2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

AN AGENCY OF THE STATE OF NORTH DAKOTA

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, 2011

Prepared by the staff of the North Dakota Public Employees Retirement System

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INTRODUCTORY SECTION

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2011

Presented to

North Dakota Public Employees Retirement System

In recognition of meeting professional standards for
plan funding and 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
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, 2010

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.

President

Executive Director

LETTER OF TRANSMITTAL

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Public Employees Retirement System
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Executive Director
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January 30, 2012

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, 2011. 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 the 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, 2011.

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 20,695 contributing members and 7,835 retirees and beneficiaries currently receiving benefits. HPRS has 133 contributing members and 115 retirees and beneficiaries. The Job Service Plan has 23 contributing members and 213 retirees. There are no longer any beneficiaries receiving payments from the OASIS plan. The employers participating in PERS include 93 state agencies and 314 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 287 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 21,062 contributing members and 4,242 retired participants currently receiving benefits.

Another component of this plan, which is being reported in compliance with GASB Statement 43, provides health care coverage to eligible retirees 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 650 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 25,194 active and retired contracts under this plan as of June 30, 2011. Total covered lives, including spouses and dependents, are 58,600. As of June 30, 2011 there were 187 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, 2011 totaled $217.4 million. To help mitigate and manage the rising costs of medical and prescription drug care, the System continues to focus on programs that promote life style changes and preventive services. This includes expanding the employer based wellness program initiative, adding additional preventive benefits and incentives to the plan design, continue to promote disease management programs for chronic conditions, maintain the diabetes management program in partnership with the North Dakota Pharmacy Services Corporation, maintain the Tobacco Cessation Program in alliance with the Department of Health and BCBSND, promote the Prenatal Plus Program, and provide education to our members about consumer driven health care initiatives.

Group Life Insurance. The System began administering the group life insurance plan in 1971. There are 17,958 active and 3,024 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, 2011 totaled $3.3 million. As of fiscal year end, there is $1.262 billion of life insurance in force for all participants covered by this plan.

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 6,300 participants in the dental plan, 6,000 participants in the vision plan and 69 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 15,500 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. Fourteen companies have agreed to provide investment services for the State's deferred compensation program. The System is the trustee for deferred compensation assets totaling $37.3 million; provider companies hold the remaining plan assets of $108.5 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 8,100 employees participate in this program.

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 3,161 participants in the medical and dependent care spending accounts. Employee contributions to the spending accounts totaled $6.2 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
- Initiated an Asset Liability Study
- Developed, communicated and received legislative authority to implement a Recovery Plan. Contribution increases were approved for 2012 and 2013; legislation will need to be requested for increases in 2014 and 2015
- Developed a Judges Health Savings Plan but decision was made not to implement at this time
- Received IRS Determination Letter for the PERS retirement plan
- Completed the competitive bid process to select a recordkeeper for the investments in the Defined Contribution Plan and Deferred Compensation Companion Plan

Group Insurance
- Complied with the Patient Protection and Affordable Care Act (PPACA) by implementing the expanded dependent coverage requirement by conducting a special open enrollment; eliminating the lifetime maximum provision; and maintaining the Grandfathered status of the plan for existing members.
- Qualified for the Early Retiree Reinsurance Program (ERRP) subsidy
- Completed the competitive bid process to select a provider for the Health plan, Vision plan and Life insurance plan.
- Completed an audit of the Pharmacy Benefit Manager
- Completed a study of the Diabetes Management Program
- Legislation was passed relating to the health insurance plan that revised the bidding process, changed the reserve requirements for self-insurance, authorized the Board to get separate bids for prescription drug services, allowed the Board to establish another pre-Medicare retiree health option and authorized a High Deductible Health Plan and Health Savings Account for active state employees

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. Although internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives, the System believes the internal controls that are in place have been designed to reduce risks of material misstatements.

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 2011 and 2010:

(Millions)	Fiscal Year 2011	Fiscal Year 2010	Change in $ s	Percentage Change
Revenue Type				
Employee Contributions	$ 35.2	$ 33.5	$ 1.7	5.1%
Employer Contributions	33.6	31.4	2.2	7.0
Investments	329.7	188.2	141.5	75.2
Total	$398.5	$253.1	$145.4	57.4%
Expense Type				
Benefits	$ 91.9	$ 84.2	$ 7.7	9.1%
Refunds & Transfers	5.0	4.1	0.9	22.0
Administrative Expenses	1.8	1.3	0.5	38.5
Total	$ 98.7	$ 89.6	$ 9.1	10.2%

Revenues increased due to an increase in net investment income as a result of the recovery in the investment markets. Expenses increased as a result of an increase in the number of 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, 2011 actuarial valuation reports the actuarial value of assets for PERS at $1,650.4 million, which is 70.5% of the actuarial accrued liabilities of $2,339.8 million. The actuarial value of assets for HPRS is $49.5 million, which is 73.7% of the actuarial accrued liabilities of $67.1. The Job Service Plan is fully funded. The actuarial value of assets for the Job Service Plan is $74.1 million, which is 110% of the actuarial present value of benefits of $67.4 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 49.6% 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, 2009, the date of the last actuarial valuation, the unfunded actuarial accrued liability for this plan is $53.7 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, 2011 is $1.8 billion, which is an increase of 19.3% from the previous year. The market value of assets for Job Service as of June 30, 2011 is $85.6 million, an increase of 10.3% from the previous year. During the fiscal year ended June 30, 2011, 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 21.43% for the fiscal year ended June 30, 2011. The annualized rate of return was 1.39% for the last three years and 3.19% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2011 for the Job Service Plan was 16.39%. The annualized rate of return was 3.31% for the last three years and 4.68% 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, 2011 is $57 million, which is 26.9% higher than the previous year. The assets earned an annualized rate of return of 21.65% for the fiscal year ended June 30, 2011. The annualized rate of return was 5.61% for the last three years and 3.35% for the last five years. During the fiscal year ended June 30, 2011, 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, 2011 is $21.3 million, which is a 29.1% increase 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, 2011.

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, 2010. 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 fifteen consecutive years (fiscal years ended June 30, 1996 - 2010). 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   Sharon Schiermeister

Sparb Collins	Sharon Schiermeister, CPA
Executive Director	Finance Manager

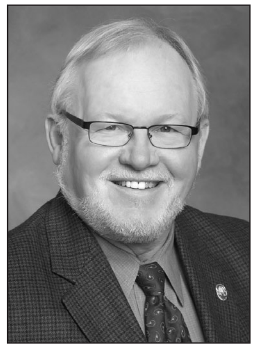
THE RETIREMENT BOARD

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:

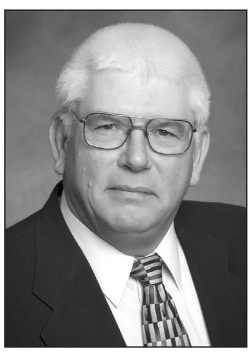
Jon Strinden
Chairman
Term expires
6/30/2015

Arvy Smith
Health Department
Appointee



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

Joan Erhardt
Member elected
Term expires
6/30/2014



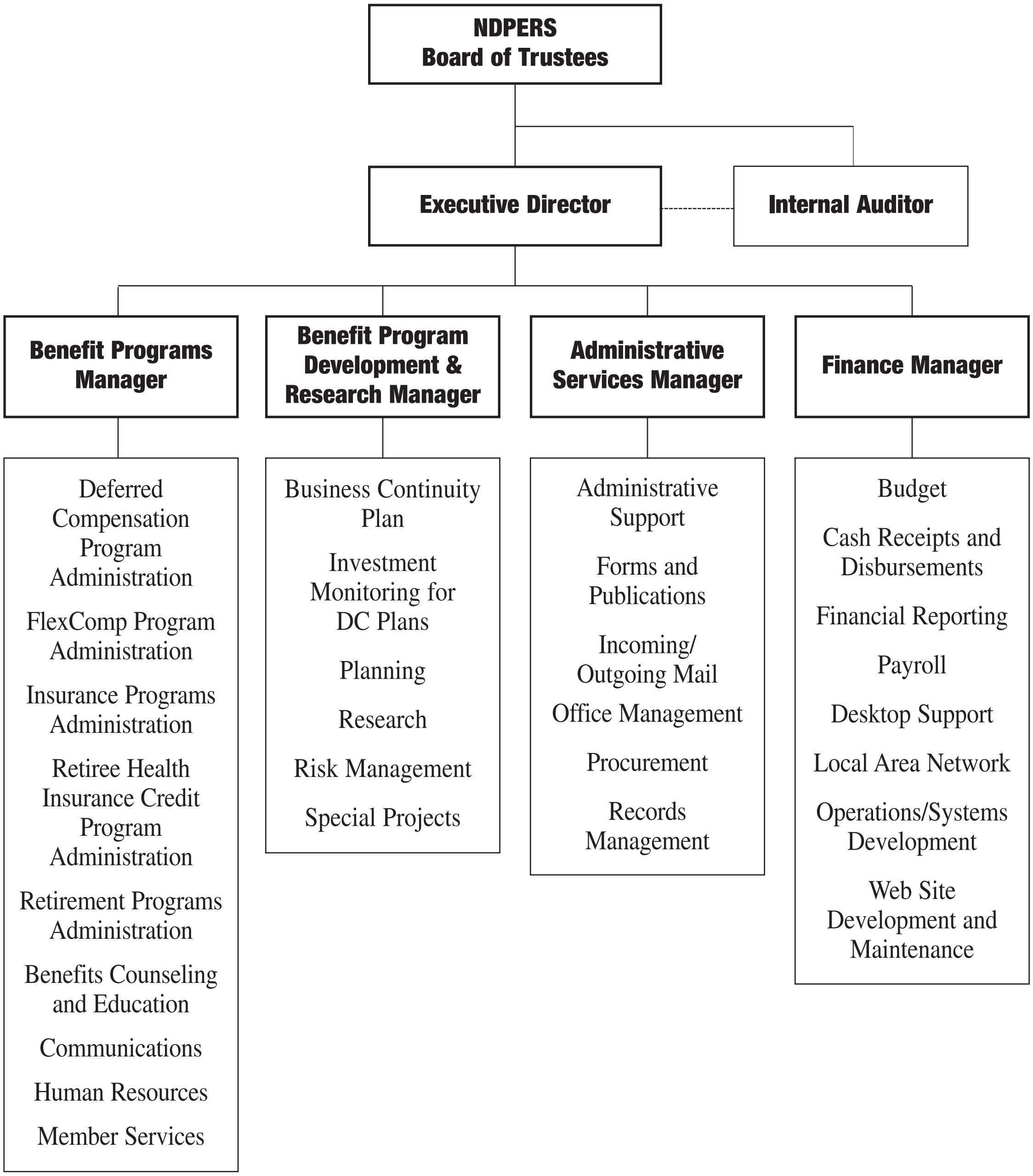
Howard Sage
Retiree elected
Term expires
6/30/2014

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 Audit Manager*

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:
Superior Vision
Cordova, CA

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Governor Jack Dalrymple
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, 2011 and 2010, which collectively comprise the 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 audits 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, 2011 and 2010, 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 $689 and $586 million at June 30, 2011 and 2010, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately $17 and $12 million at June 30, 2011 and 2010. 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. If unchanged, this difference will further increase the actuarial contribution requirement in future valuations.

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, 2011 and 2010, and the respective changes in net plan assets, changes in financial position and cash flows, where applicable, thereof for the years 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 29, 2011, 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 should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of Employer Contributions and Schedules of Funding Progress be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were 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 and 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in our opinion, is fairly stated in all material respects in relation to the 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 financial statement and accordingly, we express no opinion on them.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.
November 29, 2011

Management's Discussion and Analysis
June 30, 2011 and 2010

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, 2011. 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, 2011 and 2010, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2011	2010
Public Employees Retirement System	70.5%	73.4%
Highway Patrolmen Retirement System	73.7%	79.8%
Retirement Plan for Employees of Job Service ND	110.0%	104.8%
Retiree Health Insurance Credit Fund	49.6%	47.4%

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 the Public Employees and Highway Patrolmen retirement systems decreased from the previous fiscal year as a result of the recognition of previous years' investment losses.

• Plan net assets for all trust funds administered by NDPERS increased $327.4 million or 19% during the fiscal year ended June 30, 2011. The increase was primarily due to net gains on investments during the fiscal year.

	(In Thousands)
Public Employees Retirement System	$ 283,871
Highway Patrolmen Retirement System	7,867
Retiree Health Insurance Credit Fund	12,959
Defined Contribution Retirement Fund	4,821
Pretax Benefits Fund	147
Deferred Compensation Plan	9,684
Retirement Plan for Employees of Job Service ND	8,058
OASIS Trust Fund	(2)
Total increase in plan net assets	$ 327,405

• As of June 30, 2011, an additional $1 million in software development costs were incurred and capitalized and are shown as Software on the Statement of Plan Net Assets for each fund. The total costs capitalized as of June 30, 2011 are $7 million, of which $6.9 million is software that has been placed into production.

Financial Highlights –
Uniform Group Insurance Program

• Net assets decreased by $483,278 or 58.3%. The two factors contributing to this decrease are the operating transfer to the Deferred Compensation plan to fund that program's portion of the software development cost, and amortization of software put into production during the fiscal year.

• As of June 30, 2011, an additional $.4 million in software development costs were incurred and capitalized and are shown as Software on the Statement of Net Assets for the Proprietary Fund. The total costs capitalized as of June 30, 2011 are $2.84 million of which $2.78 million is software that has been placed into production.

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, 2011, 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, 2011, 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, 2011, 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, 2011, 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, 2011 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 pages 28-51 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 2011 and 2010 are summarized below. The information in the tables below is condensed from the Financial Statements.

Statement of Fiduciary Net Assets (in thousands)

	June 30, 2011	% Change	June 30, 2010	% Change	June 30, 2009
Assets					
Cash	$ 3,188	31.7%	$ 2,421	(10.7)%	$ 2,710
Receivables	10,144	14.9%	8,825	5.9%	8,330
Investments, at fair value	2,000,908	19.4%	1,676,069	12.1%	1,495,066
Securities Lending Collateral	-	(100.0)%	9,913	28.3%	7,724
Prepaid health premiums	491	NA	-	NA	-
Software & Equipment, net of accum depr	6,522	7.4%	6,074	38.9%	4,374
Total assets	2,021,253	18.7%	1,703,302	12.2%	1,518,204
Liabilities					
Long-term liabilities outstanding	148	10.4%	134	8.9%	123
Other liabilities	3,907	(70.8)%	13,375	24.7%	10,724
Total liabilities	4,055	(70.0)%	13,509	24.5%	10,847
Net assets available for benefits	$2,017,198	19.4%	$1,689,793	12.1%	$1,507,357

The total assets for all fiduciary funds as of June 30, 2011 were $2 billion and were comprised mainly of investments. For the fiscal year ended June 30, 2011, plan assets increased by $317.9 million. This increase was primarily due to gains in the financial markets during the fiscal year. For the fiscal year ended June 30, 2010, plan assets increased by $185.1 million, also due to financial market gains. During the current fiscal year, the securities lending program was terminated so there was no invested securities lending collateral as of June 30, 2011.

Total liabilities as of June 30, 2011 were $4.1 million, a decrease of $9.5 million from the previous fiscal year. There was no securities lending collateral as of June 30, 2011 because the securities lending program was terminated. Total liabilities increased $2.7 million for the fiscal year ended June 30, 2010 as a result of changes in securities lending collateral.

Statement of Changes in Fiduciary Net Assets (in thousands)

	June 30, 2011	% Change	June 30, 2010	% Change	June 30, 2009
Additions					
Contributions	$ 92,457	5.4%	$ 87,718	10.5%	$ 79,370
Investment income	350,417	75.5%	199,619	143.1%	(463,300)
Other	4,949	(2.9)%	5,097	2.9%	4,954
Total additions	447,823	53.1%	292,434	177.2%	(378,976)
Deductions					
Benefit payments	111,984	8.3%	103,445	8.2%	95,602
Refunds/Transfers	5,382	20.0%	4,484	(18.6)%	5,506
Administrative expenses	3,052	47.5%	2,069	(.4)%	2,078
Total deductions	120,418	9.5%	109,998	6.6%	103,186
Changes in net assets available for benefits	$ 327,405	79.5%	$ 182,436	137.8%	$ (482,162)

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 $4.7 million and $8.3 million for the years ended June 30, 2011 and 2010, respectively. The increase in the Retiree Health Insurance contribution, which became effective July 1, 2009, is reflected in the increase for June 30, 2010. The plans experienced positive investment earnings of $350.4 million and $199.6 million for the fiscal years ending June 30, 2011 and June 30, 2010. This followed a year of negative earnings of $463.3 million for June 30, 2009. The changes in Other Additions are primarily due to the transfers from the retirement program to the deferred compensation program to cover software development costs.

Deductions Deductions include benefit payments, refunds/transfers, and administrative expenses. Deductions for the year ended June 30, 2011 totaled $120.4 million, an increase of $10.4 million over 2010. Of the total increase, $8.5 million was due to the increase in the number of benefit recipients, $.9 million was attributed to an increase in the amount of refunds issued to terminated participants and $1 million was an increase in administrative expenses. The increase in administrative expenses consisted of $.5 million of amortization expense on the portion of the software that was put into production during the fiscal year, together with increased expenditures relating to deployment of the new software system. Expenses for the year ended June 30, 2010 totaled $110.0 million which is an increase of 6.6% from 2009.

Statement of Proprietary Fund Net Assets (in thousands)

	June 30, 2011	% Change	June 30, 2010	% Change	June 30, 2009
Assets					
Cash	$ 12,701	14.2%	$11,126	0.5%	$ 11,069
Receivables	434	478.7%	75	(84.0)%	468
Software	2,630	7.3%	2,450	39.0%	1,763
Total assets	15,765	15.5%	13,651	2.6%	13,300
Liabilities					
Long-term liabilities outstanding	66	15.8%	57	18.8%	48
Other liabilities	15,353	20.3%	12,765	4.3%	12,243
Total liabilities	15,419	20.3%	12,822	4.3%	12,291
Net assets	$ 346	(58.3)%	$ 829	(17.8)%	$ 1,009

As of June 30, 2011, total assets increased by $2.1 million, or 15.5%. Cash increased due to receiving a payment of $1.7 million through the pre-Medicare retiree reinsurance provision created under the health care reform bill, which is further explained in Note 11. There was also an increase in accounts receivable and software. As of June 30, 2010, total assets increased by $.3 million. The net change was the result of an increase in software to reflect the costs incurred to date on the software development project. This increase was offset by a decrease in receivable.

As of June 30, 2011, total liabilities increased by $2.6 million, or 20.3%. The main components of the liabilities are deferred premiums and amounts held in custody for others. There was an increase in the amount held in custody for others reflecting the payment received under the health care reform bill. There was also an increase in premiums collected in advance of being billed. Total liabilities as of June 30, 2010 increased by $.5 million, or 4.3%.

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, 2011	% Change	June 30, 2010	% Change	June 30, 2009
Operating Revenues					
Administrative Fee	$ 963	1.5%	$ 949	2.2%	$ 929
Non-Operating Revenues					
Investment income	14	(48.1)%	27	(63.5)%	74
Total revenues	977	0.10%	976	(2.7)%	1,003
Operating Expenses					
Administrative expenses	1,198	26.4%	948	9.2%	868
Non-Operating Expenses					
Transfer Out	262	26.6%	207	(54.4)%	454
Change in Net Assets	$ (483)	(169.8)%	$ (179)	43.90%	$ (319)

Net assets decreased by $.5 million for the fiscal year ended June 30, 2011 primarily due to activity related to the software development project. Specifically, this decrease resulted from a transfer of funds to the deferred compensation plan to cover software development costs allocated to that plan in combination with the addition of amortization expense on the portion of the software that was put into production during the fiscal year. For the fiscal year ended June 30, 2010, net assets decreased by $.2 million. This was the result of the transfer of funds to the deferred compensation plan to cover software development costs allocated to that plan.

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.

