2013

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND JUNE 30, 2012

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

AN AGENCY OF THE STATE OF NORTH DAKOTA

North Dakota Public Employees Retirement System

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

For the Fiscal Years Ended June 30, 2013 and June 30, 2012

Prepared by the staff of the North Dakota Public Employees Retirement System
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TABLE OF CONTENTS

INTRODUCTORY SECTION

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration

2013

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

Alan H. Winkle
Program Administrator

GFOA CERTIFICATE OF ACHIEVEMENT

Government Finance Officers Association

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, 2012

Executive Director/CEO

LETTER OF TRANSMITTAL

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

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Executive Director
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FAX: 701-328-3920 • EMAIL: NDPERS@state.nd.us • discovernd.com/NDPERS

December 24, 2013

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, 2013. 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, 2013.

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 System became the administrator of the Job Service plan effective August 1, 2003.

PERS has 21,588 contributing members and 8,730 retirees and beneficiaries currently receiving benefits. HPRS has 149 contributing members and 116 retirees and beneficiaries. The Job Service Plan has 15 contributing members and 213 retirees. The employers participating in PERS include 96 state agencies and 322 political subdivisions.

PERS, HPRS and Job Service Plan 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 2013 Legislative Assembly passed legislation to expand eligibility for the Plan to include all new state employees hired on or after October 1, 2013. The Plan has 274 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 21,955 contributing members and 4,635 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 retiree's currently receiving the subsidized premium.

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

Uniform Group Insurance Program
Group Health Insurance. The System began administering the group health insurance plan in 1971. There are 27,750 active and retired contracts under this plan as of June 30, 2013. Total covered lives, including spouses and dependents, are 63,661. As of June 30, 2013 there were 192 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, 2013 totaled $244.9 million. This last year, the System continued its efforts to reduce the trend in health care costs by promoting wellness through on-line programs and supporting health club memberships and providing on-site wellness programs and premium discounts to employers that have on-site wellness programs. In addition, the System continued targeted programs that include smoking cessation, Prenatal Plus and diabetes management based on the Ashville Model. To address prescription drug costs, the System is focusing new efforts on reviewing specialty drug programs. Relating to health care costs in general, the System continues to support the development of the MediQ Home program by our health insurance carrier that will assist in providing comprehensive quality care to our members. The System also focused on compliance efforts relating to the federal Affordable Care Act which included providing technical assistance to participating employers in the group health plan.

Group Life Insurance. The System began administering the group life insurance plan in 1971. There are 18,176 active and 3,063 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, 2013 totaled $2.8 million. As of fiscal year end, there is $1.424 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 7,368 participants in the dental plan, 8,144 participants in the vision plan and 103 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 15,500 state employees are covered under this program.

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

Deferred Compensation Program
This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. The System has administered the Plan since 1987. Fourteen companies have agreed to provide investment services for the State's deferred compensation program. The System is the trustee for deferred compensation assets totaling $50.2 million; provider companies hold the remaining plan assets of $124.1 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 9,600 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 3,037 participants in the medical and dependent care spending accounts. Employee contributions to the spending accounts

totaled $5.9 million. Starting in January 2013, the System contracted with a benefits service company for processing spending account reimbursements.

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

Major Initiatives
Retirement

• Implemented the second year retirement contribution increases for employers and employees, effective 1/1/2013. These increases were the second part of the Recovery Plan for the retirement plans that were affected by the downturn in the financial markets.
• Submitted legislation to implement the last two years of contribution increases in 2014 and 2015 which would complete the four year Recovery Plan and return all plans to 100% funding status. The contribution increases for 2014 were approved.
• Submitted legislation, which was approved, that provided for plan compliance with IRS requirements, removed the level social security option and clarified payout processes.
• Legislation was passed to offer all state employees hired on or after October 1, 2013 the opportunity to elect to join the Defined Contribution Plan. This option will expire at the end of June 2017.
• Started an asset allocation review for the Job Service Retirement Plan
• Reviewed and adopted updated investment policies for the Defined Contribution Retirement Plan and

Deferred Compensation Companion Plan.
Group Insurance

• Reviewed bids for the dental plan and selected a new vendor. Transition to the new vendor was effective January 1, 2013.
• Prepared and distributed an RFP for the health plan
• Legislation was submitted, considered and passed to comply with the Patient Protection Act. Efforts were also initiated to work with participating employers to assist them with their compliance.
• Legislation was submitted, considered and passed for the System to no longer offer pre-Medicare retiree health insurance after June 30, 2015. This will substantially reduce the implicit liability associated with offering this coverage to terminating active employees. In addition, the retiree health credit was made portable at that time, so members can use it to purchase alternative coverage.

FlexComp Program

• An RFP was prepared and issued for processing spending account claims. The bids were reviewed and a vendor was selected. Transition to the new vendor was effective January 1, 2013.
• Transition to the new claims processing vendor has expanded claim payment options from only accepting paper claims, to being able to file claims on-line, ability to use mobile applications, auto adjudication and using a debit card.

Administrative

• Member Self Service was rolled out to more employees during the year with the goal of having it available to all employees by October 2013.
• Started exploring external communication channels that include updating the NDPERS website and social media.

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. Management has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any 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 and Job Service plans for fiscal years 2013 and 2012:

(Millions)	Fiscal Year 2013	Fiscal Year 2012	Change Change in $s	Percentage Percentage Change
Revenue Type				
Employee Contributions	$ 55.5	$ 43.6	$ 11.9	27.3%
Employer Contributions	50.4	39.4	11.0	27.9
Investments	248.7	(5)	249.2	49,840.0
Total	$354.6	$ 82.5	$ 272.1	329.8%
Expense Type				
Benefits	$ 111.4	$101.9	$ 9.5	9.3%
Refunds & Transfers	6.0	5.2	0.8	15.4
Administrative Expenses	2.1	1.9	0.2	10.5
Total	$ 119.5	$ 109.0	$ 10.5	9.6%

The increase in revenues reflects the increase in statutory contribution rates, along with increased investment earnings that resulted from higher returns in the investment markets. The increase in expenses reflects payments being made to more retirees throughout the year, along with The increase in expenses is primarily due to an increase in the total number of retirees who are receiving pension payments.

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, 2013 actuarial valuation reports the actuarial value of assets for PERS at $1,683.0 million, which is 62.0% of the actuarial accrued liabilities of $2,716.5 million. The actuarial value of assets for HPRS is $49.0 million, which is 68.2% of the actuarial accrued liabilities of $71.9. The Job Service Plan is fully funded. The actuarial value of assets for the Job Service Plan is $76.3 million, which is 115.6% of the actuarial present value of benefits of $66.0 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 57.8% 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, 2013 is $2.0 billion, which is an increase of 13% from the previous year. The market value of assets for Job Service as of June 30, 2013 is

$90.4 million, an increase of 6.7% from the previous year. During the fiscal year ended June 30, 2013, 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 13.5% for the fiscal year ended June 30, 2013. The annualized rate of return was 11.31% for the last three years and 3.43% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2013 for the Job Service Plan was 11.71%. The annualized rate of return was 10.26% for the last three years and 4.9% 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, 2013 is $73.6 million, which is 18.5% higher than the previous year. The assets earned an annualized rate of return of 14.8% for the fiscal year ended June 30, 2013. The annualized rate of return was 12.74% for the last three years and 6.77% for the last five years. During the fiscal year ended June 30, 2013, 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, 2013 is $26.6 million, which is a 17.7% 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, 2013.

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, 2012. 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 seventeen consecutive years (fiscal years ended June 30, 1996 - 2012). 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
Executive Director

Sharon Schiermeister, CPA
Chief Operating Officer

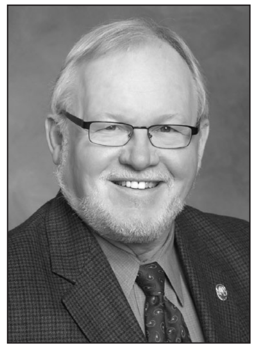
THE RETIREMENT BOARD

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:

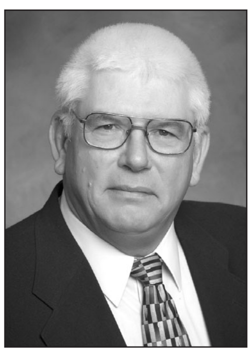
Jon Strinden
Chairman
Term expires
6/30/2015

Arvy Smith
Health Department
Appointee



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

Joan Erhardt
Member elected
Term expires
6/30/2014



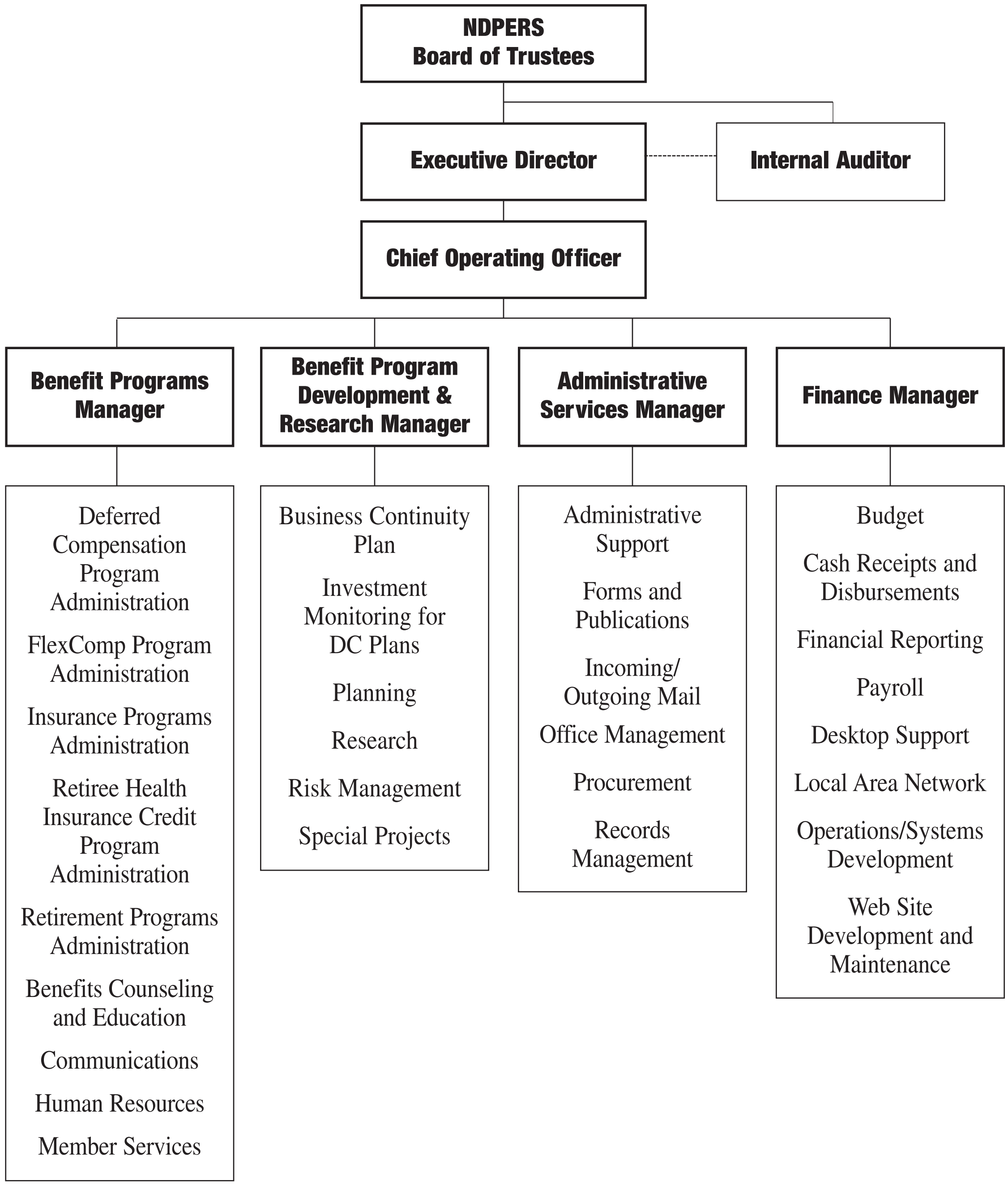
Howard Sage
Retiree elected
Term expires
6/30/2014

