2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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, 2012

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

2012

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, 2011

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.

Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

LETTER OF TRANSMITTAL

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December 21, 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, 2012. 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, 2012.

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 22,091 contributing members and 8,316 retirees and beneficiaries currently receiving benefits. HPRS has 145 contributing members and 116 retirees and beneficiaries. The Job Service Plan has 19 contributing members and 212 retirees. There are no longer any beneficiaries receiving payments from the OASIS plan. The employers participating in PERS include 93 state agencies and 317 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 283 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 21,462 contributing members and 4,442 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 600 retirees 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 27,213 active and retired contracts under this plan as of June 30, 2012. Total covered lives, including spouses and dependents, are 62,235. As of June 30, 2012 there were 189 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, 2012 totaled $238.6 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 18,090 active and 3,044 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 Reliastar for the fiscal year ended June 30, 2012 totaled $2.6 million. As of fiscal year end, there is $1.356 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 6,847 participants in the dental plan, 7,225 participants in the vision plan and 89 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 three EAP vendors to provide services to employees and their families. The System collects the monthly premiums from the employers and remits them to the appropriate vendor. Approximately 15,600 state employees are covered under this program.

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

Deferred Compensation Program
This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. The System has administered the Plan since 1987. 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 $40.1 million; provider companies hold the remaining plan assets of $106.2 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 8,700 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 3,059 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
- Completed an Asset Liability Study and took action to update the asset allocation and asset classes
- Reviewed and updated investment policies
- Implemented the first year retirement contribution increases for employers and employees, effective 1/1/2012, as part of the Recovery Plan and prepared to implement the second year increases that will be effective 1/1/2013. Also prepared and submitted legislation to implement the last two years of contribution increases in 2014 and 2015 as part of the Recovery Plan.
- Selected a new recordkeeper for the deferred compensation and defined contribution plans and completed the transition of assets from the previous provider to the new provider.

Group Insurance
- Prepared and distributed an RFP for the dental plan
- Developed and implemented a High Deductible Health Plan with a Health Savings Account
- Transitioned to a new on-line wellness vendor
- Transitioned the life insurance plan to a new provider effective July 1, 2011 which included providing additional benefits to participants.
- Prepared and submitted legislation to implement provision of the Patient Protection and Affordable Care Act

Administrative
- Provided retirees with additional on-line services through PERSLink Member Self Service.
- Looked at different options for providing FlexComp reimbursements to participants; an RFP was developed and distributed to determine the types of service available in the marketplace and cost.

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 2012 and 2011:

(Millions)	Fiscal Year 2012	Fiscal Year 2011	Change Change in $s	Percentage Percentage Change
Revenue Type				
Employee Contributions	$ 43.6	$ 35.2	$ 8.4	23.9%
Employer Contributions	39.4	33.6	5.8	17.3
Investments	(5)	329.7	(330.2)	(100.2)
Total	$ 82.5	$398.5	$ (316.0)	(79.3)%
Expense Type				
Benefits	$101.9	$ 91.9	$ 10.0	10.9%
Refunds & Transfers	5.2	5.0	0.2	4.0
Administrative Expenses	1.9	1.8	0.1	5.6
Total	$ 109.0	$ 98.7	$ 10.3	10.4%

Revenues decreased due to a decrease in net investment income as a result of the lower returns 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 that the funding for both PERS and HPRS is declining. This is being addressed through a Recovery Plan that includes contribution increases for both employers and employees. The July 1, 2012 actuarial valuation reports the actuarial value of assets for PERS at $1,627.4 million, which is 65.1% of the actuarial accrued liabilities of $2,501.3 million. The actuarial value of assets for HPRS is $48.1 million, which is 70.3% of the actuarial accrued liabilities of $68.4. The Job Service Plan is fully funded. The actuarial value of assets for the Job Service Plan is $75.1 million, which is 105.2% of the actuarial present value of benefits of $71.4 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 51.9% of the actuarial accrued liability, which is an increase from the previous year. The Retiree Health Implicit Subsidy is not advance funded. As of June 30, 2011, the date of the last actuarial valuation, the unfunded actuarial accrued liability for this plan is $65.2 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, 2012 is $1.77 billion, which is a decrease of 1.7% from the previous year. The market value of assets for Job Service as of June 30, 2012 is $84.7 million, a decrease of 1.1% from the previous year. During the fiscal year ended June 30, 2012, the System's portfolio remained broadly diversified with investments in domestic and international equities, domestic and international fixed income securities, real estate, private equity, timber, infrastructure and cash equivalents.

The PERS and HPRS assets had an annualized rate of return of .06% for the fiscal year ended June 30, 2012. The annualized rate of return was 11.36% for the last three years and .32% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2012 for the Job Service Plan was 3.1%. The annualized rate of return was 10.88% for the last three years and 2.26% 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, 2012 is $62.1 million, which is 8.9% higher than the previous year. The assets earned an annualized rate of return of 2.62% for the fiscal year ended June 30, 2012. The annualized rate of return was 13.41% for the last three years and .73% for the last five years. During the fiscal year ended June 30, 2012, the System's portfolio remained broadly diversified with investments in domestic and international equities, 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 fifteen 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, 2012 is $22.6 million, which is a 6.1% 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, 2012.

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, 2011. 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 sixeen consecutive years (fiscal years ended June 30, 1996 - 2011). 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	Chief Operating Officer

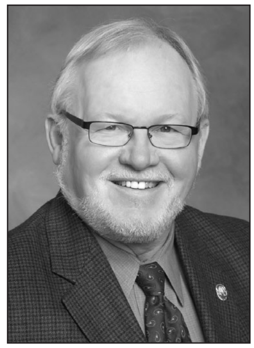
THE RETIREMENT BOARD

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:

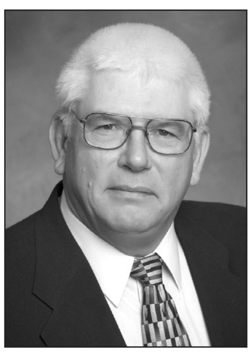
Jon Strinden
Chairman
Term expires
6/30/2015

Arvy Smith
Health Department
Appointee



Thomas Trenbeath
Attorney General
Appointee
Term expires
6/30/2015

Joan Erhardt
Member elected
Term expires
6/30/2014



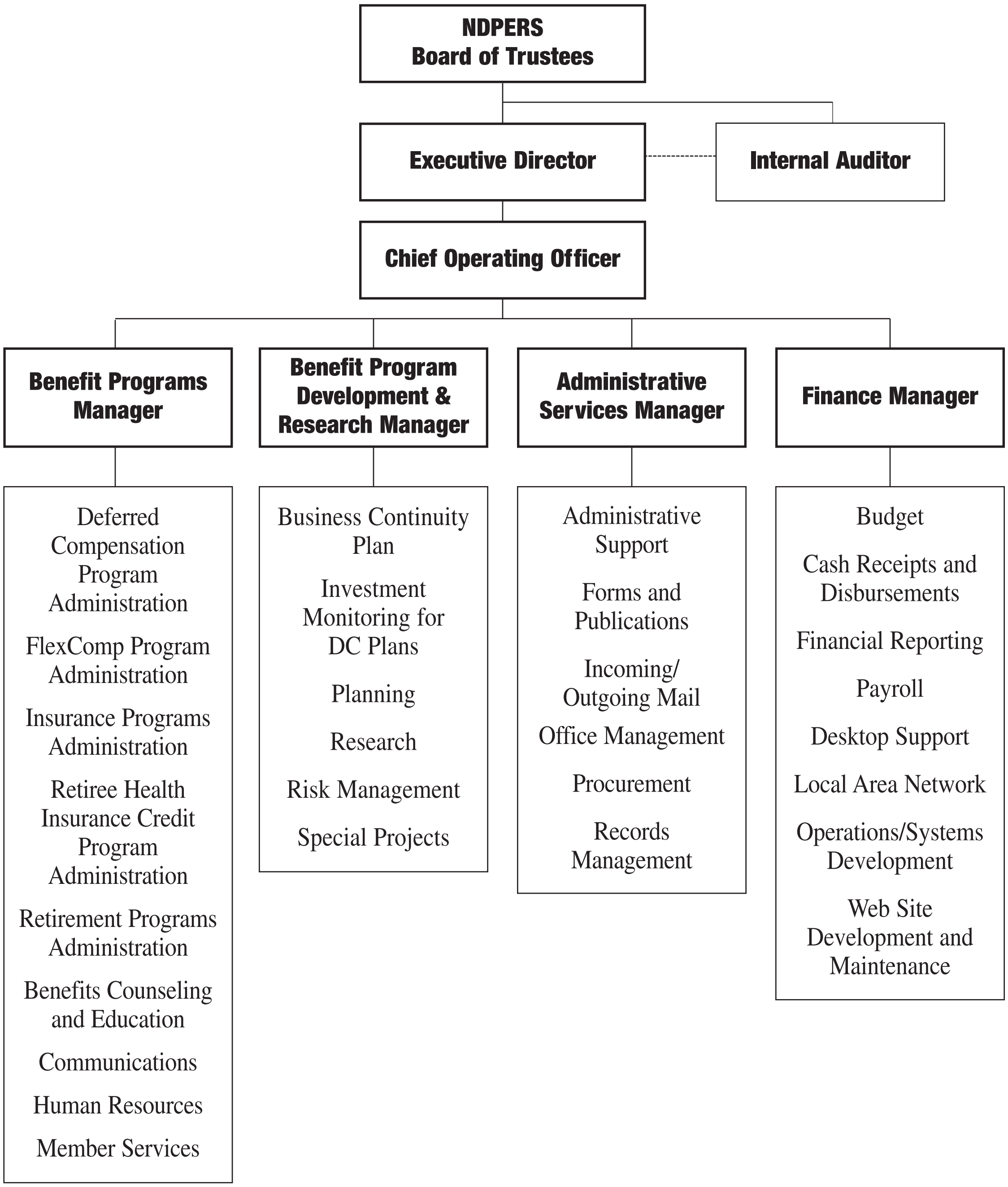
Howard Sage
Retiree elected
Term expires
6/30/2014

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, Chief Operating Officer and *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

St. Alexius/Heartview
Bismarck, ND

Village Family Services
Fargo, ND

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

Insurance Consultant:
Deloitte Consulting LLP
Minneapolis, MN

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

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

Life Insurance Carrier:
Reliastar Life Insurance Company
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, 2012 and 2011, 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, 2012 and 2011, 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 $873 and $689 million at June 30, 2012 and 2011, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately $20 and $17 million at June 30, 2012 and 2011. 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, 2012 and 2011, 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.

As described in Note 15 to the financial statements, the North Dakota Public Employees Retirement System was recognizing financial activity in its proprietary fund that was disclosed only in the Statement of Net Assets in the prior year.

In accordance with Government Auditing Standards, we have also issued a report dated November 16, 2012, 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.
November 16, 2012

Management's Discussion and Analysis
June 30, 2012 and 2011

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, 2012. 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, 2012 and 2011, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2012	2011
Public Employees Retirement System	65.1%	70.5%
Highway Patrolmen Retirement System	70.3%	73.7%
Retirement Plan for Employees of Job Service ND	105.2%	110.0%
Retiree Health Insurance Credit Fund	51.9%	49.6%

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, Highway Patrolmen and Job Service 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 decreased $17.3 million or .85% during the fiscal year ended June 30, 2012. The change in net assets is primarily due to gains and losses in the financial markets during the fiscal year.

	(In Thousands)
Public Employees Retirement System	$ (24,017)
Highway Patrolmen Retirement System	(1,462)
Retiree Health Insurance Credit Fund	5,163
Defined Contribution Retirement Fund	1,410
Pretax Benefits Fund	(32)
Deferred Compensation Plan	2,683
Retirement Plan for Employees of Job Service ND	(1,013)
Total decrease in plan net assets	$ (17,268)

• As of June 30, 2012, an additional $49,000 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, 2012 are $7.1 million, of which $6.9 million is software that has been placed into production.

Financial Highlights –
Uniform Group Insurance Program

• Net assets increased by $419,906 or 4%. This is due to the receipt of additional revenue under the pre-Medicare retiree reinsurance provision of the federal health care reform bill.

• As of June 30, 2012, an additional $19,000 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, 2012 are $2.86 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012 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 28-53 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 2012 and 2011 are summarized below. The information in the tables below is condensed from the Financial Statements.

Statement of Fiduciary Net Assets (in thousands)

	June 30, 2012	% Change	June 30, 2011	% Change	June 30, 2010
Assets					
Cash	$ 4,140	29.9%	$ 3,188	31.7%	$ 2,421
Receivables	11,707	15.4%	10,144	14.9%	8,825
Investments, at fair value	1,981,045	-1.0%	2,000,908	19.4%	1,676,069
Securities Lending Collateral	-	NA	-	(100.0)%	9,913
Prepaid expenses	527	7.3%	491	NA	-
Software & Equipment, net of accum depr	5,882	-9.8%	6,522	7.4%	6,074
Total assets	2,003,301	-0.9%	2,021,253	18.7%	1,703,302
Liabilities					
Long-term liabilities outstanding	141	-4.7%	148	10.4%	134
Other liabilities	3,230	-17.3%	3,907	(70.8)%	13,375
Total liabilities	3,371	-16.9%	4,055	(70.0)%	13,509
Net assets available for benefits	$1,999,930	-0.9%	$2,017,198	19.4%	$1,689,793

The total assets for all fiduciary funds as of June 30, 2012 were $2 billion and were comprised mainly of investments. For the fiscal year ended June 30, 2012, plan assets decreased by $18 million. This decrease was primarily due to losses in the financial markets during the fiscal year. For the fiscal year ended June 30, 2011, plan assets increased by $317.9 million, due to financial market gains. During fiscal year 2011, the securities lending program was terminated so there was no invested securities lending collateral as of June 30, 2011 and 2012.

Total liabilities as of June 30, 2012 were $3.4 million, a decrease of $.7 million from the previous fiscal year. Total liabilities decreased $9.5 million for the fiscal year ended June 30, 2011 as a result of changes in securities lending collateral. There was no securities lending collateral as of June 30, 2011 and 2012 because the securities lending program was terminated.

Statement of Changes in Fiduciary Net Assets (in thousands)

	June 30, 2012	% Change	June 30, 2011	% Change	June 30, 2010
Additions					
Contributions	$ 105,968	14.6%	$ 92,457	5.4%	$ 87,718
Investment income	2,065	-99.4%	350,417	75.5%	199,619
Other	7,862	58.9%	4,949	(2.9)%	5,097
Total additions	115,895	-74.1%	447,823	53.1%	292,434
Deductions					
Benefit payments	124,464	11.1%	111,984	8.3%	103,445
Refunds/Transfers	5,422	0.7%	5,382	20.0%	4,484
Administrative expenses	3,277	7.4%	3,052	47.5%	2,069
Total deductions	133,163	10.6%	120,418	9.5%	109,998
Changes in net assets available for benefits	(17,268)	-105.3%	$ 327,405	79.5%	$ 182,436

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 $13.5 million and $4.7 million for the years ended June 30, 2012 and 2011, respectively. The increases in the employee and employer contribution rates to the pension plans, which became effective January 1, 2012, are reflected in the increase for June 30, 2012. The plans experienced positive investment earnings of $2.1 million and $350.4 million for the fiscal years ending June 30, 2012 and June 30, 2011. The increase in Other Additions for June 30, 2012 is primarily due to an increase in service purchase payments during the fiscal year.

Deductions. Deductions include benefit payments, refunds/transfers, and administrative expenses. Deductions for the year ended June 30, 2012 totaled $133.2 million, an increase of $12.7 million over 2011. Of the total increase, $12.5 million was due to the increase in the number of benefit recipients and $.2 million was an increase in administrative expenses. The increase in administrative expenses is attributable to there being a full year of amortization expense on the software that was put into production during fiscal year 2011. Expenses for the year ended June 30, 2011 totaled $120.4 million which is an increase of 9.5% from 2010.

Statement of Proprietary Fund Net Assets (in thousands)

	June 30, 2012	% Change	June 30, 2011	% Change	June 30, 2010
Assets					
Cash	$13,805	8.7%	$12,701	14.2%	$11,126
Receivables	404	-6.9%	434	478.7%	75
Software	2,372	-9.8%	2,630	7.3%	2,450
Total assets	16,581	5.2%	15,765	15.5%	13,651
Liabilities					
Long-term liabilities outstanding	69	4.5%	66	17.9%	56
Other liabilities	5,608	7.5%	5,215	23.0%	4,240
Total liabilities	5,677	7.5%	5,281	22.9%	4,296
Net assets	10,904	4.0%	$10,484	12.1%	$ 9,355

As of June 30, 2012, total assets increased by $.42 million or 4.0%, which is a combination of an increase in cash, offset by a decrease in software due to amortization. Cash increased in both 2012 and 2011 due to payments received in each year through the pre-Medicare retiree reinsurance provision created under the health care reform bill, which is further explained in Note 11.

As of June 30, 2012, total liabilities increased by $.4 million or 7.5%, and as of June 30, 2011, total liabilities increased by $.99 million or 12.1%. The main component of liabilities is deferred premiums which represents premiums received before they are due.

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, 2012	% Changes	June 30, 2011	% Change	June 30, 2010
Operating Revenues					
Claim Reimbursements	$ 987	-42.7%	$ 1,724	255.2%	$ 65
Administrative Fee	1,000	3.8%	963	1.5%	949
Total Operating Revenues	1,987	-26.1%	2,687	165.0%	1,014
Non-Operating Revenues					
Net Investment income	55	-25.7%	74	-30.8%	107
Total revenues	2,042	-26.0%	2,761	146.3%	1,121
Operating Expenses					
Insurance Benefits	45	-73.7%	171	NA	0
Administrative expenses	1,353	12.8%	1,199	26.5%	948
Total Operating Expenses	1,398	2.0%	1,370	44.5%	948
Non-Operating Expense					
Transfer Out	224	-14.5%	262	26.6%	207
Change in Net Assets	420	-62.8%	$ 1,129	342.1%	$ (34)

Net assets decreased by $.7 million for the fiscal year ended June 30, 2012 primarily due to the payment received through the pre-Medicare retiree reinsurance program being less than what was received in 2011. Net assets increased by $1.2 million for the fiscal year ended June 30, 2011. This reflects an increase due to the retiree reinsurance program payment, offset by activity related to the software development project.

