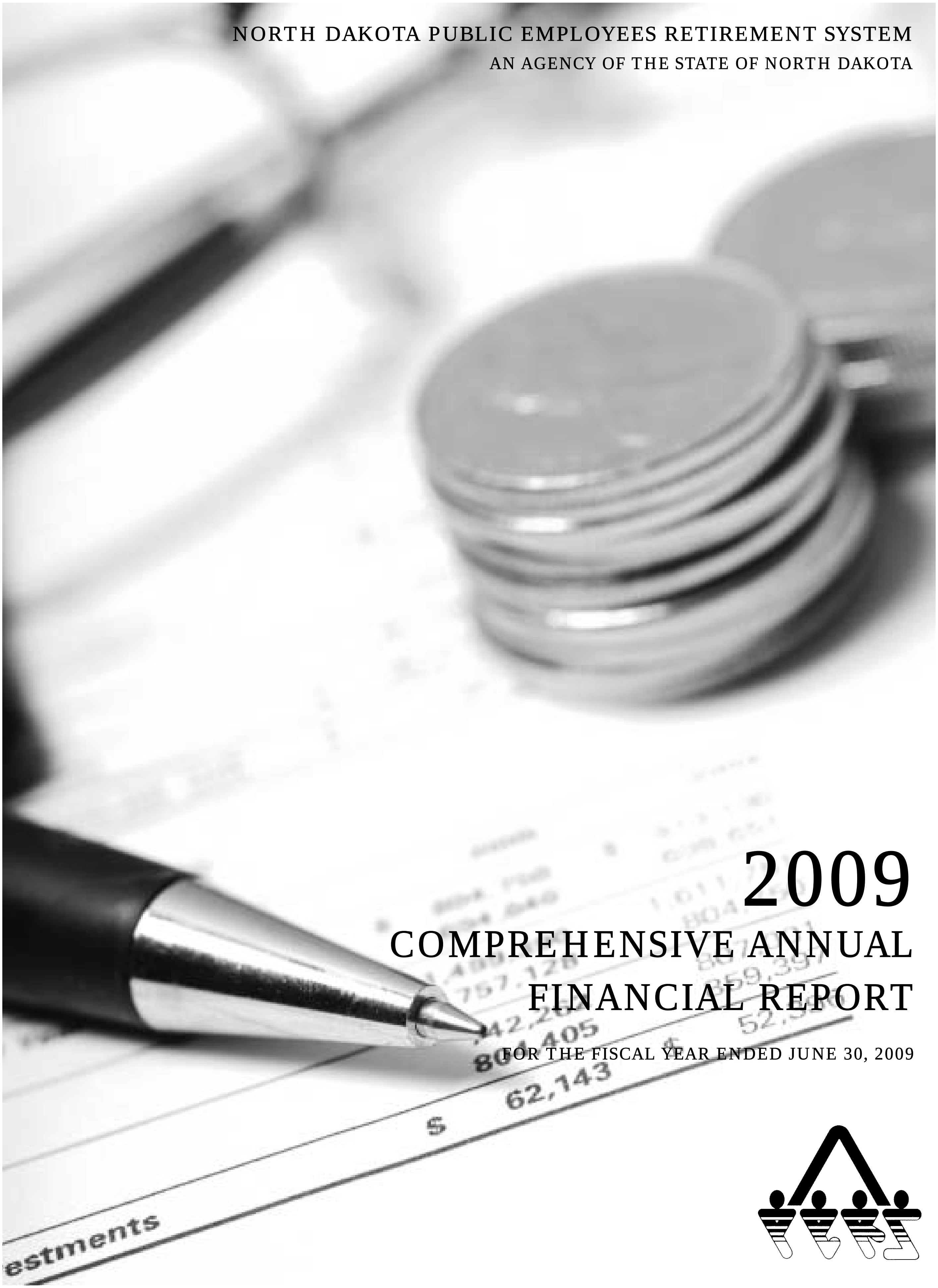

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

AN AGENCY OF THE STATE OF NORTH DAKOTA

2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

North Dakota Public Employees Retirement System
An Agency of the State of North Dakota

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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Prepared by the staff of the North Dakota Public Employees Retirement System
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To request an alternate format, please call PERS ADA Coordinator at 701-328-3918, or toll-free: 1-800-803-7377.

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INTRODUCTORY SECTION

Public Pension Coordinating Council

Recognition Award for Administration 2009

Presented to

North Dakota Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

GFOA CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

North Dakota Public Employees Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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

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

President

Executive Director

LETTER OF TRANSMITTAL

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 • Box 1657
Bismarck, ND 58502-1657

Sparb Collins
Executive Director
701-328-3900
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December 23, 2009

Board of Trustees
Members of the System

We are pleased to present the Comprehensive Annual Financial Report for the North Dakota Public Employees Retirement System (System) for the fiscal year ended June 30, 2009. The management of the System is responsible for both the accuracy of the data and the completeness and fairness of the presentation.

Generally accepted accounting principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

Plan History and Services Provided
The System is the administrator of four defined benefit pension plans and an optional defined contribution retirement plan. The System also manages and administers the retiree health insurance credit program, the uniform group insurance program, the deferred compensation program and the pretax benefits program. Following is a brief overview of the statistical and financial highlights for each of these programs for the fiscal year ended June 30, 2009.

Defined Benefit Pension Plans
The Public Employees Retirement System (PERS) is a cost-sharing multiple-employer retirement plan. PERS was established July 1, 1966 as a defined contribution plan and was changed to a defined benefit plan by the 1977 North Dakota Legislature. PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. It also covers Supreme and District Court Judges, the National Guard Security Officers and Firefighters, and as of August 1, 2004, peace officers and correctional officers employed by political subdivisions. The Highway Patrolmen's Retirement System (HPRS) is a single-employer defined benefit plan established July 1, 1949 that covers substantially all sworn officers of the North Dakota Highway Patrol. The System became the administrator of this plan effective July 1, 1983. The Retirement Plan for Employees of Job Service North Dakota (Job Service Plan) is a single-employer defined benefit plan established July 1, 1961 and is limited to employees participating in the plan as of September 30, 1980. The Old-Age and Survivor Insurance System (OASIS) is a cost-sharing, multi-employer defined benefit plan established July 1, 1947. Participation in the OASIS plan is limited to eligible employees and their beneficiaries as of April 23, 1957. The System became the administrator of the Job Service and OASIS plans effective August 1, 2003.

PERS has 19,943 contributing members and 7,210 retirees and beneficiaries currently receiving benefits. HPRS has 133 contributing members and 109 retirees and beneficiaries. The Job Service Plan has 35 contributing members and 214 retirees and beneficiaries and OASIS has 1 beneficiary. The employers participating in PERS include 92 state agencies and 301 political subdivisions.

PERS, HPRS, Job Service Plan and OASIS are accounted for as pension trust funds.

Defined Contribution Retirement Plan
An optional Defined Contribution Retirement Plan (DC Plan) was established effective January 1, 2000. The DC Plan is available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan. The Plan has 300 participants.

The defined contribution retirement plan is accounted for as a pension trust fund.

Retiree Health Insurance Credit Program
This program was created by the North Dakota Legislature in 1989. It is designed to provide members with a benefit that can be used to offset the cost of their health insurance premiums during their retirement years. There are 20,317 contributing members and 4,030 retired participants currently receiving benefits. Approximately 57% of eligible retirees are receiving benefits under this plan.

Another component of this plan, which is being reported in compliance with GASB Statement 43, provides health care coverage to eligible retiree's who are not yet eligible for Medicare. The premiums for this group are not age-rated and do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. There are approximately 800 retiree's currently receiving the subsidized premium.

The retiree health insurance credit program is accounted for as a pension trust fund.

Uniform Group Insurance Program
Group Health Insurance. The System began administering the group health insurance plan in 1971. There are 25,161 active and retired contracts under this plan as of June 30, 2009, a 1.8% increase from last year at this time. Total covered lives, including spouses and dependents, are 56,979. As of June 30, 2009 there were 175 political subdivisions participating in the group health program. The health insurance premiums paid to Blue Cross Blue Shield for the fiscal year ended June 30, 2009 totaled $170.7 million. To help offset the rising rates of medical and prescription drug costs, the System continues to focus on programs to manage costs. This includes expanding the employer based wellness initiative, adding additional wellness benefits and incentives to the plan design, disease management and a special diabetes management program in partnership with the North Dakota Pharmacists.

Group Life Insurance. The System began administering the group life insurance plan in 1971. There are 18,258 active and 2,995 retired employees covered under the basic life insurance plan. Active employees have the option of purchasing additional life insurance under the employee supplemental, dependent supplemental, and spouse supplemental provisions of the plan. The life insurance premiums paid to Prudential for the fiscal year ended June 30, 2009 totaled $2.8 million, a 3.4% decrease from last year. As of fiscal year end, there is $1.162 billion of life insurance in force for all participants covered by this plan, a 6% increase in coverage from last year.

Voluntary Insurance Products. The 1995 North Dakota Legislature authorized the System to offer voluntary insurance products, specifically dental, vision and long term care insurance. On January 1, 1997, the System began offering a dental plan and long term care plan and on January 1, 2003, a vision plan was offered. There are approximately 5,800 participants in the dental plan, 4,300 participants in the vision plan and 55 participants in the long term care plan.

Employee Assistance Program. The 1997 North Dakota Legislature authorized the System to administer an employer-sponsored Employee Assistance Program (EAP) for all state employees, effective August 1, 1997. The System has contracted with four EAP vendors to provide services to employees and their families. The System collects the monthly premiums from the employers and remits them to the appropriate vendor. Approximately 15,600 state employees are covered under this program.

The uniform group insurance plan is a public entity risk pool and is accounted for as an enterprise fund.

Deferred Compensation Program
This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. The System has administered the Plan since 1987. Fifteen companies have agreed to provide investment services for the State's deferred compensation program. The System is the trustee for deferred compensation assets totaling $21.7 million; provider companies hold the remaining plan assets of $77.5 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Plan assets decreased 13.4% from last year, a reflection of the decline in the investment markets. Approximately 8,750 employees participate in this program, which is consistent with last year.

The deferred compensation program is accounted for as an other employee benefit trust fund.

Pretax Benefits Program (FlexComp)
This program was established by the North Dakota Legislature in 1989 in accordance with Section 125 of the Internal Revenue Code. It allows eligible employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses, and dependent care expenses on a pretax basis. There are 3,051 participants in the medical and dependent care spending accounts, an increase of 1.3% from last year. Employee contributions to the spending accounts increased by 4.3% for a total of $5.6 million. The employer FICA savings generated from the salary reductions are sufficient to cover the administrative expenses; therefore, this program remains budget neutral.

The pretax benefits program is accounted for as an other employee benefit trust fund.

Major Initiatives
Retirement
• Completed Asset/Liability Studies for the Job Service Retirement Plan and the Retiree Health Credit Program
• Received information from the actuary and investment staff about the declining returns and its implications for the retirement plans and started discussions with the various PERS employers about potential contribution increases
• Submitted proposed legislation which was approved to add new benefit options to the PERS Plan
• Submitted proposed legislation which was approved to increase the retiree health benefit from $4.50 per year of service to $5 per year of service
• Approved a 5.8% increase in retirement benefits for Job Service Retirees
• Conducted a compliance review for the PERS retirement plan and Highway Patrol retirement plan
• Submitted the PERS retirement plan and Highway Patrol retirement plan for a determination letter under schedule C
• Conducted an RFP process and awarded a contract to conduct an experience study for the retirement plans for the five year period ending June 30, 2009

Group Insurance
• Completed the renewal for the health insurance program for the 2009-2011 biennium
• Renewed the Medicare Part D plan for January 1, 2009 through December 31, 2009
• Continued to develop the employer based wellness program by adding new wellness programs and benefits to the health plan as part of the renewal for 2009-2011
• Completed a study and approved its provisions to extensively modify the plan design for the retiree medical benefits so that it is similar to a Medicare Plan F benefits structure.
• Implemented the COBRA provision in the Economic Stimulus Package
• Conducted an RFP process and awarded a contract for the OPEB valuation
• Extended the PERS diabetes disease management program for two more years from July 1, 2009 through June 30, 2011

Administrative
• Conducted a board election in the spring of 2009 for an active and retiree member seat
• Entered the second year of a three year project to replace the business system for PERS
• PERS staff updated and submitted to the board the proposed business plan for 2009
• Submitted proposed legislation that expanded the eligibility for members to run for the PERS Board and also allows a nonelected PERS Board member to sit on the State Investment Board

Financial Information
The financial statements included in this report are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. Management is also responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

The expenses of the System are monitored through two budgetary controls. The majority of the administrative expenditures are appropriated each biennium by the North Dakota Legislature; certain statutorily prescribed expenses (including benefit payments, actuarial and consulting fees and audit fees) have received a continuing appropriation from the North Dakota Legislature and are reviewed directly by the System's Board.

Revenues and Expenses
Investment earnings, together with employee and employer contributions, are the funding sources for the benefits provided through the System. The main expenses of the System are benefit payments and the cost of administering the System. The following tables show the combined revenues and expenses for the PERS, HPRS, Job Service and OASIS plans for fiscal years 2009 and 2008:

(Millions)	Fiscal Year 2009	Fiscal Year 2008	Change in $ s	Percentage Change
Revenue Type				
Employee Contributions	$ 30.8	$ 31.4	$ (0.6)	(1.9)%
Employer Contributions	28.8	26.3	2.5	9.5
Investments	(448.3)	(101.8)	(346.5)	(340.4)
Total	$(388.7)	$(44.1)	$(344.6)	(781.4)%
Expense Type				
Benefits	$ 78.1	$ 76.8	$ 1.3	1.7%
Refunds & Transfers	5.4	5.0	0.4	8.0
Administrative Expenses	1.3	1.2	0.1	8.3
Total	$ 84.8	$ 83.0	$ 1.8	2.2%

Revenues decreased due to a decrease in net investment income as a result of the decline in the investment markets. Expenses increased as a result of an increase in retirees receiving benefits throughout the year.

Funding Status
The funding goal of any retirement system is to accumulate sufficient assets to pay all of its promised benefits as they come due. The annual valuation of the System's assets and liabilities performed by the System's actuary provides the best current estimate of the System's funding status and allows the Board to monitor funding progress.

A common measure of the strength of a pension system is to express the assets as a percentage of liabilities - the greater the percentage, the stronger the funding position of the System. The schedules of funding progress in the Financial Section of this report show both PERS and HPRS to be soundly funded. The July 1, 2009 actuarial valuation reports the actuarial value of assets for PERS at $1,617.1 million, which is 85.1% of the actuarial accrued liabilities of $1,901.2 million. The actuarial value of assets for HPRS is $50.2 million, which is 87.2% of the actuarial accrued liabilities of $57.6. The Job Service Plan is also soundly funded. The actuarial value of assets for the Job Service Plan is $74.5 million, which is 104.7% of the actuarial present value of benefits of $71.1 million.

The Retiree Health Insurance Credit Program is advance-funded on an actuarially determined basis. As of fiscal year end, the program's actuarial value of assets is 43.9% of the actuarial accrued liability, which is an increase from the previous year. The Retiree Health Implicit Subsidy is not advance funded. As of June 30, 2007, the unfunded actuarial accrued liability for this plan is $30.7 million.

Funding progress is covered in more detail in the actuarial section of this report.

Investments
The North Dakota State Investment Board (SIB) invests the funds for the PERS, HPRS and Job Service Plan. Chapter 21-10 of the North Dakota Century Code 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. All funds must be invested exclusively for the benefit of the System's members and all investments are made in accordance with the System's long-term investment objectives and performance goals.

The combined market value of assets for PERS and HPRS as of June 30, 2009 is $1.352 billion, which is 25.3% less than the previous year. The market value of assets for Job Service as of June 30, 2009 is $72 million, a decrease of 19.8% from the previous year. During the fiscal year ended June 30, 2009, the System's portfolio remained broadly diversified with investments in domestic and international equities, domestic and international fixed income securities, real estate, private equity and cash equivalents.

The PERS and HPRS assets had an annualized rate of return of -24.42% for the fiscal year ended June 30, 2009. The annualized rate of return was -5.32% for the last three years and 1.63% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2009 for the Job Service Plan was -16.51%. The annualized rate of return was -1.49% for the last three years and 3.27% for the last five years.

The assets of the Retiree Health Insurance Credit Program are also invested with the SIB. The market value of assets as of June 30, 2009 is $35.4 million, which is 10.6% lower than the previous year. The assets earned an annualized rate of return of -17.14% for the fiscal year ended June 30, 2009. The annualized rate of return was -6.04% for the last three years and -0.44% for the last five years. During the fiscal year ended June 30, 2009, the System's portfolio remained broadly diversified with investments in domestic and international equities, domestic and international fixed income securities, and cash equivalents.

The assets of the defined contribution retirement plan are invested according to the direction of each participating member. The participant can select from fourteen investment categories and a mutual fund window, as provided by the Board. The investment categories are designed to cover a broad range to allow the participant to structure an investment strategy that meets their individual return objectives and risk tolerances. The market value of assets in the defined contribution retirement plan as of June 30, 2009 is $13.9 million, which is an 18.2% decrease from the previous year.

More detailed information on investment policies, investment fees, performance results and asset allocation can be found in the Investment Section of this report.

Independent Audit

The financial statements contained in this report were audited by the accounting firm of Brady, Martz and Associates, under the direction of the North Dakota State Auditor. The auditors' opinion was unqualified for the System for the year ended June 30, 2009.

Achievement Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North Dakota Public Employees Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The North Dakota Public Employees Retirement System has received a Certificate of Achievement for the last thirteen consecutive years (fiscal years ended June 30, 1996 - 2008). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

The preparation of this report is the result of the combined effort of the System's staff. It is intended to provide complete and accurate information concerning the activities and results of operations. Copies of this report are available to employers, members and other interested parties upon request or it can be downloaded from the System’s website.

Sincerely,

Sparb Collins
Executive Director

Sharon Schiermeister, CPA
Finance Manager

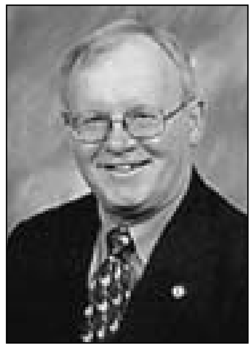
THE RETIREMENT BOARD

The Retirement Board is the governing authority of the Public Employees Retirement System and consists of seven persons. A North Dakota citizen who is neither a state or political subdivision employee is appointed by the Governor to serve as Chairman of the Board. A member of the Attorney General's legal staff and the State Health Officer are also appointed to serve on the Board. One Board member is elected by retired PERS members and the remaining three Board members are elected from active employees currently contributing to PERS. Three members of the Retirement Board are included in the membership of the North Dakota State Investment Board (SIB). The Retirement Board has specified that the members who serve on the SIB are to be selected from among the four elected members.

The Board members, and their respective terms, are as follows:

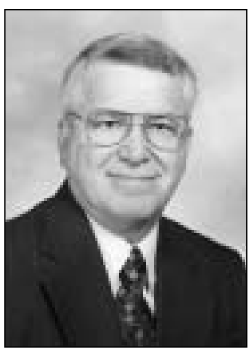
Jon Strinden
Chairman
Term expires
6/30/2010

Arvy Smith
Health Department
Appointee



Thomas Trenbeath
Attorney General
Appointee
Term expires
6/30/2011

Joan Erhardt
Member elected
Term expires
6/30/2009



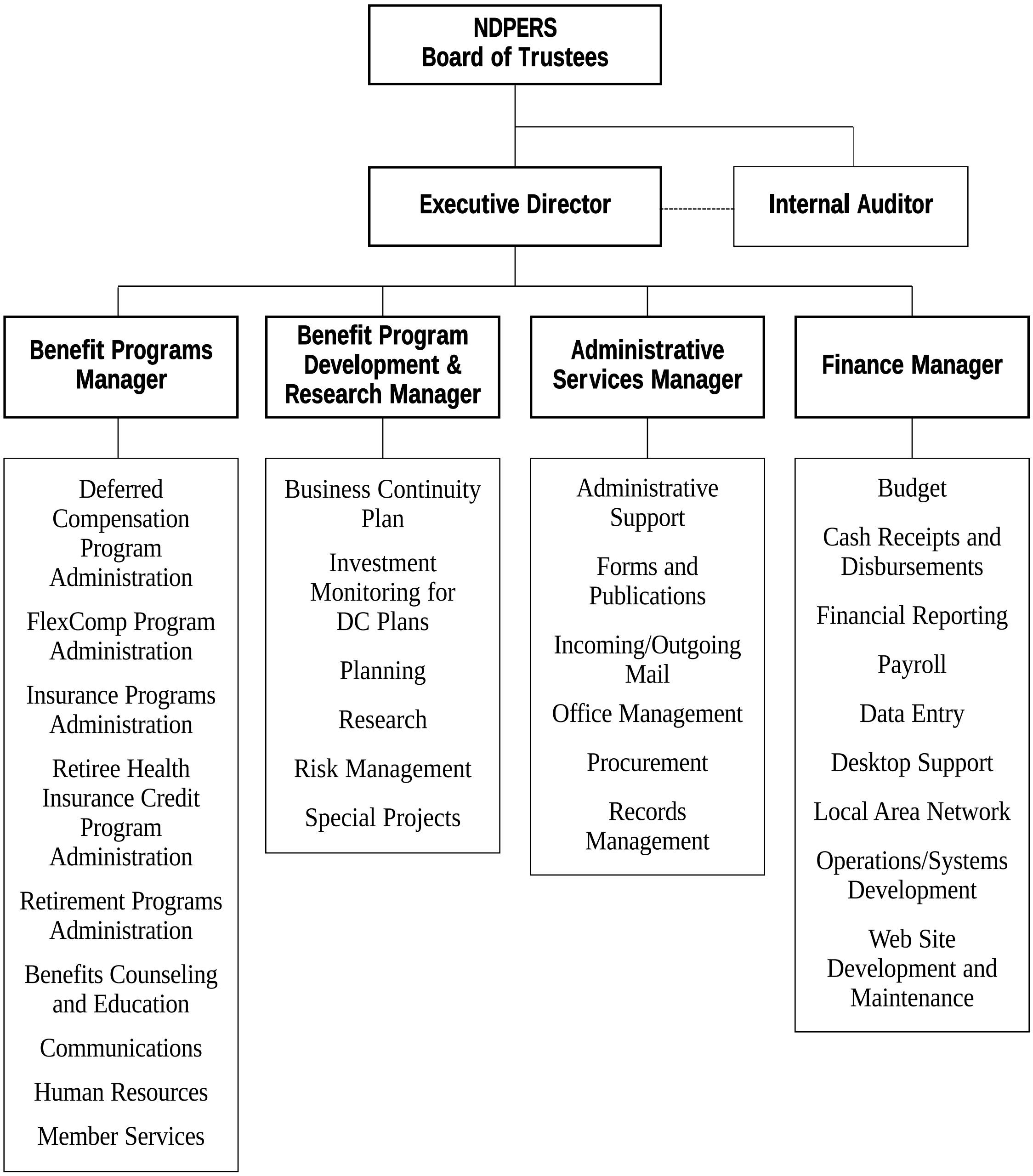
Ron Leingang
Retiree elected
Term expires
6/30/2009

Mike Sandal
Member elected
Term expires
6/30/2012

Levi Erdmann
Member elected
Term expires
6/30/2013

The Board's mission is to design, communicate and efficiently administer a viable employee benefits program within a framework of prudent risk taking, applicable state and federal laws, and professional and ethical standards so as to provide an employee benefit package that is among the best available from public and private employers in the upper midwest.

ORGANIZATIONAL CHART



ADMINISTRATION

Sparb Collins, *Executive Director*
Kathy Allen, *Benefit Programs Manager*
Jamie Kinsella, CPA, CIA, *Internal Auditor*
Deb Knudsen, *Benefit Program Development and Research Manager*
Sharon Schiermeister, CPA, *Finance Manager*
Cheryl Stockert, *Administrative Services Manager*

CONSULTING & PROFESSIONAL SERVICES

Actuary:
The Segal Company
San Francisco, CA

Auditor:
Brady, Martz & Associates, P.C.
Bismarck, ND

Dental Insurance Carrier:
CIGNA Healthcare
Denver, CO

Disability Consultant:
Mid Dakota Clinic
Bismarck, ND

Employee Assistance Program Vendors:
Deer Oaks EAP Services
San Antonio, TX

Medcenter One
Bismarck, ND

St. Alexius/Heartview
Bismarck, ND

Village Family Services
Fargo, ND

Health Insurance Carrier:
Blue Cross Blue Shield of North Dakota
Fargo, ND

Insurance Consultant:
Gallagher Benefit Services, Inc.
Greenwood Village, CO

Investment Services:
North Dakota Retirement & Investment Office
Bismarck, ND

Legal Counsel:
North Dakota Attorney General's Office
Bismarck, ND

Life Insurance Carrier:
The Prudential Insurance Company of America
Minneapolis, MN

Long Term Care Insurance Carrier:
UNUM
Portland, ME

Vision Insurance Carrier:
Ameritas Life Insurance Corporation
Lincoln, NE

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Governor John Hoeven
The Legislative Assembly

Sparb Collins, Executive Director
North Dakota Public Employees Retirement System

We have audited the accompanying financial statements of the business-type activities and fiduciary funds of the North Dakota Public Employees Retirement System, a department of the State of North Dakota, as of and for the years ended June 30, 2009 and 2008, which collectively comprise the North Dakota Public Employees Retirement System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the North Dakota Public Employees Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the North Dakota Public Employees Retirement System are intended to present the financial position, the changes in financial position, the cash flows and the change in net plan assets of only that portion of the business-type activities and fiduciary funds of the State of North Dakota that is attributable to the transactions of the North Dakota Public Employees Retirement System. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2009 and 2008, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The actuary for the North Dakota Public Employees Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately $284 and $128 million at June 30, 2009 and 2008, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately $7 million at June 30, 2009. The funding for the actuarial accrued liabilities is predicated on employer and employee funding rates mandated by North Dakota statutes. The actuary has determined that the current statutory contribution rates are insufficient to meet the actuarially determined requirement, based upon the current assumptions, unless there are sufficient actuarial gains in the future to offset the recent investment losses.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the plan net assets of the North Dakota Public Employees Retirement System as of June 30, 2009 and 2008, and the respective changes in net plan assets, changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 2, 2009 on our consideration of the North Dakota Public Employees Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management's Discussion and Analysis (MD&A) and the Schedules of Employer Contributions and Schedule of Funding Progress on pages 50 through 51 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the North Dakota Public Employees Retirement System's basic financial statements. The Schedule of Investment Expenses and Administrative Expenses-Fiduciary Funds, the Statement of Appropriations, introductory section, investment section, actuarial section, and statistical tables are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Investment Expenses and Administrative Expenses-Fiduciary Funds and the Statement of Appropriations has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. The introductory section, investment section, actuarial section, and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

BRADY, MARTZ & ASSOCIATES, P.C.

Brady, Martz

November 2, 2009

Management's Discussion and Analysis
June 30, 2009 and 2008

Our discussion and analysis of the North Dakota Public Employees Retirement System financial performance provides an overview of the agency's financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the basic financial statements, which follow this discussion.

NDPERS administers a total of eight fiduciary funds. This includes four defined benefit pension trust funds (PERS, Highway Patrol, Job Service and OASIS), one defined contribution pension trust fund, the retiree health insurance credit trust fund, the deferred compensation trust fund and pretax benefits trust fund. NDPERS also administers one proprietary fund, the Uniform Group Insurance Program, which is an enterprise fund.

Financial Highlights

Pension and Other Employee Benefit Plans

• As of June 30, 2009 and 2008, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2009	2008
Public Employees Retirement System	85.1%	92.6%
Highway Patrolmen Retirement System	87.2%	93.0%
Retirement Plan for Employees of Job Service ND	104.7%	108.8%
Retiree Health Insurance Credit Fund	43.9%	48.5%

NDPERS' funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The higher the funding ratio, the better the plan is funded. The funding ratios for all plans decreased from the previous fiscal year as a result of investment earnings falling short of projections.

• Plan net assets for all trust funds administered by NDPERS decreased $482.2 million or 32% during the fiscal year ended June 30, 2009. The decrease was primarily due to net losses on investments during the fiscal year.

	(In Thousands)
Public Employees Retirement System	$ (441,220)
Highway Patrolmen Retirement System	(14,614)
Retiree Health Insurance Credit Fund	(4,274)
Defined Contribution Retirement Fund	(3,105)
Pretax Benefits Fund	380
Deferred Compensation Plan	(1,562)
Retirement Plan for Employees of Job Service ND	(17,758)
OASIS Trust Fund	(9)
Total decrease in plan net assets	$ (482,162)

• As of June 30, 2009, a total of $2 million in software development costs was incurred and capitalized and are shown as Software (not in production) on the Statement of Plan Net Assets for each of the trust funds. The total costs capitalized as of June 30, 2009 are $4.4 million.

Financial Highlights –
Uniform Group Insurance Program

• Net assets decreased by $319,197 or 24.0%.The decrease is primarily the result of an operating transfer to the Deferred Compensation plan to fund that program's portion of the software development costs.

• As of June 30, 2009, an additional $.8 million in software development costs were incurred and capitalized and are shown as Software (not in production) on the Statement of Net Assets for the Proprietary Fund. The total costs capitalized as of June 30, 2009 are $1.8 million.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the basic financial statements for NDPERS, which include the fund financial statements, notes to the financial statements, required supplementary information and other supplementary information.

Fund financial statements. There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Assets as of June 30, 2009, indicates the net assets available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Assets for the year ended June 30, 2009, provides a view of the current year's additions and deductions to the individual trust funds.

There are three financial statements presented for the proprietary fund. The Statement of Net Assets as of June 30, 2009, provides a snapshot at a particular point in time of the net assets available for use by this program. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for the year ended June 30, 2009, provides a view of the current year's operating and non-operating revenues and expenses for the enterprise fund. The Statement of Cash Flows for the year ended June 30, 2009 shows the cash used by operating activities as well as the net increase in cash due to operating and investing activities.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes include information on the funding status, funding progress and actuarial assumptions and methods for each of the defined benefit pension trust funds and the retiree health insurance credit advance funded and implicit subsidy unfunded plans. The notes to the financial statements can be found on page 28 of this report.

Required supplementary information. The required supplementary information consists of a Schedule of Employer Contributions and a Schedule of Funding Progress for the defined benefit pension trust funds, the retiree health insurance credit advance funded plan and implicit subsidy unfunded plan. These schedules provide historical trend information, which contributes to understanding the changes in the funded status of the funds over time.

Other supplementary schedules. The Schedule of Investment and Administrative Expenses and Statement of Appropriations are presented for the purpose of additional analysis.

Financial Analysis

The financial results for fiscal years 2009 and 2008 are summarized below. The information in the tables below is condensed from the Financial Statements.

Statement of Fiduciary Net Assets (in thousands)

	2009	% Change	2008	% Change	2007
Assets					
Cash	$ 2,710	30.2%	$ 2,082	(30.2)%	$ 2,984
Receivables	8,330	(11.9)%	9,450	(3.8)%	9,819
Investments, at fair value	1,495,066	(24.5)%	1,979,470	(6.3)%	2,113,596
Securities Lending Collateral	7,724	(75.8)%	31,937	(81.5)%	172,982
Prepaid Benefits	-	0.0%	0	0.0%	0
Software & Equipment, net of accum depr	4,374	83.3%	2,386	47,620.0%	5
Total assets	1,518,204	(25.0)%	2,025,325	(11.9)%	2,299,386
Liabilities					
Long-term liabilities outstanding	123	7.0%	115	5.5%	109
Other liabilities	10,724	(70.0)%	35,691	(79.8)%	176,922
Total liabilities	10,847	(69.7)%	35,806	(79.8)%	177,031
Net assets available for benefits	$1,507,357	(24.2)%	$1,989,519	(6.3)%	$2,122,355

The total assets for all fiduciary funds as of June 30, 2009 were $1.5 billion and were comprised mainly of investments and invested securities lending collateral. Plan assets decreased by $507.1 million and $274.1 million for the fiscal years ended June 30, 2009 and 2008, respectively. The decrease for both years was primarily due to losses in the financial markets during the fiscal years. Securities lending collateral also decreased.

Total liabilities as of June 30, 2009 were $10.8 million and were primarily comprised of securities lending collateral. Total liabilities decreased $25 million from June 30, 2008 as a result of a decrease in securities lending collateral at year-end. Total liabilities decreased $141.2 million from June 30, 2007 also as a result of a decrease in securities lending collateral.

Statement of Changes in Fiduciary Net Assets (in thousands)

	June 30, 2009	% Change	June 30, 2008	% Change	June 30, 2007
Additions					
Contributions	$ 79,370	3.2%	$ 76,900	24.1%	$ 61,945
Investment income	(463,300)	(318.1)%	(110,815)	(132.1)%	345,429
Other	4,954	16.4%	4,257	(3.9)%	4,429
Total additions	(378,976)	(137.8)%	(29,658)	(107.2)%	411,803
Deductions					
Benefit payments	95,602	0.2%	95,408	22.7%	77,756
Refunds/Transfers	5,506	(6.1)%	5,865	3.0%	5,695
Administrative expenses	2,078	9.1%	1,905	(2.1)%	1,946
Total deductions	103,186	0.0%	103,178	20.8%	85,397
Changes in net assets available for benefits	$ (482,162)	(263.0)%	$(132,836)	(140.7)%	$326,406

Additions. Contributions and returns on invested funds are the primary additions that are accumulated and used to pay benefits for each of the plans. Contributions increased $2.5 million and $15 million for the years ended June 30, 2009 and 2008, respectively. Contributions increased more than usual for the fiscal year ended June 30, 2008 as a result of two new activities that occurred during that year. In September 2007, a one-time transfer of funds from the North Dakota Teacher's Fund for Retirement (TFFR) in the amount of $3.2 million was received. This transfer was for employees of the state board of career and technical education who elected to transfer from TFFR to PERS as a result of legislation passed by the 2007 Legislative Assembly. Also, additional contributions of $5.7 are being reported for the Retiree Health Insurance Credit Fund for the first time, in compliance with GASB Statement 43, to reflect the premiums received from retirees whose health insurance rates are being subsidized. The plans experienced negative investment earnings of $463.3 million and $110.8 million for the fiscal years ending June 30, 2009 and 2008. The increase in Other Additions in 2009 is primarily due to a transfer from the group insurance program to the deferred compensation program to cover software development costs. The decrease in Other Additions in 2008 is primarily due to a change in the volume of service purchase contributions.