Mike Sandal
Member elected
Term expires
6/30/2017

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:
Segal Consulting
Greenwood Village, CO

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

Dental Insurance Carrier:
Delta Dental of Minnesota
Minneapolis, MN

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

Report on the Financial Statements
We have audited the accompanying financial statements of 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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities and the plan net position of the North Dakota Public Employees Retirement System, as of June 30, 2013 and 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the Schedules of 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.

Other Information
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, 2013 and 2012, 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 $1,034 and $873 million at June 30, 2013 and 2012, respectively. Also, the actuary for the Highway Patrolmen's Retirement System has determined that the Fund's unfunded actuarial accrued liability is approximately $21 and $20 million at June 30, 2013 and 2012. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the North Dakota Public Employees Retirement System's basic financial statements. The Schedule of Administrative Expenses – Fiduciary Funds, Statement of Appropriations, Schedule of Investment Expenses – Fiduciary Funds, and Schedule of Consultant Expenses – Fiduciary Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Administrative Expenses – Fiduciary Funds, Statement of Appropriations, Schedule of Investment Expenses – Fiduciary Funds, and Schedule of Consultant Expenses – Fiduciary Funds, introductory section, investment section, actuarial section, and statistical section are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the of Schedule of Administrative Expenses – Fiduciary Funds, Statement of Appropriations, Schedule of Investment Expenses – Fiduciary Funds, and Schedule of Consultant Expenses – Fiduciary Funds, introductory section, investment section, actuarial section, and statistical section are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The Schedule of Administrative Expenses – Fiduciary Funds, Statement of Appropriations, Schedule of Investment Expenses – Fiduciary Funds, and Schedule of Consultant Expenses – Fiduciary Funds, introductory section, investment section, actuarial section, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements
In accordance with Government Auditing Standards, we have also issued a report dated November 29, 2013, 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.

BRADY, MARTZ & ASSOCIATES, P.C.

Brady, Martz

Bismarck, North Dakota
November 29, 2013

Management's Discussion and Analysis
June 30, 2013 and 2012

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, 2013. Please read it in conjunction with the basic financial statements, which follow this discussion.

NDPERS administers a total of seven fiduciary funds. This includes three defined benefit pension trust funds (PERS, Highway Patrol and Job Service), 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, 2013 and 2012, the funding ratio (actuarial value of assets divided by actuarial accrued liability) for each of the funds is shown below:

	2013	2012
Public Employees Retirement System	62.0%	65.1%
Highway Patrolmen Retirement System	68.2%	70.3%
Retirement Plan for Employees of Job Service ND	115.6%	105.2%
Retiree Health Insurance Credit Fund	57.8%	51.9%

NDPERS' funding objective is to meet long-term benefit promises through contributions and investment income. The funding ratio listed above gives an indication of how well this objective has been met to date. The higher the funding ratio, the better the plan is funded. The funding ratios for the Public Employees and Highway Patrolmen retirement systems decreased from the previous fiscal year as a result of the recognition of previous years' investment losses.

The net position for all trust funds administered by NDPERS increased $260.7 million or 13% during the fiscal year ended June 30, 2013. This increase is primarily due to gains in the financial markets during the fiscal year.

	(In Thousands)
Public Employees Retirement System	$ 223,630
Highway Patrolmen Retirement System	5,801
Retiree Health Insurance Credit Fund	11,655
Defined Contribution Retirement Fund	4,056
Pretax Benefits Fund	23
Deferred Compensation Plan	9,894
Retirement Plan for Employees of Job Service ND	5,672
Total decrease in plan net assets	$ 260,731

As of June 30, 2013, an additional $96,000 in software development costs were incurred and capitalized and are shown as Software on the Statement of Plan Net Position for each fund. The total costs capitalized as of June 30, 2013 are $7.2 million. All components of the benefits administration system software were placed into production during the fiscal year.

Financial Highlights – Uniform Group Insurance Program

Net position increased by $36.1 million or 331%. This is due to the receipt of additional revenue through a gain sharing provision of the health insurance contract. This provision is explained in more detail in Note 11.

As of June 30, 2013, an additional $38,000 in software development costs were incurred and capitalized and are shown as Software on the Statement of Net Position for the Proprietary Fund. The total costs capitalized as of June 30, 2013 are $2.9 million. All components of the benefits administration system software were placed into production during the fiscal year.

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 Plan Net Position as of June 30, 2013, indicates the net position available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Plan Net Position for the year ended June 30, 2013, 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 Position as of June 30, 2013, provides a snapshot at a particular point in time of the net position available for use by this program. The Statement of Revenues, Expenses, and Changes in Fund Net Position for the year ended June 30, 2013, 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, 2013 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 16-53 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 2013 and 2012 are summarized below. The information in the tables below is condensed from the Financial Statements.

Statement of Fiduciary Plan Net Position (in thousands)

	June 30, 2013	% Change	June 30, 2012	% Change	June 30, 2011
Assets					
Cash	$ 6,171	49.1%	$ 4,140	29.9%	$ 3,188
Receivables	14,123	20.6%	11,707	15.4%	10,144
Investments, at fair value	2,238,095	13.0%	1,981,045	-1.0%	2,000,908
Prepaid expenses	551	4.6%	527	7.3%	491
Software & Equipment, net of accum depr	5,264	-10.5%	5,882	-9.8%	6,522
Total assets	2,264,204	13.0%	2,003,301	-0.9%	2,021,253
Liabilities					
Long-term liabilities outstanding	147	4.3%	141	-4.7%	148
Other liabilities	3,395	5.1%	3,230	-17.3%	3,907
Total liabilities	3,542	5.1%	3,371	-16.9%	4,055
Net assets available for benefits	2,260,662	13.0%	$1,999,930	-0.9%	$2,017,198

The total assets for all fiduciary funds as of June 30, 2013 were $2.3 billion and were comprised mainly of investments. For the fiscal year ended June 30, 2013, plan assets increased by $261 million. This increase was primarily due to financial market gains during the fiscal year.

Total liabilities as of June 30, 2013 were $3.5 million and were comprised mainly of investment expenses payable. Total liabilities increased by $.2 million or 5.1% from the prior year due mainly to an increase in investment expenses payable at June 30, 2013.

Statement of Changes in Fiduciary Plan Net Position (in thousands)

	June 30, 2013	%Change	June 30, 2012	% Change	June 30, 2011
Additions					
Contributions	$ 128,680	21.4%	$ 105,968	14.6%	$ 92,457
Investment income	265,103	12737.9%	2,065	-99.4%	350,417
Other	8,867	12.8%	7,862	58.9%	4,949
Total additions	402,650	247.4%	115,895	-74.1%	447,823
Deductions					
Benefit payments	132,100	6.1%	124,464	11.1%	111,984
Refunds/Transfers	6,228	14.9%	5,422	0.7%	5,382
Administrative expenses	3,591	9.6%	3,277	7.4%	3,052
Total deductions	141,919	6.6%	133,163	10.6%	120,418
Changes in net assets available for benefits	$ 260,731	1609.9%	(17,268)	-105.3%	$ 327,405

Additions. Contributions and earnings on invested funds are the primary additions that are accumulated and used to pay benefits for each of the plans. Contributions increased by $22.7 million for the year ended June 30, 2013 which reflects the increase in the employee and employer contribution rates to the pension plans, which became effective January 1, 2013. The plans experienced positive investment earnings of $265.1 million for the fiscal year ending June 30, 2013. The increase in Other Additions for June 30, 2013 is primarily due to an increase in service purchase payments received during the fiscal year.

Deductions. Total deductions increased by $8.8 million or 6.6% for the fiscal year ended June 30, 2013. This increase was primarily due to an increase in benefit payments which reflects the increase in the total number of retirees who are receiving pension payments.

Statement of Proprietary Fund Net Position (in thousands)

	June 30, 2013	% Change	June 30, 2012	% Change	June 30, 2011
Assets					
Cash	$50,500	265.8%	$13,805	8.7%	$12,701
Receivables	485	20.0%	404	-6.9%	434
Software	2,122	-10.5%	2,372	-9.8%	2,630
Total assets	53,107	220.3%	16,581	5.2%	15,765
Liabilities					
Long-term liabilities outstanding	75	8.7%	69	4.5%	66
Other liabilities	6,031	7.5%	5,608	7.5%	5,215
Total liabilities	6,106	7.6%	5,677	7.5%	5,281
Net Assets	$47,001	331.0%	$10,904	4.0%	$10,484

Total assets, as of June 30, 2013, were $53.1 million and were comprised mainly of cash. Total assets increased by $36.5 million over the prior fiscal year which reflects the additional cash received through the gain sharing provision of the health insurance contract.

Total liabilities, as of June 30, 2013, were $6.1 million and were comprised mostly of amounts held in custody for others, which represent premiums received before they are due. Total liabilities increased by $.4 million or 7.6% from the prior year due to an increase in amounts held in custody for others offset by a reduction in accounts payable.

The net position 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 Position (in thousands)

	June 30, 2013	% Change	June 30, 2012	% Changes	June 30, 2011
Operating Revenues					
Administrative Fee	$ 1,049	4.9%	$ 1,000	3.8%	$ 963
Miscellaneous	36,664	3,614.7%	987	-42.7%	1,724
Total Operating Revenues	37,713	1,798.0%	1,987	-26.1%	2,687
Non-Operating Revenues					
Net Investment income	143	160.0%	55	-25.7%	74
Total revenues	37,856	1,753.9%	2,042	-26.0%	2,761
Operating Expenses					
Administrative expenses	1,547	10.7%	1,398	2.0%	1,199
Non-Operating Expense					
Transfer Out	212	-5.4%	224	-14.5%	262
Change in Net Assets	$ 36,097	8,494%	420	-62.8%	$ 1,129

The net position for the proprietary fund increased by $35.7 million during the fiscal year ended June 30, 2013. This reflects the additional revenue received under the gain sharing provision of the health insurance contract, offset by the elimination of payments received through the pre-Medicare retiree reinsurance program.

