NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE
Bismarck, ND

FINANCIAL STATEMENTS
June 30, 2015 and 2014

PAGE

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which comprise the statements of net position as of June 30, 2015 and 2014, and the related statements of changes in net position for the years then ended, and the related notes to the financial statements, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements as of and for the years ended June 30, 2015 and 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RIO as of June 30, 2015 and 2014, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of RIO as of June 30, 2015 and 2014, and the results of the changes in financial position of such funds for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of RIO are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of RIO. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2015 and 2014, and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Audit Standards*, we have also issued our report dated November 9, 2015, on our consideration of RIO's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits

CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2015

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the North Dakota Retirement and Investment Office (RIO), a department of the State of North Dakota, which collectively comprise RIO's basic financial statements, and the combining and individual fund financial statements, as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated November 9, 2015.

Internal Control over Financial Reporting

Management of RIO is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered RIO's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of RIO's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RIO's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RIO's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of RIO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RIO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2015

We did not identify any findings that are required to be reported in accordance with *Government Auditing Standards*.

Our discussion and analysis of the ND Retirement and Investment Office's (RIO) financial performance provides an overview of RIO's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic financial statements, which follow this discussion.

RIO administers two fiduciary funds, a pension trust fund for the ND Teachers' Fund for Retirement (TFFR) and an investment trust fund for the ND State Investment Board (SIB) consisting of 23 investment clients in two investment pools and two individual investment accounts.

Financial Highlights

Total net position increased in the fiduciary funds by $1.31 billion or 13.9% from the prior year. Approximately 85% of that increase is due to the growth of the Legacy Fund. The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. Transfers into the Legacy Fund totaled $1.01 billion during the fiscal year.

Additions in the fiduciary funds for the year decreased $736.6 million or 29.8% from the previous year. Net investment income decreased by $647.5 million and total contributions increased $31.5 million.

Deductions in the fiduciary funds decreased over the prior year by $91.2 million or 17.7%. Payments to TFFR members in the form of benefits and refunds increased by $9.9 million or 6.2%. This increase represented a rise in the total number of retirees drawing retirement benefits from the pension fund as well as an increase in the retirement salaries on which the benefits of new retirees are based. The redemption of units from the investment trust decreased by $101.8 million or 29.0%.

As of June 30, 2015, the TFFR pension plan had a Net Pension Liability (NPL) of $1.3 billion and Plan Fiduciary Net Position as a percent of Total Pension Liability (TPL) of 62.1%.

Overview of the Financial Statements

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

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

Fund Financial Statements

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

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

Financial Analysis

RIO's fiduciary fund total assets as of June 30, 2015, were $10.7 billion and were comprised mainly of investments. Total assets increased by $1.3 billion or 13.9% from the prior year primarily due to the growth of the Legacy Fund.

Total liabilities as of June 30, 2015, were $13.2 million. The majority of the liabilities was comprised of investment expenses payable of $11.4 million and accrued expenses of $1.5 million. The accrued expenses include the net pension liability (NPL) of $773,000 that is required to be reported under GASB statement 68. This amount represents RIO's proportionate share of the ND Public Employees Retirement System (NDPERS) Main Plan's NPL measured as of June 30, 2014. Total liabilities increased by $2.5 million or 23.4% from the prior year due mainly to an increase in investment expenses payable at June 30, 2015, caused by the timing of the payment of those expenses.

RIO's fiduciary fund total net position was $10.7 billion at the close of fiscal year 2015.

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

	2015	2014	Total % Change
Assets			
Investments	10,668.6	9,373.5	13.8%
Receivables	61.1	48.2	26.9%
Cash & Other	19.0	17.1	11.1%
Total Assets	10,748.7	9,438.8	13.9%
Deferred Outflows of Resources			
Deferred outflows related to pensions	0.1	-	100.0%
Liabilities			
Total Liabilities	13.2	10.7	23.4%
Deferred Inflows of Resources			
Deferred inflows related to pensions	0.2	-	100.0%
Total Net Position	$ 10,735.5	$ 9,428.1	13.9%

Note: RIO posted prior period adjustments in fiscal year 2015 in order to comply with Governmental Accounting Standards Board (GASB) Statements 68 and 71 related to certain defined benefit pension plan participation. The adjustment amounts, totaling just under $822,000, recognize the initial balances of net pension liability and deferred outflows of resources associated with RIO's participation in the ND Public Employees Retirement System (NDPERS) Main Plan. The adjustments were made to the beginning net position for fiscal year 2015.

	2014	2013	Total % Change
Assets			
Investments	$ 9,373.5	$ 7,421.8	26.3%
Receivables	48.2	44.1	9.2%
Cash & Other	17.1	16.2	5.5%
Total Assets	9,438.9	7,482.1	26.2%
Liabilities			
Total Liabilities	10.7	7.5	42.4%
Total Net Position	$ 9,428.2	$ 7,474.6	26.1%

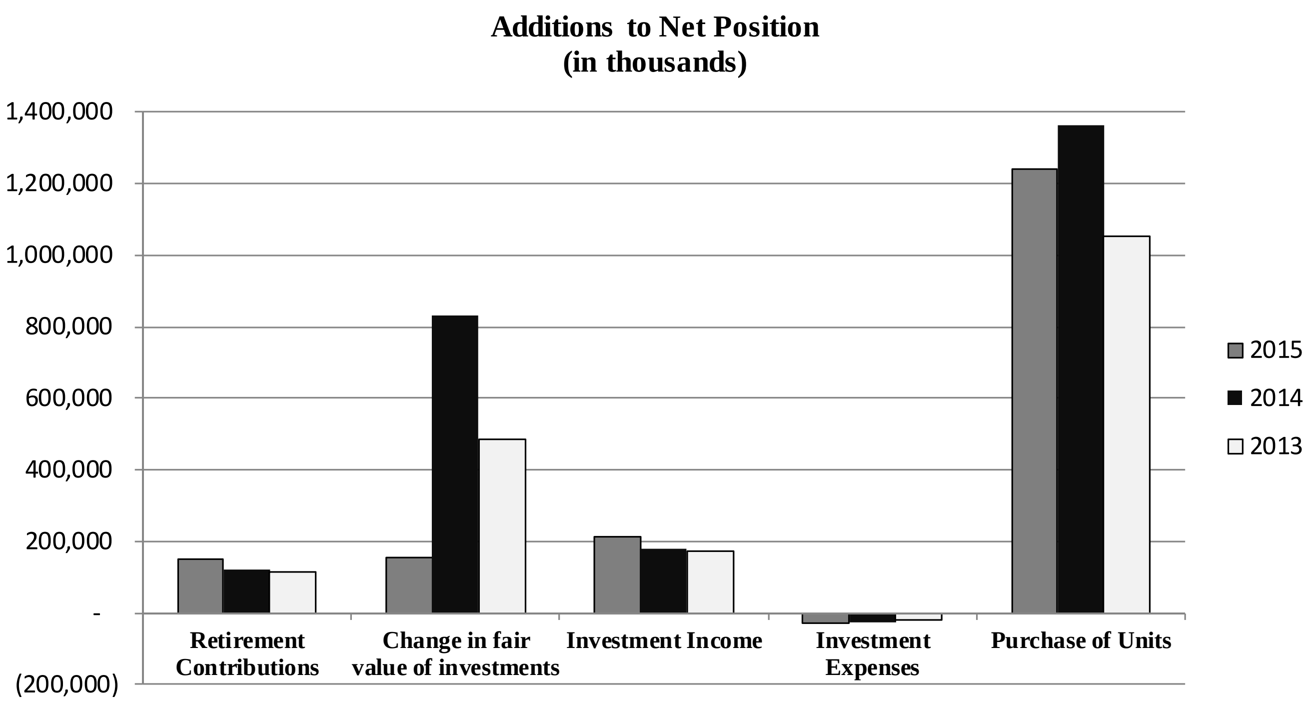
North Dakota Retirement and Investment Office
Changes in Net Position – Fiduciary Funds
(In Millions)

	2015	2014	Total % Change
Additions:			
Contributions	$ 152.5	$ 121.0	26.0%
Investment Income	340.0	987.5	-65.6%
Purchase of Units	1,239.9	1,360.5	-8.9%
Total Additions	1,732.4	2,469.0	-29.8%
Deductions:			
Payments to TFFR members	172.2	162.2	6.2%
Administrative Expenses	2.9	2.3	25.6%
Redemption of Units	249.1	350.9	-29.0%
Total Deductions	424.2	515.4	-17.7%
Total change in net position	$ 1,308.2	$ 1,953.6	-33.0%

	2014	2013	Total % Change
Additions:			
Contributions	$ 121.0	$ 115.8	4.4%
Investment Income	987.5	637.8	54.8%
Purchase of Units	1,360.5	1,053.3	29.2%
Total Additions	2,469.0	1,806.9	36.6%
Deductions:			
Payments to TFFR members	162.2	149.0	8.9%
Administrative Expenses	2.3	2.2	4.4%
Redemption of Units	350.9	234.8	49.4%
Total Deductions	515.4	386.0	33.5%
Total change in net position	$ 1,953.6	$ 1,420.9	37.5%

