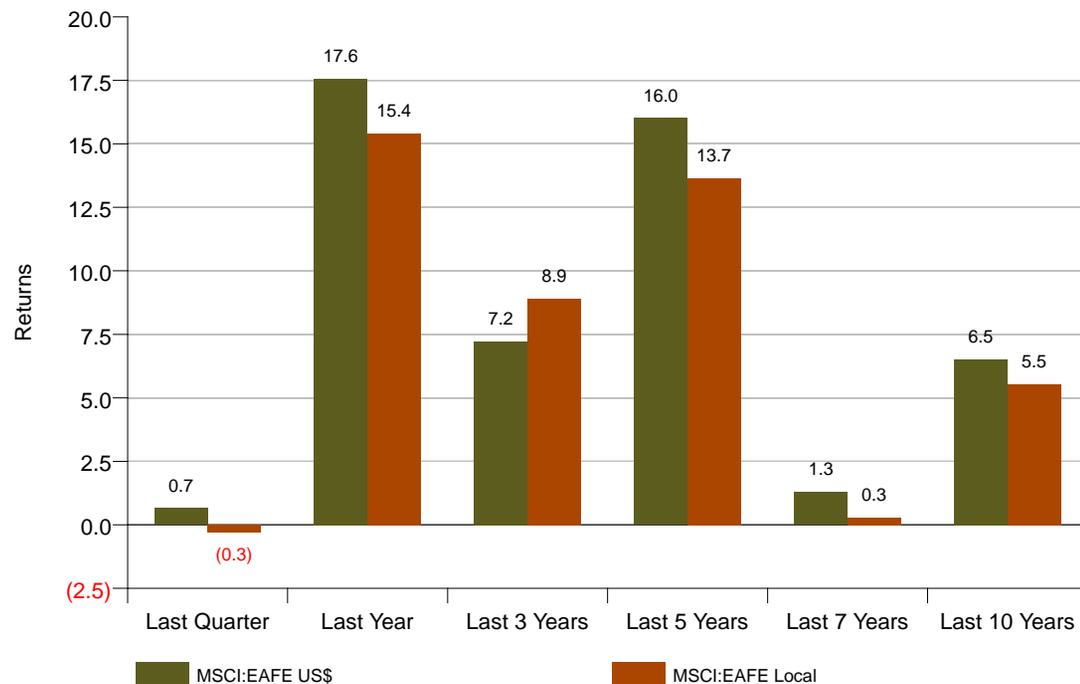
Domestic vs. Local Currency Returns

Currency Effect on U.S. Investors' International Equity Returns

Currency Monthly Change vs. USD (+ = appreciation)



Returns for Various Time Periods
Current Quarter Ending March 31, 2014



Sources: Morgan Stanley, Bloomberg.

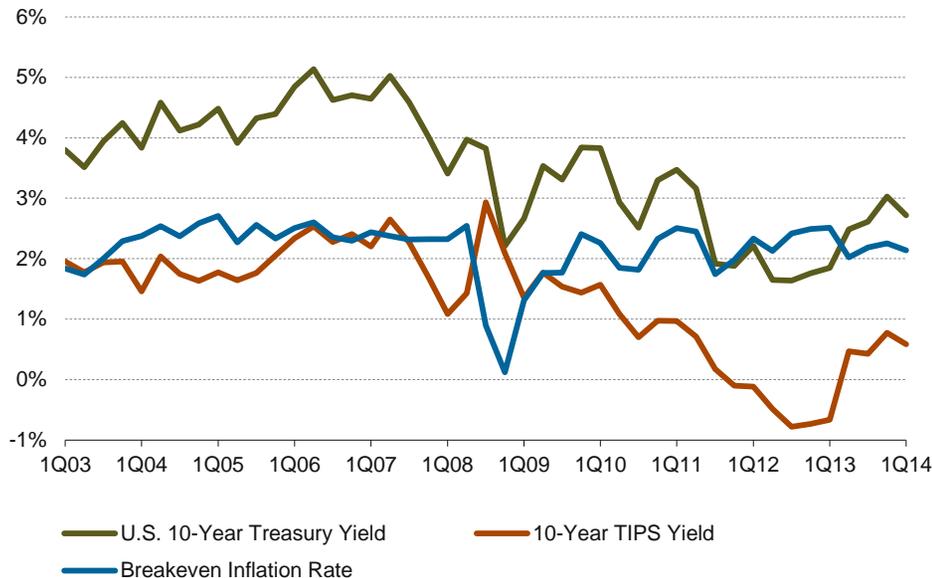
Note: Positive change means the currency has appreciated against the dollar.

- For the quarter, U.S. investors' international equity returns were helped by the dollar's fall against most foreign currencies. The dollar strengthened vs the Yen, Swedish Krona, and Pound Sterling.
- For the last ten years, the U.S. dollar has depreciated against most foreign currencies.

Yield Curve Changes

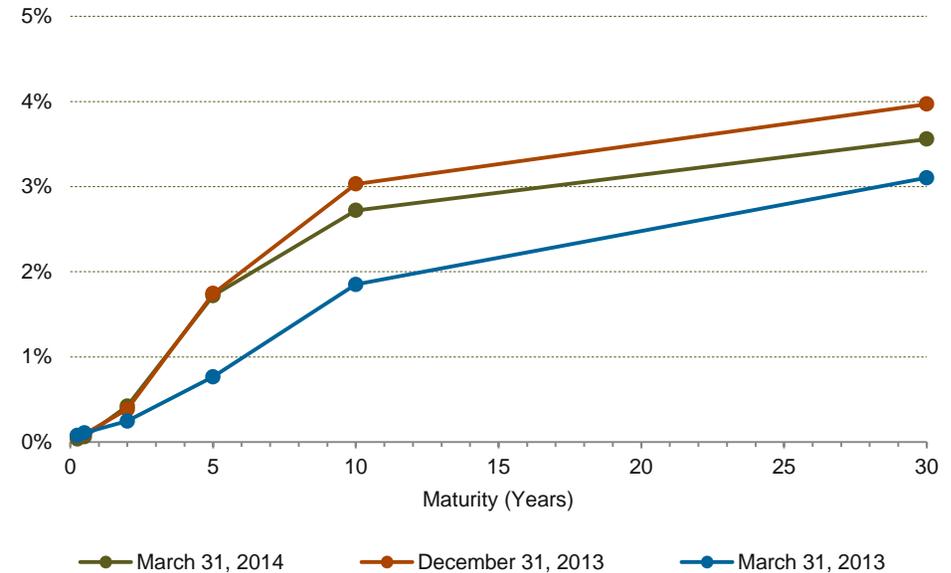
Periods Ending March 31, 2014

Historical 10-Year Yields



Source: Bloomberg

U.S. Treasury Yield Curves



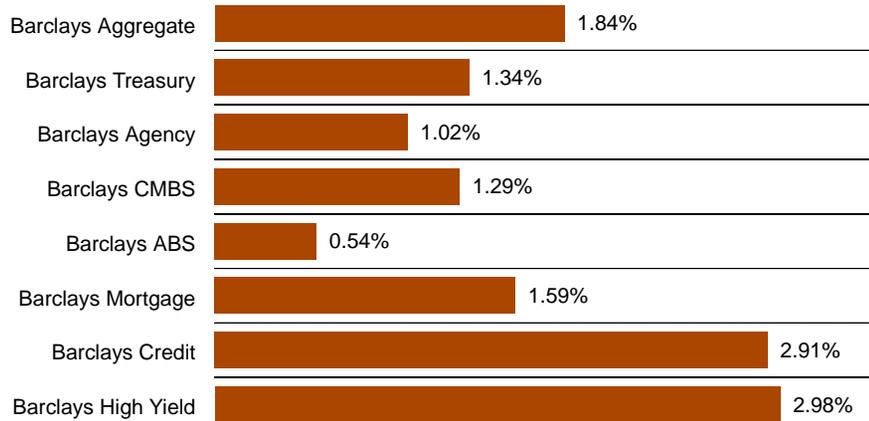
Source: Bloomberg

- The long-end of the yield curve fell which increases the Total Return of longer maturity Treasuries.
- Ten-year Treasury yields declined 31 basis points from last quarter ending at 2.73%.
- The breakeven inflation rate fell from last quarter ending at 2.1%
 - The “breakeven” rate is the market’s implied expectation for future inflation
- Rates fell post quarter end with the 10-year at 2.6% on May 1.

Total Rates of Return by Bond Sector

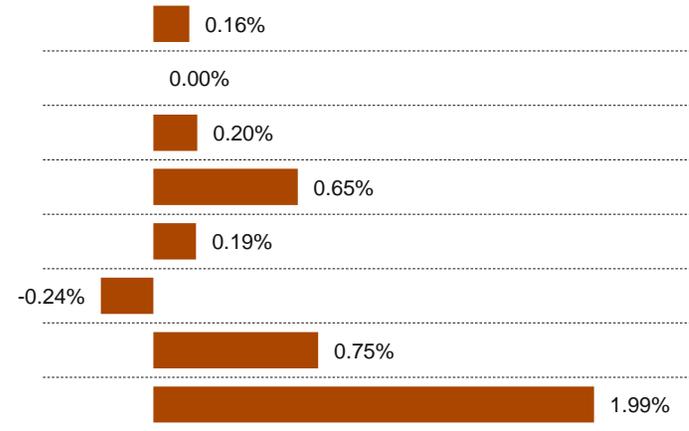
Quarter Ending March 31, 2014

Absolute Returns

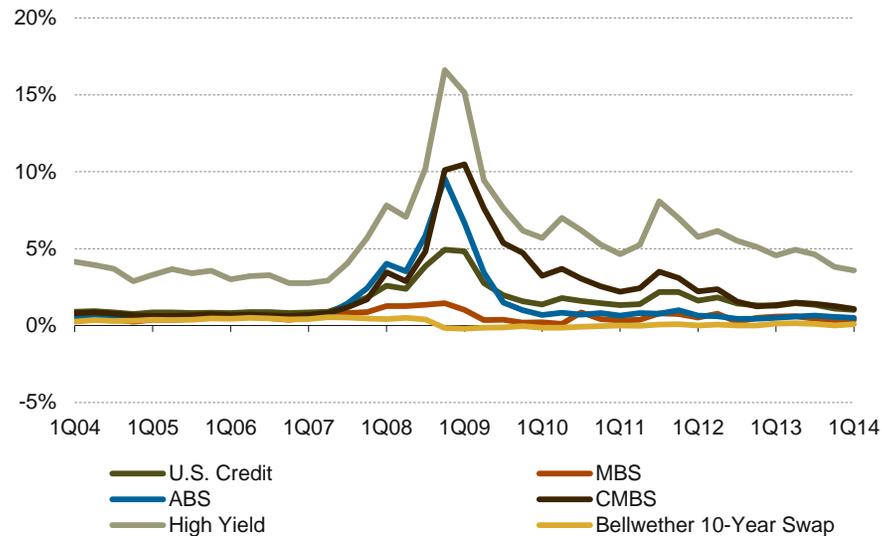


Source: Barclays

Excess Return versus Like-Duration Treasuries



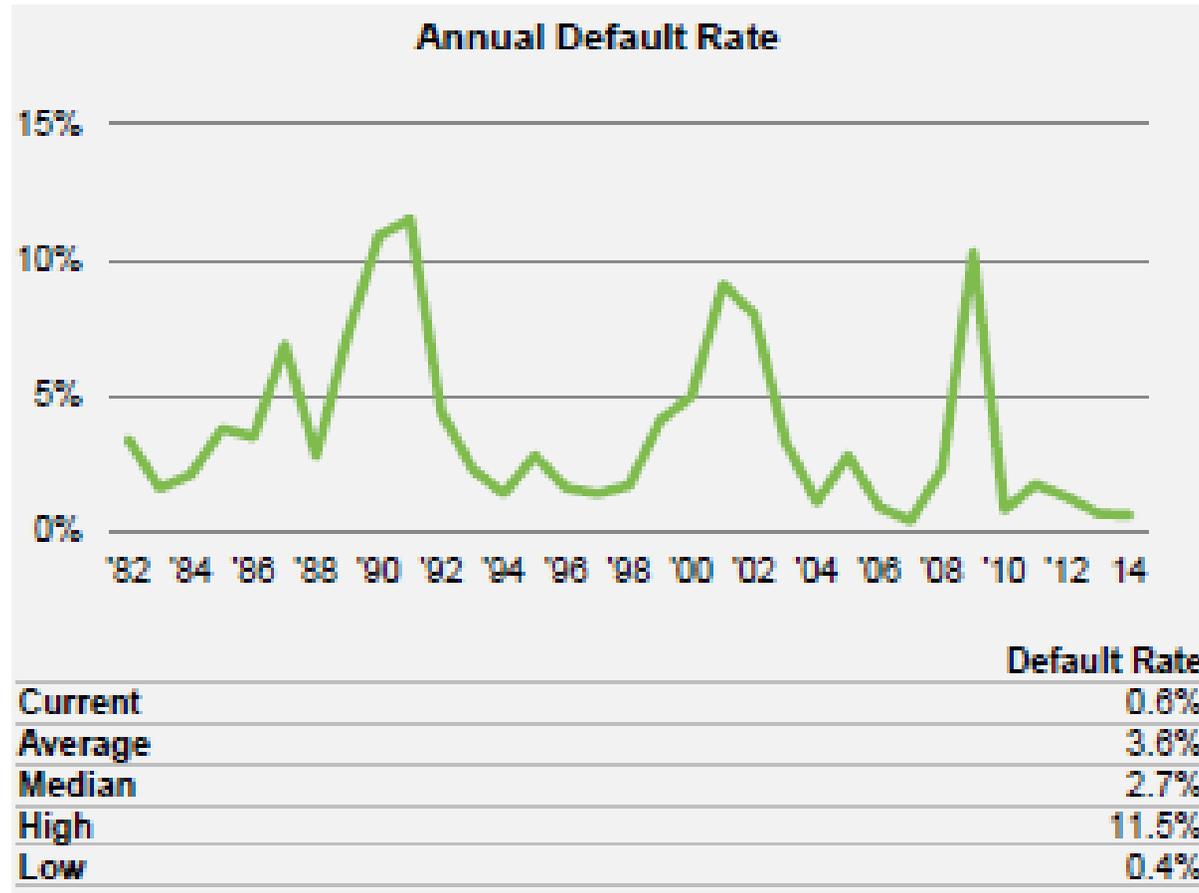
Effective Yield Over Treasuries



Source: Barclays

Hardly any defaults

Lately



Sources: Eaton Vance, JP Morgan

- Default rates as of March 31, 2014 were near historic lows.
- While some investors argue that low default rates make higher yielding assets an attractive opportunity, others see the past as prologue: defaults will come back into the cycle.

Real Estate

Style medians and index returns as of 3/31/14

| | Last Quarter | Year to Date | Last Year | Last 3 Years | Last 5 Years | Last 10 Years | Last 15 Years |
|------------------------------------|--------------|--------------|-----------|--------------|--------------|---------------|---------------|
| Private Real Estate | | | | | | | |
| Real Estate Database (net of fees) | 2.45 | 2.45 | 12.97 | 12.77 | 6.62 | 6.02 | 7.67 |
| NCREIF Property** | 2.74 | 2.74 | 11.17 | 11.69 | 7.89 | 8.65 | 8.87 |
| Public Real Estate | | | | | | | |
| REIT U.S. Database | 9.92 | 9.92 | 5.99 | 10.98 | 29.07 | 9.32 | 12.74 |
| NAREIT Equity | 9.98 | 9.98 | 4.16 | 10.65 | 28.20 | 8.23 | 11.43 |
| Global Real Estate | | | | | | | |
| Global REIT Database | 3.85 | 3.85 | 3.00 | 8.89 | 23.32 | 9.04 | 11.74 |
| EPRA/NAREIT Global Developed | 4.01 | 4.01 | 2.22 | 8.50 | 22.97 | 7.84 | 10.00 |

Sources: Callan, Citigroup, JPMorgan Chase & Co.

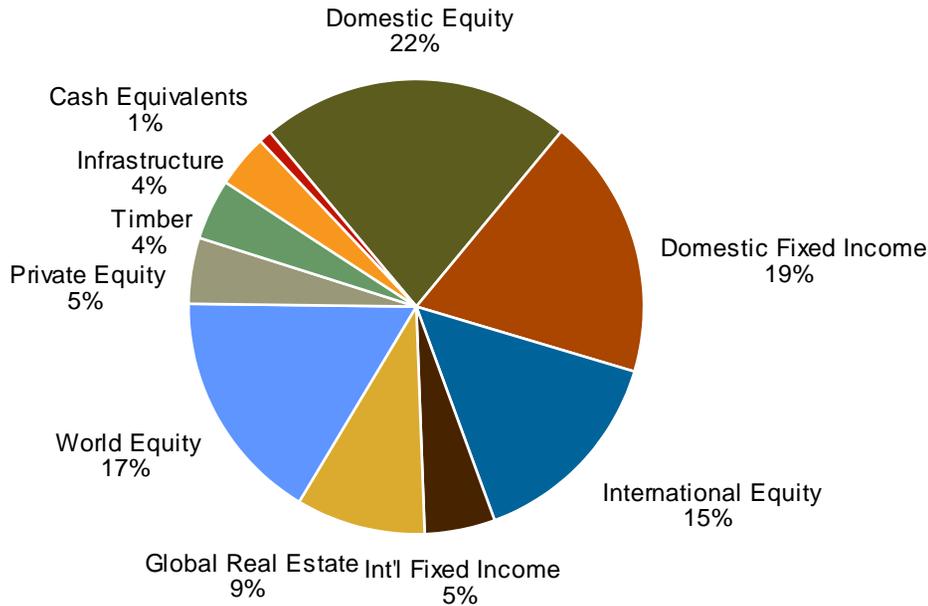
- The NCREIF Property index's 2.74% return in the first calendar quarter of 2014 was nearly evenly split between income (+1.31%) and capital appreciation (+1.43%).
- A preliminary query of NCREIF tracked 131 institutional asset trades and \$3.9 billion in volume.
 - First quarter trades since 2001 have averaged about \$3.3 billion.
- Domestic REITs raised about \$11.2 billion during the first three months of 2014, which was down from the average quarterly pace of \$19.2 billion during calendar year 2013.



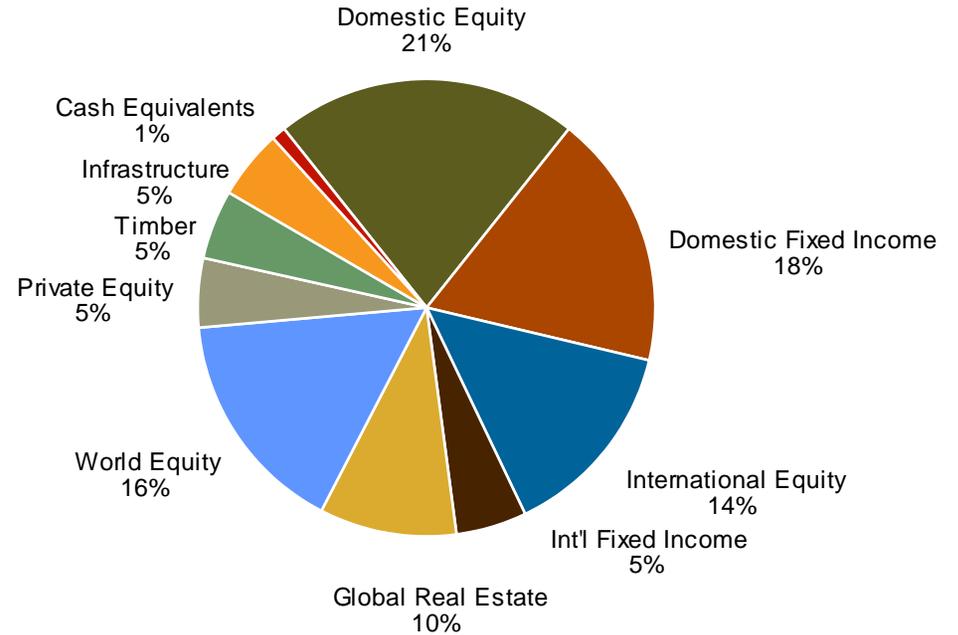
Pension Trust Quarterly Review

ND Pension Trust Allocation at 3/31/14

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-----------------------|------------------|---------------|---------------|--------------------|-------------------|
| Domestic Equity | 996,984 | 22.1% | 21.4% | 0.7% | 33,064 |
| Domestic Fixed Income | 838,027 | 18.6% | 18.0% | 0.6% | 27,254 |
| International Equity | 667,070 | 14.8% | 14.2% | 0.6% | 27,460 |
| Int'l Fixed Income | 225,476 | 5.0% | 5.0% | 0.0% | 262 |
| Global Real Estate | 413,342 | 9.2% | 9.7% | (0.5%) | (23,574) |
| World Equity | 746,710 | 16.6% | 16.0% | 0.6% | 26,023 |
| Private Equity | 209,671 | 4.7% | 4.9% | (0.2%) | (11,039) |
| Timber | 193,677 | 4.3% | 4.9% | (0.6%) | (27,034) |
| Infrastructure | 173,136 | 3.8% | 4.9% | (1.1%) | (47,575) |
| Cash Equivalents | 40,203 | 0.9% | 1.0% | (0.1%) | (4,840) |
| Total | 4,504,297 | 100.0% | 100.0% | | |

One-quarter Pension Results as of 3/31/14

Manager returns drive performance results

Relative Attribution Effects for Quarter ended March 31, 2014

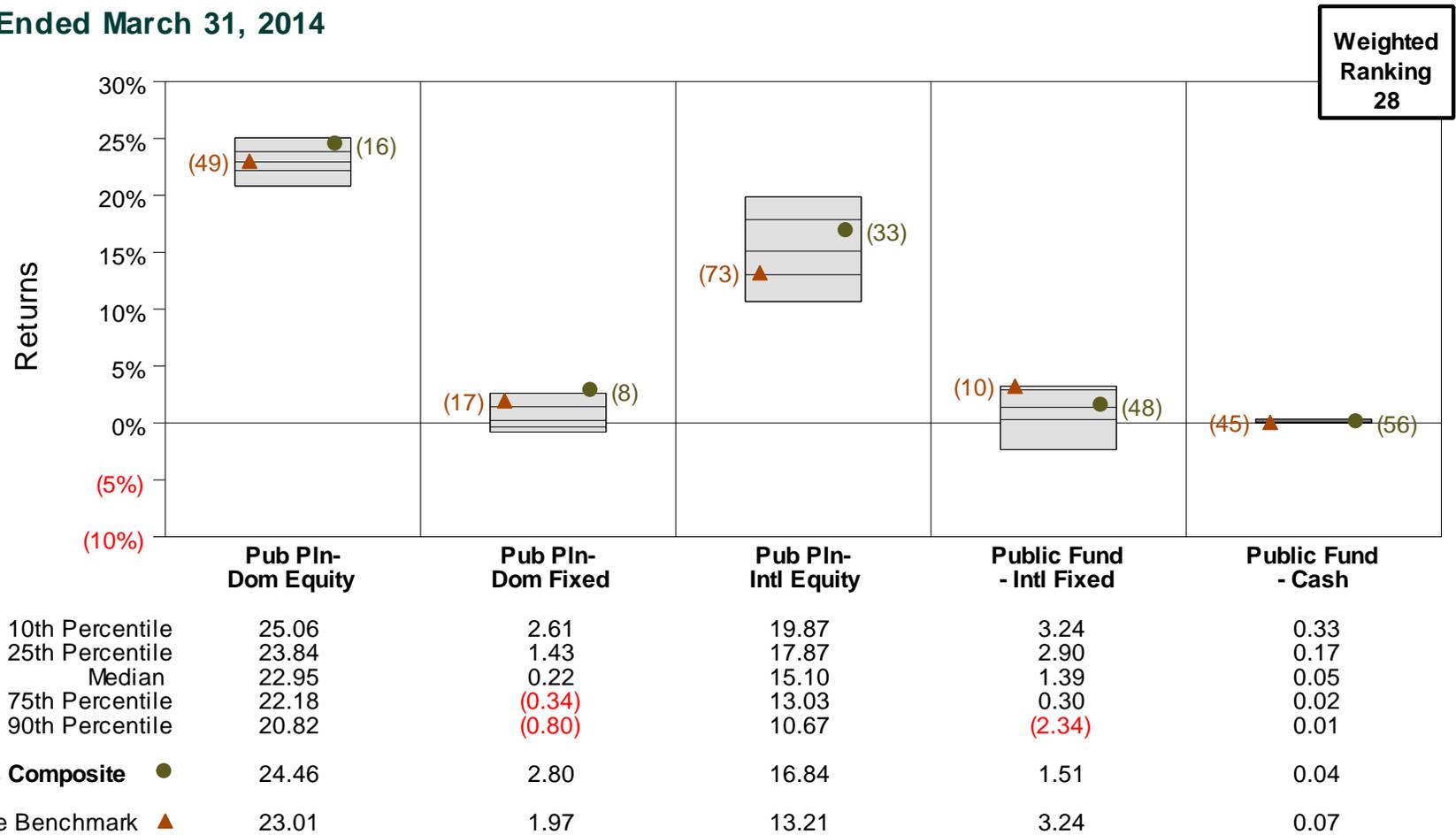
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|----------------|----------------|------------------|-----------------------|
| Domestic Equity | 23% | 21% | 1.54% | 1.84% | (0.07%) | (0.00%) | (0.07%) |
| Domestic Fixed Income | 18% | 18% | 2.82% | 2.16% | 0.12% | (0.02%) | 0.10% |
| Global Real Estate | 9% | 10% | 1.59% | 2.74% | (0.11%) | (0.01%) | (0.12%) |
| Timber | 4% | 5% | 2.20% | 1.62% | 0.03% | (0.00%) | 0.03% |
| Infrastructure | 4% | 5% | 2.84% | 1.48% | 0.05% | 0.00% | 0.05% |
| International Equity | 14% | 14% | 1.58% | 0.44% | 0.16% | (0.01%) | 0.15% |
| International Fixed Inc. | 5% | 5% | 3.46% | 2.79% | 0.03% | (0.01%) | 0.03% |
| Private Equity | 5% | 5% | 2.81% | 2.81% | 0.00% | (0.01%) | (0.01%) |
| World Equity | 17% | 16% | 0.72% | 1.26% | (0.09%) | (0.01%) | (0.11%) |
| Cash & Equivalents | 1% | 1% | 0.01% | 0.01% | (0.00%) | 0.00% | 0.00% |
| Total | | | 1.86% | = 1.79% | + 0.13% | + (0.06%) | 0.07% |

- Through the first three months of calendar 2014, allocations were held close to target weights by RIO staff which minimized any tracking error to the target return caused by asset allocation.
- During Q1, the Pension Trust achieved \$82.1 million in investment gains while \$19.9 million was withdrawn for benefits and expenses. The net increase in market value was over \$62.2 million.
- Three asset classes lagged their respective benchmarks during the quarter:
 - Global Real Estate lagged by 11 basis points; World Equity by 9 bps; Domestic Equity by 7 bps.
 - The Total Trust still out-performed the Target by seven (7) basis points: +1.86% vs 1.79%.

Firing on all cylinders

ND Pension Trust's asset class results vs. other Public Pension Funds

Total Asset Class Performance One Year Ended March 31, 2014



- Public market asset classes are all well above their respective medians
 - The exception is cash where the difference between best and worst is less than half of one-percent

Three-year Pension Results as of 3/31/14

Manager returns drive performance results

Three Year Annualized Relative Attribution Effects

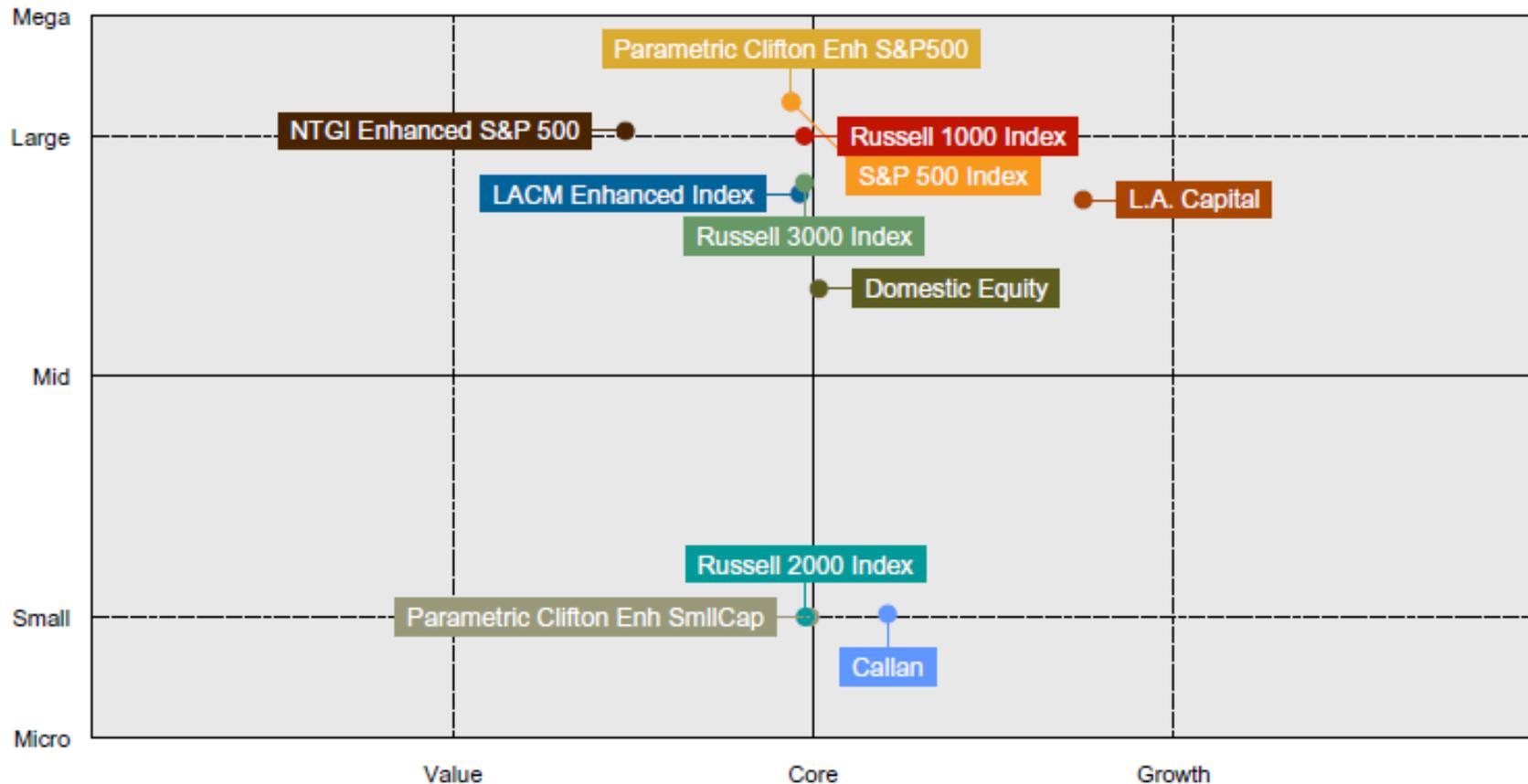
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 28% | 27% | 15.07% | 14.60% | 0.05% | 0.07% | 0.11% |
| Domestic Fixed Income | 19% | 19% | 6.47% | 5.32% | 0.11% | (0.09%) | 0.02% |
| Global Real Estate | 9% | 9% | 13.22% | 11.69% | 0.12% | 0.02% | 0.14% |
| Timber | 4% | 4% | (1.11%) | 6.47% | (0.40%) | 0.02% | (0.37%) |
| Infrastructure | 3% | 4% | 7.03% | 1.30% | 0.21% | 0.14% | 0.35% |
| International Equity | 17% | 17% | 7.00% | 4.91% | 0.34% | 0.01% | 0.34% |
| International Fixed Inc. | 5% | 5% | 4.55% | 2.06% | 0.14% | (0.02%) | 0.12% |
| Private Equity | 5% | 5% | 5.91% | 5.91% | 0.00% | (0.07%) | (0.07%) |
| World Equity | 8% | 9% | 13.85% | 14.11% | 0.07% | (0.08%) | (0.01%) |
| Cash & Equivalents | 1% | 1% | 0.09% | 0.08% | 0.00% | (0.01%) | (0.01%) |
| Total | | | 9.01% | 8.39% | + 0.64% | + (0.03%) | 0.61% |

- The Pension Trust's overall investment return has average over 9% per year through 3/31/14.
 - Over the five-year period ended 3/31/14, the Pension Trust compounded at 14.45% per annum!
- Timber lagged its benchmark, primarily due to the slow recovery in the homebuilding sector and the SIB portfolio's focus on southern pine which was the weakest sector of the timber market.
- World Equity also lagged its benchmark, 13.85% versus 14.11%. The "Manager Effect" is still positive due to the stronger performance during periods
- The "asset allocation effect" attributable to fixed income is negative

Pension Trust: Domestic Equity Structure

Style and capitalization based on holdings in managers' portfolios

Average Style Map
Holdings for Three Years Ended March 31, 2014



- The domestic equity allocation includes a diversity of different investment mandates.
- The “Domestic Equity” box shows the Pension Trust’s style neutrality and mid-cap orientation.