Contacting NDPERS Financial Management

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

BASIC FINANCIAL STATEMENTS

Statement of Net Position
Proprietary Funds
June 30, 2013 and 2012

	Uniform Group Insurance Program	
	2013	**2012**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 50,499,587	$ 13,805,168
Accounts receivable	424,648	349,826
Due from fiduciary funds	59,981	53,245
Due from other state agencies	-	1,315
Total current assets	50,984,216	14,209,554
Capital assets:		
Software (net of amortization)	2,122,442	2,295,009
Software (not in production)	-	76,626
Total capital assets	2,122,442	2,371,635
Total assets	53,106,658	16,581,189
LIABILITIES		
Current liabilities:		
Salaries payable	62,715	55,121
Accounts payable	80,735	341,587
Due to fiduciary funds	420,416	462,804
Due to other state agencies	12,846	15,278
Amounts held in custody for others	5,449,022	4,729,052
Accrued compensated absences	5,006	4,268
Total current liabilities	6,030,740	5,608,110
Noncurrent liabilities:		
Accrued compensated absences	74,700	69,185
Total liabilities	6,105,440	5,677,295
NET POSITION		
Net investment in capital assets	2,122,442	2,371,635
Restricted for benefits	5,735,616	5,727,424
Unrestricted net position	39,143,160	2,804,835
Total net position	$ 47,001,218	$ 10,903,894

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Years Ended June 30, 2013 and 2012

	Uniform Group Insurance Program	
	2013	**2012**
OPERATING REVENUES:		
Administrative fee	$ 1,049,309	$ 1,000,083
Claim reimbursements	-	987,129
Underwriting gain	36,612,357	-
Miscellaneous	51,329	-
Total operating revenues	37,712,995	1,987,212
OPERATING EXPENSES:		
Salaries and wages	695,301	632,844
Operating expenses	333,142	333,869
Professional fees	182,034	108,338
Data processing	48,343	44,556
Amortization	287,718	278,261
Total operating expenses	1,546,538	1,397,868
Operating income	36,166,457	589,344
NON-OPERATING REVENUES AND EXPENSES:		
Investment income	147,186	55,652
Investment expenses	(3,819)	(1,000)
Total non-operating revenues and expenses	143,367	54,652
INCOME BEFORE TRANSFERS	36,309,824	643,996
TRANSFERS OUT	212,500	224,090
Change in net position	36,097,324	419,906
Total net position - beginning of year	10,903,894	10,483,988
Total net position - end of year	$ 47,001,218	$ 10,903,894

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

Statement of Cash Flows
Proprietary Funds
For the years ended June 30, 2013 and 2012

	Uniform Group Insurance Program 2013	2012
Cash Flows From Operating Activities:		
Premiums collected	$ 291,741,809	$ 249,466,608
Administrative fees collected	1,689,036	1,129,767
Payments to suppliers	(817,305)	(245,904)
Premiums paid	(291,781,195)	(248,234,748)
Payments to employees	(681,454)	(628,989)
Underwriting gain	36,612,357	-
Miscellaneous income	51,329	-
Net Cash Provided By Operating Activities	36,814,577	1,486,734
Cash Flows From Investing Activities:		
Investment income	147,186	55,652
Investment expense	(3,819)	(1,000)
Net cash provided by investing activities	143,367	54,652
Cash Flows Used By Capital and Related Financing Activities:		
Acquisition and construction of capital assets/software	(51,025)	(213,339)
Cash Flows from Noncapital Financing Activities:		
Transfers out	(212,500)	(224,090)
Net Change in Cash and Cash Equivalents	36,694,419	1,103,957
Cash and Cash Equivalents Balance - Beginning of Year	13,805,168	12,701,211
Cash and Cash Equivalents Balance - End of Year	$ 50,499,587	$ 13,805,168
Reconciliation of Operating Income to Net Cash Provided		
Operating Income	$ 36,166,457	$ 589,344
Adjustments To Reconcile Operating Income To Net Cash Provided By Operating Activities:		
Amortization	287,718	278,261
Changes in Assets and Liabilities:		
Decrease in Accounts Receivable	(74,822)	(53,480)
(Increase) Decrease in Due From Other Funds	(6,736)	82,211
Decrease in Due From Other State Agencies	1,315	-
Increase (Decrease) in Salaries Payable	7,594	(11)
Increase in Accrued Compensated Absences	6,253	3,865
Increase (Decrease) in Accounts Payable	(248,352)	300,126
Increase (Decrease) in Due to Fiduciary Funds	(42,388)	183,413
Increase (Decrease) in Due to Other State Agencies	(2,432)	2,052
Increase in Amounts Held in Custody for Others	719,970	100,953
Total Adjustments	648,120	897,390
Net Cash Provided By Operating Activities	$ 36,814,577	$ 1,486,734

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

Statement of Plan Net Position
Fiduciary Funds
June 30, 2013

	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	$ 5,552,040	$ -	$ 24,641	$ 91,669	$ 370,095	$ 130,851	$ 2,090
Receivables:							
Contribution receivable	8,338,059	-	758,365	172,005	499,419	-	5,499
Interest receivable	3,488,652	102,248	72,982	-	-	-	45,896
Due from fiduciary funds	104,387	4,672	68,920	-	15,555	24,492	123
Due from proprietary funds	-	-	420,416	-	-	-	
Due from other state agencies	1,180	-	-	-	-	-	-
Total receivables	11,932,278	106,920	1,320,683	172,005	514,974	24,492	51,518
Investments, at fair value:							
Domestic equities	430,105,553	12,624,309	34,038,246	-	-	-	17,140,109
International equities	591,307,961	17,355,866	9,816,186	-	-	-	19,228,691
International fixed income	91,424,799	2,683,469	-	-	-	-	4,275,506
Domestic fixed income	337,477,792	9,905,531	29,749,849	1,024,745	-	1,096,488	49,151,520
Real estate	364,354,225	10,694,399	-	-	-	-	-
Mutual funds	-	-	-	25,583,919	-	48,980,243	-
Annuities	-	-	-	-	-	95,018	-
Alternative investments	99,995,649	2,935,038	-	-	-	-	-
Invested cash	25,694,768	754,184	-	-	-	-	601,042
Total investments	1,940,360,747	56,952,796	73,604,281	26,608,664	-	50,171,749	90,396,868
Prepaid expenses	1,582	-	549,260	-	163	335	-
Software (net of amortization)	2,810,501	24,554	270,173	19,377	707,481	1,414,961	16,544
Total assets	1,960,657,148	57,084,270	75,769,038	26,891,715	1,592,713	51,742,388	90,467,020

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	79,609	-	-	-	17,822	30,141	-
Accounts payable	2,726,521	-	57,110	-	14,636	13,610	88,063
Due to fiduciary funds	69,043	40,186	102,106	6,814	-	-	-
Due to proprietary funds	6,160	-	53,821	-	-	-	-
Due to other state agencies	16,511	-	-	226	5,226	4,871	-
Unearned revenue	-	-	-	-	-	15,532	-
Amounts held in custody for others	-	-	-	-	-	37,210	-
Accrued compensated absences	89,278	-	-	-	25,587	42,540	-
Total liabilities	2,987,122	40,186	213,037	7,040	63,271	143,904	88,063
NET POSITION:							
Held in trust for pension benefits	1,957,670,026	57,044,084	-	26,884,675	-	51,598,484	90,378,957
Held in trust for postemployment healthcare benefits	-	-	75,556,001	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,529,442	-	-
Total net position held in trust	$ 1,957,670,026	$ 57,044,084	$ 75,556,001	$ 26,884,675	$ 1,529,442	$ 51,598,484	$ 90,378,957

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

Statement of Plan Net Position
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 Changes in Plan Net Position – Fiduciary Funds
For the Year Ended June 30, 2013

	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	$ 48,846,796	$ 1,586,186	$ 9,959,603	$ 906,296	$ -	$ -	$ -
From employee	46,815,060	1,028,615	6,014,003	886,855	5,866,659	5,198,258	72,174
Transfers from other plans	-	-	-	-	-	412,500	-
From external plans	-	-	-	104	-	1,086,587	-
Total contributions	95,661,856	2,614,801	15,973,606	1,793,255	5,866,659	6,697,345	72,174
Investment income:							
Net change							
in fair value of investments	195,052,808	5,766,740	6,384,010	2,166,442	-	3,718,955	7,978,316
Interest and dividends	43,509,791	1,286,296	1,777,178	913,834	439	1,645,810	2,248,708
Less investment expense	(6,713,127)	(198,484)	(197,797)	(13,902)	-	20,007	(242,783)
Net investment income	231,849,472	6,854,552	7,963,391	3,066,374	439	5,384,772	9,984,241
Repurchase service credit	7,470,218	133,169	371,587	-	-	-	-
FICA tax savings	-	-	-	-	660,757	-	-
Transfer from proprietary fund	-	-	-	-	-	212,500	-
Miscellaneous income	-	-	-	18,290	17	114	-
Total additions	334,981,546	9,602,522	24,308,584	4,877,919	6,527,872	12,294,731	10,056,415
DEDUCTIONS:							
Benefits paid to participants	103,295,777	3,749,888	-	809,546	5,826,126	1,605,608	4,353,984
Refunds	5,783,824	22,428	8,765	-	-	-	-
Prefunded credit applied	-	-	6,458,449	-	-	-	-
Health premiums paid	-	-	6,000,703	-	-	-	-
Transfers to other plans	212,500	-	-	-	200,000	-	-
	109,292,101	3,772,316	12,467,917	809,546	6,026,126	1,605,608	4,353,984
Administrative expenses	2,059,315	29,237	185,619	11,918	478,968	795,631	30,014
Total deductions	111,351,416	3,801,553	12,653,536	821,464	6,505,094	2,401,239	4,383,998
Change in net position	223,630,130	5,800,969	11,655,048	4,056,455	22,778	9,893,492	5,672,417
Net position - beginning of year	1,734,039,896	51,243,115	63,900,953	22,828,220	1,506,664	41,704,992	84,706,540
Net position - end of year	$ 1,957,670,026	$ 57,044,084	$ 75,556,001	$ 26,884,675	$ 1,529,442	$ 51,598,484	$ 90,378,957

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

Statement of Changes in Plan Net Position – 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 position	(24,016,702)	(1,462,306)	5,163,317	1,409,599	(31,922)	2,683,350	(1,012,892)
Net position - 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 position - 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013 & 2012

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 three 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 Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net position. Net position is 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 position result when constraints on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consist of net position that do not meet the definition of the two preceding 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 position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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.

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 the 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 and underwriting gains. Operating expenses include salaries and wages and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary fund is accounted for on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each system.

Budgetary Process

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

The Statement of Appropriations has been prepared using the accrual basis of accounting. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC), Section 54-44.1-11. Expenditures not subject to appropriation of a specific amount include professional fees, depreciation and amortization 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, 2013 and 2012.