Statement of Changes in Net Position – Additions

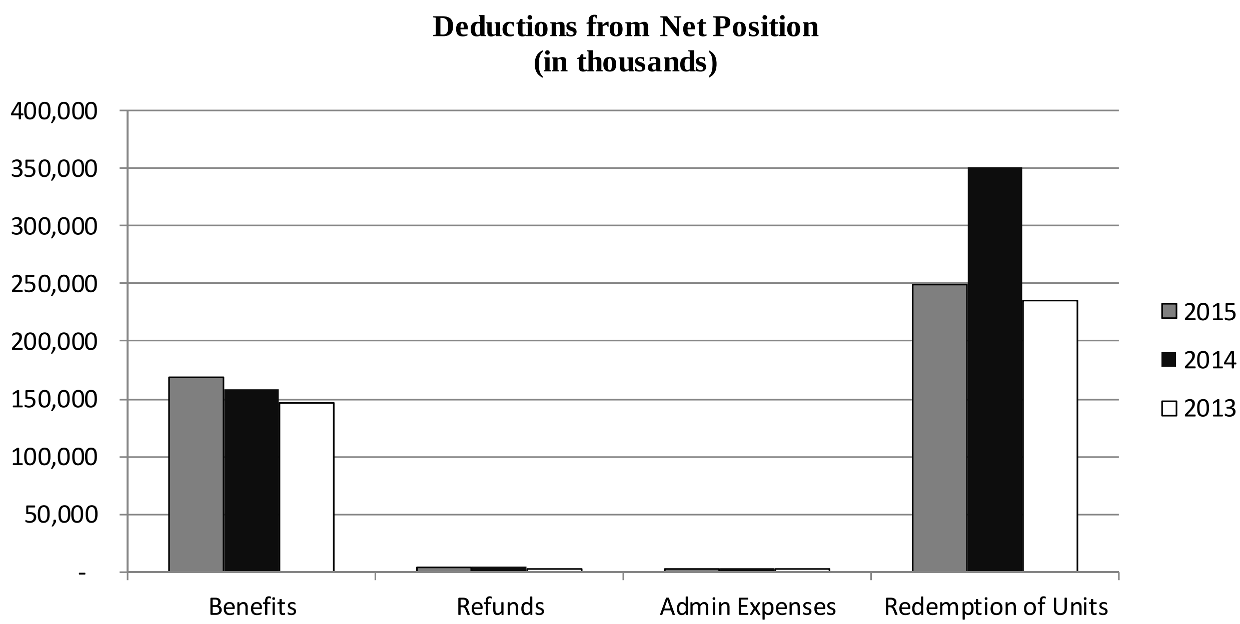
Contributions and net investment income are the two components of the fiduciary fund additions. Contributions collected by the pension trust fund increased by $31.5 million or 26.0% over the previous fiscal year due to a 2% contribution rate increase for both the employers and members that took effect 7/1/2014. Net investment income (net of investment expenses) decreased by $647.5 million or 65.6% from last year. This was the result of weakening financial markets during the fiscal year.



Statement of Changes in Net Position – Deductions

Benefits paid to TFFR plan participants, including partial lump-sum distributions, increased by $9.9 million or 6.2% during the fiscal year ended June 30, 2015. This was due to an increase in the total number of retirees in the plan as well as an increased retirement salary on which the benefits are based upon. Refunds decreased slightly in fiscal year 2015, by $19,000 or 0.5%.

Administrative expenses increased by $583,000 or 25.6%. This increase is mainly due to an increase in salary expense due to being fully staffed, including the addition of an investment analyst position, and an increase in audit and actuary fees due to the implementation of GASB Statements 67 and 68.



Conclusion

Improving U.S. labor markets and generally favorable economic policy were responsible for generating positive investment returns in the U.S. On the other hand, returns on foreign assets were hampered by a stronger dollar, economic uncertainty in the Eurozone, and slower growth prospects in the emerging markets. For the fiscal year ended June 30, 2015, the TFFR pension plan generated net investment returns of over 3.5% which exceeded the investment policy benchmark of 2.2% by over 1.3%. Strong returns in U.S. equities (up 8.5%) and U.S. fixed income (up 3.2%) were partially offset by disappointing results in international equities (down 2.7%) and international fixed income (down 10%). Impressive real asset returns including real estate (up 15%) were partially offset by disappointing results in our private equity portfolio (down 5%) and timber investments (up 4%).

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

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

As of July 1, 2015, TFFR's funding level was 61.6% on an actuarial basis. TFFR's funding level reflects modified actuarial assumptions which were approved by the Board in 2015 after an Actuarial Experience Study was conducted. Although TFFR's unfunded liability increased from the previous year, the plan is projected to become nearly fully funded in approximately 30 years, if all actuarial assumptions are met. Protecting the long term solvency of the pension plan is the TFFR Board's fiduciary responsibility. The Board will continue to proactively address TFFR funding issues so the plan will be financially strong and sustainable for past, present, and future ND educators.

Contacting RIO Financial Management

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

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Assets:				
Investments, at fair value				
Equities	$ -	$ -	$ 1,708,243,680	$ 55,112,752
Equity pool	1,114,412,547	1,089,067,377	1,899,373,890	2,787,747,097
Fixed income	-	-	1,186,979,426	533,078,401
Fixed income pool	480,175,754	478,677,486	2,202,727,271	3,083,559,151
Real assets	-	-	509,958,485	-
Real assets pool	389,351,436	369,078,739	843,179,560	645,467,366
Private equity pool	81,662,078	97,357,862	95,675,581	114,064,794
Cash pool	29,631,182	20,045,640	127,180,135	100,251,550
Total investments	2,095,232,997	2,054,227,104	8,573,318,028	7,319,281,111
Receivables:				
Investment income	8,574,358	7,457,808	28,925,179	24,467,745
Contributions	23,591,127	16,233,852	-	-
Miscellaneous	20,646	4,362	13,084	11,316
Total receivables	32,186,131	23,696,022	28,938,263	24,479,061
Due from other state agency	142	-	57	-
Cash and cash equivalents	18,964,646	17,012,740	90,692	145,652
Total assets	2,146,383,916	2,094,935,866	8,602,347,040	7,343,905,824
Deferred outflows of resources				
Deferred outflows related to pensions	76,002	-	47,146	-
Liabilities:				
Accounts payable	142,372	58,356	49,697	39,232
Investment expenses payable	3,101,713	3,262,454	8,326,400	6,599,159
Accrued expenses	1,193,136	631,740	342,998	70,572
Miscellaneous payable	-	-	16,497	14,804
Due to other state agencies	8,722	6,260	2,314	1,169
Total liabilities	4,445,943	3,958,810	8,737,906	6,724,936
Deferred inflows of resources				
Deferred inflows related to pensions	93,175	-	57,796	-
Net position:				
Retricted for pensions	2,141,920,800	2,090,977,056	-	-
Held in trust for external investment pool participants:				
Pension pool	-	-	2,697,830,841	2,603,764,672
Insurance pool	-	-	2,472,333,924	4,643,121,726
Held in trust for individual investment accounts	-	-	3,423,433,719	90,294,490
Total net position	$ 2,141,920,800	$ 2,090,977,056	$ 8,593,598,484	$ 7,337,180,888
Each participant unit is valued at $1.00				
Participant units outstanding			8,593,598,484	7,337,180,888

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

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Additions:				
Contributions:				
Employer contributions	$ 78,422,098	$ 62,355,146	$ -	$ -
Member contributions	72,268,451	56,554,767	-	-
Purchased service credit	1,600,739	2,034,289	-	-
Interest, penalties and other	172,474	47,766	-	-
Total contributions	152,463,762	120,991,968	-	-
Investment income:				
Net change in fair value of investments	39,635,140	264,759,565	115,453,148	567,151,376
Interest, dividends and other income	40,486,496	36,744,024	173,270,874	144,142,458
	80,121,636	301,503,589	288,724,022	711,293,834
Less investment expenses	6,916,830	7,257,140	21,929,066	18,023,588
Net investment income	73,204,806	294,246,449	266,794,956	693,270,246
Purchase of units ($1 per unit)	-	-	1,239,909,653	1,360,499,546
Total additions	225,668,568	415,238,417	1,506,704,609	2,053,769,792
Deductions:				
Benefits paid to participants	167,792,430	157,529,892	-	-
Partial lump-sum distributions	557,332	820,463	-	-
Refunds	3,889,671	3,908,921	-	-
Administrative expenses	1,923,392	1,586,045	939,798	693,895
Redemption of units ($1 per unit)	-	-	249,087,335	350,900,674
Total deductions	174,162,825	163,845,321	250,027,133	351,594,569
Change in net position	51,505,743	251,393,096	1,256,677,476	1,702,175,223
Net position:				
Beginning of year	2,090,977,056	$ 1,839,583,960	$ 7,337,180,888	$ 5,635,005,665
Restatement due to implementation of GASB 68	(561,999)	-	(259,880)	-
Beginning of year, as restated	2,090,415,057	1,839,583,960	7,336,921,008	5,635,005,665
End of Year	$ 2,141,920,800	$ 2,090,977,056	$ 8,593,598,484	$ 7,337,180,888

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

Note 1 - Summary of Significant Accounting Policies

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

For financial reporting purposes, RIO has included all funds, and has considered all potential component units for which RIO is financially accountable, and other organizations for which the nature and significance of their relationship with RIO are such that exclusion would cause RIO's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of RIO to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on RIO.

Based upon these criteria, there are no component units to be included within RIO as a reporting entity and RIO is part of the State of North Dakota as a reporting entity.

Fund Financial Statement

All activities of RIO are accounted for within the pension and investment trust funds and are shown, by fund, in the fiduciary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Restatement

The June 30, 2014, ending net position of the Pension and Investment Trusts was restated by ($561,999) and ($259,880), respectively. RIO posted prior period adjustments in fiscal year 2015 in order to comply with Governmental Accounting Standards Board (GASB) Statements 68 and 71 related to certain defined benefit pension plan participation. The adjustment amounts recognize the initial balances of net pension liability and deferred outflows of resources associated with RIO's participation in the ND Public Employees Retirement System (NDPERS) Main Plan.