Pension Trust: Domestic Equities

As of March 31, 2014

Performance vs Pub Pln- Domestic Equity (Gross)

Significant improvement over the last five years



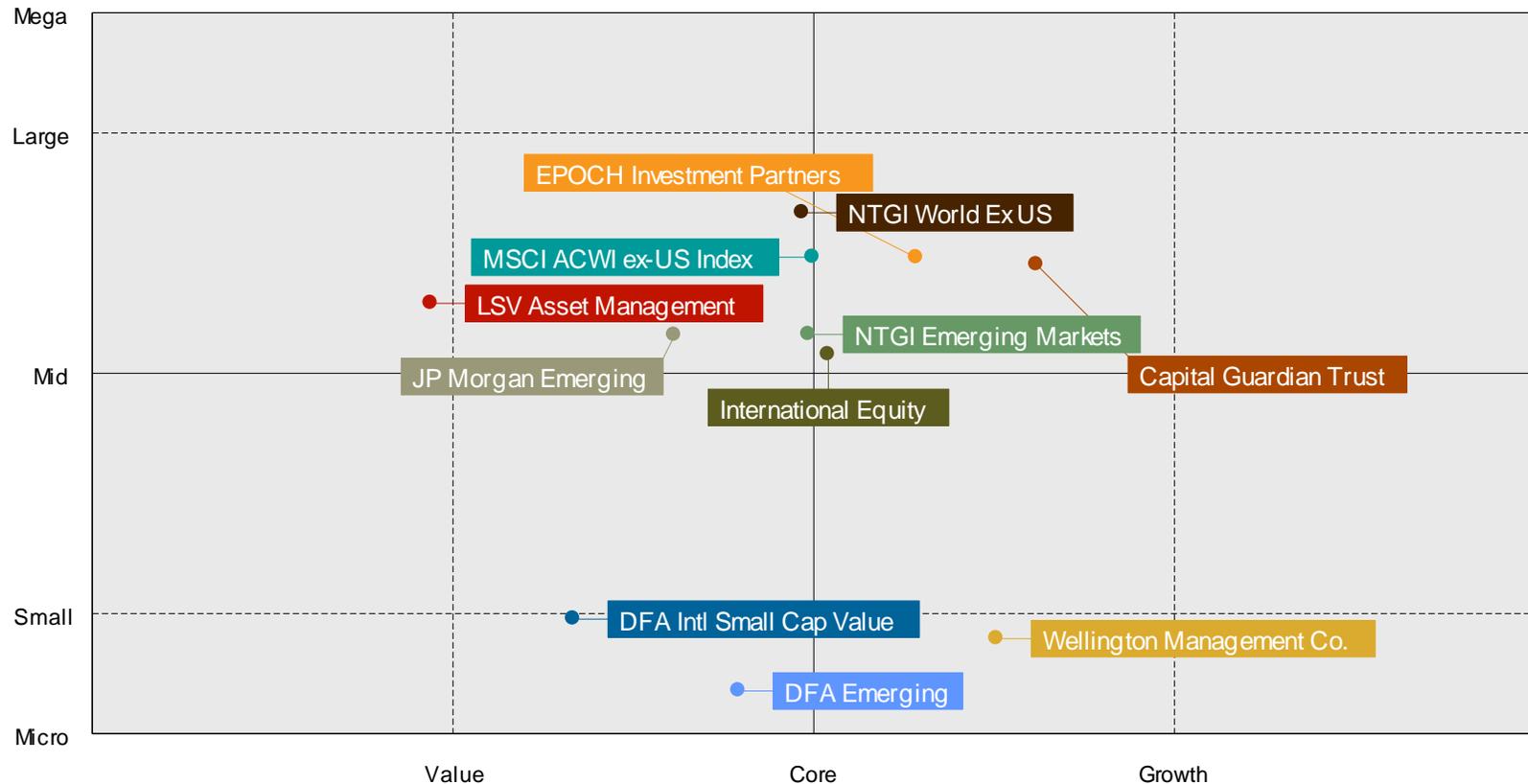
| | Last Quarter | Fiscal YTD | Last Year | Last 2 Years | Last 3 Years | Last 5 Years | Last 10 Years |
|--------------------------|--------------|------------|-----------|--------------|--------------|--------------|---------------|
| 10th Percentile | 2.11 | 21.24 | 25.06 | 20.00 | 15.26 | 23.37 | 8.75 |
| 25th Percentile | 1.93 | 20.37 | 23.84 | 19.17 | 14.73 | 22.83 | 8.42 |
| Median | 1.68 | 19.62 | 22.95 | 18.55 | 14.33 | 22.11 | 7.95 |
| 75th Percentile | 1.43 | 18.94 | 22.18 | 17.97 | 13.78 | 21.29 | 7.50 |
| 90th Percentile | 1.25 | 17.93 | 20.82 | 16.75 | 12.90 | 20.49 | 7.16 |
| Domestic Equity ● | 1.54 | 20.24 | 24.46 | 20.26 | 15.07 | 23.30 | 6.96 |
| Domestic Equity Target ▲ | 1.84 | 19.71 | 23.01 | 18.87 | 14.60 | 22.18 | 7.83 |

Pension Trust: International Equity Structure

Style and capitalization based on holdings in managers' portfolios

Style Map

Holdings for One Quarter Ended March 31, 2014

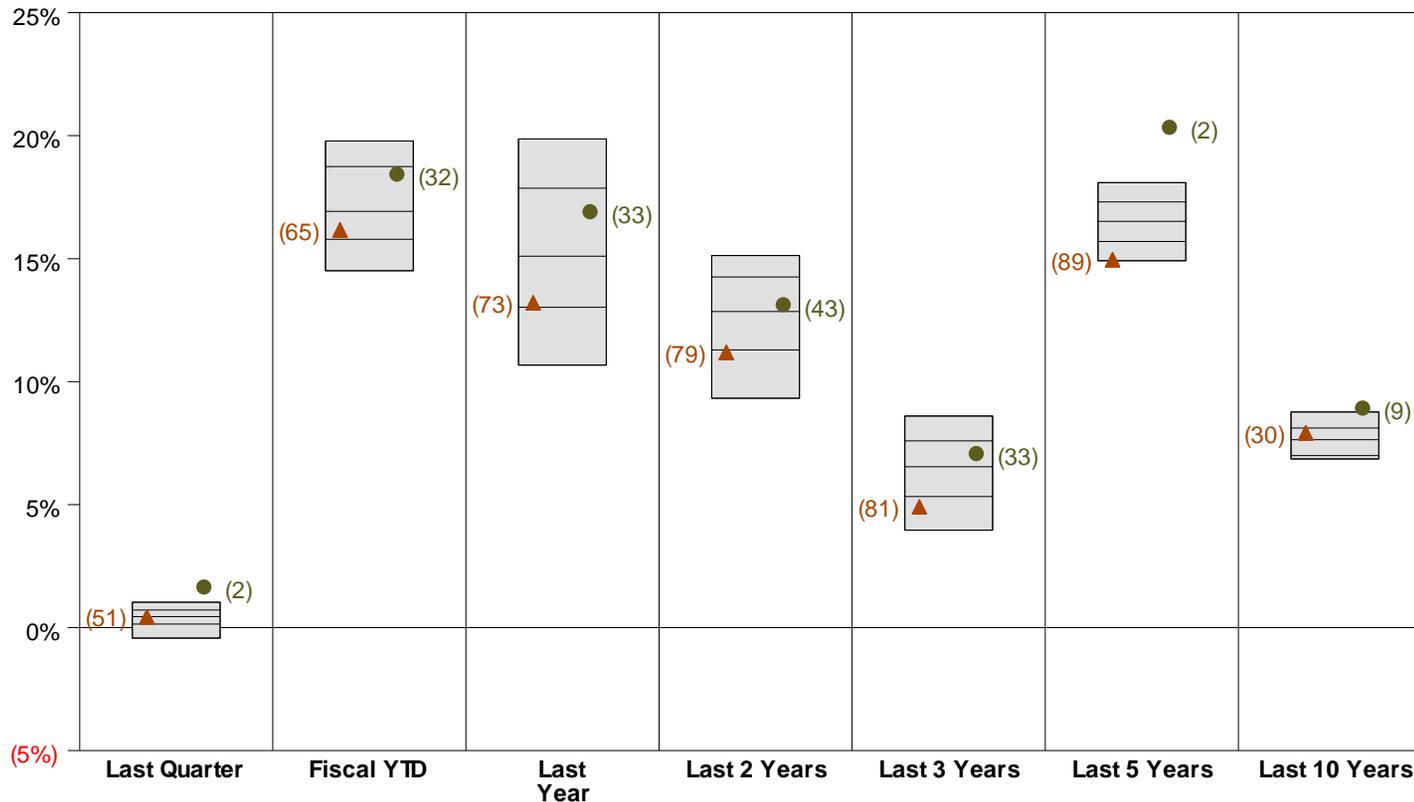


- The international allocation includes a diversity of investment mandates roll up into a composite.
 - Callan is working with RIO investment staff on an emerging markets equity search to complement DFA.
- The “International Equity” box shows the Pension Trust’s style neutrality and mid-cap orientation.

Pension Trust: International Equities

As of March 31, 2014

Performance vs Pub Pln- International Equity (Gross)



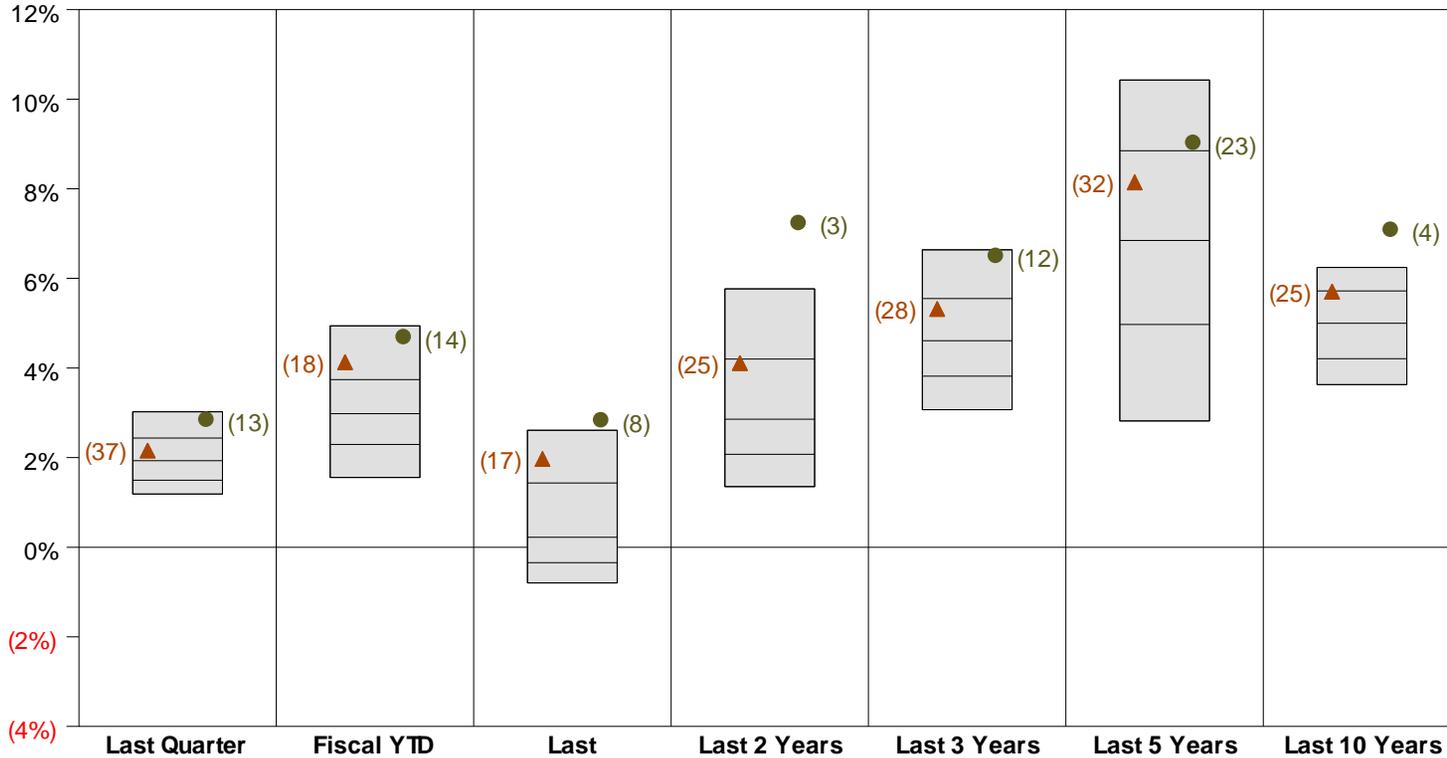
| | | | | | | | |
|-----------------|--------|-------|-------|-------|------|-------|------|
| 10th Percentile | 1.03 | 19.78 | 19.87 | 15.13 | 8.60 | 18.09 | 8.77 |
| 25th Percentile | 0.72 | 18.75 | 17.87 | 14.25 | 7.59 | 17.31 | 8.11 |
| Median | 0.45 | 16.92 | 15.10 | 12.85 | 6.54 | 16.51 | 7.64 |
| 75th Percentile | 0.15 | 15.79 | 13.03 | 11.29 | 5.33 | 15.70 | 6.99 |
| 90th Percentile | (0.43) | 14.51 | 10.67 | 9.33 | 3.96 | 14.91 | 6.86 |

| | | | | | | | | |
|-----------------------------|---|------|-------|-------|-------|------|-------|------|
| International Equity | ● | 1.58 | 18.38 | 16.84 | 13.06 | 7.00 | 20.27 | 8.86 |
| International Equity Target | ▲ | 0.44 | 16.17 | 13.21 | 11.19 | 4.91 | 14.96 | 7.92 |

Pension Trust: Domestic Fixed Income

As of March 31, 2014

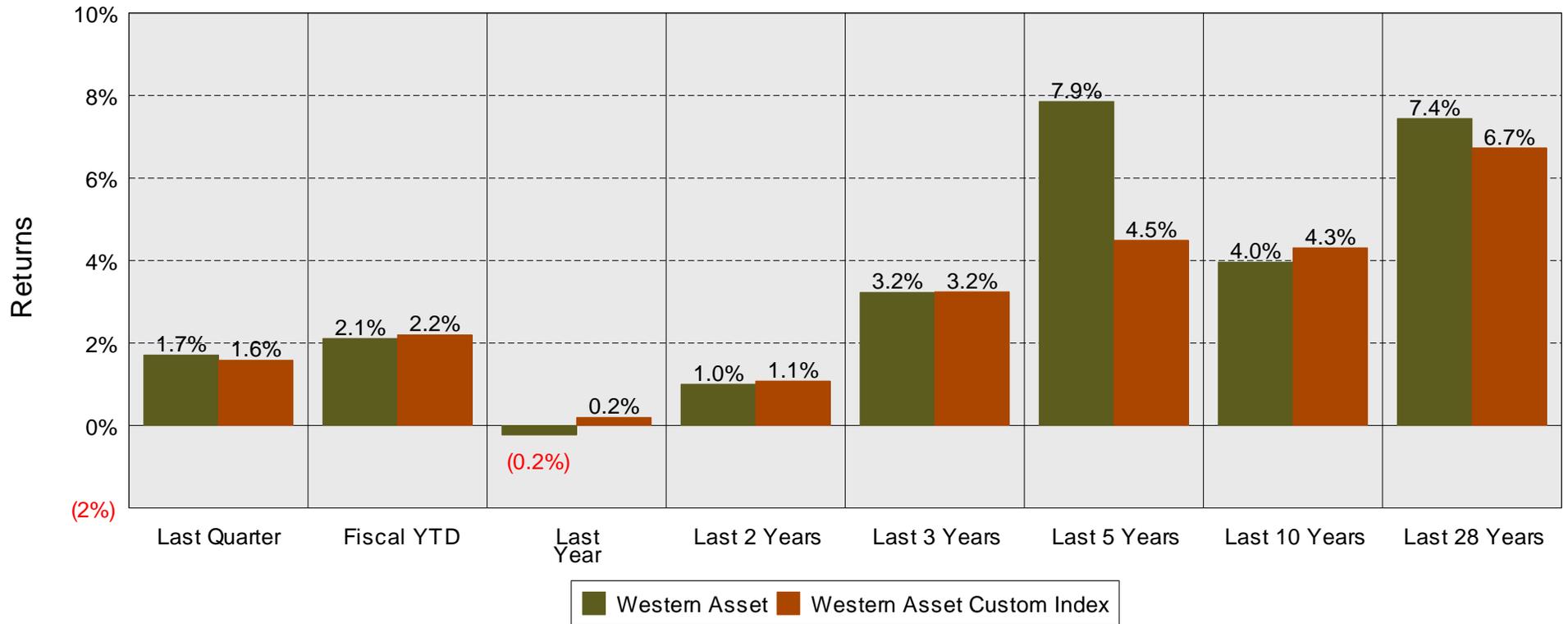
Performance vs Pub Pln- Domestic Fixed (Gross)



| | | | | | | | |
|---------------------------------------|------|------|--------|------|------|-------|------|
| 10th Percentile | 3.02 | 4.94 | 2.61 | 5.77 | 6.64 | 10.43 | 6.24 |
| 25th Percentile | 2.44 | 3.74 | 1.43 | 4.20 | 5.55 | 8.85 | 5.72 |
| Median | 1.93 | 2.98 | 0.22 | 2.86 | 4.61 | 6.85 | 5.00 |
| 75th Percentile | 1.49 | 2.29 | (0.34) | 2.07 | 3.82 | 4.97 | 4.21 |
| 90th Percentile | 1.19 | 1.56 | (0.80) | 1.35 | 3.07 | 2.82 | 3.63 |
| Domestic Fixed Income ● | 2.82 | 4.66 | 2.80 | 7.21 | 6.47 | 9.00 | 7.06 |
| Domestic Fixed Income Target ▲ | 2.16 | 4.13 | 1.97 | 4.11 | 5.32 | 8.14 | 5.71 |

Pension Trust: WAMCO Mortgage-Backed

As of March 31, 2014



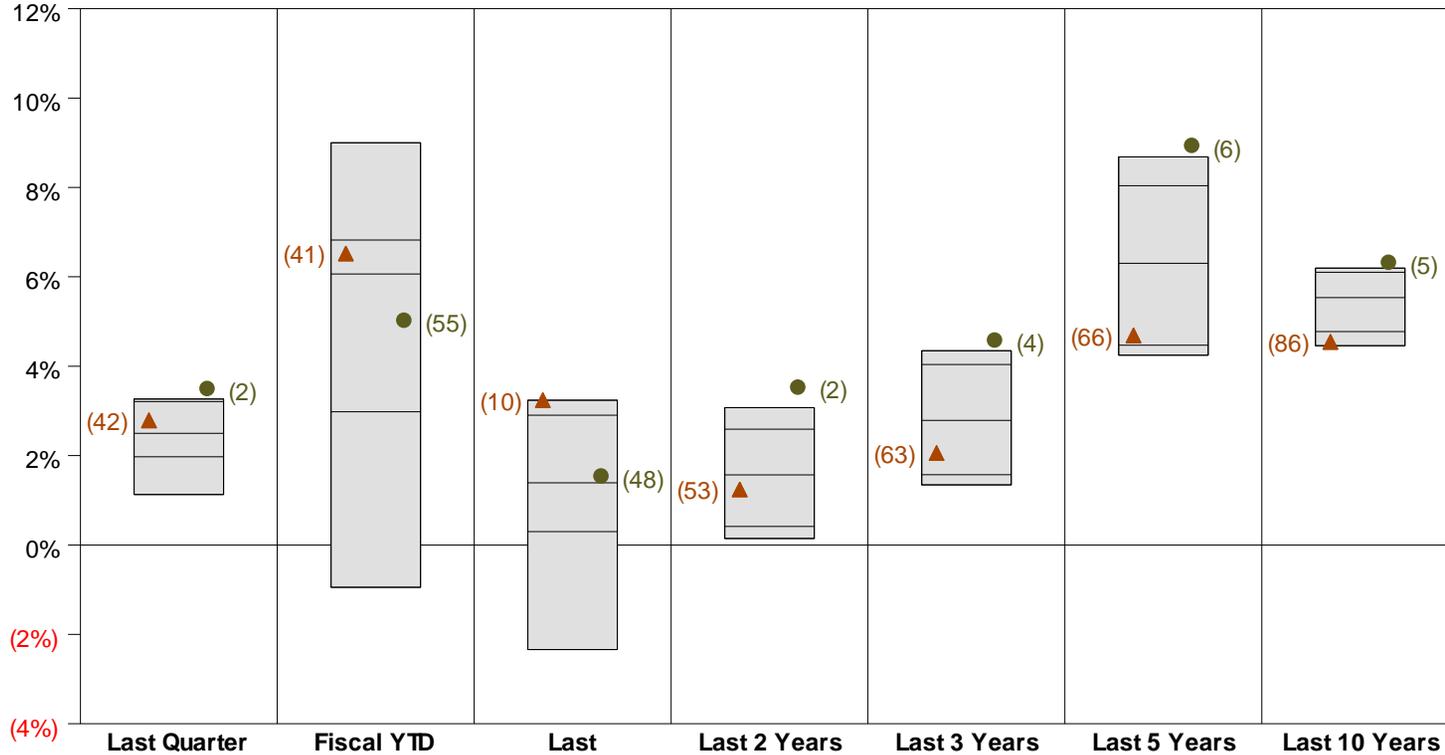
Western Asset Management Company

- Western Asset Management Company (WAMCO) manages \$114.9 million in a mortgage-backed securities mandate for NDSIB.
- **1/27/14** -- Western Asset Management Company (“WAMCO”) announced that two joint investigations by the Securities and Exchange Commission (“SEC”) and the US Department of Labor (“DOL”) had been concluded. These investigations resulted in aggregate fines of approximately \$3.6M, and compensatory payments to impacted clients of approximately \$17.4M.
- The first of the two regulatory issues involved the purchase of non-ERISA eligible securities within ERISA accounts managed by WAMCO. These particular prohibited purchases occurred as late as October 2008 but WAMCO failed to notify affected clients until August 2010.
- The second issue regards cross trades initiated among client accounts between 2007 and 2010. The SEC determined that WAMCO “arranged dealer-interposed cross trade transactions . . . effected between two registered investment companies (“RICs”) or between RIC and RIC-affiliated client accounts” in violation of the Investment Company Act.
- **09/11/2013** - WAMCO announced that Steve Fulton, head of agency mortgage-backed securities (MBS), would retire on September 30, 2013. Fulton was replaced by Anup Agarwal. Agarwal joined WAMCO as head of structured products in July 2013.
- Callan encourages the NDSIB to engage in due diligence to determine whether or not WAMCO’s breaches are cause for dismissal. While unrelated to the SEC action, the personnel change merits scrutiny. Callan is sharing our research and experience with RIO investment staff.

Pension Trust: International Fixed Income

As of March 31, 2014

Performance vs Public Fund - International Fixed (Gross)



| | | | | | | | |
|-----------------|------|--------|--------|------|------|------|------|
| 10th Percentile | 3.27 | 9.00 | 3.24 | 3.07 | 4.35 | 8.68 | 6.19 |
| 25th Percentile | 3.21 | 6.82 | 2.90 | 2.59 | 4.04 | 8.04 | 6.10 |
| Median | 2.50 | 6.06 | 1.39 | 1.57 | 2.79 | 6.30 | 5.53 |
| 75th Percentile | 1.97 | 2.98 | 0.30 | 0.42 | 1.57 | 4.47 | 4.77 |
| 90th Percentile | 1.13 | (0.95) | (2.34) | 0.15 | 1.35 | 4.24 | 4.46 |

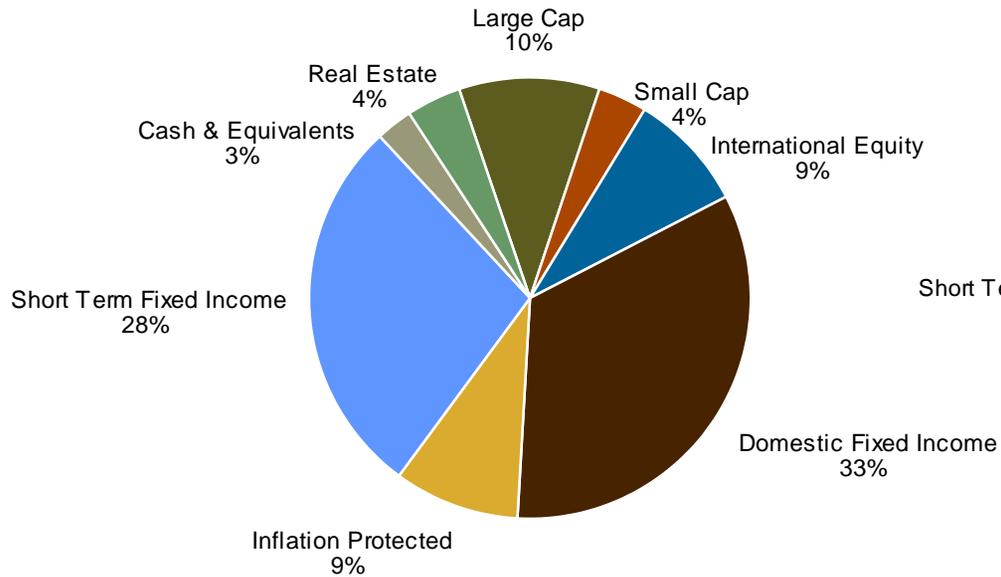
| | | | | | | | | |
|-----------------------------------|---|------|------|------|------|------|------|------|
| International Fixed Income | ● | 3.46 | 4.99 | 1.51 | 3.49 | 4.55 | 8.90 | 6.29 |
| International Fixed Income Target | ▲ | 2.79 | 6.52 | 3.24 | 1.25 | 2.06 | 4.69 | 4.55 |



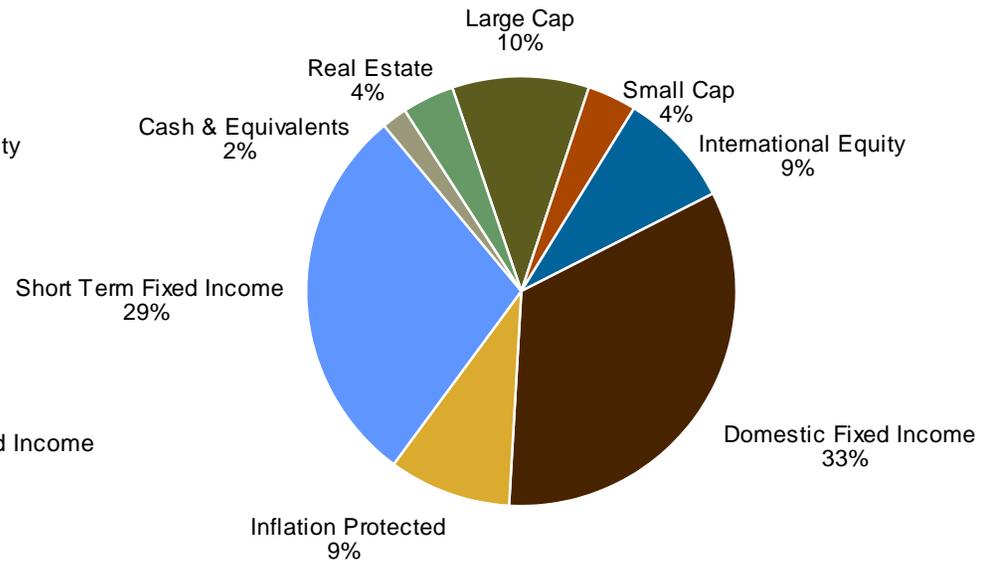
Insurance Trust Quarterly Review

ND Insurance Trust Allocation at 3/31/14

Actual Asset Allocation



Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-------------------------|------------------|---------------|---------------|--------------------|-------------------|
| Large Cap | 433,464 | 10.3% | 10.3% | 0.0% | 335 |
| Small Cap | 153,337 | 3.6% | 3.7% | (0.1%) | (2,253) |
| International Equity | 364,051 | 8.7% | 8.7% | 0.0% | (1,796) |
| Domestic Fixed Income | 1,408,639 | 33.5% | 33.4% | 0.1% | 4,121 |
| Inflation Protected | 385,706 | 9.2% | 9.2% | 0.0% | (1,167) |
| Short Term Fixed Income | 1,175,614 | 28.0% | 28.9% | (0.9%) | (39,672) |
| Cash & Equivalents | 115,631 | 2.7% | 1.9% | 0.8% | 35,734 |
| Real Estate | 168,699 | 4.0% | 3.9% | 0.1% | 4,698 |
| Total | 4,205,142 | 100.0% | 100.0% | | |

One-quarter Insurance Results as of 3/31/14

Manager returns drive performance results

Relative Attribution Effects for Quarter ended March 31, 2014

| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 9% | 9% | 1.90% | 2.05% | (0.01%) | (0.03%) | (0.04%) |
| Small Cap | 3% | 3% | 1.09% | 1.12% | 0.00% | (0.01%) | (0.00%) |
| Domestic Fixed Income | 32% | 33% | 2.92% | 1.84% | 0.34% | (0.04%) | 0.30% |
| Real Estate | 4% | 4% | 1.96% | 2.74% | (0.03%) | 0.00% | (0.03%) |
| International Equity | 8% | 8% | 1.51% | 0.66% | 0.06% | (0.04%) | 0.03% |
| Inflation Protected | 9% | 9% | 3.36% | 2.79% | 0.05% | (0.00%) | 0.04% |
| Enhanced Cash | 32% | 31% | 0.50% | 0.14% | 0.12% | (0.04%) | 0.08% |
| Cash & Equivalents | 2% | 2% | 0.00% | 0.01% | (0.00%) | 0.00% | 0.00% |
| Total | | | 1.79% | 1.41% | + 0.53% | + (0.15%) | 0.38% |

- The “Asset Allocation” effect column confirms RIO staff’s very tight control over risk by maintaining asset allocations by asset class very close to strategic target allocations.
 - All but one asset class (domestic fixed income) were held within 1% of target during the second fiscal quarter.
- The Insurance Trust includes 14 individual Funds. Just three -- WSI, the Legacy Fund, and the Budget Stabilization Fund -- constitute nearly 96% of the Total Market value of the Insurance Trust.
- The Insurance Trust’s Total Return during the quarter was ahead of target by 70 basis points.