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 years ended June 30, 2013 and 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, 2013 and 2012 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.

Amounts Held in Custody for Others
Amounts held in custody for others includes monies collected from participating employers for deferred compensation contributions that had not been forwarded to the investment provider company as of June 30. It also includes 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 2013 and 2012, transfers to other plans also includes operating transfers from the retirement plan, insurance 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 position.

Reclassification
Certain amounts in the 2012 financial statements have been reclassified to conform to the 2013 presentation. These reclassifications had no effect on the change in net position.

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.

	2013	2012
Cash Deposits at the Bank of North Dakota recorded as Cash and Cash Equivalents	$7,304,156	$4,651.335
Cash Deposits at State Treasury recorded as Cash and Cash Equivalents	453,365	456,797
Cash held by the North Dakota Retirement and Investment Office recorded as Cash and Cash Equivalents	42,849,158	6,966,111
Guaranteed Investment Contract with Blue Cross Blue Shield recorded as Cash and Cash Equivalents	5,898,923	5,871,098
Cash held by ADP Benefit Services recorded as cash and cash equivalents	165,371	0
	$56,670,973	$17,945,341

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, 2013 and 2012 the carrying amount of the System's cash deposits were $56,670,973 and $17,945,341, and the bank balances were $56,700,229 and $18,005,082. All of the System's deposits are uncollateralized and uninsured at June 30, 2013 and 2012.

Investments
Total investments of the System at fair value as of June 30, 2013 and 2012 consisted of the following:

	2013	2012
Equity securities	$1,131,616,921	$961,102,956
Bonds and notes	526,789,699	481,617,604
Real estate	375,048,624	344,423,175
Alternative investments	102,930,687	103,233,766
Mutual funds	25,583,919	21,781,144
Invested cash	27,049,994	28,779,345
Deferred compensation plans		
Annuities	95,018	83,974
Mutual funds	48,980,243	39,345,542
	$2,238,095,105	$1,981,045,732

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.

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. 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 2013	Fair Value 2012	Less Than 1 Year 2013	Less Than 1 Year 2012	1-6 Years 2013	1-6 Years 2012	6-10 Years 2013	6-10 Years 2012	Over 10 Years 2013	Over 10 Years 2012
Asset Backed Securities	$2,824	$1,788	$ -	$ -	$ 665	79	$ 691	$ 188	$ 1,468	$ 1,521
Commercial Mortgage-Backed	5,180	2,702	-	-	-	-	-	-	5,180	2,702
Corporate Bonds	54,959	57,529	3,413	971	17,908	19,522	14,868	14,942	18,770	22,094
Corporate Convertible Bonds	11,757	12,457	117	2,600	5,659	3,881	1,514	2,514	4,467	3,462
Government Agencies	13,057	9,297	1,496	956	7,949	1,962	2,730	4,851	882	1,528
Government Bonds	39,673	49,330	7,066	4,735	7,051	9,227	9,322	15,563	16,234	19,805
Gov't. Mortgage and CMB	170,931	146,464	-	-	214	558	600	6,726	170,117	142,180
Guaranteed Fixed Income	-	365	-	-	-	-	-	-	-	365
Index Linked Government Bonds	641	533	-	-	-	-	-	-	641	533
Municipal/Provincial Bonds	3,662	5,172	-	418	2,171	3,078	425	-	1,066	1,676
Non-Government Backed CMOs	3,649	6,420	-	-	1,402	1,358	210	2,040	2,037	3,022
Other Fixed Income	1,784	931	119	-	1,665	931	-	-	-	-
Pooled Investments	184,602	137,660	-	30,754	115,712	60,376	45,456	46,530	23,434	-
Short Term Bills and Notes	12,705	5,471	12,705	5,471	-	-	-	-	-	-
Total Debt Securities	$505,424	$439,119	$24,916	$46,270	$160,396	$100,972	$75,816	$93,354	244,296	$198,523

Job Service Retirement Plan

Type (in thousands)	Fair Value 2013	Fair Value 2012	Less Than 1 Year 2013	Less Than 1 Year 2012	1-6 Years 2013	1-6 Years 2012	6-10 Years 2013	6-10 Years 2012	Over 10 Years 2013	Over 10 Years 2012
Asset Backed Securities	$ 102	$80	$ -	$ -	$ 24	$ 3	$ 26	$ 11	52	$ 66
Commercial Mortgage-Backed	191	116	-	-	-	-	-	-	191	116
Corporate Bonds	3,684	3,936	134	65	1,090	1,271	1,086	1,047	1,374	1,553
Corporate Convertible Bonds	867	859	9	109	417	295	112	191	329	264
Government Agencies	607	675	87	66	373	156	115	313	32	140
Government Bonds	2,354	5,020	321	212	340	1,060	798	1,906	895	1,842
Gov't. Mortgage Backed and CMB	20,663	20,633	-	-	14	23	27	994	20,622	19,616
Guaranteed Fixed Income	-	64	-	64	-	-	-	-	-	-
Index Linked Government Bonds	47	41	-	-	-	-	-	-	47	41
Municipal/Provincial Bonds	178	230	-	16	99	138	19	-	60	76
Non-Government Backed CMOs	142	278	-	-	53	61	7	87	82	130
Other Fixed Income	70	42	5	-	65	42	-	-	-	-
Pooled Investments	23,698	17,971	-	5,363	17,711	10,528	2,057	2,080	3,930	-
Short Term Bills and Notes	1,628	515	1,628	515	-	-	-	-	-	-
Total Debt Securities	$ 54,231	$ 50,460	$ 2,184	$6,410	$ 20,186	$13,577	$ 4,247	$ 6,629	$ 27,614	$23,844

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 $3.174 million and maturing in 6-10 years is $26.599 million for a total market value of $29.773 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	
	2013	2012	2013	2012	2013	2012	2013	2012
Australian dollar	$ (3,932)	$ (5,818)	$ 5,147	$ 5,622	$ 4,714	$ 4,742	$ 5,929	$4,546
Brazilian real	848	103	2,477	2,556	3,317	-	6,642	2,659
British pound sterling	6,731	3,157	2,473	3,561	26,629	24,430	35,833	31,148
Canadian dollar	15	17	409	594	7,816	1,285	8,240	1,896
Chilean peso	1,533	1,501	-	-	-	-	1,533	1,501
Czech koruna	-	-	-	-	937	-	937	-
Israeli shekel	14	9	-	-	457	332	471	341
Danish krone	-	11	-	-	373	502	373	513
Euro	(6,470)	(3,174)	9,606	1,274	49,553	39,326	52,689	37,426
Hong Kong dollar	12	14	-	-	6,599	2,414	6,611	2,428
Hungarian forint	10	-	1,959	1,887	504	-	2,473	1,887
Iceland krona	15	14	-	-	-	-	15	14
Indian rupee	2,254	-	-	-	-	-	2,254	-
Japanese yen	6,924	(1,426)	-	-	22,065	17,138	28,989	15,712
Malaysian ringgit	13	-	2,065	2,010	1,060	-	3,138	2,010
Mexican peso	-	-	9,382	5,931	-	-	9,382	5,931
New Zealand dollar	(1,447)	(1,331)	1,487	1,573	-	-	40	242
Norwegian krone	21	104	-	-	997	1,764	1,018	1,868
Phillippine peso	-	-	1,094	1,075	-	-	1,094	1,075
Polish zloty	-	-	2,060	2,736	604	-	2,664	2,736
Singapore dollar	35	17	-	-	1,282	1,080	1,317	1,097
South African rand	44	-	1,519	1,818	1,963	-	3,526	1,818
South Korean won	(2,105)	-	2,176	2,109	3,725	-	3,796	2,109
Swedish krona	245	25	-	-	2,472	2,371	2,717	2,396
Swiss franc	-	-	-	-	9,652	6,709	9,652	6,709
Thai baht	27	-	-	-	572	-	599	-
Turkish lira	1	-	1,318	2,012	486	-	1,805	2,012
International commingled funds (various currencies)	-	-	44,721	45,116	155,845	135,553	200,566	180,669
	$ 4,788	$ (6,777)	$ 87,893	$ 79,874	$ 301,622	$ 237,646	$ 394,303	310,743

Job Service Retirement Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Australian dollar	$ (186)	$ (241)	$ 254	$ 275	$198	$ 133	$ 266	$ 167
Brazilian real	39	5	144	148	148	-	331	153
British pound sterling	247	156	112	159	1,070	847	1,429	1,162
Canadian dollar	1	1	30	45	333	36	364	82
Chilean peso	70	67	-	-	-	-	70	67
Czech koruna	-	-	-	-	42	-	42	-
Israeli shekel	1	-	-	-	20	9	21	9
Danish krone	-	-	-	-	9	14	9	14
Euro	(467)	(136)	551	97	1,769	1,285	1,853	1,246
Hong Kong dollar	1	-	-	-	257	68	258	68
Hungarian forint	-	-	89	84	23	-	112	84
Iceland krona	1	1	-	-	-	-	1	1
Indian rupee	102	-	-	-	-	-	102	-
Japanese yen	155	(40)	-	-	827	480	982	440
Malaysian ringgit	1	-	94	90	47	-	142	90
Mexican peso	-	-	497	303	-	-	497	303
New Zealand dollar	(66)	(60)	68	70	-	-	2	10
Norwegian krone	1	3	-	-	38	66	39	69
Phillippine peso	-	-	81	82	-	-	81	82
Polish zloty	-	-	94	122	27	-	121	122
Singapore dollar	1	-	-	-	43	30	44	30
South African rand	2	-	69	81	88	-	159	81
South Korean won	(96)	-	99	94	166	-	169	94
Swedish krona	11	1	-	-	88	66	99	67
Swiss franc	-	-	-	-	344	188	344	188
Thai baht	1	-	-	-	26	-	27	-
Turkish lira	-	-	60	90	22	-	82	90
International commingled funds (various currencies)	-	-	2,032	2,019	$1,924	1,967	3,956	$ 3,986
	$ (181)	$ (243)	$ 4,274	$ 3,759	$ 7,509	$ 5,189	$11,602	$ 8,705

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

The June 30, 2013 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	$104,387	$ 75,203
Highway Patrolmen's Retirement System	4,672	40,186
Retiree Health Insurance Credit Fund	489,336	155,927
Retirement Plan for Employees of Job Service ND	123	-
Pretax Benefits Program	15,555	-
Deferred Compensation Plan	24,492	-
Defined Contribution Plan	-	6,814
Proprietary		
Uniform Group Insurance Program	59,981	420,416
	$698,546	$ 698,546