	Pension Trust	Investment Trust
Net Position – June 30, 2014, as previously reported	$2,090,977,056	$7,337,180,888
Restatement due to implementation of GASB 68, effect on net position	(561,999)	(259,880)
Net Position – June 30, 2014, as restated	$2,090,415,057	$7,336,921,008

Fiduciary Fund

A pension trust fund and investment trust funds have been established to account for the assets held by RIO in a trustee capacity for TFFR and as an agent for other governmental units or funds which have placed certain investment assets under the management of SIB. The SIB manages two external investment pools and two individual investment accounts. The two external investment pools consist of a pension pool and insurance pool. SIB manages the investments of the North Dakota Public Employees Retirement System, Job Service of North Dakota, Bismarck City Employees and Police, City of Grand Forks Employees and Grand Forks Parks Employees pension plans in the pension pool. The investments of Workforce Safety and Insurance, State Fire & Tornado, State Bonding, Petroleum Tank Release Compensation Fund, Insurance Regulatory Trust, North Dakota Association of Counties Fund, Risk Management, Risk Management Workers Comp, PERS Group Insurance, City of Bismarck Deferred Sick Leave, City of Fargo FargoDome Permanent Fund, Cultural Endowment Fund, ND State Board of Medical Examiners, and Budget Stabilization Fund are managed in the insurance pool. The Legacy Fund and PERS Retiree Health investments are managed by SIB in individual investment accounts; except for a small portion of the Legacy Fund fixed income assets that will remain pooled until they are liquidated at a future date and their cash allocation that will remain pooled for operational efficiency.

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

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

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

Use of Estimates

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

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

Budgetary Process

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

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

RIO does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation and expenditure line item level. RIO does not formally budget revenues and it does not budget by fund. The statement of revenues, expenditures and changes in fund balances - budget and actual is not prepared because revenues are not budgeted.

Capital Assets and Depreciation

Capital asset expenditures greater than $5,000 are capitalized at cost in accordance with Section 54-27-21 of the NDCC. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

	Years
Office equipment	5
Furniture and fixtures	5

Investments

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

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

Pooled Investments

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

Investment Valuation and Income Recognition

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

The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year.

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

Pensions

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

Note 2 - Cash and Cash Equivalents

Custodial Credit Risk

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

Pension Trust Fund

Deposits held by the Pension Trust Fund at June 30, 2015 and 2014 were deposited in the Bank of North Dakota. At June 30, 2015 and 2014, the carrying amount of TFFR's deposits was $18,964,646 and $17,012,740, respectively, and the bank balance was $18,795,430 and $17,015,906 respectively. The difference results from checks outstanding or deposits not yet processed by the bank. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Investment Trust Funds

Certificates of deposit are recorded as investments and have a cost and carrying value of $93,980,286 and $106,948,787 at June 30, 2015 and 2014, respectively. In addition these funds carry cash and cash equivalents totaling $90,692 and $145,652 at June 30, 2015 and 2014, respectively. These deposits are exposed to custodial credit risk as uninsured and uncollateralized. However, these deposits held at the Bank of North Dakota are guaranteed by the State of North Dakota through NDCC Section 6-09-10.

Note 3 - Investments

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

Interest Rate Risk

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

At June 30, 2015 and 2014, the following tables show the investments by investment type and maturity (expressed in thousands).

2015	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 174,485	$ 165	$ 48,233	$ 21,321	$ 104,766
Bank Loans	5,376	-	4,579	797	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	146,924	-	811	676	145,437
Commercial Paper	9,999	9,999	-	-	-
Corporate Bonds	1,189,871	64,297	441,078	342,993	341,503
Corporate Convertible Bonds	18,154	4,215	8,777	3,355	1,807
Government Agencies	100,126	11,858	76,856	542	10,870
Government Bonds	512,353	17,649	261,191	135,057	98,456
Gov't Mortgage Backed and CMB	634,153	-	18,174	38,542	577,437
Repurchase Agreements	138,070	138,070	-	-	-
Index Linked Government Bonds	29,232	8,109	-	14,323	6,800
Municipal/Provincial Bonds	22,950	66	3,165	6,463	13,256
Non-Government Backed CMOs	61,920	-	5,621	4,331	51,968
Other Fixed Income	11,710	3,286	8,424	-	-
Short Term Bills and Notes	7,045	7,045	-	-	-
Funds/Pooled Investments	1,658,568	40,199	284,027	875,517	458,825
Total Debt Securities	$ 4,720,936	$ 304,958	$ 1,160,936	$ 1,443,917	$ 1,811,125

2014	Total Fair Value	Less than 1 Year	1-6 Years	6-10 Years	More than 10 Years
Asset Backed Securities	$ 176,669	$ 284	$ 70,094	$ 20,166	$ 86,125
Bank Loans	5,064	-	2,364	2,700	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	99,632	-	971	534	98,127
Commercial Paper	94,092	94,092	-	-	-
Corporate Bonds	1,091,736	48,549	543,307	254,173	245,707
Corporate Convertible Bonds	23,368	2,237	11,021	3,176	6,934
Government Agencies	114,149	7,696	92,328	3,027	11,098
Government Bonds	555,494	110,533	245,140	117,872	81,949
Gov't Mortgage Backed and CMB	555,576	-	6,919	12,327	536,330
Repurchase Agreements	21,700	21,700	-	-	-
Index Linked Government Bonds	7,854	1,663	-	5,109	1,082
Municipal/Provincial Bonds	25,393	1,813	1,795	2,002	19,783
Non-Government Backed CMOs	35,264	-	3,587	3,312	28,365
Other Fixed Income	13,191	1,926	11,265	-	-
Short Term Bills and Notes	58,075	58,075	-	-	-
Funds/Pooled Investments	1,312,173	4,223	228,429	689,626	389,895
Total Debt Securities	$ 4,189,430	$ 352,791	$ 1,217,220	$ 1,114,024	$ 1,505,395

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

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

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The SIB held IOs valued at $10.2 million and $6.6 million, and POs valued at $4.1 million and $3.3 million at June 30, 2015 and 2014, respectively. The SIB has no policy regarding IO or PO strips.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Although the SIB has no overall policy regarding credit risk, each debt securities manager is given a specific set of guidelines to invest within based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and below investment grade categories. The following tables present the SIB’s ratings as of June 30, 2015 and 2014 (expressed in thousands).

2015	Total Fair Value	Credit Rating* A-1	A-2	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 173,747	$ 625	$ -	$ 91,848	$ 17,692	$ 21,744	$ 12,112	$ 3,591	$ 4,161	$11,097	$ 2,057	$ -	$ 592	$ 8,228
Bank Loans	5,376	-	-	-	-	-	801	2,947	1,203	-	-	-	-	425
Commercial Mortgage Backed	120,818	-	-	65,357	14,429	9,834	6,127	6,611	12,310	817	-	-	1,772	3,561
Commercial Paper	9,999	-	-	-	-	-	-	-	-	-	-	-	-	9,999
Corporate Bonds	1,189,871	-	-	2,013	38,678	227,129	683,105	164,638	61,167	11,739	197	-	91	1,114
Corporate Convertible Bonds	18,154	-	-	-	-	1,238	2,789	5,884	1,340	-	-	-	-	6,903
Gov't Agencies	94,358	-	-	8,016	72,342	7,084	6,916	-	-	-	-	-	-	-
Gov't Bonds	112,497	-	-	-	9,908	28,722	55,193	13,433	-	283	-	-	-	4,958
Gov't Issued Commercial & Gov't Mortgage Backed	439,981	-	-	-	439,981	-	-	-	-	-	-	-	-	-
Index Linked Bonds	61	-	-	-	-	-	-	-	-	-	-	-	-	61
Municipal/Provincial Bonds	22,950	-	-	4,757	9,711	4,613	3,574	295	-	-	-	-	-	-
Non-Gov't Backed CMOs	59,964	-	-	5,368	9,764	7,606	5,069	456	2,612	4,454	2,258	-	3,691	18,686
Other Fixed Income	11,710	-	-	-	-	748	-	-	-	-	-	-	-	10,962
Repurchase Agreements	138,070	-	-	-	-	-	-	-	-	-	-	-	-	138,070
Short Term Bills & Notes	5,500	-	-	-	5,500	-	-	-	-	-	-	-	-	-
Funds/Pooled Investments	1,658,568	-	-	88,438	557,304	456,964	258,847	37,639	188,607	70,769	-	-	-	-
Total Credit Risk of Debt Securities	4,061,624	$ 625	$ -	$265,797	$1,175,309	$765,682	$1,034,533	$235,494	$271,400	$99,159	$ 4,512	$ -	$ 6,146	$202,967
US Gov't & Agencies **	659,312													
Total Debt Securities	$ 4,720,936													