Three-year Insurance Results as of 3/31/14

Manager returns drive performance results

Three Year Annualized Relative Attribution Effects

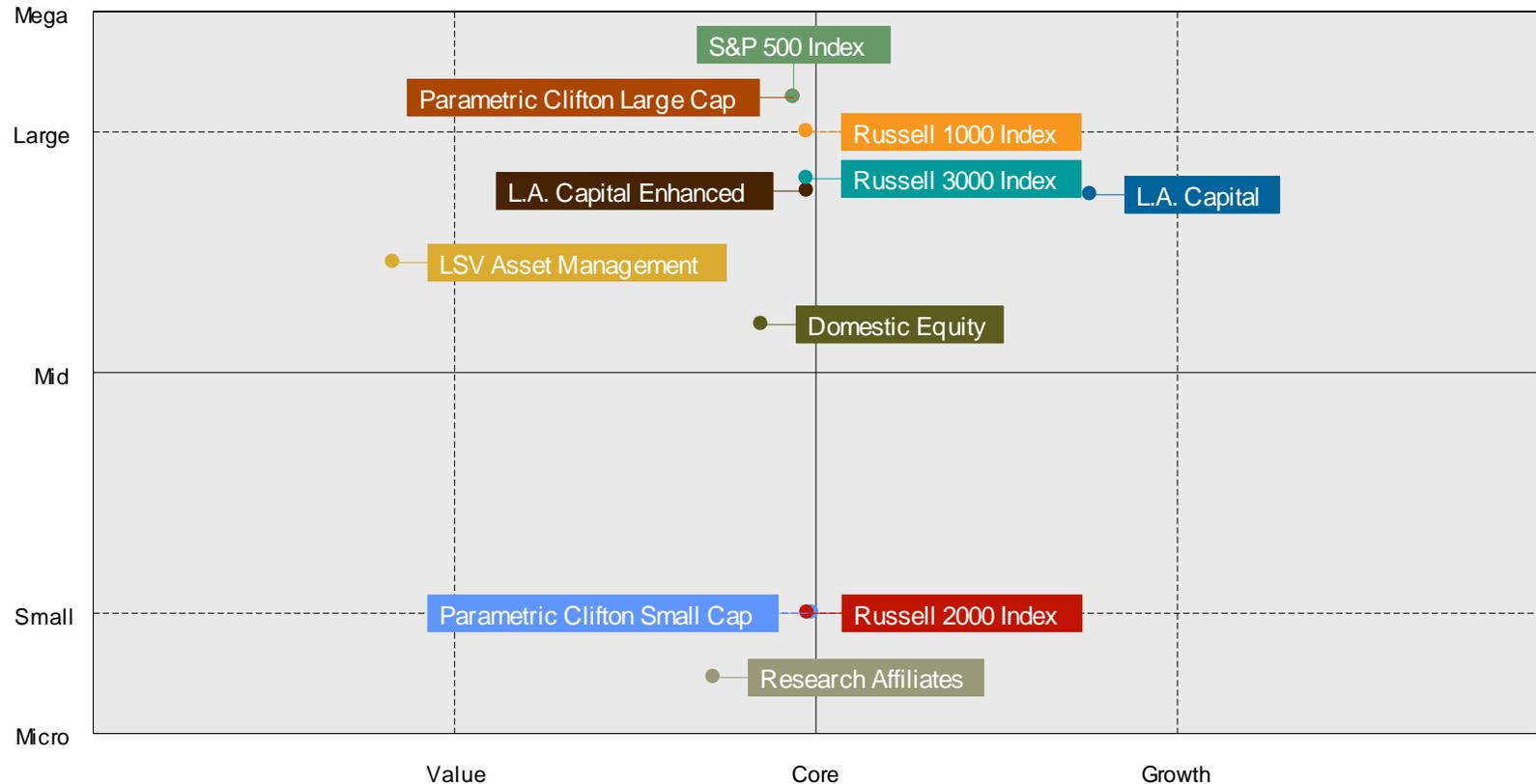
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-----------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 7% | 7% | 15.45% | 15.09% | 0.01% | (0.01%) | 0.00% |
| Small Cap | 3% | 3% | 14.83% | 13.18% | 0.04% | (0.02%) | 0.02% |
| Domestic Fixed Income | 34% | 34% | 7.33% | 3.75% | 1.15% | (0.02%) | 1.13% |
| Real Estate | 4% | 4% | 19.65% | 11.69% | 0.31% | 0.02% | 0.33% |
| International Equity | 5% | 5% | 8.45% | 7.21% | 0.06% | (0.06%) | (0.01%) |
| Inflation Protected | 13% | 13% | 4.64% | 4.57% | (0.05%) | (0.01%) | (0.06%) |
| Enhanced Cash | 30% | 31% | 1.05% | 0.43% | 0.30% | (0.03%) | 0.26% |
| Cash & Equivalents | 3% | 3% | 0.19% | 0.08% | 0.00% | 0.02% | 0.02% |
| Total | | | 6.23% | 4.53% | 1.82% | (0.11%) | 1.71% |

1. The Insurance Trust has meaningfully exceeded its return target, 6.23% versus 4.53%.
2. Although there is a negative “Asset Allocation” effect, it is relatively small given the very large differences in returns between bonds and stocks during this three-year period.
3. With the exception of “Inflation Protected,” all other major asset classes had three-year returns that were higher than those of their respective benchmarks.
 - The Eastern Timber Opportunities and WAMCO TIPS portfolio were the sources of underperformance.

Insurance Trust: Domestic Equity Structure

Style and capitalization based on holdings in managers' portfolios

Average Style Map
Holdings for Three Years Ended March 31, 2014

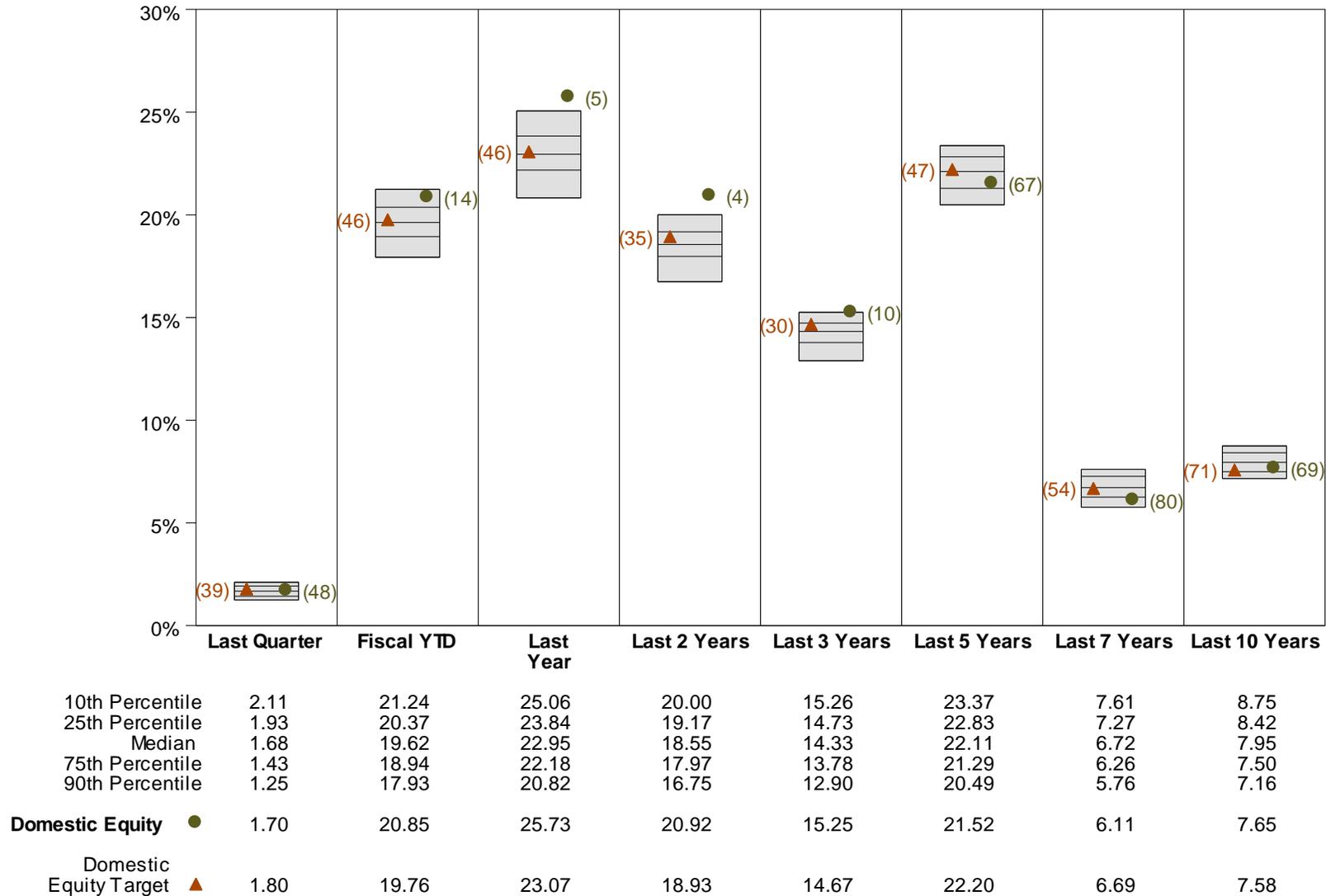


- The domestic equity allocation includes a diversity of different investment mandates.
- The “Domestic Equity” box shows that the Insurance Trust exhibits a slight value bias.

Insurance Trust: Domestic Equity

As of March 31, 2014

Performance vs Pub Pln- Domestic Equity (Gross)

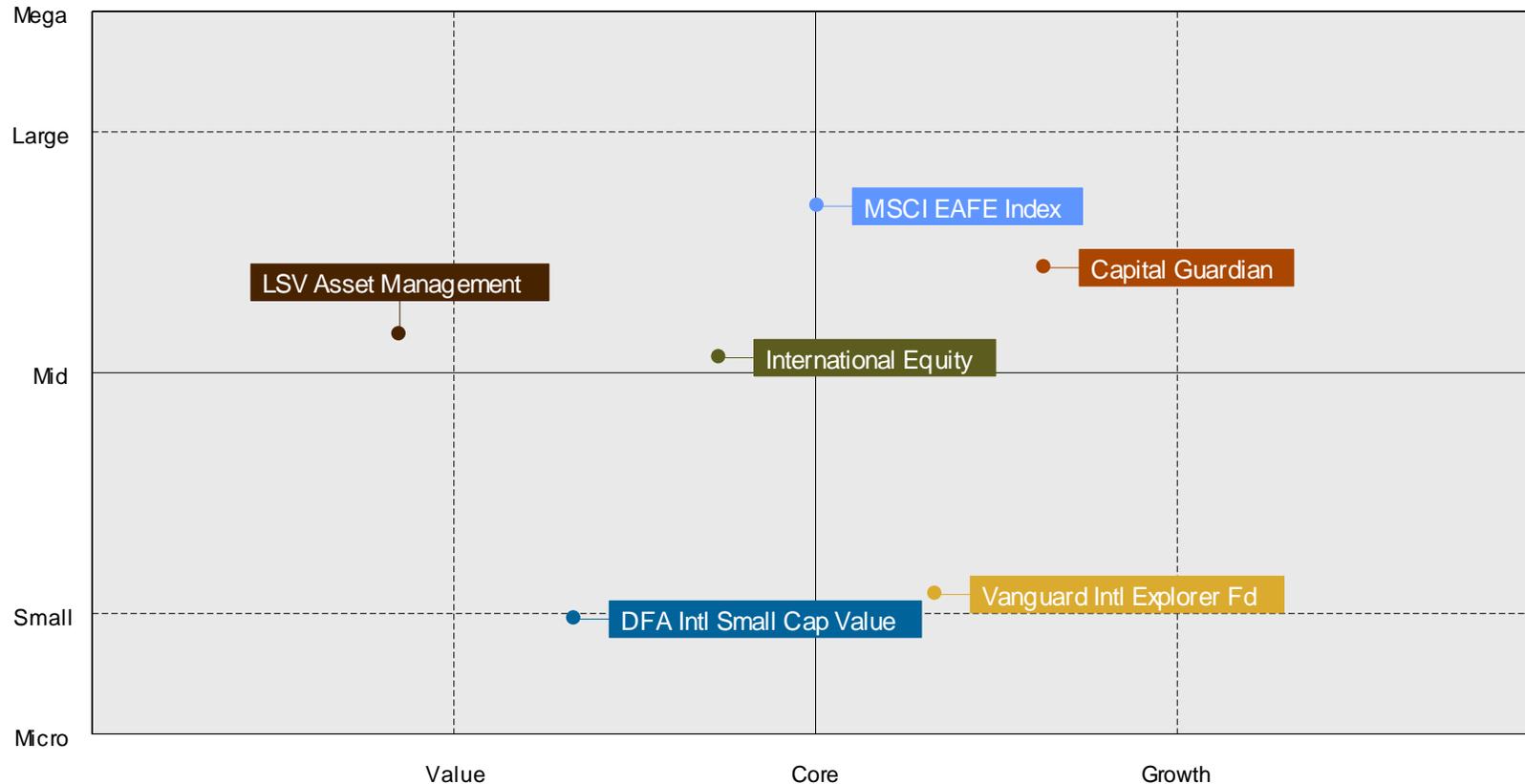


Insurance Trust: International Equity Structure

Style and capitalization based on holdings in managers' portfolios

Style Map

Holdings for One Quarter Ended March 31, 2014

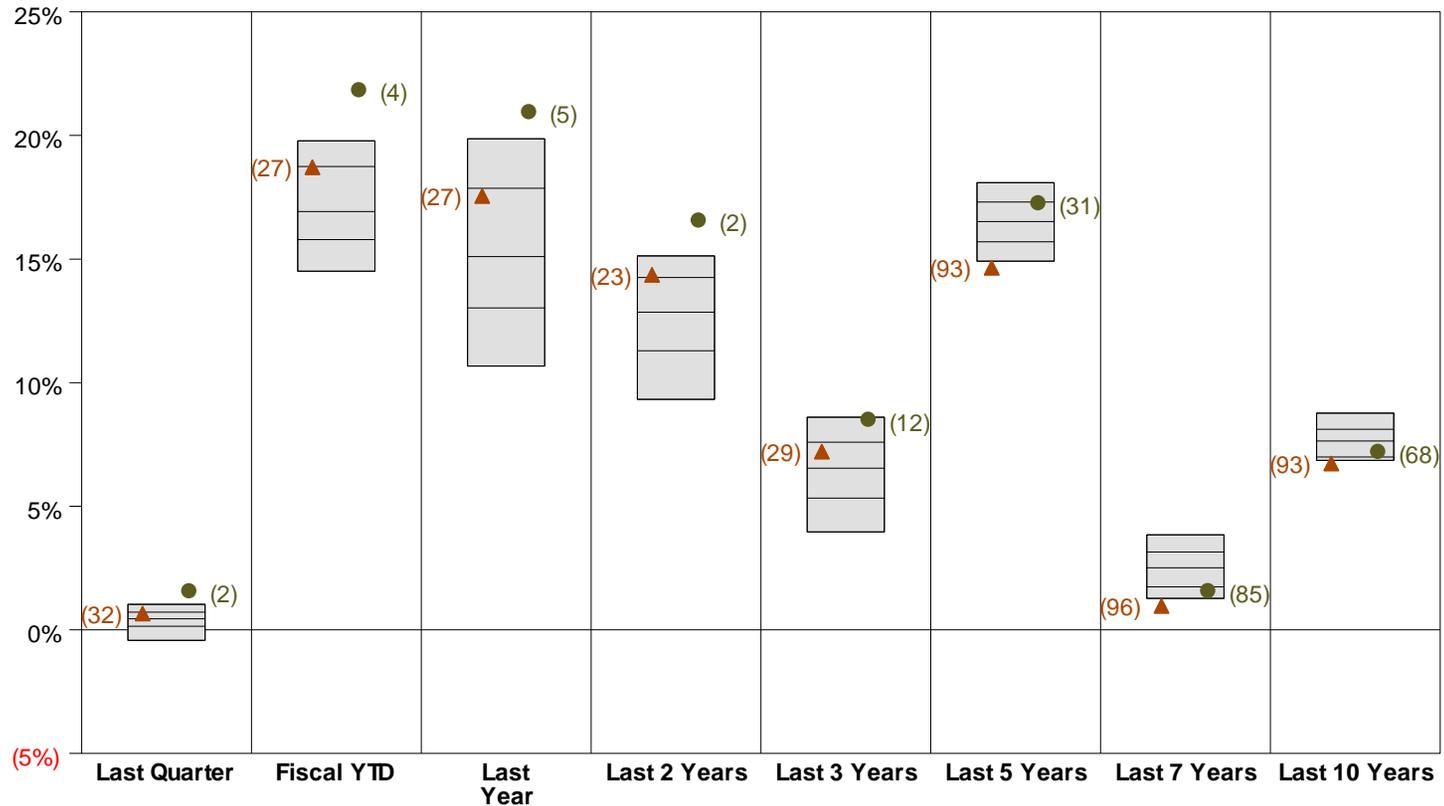


- The international equity allocation includes five different investment mandates.
- The “International Equity” box shows that the Insurance Trust exhibits a very slight value bias.

Insurance Trust: International Equity

As of March 31, 2014

Performance vs Pub Pln- International Equity (Gross)

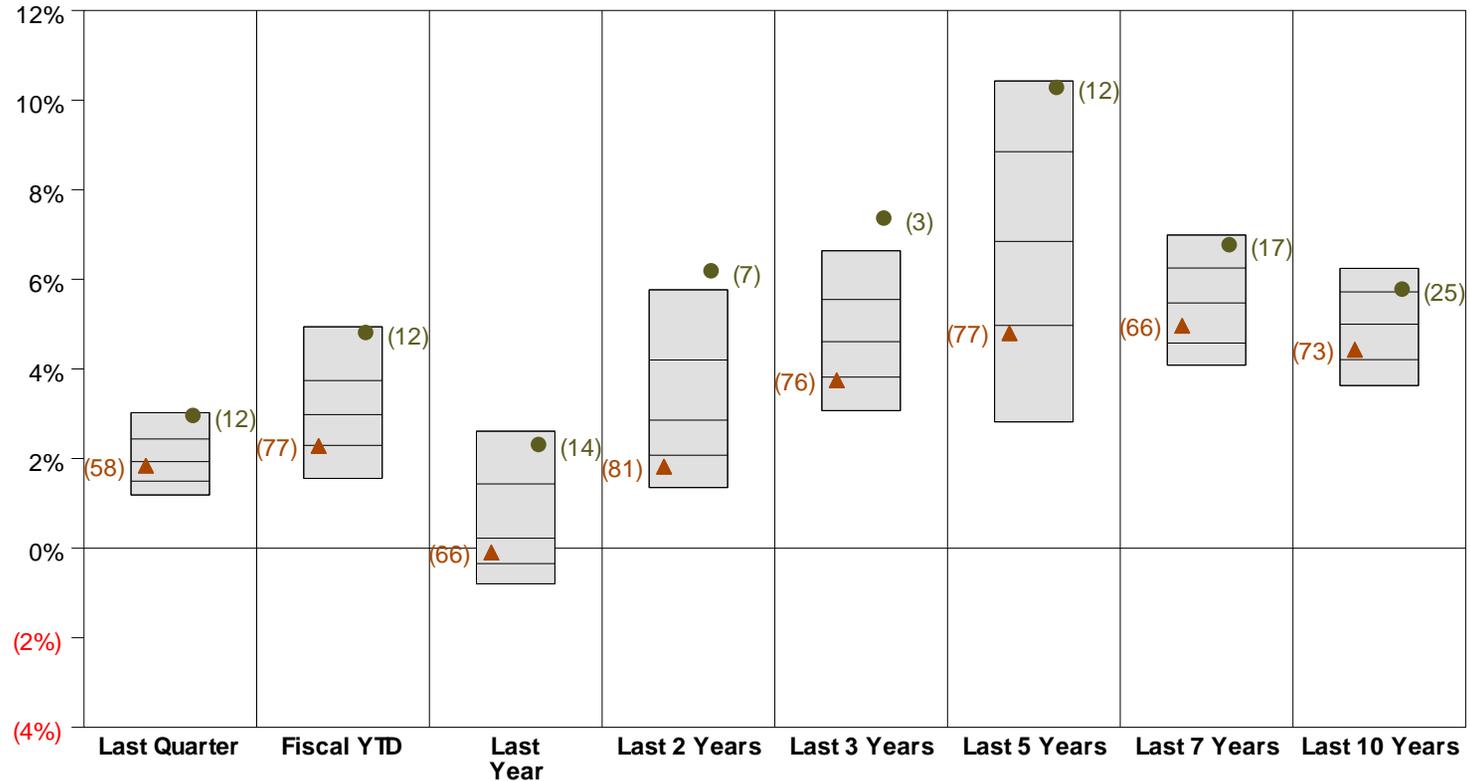


| | | | | | | | | |
|-----------------------------|--------|-------|-------|-------|------|-------|------|------|
| 10th Percentile | 1.03 | 19.78 | 19.87 | 15.13 | 8.60 | 18.09 | 3.84 | 8.77 |
| 25th Percentile | 0.72 | 18.75 | 17.87 | 14.25 | 7.59 | 17.31 | 3.15 | 8.11 |
| Median | 0.45 | 16.92 | 15.10 | 12.85 | 6.54 | 16.51 | 2.51 | 7.64 |
| 75th Percentile | 0.15 | 15.79 | 13.03 | 11.29 | 5.33 | 15.70 | 1.74 | 6.99 |
| 90th Percentile | (0.43) | 14.51 | 10.67 | 9.33 | 3.96 | 14.91 | 1.27 | 6.86 |
| International Equity | ● 1.51 | 21.78 | 20.90 | 16.51 | 8.45 | 17.21 | 1.52 | 7.15 |
| International Equity Target | ▲ 0.66 | 18.72 | 17.56 | 14.36 | 7.21 | 14.66 | 0.97 | 6.74 |

Insurance Trust: Domestic Fixed Income

As of March 31, 2014

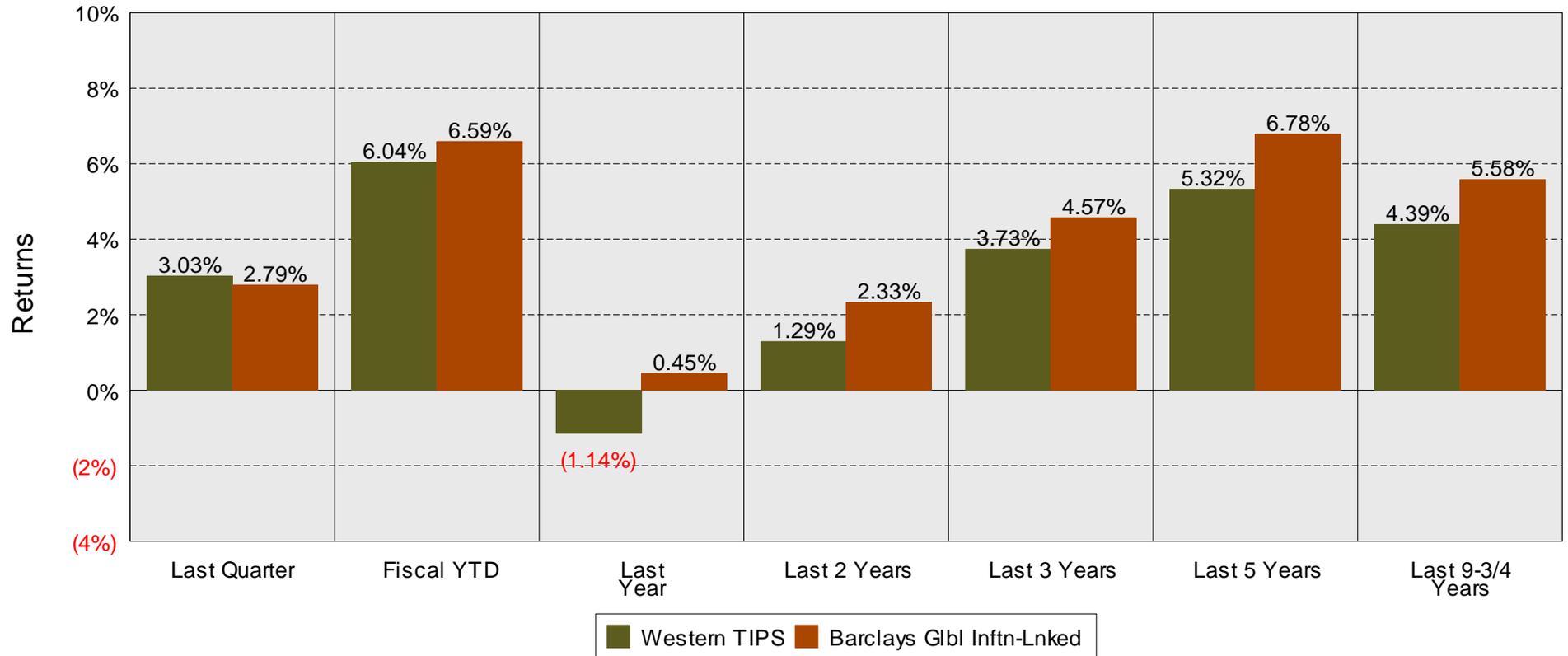
Performance vs Pub Pln- Domestic Fixed (Gross)



| | | | | | | | | | |
|------------------------------|------|------|--------|--------|------|-------|-------|------|------|
| 10th Percentile | 3.02 | 4.94 | 2.61 | 5.77 | 6.64 | 10.43 | 6.99 | 6.24 | |
| 25th Percentile | 2.44 | 3.74 | 1.43 | 4.20 | 5.55 | 8.85 | 6.25 | 5.72 | |
| Median | 1.93 | 2.98 | 0.22 | 2.86 | 4.61 | 6.85 | 5.47 | 5.00 | |
| 75th Percentile | 1.49 | 2.29 | (0.34) | 2.07 | 3.82 | 4.97 | 4.58 | 4.21 | |
| 90th Percentile | 1.19 | 1.56 | (0.80) | 1.35 | 3.07 | 2.82 | 4.08 | 3.63 | |
| Domestic Fixed Income | ● | 2.92 | 4.77 | 2.27 | 6.15 | 7.33 | 10.25 | 6.73 | 5.74 |
| Domestic Fixed Income Target | ▲ | 1.84 | 2.28 | (0.10) | 1.82 | 3.75 | 4.80 | 4.96 | 4.43 |

Western Asset Management: Global TIPS

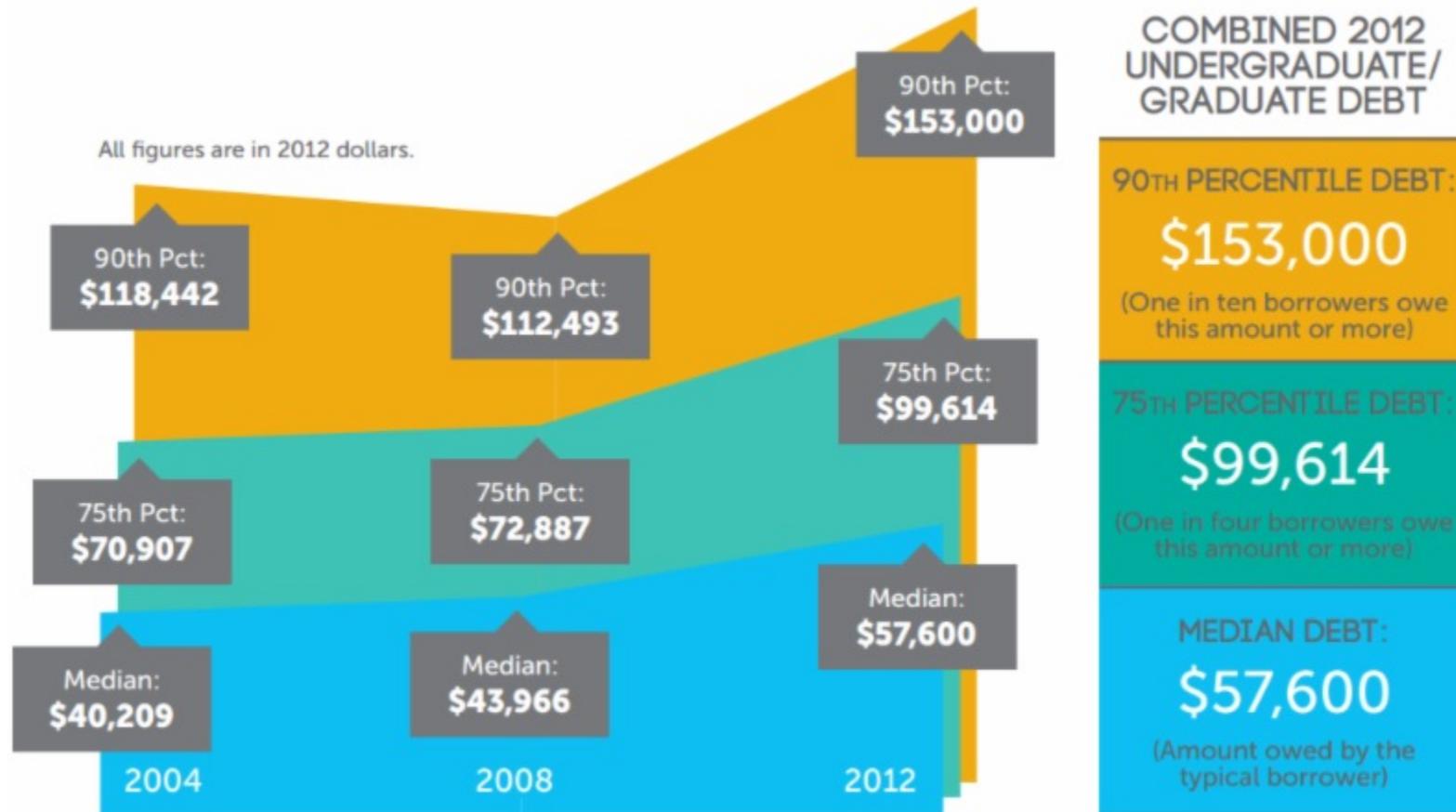
As of March 31, 2014



- Western continues to lag the Barclay's Global Inflation Protected Securities benchmark

Student debt levels are growing

Total student debt exceeds \$1 trillion



Source: US Dept. of Education, New America Foundation, "The Graduate Student Debt Review," March 2014.