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

Statement of Net Assets
Proprietary Funds
June 30, 2012 and 2011

	Uniform Group Insurance Program 2012	Uniform Group Insurance Program Restated 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 13,805,168	$ 12,701,211
Accounts receivable	349,826	296,346
Due from fiduciary funds	53,245	135,456
Due from other state agencies	1,315	1,315
Total current assets	14,209,554	13,134,328
Capital assets:		
Software (net of amortization)	2,295,009	2,573,270
Software (not in production)	76,626	57,017
Total capital assets	2,371,635	2,630,287
Total assets	16,581,189	15,764,615
LIABILITIES		
Current liabilities:		
Salaries payable	55,121	55,132
Accounts payable	341,587	235,191
Due to fiduciary funds	462,804	279,391
Due to other state agencies	15,278	13,226
Accrued compensated absences	4,268	3,598
Deferred premiums	4,729,052	4,628,099
Total current liabilities	5,608,110	5,214,637
Noncurrent liabilities:		
Accrued compensated absences	69,185	65,990
Total liabilities	5,677,295	5,280,627
NET ASSETS		
Invested in capital assets	2,371,635	2,630,287
Restricted for benefits	5,727,424	4,726,189
Unrestricted net assets	2,804,835	3,127,512
Total net assets	$ 10,903,894	$ 10,483,988

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Years Ended June 30, 2012 and 2011

	Uniform Group Insurance Program 2012	Uniform Group Insurance Program Restated 2011
OPERATING REVENUES:		
Administrative fee	$ 1,000,083	$ 962,657
Claim reimbursements	987,129	1,723,732
Total operating revenues	1,987,212	2,686,389
OPERATING EXPENSES:		
Insurance benefits	44,394	170,643
Salaries and wages	632,844	610,025
Operating expenses	289,475	177,655
Professional fees	108,338	145,697
Data processing	44,556	56,493
Amortization	278,261	208,644
Total operating expenses	1,397,868	1,369,157
Operating income	589,344	1,317,232
NON-OPERATING REVENUES AND EXPENSES:		
Investment income	55,652	74,617
Investment expenses	(1,000)	(1,000)
Total non-operating revenues and expenses	54,652	73,617
INCOME BEFORE TRANSFERS	643,996	1,390,849
TRANSFERS OUT	224,090	261,531
Change in net assets	419,906	1,129,318
Total net assets - beginning of year before restatement	10,483,988	828,853
Prior period adjustment - Note 15	-	8,525,817
Total net assets - beginning of year, as restated	10,483,988	9,354,670
Total net assets - end of year	$ 10,903,894	$ 10,483,988

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

Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2012 and 2011

	Uniform Group Insurance Program	
	2012	Restated 2011
Cash Flows From Operating Activities:		
Premiums collected	$ 249,466,608	$ 227,420,933
Administrative fees collected	1,129,767	1,545,609
Payments to suppliers	(245,904)	(161,978)
Premiums paid	(248,234,748)	(225,867,844)
Payments to employees	(628,989)	(598,313)
Net Cash Provided By Operating Activities	1,486,734	2,338,407
Cash Flows From Investing Activities:		
Investment income	55,652	74,617
Investment expense	(1,000)	(1,000)
Net cash provided by investing activities	54,652	73,617
Cash Flows Used By Capital and Related Financing Activities:		
Acquisition and construction of capital assets/software	(213,339)	(575,766)
Cash Flows from Noncapital Financing Activities:		
Transfers out	(224,090)	(261,531)
Net Change in Cash and Cash Equivalents	1,103,957	1,574,727
Cash and Cash Equivalents Balance - Beginning of Year	12,701,211	11,126,484
Cash and Cash Equivalents Balance - End of Year	$ 13,805,168	$ 12,701,211
Reconciliation of Operating Income to Net Cash Provided		
Operating Income (Loss)	$ 589,344	$ 1,317,232
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By Operating Activities:		
Amortization	278,261	208,644
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	(53,480)	(290,682)
(Increase) Decrease in Due From Other Funds	82,211	(66,104)
(Increase) Decrease in Due From Other State Agencies	-	(1,315)
Increase (Decrease) in Salaries Payable	(11)	1,556
Increase in Accrued Compensated Absences	3,865	10,156
Increase (Decrease) in Accounts Payable	300,126	(64,686)
Increase in Due to Fiduciary Funds	183,413	279,391
Increase (Decrease) in Due to Other State Agencies	2,052	3,162
Increase in Deferred Premiums	100,953	941,053
Total Adjustments	897,390	812,531
Net Cash Provided By Operating Activities	$ 1,486,734	$ 2,338,407

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

Statement of Plan Net Assets
Fiduciary Funds
June 30, 2012

	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
ASSETS:							
Cash	$ 3,703,624	$ -	$ 37,158	$ 80,724	$ 214,422	$ 104,069	$ 176
Receivables:							
Contribution receivable	6,587,177	-	711,331	155,579	550,377	-	6,341
Interest receivable	2,618,666	77,746	67,527	-	-	-	63,276
Due from fiduciary funds	239,522	1,111	115,854	-	14,452	22,085	12,956
Due from proprietary funds	42,455	-	420,349	-	-	-	
Due from other state agencies	90	-	-	-	-	-	-
Total receivables	9,487,910	78,857	1,315,061	155,579	564,829	22,085	82,573
Investments, at fair value:							
Domestic equities	574,705,859	17,091,035	28,098,301	-	-	-	27,764,604
International equities	290,235,153	8,631,231	8,033,187	-	-	-	6,543,586
International fixed income	88,232,357	2,623,920	-	-	-	-	4,066,109
Domestic fixed income	304,882,279	9,066,819	25,920,425	794,568	-	-	46,031,127
Real estate	334,476,268	9,946,907	-	-	-	-	-
Mutual funds	-	-	-	21,781,144	-	40,023,768	-
Annuities	-	-	-	-	-	83,974	-
Alternative investments	100,252,385	2,981,381	-	-	-	-	-
Invested cash	27,671,620	822,919	-	-	-	-	284,806
Total investments	1,720,455,921	51,164,212	62,051,913	22,575,712	-	40,107,742	84,690,232
Prepaid expenses	707	-	525,768	-	177	354	-
Software (not in production)	102,024	1,796	10,160	664	25,542	51,084	530
Software (net of amortization)	3,038,444	25,618	291,713	21,047	765,003	1,530,006	18,031
Total assets	1,736,788,630	51,270,483	64,231,773	22,833,726	1,569,973	41,815,340	84,791,542

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
LIABILITIES:							
Salaries payable	71,568	-	-	-	20,837	31,828	-
Accounts payable	2,444,323	-	39,229	-	11,202	15,532	77,024
Due to fiduciary funds	126,783	27,368	240,372	5,506	-	-	5,952
Due to proprietary funds	-	-	51,219	-	-	-	2,026
Due to other state agencies	22,268	-	-	-	4,665	9,047	-
Deferred contributions	-	-	-	-	-	14,575	-
Accrued compensated absences	83,792	-	-	-	26,605	39,366	-
Total liabilities	2,748,734	27,368	330,820	5,506	63,309	110,348	85,002
NET ASSETS:							
Held in trust for pension benefits	1,734,039,896	51,243,115	-	22,828,220	-	41,704,992	84,706,540
Held in trust for postemployment healthcare benefits	-	-	63,900,953	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,506,664	-	-
Total net assets held in trust	$ 1,734,039,896	$ 51,243,115	$ 63,900,953	$ 22,828,220	$ 1,506,664	$ 41,704,992	$ 84,706,540

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 Changes in Plan Net Assets – Fiduciary Funds
For the Year Ended June 30, 2012

	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
ADDITIONS:							
Contributions:							
From employer	$ 38,005,854	$ 1,423,154	$ 9,388,040	$ 756,229	$ -	$ -	$ -
From employee	36,095,927	893,784	6,248,541	736,573	6,237,746	5,365,541	83,351
Transfers from other plans	-	-	-	188,904	-	425,000	-
From external plans	-	-	-	-	-	119,785	-
Total contributions	74,101,781	2,316,938	15,636,581	1,681,706	6,237,746	5,910,326	83,351
Investment income:							
Net change in fair value of investments	(38,969,879)	(1,168,833)	163,508	(346,694)	-	(677,974)	456,149
Interest and dividends	41,845,593	1,255,072	1,587,362	718,571	832	1,312,914	2,908,939
Less investment expense	(6,359,713)	(190,880)	(146,395)	(8,453)	-	(62,828)	(264,891)
Net investment income	(3,483,999)	(104,641)	1,604,475	363,424	832	572,112	3,100,197
Securities lending activity:							
Securities lending income	9,843	295	-	-	-	-	436
Less securities lending expenses-net of rebates	1,461	44	-	-	-	-	73
Net securities lending income	11,304	339	-	-	-	-	509
Repurchase service credit	6,503,853	13,911	423,449	-	-	-	-
FICA tax savings	-	-	-	-	675,046	-	-
Transfer from proprietary fund	-	-	-	-	-	224,090	-
Miscellaneous income	8,700	68	-	12,518	-	215	-
Total additions	77,141,639	2,226,615	17,664,505	2,057,648	6,913,624	6,706,743	3,184,057
DEDUCTIONS:							
Benefits paid to participants	94,083,387	3,661,649	-	630,885	6,306,230	3,283,524	4,170,969
Refunds	4,805,045	598	2,071	-	-	-	-
Prefunded credit applied	-	-	6,092,429	-	-	-	-
Health premiums paid	-	-	6,235,295	-	-	-	-
Transfers to other plans	412,994	-	-	-	200,910	-	-
	99,301,426	3,662,247	12,329,795	630,885	6,507,140	3,283,524	4,170,969
Administrative expenses	1,856,915	26,674	171,393	17,164	438,406	739,869	25,980
Total deductions	101,158,341	3,688,921	12,501,188	648,049	6,945,546	4,023,393	4,196,949
Change in net assets	(24,016,702)	(1,462,306)	5,163,317	1,409,599	(31,922)	2,683,350	(1,012,892)
Net assets - beginning of year	1,758,056,598	52,705,421	58,737,636	21,418,621	1,538,586	39,021,642	85,719,432
Net assets - end of year	$ 1,734,039,896	$ 51,243,115	$ 63,900,953	$ 22,828,220	$ 1,506,664	$ 41,704,992	$ 84,706,540

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 & 2011

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.

The State of Net Assets presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated amortization and reduced by outstanding balances for debt that are attributed to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two proceeding categories.

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 reports administrative revenue and expenses and insurance contributions and benefits.

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:

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

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

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

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.

Pretax Benefits Program – allows eligible employees to elect to reduce their salaries to pay for eligible dependent care and medical expenses.

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

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

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 insurance benefits paid to participants, 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, 2012 and 2011.

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 did not have a securities lending program in place during the fiscal year ended June 30, 2012. Income and expenses from securities lending activity appearing on the financial statements represent final activity from June 2011, not recorded until July 2011.

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 collectability. 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, 2012 and 2011 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 deferred compensation contributions that had not been forwarded to the investment provider company as of June 30. 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 2012 and 2011, transfers to other plans also includes operating transfers from the retirement plan and pretax benefits program to the deferred compensation plan to cover general administrative expenses and 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.

	2012	2011
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	$4.651.335	$ 3,761,482
Cash Deposits at State Treasury recorded as Cash and Cash Equivalents	456,797	554,204
Cash held by the North Dakota Retirement and Investment Office recorded as Cash and Cash Equivalents	6,966,111	5,667,265
Guaranteed Investment Contract with Blue Cross Blue Shield recorded as Cash and Cash Equivalents	5,871,098	5,906,048
	$17,945,341	$15,888,999

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, 2012 and 2011 the carrying amount of the System's cash deposits were $17,945,341 and $15,888,999, and the bank balances were $18,005,082 and $15,924,986. All of the System's deposits are uncollateralized and uninsured at June 30, 2012 and 2011.

Investments
Total investments of the System at fair value as of June 30, 2012 and 2011 consisted of the following:

	2012	2011
Equity securities	$961,102,956	$1,063,370,396
Bonds and notes	481,617,604	687,633,019
Real estate	344,423,175	101,876,039
Alternative investments	103,233,766	63,145,098
Mutual funds	21,781,144	18,832,541
Commingled managed pool	-	2,476,058
Invested cash	28,779,345	26,240,745
Deferred compensation plans		
Annuities	83,974	81,156
Mutual funds	40,023,768	37,253,362
	$1,981,045,732	$2,000,908,414

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 TIAA-CREF (Fidelity Investments prior to November 1, 2011).

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 for fiscal year 2011 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)	Fair Value 2012	Fair Value 2011	Less Than 1 Year 2012	Less Than 1 Year 2011	1-6 Years 2012	1-6 Years 2011	6-10 Years 2012	6-10 Years 2011	Over 10 Years 2012	Over 10 Years 2011
Asset Backed Securities	$1,788	$ 3,501	$ -	$ -	79	$ 767	$ 188	$ 529	$ 1,521	$ 2,205
Commercial Mortgage-Backed	2,702	5,196	-	-	-	-	-	-	2,702	5,196
Corporate Bonds	57,529	108,670	971	967	19,522	35,585	14,942	34,705	22,094	37,413
Corporate Convertible Bonds	12,457	28,675	2,600	1,006	3,881	17,764	2,514	2,435	3,462	7,470
Government Agencies	9,297	24,726	956	57	1,962	16,937	4,851	5,693	1,528	2,039
Government Bonds	49,330	68,752	4,735	1,139	9,227	23,010	15,563	19,973	19,805	24,630
Gov't. Mortgage and Commercial	146,464	60,838	-	-	558	1,124	6,726	4,170	142,180	55,544
Guaranteed Fixed Income	365	578	365	64	-	514	-	-	-	-
Hedge Multi-Strategy	-	-	-	-	-	-	-	-	-	-
Index Linked Government Bonds	533	843	-	-	-	-	-	-	533	843
Municipal/Provincial Bonds	5,172	7,434	418	91	3,078	5,115	-	65	1,676	2,163
Non-Government Backed CMOs	6,420	16,759	-	-	1,358	-	2,040	4,874	3,022	11,885
Other Fixed Income	931	117	-	117	931	-	-	-	-	-
Pooled Investments	137,660	123,149	30,754	-	60,376	69,783	46,530	53,366	-	-
Short Term Bills and Notes	5,471	1,105	5,471	1,105	-	-	-	-	-	-
Total Debt Securities	$439,119	$450,343	$46,270	$4,546	$100,972	$170,599	$93,354	$125,810	$198,523	$149,388

Job Service Retirement Plan

Type (in thousands)	Fair Value 2012	Fair Value 2011	Less Than 1 Year 2012	Less Than 1 Year 2011	1-6 Years 2012	1-6 Years 2011	6-10 Years 2012	6-10 Years 2011	Over 10 Years 2012	Over 10 Years 2011
Asset Backed Securities	$80	$ 184	$ -	$ -	$ 3	$ 23	$ 11	$ 24	$ 66	$ 137
Commercial Mortgage-Backed	116	163	-	-	-	-	-	-	116	163
Corporate Bonds	3,936	6,002	65	45	1,271	1,851	1,047	1,932	1,553	2,174
Corporate Convertible Bonds	859	1,589	109	55	295	917	191	123	264	494
Government Agencies	675	1,120	66	3	156	798	313	235	140	84
Government Bonds	5,020	3,365	212	55	1,060	1,099	1,906	957	1,842	1,254
Gov't. Mortgage and Commercial	20,633	2,069	-	-	23	33	994	132	19,616	1,904
Guaranteed Fixed Income	64	27	64	3	-	24	-	-	-	-
Index Linked Government Bonds	41	53	-	-	-	-	-	-	41	53
Municipal/Provincial Bonds	230	345	16	4	138	237	-	3	76	101
Non-Government Backed CMOs	278	737	-	-	61	-	87	148	130	589
Other Fixed Income	42	3	-	3	42	-	-	-	-	-
Pooled Investments	17,971	25,373	5,363	-	10,528	2,971	2,080	22,402	-	-
Short Term Bills and Notes	515	51	515	51	-	-	-	-	-	-
Total Debt Securities	50,460	$41,081	$6,410	$219	$13,577	$7,953	$ 6,629	$25,956	$23,844	$6,953