2014	Total Fair Value	Credit Rating* A-1	A-2	AAA	AA	A	BBB	BB	B	CCC	CC	C	D	NR
Asset Backed Securities	$ 176,669	$ -	$ -	$ 91,996	$ 33,423	$ 23,358	$ 13,390	$ 2,085	$ 2,789	$ 8,881	$ 285	$ -	$ 462	$ -
Bank Loans	5,064	-	-	-	-	-	745	3,169	1,150	-	-	-	-	-
Commercial Mortgage Backed	82,222	-	-	45,984	13,950	5,659	8,276	1,890	5,949	302	-	-	212	-
Commercial Paper	94,092	-	55,026	-	-	11,372	27,694	-	-	-	-	-	-	-
Corporate Bonds	1,091,736	-	-	4,268	38,299	230,481	597,349	156,864	42,974	21,107	-	-	394	-
Corporate Convertible Bonds	23,368	-	-	-	-	1,634	3,017	10,451	7,565	701	-	-	-	-
Gov't Agencies	109,616	-	-	4,682	94,785	4,413	5,736	-	-	-	-	-	-	-
Gov't Bonds	110,146	-	-	-	14,875	33,686	47,799	13,089	697	-	-	-	-	-
Gov't Issued Commercial & Gov't Mortgage Backed	395,225	-	-	-	395,225	-	-	-	-	-	-	-	-	-
Index Linked Bonds	169	-	-	-	-	169	-	-	-	-	-	-	-	-
Municipal/Provincial Bonds	25,393	-	-	6,161	6,089	8,292	4,434	417	-	-	-	-	-	-
Non-Gov't Backed CMOs	34,576	-	-	3,224	6,513	6,912	8,193	560	2,772	3,108	182	-	3,112	-
Other Fixed Income	13,191	-	-	974	8,211	488	3,277	241	-	-	-	-	-	-
Repurchase Agreements	21,700		-	21,700	-	-	-	-	-	-	-	-	-	-
Short Term Bills & Notes	56,219	-	-	-	49,394	5,438	500	-	887	-	-	-	-	-
Funds/Pooled Investments	1,312,173	-	-	362,413	368,683	361,285	18,038	22,714	19,107	-	-	159,933	-	-
Total Credit Risk of Debt Securities	3,551,559	$ -	$ 55,026	$541,402	$1,029,447	$693,187	$738,448	$211,480	$83,890	$34,099	$ 467	$159,933	$ 4,180	$ -
US Gov't & Agencies **	637,871													
Total Debt Securities	$ 4,189,430													

* Ratings are determined in the following order:

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

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2015 and 2014, the SIB’s portfolio has no single issuer exposure that comprises 5% or more of the overall portfolio, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the SIB does not have a formal investment policy governing foreign currency risk, the SIB does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The SIB’s exposure to foreign currency risk is presented in the following tables as of June 30, 2015 and 2014 (expressed in thousands).

2015

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ 78	$ 10,616	$ 33,382	$ 44,076
Brazilian real	(392)	8,744	5,569	13,921
British pound sterling	(530)	741	184,992	185,203
Canadian dollar	(132)	-	30,690	30,558
Chilean peso	9,468	907	195	10,570
Chinese yuan renminbi	1	-	-	1
Czech koruna	9	-	1,015	1,024
Israeli shekel	33	-	6,357	6,390
Danish krone	-	-	17,527	17,527
Euro	(21,035)	18,006	338,061	335,032
Hong Kong dollar	443	-	51,796	52,239
Hungarian forint	16	5,005	1,036	6,057
Indian rupee	-	7,516	-	7,516
Indonesian Rupiah	-	5,935	-	5,935
Japanese yen	(1,707)	307	202,657	201,257
Malaysian Ringgit	63	3,658	-	3,721
Mexican peso	1,694	25,152	-	26,846
New Zealand dollar	(4,036)	4,276	1,270	1,510
Norwegian krone	4,373	-	15,197	19,570
Peruvian nuevo sol	(7)	-	-	(7)
Philippine peso	-	2,087	-	2,087
Polish zloty	15	2,790	1,967	4,772
Singapore dollar	(463)	-	8,291	7,828
South African rand	(44)	5,457	4,067	9,480
South Korean won	(1,269)	5,633	9,471	13,835
Swedish krona	4,223	-	28,593	32,816
Swiss franc	24	-	88,206	88,230
Taiwan dollar	-	-	679	679
Thai baht	239	-	3,952	4,191
Turkish lira	-	-	1,789	1,789
International commingled funds (various currencies)	-	99,367	739,304	838,671
Total international investment securities	$ (8,936)	$ 206,197	$ 1,776,063	$ 1,973,324

Negative amounts represent short positions.

2014

Currency	Short-Term	Debt	Equity	Total
Australian dollar	$ (5,730)	$ 13,470	$ 33,756	$ 41,496
Brazilian real	(300)	8,533	7,204	15,437
British pound sterling	(128)	7,322	161,777	168,971
Canadian dollar	568	-	27,981	28,549
Chilean peso	9,453	1,051	-	10,504
Chinese yuan renminbi	380	-	-	380
Columbian peso	1	-	-	1
Czech koruna	2	-	1,491	1,493
Israeli shekel	57	-	3,121	3,178
Danish krone	(435)	-	6,918	6,483
Euro	(22,927)	20,730	246,579	244,382
Hong Kong dollar	152	-	38,146	38,298
Hungarian forint	50	4,188	1,325	5,563
Iceland krona	34	-	-	34
Indian rupee	377	-	-	377
Indonesian Rupiah	-	4,155	198	4,353
Japanese yen	(5,479)	576	156,421	151,518
Malaysian Ringgit	310	2,375	-	2,685
Mexican peso	2,735	25,359	-	28,094
New Zealand dollar	(2,657)	3,339	923	1,605
Norwegian krone	142	-	12,972	13,114
Peruvian nuevo sol	(56)	-	-	(56)
Philippine peso	-	2,209	-	2,209
Polish zloty	(4,162)	4,987	2,853	3,678
Russian ruble	359	-	-	359
Singapore dollar	355	-	6,904	7,259
South African rand	345	3,734	3,967	8,046
South Korean won	33	5,052	12,814	17,899
Swedish krona	(233)	-	19,287	19,054
Swiss franc	222	54	63,763	64,039
Thai baht	103	-	1,997	2,100
Turkish lira	288	1,529	1,483	3,300
International commingled funds (various currencies)	-	115,294	697,197	812,491
Total international investment securities	$ (26,141)	$ 223,957	$ 1,509,077	$ 1,706,893

Negative amounts represent short positions.

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The investment policies of the SIB's clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statements of net position. At June 30, 2015 and 2014, the SIB had four types of derivative securities: futures, options, swaps and currency forwards.

Futures

Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty risk. The net change in the futures contracts' value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the statements of changes in net position and totaled $43.1 million for fiscal year 2015 and $101.2 million for fiscal year 2014. At June 30, 2015 and 2014, the SIB investment portfolio had the notional futures balances shown below (expressed in thousands).

Futures	Notional Value	
	June 30, 2015	June 30, 2014
Cash & Cash Equivalent Derivative Futures		
Long	$ -	$ 35,663
Short	(1,035,636)	(511,036)
Equity Derivative Futures		
Long	604,691	486,293
Short	-	-
Fixed Income Derivative Futures		
Long	246,728	27,888
Short	(95,736)	(61,524)
Total Futures	$ (279,953)	$ (22,716)

Options

Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the SIB's counterparty credit risk. The option's price is usually a small percentage of the underlying asset's value. As a seller of a financial option, the SIB, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the SIB, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the statements of changes in net position and totaled $2.5 million for fiscal year 2015 and $801,500 for fiscal year 2014. At June 30, 2015 and 2014, the SIB investment portfolio had the following option balances (expressed in thousands).

Options	Fair Value June 30, 2015	Fair Value June 30, 2014
Cash & Other Options		
Call	$ (36)	$ 988
Put	(84)	(39)
Fixed Income Options		
Call	(223)	(170)
Put	(27)	(11)
Total Options	$ (370)	$ 768

Swaps

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

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

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

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

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

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the statements of changes in net position and totaled $(1.3) million for fiscal year 2015 and $17 thousand for fiscal year 2014. The maximum loss that would be recognized at June 30, 2015 and 2014, if all counterparties failed to perform as contracted is $3.25 million and $3.25 million respectively. Swap fair values are determined by a third party pricing source. At June 30, 2015 and 2014, the SIB's investment portfolio had the swap fair value balances as shown below (expressed in thousands).

Credit Default Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Bank of America/A2 (4 contracts)	$ (3,700)	$ -	9/2015 - 9/2019	$ 32	$ -
Bank of America/A2		(500)	6/2019		(7)
Barclays/A2 (5 contracts)	(3,350)		6/2019 - 9/2019	48	
Barclays/A2 (6 contracts)		(1,400)	6/2019		35
BNP Paribas/A2	(400)		6/2019	(43)	
BNP Paribas/A2 (2 contracts)		(800)	6/2019		(25)
Citibank/A3 (5 contracts)	(13,300)		12/2018 - 12/2019	311	
Citibank/A3 (4 contracts)		(6,300)	6/2016 - 6/2019		64
Citigroup Global Markets/A1	(6,500)		12/2018	105	
Citigroup Global Markets/A1		(6,500)	12/2018		142
Credit Suisse First Boston/A1 (8 contracts)	(13,200)		6/2020	463	
Credit Suisse First Boston/A1 (9 contracts)		(13,993)	12/2017 - 6/2019		347
Credit Suisse International/A1	(800)		9/2016	-	
Credit Suisse International/A1 (3 contracts)		(560)	12/2016 - 6/2019		(4)
Deutsche Bank/A2 (4 contracts)	3,600		12/2016 - 6/2017	(100)	
Deutsche Bank/A2 (7 contracts)		3,860	12/2016 - 6/2019		(211)
Goldman Sachs/A3 (9 contracts)	(7,342)		9/2015 - 10/2052	(208)	
Goldman Sachs/A3 (5 contracts)		(4,900)	6/2019		30
HSBC Bank/A1 (3 contracts)	(4,200)		6/2019 - 9/2019	(26)	
HSBC Bank/A1 (4 contracts)		(4,450)	6/2019 - 9/2019		32
JP Morgan Chase/Aa3 (12 contracts)	25,726		11/2016 - 11/2024	(292)	
JP Morgan Chase/Aa3 (12 contracts)		4,212	3/2017 - 10/2052		78
Total Credit Default Swaps	$ (23,466)	$ (31,331)		$ 290	$ 481