Deductions. Expenses include benefit payments, refunds/transfers, and administrative expenses. Expenses for the year ended June 30, 2009 totaled $103.1 million which is unchanged from 2008. In the previous fiscal year, expenses also totaled $103.2 million, an increase of $17.8 million over 2007. In 2008, benefit payments increased more than usual as a result of two new activities that occurred during the fiscal year. In January 2008, a one-time supplemental retirement check was issued to pensioners totaling $4.2 million. Also, additional health premiums paid of $5.7 are being reported for the Retiree Health Insurance Credit Fund for the first time, in compliance with GASB Statement 43, to reflect the payment of premiums to the health insurance carrier for retirees whose health insurance rates are being subsidized.

Statement of Proprietary Fund Net Assets (in thousands)

	June 30. 2009	% Change	June 30, 2008	% Change	June 30, 2007
Assets					
Cash	$ 11,069	42.5%	$ 7,769	6.7%	$ 7,279
Receivables	468	450.6%	85	(86.3)%	621
Software (not in production)	1,763	83.5%	961	N/A	0
Total assets	13,300	50.9%	8,815	11.6%	7,900
Liabilities					
Long-term liabilities outstanding	48	11.6%	43	7.5%	40
Other liabilities	12,243	64.5%	7,444	7.4%	6,932
Total liabilities	12,291	64.2%	7,487	7.4%	6,972
Net assets	$ 1,009	(24.0)%	$ 1,328	43.1%	$ 928

As of June 30, 2009, total assets increased by $4.5 million. The increase in cash and receivables reflects the surplus funds recognized from the 2005-2007 health insurance contract. The increase in software (not in production) reflects the costs incurred to date on the software development project. As of June 30, 2008, net assets increased by 43.1% primarily due to the addition of software (not in production) as an asset.

Liabilities increased by $4.8 million as of June 30, 2009. The primary reason for the increase relates to the health insurance surplus. As surplus funds are recognized, a related liability is reflected as amounts held in custody for others.

The net assets of the proprietary fund consist primarily of cash and are to be used for the following:
• To pay the administrative expenses of the uniform group insurance program
• To reduce premium payments or premium increases, or
• To increase insurance coverage

Statement of Changes in Proprietary Fund Net Assets (in thousands)

	June 30, 2009	% Change	June 30, 2008	% Change	June 30, 2007
Operating Revenues					
Administrative Fee	$ 929	2.3%	$ 923	2.3%	$ 902
Non-Operating Revenues					
Investment income	74	(32.2)%	213	(32.2)%	314
Total revenues	1,003	(6.6)%	1,136	(6.6)%	1,216
Operating Expenses					
Premium reduction expense	-	N/A	-	N/A	2,855
Administrative expenses	868	(4.5)%	737	(4.5)%	772
Non-Operating Expenses					
Transfer Out	454	N/A	-	N/A	-
Change in Net Assets	$ (319)	(179.9)%	$ 399	116.5%	$(2,411)

Net assets decreased by $.3 million for the fiscal year ended June 30, 2009. This was a result of the transfer of funds to the deferred compensation plan to cover software development costs allocated to that plan. For the fiscal year ended June 30, 2008, net assets increased by $.4 million as a result of administrative fees and investment earnings exceeding administrative expenses. Expenses related to the software development project are being shown as an asset and are not included as part of administrative expenses.

Contacting NDPERS Financial Management

This financial report is designed to provide our members, annuitants, employers, business partners and the general public with a general overview of the System's financial activities. If you have questions about this report or need additional financial information, contact the North Dakota Public Employees Retirement System, PO Box 1657, Bismarck, ND 58502.

Statement of Net Assets
Proprietary Funds
June 30, 2009 and 2008

	Uniform Group Insurance Program 2009	Uniform Group Insurance Program 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,068,599	$ 7,768,650
Accounts receivable	396,979	11,141
Due from fiduciary funds	69,305	73,781
Due from other state agencies	2,165	-
Total current assets	11,537,048	7,853,572
Capital assets:		
Software (not in production)	1,763,016	960,988
Total assets	13,300,064	8,814,560
LIABILITIES		
Current liabilities:		
Salaries payable	50,700	47,345
Accounts payable	308,351	273,533
Due to other state agencies	34,599	13,155
Accrued compensated absences	2,650	2,496
Amounts held in custody for others	8,380,038	4,472,215
Deferred premiums	3,467,734	2,634,689
Total current liabilities	12,244,072	7,443,433
Noncurrent liabilities:		
Accrued compensated absences	47,446	43,384
Total liabilities	12,291,518	7,486,817
NET ASSETS		
Invested in capital assets	1,763,016	960,988
Unrestricted (deficit)	(754,470)	366,755
Total net assets	$ 1,008,546	$ 1,327,743

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended June 30, 2009 and 2008

	Uniform Group Insurance Program 2009	Uniform Group Insurance Program 2008
OPERATING REVENUES:		
Administrative fee	$ 929,289	$ 923,188
OPERATING EXPENSES:		
Salaries and wages	498,340	488,293
Operating expenses	144,377	140,807
Professional fees	151,455	62,435
Data processing	74,129	45,638
Total operating expenses	868,301	737,173
Operating income	60,988	186,015
NON-OPERATING REVENUES:		
Investment income	74,138	213,400
OTHER FINANCING USE:		
Transfer out	454,323	-
Change in net assets	(319,197)	399,415
Total net assets - beginning of year	1,327,743	928,328
Total net assets - end of year	$ 1,008,546	$ 1,327,743

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

Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2009 and 2008

	Uniform Group Insurance Program	
	2009	2008
Cash Flows From Operating Activities:		
Premiums collected	$ 165,173,801	$ 162,535,552
Claims experience gains/losses	3,907,823	257,908
Administrative fees collected	1,378,807	1,445,853
Payments to suppliers	(341,403)	(244,505)
Premiums paid	(165,173,801)	(162,535,552)
Payments to employees	(490,769)	(473,384)
Net Cash Provided By Operating Activities	4,454,458	985,872
Cash Flows From Investing Activities:		
Investment income	74,138	213,400
Cash Flows Used By Capital and Related Financing Activities:		
Acquisition and construction of capital assets/software	(774,324)	(709,891)
Cash Flows from Noncapital Financing Activities:		
Transfers out	(454,323)	-
Net Increase in Cash and Cash Equivalents	3,299,949	489,381
Cash and Cash Equivalents Balance - Beginning of Year	7,768,650	7,279,269
Cash and Cash Equivalents Balance - End of Year	$ 11,068,599	$ 7,768,650
Reconciliation of Operating Income to Net Cash Provided		
Operating Income	$ 60,988	$ 186,015
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(385,838)	566,678
(Increase) Decrease in Due From Other Funds	4,476	(38,406)
(Increase) Decrease in Due From Other State Agencies	(2,165)	7,213
Increase in Salaries Payable	3,355	10,819
Increase in Accrued Compensated Absences	4,216	4,090
Increase (Decrease) in Accounts Payable	7,114	(1,776)
Increase in Due To Other State Agencies	21,444	6,151
Increase in Amounts Held in Custody for Others	3,907,823	257,908
Increase (Decrease) in Deferred Premiums	833,045	(12,820)
Total Adjustments	4,393,470	799,857
Net Cash Provided By Operating Activities	$ 4,454,458	$ 985,872

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

Statement of Plan Net Assets
Fiduciary Funds
June 30, 2009

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
ASSETS:								
Cash	$ 2,146,739	$ -	$ 82,374	$ 1,703	$ 328,895	$ 147,190	$ 1,380	$ 1,664
Receivables:								
Contribution receivable	3,895,409	157,740	492,061	100,601	506,287	-	9,452	-
Interest receivable	2,581,191	80,157	156,873	-	-	-	190,846	-
Accounts receivable	4,717	-	-	-	-	-	-	-
Due from fiduciary funds	82,411	-	-	-	20,775	37,534	-	-
Due from other state agencies	14,278	-	-	-	-	-	-	-
Total receivables	6,578,006	237,897	648,934	100,601	527,062	37,534	200,298	-
Investments, at fair value:								
Domestic equities	424,189,355	13,172,869	13,140,675	-	-	-	19,996,687	-
International equities	159,270,360	4,946,017	5,738,411	-	-	-	3,378,794	-
Commingled managed pool	-	-	-	2,399,637	-	-	-	-
International fixed income	87,002,057	2,701,781	-	-	-	-	3,685,763	-
Domestic fixed income	489,539,122	15,202,255	16,519,433	-	-	-	44,961,923	-
Real estate	75,234,215	2,336,339	-	-	-	-	-	-
Mutual funds	-	-	-	11,517,294	-	21,590,246	-	-
Annuities	-	-	-	-	-	88,888	-	-
Alternative investments	68,037,513	2,112,852	-	-	-	-	-	-
Invested cash	8,045,116	249,835	-	-	-	-	3,796	5,500
Total investments	1,311,317,738	40,721,948	35,398,519	13,916,931	-	21,679,134	72,026,963	5,500
Invested securities lending collateral	7,128,669	221,375	-	-	-	-	373,560	-
Software (not in production)	2,333,981	19,308	223,957	16,563	587,672	1,175,344	14,443	-
Equipment (net of accumulated depreciation)	2,306	-	-	-	-	-	-	-
Total assets	1,329,507,439	41,200,528	36,353,784	14,035,798	1,443,629	23,039,202	72,616,644	7,164

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

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
LIABILITIES:								
Salaries payable	65,491	-	-	-	18,676	29,459	-	-
Accounts payable	2,197,385	-	23,224	-	103,140	198,660	75,118	772
Due to fiduciary funds	-	5,226	120,622	-	-	-	8,555	-
Due to proprietary funds	-	-	61,147	10,722	-	-	3,753	-
Due to other state agencies	40,478	-	-	19	3,936	8,408	-	-
Deferred contributions	-	-	-	-	-	18,744	-	-
Securities lending collateral	7,128,669	221,375	-	-	-	-	373,560	-
Accrued compensated absences	72,130	-	-	-	22,235	35,908	-	-
Total liabilities	9,504,153	226,601	204,993	10,741	147,987	291,179	460,986	772
NET ASSETS:								
Held in trust for pension benefits	1,320,003,286	40,973,927	-	14,025,057	-	22,748,023	72,155,658	6,392
Held in trust for postemployment healthcare benefits	-	-	38,148,791	-	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,295,642	-	-	-
Total net assets held in trust	$ 1,320,003,286	$ 40,973,927	$ 38,148,791	$ 14,025,057	$ 1,295,642	$ 22,748,023	$ 72,155,658	$ 6,392

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

Statement of Plan Net Assets
Fiduciary Funds
June 30, 2008

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
ASSETS:								
Cash	$ 1,689,307	$ -	$ 57,608	$ -	$ 226,075	$ 101,545	$ 753	$ 6,246
Receivables:								
Contribution receivable	3,634,509	144,837	464,449	91,602	477,870	-	9,887	-
Interest receivable	3,718,907	117,295	379,616	-	-	-	230,971	-
Accounts receivable	-	-	-	-	-	-	-	-
Due from fiduciary funds	79,284	-	-	-	24,850	42,079	-	-
Due from proprietary funds	-	-	-	-	-	-	-	-
Due from other state agencies	33,499	-	-	-	-	-	-	-
Total receivables	7,466,199	262,132	844,065	91,602	502,720	42,079	240,858	-
Investments, at fair value:								
Domestic equities	661,201,872	20,854,488	19,937,872	-	-	-	29,473,121	-
International equities	244,370,521	7,707,513	6,030,360	-	-	-	3,988,084	-
Fixed income	-	-	-	2,162,101	-	-	-	-
International fixed income	87,322,797	2,754,184	-	-	-	-	4,507,040	-
Domestic fixed income	537,086,902	16,939,867	13,658,848	-	-	-	51,704,428	-
Real estate	118,196,834	3,727,960	-	-	-	-	-	-
Mutual funds	-	-	-	14,869,222	-	23,721,304	-	-
Annuities	-	-	-	-	-	105,731	-	-
Alternative investments	96,200,559	3,034,192	-	-	-	-	-	-
Invested cash	9,499,488	299,616	-	-	-	-	105,055	10,000
Total investments	1,753,878,973	55,317,820	39,627,080	17,031,323	-	23,827,035	89,777,728	10,000
Invested securities lending collateral	28,284,719	891,477	-	-	-	-	2,781,230	-
Software (not in production)	1,272,025	10,206	122,377	9,028	320,329	640,659	8,025	-
Equipment (net of accumulated depreciation)	3,691	-	-	-	-	-	-	-
Total assets	$ 1,792,574,914	$ 56,481,635	$ 40,651,130	$ 17,131,953	$ 1,049,124	$ 24,611,318	$ 92,808,594	$ 16,246

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

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
LIABILITIES:								
Salaries payable	$ 61,097	$ -	$ -	$ -	$ 17,384	$ 27,595	$ -	$ -
Accounts payable	2,935,133	-	26,387	-	93,110	182,326	99,563	772
Due to fiduciary funds	-	2,382	132,124	-	-	-	9,737	-
Due to proprietary funds	-	-	69,600	1,970	-	-	4,181	-
Due to other state agencies	23,607	-	-	18	2,150	4,519	-	-
Deferred contributions	-	-	-	-	-	53,217	-	-
Securities lending collateral	28,264,719	891,477	-	-	-	-	2,781,230	-
Accrued compensated absences	67,327	-	-	-	21,110	33,341	-	-
Total liabilities	31,351,883	893,859	228,111	1,988	133,754	300,998	2,894,711	772
NET ASSETS:								
Held in trust for pension benefits	1,761,223,031	55,587,776	-	17,129,965	-	24,310,320	89,913,883	15,474
Held in trust for postemployment healthcare benefits	-	-	40,423,019	-	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	915,370	-	-	-
Total net assets held in trust	$ 1,761,223,031	$ 55,587,776	$ 40,423,019	$ 17,129,965	$ 915,370	$ 24,310,320	$ 89,913,883	$ 15,474

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

Statement of Changes in Plan Net Assets – Fiduciary Funds
For the Year Ended June 30, 2009

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
ADDITIONS:								
Contributions:								
From employer	$ 27,705,267	$ 1,122,720	$ 6,771,699	$ 594,402	$ -	$ -	$ -	$ -
From employee	26,237,554	692,320	5,851,707	577,142	5,627,371	3,356,071	119,115	-
Transfers from other plans	-	-	-	41,749	-	522,329	-	-
From external plans	-	-	-	-	-	150,734	-	-
Total contributions	53,942,821	1,815,040	12,623,406	1,213,293	5,627,371	4,029,134	119,115	-
Investment income (loss):								
Net change in fair value of investments	(449,418,059)	(14,105,619)	(7,986,495)	(3,931,969)	-	(5,775,660)	(15,799,734)	-
Interest and dividends	34,649,834	1,087,319	1,810,041	392,265	3,075	704,942	1,998,050	183
Less investment expense	(6,434,310)	(202,405)	(75,032)	(11,330)	-	(72,477)	(301,287)	-
Net investment income (loss)	(421,202,535)	(13,220,705)	(6,251,486)	(3,551,034)	3,075	(5,143,195)	(14,102,971)	183
Securities lending activity:								
Securities lending income	302,256	9,486	-	-	-	-	30,249	-
Less securities lending expenses	(149,142)	(4,681)	-	-	-	-	(19,899)	-
Net securities lending income	153,114	4,805	-	-	-	-	10,350	-
Repurchase service credit	3,732,801	-	169,242	-	-	-	-	-
FICA tax savings	-	-	-	-	586,895	-	-	-
Transfer from proprietary fund	-	-	-	-	-	454,323	-	-
Miscellaneous income	1,983	14	-	8,553	74	220	-	-
Total additions	(363,371,816)	(11,400,846)	6,541,162	(2,329,188)	6,217,415	(659,518)	(13,973,506)	183
DEDUCTIONS:								
Benefits paid to participants	71,169,574	3,176,258	-	767,652	5,511,629	510,829	3,759,618	9,265
Refunds	4,921,163	17,911	2,846	-	-	-	-	-
Prefunded credit applied	-	-	4,854,724	-	-	-	-	-
Health premiums paid	-	-	5,842,613	-	-	-	-	-
Transfers to other plans	496,072	-	-	-	68,006	-	-	-
	76,586,809	3,194,169	10,700,183	767,652	5,579,635	510,829	3,759,618	9,265
Administrative expenses	1,261,120	18,834	115,207	8,068	257,508	391,950	25,101	-
Total deductions	77,847,929	3,213,003	10,815,380	775,720	5,837,143	902,779	3,784,719	9,265
Change in net assets	(441,219,745)	(14,613,849)	(4,274,228)	(3,104,908)	380,272	(1,562,297)	(17,758,225)	(9,082)
Net assets - beginning of year	1,761,223,031	55,587,776	40,423,019	17,129,965	915,370	24,310,320	89,913,883	15,474
Net assets - end of year	$ 1,320,003,286	$ 40,973,927	$ 36,148,791	$ 14,025,057	$ 1,295,642	$ 22,748,023	$ 72,155,658	$ 6,392

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

Statement of Changes in Plan Net Assets – Fiduciary Funds
For the Year Ended June 30, 2008

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Oasis Trust Fund
ADDITIONS:								
Contributions:								
From employer	$ 25,253,902	$ 1,058,825	$ 6,174,940	$ 565,281	$ -	$ -	$ -	$ -
From employee	23,896,615	649,861	5,686,576	548,827	5,394,790	3,213,972	123,718	-
Transfers from other plans	-	-	-	76,487	-	-	-	-
From external plans	3,208,999	-	-	10,313	-	170,387	-	-
From pretax benefits fund	-	-	-	-	-	866,895	-	-
Total contributions	52,359,516	1,708,686	11,861,516	1,200,908	5,394,790	4,251,254	123,718	-
Investment income (loss):								
Net change								
in fair value of investments	(129,191,077)	(4,112,373)	(7,701,312)	(1,843,057)	-	(3,254,582)	(2,847,461)	-
Interest and dividends	42,545,611	1,354,600	1,343,002	954,691	23,454	1,643,428	2,133,511	661
Less investment expense	(11,093,487)	(354,276)	(110,942)	(13,213)	-	(58,575)	(622,355)	-
Net investment income (loss)	(97,738,953)	(3,112,049)	(6,469,252)	(901,579)	23,454	(1,669,729)	(1,336,295)	661
Securities lending activity:								
Securities lending income	3,377,738	107,519	-	-	-	-	284,811	-
Less securities lending expenses	(3,026,817)	(96,349)	-	-	-	-	(258,635)	-
Net securities lending income	350,921	11,170	-	-	-	-	26,176	-
Repurchase service credit	3,454,411	-	227,655	-	-	-	-	-
FICA tax savings	-	-	-	-	557,869	-	-	-
Miscellaneous income	5,187	21	-	11,940	34	-	-	-
Total additions	(41,568,918)	(1,392,172)	5,619,919	311,269	5,976,147	2,581,525	(1,186,401)	661
DEDUCTIONS:								
Benefits paid to participants	70,153,871	3,077,105	-	1,100,358	5,386,675	1,733,280	3,564,811	9,266
Refunds	4,784,327	134,475	2,673	-	-	-	-	-
Prefunded credit applied	-	-	4,704,087	-	-	-	-	-
Health premiums paid	-	-	5,678,983	-	-	-	-	-
Transfers to other plans	76,487	-	-	-	866,895	-	-	-
	75,014,685	3,211,580	10,385,743	1,100,358	6,253,570	1,733,280	3,564,811	9,266
Administrative expenses	1,118,233	18,364	89,877	7,283	252,962	395,982	22,212	-
Total deductions	76,132,918	3,229,944	10,475,620	1,107,641	6,506,532	2,129,262	3,587,023	9,266
Change in net assets	(117,701,836)	(4,622,116)	(4,855,701)	(796,372)	(530,385)	452,263	(4,773,424)	(8,605)
Net assets - beginning of year	1,878,924,867	60,209,892	45,278,720	17,926,337	1,445,755	23,858,057	94,687,307	24,079
Net assets - end of year	$ 1,761,223,031	$ 55,587,776	$ 40,423,019	$ 17,129,965	$ 915,370	$ 24,310,320	$ 89,913,883	$ 15,474

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2009 & 2008

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Public Employees Retirement System (System) is an agency of the State of North Dakota, operating through the legislative authority of North Dakota Century Code 54-52-03. As a state agency, the System is considered to be a department of the State of North Dakota and is included in the State's Comprehensive Annual Financial Report as a pension trust fund.

The System is governed by a seven-member board. Three of the members are appointed and the remaining four are elected by the participants of the retirement plans.

The System administers four defined benefit pension plans and one defined contribution retirement plan. The System also manages and administers the retiree health insurance credit program, the uniform group insurance program, the deferred compensation program and the pretax benefits program.

For financial reporting purposes, the System has included all funds, and has considered all potential component units for which the System is financially accountable, and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System'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 the System 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 the System.

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

Fund Financial Statements

The System's only nonfiduciary activity is the administration and management of the uniform group insurance program. This program is a business-type activity that relies to a significant extent on fees and charges for support and is shown in the separate proprietary fund financial statements. All other activities of the system are pension and other employee benefit trust funds and are shown in the separate fiduciary fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the System 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 proprietary and fiduciary funds on the statements of net assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund is used to account for the operations of the Uniform Group Insurance Program. The System has been given the responsibility to manage this public entity risk pool. The Uniform Group Insurance Program is an insurance purchasing pool which provides the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments, or agencies, economies of scale in purchasing health, life, dental, vision and long-term care insurance. Since there is no pooling of risk, the disclosures relating to public entity risk pools are not applicable. Accordingly, this proprietary fund only reports administrative revenues and expenses.

The fiduciary fund consists of the pension and other employee benefit trust funds that are used to account for assets held by the department in a trust capacity. These include:

1. Public Employees Retirement System – a cost-sharing multiple-employer defined benefit retirement plan.

2. Highway Patrolmen's Retirement System – a single-employer defined benefit retirement plan.

3. Defined Contribution Retirement Plan – an optional defined contribution retirement plan covering specified employee positions in the State of North Dakota.

4. Retiree Health Insurance Credit Fund – an advance funded plan to offset the member's cost of health insurance during their retirement and a plan to provide health care coverage to eligible retiree's who are not yet eligible for Medicare.

5. Pretax Benefits Program – allows eligible employees to elect to reduce their salaries to pay

for eligible dependent care and medical expenses.

6. Deferred Compensation Plan – voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code.

7. Retirement Plan for Employees of Job Service North Dakota – a single-employer defined benefit retirement plan.

8. Oasis Trust Fund – a cost-sharing multiple employer defined benefit retirement plan.

The System 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.

In accordance with GASB Statement No. 20, the System follows all applicable GASB pronouncements as well as private-sector standards of accounting and financial reporting issued on or before November 30, 1989 unless those standards conflict with GASB pronouncements. The System also has the option of following subsequent private-sector guidance for business-type activities and enterprise funds, subject to this same limitation.

Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are administrative fees charged to the participants in the Uniform Group Insurance Program. Operating expenses include salaries and wages and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary fund is accounted for on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan 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 terms of each system.

Budgetary Process

The System operates through a biennial appropriation provided by the State Legislature. The System prepares a biennial budget on the modified accrual basis, which is included in the Governor's budget presented to the General Assembly at the beginning of each legislative session. The General Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. Before signing the appropriation bills, the Governor has line item veto powers over legislation, subject to legislative override. Once passed and signed, the appropriation becomes the system's financial plan for the next two years. Changes to the appropriation are subject to approval by the Emergency Commission.

The Statement of Appropriations has been prepared using the accrual basis of accounting. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC), Section 54-44.1-11. Expenditures not subject to appropriation of a specific amount include professional fees, depreciation expense, benefits and refunds paid to participants, prefunded credits applied and employee reimbursements in the Pretax Benefits Program.

There were no supplemental appropriations during the fiscal year ending June 30, 2009 and 2008.

The legal level of budgetary control is at the appropriation and expenditure line item level, with administrative controls established at lower levels of detail in certain instances.

Investments

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The market values for securities that have no quoted market price represent estimated fair value. Many factors are considered in arriving at that 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 investment securities 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. Investments in the external investment pool are stated at fair value which is the same as the value of the pool shares.

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

Unrealized increase or decrease is computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis.

Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Securities Lending

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

The System, through the North Dakota State Investment Board (Board) lends its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Board has contracted with a third party securities lending agent (Agent) to lend the System's securities portfolios. The Agent lends securities of the type on loan at June 30, 2009 for collateral in the form of cash or other securities at 102% of the loaned securities market value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2009, the fair value of the securities on loan totaled $6,981,361; $216,801 and $365,841 for the Public Employees Retirement System, Highway Patrolmen's Retirement System and the Retirement Plan for Employees of Job Service of North Dakota, respectively. As of June 30, 2009, the total amount of cash and non-cash collateral related to these lent securities was $7,128,669; $221,375 and $373,560 for the Public Employees Retirement System, Highway Patrolmen's Retirement System and the Retirement Plan for Employees of Job Service of North Dakota, respectively.

At June 30, 2009, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

The average duration of the collateral investments as of June 30, 2009 was 10 days. The average weighted maturity of collateral investments as of June 30, 2009 was 95 days. The interest rate sensitivity (duration) of the securities on loan matched the duration of the collateral investments.

Securities lent for cash collateral include US government securities, US corporate fixed income securities, US equities and Global equities. US government securities are also lent for non-cash collateral. The securities lent are commingled with those of the ND Retirement Investment Office. Securities lent for agencies of the State of North Dakota are pooled together and administered by the North Dakota Retirement and Investment Office. Financial information concerning these pooled investments can be obtained by contacting the North Dakota Retirement and Investment Office, PO Box 7100, Bismarck, ND 58507-7100.

The Agent provides indemnification if the borrowers fail to return the underlying securities (and if the collateral is inadequate to replace the securities lent) or fails to pay income distributions on them. All open securities loans can be terminated on demand by either the lender or the borrower. All term securities loans can be terminated with five days notice by either the lender or the borrower. Cash collateral is invested in accordance with the investment guidelines approved by the System. The System cannot pledge or sell collateral securities received unless the borrower defaults.

Derivative Securities
The System's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use Treasury futures and options, S & P 500 index futures and options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. The System's policy with respect to these derivatives is that their use may not increase the credit, market or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

Accounts Receivable and Credit Policy
Accounts receivable primarily include amounts due for contributions, insurance premiums, employee pretax benefit deductions and accrued interest on investments. Management reviews all receivables at year-end and assesses collectibility. All remaining receivables are considered collectible.

Capital Assets and Depreciation
Capital assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. Capital assets acquired via lease agreements are capitalized at the inception of the agreement. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. For the years ending June 30, 2009 and 2008 the System capitalized equipment costing over $5,000 in accordance with Section 54-27-21 of the North Dakota Century Code.

The capital assets are depreciated on a straight-line basis over estimated useful lives ranging from 5 to 10 years.

Accrued Compensated Absences
Annual leave is a part of permanent employees' compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Employees are entitled to earn annual leave based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted by the employing unit. No more than 240 hours of annual leave may be carried forward beyond April 30th of each year. Employees are paid for unused annual leave upon termination or retirement. Permanent employees accrue sick leave from the first day of employment at the rate of eight hours per month with unlimited accumulation. Employees with at least 10 years of state employment are paid one-tenth of their accumulated sick leave under Section 54-06-14 of the North Dakota Century Code when the employee leaves the employ of the state.

The System's liability for accumulated unpaid leave is reported in the applicable funds.

Deferred Contributions/Premiums
Deferred contributions consist of monies collected from participating employers, for retirement contributions, before the contributions are due. Deferred premiums consist of monies collected by the System from individuals or participating employers, for insurance premiums, before the premiums are due.

Transfers To Other Plans
Transfers to other plans consist of monies transferred from the Public Employees Retirement System Defined Benefit Plan to the Defined Contribution Retirement Plan pursuant to Section 54-52.6 Subsection 3 of the North Dakota Century Code. Each eligible employee who elects to terminate membership in the Defined Benefit Plan has a lump sum amount transferred to the participating member's account under the Defined Contribution Retirement Plan. For new employees electing to transfer to the Defined Contribution Retirement Plan, the lump sum transferred is the actual employee and employer contributions plus interest.

Transfers from External Plans
Pursuant to North Dakota Century Code section 54-52-02.14, the System received a one-time transfer of assets for employees of the state board of career and technical education who elected to transfer from the North Dakota Teacher's Fund for Retirement to the North Dakota Public Employees Retirement System.

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires man-

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

NOTE 2
DEPOSITS AND INVESTMENTS

Deposits

According to North Dakota Century Code 21-04-01, the System is required to bank at the state-owned and operated Bank of North Dakota. The System receives interest for funds on deposit in all accounts.

Cash and cash equivalents for reporting purposes, includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Investments are stated at fair value.

	2009	2008
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	$3,127,869	$2,499,808
Cash Deposits at the Bank of North Dakota recorded as Investments	5,500	10,000
Cash Deposits at State Treasury recorded as Cash and Cash Equivalents	1,065,083	872,008
Cash held by the North Dakota Retirement and Investment Office recorded as Cash and Cash Equivalents	4,039,957	4,422,951
Guaranteed Investment Contract with Blue Cross Blue Shield recorded as Cash and Cash Equivalents	5,545,635	2,055,417
	$13,784,044	$9,860,184

Custodial Risk

For deposits, custodial risk is the risk that in the event of the failure of a depository financial institution, the System will not be able to recover the deposits. The System does not have a formal policy that limits custodial risk for deposits. Deposits at the Bank of North Dakota and the State Treasury are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

At June 30, 2009 and 2008 the carrying amount of the System's cash deposits were $13,784,044 and $9,860,184, and the bank balances were $13,929,381 and $9,926,538. The System had $5,500 and $10,000 certificates of deposit recorded as investments at June 30, 2009 and June 30, 2008, respectively. All of the System's deposits are uncollateralized and uninsured at June 30, 2009 and 2008.

Investments

Total investments of the System at fair value as of June 30, 2009 and 2008 consisted of the following:

	2009	2008
Equity securities	$643,833,168	$993,563,831
Bonds and notes	659,612,334	713,974,066
Real estate	77,570,554	121,924,794
Alternative investments	70,150,365	99,234,751
Mutual funds	11,517,294	14,869,222
Commingled managed pool	2,399,637	2,162,101
Invested cash	8,304,247	9,914,159
Deferred compensation plans		
Annuities	88,888	105,731
Mutual funds	21,590,245	23,721,304
Securities lending short-term collateral investment pool	7,723,604	31,937,426
	$1,502,790,336	$2,011,407,385

The calculation of realized gains and losses is independent of the calculation of net increase (decrease) in the fair value of plan investments and unrealized gains and losses on investments sold in the current year that had been held for more than one year and were included in the net increase (decrease) reported in the prior year(s) and the current year.

All investments of the fund, except for the Defined Contribution Retirement Plan, Deferred Compensation Plan and Oasis Trust Fund are to be made by the North Dakota State Investment Board (SIB). Chapter 21-10-07 of the North Dakota Century Code requires that all investments made by this state agency, be made using the prudent investor rule.

Investments of the Oasis Fund consisted of a $5,500 certificate of deposit on June 30, 2009, and a $10,000 certificate of deposit on June 30, 2008, held at the Bank of North Dakota, valued at cost. Investments of the Defined Contribution Retirement Plan and the Deferred Compensation Plan are participant directed and are held by Fidelity Investments.

Credit Risk
All investments of the fund, except for the Defined Contribution Retirement Plan, Deferred Compensation Plan and Oasis Trust Fund, are invested in an external investment pool managed by SIB. The pool is not rated. The System does not have a formal credit risk policy that limits the credit risk of the investments.

Investments of the Defined Contribution Retirement Plan and the Deferred Compensation Plan are invested in mutual funds directed by the participants. The mutual funds are not rated.

Investments of the Defined Contribution Retirement Plan include investments in the commingled managed pool, which is an external investment pool managed by Fidelity Investments. The pool is not rated. The System does not have a formal credit risk policy that limits the credit risk of the investments.

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 System 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. The SIB has chosen to use the Segmented Time Distribution disclosure method. Tables detailing the System's portion of the investment pool are reported below. Readers may refer to the North Dakota Retirement and Investment Office financial statements regarding highly sensitive securities that are disclosed at the SIB level.