BASIC FINANCIAL STATEMENTS

Statement of Net Assets
Proprietary Funds
June 30, 2011 and 2010

	Uniform Group Insurance Program	
	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,701,211	$ 11,126,484
Accounts receivable	296,346	5,664
Due from fiduciary funds	135,456	69,352
Due from other state agencies	1,315	-
Total current assets	13,134,328	11,201,500
Capital assets:		
Software (net of amortization)	2,573,270	-
Software (not in production)	57,017	2,449,576
Total capital assets	2,630,287	2,449,576
Total assets	15,764,615	13,651,076
LIABILITIES		
Current liabilities:		
Salaries payable	55,132	53,576
Accounts payable	234,941	486,038
Due to fiduciary funds	279,391	-
Due to other state agencies	13,226	10,064
Accrued compensated absences	3,598	3,037
Amounts held in custody for others	10,138,663	8,526,067
Deferred premiums	4,628,099	3,687,046
Total current liabilities	15,353,050	12,765,828
Noncurrent liabilities:		
Accrued compensated absences	65,990	56,395
Total liabilities	15,419,040	12,822,223
NET ASSETS		
Invested in capital assets	2,630,287	2,449,576
Unrestricted (deficit)	(2,284,712)	(1,620,723)
Total net assets	$ 345,575	$ 828,853

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended June 30, 2011 and 2010

	Uniform Group Insurance Program	
	2011	2010
OPERATING REVENUES:		
Administrative fee	$ 962,657	$ 948,810
OPERATING EXPENSES:		
Salaries and wages	610,025	516,802
Operating expenses	177,655	139,756
Professional fees	145,697	235,291
Data processing	56,493	56,506
Amortization	208,644	-
Total operating expenses	1,198,514	948,355
Operating income (loss)	(235,857)	455
NON-OPERATING REVENUES:		
Investment income	14,110	26,663
INCOME BEFORE TRANSFERS	740,910	975,928
TRANSFERS OUT	261,531	206,811
Change in net assets	(483,278)	(179,693)
Total net assets - beginning of year	828,853	1,008,546
Total net assets - end of year	$ 345,575	$ 828,853

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

Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2011 and 2010

	Uniform Group Insurance Program 2011	Uniform Group Insurance Program 2010
Cash Flows From Operating Activities:		
Premiums collected	$ 211,503,862	$ 208,652,795
Claims experience gains/losses	1,612,596	146,029
Administrative fees collected	1,545,609	1,561,555
Payments to suppliers	(161,978)	(392,239)
Premiums paid	(211,503,862)	(208,652,795)
Payments to employees	(598,313)	(504,590)
Net Cash Provided By Operating Activities	2,397,914	810,755
Cash Flows From Investing Activities:		
Investment income	14,110	26,663
Cash Flows Used By Capital and Related Financing Activities:		
Acquisition and construction of capital assets/software	(575,766)	(572,722)
Cash Flows from Noncapital Financing Activities:		
Transfers out	(261,531)	(206,811)
Net Increase in Cash and Cash Equivalents	1,574,727	57,885
Cash and Cash Equivalents Balance - Beginning of Year	11,126,484	11,068,599
Cash and Cash Equivalents Balance - End of Year	$ 12,701,211	$ 11,126,484
Reconciliation of Operating Income to Net Cash Provided		
Operating Income (Loss)	$ (235,857)	$ 455
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Amortization	208,644	-
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(290,682)	391,315
(Increase) Decrease in Due From Other Funds	(66,104)	(47)
(Increase) Decrease in Due From Other State Agencies	(1,315)	2,165
Increase in Salaries Payable	1,556	2,876
Increase in Accrued Compensated Absences	10,156	9,336
Increase (Decrease) in Accounts Payable	(64,686)	63,849
Increase in Due to Fiduciary Funds	279,391	-
Increase (Decrease) in Due To Other State Agencies	3,162	(24,535)
Increase in Amounts Held in Custody for Others	1,612,596	146,029
Increase in Deferred Premiums	941,053	219,312
Total Adjustments	2,633,771	810,300
Net Cash Provided By Operating Activities	$ 2,397,914	$ 810,755

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

Statement of Plan Net Assets
Fiduciary Funds
June 30, 2011

	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	$ 2,808,985	$ -	$ 62,269	$ 3,270	$ 195,982	$ 116,685	$ 597	$ -
Receivables:								
Contribution receivable	4,688,614	173,431	845,245	103,704	551,875	1,921	7,751	-
Interest receivable	2,666,991	79,891	66,816	-	-	-	169,686	-
Due from fiduciary funds	276,845	-	101,995	4,278	39,931	68,953	12,879	-
Due from proprietary funds	-		275,141			4,250		
Due from other state agencies	3,350	-	-	-	-	-	-	-
Total receivables	7,635,800	253,322	1,289,197	107,982	591,806	75,124	190,316	-
Investments, at fair value:								
Domestic equities	703,847,078	21,133,697	26,273,887	-	-	-	26,324,273	-
International equities	262,381,505	7,878,261	7,810,869	-	-	-	7,720,826	-
Commingled managed pool	-	-	-	2,476,058	-	-	-	-
International fixed income	85,111,321	2,555,551	-	-	-	-	4,295,369	-
Domestic fixed income	510,392,764	15,325,042	22,935,906	-	-	-	47,017,066	-
Real estate	98,906,281	2,969,758	-	-	-	-	-	-
Mutual funds	-	-	-	18,832,541	-	37,253,362	-	-
Annuities	-	-	-	-	-	81,156	-	-
Alternative investments	61,304,374	1,840,724	-	-	-	-	-	-
Invested cash	25,206,160	756,840	-	-	-	-	277,745	-
Total investments	1,747,149,483	52,459,873	57,020,662	21,308,599	-	37,334,518	85,635,279	-
Prepaid health premiums	-	-	490,798	-	-	-	-	-
Software (not in production)	76,022	1,485	7,560	500	19,006	38,011	400	-
Software (net of amortization)	3,406,843	28,685	326,875	23,585	857,757	1,715,513	20,206	-
Total assets	1,761,077,133	52,743,365	59,197,361	21,443,936	1,664,551	39,279,851	85,846,798	-

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	81,293	-	-	-	20,549	32,494	-	-
Accounts payable	2,719,013	-	36,207	-	74,668	148,091	92,042	-
Due to fiduciary funds	116,602	37,944	302,611	18,223	-	-	29,501	-
Due to proprietary funds	1,634	-	120,907	7,092	-	-	5,823	-
Due to other state agencies	19,451	-	-	-	3,781	7,084	-	-
Deferred contributions	-	-	-	-	-	23,966	-	-
Accrued compensated absences	82,542	-	-	-	26,967	46,574	-	-
Total liabilities	3,020,535	37,944	459,725	25,315	125,965	258,209	127,366	-
NET ASSETS:								
Held in trust for pension benefits	1,758,056,598	52,705,421	-	21,418,621	-	39,021,642	85,719,432	-
Held in trust for postemployment healthcare benefits	-	-	58,737,636	-	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,538,586	-	-	-
Total net assets held in trust	$ 1,758,056,598	$ 52,705,421	$ 58,737,636	$ 21,418,621	$ 1,538,586	$ 39,021,642	$ 85,719,432	$ -

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

Statement of Plan Net Assets
Fiduciary Funds
June 30, 2010

	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	$ 2,026,148	$ -	$ 87,707	$ 1,104	$ 193,927	$ 110,149	$ 102	$ 2,402
Receivables:								
Contribution receivable	4,483,815	174,168	615,944	103,713	541,973	-	9,323	-
Interest receivable	2,422,345	73,757	64,413	-	-	-	156,782	-
Due from fiduciary funds	108,859	-	-	-	20,342	36,047	-	-
Due from other state agencies	13,457	-	-	-	-	-	-	-
Total receivables	7,028,476	247,925	680,357	103,713	562,315	36,047	166,105	-
Investments, at fair value:								
Domestic equities	534,160,908	16,264,408	19,743,986	-	-	-	22,807,297	-
International equities	195,344,142	5,947,939	5,644,764	-	-	-	7,066,673	-
Commingled managed pool	-	-	-	2,218,657	-	-	-	-
International fixed income	83,852,649	2,553,189	-	-	-	-	3,860,726	-
Domestic fixed income	499,029,310	15,194,703	19,519,126	-	-	-	43,768,388	-
Real estate	71,436,241	2,175,128	-	-	-	-	-	-
Mutual funds	-	-	-	14,263,760	-	27,847,283	-	-
Annuities	-	-	-	-	-	94,200	-	-
Alternative investments	61,490,084	1,872,282	-	-	-	-	-	-
Invested cash	19,240,625	585,849	-	-	-	-	86,685	-
Total investments	1,464,553,959	44,593,498	44,907,876	16,482,417	-	27,941,483	77,589,769	-
Invested securities lending collateral	9,150,222	278,611	-	-	-	-	484,406	-
Software (not in production)	3,243,551	27,820	309,670	22,606	816,525	1,633,050	19,532	-
Equipment (net of accumulated depreciation)	921	-	-	-	-	-	-	-
Total assets	1,486,003,277	45,147,854	45,985,610	16,609,840	1,572,767	29,720,729	78,259,914	2,402

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	68,298	-	-	-	19,521	30,815	-	-
Accounts payable	2,479,238	-	29,335	-	135,365	265,966	100,365	-
Due to fiduciary funds	-	31,087	115,011	-	-	-	10,516	-
Due to proprietary funds	20	-	62,467	12,364	-	-	3,134	-
Due to other state agencies	19,961	-	-	19	1,486	2,656	-	-
Benefits payable	23,534	-	-	-	-	-	-	-
Deferred contributions	-	-	-	-	-	43,460	-	-
Securities lending collateral	9,150,222	278,611	-	-	-	-	484,406	-
Accrued compensated absences	77,022	-	-	-	24,836	39,829	-	-
Total liabilities	11,818,295	309,698	206,813	12,383	181,208	382,726	598,421	-
NET ASSETS:								
Held in trust for pension benefits	1,474,184,982	44,838,156	-	16,597,457	-	29,338,003	77,661,493	2,402
Held in trust for postemployment healthcare benefits	-	-	45,778,797	-	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,391,559	-	-	-
Total net assets held in trust	$ 1,474,184,982	$ 44,838,156	$ 45,778,797	$ 16,597,457	$ 1,391,559	$ 29,338,003	$ 77,661,493	$ 2,402

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, 2011

	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	$ 32,278,056	$ 1,285,699	$ 8,929,903	$ 673,943	$ -	$ -	$ -	$ -
From employee	30,479,702	793,028	6,173,575	654,386	6,215,977	4,028,777	97,591	-
Transfers from other plans	-	-	-	3,156	-	668,469	-	-
From external plans	-	-	-	16,867	-	157,414	-	-
Total contributions	62,757,758	2,078,727	15,103,478	1,348,352	6,215,977	4,854,660	97,591	-
Investment income:								
Net change								
in fair value of investments	280,371,430	8,485,843	8,481,511	3,697,836	-	6,183,393	10,200,838	-
Interest and dividends	34,500,138	1,044,143	1,440,099	379,385	1,266	792,375	2,068,491	-
Less investment expense	(6,701,848)	(202,792)	(132,724)	(13,797)	-	(96,510)	(277,752)	-
Net investment income	308,169,720	9,327,194	9,788,886	4,063,424	1,266	6,879,258	11,991,577	-
Securities lending activity:								
Securities lending income	164,604	4,982	-	-	-	-	7,168	-
Less securities lending expenses-net of rebates	18,147	549	-	-	-	-	676	-
Net securities lending income	182,751	5,531	-	-	-	-	7,844	-
Repurchase service credit	3,797,333	46,844	166,962	-	-	-	-	-
FICA tax savings	-	-	-	-	663,024	-	-	-
Transfer from proprietary fund	-	-	-	-	-	261,531	-	-
Miscellaneous income	2,129	4	-	11,459	100	-	2	-
Total additions	374,909,691	11,458,300	25,059,326	5,423,235	6,880,367	11,995,449	12,097,014	-
DEDUCTIONS:								
Benefits paid to participants	84,307,028	3,531,145	-	583,352	5,931,663	1,671,278	4,012,707	-
Refunds	4,669,072	37,156	1,745	-	-	-	-	-
Prefunded credit applied	-	-	5,789,371	-	-	-	-	-
Health premiums paid	-	-	6,157,983	-	-	-	-	-
Transfer to general fund	-	-	-	-	-	-	-	2,402
Transfers to other plans	264,688	-	-	-	406,937	-	-	-
	89,240,788	3,568,301	11,949,099	583,352	6,338,600	1,671,278	4,012,707	2,402
Administrative expenses	1,797,287	22,734	151,388	18,719	394,740	640,532	26,368	-
Total deductions	91,038,075	3,591,035	12,100,487	602,071	6,733,340	2,311,810	4,039,075	2,402
Change in net assets	283,871,616	7,867,265	12,958,839	4,821,164	147,027	9,683,639	8,057,939	(2,402)
Net assets - beginning of year	1,474,184,982	44,838,156	45,778,797	16,597,457	1,391,559	29,338,003	77,661,493	2,402
Net assets - end of year	$ 1,758,056,598	$ 52,705,421	$ 58,737,636	$ 21,418,621	$ 1,538,586	$ 39,021,642	$ 85,719,432	$ -

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, 2010

	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	$ 30,253,093	$ 1,196,562	$ 8,392,847	$ 638,120	$ -	$ -	$ -	$ -
From employee	28,579,338	741,271	6,673,673	619,544	6,002,296	3,743,725	114,626	-
Transfers from other plans	-	-	-	3,828	-	534,030	-	-
From external plans	-	-	-	-	-	225,582	-	-
Total contributions	58,832,431	1,937,833	15,066,520	1,261,492	6,002,296	4,503,337	114,626	-
Investment income:								
Net change in fair value of investments	148,432,811	4,571,849	4,928,103	1,374,425	-	2,456,429	7,565,552	-
Interest and dividends	31,269,171	963,042	1,830,840	324,712	1,957	654,692	2,042,786	25
Less investment expense	(6,221,408)	(191,670)	(100,256)	(11,936)	-	(86,747)	(305,699)	-
Net investment income	173,480,574	5,343,221	6,658,687	1,687,201	1,957	3,024,374	9,302,639	25
Securities lending activity:								
Securities lending income	37,196	1,146	-	-	-	-	1,814	-
Less securities lending expenses-net of rebates	74,993	2,310	-	-	-	-	3,070	-
Net securities lending income	112,189	3,456	-	-	-	-	4,884	-
Repurchase service credit	4,005,571	-	237,735	-	-	-	-	-
FICA tax savings	-	-	-	-	632,617	-	-	-
Transfer from proprietary fund	-	-	-	-	-	206,811	-	-
Miscellaneous income	3,406	25	-	9,677	15	889	-	-
Total additions	236,434,171	7,284,535	21,962,942	2,958,370	6,636,885	7,735,411	9,422,149	25
DEDUCTIONS:								
Benefits paid to participants	76,884,950	3,402,021	-	358,872	5,947,421	729,024	3,891,996	4,015
Refunds	3,942,154	131	3,932	-	-	-	-	-
Prefunded credit applied	-	-	5,563,631	-	-	-	-	-
Health premiums paid	-	-	6,663,020	-	-	-	-	-
Transfers to other plans	210,638	-	-	-	327,220	-	-	-
	81,037,742	3,402,152	12,230,583	358,872	6,274,641	729,024	3,891,996	4,015
Administrative expenses	1,214,733	18,154	102,353	27,098	266,327	416,407	24,318	-
Total deductions	82,252,475	3,420,306	12,332,936	385,970	6,540,968	1,145,431	3,916,314	4,015
Change in net assets	154,181,696	3,864,229	9,630,006	2,572,400	95,917	6,589,980	5,505,835	(3,990)
Net assets - beginning 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
Net assets - end of year	$ 1,474,184,982	$ 44,838,156	$ 45,778,797	$ 16,597,457	$ 1,391,559	$ 29,338,003	$ 77,661,493	$ 2,402

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011 & 2010

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, 2011 and 2010.

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 (SIB) 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 SIB contracted with a third party securities lending agent (Agent) to lend the System's securities portfolios. This relationship was terminated by the SIB in May 2011. The Agent was requested to call back all securities on loan and liquidate the collateral. As of June 30, 2011 there were no securities on loan.

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, which include equipment and intangibles (software), and software not in production, 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, 2011 and 2010 the System capitalized equipment and software in accordance with Section 54-27-21 of the North Dakota Century Code. Software not in production is not depreciated.

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. In 2011 and 2010, transfers to other plans also includes an operating transfer from retirement plan to the deferred compensation plan to cover software development costs.

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

Actual results could differ from those estimates. 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.

	2011	2010
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	$ 3,761,482	$ 2,738,600
Cash Deposits at State Treasury recorded as Cash and Cash Equivalents	554,204	701,264
Cash held by the North Dakota Retirement and Investment Office recorded as Cash and Cash Equivalents	5,667,265	4,064,659
Guaranteed Investment Contract with Blue Cross Blue Shield recorded as Cash and Cash Equivalents	5,906,048	6,043,500
	$15,888,999	$13,548,023

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, 2011 and 2010 the carrying amount of the System's cash deposits were $15,888,999 and $13,548,023, and the bank balances were $15,924,986 and $13,626,630. All of the System's deposits are uncollateralized and uninsured at June 30, 2011 and 2010.

Investments

Total investments of the System at fair value as of June 30, 2011 and 2010 consisted of the following:

	2011	2010
Equity securities	$1,063,370,396	$806,980,117
Bonds and notes	687,633,019	667,778,091
Real estate	101,876,039	73,611,369
Alternative investments	63,145,098	63,362,366
Mutual funds	18,832,541	14,263,760
Commingled managed pool	2,476,058	2,218,760
Invested cash	26,240,745	19,913,159
Deferred compensation plans		
Annuities	81,156	94,200
Mutual funds	37,253,362	27,847,283
Securities lending short-term collateral investment pool	-	9,913,239
	$2,000,908,414	$1,685,982,344

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 and Deferred Compensation Plan 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 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 and the Deferred Compensation Plan 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

Type (in thousands)	Market Value 2011	Market Value 2010	Less Than 1 Year 2011	Less Than 1 Year 2010	1-6 Years 2011	1-6 Years 2010	6-10 Years 2011	6-10 Years 2010	Over 10 Years 2011	Over 10 Years 2010
Asset Backed Securities	$ 3,501	$ 3,673	$ -	$ -	$ 767	$ 748	$ 529	$ 91	$ 2,205	$ 2,834
Commercial Mortgage-Backed	5,196	5,345	-	-	-	481	-	-	5,196	4,864
Guaranteed Fixed Income	578	514	64	-	514	514	-	-	-	-
Corporate Bonds	108,670	147,928	967	2,008	35,585	38,040	34,705	64,685	37,413	43,195
Corporate Convertible Bonds	28,675	20,421	1,006	-	17,764	12,421	2,435	1,360	7,470	6,640
Government Agencies	24,726	14,833	57	36	16,937	7,356	5,693	5,200	2,039	2,076
Government Bonds	68,752	51,207	1,139	5,049	23,010	13,947	19,973	15,446	24,630	16,766
Gov't. Mortgage and Commercial	60,838	37,147	-	-	1,124	1,004	4,170	2,870	55,544	33,273
Index Linked Government Bonds	843	343	-	-	-	-	-	-	843	343
Municipal/Provincial Bonds	7,434	4,822	91	-	5,115	2,652	65	180	2,163	1,990
Non-Government Backed CMOs	16,759	17,431	-	-	-	-	4,874	1,833	11,885	15,599
Other Fixed Income	117	113	117	-	-	113	-	-	-	-
Short Term Bills and Notes	1,105	169	1,105	169	-	-	-	-	-	-
Pooled Investments	123,149	125,120	-	18,134	69,783	106,625	53,366	230	-	131
Total Debt Securities	$450,343	$429,066	$4,546	$25,396	$170,599	$183,901	$125,810	$91,895	$149,388	127,711

Job Service Retirement Plan

Type (in thousands)	Market Value 2011	Market Value 2010	Less Than 1 Year 2011	Less Than 1 Year 2010	1-6 Years 2011	1-6 Years 2010	6-10 Years 2011	6-10 Years 2010	Over 10 Years 2011	Over 10 Years 2010
Asset Backed Securities	$ 184	$ 234	$ -	$ -	$ 23	$ 31	$ 24	$ 7	$ 137	$ 196
Commercial Mortgage-Backed	163	206	-	-	-	16	-	-	163	190
Guaranteed Fixed Income	27	31	3	-	24	31	-	-	-	-
Corporate Bonds	6,002	8,913	45	136	1,851	2,453	1,932	3,630	2,174	2,695
Corporate Convertible Bonds	1,589	1,353	55	-	917	802	123	96	494	455
Government Agencies	1,120	791	3	2	798	417	235	243	84	123
Government Bonds	3,365	2,718	55	231	1,099	777	957	826	1,254	883
Gov't. Mortgage and Commercial	2,069	1,454	-	-	33	33	132	108	1,904	1,313
Index Linked Government Bonds	53	20	-	-	-	-	-	-	53	20
Municipal/Provincial Bonds	345	244	4	-	237	131	3	11	101	102
Non-Government Backed CMOs	737	801	-	-	-	-	148	61	589	740
Other Fixed Income	3	4	3	-	-	4	-	-	-	-
Short Term Bills and Notes	51	8	51	8	-	-	-	-	-	-
Pooled Investments	25,373	17,804	-	776	2,971	17,013	22,402	8	-	8
Total Debt Securities	$41,081	34,581	$219	$1,153	$7,953	$21,708	$25,956	$4,990	$6,953	$6,725