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

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, 2013 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	$ 160	-
Legislative Council	20	-
Health Department	240	-
Public Service Commission	80	-
Workforce Safety and Ins.	420	-
Dept. of Agriculture	80	-
Dept. of Transportation	160	79
ITD	-	8,584
Attorney General	-	1,251
Office of Mgmt/Budget	20	5,981
Retirement/Inv. Office	-	616
Total	$ 1,180	$16,511
Defined Contribution Plan		
Office of Mgmt/Budget	$ -	$ 226
Pretax Benefits Program		
ITD	-	$ 1,528
Attorney General	-	243
Office of Mgmt/Budget	-	3,455
Total	$ -	$5,226
Deferred Compensation Plan		
ITD	$ -	$ 2,818
Attorney General	-	548
Office of Mgmt/Budget	-	1,505
Total	$ -	$ 4,871
Proprietary		
Uniform Group Insurance Program		
Dept. of Transportation	$ -	$ 139
Office of Mgmt/Budget	-	5,935
ITD	-	5,687
Attorney General	-	1,085
Total	$ -	$ 12,846

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, 2013 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfer In	Transfer Out
Fiduciary Funds		
Pretax Benefit Program	$ -	$200,000
Deferred Comp Plan	625,000	-
Public Employees Retirement System	-	212,500
Proprietary Funds		
Uniform Group Insurance Program	-	212,500

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 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, 2013 and 2012 is as follows:

	Balance 7/1/2012	Additions	Deletions	Balance 6/30/2013
Proprietary Funds:				
Capital assets not being depreciated:				
Software (not in production)	$76,626	$ 38,525	$(115,151)	$ -
Capital assets being depreciated:				
Software	$2,781,913	$ 115,151	$ -	$ 2,897,064
Less: Accumulated amortization for software	$(486,904)	(287,718)	-	(774,622)
Total capital assets being depr., net	2,295,009	(172,567)	-	$2,122,442
Proprietary Funds capital assets, net	$2,371,635	$ (134,042)	$ (115,151)	$ 2,122,442
Fiduciary Funds:				
Capital assets not being depr.:				
Software (not in production)	$ 191,800	$95,621	$(287,421)	$ -
Capital assets being depreciated:				
Software	6,896,716	287,421	-	7,184,137
Equipment	11,527	-	-	11,527
Total capital assets being depr.	6,908,243	287,421	-	7,195,664
Less: Accumulated amort/depr. for:				
Equipment	(11,527)	-	-	(11,527)
Software	(1,206,854)	(713,692)	-	(1,920,546)
Total capital assets being depr. net	5,689,862	(426,271)	-	5,263,591
Fiduciary Funds capital assets, net	$5,881,662	$(330,650)	$(287,421)	$5,263,591

	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

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 $124,356 for the years ended June 30, 2013 and 2012, respectively. The future minimum lease payment for the fiscal year ending June 30, 2014 is $135,660.

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

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

NOTE 6
CHANGE IN LONG-TERM LIABILITIES

	Proprietary Fund	Fiduciary Fund
	Accrued Comp. Absences	Accrued Comp. Absences
Balance- June 30, 2011	$ 69,588	$ 156,083
Increases	42,369	86,386
Decreases	(38,504)	(92,706)
Balance – June 30, 2012	$ 73,453	$ 149,763
Increases	47,245	93,299
Decreases	(40,992)	(85,657)
Balance - June 30, 2013	$ 79,706	$ 157,405
Balance - due within one year	$ 5,006	$ 9,885

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, 2013, 2012 and 2011, were $155,657, $129,748, and $113,315 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 three 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 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 and the Retirement Plan for Employees of Job Service North Dakota 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. (Effective October 1, 2013, eligibility is expanded to include all state employees hired on or after October 1, 2013 through July 31, 2017, with the exception of employees eligible for the Highway Patrol Retirement System, Teachers Fund for Retirement or the alternate retirement plan of the Board of Higher Education.) The Retirement Plan for Employees of Job Service North Dakota is limited to employees participating in the plan as of September 30, 1980.

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:

	2013	2012
Cities	83	81
Counties	49	49
School Districts	114	114
Other	73	73
Total participating political subdivisions	322	317

Employee membership data is as follows:

	PERS		HPRS	
	2013	2012	2013	2012
Retirees & Beneficiaries Currently Receiving Benefits	8,721	8,303	116	116
Special Prior Service Retirees	9	13	-	-
Terminated Vested Participants	4,258	3,624	9	9
Inactive Participants	3,505	3,542	6	6
Active Plan Participants				
Vested	15,718	15,632	71	67
Nonvested	5,870	5,459	78	78
Total Plan Membership	38,081	36,573	280	276

Job Service	2013	2012
Retirees & Beneficiaries Currently Receiving Benefits	213	212
Special Prior Service Retirees	-	-
Terminated Vested Participants	3	3
Inactive Participants	-	-
Active Plan Participants:		
Vested	15	19
Nonvested		-
Total Plan Membership	231	234

The defined contribution plan had 274 and 283 participants as of June 30, 2013 and 2012, 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, 2013 and 2012, the following are the net realized gains (losses):

	2013	**2012**
Public Employees Retirement	$ 78,314,479	$14,286,633
Highway Patrolmen's Retirement	2,315,369	428,503
Retiree Health Insurance Credit	1,335,488	889,953
Defined Contribution	171,694	737,164
Deferred Compensation	309,822	1,171,556
Job Service Plan	3,192,564	2,769,328

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. (The level social security option is no longer an option for retirements effective 7/1/2013 and thereafter.) 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 consecu-

tive 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

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.

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.

Refunds of Member Contributions

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.

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 increased for each of the plans by an additional 1%(.5% for the Law Enforcement Plans for political subdivisions). The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the PERS, Judges, National Guard, Law Enforcement, Highway Patrol and Defined Contribution plans. Effective January 2014, both the employee and employer contribution rates will be increased for each of the plans by an additional 1% (.5% for the National Guard and 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 covered compensation as follows:

Effective	**1/1/12**	**1/1/13**	**1/1/14**
Public Employees Retirement System	5.00%	6.00%	7.00%
Judges Retirement System	6.00%	7.00%	8.00%
National Guard Retirement System	4.00%	4.00%	4.50%
Law Enforcement with previous service			
State	5.00%	6.00%	6.00%
Political Subdivisions	4.50%	5.00%	5.50%
Law Enforce w/out previous service	4.50%	5.00%	5.50%

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:

Effective	**1/1/12**	**1/1/13**	**1/1/14**
Public Employees Retirement System	5.12%	612%	7.12%
Judges Retirement System	15.52%	16.52%	17.52%
National Guard Retirement System	6.50%	6.50%	7.00%
Law Enforcement with previous service			
State	9.31%	10.31%	10.31%
Political Subdivisions	8.81%	9.31%	9.81%
Law Enforce w/out previous service	6.93%	7.43%	7.93%

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 2012-2013.

HPRS
Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4% of the member contribution. The member and employer contribution rates are as follows:

Effective:	**1/1/2012**	**1/1/2013**	**1/1/2014**
Member contributions	11.3%	12.3%	13.3%
Employer contributions	17.7%	18.7%	19.7%

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 2012-2013.

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

Annual required contributions	$2,191,076
Interest on net pension obligations	37,959
Adjustment to annual required contrib.	(33,115)
Annual pension costs	2,195,920
Contributions made	1,586,186
Change in net pension obligations	609,734
Net pension obligations, beginning of year	474,490
(Assets in excess of) net pension obligations, end of year	$1,084,224

Defined Contribution Plan
Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4% of the member contribution. The member and employer contribution rates are as follows:

Effective:	**1/1/2012**	**1/1/2013**	**1/1/2014**
Member contributions	5.00%	6.00%	7.00%
Employer contributions	5.12%	6.12%	7.12%

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	(121,794)
Adjustment to annual required contrib.	127,906
Annual pension costs	6,112
Contributions made	-
Change in net pension obligations	6,112
Net pension obligations, beginning of year	(1,623,923)
(Assets in excess of) net pension obligations, end of year	$ (1,617,811)

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:

	2013	2012
Retired participants receiving benefits	4,635	4,442
Active participants, not receiving benefits	21,955	21,462
	26,590	25,904

The Retiree Health Insurance Credit Fund has 21,955 and 21,462 active participants at June 30, 2013 and 2012, respectively. The employers' actuarially required contribution was $7,410,911, $7,263,487, and $7,052,215, and the actual employer contributions were $9,959,603, $9,388,040, and $8,929,903 for the periods ended June 30, 2013, 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	0.13%	$(1,188,679)
	0.13%	$(1,188,679)

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.

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.

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	2013	$1,683.0	$2,716.5	$1,033.5	62.0%	$ 888.5	116.3%
Highway Patrol	2013	$ 49.0	$ 71.9	$ 22.9	68.2%	$ 9.3	246.2%
Job Service	2013	$ 76.3	$ 66.0	$ (10.3)	115.6%	$ 0.8	0.0%
Retiree Health Credit	2013	$ 66.0	$ 114.1	$ 48.1	57.8%	$ 914.4	5.3%
Retiree Health Implicit Subsidy	2011	$ -	$ 65.2	$ 65.2	0.0%	$ -	0.0%

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 17 years remain. For the implicit subsidy unfunded plan, this amount is amortized over a fixed period of 30 years, of which 24 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, 2013, 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:8.0% 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 post-retirement 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 accured liabilities and the actuarial value of assets.

Advanced 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, 2013, 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 – 9.0%; Ultimate 6.0%. Select trends are reduced 0.5% each year until reaching the ultimate trend.
Retirement Age: Retirement probabilities have been developed from the assumptions for the NDPERS pension plans

Termination: Probablilities 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:

	2013	
Plan Participation by State of ND	$44,716,676	89%
Other jurisdictions	5,455,073	11%
Total value	$50,171,749	100%

	2012	
Plan Participation by State of ND	$35,147,760	88%
Other jurisdictions	4,959,982	12%
Total value	$40,107,742	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 2009-2011 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 2009-2011 biennium occurred on June 30, 2013. Premiums exceeded claims, therefore, a gain of $36.6 million was returned to the System. The System has entered into a similar contract with BCBS for the 2011-2013 biennium. The accumulated surplus and other invested funds in the amount of $42.6 million are shown as cash on the System's balance sheet.

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. Funding for this program is no longer available; therefore no reimbursements were received in fiscal year 2013.

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, 2013, 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 was made to Sagitec during fiscal year 2013 upon completion of the warranty period.

NOTE 15
NEW PRONOUNCEMENTS

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.

Management has not yet determined the effect these statements will have on the entity's financial statements.

NOTE 16
CONTINGENCY

In February 2009, the State Investment Board (SIB) was notified of legal action being taken against one of its investment advisors. The principals of WG Trading Company, the broker/dealer for Westridge Capital Management portfolios, were charged with securities fraud for allegedly diverting investor funds for their personal use. The SIB was an investor along with numerous other public and private pension funds. 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 SIB did not agree with the method used to distribute the assets, and along with the other WGTC limited partners appealed the District Court's ruling. It was 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. In April, 2013, the District Court's original ruling was upheld by the United States Court of Appeals for the Second Circuit and the SIB received an additional $3.1 million pro rata distribution, bringing the total distributions received to $67.1 million. It should be noted that the receiver continues to pursue certain "clawback" actions and to dispose of various real and personal property held by the receiver in order to recover additional funds that may eventually be distributed to the Westridge investors, including the SIB. While future additional distributions are possible, the amount of any additional distributions to the SIB will likely be small as compared to the prior distributions. Total distributions to date have resulted in a net realized loss attributable to the fraud of $8.2 million. The portion of the net realized loss allocated to NDPERS is $3.3 million.