- According to the New America Foundation's report, there has been a surge in graduate student debt with those students receiving approximately 40 percent of recent federal loan disbursements.
- The full study is available at:
<http://newamerica.net/sites/newamerica.net/files/policydocs/GradStudentDebtReview-Delisle-Final.pdf>

March 31, 2014



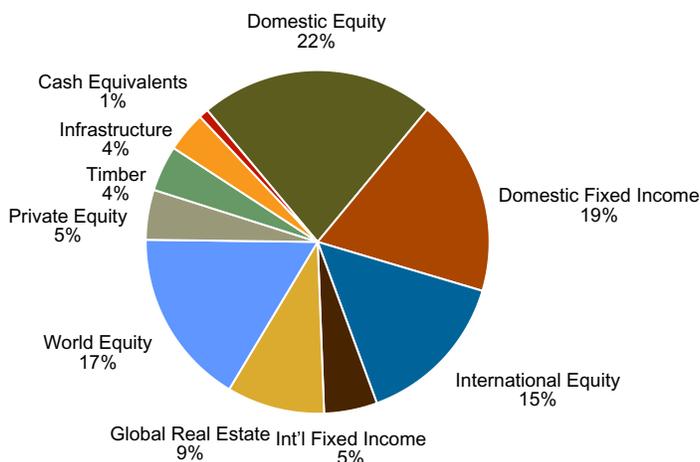
North Dakota State Investment Board Pension Funds

Investment Measurement Service
Quarterly Review

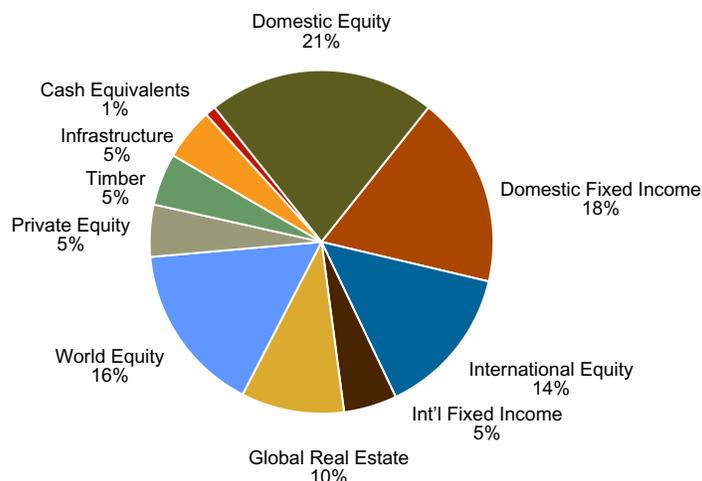
Actual vs Target Asset Allocation As of March 31, 2014

The top left chart shows the Fund's asset allocation as of March 31, 2014. The top right chart shows the Fund's target asset allocation as outlined in the investment policy statement. The bottom chart ranks the fund's asset allocation and the target allocation versus the Public Fund Sponsor Database.

Actual Asset Allocation

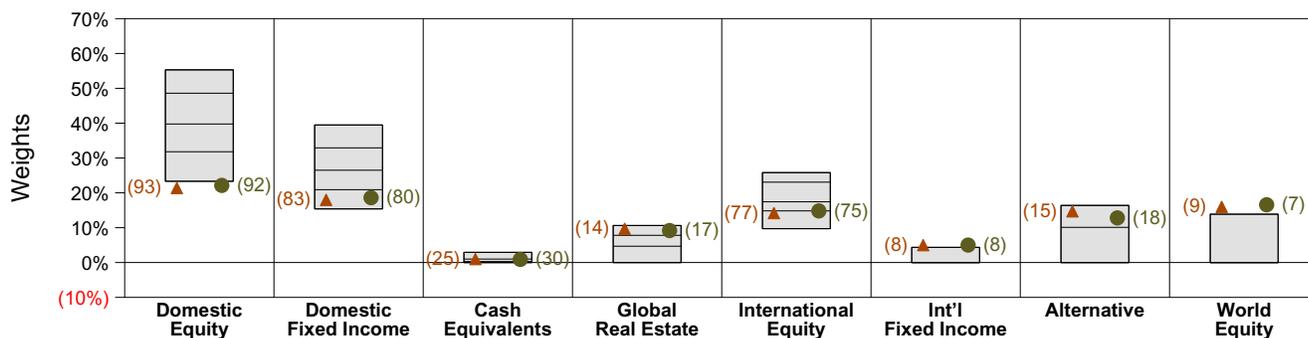


Target Asset Allocation



| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-----------------------|---------------|---------------|--------|--------------------|-------------------|
| Domestic Equity | 996,984 | 22.1% | 21.4% | 0.7% | 33,064 |
| Domestic Fixed Income | 838,027 | 18.6% | 18.0% | 0.6% | 27,254 |
| International Equity | 667,070 | 14.8% | 14.2% | 0.6% | 27,460 |
| Int'l Fixed Income | 225,476 | 5.0% | 5.0% | 0.0% | 262 |
| Global Real Estate | 413,342 | 9.2% | 9.7% | (0.5%) | (23,574) |
| World Equity | 746,710 | 16.6% | 16.0% | 0.6% | 26,023 |
| Private Equity | 209,671 | 4.7% | 4.9% | (0.2%) | (11,039) |
| Timber | 193,677 | 4.3% | 4.9% | (0.6%) | (27,034) |
| Infrastructure | 173,136 | 3.8% | 4.9% | (1.1%) | (47,575) |
| Cash Equivalents | 40,203 | 0.9% | 1.0% | (0.1%) | (4,840) |
| Total | 4,504,297 | 100.0% | 100.0% | | |

Asset Class Weights vs Public Fund Sponsor Database



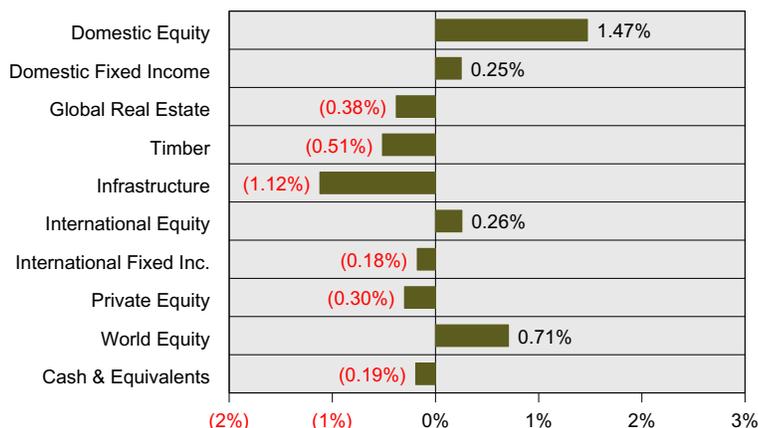
| | | | | | | | | |
|------------------|---------|--------|--------|--------|--------|--------|--------|--------|
| 10th Percentile | 55.30 | 39.48 | 2.93 | 10.63 | 25.81 | 4.36 | 16.39 | 13.88 |
| 25th Percentile | 48.59 | 32.90 | 0.99 | 7.81 | 23.06 | 0.00 | 10.10 | 0.00 |
| Median | 39.76 | 26.49 | 0.27 | 4.68 | 17.43 | 0.00 | 0.00 | 0.00 |
| 75th Percentile | 31.80 | 20.91 | 0.00 | 0.00 | 14.83 | 0.00 | 0.00 | 0.00 |
| 90th Percentile | 23.32 | 15.38 | 0.00 | 0.00 | 9.71 | 0.00 | 0.00 | 0.00 |
| Fund | ● 22.13 | 18.61 | 0.89 | 9.18 | 14.81 | 5.01 | 12.80 | 16.58 |
| Target | ▲ 21.40 | 18.00 | 1.00 | 9.70 | 14.20 | 5.00 | 14.70 | 16.00 |
| % Group Invested | 96.13% | 98.06% | 63.87% | 59.35% | 87.10% | 17.42% | 43.87% | 22.58% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

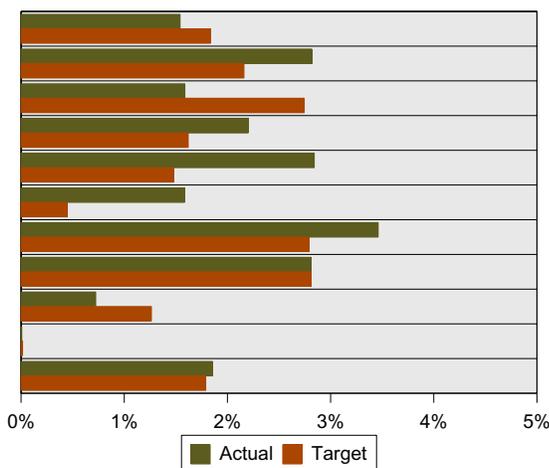
Quarterly Total Fund Relative Attribution - March 31, 2014

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

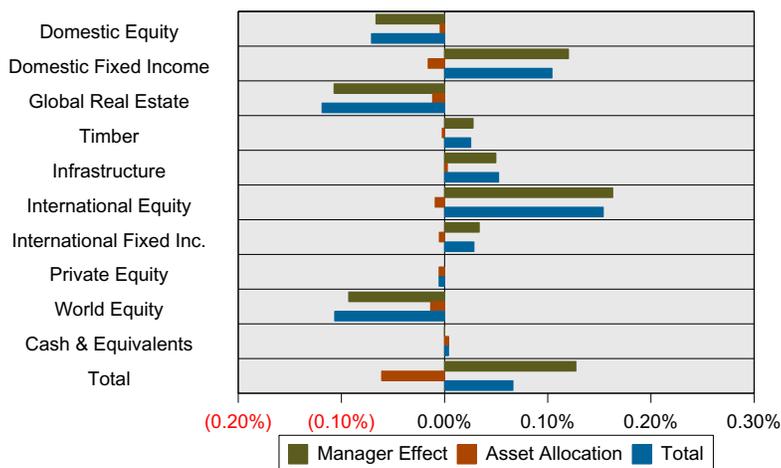
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended March 31, 2014

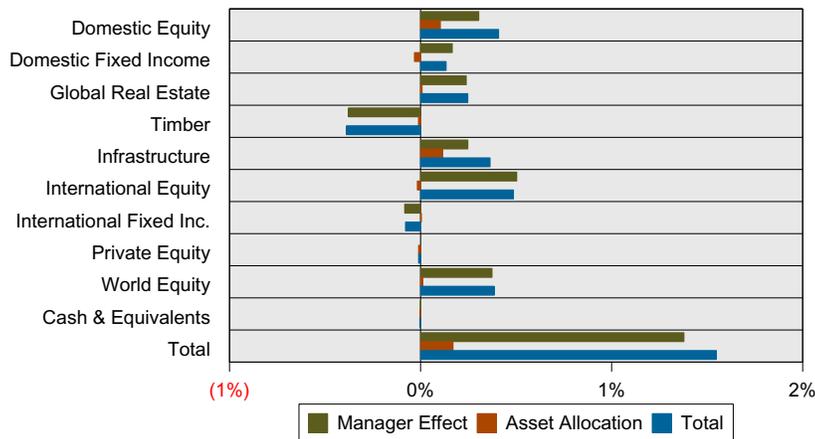
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 23% | 21% | 1.54% | 1.84% | (0.07%) | (0.00%) | (0.07%) |
| Domestic Fixed Income | 18% | 18% | 2.82% | 2.16% | 0.12% | (0.02%) | 0.10% |
| Global Real Estate | 9% | 10% | 1.59% | 2.74% | (0.11%) | (0.01%) | (0.12%) |
| Timber | 4% | 5% | 2.20% | 1.62% | 0.03% | (0.00%) | 0.03% |
| Infrastructure | 4% | 5% | 2.84% | 1.48% | 0.05% | 0.00% | 0.05% |
| International Equity | 14% | 14% | 1.58% | 0.44% | 0.16% | (0.01%) | 0.15% |
| International Fixed Inc. | 5% | 5% | 3.46% | 2.79% | 0.03% | (0.01%) | 0.03% |
| Private Equity | 5% | 5% | 2.81% | 2.81% | 0.00% | (0.01%) | (0.01%) |
| World Equity | 17% | 16% | 0.72% | 1.26% | (0.09%) | (0.01%) | (0.11%) |
| Cash & Equivalents | 1% | 1% | 0.01% | 0.01% | (0.00%) | 0.00% | 0.00% |
| Total | | | 1.86% | 1.79% | + 0.13% | + (0.06%) | 0.07% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

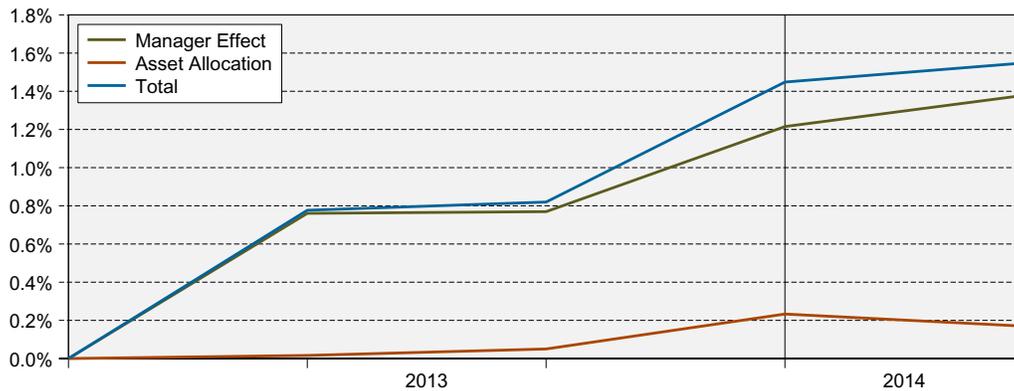
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

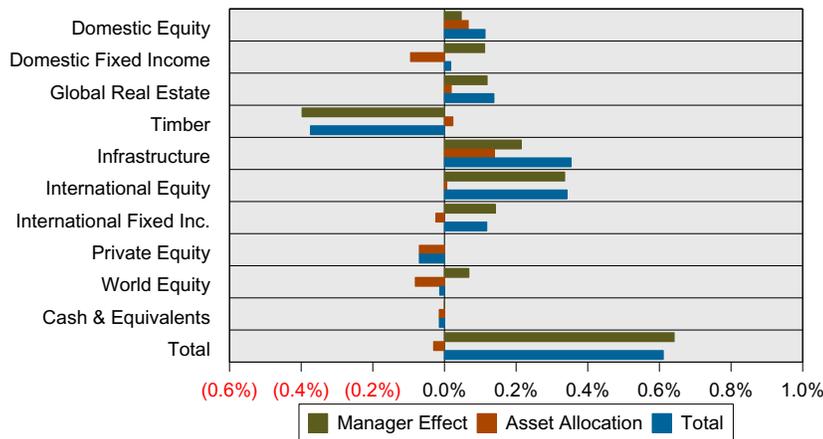
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 23% | 21% | 24.46% | 23.01% | 0.30% | 0.10% | 0.41% |
| Domestic Fixed Income | 18% | 18% | 2.80% | 1.97% | 0.17% | (0.03%) | 0.13% |
| Global Real Estate | 9% | 10% | 13.78% | 11.17% | 0.24% | 0.01% | 0.25% |
| Timber | 5% | 5% | 1.82% | 9.78% | (0.38%) | (0.01%) | (0.39%) |
| Infrastructure | 4% | 5% | 7.63% | 1.41% | 0.25% | 0.12% | 0.36% |
| International Equity | 14% | 14% | 16.84% | 13.21% | 0.50% | (0.02%) | 0.49% |
| International Fixed Inc. | 5% | 5% | 1.51% | 3.24% | (0.08%) | 0.00% | (0.08%) |
| Private Equity | 5% | 5% | 7.72% | 7.72% | 0.00% | (0.01%) | (0.01%) |
| World Equity | 17% | 16% | 21.50% | 19.07% | 0.37% | 0.01% | 0.39% |
| Cash & Equivalents | 1% | 1% | 0.04% | 0.07% | (0.00%) | (0.00%) | (0.00%) |
| Total | | | 13.82% | 12.27% | + 1.38% | + 0.17% | 1.55% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

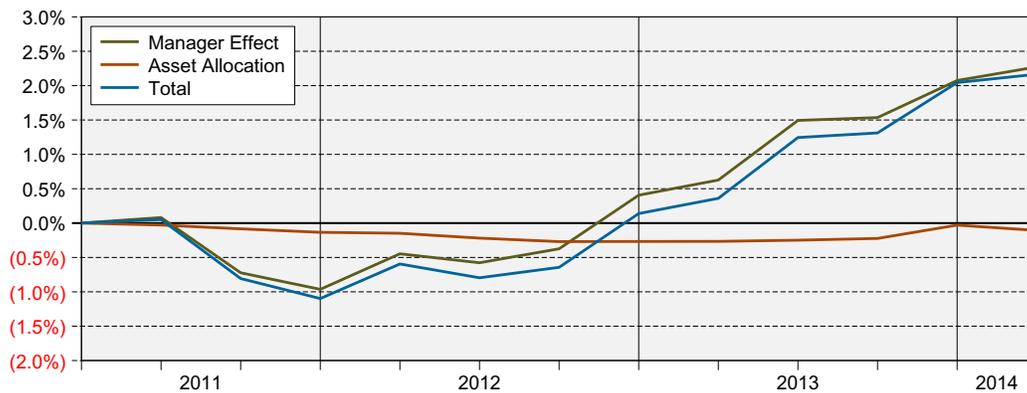
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

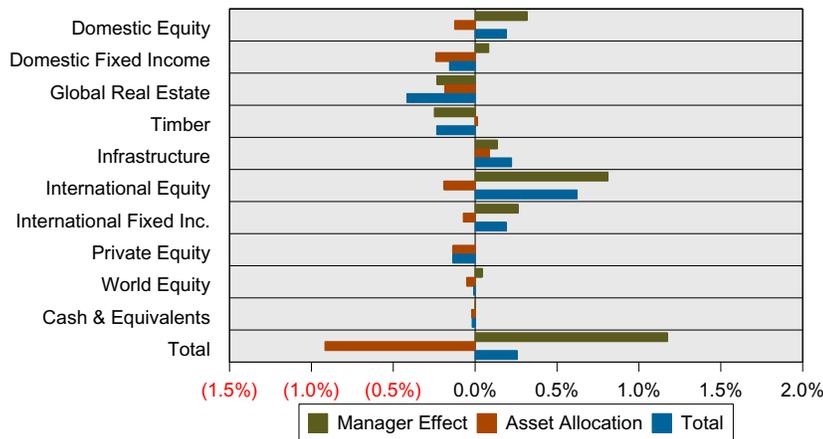
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 28% | 27% | 15.07% | 14.60% | 0.05% | 0.07% | 0.11% |
| Domestic Fixed Income | 19% | 19% | 6.47% | 5.32% | 0.11% | (0.09%) | 0.02% |
| Global Real Estate | 9% | 9% | 13.22% | 11.69% | 0.12% | 0.02% | 0.14% |
| Timber | 4% | 4% | (1.11%) | 6.47% | (0.40%) | 0.02% | (0.37%) |
| Infrastructure | 3% | 4% | 7.03% | 1.30% | 0.21% | 0.14% | 0.35% |
| International Equity | 17% | 17% | 7.00% | 4.91% | 0.34% | 0.01% | 0.34% |
| International Fixed Inc. | 5% | 5% | 4.55% | 2.06% | 0.14% | (0.02%) | 0.12% |
| Private Equity | 5% | 5% | 5.91% | 5.91% | 0.00% | (0.07%) | (0.07%) |
| World Equity | 8% | 9% | 13.85% | 14.11% | 0.07% | (0.08%) | (0.01%) |
| Cash & Equivalents | 1% | 1% | 0.09% | 0.08% | 0.00% | (0.01%) | (0.01%) |
| Total | | | 9.01% | 8.39% | + 0.64% | + (0.03%) | 0.61% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

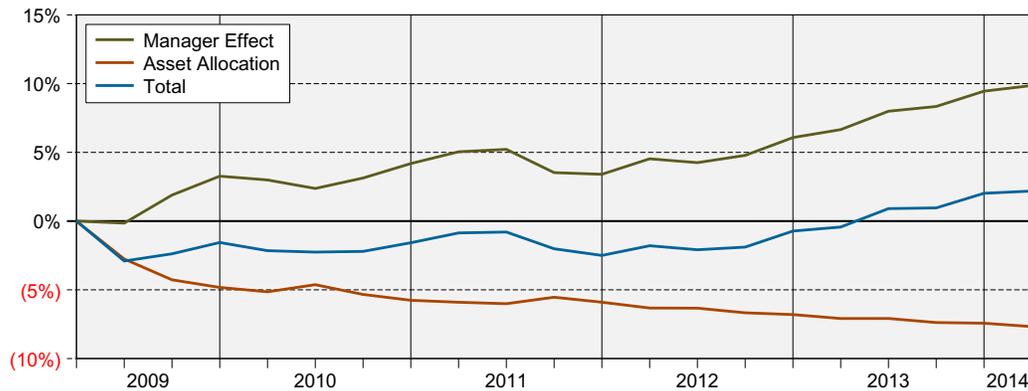
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

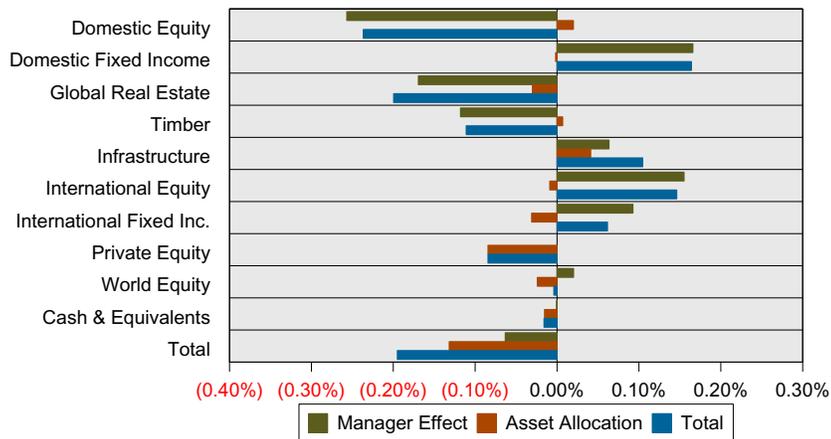
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 31% | 32% | 23.30% | 22.18% | 0.32% | (0.13%) | 0.19% |
| Domestic Fixed Income | 23% | 22% | 9.00% | 8.14% | 0.08% | (0.24%) | (0.16%) |
| Global Real Estate | 8% | 8% | 5.14% | 7.89% | (0.23%) | (0.18%) | (0.42%) |
| Timber | 3% | 2% | - | - | (0.25%) | 0.01% | (0.23%) |
| Infrastructure | 2% | 2% | - | - | 0.13% | 0.09% | 0.22% |
| International Equity | 17% | 17% | 20.27% | 14.96% | 0.81% | (0.19%) | 0.62% |
| International Fixed Inc. | 5% | 5% | 8.90% | 4.69% | 0.26% | (0.07%) | 0.19% |
| Private Equity | 5% | 5% | 6.88% | 6.88% | 0.00% | (0.13%) | (0.13%) |
| World Equity | 5% | 5% | - | - | 0.04% | (0.05%) | (0.01%) |
| Cash & Equivalents | 1% | 1% | 0.16% | 0.12% | 0.00% | (0.02%) | (0.02%) |
| Total | | | 14.45% | 14.19% | + 1.17% | + (0.92%) | 0.26% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

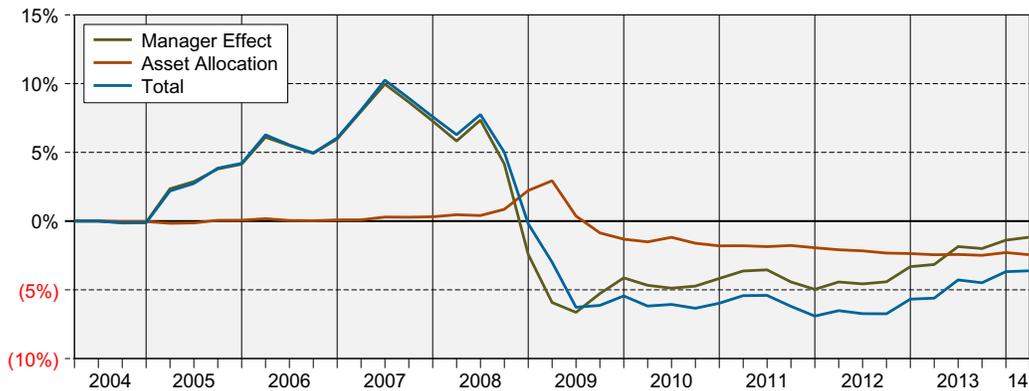
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Ten Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Ten Year Annualized Relative Attribution Effects

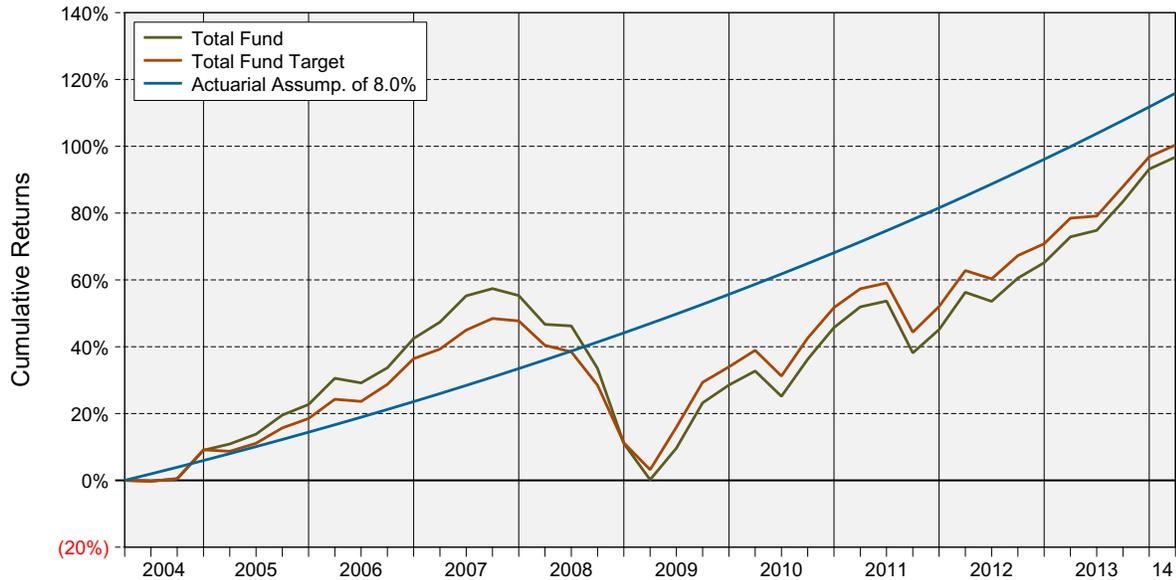
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|--------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Domestic Equity | 35% | 35% | 6.96% | 7.83% | (0.26%) | 0.02% | (0.24%) |
| Domestic Fixed Income | 24% | 23% | 7.06% | 5.71% | 0.17% | (0.00%) | 0.16% |
| Global Real Estate | 8% | 8% | 6.82% | 8.65% | (0.17%) | (0.03%) | (0.20%) |
| Timber | 1% | 1% | - | - | (0.12%) | 0.01% | (0.11%) |
| Infrastructure | 1% | 1% | - | - | 0.06% | 0.04% | 0.10% |
| International Equity | 18% | 18% | 8.86% | 7.92% | 0.16% | (0.01%) | 0.15% |
| International Fixed Inc. | 5% | 5% | 6.29% | 4.55% | 0.09% | (0.03%) | 0.06% |
| Private Equity | 5% | 5% | 5.42% | 5.42% | 0.00% | (0.08%) | (0.08%) |
| World Equity | 3% | 3% | - | - | 0.02% | (0.02%) | (0.00%) |
| Cash & Equivalents | 1% | 1% | 1.47% | 1.65% | (0.00%) | (0.02%) | (0.02%) |
| Total | | | 7.00% | 7.20% | (0.06%) | (0.13%) | (0.20%) |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

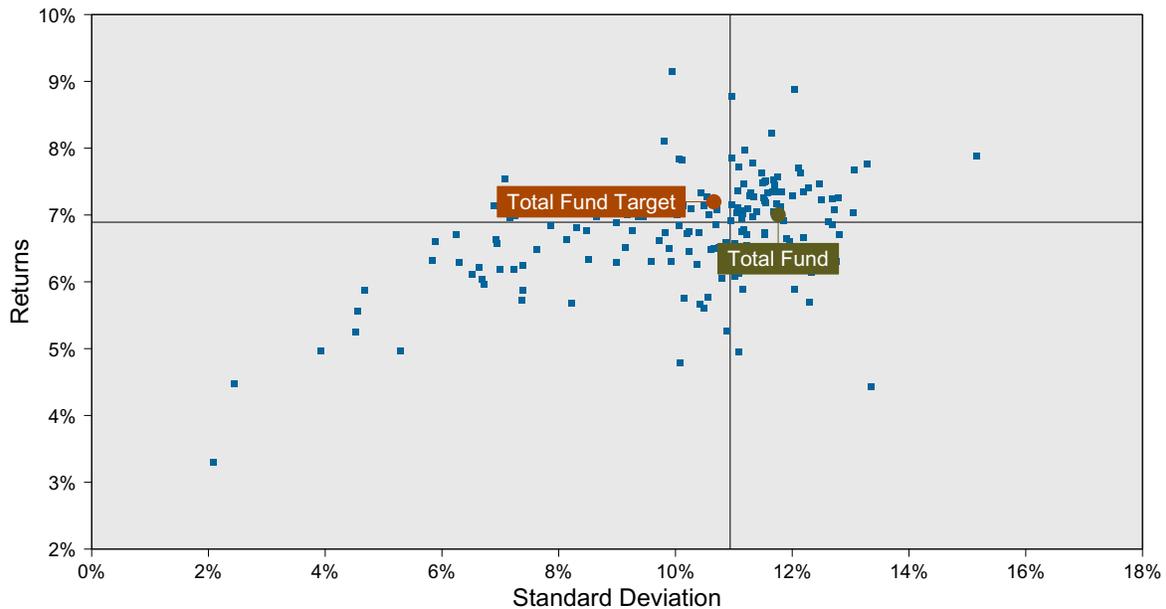
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Ten Year Annualized Risk vs Return



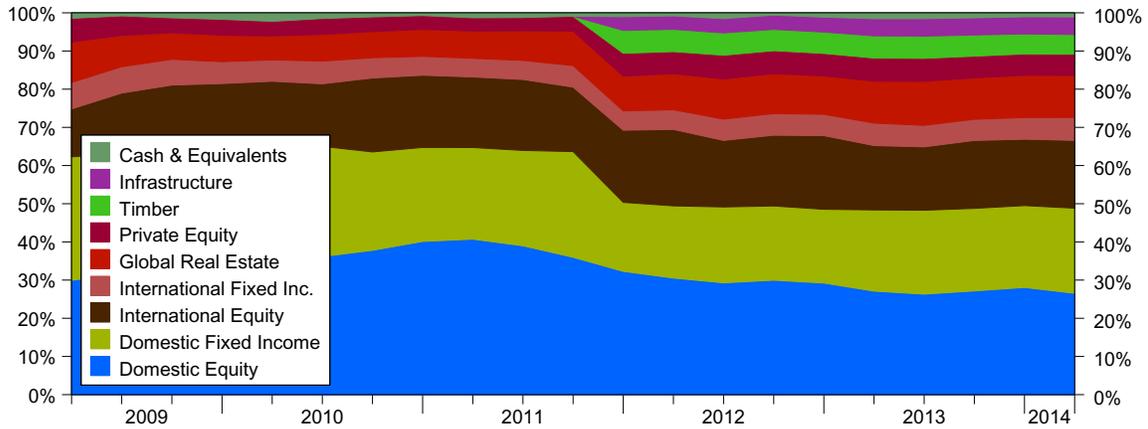
Squares represent membership of the Public Fund Sponsor Database

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

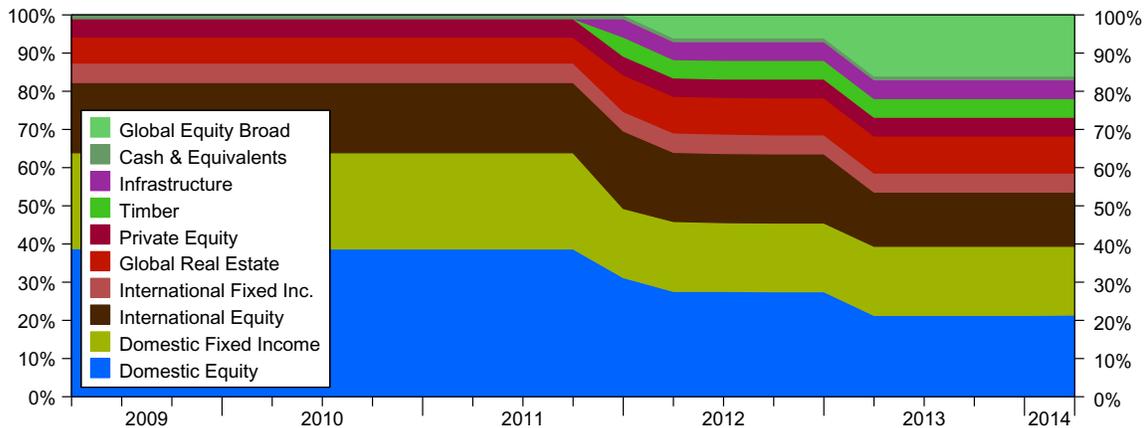
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, the fund's historical target asset allocation, and the historical asset allocation of the average fund in the Public Fund Sponsor Database.