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 $2.728 million and maturing in 6-10 years is $23.256 million for a total market value of $25.984 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	
	2012	2011	2012	2011	2012	2011	2012	2011
Australian dollar	$ (5,818)	$ (4,740)	$ 5,622	$ 5,172	$ 4,742	$ 4,025	$4,546	$ 4,457
Brazilian real	103	(1,792)	2,556	3,055	-	-	2,659	1,263
British pound sterling	3,157	4,445	3,561	4,077	24,430	19,160	31,148	27,682
Canadian dollar	17	(923)	594	3,439	1,285	1,169	1,896	3,685
Chilean peso	1,501	-	-	-	-	-	1,501	-
Chinese yukan renminbi	-	1,901	-	-	-	-	-	1,901
Israeli shekel	9	2	-	-	332	493	341	495
Danish krone	11	12	-	-	502	412	513	424
Euro	(3,174)	555	1,274	672	39,326	31,534	37,426	32,761
Hong Kong dollar	14	-	-	-	2,414	1,788	2,428	1,788
Hungarian forint	-	-	1,887	1,246	-	-	1,887	1,246
Iceland krona	14	13	-	-	-	-	14	13
Indian rupee	-	-	-	302	-	-	-	302
Indonesian rupiah	-	-	-	3,830	-	-	-	3,830
Japanese yen	(1,426)	(577)	-	-	17,138	13,004	15,712	12,427
Malaysian ringgit	-	-	2,010	2,224	-	-	2,010	2,224
Mexican peso	-	-	5,931	3,281	-	-	5,931	3,281
New Zealand dollar	(1,331)	(1,572)	1,573	1,697	-	-	242	125
Norwegian krone	104	41	-	1,984	1,764	3,887	1,868	5,912
Phillippine peso	-	-	1,075	852	-	-	1,075	852
Polish zloty	-	-	2,736	2,904	-	-	2,736	2,904
Singapore dollar	17	1,097	-	-	1,080	627	1,097	1,724
South African rand	-	-	1,818	1,428	-	-	1,818	1,428
South Korean won	-	-	2,109	3,273	-	-	2,109	3,273
Swedish krona	25	4	-	-	2,371	1,388	2,396	1,392
Swiss franc	-	56	-	-	6,709	4,959	6,709	5,015
Turkish lira	-	1,935	2,012	-	-	-	2,012	1,935
International commingled funds (various currencies)	-	-	45,116	-	135,553	92,616	180,669	92,616
	$ (6,777)	$ 457	$ 79,874	$ 39,436	$ 237,646	$ 175,062	310,743	$ 214,955

Job Service Retirement Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Australian dollar	$ (241)	$ (232)	$ 275	266	$ 133	$ 181	$ 167	$ 215
Brazilian real	5	(88)	148	181	-	-	153	93
British pound sterling	156	210	159	200	847	834	1,162	1,244
Canadian dollar	1	(45)	45	185	36	53	82	193
Chilean peso	67	-	-	-	-	-	67	-
Chinese yuan renminbi	-	93	-	-	-	-	-	93
Israeli shekel	-	-	-	-	9	22	9	22
Danish krone	-	1		-	14	18	14	19
Euro	(136)	3	97	51	1,285	1,361	1,246	1,415
Hong Kong dollar	-	-	-	-	68	80	68	80
Hungarian forint	-	-	84	61	-	-	84	61
Iceland krona	1	1	-	-	-	-	1	1
Indian rupee	-	-	-	23	-	-	-	23
Indonesian rupiah	-	-	-	250	-	-	-	250
Japanese yen	(40)	(26)	-	-	480	584	440	558
Malaysian ringgit	-	-	90	109	-	-	90	109
Mexican peso	-	-	303	189	-	-	303	189
New Zealand dollar	(60)	(77)	70	83	-	-	10	6
Norwegian krone	3	2	-	97	66	160	69	259
Phillippine peso	-	-	82	65	-	-	82	65
Polish zloty	-	-	122	142	-	-	122	142
Singapore dollar	-	53	-	-	30	28	30	81
South African rand	-	-	81	70	-	-	81	70
South Korean won	-	-	94	194	-	-	94	194
Swedish krona	1	-	-	-	66	62	67	62
Swiss franc	-	3	-	-	188	223	188	226
Turkish lira	-	95	90	-	-	-	90	95
International commingled funds (various currencies)	-	-	2,019	-	1,967	-	3,986	-
	$ (243)	(7)	$ 3,759	$ 2,166	$ 5,189	$ 3,606	$ 8,705	$ 5,765

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

The June 30, 2012 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	$ 281,977	$ 126,783
Highway Patrolmen's Retirement System	1,111	27,368
Retiree Health Insurance Credit Fund	536,203	291,591
Retirement Plan for Employees of Job Service ND	12,956	7,978
Pretax Benefits Program	14,452	-
Deferred Compensation Plan	22,085	-
Defined Contribution Plan	-	5,505
Proprietary		
Uniform Group Insurance Program	53,245	462,804
	$ 922,029	$ 922,029

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 Benefits 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

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, 2012 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
ITD	$ -	$ 5,836
Attorney General	-	554
Office of Mgmt. & Budget	-	15,878
State Fair Association	90	-
Total	$ 90	$ 22,268
Pretax Benefits Program		
ITD	-	931
Attorney General	-	139
Office of Mgmt. & Budget	-	3,595
Total	$ -	$ 4,665
Deferred Compensation Plan		
ITD	$ -	$ 1,583
Attorney General	-	277
Office of Mgmt. & Budget	-	7,187
Total	$ -	$ 9,047
Proprietary		
Uniform Group Insurance Program		
State Fair Association	$ 197	$ -
Office of Mgmt. & Budget	1,111	10,782
ITD	-	3,795
Attorney General	-	701
Total	$ 1,315	$ 15,278

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, 2012 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfer In	Transfer Out
Fiduciary Funds		
Defined Contribution Retirement Fund	$ 188,904	$ -
Pretax Benefits Program	-	200,910
Deferred Comp Plan	649,090	-
Public Employees Retirement System	-	412,994
Proprietary Funds		
Uniform Group Insurance Program	-	224,090

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 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, 2012 and 2011 is as follows:

	Balance 7/01/11	Additions	Deletions	Balance 6/30/12
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$ 57,017	$ 19,609	$ -	$ 76,626
Capital assets not being depreciated:				
Software	2,781,913	-	-	2,781,913
Less: Accumulated amortization for:				
Software	(208,643)	(278,261)	-	(486,904)
Total capital assets being depr. net	2,573,270	(278,261)	-	2,295,009
Proprietary Funds capital assets, net	2,630,287	258,652	-	2,371,635
Fiduciary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$142,984	$ 48,816	$ -	$ 191,800
Capital assets being depreciated:				
Software	6,896,716	-	-	6,896,716
Equipment	11,527	-	-	11,527
Total capital assets being depr.	6,908,243	-	-	6,908,243
Less: Accumulated amort/depr. for:				
Equipment	(11,257)	-	-	(11,257)
Software	(517,252)	(689,902)	-	(1,207,154
Total capital assets being depr. net	6,379,464	(689,902)	-	5,689,562
Fiduciary Funds capital assets, net	$6,522,448	$(641,086)	$ -	$5,881,362

	Balance 7/1/2010	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

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 $124,356 and $113,868 for the years ended June 30, 2012 and 2011, respectively. The future minimum lease payment for the fiscal year ending June 30, 2013 is $124,356.

The department has also entered into an operating lease for office equipment until February 28, 2014. Expenditures for this lease were $2,561 and $854 for the years ended June 30, 2012 and 2011, respectively. The future minimum lease payments for the fiscal years ending June 30, 2013 and 2014 are $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 Accrued Comp. Absences	Fiduciary Fund Accrued Comp. Absences
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
Increases	42,369	86,386
Decreases	(38,504)	(92,706)
Balance – June 30, 2012	$ 73,453	$ 149,763
Balance – due within one year	$4,268	$8,701

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, 2012, 2011 and 2010, were $129,748, $113,315 and $119,404 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 fiscal year 2011, therefore, no further benefits are payable under the plan. Remaining assets of approximately $2,400 were transferred to the General Fund in 2011.

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:

	2012	2011
Cities	81	81
Counties	49	49
School Districts	114	114
Other	73	70
Total participating political subdivisions	317	314

Employee membership data is as follows:

	PERS 2012	PERS 2011	HPRS 2012	HPRS 2011
Retirees & Beneficiaries Currently Receiving Benefits	8,303	7,821	116	115
Special Prior Service Retirees	13	14	-	-
Terminated Vested Participants	3,624	3,558	9	5
Inactive Participants	3,542	3,138	6	4
Active Plan Participants				
Vested	15,632	15,478	67	65
Nonvested	5,459	5,217	78	68
Total Plan Membership	36,573	35,226	276	257

	Job Service 2012	Job Service 2011
Retirees & Beneficiaries Currently Receiving Benefits	212	213
Special Prior Service Retirees	-	-
Terminated Vested Participants	3	4
Inactive Participants	-	-
Active Plan Participants:		
Vested	19	23
Nonvested		-
Total Plan Membership	234	240

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 283 and 287 participants as of June 30, 2012 and 2011, 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 that 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 and are computed as described in Note 1.

For the years ended June 30, 2012 and 2011, the following are the net realized gains (losses):

	2012	**2011**
Public Employees Retirement	$14,286,633	$101,917,138
Highway Patrolmen's Retirement	428,503	3,084,668
Retiree Health Insurance Credit	889,953	1,001,928
Defined Contribution	737,164	181,115
Deferred Compensation	1,171,556	109,709
Job Service Plan	2,769,328	4,379,813

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. A participating member vests in the employer contributions made on the member's behalf as follows:

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

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

Retirement Plan for Employees of Job Service North Dakota

Benefits are established through the plan document, as amended. The System provides a post-retirement cost-of living adjustment each year

based on the Consumer Price Index. Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:
•1.5% times years of credited service up to 5 plus
•1.75% times years of credited service between 6 and 10 plus
• 2.0% times years of credited service in excess of 10

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

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

For Judges who have earned more than five years of credited service, the death benefit is the greater of (i) lump sum payment of accumulated contributions, or (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.
ity 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, both the employee and employer contribution rates for each of the plans increased by 1% (.5% each for the Law Enforcement Plans for political subdivisions). Effective January 2013, both the employee and employer contribution rates will be increased for each of the plans by an additional 1%(.5% for the Law Enforcement Plans for political subdivisions).

PERS

Member contributions are set by statute. 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 4% of the member contribution. Some of the political subdivisions are paying all or part of the member contributions.

Member contribution rates are established as a percent of regular compensation as follows:

	Eff. 1/1/12	Eff. 1/1/13
Public Employees Retirement System	5.00%	6.00%
Judges Retirement System	6.00%	7.00%
National Guard Retirement System	4.00%	4.00%
Law Enforcement with previous service		
State	5.00%	6.00%
Political Subdivisions	4.50%	5.00%
Law Enforce w/out previous service	4.50%	5.00%

Employer contributions are set by statute except the contribution rates for the National Guard/Law Enforcement Plans which are set by the Board.

Employer contributions are established as a percent of total compensation as follows:

	Eff. 1/1/12	Eff. 1/1/13
Public Employees Retirement System	5.12%	612%
Judges Retirement System	15.52%	16.52%
National Guard Retirement System	6.50%	6.50%
Law Enforcement with previous service		
State	9.31%	10.31%
Political Subdivisions	8.81%	9.31%
Law Enforce w/out previous service	6.93%	7.43%

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 11.3% (12.3% effective 1/1/2013) of total compensation of which the state is paying 4%. Employer contributions of 17.7% (18.7% effective 1/1/2013) 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 2011-2012.

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

Annual required contributions	$2,170,739
Interest on net pension obligations	(21,627)
Adjustment to annual required contrib.	18,867
Annual pension costs	2,167,979
Contributions made	1,423,154
Change in net pension obligations	744,825
Net pension obligations, beginning of year	(270,335)
(Assets in excess of) net pension obligations, end of year	$474,490

Defined Contribution Plan

Member contributions are established at 5% (6% effective 1/1/2013) and employer contributions are established at 5.12% (6.12% effective 1/1/2013) 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	(122,254)
Adjustment to annual required contrib.	128,389
Annual pension costs	6,135
Contributions made	-
Change in net pension obligations	6,135
Net pension obligations, beginning of year	(1,630,058)
(Assets in excess of) net pension obligations, end of year	$ (1,623,923)

Retiree Health Insurance Credit Fund

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

Employee membership data is as follows:

	2012	2011
Retired participants receiving benefits	4,442	4,242
Active participants, not receiving benefits	21,462	21,062
	25,904	25,304

The Retiree Health Insurance Credit Fund has 21,462 and 21,062 active participants at June 30, 2012 and 2011, respectively. The employers' actuarially required contribution was $7,263,487 and $7,053,215 and the actual employer contributions were $9,388,040 and $8,929,903 for the periods ended June 30, 2012 and 2011, 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	0.02%	164,971
	0.02%	$164,971

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 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.

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	2012	$1,627.4	$2,501.3	$873.9	65.1%	$ 800.9	109.1%
Highway Patrol	2012	$ 48.1	$ 68.4	$ 20.3	70.3%	$ 8.2	247.6%
Job Service	2012	$ 75.1	$ 71.4	$ (3.7)	105.2%	$ 1.0	0.0%
Retiree Health Credit	2012	$ 58.3	$ 112.4	$ 54.1	51.9%	$ 824.9	6.6%
Retiree Health Implicit Subsidy	2011	$ -	$ 65.2	$ 65.2	0.0%	$ -	0.0%

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.

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 annual 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 18 years remain. For the implicit subsidy unfunded plan, this amount is amortized over a fixed period of 30 years, of which 25 years remain.

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, 2012, 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 salary increase is 5.00% per year for all years of service.

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, 2012, the date of the latest actuarial study include:

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

Salary scale: 5% per year

Mortality tables:
Healthy:1994 Group Annuity Mortality Table
Disabled:1983 Railroad Retirement Board Disabled Life Mortality Table
Retirement age:75% of active participants are assumed to retire when eligible for optional retirement, and the remaining participants retire at normal retirement.

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

Post-retirement Cost Of Living Adjustment (COLA): 5% per year

Retiree Health Insurance Credit

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

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

Advance Funded Plan

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2012, 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, 2011, the date of the latest actuarial study include:

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

Health Care Cost Trend: Select – 9.00%; Ultimate – 6.0%. Select trends are reduce 0.5% each year until reaching the ultimate trend.

Retirement Age: Retirement probabilities have been developed from the assumptions for the NDPERS plans.

Termination: Probabilities of withdrawal for reasons other than death and retirement have been developed from the assumptions for the NDPERS pension plans.

NOTE 9
DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES

The System was given the authority by Chapter 54-52.2 to administer an employee deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan allows employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies to participate, providing that the employee has signed a participant agreement which permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive use of the employee or their beneficiary.

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

	2012	
Plan Participation by State of ND	$35,147,760	88%
Other jurisdictions	4,959,982	12%
Total value	$40,107,742	100%

	2011	
Plan Participation by State of ND	$32,619,742	87%
Other jurisdictions	4,714,776	13%
Total value	$37,334,518	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 $1.0 million during fiscal year 2012 and $1.7 million during fiscal year 2011 which is included in Cash on the System's balance sheet.

The contract for life insurance is with Reliastar Life Insurance Company 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, 2012, the System had paid $8.6 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
PRIOR PERIOD ADJUSTMENT/ REINSTATEMENT

The System is currently recognizing financial activity in its proprietary fund that was disclosed only through the Statement of Net Asset accounts in the prior year. As a result, the operating revenues and expenses were understated by $1,723,732 and $170,643, respectively. Net assets as of July 1, 2010 have been restated due to an updated interpretation of a statute in the prior period by increasing net assets $8,525,817.

As a result of this misstatement, the following changes were made to the 2011 proprietary financial statements:

	2011 Previously Reported	2011 Restated
Statement of Net Assets (Proprietary Fund)		
Accounts payable	$ 234,941	$ 235,191
Amounts held in custody for others	10,138,663	-
Total current liabilities	15,353,050	5,214,637
Total liabilities	15,419,040	5,208,627
Restricted for benefits	-	4,726,189
Unrestricted net assets	(2,284,712)	3,127,512
Total net assets	345,575	10,483,988
Statement of Activities (Proprietary Fund)		
Claim reimbursements	-	1,723,732
Total operating revenues	962,657	2,686,389
Insurance benefits	-	170,643
Total operating expenses	1,198,514	1,369,157
Operating income (loss)	(235,857)	1,317,232
Investment income	14,110	74,617
Investment expense	-	1,000
Income before transfers	(221,747)	1,390,849
Change in net assets	(483,278)	1,129,318
Net assets, beginning of year	828,853	9,354,670
Net assets, end of year	345,575	10,483,988

NOTE 16
CONTINGENCY

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.

GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position will be effective for financial statements for periods beginning after December 15, 2011 with early application encouraged. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities.

Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements–and Management's Discussion and Analysis–for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53 is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of the swap counterparty or swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66, Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statements 67, Financial Reporting for Pension Plans. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. GASB 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. This statements establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement–Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

NOTE 17
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 SIB joined with other WGTC investors and objected to a pro rata distribution to all investors. The receiver and the WGTI investors opposed. 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 WGTC 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 distribution; 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, 2012 or 2011.