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
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
2013	97,984,640	50

Highway Patrolmen's Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
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
2013	2,191,076	72	1,084,224

Retiree Health Insurance Credit
Advance Funded Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2008	$5,708,457	100%
2009	5,804,660	116
2010	7,199,033	117
2011	7,053,215	127
2012	7,263,487	129
2013	7,410,911	134

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%
2009	4,118,000	76
2010	6,938,000	29
2011	7,295,000	54
2012	7,854,425	33
2013	8,212,947	40

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
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
2013	2,716.5	1,683.0	1,033.5	62.0	888.5	116.3

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
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
2013	71.9	49.0	22.9	68.2	9.3	246.2

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
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
2013	66.0	76.3	(10.3)	115.6	.8	0.0

Retiree Health Insurance Credit (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) Projected Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
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
2013	114.1	66.0	48.1	57.8	914.4	5.3

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

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) Projected 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, 2013

	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	633,755	4,981	62,769	3,809	157,070	289,486	2,981
Social security	46,887	369	4,645	282	11,629	21,748	221
Retirement	67,025	527	6,565	398	16,144	29,560	312
Insurance	140,363	1,104	13,020	790	31,867	51,287	618
Total Personnel Services	888,030	6,981	86,999	5,279	216,710	392,081	4,132
Professional Services:							
Actuarial	270,344	14,850	12,600	0	0	0	18,300
Audit	20,815	165	2,075	126	5,245	10,490	99
Data processing	79,815	633	6,620	402	15,506	23,033	314
Consulting	115,709	915	10,738	652	29,862	64,700	510
Legal counsel	8,060	64	982	60	2,918	5,434	47
Misc outside services	3,126	25	2,418	146	51,661	2,525	3,100
Total Professional Services	497,869	16,652	35,433	1,386	105,192	106,182	22,370
Communication:							
Postage & mailing svc	55,913	443	5,289	464	12,909	11,738	251
Printing	36,144	286	2,436	232	4,202	3,650	116
Telephone	9,990	79	914	55	1,755	3,108	43
Total Communication	102,047	808	8,639	751	18,866	18,496	410
Rentals:							
Equipment rent	2,064	9	206	12	520	795	10
Office rent	48,305	383	4,713	6	12,172	23,827	229
Total Rentals	50,369	392	4,919	18	12,692	24,622	239
Miscellaneous:							
Depreciation	380,967	3,324	36,784	2,642	95,906	191,812	2,258
Dues and prof development	10,303	82	673	191	613	1,752	31
Insurance	722	6	72	4	173	359	3
Miscellaneous	10,475	44	540	33	1,338	3,229	26
Repairs and maintenance	2,606	28	362	302	665	1,572	14
Supplies	103,988	825	10,348	819	26,589	51,840	491
Travel	11,939	95	850	493	224	3,686	40
Total Miscellaneous	521,000	4,404	49,629	4,484	125,508	254,250	2,863
Total Administrative Expenses	$2,059,315	$29,237	$185,619	$11,918	$478,968	$795,631	$30,014

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

Statement of Appropriations

For the Year Ended June 30, 2013

	Approved 2011-2013 Appropriation	2011-2013 Appropriation Adjustments	Adjusted 2011-2013 Appropriation	Expenditures 2012	Expenditures 2013	Unexpended Appropriation
All Fund Types:						
Salaries and wages	$ 4,563,507	$ -	$ 4,563,507	$ 2,148,633	$ 2,291,779	$ 123,095
Operating Expenses	2,054,383	50,000	2,054,383	907,774	1,073,266	123,343
Technology project carryover	597,338	-	597,338	46,610	141,176	409,552
Contingency	250,000	(50,000)	250,000	-		200,000
	$ 7,465,228	$ -	$ 7,465,228	$ 3,103,017	$ 3,506,221	$ 855,990

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2013	2012
Pension Trust Funds	$ 3,590,172	$3,276,401
Enterprise Funds – Group Insurance	1,546,538	1,397,868
Total administrative expenses	5,137,240	4,674,269
Plus:		
Software development costs reclassified to software (not in production)	134,146	68,429
Prepaid expenses	831	1,769
Change in Accounts payable not charged to appropriation	24,400	384
Conference account revenues in excess of expenditures	(4,124)	1,647
Change in accrued compensated absences	(13,896)	2,455
Less:		
Miscellaneous income reclassified to miscellaneous expense	(1,218)	-
Professional fees paid pursuant to NDCC 54-52-04(6)		(678,062)
Depreciation expense	(1,001,411)	(967,863)
Contribution/premium over and short	4	(11)
Total appropriated expenditures	$ 3,506,221	$ 3,103,017

SCHEDULE OF INVESTMENT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	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	$6,465,612	$191,173	$197,797	$0	$0	$0	$242,783	$0
Administrative Expenses	247,515	7,311	0	0	0	0	0	0
	6,713,127	198,484	197,797	0	0	0	242,783	0
Payments to Providers:								
Investment Fees	0	0	0	13,902	0	(20,007)	0	0
Total Investment Expenses	$6,713,127	$198,484	$197,797	$13,902	$0	$(20,007)	$242,783	$0

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 CONSULTANT EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2013

	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	270,344	14,850	12,600	0	0	0	18,300
Audit/Accounting Fees:							
Brady, Martz & Associates	20,815	165	2,075	126	5,245	10,490	99
Disability Consulting Fees:							
Mid Dakota Clinic	7,989	61	0	0	0	0	0
IT Consulting:							
Sagitec Solutions, LLC	107,719	854	10,738	651	27,143	54,287	510
Miscellaneous Consulting Fees:							
The Segal Company	0	0	0	0	2,719	10,414	0
Legal Fees:							
ND Attorney General	8,060	64	982	60	2,918	5,434	47
Totals	$414,927	$15,994	$26,395	$837	$38,025	$80,625	$18,956

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

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

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
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November 30, 2013

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, 2013.

Introduction
For the fiscal year ended June 30, 2013, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of 13.98%. 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 as of June 30, 2013
The first quarter of fiscal year 2013 commenced with the breaking of the LIBOR fixing scandal and culminated with the Federal Reserve announcing open-ended bond purchases, nicknamed "QE3" or "QE-Infinity. Soon attention was turned to the looming "fiscal cliff," tax increases coupled with a reduction in government spending. While the "cliff" was averted at the last minute, no long-term solutions to the U.S. debt problem were found. The beginning of calendar year 2013 brought news of more turmoil abroad, particularly in the Eurozone. The mid-February announcement that banks in Cyprus were insolvent and would need a bailout set off investor concerns around the world. The situation, however, was well contained within a couple of months and equity markets continued their upward march. In late May the Federal Reserve announced that a "tapering" of bond purchases (quantitative easing) might begin as soon as July. The taper comment sent equity markets tumbling from their all-time highs and bond yields rose to levels not seen in more than a year.

There were some encouraging signs of economic growth during the fiscal year. After starting at 8.2%, unemployment steadily declined throughout the fiscal year, ending at 7.6%. The recent downward trend in the labor force participation rate seems to have bottomed out as well. Although many feared high inflation due to quantitative easing, it remained very benign throughout the year, never topping 2.2%.

The domestic economy grew a modest 1.4% in fiscal year 2013 while Europe suffered through a mild recession, which appears to be ending. The developed world's major central banks all continued their respective quantitative easing programs in efforts to spur their economies to more substantial growth. So far, the Bank of Japan may have been the most successful as Japan's GDP growth for the first two quarters of 2013 was 3.8% and 2.6%. China is in the midst of a long-term decline in GPD growth. Even though the days of double-digit growth may be behind China growth this year is still expected to be a very robust 7.5%.

Domestic Equity Overview
The fiscal year ended June 30, 2013 brought strong 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 +20.94%. While all quarters were positive, the bulk of return came in the third fiscal quarter (+10.88%). Small cap stocks performed better than large cap stocks during the fiscal year. The S&P 600, a gauge of small cap stock performance, outperformed its large cap peer (the S&P 500 Index), +25.18% to +20.60%. Value stocks held up better than growth stocks during fiscal year 2013. The Russell 3000 Value Index advanced 25.28% versus a gain of 17.56% for the Russell 3000 Growth Index.

International Equity Overview
Developed International equity markets, as represented by the MSCI EAFE Index, rose in fiscal year 2013. The index returned +18.62%, significantly better than the 13.83% loss in the 2012 fiscal year. Growth and value stocks produced nearly identical returns. For the trailing twelve-months ended June 30, 2013, the MSCI EAFE Growth Index gained 18.67% while the MSCI EAFE Value Index was rose 18.56%. Emerging market returns trailed developed market returns in fiscal year 2013 as the MSCI Emerging Markets Index gained only 3.23%. In sum, fiscal 2013 was a good year for the developed world's stock markets.

Private Equity
The private equity market was healthy in fiscal year 2013 as institutional investors placed capital into new programs. According to "Buyouts" newsletter, 1,592 transactions closed in the amount of $183 billion during the 2013 fiscal year. This is an increase in the total number of transactions from fiscal year 2012 (437) and in dollar volume ($143 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous.

Domestic Fixed-Income Overview
The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, had a -0.69% return for the four calendar quarters ended 6/30/2013. With fears of a recession fading and Federal Reserve's intention to "taper" quantitative easing, investors fled the bond markets into higher returning equity markets. Treasury yields rose across the curve. When compared to fiscal year 2012, yield spreads for non-government bonds tightened during fiscal year 2013.

The Barclays Capital Government Index fell 1.51% over the fiscal year. This return was substantially above the 8.18% loss of the Barclays Capital Government Long Index. The Barclays Capital Credit Index rose 0.84% for the trailing twelve-months as company balance sheets continued to improve. High yield investors saw strong returns; the Barclays Capital High Yield Index returned +9.49% for the year ended June 30, 2013.

International Fixed-Income Overview
The International fixed income markets as whole struggled in fiscal year 2013. The Citi Non-U.S. World Government Unhedged Index fell 5.72%. However, there were pockets of positive movement. On the hopes of more quantitative easing the Citi Euro Government Bond Index rose 9.44%. 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. Investors are now somewhat hopeful that these steps, couple with positive economic growth 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 declined 5.72% for the year ended 6/30/13, but its local currency return – the currency where the investments are actually made – for the Citi Non-U.S. World Government Bond Index was +2.86%. Emerging Market countries experienced flat returns for fiscal year 2013; the JP Morgan Emerging Markets Bond Plus Index was up 0.07%. Page 3

Real Estate Overview
The NCREIF Property Index, a measure of the private real estate market, rose 10.72% during the 2013 fiscal year. The index was positive in each of the four quarters, extending its positive streak to fourteen (14) straight quarters. Capitalization rates are essentially with the previous fiscal year and returns are positive across sectors. The FTSE NAREIT Equity Index, a measure of the public securities real estate market, gained 9.42% during the 2013 fiscal year.