PERS and HPRS Plan

	Market Value		Less Than 1 Year		1-6 Years		6-10 Years		Over 10 Years	
Type (in thousands)	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Asset Backed Securities	$ 3,593	$ 12,278	$ -	$ -	$ 939	$ 373	$ 959	$ 226	$ 1,645	$ 11,679
Bank Loans	3,731	4,416	307	594	3,053	3,202	58	620	313	-
Commercial Mortgage-Backed	2,706	3,467	4	-	-	9	-	-	2,702	3,457
Corporate Bonds	143,902	183,367	1,857	2,406	48,417	48,434	54,893	76,547	38,735	55,980
Corporate Convertible Bonds	12,479	17,400	15	249	6,205	6,913	242	-	6,017	10,239
Government Agencies	15,035	17,418	-	2,096	8,122	7,351	4,640	4,909	2,273	3,062
Government Bonds	27,187	52,509	946	2,669	10,217	29,970	6,415	9,312	9,609	10,558
Government Mortgage-Backed	9,897	15,769	-	-	-	-	7	7	9,890	15,762
Guaranteed Fixed Income	401	-	-	-	401	-	-	-	-	-
Hedge Multi-Strategy	10,993	35,629	-	35,629	10,993	-	-	-	-	-
Index Linked Government Bonds	925	1,197	-	-	-	7	-	271	925	919
Municipal/Provincial Bonds	2,655	3,484	-	-	847	290	1,189	2,057	619	1,137
Non-Government Backed CMOs	8,800	13,313	-	299	3	31	-	-	8,797	12,982
Short Term Bills and Notes	162	5,089	162	5,089	-	-	-	-	-	-
Pooled Investments	82,407	82,177	-	2,905	37,585	34,879	44,822	44,185	-	208
Total Debt Securities	$324,873	$447,513	$3,291	$51,936	$126,832	$131,459	$113,225	$138,134	$81,525	$125,983

Job Service Retirement Plan

	Market Value		Less Than 1 Year		1-6 Years		6-10 Years		Over 10 Years	
Type (in thosuands)	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Asset Backed Securities	$ 248	$ 356	-	$ -	$ 64	$ 1	$ 61	$ 16	$ 123	$339
Bank Loans	236	-	19	-	193	-	4	-	20	-
Commercial Mortgage-Backed	185	398	-	-	-	1	-	-	185	397
Corporate Bonds	9,684	11,116	136	196	3,417	3,491	3,614	4,198	2,517	3,231
Corporate Convertible Bonds	912	1,658	-	-	449	584	18	-	495	1,074
Government Agencies	1,021	1,564	-	47	608	765	240	401	173	351
Government Bonds	1,417	4,420	39	134	607	2,640	305	530	466	1,116
Government Mortgage-Backed	755	1,811	-	-	-	-	1	1	754	1,810
Guaranteed Fixed Income	31	-	-	-	31	-	-	-	-	-
Hedge Multi-Strategy	596	1,728	-	1,728	596	-	-	-	-	-
Index Linked Government Bonds	71	138	-	-	-	1	-	31	71	106
Municipal/Provincial Bonds	145	281	-	-	42	33	56	117	47	131
Non-Government Backed CMOs	464	1,069	-	34	-	-	-	-	464	1,035
Short Term Bills and Notes	11	310	11	310	-	-	-	-	-	-
Pooled Investments	11,953	6,214	-	-	10,110	4,004	1,843	2,210	-	-
Total Debt Securities	$27,729	$31,063	$ 205	$2,449	$16,117	$11,520	$ 6,142	$7,504	$ 5,265	$9,590

Retiree Health Insurance Credit Fund
All securities subject to interest rate risk disclosure in the Retiree Health Insurance Credit Fund are pooled investments maturing in 1-6 years. The market value of these securities is $1.083 million.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System does not have a formal investment policy governing foreign currency risk. The System is invested in an external investment pool managed by SIB. A table detailing the exposure to foreign currency through the System's portion of the investment pool is reported below.

PERS and HPRS Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Australian dollar	$ (14)	$ (1,359)	$ 4,253	$ 4,912	$ 1,235	$ 4,356	$ 5,474	$ 7,909
Brazilian real	(460)	-	2,264	3,178	2,738	2,139	4,542	5,317
British pound sterling	3,176	(10,093)	2,594	2,827	6,769	17,080	12,539	9,814
Canadian dollar	618	(5,950)	1,295	1,886	696	6,366	2,609	2,302
Danish krone	(148)	(341)	-	-	365	969	217	628
Euro	7	(14,683)	326	-	11,061	34,751	11,394	20,068
Hong Kong dollar	(454)	(298)	-	-	930	1,449	476	1,151
Iceland krona	-	-	119	1,515	-	-	119	1,515
Indonesian rupiah	-	10	1,028	1,802	-	-	1,028	1,812
Japanese yen	(2,991)	(14,565)	22	-	6,567	27,541	3,598	12,976
Malaysian ringgit	-	-	2,199	3,317	-	-	2,199	3,317
Mexican peso	-	54	1,835	3,647	-	-	1,835	3,701
New Zealand dollar	451	14	1,567	1,796	-	-	2,018	1,810
Norwegian krone	339	(376)	-	584	296	1,741	635	1,949
Polish zloty	-	-	1,712	2,551	-	-	1,712	2,551
Singapore dollar	(75)	(257)	-	4,420	192	914	117	5,077
South African rand	-	-	1,172	1,676	-	-	1,172	1,676
South Korean won	1,275	-	-	383	-	-	1,275	383
Swedish krona	(176)	(633)	946	1,701	411	1,931	1,181	2,999
Swiss franc	(1,446)	(5,645)	15	-	2,534	10,434	1,103	4,789
Turkish lira	411	729	-	-	-	-	411	729
International commingled funds (various currencies)	-	-	44,822	44,185	101,874	142,185	146,696	186,370
	$ 513	$ (53,393)	$ 66,169	$80,380	$135,668	$251,856	$202,350	$278,843

Job Service Retirement Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Australian dollar	$ 12	$ (33)	$ 175	$ 246	$ 11	$ 105	$ 198	$ 318
Brazilian real	(25)	-	105	102	148	104	228	206
British pound sterling	198	(313)	106	141	123	412	427	240
Canadian dollar	46	(144)	56	67	6	154	108	77
Danish krone	(1)	(8)	-	-	3	23	2	15
Euro	116	(354)	12	-	155	839	283	485
Hong Kong dollar	(4)	(7)	-	-	8	35	4	28
Iceland krona	-	-	8	49	-	-	8	49
Indonesian rupiah	-	-	42	52	-	-	42	52
Japanese yen	(16)	(351)	-	-	56	690	40	339
Malaysian ringgit	-	-	90	149	-	-	90	149
Mexican peso	-	3	77	107	-	-	77	110
New Zealand dollar	19	1	65	89	-	-	84	90
Norwegian krone	16	(9)	-	29	3	42	19	62
Polish zloty	-	-	70	128	-	-	70	128
Singapore dollar	(1)	(6)	-	142	2	22	1	158
South African rand	-	-	48	84	-	-	48	84
South Korean won	52	-	-	-	-	-	52	-
Swedish krona	(2)	(15)	39	85	4	47	41	117
Swiss franc	(12)	(136)	-	-	22	275	10	139
Turkish lira	17	36	-	-	-	-	17	36
International commingled funds (various currencies)	-	-	1,843	2,210	302	1,335	2,145	3,545
	$ 415	$(1,336)	$2,736	$3,680	$ 843	$4,083	$3,994	$6,427

NOTE 3
DUE TO/ FROM FIDUCIARY AND PROPRIETARY FUNDS AND STATE AGENCY TRANSACTIONS

The June 30, 2009 due from/to fiduciary and proprietary funds are summarized as follows:

Fund	Due From Fiduciary and Proprietary Funds	Due To Fiduciary and Proprietary Funds
Fiduciary		
Public Employees Retirement System	$ 82,411	$ -
Highway Patrolmen's Retirement System	-	5,226
Retiree Health Insurance Credit Fund	-	181,769
Retirement Plan for Employees of Job Service ND	-	12,308
Pretax Benefit Program	20,775	-
Deferred Compensation Plan	37,534	-
Defined Contribution Plan	-	10,722
Proprietary		
Uniform Group Insurance Program	69,305	-
	$210,025	$ 210,025

The June 30, 2008 due from/to fiduciary and proprietary funds are summarized as follows:

Fund	Due From Fiduciary and Proprietary Funds	Due To Fiduciary and Proprietary Funds
Fiduciary		
Public Employees Retirement System	$ 79,284	$ -
Highway Patrolmen's Retirement System	-	2,382
Retiree Health Insurance Credit Fund	-	201,724
Retirement Plan for Employees of Job Service ND	-	13,918
Pretax Benefits Program	24,850	-
Deferred Compensation Plan	42,079	-
Defined Contribution Plan	-	1,970
Proprietary		
Uniform Group Insurance Program	73,781	-
	$ 219,994	$ 219,994

These balances are a result of a time lag between the dates the expenditures are incurred, the allocations determined, and the transactions are entered into the accounting system.

The June 30, 2009 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
Dept. of Transportation	$ -	$ 190
Supreme Court	9,288	-
Development Center	780	-
Dept. of Human Resources	682	-
Adjutant General	3,528	-
ITD	-	24,401
Attorney General	-	459
Office of Mgmt. & Budget	-	15,211
Historical Society	-	204
NDPERS Retirement Cont.	-	13
Total	$14,278	$ 40,478
Defined Contribution Plan		
ITD	$ -	$ 19
Pretax Benefits Program		
Historical Society	$ -	$ 50
ITD	-	1,006
Attorney General	-	105
Office of Mgmt. & Budget	-	2,775
Total	$ -	$ 3,936
Deferred Compensation Plan		
ITD	$ -	$ 2,378
Attorney General	-	298
Office of Mgmt. & Budget	-	5,589
Dept. of Transportation	-	41
Historical Society	-	102
Total	$ -	$ 8,408
Proprietary		
Uniform Group Insurance Program		
Department of Transportation	$ -	$ 158
Office of Mgmt. & Budget	-	11,142
ITD	-	22,701
Attorney General	-	444
Historical Society	-	153
NDPERS Retirement Cont.	-	1
Dept. of Human Resources	2,165	-
Total	$ 2,165	$ 34,599

The June 30, 2008 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
Dept. of Transportation	$ 33,319	$ 72
Supreme Court	20	-
School for the Blind	40	-
Highway Patrol	80	-
Dept. of Agriculture	20	-
Game and Fish Dept.	20	-
ITD	-	16,956
Attorney General	-	1,216
Office of Mgmt/Budget	-	5,363
Total	$ 33,499	$ 23,607
Defined Contribution Plan		
ITD	$ -	$ 18
Pretax Benefits Program		
Office of Mgmt/Budget	$ -	$1,180
ITD	$ -	$ 666
Attorney General	-	304
Total	$ -	$ 2,150
Deferred Compensation Plan		
Office of Mgmt/Budget	$ -	$1,852
ITD	$ -	$ 1,013
Attorney General	-	1,654
Total	$ -	$ 4,519
Proprietary		
Uniform Group Insurance Program		
Dept. of Transportation	$ -	$ 71
Office of Mgmt/Budget	-	4,838
ITD	-	7,170
Attorney General	-	1,076
Total	$ -	$ 13,155

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.

The June 30, 2009 operating transfers in/out are summarized as follows:

Fund Type / Fund	Transfer In	Transfer Out
Fiduciary Funds		
Defined Contribution Retirement Fund	$ 41,749	$ -
Pretax Benefit Program	-	68,006
Deferred Comp Plan	976,652	-
Public Employees Retirement System	-	496,072
Proprietary Funds		
Uniform Group Insurance Program	-	454,323

The June 30, 2008 operating transfers in/out are summarized as follows:

Fund Type / Fund	Transfer In	Transfer Out
Fiduciary Funds		
Defined Contribution Retirement Fund	$ 76,487	$ -
Pretax Benefits Program	-	866,895
Deferred Comp Plan	866,895	-
Public Employees Retirement System	-	76,487

The transfer to the Defined Contribution Retirement Fund is for those employees electing to transfer from the defined benefit plan. The transfers to the Deferred Compensation Plan are to cover administrative expenses with FICA savings earned in the Pretax Benefit Program and in 2009, additional transfers were made from the retirement and group insurance funds to cover software development costs.

NOTE 4
CAPITAL ASSETS

A statement of changes in equipment and accumulated depreciation for the System for the year ended June 30, 2009 and 2008 is as follows:

	Balance 7/01/08	Additions	Deletions	Balance 6/30/09
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ 960,988	$ 802,028	$ -	$1,763,016
Fiduciary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ 2,382,649	$ 1,988,619	$ -	$4,371,268
Capital assets being depreciated:				
Equipment	11,527	-	-	11,527
Less: Accumulated depreciation for equipment	(7,836)	(1,385)	-	(9,221)
Total capital assets being depr. net	3,691	(1,385)	-	2,306
Fiduciary Funds capital assets, net	$2,386,340	$ 1,987,234	$ -	$4,373,574

	Balance 7/01/07	Additions	Deletions	Balance 6/30/08
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ -	$ 960,988	$ -	$ 960,988
Fiduciary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ -	$ 2,382,649	$ -	$ 2,382,649
Capital assets being depreciated:				
Equipment	59,924	-	48,397	11,527
Less: Accumulated depreciation for equipment	54,848	1,385	48,397	7,836
Total capital assets being depr. net	5,076	(1,385)	-	3,691
Fiduciary Funds capital assets, net	$ 5,076	$ 2,381,264	$ -	$ 2,386,340

NOTE 5 – LEASE OBLIGATIONS

Operating Lease:

The department has entered into an operating lease for office space until June 30, 2011. The lease contains a clause stating that renewal is dependent on appropriation funding by the State Legislature. Lease obligations for operating and capital leases are payable from all funds of the System. Expenditures for the operating lease were $108,600 and $107,629 for the year ended June 30, 2009 and June 30, 2008. The future minimum lease payments for the fiscal years ending June 30, 2010 and 2011 are $113,868 and 113,868, respectively.

NOTE 6

CHANGE IN LONG-TERM LIABILITIES

	Proprietary Fund Accrued Comp. Absences	Fiduciary Fund Accrued Comp. Absences
Balance - June 30, 2007	$ 41,790	$ 114,910
Increases	30,069	79,812
Decreases	(25,979)	(72,945)
Balance- June 30, 2008	$ 45,880	$ 121,777
Increases	33,035	85,906
Decreases	(28,819)	(77,410)
Balance – June 30, 2009	$ 50,096	$ 130,273
Balance- due within one year	$ 2,650	$ 6,891

For the government activities, the accrued annual compensated absences is generally liquidated by excess revenue in the Uniform Group Insurance Program and the Pension Trust Funds.

NOTE 7

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

All eligible employees of the System, except those electing to participate in the North Dakota Defined Contribution Retirement Plan, contribute to the North Dakota Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan which is detailed in the notes that follow.

The System is required to contribute to PERS at an actuarially determined rate for permanent employees. The System's contributions to PERS for the years ended June 30, 2009, 2008 and 2007, were $112,837, $104,483 and $86,370 equal to the required contributions for each year.

There were no contributions to the North Dakota Defined Contribution Retirement Plan as none of the eligible employees of the System have elected to participate in this plan.

NOTE 8 – DESCRIPTION OF PLANS

General

The System administers four defined benefit pension plans and a defined contribution plan. The Public Employees Retirement System (PERS) is a cost-sharing multiple-employer retirement plan. The PERS was established July 1, 1966 as a defined contribution plan and was changed to a defined benefit plan by the 1977 North Dakota Legislature. The PERS is administered in accordance with Chapter 54-52 of the North Dakota Century Code. The Highway Patrolmen's Retirement System (HPRS) was established July 1, 1949 and is administered in accordance with Chapter 39-03 of the North Dakota Century Code. The HPRS is a single- employer defined benefit plan. The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000 and is administered in accordance with Chapter 54-52.6 of the North Dakota Century Code. The Retirement Plan for Employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by the Agency. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended. The OASIS (Old-Age and Survivor Insurance System) is a cost-sharing, multi-employer defined benefit public retirement plan. The trust fund was established effective July 1, 1947 by NDCC 52-09.

The costs of administering the plans are financed through the contributions and investment earnings of each plan.

The following brief description of the PERS and the HPRS, the Defined Contribution Plan, the Retirement Plan for Employees of Job Service North Dakota and OASIS is provided for general information purposes only. Participants should refer to the applicable chapters of the North Dakota Century Code for more complete information.

The PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions (Main System). It also covers Supreme and District Court Judges and the National Guard Security Officers and Firefighters and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. The HPRS covers substantially all sworn officers of the North Dakota Highway Patrol. The Defined

Contribution Plan covers state employees who elect to participate in the plan and who are in positions not classified by the central personnel division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan. The Retirement Plan for Employees of Job Service North Dakota is limited to employees participating in the plan as of September 30, 1980. Participation in the OASIS plan is limited to eligible employees and their beneficiaries as of April 23, 1957.

The systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974. The number of participating political subdivisions in the PERS was:

	2009	2008
Cities	80	77
Counties	48	48
School Districts	108	108
Other	65	63
Total participating political subdivisions	301	296

Employee membership data is as follows:

	PERS		HPRS	
	2009	2008	2009	2008
Retirees & Beneficiaries Currently Receiving Benefits	7,188	6,836	109	105
Special Prior Service Retirees	22	28	-	-
Terminated Vested Participants	3,270	3,154	4	4
Inactive Participants	2,025	1,995	1	2
Active Plan Participants				
Vested	14,281	13,996	66	64
Nonvested	5,662	5,300	67	66
Total Plan Membership	32,448	31,309	247	241

	Job Service		OASIS	
	2009	2008	2009	2008
Retirees & Beneficiaries Currently Receiving Benefits	214	216	1	1
Special Prior Service Retirees	-	-	-	-
Terminated Vested Participants	4	4	-	-
Inactive Participants	-	-	-	
Active Plan Participants:				
Vested	35	38	-	-
Nonvested	-	-	-	-
Total Plan Membership	253	258	1	1

Every permanent state employee who is at least 18 years old and who is in a position not classified by the central personnel division of the State of North Dakota may be eligible to participate in a defined contribution pension plan administered by the North Dakota Public Employees Retirement System. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan.

The defined contribution plan had 300 and 297 participants as of June 30, 2009 and 2008, respectively.

Investments – Current investment guidelines set by the System's Board specify the percentage of assets to be invested in various types of investments (equities, fixed income securities, real estate, private equity and cash). The overall long-term investment objective for the System's plans is to match or exceed the expected rate of return (7.5% - 8.0%), but at a minimum is not less than the actuarially determined percentage required to pay future benefits. Long-term performance goals are set and evaluated by the boards of SIB and the System for each type of investment.

Realized gains and losses – Realized gains and losses on sales of investments are components of net change in fair value of investments are computed as described in Note 1. For the years ended June 30, 2009 and 2008, the following are the net realized gains:

	2009	**2008**
Public Employees Retirement	$(103,199,428)	$30,091,345
Highway Patrolmen's Retirement	(3,238,776)	$ 957,858
Retiree Health Insurance Credit	(2,298,273)	$(2,033,070)
Defined Contribution	(652,906)	$158,789
Deferred Compensation	(452,165)	$ 233,420
Job Service Plan	(4,115,509)	$ 158,027

Investment expense of the fund, except for the Defined Contribution Retirement Plan and the Deferred Compensation Plan consists of those administrative expenses directly related to the RIO investment operations. Investment expense of the Defined Contribution Retirement Plan and the Deferred Compensation Plan consist of administrative expenses directly related to each plan. All expenses are paid out of plan assets.

Pension Benefits

PERS

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 120 months of service, for each year of service. The Plan permits early retirement at ages 55-64 with three or more years of service.

Supreme and District Court Judges are entitled to unreduced monthly pension benefits beginning at normal retirement age of (65) or the Rule of 85. The monthly pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 120 months of service. The percentage is equal to 3.50% of average monthly salary multiplied by the first ten years of service, plus 2.80% of the average monthly salary times the second ten years of service, plus 1.25% of average monthly salary times years of service in excess of twenty years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The Plan permits early retirement at ages 55-64 with five or more years of service.

Members of the National Guard System are entitled to unreduced monthly pension benefits at normal retirement age (55). Members of the Law Enforcement System are entitled to unreduced monthly pension benefits at normal retirement age (55) or the Rule of 85. The monthly pension benefit for the National Guard/Law Enforcement is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 120 months of service, for each year of service. The Plan permits early retirement at ages 50-55 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, level social security, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

HPRS

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members are entitled to unreduced pension benefits upon attainment of age 55 and ten years of eligible employment or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The Plan permits early retirement at ages 50-54, with ten or more years of service.

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

Defined Contribution Plan

Members are entitled to their vested account balance. A participating member is immediately 100% vested in the member's contributions. A participating member vests in the employer contributions made on the member's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Members may elect to receive their account balance in a lump sum, lump sum direct rollover or periodic distribution.

Retirement Plan for Employees of Job Service North Dakota

Benefits are established through the plan document, as amended. The System provides a post-retirement cost-of living adjustment each year based on the Consumer Price Index. Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

•1.5% times years of credited service up to 5 plus
•1.75% times years of credited service between 6 and 10 plus
• 2.0% times years of credited service in excess of 10

OASIS
Benefits are set by statute. On a biennial basis, legislation has been introduced to the North Dakota legislature to increase the primary benefit amount in (c) below. Eligible individuals are entitled to primary insurance benefits at normal retirement age of 65. The primary insurance benefit is the sum of a) 50% of the amount of the average monthly wage if the average monthly wage does not exceed seventy-five dollars or $37.50 or 15% of the amount by which the average monthly benefit exceeds seventy five dollars and does not exceed two hundred and fifty dollars; b) 1% of the amount computed under (a), multiplied by the number of years in which two hundred or more of wages were paid to the individual; and c) $826.64.

Death and Disability Benefits
PERS
Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System and National Guard/Law Enforcement, or less than five years of service for Supreme and District Court Judges, 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 for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments 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 designated beneficiary.

For Judges who have earned more than five years of credited service, the death benefit is the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the members' accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

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.

For Judges only, the disability benefit formula is 70% of final average salary minus Social Security and Workers Compensation benefits.

HPRS
Death and disability benefits are set by statute. If an active member dies with less than ten years of credited 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 ten years of credited service, the surviving spouse, if any, will be entitled to a single payment refund or life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are up to 70% of their final average salary, reduced by worker's compensation, with a minimum benefit of $100. To qualify under this section the member must meet the criteria established by the System for being totally disabled and apply for benefits within one year of termination.

Defined Contribution Plan
Upon the death of a participating member or former participating member, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies).

A member who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the member must meet the criteria established by the System for being totally disabled.

Retirement Plan for Employees of Job Service North Dakota
The plan provides disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant’s death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on

the day before he/she died and elected the Contingent Annuitant Option with 55% of his/her retirement benefit continued to his/her spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefits will cease.

If a participant becomes totally disabled, he/she will be eligible for a monthly disability benefit that shall be equal to the greater of 40% of the participant's average annual earnings or the accrued benefit determined as their date of disability.

OASIS
Eligible surviving spouses are entitled to three-fourths of the primary insurance benefit of the insured individual.

Refunds of Member Contribution
Upon termination, if a member of PERS or HPRS is not vested (is not 65 or does not have three years of service for the Main System and National Guard/Law Enforcement, or five years of service for the Supreme and District Court Judges, credited for the PERS, or is not 60 or does not have ten years of service credited for the HPRS), 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 contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Contributions
Contribution rates for PERS and HPRS are set by state statute, actuarially determined based on the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over an open period of 20 years, and (3) the amount necessary to provide for operating expenses. Contribution rates for the Defined Contribution Plan are set by state statute and are a percentage of salaries and wages. Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, actuarially determined using the frozen initial liability actuarial cost method which is the same as the aggregate cost method. Contributions to OASIS are set by statute. Contributions are required only to the extent the trust fund does not have sufficient funds to meet current benefit payments. A tax will be assessed on participating state and local government employers when the trust fund does not have sufficient funds to meet current benefit obligations. No contributions have been collected since 1989.

PERS
Member contributions are established at 4% of regular compensation with the exception of Supreme and District Court judge contributions which are established at 5% of total compensation. During the 1983-1985 biennium the State and some of the participating political subdivisions implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. The State is paying the full member contribution with the exception of the Supreme and District court judges for which the State is paying 4 of the 5% contribution. Some of the political subdivisions are paying all or part of the member contributions.

Employer contributions of 4.12% of covered compensation are set by statute. The employer contribution rate for the Supreme and District Court Judges is also set by statute at 14.52% and the contribution rate for the National Guard/Law Enforcement is set by the Board as follows:

National Guard is at 6.50 percent
Law Enforcement with previous service is 8.31 percent
Law Enforcement without previous service is 6.43 percent

The entry age normal cost method determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for the benefits earned by members during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

Except for Supreme and District Court Judges, the member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan.

The minimum member contribution is $25 and the maximum may not exceed the following:
1 to 12 months of service - Greater of one percent of monthly salary or $25

13 to 24 months of service - Greater of two percent of monthly salary or $25

25 to 36 months of service - Greater of three percent of monthly salary or $25

Longer than 36 months of service - Greater of four percent of monthly salary or $25

An open period of 20 years to fund accrued liabilities for the Public Employees Retirement System and the Supreme and District Court Judges has been adopted for the July 1, 1996 valuation and adopted for the National Guard Security Officers and Firefighters for the July 1, 1998 valuation. Currently, the present rate of contributions is not sufficient to meet the actuarially determined requirement for 2009-2010.

HPRS

Employees' contributions are established at 10.3% of total compensation of which the state is paying 4%. Employer contributions of 16.7% of covered compensation are set by statute. The entry age normal cost method determines the amount of contributions necessary to fund; (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

An open period of 20 years to fund accrued liabilities for the Highway Patrolmen's Retirement System has been adopted for the July 1, 1996 valuation. Currently, the present rate of contributions is not sufficient to meet the actuarially determined requirement for 2009-2010.

The following schedule represents the annual pension costs and net pension obligations:

Annual required contributions	$1,025,737
Interest on net pension obligations	(57,978)
Adjustment to annual required contrib.	50,579
Annual pension costs	1,018,338
Contributions made	1,122,720
Increase in net pension obligations	(104,382)
Net pension obligations, beginning of year	(724,722)
(Assets in excess of) net pension obligations, end of year	$ (829,104)

Defined Contribution Plan

Member contributions are established at 4% and employer contributions are established at 4.12% of regular compensation.

Retirement Plan for Employees of Job Service North Dakota

Employees' contributions are established at 7.0% of total compensation of which the state is paying 4%. The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

The following schedule represents the annual pension costs and net pension obligation for the year ended June 30:

Annual required contributions	$ -
Interest on net pension obligations	(123,645)
Adjustment to annual required contrib.	129,850
Annual pension costs	6,205
Contributions made	-
Decrease in net pension obligations	6,205
Net pension obligations, beginning of year	(1,648,603)
(Assets in excess of) net pension obligations, end of year	$ (1,642,398)

Retiree Health Insurance Credit Fund

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the System to provide members receiving retirement benefits from the PERS, the HPRS, and judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	2009	2008
Retired participants receiving benefits	4,030	3,935
Eligible terminated participants not receiving benefits	-	-
Active participants, not receiving benefits	20,317	19,659
	24,347	23,594

The Retiree Health Insurance Credit Fund has 20,317 and 19,659 active participants at June 30, 2009 and 2008, respectively. The employers' actuarially required contribution was $5,804,660 and

$5,708,457 and the actual employer contributions were $6,771,699 and $6,147,940 for the periods ended June 30, 2009 and 2008, respectively.

The following are the changes in actuarial assumptions, asset method and plan experience and the effect on the employer's contribution rates expressed as a percent of covered payroll, and the dollar effect on the actuarial accrued liability.

	%	Dollar
Net effect of changes in actuarial assumption	-	$ -
Changes in Plan Provisions	0.14%	1,007,737
Changes in plan experience during the year	(0.02%)	(143,962)
	0.12%	$ 863,775

The employer contribution for the PERS and the HPRS and the Defined Contribution Plan is set by statute on an actuarially determined basis at 1% (1.14% effective July 1, 2009) of covered compensation. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instructions is 3.1% (3.24% effective July 1, 2009) of covered compensation beginning in the month following the transfer under Chapter 54-52-02.13 of the North Dakota Century Code and continuing thereafter for a period of eight years. The employer contribution for employees of the state board of career and technical education is 2.85% (2.99% effective July 1, 2009) of covered compensation beginning in the month following the transfer under Chapter 54-52-02.14 of the North Dakota Century code and continuing thereafter for a period of eight years. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1% (1.14% effective July 1, 2009) of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Assets for the pension trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 ($5.00 effective July 1, 2009) for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under North Dakota Century Code Chapter 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for this group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2009-11 biennium will continue in the future. In the event the legislature does not fund the subsidy beyond the current biennium, the coverage would discontinue and the unfunded actuarial accrued liability displayed in the table below for the retiree health implicit subsidy would be reduced to zero.

A member must be receiving a retirement allowance from NDPERS to be eligible for the retiree health care coverage. In addition, a member receiving a retirement allowance from NDTFFR or TIAA-CREF is also eligible for the retiree health care coverage.

The premiums for this plan are reported as employee contributions on the Statement of Changes in Plan Assets as they are fully paid by the retirees. The full amount of the premiums collected are expended each year and are reported as health premiums paid on the Statement of Changes in Plan Assets.

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date (in millions), see chart.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear funding trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, as obtained from the System's independent actuary's annual valuation reports.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liabilities provides an indication whether the plan is becoming financially stronger or weaker. Generally, the greater the percentage the stronger the retirement plan. Trends in unfunded actuarial accrued liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liabilities as a percentage of annual covered payroll aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the retirement plan.

The accompanying schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the plans by employers in comparison to the Annual Required Contribution (ARC). The ARC is actuarially determined in accordance with the parameters of GASB Statement 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial Assumptions and Methods

PERS and HPRS

An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities for pension benefits are amortized over an open period of 20 years for the Public Employees Retirement System, the Supreme and District Court Judges, and the Highway Patrolmen's Retirement System which was adopted for the July 1, 1996 valuation. For the July 1, 1998 valuation the National Guard Security Officers and Firefighters changed the amortization period for the unfunded actuarial accrued liabilities for pension benefits from a closed period to an open period of 20 years. For both plans, this will produce payments which are level percents of payroll contributions based on an open amortization period.

Retirement Plan for Employees of Job Service North Dakota

A frozen initial liability actuarial cost method of valuation, which is the same as the aggregate cost method is used in determining benefit liabilities and normal cost. The normal contribution under this method is the normal cost plus the payment required to amortize the unfunded actuarial liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the unfunded actuarial liability, and dividing that amount into payments that are a level percent of pay over the future working lifetime of all participants.

To calculate pension plan contribution requirements, assumptions are made about all of the future events that could affect the amount and timing of benefits to be paid and assets to be accumulated. Under the Frozen Initial Liability Actuarial Cost method used, which is the same as the aggregate cost method the normal cost will remain level as a percentage of covered payroll if the assumptions closely approximate experience. Each year actual experience is measured against the assumptions, and to the extent that there were differences in that year, the contribution requirement is adjusted. If the assumptions are changed, contribution requirements are adjusted to take into account a change in experience in all future years.

Funded Status

Plan	Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of of Annual Covered Payroll
Public Employees	2009	$1,617.1	$1,901.2	$284.1	85.1%	$ 697.7	40.7%
Highway Patrol	2009	$ 50.2	$ 57.6	$ 7.4	87.2%	$ 7.0	105.0%
Job Service	2009	$ 74.5	$ 71.1	$ (3.4)	104.7%	$ 1.7	0.0%
Retiree Health Credit	2009	$ 44.8	$ 102.2	$ 57.4	43.9%	$ 719.8	8.0%
Retiree Health Implicit Subsidy	2007	$ -	$ 30.7	$ 30.7	0.0%	$ -	0.0%

Under the Frozen Initial Liability Actuarial Cost Method, which is the same as the aggregate cost method the net gain or loss is translated into a decrease or increase in the normal cost percentage, since the unfunded actuarial accrued liability has been frozen. The unfunded employer frozen initial liability was frozen at October 1, 1983. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the plan's actuarial value of assets exceeds the actuarial present value of projected benefits.

Retiree Health Insurance Credit

Under the Projected Unit Credit Actuarial Cost Method, benefits are projected to each assumed occurrence of decrement (death, disability, retirement) using service as of the valuation date. The normal cost is equal to the actuarial present value of the benefits allocated to the current year. The actuarial accrued liability for active members is equal to the actuarial present value of the benefits allocated to all prior years. The actuarial accrued liability for members currently receiving benefits and for participants entitled to deferred benefits is the actuarial present value of the benefits expected to be paid. The unfunded actuarial accrued liability is equal to the actuarial accrued liability minus the actuarial value of assets. This amount is amortized as a level percentage of payroll over a fixed period of 40 years, of which 21 years remain. For the implicit subsidy unfunded plan, this amount is amortized over a fixed period of 30 years.

PERS and HPRS

For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses amortized over a five-year period.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2009, the date of the latest actuarial study include:
Investment Return - A rate of return on the investment of present and future assets of 8 %, net of investment expenses.
Inflation - The assumed inflation rate is 3.50% per annum.
Salary Scale - Projected salary increases based upon inflation of 4.5 % together with wage increases attributable to seniority, merit and "standard of living" increases.
Mortality Rates - Pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the Pension Benefit Guaranty Corporation's Disabled Life Mortality Tables, with a one year set back for the mortality assumption for males.
Withdrawal - Rates of withdrawal from active service before retirement for reasons other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.
Expenses - Administrative expense of $720,000 a year for the Public Employees Retirement System and $16,000 a year for Highway Patrolmen's Retirement System.
Post-retirement benefit increase - There are no post-retirement benefit increase assumptions.

Retirement Plan for Employees of Job Service North Dakota

For actuarial purposes, assets are valued utilizing a method which recognized book value plus or minus realized and unrealized investment gains and losses amortized over a five-year period. Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2009, the date of the latest actuarial study include:

Rate of return:7.5% per year compounded annually, net of investment fees and administrative expenses.
Salary scale: 5% per year
Mortality tables:
Healthy: 1994 Group Annuity Mortality Table
Disabled:1983 Railroad Retirement Board Disabled Life Mortality Table
Retirement age:75% of active participants are assumed to retire when eligible for optional retirement, and the remaining participants retire at normal retirement.
100% of inactive vested participants are assumed to retire at optional retirement age.
Post-retirement Cost Of Living Adjustment (COLA): 5% per year

Retiree Health Insurance Credit

Actuarial valuations for other postretirement employee benefit plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of other postretirement employee benefit plans reflect a long-term perspective.