Retiree Health Insurance Credit Fund

All securities subject to interest rate risk disclosure in the Retiree Health Insurance Credit Fund are pooled investments. The market value of these securities maturing in 1-6 years is $2.405 million and maturing in 6-10 years is $20.556 million for a total market value of $22.961 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	
	2011	2010	2011	2010	2011	2010	2011	2010
Australian dollar	$ (4,740)	$ (4,432)	$ 5,172	$ 4,679	$ 4,025	$ 2,639	$ 4,457	$ 2,886
Brazilian real	(1,792)	-	3,055	2,651	-	4,151	1,263	6,802
British pound sterling	4,445	4,914	4,077	2,892	19,160	11,363	27,682	19,169
Canadian dollar	(923)	(823)	3,439	1,758	1,169	3,252	3,685	4,187
Chinese yukan renminbi	1,901	1,047	-	-	-	-	1,901	1,047
Israeli shekel	2	-	-	-	493	301	495	301
Danish krone	12	(69)	-	-	412	321	424	252
Euro	555	(4,143)	672	-	31,534	19,098	32,761	14,955
Hong Kong dollar	-	(683)	-	-	1,788	1,324	1,788	641
Hungarian forint	-	-	1,246	-	-	-	1,246	-
Iceland krona	13	12	-	-	-	-	13	12
Indian rupee	-	-	302	-	-	-	302	-
Indonesian rupiah	-	-	3,830	2,233	-	-	3,830	2,233
Japanese yen	(577)	(5,824)	-	-	13,004	10,478	12,427	4,654
Malaysian ringgit	-	-	2,224	2,625	-	-	2,224	2,625
Mexican peso	-	-	3,281	2,935	-	-	3,281	2,935
New Zealand dollar	(1,572)	752	1,697	1,765	-	-	125	2,517
Norwegian krone	41	914	1,984	1,066	3,887	527	5,912	2,507
Phillippine peso	-	-	852	-	-	-	852	-
Polish zloty	-	-	2,904	2,936	-	-	2,904	2,936
Singapore dollar	1,097	(153)	-	-	627	449	1,724	296
South African rand	-	-	1,428	647	-	-	1,428	647
South Korean won	-	-	3,273	2,768	-	-	3,273	2,768
Swedish krona	4	(2,090)	-	2,582	1,388	986	1,392	1,478
Swiss franc	56	(1,887)	-	-	4,959	6,474	5,015	4,587
Turkish lira	1,935	1,868	-	-	-	-	1,935	1,868
International commingled funds (various currencies)	-	-	-	34,674	92,616	130,666	92,616	165,340
	$ 457	$ (10,597)	$39,436	$ 66,211	$ 175,062	$ 192,029	$214,955	$ 247,643

Job Service Retirement Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Australian dollar	$ (232)	$ (281)	266	$ 209	$ 181	$ 179	$ 215	$ 107
Brazilian real	(88)	-	181	139	-	178	93	317
British pound sterling	210	(100)	200	129	834	694	1,244	723
Canadian dollar	(45)	(56)	185	82	53	156	193	182
Chinese yuan renminbi	93	47	-	-	-	-	93	47
Israeli shekel	-	-	-	-	22	20	22	20
Danish krone	1	(5)	-	-	18	22	19	17
Euro	3	(540)	51	-	1,361	1,109	1,415	569
Hong Kong dollar	-	(46)	-	-	80	90	80	44
Hungarian forint	-	-	61	-	-	-	61	-
Iceland krona	1	1	-	-	-	-	1	1
Indian rupee	-	-	23	-	-	-	23	-
Indonesian rupiah	-	-	250	117	-	-	250	117
Japanese yen	(26)	(381)	-	-	584	709	558	328
Malaysian ringgit	-	-	109	117	-	-	109	117
Mexican peso	-	-	189	165	-	-	189	165
New Zealand dollar	(77)	34	83	79	-	-	6	113
Norwegian krone	2	36	97	48	160	36	259	120
Phillippine peso	-	-	65	-	-	-	65	-
Polish zloty	-	-	142	131	-	-	142	131
Singapore dollar	53	(10)	-	-	28	30	81	20
South African rand	-	-	70	29	-	-	70	29
South Korean won	-	-	194	141	-	-	194	141
Swedish krona	-	(100)	-	115	62	67	62	82
Swiss franc	3	(128)	-	-	223	368	226	240
Turkish lira	95	83	-	-	-	-	95	83
International commingled funds (various currencies)	-	-	-	1,550	-	2,809	-	4,359
	(7)	$ (1,446)	$ 2,166	$ 3,051	$3,606	$ 6,467	$ 5,765	$ 8,072

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

The June 30, 2011 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	$276,845	$ 118,236
Highway Patrolmen's Retirement System	-	37,944
Retiree Health Insurance Credit Fund	377,136	423,518
Retirement Plan for Employees of Job Service ND	12,879	35,324
Pretax Benefit Program	39,931	-
Deferred Compensation Plan	73,203	-
Defined Contribution Plan	4,278	25,315
Proprietary		
Uniform Group Insurance Program	135,456	279,391
	$919,728	$ 919,728

The June 30, 2010 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	$ 108,859	$ 20
Highway Patrolmen's Retirement System	-	31,087
Retiree Health Insurance Credit Fund	-	177,478
Retirement Plan for Employees of Job Service ND	-	13,650
Pretax Benefits Program	20,342	-
Deferred Compensation Plan	36,047	-
Defined Contribution Plan	-	12,365
Proprietary		
Uniform Group Insurance Program	69,352	-
	$ 234,600	$ 234,600

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, 2011due 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, 2011 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
State Auditors Office	$ 100	-
State Tax Department	40	-
ND Supreme Court	80	-
Health Department	260	-
Dept. of Human Services	880	-
Job Service	420	-
Insurance Department	20	-
Industrial Commission	40	-
Dept. of Labor	80	-
Workforce Safety and Ins.	60	-
Highway Patrol	80	-
Dept. of Corrections	80	-
Adjutant General	200	-
Dept. of Commerce	140	-
Dept. of Agriculture	40	-
State Fair Association	90	-
Game and Fish	40	-
Water Commission	20	-
Dept. of Transportation	500	371
ITD	-	8,198
Attorney General	80	330
Office of Mgmt/Budget	100	10,471
Secretary of State	-	81
Total	$ 3,350	$19,451
Pretax Benefits Program		
Secretary of State	$ -	20
ITD	-	$ 1,070
Attorney General	-	82
Office of Mgmt/Budget	-	2,609
Total	$ -	$ 3,781
Deferred Compensation Plan		
ITD	$ -	$ 1,646
Attorney General	-	163
Office of Mgmt/Budget	-	5,218
Dept. of Transportation	-	16
Secretary of State	-	41
Total	$ -	$ 7,084
Proprietary		
Uniform Group Insurance Program		
Dept. of Transportation	$ -	$ 99
Office of Mgmt/Budget	1,111	7,827
ITD	-	4,945
Attorney General	7	294
Secretary of State	-	61
State Fair Association	197	-
Total	$1,315	$ 13,226

The June 30, 2010 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	$ -	$ 55
Supreme Court	9,484	-
State Auditors Office	366	-
Dept. of Human Services	390	-
Dept. of Agriculture	273	-
ITD	-	14,101
Attorney General	-	1,679
Office of Mgmt/Budget	-	4,126
State Fair Association	2,944	-
Total	$ 13,457	$19,961
Defined Contribution Plan		
ITD	$ -	$ 19
Pretax Benefits Program		
ITD	$ -	$ 928
Attorney General	-	420
Office of Mgmt/Budget	-	138
Total	$ -	$ 1,486
Deferred Compensation Plan		
ITD	$ -	$ 1,480
Attorney General	-	840
Office of Mgmt/Budget	-	336
Total	$ -	$ 2,656
Proprietary		
Uniform Group Insurance Program		
Dept. of Transportation	$ -	$ 167
Office of Mgmt/Budget	-	1,145
ITD	-	4,754
Attorney General	-	3,998
Total	$ -	$ 10,064

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, 2011 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfer In	Transfer Out
Fiduciary Funds		
Defined Contribution Retirement Fund	$ 3,156	$ -
Pretax Benefit Program	-	406,937
Deferred Comp Plan	930,000	-
Public Employees Retirement System	-	264,688
Proprietary Funds		
Uniform Group Insurance Program	-	261,531

The June 30, 2010 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfer In	Transfer Out
Fiduciary Funds		
Defined Contribution Retirement Fund	$ 3,828	$ -
Pretax Benefits Program	-	327,220
Deferred Comp Plan	740,841	-
Public Employees Retirement System	-	210,638
Proprietary Funds		
Uniform Group Insurance Program	-	206,811

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 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, 2011 and 2010 is as follows:

	Balance 7/01/2010	Additions	Deletions	Balance 6/30/2011
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$2,449,576	$ 389,354	$2,781,913	$ 57,017
Capital assets being depreciated:				
Software	$ -	$2,781,913	$ -	$ 2,781,913
Less: Accumulated amortization for software	-	(208,643)	-	(208,643)
Total capital assets being depr., net	-	$2,573,270	$ -	$2,573,270
Proprietary Funds capital assets, net	$2,449,576	$ 2,962,624	$ 2,781,913	$ 2,630,287
Fiduciary Funds:				
Capital assets not being depr.:				
Software (not in production)	$ 6,072,754	$966,946	6,896,716	$142,984
Capital assets being depreciated:				
Software	-	6,896,716	-	6,896,716
Equipment	11,527	-	-	11,527
Total capital assets being depr.	11,527	6,896,716	-	6,908,243
Less: Accumulated amort/depr. for:				
Equipment	(10,606)	(921)	-	(11,527)
Software	-	(517,252)	-	(517,252)
Total capital assets being depr. net	921	6,378,543	-	6,379,464
Fiduciary Funds capital assets, net	$6,073,675	$7,345,489	$6,896,716	$6,522,448

	Balance 7/01/09	Additions	Deletions	Balance 6/30/10
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ 1,763,016	$686,560	$ -	$2,449,576
Fiduciary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ 4,371,268	$1,701,486	$ -	$ 6,072,754
Capital assets being depreciated:				
Equipment	11,527	-	-	11,527
Less: Accumulated depreciation for equipment	(9,221)	(1,385)	-	(10,606)
Total capital assets being depr. net	2,306	(1,385)	-	921
Fiduciary Funds capital assets, net	$4,373,574	$ 1,700,101	$ -	$ 6,073,675

NOTE 5 – LEASE OBLIGATIONS

Operating Lease:

The department has entered into an operating lease for office space until June 30, 2013. Expenditures for this lease were $113,868 per year, for the years ended June 30, 2011 and June 30, 2010. The future minimum lease payments for the fiscal years ending June 30, 2012 and 2013 are $124,346 for each year.

The department has also entered into an operating lease for office equipment until February 28, 2014. Expenditures for this lease were $854 for the year ended June 30, 2011. The future minimum lease payments for the fiscal years ending June 30, 2012, 2013 and 2014 are $2,561, $2,561 and $1,707, respectively.

The leases contain clauses stating that renewal is dependent upon appropriation funding by the State Legislature. Lease obligations for operating and capital leases are payable from all funds of the System.

NOTE 6
CHANGE IN LONG-TERM LIABILITIES

	Proprietary Fund	Fiduciary Fund
	Accrued Comp. Absences	Accrued Comp. Absences
Balance – June 30, 2009	$ 50,096	$ 130,273
Increases	$ 38,509	$ 91,805
Decreases	$ (29,172)	$ (80,391)
Balance - June 30, 2010	$ 59,433	$ 141,687
Increases	39,999	89,717
Decreases	(29,844)	(75,321)
Balance- June 30, 2011	$ 69,588	$ 156,083
Balance- due within one year	$ 3,598	$ 8,070

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, 2011, 2010 and 2009, were $113,315, $119,404 and $112,837 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 last beneficiary of the OASIS plan deceased during the fiscal year, therefore, no further benefits are payable under the plan. Remaining assets of approximately $2,400 were transferred to the General Fund.

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:

	2011	2010
Cities	81	81
Counties	49	48
School Districts	114	115
Other	70	69
Total participating political subdivisions	314	313

Employee membership data is as follows:

	PERS		HPRS	
	2011	2010	2011	2010
Retirees & Beneficiaries Currently Receiving Benefits	7,821	7,416	115	113
Special Prior Service Retirees	14	18	-	-
Terminated Vested Participants	3,558	3,375	5	4
Inactive Participants	3,138	2,183	4	1
Active Plan Participants				
Vested	15,478	14,891	65	63
Nonvested	5,217	5,777	68	76
Total Plan Membership	35,226	33,660	257	257

	Job Service	
	2011	2010
Retirees & Beneficiaries Currently Receiving Benefits	213	211
Special Prior Service Retirees	-	-
Terminated Vested Participants	4	4
Inactive Participants	-	-
Active Plan Participants:		
Vested	23	31
Nonvested	-	-
Total Plan Membership	240	246

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 287 and 293 participants as of June 30, 2011 and 2010, 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, 2011 and 2010, the following are the net realized gains (losses):

	2011	**2010**
Public Employees Retirement	$101,917,138	$13,625,153
Highway Patrolmen's Retirement	3,084,668	416,666
Retiree Health Insurance Credit	1,001,928	(6,443,275)
Defined Contribution	181,115	(49,426)
Deferred Compensation	109,709	(45,961)
Job Service Plan	4,379,813	(184,385)

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

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 180 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 180 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 180 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. Aparticipating 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.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges, Law Enforcement, Highway Patrol and Defined Contribution plans. Effective January 2012, the employee contribution rate will be increased by 1% and the employer contribution rate will be increased by 1%. Effective January 2013, both the employee and employer contribution rates will be increased by an additional 1%. For Law Enforcement, the increases are .5% for the employee and employer for each year.

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 2010-2011.

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 2010-2011.

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

Annual required contributions	$1,744,270
Interest on net pension obligations	(57,723)
Adjustment to annual required contrib.	50,357
Annual pension costs	1,736,904
Contributions made	1,285,699
Change in net pension obligations	451,205
Net pension obligations, beginning of year	(721,539)
(Assets in excess of) net pension obligations, end of year	$ (270,334)

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	(122,716)
Adjustment to annual required contrib.	128,875
Annual pension costs	6,159
Contributions made	-
Change in net pension obligations	6,159
Net pension obligations, beginning of year	(1,636,217)
(Assets in excess of) net pension obligations, end of year	$ (1,630,058)

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 members years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	2011	2010
Retired participants receiving benefits	4,242	4,105
Eligible terminated participants not receiving benefits	-	-
Active participants, not receiving benefits	21,062	21,047
	25,304	25,152

The Retiree Health Insurance Credit Fund has 21,062 and 21,047 active participants at June 30, 2011 and 2010, respectively. The employers' actuarially required contribution was $7,053,215 and $7,199,033 and the actual employer contributions were $8,929,903 and $8,392,847 for the periods ended June 30, 2011 and 2010, 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	0.00%	$ -
Changes in Plan Provisions	-	-
Changes in plan experience during the year	0.01%	82,897
	0.01%	$ 82,897

The employer contribution for the PERS and the HPRS and the Defined Contribution Plan is set by statute on an actuarially determined basis at 1.14% of covered compensation. The employer contribution for non-teaching employees of the Office of the Superintendent of Public Instructions is 3.24% 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 2.99% 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 1.14% 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 $5.00 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 2011-13 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 is shown in the table below.

Funded Status (in millions)

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	2011	$1,650.4	$2,339.8	$689.4	70.5%	$ 804.2	85.7%
Highway Patrol	2011	$ 49.5	$ 67.1	$ 17.6	73.7%	$ 8.0	220.0%
Job Service	2011	$ 74.1	$ 67.4	$ (6.7)	110.0%	$ 1.2	0.0%
Retiree Health Credit	2011	$ 53.7	$ 108.3	$ 54.6	49.6%	$ 828.9	6.6%
Retiree Health Implicit Subsidy	2009	$ -	$ 53.7	$ 53.7	0.0%	$ -	0.0%

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.

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 20 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, 2011, 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. For judges, the assumed payroll growth rate is 4.00% per annum.

Mortality Rates - For NDPERS and HPRS: Pre- and post-mortality life expectancies of participants based upon the RP-2000 Combined Healthy Mortality Table, set back three years for NDPERS and set back one year for HPRS and the RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females) for disabled members.

Withdrawal - Rates of withdrawal from active service before retirement for reasons other than death or disability, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.

Expenses - Administrative expense of $1,120,500 a year for the Public Employees Retirement System and $18,000 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, 2011, 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 thefuture, 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, 2011, the date of the latest actuarial study include:

Mortality Rates: The RP-2000 Combined Healthy Mortality Table set back three years and the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females).

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 $97,000 a year.

Implicit Subsidy Unfunded Plan
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 Annity Mortality Table, set back one year for males and Pension Benefit Guaranty Coproration Disabled Life Mortality Table for Individuals Receiving Social Security Benefits.

Health Care Cost Trend: Select – 9.50%; Ultimate – 6.0%. Select trends are reduce 0.5% each year until reaching the ultimate trend.

Retierement 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:

	2011	
Plan Participation by State of ND	$32,619,742	87%
Other jurisdictions	4,714,776	13%
Total value	$37,334,518	100%

	2010	
Plan Participation by State of ND	$24,211,519	87%
Other jurisdictions	3,729,964	13%
Total value	$27,941,483	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. The contract for the 2007-2009 biennium provides for an accounting of premiums paid and claims incurred during the biennium, with a gain sharing provision, with the final accounting taking place two years after the end of the biennium. The final accounting for the 2007-2009 biennium occurred on June 30, 2011. Claims exceeded premiums, therefore, there was no surplus returned to the System. The System has entered into a similar contract with BCBS for the 2009-2011 biennium. The final accounting for this biennium will occur on June 30, 2013. The accumulated surplus and other invested funds in the amount of $5.9 million are shown as cash on the System’s balance sheet. These funds are being held by BCBS.

The federal health care reform bill provides for a pre-Medicare retiree reinsurance provision for employer plans that will reimburse employers by providing reinsurance for 80% of retiree claims between $15,000 and $90,000. This program became effective on June 1, 2010 and employer eligibility is determined from an application submitted by the employer to the Department of Health and Human Services. The program requires that the funds be used to (1) reduce the sponsor’s health benefit premiums or health benefit costs, (2) reduce health benefit premium contributions, copayment, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The System Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. The System submitted an application and was determined to be an eligible employer. The System received a reimbursement of $1.7 million during the fiscal year which is included in Cash on the System’s balance sheet.

The contract for life insurance 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

In 2007, the System 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 was anticipated to be fully completed by June 2011. As of June 30, 2011, the System had paid $8.5 million towards these contracts. The System delayed implementation of the member self service functionality to 2012, therefore, the final payment to Sagitec will be made during the 2011-2013 biennium upon completion of the warranty period.

NOTE 15
NEW PRONOUNCEMENTS

GASB Statement No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans – the provisions related to the use and reporting of alternative measurement method was effective on issuance, December 2009. The provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in financial statements of other postemployment benefit plans is effective for periods beginning after June 15, 2011. This statement addresses issues related to the use of alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans (agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus will be effective for financial statement periods beginning after June 15, 2012 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the requirements of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

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. Investors had been offered two options: invest directly in WG Trading company (WGTC) by purchasing a limited partnership interest in it; or lend money to WG Trading Inc. (WGTI). WGTC was subject to SEC regulation, capital requirements, reporting and oversight, whereas WGTI was an unregulated and unaudited entity. SIB chose to invest directly in the regulated, audited WGTC.