Timber
The timber sector has seen continued growth in market size over the course of the last twelve months. As of June 30, 2013 the total market size of the NCREIF Timberland Property Index reached almost $25 billion representing approximately 14.3 million acres of land. The index returned 9.36% for the twelve months ending June 30, 2013, consisting of a +6.51% appreciation return and a +2.71% income return. The Pacific Northwest was the best performing region for the twelve months ended June 30, 2013, gaining 14.62%. The South is currently the largest region, representing $15 billion and 9.8 million acres of land.

Infrastructure
As of mid-2013 there were 142 private infrastructure funds raising capital worldwide, 71 of which have held a first close. This number is comparable to the 144 in the market during this time last year. However, a total of $15.4 billion in institutional investor capital was secured by private infrastructure fund managers in the first half of 2013, which represents an 88% increase over the $8.2 billion raised during the same period in 2012. As such, momentum in the current fundraising market is clearly stronger than at the same point in 2012. However, fund managers still face plenty of competition as they are still marketing to a small and highly selective investor pool given the relatively small allocations to infrastructure that most investors have. At the deal level, energy related investments represent the largest portion of trades and Europe remains the dominate region for deal flow.

Summary
Financial markets performed well in fiscal year 2013, fueled by low interest rates and unconventional measures adopted by monetary policymakers in the major developed markets in an effort to stimulate economic growth. For the fiscal year, the North Dakota Public Employees Retirement System investment portfolio delivered favorable results on both an absolute and relative basis. Performance was favorably impacted by exposure to such asset classes as developed country equities, private real estate, infrastructure, and credit-related fixed income.

Going forward, the State Investment Board and Staff will continue to monitor and align client investment portfolios entrusted to them in a sound fiduciary manner based on their respective investment objectives and constraints. At the same time, investment initiatives will be undertaken to further optimize the investment program of the PERS pension in the future.

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.

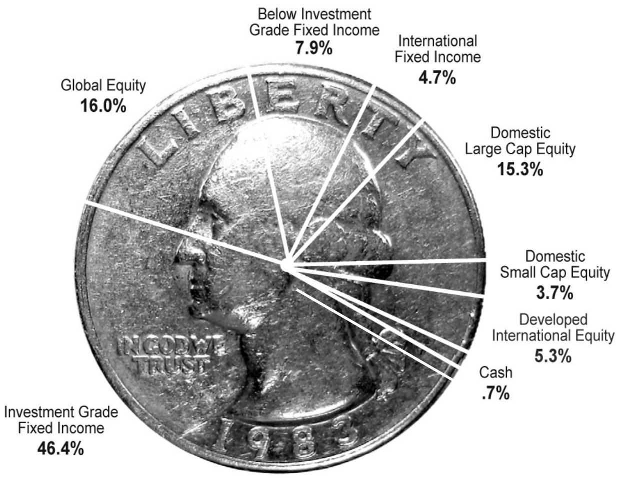
The investment goals for the Job Service Retirement Plan are:
• To maintain a level of surplus sufficient to eliminate the need for future contributions.
• To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index, by 3.0 percentage points per year (based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

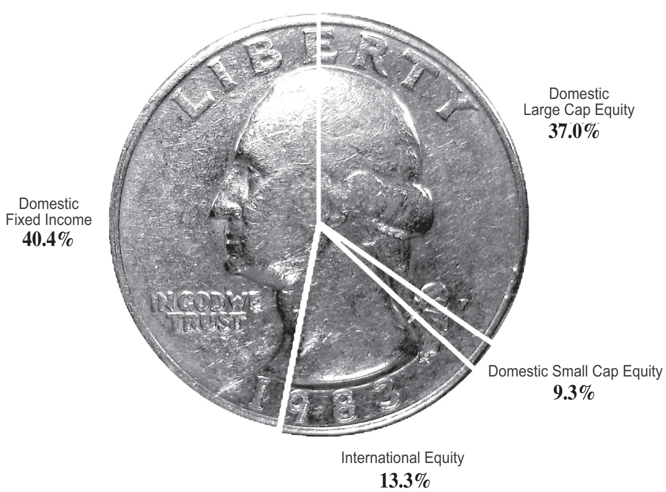
INVESTMENT SUMMARIES

Job Service Retirement Plan Asset Allocation – June 30, 2013



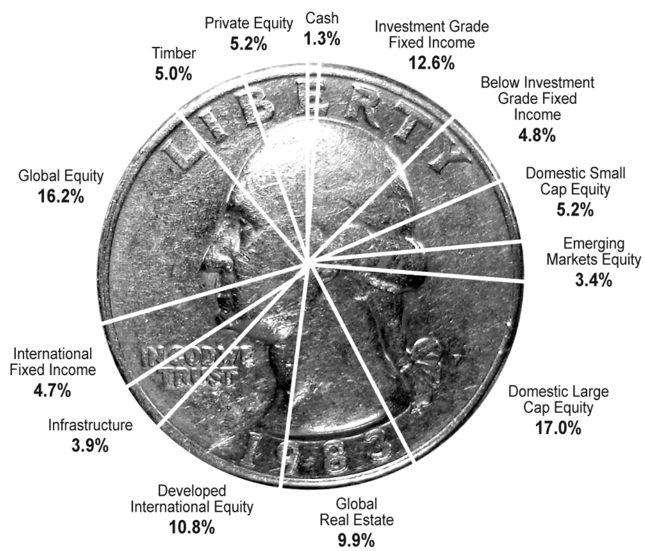
Asset Class	Market Value	Actual %	Policy %
Global Equity	$ 14,472,760	16.0%	16.0%
Domestic Large Cap Equity	13,805,728	15.3%	15.0%
Domestic Small Cap Equity	3,334,381	3.7%	3.6%
Developed International Equity	4,755,931	5.3%	5.4%
Investment Grade Fixed Income	41,971,325	46.4%	47.0%
Below Invesment Grade Fixed Income	7,180,195	7.9%	8.0%
International Fixed Income	4,275,506	4.7%	5.0%
Cash & Equivalents	601,042	0.7%	0.0%
Total	$ 90,396,868	100.0%	100.0%

Retiree Health Insurance Credit Program Asset Allocation – June 30, 2013



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	$ 27,207,403	37.0%	37.0%
Domestic Small Cap Equity	6,830,843	9.3%	9.3%
International Equity	9,816,186	13.3%	13.3%
Domestic Fixed Income	29,749,849	40.4%	40.4%
Total	$ 73,604,281	100.0%	100.0%

Public Employees and Highway Patrolmen's Retirement Systems Asset Allocation – June 30, 2013



Asset Class	Market Value	Actual %	Policy %
Global Equity	$ 324,134,492	16.2%	16.0%
Domestic Large Cap Equity	338,525,078	17.0%	16.6%
Domestic Small Cap Equity	104,204,785	5.2%	4.8%
Developed International Equity	216,305,611	10.8%	11.1%
Emerging Markets Equity	68,223,724	3.4%	3.5%
Private Equity	102,930,687	5.2%	5.0%
Investment Grade Fixed Income	251,282,752	12.6%	12.0%
Below Investment Grade Fixed Income	96,100,570	4.8%	5.0%
International Fixed Income	94,108,268	4.7%	5.0%
Global Real Estate	198,200,123	9.9%	10.0%
Timber	99,924,462	5.0%	5.0%
Infrastructure	76,924,039	3.9%	5.0%
Cash & Equivalents	26,448,952	1.3%	1.0%
Total	$1,997,313,543	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, 2013

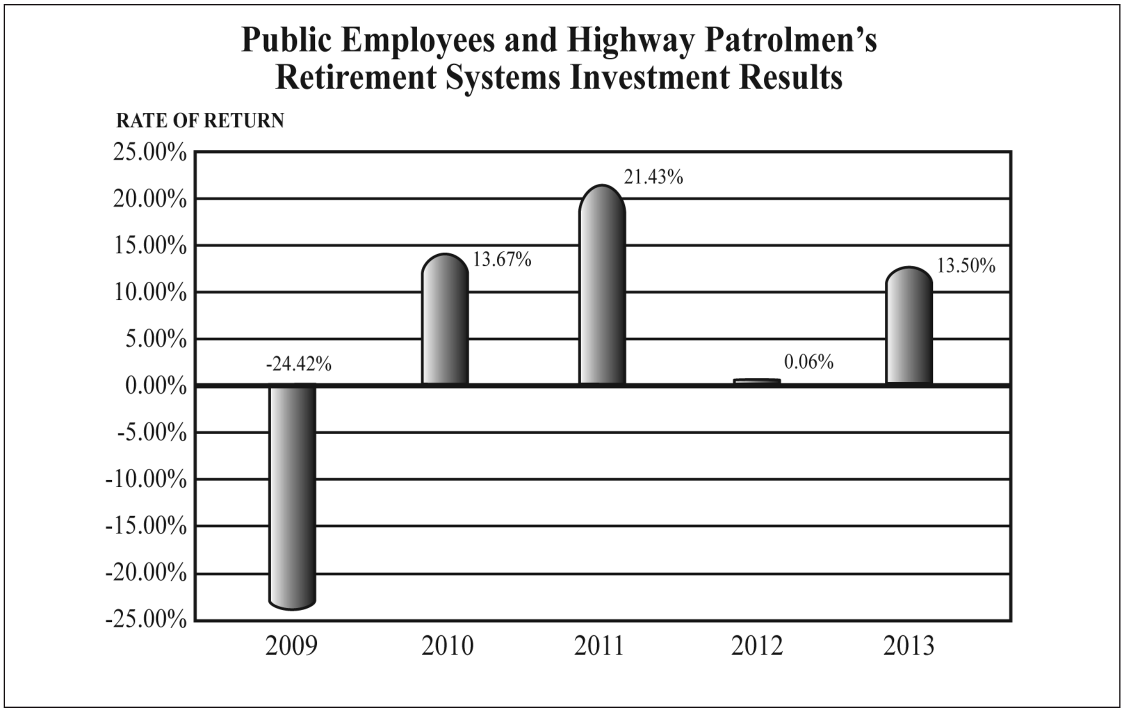
	2009	2010	2011	2012	2013	Annualized 3 Year	Annualized 5 Year
Total Fund (PERS)	-24.42%	13.67%	21.43%	0.06%	13.50%	11.31%	3.43%
Total Fund (Job Service)	-16.51%	13.61%	16.39%	3.10%	11.71%	10.26%	4.90%
CPI	-1.98%	1.36%	4.06%	1.58%	1.75%	2.46%	1.34%
Global Equity[2]	-	-	-	NA	17.06%	NA	NA
MSCI World	-	-	-	NA	18.58%	NA	NA
Large Cap Domestic Equities	-39.58%	18.99%	30.58%	3.68%	23.13%	18.57%	3.69%
Russell 1000 (S&P 500 prior to 7/1/2011)	-26.21%	14.43%	30.69%	5.34%	21.24%	18.62%	7.10%
Small Cap Domestic Equities	-31.73%	36.20%	36.07%	0.23%	26.86%	20.05%	9.98%
Russell 2000	-25.01%	21.48%	37.41%	-2.08%	24.21%	18.67%	8.77%
Developed International Equities	-27.31%	13.37%	31.20%	-14.72%	20.94%	10.61%	2.20%
MSCI EAFE (50% Hedged MSCI EAFE thru 3/31/11)	-27.05%	8.47%	23.57%	-13.83%	18.62%	8.10%	-0.01%
Emerging Markets Equities	-26.69%	23.20%	27.93%	-9.21%	4.55%	6.69%	1.86%
MSCI Emerging Markets Net (MSCI EM Gross prior to 7/1/2011)	-27.82%	23.48%	28.17%	-15.94%	2.87%	3.48%	-0.25%
Investment Grade Fixed Income	-3.04%	6.31%	6.15%	6.24%	5.13%	5.84%	4.09%
Barclays Aggregate	6.05%	9.50%	3.90%	7.47%	-0.69%	3.51%	5.19%
Below Investment Grade Fixed Income	-20.08%	31.79%	18.22%	3.46%	14.10%	11.75%	8.01%
Barclays High Yield Corp 2% Issuer Cap	-1.91%	26.66%	15.53%	7.21%	9.49%	10.69%	11.0%
International Fixed Income	0.21%	9.17%	15.79%	4.62%	0.83%	6.89%	5.97%
BC Global Aggregate ex US (Citigroup Non-US Gov't. Bond Index thru 12/31/09)	3.53%	0.78%	15.39%	-0.33%	-3.40%	3.57%	3.00%
Global Real Estate	-32.45%	-11.79%	24.11%	12.97%	11.05%	15.91%	-1.49%
NCREIF Total	-19.57%	-1.48%	16.73%	12.04%	10.72%	13.14%	2.79%
Private Equity[3]	-32.94%	19.06%	14.99%	14.99%	6.69%	8.85%	0.30%
Timber[2]	-	-	-	NA	0.58%	NA	NA
NCREIF Timber	-	-	-	NA	9.37%	NA	NA
Infrastructure[2]	-	-	-	NA	12.33%	NA	NA
CPI	-	-	-	NA	1.75%	NA	NA
Cash	1.09%	0.29%	0.17%	0.13%	0.10%	0.13%	0.35%
90 Day T-bills	0.95%	0.16%	0.16%	0.06%	0.11%	0.11%	0.29%