The actuarial methods and assumptions for the other postretirement employee benefit plan include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

Advance Funded Plan

For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses amortized over a five-year period.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2009, the date of the latest actuarial study include:

Mortality Rates:1983 Group Annuity Mortality Table for healthy members and the Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Benefits
Withdrawal Rates: Rates of withdrawal from active service before retirement for reasons other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.
Investment Return: 8.00% per annum, net of investment expenses.
Inflation: 3.50% per annum.
Expenses: Administrative expenses of $65,000 a year.

Implicit Subsidy Unfunded Plan

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2007, the date of the latest actuarial study include:

Mortality Rates: 1983 Group Annuity Mortality Table, applied on a gender-specific basis.
Expected Monthly Costs: Approximate Monthly Implicit Subsidy for a Single plan of $47 and $64 for a Family plan.
Health Care Cost Trend: Select-11.0%; Ultimate 6.0%. Select trends are reduced 0.5% each year until reaching the ultimate trend.
Retirement Age: Retirement probabilities have been developed from the assumptions for the NDPERS plans.
Termination: Probabilities of withdrawal for reasons other than death and retirement have been developed from the assumptions for the NDPERS pension plans.

NOTE 9
DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES

The System was given the authority by Chapter 54-52.2 to administer an employee deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan allows employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies to participate, providing that the employee has signed a participant agreement which permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.
All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive use of the employee or their beneficiary.

The related assets are reported at market value as investments as follows:

	2009	
Plan Participation by the State of ND	$19,060,038	88%
Other jurisdictions	2,619,096	12%
Total value	$21,679,134	100%

	2008	
Plan Participation by the State of ND	$20,712,499	87%
Other jurisdictions	3,114,536	13%
Total value	$23,827,035	100%

NOTE 10
FEDERAL INCOME TAX STATUS

The System is exempt from the payment of any federal income taxes by virtue of being an agency of the state of North Dakota

NOTE 11
UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The Uniform Group Insurance Program, a proprietary fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium. In accordance with the contract for the 2005-2007 biennium, the System deposited a total of $14,227,761 with BCBS. These surplus funds are to be used to pay any claims in excess of the premiums collected. At the end of the contract period, which is two years after the biennium, the System received the remaining surplus funds plus interest of $3,966,104. The System has entered into a similar contract with BCBS for the 2007-2009 biennium. The accumulated surplus and other invested funds in the amount of $5,545,634 are shown as cash on the System's balance sheet. These funds are being held by BCBS.

The contract for life insurance for the 2007-2009 biennium is with Prudential and does not have a gain sharing arrangement.

NOTE 12
RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues:

The 1995 Legislative Session established the Risk Management Fund (RMF), an internal service fund, to provide a self-insurance vehicle for funding the liability exposures of state agencies resulting from the elimination of the state's sovereign immunity. The RMF manages the tort liability of the state, its agencies' employees and the University System. All state agencies participate in the RMF and their fund contribution was determined using a projected cost allocation approach. The statutory liability of the State is limited to a total of $250,000 per person and $1,000,000 per occurrence.

The System also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 120-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of $2,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

The System participates in the North Dakota Workforce Safety, an Enterprise Fund of the State of North Dakota. Workforce Safety is a state insurance fund and a "no fault" insurance system covering the State's employers and employees financed by premiums assessed to employers. The premiums are available for the payment of claims to employees injured in the course of employment.

There have been no significant reductions in insurance coverage from the prior year and settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 13
RELATED PARTIES

As stated in Note 1 of these financial statements, the System is a state agency of the state of North Dakota, as such, the other state agencies of the state and political subdivisions are related parties.

NOTE 14
COMMITMENTS

The System has entered into agreements with Sagitec Solutions, LLC and L.R. Wechsler, Ltd for the development of its new integrated benefits administration system. The contract with Sagitec is $7.7 million and the contract with L.R. Wechsler is $1 million, and the total appropriation for this project is approximately $9.6 million, which is anticipated to be fully completed by September 2010. As of June 30, 2009 the System has paid $5.4 million towards these contracts. The remaining $4.2 million will be carried over to the 2009-2011 biennium and will be paid as the project is completed.

NOTE 15
NEW PRONOUNCEMENTS

GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets will be effective for the entity beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009, and, for the most part, require retroactive application. Management has not yet determined the effect this statement will have on its financial statements.

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments will be effective for the entity for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transaction. A key provision of this Statement is the derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGIC's) that are fully benefit-responsive, are reported at fair value. The provisions of this Statement will be effective for the year ending June 30, 2010. Management has not yet determined the effect this statement will have on its financial statements.

NOTE 16
CONTINGENCY

In February 2009, the State Investment Board (SIB) was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The SIB was an investor along with numerous other public and private pension funds whose investments totaled more than $1.5 billion. Subsequent to the filing of a criminal complaint by federal prosecutors, a receiver was appointed by the court to reconstruct the alleged fraud and determine what recoverable assets exist. The receiver issued a report in May 2009 indicating that approximately $893 million of recoverable assets were identified which equates to 60% of the investors' account values. The SIB held three portfolios with Westridge/WG Trading at the time the fraud was discovered. The three portfolios had been valued at a combined $161.3 million in the month prior to the court actions. $23.3 million was recovered immediately through liquidation of futures and related collateral positions at Westridge. The remaining assets were held by WG Trading and were frozen by the courts and remain frozen as of the balance sheet date. The market value reported on the balance sheet reflects a reduction of the 40% of the last known market value, based on the receiver's initial report, and will remain at that value until further information is received from the SIB's legal representative's or the federal courts.

NDPERS' current portfolio contains an exposure to Westridge of approximately $34.4 million on June 30, 2009.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Schedule of Employer Contributions
For the six years ended June 30

Public Employees Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2004	$ 26,704,376	74%
2005	31,844,577	65
2006	31,906,102	69
2007	38,184,510	61
2008	35,875,117	70
2009	40,327,067	69

Highway Patrolmen's Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
2004	$ 940,629	90%	$(812,097)
2005	1,046,646	83	(641,545)
2006	904,817	97	(674,484)
2007	1,076,146	89	(565,712)
2008	905,591	117	(724,722)
2009	1,025,737	109	(829,104)

For the five years ended June 30
Retiree Health Insurance Credit
Advance Funded Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2005	$ 5,139,793	99.0%
2006	5,396,153	100.0
2007	5,687,050	100.0
2008	5,708,457	100.0
2009	5,804,660	116.0

For the two years ended June 30
Retiree Health Insurance Credit
Implicit Subsidy Unfunded Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$ 4,020,000	0%
2009	4,118,000	0

Required Supplementary Information
Schedule of Funding Progress
For the six years ended June 30

Public Employees Retirement System (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2004	$1,272.9	$1,196.5	$76.4	94.0%	$501.1	15.3%
2005	1,361.2	1,236.1	125.1	90.8	521.1	24.0
2006	1,480.5	1,314.5	166.0	86.8	547.0	30.3
2007	1,610.2	1,503.1	107.1	93.4	582.3	18.4
2008	1,737.6	1,609.8	127.8	92.6	640.7	19.9
2009	1,901.2	1,617.1	284.1	85.1	697.7	40.7

Highway Patrolmen's Retirement System (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2004	$44.5	$40.0	$4.5	89.9%	$5.4	83.3%
2005	46.3	40.7	5.6	87.9	5.3	105.7
2006	49.1	42.8	6.3	87.0	5.7	110.5
2007	51.5	48.2	3.3	93.5	6.1	54.1
2008	54.6	50.8	3.8	93.0	6.5	58.5
2009	57.6	50.2	7.4	87.2	7.0	105.0

For the three years ended June 30
Retirement Plan for Employees of Job Service North Dakota (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Entry Age	Actuarial Value of Assets	Unfunded (Overfunded) AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL (Funded Excess) as a Percentage of Covered Payroll
2007	$ 70.7	$ 75.7	$ (5.0)	107.1%	$ 1.8	0.0%
2008	70.8	77.0	(6.2)	108.8	1.8	0.0
2009	71.1	74.5	(3.4)	104.7	1.7	0.0

For the five years ended June 30
Retiree Health Insurance Credit (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2005	$ 78.1	$ 30.9	$ 47.2	39.6%	$ 538.6	8.8%
2006	82.6	34.0	48.6	41.2	568.0	8.6
2007	85.3	38.9	46.5	45.6	602.9	7.7
2008	87.6	42.5	45.1	48.5	660.9	6.8
2009	102.2	44.8	57.4	43.9	719.8	8.0

For the year ended June 30
Retiree Health Insurance Implicit Subsidy (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	$ 30.7	$ -	$ 30.7	0.0%	$ -	0.0%

SCHEDULE OF ADMINISTRATIVE EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	Oasis Program
Personnel Services:								
Salaries	469,145	2,794	45,258	3,357	137,455	216,848	2,860	0
Social security	34,807	205	3,358	249	10,227	16,317	212	0
Retirement	41,398	244	4,013	298	12,207	19,297	254	0
Insurance	98,601	650	8,990	667	27,575	36,639	568	0
Total Personnel Services	643,951	3,893	61,619	4,571	187,464	289,101	3,894	0
Professional Services:								
Actuarial	191,568	11,745	22,000	0	0	0	17,200	0
Audit	16,687	127	1,687	125	4,203	8,407	107	0
Data processing	176,525	1,345	10,670	1,828	9,926	19,058	674	0
Consulting	13,142	96	0	0	12,900	2,193	0	0
Legal counsel	10,660	81	1,039	77	1,571	6,509	571	0
Misc outside services	15,272	113	1,705	125	1,205	6,401	1,611	0
Total Professional Services	423,854	13,507	37,101	2,155	29,805	42,568	20,163	0
Communication:								
Postage & mailing svc	32,585	250	3,160	235	8,001	8,587	201	0
Printing	45,508	317	3,692	274	10,859	10,646	233	0
Telephone	11,830	90	1,049	78	2,050	4,722	66	0
Total Communication	89,923	657	7,901	587	20,910	23,955	500	0
Rentals:								
Equipment rent	5,493	42	555	41	1,510	2,643	35	0
Office rent	41,977	320	4,028	299	10,573	21,149	254	0
Total Rentals	47,470	362	4,583	340	12,083	23,792	289	0
Miscellaneous:								
Depreciation	1,385	0	0	0	0	0	0	0
Dues and prof development	14,023	107	909	154	1,144	2,625	57	0
Insurance	748	6	72	5	188	377	5	0
Miscellaneous	8,412	63	704	53	2,048	3,056	46	
Repairs and maintenance	626	5	59	4	153	306	4	0
Supplies	14,865	113	1,305	128	3,506	5,103	83	0
Travel	15,863	121	954	71	207	1,067	60	0
Total Miscellaneous	55,922	415	4,003	415	7,246	12,534	255	0
Total Administrative Expenses	$1,261,120	$18,834	$115,207	$8,068	$257,508	$391,950	$25,101	$0

SCHEDULE OF ADMINISTRATIVE EXPENSES

Fiduciary Funds

For the Fiscal Year Ended June 30, 2008

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	Oasis Program
Personnel Services:								
Salaries	453,563	3,023	44,487	3,282	136,469	212,242	2,917	0
Social security	34,014	226	3,337	246	10,256	16,062	219	0
Retirement	40,947	273	3,971	293	12,130	18,982	260	0
Insurance	96,542	676	8,829	651	27,117	36,495	579	0
Total Personnel Services	625,066	4,198	60,624	4,472	185,972	283,781	3,975	0
Professional Services:								
Actuarial	107,528	11,250	0	0	0	0	14,800	0
Audit	18,679	142	1,843	136	4,705	9,411	121	0
Data processing	150,853	1,145	8,260	1,184	6,214	12,412	542	0
Consulting	10,553	78	358	26	12,038	4,350	23	0
Legal counsel	13,281	101	1,462	108	3,001	8,176	96	0
Misc outside services	5,867	43	673	50	934	7,260	1,563	0
Total Professional Services	306,761	12,759	12,596	1,504	26,892	41,609	17,145	0
Communication:								
Postage & mailing svc	44,997	342	4,074	301	9,694	10,380	267	0
Printing	16,274	124	1,592	117	4,750	4,602	104	0
Telephone	12,741	97	1,030	76	1,960	3,587	67	0
Total Communication	74,012	563	6,696	494	16,404	18,569	438	0
Rentals:								
Equipment rent	7,874	60	788	58	2,111	3,644	52	0
Office rent	41,692	317	4,055	299	10,957	21,254	266	0
Total Rentals	49,566	377	4,843	357	13,068	24,898	318	0
Miscellaneous:								
Depreciation	1,385	0	0	0	0	0	0	0
Dues and prof development	13,256	101	902	146	1,345	4,775	59	0
Insurance	745	6	72	5	188	376	5	0
Miscellaneous	6,592	50	623	46	2,146	3,246	41	
Repairs and maintenance	446	3	43	3	112	239	3	0
Supplies	24,974	190	2,483	183	6,580	12,204	163	0
Travel	15,430	117	995	73	255	6,285	65	0
Total Miscellaneous	62,828	467	5,118	456	10,626	27,125	336	0
Total Administrative Expenses	$1,118,233	$18,364	$89,877	$7,283	$252,962	$395,982	$22,212	$0

Statement of Appropriations

For the Year Ended June 30, 2009

	Approved 2007-2009 Appropriation	2007-2009 Appropriation Adjustments	Adjusted 2007-2009 Appropriation	Expenditures 2008	Expenditures 2009	Unexpended Appropriation
All Fund Types:						
Salaries and wages	$ 3,776,271	$ -	$ 3,776,271	$ 1,771,915	$ 1,913,647	$90,709
Operating Expenses	11,247,019	-	11,247,019	3,858,565	2,485,469	4,902,985
Contingency	250,000	-	250,000	-	-	250,000
	$ 15,273,290	$ -	$ 15,273,290	$ 5,630,480	4,399,116	$ 5,243,694

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2009	2008
Pension Trust Funds	$2,077,788	$ 1,904,913
Enterprise Funds	868,301	737,173
Total administrative expenses	2,946,089	2,642,086
Add:		
Software development costs reclassified to software (not in production)	2,790,648	3,343,637
Less:		
Professional fees	(376,484)	(342,286)
Depreciation expense	(1,385)	(1,385)
Allocated depreciation charged as equipment rent to other programs	(831)	(831)
Changes in accrued compensated absences	(12,491)	(10,956)
Debits to BND accounts for suppliers	60	-
Software development costs accrued, but not yet paid	(942,278)	-
Conference account expenditures in excess of revenues	(3,995)	-
Contribution/premium over and short	(217)	215
Total appropriated expenditures	$ 4,399,116	$ 5,630,480

Note: $4.2 million of Operating Expenses appropriation will be carried over to 2009-11 biennium for software development costs.

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	Oasis Program
Payments to State Investment Board:								
Investment Fees	$6,212,716	$195,456	$75,032	$0	$0	$0	$301,287	$0
Administrative Expenses	221,594	6,949	0	0	0	0	0	0
	6,434,310	202,405	75,032	0	0	0	301,287	0
Securities Lending Fees	149,142	4,681	0	0	0	0	19,899	0
Payments to Providers:								
Investment Fees	0	0	0	11,330	0	72,477	0	0
Total Investment Expenses	$6,583,452	$207,086	$75,032	$11,330	$0	$72,477	$321,186	$0

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

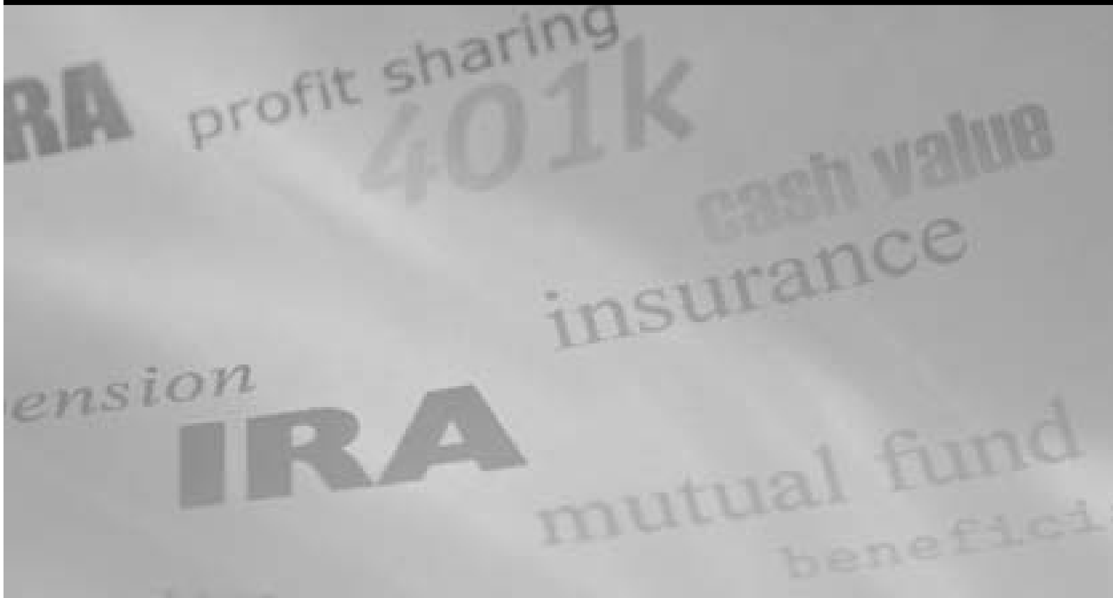
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	Oasis Program
Payments to State Investment Board:								
Investment Fees	$10,908,848	$348,407	$110,942	$0	$0	$0	$622,355	$0
Administrative Expenses	184,639	5,869	0	0	0	0	0	0
	11,093,487	354,276	110,942	0	0	0	622,355	0
Securities Lending Fees	3,026,817	96,349	0	0	0	0	258,635	0
Payments to Providers:								
Investment Fees	0	0	0	13,213	0	58,575	0	0
Total Investment Expenses	$14,120,304	$450,625	$110,942	$13,213	$0	$58,575	$880,990	$0

SCHEDULE OF CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2009

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	OASIS Program
Actuary Fees:								
The Segal Company	191,568	11,745	22,000	0	0	0	17,200	0
Audit/Accounting Fees:								
Brady, Martz & Associates	16,687	127	1,687	125	4,203	8,407	107	0
Disability Consulting Fees:								
Mid Dakota Clinic	6,404	96	0	0	0	0	0	0
Miscellaneous Consulting Fees:								
The Segal Company	0	0	0	0	12,900	2,193	0	0
LR Wechsler	0	0	0	0	0	0	0	0
ICE MILLER LLP	0				0	0		
Calhoun Law Group PC	0	0	0	0	0	0	0	0
Gallagher Benefit Services Inc.	1,738	0	0	0	0	0	0	0
CEM Benchmarking Inc.	5,000	0	0	0	0	0	0	0
Legal Fees:								
ND Attorney General	10,660	81	1,039	77	1,571	6,509	571	0
Totals	$232,057	$12,049	$24,726	$202	$18,674	$17,109	$17,878	$0

SCHEDULE OF CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan	OASIS Program
Actuary Fees:								
The Segal Company	107,528	11,250	0	0	0	0	14,800	0
Audit/Accounting Fees:								
Brady, Martz & Associates	18,679	142	1,843	136	4,705	9,411	121	0
Disability Consulting Fees:								
Mid Dakota Clinic	6,830	50	0	0	0	0	0	0
Miscellaneous Consulting Fees:								
The Segal Company	0	0	0	0	11,100	2,475	0	0
LR Wechsler	3,915	0	0	0	979	1,957	0	0
ICE MILLER LLP	378	0	0	0	95	189	0	0
Calhoun Law Group PC	633	0	0	0	0	0	0	0
Legal Fees:								
ND Attorney General	12,271	101	1,462	108	2,906	7,987	96	0
Totals	$150,234	$11,543	$3,305	$244	$19,785	$22,019	$15,017	$0



INVESTMENT SECTION

INVESTMENT REPORT FROM THE NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

North Dakota Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

Steve Cochrane, CFA
Executive Director

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November 23, 2009

Board of Trustees
Members of the System

This report is a summary of the North Dakota Public Employees Retirement System investment portfolio and market environment for the fiscal year ended June 30, 2009.

Introduction

For the fiscal year ended June 30, 2009, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of -24.42%. The Job Service Pension Plan experienced a net loss of 16.51% for the same time period. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values and are subject to independent audit.

Economic Overview

During the fiscal year ended June 30, 2009, the Federal Reserve cut interest rates from 2.00% to near 0.25% in an attempt to bolster the US economy. Despite the efforts of the Fed, the US economy continued to suffer. Slumping home prices and poor consumer confidence contributed to four straight quarters of negative GDP growth. The unemployment rate climbed during the economic contraction, reaching 9.5% as of June 30, 2009. After peaking at $147 per barrel in July, 2008, oil prices dropped as speculators liquidated their positions amid weakening demand. Inflation pressures subsided–at least temporarily–with the Consumer Price Index (CPI) declining 1.4% over the fiscal year ended 6/30/09. The Fed and US Treasury announced several programs to stimulate the economy in the last fiscal year. Programs such as the Troubled Asset Relief Program ("TARP"), Term Asset-Backed Securities Loan Facility ("TALF"), and the Legacy Securities Public-Private Investment Program ("PPIP") were implemented to stimulate lending and create a market for distressed assets. Despite this mass stimulus, economics indicated that the US economy was still mired in recession as of June 30, 2009.

Domestic Equity Overview

Negative returns permeated the domestic equity markets during the fiscal year. The S&P 1500 Index, a broad market stock yardstick, finished the fiscal year with a return of -26.34%. Equity markets declined during each of the first three quarters of the fiscal year. As a result of a rally that began on March 9, 2009, equity returns were positive for the quarter ended June 30, 2009. The S&P 1500 index recorded double digit returns (+16.32%) during the last quarter of the fiscal year. For the entire fiscal year, small cap stocks held up slightly better than large cap stocks. As measured by the S&P 600, small cap stocks fell 25.31% versus a decline of 26.21%, as measured by the S&P 500 large cap stock index. Growth stocks held up better than Value stocks across all capitalization ranges during the year. The Russell 3000 Growth Index declined 24.53% during the fiscal year versus a decline of 28.73% for the Russell 3000 Value Index.

International Equity Overview

International equity, as represented by the MSCI EAFE Index, produced negative results in fiscal 2009. The index returned -31.35%, the second fiscal year in a row that it recorded a decline. As in the domestic stock market, foreign growth stocks fared better than value stocks. For the trailing twelve months ended June 30, 2009, the MSCI EAFE Growth Index lost 33.66% while the MSCI EAFE Value Index was down 28.93%. The Emerging Markets Index fell 27.82% for the fiscal year, but posted positive returns in the six-month period ended June 30, 2009.

Domestic Fixed-Income Overview

Institutional investors commonly measure the US investment grade bond market with the Barclays Capital Aggregate Bond Index. This benchmark returned 6.05% for the fiscal year ended June 30, 2009. The first half of the fiscal year was marked by a "flight to quality" where fixed-income investors moved into US Treasury securities due to the uncertainty and fear created by the collapse of Lehman Brothers on September 15, 2008. Yield spreads over comparable maturity Treasuries widened for other types of bonds. Spreads for Credit bonds, Mortgage-Backed Securities (MBS), Asset Backed Securities (ABS), and High Yield Bonds widened to extreme levels. As yields rose, prices declined, hurting bond returns. In the second half of the fiscal year, spreads narrowed considerably but remained above historic averages.

The Barclays Capital Government/Credit Intermediate Index returned 5.27% over the fiscal year. This return was slightly below the 5.34% gain of the Barclays Capital Government/Credit Long Index. Corporate bond prices also rose as yield spreads fell in the second half of the fiscal year; the Barclays Capital Credit Index rose 4.08% for the trailing twelve-months. High yield investors experienced negative returns as the Barclays Capital High Yield Index fell 3.63%for the year ended June 30, 2009.

International Fixed-Income Overview

The international fixed-income market's results were mixed during the year. A big driver of international bond price volatility was currency movements. The US Dollar ("USD") appreciated in value relative to most foreign currencies during the first three quarters of the fiscal year; this depressed returns to US investors. During the quarter ended June 30, 2009, the USD depreciated more than 6%, resulting in a gain for US investors in international bonds. The Citi Non-US World Government Bond Index rose 3.53% for the fiscal year. The Citi Euro Government Bond Index was down slightly, falling 0.55% for the year ended 6/30/09. Returns on both indices were dampened by the strong USD. Emerging Market bonds produced positive returns for fiscal 2009. The JP Morgan Emerging Markets Bond Plus Index gained 2.43%.

Real Estate Overview

The NCREIF Property Index measures the investment performance of commercial real estate properties acquired in the private investment market on behalf of tax-exempt institutional investors. During fiscal 2009, the index fell 19.57%, posting negative results in each calendar quarter. Lack of liquidity, deleveraging of portfolios, and maturing debt commitments contributed to the losses. The NAREIT Equity Index, a measure of the publicly-traded real estate securities market, lost 43.29% for fiscal 2009. This one-year loss was in spite of a gain of nearly 29% in the June quarter. Valuations of the private real estate market often lag relative to the public real estate market.

Alternative Investments Overview

The private equity market slowed dramatically during fiscal 2009. According to "Buyouts" newsletter, buyout-sponsored U.S. acquisitions were down 57%, year-over-year, as of 6/30/09. Fund raising was also down at the end of the period. In the March and June quarters of 2009, total capital commitments amounted to $53.1 billion. During the June quarter of 2008 alone, total private equity capital commitments equaled $81 billion. Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently flawed. Instead of recognizing any particular index as representative of the opportunity for the fiscal year ended June 30, 2009, it is worth noting that the PERS' alternative investment allocation of Total Fund assets was 5.2%. The market value of the alternative investment allocation, including investment returns and net new investment, lost 33.99% from the prior fiscal year.

Summary

The national and global economic and financial system climate experienced during fiscal year 2009 can be characterized as nothing short of disastrous. At the time the year began, the credit crisis, which had begun with a rapidly deteriorating housing market in the prior year, had taken a firm hold on global markets and financial institutions. Unlike previous cycles of market volatility, there was virtually only one safe haven for investors: US Treasury securities. Across all other asset classes and regions of the world, markets had begun collapsing and continued to do so until early 2009, when somewhat of a rebound began to occur in selected portions of the portfolio. As we moved toward the end of the fiscal year, conditions began to show signs of improvement and the markets took some comfort in that by regaining some of the lost ground.

Within the State Investment Board's investment program, the funds are invested within their policy guidelines and seek to add investment return to their expected benchmark return objectives over multi-year periods. The funds fell far short of actuarially projected goals this past year, and the coming years will most likely be challenging from an investment standpoint as recessions brought on by banking and financial disasters are characterized historically to be followed by extended multi-year periods of slow global growth. The SIB will garner all the resources it can muster to face the many challenging years ahead.

Sincerely,

STEVE COCHRANE, CFA
Executive Director/CIO

INVESTMENT POLICIES

By state law, PERS and HPRS assets are invested by the North Dakota State Investment Board (SIB). This change became effective July 1, 1989, with the primary purpose being to achieve cost savings through pooling of assets for investment. The System also contracts with the SIB to invest the assets of the Job Service Retirement Plan and the Retiree Health Insurance Credit Plan (RHIC).

State law requires that the SIB apply the prudent investor rule when investing funds under its supervision. The "prudent investor rule" means fund fiduciaries shall exercise the judgment and care, similar to that of an institutional investor who exercises ordinary prudence, discretion, and intelligence when managing the assets of large investments entrusted to it. The funds belonging to the System must be invested exclusively for the benefit of the members and the beneficiaries in accordance with the System's investment goals and objectives.

The Retirement Board is responsible for establishing policies on investment goals and objectives and asset allocation, which are to be viewed over the long term. The investment goals for PERS and HPRS are: to accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund and, to obtain investment returns in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The investment performance objectives for the PERS, HPRS, Job Service and RHIC plans are: to produce a rate of return, that over the long term, should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB; the annual standard deviation of total returns for the Fund should not exceed that of the policy portfolio; over 10-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period as measured by standard deviation.

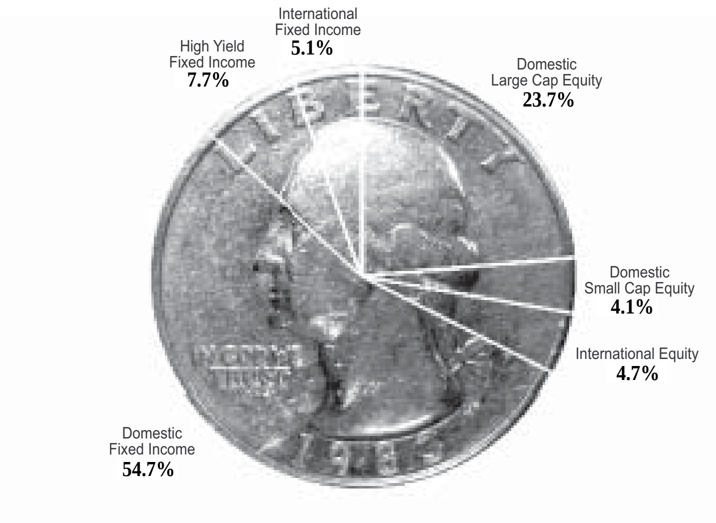
The investment goals for the Job Service Retirement Plan are: to maintain a level of surplus sufficient to eliminate the need for future contributions; to achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index, by 3.0 percentage points per year (based on current actuarial assumptions of 7.5% return and 5% inflation), over a complete market cycle; and as a secondary objective, to maximize the Plan's surplus to increase future benefit payments.

The investment goals for the Retiree Health Insurance Credit Plan are: to accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the fund and to obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

The SIB is responsible for carrying out the Retirement Board's investment goals, objectives and policies; implementing the asset allocation plan submitted by the System, maintaining a separate accounting and preparing periodic investment performance reports for the System funds under their authority. The System's assets may be pooled with other funds, at the discretion of the SIB.