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

Currency Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Barclays/A2 (2 contracts)	$ -	$ 640	7/2018	$ -	$ (15)
Citibank N.A. NY/A3		49	5/2015		2
Deutsche Bank London/A2	281		5/2017	46	
Deutsche Bank London/A2		281	5/2017		(2)
Goldman Sachs/A3	150		1/2017	3	
HSBC Bank USA/A1	500		9/2015	(45)	
HSBC Bank USA/A1		500	9/2015		11
JP Morgan Chase/Aa3 (5 contracts)	177,287		11/2016 - 11/2024	27	
Total Currency Swaps	178,218	$ 1,470		$ 31	$ (4)

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

Interest Rate Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Bank of America/A2 (3 contracts)	$ 10,529	$ -	1/2018 - 1/2021	$ (64)	
Bank of Nova Scotia/Aa2		(315)	10/19		8
Barclays/A2 (3 contracts)	3,325		7/2015 - 12/2032	6	
Barclays/A2 (26 contracts)		2,029,119	7/2014 - 12/2032		(62)
BNP Paribas/A2 (3 contracts)	2,869		1/2021	(12)	
BNP Paribas/A2		5,957	1/2017		103
Citibank/A3 (9 contracts)	5,826		7/2015 - 12/2032	188	
Citibank/A3 (18 contracts)		3,626	11/2014 - 5/2023		317
Citigroup Global Markets/A1 (4 contracts)	(5,455)		9/2015 - 8/2020	(90)	
Citigroup Global Markets/A1 (4 contracts)		(7,855)	9/2015 - 8/2020		(97)
Credit Suisse First Boston/A1 (28 contracts	162,650		6/2016 - 12/2045	(222)	
Credit Suisse First Boston/A1 (26 contracts)		280,000	9/2014 - 9/2044		9
Credit Suiss International/A1 (6 contracts)	(16,944)		6/2018 - 5/2023	(18)	
Deutsche Bank/A2 (8 contracts)	163,610		11/2018 - 1/2021	(16)	
Deutsche Bank/A2 (5 contracts)		268,701	11/2018 - 10/2023		37
Goldman Sachs/A3 (3 contracts)	10,671		1/2018 - 4/2024	(8)	
Goldman Sachs/A3 (4 contracts)		(48,140)	8/2018 - 4/2024		(186)
HSBC Bank/A1 (9 contracts)	178,144		7/2015 - 9/2033	(22)	
HSBC Bank/A1 (6 contracts)		15,807	6/2015 - 9/2033		(218)
JP Morgan Chase/Aa3 (50 contracts)	160,790		9/2015 - 7/2034	771	
JP Morgan Chase/Aa3 (22 contracts)		113,840	9/2015 - 3/2044		205
Morgan Stanley/Baa1 (2 contracts)	7,400		12/2015 - 5/2022	9	
Morgan Stanley/Baa1 (2 contracts)		7,400	1/2015 - 5/2022		18
Total Interest Rate Swaps	$ 683,415	$ 2,668,140		$ 522	$ 135

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

Inflation Swaps

	Notional Amount			Fair Value	
Counterparty/Moody's Rating	June 30, 2015	June 30, 2014	Expiration Date Range	June 30, 2015	June 30, 2014
Bank of America/A2 (9 contracts)	$ 740	$ -	1/2020 - 12/2044	$ 31	
BNP Paribas/A2 (4 contracts)	620		1/2020 - 12/2044	26	
Citibank/A3 (4 contracts)	520		3/2020 - 6/2030	4	
Credit Suisse International/A1 (3 contracts)	42		11/2044 - 12/2044	3	
Goldman Sachs/A3 (11 contracts)	4,430		1/2020 - 1/2030	99	
Total Inflation Swaps	$ 6,352	$ -		$ 163	$ -

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

Currency Forwards

Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the statements of changes in net position and totaled $6.3 million for fiscal year 2015 and $(2.2) million for fiscal year 2014. At June 30, 2015 and 2014, the SIB's investment portfolio included the currency forwards balances shown below (expressed in thousands).

				Fair Value	
Currency	Cost	Purchases	Sales	6/30/2015	6/30/2014
Australian dollar	$ (977)	$ -	$ (977)	$ (986)	$ (6,290)
Brazilian real	(295)	651	(946)	(290)	293
British pound sterling	(724)	36	(760)	(751)	(181)
Canadian dollar	(136)	49	(185)	(136)	643
Chilean peso	9,614	9,614	-	9,468	9,451
Chinese yuan renminbi	-	-	-	-	379
Colombian peso	-				-
Czech koruna	-				-
Euro	(20,429)	6,293	(26,722)	(20,211)	(23,813)
Hungarian forint	(20)	42	(62)	(19)	(55)
Indian rupee	6,360	6,572	(212)	6,426	377
Israeli shekel	-	-	-	-	(23)
Japanese yen	(3,174)	3,737	(6,911)	(3,199)	(5,890)
South Korean won	(1,632)	170	(1,802)	(1,600)	240
Malaysian ringgit	-	-	-	-	236
Mexican peso	1,476	3,744	(2,268)	1,485	(2,820)
New Zealand dollar	(4,448)	-	(4,448)	(4,073)	(2,653)
Norwegian krone	4,064	4,064	-	4,027	135
Peruvian nuevo sol	(7)	-	(7)	(7)	(56)
Polish zloty	-	-	-	-	(4,219)
Russian ruble	-	-	-	-	379
Singapore dollar	(487)	-	(487)	(483)	291
South African rand	(391)	-	(391)	(390)	80
Swedish krona	4,052	4,052	-	4,220	(6)
Swiss franc	-	-	-	-	(58)
Turkish lira	(194)	-	(194)	(199)	(287)
United States dollar	7,349	45,949	(38,600)	7,349	33,700
Total forwards subject to currency risk				$ 631	$ (147)

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The SIB does not have a formal investment policy regarding such derivative investments. At June 30, 2015 and 2014, the tables below show the SIB's derivative investments subject to interest rate risk (expressed in thousands).

2015

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (884,643)	$ (797,624)	$ 144,609	$ (165,051)	$ (66,577)	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ (303)	$ (257)	$ (46)	$ -	$ -	$ -
Options - interest rate contracts	8	-	-	-	8	-
Swaps - interest rate contracts	684	203	(4)	(140)	(468)	1,093
Total	$ 389	$ (54)	$ (50)	$ (140)	$ (460)	$ 1,093

2014

	Total Notional Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Futures-interest rate contracts	$ (509,009)	$ (454,788)	$ (55,927)	$ -	$ 1,706	$ -

	Total Fair Value	3 months or less	3 to 6 months	6 to 12 months	1-5 years	Greater than 5 years
Options on interest rate futures	$ (166)	$ (51)	$ (115)	$ -	$ -	$ -
Options - interest rate contracts	(15)	(15)	-	-	-	-
Swaps - interest rate contracts	135	27	18	10	(43)	123
Total	$ (46)	$ (39)	$ (97)	$ 10	$ (43)	$ 123

Alternative Investments

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

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

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

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

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

Distressed Debt — these include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The SIB is including these types of investments in its private equity asset class.

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

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

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

Real Estate — includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include "value added" strategies, which derive their return from both income and appreciation, "opportunistic", which derive their return primarily through appreciation, and "alternative" which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The SIB has a dedicated asset class for these types of investments.

Timberland — includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The SIB has a dedicated asset class for these types of investments.

Infrastructure — includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The SIB has a dedicated asset class for these types of investments.

Note 4 - Capital Assets

	June 30, 2013	Additions	Retirements	June 30, 2014	Additions	Retirements	June 30, 2015
Office equipment	$19,321	$ -	$ -	$19,321	$ -	$ -	$19,321
Less accumulated depreciation on office equipment	(19,321)	-	-	(19,321)	-	-	(19,321)
Software	1,213,500	-	-	1,213,500	-	-	1,213,500
Less accumulated depreciation on software	(1,213,500)	-	-	(1,213,500)	-	-	(1,213,500)
	$0			$0			$0

Note 5 - State Agency Transactions

Due From/To Other State Agencies

Amounts due from/to other state agencies are as follows as of June 30, 2015 and 2014:

	2015	2014
Due To		
Information Technology Department	$ 6,809	$ 6,605
Office of Attorney General	2,966	468
Office of Management and Budget	1,261	281
University System	-	75
Total due to other state agencies	$ 11,036	$ 7,429
Due From		
Surplus Property	$ 200	$ -
Total due from other state agencies	$ 200	$ -

These balances are a result of a time lag between the dates that services are provided, the payments are made, and the transactions are entered into the accounting system.

Note 6 - Operating Leases

RIO leases office space under an operating lease effective July 1, 2013 through June 30, 2015. RIO also incurs rent expense at other locations on a temporary basis to sponsor retirement education for TFFR members. Rent expense totaled $81,130 for fiscal 2015 and $79,667 for fiscal 2015. Minimum payments under the lease for fiscal 2015 are $78,467.