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
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
2012	91,458,077	42

Highway Patrolmen's Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
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)
2012	2,170,739	66	474,490

Retiree Health Insurance Credit
Advance Funded Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
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
2012	7,263,487	129.0

For the five 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	38.4%
2009	4,118,000	76.2
2010	6,938,000	28.7
2011	7,295,000	54.4
2012	7,854,425	32.5

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
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
2012	2,501.3	1,627.4	873.9	65.1	800.9	109.1

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
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
2012	68.4	48.1	20.3	70.3	8.2	247.6

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
2012	71.4	75.1	(3.7)	105.2	1.0	0.0

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
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
2012	112.4	58.3	54.1	51.9	824.9	6.6

For the three 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
2011	65.2	-	65.2	0.0	-	0.0

SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

Fiduciary Funds

For the Fiscal Year Ended June 30, 2012

	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
Personnel Services:							
Salaries	571,740	4,564	58,184	3,674	171,042	262,980	2,909
Social security	42,260	337	4,303	272	12,699	19,748	215
Retirement	54,595	436	5,536	350	16,218	24,775	277
Insurance	131,776	1,054	12,703	802	37,279	50,152	635
Total Personnel Services	800,371	6,391	80,726	5,098	237,238	357,655	4,036
Professional Services:							
Actuarial	161,419	12,950	12,100	2,880	0	0	17,600
Audit	16,454	133	1,911	121	5,823	8,294	96
Data processing	73,991	600	5,910	373	13,512	16,282	295
Consulting	199,119	1,591	14,311	3,242	38,031	102,787	716
Legal counsel	8,000	65	922	1,194	1,895	4,249	46
Misc outside services	9,108	74	1,077	68	5,976	2,098	54
Total Professional Services	468,091	15,413	36,231	7,878	65,237	133,710	18,807
Communication:							
Postage & mailing svc	57,735	468	5,782	365	15,329	11,193	289
Printing	37,863	307	2,232	141	2,872	1,993	112
Telephone	10,378	84	949	60	1,885	3,186	47
Total Communication	105,976	859	8,963	566	20,086	16,372	448
Rentals:							
Equipment rent	3,730	30	373	24	940	1,635	19
Office rent	48,196	391	4,820	304	12,147	24,056	241
Total Rentals	51,926	421	5,193	328	13,087	25,691	260
Miscellaneous:							
Depreciation	368,400	3,066	35,162	2,538	92,754	185,507	2,175
Dues and prof development	13,342	108	716	195	688	1,570	36
Insurance	687	6	69	4	173	346	3
Miscellaneous	12,810	124	1,454	92	3,776	7,245	71
Repairs and maintenance	1,110	9	111	7	280	559	6
Supplies	19,542	158	1,985	409	4,918	10,311	99
Travel	14,660	119	783	49	169	903	39
Total Miscellaneous	430,551	3,590	40,280	3,294	102,758	206,441	2,429
Total Administrative Expenses	$1,856,915	$26,674	$171,393	$17,164	$438,406	$739,869	$25,980

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

Statement of Appropriations

For the Year Ended June 30, 2012

	Approved 2011-2013 Appropriation	2011-2013 Appropriation Adjustments	Adjusted 2011-2013 Appropriation	Expenditures 2012	Unexpended Appropriation
All Fund Types:					
Salaries and wages	$ 4,563,507	$ -	$ 4,563,507	$ 2,148,633	$ 2,414,874
Operating Expenses	2,054,383	-	2,054,383	907,774	1,146,609
Technology project carryover	597,338	-	597,338	46,610	550,728
Contingency	250,000	-	250,000	-	250,000
	$ 7,465,228	$ -	$ 7,465,228	$ 3,103,017	$ 4,362,211

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2012
Pension Trust Funds	$3,276,401
Enterprise Funds – Group Insurance	1,353,470
Total administrative expenses	4,629,871
Plus:	
Software development costs reclassified to software (not in production)	68,429
Prepaid expenses	1,769
Change in Accounts payable not charged to appropriation	384
Conference account revenues in excess of expenditures	1,647
Change in accrued compensated absences	2,455
Less:	
Professional fees paid pursuant to NDCC 54-52-04(6)	(633,668)
Depreciation expense	(967,863)
Contribution/premium over and short	(7)
Total appropriated expenditures	$ 3,103,017

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	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
Payments to State Investment Board:							
Investment Fees	$6,101,496	$183,138	$146,395	$0	$0	$0	$264,891
Administrative Expenses	258,217	7,742	0	0	0	0	0
	6,359,713	190,880	146,395	0	0	0	264,891
Securities Lending Fees (net of rebates)	(1,461)	(44)	0	0	0	0	(73)
Payments to Providers:							
Investment Fees	0	0	0	8,453	0	62,828	0
Total Investment Expenses	$6,358,252	$190,836	$146,395	$8,453	$0	$62,828	$264,818

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 CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2012

	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	161,419	12,950	12,100	2,880	0	0	17,600
Audit/Accounting Fees:							
Brady, Martz & Associates	16,454	133	1,911	121	5,823	8,294	96
Disability Consulting Fees:							
Mid Dakota Clinic	7,350	538	0	0	0	0	0
IT Consulting							
Sagitec Solutions LLC	129,833	1,053	14,311	904	32,721	65,443	716
Miscellaneous Consulting Fees:							
Brady Martz & Associates	7,919	0	0	0	0	3,500	0
Callan & Associates	54,018	0	0	0	0	0	0
The Segal Company	0	0	0	2,339	5,310	33,844	0
Legal Fees:							
ND Attorney General	8,000	65	922	1,194	1,895	4,250	46
Totals	$384,993	$14,739	$29,244	$7,438	$45,749	$115,331	$18,458

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

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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November 27, 2012

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, 2012.

Introduction

For the fiscal year ended June 30, 2012, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of 0.06%. The Job Service Pension Plan experienced a net total return of 3.09% 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 new fiscal year began where the last one left off; plunging equity markets, spiking volatility, and a rush into "safe" investments, such as U.S. Treasuries. Risk aversion arose in part as a result of the downgrade of U.S. Government debt by the rating agency Standard & Poor's. As the Federal Reserve's second round of monetary easing came to an end in June 2011 the next round was announced. "Operation Twist" was designed to bring down long-term borrowing costs for companies and individuals. Even though the capital markets responded well to these announcements, the impact on the real economy was unclear at best. GDP only grew 2.2% for the fiscal year ended June 2012, which was only a slight improvement over the prior year's 1.6% growth. There are few signs that point to a more robust economy in the future.

After reaching 3.9% in September, inflation steadily declined the rest of the year, hitting 1.7% by fiscal year end. While the unemployment rate remained well above historical levels, it too gradually dropped throughout the fiscal year, from 9.1% to 8.2%. Unfortunately, the labor force participation rate also dropped slightly to 63.8%, well below a 30 year average of about 66%.

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, shortly after the end of the fiscal year the Fed announced another stimulus program beyond the first three ("QE1," "QE2," and "Operation Twist). The new program, nicknamed "QE3," differs from the others by lacking a specified end date. Under this program the Federal Reserve will purchase $40 billion of agency mortgage backed securities every month until they see substantial improvement in the employment situation.

Global Equity Overview

Domestic Equity

The fiscal year ended June 30, 2012, brought modest returns across the broad domestic equity market. The S&P 1500 Index, a broad market indicator for the U.S. stock market, finished the fiscal year with a return of +4.63%. The first and last quarters of the fiscal year were negative, but the middle two quarters were strong (-14.61%; +12.10%; +12.64%; -2.96%, respectively). Large cap stocks performed better than small cap stocks during the fiscal year. The S&P 600, a gauge of small cap stock performance, underperformed its large cap peer (the S&P 500 index), +1.43% to +5.45%. Growth stocks held up better than value stocks during fiscal year 2012. The Russell 3000 Growth Index advanced 5.05% versus a gain of 2.64% for the Russell 3000 Value Index.

International Equity

Developed International equity markets, as represented by the MSCI EAFE Index, fell in fiscal year 2012. The index returned -13.83%, which was drastically below the 30.36% gain in the 2011 fiscal year. As in the U.S., growth stocks produced better returns than value stocks in the developed world's stock markets. For the trailing twelve-months ended June 30, 2012, the MSCI EAFE Growth Index fell 12.56% while the MSCI EAFE Value Index was down 15.16%. Emerging market returns slightly trailed developed market returns in fiscal year 2012 as the MSCI Emerging Markets Index declined 15.94%. In sum, fiscal 2012 was a tough year for the world's stock markets.

Private Equity

The private equity market grew at a faster pace in fiscal year 2012 as more institutional investors placed capital into new programs. According to "Buyouts" newsletter, 437 transactions closed in the amount of $143 billion during the 2012 fiscal year. This is an increase in the total number of transactions from fiscal year 2011 (347) and nearly 32% more dollar volume ($109 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, 2012, it is worth noting that the pension pool's private equity allocation of total fund assets was 4.8%. The market value of the private equity allocation, including investment returns and net new investment, gained 5.12% during the fiscal year.

Global Fixed-Income Overview

Domestic Fixed-Income

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, had a +7.47% return for the four calendar quarters ended 6/30/2012. With fears of a global recession and other economic uncertainty (such as a potential breakup of the European Union), investors fled the equity markets into the relative safe haven of the bond market, particularly the government bond market. Treasury yields fell across the curve but most significantly fell at the long end. When compared to fiscal year 2011, yield spreads for non-government bonds widened during fiscal year 2012.

The Barclays Capital Government/Credit Index returned +8.78% over the fiscal year. This return was substantially below the +24.58% gain of the Barclays Capital Government/Credit Long Index. The Barclays Capital Credit Index rose 9.54% for the trailing twelve-months as company balance sheets continued to improve. High yield investors saw positive returns; the Barclays Capital High Yield Index returned +7.27% for the year ended June 30, 2012.

International Fixed-Income

The International fixed income markets continued to be affected by the debt crisis that started with Greece but spread to many other Eurozone members. Largely due to these on-going and unresolved issues, the Citi Euro Government Bond Index fell 6.15% while the rest of the world showed gains (+0.44% for the Citi non-U.S. World Government index; this index includes the poor return from Europe). As was the case at the end of the prior fiscal year, European Union leaders continued their efforts to contain the debt crisis through many measures. However, investors remained unconvinced that these new steps will solve the underlying problem.

The U.S. Dollar appreciated relative to most foreign currencies during the fiscal year, which hurt U.S. investors' foreign bond returns. In U.S. Dollar-denominated returns, the Citi Non-U.S. World Government Bond Index rose 0.44% for the year ended 6/30/12. For comparative purposes, the local currency return – the currency where the investments are actually made – for the Citi Non-U.S. World Government Bond Index was +6.58%. Emerging Market countries experienced positive returns for fiscal year 2012; the JP Morgan Emerging Markets Bond Plus Index gained 11.15%.

Global Real Assets Overview

Real Estate

The NCREIF Property Index, a measure of the private real estate market, rose 12.04% during the 2012 fiscal year. The index was positive in each of the four quarters, extending its positive streak to ten (10) 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 12.92% during the 2012 fiscal year.

Timber

Over the last several years timber has become an increasingly important investment for many plan sponsors. As of June 30, 2012, the total market size of the NCREIF Timberland Property Index reached nearly $23 billion representing approximately 13.3 million acres of land. The index returned 1.13% for the fiscal year, consisting of a -1.62% appreciation return and a +2.79% income return. The Pacific Northwest was the best performing region for the year, gaining 4.16%.

Infrastructure

Private infrastructure fund raising remained competitive with a record 144 funds on the road seeking capital during fiscal year 2012. This represents a 15% increase from the prior year. Despite the expanded opportunity set, the market did not experience a material increase from investor capital commitments, in part due to the uncertainty within the Eurozone. As a result, several managers have lowered their fund raising targets. The number of deals made by infrastructure managers has remained flat, as the need for infrastructure investments have been off-set by the lack of affordable long-term debt financing. A widely accepted private market index for infrastructure still does not exist, making yearly market performance challenging to evaluate.

Summary

Following two fiscal years of double-digit returns, fiscal year 2012 returns reflect a challenging environment in which top-down global macro forces dominated asset class performance. The investment portfolios failed to deliver favorable results on both an absolute and relative basis.

As a result of the asset/liability study conducted for the PERS portfolio, new policy target allocations and a broad asset allocation framework were adopted and implemented during the course of the fiscal year. We believe that these independent reviews as well as other investment initiatives will further optimize the investment program in the low return, high volatility environment.

Additionally, the global capital markets have become an important consideration when constructing a portfolio. The 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,

Darren Schulz

Darren Schulz, CFA
Interim Chief Investment Officer

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 Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believest hat the Fund should pursue the following secondary goals:
• Stabilize the employee and employer contributions needed to fund the Plan over the long term.
• Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the plan.

The investment performance objectives for the PERS, HPRS, Job Service and RHIC plans are: • The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
• The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minumum evaluation period of five years.
• The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

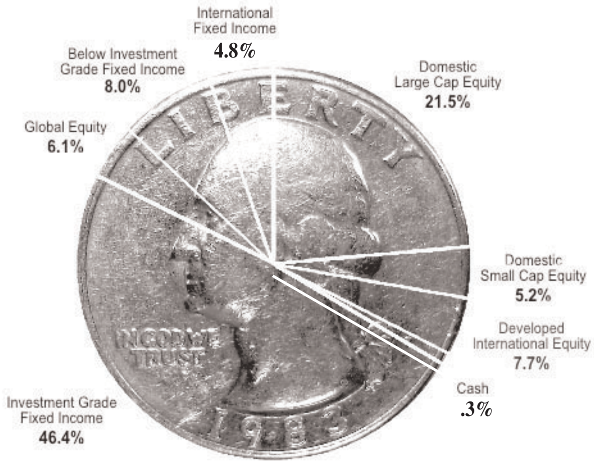
The investment goals for the Job Service Retirement Plan are: to maintain a level of surplus sufficient to eliminate the need for future contributions; to achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index, by 3.0 percentage points per year (based on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

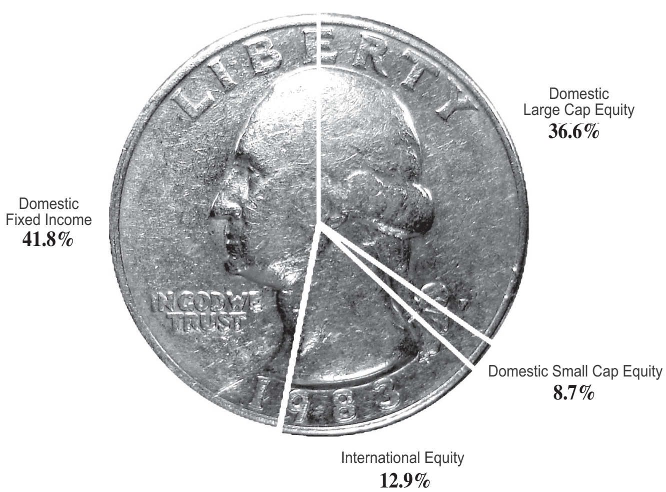
INVESTMENT SUMMARIES

Job Service Retirement Plan
Asset Allocation – June 30, 2012



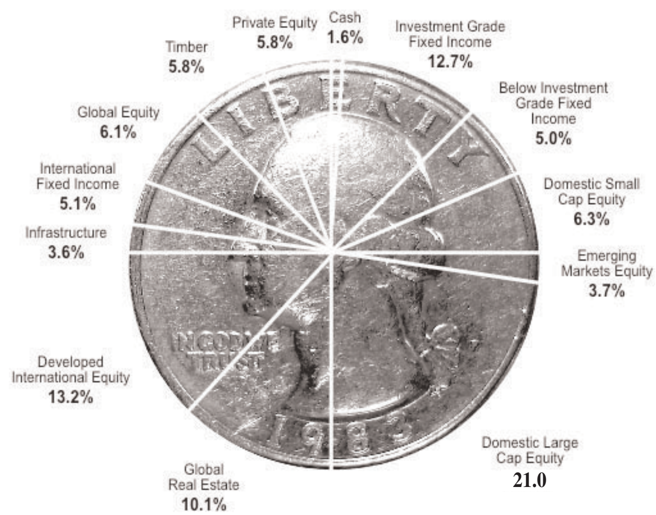
Asset Class	Market Value	Actual %	Policy %
Global Equity	$ 5,161,082	6.1%	6.0%
Domestic Large Cap Equity	18,197,710	21.5%	21.2%
Domestic Small Cap Equity	4,405.812	5.2%	5.1%
Developed International Equity	6,543,586	7.7%	7.7%
Investment Grade Fixed Income	39,244,198	46.4%	47.0%
Below Invesment Grade Fixed Income	6,786,929	8.0%	8.0%
International Fixed Income	4,066,109	4.8%	5.0%
Cash & Equivalents	284,806	0.3%	0.0%
Total	$ 84,690,232	100.0%	100.0%

Retiree Health Insurance Credit Program
Asset Allocation – June 30, 2012



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 22,704,728	36.6%	37.0%
Domestic Small Cap Equity	5,393,573	8.7%	9.0%
International Equity	8,033,187	12.9%	14.0%
Domestic Fixed Income	25,920,425	41.8%	40.0%
Total	$ 62,051,913	100.0%	100.0%

Public Employees and
Highway Patrolmen's Retirement Systems
Asset Allocation – June 30, 2012



Asset Class	Market Value	Actual %	Policy %
Global Equity	$ 107,212,760	6.1%	6.0%
Domestic Large Cap Equity	372,658,679	21.0%	21.2%
Domestic Small Cap Equity	111,925,455	6.3%	6.2%
Developed International Equity	233,585,232	13.2%	14.2%
Emerging Markets Equity	65,281,152	3.7%	4.4%
Private Equity	103,233,766	5.8%	5.0%
Investment Grade Fixed Income	226,043,102	12.7%	12.0%
Below Investment Grade Fixed Income	87,905,996	5.0%	5.0%
International Fixed Income	90,856,277	5.1%	5.0%
Global Real Estate	178,680,546	10.1%	10.0%
Timber	102,659,760	5.8%	5.0%
Infrastructure	63,082,869	3.6%	5.0%
Cash & Equivalents	28,494,539	1.6%	1.0%
Total	$ 1,771,620,133	100.0%	100.0%

Public Employees and Highway Patrolmen's Retirement Systems (PERS) and Job Service Retirement Plan
Schedule of Investment Results[1]
For the Five Years Ended June 30, 2012