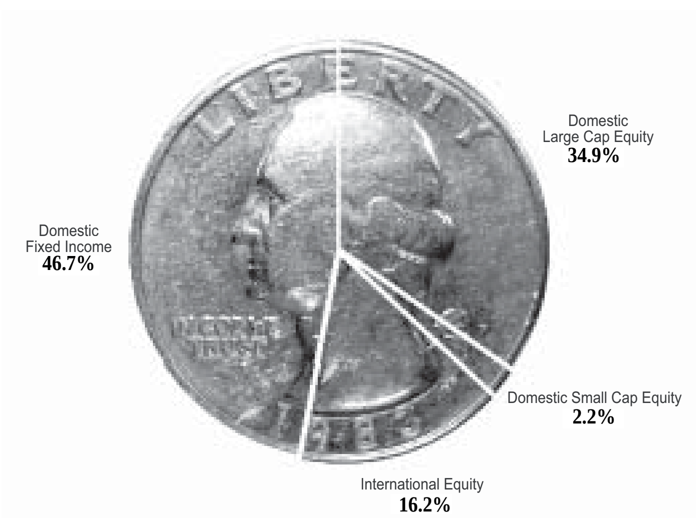
INVESTMENT SUMMARIES

Job Service Retirement Plan
Asset Allocation – June 30, 2009



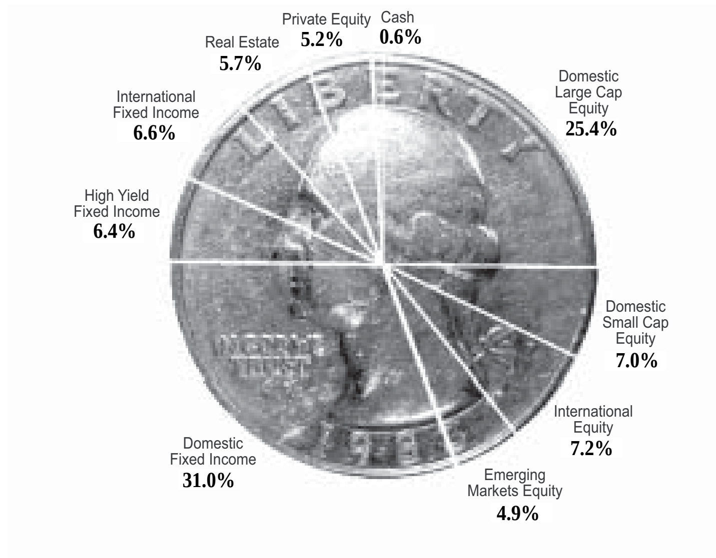
Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 17,059,731	23.7%	25.0%
Domestic Small Cap Equity	2,936,956	4.1%	6.0%
International Equity	3,378,794	4.7%	9.0%
Domestic Fixed Income	39,411,132	54.7%	47.0%
High Yield Fixed Income	5,550,790	7.7%	8.0%
International Fixed Income	3,685,764	5.1%	5.0%
Cash & Equivalents	3,796	0.0%	0.0%
Total	$ 72,026,963	100.0%	100.0%

Retiree Health Insurance Credit Program
Asset Allocation – June 30, 2009



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 12,354,236	34.9%	35.0%
Domestic Small Cap Equity	786,439	2.2%	15.0%
International Equity	5,738,411	16.2%	15.0%
Domestic Fixed Income	16,519,433	46.7%	35.0%
Total	$ 35,398,519	100.0%	100.0%

Public Employees and
Highway Patrolmen's Retirement Systems
Asset Allocation – June 30, 2009



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 343,514,052	25.4%	30.0%
Domestic Small Cap Equity	93,848,172	7.0%	10.0%
International Equity	97,629,799	7.2%	10.0%
Emerging Markets Equity	66,586,578	4.9%	5.0%
Domestic Fixed Income	418,397,544	31.0%	24.0%
High Yield Fixed Income	86,343,833	6.4%	5.0%
International Fixed Income	89,703,838	6.6%	5.0%
Real Estate	77,570,554	5.7%	5.0%
Private Equity	70,150,365	5.2%	5.0%
Cash & Equivalents	8,294,951	0.6%	1.0%
Total	$1,352,039,686	100.0%	100.0%

Public Employees and Highway Patrolmen's Retirement Systems (PERS) and Job Service Retirement Plan
Schedule of Investment Results[2]
For the Five Years Ended June 30, 2009

	2005	2006	2007	2008	2009	Annualized 3 Year	Annualized 5 Year
Total Fund (PERS)	14.07%	12.00%	18.96%	-5.60%	-24.42%	-5.32%	1.63%
Total Fund (Job Service)	14.72%	7.09%	15.90%	-1.64%	-16.51%	-1.49%	3.27%
CPI	3.17%	4.47%	2.67%	5.50%	-1.98%	2.03%	2.63%
Large Cap Domestic Equities	8.91%	11.16%	22.27%	-15.66%	-39.58%	-14.59%	-5.48%
S&P 500	6.32%	8.63%	20.59%	-13.12%	-26.21%	-8.22%	-2.24%
Small Cap Domestic Equities	10.20%	14.24%	18.54%	-19.70%	-31.73%	-13.20%	-3.81%
Russell 2000	9.45%	14.58%	16.43%	-16.19%	-25.01%	-9.89%	-1.71%
International Equities	13.70%	27.23%	27.88%	-17.91%	-27.31%	-8.62%	1.99%
MSCI 50% Hedged EAFE	17.60%	26.72%	26.95%	-15.49%	-27.05%	-7.84%	3.13%
Emerging Markets Equities	35.07%	35.30%	49.32%	3.69%	-26.69%	4.31%	15.71%
MSCI Emerging Markets Free	34.89%	35.91%	45.45%	4.89%	-27.82%	3.27%	15.08%
Domestic Fixed Income	19.64%	3.41%	13.61%	9.78%	-3.04%	6.51%	8.38%
Barclays Aggregate	6.80%	-0.81%	6.12%	7.12%	6.05%	6.43%	5.01%
High Yield Bonds	13.32%	5.25%	12.15%	-3.62%	-20.08%	-4.76%	0.60%
Barclays High Yield Corp 2% Issuer Cap	10.86%	4.37%	11.22%	-1.74%	-1.91%	2.34%	4.36%
International Fixed Income	10.30%	2.38%	3.77%	14.24%	0.21%	5.91%	6.05%
Citi Non-US World Government	7.75%	-0.01%	2.20%	18.72%	3.53%	7.90%	6.24%
Real Estate	20.78%	22.09%	15.47%	7.27%	-32.45%	-5.47%	4.49%
NCREIF Index	18.02%	18.67%	17.24%	9.20%	-19.57%	0.99%	7.60%
Private Equity[1]	17.24%	11.08%	16.83%	4.50%	-32.94%	-4.55%	5.01%
Cash	2.19%	4.43%	5.24%	0.71%	1.09%	2.33%	2.72%
90 Day T-bills	2.15%	3.98%	5.21%	3.36%	0.95%	3.25%	3.17%

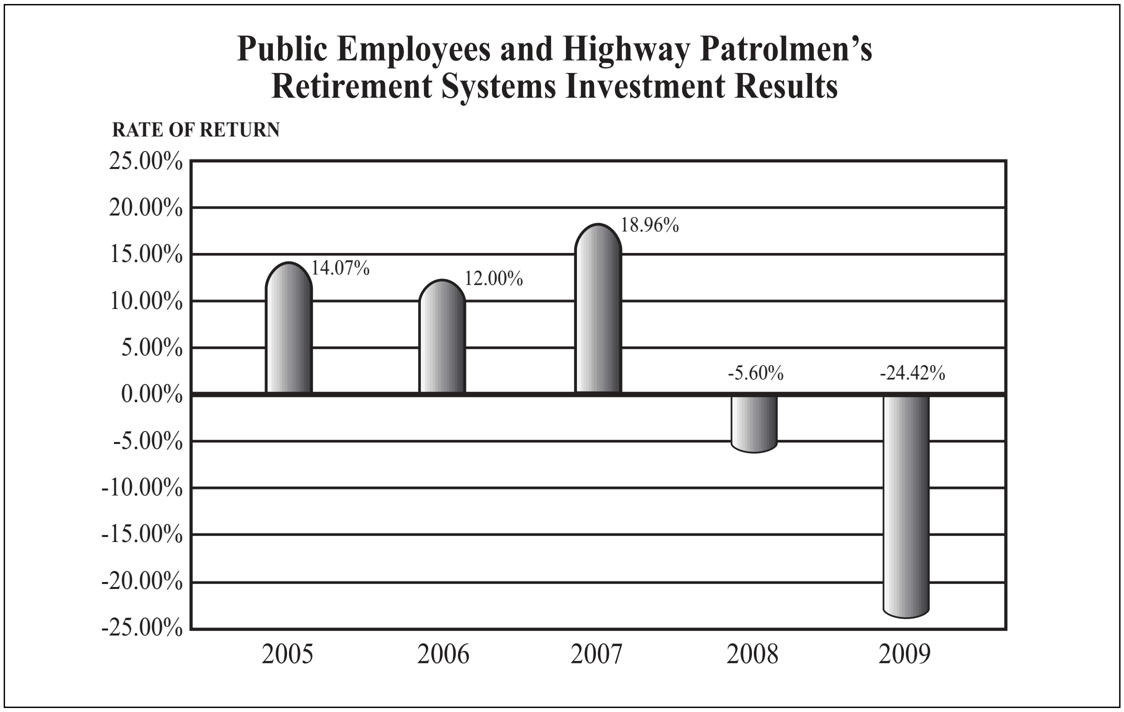
CPI = Consumer Price Index
S&P 500 = Standard & Poor's Domestic Equity Stock Index
Russell 2000 = Frank Russell Company 2000 Index
EAFE = Europe, Australia and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

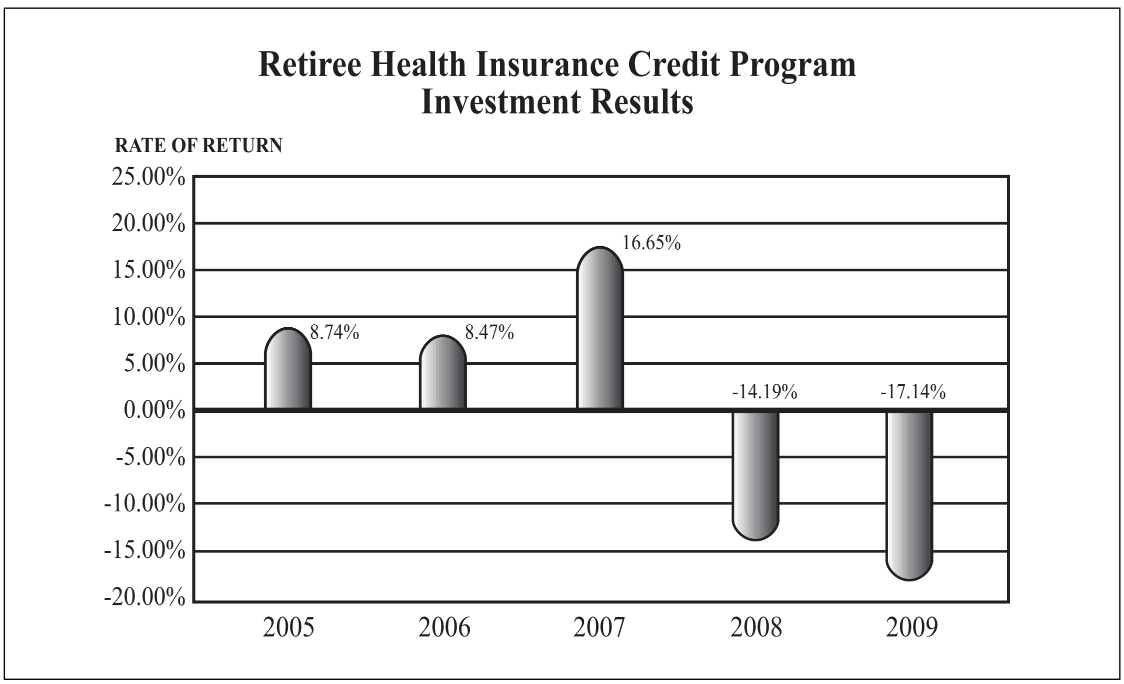
(1) *It has been determined that there is no benchmark that is an accurate reflection of the System's investments in this asset class.*
(2) *The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values.*

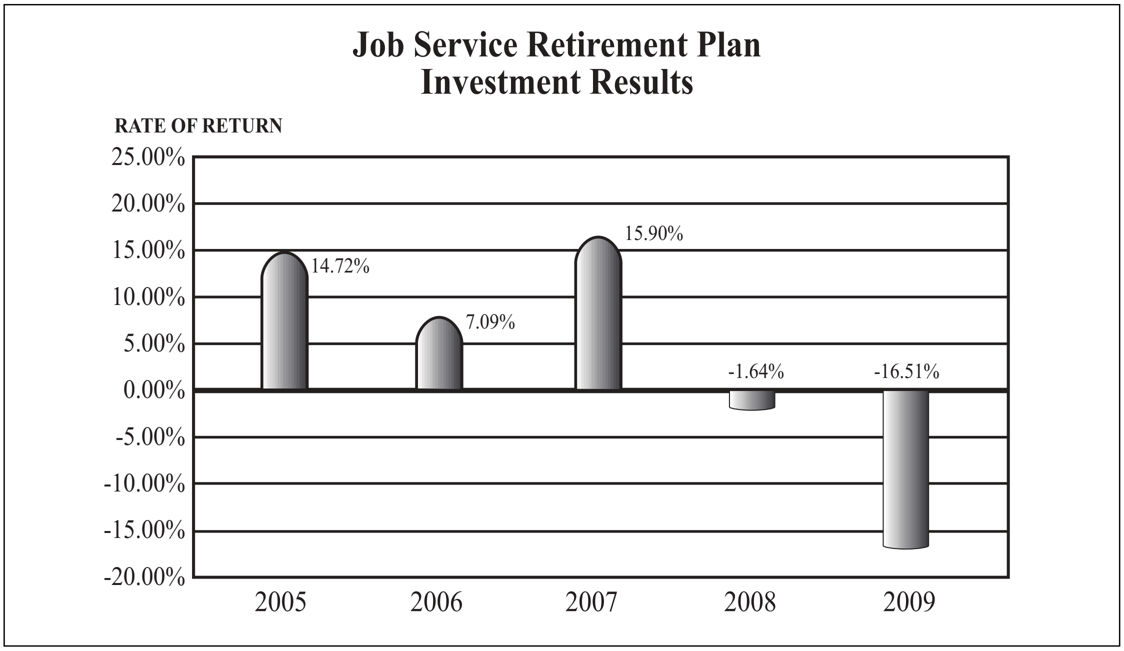
Retiree Health Insurance Credit Plan
Schedule of Investment Results[1]
For the Five Years Ended June 30, 2009

	2005	2006	2007	2008	2009	Annualized 3 Year	Annualized 5 Year
Total Fund	8.74%	8.47%	16.65%	-14.19%	-17.14%	-6.04%	-0.44%
CPI	3.17%	4.47%	2.67%	5.50%	-1.98%	2.03%	2.63%
Large Cap Domestic Equities	6.15%	8.43%	22.64%	-18.05%	-29.49%	-10.79%	-3.88%
S&P 500	6.32%	8.63%	20.59%	-13.12%	-26.21%	-8.22%	-2.24%
Small Cap Domestic Equities	13.50%	13.75%	16.79%	-22.70%	-27.95%	-13.30%	-3.31%
Russell Special Small Cap	13.64%	13.93%	20.39%	-11.57%	-27.83%	-8.41%	-0.11%
International Equities	13.51%	26.31%	27.72%	-12.85%	-33.45%	-9.46%	1.34%
MSCI EAFE	13.65%	26.67%	27.00%	-10.61%	-31.35%	-7.97%	2.33%
Domestic Fixed Income	6.81%	-0.89%	5.22%	-6.92%	5.77%	1.25%	1.99%
Barclays Aggregate	6.80%	-0.81%	6.12%	7.12%	6.05%	6.43%	5.01%
Cash	2.15%	4.00%	5.21%	3.63%	1.09%	2.33%	2.72%
90 Day T-Bills	2.15%	4.00%	5.21%	3.63%	0.95%	3.25%	3.17%

[1] *The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values.*


Public Employees and Highway Patrolmen's
Retirement Systems Investment Results
RATE OF RETURN
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
-25.00%
14.07%
12.00%
18.96%
-5.60%
-24.42%
2005
2006
2007
2008
2009


Retiree Health Insurance Credit Program
Investment Results
RATE OF RETURN
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
-5.00%
-10.00%
-15.00%
-20.00%
8.74%
8.47%
16.65%
-14.19%
-17.14%
2005
2006
2007
2008
2009



Largest Holdings By Market Value at June 30, 2009

LARGEST HOLDINGS JUNE 30, 2009

Stocks
Microsoft Corporation
Exxon Mobile Corporation
Wal-Mart Stores Incorporated
Oracle Corporation
International Business Machines Corporation
Pfizer Incorporated
Apple Incorporated
Chevron Corporation
AT&T Incorporated
Philip Morris International Inc.

Bonds
US Treasury Bonds 4.5% Due 05-15-2038
New South Wales Treasury 5.5% SR MTN 01-03-2017
Tiers Credit Backed TR 2006-14 Due 01-25-2019
Federal Republic of Brazil Bonds 12.5% Due 05-01-2016
FNMA Single Family Mortgage 5% 30 years (July)
Government of UK 4.25% Due 07-03-2036
Republic of Poland Bonds 5.25% 10/17/2025
Malaysia Bonds 3.756% 04-11-2028
Government of Canada Bonds 6.0% Due 01-06-2011
Republic of South Africa Bonds 13.0% 08/31/2011

A complete list of all holdings is available upon request.

INVESTMENT FEES

Public Employees and Highway Patrolmen's Retirement System
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2009

	Assets Under Management	Fees
Investment Managers' Fees:		
Large Cap Domestic Equities	$344 Million	$ 1,827,619
Small Cap Domestic Equities	$ 94 Million	554,112
International Equities	$ 98 Million	562,179
Emerging Markets Equities	$ 67 Million	701,759
Domestic Fixed Income	$418 Million	1,994,696
High Yield Fixed Income	$ 86 Million	1,184,086
International Fixed Income	$ 90 Million	308,452
Real Estate	$ 78 Million	1,034,486
Private Equity	$ 70 Million	1,592,436
Cash	$ 8 Million	6,698
Total Investment Managers' Fees[1]		$9,766,523
Other Investment Service Fees:		
Custodian Fees	$ 1 Billion	$ 225,797
Investment Consultant Fees	$ 1 Billion	90,622
SIB Administrative Fees	$ 1 Billion	228,543
Total Investment Service Fees		$ 544,962
Securities Lending Fees	$ 1 Billion	$ 153,823

[1]Includes fees of $3,674,770 which were netted against investment income.

Job Service Retirement Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2009

	Assets Under Management	Fees
Investment Managers' Fees:		
Large Cap Domestic Equities	$17 Million	$ 96,746
Small Cap Domestic Equities	$ 3 Million	15,316
International Equities	$ 3 Million	10,832
Domestic Fixed Income	$39 Million	209,159
High Yield Fixed Income	$ 6 Million	22,281
International Fixed Income	$ 4 Million	13,715
Cash	$ .1 Million	172
Total Investment Managers' Fees[1]		$ 368,221
Other Investment Service Fees:		
Custodian Fees	$72 Million	$ 8,836
Investment Consultant Fees	$72 Million	4,777
SIB Administrative Fees	$72 Million	10,242
Total Investment Service Fees		$ 23,855
Securities Lending Fees	$72 Million	$ 19,899

[1]Includes fees of $90,789 which were netted against investment income.

Retiree Health Insurance Credit Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2009

	Assets Under Management	Fees
Investment Manager's Fees	$35 Million	$ 73,830
Custodian Fees	$35 Million	654
SIB Administrative Fees	$35 Million	4,561
Total Investment Service Fees		$ 79,045

[1]Includes fees of $4,013 which were netted against investment income.

A schedule of commissions paid for each plan is not available. A schedule of commissions paid for all assets under the management of the State Investment Board is available upon request.

DEFINED CONTRIBUTION INVESTMENTS

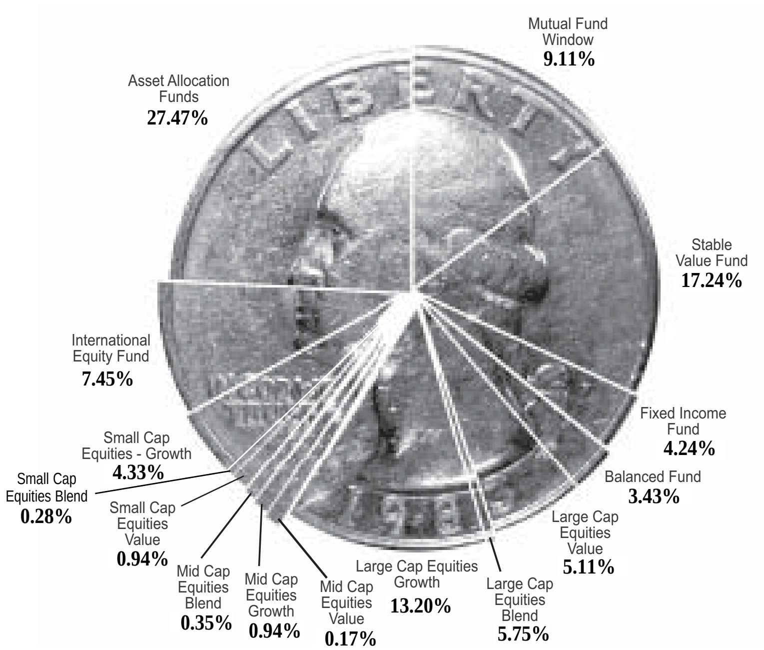
Defined Contribution Investments

The Defined Contribution Retirement Plan (Plan) is a long-term retirement savings vehicle and is intended as a source of retirement income for eligible participants. Each participating member shall direct the investment of the individual's accumulated employer and employee contributions and earnings to one or more investment choices within available categories of investment provided by the Board. The available investment options cover a broad range of investment risk and rewards appropriate for this kind of retirement savings program. Participants bear the risk and reap the rewards of investment returns that result from the investment options that they select. Fidelity Investments was selected as the recordkeeper for the Plan.

The Board has adopted an investment policy that serves the following purposes:

• Establishes an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances
• Defines the investment categories offered by the Plan
• Establishes benchmarks and performance standards for each investment category to evaluate each fund's performance
• Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance
• Defines the procedures for investment fund evaluation and formal fund review.

Defined Contribution Retirement Plan Investment Options – June 30, 2009



Investment Options	Market Value	Percent
Stable Value Fund	2,399,637	17.24%
Fixed Income Fund	588,690	4.24%
Balanced Fund	477,715	3.43%
Large Cap Equities - Value	711,747	5.11%
Large Cap Equities - Blend	800,220	5.75%
Large Cap Equities - Growth	1,836,927	13.20%
Mid Cap Equities - Value	23,083	0.17%
Mid Cap Equities - Blend	49,211	0.35%
Mid Cap Equities - Growth	130,809	0.94%
Small Cap Equities - Value	130,506	0.94%
Small Cap Equities - Blend	38,877	0.28%
Small Cap Equities - Growth	602,434	4.33%
International Equity Fund	1,036,394	7.45%
Asset Allocation Funds	3,822,571	27.47%
Mutual Fund Window	1,268,111	9.11%
Total	13,916,931	100.00%

Defined Contribution Retirement Plan – Schedule of Investment Results

For the Five Years Ended June 30, 2009

	2005	2006	2007	2008	2009	3-year annualized	5-year annualized
Stable Value Fund:							
Fidelity Managed Income Portfolio	3.91%	3.84%	4.28%	4.39%	2.67%	3.78%	3.82%
GIC 5 year index	3.97%	2.79%	5.30%	4.26%	2.00%	2.74%	3.78%
Fixed Income Fund:							
PIMCO Total Return Bond Fund	7.44%	-1.07%	4.96%	10.55%	8.99%	8.14%	6.10%
Barclays Aggregate Bond Index	6.80%	-0.81%	6.12%	7.12%	6.05%	6.43%	5.01%
Balance Fund:							
Fidelity Puritan	6.46%	8.24%	17.41%	-7.54%	-17.25%	-3.43%	0.74%
60% Russell 3000 Index	11.17%	7.07%	15.25%	-8.56%	-14.82%	-4.15%	0.72%
40% Barclays Aggregate Bond Index							
Large Cap Equities-Value:							
Fidelity Equity-Income	6.18%	12.59%	23.67%	-20.04%	-28.70%	-10.99%	-3.36%
Franklin Mutual Shares A	12.60%	13.05%	22.49%	-19.47%	-23.79%	-9.07%	-0.88%
Russell 1000 Value Index	14.06%	12.10%	21.87%	-18.78%	-29.03%	-11.11%	-2.13%
Large Cap Equities-Blend:							
Fidelity Spartan US Equity Index	6.25%	8.59%	20.49%	-13.16%	-26.19%	-8.25%	-2.29%
Fidelity Dividend Growth	1.56%	7.01%	21.48%	-17.80%	-23.34%	-8.52%	-3.61%
S&P 500 Index	6.32%	8.63%	20.59%	-13.12%	-26.18%	-8.09%	-1.95%
Large Cap Equities-Growth:							
Fidelity Growth Company	5.87%	14.76%	18.62%	3.93%	-29.39%	-4.52%	-1.13%
Russell 3000 Growth Index	1.90%	6.84%	18.84%	-6.38%	-24.53%	-5.65%	-1.78%
Fidelity Blue Chip Growth	1.26%	3.27%	16.23%	-6.10%	-24.29%	-6.16%	-2.88%
Russell 1000 Growth Index	1.68%	6.12%	19.04%	-5.96%	-24.50%	-5.45%	-1.83%
Mid Cap Equities - Value							
Goldman Sachs Mid Cap Value[2]	N/A	N/A	21.28%	-9.59%	-30.99%	-8.87%	0.23%
Russell Mid Cap Value	N/A	N/A	22.09%	-17.09%	-30.52%	-11.07%	-0.43%
Mid Cap Equities-Blend:							
Dreyfus Mid Cap Index	13.49%	12.57%	17.90%	-7.60%	-28.16%	-7.85%	0.00%
S&P Mid Cap 400	14.03%	12.98%	18.51%	-7.34%	-27.36%	-7.21%	0.83%
Fidelity Spartan Extended Market Index	13.47%	14.12%	19.69%	-11.27%	-27.36%	-8.29%	-0.03%
Wilshire 4500 Index	13.49%	14.03%	19.75%	-11.52%	-27.52%	-8.39%	-0.10%
Mid Cap Equities-Growth:							
Fidelity Mid Cap Stock[2]	8.15%	25.20%	20.62%	-8.66%	-36.22%	-11.09%	-0.99%
Russell Mid Cap Growth	10.86%	13.04%	19.73%	-6.42%	-30.33%	-7.93%	-0.44%
Small Cap Equities-Value:							
Allnz NFJ Small Cap Value	18.74%	14.65%	21.45%	-6.83%	-23.86%	-4.85%	3.24%
Russell 2000 Value Index	14.39%	14.61%	16.05%	-21.63%	-25.24%	-12.07%	-2.27%
Small Cap Equities - Blend							
Dreyfus Small Cap Index	7.33%	14.70%	15.63%	-15.00%	-24.87%	-9.61%	-1.06%
Russell 2000 Small Cap Index	4.55%	18.37%	16.43%	-16.19%	-25.01%	-9.89%	-1.71%
Small Cap Equities-Growth:							
MSI Small Co Growth B	15.52%	10.77%	14.91%	-15.75%	-19.83%	-8.13%	-0.16%
Russell 2000 Growth Index	4.29%	14.58%	16.83%	-10.83%	-24.85%	-7.83%	-1.32%
International Equity Funds:							
Fidelity Diversified International	14.85%	26.21%	25.72%	-5.66%	-34.29%	-7.98%	2.47%
MSCI EAFE	14.13%	28.08%	27.20%	-10.47%	-31.25%	-7.83%	2.52%
Asset Allocation Funds:							
Fidelity Freedom Income	4.38%	3.66%	8.66%	0.03%	-2.94%	2.27%	3.07%
Income benchmark[1]	5.30%	3.52%	8.85%	0.73%	-3.00%	1.94%	2.85%
Fidelity Freedom 2000	4.84%	3.79%	9.80%	-0.75%	-4.39%	1.69%	2.86%
2000 benchmark[1]	5.74%	3.99%	10.25%	-0.81%	-4.57%	1.29%	2.60%
Fidelity Freedom 2005	6.39%	6.36%	13.64%	-3.45%	-11.37%	-0.85%	2.07%
2005 benchmark[1]	7.45%	6.64%	14.13%	-3.49%	-10.78%	-1.05%	1.97%
Fidelity Freedom 2010	6.50%	6.65%	14.01%	-3.45%	-12.01%	-1.13%	1.96%
2010 benchmark[1]	7.59%	6.71%	14.44%	-3.78%	-11.64%	-1.38%	1.87%
Fidelity Freedom 2015	7.06%	8.39%	15.19%	-4.40%	-13.41%	-1.55%	2.10%
2015 benchmark[1]	8.23%	7.91%	15.53%	-4.80%	-12.92%	-1.90%	1.70%
Fidelity Freedom 2020	7.39%	9.82%	17.16%	-6.04%	-17.32%	-3.33%	1.36%
2020 benchmark[1]	8.76%	9.27%	17.50%	-6.95%	-16.82%	-3.52%	1.13%
Fidelity Freedom 2025	7.44%	10.42%	17.68%	-6.71%	-18.58%	-3.84%	1.17%
2025 benchmark[1]	8.88%	9.82%	17.85%	-7.33%	-18.12%	-4.07%	0.93%
Fidelity Freedom 2030	7.67%	11.52%	19.40%	-8.21%	-21.87%	-5.44%	0.40%
2030 benchmark[1]	9.05%	11.21%	19.49%	-9.46%	-21.46%	-5.52%	0.35%
Fidelity Freedom 2035	7.95%	11.91%	19.46%	-8.54%	-22.56%	-5.74%	0.31%
2035 benchmark[1]	9.33%	11.26%	19.62%	-9.53%	-22.39%	-5.91%	0.20%
Fidelity Freedom 2040	7.95%	12.25%	20.13%	-8.54%	-23.45%	-6.20%	0.13%
2040 benchmark[1]	9.40%	11.77%	20.02%	-10.11%	-23.31%	-6.33%	0.05%
Fidelity Freedom 2045[2]	N/A	N/A	20.44%	-9.24%	-23.74%	-6.26%	N/A
2045 benchmark[1]	N/A	N/A	20.58%	-10.66%	-23.68%	-6.47%	0.02%
Fidelity Freedom 2050[2]	N/A	N/A	20.74%	-10.13%	-25.05%	-6.91%	N/A
2050 benchmark[1]	N/A	N/A	20.94%	-11.03%	-24.75%	-6.90%	-0.09%

All fund returns are reported net of fees

[1]Benchmarks for asset allocation funds are customized based on target weightings and market indices for each asset class.

[2]2007 is the first year fund was an investment option.

ACTUARIAL SECTION

COMMENTS FROM THE SEGAL COMPANY

PUBLIC EMPLOYEES RETIREMENT SYSTEM

SEGAL

THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard, Suite 425, Greenwood Village, CO 80111
T 303.714.9900 F 303.714.9990 www.segalco.com

November 10, 2009

State Retirement Board
North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota
Public Employees Retirement System
Financial Report for Fiscal Year Ended June 30, 2009

Dear Members of the Board:

The North Dakota Public Employees Retirement System is a funded retirement plan. The Retirement System's basic financial objective is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Public Retirement Employees Retirement System. The basic purpose of annual actuarial valuations is to determine the Retirement System's actuarial liabilities and the level percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

Basic Elements
The most recent actuarial valuation prepared as of July 1, 2009 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2009 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2009 (obtained from the Retirement System's financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

Actuarial Assumptions
In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The actuarial assumptions used in the July 1, 2009 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

Actuarial Funding Method

An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Public Employees Retirement System is the entry age normal cost method. This method is intended to meet the basic level percent of payroll funding objective.

Under the entry age normal cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded accrued actuarial liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's actuarial accrued liabilities.

The North Dakota Public Employees Retirement System had an unfunded accrued actuarial liability of about $284.1 million as of July 1, 2009.

Calculated and Statutory Contribution Rates

The July 1, 2009 actuarial valuation of the North Dakota Public Employees Retirement System indicates the following contribution requirements:

PERS Plan	Actuarial Required Contribution Rate*	Statutory Employer Contribution Rate	Member Contribution Rate
Main System	7.74%	4.12%	4.00%
Judges	10.48%	14.52%	5.00%
National Guard	3.71%	6.50%	4.00%
Law Enforcement with prior Main service	9.11%	8.31%	4.00%
Law Enforcement without prior Main service	6.83%	6.43%	4.00%

** Expressed as a percentage of covered payroll.*

Exhibits

The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2009 valuation. Specifically these exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from the Rolls
- Solvency Test
- Analysis of Financial Experience
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Monthly Benefit Payments

Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe
John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider
Kurt Schneider, ASA, MAAA, EA
Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOVEMBER 10, 2009

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2009 in accordance with generally accepted actuarial principles and practices.

The valuation was based on the assumption that the plan is qualified and on information supplied by the Retirement Office with respect to participants and for financial data. We have not verified, and customarily would not verify, such information but we have had no reason to doubt its substantial accuracy.

In our opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe

John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

Actuarial Assumptions and Cost Method – Public Employees Retirement System
(Adopted July 1, 2005)

Mortality Tables
Healthy: 1983 Group Annuity Mortality Table, set back one year for males (not set back for females).
Disabled: The Pension Benefit Guaranty Corporation Disabled Life Mortality Table for individuals receiving Social Security disability benefits.

Disability Incidence Rates
Before Age 65:
Males: 42% of OASDI disability incidence rates.
Females: 30% of OASDI disability incidence rates.
Age 65 and Later: Males .25% per year
Females .35% per year
Sample rates are as follows:

Age	Male	Female
20	0.03%	0.02%
30	0.05	0.03
40	0.09	0.07
50	0.25	0.18
60	0.68	0.49

Annual Withdrawal Rates
Main System, first five years of service:

Age	1	2	3	4	5
29 & under	18%	15%	12%	10%	15%
30-39	12	12	11	10	11
40 & Over	10	10	8	7	6

Ultimate rates after five years of service:

Age	Male	Female
20 - 24	12.0%	12.0%
25 - 29	8.0	10.0
30 - 34	5.0	8.0
35 - 39	3.5	5.0
40 - 44	3.0	4.0
45 - 49	2.5	3.5
50 & Over	2.0	3.0

National Guard and Law Enforcement:
First five years of service:

Age	1	2	3	4	5
29 & under	23%	20%	17%	16%	15%
30-39	17	15	13	12	11
40 & Over	15	12	10	8	6

Ultimate withdrawal rates after five years of service:

Age	Male	Female
20 - 24	12%	12%
25 - 29	8	10
30 - 34	5	8
35 - 39	4	6
40 - 44	3	5
45 - 49	3	4
50 & Over	2	3

Judges:
One half of the National Guard and Law Enforcement ultimate rates.

Withdrawal rates end upon eligibility for early retirement. Early retirement eligibility is as follows:
Main System:
Earlier of (i) age 55 and 3 years of service, and (ii) eligibility for Rule of 85.
Judges:
Earlier of (i) age 55 and 5 years of service, and (ii) eligibility for Rule of 85.
National Guard and Law Enforcement:
Age 50 and 3 years of service.

Refund of Employee Contributions
Fifty percent of inactive vested Main System and Judges and 100% of inactive vested National Guard and Law Enforcement are assumed to elect a refund of employee contributions in lieu of a pension benefit.

Retirement Rates for Active Members
Main System:

Age	Rule of 85 Eligible Rate	All Other Retirements
55	**4%**	**4%**
56	6	4
57	6	4
58	6	4
59	6	4
60	**8**	**6**
61	15	12
62	35	25
63	25	20
64	25	20
65	**40**	**30**
66	20	20
67	20	20
68	20	20
69	20	20
70	**100**	**100**

Judges:
Ages 62 to 64: 35% per year
Age 65 to 69: 50% per year
Age 70: 100%
National Guard and Law Enforcement:
Age 60: 100%

Retirement Age for Inactive Vested Members
Main System and Judges: The earlier of age 65 or the unreduced retirement date for each individual.
National Guard: Age 55
Law Enforcement: The earlier of age 55 or the unreduced retirement date for each individual.

Interest Rate
8.00% per annum, net of investment expenses.

Administrative Expenses
Main System: $710,000 per year
Judges: $5,000 per year

National Guard and Law Enforcement combined: $5,000 per year

Salary Scale
Main System, National Guard and Law Enforcement:
Less than five years of service: 7.00% per annum
Five or more years of service (sample rates):

Age	Percentage Increase	Age	Percentage Increase
25	5.90%	45	4.90%
30	5.60	50	4.80
35	5.30	55	4.70
40	5.10	60	4.70

Judges: 5.50% per annum for all years of service.