At the time the Commodity Futures Trading Commission (CFTC) and Securities Exchange Commission (SEC) charges were filed, the court appointed a receiver to take control of any recoverable assets. The receiver recommended the court distribute the recovered assets as follows: pool the assets of WGTC and WGTI, and distribute those assets pro rata to all investors. The receiver's method did not take into consideration the terms in which each investor entered into the investment (i.e. limited partnership interest versus note holder agreement), even though the majority of the WGTC assets were intact and the fraud predominantly occurred with WGTI. The court agreed with the receiver and in April, 2011, the recovered assets were distributed to all investors in a pro rata distribution based on net investment balances. The SIB received a total distribution of $63.9 million, which represented approximately 85% of its remaining cost basis with WGTC. The total realized loss included in the SIB June 30, 2011 financial statements attributable to the fraud is $11.3 million. The portion of the realized loss allocated to NDPERS is $4.6 million.

The SIB does not agree with the method used to distribute the assets, and along with the other limited partners is appealing the District Court's ruling. It is the SIB's position that the District Court incorrectly determined the amount of the redistribution; and that the audited limited partners are entitled to a greater share of the recovered assets than the unaudited note holders. At this time it is difficult to estimate the potential additional distribution that could be received if the appeal is successful, therefore, no amount has been included on the balance sheet as of June 30, 2011.

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
2006	$ 31,906,102	69%
2007	38,184,510	61
2008	35,875,117	70
2009	40,327,067	69
2010	54,157,866	56
2011	82,909,840	39

Highway Patrolmen's Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
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)
2010	1,312,591	91	(721,539)
2011	1,744,270	74	(270,334)

Retiree Health Insurance Credit
Advance Funded Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2006	$ 5,396,153	100.0%
2007	5,687,050	100.0
2008	5,708,457	100.0
2009	5,804,660	116.0
2010	7,199,033	117.0
2011	7,053,215	127.0

For the four 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
2010	6,938,000	0
2011	7,295,000	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
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
2010	2,208.4	1,621.7	586.7	73.4	769.7	76.2
2011	2,339.8	1,650.4	689.4	70.5	804.2	85.7

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
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
2010	61.8	49.3	12.5	79.8	7.7	161.0
2011	67.1	49.5	17.6	73.7	8.0	220.0

For the five 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
2010	70.1	73.5	(3.4)	104.8	1.6	0.0
2011	67.4	74.1	(6.7)	110.0	1.2	0.0

For the six 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
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
2010	102.8	48.7	54.1	47.4	793.6	6.8
2011	108.3	53.7	54.6	49.6	828.9	6.6

For the two years 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%
2009	53.7	-	53.7	0.0	-	0.0

SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

Fiduciary Funds

For the Fiscal Year Ended June 30, 2011

	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	564,902	3,928	57,145	3,780	165,623	267,225	3,024	0
Social security	41,891	290	4,239	280	12,331	20,118	224	0
Retirement	48,883	337	4,950	327	14,519	23,005	262	0
Insurance	125,261	897	11,866	785	35,117	46,920	628	0
Total Personnel Services	780,937	5,452	78,200	5,172	227,590	357,268	4,138	0
Professional Services:								
Actuarial	329,614	11,745	11,000	0	0	0	16,000	0
Audit	16,459	129	1,637	108	4,147	8,294	87	0
Data processing	111,312	869	7,990	583	12,808	20,945	423	0
Consulting	13,153	98	0	7,500	12,000	16,006	0	0
Legal counsel	11,277	88	1,112	95	2,114	4,648	59	0
Misc outside services	16,107	126	2,519	332	10,825	4,447	2,838	0
Total Professional Services	497,922	13,055	24,258	8,618	41,894	54,340	19,407	0
Communication:								
Postage & mailing svc	34,414	269	3,376	223	11,383	6,625	179	0
Printing	26,764	209	1,884	125	4,458	3,033	100	0
Telephone	11,762	92	1,085	72	2,091	3,850	58	0
Total Communication	72,940	570	6,345	420	17,932	13,508	337	0
Rentals:								
Equipment rent	4,225	33	441	29	1,151	2,199	23	0
Office rent	44,221	345	4,395	291	11,099	22,079	233	0
Total Rentals	48,446	378	4,836	320	12,250	24,278	256	0
Miscellaneous:								
Depreciation	277,149	2,326	26,503	1,913	69,548	139,096	1,638	0
Dues and prof development	16,006	125	802	653	595	814	42	0
Insurance	53	1	5	1	13	26	0	0
Miscellaneous	8,548	83	1,116	74	2,363	6,399	59	
Repairs and maintenance	447	3	45	3	113	151	2	0
Supplies	85,844	671	8,720	1,033	22,219	43,050	460	0
Travel	8,995	70	558	512	223	1,602	29	0
Total Miscellaneous	397,042	3,279	37,749	4,189	95,074	191,138	2,230	0
Total Administrative Expenses	$1,797,287	$22,734	$151,388	$18,719	$394,740	$640,532	$26,368	$0

SCHEDULE OF ADMINISTRATIVE EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	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	459,083	2,277	43,999	3,029	138,281	213,896	2,535	0
Social security	33,964	166	3,257	224	10,278	16,076	188	0
Retirement	41,466	204	3,946	271	12,346	19,124	227	0
Insurance	115,524	684	10,296	712	32,477	42,057	597	0
Total Personnel Services	650,037	3,331	61,498	4,236	193,382	291,153	3,547	0
Professional Services:								
Actuarial	158,546	11,745	11,000	12,500	0	0	16,000	0
Audit	16,733	127	1,573	110	4,215	8,430	92	0
Data processing	164,783	1,251	9,363	971	9,986	18,432	549	0
Consulting	5,157	38	0	7,500	12,000	17,898	0	0
Legal counsel	16,116	115	1,672	116	3,528	8,337	231	0
Misc outside services	5,323	40	487	138	989	3,151	2,917	0
Total Professional Services	365,658	13,316	24,095	21,335	30,718	56,248	19,789	0
Communication:								
Postage & mailing svc	42,712	325	4,346	304	14,765	11,418	255	0
Printing	28,915	220	1,635	114	1,791	4,049	96	0
Telephone	11,741	89	993	69	2,117	3,630	58	0
Total Communication	83,368	634	6,974	487	18,673	19,097	409	0
Rentals:								
Equipment rent	5,642	42	557	39	1,522	3,062	33	0
Office rent	43,562	339	4,213	294	11,225	22,759	247	0
Total Rentals	49,204	381	4,770	333	12,747	25,821	280	0
Miscellaneous:								
Depreciation	1,385	0	0	0	0	0	0	0
Dues and prof development	15,844	118	849	330	810	2,787	49	0
Insurance	604	5	57	4	152	305	3	0
Miscellaneous	10,424	79	975	68	2,616	5,164	57	
Repairs and maintenance	1,208	9	120	8	304	609	7	0
Supplies	23,093	175	2,196	240	6,510	11,411	129	0
Travel	13,908	106	819	57	415	3,812	48	0
Total Miscellaneous	66,466	492	5,016	707	10,807	24,088	293	0
Total Administrative Expenses	$1,214,733	$18,154	$102,353	$27,098	$266,327	$416,407	$24,318	$0

Statement of Appropriations

For the Year Ended June 30, 2011

	Approved 2009-2011 Appropriation	2009-2011 Appropriation Adjustments	Adjusted 2009-2011 Appropriation	Expenditures 2010	Expenditures 2011	Unexpended Appropriation
All Fund Types:						
Salaries and wages	$ 4,236,489	$ 30,000	$ 4,266,489	$ 2,071,559	$ 2,189,760	$ 5,170
Operating Expenses	1,659,999	-	1,659,999	742,043	874,568	43,388
Technology project carryover	4,734,726	-	4,734,726	2,337,363	1,801,213	596,150
Contingency	250,000	(30,000)	230,000	-	-	220,000
	$ 10,881,214	$ -	$ 10,881,214	$ 5,150,965	$ 4,865,541	$ 864,708

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2010	2011
Pension Trust Funds	$2,069,390	$3,051,768
Enterprise Funds	948,355	1,198,515
Total administrative expenses	3,017,745	4,250,283
Add:		
Software development costs reclassified to software (not in production)	2,388,046	1,356,300
Change in software development costs accrued, but not yet paid	317,642	590,444
Contribution/premium over & short	720	1,536
Conference account revenues in excess of expenditures	-	2,034
Change in accounts payable not charged to appropriation	-	880
Less:		
Professional fees paid pursuant to NDCC 54-52-04(6)	(548,956)	(584,014)
Depreciation expenses	(1,385)	(726,817)
Allocated depreciation charged as equipment rent to other programs	(831)	(554)
Changes in accrued compensated absences	(20,751)	(24,551)
Accounts payable not yet charged to appropriation	(1,265)	-
Total appropriated expenditures	$ 5,150,965	$ 4,865,541

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	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	$6,232,260	$188,571	$132,724	$0	$0	$0	$277,752	$0
Administrative Expenses	469,588	14,221	0	0	0	0	0	0
	6,701,848	202,792	132,724	0	0	0	277,752	0
Securities Lending Fees (Net of rebates)	(18,147)	(549)	0	0	0	0	(676)	0
Payments to Providers:								
Investment Fees	0	0	0	13,797	0	96,510	0	0
Total Investment Expenses	$6,683,701	$202,243	$132,724	$13,797	$0	$96,510	$277,076	$0

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	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	$5,935,703	$182,885	$100,256	$0	$0	$0	$305,699	$0
Administrative Expenses	285,705	8,785	0	0	0	0	0	0
	6,221,408	191,670	100,256	0	0	0	305,699	0
Securities Lending Fees (net of rebates)	(74,993)	(2,310)	0	0	0	0	(3,070)	0
Payments to Providers:								
Investment Fees	0	0	0	11,936	0	86,747	0	0
Total Investment Expenses	$6,146,415	$189,360	$100,256	$11,936	$0	$86,747	$302,629	$0

SCHEDULE OF CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011

	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
Actuary Fees:							
The Segal Company	329,613	11,745	11,000	0	0	0	16,000
Audit/Accounting Fees:							
Brady, Martz & Associates	16,459	129	1,637	108	4,147	8,294	87
Disability Consulting Fees:							
Mid Dakota Clinic	5,702	98	0	0	0	0	0
Miscellaneous Consulting Fees:							
The Segal Company	0	0	0	7,500	12,000	16,006	0
Callan Associates, Inc.	2,508	0	0	0	0	0	0
University of North Dakota	4,944	0	0	0	0	0	0
Legal Fees:							
ND Attorney General	11,277	88	1,112	95	2,114	4,648	59
Totals	$370,503	$12,060	$13,749	$7,703	$18,261	$28,948	$16,146

SCHEDULE OF CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	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	158,546	11,745	11,000	12,500	0	0	16,000	0
Audit/Accounting Fees:								
Brady, Martz & Associates	16,733	127	1,573	110	4,215	8,430	92	0
Disability Consulting Fees:								
Mid Dakota Clinic	4,412	38	0	0	0	0	0	0
Miscellaneous Consulting Fees:								
The Segal Company	0	0	0	7,500	12,000	17,899	0	0
Fox Lawson & Associates	745	0	0	0	0	0	0	0
Legal Fees:								
ND Attorney General	15,116	115	1,672	116	3,528	8,336	231	0
Totals	$195,552	$12,025	$14,245	$20,226	$19,743	$34,665	$16,323	$0

INVESTMENT SECTION

INVESTMENT REPORT FROM THE NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

North Dakota Retirement and Investment Office

State Investment Board
Teachers' Fund for Retirement

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December 5, 2011

Board of Trustees
Members of the System

This report is a summary of the North Dakota Public Employees Retirement System (PERS) investment portfolios and market environment for the fiscal year ended June 30, 2011.

Introduction

For the fiscal year ended June 30, 2011, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of 21.43%. The Job Service Pension Plan experienced a net total return of 16.39% for the same time period. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent review.

Economic Overview

The fiscal year ended June 30, 2011, was filled with many "headline" events, but the markets pulled through with a strong year. The Federal Reserve began the fiscal year by announcing another round of monetary stimulus, which was dubbed "QE2". The Fed laid out plans to buy $600 billion worth of Treasury bonds over an 8-month period ending June 30, 2011. Deflation fears early in the fiscal year were somewhat eased; inflation, which registered at 1.1% at the start of the fiscal year, rose to 3.6% by June 30, 2011. While many also feared that the economy would slip back into a recession, Gross Domestic Product (GDP) growth was positive in each quarter, growing 1.6% for the 12-months ended June 30, 2011. Even though this level of growth was lower than that in the previous fiscal year (+3.3%), it was not driven by large fiscal stimuli such as the prior year's first-time home buyer credit or the "cash for clunkers" program.

The unemployment rate remained elevated throughout the fiscal year, ending at 9.1%, which was a little lower than fiscal year 2010's 9.6% rate. The troubling factor not revealed in the unemployment numbers is the low level of workforce participation. The labor force participation rate at the end of the fiscal year was 64.1%; one would have to go back to March of 1984 to find a rate that low (the average over this 27 1/4 year time frame is 66.1%).

The economy grew at a modest pace but continued to fight high unemployment, a weak housing market, and modest consumer spending. The Fed is also still making attempts to stimulate the economy through very loose monetary policy. In fact, the Fed recently announced another stimulus program in which it will sell short-term Treasuries in order to buy longer-term Government bonds. The Fed will also reinvest all principal and interest payments received on its vast holdings of mortgage-backed securities. This program has been given the nickname "Operation Twist." The effects of this policy remain to be seen.

Domestic Equity Overview

The fiscal year ended June 30, 2011, brought very high returns across the broad domestic equity market. The S&P 1500 Index, a broad market indicator for the US stock market, finished the fiscal year with a return of +31.65%. The first quarter of the fiscal year was flat, but the last three quarters were very strong (+6.28%; +11.19%; +11.39%, respectively). Small cap stocks performed better than large cap stocks during the fiscal year. The S&P 600, a gauge of small cap stock performance, outpaced its large cap peer (the S&P 500 index), +37.03% to +30.69%. Growth stocks held up better than value stocks during fiscal year 2011. The Russell 3000 Growth Index advanced 35.68% versus a gain of 29.13% for the Russell 3000 Value Index.

International Equity Overview

Developed international equity markets, as represented by the MSCI EAFE Index, produced positive results in fiscal year 2011. The index returned +30.36%, which was a much better result than the 5.92% gain in the 2010 fiscal year. As in the US, Growth stocks produced higher returns than Value stocks in the developed world's stock markets. For the trailing twelve-months ended June 30, 2011, the MSCI EAFE Growth Index gained 31.25% while the MSCI EAFE Value Index was up 29.35%. Emerging market returns trailed developed market returns in fiscal year 2011 as the MSCI Emerging Markets Index gained 28.17%. In sum, fiscal 2011 was a good year for the world's stock markets.

Domestic Fixed Income Overview
The US bond market, as measured by the Barclays Capital Aggregate Bond Index, had a +3.90% return for the four calendar quarters ended 6/30/2011. Even with some deflationary fears and economic uncertainty, the U.S. equity market provided investors with enough comfort that they did not flee to the relative safe haven of the bond market as they did in 2008. Treasury yields rose across the long end of the curve but fell at the shorter end. When compared to fiscal year 2010, yield spreads for non-Government bonds narrowed during fiscal year 2011.

The Barclays Capital Government/Credit Intermediate Index returned +3.77% over the fiscal year. This return was above the +3.20% gain of the Barclays Capital Government/Credit Long Index. The Barclays Capital Credit Index rose 6.20% for the trailing twelve-months as company balance sheets continued to improve. High yield investors saw strong returns; the Barclays Capital High Yield Index returned +15.63% for the year ended June 30, 2011.

International Fixed-Income Overview
The international fixed income markets were adversely affected by a sovereign debt crisis that started with Greece but soon spread to many other Eurozone members. Despite this development, the Citi Euro Government Bond Index gained 16.91% while the rest of the world showed smaller returns (+13.95% for the Citi non-U.S. World Government index; this index includes the strong return from Europe). However, most of this return came from US Dollar depreciation versus other currencies. The leaders of the European Union continued their efforts to contain the debt crisis through many measures, none of which seemed to convince investors that the problem was solved.

The US Dollar depreciated relative to most foreign currencies during the fiscal year, which enhanced U.S. investors' foreign bond returns. The dollar depreciated in every quarter after appreciating in fiscal 2010. In US Dollar-denominated returns, the Citi Non-US World Government Bond Index rose 13.95% for the year ended 6/30/11. For comparative purposes, the local currency return – the currency where the investments are actually made – for the Citi Non-US World Government Bond Index was only 0.34%. Emerging Market countries experienced positive returns for fiscal year 2011; the JP Morgan Emerging Markets Bond Plus Index gained 11.75%.

Real Estate Overview
The NCREIF Property Index, a measure of the private real estate market, rose 16.73% during the 2011 fiscal year. The index was positive in each of the four quarters, extending its positive streak to six (6) straight quarters. Capitalization rates have come down since the previous fiscal year and returns are positive across sectors. The NAREIT Equity Index, a measure of the public securities real estate market, gained 5.25% during the 2011 fiscal year. Private real estate valuations often lag those of the public real estate market. Consequently, the larger return of the NCREIF Property Index relative to the NAREIT Equity Index could be due to this timing factor: the NAREIT Equity Index gained over 55% for the fiscal year ended June 30, 2010.

Private Equity Overview
The private equity market grew at a faster pace in fiscal year 2011 as more institutional investors placed capital into new programs. According to "Buyouts" newsletter, 347 transactions closed in the amount of $109 billion during the 2011 fiscal year. This is an increase in the total number of transactions from fiscal year 2010 (266) and nearly five times as much dollar volume ($22 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous. Instead of recognizing any particular index as representative of the opportunity for the fiscal year ended June 30, 2011, it is worth noting that the pension pool's alternative investment allocation of total fund assets was 4.8%. The market value of the alternative investment allocation, including investment returns and net new investment, gained 14.99% during the fiscal year.

Summary
Although fiscal year 2011 was the second of two significantly positive years for the PERS funds, the coming years will continue to be challenging. To ensure that the pension pool is appropriately invested to meet those challenges, the PERS Board has conducted an asset/liability study that was completed after fiscal year-end. This study will provide guidance to the State Investment Board (SIB) in structuring the investments within the pension pool to meet future challenges.

Additionally, the global capital markets have become an important consideration when constructing a portfolio. PERS and SIB will need to be prepared to take advantage of investment opportunities throughout the world as they occur. The SIB will continue to invest the monies entrusted to them in a fiduciary sound manner, while at the same time explore investment opportunities that will add investment return to expected benchmark return expectations.

Sincerely,

John W. Geissinger, 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.

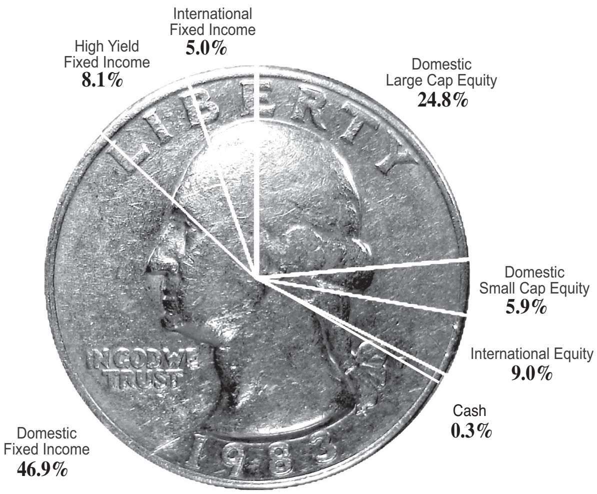
The investment goals for the Job Service Retirement Plan are: to maintain a level of surplus sufficient to eliminate the need for future contributions; to achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index, by 3.0 percentage points per year (based on 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.