Note 7 - Changes in Noncurrent Liabilities

Changes in noncurrent liabilities for the years ended June 30, 2015 and 2014 are summarized as follows:

	Beginning Balance 7/1/2014	Additions	Reductions	Ending Balance 6/30/2015	Amounts Due Within One Year
Accrued Leave	$130,567	$116,435	($91,559)	$155,443	$84,499

	Beginning Balance 7/1/2013	Additions	Reductions	Ending Balance 6/30/2014	Amounts Due Within One Year
Accrued Leave	$147,115	$91,844	($108,392)	$130,567	$80,686

Pension and Investment Trust Funds liquidate the accrued annual leave.

Note 8 - North Dakota Teachers' Fund for Retirement

Administration

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

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

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

Membership

As of June 30, 2015 and 2014, the number of participating employer units was 216 and 219, respectively, consisting of the following:

	June 30, 2015	June 30, 2014
Public School Districts	177	178
County Superintendents	6	7
Special Education Units	19	19
Vocational Education Units	5	5
Other	9	10
Total	216	219

TFFR's membership consisted of the following:

	2015	2014
Retirees and beneficiaries currently receiving benefits	8,025	7,747
Terminated employees - vested	1,607	1,509
Terminated employees - nonvested	660	661
Total	10,292	9,917
Current employees		
Vested	7,369	7,406
Nonvested	3,145	2,899
Total	10,514	10,305

Member and Employer Contributions

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

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

Pension Benefits

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

Tier 1 Grandfathered

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

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

Tier 1 Non-grandfathered

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

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

Tier 2

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

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

Death and Disability Benefits

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

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

Investment Policy

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting estimated impact of funded status and contribution rates. The following was the TFFR Board's adopted asset allocation policy as of June 30, 2015 and 2014.

Asset Class	Target Allocation
Global Equity	57.0%
Global Fixed Income	22.0%
Global Real Assets	20.0%
Cash Equivalents	1.0%
Total	100.0%

Private equity is included in the Global Equity asset class.

Investment Rate of Return

The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 3.56% and 16.35% for the years ended June 30, 2015 and 2014, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Realized Gains and Losses

Realized gains and losses on sales of investments are components of net appreciation in fair value of investments and are computed as described in Note 1. For the years ended June 30, 2015 and 2014, TFFR had net realized gains of $47,831,625 and $129,815,358 respectively.

Net Pension Liability

The components of the net pension liability of TFFR at June 30, 2015 and 2014, were as follows:

	June 30, 2015	June 30, 2014
Total pension liability	3,449,775,982	3,138,799,773
Plan fiduciary net position	(2,141,920,800)	(2,090,977,056)
Net pension liability (NPL)	1,307,855,182	1,047,822,717
Plan fiduciary net position as a percentage of the total pension liability	62.1%	66.6%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, using the following actuarial assumptions:

Valuation date	July 1, 2015	July 1, 2014
Inflation	2.75%	3.00%
Salary increases	4.25% to 14.50%; varying by service, including inflation and productivity	4.50% to 14.75%; varying by service, including inflation and productivity
Cost of living adjustments	None	None
Investment rate of return	7.75% net of investment expenses	8% net of investment expenses

Mortality rates were based on the following:

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

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study dated April 30, 2015, for the period July 1, 2009 – June 30, 2014. The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study dated January 21, 2010, for the period July 1, 2004 – June 30, 2009. An actuarial experience study is generally conducted every five years.

The long-term expected rate of return on TFFR investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the TFFR target asset allocation as of June 30, 2015 and 2014 (see the discussion of TFFR investment policy) are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Global Equity	7.5%
Global Fixed Income	1.3%
Global Real Assets	5.4%
Cash Equivalents	0.0%

Discount Rate

The discount rate used to measure the total pension liability was 7.75% as of June 30, 2015 and 8.00% as of June 30, 2014. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at rates equal to those based on the July 1, 2015 and 2014 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, TFFR's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of July 1, 2015 and 2014. Therefore, the long-term expected rate of return on TFFR investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015 and 2014.

Sensitivity of Net Pension Liability

The following presents the net pension liability of the TFFR employers calculated using the discount rate of 7.75% as of June 30, 2015 and 8.00% as of June 30, 2014, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

2015	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Employers' net pension liability	$ 1,728,392,470	$ 1,307,855,182	$ 957,135,967

2014	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,414,755,083	$ 1,047,822,717	$ 739,221,908

Note 9 - Public Employees Retirement System (PERS)

Permanent employees of RIO participate in PERS, which is also an agency of the State of North Dakota financial reporting entity and is included in the State of North Dakota's Comprehensive Annual Financial Report. The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven members. The Board consists of a Chairman, who is appointed by the Governor, one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees.

Pension Benefits

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the main system are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The Plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

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

Refunds of Member Contributions

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

Member and Employer Contributions

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

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

At June 30, 2015, RIO reported a liability of $773,402 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. RIO's proportion of the net pension liability was based on RIO's share of covered payroll in the pension plan relative to the covered payroll of all participating NDPERS Main System employers. At June 30, 2014, RIO's proportion was 0.121849 percent.

For the year ended June 30, 2015, RIO recognized pension expense of $77,420. At June 30, 2015, RIO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25,075	$ -
Changes in assumptions	-	-
Net differences between projected and actual earnings on pension plan investments	-	150,971
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-
Employer contributions subsequent to the measurement date	98,071	-
Total	$ 123,146	$ 150,971

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date in the amount of $98,071 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

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

Year Ended June 30		
2016	$	(32,408)
2017		(32,408)
2018		(32,408)
2019		(32,408)
2020		3,736
	$	(125,896)

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

Inflation	3.50%
Salary increase (Payroll Growth)	3.85% per annum for four years, then 4.50% per annum
Investment Rate of Return	8.00%, net of investment expenses
Cost of Living Adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table with ages set back three years. For disabled retirees, mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with ages set back one year for males (not set back for females).

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	57%	7.5%
Global Fixed Income	22%	1.4%
Global Real Assets	20%	5.4%
Cash Equivalents	1%	0.0%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2014, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014.

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

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employers' net pension liability	$ 1,192,814	$ 773,402	$ 422,715

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 10 - Related Parties

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

Note 11 - Commitments

The State Investment Board has at June 30, 2015, committed to fund certain alternative investment partnerships in the amount of $1.14 billion. Funding of $827.1 million has been provided leaving an unfunded commitment of approximately $308.8 million.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes to Schedule:

* *Complete data for this schedule is not available prior to 2014.*

** *Restated in 2015 due to GASB 68 implementation.*

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	71,168	59,513	52,396	69,374	65,113	52,053	41,986	44,115	50,532	48,747
Contributions in relation to the actuarially determined contribution	78,422	62,355	59,301	46,126	44,545	39,837	37,488	33,684	31,865	31,171
Contribution deficiency (excess)	(7,254)	(2,842)	(6,905)	23,248	20,568	12,216	4,498	10,431	18,667	17,576
Covered-employee payroll	615,105	580,053	551,656	527,156	509,091	482,868	454,396	434,626	411,167	402,204
Contributions as a percentage of covered-employee payroll	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%	7.75%	7.75%	7.75%

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	2.75%; decreased from 3% prior to July 1, 2015.
Salary increases	4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015.
Investment rate of return	7.75%, net of investment expenses, including inflation. Rate was decreased from 8% beginning July 1, 2015.
Retirement age	In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.
Mortality	In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

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

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

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

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

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

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

	2015
Statutorily required contributions	73
Contributions in relation to the actuarially determined contribution	73
Contribution deficiency (excess)	-
Covered-employee payroll	1,026
Contributions as a percentage of covered-employee payroll	7.12%

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

SUPPLEMENTARY INFORMATION

	Pension Pool Participants							Insurance Pool Participants			
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Assets:											
Investments											
Equities	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity pool	1,298,809,977	35,107,459	16,932,388	37,726,351	-	33,298,041	3,681,731	437,941,803	8,180,274	-	-
Fixed income	-	-	-	-	-	-	-	-	-	-	-
Fixed income pool	559,522,906	28,309,930	10,707,806	57,998,983	-	14,712,997	1,560,950	916,923,750	12,769,339	1,721,507	3,517,111
Real assets											
Real assets pool	430,520,347	15,127,299	6,529,513	-	-	7,921,385	509,157	378,384,657	-	-	-
Private equity pool	88,967,769	2,536,851	1,409,443	-	-	2,521,538	239,980	-	-	-	-
Cash pool	40,173,709	570,139	260,328	560,562	2,744	746,038	42,401	19,820,493	2,331,702	1,433,907	3,592,334
Total investments	2,417,994,708	81,651,678	35,839,478	96,285,896	2,744	59,199,999	6,034,219	1,753,070,703	23,281,315	3,155,414	7,109,445
Investment income receivable	4,584,887	94,139	50,462	106,664	(1,283)	32,376	917	9,588,435	134,917	24,609	53,392
Operating Cash	27,735	-	-	-	-	-	-	32,096	637	952	899
Miscellaneous receivable	3,922	-	-	-	-	-	-	2,891	42	5	12
Due from other state agency	17	-	-	-	-	-	-	13	-	-	-
Total assets	2,422,611,269	81,745,817	35,889,940	96,392,560	1,461	59,232,375	6,035,136	1,762,694,138	23,416,911	3,180,980	7,163,748
Deferred outflows of resources											
Deferred outflows related to pensions	14,130	-	-	-	-	-	-	10,418	150	20	43
Liabilities:											
Investment expenses payable	3,539,182	123,954	54,687	118,664	-	83,144	7,417	1,218,630	14,592	634	1,304
Accounts payable	16,636	-	-	-	-	-	-	10,441	151	20	43
Accrued expenses	120,564	-	-	-	-	-	-	89,602	1,542	175	404
Miscellaneous payable	-	2,792	1,225	3,373	2	1,940	250	-	-	-	-
Due to other state agencies	694	-	-	-	-	-	-	511	7	1	2
Total liabilities	3,677,076	126,746	55,912	122,037	2	85,084	7,667	1,319,184	16,292	830	1,753
Deferred inflows of resources											
Deferred inflows related to pensions	17,323	-	-	-	-	-	-	12,772	183	24	52
Net position held in trust for external investment pool participants	$ 2,418,931,000	$ 81,619,071	$ 35,834,028	$96,270,523	$ 1,459	$ 59,147,291	$ 6,027,469	$ 1,761,372,600	$ 23,400,586	$ 3,180,146	$ 7,161,986
Each participant unit is valued at $1.00											
Participant units outstanding	2,418,931,000	81,619,071	35,834,028	96,270,523	1,459	59,147,291	6,027,469	1,761,372,600	23,400,586	3,180,146	7,161,986