	2008	2009	2010	2011	2012	Annualized 3 Year	Annualized 5 Year
Total Fund (PERS)	-5.60%	-24.42%	13.67%	21.43%	0.06%	11.36%	0.32%
Total Fund (Job Service)	-1.64%	-16.51%	13.61%	16.39%	3.10%	10.88%	2.26%
CPI	5.50%	-1.98%	1.36%	4.06%	1.58%	2.33%	2.08%
Global Equity[2]	-	-	-	-	NA	NA	NA
MSCI World	-	-	-	-	NA	NA	NA
Large Cap Domestic Equities	-15.66%	-39.58%	18.99%	30.58%	3.68%	17.23%	-3.88%
Russell 1000 (S&P 500 prior to 7/1/2011)	-13.12%	-26.21%	14.43%	30.69%	5.34%	16.36%	0.20%
Small Cap Domestic Equities	-19.70%	-31.73%	36.20%	36.07%	0.23%	22.93%	0.37%
Russell 2000	-16.19%	-25.01%	21.48%	37.41%	-2.08%	17.80%	0.54%
Developed International Equities	-17.91%	-27.31%	13.37%	31.20%	-14.72%	8.25%	-5.42%
MSCI EAFE (MSCI 50% Hedged EAFE thru 3/31/11)	-15.49%	-27.05%	8.47%	23.57%	-13.83%	4.92%	-6.56%
Emerging Markets Equities	3.69%	-26.69%	23.20%	27.93%	-9.21%	12.69%	1.69%
MSCI Emerging Markets Net (MSCI EM Gross prior to 7/1/2011)	4.89%	-27.82%	23.48%	28.17%	-15.94%	9.98%	0.14%
International Grade Fixed Income	9.78%	-3.04%	6.31%	6.15%	6.24%	6.23%	5.01%
Barclays Aggregate	7.12%	6.05%	9.50%	3.90%	7.47%	6.93%	6.79%
Below Investment Grade Fixed Income	-3.62%	-20.08%	31.79%	18.22%	3.46%	17.25%	4.42%
Barclays High Yield Corp 2% Issuer Cap	-1.74%	-1.91%	26.66%	15.53%	7.21%	16.19%	8.62%
International Fixed Income	14.24%	0.21%	9.17%	15.79%	4.62%	9.76%	8.65%
BCGlobal Aggregate ex US thereafter (Citigroup Non-US Gov't. Bond index thru 12/31/09)	18.72%	3.53%	0.78%	15.39%	-0.33%	5.05%	7.34%
Global Real Estate	7.27%	-32.45%	-11.79%	24.11%	12.97%	7.34%	-2.17%
NCREIF Index	9.20%	-19.57%	-1.48%	16.73%	12.04%	8.82%	2.51%
Private Equity[3]	4.50%	-32.94%	19.06%	14.99%	14.99%	-3.27%	2.08%
Timber[2]	-	-	-	-	NA	NA	NA
NCREIF Timber	-	-	-	-	NA	NA	NA
Infrastructure[2]	-	-	-	-	NA	NA	NA
CPI	-	-	-	-	NA	NA	NA
Cash	0.71%	1.09%	0.29%	0.17%	0.13%	0.19%	0.48%
90 Day T-bills	3.36%	0.95%	0.16%	0.16%	0.06%	0.12%	0.98%

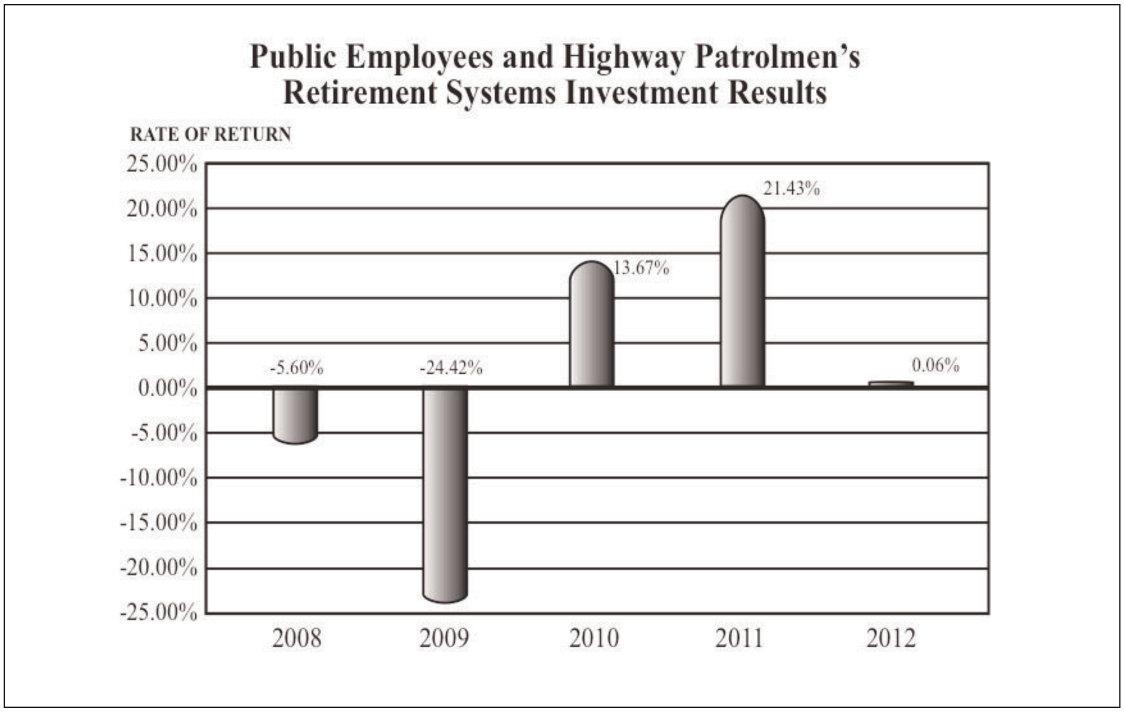
CPI = Consumer Price Index
S&P 500 = Standard & Poor's Domestic Equity Stock Index
Russell 2000 = Frank Russell Company 2000 Index
EAFE = Europe, Australia and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index

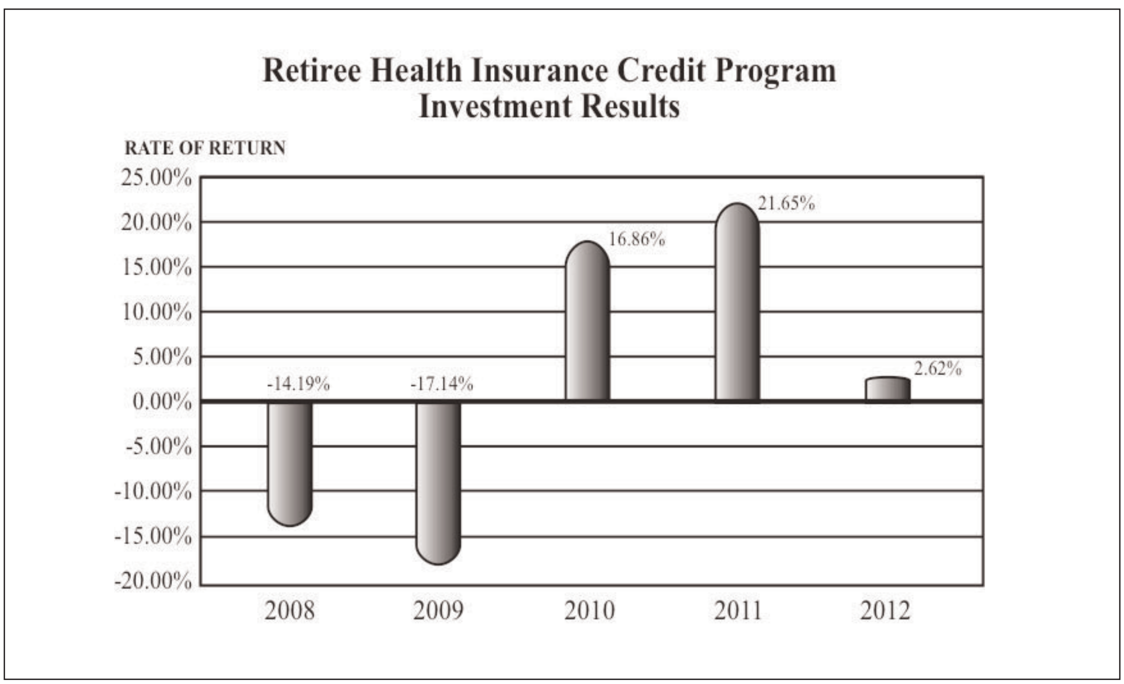
[1] *The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values.*
[2] *This asset class has less than the indicated years under management due to the addition of this asset class during this time period.*
[3] *It has been determined that there is no benchmark that is an accurate reflection of the System's investments in this asset class.*

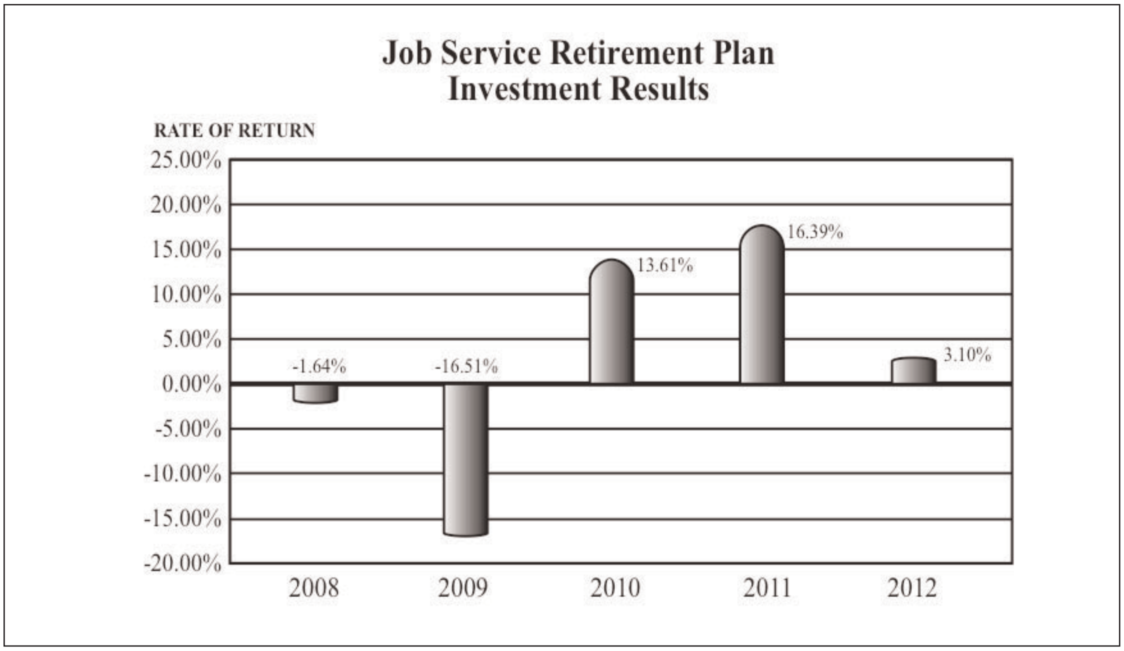
Retiree Health Insurance Credit Plan
Schedule of Investment Results[1]
For the Five Years Ended June 30, 2012

	2008	2009	2010	2011	2012	Annualized 3 Year	Annualized 5 Year
Total Fund	-14.19%	-17.14%	16.86%	21.65%	2.62%	13.41%	0.73%
CPI	5.50%	-1.98%	1.36%	4.06%	1.58%	2.33%	2.08%
Large Cap Domestic Equities	-18.05%	-29.49%	17.62%	31.56%	4.35%	17.45%	-1.31%
Russell 1000 (S&P 500 prior to 7/1/2011)	-13.12%	-26.21%	15.23%	31.94%	4.37%	16.64%	0.34%
Small Cap Domestic Equities	-22.70%	-27.95%	34.33%	34.55%	-3.55%	20.49%	-0.52%
Russell 2000	-11.57%	-27.83%	21.49%	37.41%	-2.08%	17.80%	0.54%
International Equities	-12.85%	-33.45%	13.30%	31.42%	-13.43%	8.95%	-5.59%
MSCI EAFE	-10.61%	-31.35%	8.15%	30.36%	-13.83%	6.70%	-5.71%
Core Plus Fixed Income	-6.92%	5.77%	16.90%	7.88%	8.68%	11.21%	6.25%
Barclays Aggregate	7.12%	6.05%	9.50%	3.90%	7.47%	6.93%	6.79%

[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%
-5.60%
-24.42%
13.67%
21.43%
0.06%
2008
2009
2010
2011
2012


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%
-14.19%
-17.14%
16.86%
21.65%
2.62%
2008
2009
2010
2011
2012



LARGEST HOLDINGS JUNE 30, 2012

Largest Holdings By Market Value at June 30, 2012

Stocks	**Fair Value**
Apple Incorporated	$15,893,232.56
Microsoft Corporation	11,078,102.32
Chevron Corporation	6,026,123.69
McDonalds Corporation	5,566,830.75
Exxon Mobile Corporation	5,512,764.48
Intel Corporation	5,183,564.02
Pfizer Incorporated	4,912,943.00
International Business Machines Corporation	4,906,632.87
Amgen Incorporated	4,289,117.33
Aetna Incorporated	4,238,605.57

Bonds	**Fair Value**
FNMA Guaranteed Mortgage Pool #AL1627 4.5% Due 09-01-2041	$9,981,675.22
FNMA Pool #AO4073 2.5% Due 05-01-2027	9,818,749.33
FNMA Guaranteed Mortgage Pool #AH0059 4.5% Due 02-01-2041	9,507,195.55
FHLMC Gold Single Family 4.5% 30 Years July	7,449,069.79
FNMA Single Family Mortgage 4.0% 30 Years July	6,507,099.58
GNMA I Single Family Mortgage 5.0% 30 Years July	6,478,616.49
GNMA I Single Family Mortgage 4.5% 30 Years July	6,437,212.24
FNMA Pool #AE5440 4.5% Due 10-01-2040	5,892,072,48
FHLMC Gold Q06359 4.0% Due 02-01-2042	4,984,879.39
GNMA Pool #MA0022 3.5% Due 04-20-2042	4,091,738.24

A complete list of all holdings is available upon request.

INVESTMENT FEES

Public Employees and Highway Patrolmen's Retirement System
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2012

	Assets Under Management	Fees
Investment Managers' Fees:		
Global Equity	$107 Million	$706,310
Large Cap Domestic Equities	$373 Million	1,279,779
Small Cap Domestic Equities	$112 Million	728,371
Developed International Equities	$234 Million	1,001,171
Emerging Markets Equities	$ 65 Million	557,974
Investment Grade Fixed Income	$226 Million	431,015
Below Investment Grade Fixed Income	$ 88 Million	1,076,980
International Fixed Income	$ 91 Million	315,693
Global Real Estate	$179 Million	1,598,099
Private Equity	$103 Million	2,766,793
Timber	$103 Million	527,909
Infrastructure	$ 63 Million	1,158,852
Cash	$ 28 Million	46,632
Total Investment Managers' Fees[1]		$12,195,578
Other Investment Service Fees:		
Custodian Fees	$ 1.8 Billion	$ 237,608
Investment Consultant Fees	$ 1.8 Billion	104,255
SIB Administrative Fees	$ 1.8 Billion	265,959
Total Investment Service Fees		$ 607,822
Securities Lending Fees *(net of rebates)*	$ 1.8 Billion	$ (1,505)

[1]Includes fees of $6,252,807 which were netted against investment income.

Job Service Retirement Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2012

	Assets Under Management	Fees
Investment Managers' Fees:		
Global Equity	$ 5 Million	$ 28,438
Large Cap Domestic Equities	$18 Million	62,101
Small Cap Domestic Equities	$ 4 Million	26,822
Developed International Equities	$ 7 Million	28,190
Investment Grade Fixed Income	$39 Million	211,589
Below Investment Grade Fixed Income	$ 4 Million	83,025
International Fixed Income	$ 4 Million	14,440
Cash	$ .3 Million	(14)
Total Investment Managers' Fees[1]		$ 454,591
Other Investment Service Fees:		
Custodian Fees	$85 Million	$ 11,095
Investment Consultant Fees	$85 Million	5,029
SIB Administrative Fees	$85 Million	11,024
Total Investment Service Fees		$ 27,148
Securities Lending Fees *(net of rebates)*	$85 Million	$ (73)

[1]Includes fees of $216,848 which were netted against investment income.

Retiree Health Insurance Credit Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2012

	Assets Under Management	Fees
Investment Manager's Fees	$62 Million	$ 249,704
Custodian Fees	$62 Million	706
SIB Administrative Fees	$62 Million	7,240
Total Investment Service Fees		$ 257,650

[1]Includes fees of $111,255 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.

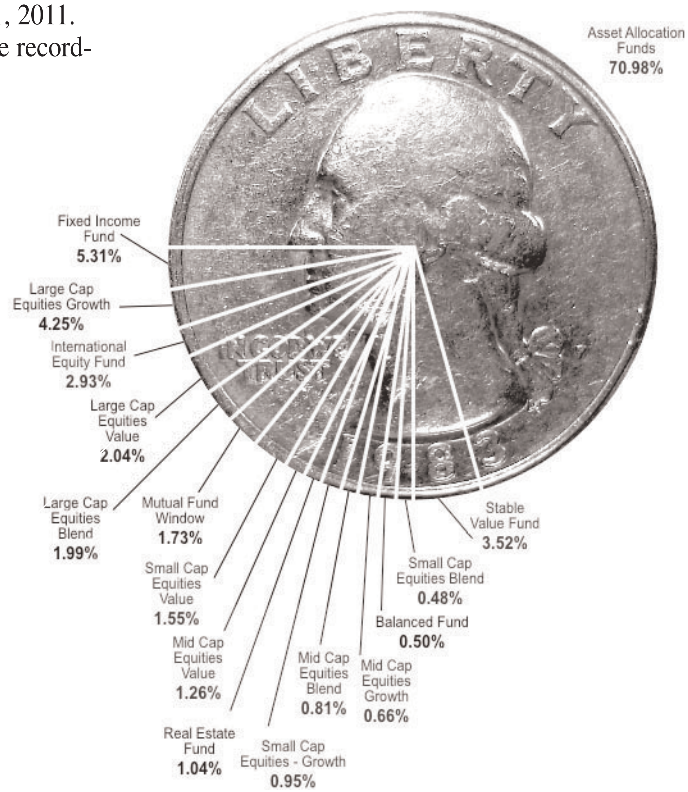
Defined Contribution Investments

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. TIAA-CREF was selected as the record-keeper for the Plan effective November 1, 2011. Prior to that, Fidelity Investments was the record-keeper.