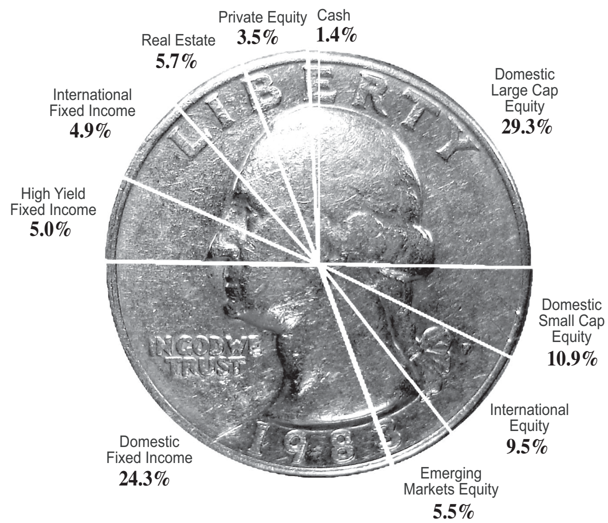
INVESTMENT SUMMARIES

Job Service Retirement Plan Asset Allocation – June 30, 2011



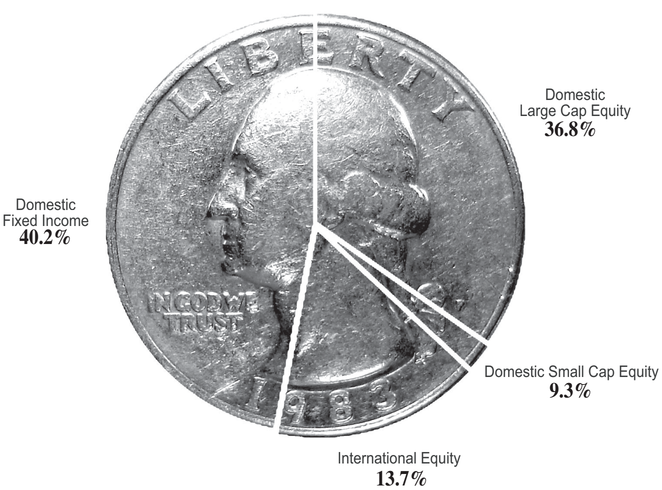
Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 21,244,737	24.8%	25.0%
Domestic Small Cap Equity	5,079,536	5.9%	6.0%
International Equity	7,720,826	9.0%	9.0%
Domestic Fixed Income	40,129,209	46.9%	47.0%
High Yield Fixed Income	6,887,856	8.1%	8.0%
International Fixed Income	4,295,369	5.0%	5.0%
Cash & Equivalents	277,745	0.3%	0.0%
Total	$ 85,635,279	100.0%	100.0%

Public Employees and Highway Patrolmen's Retirement Systems Asset Allocation – June 30, 2011



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 528,219,218	29.3%	30.0%
Domestic Small Cap Equity	196,761,557	10.9%	10.0%
International Equity	171,579,658	9.5%	10.0%
Emerging Markets Equity	98,680,108	5.5%	5.0%
Domestic Fixed Income	436,474,192	24.3%	24.0%
High Yield Fixed Income	89,243,614	5.0%	5.0%
International Fixed Income	87,666,872	4.9%	5.0%
Real Estate	101,876,039	5.7%	5.0%
Private Equity	63,145,098	3.5%	5.0%
Cash & Equivalents	25,963,000	1.4%	1.0%
Total	$1,799,609,356	100.0%	100.0%

Retiree Health Insurance Credit Program Asset Allocation – June 30, 2011



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 20,982,231	36.8%	37.0%
Domestic Small Cap Equity	5,291,656	9.3%	9.0%
International Equity	7,810,869	13.7%	14.0%
Domestic Fixed Income	22,935,906	40.2%	40.0%
Total	$ 57,020,662	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, 2011

	2007	2008	2009	2010	2011	Annualized 3 Year	Annualized 5 Year
Total Fund (PERS)	18.96%	-5.60%	-24.42%	13.67%	21.43%	1.39%	3.19%
Total Fund (Job Service)	15.90%	-1.64%	-16.51%	13.61%	16.39%	3.31%	4.68%
CPI	2.67%	5.50%	-1.98%	1.36%	4.06%	1.12%	2.30%
Large Cap Domestic Equities	22.27%	-15.66%	-39.58%	18.99%	30.58%	-2.11%	-0.66%
S&P 500	20.59%	-13.12%	-26.21%	14.43%	30.69%	3.34%	2.94%
Small Cap Domestic Equities	18.54%	-19.70%	-31.73%	36.20%	36.07%	8.16%	3.92%
Russell 2000	16.43%	-16.19%	-25.01%	21.48%	37.41%	7.77%	4.08%
International Equities	27.88%	-17.91%	-27.31%	13.37%	31.20%	2.64%	2.56%
MSCI 50% Hedged EAFE thru 3/31/11, MSCI EAFE thereafter	26.95%	-15.49%	-27.05%	8.47%	23.57%	-0.74%	0.96%
Emerging Markets Equities	49.32%	3.69%	-26.69%	23.20%	27.93%	4.93%	12.33%
MSCI Emerging Markets Free	45.45%	4.89%	-27.82%	23.48%	28.17%	4.53%	11.75%
Domestic Fixed Income	13.61%	9.78%	-3.04%	6.31%	6.15%	3.05%	6.40%
Barclays Aggregate	6.12%	7.12%	6.05%	9.50%	3.90%	6.46%	6.52%
High Yield Bonds	12.15%	-3.62%	-20.08%	31.79%	18.22%	7.58%	6.12%
Barclays High Yield Corp 2% Issuer Cap	11.22%	-1.74%	-1.91%	26.66%	15.53%	12.80%	9.42%
International Fixed Income	3.77%	14.24%	0.21%	9.17%	15.79%	8.20%	8.47%
Citigroup Non-US Gov't. Bond index thru 12/31/09, BCGlobal Aggregate ex US thereafter	2.20%	18.72%	3.53%	0.78%	15.39%	6.39%	7.87%
Real Estate	15.47%	7.27%	-32.45%	-11.79%	24.11%	-9.57%	-1.55%
NCREIF Index	17.24%	9.20%	-19.57%	-1.48%	16.73%	-2.57%	3.44%
Alternative Investments[1]	16.83%	4.50%	-32.94%	19.06%	14.99%	-3.27%	2.08%
Cash	5.24%	0.71%	1.09%	0.29%	0.17%	0.52%	1.48%
90 Day T-bills	5.21%	3.36%	0.95%	0.16%	0.16%	0.42%	2.00%

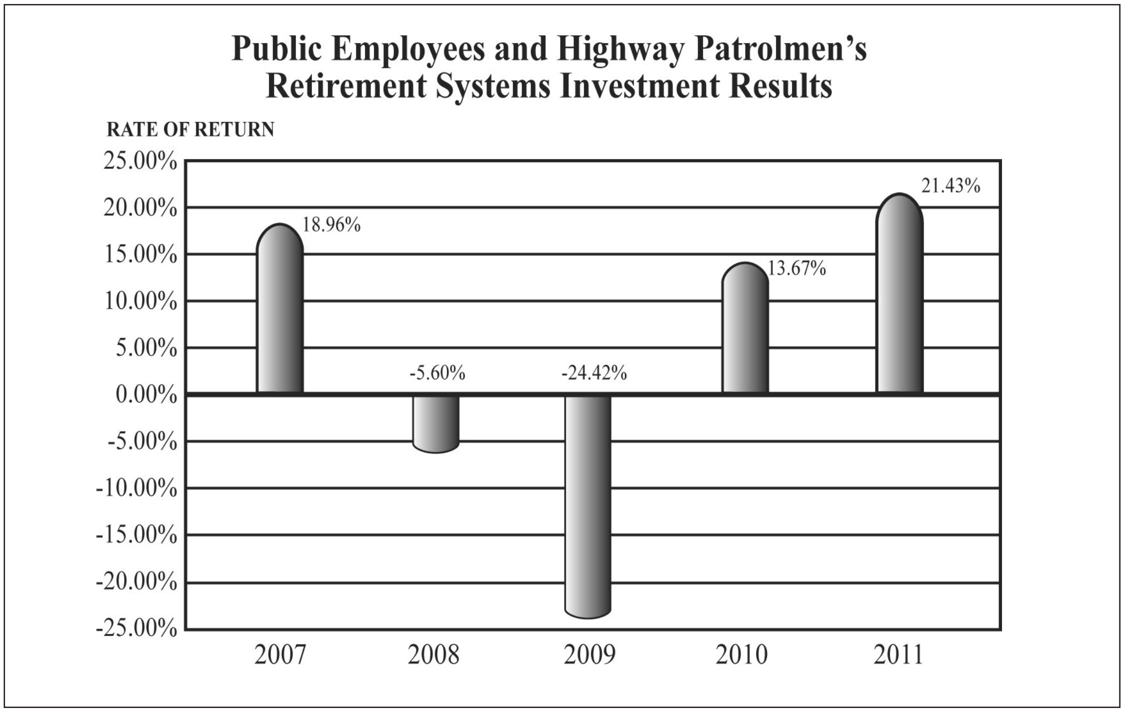
CPI = Consumer Price Index
S&P 500 = Standard & Poor's Domestic Equity Stock Index
Russell 2000 = Frank Russell Company 2000 Index
EAFE = Europe, Australia and Far East Stock Index
NCREIF = National Council of Real Estate
Investment Fiduciaries Index

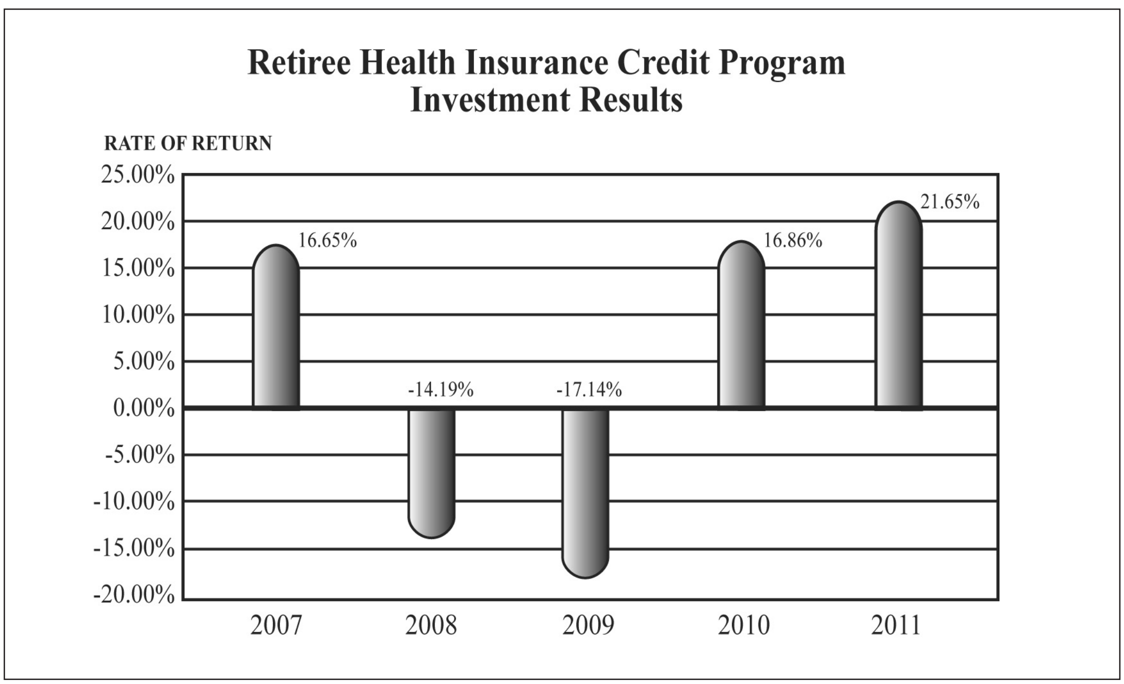
[1] *It has been determined that there is no benchmark that is an accurate reflection of the System's investments in this asset class.*
[2] *The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values.*

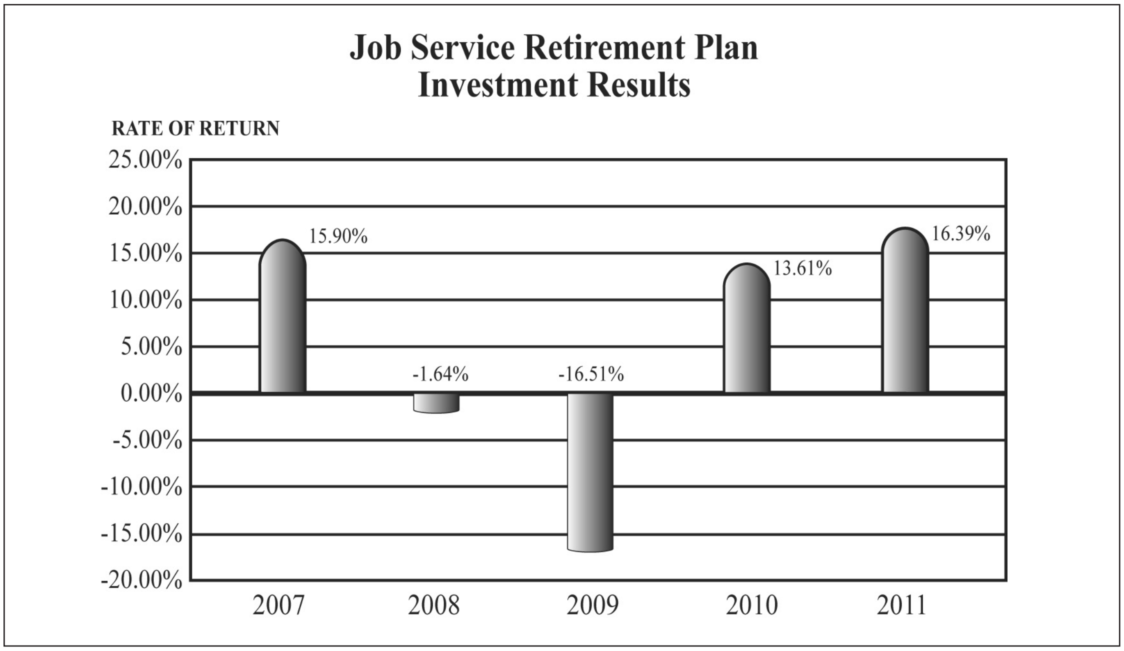
Retiree Health Insurance Credit Plan
Schedule of Investment Results[1]
For the Five Years Ended June 30, 2011

	2007	2008	2009	2010	2011	Annualized 3 Year	Annualized 5 Year
Total Fund	16.65%	-14.19%	-17.14%	16.86%	21.65%	5.61%	3.35%
CPI	2.67%	5.50%	-1.98%	1.36%	4.06%	1.12%	2.30%
Large Cap Domestic Equities	22.64%	-18.05%	-29.49%	17.62%	31.56%	2.81%	1.73%
S&P 500	20.59%	-13.12%	-26.21%	15.23%	31.94%	3.91%	3.28%
Small Cap Domestic Equities	16.79%	-22.70%	-27.95%	34.33%	34.55%	9.05%	3.16%
Russell 2000	20.39%	-11.57%	-27.83%	21.49%	37.41%	7.77%	4.08%
International Equities	27.72%	-12.85%	-33.45%	13.30%	31.42%	-0.53%	1.80%
MSCI EAFE	27.00%	-10.61%	-31.35%	8.15%	30.36%	-3.66%	0.30%
Domestic Fixed Income	5.22%	-6.92%	5.77%	16.90%	7.88%	10.54%	5.71%
Barclays Aggregate	6.12%	7.12%	6.05%	9.50%	3.90%	6.46%	6.52%

[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%
18.96%
-5.60%
-24.42%
13.67%
21.43%
2007
2008
2009
2010
2011


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%
16.65%
-14.19%
-17.14%
16.86%
21.65%
2007
2008
2009
2010
2011



Largest Holdings By Market Value at June 30, 2011

Stocks
Chevron Corporation
Comcast Corporation
Anheuser-Busch
ADR Teva Pharmaceutical
Metlife Incorporated
Oracle Corporation
Davita Incorporated
Visteon Corporation
Visa Incorporated
Coca Cola Company

Bonds
US Treasury Bonds 4.25% Due 11-15-2040
Treasury 3.75% T-Gilt Due 09/07/2021
Gov't of Canada Note 2.0% Due 09/01/2012
US Treasury Notes 3.5% Due 02/15/2018
ETF Ishares Barclays Aggregate Bond Fund
MFC AllianceBernstein Inc. Fund
New South Wales Treasury Bonds 6.0% Due 04/01/2016
Mexico Bonds 8.5% Due 05/31/2029
MFC Vanguard Total Bond Market Fund ETF
Republic of Poland Bonds 5.25% Due 10/25/2017

A complete list of all holdings is available upon request.

LARGEST HOLDINGS JUNE 30, 2011

INVESTMENT FEES

Public Employees and Highway Patrolmen's Retirement System
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2011

	Assets Under Management	Fees
Investment Managers' Fees:		
Large Cap Domestic Equities	$528 Million	$ 2,429,119
Small Cap Domestic Equities	$197 Million	1,261,895
International Equities	$172 Million	760,952
Emerging Markets Equities	$ 99 Million	1,149,664
Domestic Fixed Income	$436 Million	3,385,542
High Yield Fixed Income	$ 89 Million	2,135,711
International Fixed Income	$ 88 Million	307,714
Real Estate	$102 Million	1,143,987
Private Equity	$ 63 Million	1,263,842
Cash	$ 26 Million	35,362
Total Investment Managers' Fees(1)		$13,873,788
Other Investment Service Fees:		
Custodian Fees	$ 1.8 Billion	$ 266,910
Investment Consultant Fees	$ 1.8 Billion	105,898
SIB Administrative Fees	$ 1.8 Billion	483,809
Total Investment Service Fees		$ 856,617
Securities Lending Fees *(net of rebates)*	$ 1.8 Billion	$ (18,696)

(1)Includes fees of $7,825,765 which were netted against investment income.

Job Service Retirement Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2011

	Assets Under Management	Fees
Investment Managers' Fees:		
Large Cap Domestic Equities	$21 Million	$ 98,998
Small Cap Domestic Equities	$ 5 Million	36,245
International Equities	$ 8 Million	28,372
Domestic Fixed Income	$40 Million	186,427
High Yield Fixed Income	$ 7 Million	165,584
International Fixed Income	$ 4 Million	15,133
Cash	$ .3 Million	1,076
Total Investment Managers' Fees(1)		$ 531,836
Other Investment Service Fees:		
Custodian Fees	$86 Million	$ 12,655
Investment Consultant Fees	$86 Million	5,066
SIB Administrative Fees	$86 Million	20,908
Total Investment Service Fees		$ 38,629
Securities Lending Fees *(net of rebates)*	$86 Million	$ (676)

(1)Includes fees of $292,713 which were netted against investment income.