Insurance Pool Participants										Individual Investment Accounts			
Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n. of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medical Examiners	Legacy Fund	PERS Retiree Health Credit Fund	Totals 2015	Totals 2014
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,649,119,152	$ 59,124,528	1,708,243,680	$ 55,112,752
792,427	210,268	2,058,630	2,304,331	1,151,266	-	-	262,718	20,463,235	452,991	-	-	1,899,373,890	2,787,747,097
-	-	-	-	-	-	-	-	-	-	1,148,520,834	38,458,592	1,186,979,426	533,078,401
912,577	140,764	4,405,922	3,731,715	2,185,100	-	565,388,029	565,799	15,978,096	1,673,990	-	-	2,202,727,271	3,083,559,151
										509,958,485		509,958,485	-
-	20,156	-	-	-	-	-	-	4,120,319	46,727	-	-	843,179,560	645,467,366
-	-	-	-	-	-	-	-	-	-	-	-	95,675,581	114,064,794
922,483	11,517	339,364	185,331	496,307	39,653,336	5,823,919	42,368	409,902	1,820	9,759,431	-	127,180,135	100,251,550
2,627,487	382,705	6,803,916	6,221,377	3,832,673	39,653,336	571,211,948	870,885	40,971,552	2,175,528	3,317,357,902	97,583,120	8,573,318,028	7,319,281,111
9,175	344	45,298	3,165	827	350	2,799,203	1,292	35,494	(825)	11,273,401	87,940	28,925,179	24,467,745
647	343	1,156	1,153	-	-	21,240	-	-	-	3,834	-	90,692	145,652
1	1	11	10	-	-	972	-	-	-	5,217	-	13,084	11,316
-	-	-	-	-	-	4	-	-	-	23	-	57	-
2,637,310	383,393	6,850,381	6,225,705	3,833,500	39,653,686	574,033,367	872,177	41,007,046	2,174,703	3,328,640,377	97,671,060	8,602,347,040	7,343,905,824
4	2	41	37	-	-	3,502	-	-	-	18,799	-	47,146	-
1,272	347	4,265	4,332	2,161	92	363,164	522	36,802	1,761	2,679,736	69,738	8,326,400	6,599,159
4	2	41	37	-	-	3,505	-	-	-	18,817	-	49,697	39,232
58	19	352	305	-	-	29,034	-	-	-	100,943	-	342,998	70,572
-	-	-	-	250	1,415	-	250	1,436	250	-	3,314	16,497	14,804
-	-	2	2	-	-	172	-	-	-	923	-	2,314	1,169
1,334	368	4,660	4,676	2,411	1,507	395,875	772	38,238	2,011	2,800,419	73,052	8,737,906	6,724,936
5	3	50	45	-	-	4,293	-	-	-	23,046	-	57,796	-
$ 2,635,975	$ 383,024	$ 6,845,712	$ 6,221,021	$ 3,831,089	$ 39,652,179	$ 573,636,701	$ 871,405	$40,968,808	$ 2,172,692	$ 3,325,835,711	$ 97,598,008	$8,593,598,484	$ 7,337,180,888
2,635,975	383,024	6,845,712	6,221,021	3,831,089	39,652,179	573,636,701	871,405	40,968,808	2,172,692	3,325,835,711	97,598,008	8,593,598,484	7,337,180,888

	Pension Pool Participants							Insurance Pool Participants			
	Public Employees Retirement System	Bismarck City Employee Pension Plan	Bismarck City Police Pension Plan	Job Service of North Dakota	City of Fargo Employee Pension Plan	City of Grand Forks Employee Pension Plan	City of Grand Forks Park District	Workforce Safety & Insurance	State Fire & Tornado	State Bonding	Petroleum Tank Release Comp. Fund
Additions:											
Investment income:											
Net change in fair value of investments	$ 46,174,788	$ 1,640,168	$ 683,609	$ 1,818,431	$ -	$ 1,108,806	$ 167,018	$ 19,423,177	$ 249,666	$ (3,765)	$ (10,166)
Interest, dividends and other income	45,848,042	1,580,510	686,314	1,721,361	12	1,076,573	100,269	40,772,394	513,284	43,443	86,302
	92,022,830	3,220,678	1,369,923	3,539,792	12	2,185,379	267,287	60,195,571	762,950	39,678	76,136
Less investment expenses	7,859,071	277,192	121,765	279,285	50	187,677	17,396	4,227,205	42,304	2,562	5,171
Net investment income	84,163,759	2,943,486	1,248,158	3,260,507	(38)	1,997,702	249,891	55,968,366	720,646	37,116	70,965
Purchase of units ($1 per unit)	6,600,000	-	-	-	-	4,075,989	289,276	25,500,000	-	-	-
Total Additions	90,763,759	2,943,486	1,248,158	3,260,507	(38)	6,073,691	539,167	81,468,366	720,646	37,116	70,965
Deductions:											
Administrative Expenses	317,959	-	-	-	-	-	-	208,895	3,187	1,013	1,027
Redemption of units ($1 per unit)	500,000	-	-	4,672,143	8,156	4,731,927	442,354	23,000,000	6,525,000	125,000	-
Total Deductions	817,959	-	-	4,672,143	8,156	4,731,927	442,354	23,208,895	6,528,187	126,013	1,027
Change in net position	89,945,800	2,943,486	1,248,158	(1,411,636)	(8,194)	1,341,764	96,813	58,259,471	(5,807,541)	(88,897)	69,938
Net position:											
Beginning of year	2,329,075,222	78,675,585	34,585,870	97,682,159	9,653	57,805,527	5,930,656	1,703,179,748	29,209,286	3,269,172	7,092,329
Restatement due to implementation of GASB 68	(90,022)	-	-	-	-	-	-	(66,619)	(1,159)	(129)	(281)
Beginning of year, as restated	2,328,985,200	78,675,585	34,585,870	97,682,159	9,653	57,805,527	5,930,656	1,703,113,129	29,208,127	3,269,043	7,092,048
End of year	$ 2,418,931,000	$ 81,619,071	$ 35,834,028	$96,270,523	$ 1,459	$ 59,147,291	$ 6,027,469	$ 1,761,372,600	$ 23,400,586	$ 3,180,146	$ 7,161,986

Insurance Pool Participants										Individual Investment Accounts			
Insurance Regulatory Trust Fund	Cultural Endowment Fund	Risk Mgmt	Risk Mgmt Work Comp	ND Ass'n of Counties Fund	PERS Group Insurance	Budget Stabilization Fund	City of Bismarck Deferred Sick Leave	City of Fargo FargoDome Fund	State Board of Medical Examiners	Legacy Fund	PERS Retiree Health Credit Fund	Totals 2015	Totals 2014
$ (21,102)	$ 11,196	$ 119,666	$ 140,595	$ 26,016	$ -	$ (3,424,930)	$ 6,205	$ 579,771	$ 8,349	$ 45,818,808	$ 936,842	$ 115,453,148	$ 567,151,376
13,845	8,147	142,740	129,379	68,564	4,993	15,215,741	18,591	840,686	50,585	62,243,945	2,105,154	173,270,874	144,142,458
(7,257)	19,343	262,406	269,974	94,580	4,993	11,790,811	24,796	1,420,457	58,934	108,062,753	3,041,996	288,724,022	711,293,834
1,946	901	11,119	10,841	7,015	5,336	727,325	2,540	98,953	5,047	7,756,887	281,478	21,929,066	18,023,588
(9,203)	18,442	251,287	259,133	87,565	(343)	11,063,486	22,256	1,321,504	53,887	100,305,866	2,760,518	266,794,956	693,270,246
2,000,000	-	-	-	300,000	185,028,348	-	-	-	230,000	1,011,343,040	4,543,000	1,239,909,653	1,360,499,546
1,990,797	18,442	251,287	259,133	387,565	185,028,005	11,063,486	22,256	1,321,504	283,887	1,111,648,906	7,303,518	1,506,704,609	2,053,769,792
1,001	558	1,026	1,024	-	-	71,340	-	-	-	332,768	-	939,798	693,895
500,000	-	350,000	-	-	182,800,000	23,332,755	-	2,100,000	-	-	-	249,087,335	350,900,674
501,001	558	351,026	1,024	-	182,800,000	23,404,095	-	2,100,000	-	332,768	-	250,027,133	351,594,569
1,489,796	17,884	(99,739)	258,109	387,565	2,228,005	(12,340,609)	22,256	(778,496)	283,887	1,111,316,138	7,303,518	1,256,677,476	1,702,175,223
1,146,224	365,155	6,945,721	5,963,144	3,443,524	37,424,174	586,000,970	849,149	41,747,304	1,888,805	2,214,597,021	90,294,490	7,337,180,888	5,635,005,665
(45)	(15)	(270)	(232)	-	-	(23,660)	-	-	-	(77,448)	-	(259,880)	-
1,146,179	365,140	6,945,451	5,962,912	3,443,524	37,424,174	585,977,310	849,149	41,747,304	1,888,805	2,214,519,573	90,294,490	7,336,921,008	-
$ 2,635,975	$ 383,024	$ 6,845,712	$ 6,221,021	$ 3,831,089	$ 39,652,179	$ 573,636,701	$ 871,405	$40,968,808	$ 2,172,692	$ 3,325,835,711	$ 97,598,008	$8,593,598,484	$ 7,337,180,888