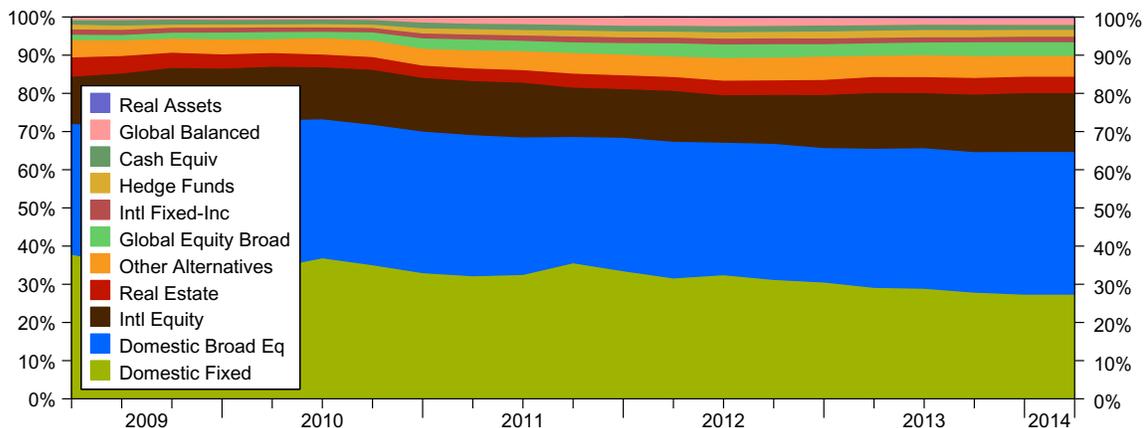
Actual Historical Asset Allocation



Target Historical Asset Allocation



Average Public Fund Sponsor Database Historical Asset Allocation

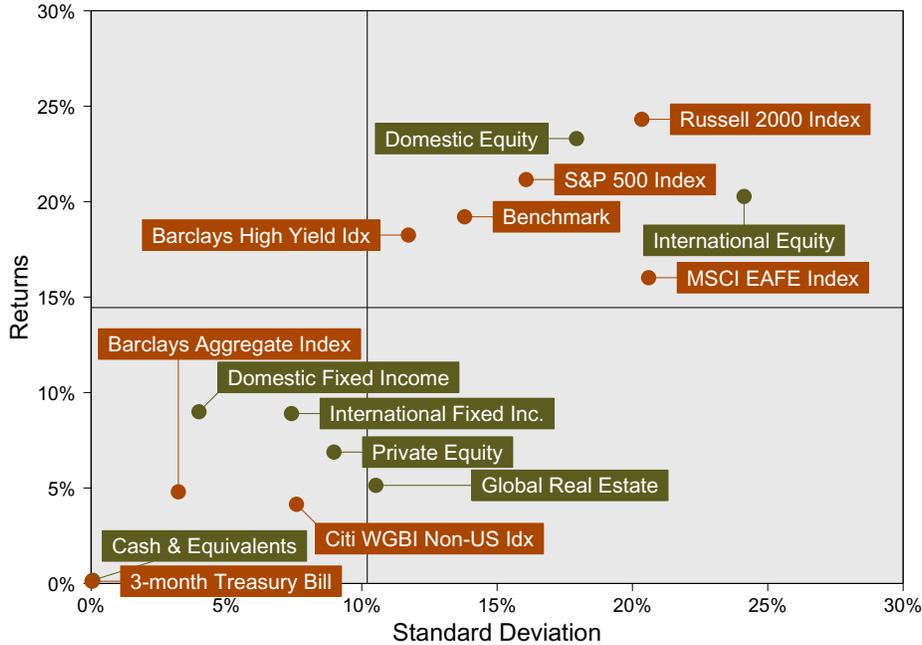


* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

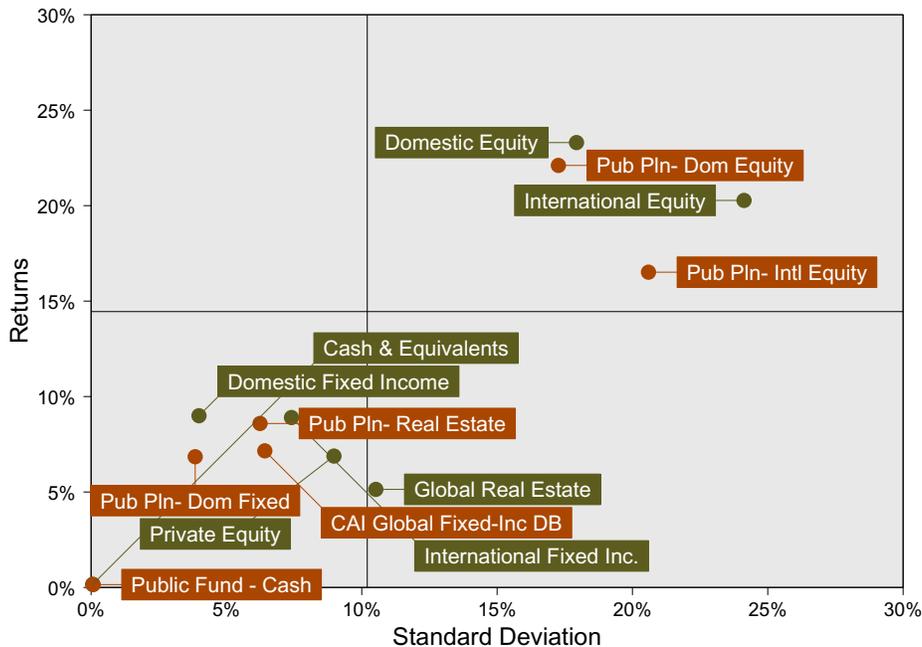
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

**Five Year Annualized Risk vs Return
Asset Classes vs Benchmark Indices**



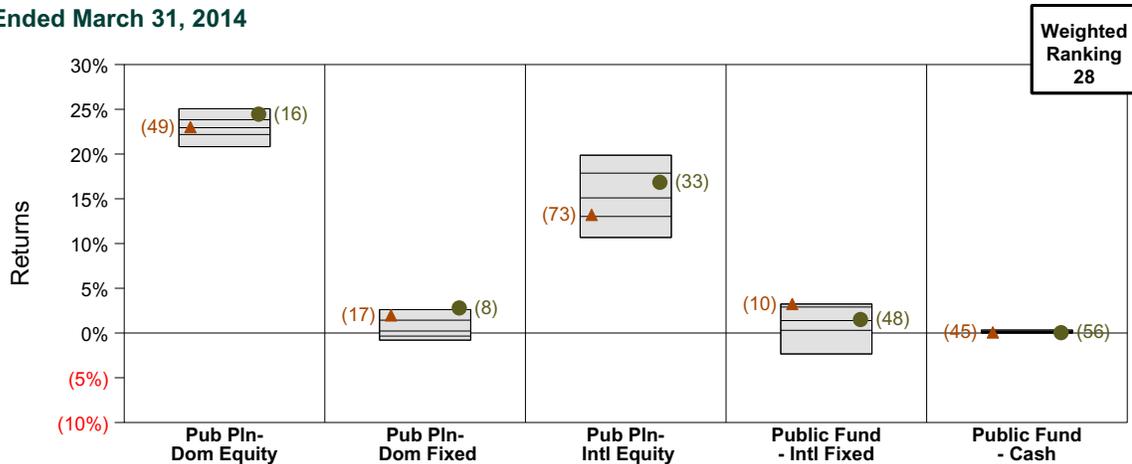
**Five Year Annualized Risk vs Return
Asset Classes vs Asset Class Median**



Asset Class Rankings

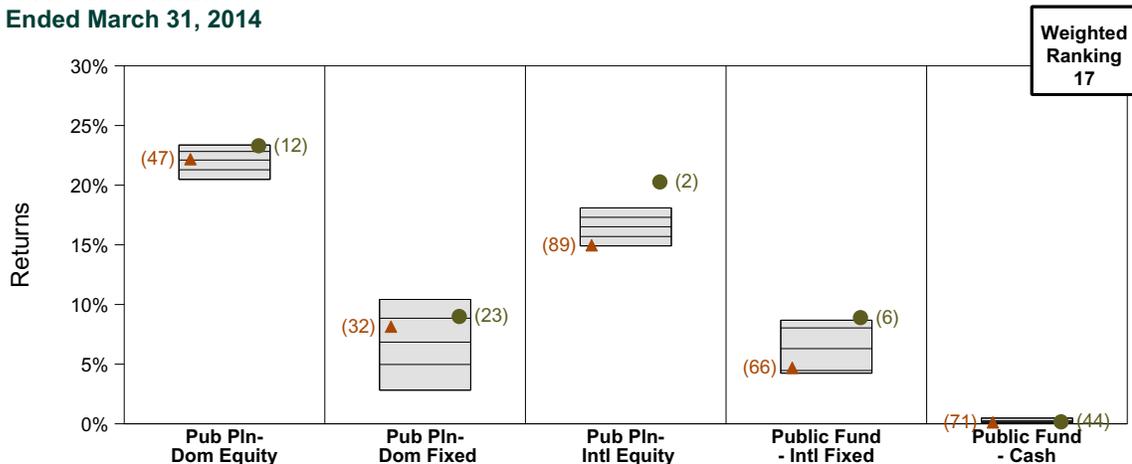
The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper right corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance One Year Ended March 31, 2014



| | Pub Pln-Dom Equity | Pub Pln-Dom Fixed | Pub Pln-Intl Equity | Public Fund - Intl Fixed | Public Fund - Cash |
|--------------------------------|--------------------|-------------------|---------------------|--------------------------|--------------------|
| 10th Percentile | 25.06 | 2.61 | 19.87 | 3.24 | 0.33 |
| 25th Percentile | 23.84 | 1.43 | 17.87 | 2.90 | 0.17 |
| Median | 22.95 | 0.22 | 15.10 | 1.39 | 0.05 |
| 75th Percentile | 22.18 | (0.34) | 13.03 | 0.30 | 0.02 |
| 90th Percentile | 20.82 | (0.80) | 10.67 | (2.34) | 0.01 |
| Asset Class Composite ● | 24.46 | 2.80 | 16.84 | 1.51 | 0.04 |
| Composite Benchmark ▲ | 23.01 | 1.97 | 13.21 | 3.24 | 0.07 |

Total Asset Class Performance Five Years Ended March 31, 2014



| | Pub Pln-Dom Equity | Pub Pln-Dom Fixed | Pub Pln-Intl Equity | Public Fund - Intl Fixed | Public Fund - Cash |
|--------------------------------|--------------------|-------------------|---------------------|--------------------------|--------------------|
| 10th Percentile | 23.37 | 10.43 | 18.09 | 8.68 | 0.48 |
| 25th Percentile | 22.83 | 8.85 | 17.31 | 8.04 | 0.25 |
| Median | 22.11 | 6.85 | 16.51 | 6.30 | 0.15 |
| 75th Percentile | 21.29 | 4.97 | 15.70 | 4.47 | 0.11 |
| 90th Percentile | 20.49 | 2.82 | 14.91 | 4.24 | 0.06 |
| Asset Class Composite ● | 23.30 | 9.00 | 20.27 | 8.90 | 0.16 |
| Composite Benchmark ▲ | 22.18 | 8.14 | 14.96 | 4.69 | 0.12 |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of March 31, 2014, with the distribution as of December 31, 2013. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

| | March 31, 2014 | | Net New Inv. | Inv. Return | December 31, 2013 | |
|----------------------------------|------------------------|---------------|-----------------------|---------------------|------------------------|---------------|
| | Market Value | Weight | | | Market Value | Weight |
| GLOBAL EQUITY | \$2,620,435,006 | 58.18% | \$(54,556,778) | \$37,015,834 | \$2,637,975,949 | 59.39% |
| Domestic Equity | \$996,983,530 | 22.13% | \$(52,970,302) | \$15,810,682 | \$1,034,143,150 | 23.28% |
| Large Cap Domestic Equity | \$763,408,168 | 16.95% | \$(24,608,891) | \$11,746,081 | \$776,270,978 | 17.48% |
| L.A. Capital | 294,203,956 | 6.53% | (160,971) | 2,556,799 | 291,808,128 | 6.57% |
| LACM Enhanced Index | 198,372,363 | 4.40% | (24,067,426) | 2,075,002 | 220,364,787 | 4.96% |
| NTGI Enhanced S&P 500 | 113,796,079 | 2.53% | (380,494) | 3,695,433 | 110,481,139 | 2.49% |
| Parametric Clifton Enh S&P 500 | 157,035,770 | 3.49% | 0 | 3,418,847 | 153,616,924 | 3.46% |
| Small Cap Domestic Equity | \$233,575,362 | 5.19% | \$(28,361,411) | \$4,064,601 | \$257,872,172 | 5.81% |
| Callan | 118,137,434 | 2.62% | (28,235,212) | 2,181,895 | 144,190,751 | 3.25% |
| Parametric Clifton Enh Small Cap | 115,427,252 | 2.56% | 0 | 1,960,373 | 113,466,879 | 2.55% |
| SEI Investments | 10,677 | 0.00% | (126,199) | (77,666) | 214,542 | 0.00% |
| International Equity | \$667,070,009 | 14.81% | \$16,417,557 | \$10,262,989 | \$640,389,463 | 14.42% |
| Developed Int'l Equity | \$521,345,916 | 11.57% | \$3,422,930 | \$8,951,722 | \$508,971,263 | 11.46% |
| Capital Guardian Trust Co. | 105,214,281 | 2.34% | (92,469) | 473,138 | 104,833,612 | 2.36% |
| Parametric Clifton EAFE Index | - | - | (761) | (111,723) | 112,485 | 0.00% |
| DFA Int'l Small Cap | 80,399,959 | 1.78% | (124,286) | 4,741,976 | 75,782,269 | 1.71% |
| NTGI World Ex US | 248,050,834 | 5.51% | 3,925,173 | 2,043,223 | 242,082,438 | 5.45% |
| Wellington Management Co. | 87,542,384 | 1.94% | (177,076) | 1,797,913 | 85,921,548 | 1.93% |
| Transition Account | 138,457 | 0.00% | (107,650) | 7,195 | 238,911 | 0.01% |
| Emerging Markets Equity | \$145,724,093 | 3.24% | \$12,994,627 | \$1,311,267 | \$131,418,199 | 2.96% |
| DFA | 34,709,629 | 0.77% | (53,258) | 1,188,542 | 33,574,345 | 0.76% |
| JP Morgan | 24,257,248 | 0.54% | (46,498) | 136,381 | 24,167,365 | 0.54% |
| PanAgora | - | - | (3) | 0 | 3 | 0.00% |
| UBS Global | - | - | (51) | () | 51 | 0.00% |
| NTGI Emerging Markets | 86,757,216 | 1.93% | 13,440,115 | (7,914) | 73,325,015 | 1.65% |
| Emerging Markets Transition | - | - | (345,678) | (5,742) | 351,421 | 0.01% |
| World Equity | \$746,710,288 | 16.58% | \$(16,125,278) | \$5,220,102 | \$757,615,464 | 17.06% |
| EPOCH Investment Partners | 293,179,975 | 6.51% | (456,845) | (4,438,939) | 298,075,759 | 6.71% |
| LSV Asset Management | 453,530,314 | 10.07% | (15,615,950) | 9,659,871 | 459,486,393 | 10.34% |
| Global Equity Transition | - | - | (52,483) | (829) | 53,312 | 0.00% |

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of March 31, 2014, with the distribution as of December 31, 2013. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

| | March 31, 2014 | | | December 31, 2013 | | |
|----------------------------------|----------------------|--------------|----------------------|--------------------|----------------------|--------------|
| | Market Value | Weight | Net New Inv. | Inv. Return | Market Value | Weight |
| Private Equity | \$209,671,178 | 4.65% | \$(1,878,755) | \$5,722,061 | \$205,827,872 | 4.63% |
| Adams Street Direct Co-Invest Fd | 15,910,857 | 0.35% | (1,416,018) | 660,398 | 16,666,477 | 0.38% |
| Adams Street Direct Fund 2010 | 1,349,245 | 0.03% | 124,742 | 94,052 | 1,130,451 | 0.03% |
| Adams Street 1998 Partnership | 120,175 | 0.00% | 0 | 65 | 120,110 | 0.00% |
| Adams Street 1999 Partnership | 904,302 | 0.02% | 0 | 34,810 | 869,492 | 0.02% |
| Adams Street 2000 Partnership | 2,661,128 | 0.06% | (561,198) | 214,918 | 3,007,408 | 0.07% |
| Adams Street 2001 Partnership | 3,176,020 | 0.07% | 0 | 131,672 | 3,044,348 | 0.07% |
| Adams Street 2002 Partnership | 1,747,342 | 0.04% | (297,652) | 146,213 | 1,898,781 | 0.04% |
| Adams Street 2003 Partnership | 700,105 | 0.02% | (128,383) | 30,910 | 797,578 | 0.02% |
| Adams Street 2010 Partnership | 3,643,184 | 0.08% | 142,705 | 251,653 | 3,248,826 | 0.07% |
| Adams Street 2008 Fund | 5,863,513 | 0.13% | 0 | 464,694 | 5,398,819 | 0.12% |
| Adams Street 1999 Non-US | 556,983 | 0.01% | 0 | 1,344 | 555,639 | 0.01% |
| Adams Street 2000 Non-US | 992,352 | 0.02% | (142,970) | 70,419 | 1,064,903 | 0.02% |
| Adams Street 2001 Non-US | 607,692 | 0.01% | 0 | 54,019 | 553,673 | 0.01% |
| Adams Street 2002 Non-US | 1,640,577 | 0.04% | (304,352) | (30,258) | 1,975,187 | 0.04% |
| Adams Street 2003 Non-US | 1,711,662 | 0.04% | (312,343) | 135,973 | 1,888,032 | 0.04% |
| Adams Street 2004 Non-US | 1,121,964 | 0.02% | (149,946) | 122,274 | 1,149,636 | 0.03% |
| Adams Street 2010 Non-US | 1,756,157 | 0.04% | 0 | 96,347 | 1,659,810 | 0.04% |
| Adams Street 2010 Non-US Emg | 598,598 | 0.01% | 97,500 | 28,269 | 472,829 | 0.01% |
| Adams Street BVCF IV Fund | 5,658,318 | 0.13% | 0 | 348,988 | 5,309,330 | 0.12% |
| Coral Partner VI | 2,218,548 | 0.05% | 0 | (287,750) | 2,506,298 | 0.06% |
| Hearthstone Advisors MSII | 1 | 0.00% | 0 | 0 | 1 | 0.00% |
| Hearthstone Advisors MSIII | 163,684 | 0.00% | 0 | 163,683 | 1 | 0.00% |
| CorsAir III | 12,329,724 | 0.27% | 64,969 | (71,876) | 12,336,631 | 0.28% |
| ND Investors | 11,610,720 | 0.26% | 55,000 | (55,000) | 11,610,720 | 0.26% |
| CorsAir IV | 10,409,133 | 0.23% | (967,149) | (118,033) | 11,494,315 | 0.26% |
| Capital International V | 21,011,935 | 0.47% | 156,174 | 922,430 | 19,933,331 | 0.45% |
| Capital International VI | 13,823,441 | 0.31% | 1,669,751 | 20,804 | 12,132,886 | 0.27% |
| TCW Energy Fund XIV | 23,560,425 | 0.52% | 512,888 | (720,699) | 23,768,236 | 0.54% |
| Lewis & Clark, LP | 4,968,787 | 0.11% | (1,152,800) | () | 6,121,587 | 0.14% |
| Lewis & Clark II | 10,156,725 | 0.23% | 0 | 0 | 10,156,725 | 0.23% |
| Quantum Energy Partners | 8,779,832 | 0.19% | 0 | 0 | 8,779,832 | 0.20% |
| Quantum Resources | 8,864,569 | 0.20% | (85,398) | () | 8,949,967 | 0.20% |
| Matlin Patterson I | 11,987 | 0.00% | 0 | 0 | 11,987 | 0.00% |
| Matlin Patterson II | 1,284,061 | 0.03% | 0 | (206,402) | 1,490,463 | 0.03% |
| Matlin Patterson III | 29,757,432 | 0.66% | 815,725 | 3,218,144 | 25,723,563 | 0.58% |

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of March 31, 2014, with the distribution as of December 31, 2013. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

| | March 31, 2014 | | Net New Inv. | Inv. Return | December 31, 2013 | |
|--------------------------------------|------------------------|---------------|-----------------------|---------------------|------------------------|---------------|
| | Market Value | Weight | | | Market Value | Weight |
| GLOBAL FIXED INCOME | \$1,063,503,371 | 23.61% | \$34,907,192 | \$29,639,598 | \$998,956,581 | 22.49% |
| Domestic Fixed Income | \$838,026,948 | 18.61% | \$25,491,000 | \$22,317,179 | \$790,218,768 | 17.79% |
| Inv. Grade Fixed Income | \$597,267,992 | 13.26% | \$17,600,695 | \$13,605,194 | \$566,062,102 | 12.74% |
| Declaration Total Return | 69,859,639 | 1.55% | 3,297,338 | 1,079,914 | 65,482,387 | 1.47% |
| PIMCO DiSCO II | 82,312,107 | 1.83% | 0 | 2,666,866 | 79,645,241 | 1.79% |
| PIMCO MBS | 171,781,979 | 3.81% | 7,357,316 | 2,513,105 | 161,911,557 | 3.64% |
| PIMCO Unconstrained | 93,078,311 | 2.07% | 3,100,000 | 1,168,705 | 88,809,606 | 2.00% |
| SSgA Long US Treas Index | 65,336,549 | 1.45% | (10,679) | 4,323,777 | 61,023,451 | 1.37% |
| Western Asset Management Co. | 114,899,407 | 2.55% | 3,856,721 | 1,852,828 | 109,189,859 | 2.46% |
| Below Inv. Grade Fixed Income | \$240,758,956 | 5.35% | \$7,890,305 | \$8,711,985 | \$224,156,666 | 5.05% |
| Goldman Sachs 2006 Offshore | 2,441,791 | 0.05% | (1,047,851) | 235,458 | 3,254,184 | 0.07% |
| Goldman Sachs Offshore V | 10,643,159 | 0.24% | (136,714) | 94,485 | 10,685,388 | 0.24% |
| Loomis Sayles | 218,248,182 | 4.85% | 5,343,479 | 7,687,609 | 205,217,094 | 4.62% |
| PIMCO Bravo Fund II | 9,425,824 | 0.21% | 3,731,391 | 694,433 | 5,000,000 | 0.11% |
| Internationall Fixed Income | \$225,476,424 | 5.01% | \$9,416,192 | \$7,322,419 | \$208,737,813 | 4.70% |
| Brandywine | 113,228,839 | 2.51% | 3,491,884 | 4,600,711 | 105,136,244 | 2.37% |
| UBS Global Asset Mgmt. | 112,247,584 | 2.49% | 5,924,308 | 2,721,708 | 103,601,569 | 2.33% |
| GLOBAL REAL ASSETS | \$780,155,041 | 17.32% | \$(2,436,088) | \$15,493,260 | \$767,097,869 | 17.27% |
| Global Real Estate | \$413,342,366 | 9.18% | \$(970,079) | \$6,487,565 | \$407,824,880 | 9.18% |
| Invesco Core Real Estate | 152,769,302 | 3.39% | (149,341) | 2,570,494 | 150,348,150 | 3.38% |
| Invesco Real Estate Fund II | 24,076,053 | 0.53% | 0 | 479,230 | 23,596,823 | 0.53% |
| Invesco Real Estate Fund III | 33,988,415 | 0.75% | 9,677,962 | 1,011,339 | 23,299,114 | 0.52% |
| Invesco Asia RE Feeder | 26,282,038 | 0.58% | 466,000 | (1,559,033) | 27,375,071 | 0.62% |
| JP Morgan | 141,311,550 | 3.14% | (315,520) | 3,578,572 | 138,048,498 | 3.11% |
| JP Morgan Alternative Fd | 4,207,300 | 0.09% | (501,785) | (121,911) | 4,830,997 | 0.11% |
| JP Morgan China Property Fd | 14,946,170 | 0.33% | (4,124,465) | 528,181 | 18,542,454 | 0.42% |
| JP Morgan Greater European Opp Fd | 15,761,538 | 0.35% | (6,022,928) | 693 | 21,783,773 | 0.49% |
| Timber | \$193,676,926 | 4.30% | \$(4,025,934) | \$4,257,812 | \$193,445,048 | 4.35% |
| TIR - Teredo | 71,996,360 | 1.60% | (4,000,000) | 2,944,247 | 73,052,113 | 1.64% |
| TIR - Springbank | 121,680,566 | 2.70% | (25,934) | 1,313,565 | 120,392,935 | 2.71% |
| Infrastructure | \$173,135,749 | 3.84% | \$2,559,925 | \$4,747,883 | \$165,827,941 | 3.73% |
| JP Morgan Asian Infrastructure | 31,247,540 | 0.69% | (25,479) | 1,119,580 | 30,153,439 | 0.68% |
| JP Morgan IIF | 106,874,774 | 2.37% | (283,307) | 3,703,304 | 103,454,777 | 2.33% |
| Credit Suisse Cust. Infrastructure | 35,013,435 | 0.78% | 2,868,710 | (75,000) | 32,219,725 | 0.73% |
| CASH & CASH EQUIVALENTS | \$40,203,153 | 0.89% | \$2,181,147 | \$2,658 | \$38,019,348 | 0.86% |
| Cash Account | 40,203,153 | 0.89% | 2,181,147 | 2,658 | 38,019,348 | 0.86% |
| Total Fund | \$4,504,296,571 | 100.0% | \$(19,904,527) | \$82,151,350 | \$4,442,049,748 | 100.0% |

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended March 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2014

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|---|-----------------|----------------|--------------------|--------------------|---------------------|
| GLOBAL EQUITY | 1.43% | 20.30% | - | - | - |
| Wtd Avg Global Equity Bench | 1.42% | 18.22% | - | - | - |
| Domestic Equity | 1.54% | 24.46% | 15.07% | 23.30% | 6.96% |
| Wtd Avg Domestic Equity Bench | 1.84% | 23.01% | 14.60% | 22.18% | 7.83% |
| Large Cap Domestic Equity | 1.53% | 23.40% | 14.89% | 21.07% | 6.16% |
| Large Cap Benchmark (1) | 2.05% | 22.41% | 15.09% | 21.43% | 7.54% |
| L.A. Capital | 0.88% | 23.64% | 14.02% | 21.60% | 9.27% |
| Russell 1000 Growth Index | 1.12% | 23.22% | 14.62% | 21.68% | 7.86% |
| LACM Enhanced Index | 1.05% | 23.61% | 14.71% | 21.74% | 8.59% |
| Russell 1000 Index | 2.05% | 22.41% | 14.75% | 21.73% | 7.80% |
| NTGI Enhanced S&P 500 | 3.35% | 26.05% | 17.05% | 22.91% | 7.88% |
| Parametric Clifton Enh S&P 500 | 2.23% | 21.04% | - | - | - |
| S&P 500 Index | 1.81% | 21.86% | 14.66% | 21.16% | 7.42% |
| Small Cap Domestic Equity | 1.51% | 27.74% | 15.76% | 31.30% | 24.26% |
| Callan | 1.37% | 29.88% | 14.78% | 26.92% | - |
| Parametric Clifton Enh Small Cap | 1.73% | 25.43% | 14.55% | - | - |
| Russell 2000 Index | 1.12% | 24.90% | 13.18% | 24.31% | 8.53% |
| International Equity | 1.58% | 16.84% | 7.00% | 20.27% | 8.86% |
| Wtd Avg Int'l Equity Bench | 0.44% | 13.21% | 4.91% | 14.96% | 7.92% |
| Developed Int'l Equity | 1.76% | 22.25% | 8.42% | 21.11% | 7.52% |
| Capital Guardian Trust Co. Benchmark(2) | 0.45% | 19.48% | 8.84% | 15.44% | 6.74% |
| | 0.66% | 17.56% | 7.21% | 14.66% | 6.74% |
| DFA Int'l Small Cap Value | 6.26% | 31.00% | 10.99% | 22.62% | - |
| World ex US SC Value | 3.98% | 22.80% | 8.30% | 22.02% | 9.41% |
| NTGI World ex US | 0.84% | - | - | - | - |
| MSCI World ex US | 0.75% | 16.46% | 6.27% | 15.88% | 6.71% |
| Wellington Management Co. BMI, EPAC, <\$2 B | 2.10% | 28.97% | 14.10% | 24.44% | 9.75% |
| | 3.08% | 17.84% | 7.03% | 18.98% | 8.14% |
| Emerging Markets Equity | 0.64% | (1.91%) | 1.17% | 15.97% | 11.35% |
| JP Morgan | 0.58% | (3.18%) | (1.58%) | 14.64% | - |
| MSCI Emerging Mkts Idx Net (3) | (0.43%) | (1.43%) | (2.83%) | 14.62% | 10.36% |
| DFA Emerging Markets | 3.55% | 0.21% | 0.61% | 21.67% | - |
| NTGI Emerging Markets | (0.59%) | (1.35%) | - | - | - |
| Emerging Mkts - Net | (0.43%) | (1.43%) | (2.86%) | 14.48% | 10.11% |
| World Equity | 0.72% | 21.50% | - | - | - |
| EPOCH Investment Partners (4) | (1.49%) | 21.75% | - | - | - |
| MSCI World Index | 1.26% | 19.07% | 10.23% | 18.28% | 6.83% |
| LSV Asset Management (5) | 2.19% | 23.42% | - | - | - |
| MSCI ACWI Idx | 1.21% | 17.17% | 9.14% | 18.43% | 7.53% |

(1) Large Cap Domestic Equity Benchmark is the S&P 500 Index through 12/31/2011 and the Russell 1000 Index thereafter.