Retiree Health Insurance Credit Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2011

	Assets Under Management	Fees
Investment Manager's Fees	$57 Million	$ 224,707
Custodian Fees	$57 Million	1,027
SIB Administrative Fees	$57 Million	7,813
Total Investment Service Fees		$ 233,547

(1)Includes fees of $100,823 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

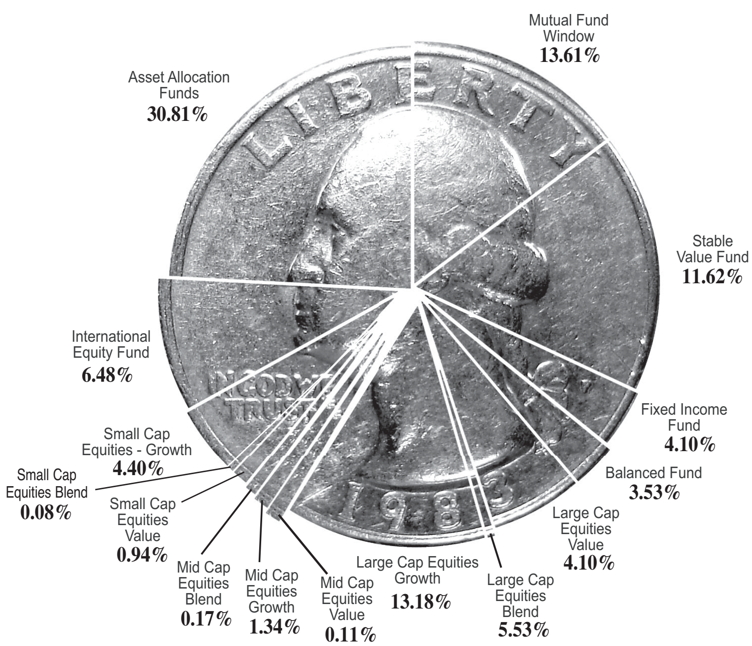
Defined Contribution Investments

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, 2011



Investment Options	Market Value	Percent
Stable Value Fund	2,476,058	11.62%
Fixed Income Fund	871,442	4.10%
Balanced Fund	751,383	3.53%
Large Cap Equities - Value	874,794	4.10%
Large Cap Equities - Blend	1,179,021	5.53%
Large Cap Equities - Growth	2,808,808	13.18%
Mid Cap Equities - Value	22,739	0.11%
Mid Cap Equities - Blend	36,977	0.17%
Mid Cap Equities - Growth	284,966	1.34%
Small Cap Equities - Value	200,513	0.94%
Small Cap Equities - Blend	17,572	0.08%
Small Cap Equities - Growth	937,160	4.40%
International Equity Fund	1,379,977	6.48%
Asset Allocation Funds	6,564,800	30.81%
Mutual Fund Window	2,899,233	13.61%
Total	21,305,444	100.00%

Defined Contribution Retirement Plan – Schedule of Investment Results

For the Five Years Ended June 30, 2011

	2007	2008	2009	2010	2011	3-year annualized	5-year annualized
Stable Value Fund:							
Fidelity Managed Income Portfolio	4.28%	4.39%	2.67%	1.16%	1.34%	1.72%	2.76%
GIC 5 year index	5.30%	4.26%	2.00%	0.86%	92.00%	1.49%	2.48%
Fixed Income Fund:							
PIMCO Total Return Bond Fund	4.96%	10.55%	8.99%	13.03%	5.67%	9.19%	8.60%
Barclays Aggregate Bond Index	6.12%	7.12%	6.05%	9.50%	3.90%	6.46%	6.52%
Balance Fund:							
Fidelity Puritan	17.41%	-7.54%	-17.25%	15.85%	22.28%	5.20%	4.84%
60% Russell 3000 Index	15.25%	-8.56%	-14.82%	14.34%	19.04%	4.18%	3.35%
40% Barclays Aggregate Bond Index							
Large Cap Equities-Value:							
Fidelity Equity-Income	23.67%	-20.04%	-28.70%	15.41%	29.57%	2.16%	1.07%
Franklin Mutual Shares A	22.49%	-19.47%	-23.79%	15.85%	23.25%	2.86%	1.43%
Russell 1000 Value Index	21.87%	-18.78%	-29.03%	16.92%	35.01%	5.01%	5.33%
Large Cap Equities-Blend:							
Fidelity Spartan US Equity Index	20.49%	-13.16%	-26.19%	14.37%	30.59%	3.30%	2.90%
Fidelity Dividend Growth	21.48%	-17.80%	-23.34%	19.95%	35.57%	7.62%	4.48%
S&P 500 Index	20.59%	-13.12%	-26.18%	14.43%	30.69%	3.34%	2.94%
Large Cap Equities-Growth:							
Fidelity Growth Company	18.62%	3.93%	-29.39%	17.29%	41.56%	5.45%	7.65%
Russell 3000 Growth Index	18.84%	-6.38%	-24.53%	13.95%	35.68%	5.28%	5.36%
Fidelity Blue Chip Growth	16.23%	-6.10%	-24.29%	21.25%	37.16%	7.98%	6.56%
Russell 1000 Growth Index	19.04%	-5.96%	-24.50%	13.62%	35.01%	5.01%	5.33%
Mid Cap Equities - Value							
Goldman Sachs Mid Cap Value	21.28%	-9.59%	-30.99%	22.02%	36.32%	4.71%	4.71%
Russell Mid Cap Value	22.09%	-17.09%	-30.52%	28.91%	34.28%	6.35%	4.01%
Mid Cap Equities-Blend:							
Dreyfus Mid Cap Index	17.90%	-7.60%	-28.16%	24.29%	38.82%	7.42%	6.19%
S&P Mid Cap 400	18.51%	-7.34%	-27.36%	24.93%	39.38%	7.82%	6.60%
Fidelity Spartan Extended Market Index	19.69%	-11.27%	-27.36%	24.22%	39.22%	7.89%	5.93%
Wilshire 4500 Index	19.75%	-11.52%	-27.52%	23.68%	38.97%	7.60%	5.74%
Mid Cap Equities-Growth:							
Fidelity Mid Cap Stock	20.62%	-8.66%	-36.22%	26.06%	37.48%	3.40%	4.02%
Russell Mid Cap Growth	19.73%	-6.42%	-30.33%	21.30%	43.25%	6.58%	6.28%
Small Cap Equities-Value:							
Allnz NFJ Small Cap Value	21.45%	-6.83%	-23.86%	24.75%	32.54%	7.98%	7.34%
Russell 2000 Value Index	16.05%	-21.63%	-25.24%	25.07%	31.35%	7.09%	2.24%
Small Cap Equities - Blend							
Dreyfus Small Cap Index	15.63%	-15.00%	-24.87%	23.22%	36.83%	8.20%	4.48%
Russell 2000 Small Cap Index	16.43%	-16.19%	-25.01%	21.48%	37.41%	7.77%	4.08%
Small Cap Equities-Growth:							
MSI Small Co Growth B	14.91%	-15.75%	-19.83%	15.10%	38.55%	8.53%	4.34%
Russell 2000 Growth Index	16.83%	-10.83%	-24.85%	17.96%	43.50%	8.35%	5.79%
International Equity Funds:							
Fidelity Diversified International	25.72%	-5.66%	-34.29%	5.58%	30.50%	-3.26%	1.43%
Fidelity Spartan International Index	NA	NA	NA	4.73%	39.22%	7.89%	5.93%
MSCI EAFE	27.20%	-10.47%	-31.25%	6.02%	30.49%	-1.63%	1.64%
Asset Allocation Funds:							
Fidelity Freedom Income	8.66%	0.03%	-2.94%	10.86%	9.49%	4.61%	4.47%
Income benchmark(1)	8.85%	0.73%	-3.00%	7.63%	7.59%	3.96%	4.37%
Fidelity Freedom 2000	9.80%	-0.75%	-4.39%	11.09%	10.07%	4.30%	4.34%
2000 benchmark(1)	10.25%	-0.81%	-4.57%	7.81%	7.92%	3.63%	4.13%
Fidelity Freedom 2005	13.64%	-3.45%	-11.37%	13.10%	16.17%	3.87%	4.22%
2005 benchmark(1)	14.13%	-3.49%	-10.78%	10.96%	14.51%	4.11%	4.41%
Fidelity Freedom 2010	14.01%	-3.45%	-12.01%	13.33%	18.53%	4.53%	4.58%
2010 benchmark(1)	14.44%	-3.78%	-11.64%	11.33%	16.90%	4.74%	4.77%
Fidelity Freedom 2015	15.19%	-4.40%	-13.41%	13.60%	18.93%	4.05%	4.40%
2015 benchmark(1)	15.53%	-4.80%	-12.92%	11.67%	17.35%	4.44%	4.66%
Fidelity Freedom 2020	17.16%	-6.04%	-17.32%	14.65%	21.91%	3.43%	4.02%
2020 benchmark(1)	17.50%	-6.95%	-16.82%	13.19%	20.44%	4.20%	4.33%
Fidelity Freedom 2025	17.68%	-6.71%	-18.58%	14.42%	24.21%	3.43%	3.97%
2025 benchmark(1)	17.85%	-7.33%	-18.12%	13.50%	23.05%	4.47%	4.49%
Fidelity Freedom 2030	19.40%	-8.21%	-21.87%	14.72%	25.43%	2.42%	3.32%
2030 benchmark(1)	19.49%	-9.46%	-21.46%	13.86%	24.50%	3.63%	3.79%
Fidelity Freedom 2035	19.46%	-8.54%	-22.56%	14.24%	27.11%	2.36%	3.22%
2035 benchmark(1)	19.62%	-9.53%	-22.39%	14.05%	26.73%	3.88%	3.93%
Fidelity Freedom 2040	20.13%	-8.54%	-23.45%	14.40%	27.62%	2.07%	3.06%
2040 benchmark(1)	20.02%	-10.11%	-23.31%	14.33%	27.05%	3.66%	3.73%
Fidelity Freedom 2045	20.44%	-9.24%	-23.74%	14.45%	28.11%	2.14%	3.09%
2045 benchmark(1)	20.58%	-10.66%	-23.68%	14.33%	27.47%	3.65%	3.77%
Fidelity Freedom 2050	20.74%	-10.13%	-25.05%	14.30%	29.14%	1.65%	2.75%
2050 benchmark(1)	20.94%	-11.03%	-24.75%	14.35%	28.76%	3.41%	3.55%

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.

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

December 15, 2011

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, 2011

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, 2011 is based on the following major elements:
- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2011 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2011 (obtained from the Retirement System’s draft 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, 2011 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 $689.4 million as of July 1, 2011.

Calculated and Statutory Contribution Rates

The July 1, 2011 actuarial valuation of the North Dakota Public Employees Retirement System indicates the following contribution requirements:

PERS Plan	Actuarial Required Contribution Rate[1]	Statutory/Approved Employer Contribution Rate	Member Contribution Rate
Main System	11.36%	4.12%-5.12%[2]	4.00%-5.00%[2]
Judges	15.96%	14.52%-15.52%[2]	5.00%-6.00%[2]
National Guard	7.08%	6.50%	4.00%
Law Enforcement with prior Main service	10.96%	8.31%	4.00%-4.50%[3]
Law Enforcement without prior Main service	7.56%	6.43%	4.00%-4.50%[2]

[1]The employer contribution rate for the Main System and Judges are set in Statute, while the employer rate for National guard and Law enforcement are approved bythe Board of Retirement. The rates are expressed as a percentage of covered payroll.

[2]The statutory rate is scheduled to increase in January 2012.

[3]The member contribution rate is scheduled to increase to 5.0% for members employed by the BCI and to 4.5% for other members in January 2012.

Exhibits

The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2011 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

Mark Hamwee, FSA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DECEMBER 15, 2011

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2011 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.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and in our opinion each individual assumption used (a) is reasonably related to the experience of the System and to reasonable expectations and (b) represents our best estimate of anticipated experience under the System.

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.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

Mark Hamwee, FSA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

Actuarial Assumptions and Cost Method – Public Employees Retirement System
(Adopted July 1, 2010)

Mortality Tables
Healthy: The RP-2000 Combined Healthy Mortality Table, set back three years.
Disabled: The RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).

These mortality tables were determined to contain provisions appropriate to reasonably reflect post and future mortality improvement based on a review of mortality experience in 2010.

Disability Incidence Rates
Before Age 65:
Males: 33% of OASDI disability incidence rates.
Females: 20% of OASDI disability incidence rates.
Age 65 and Later: .25% per year

Sample rates are as follows:

Age	Male	Female
20	0.02%	0.01%
30	0.04	0.02
40	0.07	0.04
50	0.20	0.12
60	0.54	0.33

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

Age	1	2	3	4	5
29 & under	22%	18%	16%	14%	14%
30-39	16	14	12	12	11
40 & Over	12	10	10	8	7

Ultimate rates after five years of service:

Age	Rates
20 - 24	8.8%
25 - 29	8.8
30 - 34	5.5
35 - 39	4.7
40 - 44	3.9
45 - 49	3.7
50 - 54	3.4
55 - 59	0.1
60 & Over	0.2

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

Age	1	2	3	4	5
29 & under	25%	23%	20%	17%	15%
30-39	20	17	15	13	11
40 & Over	17	15	12	10	7

Ultimate withdrawal rates after five years of service:

Age	Rates
20 - 24	8.8%
25 - 29	8.8
30 - 34	5.5
35 - 39	4.7
40 - 44	3.9
45 - 49	3.7
50 - 54	3.4
55 - 59	0.1
60 & Over	0.2

Judges:

Age	Rates
20 - 24	2.2%
25 - 29	2.2
30 - 34	1.4
35 - 39	1.2
40 - 44	1.0
45 - 49	0.9
50 - 54	0.8
55 - 59	0.0
60 & Over	0.1

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
Inactive vested members are assumed to elect a refund of employee contributions in lieu of deferred pension benefits when it is more valuable than the deferred annuity.

Retirement Rates for Active Members
Main System:

Age	Early Retirement	Unreduced Retirements
51		8%
52		8
53		8
54		8
55	2%	8
56	2	10
57	2	10
58	2	10
59	2	10
60	4	10
61	10	20
62	20	35
63	15	25
64	10	30
65		30
66		20
67		20
68		20
69		20
70		20
71		20
72		20
73		20
74		20
75		100

Judges:
Age 60 to 61: 10% per year
Age 62 to 64: 20% per year
Age 65 to 69: 50% per year
Age 70: 100%
National Guard and Law Enforcement:
Age 55 to 63: 20% per year
Age 64: 50% per year
Age 65: 100%

Retirement Age for Inactive Vested Members
Main System and Judges: The earlier of age 64 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: $1,100,000 per year
Judges: $7,500 per year
National Guard and Law Enforcement combined: $13,000 per year

Salary Scale
Main System, National Guard and Law Enforcement:
Less than five years of service:

Service:	0	1	2	3	4
% Increase:	8.25%	7.25%	6.75%	6.50%	6.25%

Five or more years of service (sample rates):

Age	Percentage Increase	Age	Percentage Increase
25	6.25%	45	5.11%
30	5.93	50	5.02
35	5.50	55	4.93
40	5.23	60	4.86

Judges: 5.00% 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 retirement or death, 80% of active male members and 65% of active female members are assumed to have spouses for the Main System, National Guard, and Law Enforcement. For Judges, at retirement or death, 100% of members are assumed to have spouses. Males are assumed to be three years older than their female spouses for all plans.

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, none. 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 for current PERS members or cost methods since the preceding valuation. However, former PERS members with a vested benefit who are currently active in the Highway Patrolmen's Retirement System (HPRS) area valued using the demographic assumptions used in that valuation. The HPRS did change several assumptions as of July 1, 2011. There are 22 former Main members and 1 former Law Enforcement With Prior Main service member who are included in the current PERS valuation. The change in the Main and Law Enforcement contribution rates as a result of the change in these assumptions is 0.00% of payroll. See the HPRS valuation for a complete summary of current and prior assumptions for those members.

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 or the age at which the Rule of 85 is met.

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 or the age at which the Rule of 85 is met.

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 180 months of employment.

10. Contributions:
Contribution rates specified in the Century Code (except employer rate for National Guard and Law Enforcement); differ between permanent full-time employees and part-time temporary employees. Rates are as follows:

	Rates Set by Statute Employees	Rates Set by Statute Employer	Rates Determined by the Board of Retirement Employer
Main System Full-Time Employees	4.00%	4.12%	
Effective Jan. 2012	5.00%	5.12%	
Effective Jan. 2013	6.00%	6.12%	
Main System Part-Time Employees	8.12%	0.00%	
Effective Jan. 2012	10.12%	0.00%	
Effective Jan. 2013	12.12%	0.00%	
Judges	5.00%	14.52%	
Effective Jan. 2012	6.00%	15.52%	
Effective Jan. 2013	7.00%	16.52%	
National Guard	4.00%		6.50%

	Employee Rate for Employees of Political Subdivisions	Employee Rate for Employees of the BCI
Law Enforcement with prior Main service	4.00%	4.00%
Effective Jan. 2012	4.50%	5.00%
Effective Jan. 2013	5.00%	6.00%
Law Enforcement w/out prior Main service	4.00%	
Effective Jan. 2012	4.50%	
Effective Jan. 2013	5.00%	

	Employer Rate for Employees of Political Subdivisions	Employer Rate for Employees of the BCI
Law Enforcement with prior Main service	8.31%	8.31%
Effective Jan. 2012	8.81%	9.31%
Effective Jan. 2013	9.31%	10.31%
Law Enforcement w/out prior Main service	6.43%	
Effective Jan. 2012	6.93%	
Effective Jan. 2013	7.43%	

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.

Changes in Plan Provisions:
As a result of legislation passed in 2011, the contribution rates are scheduled to increase in January of 2012 and again in January of 2013 by the following amounts:

	Employees	Employer
Main System Full-Time Employees	1.00%	1.00%
Main System Part-Time Employees	2.00%	
Judges	1.00%	1.00%

	Employees of Political Subdivisions	Employees of the BCI
Law Enforcement	0.50%	1.00%

Solvency Test — PERS
2006-2011

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)
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
2010	600.5	822.2	785.7	1,621.7	100	100	25
2011	588.3	908.3	843.2	1,650.5	100	100	18

Schedule of Active Member Valuation Data – PERS – 2006-2011

Main System

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2010	20,372	751.1	36,868	6.1
2011	20,359	785.4	38,577	4.6

Judges

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2010	47	5.7	120,962	4.5
2011	49	6.2	126,474	4.6

National Guard

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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)
2010	30	1.3	41,990	13.1
2011	30	1.3	44,119	5.1

Law Enforcement with prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2010	187	10.6	56,469	43.2
2011	196	8.8	45,029	-20.3

Law Enforcement without prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2010	32	1.1	35,572	12.4
2011	61	2.4	39,911	12.2

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, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**6.08%**	**6.26%**	**7.74%**	**10.76%**
Death after Retirement	0.00	0.20	0.09	-0.07
Death-in-Service	0.02	0.02	0.02	0.01
Disability Retirements	0.00	0.00	0.00	0.01
Withdrawal From Employment	0.02	-0.01	-0.03	-0.16
Age and Service Retirements	-0.24	-0.30	-0.25	0.06
Financial Experience-Investments	-0.13	1.04	0.96	0.68
Salary Scale and Service	0.09	0.05	0.28	0.02
Contribution Income	0.12	0.13	0.26	0.45
Administrative Expenses	0.00	0.01	0.00	0.01
New and Reinstated Members	0.12	0.12	0.07	0.05
Demographic Changes	0.20	0.33	0.24	-0.02
Assumption Changes	0.00	0.00	1.54	0.00
Plan Change	0.00	0.00	0.00	-0.21
Change in Amortization Schedule	-0.05	-0.11	-0.16	-0.23
Miscellaneous	0.03	0.00	0.00	0.00
Employer Cost Rate at End of Year	**6.26%**	**7.74%**	**10.76%**	**11.36%**

Judges

Plan Year Ended	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**9.31%**	**8.99%**	**10.48%**	**14.10%**
Plan Change	0.00	0.00	0.00	-0.48
Plan Experience	-0.22	-0.69	0.60	0.86
Investment Loss/(Gain)	0.00	2.42	2.34	1.63
Contribution Loss/(Gain)	0.00	-0.38	-0.27	-0.08
Assumption Changes	0.00	0.00	0.91	0.00
Change in Amortization Schedule	0.19	0.14	0.04	-0.07
Miscellaneous	-0.29	0.00	0.00	0.00
Employer Cost Rate at End of Year	**8.99%**	**10.48%**	**14.10%**	**15.96%**

National Guard

Plan Year Ended	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**3.53%**	**3.44%**	**3.71%**	**7.00%**
Plan Experience	-0.13	-0.66	0.82	-0.39
Investment Loss/(Gain)	0.00	0.72	0.76	0.52
Contribution Loss/(Gain)	0.00	0.17	-0.14	-0.01
Assumption Changes	0.00	0.00	1.85	0.00
Change in Amortization Schedule	0.04	0.04	0.00	-0.04
Employer Cost Rate at End of Year	**3.44%**	**3.71%**	**7.00%**	**7.08%**

Law Enforcement With Prior Main Service

Plan Year Ended	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**12.39%**	**9.04%**	**9.11%**	**10.80%**
Plan Change	0.00	0.00	0.00	-0.21
Plan Experience	0.94	-0.38	0.36	-0.42
Investment Loss/(Gain)	0.00	0.60	-0.08	0.49
Contribution Loss/(Gain)	0.00	0.01	0.00	0.51
Assumption Changes	0.00	0.00	1.54	0.00
Change in Amortization Schedule	-0.15	0.16	-0.13	-0.21
Miscellaneous	-4.14	-0.00	0.00	0.00
Employer Cost Rate at End of Year	**9.04%**	**9.11%**	**10.80%**	**10.96%**

Law Enforcement Without Prior Main Service

Plan Year Ended	June 30, 2008	June 30, 2009	June 30, 2010	June 30.2011
Employer Cost Rate at Beginning of Year	**8.50%**	**7.15%**	**6.83%**	**7.53%**
Plan Change	0.00	0.00	0.00	-0.19
Plan Experience	-1.29	-0.36	-0.49	0.34
Investment Loss/(Gain)	0.00	0.04	0.07	-0.06
Contribution Loss/(Gain)	0.00	0.05	-0.02	-0.04
Assumption Changes	0.00	0.00	1.16	0.00
Change in Amortization Schedule	-0.06	-0.05	-0.02	-0.02
Employer Cost Rate at End of Year	**7.15%**	**6.83%**	**7.53%**	**7.56%**

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2006-2011

Main System

Plan Year	Additions: Beginning Number	Additions: Counts	Additions: Annual Pension Benefits*	(Removals): Counts	(Removals): Annual Pension Benefits*	Ending Number	Average Annual Benefits	Annual Pension Benefits[1]	% Increase In Annual Benefits
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
2010	7,158	468	6.5	(254)	(1.9)	7,372	10,451	77.0	6.4
2011	7,372	618	9.4	(230)	(1.8)	7,760	10,904	84.6	9.9

**In millions.*

Judges

Plan Year	Additions: Beginning Number	Additions: Counts	Additions: Annual Pension Benefits	(Removals): Counts	(Removals): Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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)
2010	28	4	194,159	(2)	(47,106)	30	40,605	1,218,165	13.7
2011	30	5	273,928	(1)	(20,861)	34	43,272	1,471,232	20.8

National Guard

Plan Year	Additions: Beginning Number	Additions: Counts	Additions: Annual Pension Benefits	(Removals): Counts	(Removals): Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2010	7	1	2,026	0	(14,448)	8	14,575	116,597	(9.6)’
2011	8	1	8,841	0	0	9	13,938	125,438	7.6

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2006-2011

Law Enforcement with prior Main service

Plan Year	Beginning Number	Additions Counts	Additions Annual Pension Benefits	(Removals) Counts	(Removals) Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2010	17	9	174,259	(2)	(12,301)	24	17,680	424,319	61.7
2011	24	8	209,058	0	0	32	19,793	633,377	49.3

Law Enforcement without prior Main service

Plan Year	Beginning Number	Additions Counts	Additions Annual Pension Benefits	(Removals) Counts	(Removals) Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2010	0	0	0	0	0	0	0	0	0.00
2011	0	0	0	0	0	0	0	0	0.00

COMMENTS FROM THE SEGAL COMPANY

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

SEGAL

THE SEGAL COMPANY
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December 4, 2011

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, 2011

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, 2011 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2011 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2011 (obtained from the Retirement System's draft 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, 2011 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 $17.7 million as of July 1, 2011.