Payroll Growth
Main System, National Guard and Law Enforcement: 4.50% per annum
Judges: 4.00% per annum

Marital Status
At death, 75% of active male members and 60% of active female members are assumed to have spouses. The same assumption applies at retirement, except for Judges, for whom 100% are assumed to have spouses. For the Main System, males are assumed to be four years older than their female spouses. For all other systems, males are assumed to be five years older than their female spouses.

Part-time Employees
One full year of service is credited for each future year of service.

Split Service
Liabilities are held in both plans based on service in each plan and are based on the actuarial assumptions of the plan in which they are currently active.

Actuarial Cost Method
Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the payroll growth assumption each year over an open 20 year period.

Actuarial Value of Assets
Adjusted market value that immediately recognizes interest and dividends.The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.

Social Security Disability (for Judges' disability benefit offset):
Eligibility: 50% of disabled Judges
Consumer Price Index Increases: 3.5% per annum
Wage Base Increases: 5.0% per annum

Workers' Compensation (for Judges' disability benefit offset): None assumed.

Account Balance Due to Vested Employer Contribution (PEP):
Participation Under Chapter 54-52.2: if not elected, 50% of active members of the Main System, National Guard and Law Enforcement. If elected, 100% of active members of the Main System, National Guard and Law Enforcement.
Contribution: Maximum allowed based on service at the beginning of the Plan year.

Changes in Actuarial Assumptions or Cost Method – Public Employees Retirement System

There were no changes in actuarial assumptions or cost methods since the preceding valuation.

Summary of Plan Provisions – Public Employees Retirement System

This section summarizes the major benefit provisions of the North Dakota Public Employees Retirement System as included in the valuation. It is not intended to be, nor should it be, interpreted as a complete statement of all plan provisions. Benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases.

1. Normal Service Retirement:
Eligibility:
Main System and Judges: Attainment of age 65 or age plus service equal to at least 85 (Rule of 85).
National Guard: Attainment of age 55 and 3 consecutive years of service.
Law Enforcement: Attainment of age 55 and 3 consecutive years of service, or age plus service equal to at least 85 (Rule of 85).
Benefit:
Main System, National Guard and Law Enforcement: 2.00% of final average salary multiplied by service.
Judges: 3.50% of final average salary for the first 10 years of service, 2.80% for the next 10 years of service, and 1.25% for service in excess of 20 years.

2. Early Service Retirement:
Eligibility:
Main System:
Attainment of age 55 with 3 years of service.
Judges: Attainment of age 55 with 5 years of service.
National Guard and Law Enforcement:
Attainment of age 50 with 3 years of service.
Benefit:
Main System: The Normal Service Retirement Benefit as determined above. A benefit that begins

before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before the earlier of age 65 or the age at which the Rule of 85 is met.

Judges: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 65.

National Guard: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 is reduced by one-half of one percent for each month before age 55.

Law Enforcement: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 55.

3. Disability Benefit:
Eligibility:
Six months of service and inability to engage in any substantial gainful activity.

Benefit:
Main System, National Guard and Law Enforcement:
25% of the member's final average salary at disability, with a minimum of $100 per month.

Judges:
70% of the member's final average salary at disability, minus social security and worker's compensation benefits paid.

4. Deferred Vested Retirement:
Eligibility:
Main System, National Guard and Law Enforcement: Three years of service.
Judges: Five years of service.
Benefit:
Main System and Judges: The Normal Service Retirement Benefit payable at age 65 or the Rule of 85, if earlier. Reduced early retirement benefits can be elected upon attainment of age 55.
National Guard: The Normal Service Retirement Benefit payable at age 55. Reduced early retirement benefits can be selected upon attainment of age 50.
Law Enforcement: The Normal Service Retirement Benefit payable at age 55 or Rule of 85, if earlier. Reduced early retirement benefits can be selected upon attainment of age 50.

5. Pre-retirement Death Benefits:
Eligibility:
Main System, National Guard and Law Enforcement: Three years of service.
Judges: Five years of service.
Benefit:
Main System, National Guard and Law Enforcement:
One of the following options:
• Lump sum payment of member's accumulated contributions with interest.
• 50% of the member's accrued benefit (not reduced on account of age) payable for the surviving spouse's lifetime.
• Continuation portion of 100% Joint and Survivor Annuity (only if participant was eligible for normal retirement).
•A partial lump sum payment in addition to one of the annuity options above.
Judges:
One of the following options:
• Lump sum payment of member's accumulated contributions with interest.
• 100% of the member's accrued benefit (not reduced on account of age) payable for the surviving spouse's lifetime.

Other death benefits:
Main System, National Guard, Judges and Law Enforcement:
Eligibility: Not vested nor a surviving spouse.
Benefit: Lump sum payment of member's accumulated contributions with interest.

6. Refund of Member Contributions:
Paid to terminated non-vested members and terminated vested members who chose refund in lieu of a monthly retirement benefit.

7. Accumulated Member Contributions:
Member contributions accumulate with interest at the following rates:

Time Period	Interest Rate
Through 6/30/81	5.0%
7/1/81 to 6/30/86	6.0%
After 6/30/86	0.5% less than the actuarial interest rate assumption.

8. Standard and Optional Forms of Payment:
Standard Form of Payment
Main System, National Guard and Law Enforcement:
Monthly benefit for life with a refund to the beneficiary at death of the remaining balance (if any) of accumulated member contributions.
Judges:
Monthly benefit for life, with 50% payable to an eligible survivor.

Optional forms of payment:
Life annuity (for Judges), 50% joint and survivor annuity with popup (for Main System, National Guard and Law Enforcement), 100% joint and survivor annuity with pop-up, twenty-year certain and life annuity, ten-year certain and life annuity, Social Security level income annuity,

a partial lump sum payment in addition to one of the annuity options above and effective March 1, 2011, an actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year. Not available for disability or early retirements or in combination with a partial lump sum option, a deferred normal retirement option, or a Social Security level income annuity.

9. Final Average Salary:
Average of the highest salary received by the member for any 36 months employed during the last 120 months of employment.

Schedule of Active Member Valuation Data – PERS – 2004-2009

Main System

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
2004	17,522	$494.5	$28,223	1.7%
2005	17,745	511.9	28,850	2.2
2006	17,887	536.6	29,998	4.0
2007	18,299	570.4	31,169	3.9
2008	19,042	627.6	32,959	5.7
2009	19,686	684.3	34,762	5.5

Judges

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
2004	46	$4.4	$95,998	0.0%
2005	46	4.4	95,579	(0.4)
2006	47	4.7	99,500	4.1
2007	47	4.9	103,683	4.2
2008	47	5.2	111,427	7.5
2009	47	5.4	115,741	3.9

National Guard

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
2004	17	$0.6	$33,519	(5.3)%
2005	14	0.5	38,857	15.9
2006	41	1.4	33,451	(13.9)
2007	40	1.5	36,983	10.6
2008	41	2.0	47,919	29.6
2009	36	1.3	37,114	(22.5)

Law Enforcement with prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
2004	39	$1.2	$29,881	N/A
2005	113	3.9	34,190	14.4%
2006	113	4.0	35,168	2.9
2007	138	4.9	35,292	0.4
2008	136	5.1	37,188	5.4
2009	144	5.7	39,428	6.0

Law Enforcement without prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
2004	12	$0.3	$27,606	N/A
2005	13	0.4	29,722	7.7%
2006	14	0.4	29,264	(1.5)
2007	28	0.7	25,327	(13.5)
2008	30	0.8	27,472	8.5
2009	30	0.9	31,660	15.2

10. Contributions:
Except for the employer contribution rate for the National Guard and Law Enforcement, the contribution rates are specified in the Century Code and differ between permanent full-time employees and part-time temporary employees. These rates are as follows:

	Full-time Employees	Employer
Main System	4.00%	4.12%
Judges	5.00%	14.52%
National Guard	4.00%	6.50%
Law Enforcement with prior Main service	4.00%	8.31%
Law Enforcement w/out prior Main service	4.00%	6.43%

Part-time employees in the Main System contribute 8.12%, with no employer contributions.
Effective January 1, 2000:
A member's account balance includes vested employer contributions equal to the member's contributions to the deferred compensation plan under chapter 54-52.2. The vested employer contribution may not exceed:
1. For months 1-12 of service credit, $25 or 1% of the member's monthly salary, whichever is greater.
2. For months 13-24 of service credit, $25 or 2% of the member's monthly salary, whichever is greater.
3. For months 25-36 of service credit, $25 or 3% of the member's monthly salary, whichever is greater.
4. For service exceeding 36 months, $25 or 4% of the member's monthly salary, whichever is greater.
5. The vested employer contribution may not exceed 4% of the member's monthly salary. Vested employer contributions are credited monthly to the member's account balance.

11. Rollovers:
The fund may accept rollovers from other qualified plans under rules adopted by the Board for the purchase of additional service credit.

12. Other Ancillary Benefits:
The North Dakota Public Employees Retirement System does not have any other ancillary benefits that would affect the current contribution rate.

Changes in Plan Provisions:
The following changes were made in the plan provisions since the prior valuation:
• For active members in the Main System and the National Guard and Law Enforcement, the pre-retirement death benefit option of the member's accrued benefit payable for 60 months to the surviving spouse is no longer available.

• An actuarial equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year has been added, effective March 1, 2011.

Solvency Test — PERS
2004-2009

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active members (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing the funded portion of liability 3 will increase over time.

(Amounts in Millions)

	Aggregate Actuarial Accrued Liabilities				Portion of Actuarial Accrued Liabilities Covered by Assets		
July 1	Member Contributions (1)	Retirees and Beneficiaries, Inactive and Pay-Status Members (2)	Active Member Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
2004	$341.2	$458.3	$473.4	$1,196.5	100%	100%	84%
2005	373.1	495.6	492.4	1,236.1	100	100	75
2006	402.6	545.7	532.2	1,314.5	100	100	69
2007	433.7	611.3	565.2	1,503.1	100	100	81
2008	468.1	655.7	613.8	1,609.8	100	100	79
2009	507.6	728.1	665.5	1,617.1	100	100	57

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2004-2009

Main System

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits*	Counts	Annual Pension Benefits*	Ending Number	Average Annual Benefits	Annual Pension Benefits(1)	% Increase In Annual Benefits
2004	5,486	359	$4.0	(160)	$(0.9)	5,685	$8,550	$48.6	6.6%
2005	5,685	398	4.5	(162)	(0.9)	5,921	8,815	52.2	7.4
2006	5,921	440	4.6	(163)	(0.9)	6,198	9,156	56.7	8.6
2007	6,198	528	6.4	(220)	(1.4)	6,506	9,481	61.7	8.8
2008	6,506	547	7.2	(240)	(1.7)	6,813	9,869	67.2	8.9
2009	6,813	567	7.1	(222)	(1.9)	7,158	10,120	72.4	7.7

*In millions.

Judges

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
2004	18	2	$126,114	0	0	20	$32,438	$648,758	24.1%
2005	20	5	259,057	0	0	25	36,313	907,815	39.9
2006	25	2	63,865	0	0	27	36,191	977,162	7.6
2007	27	3	92,172	0	0	30	35,917	1,077,497	10.3
2008	30	1	49,517	(1)	(33,795)	30	36,441	1,093,219	1.5
2009	30	1	69,931	(3)	(92,038)	28	38,254	1,071,112	(2.0)

National Guard

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
2004	3	0	$ 0	0	$0	3	$11,972	$35,916	0.0%
2005	3	1	32,265	0	0	4	14,675	58,702	63.4
2006	4	1	11,209	0	0	5	13,982	69,911	19.1
2007	5	0	0	0	0	5	13,982	69,911	0.0
2008	5	1	20,643	0	0	6	15,092	90,554	29.5
2009	6	1	38,465	0	0	7	18,431	129,019	42.5

Law Enforcement with prior Main service

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
2004	0	0	0	0	0	0	$ 0	$ 0	N/A
2005	0	0	0	0	0	0	0	0	0.00%
2006	0	5	68,884	0	0	5	13,737	68,684	N/A
2007	5	5	74,509	0	0	10	14,319	143,193	208.5
2008	10	5	101,941	0	0	15	16,342	245,134	71.2
2009	15	3	40,473	(1)	(23,246)	17	15,433	262,361	7.0

Law Enforcement without prior Main service

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
2004	0	0	0	0	0	0	$ 0	$ 0	N/A
2005	0	0	0	0	0	0	0	0	0.00%
2006	0	0	0	0	0	0	0	0	0.00
2007	0	0	0	0	0	0	0	0	0.00
2008	0	0	0	0	0	0	0	0	0.00
2009	0	0	0	0	0	0	0	0	0.00

Analysis of Financial Experience — PERS

Changes in the Contribution Rate During Years Ended June 30
Resulting from Differences Between Assumed Experience & Actual Experience

Main System

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**6.03%**	**6.90%**	**6.08%**	**6.26%**
Death after Retirement	0.11	-0.10	0.00	0.20
Death-in-Service	0.02	0.00	0.02	0.02
Disability Retirements	0.01	0.00	0.00	0.00
Withdrawal From Employment	0.06	0.00	0.02	-0.01
Age and Service Retirements	-0.29	0.00	-0.24	-0.30
Financial Experience-Investments	0.04	-1.27	-0.13	1.04
Pay Increases	0.04	0.03	0.16	0.10
Contribution Income	0.09	0.15	0.12	0.13
Administrative Expenses	0.00	-0.01	0.00	0.01
New and Reinstated Members	0.06	-0.08	0.12	0.12
Part-time Experience	-0.10	0.00	-0.07	-0.05
Demographic Changes	0.31	0.51	0.20	0.33
Assumption Changes	0.59	0.00	0.00	0.00
Change in Normal Cost Methodology	0.00	0.00	0.00	0.00
Change in Amortization Schedule	-0.07	-0.05	-0.05	-0.11
Miscellaneous	0.00	0.00	0.03	0.00
Employer Cost Rate at End of Year	**6.90%**	**6.08%**	**6.26%**	**7.74%**

Judges

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**11.62%**	**12.36%**	**9.31%**	**8.99%**
Plan Experience	0.16	-3.14	-0.22	-0.69
Investment Loss/(Gain)	0.00	0.00	0.00	2.42
Contribution Loss/(Gain)	0.00	0.00	0.00	-0.38
Assumption Changes	0.48	0.00	0.00	0.00
Change in Amortization Schedule	0.10	0.09	0.19	0.14
Miscellaneous	0.00	0.00	-0.29	0.00
Employer Cost Rate at End of Year	**12.36%**	**9.31%**	**8.99%**	**10.48%**

National Guard

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**1.58%**	**4.02%**	**3.53%**	**3.44%**
Plan Experience	2.17	-0.50	-0.13	-0.66
Investment Loss/(Gain)	0.00	0.00	0.00	0.72
Contribution Loss/(Gain)	0.00	0.00	0.00	0.17
Assumption Changes	0.26	0.00	0.00	0.00
Change in Ammortization Schedule	0.01	0.01	0.04	0.04
Employer Cost Rate at End of Year	**4.02%**	**3.53%**	**3.44%**	**3.71%**

Law Enforcement With Prior Main Service

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**12.03%**	**12.07%**	**12.39%**	**9.04%**
Plan Experience	-0.01	0.61	0.94	-0.38
Investment Loss/(Gain)	0.00	0.00	0.00	0.60
Contribution Loss/(Gain)	0.00	0.00	0.00	0.01
Assumption Changes	0.30	0.00	0.00	0.00
Change in Amortization Schedule	-0.25	-0.29	-0.15	0.16
Miscellaneous	0.00	0.00	-4.14	-0.00
Employer Cost Rate at End of Year	**12.07%**	**12.39%**	**9.04%**	**9.11%**

Law Enforcement Without Prior Main Service

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**7.61%**	**7.43%**	**8.50%**	**7.15%**
Plan Experience	-0.27	1.12	-1.29	-0.36
Investment Loss/(Gain)	0.00	0.00	0.00	0.04
Contribution Loss/(Gain)	0.00	0.00	0.00	0.05
Assumption Changes	0.13	0.00	0.00	0.00
Change in Amortization Schedule	-0.04	-0.05	-0.06	-0.05
Employer Cost Rate at End of Year	**7.43%**	**8.50%**	**7.15%**	**6.83%**

COMMENTS FROM THE SEGAL COMPANY

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

SEGAL

THE SEGAL COMPANY
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November 10, 2009

State Retirement Board
North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota
Highway Patrolmen's Retirement System
Financial Report for Fiscal Year Ended June 30, 2009

Dear Members of the Board:

The North Dakota Highway Patrolmen's Retirement System is a funded retirement plan. One of the Retirement System's basic financial objectives is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Highway Patrolmen's Retirement System. The basic purpose of annual actuarial valuations is to determine the Retirement System's actuarial liabilities and the level percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

Basic Elements
The most recent actuarial valuation prepared as of July 1, 2009 is based on the following major elements:
- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2009 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2009 (obtained from the Retirement System's financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

Actuarial Assumptions
In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The actuarial assumptions used in the July 1, 2009 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

Actuarial Funding Method
An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Highway Patrolmen's Retirement System is the entry age normal cost method. This method is intended to meet the basic level percent of payroll funding objective.

Under the entry age normal cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded accrued actuarial liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's accrued actuarial liabilities.

The North Dakota Highway Patrolmen's Retirement Fund had an unfunded actuarial accrued liability of about $7.4 million as of July 1, 2009.

Calculated and Statutory Contribution Rates
The July 1, 2009 actuarial valuation of the North Dakota Highway Patrolmen's Retirement Fund indicates the following contribution requirements, expressed as a percentage of covered payroll.

Actuarial Required Employer Contribution Rate	Statutory Employer Contribution Rate	Member Contribution
18.73%	16.70%	10.30%

Exhibits
The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2009 valuation. Specifically, those exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from the Rolls
- Solvency Test
- Analysis of Financial Experience
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payments

Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe
John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider
Kurt Schneider, ASA, MAAA, EA
Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

NOVEMBER 10, 2009

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2009 in accordance with generally accepted actuarial principles and practices.

The valuation was based on the assumption that the plan is qualified and on information supplied by the Retirement Office with respect to participants and for financial data. We have not verified, and customarily would not verify, such information but we have had no reason to doubt its substantial accuracy.

In our opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe

John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

Actuarial Assumptions and Cost Method – Highway Patrolmen's Retirement System

(Adopted July 1, 2005)

Mortality Tables

Healthy: 1983 Group Annuity Mortality Table, set back one year for males (not set back for females).

Disabled: Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Disability Benefits.

Annual Withdrawal Rates

First five years of service:	5%
After five years of service:	
Under age 35:	2% at each age
Age 35 or older:	1% at each age

Withdrawal rates end upon eligibility for early retirement (age 50 and 5 years of service.)

Disability Incidence Rates

Age based rates. Sample rates:

Age	Rate
25	0.05%
30	0.12
35	0.20
40	0.30
45	0.37
50	0.38
55	0.55

Retirement Rates

The following annual rates apply for active members:

Age	Eligible for Rule of 80	Not Eligible for Rule of 80
50-54	100%	50%*
55+	100%	100%

*Those retiring with a reduced benefit are assumed to delay commencement until they satisfy the Rule of 80 if that is more valuable.

Inactive vested members eligible for deferred benefits are assumed to retire at age 55.

Interest Rate

8.00% per annum, net of investment expenses.

Administrative Expenses

$16,000 per year.

Salary Scale

Less than five years of service: 7.00% per annum
Five or more years of service (for selected ages):

Age	Annual Increase
25	5.90%
30	5.60
35	5.30
40	5.10
45	4.90
50	4.80
55	4.70

Inflation

3.50% per annum.

Payroll Growth

4.50% per annum.

Marital Status

At retirement or death, 90% of all non-retired members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Workers' Compensation

None assumed for disability benefit offset.

Indexing for Benefits of Inactive Vested Members

5% per annum.

Split Service

Liabilities are held in both plans based on service in each plan, and are based on the actuarial assumptions of the plan in which they are currently active.

Transfers to Main System

Annual withdrawal, disability incidence and retirement rate assumptions for members who have transferred to the Main System follow those specified in the Main System, and are applied to the benefits held in the HPRS.

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments assuming 4.5% payroll growth assumption and an open 20-year period.

Actuarial Value of Assets

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each Plan Year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.

Changes in Actuarial Assumptions or Cost Methods – Highway Patrolmen's Retirement System

There have been no changes in actuarial assumptions or cost methods since the last valuation.

Summary of Plan Provisions – Highway Patrolmen's Retirement System

This section summarizes the major benefit provisions of the North Dakota Highway Patrolmen's Retirement System as included in the valuation. It is not intended to be, nor should it be, interpreted as a complete statement of all plan provisions. Benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases.

1. Normal Service Retirement:
Eligibility: Attainment of age 55 with at least 10 years of eligible employment or with age plus service equal to at least 80 (Rule of 80).

Benefit: 3.60% of final average salary for the first 25 years of service plus 1.75% of final average salary for service in excess of 25 years.

2. Early Service Retirement:
Eligibility: Attainment of age 50 with 10 years of eligible employment.

Benefit: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 (or Rule of 80, if earlier) is reduced by one-half of one percent for each month before age 55.

3. Disability Benefit:
Eligibility: Accumulation of six months of service and inability to engage in substantial gainful activity.

Benefit: 70% of the member's final average salary at disability minus workers' compensation, with a minimum of $100 per month.

4. Deferred Retirement:
Eligibility: 10 years of eligible employment.

Benefit: The Normal Service Retirement Benefit payable at age 55 or the Rule of 80, if earlier. Vested benefits are indexed at a rate set by the Retirement Board based on the increase in final average salary from date of termination to benefit commencement date, as follows:

Year Beginning	Average Monthly Increase	3-Yr. Avg. Increase Factor	Cumulative Salary Factor
7/1/92	2.46%	–	–
7/1/93	3.57	–	1.0000
7/1/94	3.00	1.0301	1.0301
7/1/95	2.00	1.0286	1.0595
7/1/96	2.00	1.0233	1.0842
7/1/97	3.00	1.0233	1.1095
7/1/98	1.80	1.0227	1.1347
7/1/99	1.26	1.0202	1.1576
7/1/00	2.00	1.0169	1.1771
7/1/01	1.81	1.0169	1.1971
7/1/02	1.73	1.0185	1.2191
7/1/03	0.00	1.0118	1.2335
7/1/04	0.00	1.0058	1.2406
7/1/05	4.00	1.0133	1.2572
7/1/06	4.00	1.0267	1.2907
7/1/07	4.00	1.0400	1.3423
7/1/08	4.00	1.0400	1.3960
7/1/09	5.00	1.0433	1.4565

Reduced early retirement benefits can be elected upon attainment of age 50.

5. Pre-retirement Death Benefits:
Survivor annuity benefits (paid to surviving spouse):
Eligibility: Ten years of eligible employment.

Benefit:
One of the following options:
• Lump sum payment of member's accumulated contributions with interest.
• Monthly payment of the member's accrued benefit for 60 months.
• 50% of the member's accrued benefit (not reduced on account of age) for the surviving spouse's lifetime.

Other death benefits:
Eligibility: Less than 10 years of service nor a surviving spouse.

Benefit: Lump sum payment of member's accumulated contributions with interest.

6. Normal and Optional Forms of Payment:
Normal form of payment: Monthly benefit for life with 50% of the benefit continuing for the life of the surviving spouse (if any).

Optional forms of payment:
• 100% joint and survivor annuity, ten-year certain and life annuity, and twenty-year certain and life annuity.
• A partial lump sum payment in addition to one of the annuity options above.

Effective March 1, 2011, an actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year. Not available for disability or early retirements or in combination with a partial lump sum option or a deferred normal retirement option.

7. Final Average Salary:
Average of the highest salary received by the member for any 36 months employed during the last 120 months of employment.

8. Contributions:
Members: 10.30% of monthly salary.
State of North Dakota:
16.70% of the monthly salary for each participating member.
Member's contributions earn interest at an annual rate of 7.5% compounded monthly.

Plan Amendments –
Highway Patrolmen's Retirement System
The following change was made in the plan provisions since the prior valuation:
• An actuarial equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year has been added, effective March 1, 2011.

Schedule of Active Member Valuation Data – HPRS
2004-2009

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Change in Average Salary
2004	132	$5.4	$40,857	(0.2)%
2005	125	5.3	42,393	3.8
2006	127	5.7	44,789	5.7
2007	133	6.1	46,082	2.9
2008	130	6.5	50,066	8.6
2009	133	7.0	52,701	5.3

North Dakota Highway Patrolmen's Retirement System
Retirees and Beneficiaries Added to and Removed from the Rolls, 2004-2009

		Additions		(Removals					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
2004	85	6	$255,113	(1)	$ (1,447)	90	$25,872	$2,328,444	12.1%
2005	90	4	163,360	(2)	(4,126)	92	26,648	2,451,578	5.3
2006	92	9	380,570	(1)	(16,251)	100	27,996	2,799,646	14.2
2007	100	4	177,564	(3)	(33,624)	101	29,341	2,963,415	5.8
2008	101	7	256,680	(3)	(48,925)	105	30,202	3,171,170	7.0
2009	105	8	249,776	(4)	(96,523)	109	30,499	3,324,423	4.8

Solvency Test — HPRS
2004-2009

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members.

In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active members (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time.

(Amounts in Millions)

	Aggregate Actuarial Accrued Liabilities				Portion of Actuarial Accrued Liabilities Covered by Assets		
July 1	Member Contributions (1)	Retirees and Beneficiaries, Inactive and Pay-Status Members (2)	Active Member Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
2004	$9.3	$23.8	$11.4	$40.0	100%	100%	61%
2005	9.7	25.0	11.5	40.7	100	100	52
2006	9.2	28.8	11.1	42.8	100	100	43
2007	9.5	30.5	11.5	48.2	100	100	71
2008	9.5	32.6	12.5	50.8	100	100	70
2009	10.0	34.3	13.3	50.2	100	100	44

Analysis of Financial Experience – HPRS

Changes in the Contribution Rate During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**17.61%**	**19.03%**	**15.08%**	**15.76%**
Plan Experience	0.84	-3.99	1.00	0.15
Change in Amortization Schedule	-0.27	-0.14	-0.15	-0.27
Assumption Changes	0.70	0.00	0.00	0.00
Investment Loss/(Gain)	0.00	0.00	0.00	3.21
Contribution Loss/(Gain)	0.00	0.00	0.00	-0.12
Miscellaneous	0.15	0.18	-0.17	0.00
Employer Cost Rate at End of Year	**19.03%**	**15.08%**	**15.76%**	**18.73%**

COMMENTS FROM THE SEGAL COMPANY

JOB SERVICE RETIREMENT PLAN

SEGAL

THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard, Suite 425, Greenwood Village, CO 80111
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November 10, 2009

State Retirement Board
North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for Retirement Plan For
Employees of Job Service North Dakota
Financial Report for Fiscal Year Ended June 30, 2009

Dear Members of the Board:

The Retirement Plan for Employees of Job Service North Dakota is a funded retirement plan. The Retirement Plan's basic financial objective is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the Retirement Plan for Employees of Job Service North Dakota. The basic purpose of annual actuarial valuations is to determine the Retirement Plan's actuarial liabilities and the scheduled contribution determined based on the funding policy adopted by the Employer.

Basic Elements

The most recent actuarial valuation prepared as of July 1, 2009 is based on the following major elements:

- Current benefit provisions.
- Membership data as of June 30, 2009 (provided by the Retirement Plan).
- Assets as of June 30, 2009 (obtained from the Retirement Plan).
- Actuarial assumptions and methods.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement Plan. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

Actuarial Assumptions

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution for the existing schedule of benefits will remain relatively level. Annual contributions are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The actuarial assumptions used in the July 1, 2009 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

Actuarial Cost Method
There is a wide range of funding methods that are considered acceptable by the actuarial profession, which are recognized by accountants, and that meet government standards. The Frozen Initial Liability Actuarial Cost Method is the method currently used for the Retirement Plan for Employees of Job Service North Dakota.

The "annual contribution" under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. Since there is currently no unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method.

The "scheduled contribution" will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

Exhibits
The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2009 valuation. Specifically, those exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from the Rolls
- Solvency Test
- Analysis of Financial Experience
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payments

Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe
John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider
Kurt Schneider, ASA, MAAA, EA
Associate Actuary

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREMENT PLAN FOR EMPLOYEES OF
JOB SERVICE NORTH DAKOTA

NOVEMBER 10, 2009

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2009 in accordance with generally accepted actuarial principles and practices.

The valuation was based on the assumption that the plan is qualified and on information supplied by the Retirement Office with respect to participants and for financial data. We have not verified, and customarily would not verify, such information but we have had no reason to doubt its substantial accuracy.

In our opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

Theodore J. Shively, ASA, MAAA, EA
Vice President and Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

Actuarial Assumptions and Cost Method – Retirement Plan for Employees of Job Service North Dakota

Actuarial Cost Method

The Frozen Initial Liability Actuarial Cost Method is the method currently used for the Retirement Plan for Employees of Job Service North Dakota.

Asset Valuation Method

The asset value is adjusted toward market value by adding to the "preliminary asset value," 20% of the difference between the market value and the preliminary asset value. The preliminary asset value is the actuarial asset value at the beginning of the year plus net new money. Net new money is the sum of contributions, dividends, and interest, less the sum of benefit payments, administrative expenses and investment fees. If necessary, the actuarial value is further adjusted to be within 20% of market value. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.

Actuarial Assumptions

Mortality tables:
Healthy: 1994 Group Annuity Mortality Table (sample rates below).

Disabled: 1983 Railroad Retirement Board Disabled Life Mortality Table.

Disability incidence: Sample rates shown below.

Withdrawal rates: Sample rates shown below.

	Rates (%)			
	Mortality		Disability	
Age	Male	Female	Incidence	Withdrawal
20	0.05	0.03	0.06	5.44
25	0.07	0.03	0.09	5.29
30	0.08	0.04	0.11	5.07
35	0.09	0.05	0.15	4.70
40	0.11	0.07	0.22	4.19
45	0.16	0.10	0.36	3.54
50	0.26	0.14	0.61	2.48
55	0.44	0.23	1.01	0.94
60	0.80	0.44	1.63	0.09

Withdrawal rates end when first eligible for the earlier of optional or normal retirement.

Retirement age: 75% of active participants are assumed to retire when first eligible for optional retirement, and the remaining participants retire at normal retirement. If currently older than first eligible optional retirement age, retirement assumed to occur at normal retirement, or current age, if older.

100% of inactive vested participants are assumed to retire at first optional retirement age.

Salary scale: 5.0% per year.

Post-retirement
cost-of-living adjustment: 5.0% per year.

Percent married: 85% of all active and inactive vested participants are assumed to be married.

Age of spouse: Females are assumed to be four years younger than males.

Rate of return: 7.5% per year, compounded annually, net of investment and administrative expenses.

Future benefit accruals: One year of credited service per year per active employee included in the valuation.

Changes in Actuarial Assumptions or Cost Method

There have been no changes in actuarial assumptions or cost method since the preceding valuation.

Summary of Plan Provisions

This section summarizes the major provisions of the Retirement Plan for Employees of Job Service North Dakota as included in the valuation. It is not intended to be, nor should it be, interpreted as a complete description of all plan provisions. Benefits are established through the plan document, as amended. The system provides a post-retirement cost-of-living adjustment each year, based on the Consumer Price Index.

Normal retirement

Age requirement: 65.

Service requirement: None.

Benefit: Average monthly earnings multiplied by the sum of:
a. 1.50% times credited service up to five years, plus
b. 1.75% times credited service between six and ten years, plus
c. 2.00% times credited service in excess of ten years.

Average monthly earnings - monthly average earnings during the highest three consecutive years of employment.

Optional retirement
Age and service requirements: Age 62 with five years of credited service, or
Age 60 with twenty years of credited service, or
Age 55 with thirty years of credited service.

Benefit: Accrued normal retirement benefit.

Early retirement
Age requirement: Ten years before normal or optional retirement age.

Service requirement: Same as optional retirement.

Benefit: Accrued normal retirement benefit, reduced if payments begin before normal or optional retirement.

Disability
Age requirement: None.

Service requirement: Five years of credited service.

Benefit: Greater of accrued normal retirement benefit or 40% of average monthly earnings.

Vesting
Age requirement: None.

Service requirement: Five years of credited service.

Benefit: Accrued normal retirement benefit payable at normal or optional retirement. After attainment of early retirement age, reduced benefits may be paid.

Employees who meet the requirements for a vested benefit may elect to receive a return of their accumulated employee contributions (including interest at 4% per year) in lieu of all other benefits under the plan.

Return of accumulated employee contributions: Employees who do not meet the requirements for a vested benefit will receive a return of their accumulated employee contributions (including interest at 4% per year).

Pre-retirement death benefits
Married participants
Surviving spouse's benefit:
Age requirement: None.

Service requirement: None.

Benefit: 55% of the greater of (a) or (b).
(a) Accrued normal retirement benefit.
(b) The lesser of (1) or (2).
(1) 40% of average monthly earnings.
(2) Normal retirement benefit based on credited service to age 60.

Children's benefit: Provided for children under age 18 (age 22 if a full-time student) - note: the actuarial valuation does not consider benefits for expected surviving children.

Single participants with no eligible children
120 payment guarantee:
Age requirement: None.

Service requirement: Five years of credited service.

Benefit: Accrued normal retirement benefit payable for 120 months. Not payable if surviving spouse or children's benefit is payable.

Lump sum benefit:
Age requirement: None.

Service requirement: None.

Benefit: Accumulated employee contributions (including interest at 4% per year). Not payable if the surviving spouse, children's benefit or 120 payment guarantee is in effect.

Post-retirement death benefits
Based on form of payment elected by the pensioner.

Post-retirement cost-of-living adjustment
Based on the Consumer Price Index.

Participation
Plan participant before October 1, 1980.