(2) MSCI EAFE through 12/31/1996; 50% Hedged EAFE through 3/31/2011 and MSCI EAFE again thereafter.

(3) MSCI Emerging Mkts Idx (Gross) through 6/30/2011 and MSCI Emerging Mkts Idx Net thereafter.

(4) EPOCH Investment was removed from the Domestic Equity Composite to the World Equity Composite as of 1/1/2012.

(5) LSV Asset Management was removed from the Domestic Equity and International Equity Composites to the World Equity Composite as of February 1, 2013.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended March 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2014

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|----------------------------------|-----------------|--------------|--------------------|--------------------|---------------------|
| Private Equity* | 2.81% | 7.72% | 5.91% | 6.88% | 5.42% |
| Adams Street Direct Co-Invest Fd | 4.00% | 17.21% | 11.93% | 9.62% | - |
| Adams Street Direct Fund 2010 | 7.95% | 18.74% | 13.98% | - | - |
| Adams Street 1998 Partnership | 0.05% | 10.20% | 0.95% | 1.17% | 3.59% |
| Adams Street 1999 Partnership | 4.00% | 18.02% | 9.31% | 8.54% | 7.28% |
| Adams Street 2000 Partnership | 8.79% | 8.43% | 7.96% | 10.34% | 9.71% |
| Adams Street 2001 Partnership | 4.33% | 17.92% | 11.24% | 11.73% | 7.76% |
| Adams Street 2002 Partnership | 9.13% | 19.16% | 12.66% | 15.98% | 7.63% |
| Adams Street 2003 Partnership | 4.62% | 23.73% | 8.52% | 10.71% | 7.59% |
| Adams Street 2010 Partnership | 7.42% | 15.38% | 12.36% | - | - |
| Adams Street 2008 Fund | 8.61% | 16.61% | 8.53% | 7.12% | - |
| Adams Street 1999 Non-US | 0.24% | 6.96% | 17.24% | 16.79% | 20.10% |
| Adams Street 2000 Non-US | 7.64% | 2.09% | 1.27% | 6.02% | 11.07% |
| Adams Street 2001 Non-US | 9.76% | 33.04% | 6.23% | 8.02% | 3.40% |
| Adams Street 2002 Non-US | (1.81%) | (1.91%) | 4.43% | 7.10% | 11.87% |
| Adams Street 2003 Non-US | 8.63% | 13.98% | 11.97% | 17.56% | 15.80% |
| Adams Street 2004 Non-US | 12.23% | 15.05% | 5.96% | 8.71% | 7.12% |
| Adams Street 2010 Non-US | 5.80% | 10.83% | 5.51% | - | - |
| Adams Street 2010 Non-US Emg | 4.96% | 1.46% | (13.42%) | - | - |
| Adams Street BVCF IV Fund | 6.57% | 26.09% | 37.15% | 57.64% | 29.22% |
| Coral Partner VI | (11.48%) | (15.78%) | (18.14%) | (17.04%) | (12.19%) |
| CorsAir III | (0.58%) | 3.56% | (1.32%) | (5.02%) | - |
| ND Investors | (0.47%) | 10.19% | 4.19% | 2.13% | - |
| CorsAir IV | (1.02%) | 14.49% | (0.58%) | - | - |
| Capital International V | 4.59% | 12.41% | 6.84% | 11.92% | - |
| Capital International VI | 0.08% | (20.30%) | - | - | - |
| TCW Energy Fund XIV | (3.04%) | (4.88%) | (0.50%) | 6.29% | - |
| Lewis & Clark, LP | 0.00% | 7.48% | 10.58% | 6.05% | 5.01% |
| Lewis & Clark II | 0.00% | 1.78% | (5.04%) | - | - |
| Quantum Energy Partners | 0.00% | 28.98% | 24.80% | 10.70% | - |
| Quantum Resources | 0.00% | 3.51% | 36.33% | (17.29%) | - |
| Matlin Patterson I | 0.00% | 0.00% | 2660.11% | 898.50% | 196.55% |
| Matlin Patterson II | (13.85%) | (22.80%) | (51.99%) | (41.75%) | - |
| Matlin Patterson III | 12.11% | 9.05% | 44.54% | 26.93% | - |

* Corsair III and North Dakota Investors were taken out from the Private Equity Composite on July 1, 2009. They were then added back into the Private Equity Composite on October 1, 2011. At this time Corsair IV, Capital Intl and TCW were also added to this composite.

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended March 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2014

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|---|------------------|------------------|--------------------|--------------------|---------------------|
| GLOBAL FIXED INCOME | 2.95% | 2.53% | - | - | - |
| Wtd Avg Global FI Bench | 2.30% | 2.26% | - | - | - |
| Domestic Fixed Income | 2.82% | 2.80% | 6.47% | 9.00% | 7.06% |
| Wtd Avg Domestic FI Bench | 2.16% | 1.97% | 5.32% | 8.14% | 5.71% |
| Inv. Grade Fixed Income | 2.40% | 1.24% | 5.20% | 6.39% | 6.78% |
| Barclays Aggregate Index | 1.84% | (0.10%) | 3.75% | 4.80% | 4.46% |
| Declaration Total Return Libor-3 Month | 1.62% 0.06% | 2.20% 0.26% | - 0.35% | - 0.39% | - 2.10% |
| PIMCO Unconstrained(1) Blended Benchmark(2) | 1.31% 0.27% | (1.70%) 0.47% | - - | - - | - - |
| PIMCO DISCO II | 3.35% | 10.31% | - | - | - |
| PIMCO MBS | 1.57% | (0.33%) | - | - | - |
| Barclays Mortgage | 1.59% | 0.20% | 2.76% | 3.57% | 4.58% |
| Western Asset Management Co. Custom Index(3) | 1.71% 1.59% | (0.23%) 0.20% | 3.23% 3.24% | 7.86% 4.49% | 3.96% 4.31% |
| SSgA Long US Treas Index Barclays Long Treas | 7.09% 7.10% | - (4.18%) | - 8.34% | - 4.81% | - 6.12% |
| Below Inv. Grade Fixed Income | 3.89% | 6.93% | 9.53% | 16.82% | 7.40% |
| Goldman Sachs 2006 Offshore | 10.43% | 21.93% | 9.75% | 15.73% | - |
| Goldman Sachs Offshore V | 0.91% | 12.29% | 14.57% | 17.02% | - |
| Loomis Sayles | 3.74% | 6.28% | 8.70% | 19.17% | - |
| PIMCO Bravo Fund II | 13.89% | - | - | - | - |
| Barclays HY Corp 2% Issuer Cap | 2.98% | 7.53% | 8.97% | 18.14% | 8.67% |
| International Fixed Income | 3.46% | 1.51% | 4.55% | 8.90% | 6.29% |
| Wtd Avg Int'l FI Bench | 2.79% | 3.24% | 2.06% | 4.69% | 4.55% |
| Brandywine Barclays Global Aggregate | 4.30% 2.40% | 0.98% 1.88% | 7.41% 2.78% | 12.62% 5.10% | 8.06% 4.50% |
| UBS Global Asset Mgmt. Blended Benchmark(4) | 2.63% 2.16% | 2.19% 2.61% | 1.50% 1.85% | 4.74% 4.56% | 4.26% 4.48% |
| GLOBAL REAL ASSETS | 2.02% | 9.23% | - | - | - |
| Wtd Avg Global Real Assets Bench | 2.14% | 8.36% | - | - | - |
| Global Real Estate | 1.59% | 13.78% | 13.22% | 5.14% | 6.82% |
| Invesco Core Real Estate | 1.71% | 12.54% | 12.40% | 5.29% | 7.93% |
| Invesco Real Estate Fund II | 2.03% | 23.05% | 23.07% | (0.08%) | - |
| Invesco Real Estate Fund III | 4.34% | 26.22% | - | - | - |
| Invesco Asia RE Feeder | (5.60%) | (0.51%) | (3.99%) | (30.41%) | - |
| JP Morgan | 2.60% | 15.65% | 15.10% | 8.63% | 7.93% |
| JP Morgan Alternative Fd | (2.99%) | (8.29%) | 10.13% | (3.86%) | - |
| JP Morgan China Property Fd | 3.29% | 25.21% | 8.43% | 3.99% | - |
| JP Morgan Greater European Opp Fd | (0.08%) | (2.62%) | *****% | - | - |
| NCREIF Total Index | 2.74% | 11.17% | 11.69% | 7.89% | 8.65% |
| Timber | 2.20% | 1.82% | - | - | - |
| TIR - Teredo | 4.03% | 4.99% | 1.56% | 4.10% | 9.13% |
| TIR - Springbank | 1.09% | (0.14%) | (2.55%) | (5.23%) | - |
| NCREIF Timberland Index | 1.62% | 9.78% | 6.59% | 2.86% | 8.33% |
| Infrastructure | 2.84% | 7.63% | - | - | - |
| JP Morgan Asian Infrastructure | 3.72% | 2.65% | 5.49% | 1.80% | - |
| JP Morgan IIF | 3.58% | 8.44% | 9.41% | 7.20% | - |
| Credit Suisse Cust. Infrastructure CPI-W | (0.23%) 1.48% | 10.43% 1.41% | - 1.86% | - 2.33% | - 2.43% |
| CASH & CASH EQUIVALENTS | 0.01% | 0.04% | 0.09% | 0.16% | 1.47% |
| Northern Trust | 0.01% | 0.04% | 0.09% | 0.14% | 1.46% |
| 3-month Treasury Bill | 0.01% | 0.07% | 0.08% | 0.12% | 1.65% |
| Total Fund | 1.86% | 13.82% | 9.01% | 14.45% | 7.00% |
| Target* | 1.79% | 12.27% | 8.39% | 14.19% | 7.20% |

* Current Quarter Target = 16.5% Russell 1000 Index, 16.0% MSCI World Index, 13.0% Barclays Aggregate Index, 11.1% MSCI EAFE Index, 9.7% NCREIF Total Index, 5.0% Barclays HY Corp 2% Issue, 5.0% Barclays Global Agg ex US, 4.9% CPI-W, 4.9% Russell 2000 Index, 4.9% NDSIB PEN - Private Equity, 4.9% NCREIF Timberland Index, 3.1% Emerging Mkts - Net and 1.0% 3-month Treasury Bill.

(1) The product changed from Commingled Fund to Separate Account in March 2014.

(2) Libor-3 month through Feb. 28, 2014; Fund's performance through March 31, 2014; Libor-3 month thereafter.

(3) Barclays Aggregate Index through 3/31/2012 and the Barclays Mortgage Index thereafter.

(4) Citigroup Non-US Govt through 12/31/2009 and the BC Global Aggregate Index ex US thereafter.

March 31, 2014



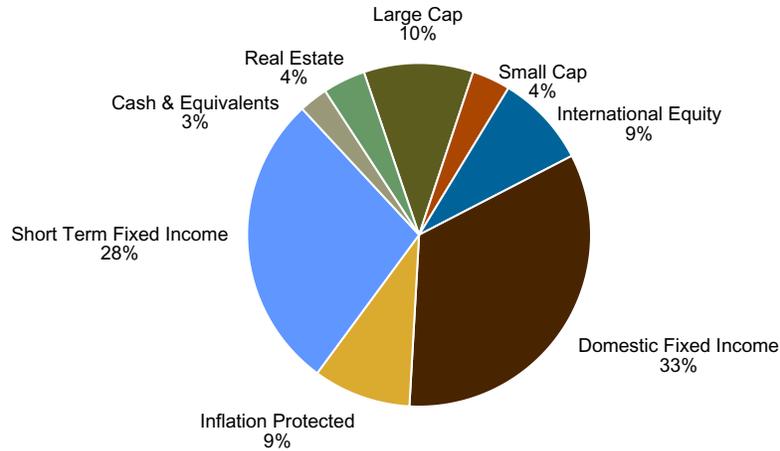
**North Dakota State Investment
Board Insurance Trust**

**Investment Measurement Service
Quarterly Review**

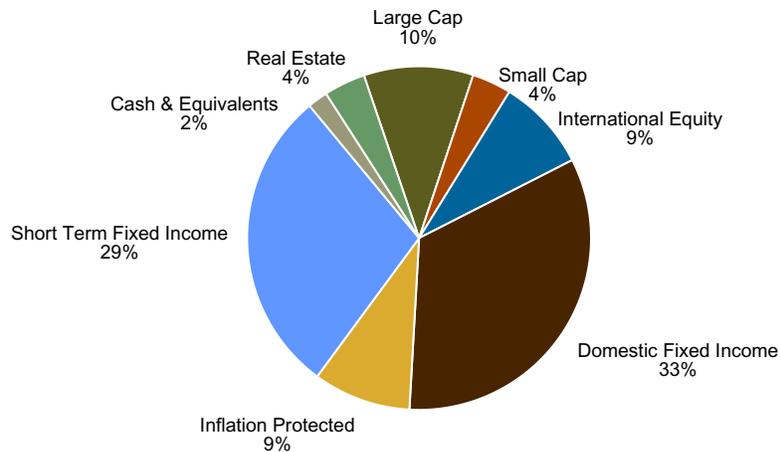
Actual vs Target Asset Allocation As of March 31, 2014

The first chart below shows the Fund's asset allocation as of March 31, 2014. The second chart shows the Fund's target asset allocation as outlined in the investment policy statement.

Actual Asset Allocation



Target Asset Allocation



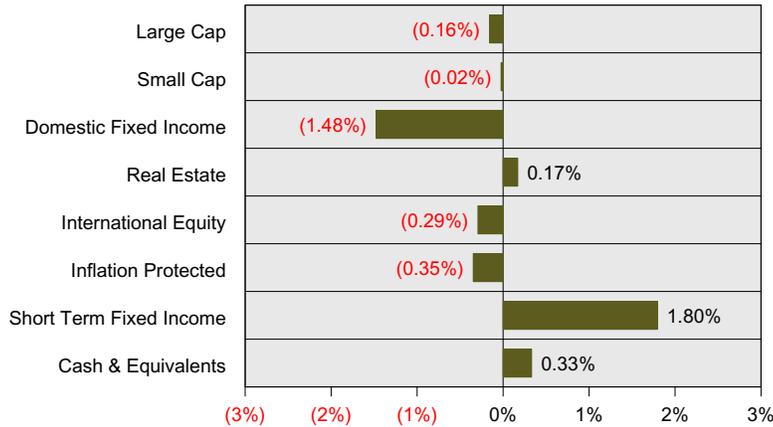
| Asset Class | \$000s Actual | Weight Actual | Target | Percent Difference | \$000s Difference |
|-------------------------|------------------|------------------|---------------|-----------------------|----------------------|
| Large Cap | 433,464 | 10.3% | 10.3% | 0.0% | 335 |
| Small Cap | 153,337 | 3.6% | 3.7% | (0.1%) | (2,253) |
| International Equity | 364,051 | 8.7% | 8.7% | 0.0% | (1,796) |
| Domestic Fixed Income | 1,408,639 | 33.5% | 33.4% | 0.1% | 4,121 |
| Inflation Protected | 385,706 | 9.2% | 9.2% | 0.0% | (1,167) |
| Short Term Fixed Income | 1,175,614 | 28.0% | 28.9% | (0.9%) | (39,672) |
| Cash & Equivalents | 115,631 | 2.7% | 1.9% | 0.8% | 35,734 |
| Real Estate | 168,699 | 4.0% | 3.9% | 0.1% | 4,698 |
| Total | 4,205,142 | 100.0% | 100.0% | | |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Infn-Linked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

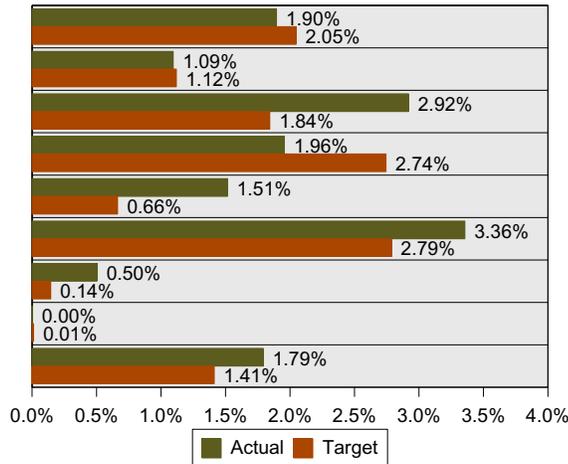
Quarterly Total Fund Relative Attribution - March 31, 2014

The following analysis approaches Total Fund Attribution from the perspective of relative return. Relative return attribution separates and quantifies the sources of total fund excess return relative to its target. This excess return is separated into two relative attribution effects: Asset Allocation Effect and Manager Selection Effect. The Asset Allocation Effect represents the excess return due to the actual total fund asset allocation differing from the target asset allocation. Manager Selection Effect represents the total fund impact of the individual managers excess returns relative to their benchmarks.

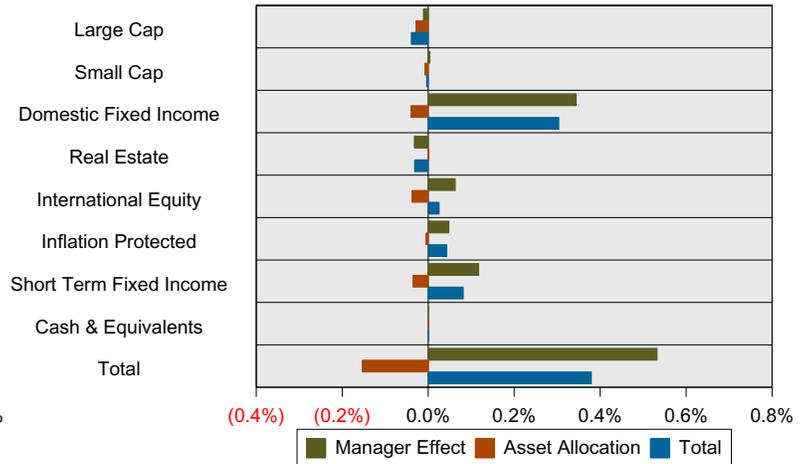
Asset Class Under or Overweighting



Actual vs Target Returns



Relative Attribution by Asset Class



Relative Attribution Effects for Quarter ended March 31, 2014

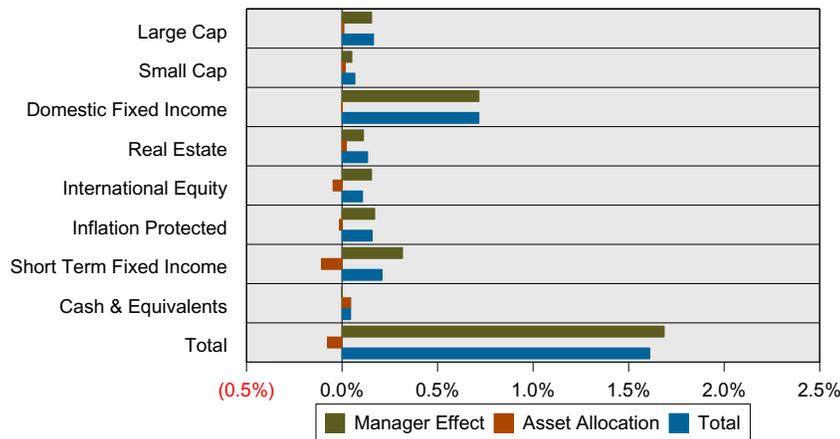
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 9% | 9% | 1.90% | 2.05% | (0.01%) | (0.03%) | (0.04%) |
| Small Cap | 3% | 3% | 1.09% | 1.12% | 0.00% | (0.01%) | (0.00%) |
| Domestic Fixed Income | 32% | 33% | 2.92% | 1.84% | 0.34% | (0.04%) | 0.30% |
| Real Estate | 4% | 4% | 1.96% | 2.74% | (0.03%) | 0.00% | (0.03%) |
| International Equity | 8% | 8% | 1.51% | 0.66% | 0.06% | (0.04%) | 0.03% |
| Inflation Protected | 9% | 9% | 3.36% | 2.79% | 0.05% | (0.00%) | 0.04% |
| Short Term Fixed Income | 32% | 31% | 0.50% | 0.14% | 0.12% | (0.04%) | 0.08% |
| Cash & Equivalents | 2% | 2% | 0.00% | 0.01% | (0.00%) | 0.00% | 0.00% |
| Total | | | 1.79% | | 0.53% | (0.15%) | 0.38% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Lnked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

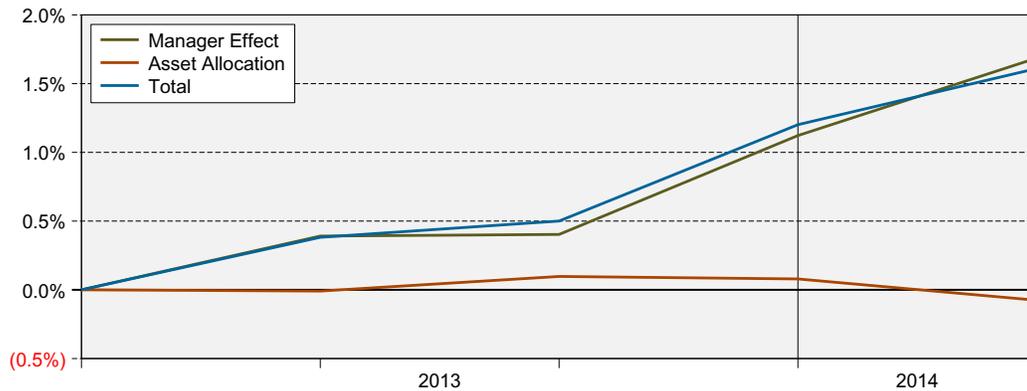
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

One Year Relative Attribution Effects



Cumulative Relative Attribution Effects



One Year Relative Attribution Effects

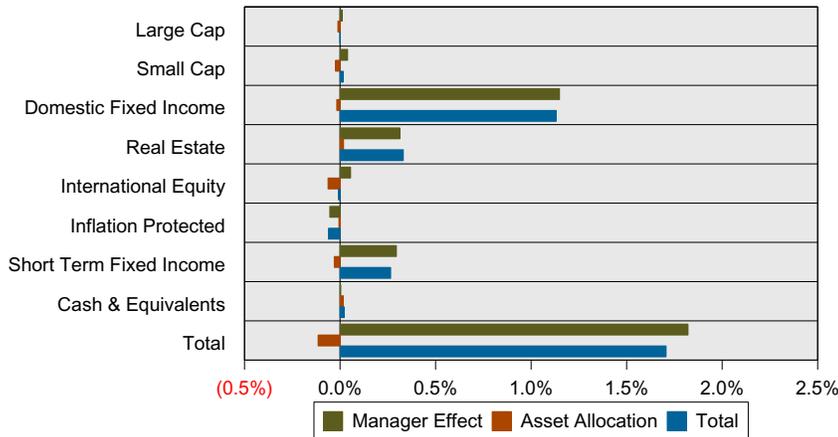
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 7% | 7% | 25.16% | 22.41% | 0.15% | 0.01% | 0.16% |
| Small Cap | 3% | 3% | 27.30% | 24.90% | 0.05% | 0.02% | 0.07% |
| Domestic Fixed Income | 27% | 28% | 2.27% | (0.10%) | 0.72% | (0.00%) | 0.72% |
| Real Estate | 3% | 3% | 14.99% | 11.17% | 0.11% | 0.02% | 0.13% |
| International Equity | 5% | 6% | 20.90% | 17.56% | 0.15% | (0.05%) | 0.11% |
| Inflation Protected | 10% | 10% | 2.20% | 0.45% | 0.17% | (0.01%) | 0.16% |
| Short Term Fixed Income | 41% | 40% | 1.20% | 0.39% | 0.32% | (0.11%) | 0.21% |
| Cash & Equivalents | 3% | 3% | 0.05% | 0.07% | (0.00%) | 0.05% | 0.04% |
| Total | | | 5.13% | 3.52% | + 1.69% | + (0.08%) | 1.61% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Infn-Lnked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

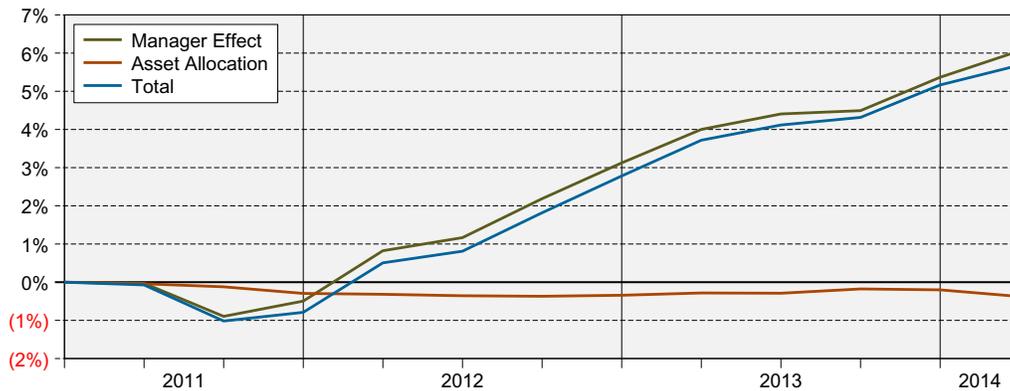
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Three Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Three Year Annualized Relative Attribution Effects

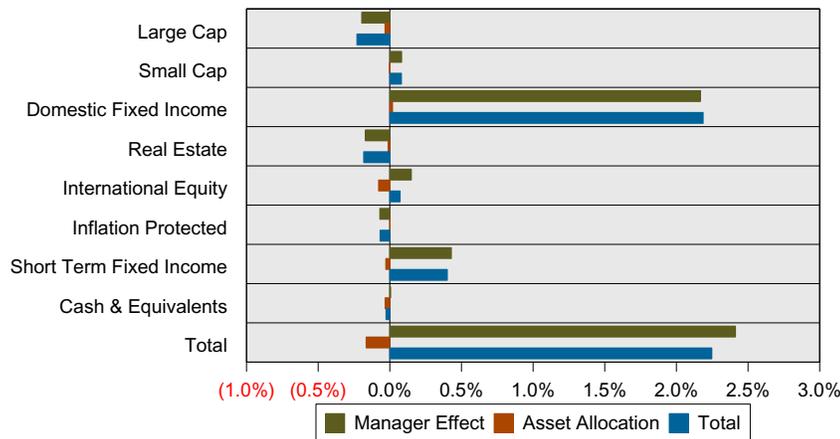
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 7% | 7% | 15.45% | 15.09% | 0.01% | (0.01%) | 0.00% |
| Small Cap | 3% | 3% | 14.83% | 13.18% | 0.04% | (0.02%) | 0.02% |
| Domestic Fixed Income | 34% | 34% | 7.33% | 3.75% | 1.15% | (0.02%) | 1.13% |
| Real Estate | 4% | 4% | 19.65% | 11.69% | 0.31% | 0.02% | 0.33% |
| International Equity | 5% | 5% | 8.45% | 7.21% | 0.06% | (0.06%) | (0.01%) |
| Inflation Protected | 13% | 13% | 4.64% | 4.57% | (0.05%) | (0.01%) | (0.06%) |
| Short Term Fixed Income | 30% | 31% | 1.05% | 0.43% | 0.30% | (0.03%) | 0.26% |
| Cash & Equivalents | 3% | 3% | 0.19% | 0.08% | 0.00% | 0.02% | 0.02% |
| Total | | | 6.23% | 4.53% | 1.82% | (0.11%) | 1.71% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Lnked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

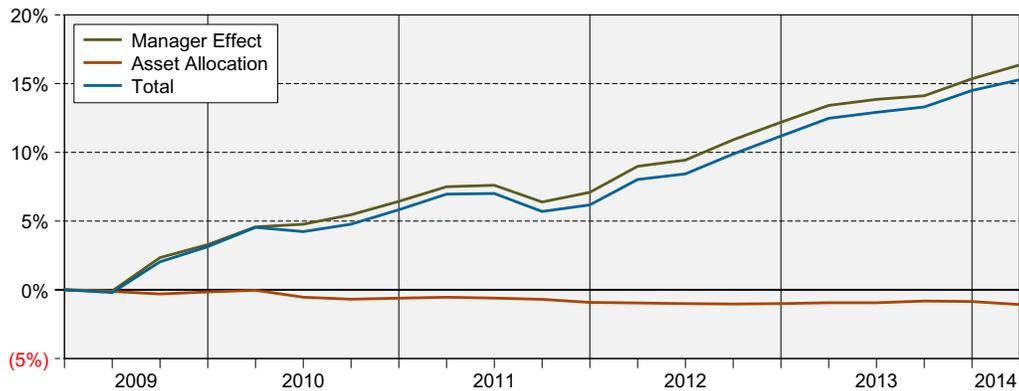
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Five Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Five Year Annualized Relative Attribution Effects

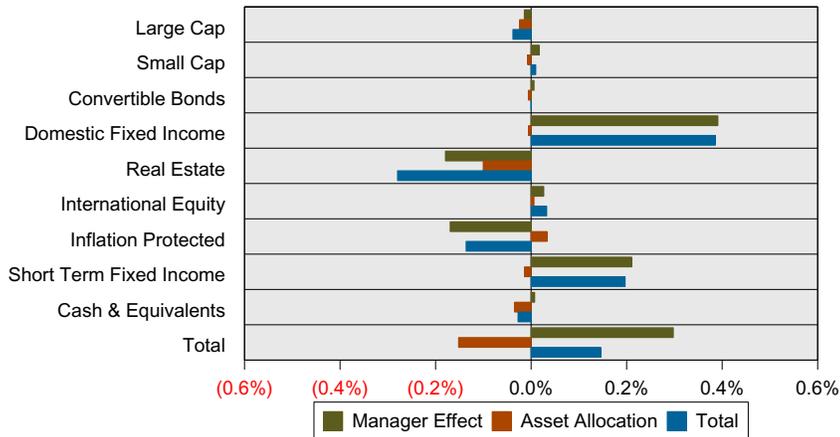
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 8% | 8% | 19.59% | 21.43% | (0.20%) | (0.03%) | (0.23%) |
| Small Cap | 3% | 3% | 27.22% | 24.31% | 0.08% | (0.00%) | 0.08% |
| Domestic Fixed Income | 38% | 38% | 10.25% | 4.80% | 2.17% | 0.02% | 2.19% |
| Real Estate | 4% | 4% | 2.58% | 7.89% | (0.17%) | (0.01%) | (0.18%) |
| International Equity | 6% | 6% | 17.21% | 14.66% | 0.15% | (0.08%) | 0.07% |
| Inflation Protected | 15% | 15% | 5.05% | 5.20% | (0.07%) | 0.00% | (0.07%) |
| Short Term Fixed Income | 23% | 22% | - | - | 0.43% | (0.03%) | 0.40% |
| Cash & Equivalents | 4% | 3% | 0.26% | 0.12% | 0.01% | (0.03%) | (0.03%) |
| Total | | | 9.11% | 6.87% | + 2.41% | + (0.17%) | 2.25% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Linked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

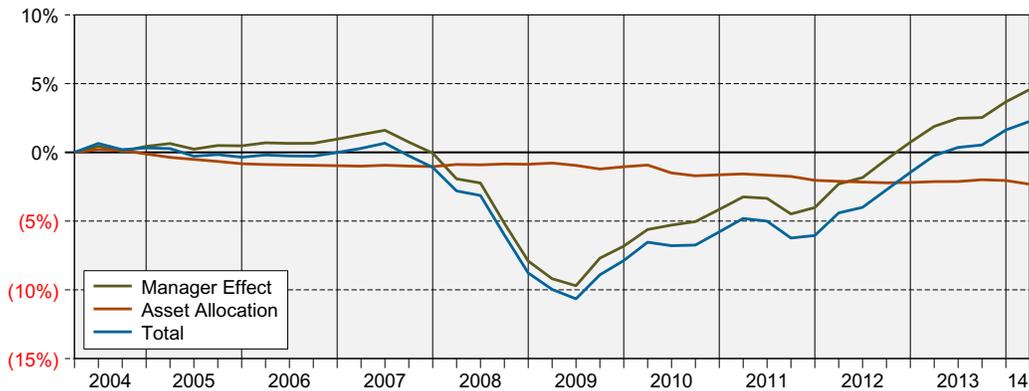
Cumulative Total Fund Relative Attribution - March 31, 2014

The charts below accumulate the Total Fund Attribution Analysis (shown earlier) over multiple periods to examine the cumulative sources of excess total fund performance relative to target. These cumulative results quantify the longer-term sources of total fund excess return relative to target by asset class. These relative attribution effects separate the cumulative sources of total fund excess return into Asset Allocation Effect and Manager Selection Effect.