Calculated and Statutory Contribution Rates

The July 1, 2011 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 Contribution Rates		
		Employer	Member
27.13*	Current	16.70%	10.30%
	Effective January 2012	17.70%	11.30%
	Effective January 2013	18.70%	12.30%

**Reflects a scheduled increase in the member contribution rate from 10.3% to 11.3% on January 1, 2012.*

Exhibits

The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2011 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

Mark Hamwee, FSA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

NOVEMBER 28, 2011

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2011 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.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and in our opinion each individual assumption used (a) is reasonably related to the experience of the System and to reasonable expectations (b) represents our best estimate of anticipated experience under the System.

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.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

Mark Hamwee, FSA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

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

(Adopted July 1, 2011)

Mortality Tables

Healthy: The RP-2000 Combined Healthy Mortality Table set back one year.
Disabled: The RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females).
Sample healthy rates are as follows:

	Rate (%)	
Age	Male	Female
25	0.04	0.02
30	0.04	0.02
35	0.07	0.04
40	0.10	0.06
45	0.14	0.10
50	0.20	0.16
55	0.32	0.24
60	0.59	0.44
65	1.13	0.86

These mortality tables were determined to contain provision appropriate to reasonably reflect past and future mortality improvement, based on a review of mortality experience in 2010.

Annual Withdrawal Rates

First five years of service: 10% per year.
Second through fifth years of service:
5% per year.
After five years of service:

Under age 35:	2.5% at each age
Age 35 or older:	1% at each age

Withdrawal rates end upon eligibility for early retirement (age 50 and 10 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

Refund of Employee Contributions

Inactive vested members are assumed to elect a refund of employee contributions in lieu of a deferred pension benefit when it is more valuable than the deferred annuity.

Retirement Rates

The following annual rates apply for active members:
Age 50 and over:
Early retirement: 25%**
First year eligible for unreduced retirement*: 75%
After first year eligible for unreduced retirement*: 100%

**Age 55 and 10 years of service or Rule of 80*
***Those retiring with a reduced benefit are assumed to delay commencement until they satisfy the Rule of 80 if that is more valuable.*

Interest Rate

8.00% per annum, net of investment expenses.

Administrative Expenses

$18,000 per year.

Salary Scale

Less than five years of service:

Service	Percentage Increase
0	8.25%
1	7.25
2	6.75
3	6.50
4	6.25

Five or more years of service (sample rates are as follows):

Age	Percentage Increase	Age	Percentage Increase
25	6.25%	45	5.11%
30	5.93	50	5.02
35	5.50	55	4.93
40	5.23	60	4.86

Inflation

3.50% per annum.

Payroll Growth

4.50% per annum.

Marital Status

At retirement or death, 90% of 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

4.5% 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

Based on the results of Actuarial Experience Study completed in early 2010 the Board approved several changes to the following actuarial assumptions. Previously, these assumptions were as follows:

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% per year.
After five years of service:
Under age 35: 2% at each age.
Age 35 and older: 1% at each age.
Withdrawal rates end upon eligibility for early retirement (age 50 and 10 years of service or Rule 90).

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 benefits are ssumed to retire at age 55.

Annual Administrative Expenses
$16,000

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

Indexing for Benefits of Inactive Vested Members
5.00% per annum.

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, 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
7/1/94	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
7/1/10	5.00	1.0467	1.5245
07/1/11	2.00	1.0400	1.5855

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

5. Pre-retirement Death Benefits:
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 to the surviving spouse.
• 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 180 months of employment.

8. Contributions:
Member contributions as a percent of monthly salary:

Current:	10.30%
Effective January 2012:	11.30%
Effective January 2013:	12.30%

Member contributions earn interest at an annual rate of 7.50% compounded monthly. State contributions as a percent of monthly salary for each participating member:

Current:	16.70%
Effective January 2012:	17.70%
Effective January 2013:	18.70%

Plan Amendments –
Highway Patrolmen’s Retirement System
As a result of legislation passed in 2011, the contribution rates for the member and the State are scheduled to increase one percent each in January of 2012 and again in January of 2013 as shown above.

Schedule of Active Member Valuation Data – HPRS
2006-2011

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Change in Average Salary
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
2010	139	7.7	55,666	5.6
2011	133	8.0	60,168	8.1

North Dakota Highway Patrolmen's Retirement System
Retirees and Beneficiaries Added to and Removed from the Rolls, 2006-2011

		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
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
2010	109	5	191,085	(1)	(13,126)	113	30,995	3,502,382	5.4
2011	113	2	58,150	0	0	115	30,961	3,560,532	1.7

Solvency Test — HPRS
2006-2011

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)
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
2010	10.5	36.1	15.2	49.3	100	100	18
2011	11.6	37.4	18.1	49.5	100	100	3

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, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**15.08%**	**15.76%**	**18.73%**	**22.54%**
Plan Change	0.00	0.00	0.00	-0.43
Plan Experience	1.00	0.15	1.12	0.71
Change in Amortization Schedule	-0.15	-0.27	-0.42	-0.53
Assumption Changes	0.00	0.00	0.00	2.44
Investment Loss/(Gain)	0.00	3.21	3.02	1.98
Contribution Loss/(Gain)	0.00	-0.12	.09	0.92
Miscellaneous	-0.17	0.00	0.00	0.00
Employer Cost Rate at End of Year	**15.76%**	**18.73%**	**22.54%**	**27.13%**

COMMENTS FROM THE SEGAL COMPANY

JOB SERVICE RETIREMENT PLAN

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

December 21, 2011

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, 2011

Dear Members of the Board:

The Retirement Plan for Employees of Job Service North Dakota is a funded retirement plan administered by the North Dakota Public Employees Retirement System. One of the Retirement Plan'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 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, 2011 is based on the following major elements:

- Current benefit provisions.
- Membership data as of June 30, 2011 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2011 (obtained from the Retirement System's draft financial statements).
- 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, 2011 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 2011 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	Tammy F. Dixon, FSA, MAAA, EA
Consulting Actuary	Vice President and Actuary

ACTUARIAL VALUATION CERTIFICATE

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

DECEMBER 21, 2011

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2011 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 Plan and to reasonable expectations.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

Tammy F. Dixon, FSA, MAAA, EA
Vice President and 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 or single participants with eligible children
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
2006 to 2011

Valuation Date as of July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Increase in Average Salary
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
2010	31	1.6	51,975	6.4
2011	23	1.2	52,208	0.5

Retirement Plan for Employees of Job Service North Dakota
Retirees and Beneficiaries (Including Travelers Annuitants)
Added to and Removed from the Rolls, 2006-2011

		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
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
2010	214	4	116,464	7	121,601	211	18,324	3,866,281	1.0
2011	211	8	229,678	6	96,255	213	18,778	3,999,704	3.5

Solvency Test — Job Service Retirement Plan
2006-2011

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						
July 1	Active Employees (1)	Inactive Vested Employees Not in Pay Status (2)	Pensioners (Including Disableds & Beneficiaries (3)	Actuarial Value of Assets	Portion of Actuarial Present Value of Benefits Covered by Assets (1)	(2)	(3)
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
2010	15.6	0.2	55.1	73.5	100	100	100
2011	11.6	0.9	55.7	74.2	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, 2008	June 30, 2009	June 30, 2010	June 30, 2011
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

December 15, 2011

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, 2011

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, 2011 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2011 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2011 (obtained from the Retirement System's draft 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 used in the July 1, 2011 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 $54.7 million as of July 1, 2011. 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, 2011 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 0.88%, while the statutory contribution rate is 1.14% of payroll.

Exhibits

The enclosed supporting exhibits prepared by Segal provide further related information regarding the 2011 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

Mark Hamwee, FSA, MAAA, EA
Vice President and Associate Actuary

Kurt Schneider, ASA, MAAA, EA
Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE HEALTH INSURANCE CREDIT FUND

DECEMBER 15, 2011

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2011 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.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and in our opinion each individual assumption used (a) is reasonably related to the experience of the System and to reasonable expectations and (b) represents our best estimate of anticipated experience under the System.

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.

Brad Ramirez, FSA, MAAA, EA
Consulting Actuary

Mark Hamwee, FSA, 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, 2010)

Mortality Tables

Active PERS members and retirees
Healthy: RP-2000 Combined Healthy Mortality Table, set back three years
Disabled: RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).
Active Highway Patrol members
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.

These mortality tables were determined to contain provision appropriate to reasonably reflect past and future mortality improvement, based on a review of mortality experience in 2010.

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 valuation report for their retirement system.

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.

Select Period

	Year of Employment				
Age	0	1	2	3	4
29 & Under	22%	18%	16%	14%	14%
30-39	16	14	12	12	11
40 & Over	12	10	10	8	7

Ultimate Period

Age	Rate
20-24	8.8%
25-29	8.8
30-34	5.5
35-39	4.7
40-44	3.9
45-49	3.7
50-54	3.4
55-59	0.1
60 & Over	0.2

Withdrawal rates end upon eligibility for early retirement.

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 valuation report for their retirement system.

Sample rates for PERS are:

Age	Males	Females
20	0.02%	0.01%
30	0.04	0.02
40	0.07	0.04
50	0.20	0.12
60	0.54	0.33

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 valuation report for their retirement system.

Annual Rates for the Main System are as follows:

Age	Unreduced	Early	Age	Unreduced*	Early
51	8%	0%	63	25%	15%
52	8	0	64	30	10
53	8	0	65	30	
54	8	0	66	20	
55	8	2	67	20	
56	10	2	68	20	
57	10	2	69	20	
58	10	2	70	20	
59	10	2	71	20	
60	10	4	72	20	
61	20	10	73	20	
62	35	20	74	20	
			75	100	

*Age 65 or Rule of 85

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	30%
5-9	50
10-14	65
15-19	80
20-24	85
25+	90

Judges and Highway Patrol:

Years of Service	Participation Rate
5-9	50%
10-14	65
15-19	80
20-24	85
25+	90

Joint and Survivor Option Election Rates
Main System, National Guard and Law Enforcement: 60% of male retirees and 25% of female retirees will elect a joint and survivor form of pension from the retirement system in which they participated.

Judges:
100% of retirees will elect a joint and survivor form of pension from the retirement system.

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
$97,000 per year.

Marital Status:
Main System, National Guard and Law Enforcement: At death, 80% of active male members and 65% 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.

Judges:
At death, 100% of members are assumed to have spouses. Males are assumed to be three 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 actuarial assumptions specific to the Retiree Health Insurance Credit Fund. However, members of the Highway Patrolmen's Retirement System (HPRS) are valued using the demographic assumptions used in that valuation. The HPRS did change several assumptions as of July 1, 2011. Since there are only 133 active HPRS member among the 21,062 active members in this valuation, the change in contribution rate as a result of the change in these assumptions is 0.00% of payroll. See the HPRS valuation for a complete summary of current and prior assumptions for those members.

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.

Covered Employees
Members of the Public Employees Retirement System, the Highway Patrolmen's Retirement System and the Defined Contribution Retirement Plan.

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.

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.

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

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.

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.

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.

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

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

Plan Amendments – Retiree Health Insurance Credit Fund
There were no changes made in the plan provisions since the preceding valuation.

Retired Members, Average Benefit, and Active Member/Retiree Comparison – Retiree Health Insurance Credit Fund 2006-2011

July 1	Number of Retired Members	Average Annual Benefit	Active Members Per Retiree
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
2010	4,105	1,377	5.1
2011	4,242	1,394	5.0

Funding Progress – Retiree Health Insurance Credit Fund 2006-2011

(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
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
2010	102.8	48.7	47.4	54.1	793.6	6.8
2011	108.4	53.7	49.6	54.7	829.0	6.6

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, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Employer Cost Rate at Beginning of Year	**0.95%**	**0.88%**	**1.00%**	**0.89%**
Plan Experience	-0.07	-0.04	-0.06	-0.01
Assumption and Method Changes	0.00	0.00	-0.06	0.00
Investment Loss/(Gain)	0.00	0.03	0.02	0.02
Contribution Loss/(Gain)	0.00	-0.01	-0.01	-0.02
Plan Amendments	0.00	0.14	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**0.88%**	**1.00%**	**0.89%**	**0.88%**

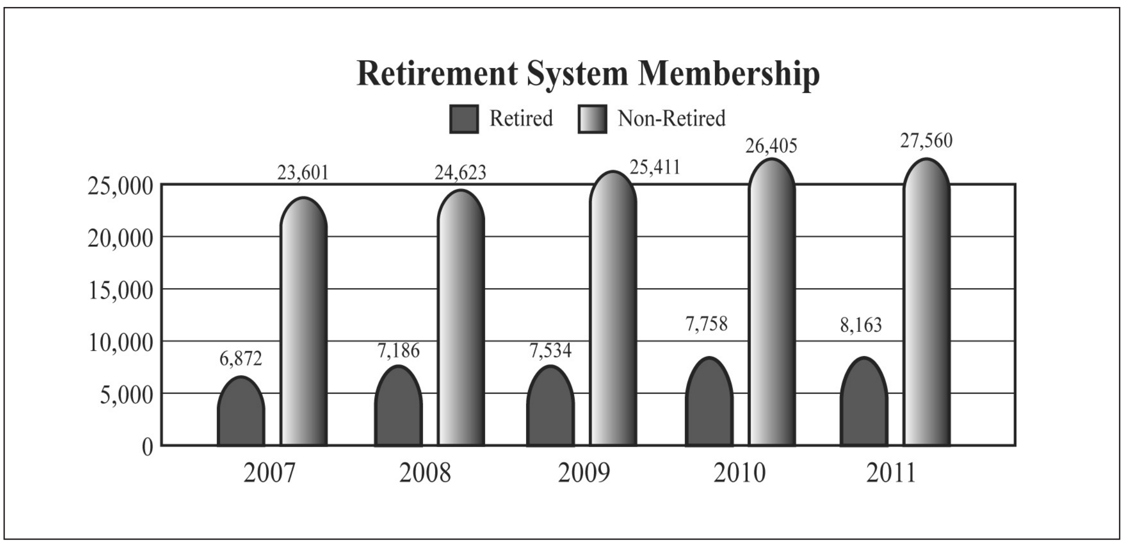
STATISTICAL SECTION

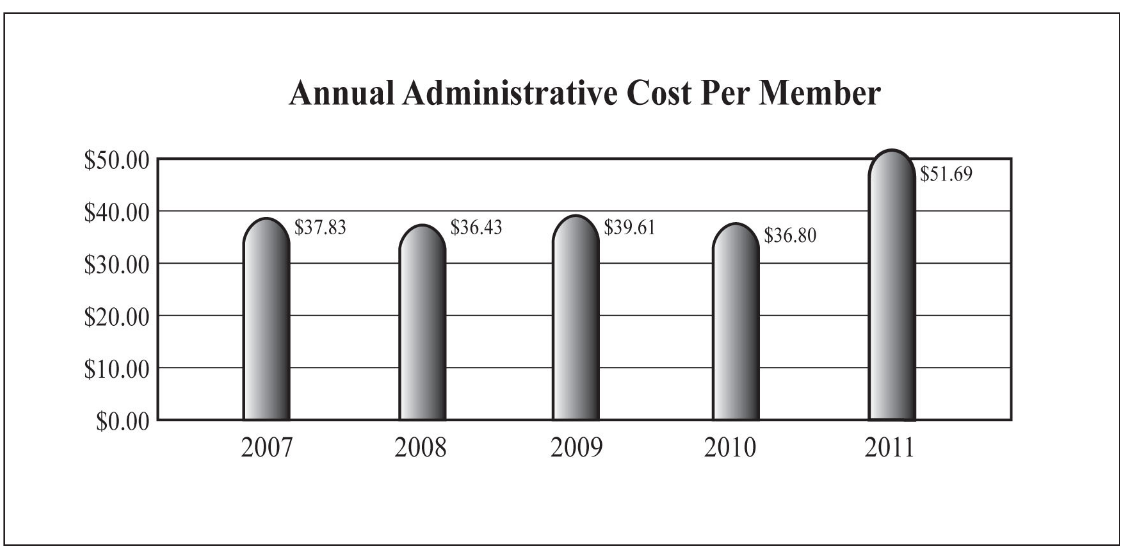
The Statistical Section contains membership and financial information for the programs administered by the System. Included in this section are schedules providing financial trend information for administrative cost per member, benefits paid, changes in net assets and deferred compensation assets by 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

	2007	2008	2009	2010	2011
State Agencies	12,619	13,381	13,714	14,031	13,676
Cities	633	1,046	1,327	1,418	1,586
Counties	3,980	3,855	4,019	4,208	4,536
School Districts	6,146	6,080	6,085	6,440	7,039
Other Political Subdivisions	223	261	266	308	723
Total Non-Retired [(1)]	23,601	24,623	25,411	26,405	27,560
Retired Members & Beneficiaries	6,872	7,186	7,534	7,758	8,163
Total Membership	30,473	31,809	32,945	34,163	35,723
Administrative Expenses	$1,152,813	$1,158,809	$1,305,055	$1,257,205	$1,846,389
Administrative Cost per Member	$ 37.83	$36.43	$39.61	$36.80	$51.69

[(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
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
2010	74,553,724	5,493,863	239,384	3,942,285	210,638	84,439,894
2011	81,124,561	5,934,724	778,888	4,706,228	264,688[2]	92,809,089

[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
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
2010	3,668,101	223,895	0	0	0	3,891,996
2011	3,787,450	225,257	0	0	0	4,012,707

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:	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)	3.90
	2010	28,579,338	30,253,093	4,005,571	173,592,763	3,406	236,434,171	3.93
	2011	30,479,702	32,278,056	3,797,333	308,352,471	2,129	374,909,691	4.01
Highway Patrolmen's Retirement System:	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
	2010	741,271	1,196,562	0	5,346,677	25	7,284,535	15.46
	2011	793,028	1,285,699	46,844	9,332,725	4	11,458,300	16.07
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
	2010	114,626	0	0	9,307,523	0	9,422,149	0.00
	2011	97,591	0	0	11,999,421	2	12,097,014	0.00
Retiree Health Insurance Credit Plan:	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
	2010	6,673,673	8,392,847	237,735	6,658,687	0	21,962,942	1.06
	2011	6,173,575	8,929,903	166,962	9,788,886	0	25,059,326	1.08

[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:	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)
	2010	76,884,950	1,214,733	4,152,792	82,252,475	154,181,696
	2011	84,307,028	1,797,287	4,933,760	91,038,075	283,871,616
Highway Patrolmen's Retirement System:	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)
	2010	3,402,021	18,154	131	3,420,306	3,864,229
	2011	3,531,145	22,734	37,156	3,591,035	7,867,265
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)
	2010	3,891,996	24,318	0	3,916,314	5,505,835
	2011	4,012,707	26,368	0	4,039,075	8,057,939
Retiree Health Insurance Credit Plan:	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[1]	89,877	2,673	10,475,620	(4,855,701)
	2009	10,697,337	115,207	2,846	10,815,390	(4,274,228)
	2010	12,226,651	102,353	3,932	12,332,936	9,630,006
	2011	11,947,354	151,388	1,745	12,100,487	12,958,839