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, 2012



Investment Options	Market Value	Percent
Stable Value Fund	794,568	3.52%
Fixed Income Fund	1,197,575	5.31%
Balanced Fund	113,796	0.50%
Real Estate Fund	234,184	1.04%
Large Cap Equities - Value	461,499	2.04%
Large Cap Equities - Blend	450,047	1.99%
Large Cap Equities - Growth	958,960	4.25%
Mid Cap Equities - Value	284,867	1.26%
Mid Cap Equities - Blend	148,365	0.66%
Mid Cap Equities - Growth	183,745	0.81%
Small Cap Equities - Value	349,908	1.55%
Small Cap Equities - Blend	107,896	0.48%
Small Cap Equities - Growth	213,813	0.95%
International Equity Fund	661,714	2.93%
Asset Allocation Funds	16,023,691	70.98%
Mutual Fund Window	391,084	1.73%
Total	22,575,712	100.00%

Defined Contribution Retirement Plan – Schedule of Investment Results

For the Five Years Ended June 30, 2012

	2008	2009	2010	2011	2012	3-year annualized	5-year annualized
Stable Value /Money Market Fund:							
Fidelity Managed Income Portfolio (2)	4.39%	2.67%	1.16%	1.34%	N/A	N/A	N/A
GIC 5 year index (2)	4.26%	2.00%	0.86%	0.92%	N/A	N/A	N/A
Vanguard Prime Money Market	N/A	N/A	N/A	N/A	0.03%	0.07%	1.08%
Wells Fargo Stable Return Fund (2)	N/A	N/A	N/A	N/A	1.39%	1.89%	2.56%
3 Month T-Bill Index (2)	N/A	N/A	N/A	N/A	0.39%	0.38%	1.70%
Fixed Income Fund:							
PIMCO Total Return Bond Fund	10.55%	8.99%	13.03%	5.67%	6.69%	8.41%	8.95%
PIMCO Real Return Admin (2)	N/A	N/A	N/A	N/A	11.52%	10.71%	9.00%
Barclays Aggregate Bond Index	7.12%	6.05%	9.50%	3.90%	7.47%	6.93%	6.79%
Taxable Bond Fund Universe (2)	N/A	N/A	N/A	N/A	5.30%	8.69%	5.65%
Prudential High Yield Z (2)	N/A	N/A	N/A	N/A	7.11%	15.64%	8.14%
ML High Yield Bond Fund Index (2)	N/A	N/A	N/A	N/A	6.49%	16.16%	8.16%
High Yield Bond Fund Universe (2)	N/A	N/A	N/A	N/A	5.14%	14.39%	5.85%
Templeton Global Bond Adv (2)	N/A	N/A	N/A	N/A	-0.86%	8.91%	9.41%
Citi World Govt Bond Index (2)	N/A	N/A	N/A	N/A	2.68%	5.35%	7.31%
World Bond Fund Universe (2)	N/A	N/A	N/A	N/A	2.23%	7.08%	6.40%
Real Estate Fund:							
Cohen & Steers Realty Shares (2)	N/A	N/A	N/A	N/A	8.79%	31.23%	2.98%
FTSE NAREIT All Equity REITs Index (2)	N/A	N/A	N/A	N/A	12.48%	32.40%	2.60%
Real Estate Fund Universe (2)	N/A	N/A	N/A	N/A	5.42%	27.60%	1.54%
Balanced Fund:							
Fidelity Puritan(2)	-7.54%	-17.25%	15.85%	22.28%	N/A	N/A	N/A
60% Russell 3000 Index and 40% Barclays Aggregate Bond Index (2)	-8.56%	-14.82%	14.34%	19.04%	N/A	N/A	N/A
T.Rowe Price Capital Appreciation (2)	N/A	N/A	N/A	N/A	4.01%	13.32%	3.21%
60% Large Cap Value Univ and 40% Taxable Bond Universe (2)	N/A	N/A	N/A	N/A	2.42%	11.77%	0.99%
60% Russell 1000 Value & 40% Agg Bond Index (2)	N/A	N/A	N/A	N/A	4.79%	12.25%	1.40%
Large Cap Equities-Value:							
Fidelity Equity-Income (2)	-20.04%	-28.70%	15.41%	29.57%	N/A	N/A	N/A
Franklin Mutual Shares A (2)	-19.47%	-23.79%	15.85%	23.25%	N/A	N/A	N/A
Hartford Dividend & Growth (2)	N/A	N/A	N/A	N/A	2.88%	13.99%	0.63%
T.Rowe Price Equity Income (2)	N/A	N/A	N/A	N/A	2.64%	15.40%	-0.94%
Russell 1000 Value Index	-18.78%	-29.03%	16.92%	35.01%	3.01%	15.80%	-2.19%
Large Cap Value Fund Universe (2)	N/A	N/A	N/A	N/A	0.50%	13.82%	-2.11%
Large Cap Equities – Blend:							
Fidelity Spartan US Equity Index (2)	-13.16%	-26.19%	14.37%	30.59%	N/A	N/A	N/A
Fidelity Dividend Growth (2)	-17.80%	-23.34%	19.95%	35.57%	N/A	N/A	N/A
Vanguard 500 Index Signal (2)	N/A	N/A	N/A	N/A	5.42%	16.39%	0.24%
Nuveen Tradewinds Value Oppt I (2)	N/A	N/A	N/A	N/A	-12.27%	10.82%	2.87%
S&P 500 Index	-13.12%	-26.18%	14.43%	30.69%	5.45%	16.40%	0.22%
Large Cap Blend Fund Universe (2)	N/A	N/A	N/A	N/A	0.94%	14.19%	-0.94%
Large Cap Equities – Growth:							
Fidelity Growth Company (2)	3.93%	-29.39%	17.29%	41.56%	N/A	N/A	N/A
Wells Fargo Adv Growth Adm (2)	N/A	N/A	N/A	N/A	5.31%	25.39%	8.22%
Russell 3000 Growth Index	-6.38%	-24.53%	13.95%	35.68%	5.05%	17.55%	2.79%
Fidelity Blue Chip Growth (2)	-6.10%	-24.29%	21.25%	37.16%	N/A	N/A	N/A
Franklin Growth Adv (2)	N/A	N/A	N/A	N/A	2.30%	16.60%	2.12%
Russell 1000 Growth Index	-5.96%	-24.50%	13.62%	35.01%	5.76%	17.50%	2.87%
Large Cap Growth Fund Universe (2)	N/A	N/A	N/A	N/A	0.81%	14.83%	0.96%
Mid Cap Equities –Value:							
Goldman Sachs Mid Cap Value (2)	-9.59%	-30.99%	22.02%	36.32%	N/A	N/A	N/A
RidgeWorth Mid Cap Value Equity I (2)	N/A	N/A	N/A	N/A	-5.67%	18.61%	2.68%
Russell Mid Cap Value	-17.09%	-30.52%	28.91%	34.28%	-0.37%	19.92%	-0.13%
Mid Cap Value Fund Universe (2)	N/A	N/A	N/A	N/A	-3.42%	16.68%	-0.64%
Mid Cap Equities – Blend:							
Dreyfus Mid Cap Index (2)	-7.60%	-28.16%	24.29%	38.82%	N/A	N/A	N/A
Columbia Mid Cap Index A (2)	N/A	N/A	N/A	N/A	-2.66%	18.87%	2.20%
S&P Mid Cap 400	-7.34%	-27.36%	24.93%	39.38%	-2.33%	19.36%	2.55%
Fidelity Spartan Extended Market Index (2)	-11.27%	-27.36%	24.22%	39.22%	N/A	N/A	N/A
ASTON/Fairpointe Mid Cap I (2)	N/A	N/A	N/A	N/A	-3.91%	20.94%	3.33%
Wilshire 4500 Index	-11.52%	-27.52%	23.68%	38.97%	-2.53%	18.77%	1.47%
Mid Cap Blend Fund Universe (2)	N/A	N/A	N/A	N/A	-5.10%	15.93%	-0.76%
Mid Cap Equities – Growth:							
Fidelity Mid Cap Stock (2)	-8.66%	-36.22%	26.06%	37.48%	N/A	N/A	N/A
Prudential Jennison Mid Cap Growth Z (2)	N/A	N/A	N/A	N/A	3.58%	19.06%	5.27%
Russell Mid Cap Growth	-6.42%	-30.33%	21.30%	43.25%	-2.99%	19.01%	1.90%
Mid Cap Growth Fund Universe (2)	N/A	N/A	N/A	N/A	-4.31%	17.04%	1.17%
Small Cap Equities – Value:							
Allianz NFJ Small Cap Value	-6.83%	-23.86%	24.75%	32.54%	-3.36%	16.91%	2.54%
Russell 2000 Value Index	-21.63%	-25.24%	25.07%	31.35%	-1.44%	17.43%	-1.05%
Small Value Fund Universe (2)	N/A	N/A	N/A	N/A	-2.74%	17.37%	-0.20%
Small Cap Equities – Blend:							
Dreyfus Small Cap Index (2)	-15.00%	-24.87%	23.22%	36.83%	N/A	N/A	N/A
Russell 2000 Small Cap Index (2)	-16.19%	-25.01%	21.48%	37.41%	N/A	N/A	N/A

	2008	2009	2010	2011	2012	3-year annualized	5-year annualized
Parnassus Small Cap [2]	N/A	N/A	N/A	N/A	-7.71%	16.85%	4.45%
Russell 2000 Index [2]	N/A	N/A	N/A	N/A	-2.08%	17.80%	0.54%
Small Blend Fund Universe [2]	N/A	N/A	N/A	N/A	-3.71%	17.18%	-0.40%
Small Cap Equities – Growth:							
MSI Small Co Growth B [2]	-15.75%	-19.83%	15.10%	38.55%	N/A	N/A	N/A
Brown Capital Mgmt Small Co Inv [2]	N/A	N/A	N/A	N/A	-2.82%	19.15%	8.36%
Russell 2000 Growth Index	-10.83%	-24.85%	17.96%	43.50%	-2.71%	18.09%	1.99%
Small Growth Fund Universe [2]	N/A	N/A	N/A	N/A	-5.09%	17.34%	0.94%
International Equity Funds:							
Fidelity Diversified International [2]	-5.66%	-34.29%	5.58%	30.50%	N/A	N/A	N/A
Fidelity Spartan International Index [2]	N/A	N/A	4.73%	39.22%	N/A	N/A	N/A
Mutual Global Discovery Z [2]	N/A	N/A	N/A	N/A	-2.96%	8.56%	-0.03%
Vanguard Total Intl Stock Index Inv [2]	N/A	N/A	N/A	N/A	-14.64%	N/A	N/A
MSCI EAFE	-10.47%	-31.25%	6.02%	30.49%	-13.83%	5.96%	-6.10%
International Stock Fund Universe [2]	N/A	N/A	N/A	N/A	-12.88%	8.11%	-4.29%
Oppenheimer Developing Markets Y [2]	N/A	N/A	N/A	N/A	-9.98%	14.35%	4.26%
MSCI Emerging Markets Index [2]	N/A	N/A	N/A	N/A	-15.95%	9.77%	-0.09%
Diversified Emerging Mkts Universe [2]	N/A	N/A	N/A	N/A	-16.10%	8.96%	-2.02%
Asset Allocation Funds:							
Fidelity Freedom Income [2]	0.03%	-2.94%	10.86%	9.49%	N/A	N/A	N/A
TIAA-CREF Lifecycle Ret Income [2]	N/A	N/A	N/A	N/A	3.58%	9.79%	N/A
Income benchmark [1]	0.73%	-3.00%	7.63%	7.59%	3.48%	10.02%	3.22%
Fidelity Freedom 2000 [2]	-0.75%	-4.39%	11.09%	10.07%	N/A	N/A	N/A
2000 benchmark [1] [2]	-0.81%	-4.57%	7.81%	7.92%	N/A	N/A	N/A
Fidelity Freedom 2005 [2]	-3.45%	-11.37%	13.10%	16.17%	N/A	N/A	N/A
2005 benchmark [1] [2]	-3.49%	-10.78%	10.96%	14.51%	N/A	N/A	N/A
Fidelity Freedom 2010 [2]	-3.45%	-12.01%	13.33%	18.53%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2010 [2]	N/A	N/A	N/A	N/A	2.69%	10.80%	2.41%
2010 benchmark [1]	-3.78%	-11.64%	11.33%	16.90%	3.10%	10.50%	2.70%
Fidelity Freedom 2015 [2]	-4.40%	-13.41%	13.60%	18.93%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2015 [2]	N/A	N/A	N/A	N/A	1.91%	11.33%	1.76%
2015 benchmark [1]	-4.80%	-12.92%	11.67%	17.35%	2.72%	10.92%	2.23%
Fidelity Freedom 2020 [2]	-6.04%	-17.32%	14.65%	21.91%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2020 [2]	N/A	N/A	N/A	N/A	1.06%	11.81%	1.01%
2020 benchmark [1]	-6.95%	-16.82%	13.19%	20.44%	2.25%	11.43%	1.67%
Fidelity Freedom 2025 [2]	-6.71%	-18.58%	14.42%	24.21%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2025 [2]	N/A	N/A	N/A	N/A	0.17%	12.28%	0.28%
2025 benchmark [1]	-7.33%	-18.12%	13.50%	23.05%	1.77%	11.94%	1.10%
Fidelity Freedom 2030 [2]	-8.21%	-21.87%	14.72%	25.43%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2030 [2]	N/A	N/A	N/A	N/A	-0.83%	12.69%	-0.49%
2030 benchmark [1]	-9.46%	-21.46%	13.86%	24.50%	1.20%	12.48%	0.49%
Fidelity Freedom 2035 [2]	-8.54%	-22.56%	14.24%	27.11%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2035 [2]	N/A	N/A	N/A	N/A	-1.83%	13.00%	-0.85%
2035 benchmark [1]	-9.53%	-22.39%	14.05%	26.73%	0.56%	13.05%	-0.15%
Fidelity Freedom 2040 [2]	-8.54%	-23.45%	14.40%	27.62%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2040 [2]	N/A	N/A	N/A	N/A	-1.88%	13.01%	-0.83%
2040 benchmark [1]	-10.11%	-23.31%	14.33%	27.05%	0.31%	13.27%	-0.40%
Fidelity Freedom 2045 [2]	-9.24%	-23.74%	14.45%	28.11%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2045 [2]	N/A	N/A	N/A	N/A	-1.93%	12.90%	N/A
2045 benchmark [1]	-10.66%	-23.68%	14.33%	27.47%	0.31%	13.27%	-0.40%
Fidelity Freedom 2050 [2]	-10.13%	-25.05%	14.30%	29.14%	N/A	N/A	N/A
TIAA-CREF Lifecycle 2050 [2]	N/A	N/A	N/A	N/A	-1.84%	12.98%	N/A
2050 benchmark [1]	-11.03%	-24.75%	14.35%	28.76%	0.31%	13.27%	-0.40%
TIAA-CREF Lifecycle 2055 [2]	N/A	N/A	N/A	N/A	-1.77%	N/A	N/A
2055 Benchmark [1] [2]	N/A	N/A	N/A	N/A	0.31%	13.27%	-0.40%

All fund returns are reported net of fees
[1] Benchmarks for asset allocation funds are customized based on target weightings and market indices for each asset class.

[2] This investment option/benchmark is showing less than the indicated years of returns due to the replacement of funds when the recordkeeper changed during FY 2012.

ACTUARIAL SECTION

COMMENTS FROM THE SEGAL COMPANY

PUBLIC EMPLOYEES RETIREMENT SYSTEM

SEGAL

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

November 19, 2012

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, 2012

Dear Members of the Board:

The North Dakota Public Employees Retirement System is a funded retirement plan. One of 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, 2012 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2012 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2012 (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, 2012 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 $873.9 million as of July 1, 2012.

Calculated and Statutory Contribution Rates

The July 1, 2012 actuarial valuation of the North Dakota Public Employees Retirement System indicates the following contribution requirements:

PERS Plan	2012-2013 Actuarial Required Contribution Rate[1]	Statutory/Approved Employer Contribution Rate	Member Contribution Rate
Main System	12.24%	5.12%-6.12%[2]	5.00%-6.00%[2]
Judges	16.33%	15.52%-16.52%[2]	6.00%-7.00%[2]
National Guard	7.40%	6.50%	4.00%
Law Enforcement with prior Main service	10.69%	8.81-9.31%[3]	4.50%-5.00%[3]
Law Enforcement without prior Main service	7.33%	6.93-7.43%[2]	4.50%-5.00%[4]

[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 by the NDPERS Board. The rates are expressed as a percentage of covered payroll.

[2]The statutory rate is scheduled to increase in January 2013.

[3]The employer contribution rate is scheduled to increase to 10.31% for the BCI and 9.31% for the other members as of January 1, 2013.

[4]The member contribution rate is scheduled to increase to 6.0% for members employed by the BCI and to 5.0% for other members in January 2013.

Exhibits

The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2012 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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Actuary

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOVEMBER 19, 2012

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2012 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. Certain assumptions, including interest rates, mortality tables and others identified in this report are prescribed by the Board and, in our opinion, are reasonably related to the experience of and the expectations for the Plan. The Board is also responsible for selecting the scheduled contribution, actuarial cost method and asset valuation method.

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

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

Tammy F. Dixon

Tammy F. Dixon, ASA, MAAA, EA
Vice President and 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

Inflation
3.5% per annum

Percent Married and Age of Spouse
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 than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

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.