Credited service
Monthly salaried employment in a probationary or permanent status including only: service for which contributions were made (including purchased service), eligible military service and unused sick leave.

Contribution rate
Employee: 7% of average monthly earnings (4% picked up by employer).

Employer: remaining scheduled cost, if any.

Changes in Plan Provisions
There were no changes in plan provisions since the preceding valuation.

Schedule of Active Member Valuation Data – Job Service Retirement Plan
2004 to 2009

Valuation Date as of July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Increase in Average Salary
2004	60	$2.5	$40,992	(3.0)%
2005	52	2.2	42,825	4.5
2006	44	1.9	43,697	2.0
2007	40	1.8	46,079	5.5
2008	38	1.8	46,385	0.7
2009	35	1.7	48,841	5.3

Retirement Plan for Employees of Job Service North Dakota
Retirees and Beneficiaries (Including Travelers Annuitants)
Added to and Removed from the Rolls, 2004-2009

		Additions		Removals					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase in Annual Benefits
2004	214	8	$263,904	9	$42,073	213	$12,723	$2,710,008	10.5%
2005	213	8	192,619	4	15,462	217	13,401	2,908,106	7.3
2006	217	9	251,760	5	35,703	221	14,808	3,272,565	12.5
2007	221	4	111,871	5	42,458	220	15,723	3,459,148	5.7
2008	220	7	195,354	11	99,492	216	16,498	3,555,010	2.8
2009	216	4	354,356	6	80,657	214	17,891	3,828,709	7.7

Solvency Test — Job Service Retirement Plan
2004-2009

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) the actuarial present value of benefits for active employees; 2) the liabilities for future benefits to inactive vested employees not in pay status; and 3) the liabilities for future benefits to present pensioners (including disableds) and beneficiaries. In a system that has been following level percent of payroll financing, the liabilities for pensioners (including disableds) and beneficiaries (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time.

(Amounts in Millions)

	Actuarial Present Value of Benefits				Portion of Actuarial Present Value of Benefits Covered by Assets		
July 1	Active Employees (1)	Inactive Vested Employees Not in Pay Status (2)	Pensioners (Including Disableds & Beneficiaries (3)	Actuarial Value of Assets	(1)	(2)	(3)
2004	$20.2	$0.2	$41.5	$67.5	100%	100%	100%
2005	18.8	0.2	44.3	69.3	100	100	100
2006	17.7	0.3	52.0	70.6	100	100	100
2007	17.6	0.3	53.9	75.7	100	100	100
2008	16.9	0.2	54.8	77.0	100	100	100
2009	16.5	0.2	55.3	74.5	100	100	100

Analysis of Financial Experience –
Job Service Retirement Plan

Changes in the Contribution Rate During Years Ended June 30
Resulting from Differences Between Assumed Experience & Actual Experience

Plan Year Ended	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Plan Experience	0.00	0.00	0.00	0.00
Change in Amortization Schedule	0.00	0.00	0.00	0.00
Assumption Changes	0.00	0.00	0.00	0.00
Amendments	0.00	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**0.00%**	**0.00%**	**0.00%**	**0.00%**

COMMENTS FROM THE SEGAL COMPANY

RETIREE HEALTH INSURANCE CREDIT FUND

SEGAL

THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard, Suite 425, Greenwood Village, CO 80111
T 303.714.9900 F 303.714.9990 www.segalco.com

November 10, 2009

State Retirement Board
North Dakota Public Employees Retirement System
400 East Broadway, Suite 505
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota
Public Employees Retirement System Retiree Health Insurance Credit Fund
Financial Report for Fiscal Year Ended June 30, 2009

Dear Members of the Board:

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund is a funded retiree health plan. The programs basic financial objective is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund. The basic purpose of annual actuarial valuations is to determine the System's actuarial liabilities and the level percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

Basic Elements
The most recent actuarial valuation prepared as of July 1, 2009 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2009 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2009 (obtained from the Retirement System's financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

Actuarial Assumptions
In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to recognize actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retiree Health Insurance Credit Fund meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans other than Pension Plans.

The actuarial assumptions used in the July 1, 2009 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

Actuarial Funding Method

An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Retiree Health Insurance Credit Fund is the projected unit credit cost method.

Under the projected unit credit cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded actuarial accrued liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's actuarial accrued liabilities.

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund's unfunded actuarial accrued liability amounted to $57.4 million as of July 1, 2009. The unfunded actuarial accrued liability is being amortized by level percentage-of-payroll payments over a fixed period that ends June 30, 2030.

Calculated and Statutory Contribution Rates

The July 1, 2009 actuarial valuation of the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund indicates the following contribution requirements: the actuarially determined employer-pay contribution rate is 1.00%, while the statutory contribution rate increased from 1.00% of payroll to 1.14% of payroll effective July 1, 2009.

Exhibits

The enclosed supporting exhibits prepared by Segal provide further related information regarding the 2009 valuation. Specifically, they are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Retired Members, Average Benefit, and Active Member/Retiree Comparison
- Analysis of Financial Experience
- Assets and Actuarial Accrued Liabilities

Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe

John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE HEALTH INSURANCE CREDIT FUND

NOVEMBER 10, 2009

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2009 in accordance with generally accepted actuarial principles and practices.

The valuation was based on the assumption that the plan is qualified and on information supplied by the Retirement Office with respect to participants and for financial data. We have not verified, and customarily would not verify, such information but we have had no reason to doubt its substantial accuracy.

In our opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

John Monroe, ASA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

Actuarial Assumptions and Cost Method – Retiree Health Insurance Credit Fund

(Adopted July 1, 2005)

Mortality Tables

Healthy: 1983 Group Annuity Mortality Table, set back one year for males, not set back for females.

Disabled: The Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Disability Benefits.

Annual Withdrawal Rates

Different withdrawal rates are applied to the active members of the Main System, Highway Patrol, Judges, National Guard and Law Enforcement. Rates for the Main System are detailed below. The withdrawal assumptions applied to the active members in the other groups are detailed in the respective actuarial sections.

Select and ultimate rates are used for active members of the Main System. During the select period (first five years of active employment) rates vary by entry age and year of employment. During the ultimate period (active employment after the first five years), rates vary by attained age and sex.

Select Period

	Year of Employment				
Age	1	2	3	4	5
29 & Under	18%	15%	12%	10%	15%
30 - 39	12	12	11	10	11
40 & Over	10	10	8	7	6

Ultimate Period

Age	Male	Female
20-24	12.0%	12.0%
25-29	8.0	10.0
30-34	5.0	8.0
35-39	3.5	5.0
40-44	3.0	4.0
45-49	2.5	3.5
50 & Over	2.0	3.0

Disability Incidence Rates

Different disability incidence rates are applied to the active members of PERS and the Highway Patrol. The disability rates applied to the Highway Patrol are described in the respective valuation section.

Sample rates for PERS are:

Age	Males	Females
20	0.03%	0.02%
30	0.05	0.03
40	0.09	0.07
50	0.25	0.18
60	0.68	0.49

Retirement Rates for Active Members

Different retirement rates are applied to the active members of the Main System, Highway Patrol, Judges, National Guard and Law Enforcement. Retirement rates for the Main System are detailed below. The retirement rates applied to the active members of the other groups are detailed in the respective actuarial sections.

Annual Rates for the Main System are as follows:

Age	Rule of 85 Eligible Rate	All Other Retirements
55	4%	4%
56	6	4
57	6	4
58	6	4
59	6	4
60	8	6
61	15	12
62	35	25
63	25	20
64	25	20
65	40	30
66	20	20
67	20	20
68	20	20
69	20	20
70	100	100

Age 64 or older and 20 years of service: 100%

Participation Rates

The percentage of eligible members electing coverage under the health insurance program and receiving the stipend varies with years of service. Rates are as follows:

Main System, National Guard and Law Enforcement:

Years of Service	Participation Rate
3-4	25%
5-9	50
10-14	70
15-19	80
20-24	95
25+	100

Judges and Highway Patrol:

Years of Service	Participation Rate
5-9	50%
10-14	70
15-19	80
20-24	95
25+	100

Joint and Survivor Option Election Rates
Main System, Judges, National Guard and Law Enforcement: 65% of male retirees and 20% of female retirees will elect a joint and survivor form of pension from the retirement system in which they participated.

Highway Patrol:
90% of retirees will elect a joint and survivor form of pension from the retirement system.

Interest Rate
8.0% per annum, net of investment expenses

Inflation
3.50% per annum

Administrative Expenses
$65,000 per year.

Marital Status:
Main System, Judges, National Guard and Law Enforcement: At death, 75% of active male members and 60% of active female members are assumed to have spouses. Males are assumed to be five years older than their female spouses. For the Main System, males are assumed to be four years older than their female spouses.

Highway Patrol: At death, 90% of all active members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Optional Defined Contribution Plan
The actuarial assumptions used to determine the liabilities for the members of the optional defined contribution plan are the same as those used for the Main System.

Payroll Growth
4,50% per annum.

Actuarial Cost Method
Projected Unit Credit Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the payroll growth assumption each year over a fixed period which ends on June 30, 2030.

Actuarial Value of Assets
Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely to produce an actuarial value of assets that is less than the market value of assets.

Changes in Actuarial Assumptions or Cost Method – Retiree Health Insurance Credit Fund

There were no changes in the actuarial assumptions or cost method since the preceding valuation.

Summary of Plan Provisions – Retiree Health Insurance Credit Fund

This section summarizes the major benefit provisions of the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund as included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions. Benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases.

1. Normal Retirement
Age requirement:
Main System and Judges: Age 65 or Rule of 85.
Highway Patrol: Age 55 or Rule of 80.
National Guard: Age 55.
Law Enforcement: Age 55 or Rule of 85.

Service requirement:
Main System and Judges: None.
Highway Patrol: 10 years.
National Guard and Law Enforcement:
3 consecutive years.

Other requirements:
Participation in the North Dakota Uniform Group Insurance Program.

Benefit amount:
A monthly stipend equal to $5.00 times service.

2. Early Retirement
Age requirement:
Main System and Judges: Age 55.
Highway Patrol, National Guard and Law Enforcement: Age 50.

Service requirement:
Main System, National Guard and Law Enforcement: 3 years.
Judges: 5 years.
Highway Patrol: 10 years.

Benefit amount:
Main System and Judges:
The Normal Retirement Benefit reduced by 3% for retirements at age 64 and an additional 6% for each year by which retirement precedes age 64.

Benefits are unreduced upon the fulfillment of the Rule of 85.

Highway Patrol, National Guard and Law Enforcement:
The Normal Retirement Benefit reduced by 3% for retirements at age 54 and an additional 6% for each year by which retirement precedes age 54.

Benefits are unreduced upon the fulfillment of the Rule of 80.

3. Disability Retirement
Age requirement: None
Service requirement: 6 months
Other requirements: As required by applicable pension plan
Benefit amount: Same as Normal Retirement Benefit

4. Pre-Retirement Death Benefit
Age requirement: None
Service requirement:
Main System, National Guard and Law Enforcement: 3 years.
Judges: 5 years.
Highway Patrol: 10 years.

Benefit amount:
Same as Normal Retirement Benefit accrued to the date of the member's death, payable for as long as benefits are payable to the spouse from the Retirement System under the standard option.

5. Post-Retirement Death Benefit
Following a retired member's death, the Retiree Health Insurance Credit Fund will: (1) continue benefits to the member's spouse if the spouse continues to receive a monthly pension from member's Retirement Plan or (2) provide benefits to the member's spouse if the member selected a joint and survivor option from the Retiree Health Insurance Credit Fund.

6. Alternative Options
If benefits from the member's Retirement Plan are paid under single life, level Social Security, or 10 or 20-year term certain options (without a continuation to the spouse after the certain period ends), actuarially reduced health credit benefits may be elected for the spouse. Alternative options in the Retiree Health Insurance Credit Fund include 50% and 100% joint and survivor annuities.

7. Service
Members receive credit for each year and month of employment.

8. Contributions
The employer contributes 1.14% of covered salaries and wages for participating employees.

Plan Amendments – Retiree Health Insurance Credit Fund
The following changes were made in the plan provisions since the preceeding valuation:
• Effective July 1, 2009, the monthly benefit amount increased from $4.50 times years of service to $5.00 times years of service.
• The statutory contribution rate increased from 1.00% of payroll to 1.14% of payroll effective July 1, 2009.

Retired Members, Average Benefit, and Active Member/Retiree Comparison – Retiree Health Insurance Credit Fund 2004-2009

July 1	Number of Retired Members	Average Annual Benefit	Active Members Per Retiree
2004	3,607	$1,142	5.0
2005	3,682	1,152	5.0
2006	3,838	1,168	4.8
2007	3,922	1,177	4.8
2008	3,935	1,200	5.0
2009	4,030	1,356	5.0

Funding Progress – Retiree Health Insurance Credit Fund 2004-2009

(Amounts in Millions)

July 1	Total Actuarial Accrued Liability	Total Actuarial Value of Assets	Assets as of % of Total Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Total Payroll	Total Unfunded Liab. as % of Payroll
2004	$74.6	$28.9	38.8%	$45.6	$518.5	8.8%
2005	78.1	30.9	39.6	47.2	538.6	8.8
2006	82.6	34.0	41.2	48.6	568.0	8.6
2007	85.3	38.8	45.6	46.5	602.9	7.7
2008	87.6	42.5	48.6	45.1	660.9	6.8
2009	102.2	44.8	43.9	57.4	719.8	8.0

Analysis of Financial Experience – Retiree Health Insurance Credit Fund

Changes in the Contribution Rate During Years Ended June 30
Resulting from Differences Between Assumed Experience & Actual Experience

Plan Year Ended	June 30, 2006	June 30, 2007	June 30. 2008	June 30, 2009
Employer Cost Rate at Beginning of Year	**1.00%**	**1.00%**	**0.95%**	**0.88%**
Plan Experience	-0.02	-0.05	-0.07	-0.04
Assumption and Method Changes	0.02	0.00	0.00	0.00
Investment Loss/(Gain)	0.00	0.00	0.00	0.03
Contribution Loss/(Gain)	0.00	0.00	0.00	-0.01
Plan Amendments	0.00	0.00	0.00	0.14
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**1.00%**	**0.95%**	**0.88%**	**1.00%**

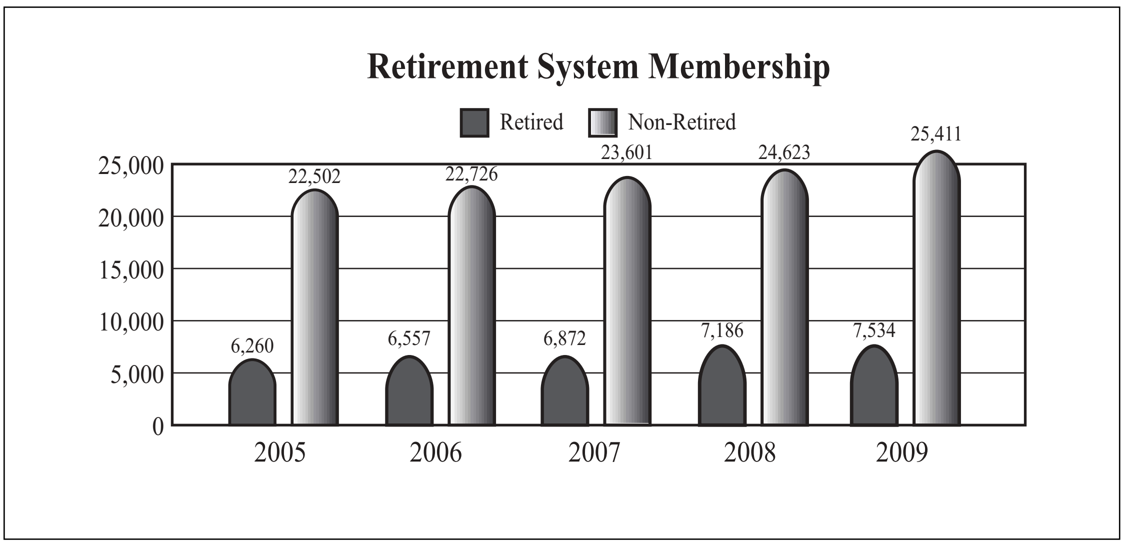
STATISTICAL SECTION

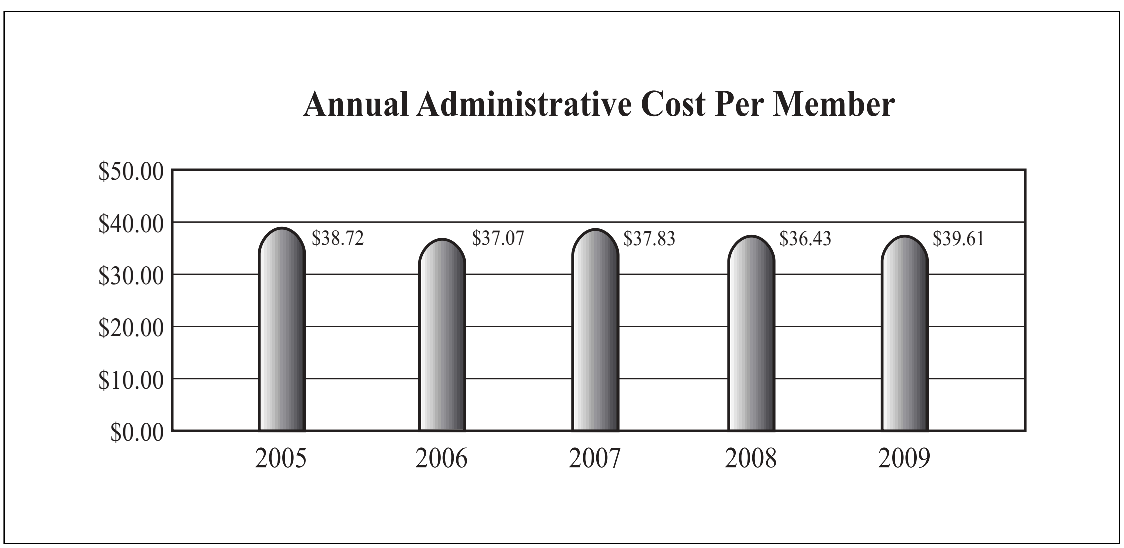
The Statistical Section contains membership and financial information for the programs administered by the System.Included in this section are schedules providing financial trend information for administrative cost per member, benefits paid, changes in net assets and deferred compensation assets by provider. Information on the operations of the System is provided in the schedules of members by type of benefit, average benefit payments, participating employers, Group Health insurance contracts and premiums.

Retirement System Membership – PERS, HPRS, Job Service and OASIS
As of June 30

	2005	2006	2007	2008	2009
State Agencies	12,258	11,959	12,619	13,381	13,714
Cities	560	594	633	1,046	1,327
Counties	3,741	3,885	3,980	3,855	4,019
School Districts	5,389	5,886	6,146	6,080	6,085
Other Political Subdivisions	554	402	223	261	266
Total Non-Retired [1]	22,502	22,726	23,601	24,623	25,411
Retired Members & Beneficiaries	6,260	6,557	6,872	7,186	7,534
Total Membership	28,762	29,283	30,473	31,809	32,945
Administrative Expenses	$1,113,714	$1,085,563	$1,152,813	$1,158,809	$1,305,055
Administrative Cost per Member	$ 38.72	$ 37.07	$ 37.83	$36.43	$39.61

[1] Total non-retired members includes all contributing members plus all non-contributing members who have not begun to receive retirement benefits.





Schedule of Benefit Expenses by Type – PERS and HPRS
Fiscal Year Ended June 30

FY Ended	Annuities[1]		Refunds			
June 30	Retirant	Survivor	Death	Separation	Transfers	Total
2004	$45,860,843	$3,650,879	$191,831	$3,693,861	$17,587	$53,415,001
2005	49,568,148	3,885,905	184,199	4,528,895	21,131	58,188,278
2006	56,057,166	4,257,059	167,977	4,236,429	41,271	64,759,902
2007	58,568,565	4,496,932	297,371	5,217,136	39,829	68,619,833
2008	67,820,903	5,072,460	337,613	4,918,802	76,487	78,226,265
2009	68,966,425	5,157,481	221,926	4,939,074	496,072[2]	79,780,978

[1]*Includes disability benefits*

[2]*Includes transfer to Deferred Compensation Plan to offset software development costs.*

Schedule of Benefit Expenses by Type – Job Service Retirement Plan
Fiscal Year Ended June 30

FY Ended	Annuities		Refunds			
June 30	Retirant	Survivor	Death	Separation	Transfers	Total
2004	$ 2,196,012	$ 134,759	$ 0	$ 0	$ 0	$ 2,330,771
2005	2,654,887	163,076	0	0	0	2,817,963
2006	2,870,309	192,276	0	0	0	3,062,585
2007	3,209,498	191,394	0	0	0	3,400,892
2008	3,326,354	238,457	0	0	0	3,564,811
2009	3,534,265	225,353	0	0	0	3,759,618

Changes in Net Assets

ADDITIONS:	FY Ended June 30	Member Contributions	Employer Contributions	Purchased Service Credit	Investment Income	Miscellaneous Income	Total Additions	Employer Contributions as a % of Covered Payroll
Public Employees Retirement System:	2000	$15,693,237	$16,521,248	$ 925,534	$103,230,684	$10,530	$136,381,233	4.04%
	2001	16,273,260	17,101,628	1,080,008	(53,115,303)	7,570	(18,652,837)	3.95
	2002	17,379,812	18,244,655	1,059,313	(78,163,075)	12,301	(41,466,994)	3.95
	2003	18,265,346	19,212,733	1,493,418	53,998,006	9,184	92,978,687	4.01
	2004	22,544,164(1)	19,732,842	3,397,231	180,631,261	6,299	226,311,797	3.94
	2005	19,671,214	20,704,241	4,426,282	178,042,364	13,399	222,857,500	3.97
	2006	20,805,715	21,969,517	3,702,908	170,879,698	11,218	217,369,056	4.02
	2007	21,883,581	23,140,767	3,679,036	309,726,953	4,759	358,435,096	3.97
	2008	27,105,614(3)	25,253,902	3,454,411	(97,388,032)	5,187	(41,568,918)	3.94
	2009	26,237,554	27,705,267	3,732,801	(421,049,421)	1,983	(363,371,816)	3.97
Highway Patrolmen's Retirement System:	2000	457,079	741,089	0	3,603,516	65	4,801,749	15.92
	2001	486,332	788,125	0	(1,872,449)	60	(597,932)	16.17
	2002	501,850	814,035	0	(2,712,925)	85	(1,396,955)	16.05
	2003	513,812	833,074	0	1,820,797	56	3,167,739	15.54
	2004	520,700	844,241	0	6,116,743	74	7,481,758	15.65
	2005	535,233	867,803	0	5,930,032	101	7,333,169	16.38
	2006	574,341	931,206	0	5,623,010	219	7,128,776	16.37
	2007	592,398	960,487	0	10,026,722	44	11,579,651	15.67
	2008	649,861	1,058,825	0	(3,100,879)	21	(1,392,172)	16.27
	2009	692,320	1,122,720	0	(13,215,900)	14	(11,400,846)	16.02
Job Service Retirement Plan:	2004	67,080,814(2)	0	25,272	$ 8,551,044	0	75,657,130	0.00
	2005	163,594	0	1,143	10,884,059	0	11,048,796	0.00
	2006	150,633	0	25,927	5,766,011	0	5,942,571	0.00
	2007	132,564	0	0	13,618,796	0	13,751,360	0.00
	2008	123,718	0	0	(1,310,119)	0	(1,186,401)	0.00
	2009	119,115	0	0	(14,092,621)	0	(13,973,506)	0.00
Retiree Health Insurance Credit Plan:	2000	3,246	3,992,189	73,929	2,100,238	0	6,169,602	0.96
	2001	9,219	4,191,541	77,669	(2,139,857)	0	2,138,572	0.94
	2002	4,421	4,482,993	76,322	(1,640,148)	0	2,923,588	0.94
	2003	4,938	4,712,819	116,821	861,309	0	5,695,887	0.95
	2004	4,597	4,854,949	210,547	3,863,672	0	8,933,765	0.94
	2005	7,061	5,085,050	246,500	2,693,979	0	8,032,590	0.94
	2006	7,210	5,373,091	211,601	2,828,932	0	8,420,834	0.95
	2007	7,959	5,665,071	204,758	6,129,258	0	12,007,046	0.94
	2008	5,686,576(4)	6,174,940	227,655	(6,469,252)	0	5,619,919	0.93
	2009	5,851,707	6,771,699	169,242	(6,251,486)	0	6,541,162	0.94

(1) *Member contributions include $3,789,350 contributions from external pension plans.*
(2) *Member contributions include $66,888,685 contributions from external pension plans.*
(3) *Member contributions include $3,208,999 contributions from external pension plans.*
(4) *Beginning July 1, 2007, member contributions include health insurance premiums paid by retirees who participate in the Implicit Subsidy Unfunded Plan, pursuant to GASB Statement Number 43.*

Changes in Net Assets

DEDUCTIONS:	FY Ended June 30	Benefits	Administrative Expenses	Transfers and Refunds	Total Deductions	Change in Net Assets
Public Employees Retirement System:	2000	$34,026,828	$800,529	$12,545,193[1]	$47,372,550	$ 89,008,683
	2001	36,676,998	894,868	4,050,284	41,622,150	(60,274,987)
	2002	40,871,330	983,258	3,467,354	45,321,942	(86,788,936)
	2003	43,733,098	1,068,803	2,728,091	47,529,992	45,448,695
	2004	47,515,319	995,879	3,677,037	52,188,235	174,123,562
	2005	51,286,688	1,072,277	4,454,425	56,813,390	166,044,110
	2006	57,820,126	1,037,535	4,277,700	63,135,361	154,233,695
	2007	60,469,904	1,109,260	5,171,153	66,750,317	291,684,779
	2008	70,153,871	1,118,233	4,860,814	76,132,918	(117,701,836)
	2009	71,169,574	1,261,120	5,417,235	77,847,929	(441,219,745)
Highway Patrolmen's Retirement System:	2000	1,629,020	13,821	6,576	1,649,417	3,152,332
	2001	1,660,303	14,482	10,994	1,685,779	(2,283,711)
	2002	1,928,173	15,919	122,434	2,066,526	(3,463,481)
	2003	2,044,071	16,469	19,412	2,079,952	1,087,787
	2004	2,188,234	16,562	34,411	2,239,207	5,242,551
	2005	2,351,564	16,058	95,601	2,463,223	4,869,946
	2006	2,662,076	17,470	0	2,679,546	4,449,230
	2007	2,892,964	19,410	85,812	2,998,186	8,581,465
	2008	3,077,105	18,364	134,475	3,229,944	(4,622,116)
	2009	3,176,258	18,834	17,911	3,213,003	(14,613,849)
Job Service Retirement Plan:	2004	2,330,771	24,174	0	2,354,945	73,302,185
	2005	2,817,963	24,019	0	2,841,982	8,206,814
	2006	3,062,585	29,335	0	3,091,920	2,850,651
	2007	3,400,892	22,811	0	3,423,703	10,327,657
	2008	3,564,811	22,212	0	3,587,023	(4,773,424)
	2009	3,759,618	25,101	0	3,784,719	(17,758,225)
Retiree Health Insurance Credit Plan:	2000	3,409,471	85,061	1,712	3,496,244	2,673,358
	2001	3,598,019	68,301	2,623	3,668,943	(1,530,371)
	2002	3,745,958	80,909	3,626	3,830,493	(906,905)
	2003	3,893,070	79,237	937	3,973,244	1,722,643
	2004	4,063,395	81,269	698	4,145,362	4,788,403
	2005	4,193,687	85,262	1,880	4,280,829	3,751,761
	2006	4,337,900	88,569	4,291	4,430,760	3,990,074
	2007	4,525,810	104,953	2,798	4,633,561	7,373,485
	2008	10,383,070[2]	89,877	2,673	10,475,620	(4,855,701)
	2009	10,697,337	115,207	2,846	10,815,390	(4,274,228)

[1] *Includes transfers of $8,544,005 to the new optional Defined Contribution Plan.*
[2] *Beginning July 1, 2007, benefits include payments for health insurance premiums for retirees who participate in the Implicit Subsidy Unfunded Plan, pursuant to GASB Statement Number 43.*

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2009

Main System

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	6,416	2,051	1,959	338	2,068
Less than $200	904	409	456	20	19
$200 - $ 399	1,329	495	687	132	15
400 - 599	947	350	439	120	38
600 - 799	581	227	198	47	109
800 - 999	502	165	81	12	244
1,000 - 1,199	477	124	48	4	301
1,200 - 1,399	383	81	19	1	282
1,400 - 1,599	263	46	11	1	205
1,600 - 1,799	227	37	6	-	184
1,800 - 1,999	173	24	5	-	144
2,000 - 2,199	137	21	1	1	114
2,200 - 2,399	124	15	5	-	104
2,400 - 2,599	98	11	1	-	86
2,600 - 2,799	72	8	-	-	64
2,800 - 2,999	53	9	1	-	43
3,000 & Over	146	29	1	-	116
Life	4,184	1,427	1,448	278	1,031
Level Social Security Payment	116	-	22	-	94
Joint & 100% Survivor	1,135	378	269	29	459
Joint & 50% Survivor	757	183	126	22	426
20 Year C & L	14	6	5	-	3
10 Year C & L	169	47	74	4	44
5 Year C & L	41	10	15	5	11
Total	6,416	2,051	1,959	338	2,068

**Includes Rule of 85, Rule of 88 and Rule of 90.*

Schedule of Average Benefit Payments – PERS
As of June 30

Main System

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
2005							
Number of Retirees	991	1,019	963	767	669	869	5,278
Average Monthly Benefits	$ 218	$ 352	$ 507	$ 802	$ 1,207	$ 1,811	$ 769
Average Years of Service	6.29	12.32	17.37	22.31	27.21	35.02	19.19
2006							
Number of Retirees	1,042	1,048	987	818	731	914	5,540
Average Monthly Benefit	$ 222	$ 361	$ 521	$ 840	$ 1,248	$ 1,846	$ 796
Average Years of Service	6.27	12.33	17.35	22.35	27.24	35.00	19.27
2007							
Number of Retirees	1,121	1,063	1,008	859	786	987	5,824
Average Monthly Benefits	$ 222	$ 368	$ 536	$ 868	$ 1,283	$ 1,896	$ 825
Average Years of Service	6.23	12.33	17.36	22.38	27.24	35.02	19.37
2008							
Number of Retirees	1,195	1,086	1,025	894	839	1,064	6,103
Average Monthly Benefits	$ 223	$ 376	$ 554	$ 894	$ 1,327	$ 1,939	$ 855
Average Years of Service	6.22	12.32	17.35	22.42	27.24	34.99	19.45
2009							
Number of Retirees	1,261	1,121	1,056	946	908	1,124	6,416
Average Monthly Benefits	$224	$387	$565	$914	$1,357	$1,992	$880
Average Years of Service	6.24	12.30	17.37	22.44	27.22	35.02	19.53

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2009

Judges

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	22	12	4	0	6
Less than $200	-	-	-	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	-	-	-	-	-
600 - 799	-	-	-	-	-
800 - 999	-	-	-	-	-
1,000 - 1,199	-	-	-	-	-
1,200 - 1,399	1	-	-	-	1
1,400 - 1,599	-	-	-	-	-
1,600 - 1,799	3	2	1	-	-
1,800 - 1,999	1	-	1	-	-
2,000 - 2,199	-	-	-	-	-
2,200 - 2,399	-	-	-	-	-
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	2	2	-	-	-
2,800 - 2,999	1	1	-	-	-
3,000 & Over	14	7	2	-	5
Life	4	3	-	-	1
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	14	9	2	-	3
Joint & 50% Survivor	4	-	2	-	2
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	22	12	4	0	6

**Includes Rule of 85, Rule of 88, and Rule of 90.*

Schedule of Average Benefit Payments – PERS
As of June 30

Judges

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
2005							
Number of Retirees	1	6	4	3	4	1	19
Average Monthly Benefit	$ 1,262	$ 2,022	$ 3,439	$ 4,292	$ 4,956	$ 5,625	$ 3,446
Average Years of Service	8.50	11.42	18.25	23.75	25.46	30.00	18.58
2006							
Number of Retirees	1	8	4	3	4	1	21
Average Monthly Benefit	$ 1,262	$ 2,239	$ 3,439	$ 4,292	$ 4,956	$ 5,625	$ 3,393
Average Years of Service	8.50	11.34	18.25	23.75	25.46	30.00	17.87
2007							
Number of Retirees	1	11	4	3	4	1	24
Average Monthly Benefit	$ 1,262	$ 2,389	$ 3,439	$ 4,292	$ 4,956	$ 5,625	$ 3,318
Average Years of Service	8.50	11.47	18.25	23.75	25.46	30.00	17.11
2008							
Number of Retirees	1	10	4	3	4	1	23
Average Monthly Benefit	$ 1,287	$ 2,344	$ 3,508	$ 4,378	$ 5,056	$ 5,737	$ 3.385
Average Years of Service	8.50	11.42	18.25	23.75	25.46	30.00	17.34
2009							
Number of Retirees	1	8	4	4	4	1	22
Average Monthly Benefit	$1,287	$2,296	$3,508	$4,740	$5,056	$5,737	$3,573
Average Years of Service	8.50	11.54	18.25	24.04	25.46	30.00	18.27