[1]*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, 2011

Main System

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	6,990	2,183	2,102	331	2,374
Less than $200	955	432	486	17	20
$200 - $ 399	1,333	489	708	118	18
400 - 599	994	355	478	122	39
600 - 799	603	230	212	50	111
800 - 999	564	186	104	16	258
1,000 - 1,199	511	135	58	3	315
1,200 - 1,399	430	97	21	1	311
1,400 - 1,599	322	66	12	1	243
1,600 - 1,799	256	42	6	1	207
1,800 - 1,999	212	35	5	1	171
2,000 - 2,199	170	27	4	1	138
2,200 - 2,399	155	19	5	-	131
2,400 - 2,599	119	10	1	-	108
2,600 - 2,799	87	11	-	-	76
2,800 - 2,999	57	9	1	-	47
3,000 & Over	222	40	1	-	181
Life	4,510	1,507	1,556	275	1,172
Level Social Security Payment	131	-	21	-	110
Joint & 100% Survivor	1,301	419	301	28	553
Joint & 50% Survivor	826	196	130	20	480
20 Year C & L	21	8	7	-	6
10 Year C & L	166	44	74	5	43
5 Year C & L	35	9	13	3	10
Total	6,990	2,183	2,102	331	2,374

**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
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
2010							
Number of Retirees	1,298	1,138	1,064	977	959	1,191	6,627
Average Monthly Benefits	$224	$393	$576	$927	$1,380	$2,033	$906
Average Years of Service	6.22	12.30	17.37	22.46	27.22	34.93	19.65
2011							
Number of Retirees	1,309	1,161	1,090	1,022	1,048	1,360	6,990
Average Monthly Benefit	$ 231	$ 395	$ 581	$ 947	$ 1,392	$ 2,047	$ 945
Average Years of Service	6.27	12.30	17.36	22.49	27.23	35.04	20.11

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2011

Judges

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	25	12	5	0	8
Less than 400	-	-	-	-	-
400 - 799	-	-	-	-	-
800 - 1,199	-	-	-	-	-
1,200 - 1,599	1	-	-	-	1
1,600 - 1,999	3	1	2	-	-
2,000 - 2,399	-	-	-	-	-
2,400 - 2,799	1	1	-	-	-
2,800 - 3,199	2	2	-	-	-
3,200 - 3,599	3	-	2	-	1
3,600 - 3,999	2	2	-	-	-
4,000 - 4,399	1	-	1	-	-
4,400 - 4,799	4	2	-	-	2
4,800 - 5,199	4	3	-	-	1
5,200 - 5,599	1	-	-	-	1
5,600 - 5,999	2	1	-	-	1
6,000 & Over	1	-	-	-	1
Life	5	3	-	-	2
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	16	9	3	-	4
Joint & 50% Survivor	4	-	2	-	2
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	25	12	5	0	8

**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
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
2010							
Number of Retirees	1	7	4	4	5	1	22
Average Monthly Benefit	$1,287	$2,244	$3,508	$4,740	$5,259	$5,737	$3,728
Average Years of Service	8.50	11.62	18.25	24.04	25.93	30.00	19.03
2011							
Number of Retirees	0	2	7	5	8	3	25
Average Monthly Benefit	$ 0	$ 2,281	$ 3,733	$ 4,521	$ 4,231	$ 3,794	$ 3,941
Average Years of Service	0.00	12.38	17.62	23.75	26.94	33.69	23.34

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2011

National Guard

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	8	4	4	0	0
Less than $200	1	-	1	-	-
$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	-	1	-	-
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	-	-	-	-	-
2,800 - 2,999	-	-	-	-	-
3,000 & Over	1	1	-	-	-
Life	4	2	2	-	-
Level Social Security Payment	3	1	2	-	-
Joint & 100% Survivor	-	-	-	-	-
Joint & 50% Survivor	1	1	-	-	-
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	8	4	4	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
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
2010							
Number of Retirees	1	2	1	2	2	0	8
Average Monthly Benefits	$169	$736	$722	$1,332	$2,345	$0	$1,215
Average Years of Service	3.25	12.75	19.17	23.46	27.58	0.00	18.75
2011							
Number of Retirees	0	3	1	2	2	0	8
Average Monthly Benefits	$ 0	$ 547	$ 722	$ 1,332	$ 2,345	$ 0	$ 1,215
Average Years of Service	0.00	13.25	19.17	23.46	27.58	0.00	20.13

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2011

Law Enforcement with Prior Main Service

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	32	23	2	0	7
Less than $200	1	1	-	-	-
$200 - $399	1	1	-	-	-
400 - 599	2	2	-	-	-
600 - 799	-	-	-	-	-
800 - 999	1	1	-	-	-
1,000 - 1,199	7	7	-	-	-
1,200 - 1,399	2	2	-	-	-
1,400 - 1,599	4	2	-	-	2
1,600 - 1,799	1	-	-	-	1
1,800 - 1,999	4	2	1	-	1
2,000 - 2,199	5	2	1	-	2
2,200 - 2,399	2	1	-	-	1
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	-	-	-	-	-
2,800 - 2,999	-	-	-	-	-
3,000 & Over	2	2	-	-	-
Life	11	9	1	-	1
Level Social Security Payment	3	1	1	-	1
Joint & 100% Survivor	14	10	-	-	4
Joint & 50% Survivor	4	3	-	-	1
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	32	23	2	0	7

**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
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
2010							
Number of Retirees	1	2	2	8	8	3	24
Average Monthly Benefits	$478	$845	$1,106	$1,314	$1,802	$2,017	$1,473
Average Years of Service	8.58	12.00	18.67	21.52	26.90	31.94	23.05
2011							
Number of Retirees	3	2	3	8	10	6	32
Average Monthly Benefits	$ 288	$845	$1,161	$1,314	$1,842	$2,969	$1,649
Average Years of Service	5.86	12.00	18.94	21.52	26.69	32.85	22.96

Schedule of Retired Members by Type of Benefit – HPRS
As of June 30, 2011

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Rule of 80
Total	88	29	1	4	54
Less than $250	-	-	-	-	-
$250 - $ 499	1	1	-	-	-
500 - 749	1	1	-	-	-
750 - 999	-	-	-	-	-
1,000 - 1,249	1	1	-	-	-
1,250 - 1,499	2	1	-	1	-
1,500 - 1,749	1	1	-	-	-
1,750 - 1,999	1	1	-	-	-
2,000 - 2,249	7	4	1	1	1
2,250 - 2,499	12	7	-	1	4
2,500 - 2,749	8	2	-	-	6
2,750 - 2,999	10	2	-	1	7
3,000 - 3,249	9	3	-	-	6
3,250 - 3,499	9	2	-	-	7
3,500 - 3,749	6	2	-	-	4
3,750 - 3,999	3	-	-	-	3
4,000 - 4,249	5	-	-	-	5
4,250 - 4,499	4	-	-	-	4
4,500 - 4,749	4	1	-	-	3
4,750 & Over	4	-	-	-	4
Life	9	2	-	1	6
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	32	5	-	-	27
Joint & 50% Survivor	47	22	1	3	21
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	88	29	1	4	54

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
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
2010							
Number of Retirees	1	1	5	6	57	17	87
Average Monthly Benefits	$1,456	$2,054	$1,812	$2,051	$3,226	$3,491	$3,082
Average Years of Service	2.25	11.17	17.18	21.64	27.88	31.18	27.00
2011							
Number of Retirees	1	1	5	6	58	17	88
Average Monthly Benefits	$ 1,456	$ 2,054	$ 1,812	$ 2,051	$ 3,242	$ 3,491	$ 3,094
Average Years of Service	2.25	11.17	17.18	21.64	27.87	31.18	27.00

Schedule of Retired Members by Type of Benefit – Job Service Retirement Plan
As of June 30, 2011

		Type of Pension	
Monthly Amount	Total	Retirement	Disability
Total	192	184	8
Less than $200	3	3	-
$200 - $ 399	10	10	-
400 - 599	7	7	-
600 - 799	8	8	-
800 - 999	7	5	2
1,000 - 1,199	2	2	-
1,200 - 1,399	17	14	3
1,400 - 1,599	11	11	-
1,600 - 1,799	14	12	2
1,800 - 1,999	13	13	-
2,000 - 2,199	11	11	-
2,200 - 2,399	17	17	-
2,400 - 2,599	16	15	1
2,600 - 2,799	15	15	-
2,800 - 2,999	11	11	-
3,000 & Over	30	30	-
Life	44	44	-
Joint & 55% Survivor	42	40	2
Joint & 75% Survivor	23	23	-
Joint & 100% Survivor	13	13	-
10 Year C & L	38	32	6
15 Year C & L	4	4	-
20 Year C&L	28	28	-
Total	192	184	8

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

	Retirement Plan	Travelers Annuitants	Total
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
2010			
Number of Retirees	122	89	211
Average Monthly Benefits	$2,217	$582	$1,527
2011			
Number of Retirees	128	85	213
Average Monthly Benefits	$ 2,194	$ 617	$ 1,565

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 MEDICAL EXAMINERS
BOARD OF NURSING
BOARD OF PHARMACY
CAREER & TECHNICAL ED
DAIRY PROMOTION COMMISSION
DEPT OF AGRICULTURE
DEPT OF FINANCIAL INSTRUCTION
DEPT OF COMMERCE
DEPT OF CORRECTIONS TRANSITIONAL 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
JOB SERVICE NORTH DAKOTA
JUVENILE SERVICES DOCR
LAKE REGION STATE COLLEGE
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 HOSPITAL
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
TOBACCO PREVENTION/CONTROL COMMITTEE
UNIVERSITY OF NORTH DAKOTA
VALLEY CITY STATE UNIVERSITY
VETERANS AFFAIRS DEPARTMENT
WATER COMMISSION
WILLISTON STATE COLLEGE
WORKFORCE SAFETY AND INSURANCE
Total = 93

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
MORTON 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 = 49

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
EAST CENTRAL SPECIAL EDUCATION
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
LONETREE SPECIAL EDUCATION UNIT
MANDAN PUBLIC SCHOOL DIST #1
MANDAREE PUBLIC SCHOOL #36
MANVEL PUBLIC SCHOOL
MAPLETON PUBLIC SCHOOL
MAPLE VALLEY SCHOOL DISTRICT
MAX PUBLIC SCHOOL
MCCLUSKY PUBLIC SCHOOLS
MCKENZIE CTY PUBLIC SCHOOL #1
MEDINA PUBLIC SCHOOL DIST #3
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 ALMONT SCHOOL DIST
NEW TOWN PUBLIC SCHOOL #1
NEWBURG UNITED PUBLIC SCHOOL
NORTHERN CASS SCHOOL DIST #97
NORTH BORDER SCHOOL DIST #100
NORTH SARGENT SCHOOL DIST #3
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
PINGREE BUCHANON SCHOOL DIST
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
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
WAHPETON PUBLIC SCHOOL DIST #39
WARWICK PUBLIC SCHOOL
WASHBURN PUBLIC SCHOOL
WEST FARGO PUBLIC SCHOOL #6
WESTHOPE PUBLIC SCHOOL #17
WEST RIVER STUDENT SERVICES
WHITE SHIELD SCHOOL DIST #85
WILLISTON PUBLIC SCHOOL #1
WILTON PUBLIC SCHOOL DISTRICT
YELLOWSTONE SCHOOL DIST #14
ZEELAND PUBLIC SCHOOLS
Total = 114

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 MADDOCK
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 = 81

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 E GRAND FORKS MPO
GRAND FORKS PARK DISTRICT
GRAND FORKS PUBLIC LIBRARY
GREATER RAMSEY WATER DISTRICT
GRIGGS COUNTY LIBRARY
JAMES RIVER SOIL CONSERVATION DISTRICT
JAMES RIVER VALLEY LIBRARY SYSTEM
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
ND FIREFIGHTERS ASSOCIATION
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 = 70

Principle Participating Employers
June 30, 2011

Participating Employer	Covered Employees	Rank	% of Total System
Department of Human Services	1,272	1	6.27%
University of North Dakota	1,148	2	5.66%
Department of Transporation	1,007	3	4.97%
North Dakota State University	848	4	4.18%
Bismarck Public Schools	708	5	3.49%
Fargo Public Schools	582	6	2.87%
Minot Public School District #1	485	7	2.39%
North Dakota State Hospital	447	8	2.20%
Developmental Center	398	9	1.96%
Cass County	381	10	1.88%
Other Employers	13,000		64.13%
Total covered employees*	20,276		100.00%

*Total covered employees represents the number of employees in a contributing status as of June 30, 2011 in the Main retirement plan.

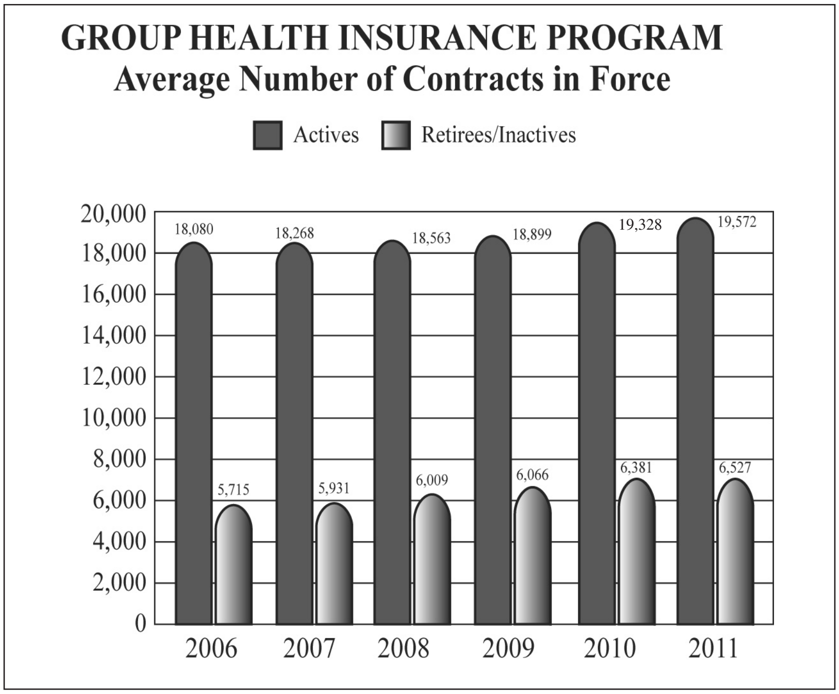
Deferred Compensation Program
Schedule of Assets
By Provider

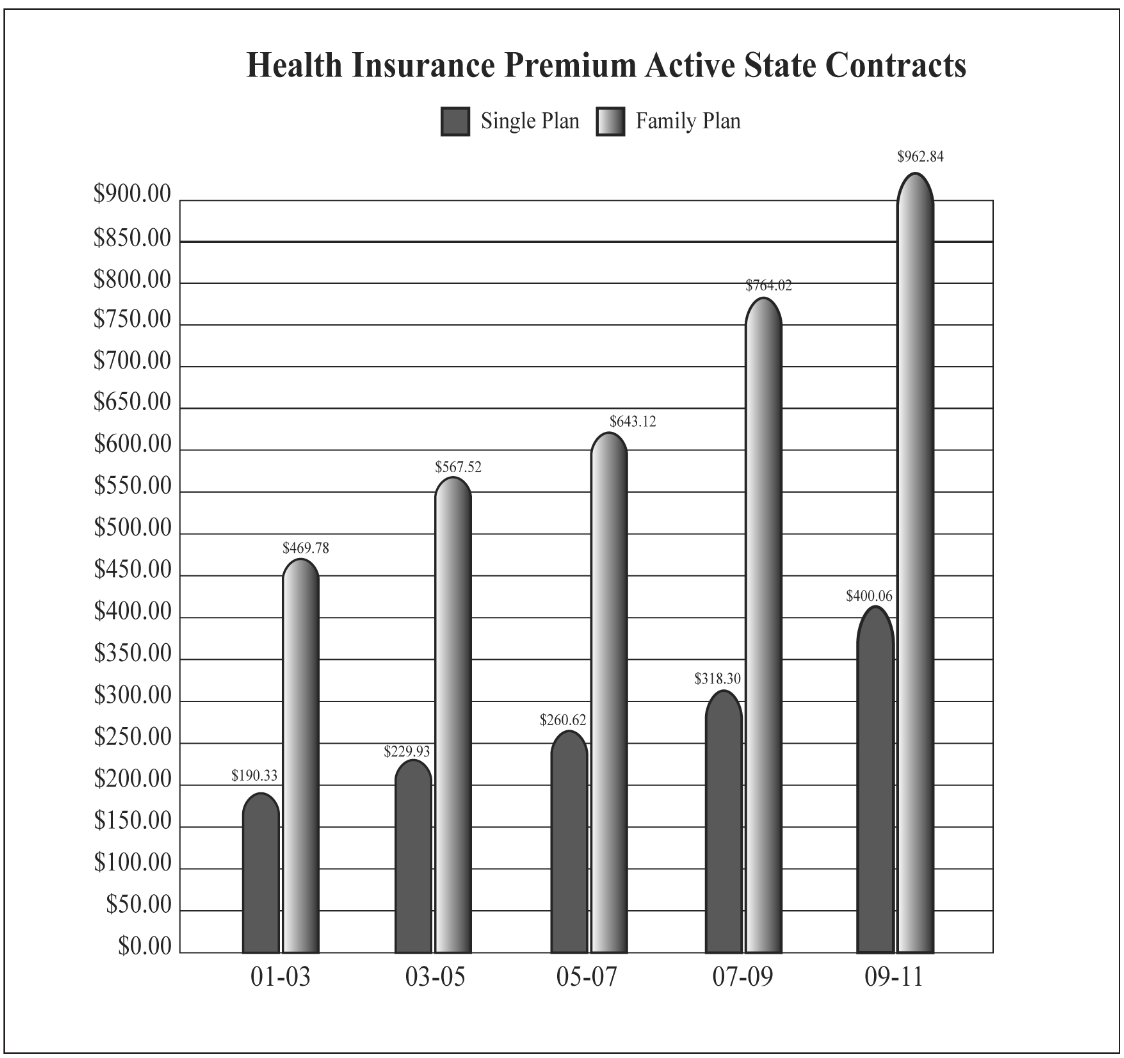
	6/30/07	6/30/08	6/30/09	6/30/10	6/30/11
AIG VALIC	$ 7,352,983	$ 7,081,128	$ 6,451,199	$7,475,965	$ 9,273,099
American Trust Center	3,325,665	3,877,787	3,622,718	4,401,306	6,220,966
AXA Equitable	26,758,632	23,047,134	18,485,110	20,264,795	23,802,876
Bank of North Dakota	3,614,106	3,836,023	4,325,613	4,826,940	5,052,015
Commonwealth Annuity & Life Insurance Co. (formerly Chase Financial/Kemper)	6,677,907	6,145,992	5,108,373	6,109,277	7,101,363
Hartford Life Insurance Company	25,259,016	24,597,755	21,527,797	26,064,862	32,777,966
ING (formerly Aetna)	1,403,453	1,403,033	1,241,758	1,392,402	1,542,256
Jackson National Life	978,543	940,611	1,351,123	1,584,770	1,945,958
Kansas City Life (formerly Sunset Life)	235,808	217,239	233,832	250,553	270,209
Lincoln National	7,810,551	6,050,335	4,464,625	4,907,412	5,997,710
NDPERS Companion Plan(1)	23,368,806	23,443,420	21,388,646	27,638,654	37,015,050
Nationwide Life Insurance	6,321,649	6,596,637	5,326,443	6,174,645	8,029,037
New York Life(1)	478,675	383,615	290,488	302,829	319,468
Symetra (formerly Safeco)	995,936	636,183	553,647	450,554	342,429
Waddell & Reed Financial Services	6,350,625	6,268,696	4,841,463	5,629,199	6,187,770
Total	$ 120,932,355	$ 114,525,588	$ 99,212,835	$ 117,474,163	$ 145,878,172

(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, 2011 and June 30, 2010 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
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
18,080
18,268
18,563
18,899
19,328
19,572
5,715
5,931
6,009
6,066
6,381
6,527
2006
2007
2008
2009
2010
2011


Health Insurance Premium Active State Contracts
Single Plan
Family Plan
$900.00
$850.00
$800.00
$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
$190.33
$469.78
$229.93
$567.52
$260.62
$643.12
$318.30
$764.02
$400.06
$962.84
01-03
03-05
05-07
07-09
09-11