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		Rates Determined by the Board of Retirement
	Employees	Employer	Employer
Main System			
Full-Time Employees	5.00%	5.12%	
Effective Jan. 2013	6.00%	6.12%	
Main System			
Part-Time Employees	10.12%	0.00%	
Effective Jan. 2013	12.12%	0.00%	
Judges	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	4.50%	5.00%	8.31%*
Effective Jan. 2013	5.00%	6.00%	9.31%
Law Enforcement w/out			
prior Main service	4.50%		6.93%
Effective Jan. 2013	5.00%		7.43%

*BCI are 9.31% - 10.31%

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.

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 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
2007-2012

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)
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
2012	626.2	1,070.7	804.4	1,627.4	100	94	0

Schedule of Active Member Valuation Data – PERS – 2007-2012

Main System

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2012	20,738	781.6	37,690	-2.3

Judges

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2012	49	6.1	124,645	-1.4

National Guard

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2012	32	1.3	40,795	-7.5

Law Enforcement with prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2012	207	9.5	45,736	1.6

Law Enforcement without prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2012	65	2.4	36,588	-8.3

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, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**6.26%**	**7.74%**	**10.76%**	**11.36%**
Death after Retirement	0.20	0.09	-0.07	(0.48)
Death-in-Service	0.02	0.02	0.01	0.00
Disability Retirements	0.00	0.00	0.01	0.00
Withdrawal From Employment	-0.01	-0.03	-0.16	(0.15)
Age and Service Retirements	-0.30	-0.25	0.06	0.13
Financial Experience-Investments	1.04	0.96	0.68	1.20
Salary Scale and Service	0.05	0.28	0.02	(0.57)
Contribution Income	0.13	0.26	0.45	0.45
Administrative Expenses	0.01	0.00	0.01	0.01
New and Reinstated Members	0.12	0.07	0.05	0.05
Demographic Changes	0.33	0.24	-0.02	0.60
Assumption Changes	0.00	1.54	0.00	0.00
Plan Change	0.00	0.00	-0.21	(0.07)
Change in Amortization Schedule	-0.11	-0.16	-0.23	(0.29)
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**7.74%**	**10.76%**	**11.36%**	**12.24%**

Judges

Plan Year Ended	June 30, 2009	June 30, 2010	June 30, 2011	
Employer Cost Rate at Beginning of Year	**8.99%**	**10.48%**	**14.10%**	**15.96%**
Plan Change	0.00	0.00	-0.48	(1.00)
Plan Experience	-0.69	0.60	0.86	(1.51)
Investment Loss/(Gain)	2.42	2.34	1.63	3.07
Contribution Loss/(Gain)	-0.38	-0.27	-0.08	(0.04)
Assumption Changes	0.00	0.91	0.00	0.00
Change in Amortization Schedule	0.14	0.04	-0.07	(0.15)
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**10.48%**	**14.10%**	**15.96%**	**16.33%**

National Guard

Plan Year Ended	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**3.44%**	**3.71%**	**7.00%**	**7.08%**
Plan Experience	-0.66	0.82	-0.39	(0.37)
Investment Loss/(Gain)	0.72	0.76	0.52	1.02
Contribution Loss/(Gain)	0.17	-0.14	-0.01	(0.29)
Assumption Changes	0.00	1.85	0.00	0.00
Change in Amortization Schedule	0.04	0.00	-0.04	(0.04)
Employer Cost Rate at End of Year	**3.71%**	**7.00%**	**7.08%**	**7.40%**

Law Enforcement With Prior Main Service

Plan Year Ended	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**9.04%**	**9.11%**	**10.80%**	**10.96%**
Plan Change	0.00	0.00	-0.21	(0.39)
Plan Experience	-0.38	0.36	-0.42	(0.54)
Investment Loss/(Gain)	0.60	-0.08	0.49	0.91
Contribution Loss/(Gain)	0.01	0.00	0.51	(0.04)
Assumption Changes	0.00	1.54	0.00	0.00
Change in Amortization Schedule	0.16	-0.13	-0.21	(0.21)
Miscellaneous	-0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**9.11%**	**10.80%**	**10.96%**	**10.69%**

Law Enforcement Without Prior Main Service

Plan Year Ended	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**7.15%**	**6.83%**	**7.53%**	**7.56%**
Plan Change	0.00	0.00	-0.19	(0.50)
Plan Experience	-0.36	-0.49	0.34	0.07
Investment Loss/(Gain)	0.04	0.07	-0.06	0.20
Contribution Loss/(Gain)	0.05	-0.02	-0.04	0.02
Assumption Changes	0.00	1.16	0.00	0.00
Change in Amortization Schedule	-0.05	-0.02	-0.02	(0.02)
Employer Cost Rate at End of Year	**6.83%**	**7.53%**	**7.56%**	**7.33%**

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2007-2012

Main System

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits*	Counts	Annual Pension Benefits*	Ending Number	Average Annual Benefits	Annual Pension Benefits[1]	% Increase In Annual Benefits
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
2012	7,760	698	12.5	(250)	(1.8)	8,242	11,566	95.3	12.6

*In millions.

Judges

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2012	34	0	0	0	(648)	34	43,252	1,470,584	0.0

National Guard

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2012	9	1	5,058	0	0	10	13,050	130,496	4.0

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2007-2012

Law Enforcement with prior Main service

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2012	32	5	100,548	0	0	37	19,836	733,925	15.9

Law Enforcement without prior Main service

	Additions			(Removals)					
Plan Year	Beginning Number	Counts	Annual Pension Benefits	Counts	Annual Pension Benefits	Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
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
2012	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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November 19, 2012

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, 2012

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, 2012 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2012 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2012 (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, 2012 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 $20.4 million as of July 1, 2012.

Calculated and Statutory Contribution Rates
The July 1, 2012 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
26.83*	Current	17.70%	11.30%
	Effective January 2013	18.70%	12.30%

**Reflects a scheduled increase in the member contribution rate from 11.3% to 12.3% on January 1, 2013.*

Exhibits
The enclosed supporting exhibits, prepared by Segal, provide further related information regarding the 2012 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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Actuary

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

NOVEMBER 19, 2012

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2012 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. Certain assumptions, including interest rates, mortality tables and others identified in the report are prescribed by the Board and in our opinion, are reasonably related to the experience of the Plan and the expectations for the Plan. The Board is also responsible for selecting the actuarially required contribution, actuarial cost method and asset valuation method.

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

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

Tammy F. Dixon, FSA, MAAA, EA
Vice President and 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.*

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

Net Investment Return

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.

Percent Married and Age of Spouse

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 than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

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

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

Summary of Plan Provisions – Highway Patrolmen's Retirement System

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

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

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

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

Benefit: The Normal Service Retirement Benefit as determined above, 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
7/1/11	2.00	1.0400	1.5855
7/1/12	2.00	1.0300	1.6330

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.

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:	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:	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 are as shown above.

Schedule of Active Member Valuation Data – HPRS
2007-2012

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Change in Average Salary
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
2012	145	8.2	56,323	-6.4

North Dakota Highway Patrolmen's Retirement System
Retirees and Beneficiaries Added to and Removed from the Rolls, 2007-2012

		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
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
2012	115	3	179,349	(2)	(7,037)	116	31,846	3,694,098	3.8

Solvency Test — HPRS
2007-2012

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						
July 1	Member Contributions (1)	Retirees and Beneficiaries, Inactive and Pay-Status Members (2)	Active Member Employer Financed Portion (3)	Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets (1)	(2)	(3)
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
2012	12.1	39.3	17.1	48.1	100	92	0

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, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**15.76%**	**18.73%**	**22.54%**	**27.13%**
Plan Change	0.00	0.00	-0.43	(-1.00)
Plan Experience	0.15	1.12	0.71	(-2.78)
Change in Amortization Schedule	-0.27	-0.42	-0.53	(-0.65)
Assumption Changes	0.00	0.00	2.44	0.00
Investment Loss/(Gain)	3.21	3.02	1.98	3.48
Contribution Loss/(Gain)	-0.12	.09	0.92	0.65
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**18.73%**	**22.54%**	**27.13%**	**26.83%**

COMMENTS FROM THE SEGAL COMPANY

JOB SERVICE RETIREMENT PLAN

SEGAL

THE SEGAL COMPANY
5670 Greenwood Plaza Boulevard, Suite 425, Greenwood Village, CO 80111
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November 19, 2012

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, 2012

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, 2012 is based on the following major elements:

- Current benefit provisions.
- Membership data as of June 30, 2012 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2012 (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, 2012 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 2012 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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Actuary

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

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

NOVEMBER 19, 2012

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2012 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. Certain assumptions, including interest rates, mortality tables and others identified in the report are prescribed by the Board and in our opinion, are reasonably related to the experience of the Plan and the expectations for the Plan. The Board is also responsible for selecting the actuarially required contribution, actuarial cost method and asset valuation method.

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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Actuary

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

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

Actuarial Cost Method

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

Asset Valuation Method

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

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 rates: 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 and Age of Spouse: 85% of all active and inactive vested participants are assumed to be married. Females are ssumed 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 Benefit
Age requirement: None.

Service requirement: Five years of credited service.

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

Deferred Vested Retirement
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
2007 to 2012

Valuation Date as of July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Increase in Average Salary
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
2012	19	1.0	54,892	5.1

Retirement Plan for Employees of Job Service North Dakota
Retirees and Beneficiaries (Including Travelers Annuitants)
Added to and Removed from the Rolls, 2007-2012

		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
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
2012	213	9	543,433	10	153,978	212	20,704	4,389,159*	9.7

**Includes cost of living adjustments of 3.6% for retirement benefits in pay status as of July 1, 2011.*

Solvency Test — Job Service Retirement Plan 2007-2012

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

(Amounts in Millions)

	Actuarial Present Value of Benefits				Portion of Actuarial Present Value of Benefits Covered by Assets		
July 1	Active Employees (1)	Inactive Vested Employees Not in Pay Status (2)	Pensioners (Including Disableds & Beneficiaries (3)	Actuarial Value of Assets	(1)	(2)	(3)
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
2012	10.2	0.7	61.1	75.1	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, 2009	June 30, 2010	June 30, 2011	June 30, 2012
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
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November 19, 2012

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, 2012

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, 2012 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2012 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2012 (obtained from the Retirement System's draft financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board. The assumptions and methods used for funding purposes meet the paramters set for the disclosures presented in the financial section by GASB Statements No. 25 and 43.

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, 2012 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 $54.1 million as of July 1, 2012. 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, 2012 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 0.90%, while the statutory contribution rate is 1.14% of payroll.

Exhibits

The enclosed supporting exhibits prepared by Segal provide further related information regarding the 2012 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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Actuary

Laura L. Mitchell, MAAA, EA
Vice President and Associate Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE HEALTH INSURANCE CREDIT FUND

NOVEMBER 19, 2012

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2012 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. Certain assumptions, including interest rates, mortality tables and others identified in the report are prescribed by the Board and in our opinion, are reasonably related to the experience of the Plan and the expectations for the Plan. The Board is also responsible for selecting the actuarially required contribution, actuarial cost method and asset valuation method.

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

Tammy F. Dixon, FSA, MAAA, EA
Vice President and Associate Actuary

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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: RP-2000 Healthy Mortality Table, set back one year.
Disabled: RP-2000
Disabled Life Mortality Table set back one year for males (not set back for females).

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 and DC Systems, Highway Patrol, Judges, National Guard and Law Enforcement. Rates for the Main and DC Systems 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 and DC Systems. 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 and DC Systems, Highway Patrol, Judges, National Guard and Law Enforcement. Retirement rates for the Main and DC Systems 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 and DC Systems, 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 and DC Systems, National Guard and Law Enforcement: 60% of male retirees and 25% of female retirees will elect a 100% joint and survivor form of pension from the retirement system in which they participated. Valued without reduction for optional form of payment.

Judges:
100% of retirees will elect a 100% joint and survivor form of pension from the retirement system. Valued without reduction for optional form of payment.

Highway Patrol:
90% of retirees will elect a 100% joint and survivor form of pension from the retirement system. Valued without reduction for optional form of payment.

Interest Rate
8.0% per annum, net of investment expenses

Inflation
3.50% per annum

Administrative Expenses
$97,000 per year.

Marital Status:
Main and DC Systems, 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 three 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.

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.

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 2007-2012

July 1	Number of Retired Members	Average Annual Benefit	Active Members Per Retiree
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
2012	4,442	1,416	4.8

Funding Progress – Retiree Health Insurance Credit Fund 2007-2012

(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
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
2012	112.4	58.3	51.9	54.1	824.9	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, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Employer Cost Rate at Beginning of Year	**0.88%**	**1.00%**	**0.89%**	**0.88%**
Plan Experience	-0.04	-0.06	-0.01	0.07
Assumption and Method Changes	0.00	-0.06	0.00	0.00
Investment Loss/(Gain)	0.03	0.02	0.02	0.03
Contribution Loss/(Gain)	-0.01	-0.01	-0.02	-0.08
Plan Amendments	0.14	0.00	0.00	0.00
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**1.00%**	**0.89%**	**0.88%**	**0.90%**

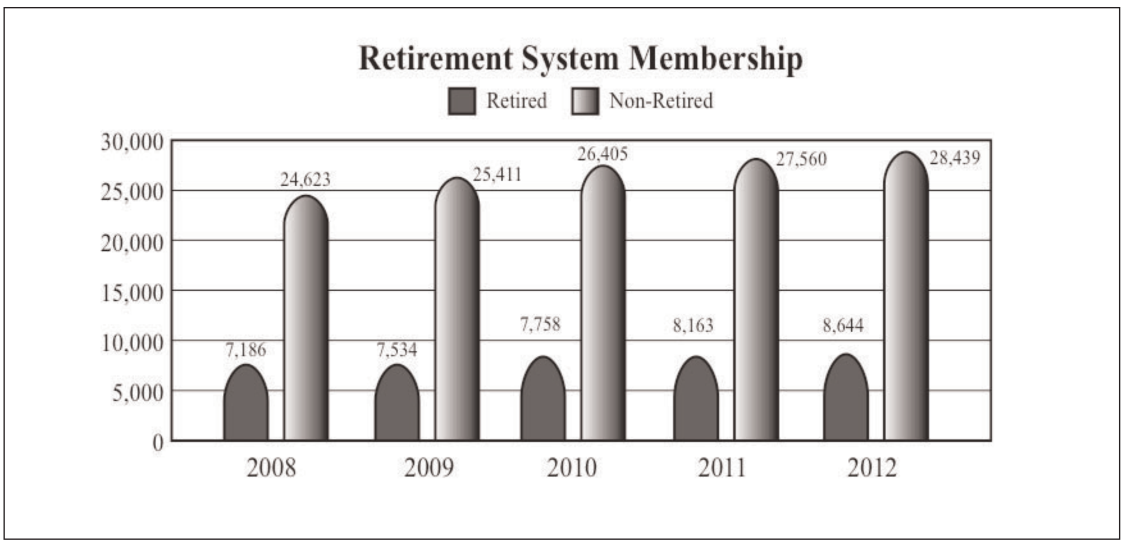
STATISTICAL SECTION

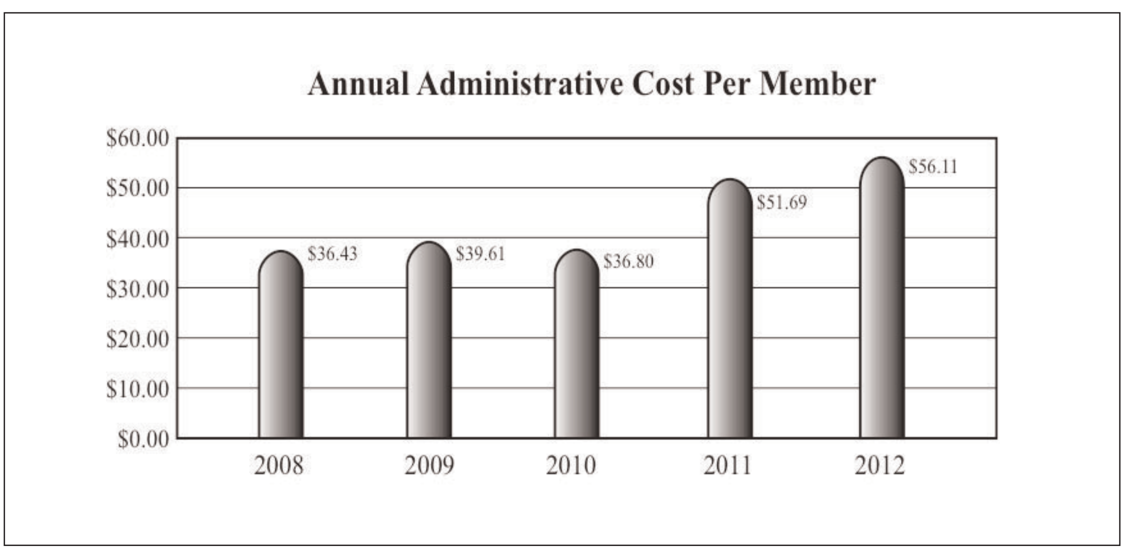
The Statistical Section contains membership and financial information for the programs administered by the System. Included in this section are schedules providing financial trend information for administrative cost per member, benefits paid, changes in net assets and deferred compensation assets by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

	2008	2009	2010	2011	2012
State Agencies	13,381	13,714	14,031	13,676	13,763
Cities	1,046	1,327	1,418	1,586	1,734
Counties	3,855	4,019	4,208	4,536	4,795
School Districts	6,080	6,085	6,440	7,039	7,390
Other Political Subdivisions	261	266	308	723	757
Total Non-Retired [1]	24,623	25,411	26,405	27,560	28,439
Retired Members & Beneficiaries	7,186	7,534	7,758	8,163	8,644
Total Membership	31,809	32,945	34,163	35,723	37,083
Administrative Expenses	$1,158,809	$1,305,055	$1,257,205	$1,846,389	$2,080,962
Administrative Cost per Member	$36.43	$39.61	$36.80	$51.69	$56.11

[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[1]
Fiscal Year Ended June 30

FY Ended	Annuities[2]			Refunds			
June 30	Retirant	Disability	Survivor	Death	Separation	Transfers	Total
2007	$58,568,565	NA	$4,496,932	$297,371	$5,217,136	$39,829	$68,619,833
2008	67,820,903	NA	5,072,460	337,613	4,918,802	76,487	78,226,265
2009	68,966,425	NA	5,157,481	221,926	4,939,074	496,072[2]	79,780,978
2010	74,553,724	NA	5,493,863	239,384	3,942,285	210,638	84,439,894
2011	81,124,561	NA	5,934,724	778,888	4,706,228	264,688[2]	92,809,089
2012	85,599,845	1,934,357	6,549,185	706,326	4,098,719	412,994	99,301,426

Schedule of Benefit Expenses by Type – HPRS[1]
Fiscal Year Ended June 30

FY Ended	Annuities[2]			Refunds			
June 30	Retirant	Disability	Survivor	Death	Separation	Transfers	Total
2007	NA	NA	NA	NA	NA	$ 0	$0
2008	NA	NA	NA	NA	NA	0	0
2009	NA	NA	NA	NA	NA	0	0
2010	NA	NA	NA	NA	NA	0	0
2011	NA	NA	NA	NA	NA	0	0
2012	3,290,516	105,131	266,002		598		3,662,247

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

FY Ended	Annuities[2]			Refunds			
June 30	Retirant	Disability	Survivor	Death	Separation	Transfers	Total
2007	$ 3,209,498	NA	$ 191,394	$ 0	$ 0	$ 0	$ 3,400,892
2008	3,326,354	NA	238,457	0	0	0	3,564,811
2009	3,534,265	NA	225,353	0	0	0	3,759,618
2010	3,668,101	NA	223,895	0	0	0	3,891,996
2011	3,787,450	NA	225,257	0	0	0	4,012,707
2012	3,821,456	143,649	205,864	0	0	0	4,170,969

[1]Prior to July 1, 2011, the benefits for PERS and HPERS are combined and are shown as part of the PERS table.
[2]Prior to July 1, 2011, disability benefits were included as part of the Retirant totals.