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Salaries and wages:				
Salaries and wages	$723,985	$670,233	$674,974	$474,880
Fringe benefits	268,946	237,322	212,156	140,156
Total salaries and wages	992,931	907,555	887,130	615,036
Operating expenses:				
Information services	74,804	75,839	15,458	12,874
Intergovernmental services	6,821	5,374	3,921	2,529
Professional services	324,778	138,963	47,073	55,382
Rent of building space	51,986	53,314	29,144	26,353
Mailing services and postage	53,313	48,393	31,020	28,108
Travel and lodging	28,242	20,759	49,564	25,186
Printing	15,587	13,485	6,960	5,412
Supplies	8,338	2,879	4,630	1,671
Professional development	17,229	9,045	12,865	3,205
Outside services	4,491	10,832	3,240	64,927
Small office equipment expense	22,000	431	12,085	129
Miscellaneous fees	7,906	6,620	6,233	4,784
Resource and reference materials	345	601	667	342
IT contractual services	96,056	108,723	47,714	30,431
Repairs - office equipment	44	94	132	50
Insurance	306	417	176	196
Total operating expenses	712,246	495,769	270,883	261,579
Pension trust portion of investment program expenses	218,215	182,721	(218,215)	(182,721)
Total administrative expenses	1,923,392	1,586,045	939,798	693,894
Less - nonappropriated items:				
Professional fees	324,778	138,963	47,073	55,382
Other operating fees paid under continuing appropriation	31,695	28,224	93,921	73,573
Accrual adjustments to employee benefits	(3,571)	(14,644)	7,794	(1,902)
Total nonappropriated items	352,902	152,542	148,788	127,053
Total appropriated expenditures	$ 1,570,490	$ 1,433,503	$ 791,010	$ 566,841

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Actuary fees:				
Segal Company	$ 123,556	$ 71,264	$ 722	$ -
Auditing/Accounting fees:				
CliftonLarsonAllen LLC	154,932	45,942	26,568	28,423
Eide Bailly, P.C.	6,143	-	-	-
Total Auditing Fees	161,075	45,942	26,568	28,423
Disability consulting fees:				
Sanford Health	425	375	-	-
Legal fees:				
K&L Gates LLP	2,313	11,474	3,182	15,585
Ice Miller LLP	23,430	-	-	-
ND Attorney General	13,979	9,908	16,601	11,374
Total legal fees:	39,722	21,381	19,783	26,959
Total consultant expenses	$ 324,778	$ 138,963	$ 47,073	$ 55,382

	Pension Trust		Investment Trust	
	2015	2014	2015	2014
Investment managers' fees:				
Global equity managers	$ 2,485,008	$ 2,605,453	$ 3,182,464	$ 3,315,966
Domestic large cap equity managers	522,029	1,018,026	2,366,812	2,189,555
Domestic small cap equity managers	460,633	551,815	2,025,154	1,244,211
International equity managers	825,671	822,849	4,129,461	2,303,178
Emerging markets equity managers	510,947	258,679	742,791	374,705
Domestic fixed income managers	994,837	1,585,083	7,285,624	6,614,783
Below investment grade fixed income managers	1,285,910	747,407	1,619,511	958,784
Diversified Real Assets		-	2,270,421	1,515,030
International fixed income managers	369,873	340,634	460,686	422,383
Real estate managers	2,391,855	1,899,944	4,738,886	3,468,358
Infrastructure managers	1,031,424	676,349	1,245,714	824,064
Timber managers	318,538	341,757	376,717	405,526
Private equity managers	1,449,758	2,433,316	1,698,539	2,850,600
Short term fixed income managers	-	-	852,554	1,562,163
Cash & equivalents managers	26,995	23,964	174,553	201,708
Balanced account managers	-	-	402,347	352,919
Total investment managers' fees	$ 12,673,478	$ 13,305,276	$ 33,572,234	$ 28,603,933
Custodian fees	210,361	293,776	770,742	850,504
Investment consultant fees	169,068	172,148	479,464	365,242
SIB Service Fees	-	-	55,192	48,498
Total investment expenses	$ 13,052,907	$ 13,771,200	$ 34,877,632	$ 29,868,177

Reconciliation of investment expenses to financial statements

	2015	2014	2015	2014
Investment expenses as reflected in the financial statements	$ 6,916,830	$ 7,257,140	$ 21,929,066	$ 18,023,588
Plus investment management fees included in investment income				
Domestic large cap equity managers	-	260,958	-	481,686
Domestic small cap equity managers	268,875	363,661	364,448	470,141
International equity managers	220,872	225,470	1,012,043	568,360
Emerging markets equity managers	489,996	89,760	712,412	129,633
Domestic fixed income managers	646,789	1,322,680	4,178,115	4,388,520
Below investment grade fixed income managers	788,907	285,306	994,592	367,748
Inflation protected assets managers		-	1,030,017	488,078
Real estate managers	1,414,553	1,003,875	1,655,673	1,176,368
Infrastructure managers	548,234	225,341	662,136	273,692
Timber managers	318,538	341,757	376,717	405,526
Private equity managers	1,439,313	2,395,252	1,686,302	2,805,772
Cash equivalents managers		-	136,209	163,876
Balanced account managers		-	139,902	125,189
Investment expenses per schedule	$ 13,052,907	$ 13,771,200	$ 34,877,632	$ 29,868,177

North Dakota Retirement and Investment Office

Schedule of Appropriations – Budget Basis – Fiduciary Funds

July 1, 2013 to June 30, 2015 Biennium

	Approved 2013-2015 Appropriation	2013-2015 Appropriation Adjustment	Adjusted 2013-2015 Appropriation	Fiscal 2014 Expenses	Fiscal 2015 Expenses	Unexpended Appropriations
All Fund Types:						
Salaries and wages	$ 3,772,504	$ -	$ 3,772,504	$ 1,501,994	$1,869,076	$ 401,434
Accrued Leave Payments	71,541		71,541	37,144	6,760	27,637
Operating expenses	973,324	-	973,324	399,219	485,664	88,441
Contingency	82,000	-	82,000	61,987	-	20,013
Total	$ 4,899,369	$ -	$ 4,899,369	$ 2,000,344	$2,361,500	$ 537,525

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

Reconciliation of Administrative Expenses
to Appropriated Expenditures

	2015	2014
Administrative expenses as reflected in the financial statements	2,863,190	2,279,940
Less:		
Professional fees*	(371,851)	(194,345)
Other operating fees paid under continuing appropriations*	(125,616)	(101,797)
Changes in benefit accrual amounts	(4,223)	16,546
Total appropriated expenses	$2,361,500	$2,000,344

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

CliftonLarsonAllen

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Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2015

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by auditors performing audits of state agencies. These items and our responses are as follows:

Audit Report Communications

1. What type of opinion was issued on the financial statements?

   Unmodified

2. Was there compliance with statutes, laws, rules, regulations under which the agency was created and is functioning?

   Yes

3. Was internal control adequate and functioning effectively?

   Yes

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

   No

5. Has action been taken on findings and recommendations included in prior year reports?

   There were no prior year findings or recommendations.

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

   No

Audit Committee Communications

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

   For the year ended June 30, 2015, the financial statements include the impact of adoption of Governmental Accounting Standards Board Statements (GASB) numbers 68 and 71.

   GASB 68, *Accounting and Financial Reporting for Pensions*, is effective to fiscal years beginning after June 15, 2014. This Statement revises and replaces Statement nos. 27, *Accounting for Pensions by State and Local Government Employers*, as well as 50, *Pension Disclosures* as they relate to governmental employers that account for pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The objective of this Statement is to establish standards for governmental employer recognition, measurement, and presentation of information about their governmental defined benefit pension plans.

   GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, is also effective for fiscal years beginning after June 15, 2014. This Statement requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditors' conclusions regarding the reasonableness of those estimates.

   The valuation of alternative investments, including private equity and real asset investments, are a management estimate which is primarily based upon net asset values reported by the investment managers and comprise 13% of the total investment portfolio. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2015. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable.

   The actuarial valuation was based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.75%, which was reduced from 8.0% during 2015, per annum compounded annually. The valuation takes into account all of the promised benefits to which members are entitled as of July 1, 2015 as required by the North Dakota Century Code. The valuation provides certain information required by GASB to be disclosed in the financial statements. Additionally, the valuation is used to determine the adequacy of the current employer contribution rate. Our audit procedures included reviewing the actuarial valuation and related assumptions used therein and we believe the estimate to be reasonable.

3. Identify any significant audit adjustments.

   None

4. Identify any disagreements with management, whether or not resolved to the auditors' satisfaction, relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

7. Identify any management consultations with other accounts about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditors' overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

Based on the audit procedures performed, the Retirement and Investment Office's critical information technology system is the CPAS system. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the audit committee, management, the Legislative Audit and Fiscal Review Committee, and other state officials, and is not intended to be and should not be used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Baltimore, Maryland
November 9, 2015