Ten Year Annualized Relative Attribution Effects



Cumulative Relative Attribution Effects



Ten Year Annualized Relative Attribution Effects

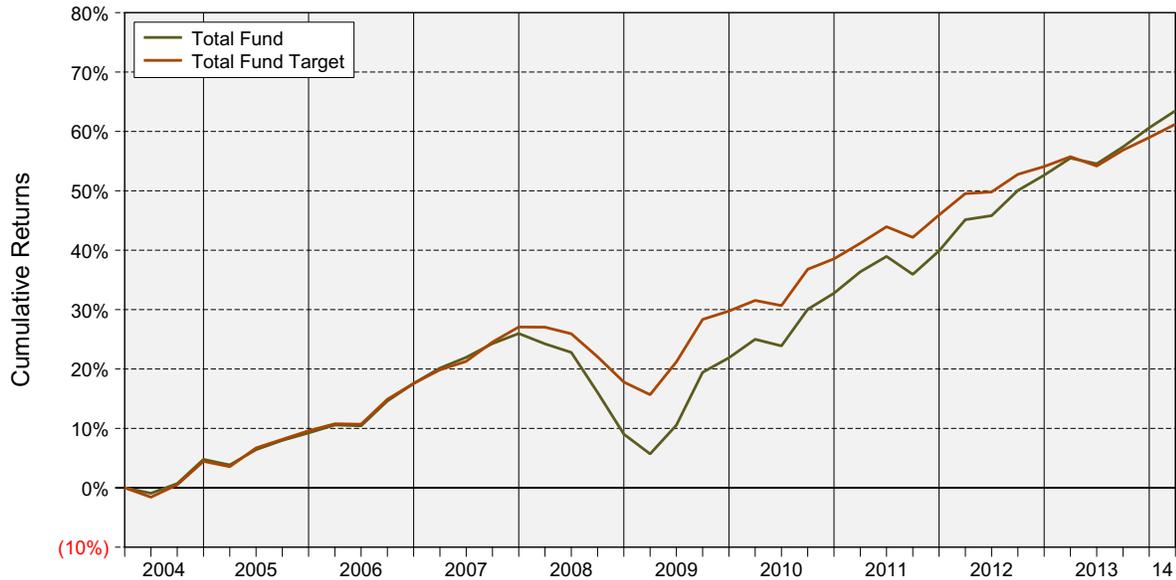
| Asset Class | Effective Actual Weight | Effective Target Weight | Actual Return | Target Return | Manager Effect | Asset Allocation | Total Relative Return |
|-------------------------|-------------------------|-------------------------|---------------|---------------|----------------|------------------|-----------------------|
| Large Cap | 9% | 9% | 7.51% | 7.54% | (0.01%) | (0.02%) | (0.04%) |
| Small Cap | 3% | 3% | 9.02% | 8.53% | 0.02% | (0.01%) | 0.01% |
| Convertible Bonds | 1% | 1% | - | - | 0.01% | (0.01%) | 0.00% |
| Domestic Fixed Income | 43% | 43% | 5.74% | 4.43% | 0.39% | (0.01%) | 0.39% |
| Real Estate | 4% | 5% | 2.01% | 8.32% | (0.18%) | (0.10%) | (0.28%) |
| International Equity | 7% | 6% | 7.15% | 6.74% | 0.03% | 0.01% | 0.03% |
| Inflation Protected | 18% | 17% | 4.48% | 5.18% | (0.17%) | 0.03% | (0.14%) |
| Short Term Fixed Income | 11% | 11% | - | - | 0.21% | (0.01%) | 0.20% |
| Cash & Equivalents | 4% | 4% | 1.82% | 1.65% | 0.01% | (0.03%) | (0.03%) |
| Total | | | 5.04% | 4.89% | + 0.30% | + (0.15%) | 0.15% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Lnked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

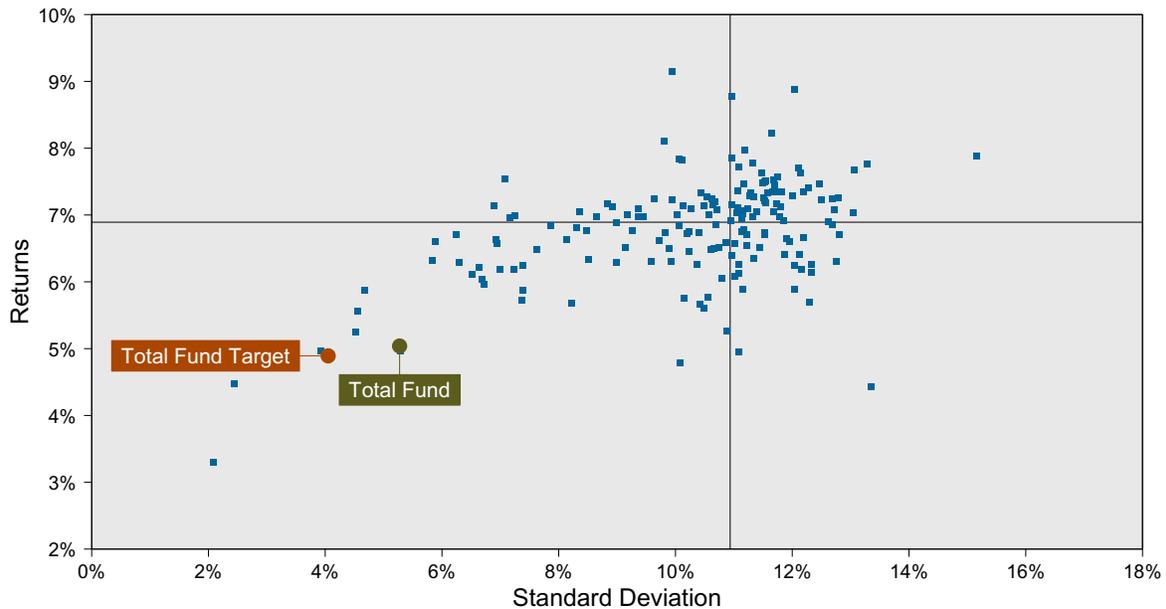
Cumulative Performance Relative to Target

The first chart below illustrates the cumulative performance of the Total Fund relative to the cumulative performance of the Fund's Target Asset Mix. The Target Mix is assumed to be rebalanced each quarter with no transaction costs. The difference between the Total Fund return and the Target Mix return is explained by the performance attribution on the next page. The second chart below shows the return and the risk of the Total Fund and the Target Mix, contrasted with the returns and risks of the funds in the Public Fund Sponsor Database.

Cumulative Returns Actual vs Target



Ten Year Annualized Risk vs Return



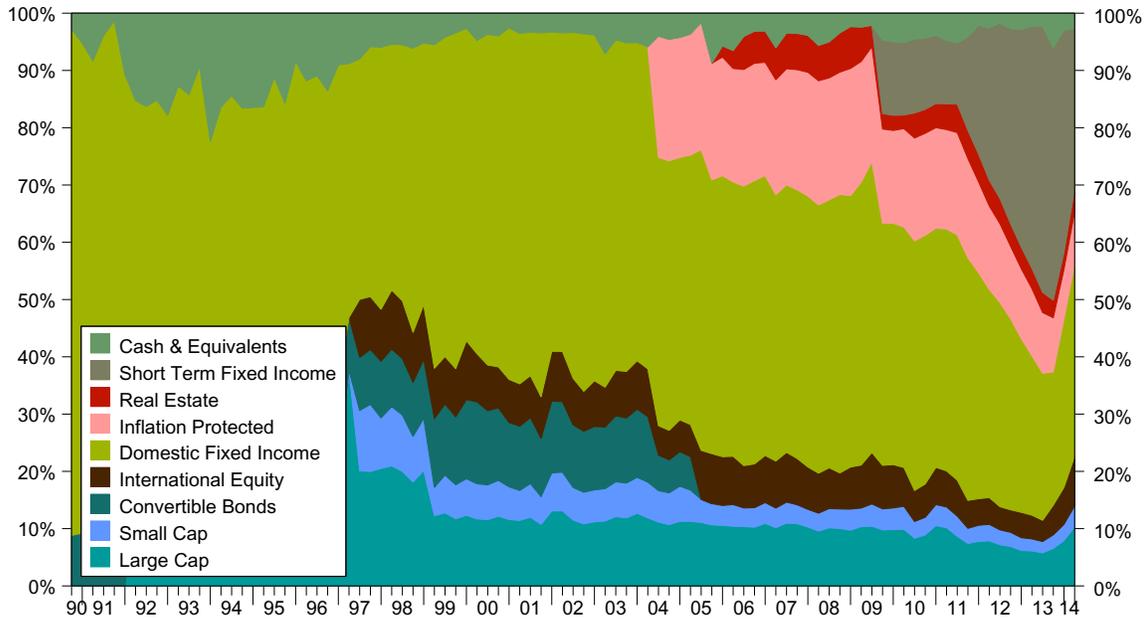
Squares represent membership of the Public Fund Sponsor Database

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Infn-Linkd, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

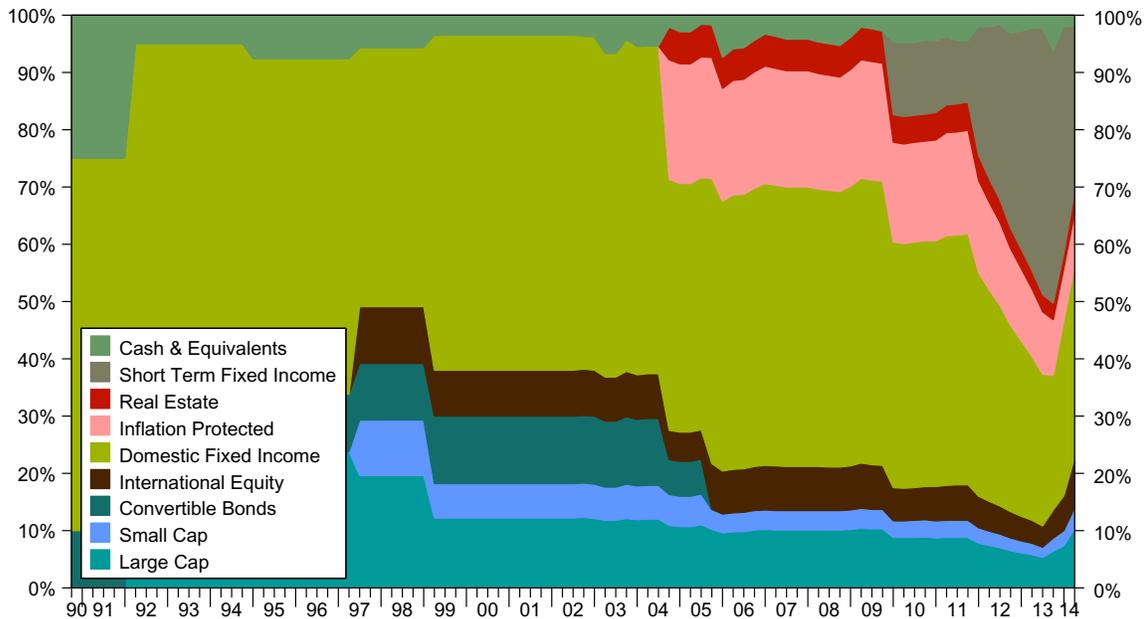
Actual vs Target Historical Asset Allocation

The Historical asset allocation for a fund is by far the largest factor explaining its performance. The charts below show the fund's historical actual asset allocation, and the fund's historical target asset allocation.

Actual Historical Asset Allocation



Target Historical Asset Allocation

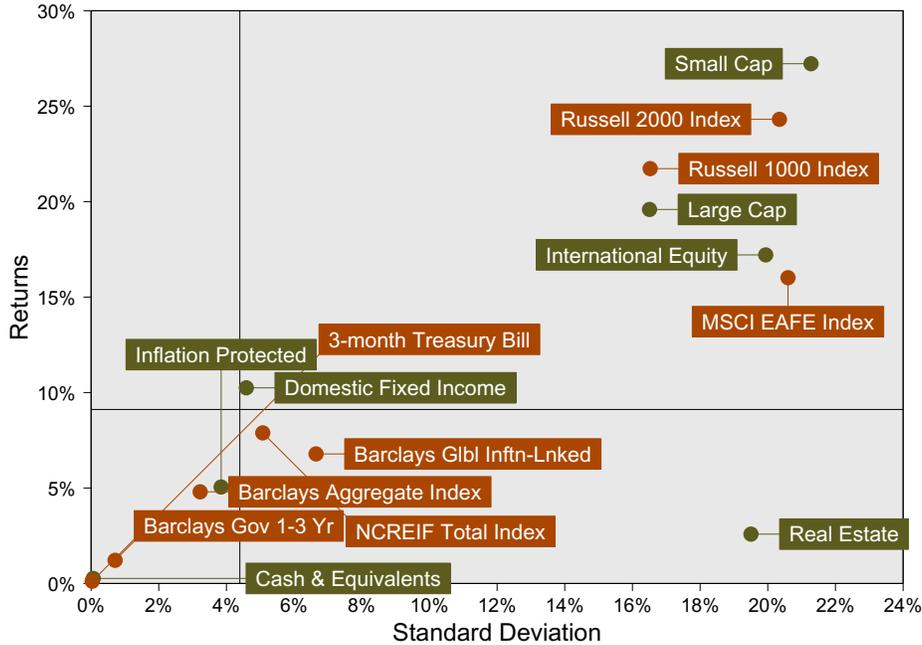


* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Infn-Linkd, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

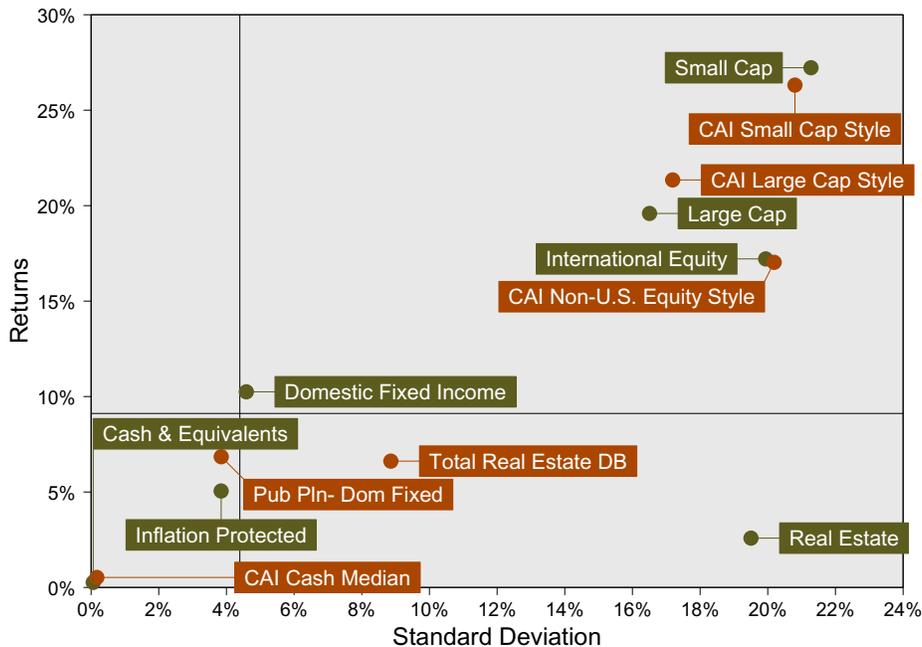
Asset Class Risk and Return

The charts below show the five year annualized risk and return for each asset class component of the Total Fund. The first graph contrasts these values with those of the appropriate index for each asset class. The second chart contrasts them with the risk and return of the median portfolio in each of the appropriate CAI comparative databases. In each case, the crosshairs on the chart represent the return and risk of the Total Fund.

Five Year Annualized Risk vs Return Asset Classes vs Benchmark Indices



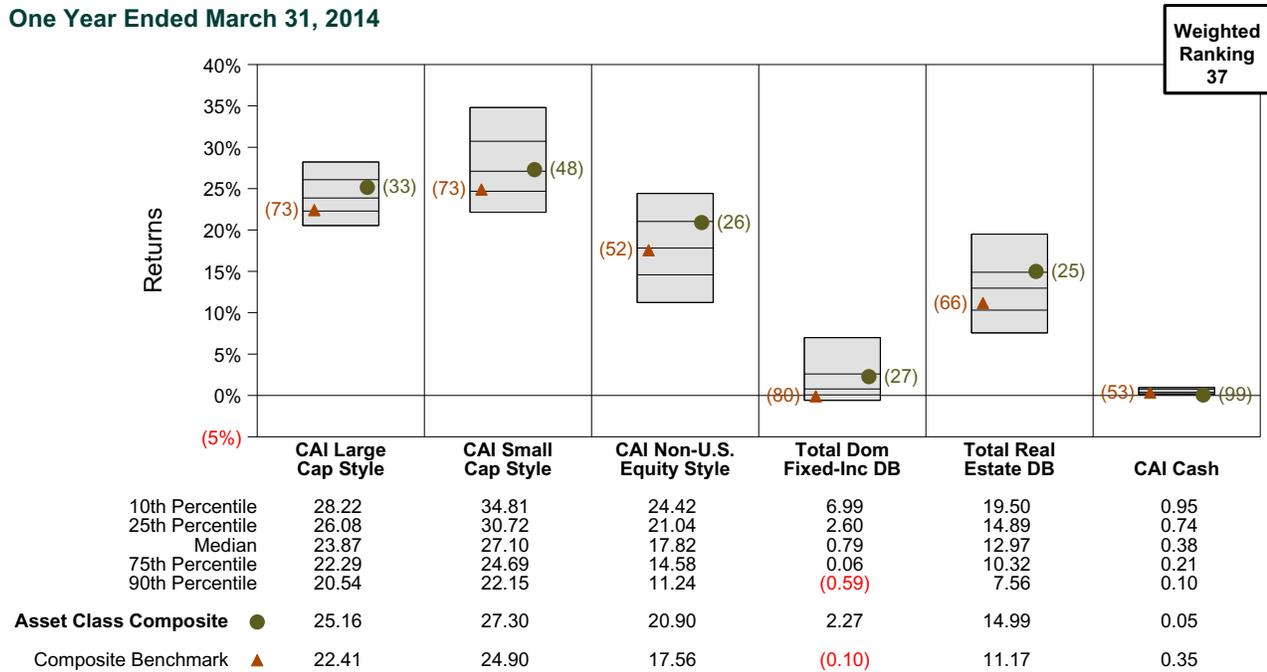
Five Year Annualized Risk vs Return Asset Classes vs Asset Class Median



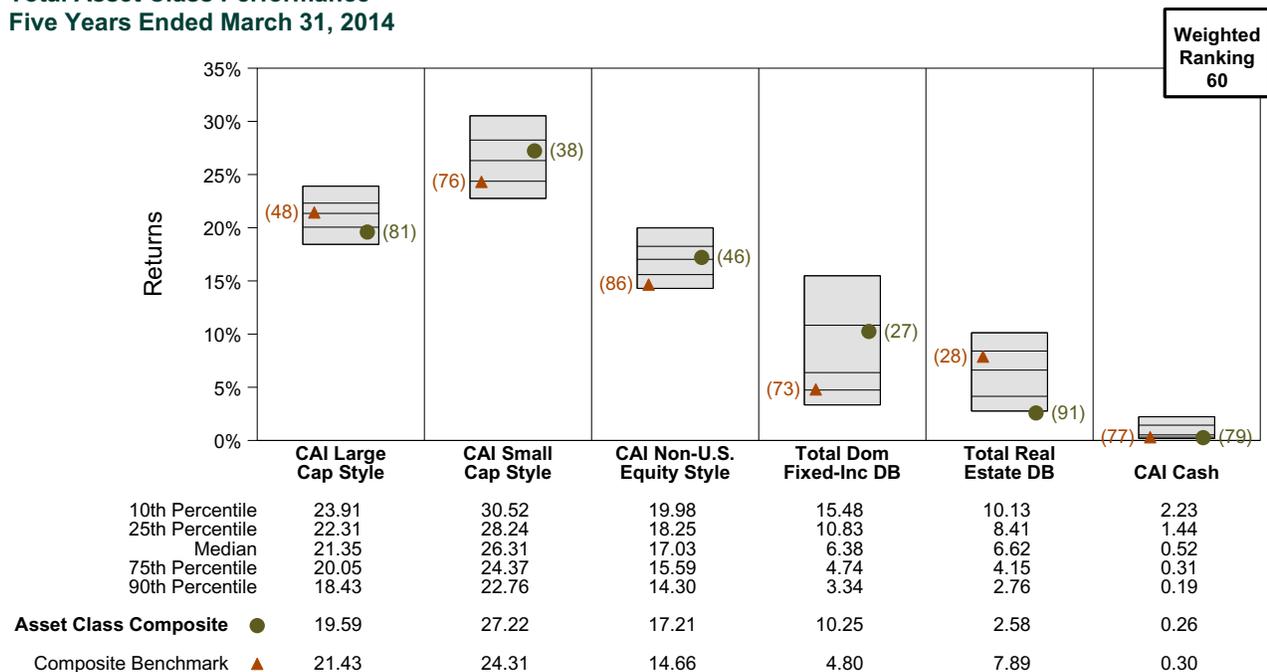
Asset Class Rankings

The charts below show the rankings of each asset class component of the Total Fund relative to appropriate comparative databases. In the upper right corner of each graph is the weighted average of the rankings across the different asset classes. The weights of the fund's actual asset allocation are used to make this calculation. The weighted average ranking can be viewed as a measure of the fund's overall success in picking managers and structuring asset classes.

Total Asset Class Performance One Year Ended March 31, 2014



Total Asset Class Performance Five Years Ended March 31, 2014



* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Linked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

Investment Manager Asset Allocation

The table below contrasts the distribution of assets across the Fund's investment managers as of March 31, 2014, with the distribution as of December 31, 2013. The change in asset distribution is broken down into the dollar change due to Net New Investment and the dollar change due to Investment Return.

Asset Distribution Across Investment Managers

| | March 31, 2014 | | Net New Inv. | Inv. Return | December 31, 2013 | |
|--------------------------------|------------------------|---------------|------------------------|---------------------|------------------------|---------------|
| | Market Value | Weight | | | Market Value | Weight |
| Domestic Equity | \$586,801,443 | 13.95% | \$154,814,996 | \$9,619,409 | \$422,367,039 | 10.74% |
| Large Cap | \$433,464,314 | 10.31% | \$114,664,639 | \$7,841,799 | \$310,957,875 | 7.90% |
| Parametric Clifton Large Cap | 86,570,673 | 2.06% | 23,700,000 | 1,775,052 | 61,095,620 | 1.55% |
| L.A. Capital | 128,964,663 | 3.07% | 33,100,990 | 745,480 | 95,118,193 | 2.42% |
| L.A. Capital Enhanced | 85,728,378 | 2.04% | 23,080,860 | 754,984 | 61,892,534 | 1.57% |
| LSV Asset Management | 132,200,600 | 3.14% | 34,782,789 | 4,566,282 | 92,851,528 | 2.36% |
| Small Cap | \$153,337,130 | 3.65% | \$40,150,356 | \$1,777,609 | \$111,409,164 | 2.83% |
| Parametric Clifton Small Cap | 76,846,679 | 1.83% | 20,300,000 | 1,228,124 | 55,318,555 | 1.41% |
| Research Affiliates | 76,490,451 | 1.82% | 19,850,356 | 549,486 | 56,090,609 | 1.43% |
| International Equity | \$364,051,005 | 8.66% | \$105,590,750 | \$4,828,122 | \$253,632,133 | 6.45% |
| Capital Guardian Trust Co. | 144,605,775 | 3.44% | 45,693,128 | (150,575) | 99,063,222 | 2.52% |
| DFA Int'l Small Cap Value | 37,410,220 | 0.89% | 9,448,399 | 1,947,430 | 26,014,390 | 0.66% |
| LSV Asset Management | 145,641,697 | 3.46% | 40,984,885 | 1,594,817 | 103,061,994 | 2.62% |
| Vanguard Intl Explorer Fund | 36,393,314 | 0.87% | 9,464,338 | 1,436,449 | 25,492,527 | 0.65% |
| Domestic Fixed Income | \$1,408,638,550 | 33.50% | \$217,092,516 | \$35,914,783 | \$1,155,631,251 | 29.38% |
| Declaration | 792,759 | 0.02% | (26,611,854) | 223,756 | 27,180,857 | 0.69% |
| Declaration Total Return | 125,154,005 | 2.98% | 96,298,875 | 859,816 | 27,995,314 | 0.71% |
| PIMCO DiSCO II | 73,998,876 | 1.76% | 0 | 2,397,522 | 71,601,354 | 1.82% |
| PIMCO Bravo II Fund | 9,425,824 | 0.22% | 3,731,391 | 694,433 | 5,000,000 | 0.13% |
| Prudential | 112,761,468 | 2.68% | 10,928,621 | 3,434,103 | 98,398,744 | 2.50% |
| SSgA US Govt Credit Bd Idx | 201,889,072 | 4.80% | 25,474,017 | 3,497,360 | 172,917,695 | 4.40% |
| Wells Capital | 444,839,170 | 10.58% | 53,101,443 | 14,815,643 | 376,922,085 | 9.58% |
| Western Asset Management | 439,777,377 | 10.46% | 54,170,023 | 9,992,151 | 375,615,203 | 9.55% |
| Inflation Protected | \$385,706,426 | 9.17% | \$31,661,829 | \$11,568,587 | \$342,476,010 | 8.71% |
| Western Asset Management | 234,940,719 | 5.59% | 30,421,317 | 6,109,134 | 198,410,268 | 5.04% |
| JP Morgan Infrastructure | 73,125,718 | 1.74% | (193,844) | 2,533,870 | 70,785,692 | 1.80% |
| Eastern Timber Opportunities | 60,133,283 | 1.43% | 0 | 2,963,085 | 57,170,198 | 1.45% |
| Credit Suisse Cust. Infra. | 17,506,706 | 0.42% | 1,434,355 | (37,501) | 16,109,852 | 0.41% |
| Real Estate | \$168,698,742 | 4.01% | \$50,719,053 | \$3,220,522 | \$114,759,167 | 2.92% |
| Invesco Core Real Estate | 62,434,197 | 1.48% | 14,935,603 | 1,054,129 | 46,444,465 | 1.18% |
| JP Morgan RE | 106,264,545 | 2.53% | 35,783,450 | 2,166,393 | 68,314,703 | 1.74% |
| Short Term Fixed Income | \$1,175,614,316 | 27.96% | \$(359,367,618) | \$6,853,175 | \$1,528,128,758 | 38.84% |
| JPM Short Term - Budget | 231,778,360 | 5.51% | (84,758) | 744,310 | 231,118,808 | 5.87% |
| Babson Short Term - Budget | 233,478,954 | 5.55% | (149,629) | 1,373,096 | 232,255,487 | 5.90% |
| Babson Short Term Legacy | 359,179,588 | 8.54% | (216,905,029) | 3,260,968 | 572,823,649 | 14.56% |
| JPM Short Term Legacy | 351,177,414 | 8.35% | (142,228,201) | 1,474,800 | 491,930,815 | 12.50% |
| Cash & Equivalents | \$115,631,471 | 2.75% | \$(1,338,442) | \$2,313 | \$116,967,600 | 2.97% |
| Bank of ND - Money Mkt | 115,631,471 | 2.75% | (1,338,442) | 2,313 | 116,967,600 | 2.97% |
| Total Fund | \$4,205,141,954 | 100.0% | \$199,173,083 | \$72,006,911 | \$3,933,961,960 | 100.0% |

Investment Manager Returns

The table below details the rates of return for the Sponsor's investment managers over various time periods ended March 31, 2014. Negative returns are shown in red, positive returns in black. Returns for one year or greater are annualized. The first set of returns for each asset class represents the composite returns for all the fund's accounts for that asset class.