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:	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
	2012	36,095,927	38,005,854	6,503,853	(3,472,695)	8,700	77,141,639	4.75
Highway Patrolmen's Retirement System:	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
	2012	893,784	1,423,154	13,911	(104,302)	68	2,226,615	17.43
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
	2012	83,351	0	0	3,100,706	0	3,184,057	0.00
Retiree Health Insurance Credit Plan:	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
	2012	6,248,541	9,388,040	423,449	1,604,475	0	17,664,505	1.14

(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:	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
	2012	94,083,387	1,856,915	5,218,039	101,158,341	(24,016,702)
Highway Patrolmen's Retirement System:	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
	2012	3,661,649	26,674	598	3,688,921	(1,462,306)
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
	2012	4,170,969	25,980	0	4,196,949	(1,012,892)
Retiree Health Insurance Credit Plan:	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
	2012	12,327,724	171,393	2,071	12,501,188	5,163,317

[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, 2012

Main System

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	7,467	2,359	2,206	340	2,562
Less than $200	977	448	499	15	15
$200 - $ 399	1,374	512	731	117	14
400 - 599	1,029	375	496	125	33
600 - 799	662	259	238	52	113
800 - 999	587	201	107	20	259
1,000 - 1,199	536	144	68	5	319
1,200 - 1,399	458	104	22	2	330
1,400 - 1,599	353	78	16	1	258
1,600 - 1,799	278	49	7	-	222
1,800 - 1,999	237	43	7	3	185
2,000 - 2,199	198	33	6	1	158
2,200 - 2,399	174	21	5	-	148
2,400 - 2,599	137	17	1	-	119
2,600 - 2,799	98	13	-	-	85
2,800 - 2,999	69	10	1	-	58
3,000 & Over	300	52	2	-	246
Life	4,774	1,610	1,620	283	1,261
Level Social Security Payment	134	1	21	0	112
Joint & 100% Survivor	1,458	463	337	27	631
Joint & 50% Survivor	883	220	140	22	501
20 Year C & L	25	11	7	1	6
10 Year C & L	162	48	69	4	41
5 Year C & L	31	6	12	3	10
Total	7,467	2,359	2,206	340	2,562

**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
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
2012							
Number of Retirees	1,405	1,223	1,134	1,092	1,136	1,477	7,467
Average Monthly Benefit	$ 238	$ 411	$ 602	$ 993	$ 1,462	$ 3,167	$ 1,000
Average Years of Service	6.27	12.32	17.36	22.50	27.24	35.07	20.21

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2012

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	2	2	-	-	-
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	16	9	3	-	4
Joint & 50% Survivor	7	1	2	-	4
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
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
2012							
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, 2012

National Guard

Monthly Amount	Total	Type of Pension Normal	Early	Disability	Service *
Total	9	4	5	0	0
Less than $200	1	-	1	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	2	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	1	-	1	-	-
Joint & 50% Survivor	1	1	-	-	-
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	9	4	5	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
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
2012							
Number of Retirees	0	4	1	2	2	0	9
Average Monthly Benefits	$ 0	$ 515	$ 722	$ 1,332	$ 2,345	$ 0	$ 1,126
Average Years of Service	0.00	12.71	19.17	23.46	27.58	0.00	19.12

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2012

Law Enforcement with Prior Main Service

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	37	24	5	0	8
Less than $200	1	1	-	-	-
$200 - $399	1	1	-	-	-
400 - 599	3	2	-	-	-
600 - 799	-	-	-	-	-
800 - 999	2	2	-	-	-
1,000 - 1,199	7	7	-	-	-
1,200 - 1,399	3	3	-	-	-
1,400 - 1,599	5	2	-	-	2
1,600 - 1,799	1	-	-	-	1
1,800 - 1,999	3	1	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	4	2	-	-	-
Life	12	10	1	-	1
Level Social Security Payment	4	-	3	-	1
Joint & 100% Survivor	16	10	1	-	5
Joint & 50% Survivor	5	4	-	-	1
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	37	24	5	0	8

**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
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
2012							
Number of Retirees	5	3	3	9	10	7	37
Average Monthly Benefits	$ 426	$ 1,049	$ 1,161	$ 1,307	$ 1,956	$ 3,010	$ 1,653
Average Years of Service	6.73	12.42	18.94	21.57	26.97	32.86	22.21

Schedule of Retired Members by Type of Benefit – HPRS
As of June 30, 2012

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Rule of 80
Total	87	29	1	4	53
Less than $250	-	-	-	-	-
$250 - $ 499	-	-	-	-	-
500 - 749	-	-	-	-	-
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	11	6	-	1	4
2,500 - 2,749	8	2	-	-	6
2,750 - 2,999	10	3	-	1	6
3,000 - 3,249	8	2	-	-	6
3,250 - 3,499	9	2	-	-	7
3,500 - 3,749	7	4	-	-	3
3,750 - 3,999	3	-	-	-	3
4,000 - 4,249	5	-	-	-	5
4,250 - 4,499	5	1	-	-	4
4,500 - 4,749	4	1	-	-	3
4,750 & Over	5	-	-	-	5
Life	6	1	-	1	4
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	35	9	-	-	26
Joint & 50% Survivor	46	19	1	3	23
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	87	29	1	4	53

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
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
2012							
Number of Retirees	1	1	4	6	58	17	87
Average Monthly Benefits	$ 1,456	$ 2,054	$ 2,135	$ 2,598	$ 3,277	$ 3,708	$ 3,227
Average Years of Service	2.25	11.17	17.10	22.14	27.92	31.25	27.19

Schedule of Retired Members by Type of Benefit – Job Service Retirement Plan
As of June 30, 2012

		Type of Pension		
Monthly Amount	Total	Retirement	Disability	Early
Total	187	178	8	1
Less than $200	3	3	-	-
$200 - $ 399	9	8	-	1
400 - 599	6	6	-	-
600 - 799	5	5	-	-
800 - 999	4	4	-	-
1,000 - 1,199	5	3	2	
1,200 - 1,399	9	7	2	
1,400 - 1,599	20	19	1	
1,600 - 1,799	5	4	1	
1,800 - 1,999	15	14	1	
2,000 - 2,199	15	15	-	
2,200 - 2,399	12	12	-	
2,400 - 2,599	15	14	1	
2,600 - 2,799	9	9	-	
2,800 - 2,999	20	20	-	
3,000 & Over	35	35	-	
Life	42	44	-	1
Joint & 55% Survivor	43	40	4	-
Joint & 75% Survivor	22	23	-	-
Joint & 100% Survivor	14	13	-	-
10 Year C & L	34	32	4	-
15 Year C & L	4	4	-	-
20 Year C&L	28	28	-	-
Total	187	184	8	1

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

	Retirement Plan	Travelers Annuitants	Total
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
2012			
Number of Retirees	133	79	212
Average Monthly Benefits	$ 2,340	$ 691	$ 1,725

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 COUNTY 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
RAMSEY COUNTY WATER RESOURCE DISTRICT
RANSOM COUNTY SOIL CONSERVATION DISTRICT
RED RIVER JOINT WATER RESOURCE DISTRICT
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 BOARDS
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 = 73

Principle Participating Employers
June 30, 2012

Participating Employer	Covered Employees	Rank	% of Total System
Department of Human Services	1,295	1	6.25%
University of North Dakota	1,134	2	5.47%
Department of Transporation	1,029	3	4.97%
North Dakota State University	864	4	4.17%
Bismarck Public Schools	731	5	3.53%
Fargo Public Schools	603	6	2.91%
Minot Public School District #1	492	7	2.37%
North Dakota State Hospital	437	8	2.11%
City of Fargo	399	9	1.93%
West Fargo Public School	395	10	1.91%
Other Employers	13,346		64.38%
Total covered employees*	20,725		100.00%

**Total covered employees represents the number of employees in a contributing status as of June 30, 2012 in the Main retirement plan.*

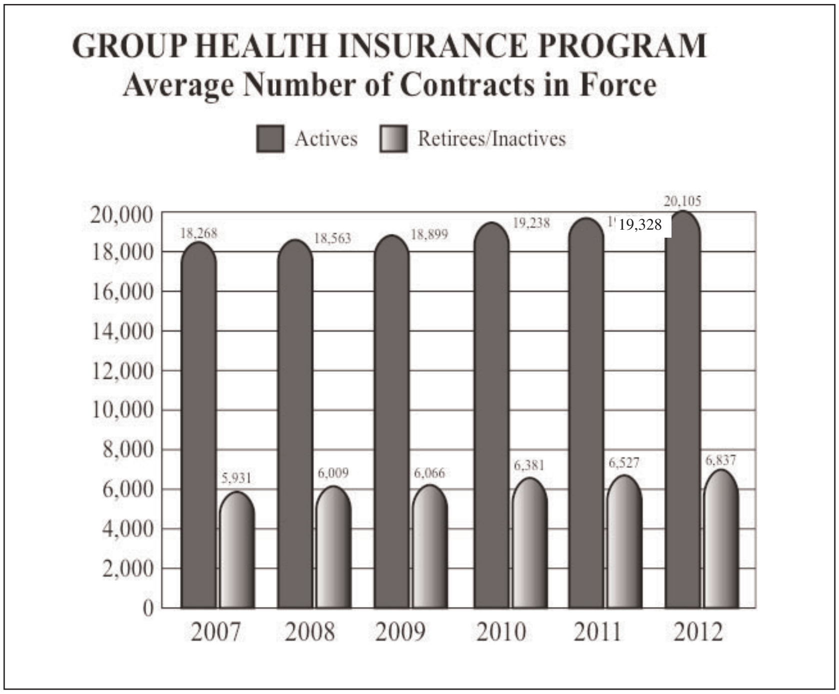
Deferred Compensation Program
Schedule of Assets
By Provider

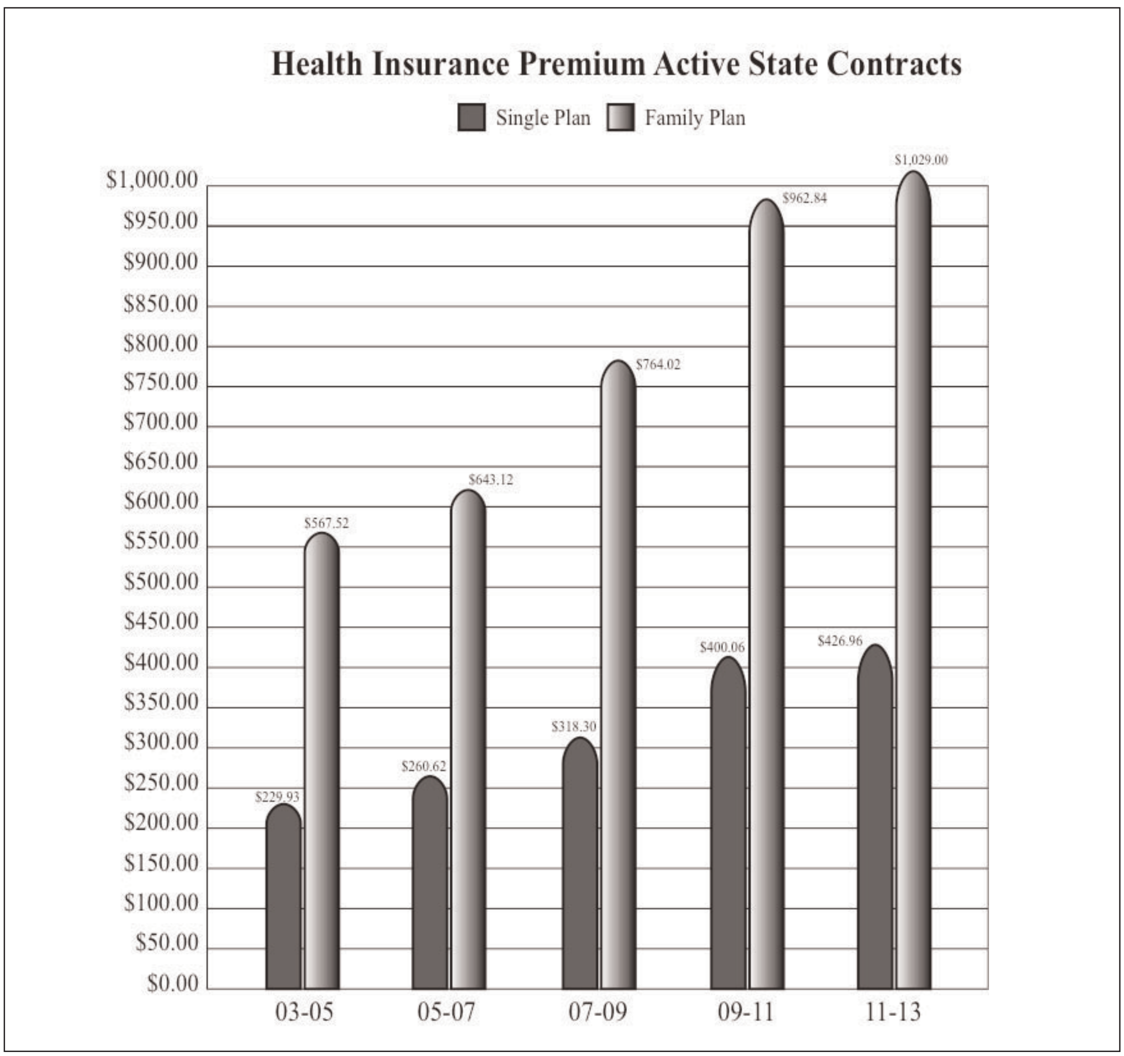
	6/30/08	6/30/09	6/30/10	6/30/11	6/30/12
AIG VALIC	$ 7,081,128	$ 6,451,199	$7,475,965	$ 9,273,099	$ 10,005,329
American Trust Center	3,877,787	3,622,718	4,401,306	6,220,966	6,652,642
AXA Equitable	23,047,134	18,485,110	20,264,795	23,802,876	19,768,514
Bank of North Dakota	3,836,023	4,325,613	4,826,940	5,052,015	4,953,960
Commonwealth Annuity & Life Insurance Co. (formerly Chase Financial/Kemper)	6,145,992	5,108,373	6,109,277	7,101,363	6,744,070
Hartford Life Insurance Company	24,597,755	21,527,797	26,064,862	32,777,966	34,620,370
ING (formerly Aetna)	1,403,033	1,241,758	1,392,402	1,542,256	1,546,676
Jackson National Life	940,611	1,351,123	1,584,770	1,945,958	2,363,895
Kansas City Life (formerly Sunset Life)	217,239	233,832	250,553	270,209	130,390
Lincoln National	6,050,335	4,464,625	4,907,412	5,997,710	5,002,890
NDPERS Companion Plan(1)	23,443,420	21,388,646	27,638,654	37,015,050	39,771,092
Nationwide Life Insurance	6,596,637	5,326,443	6,174,645	8,029,037	8,447,206
New York Life(1)	383,615	290,488	302,829	319,468	336,650
Symetra (formerly Safeco)	636,183	553,647	450,554	342,429	275,053
Waddell & Reed Financial Services	6,268,696	4,841,463	5,629,199	6,187,770	5,705,656
Total	$ 114,525,588	$ 99,212,835	$ 117,474,163	$ 145,878,172	$ 146,324,393

(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, 2012 and June 30, 2011 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
2007
2008
2009
2010
2011
2012
18,268
5,931
18,563
6,009
18,899
6,066
19,238
6,381
19,328
6,527
20,105
6,837


Health Insurance Premium Active State Contracts
Single Plan
Family Plan
$1,000.00
$950.00
$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
03-05
05-07
07-09
09-11
11-13
$229.93
$567.52
$260.62
$643.12
$318.30
$764.02
$400.06
$962.84
$426.96
$1,029.00