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2009

National Guard

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	7	4	3	0	0
Less than $200	-	-	-	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	1	1	-	-	-
600 - 799	1	-	1	-	-
800 - 999	2	1	1	-	-
1,000 - 1,199	-	-	-	-	-
1,200 - 1,399	-	-	-	-	-
1,400 - 1,599	-	-	-	-	-
1,600 - 1,799	1	1	-	-	-
1,800 - 1,999	-	-	-	-	-
2,000 - 2,199	-	-	-	-	-
2,200 - 2,399	-	-	-	-	-
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	1	-	1	-	-
2,800 - 2,999	-	-	-	-	-
3,000 & Over	1	1	-	-	-
Life	3	2	1	-	-
Level Social Security Payment	3	1	2	-	-
Joint & 100% Survivor	-	-	-	-	-
Joint & 50% Survivor	1	1	-	-	-
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	7	4	3	0	0

**Includes Rule of 85, Rule of 88, and Rule of 90.*

Schedule of Average Benefit Payment – PERS
As of June 30

National Guard

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
2005							
Number of Retirees	0	1	1	1	1	0	4
Average Monthly Benefits	$ 0	$ 537	$ 723	$ 943	$ 2,689	$ 0	$ 1,223
Average Years of Service	0.00	11.08	19.17	22.17	29.50	0.00	20.48
2006							
Number of Retirees	0	1	2	1	1	0	5
Average Monthly Benefits	$ 0	$ 537	$ 829	$ 943	$ 2,689	$ 0	$ 1,165
Average Years of Service	0.00	11.08	16.13	22.17	29.50	0.00	19.00
2007							
Number of Retirees	0	2	1	1	1	0	5
Average Monthly Benefits	$ 0	$ 736	$ 722	$ 943	$ 2,689	$ 0	$ 1,165
Average Years of Service	0.00	12.75	19.17	22.17	29.50	0.00	19.27
2008							
Number of Retirees	0	2	1	2	1	0	6
Average Monthly Benefits	$0	$736	$ 722	$ 1,332	$ 2,689	$ 0	$ 1,258
Average Years of Service	0.00	12.75	19.17	23.46	29.50	0.00	20.18
2009							
Number of Retirees	0	2	1	2	2	0	7
Average Monthly Benefits	$0	$736	$722	$1,332	$2,947	$0	$1,536
Average Years of Service	0.00	12.75	19.17	23.46	27.58	0.00	20.97

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2009

Law Enforcement with Prior Main Service

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	16	13	0	0	3
Less than $200	-	-	-	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	1	1	-	-	-
600 - 799	-	-	-	-	-
800 - 999	1	1	-	-	-
1,000 - 1,199	7	7	-	-	-
1,200 - 1,399	1	1	-	-	-
1,400 - 1,599	2	1	-	-	1
1,600 - 1,799	-	-	-	-	-
1,800 - 1,999	1	1	-	-	-
2,000 - 2,199	1	-	-	-	1
2,200 - 2,399	2	1	-	-	1
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	-	-	-	-	-
2,800 - 2,999	-	-	-	-	-
3,000 & Over	-	-	-	-	-
Life	10	9	-	-	1
Level Social Security Payment	1	-	-	-	1
Joint & 100% Survivor	4	3	-	-	1
Joint & 50% Survivor	1	1	-	-	-
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	16	13	0	0	3

**Includes Rule of 85, Rule of 88, and Rule of 90.*

Schedule of Average Benefit Payment – PERS
As of June 30

Law Enforcement with Prior Main Service

	Years of Credited Service						
	<10	10-14	15-19	20-24	25-29	>=30	Total
2006*							
Number of Retirees	0	1	2	1	1	0	5
Average Monthly Benefits	$ 0	$ 1,109	$ 1,027	$ 1,067	$ 1,494	$ 0	$ 1,145
Average Years of Service	0.00	13.50	18.96	22.50	25.42	0.00	19.87
2007							
Number of Retirees	1	1	3	2	3	0	10
Average Monthly Benefits	$ 478	$ 1,109	$ 1,079	$ 1,048	$ 1,671	$ 0	$ 1,193
Average Years of Service	8.58	13.83	18.64	21.84	25.97	0.00	19.99
2008							
Number of Retirees	1	1	3	6	3	1	15
Average Monthly Benefits	$ 478	$ 1,109	$ 1,079	$ 1,298	$ 1,830	$ 2,327	$ 1,362
Average Years of Service	8.58	13.83	18.64	21.44	25.97	34.00	21.26
2009							
Number of Retirees	1	1	3	6	4	1	16
Average Monthly Benefits	$478	$1,109	$1,079	$1,298	$1,731	$2,327	$1,366
Average Years of Service	8.58	13.83	18.64	21.44	25.94	34.00	21.55

**2006 was the first fiscal year that benefit payments were made under this plan.*

Schedule of Retired Members by Type of Benefit – HPRS
As of June 30, 2009

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Rule of 80
Total	84	28	1	4	51
Less than $200	-	-	-	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	2	2	-	-	-
600 - 799	-	-	-	-	-
800 - 999	-	-	-	-	-
1,000 - 1,199	1	1	-	-	-
1,200 - 1,399	1	1	-	-	-
1,400 - 1,599	1	-	-	1	-
1,600 - 1,799	1	1	-	-	-
1,800 - 1,999	1	1	-	-	-
2,000 - 2,199	5	2	1	1	1
2,200 - 2,399	6	3	-	1	2
2,400 - 2,599	11	6	-	-	5
2,600 - 2,799	8	2	-	-	6
2,800 - 2,999	7	1	-	-	5
3,000 & Over	40	8	-	-	32
Life	15	4	-	4	7
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	28	4	-	-	24
Joint & 50% Survivor	41	20	1	-	20
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	84	28	1	4	51

Schedule of Average Benefit Payment – HPRS
As of June 30

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
2005							
Number of Retirees	1	2	3	4	44	16	70
Average Monthly Benefits	$ 1,456	$ 1,593	$ 1,064	$ 1,421	$ 2,845	$ 3,175	$ 2,707
Average Years of Service	2.25	12.34	17.33	21.88	28.01	31.14	27.10
2006							
Number of Retirees	1	2	3	5	51	16	78
Average Monthly Benefits	$ 1,456	$ 1,593	$ 1,064	$ 1,878	$ 2,950	$ 3,175	$ 2,801
Average Years of Service	2.25	12.34	17.33	21.73	27.92	31.14	27.05
2007							
Number of Retirees	1	2	3	5	55	15	81
Average Monthly Benefits	$ 1,456	$ 1,593	$ 1,064	$ 1,878	$ 3,005	$ 3,267	$ 2,858
Average Years of Service	2.25	12.34	17.33	21.73	27.96	31.19	27.07
2008							
Number of Retirees	1	1	4	5	56	17	84
Average Monthly Benefits	$ 1,456	$ 2,054	$ 1,062	$ 1,878	$ 3,052	$ 3,477	$ 2,942
Average Years of Service	2.25	11.17	16.79	21.73	27.96	31.18	27.20
2009							
Number of Retirees	1	1	4	6	55	17	84
Average Monthly Benefits	$1,456	$2,054	$1,707	$2,051	$3,121	$3,491	$3,020
Average Years of Service	2.25	11.17	17.42	21.64	27.93	31.18	27.13

Schedule of Retired Members by Type of Benefit – Job Service Retirement Plan
As of June 30, 2009

		Type of Pension	
Monthly Amount	Total	Retirement	Disability
Total	190	184	6
Less than $200	54	54	-
$200 - $ 399	26	26	-
400 - 599	2	2	-
600 - 799	1	1	-
800 - 999	3	2	1
1,000 - 1,199	2	2	-
1,200 - 1,399	9	7	2
1,400 - 1,599	7	7	-
1,600 - 1,799	9	7	2
1,800 - 1,999	9	9	-
2,000 - 2,199	8	8	-
2,200 - 2,399	15	15	-
2,400 - 2,599	12	11	1
2,600 - 2,799	9	9	-
2,800 - 2,999	9	9	-
3,000 & Over	15	15	-
Life	47	47	-
Joint & 55% Survivor	41	40	1
Joint & 75% Survivor	22	22	-
Joint & 100% Survivor	12	12	-
10 Year C & L	34	29	5
15 Year C & L	5	5	-
20 Year C&L	29	29	-
Total	190	184	6

Schedule of Average Benefit Payments – Job Service Retirement Plan
As of June 30

	Retirement Plan	Travelers Annuitants	Total
2005			
Number of Retirees	108	109	217
Average Monthly Benefits	$ 1,896	$ 345	$ 1,117
2006			
Number of Retirees	115	106	221
Average Monthly Benefits	$ 2,002	$ 401	$ 1,651
2007			
Number of Retirees	118	102	220
Average Monthly Benefits	$ 2,054	$ 450	$ 1,310
2008			
Number of Retirees	118	98	216
Average Monthly Benefits	$ 2,110	$ 490	$ 1,372
2009			
Number of Retirees	120	94	214
Average Monthly Benefits	$2,206	$578	$1,491

Since there are no retirees for the Law Enforcement without prior Main service plan, schedules of retired members by type of benefits and average benefit payments as of June 30 are not shown.

SCHEDULE OF PARTICIPATING EMPLOYERS

STATE AGENCIES:
ADJUTANT GENERAL ND NATL GRD
AERONAUTICS COMMISSION
ATTORNEY GENERAL'S OFFICE
BANK OF NORTH DAKOTA
BEEF COMMISSION
BISMARCK STATE COLLEGE
BOARD OF ANIMAL HEALTH
BOARD OF MEDICAL EXAMINERS
BOARD OF NURSING
BOARD OF PHARMACY
CAREER & TECHNICAL ED
DAIRY PROMOTION COMMISSION
DEPT OF AGRICULTURE
DEPT OF BANKING & FINANCE
DEPT OF COMMERCE
DEPT OF EMERGENCY SERVICES
DEPT OF HUMAN SERVICES
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF TRANSPORTATION
DEVELOPMENTAL CENTER
DICKINSON STATE UNIVERSITY
EDUCATION STANDARDS & PRACTICE
ELECTRICAL BOARD
FIELD SERVICES DIVISION
GAME & FISH DEPT
GOVERNOR'S OFFICE
HIGHWAY PATROL
HISTORICAL SOCIETY
HOUSING FINANCE AGENCY
INDIAN AFFAIRS COMMISSION
INDUSTRIAL COMMISSION
INFORMATION TECHNOLOGY DEPARTMENT
INSURANCE DEPARTMENT
JAMES RIVER CORRECTIONAL CENTER
JAMESTOWN STATE HOSPITAL
JOB SERVICE NORTH DAKOTA
LAND DEPARTMENT
LEGAL COUNSEL OF INDIGENTS
LEGISLATIVE COUNCIL
MAYVILLE STATE UNIVERSITY
MILK MARKETING BOARD
MILL & ELEVATOR ASSOCIATION
MINOT STATE UNIVERSITY
ND BARLEY COUNCIL
ND CORN UTILIZATION COUNCIL
ND COUNCIL ON THE ARTS
ND DEPARTMENT OF HEALTH
ND DEPARTMENT OF LABOR
ND OILSEED COUNCIL
ND SECURITIES DEPARTMENT
ND SOYBEAN COUNCIL
ND STATE BOARD OF ACCOUNTANCY
ND STATE BOARD OF COSMETOLOGY
ND STATE COLLEGE OF SCIENCE
ND STATE LIBRARY
ND SUPREME COURT
ND UNIVERSITY SYSTEM
ND VETERANS HOME
ND WHEAT COMMISSION
ND YOUTH CORRECTIONAL CENTER
NORTH DAKOTA STATE UNIVERSITY
OFFICE OF ADM HEARING
OFFICE OF MANAGEMENT & BUDGET
PARKS & RECREATION DEPARTMENT
PLUMBING BOARD
PROTECTION & ADVOCACY PROJECT
PUBLIC EMPLOYEES RETIREMENT
PUBLIC FINANCE AUTHORITY
PUBLIC INSTRUCTION
PUBLIC SERVICE COMMISSION
RACING COMMISSION
REAL ESTATE COMMISSION
RETIREMENT & INVESTMENT OFFICE
ROUGH RIDER INDUSTRIES
SCHOOL FOR THE BLIND
SCHOOL FOR THE DEAF
SECRETARY OF STATE
SOIL CONSERVATION COMMITTEE
STATE AUDITOR'S OFFICE
STATE BOARD OF LAW EXAMINERS
STATE FAIR ASSN
STATE PENITENTIARY
STATE SEED DEPARTMENT
STATE TREASURER'S OFFICE
TAX DEPARTMENT
UND - LAKE REGION
UNIVERSITY OF NORTH DAKOTA
VALLEY CITY STATE UNIVERSITY
VETERANS AFFAIRS DEPARTMENT
WATER COMMISSION
WILLISTON STATE COLLEGE
WORKFORCE SAFETY AND INSURANCE
Total = 92

COUNTIES:
ADAMS COUNTY
BARNES COUNTY
BENSON COUNTY
BILLINGS COUNTY
BOTTINEAU COUNTY
BOWMAN COUNTY
BURKE COUNTY
BURLEIGH COUNTY
CASS COUNTY
CAVALIER COUNTY
DICKEY COUNTY
DIVIDE COUNTY
DUNN COUNTY
EDDY COUNTY
EMMONS COUNTY
FOSTER COUNTY
GRAND FORKS COUNTY
GRANT COUNTY
GRIGGS COUNTY
HETTINGER COUNTY
LAMOURE COUNTY
LOGAN COUNTY
MCHENRY COUNTY
MCINTOSH COUNTY
MCKENZIE COUNTY
MCLEAN COUNTY
MERCER COUNTY
MOUNTRAIL COUNTY
NELSON COUNTY
OLIVER COUNTY
PEMBINA COUNTY
PIERCE COUNTY
RAMSEY COUNTY
RANSOM COUNTY
RENVILLE COUNTY
RICHLAND COUNTY
ROLETTE COUNTY
SHERIDAN COUNTY
SLOPE COUNTY
STARK COUNTY
STEELE COUNTY
STUTSMAN COUNTY
TOWNER COUNTY
TRAILL COUNTY
WALSH COUNTY
WARD COUNTY
WELLS COUNTY
WILLIAMS COUNTY
Total = 48

SCHOOLS:
APPLE CREEK ELEMENTARY SCHOOL
BEACH PUBLIC SCHOOL DISTRICT
BELCOURT SCHOOL DIST #7
BELFIELD PUBLIC SCHOOL #13
BEULAH PUBLIC SCHOOL #27
BILLINGS COUNTY SCHOOL DISTRICT
BISMARCK PUBLIC SCHOOLS
BOTTINEAU PUBLIC SCHOOL
BOWMAN COUNTY SCHOOL DISTRICT #1

BURKE CENTRAL SCHOOL
BURLEIGH COUNTY SPECIAL ED UNIT
CARRINGTON SCHOOL DIST #49
CAVALIER PUBLIC SCHOOLS
CENTER STANTON PUBLIC SCHOOL
CENTRAL CASS PUBLIC SCHOOL #7
DAKOTA PRAIRIE PUBLIC SCHOOLS
DEVILS LAKE PUBLIC SCHOOL
DICKINSON PUBLIC SCHOOLS
DIVIDE COUNTY SCHOOL DIST #1
DRAKE PUBLIC SCHOOL DISTRICT
DRAYTON PUBLIC SCHOOL #19
DUNSEITH SCHOOL DISTRICT #1
ELLENDALE PUBLIC SCHOOL #40
ENDERLIN AREA SCHOOL DISTRICT #24
FARGO PUBLIC SCHOOLS
FT. TOTTEN SCHOOL DISTRICT #30
GARRISON PUBLIC SCHOOL
GLENBURN PUBLIC SCHOOL
GLEN ULLIN PUBLIC SCHOOL #48
GRAFTON PUBLIC SCHOOL DIST #3
HALLIDAY PUBLIC SCHOOL
HARVEY PUBLIC SCHOOL DIST #38
HAZEN PUBLIC SCHOOL DIST #3
HILLSBORO PUBLIC SCHOOL
JAMES RIVER MULTI DISTRICT SPECIAL EDUCATION
JAMESTOWN PUBLIC SCHOOL #1
KENMARE PUBLIC SCHOOLS
KILLDEER PUBLIC SCHOOL #16
KINDRED PUBLIC SCHOOL DIST #2
KULM PUBLIC SCHOOL DIST #7
LAKE REGION SPECIAL ED UNIT
LAKOTA PUBLIC SCHOOL DISTRICT #66
LAMOURE SCHOOL DISTRICT #8
LARIMORE PUBLIC SCHOOL
LEWIS AND CLARK PUBLIC SCHOOLS
LIDGERWOOD PUBLIC SCHOOL
LINTON PUBLIC SCHOOL
LISBON PUBLIC SCHOOL
LITTLE HEART PUBLIC SCHOOL DIST #4
MANDAN PUBLIC SCHOOL DIST #1
MANDAREE PUBLIC SCHOOL #36
MANVEL PUBLIC SCHOOL
MAPLETON PUBLIC SCHOOL
MAPLE VALLEY SCHOOL DISTRICT
MCCLUSKY PUBLIC SCHOOLS
MCKENZIE CTY PUBLIC SCHOOL #1
MIDWAY PUBLIC SCHOOL DIST #128
MILNOR PUBLIC SCHOOLS
MINOT PUBLIC SCHOOL DIST #1
MINTO PUBLIC SCHOOL DIST #20
MOHALL/LANSFORD/SHERWOOD SCHOOLS
MOTT/REGENT PUBLIC SCHOOL DIST #1
MT PLEASANT SCHOOL DIST #4
NAPOLEON PUBLIC SCHOOL DIST #2
NEW PUBLIC SCHOOL #8
NEW ROCKFORD SHEYENNE PUBLIC SCHOOL
NEW SALEM SCHOOL DIST #7
NEW TOWN PUBLIC SCHOOL #1
NEWBURG UNITED PUBLIC SCHOOL
NORTHERN CASS SCHOOL DIST #97
NORTH BORDER SCHOOL DIST #100
NORTHERN PLAINS SPECIAL EDUCATION UNIT
NORTH VALLEY CAREER AND TECH CENTER
OAKES PUBLIC SCHOOLS
OLIVER-MERCER SPECIAL ED UNIT
PARK RIVER PUBLIC SCHOOLS
PEACE GARDEN SPECIAL SERVICES
RICHLAND SCHOOL DIST #44
ROLETTE COUNTY ALT ED CONSORT
ROLETTE PUBLIC SCHOOLS
RUGBY PUBLIC SCHOOL DIST #5
RURAL CASS MULTI-DISTRICT SPECIAL ED
SHEYENNE VALLEY CAREER TECH CT
SHEYENNE VALLEY SPECIAL ED UNIT
SOLEN PUBLIC SCHOOL DIST #3
SOURIS VALLEY SPECIAL SERVICES
ST JOHN SCHOOL DIST #3
STANLEY COMMUNITY PUBLIC SCHOOL
SURREY SCHOOLS
SW SPECIAL EDUCATION UNIT
SWEET BRIAR SCHOOL DIST #17
TGU SCHOOL DIST #60
THOMPSON PUBLIC SCHOOL
TIOGA PUBLIC SCHOOL
TURTLE LAKE MERCER SCHOOL DISTRICT
UNDERWOOD SCHOOL DIST #8
UNITED PUBLIC SCHOOL DISTRICT
VALLEY CITY PUBLIC SCHOOL
VELVA PUBLIC SCHOOL
WARWICK PUBLIC SCHOOL
WASHBURN PUBLIC SCHOOL
WEST FARGO PUBLIC SCHOOL #6
WESTHOPE PUBLIC SCHOOL #17
WHITE SHIELD SCHOOL DIST #85
WILLISTON PUBLIC SCHOOL #1
WILTON PUBLIC SCHOOL DISTRICT
YELLOWSTONE SCHOOL DIST #14
ZEELAND PUBLIC SCHOOLS
Total = 108

CITIES:
CITY OF ASHLEY
CITY OF BEACH
CITY OF BELFIELD
CITY OF BOWMAN
CITY OF BURLINGTON
CITY OF CARRINGTON
CITY OF CAVALIER
CITY OF COOPERSTOWN
CITY OF CROSBY
CITY OF DRAYTON
CITY OF ELGIN
CITY OF ELLENDALE
CITY OF EMERADO
CITY OF FARGO
CITY OF FESSENDEN
CITY OF FINLEY
CITY OF GLENBURN
CITY OF GRAFTON
CITY OF GRAND FORKS
CITY OF GRANVILLE
CITY OF GWINNER
CITY OF HALLIDAY
CITY OF HANKINSON
CITY OF HARVEY
CITY OF HARWOOD
CITY OF HATTON
CITY OF HETTINGER
CITY OF JAMESTOWN
CITY OF KENMARE
CITY OF KILLDEER
CITY OF KULM
CITY OF LARIMORE
CITY OF LAMOURE
CITY OF LIDGERWOOD
CITY OF LINCOLN
CITY OF LINTON
CITY OF LISBON
CITY OF MAPLETON
CITY OF MCVILLE
CITY OF MCCLUSKY
CITY OF MEDORA
CITY OF MICHIGAN
CITY OF MINTO
CITY OF MOHALL
CITY OF MOTT
CITY OF NAPOLEON
CITY OF NECHE
CITY OF NEW ENGLAND
CITY OF NEW LEIPZIG
CITY OF NEW ROCKFORD
CITY OF NEW SALEM
CITY OF NEW TOWN
CITY OF NORTHWOOD
CITY OF OAKES

CITY OF PARK RIVER
CITY OF PEMBINA
CITY OF POWERS LAKE
CITY OF RAY
CITY OF RHAME
CITY OF ROLLA
CITY OF RUGBY
CITY OF SAWYER
CITY OF SCRANTON
CITY OF SHERWOOD
CITY OF ST. JOHN
CITY OF STANLEY
CITY OF SURREY
CITY OF THOMPSON
CITY OF TIOGA
CITY OF TOWNER
CITY OF UNDERWOOD
CITY OF VELVA
CITY OF WAHPETON
CITY OF WALHALLA
CITY OF WATFORD CITY
CITY OF WEST FARGO
CITY OF WESTHOPE
CITY OF WILLISTON
CITY OF WILTON
CITY OF ZEELAND
Total = 80

OTHER POLITICAL SUBDIVISIONS:
BARNES COUNTY SOIL CONSERVATION DISTRICT
BISMARCK RURAL FIRE PROTECTION
BOWMAN CITY PARK BOARD
BURLEIGH COUNTY COUNCIL ON AGING
BURLEIGH COUNTY SOIL CONSERVATION
CARNEGIE REGIONAL LIBRARY
CASS COUNTY SOIL CONSERVATION DISTRICT
CASS CTY WATER RESOURCE DISTRICT
CAVALIER COUNTY JOB DEVELOPMENT
CAVALIER COUNTY HEALTH DISTRICT
CAVALIER COUNTY HOUSING AUTHORITY
CENTRAL PLAINS WATER DISTRICT
CENTRAL VALLEY HEALTH UNIT
CITY-COUNTY HEALTH DISTRICT
CONSOLIDATED WASTE LTD
CUSTER DIST HEALTH UNIT
DEVILS LAKE BASIN JOINT WATER
DICKEY COUNTY HEALTH DISTRICT
DUNSEITH COMMUNITY NURSE HOME
EMMONS COUNTY PUBLIC HEALTH
FARGO PARK DISTRICT
FIRST DISTRICT HEALTH UNIT
GARRISON DIVERSION CONSERVATION DISTRICT
GRAFTON PARK DISTRICT
GRAND FORKS CITY WATER RESOURCE
GRAND FORKS PUBLIC LIBRARY
GREATER RAMSEY WATER DISTRICT
GRIGGS COUNTY LIBRARY
JAMESTOWN PARKS AND RECREATION
JAMESTOWN REGIONAL AIRPORT
KIDDER COUNTY DISTRICT HEALTH UNIT
LAKE METIGOSHE REC SERV DISTRICT
LAKE REGION DISTRICT HEALTH UNIT
MCINTOSH CITY HOUSING AUTHORITY
MCINTOSH DISTRICT HEALTH UNIT
MERCER CTY SOIL CONSERVATION DISTRICT
MINOT RURAL FIRE DEPT
NELSON-GRIGGS DIST HEALTH UNIT
PIERCE COUNTY SOIL CONSERVATION DISTRICT
R & T WATER SUPPLY ASSOCIATION
RAMSEY COUNTY HOUSING AUTHORITY
RAMSEY COUNTY SOIL CONSERVATION DISTRICT
RANSOM COUNTY SOIL CONSERVATION DISTRICT
ROLETTE COUNTY PUBLIC HEALTH
ROLETTE COUNTY SOIL CONSERVATION DISTRICT
SARGENT CTY DIST HEALTH UNIT
SE REGION CAREER AND TECH CENTER
S W DISTRICT HEALTH UNIT
SOUTHWEST WATER AUTHORITY
STUTSMAN CO HOUSING AUTHORITY
TOWNER COUNTY PUBLIC HEALTH
TRAILL CTY WATER RESOURCE DISTRICT
TRAILL DISTRICT HEALTH UNIT
TRAILL RURAL WATER DISTRICT
UPPER MISSOURI HEALTH UNIT
WALSH COUNTY HEALTH DISTRICT
WALSH COUNTY HOUSING AUTHORITY
WALSH COUNTY WATER RESOURCE DISTRICT
WARD COUNTY WATER RESOURCE DISTRICT
WATFORD CITY PARK DISTRICT
WELLS COUNTY DIST HEALTH UNIT
WEST & CENTRAL STARK SOIL CONSERVATION DISTRICT
WEST FARGO PARK DISTRICT
WILLIAMS COUNTY SOIL CONSERVATION
WILLISTON HOUSING AUTHORITY
Total = 65

Principle Participating Employers
June 30, 2009

Participating Employer	Covered Employees	Rank	% of Total System
Department of Human Services	1,313	1	6.67%
University of North Dakota	1,167	2	5.93%
Department of Transporation	1,048	3	5.32%
North Dakota State University	881	4	4.48%
Bismarck Public Schools	713	5	3.62%
Fargo Public Schools	597	6	3.03%
Minot Public School District	491	7	2.49%
Jamestown State Hospital	462	8	2.35%
Developmental Center	446	9	2.27%
Cass County	380	10	1.93%
Other Employers	12,188		61.91%
Total covered employees*	19,686		100.00%

*Total covered employees represents the number of employees in a contributing status as of June 30, 2009 in the Main retirement plan.

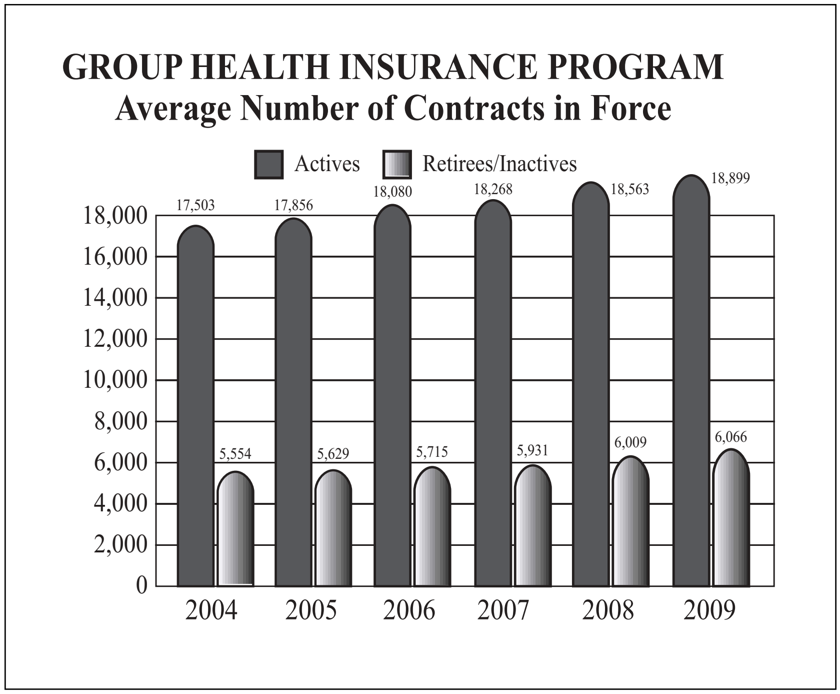
Deferred Compensation Program
Schedule of Assets
By Provider

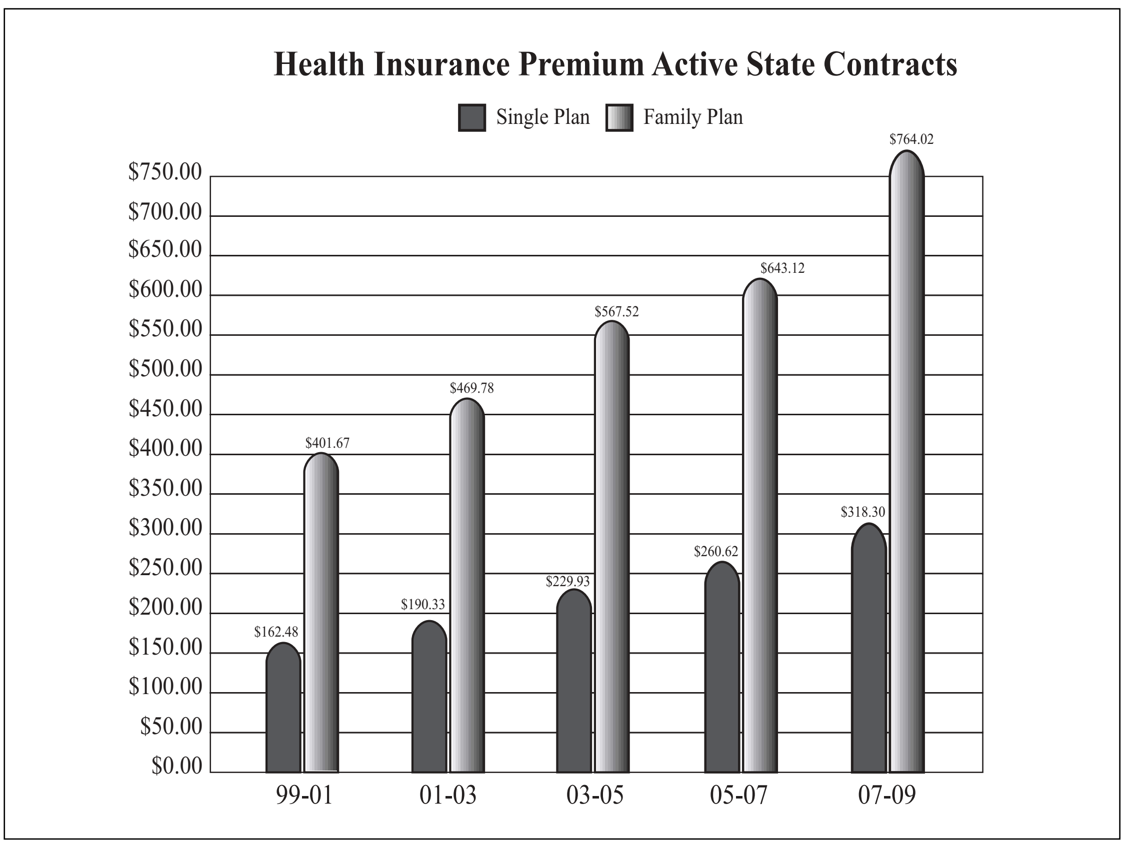
	6/30/05	6/30/06	6/30/07	6/30/08	6/30/09
AIG VALIC	$ 4,501,538	$ 5,745,622	$ 7,352,983	$ 7,081,128	$ 6,451,199
American Trust Center	1,586,865	2,620,264	3,325,665	3,877,787	3,622,718
AXA Equitable	23,943,326	25,928,019	26,758,632	23,047,134	18,485,110
Bank of North Dakota	3,134,285	3,438,691	3,614,106	3,836,023	4,325,613
Chase Financial (formerly Kemper)	5,170,950	5,852,970	6,677,907	6,145,992	5,108,373
Hartford Life Insurance Company	12,164,623	19,196,591	25,259,016	24,597,755	21,527,797
ING (formerly Aetna)	1,366,067	1,359,850	1,403,453	1,403,033	1,241,758
Jackson National Life	1,032,657	902,942	978,543	940,611	1,351,123
John Kinnard[(1)]	18,510	20,693	0	0	0
Kansas City Life (formerly Sunset Life)	328,503	354,895	235,808	217,239	233,832
Lincoln National	6,364,400	7,210,227	7,810,551	6,050,335	4,464,625
NDPERS Companion Plan[(1)]	14,585,960	18,143,181	23,368,806	23,443,420	21,388,646
Nationwide Life Insurance	10,365,570	6,789,074	6,321,649	6,596,637	5,326,443
New York Life[(1)]	602,490	458,737	478,675	383,615	290,488
Symetra (formerly Safeco)	919,056	887,554	995,936	636,183	553,647
Waddell & Reed Financial Services	4,794,811	5,616,331	6,350,625	6,268,696	4,841,463
Total	$ 90,879,611	$ 104,525,641	$ 120,932,355	$ 114,525,588	$ 99,212,835

[(1)]As of January 1, 1999, the System is the trustee for these deferred compensation assets and is reporting them as a trust fund in the June 30, 2009 and June 30, 2008 financial statements.

All other assets are being held in trust, by the respective provider company, for the exclusive benefit of participants and their beneficiaries. Accordingly, these assets are not included in the System's financial statements.

STATISTICS


GROUP HEALTH INSURANCE PROGRAM
Average Number of Contracts in Force
Actives
Retirees/Inactives
17,503
17,856
18,080
18,268
18,563
18,899
5,554
5,629
5,715
5,931
6,009
6,066
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2004
2005
2006
2007
2008
2009


Health Insurance Premium Active State Contracts
Single Plan
Family Plan
$162.48
$401.67
$190.33
$469.78
$229.93
$567.52
$260.62
$643.12
$318.30
$764.02
$750.00
$700.00
$650.00
$600.00
$550.00
$500.00
$450.00
$400.00
$350.00
$300.00
$250.00
$200.00
$150.00
$100.00
$50.00
$0.00
99-01
01-03
03-05
05-07
07-09