Returns for Periods Ended March 31, 2014

| | Last Quarter | Last Year | Last 3 Years | Last 5 Years | Last 10 Years |
|---|-----------------|---------------|--------------------|--------------------|---------------------|
| Domestic Equity | 1.70% | 25.73% | 15.25% | 21.52% | 7.65% |
| Large Cap | 1.90% | 25.16% | 15.45% | 19.59% | 7.51% |
| Parametric Clifton Large Cap | 2.33% | 21.51% | 15.05% | 22.81% | - |
| L.A. Capital | 0.56% | 23.54% | 13.87% | 21.91% | 9.27% |
| L.A. Capital Enhanced | 0.79% | 23.55% | 14.56% | 21.87% | - |
| LSV Asset Management | 3.71% | 30.32% | 17.33% | 24.51% | 9.71% |
| Large Cap Benchmark(1) | 2.05% | 22.41% | 15.09% | 21.43% | 7.54% |
| Small Cap | 1.09% | 27.30% | 14.83% | 27.22% | 9.02% |
| Parametric Clifton Small Cap | 1.74% | 25.17% | 14.42% | 26.88% | - |
| Research Affiliates | 0.57% | 29.28% | 15.16% | 27.68% | - |
| Russell 2000 | 1.12% | 24.90% | 13.18% | 24.31% | 8.53% |
| International Equity | 1.51% | 20.90% | 8.45% | 17.21% | 7.15% |
| Capital Guardian Trust Co. | (0.03%) | 17.40% | 7.89% | 15.16% | 6.66% |
| DFA International Small Cap Value | 6.26% | 30.94% | 10.97% | 22.61% | - |
| LSV Asset Management | 1.13% | 20.20% | 8.64% | 16.85% | - |
| Vanguard Intl Explorer Fund | 4.46% | 28.12% | 8.25% | 21.01% | 9.80% |
| MSCI EAFE Index(2) | 0.66% | 17.56% | 7.21% | 14.66% | 6.74% |
| Domestic Fixed Income | 2.92% | 2.27% | 7.33% | 10.25% | 5.74% |
| Declaration Total Return | 1.43% | - | - | - | - |
| PIMCO DISCO II | 3.35% | 10.33% | - | - | - |
| Prudential | 2.60% | 0.95% | 6.20% | 9.35% | - |
| Wells Capital | 3.75% | 2.69% | 7.41% | 11.51% | 6.89% |
| Western Asset Management | 2.55% | 1.04% | 5.53% | 9.76% | 5.32% |
| Barclays Aggregate | 1.84% | (0.10%) | 3.75% | 4.80% | 4.46% |
| SSgA US Govt Credit Bond Idx | 1.98% | - | - | - | - |
| Barclays Govt/Credit Bd | 1.98% | (0.26%) | 4.21% | 5.07% | 4.41% |
| PIMCO Bravo II Fund | 13.89% | - | - | - | - |
| Barclays HY Corp 2% Issue | 2.98% | 7.53% | 8.97% | 18.14% | 8.67% |
| Insurance Inflation Protected Assets | 3.36% | 2.20% | 4.64% | 5.05% | - |
| Western Asset Management | 3.03% | (1.14%) | 3.73% | 5.32% | - |
| JP Morgan Infrastructure | 3.58% | 8.50% | 9.42% | 6.98% | - |
| Eastern Timber Opportunities | 5.18% | 4.68% | 2.18% | 3.43% | - |
| Credit Suisse Cust. Infra. | (0.23%) | 10.43% | - | - | - |
| Barclays Global Inflation Linked(3) | 2.79% | 0.45% | 4.57% | 5.20% | - |
| Real Estate | 1.96% | 14.99% | 19.65% | 2.58% | - |
| Invesco Core Real Estate | 1.72% | 12.56% | - | - | - |
| JP Morgan RE | 2.10% | 16.59% | 21.01% | 3.28% | - |
| NCREIF Total Index | 2.74% | 11.17% | 11.69% | 7.89% | 8.65% |
| Short Term Fixed Income | 0.50% | 1.20% | 1.05% | - | - |
| JPM Short Term - Budget | 0.32% | 0.57% | - | - | - |
| Babson Short Term - Budget | 0.59% | 1.64% | - | - | - |
| Babson Short Term Legacy | 0.73% | 1.85% | - | - | - |
| JPM Short Term Legacy | 0.32% | 0.62% | - | - | - |
| Barclays Gov 1-3 Yr | 0.14% | 0.39% | 0.84% | 1.21% | 2.57% |
| Cash & Equivalents | 0.00% | 0.05% | 0.19% | 0.26% | 1.82% |
| Bank of ND - Money Mkt | 0.00% | 0.05% | 0.20% | 0.26% | 1.82% |
| 90 Day Treasury Bills | 0.01% | 0.07% | 0.08% | 0.12% | 1.65% |
| Total Fund | 1.79% | 5.13% | 6.23% | 9.11% | 5.04% |
| Policy Target* | 1.41% | 3.52% | 4.53% | 6.87% | 4.89% |

* Current Quarter Target = 33.4% Barclays Aggregate Index, 28.9% Barclays Gov 1-3 Yr, 10.3% Russell 1000 Index, 9.2% Barclays Gbl Inftn-Linked, 8.7% MSCI EAFE Index, 3.9% NCREIF Total Index, 3.7% Russell 2000 Index and 1.9% 3-month Treasury Bill.

(1) The Large Cap Benchmark is comprised of the S&P 500 Index through 12/31/2011 and the Russell 1000 Index thereafter.

(2) MSCI EAFE through 9/30/2000, 50% Hedged EAFE through 3/31/2011 and MSCI EAFE again thereafter.

(3) Barclays US TIPS through 12/31/2009 and the Barclays Global Inflation-Linked thereafter.

Time-Weighted vs. Dollar-Weighted Investment Returns

May 23, 2014

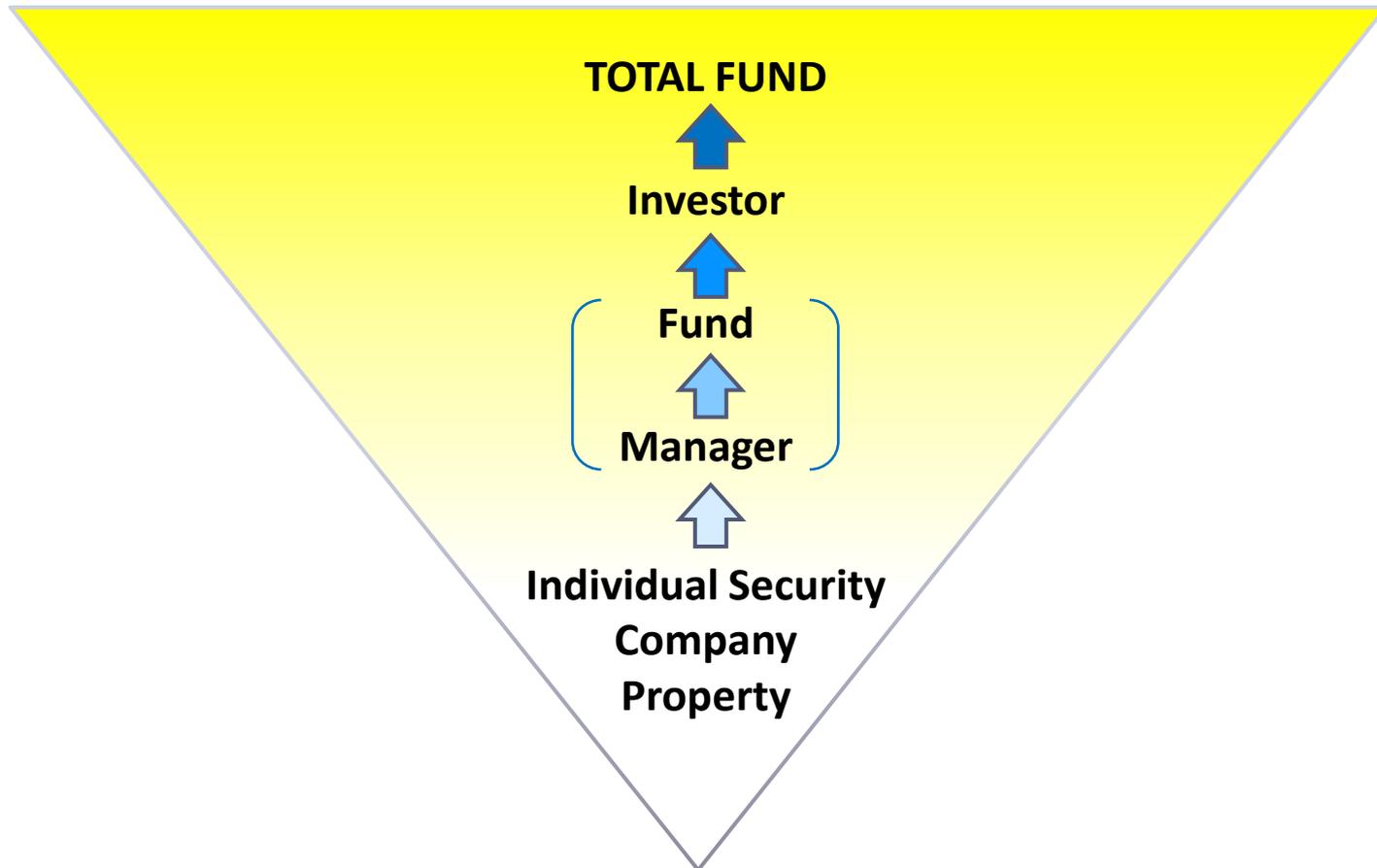
Dave Hunter, Executive Director / CIO
Darren Schulz, Deputy Chief Investment Officer
ND Retirement & Investment Office (RIO)
State Investment Board (SIB)

Performance Measurement

- ▶ **Performance measurement quantifies an investor's basic concern:**
 - ▶ “I gave you some money to invest. Tell me how it's doing.”
- ▶ **Performance measurement in basic terms:**
 - ▶ What was invested? (Contribution)
 - ▶ What was received on the investment (Distribution)
 - ▶ Did I reach my investment goal?

Levels of Performance Measurement

Key Question: What are we measuring? Why?



Public vs. Private Market Investment Structures

▶ **Public Market Vehicles**

- ▶ Liquid, open-end structures, such as a separate account, commingled fund, or mutual fund
- ▶ Investment pool increases (decreases) as investors invest (withdraw) capital
- ▶ **The timing of cash flows in and out of the fund is totally at the discretion of the client**

▶ **Private Closed-End Funds/Partnerships**

- ▶ Illiquid, fixed-life, closed to new investors, capital available for investments (commitments) fixed for life of the fund
- ▶ Manager (GP) will call capital in tranches as needed for investment in underlying companies; any proceeds must be distributed to clients (distributions)
- ▶ **Timing of cash flows is part of the investment decision process, because the decision to call capital and distribute proceeds are all at the discretion of the manager**

Time-Weighted vs. Dollar/Money-Weighted

▶ Time-weighting

- ▶ Measures the performance of the manager
- ▶ Does not account for the size and timing of cash flows
- ▶ **Is more appropriate for public market portfolios** because the client controls cash flows into and out of the portfolio

▶ Dollar-weighting or Money-weighting (IRR)

- ▶ Measures the performance of the fund or portfolio
- ▶ Accounts for both size and timing of cash flows
- ▶ CFA Global Investment Performance Standards (GIPS) has adopted IRR as the **most appropriate measure for private investments** in part because time-weighting does not capture the critical effects of cash flow management within the control of the manager

Time-Weighted Return

- ▶ Time-weighted return measures the manager's return between any two points in time without regard for the total amount of assets invested at any point during the time period

$$\text{Single period return} = \frac{\text{Ending Market Value} - \text{Beginning Market Value} - \text{Flows}}{\text{Beginning Market Value} + \text{Flows}}$$

$$\text{Multi period return} = \sqrt[n]{(1 + r_1) \times (1 + r_2) \times (1 + r_3) \dots (1 + r_n)} - 1$$

r is the single period return

n is the total number of periods over which performance is measured

Time-Weighted Return

| Case A: | <u>Year</u> | <u>Beginning Market Value</u> | <u>Ending Market Value</u> | <u>Cash Flow</u> | <u>Time-Weighted Return</u> |
|---------|-------------|-------------------------------|----------------------------|------------------|-----------------------------|
| | 1 | \$100 | \$115 | \$ 0 | $(115 - 100) / 100 = 15\%$ |
| | 2 | 115 | 144 | 0 | $(144 - 115) / 115 = 25\%$ |
| | 3 | 144 | 137 | 0 | $(137 - 144) / 144 = -5\%$ |
| | 4 | 137 | 164 | 0 | $(164 - 137) / 137 = 20\%$ |

| Case B: | <u>Year</u> | <u>Beginning Market Value</u> | <u>Ending Market Value</u> | <u>Cash Flow</u> | <u>Time-Weighted Return</u> |
|---------|-------------|-------------------------------|----------------------------|------------------|--|
| | 1 | \$100 | \$115 | \$ 0 | $(115 - 100) / 100 = 15\%$ |
| | 2 | 115 | 269 | 100 | $(269 - 115 - 100) / (115 + 100) = 25\%$ |
| | 3 | 269 | 256 | 0 | $(256 - 269) / 269 = -5\%$ |
| | 4 | 256 | 307 | 0 | $(307 - 256) / 256 = 20\%$ |

In either case, the four-year annualized return equals $13\% = \left(\sqrt[4]{1.15 \times 1.25 \times 0.95 \times 1.20} \right) - 1$

IRR Basics

- ▶ One return (the IRR) is calculated for a given period (no components of return a la Time-Weighted)
- ▶ Based on amount of all cash flows for the investment
- ▶ Based on timing of all cash flows for the investment
- ▶ IRR is weighted based on \$ invested/distributed
- ▶ Cash flows in early periods of the investment have greater impact
- ▶ Timing DOES have an effect on the IRR!

Dollar-Weighted Return (IRR)

- ▶ Dollar-weighted return (IRR) is the annualized implied discount rate that equates the present value of the investment's cash outflows with the present value of cash inflows. IRR is calculated as follows:

$$0 = \sum_{i=0}^n \frac{CF_i}{(1+r)^i} + \frac{RV_n}{(1+r)^n}$$

CF is the cash flow for period i using negative cash flows for capital calls and positive cash flows for distributions

n is the total number of periods over which performance is measured,

i is the period of the cash flow

RV is the valuation of the investment at the end of the last time period n, and r is the IRR.

Simple IRR Problem

- ▶ Initial investment = \$1.00
- ▶ Value at end of year 1 = \$1.10 (10% return)
- ▶ Value at end of year 2 = \$1.54 (40% return)
- ▶ No cash flows

$$0 = - \text{initial cost} +$$
$$\text{cash flow} / (1 + r) +$$
$$\text{cash flow} / (1 + r)^2 +$$
$$\text{ending value} / (1 + r)^3 \dots$$

Solve for r

$$0 = -1 + [1.54 / (1 + r)^2]$$

Solve for r to find the annualized IRR = 24.1%

Hypothetical Fund Performance

| | Activity | Position | Market Value |
|---------------|---|-----------------------------------|--------------------------|
| Jan 1 | Purchase \$1,000 STAR | \$1,000 STAR | \$1,000 |
| Jul 1 | | \$100,000 STAR | \$100,000 |
| Jul 1 | \$1,000,000 inflow; Purchase \$1,000,000 DOG | \$100,000 STAR \$1,000,000 DOG | \$100,000 \$1,000,000 |
| Dec 31 | | \$100,000 STAR \$100,000 DOG | \$100,000 \$100,000 |

- ▶ Start with a \$1,000 investment
- ▶ For the first half of the year, investment grew to \$100,000
- ▶ Added \$1 million, bringing total invested amount to \$1,001,000
- ▶ By year-end, investment dropped to \$200,000
- ▶ **Expected rate of return for this Fund?**

Time-Weighted Result

- ▶ Formula Used: **$ROR = (EMV / BMV) - 1) * 100$**

ROR = Rate of Return

EMV = Ending Market Value

BMV = Beginning Market Value

- ▶ Jan 1 – July 1: **$ROR_1 = ((100,000/1,000) - 1) * 100 = 9,900\%$**

- ▶ July 1 – Dec 31: **$ROR_2 = ((200,000/1,100,000) - 1) * 100 = -82\%$**

- ▶ Jan 1 – Dec 31: Geometrically link ROR_1 and ROR_2

$$\{[(9,900\%/100)-1] * [(-82\%/100)-1] + 1\} * 100 = 1,718\%$$

Recap

Time-Weighted Methodology:

- ▶ The first half of the year had a return of 9,900%
- ▶ For the second half of the year, the return was -82%
- ▶ The time-weighted return for the year was 1,718%

***But...* Net loss was \$801,000**

Dollar-Weighted Methodology:

- ▶ The loss is reflected in the IRR, which is -80%

Case Study: Invesco Real Estate Closed-End Funds

| | Vintage Year | Commitment Amount | Funded Amount | Unfunded Commitments | Capital Returned | NAV ⁽¹⁾ | NAV + Capital Returned | Multiple ⁽²⁾ |
|------------------------------------|-----------------|----------------------|------------------|-------------------------|---------------------|--------------------|---------------------------|-------------------------|
| Invesco Real Estate Value Fund II | 2007 | 50,000,000 | 46,001,669 | 3,998,331 | 32,500,000 | 24,076,053 | 56,576,053 | 1.23 |
| Invesco Real Estate Value Fund III | 2012 | 50,000,000 | 37,500,000 | 29,677,962 | 17,177,962 | 24,310,453 | 41,488,415 | 1.11 |
| Invesco Asia Real Estate Fund I | 2008 | 30,000,000 | 25,245,671 | 4,754,329 | 371,000 | 25,679,159 | 26,050,159 | 1.03 |

⁽¹⁾ As of 12/31/13 for Fund II and III and 9/30/13 for Asia Fund I.

⁽²⁾ Divides the net asset value plus capital returned by the funded amount and measures the value of the investment relative to the cost basis.

| | Since Inception Net IRR | Since Inception NCREIF Index | Forecast Net IRR | Net Since Inception Time-Weighted Return ⁽²⁾ |
|------------------------------------|----------------------------|---------------------------------|---------------------|--|
| Invesco Real Estate Value Fund II | 6.6% | 3.6% | 7.3% | -17.2% |
| Invesco Real Estate Value Fund III | 23.2% | 10.8% | 16.9% | 15.6% |
| Invesco Asia Real Estate Fund I | 1.2% | 3.5% | 7.2% | -29.6% |

⁽¹⁾ Fund IRRs are calculated using the December 31, 2013 (Sep 30, 2013 for Asia Fund I) values of those underlying investments as the final cash

⁽²⁾ Callan returns as of 12/31/13

Why the large discrepancy between Time-Weighted and Dollar-Weighted (IRR) Returns?

Size and Timing of Cash Flows

| | Invesco Real Estate Value Fund II (2007) | | | Invesco Real Estate Value Fund III (2012) | | | Invesco Asia Real Estate Fund I (2008) | | |
|-----------------|--|--------------|---------------|---|--------------|---------------|--|--------------|---------------|
| | Returns (%) | Market Value | Net Cash Flow | Returns (%) | Market Value | Net Cash Flow | Returns (%) | Market Value | Net Cash Flow |
| 2007 4Q | | 5,000,000 | 5,000,000 | | | | | | |
| 2008 1Q | (14.90) | 4,254,820 | 0 | | | | | | |
| 2008 2Q | (10.66) | 3,306,374 | (494,792) | | | | | | |
| 2008 3Q | (1.33) | 2,866,640 | (393,856) | | | | | | |
| 2008 4Q | (9.38) | 10,507,969 | 8,349,072 | | | | | 75,000 | 75,000 |
| 2009 1Q | (51.49) | 9,473,918 | 4,376,655 | | | | 0.00 | 188,000 | 113,000 |
| 2009 2Q | (17.36) | 7,829,347 | 0 | | | | (62.67) | 112,001 | 112,000 |
| 2009 3Q | (40.03) | 7,195,468 | 2,500,000 | | | | (49.78) | 113,001 | 113,000 |
| 2009 4Q | (14.95) | 6,120,017 | 0 | | | | (2.32) | 13,312,672 | 13,413,487 |
| 2010 1Q | (28.47) | 4,377,515 | 0 | | | | 0.70 | 1 | (13,406,129) |
| 2010 2Q | 23.53 | 5,407,495 | 0 | | | | 0.00 | 1 | 0 |
| 2010 3Q | 0.00 | 5,407,495 | 0 | | | | 0.00 | 1 | 0 |
| 2010 4Q | 31.16 | 17,717,409 | 10,625,000 | | | | 0.00 | 1 | 0 |
| 2011 Q1 | 9.40 | 19,383,467 | 0 | | | | 0.00 | 4,224,001 | 4,224,000 |
| 2011 Q2 | 9.33 | 31,646,473 | 10,000,000 | | | | (8.21) | 3,877,140 | 0 |
| 2011 Q3 | 0.00 | 31,646,473 | 0 | | | | 0.00 | 10,108,140 | 6,231,000 |
| 2011 Q4 | 14.22 | 36,146,986 | 0 | | | | (3.28) | 9,776,651 | 0 |
| 2012 Q1 | 5.90 | 38,279,317 | 0 | | | | 0.00 | 17,926,651 | 8,150,000 |
| 2012 Q2 | 6.40 | 36,193,731 | (4,500,000) | | 19,577,698 | 20,000,000 | 4.52 | 18,736,155 | 0 |
| 2012 Q3 | 0.00 | 42,193,731 | 6,000,000 | 0.00 | 19,577,698 | 0 | (3.39) | 17,735,165 | (371,000) |
| 2012 Q4 | 9.32 | 45,124,954 | (1,000,000) | 4.34 | 20,426,542 | 0 | 8.07 | 19,165,974 | 0 |
| 2013 Q1 | (1.52) | 37,468,469 | (7,000,000) | (1.56) | 20,107,789 | 0 | (8.19) | 23,318,780 | 5,767,000 |
| 2013 Q2 | 14.66 | 23,434,749 | (19,000,000) | 13.71 | 40,307,385 | 17,500,000 | (1.54) | 22,960,002 | 0 |
| 2013 Q3 | 0.00 | 22,434,749 | (1,000,000) | 0.00 | 21,900,803 | (18,406,594) | (1.09) | 23,517,524 | 813,000 |
| 2013 Q4 | 5.18 | 23,596,823 | 0 | 6.38 | 23,299,114 | 0 | 8.22 | 27,375,071 | 1,801,000 |
| Since Inception | (17.21) | | | 15.57 | | | (29.60) | | |

Summary

TWR

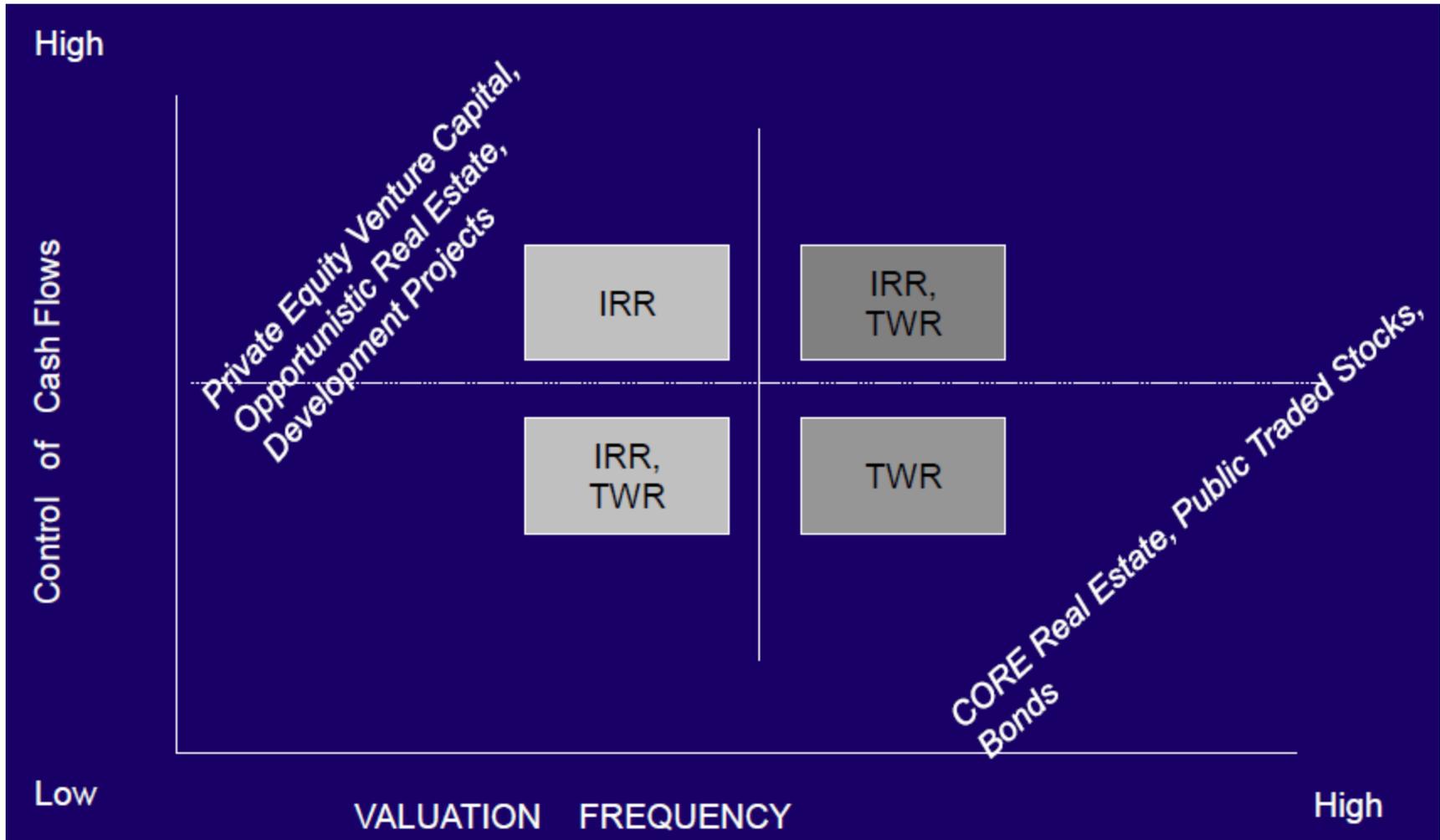
- ❑ Good measure of managers' investment decisions
- ❑ Investment size doesn't matter
- ❑ Timing of cash flows doesn't matter
- ❑ GIPS standard for Stocks, Bonds, & Open-Ended Real Estate
- ❑ Periodic market values needed
- ❑ Frequent period calculations to see ups and downs in orders to assess volatility or risk.
- ❑ Income and Appreciation Components are calculated

IRR

- ❑ Good measure of Investor's true return
- ❑ Amount and timing of cash flows (contributions/distributions) has significant impact on IRR
- ❑ GIPS standard for Private Equity
- ❑ Supplemental disclosure for RE Discretionary Accounts
- ❑ Only initial and ending values needed
- ❑ Equivalent periods needed for comparison ("Vintage Year")
- ❑ Incentive fees typically based on IRR's
- ❑ Total Return Only

TWR = IRR if there are no subsequent cash flows (Contributions/Distributions) after initial funding, or if periodic returns are earned evenly over the period (i.e. 2% every month for life)

Formula Evaluation



**Workforce Safety and Insurance
Investment Policy Statement
Recommendation for **Board Action****

May 23, 2014

Dave Hunter, Executive Director/Chief Investment Officer

Darren Schulz, Deputy Chief Investment Officer

ND Retirement & Investment Office (RIO)

State Investment Board (SIB)

Review of Recent SIB Actions for WSI

- ▷ **During our April 24th meeting, the SIB approved the WSI asset allocation recommendations** made by Callan and RIO to the WSI Board on April 17th, and as **approved by the Governor** in late-April.
- ▷ The recently approved target asset allocation is summarized below:
 - The **Equity allocation would be increased by 5% to 25%**, while the **Fixed Income allocation would be increased by 2% to 53%**.
 - **Diversified Real Assets would be decreased by 7% to 15%**, while Real Estate would remain at 6% (along with Cash at 1%).
 - These recommendations should provide long-term inflation protection for North Dakota wages which are expected to be higher than national trends.

Action: The State Investment Board should approve the attached Investment Policy Statement which incorporates the approved target asset allocations as previously noted. The RIO will work to implement these changes over the next several months so as to implement the changes by no later than December 31, 2014.

The SIB approved the Callan and RIO recommendation to adopt Mix 2, as approved by the Governor.

| Asset Class | Current | Mix 2 | Change |
|---|-------------|-------------|--------|
| US Broad Fixed Income | 51% | 53% | 2% |
| Private Real Estate | 6% | 6% | 0% |
| Diversified Real Assets | 22% | 15% | -7% |
| US Large Cap Equity | 9.7% | 12% | 2% |
| US Small Cap Equity | 3.3% | 4% | 1% |
| International Equity (Developed) | 7% | 9% | 2% |
| Cash Equivalents | 1% | 1% | 0% |
| Totals | 100% | 100% | |
| Allocation to Fixed Income (with TIPS) | 59% | 59% | |
| Allocation to Other Real Assets (Real Estate, Timber, Infrastructure) | 21% | 16% | |
| Allocation to Equity | 20% | 25% | |
| Compounded 10-Year Geometric Return | 5.15% | 5.21% | |
| Standard Deviation of Return | 6.32% | 6.67% | |
| Average Yield | 3.56% | 3.53% | |

- ▶ **Mix 2 is favored if WSI believes that North Dakota's long-term inflation trends may remain higher than national trends.**

Source: Callan Associates 2013/14 Asset Liability Study for WSI

WORKFORCE SAFETY & INSURANCE INVESTMENT POLICY STATEMENT

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS.

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

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

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

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).

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

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

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

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

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

3. INVESTMENT OBJECTIVES.

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

The following investment objectives are established as of the date adopted and are in keeping with the fiduciary requirements as set forth in federal and state law and as expected by the members. WSI expects to receive results from the SIB that are consistent with the policies included herein. These objectives and guidelines will provide a basis for evaluating the effectiveness of the investment program over time. It is clearly understood these objectives and standards are to be viewed over the long term and have been established after full consideration of all factors set out in the Statement of Investment Policy.

The operating and liquidity needs of WSI are generally to be met by the cash equivalents allocation.

Funds in excess of those required for operating and liquidity needs will be invested in domestic equity, international equity, real estate and fixed income securities. The objective of these assets is to obtain the maximum total return on investments consistent with safety of principal on funds in excess of those required for operating and liquidity needs.

4. STANDARDS OF INVESTMENT PERFORMANCE.

The Fund's investment objectives and characteristics give rise to an asset allocation that is considered to have greater than a 50% probability of achieving the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return, net of fees and expenses, which at least matches that of the policy portfolio, which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total net returns for the Fund should not exceed that of the policy portfolio.
- c. Over 10 year and longer time periods the Fund's returns, net of fees and expenses, should match or exceed the expected rate of return assumption of the policy benchmark. The expected risk of the Fund, as measured by standard deviation, should not exceed the policy benchmark.

5. POLICY AND GUIDELINES

The asset allocation policy developed herein is based on an evaluation of WSI's ability and willingness to assume investment risk in light of WSI's financial goals and objectives. In recognition of these goals and objectives, coupled with a liability-sensitive asset allocation study conducted by Callan Associates in April of 2014, the following asset allocation is deemed appropriate for WSI. The portfolio mix shall be in accordance with the following asset allocation and periodically reviewed by WSI.

| | |
|---------------------------|---------|
| Large Cap Domestic Equity | 12.00 % |
| Small Cap Domestic Equity | 4.00 % |
| International Equity | 9.00 % |
| Domestic Fixed Income | 53.00 % |
| Diversified Real Assets | 15.00 % |
| Real Estate | 6.00 % |
| Cash Equivalents | 1.00 % |

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

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

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

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

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

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

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

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

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

6. EVALUATION AND REVIEW.

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

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

Approved by:

**WORKFORCE SAFETY &
INSURANCE**

STATE INVESTMENT BOARD

Bryan Klipfel
Director, WSI

David Hunter
Executive Director/CIO, RIO

Date: _____

Date: _____

North Dakota State Investment Board**Board Education Dashboard****Propose 8 hours for Fiscal 2015****Board Education Description**

| | | Hours |
|---|----------------------|-------|
| Litigation Monitoring (Ms. Murtha, Legal Counsel) | Apr. 28, 2014 | 1 |
| Performance Metrics (Mr. Schulz, Deputy CIO) | May 23, 2014 | 0.5 |
| Board Governance or Manager Search (Mr. Erlendson, Consultant) | Jun. 27, 2014 | TBD |
| Callan College Part I - Capital Markets Theory, Asset Allocation, Manager Structure (Consultants) | Jul. 25, 2014 | 1.5 |
| Callan College Part II - Fiduciary & Governance Role, Performance Measurement (Consultants) | Aug. 22, 2014 | 1.5 |
| Board Governance - Overview (Mr. Hunter or Ms. Murtha) | Sep. 26, 2014 | TBD |
| Board Governance - Third Party Presentation (Outside Expert) | Oct. 24, 2014 | TBD |