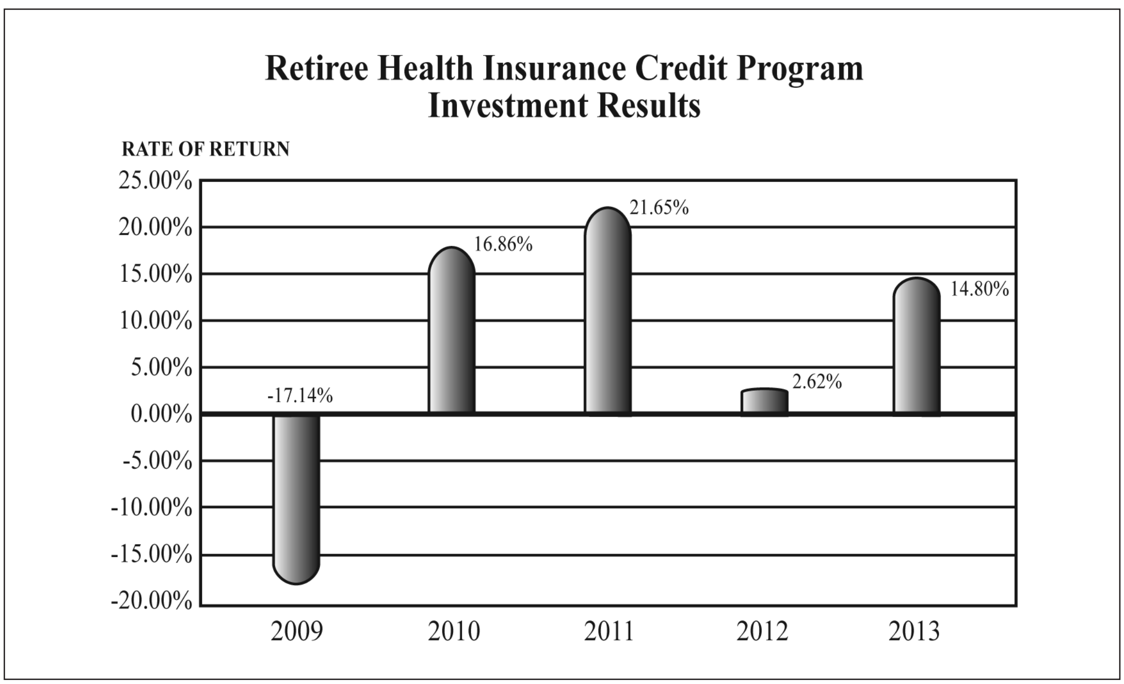
[1] *The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values.*
[2] *This asset class has less than the indicated years under management due to the addition of this asset class during fiscal year 2012.*
[3] *It has been determined that there is no benchmark that is an accurate reflection of the System's investments in this asset class.*

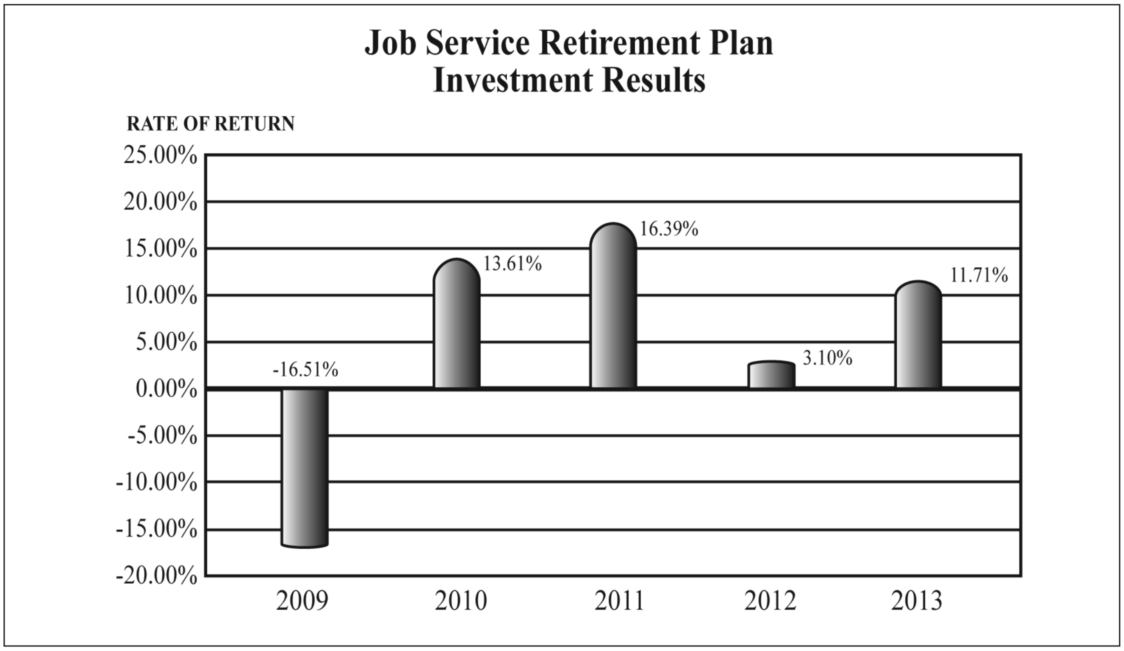
Retiree Health Insurance Credit Plan
Schedule of Investment Results[1]
For the Five Years Ended June 30, 2013

	2009	2010	2011	2012	2013	Annualized 3 Year	Annualized 5 Year
Total Fund	-17.14%	16.86%	21.65%	2.62%	14.80%	12.74%	6.77%
CPI	-1.98%	1.36%	4.06%	1.58%	1.75%	2.46%	1.34%
Large Cap Domestic Equities	-29.49%	17.62%	31.56%	4.35%	22.50%	18.78%	6.72%
Russell 1000 (S&P 500 thru 06/30/2009)	-26.21%	15.23%	31.94%	4.37%	21.24%	18.63%	7.26%
Small Cap Domestic Equities	-27.95%	34.33%	34.55%	-3.55%	24.63%	17.24%	9.21%
Russell 2000	-27.83%	21.49%	37.41%	-2.08%	24.21%	18.67%	7.94%
International Equities	-33.45%	13.30%	31.42%	-13.43%	20.87%	11.07%	0.52%
MSCI EAFE	-31.35%	8.15%	30.36%	-13.83%	18.62%	10.04%	-0.22%
Core Plus Fixed Income	5.77%	16.90%	7.88%	8.68%	4.16%	6.76%	8.79%
Barclays Aggregate	6.05%	9.50%	3.90%	7.47%	-0.69%	3.51%	5.19%

[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%
-24.42%
13.67%
21.43%
0.06%
13.50%
2009
2010
2011
2012
2013


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%
-17.14%
16.86%
21.65%
2.62%
14.80%
2009
2010
2011
2012
2013



Largest Holdings By Market Value at June 30, 2013

LARGEST HOLDINGS JUNE 30, 2013

Stocks	Fair Value
Microsoft Corp Com	$10,344,311.83
Apple Inc Com Stk	9,267,106.80
CVS Caremark Corp Com Stk	5,752,003.95
Exxon Mobile Corporation	5,691,504.64
CitiGroup Inc Com New Com New	5,357,697.14
VISA Inc Com CL A Stk	4,956,924.83
International Business Machines Corp Com	4,933,404.87
Chevron Corporation Com	4,668,733.82
Google Inc CL A CL A	4,516,687.14
American International Group Inc Com	4,388,746.46

Bonds	Fair Value
Federal Natl Mtg Assn Gtd Mtg Pool #AH0059 4.5% 02-01-2041 BEO	$7,999,407.87
FNMA Single Family Mortgage 3.5% 30 Years Settles July	6,994,014.11
GNMA II Jumbos 3.5% 30 Years Settles July	4,343,934,93
FHLMC Gold Q0-6359 4 02-01-2042	4,088,440.22
FNMA Pool #AR2626 2.5% Due 02-01-2043 Reg	3,981,206.81
FNMA Single Family Mortgage 2.5% 15 Years Settles July	3,577,937,96
FNMA Single Family Mortgage 3% 30 Years Settles July	3,211,689.05
Italy (Rep of) 5% Bds 01/08/39 Eur 1000	3,075,697.96
FNMA Pool #AT9664 3 Due 07-01-2043 Reg	2,643,443.41
Federal Home Ln Mtg Corp Pool #G0-5329 4.5% 03-01-2039 Beo	2,589,314.53

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, 2013

	Assets Under Management	Fees
Investment Managers' Fees:		
Global Equity	$324 Million	$1,547,875
Large Cap Domestic Equities	$339 Million	728,603
Small Cap Domestic Equities	$104 Million	727,665
Developed International Equities	$216 Million	956,631
Emerging Markets Equities	$ 68 Million	511,527
Investment Grade Fixed Income	$252 Million	3,086,432
Below Investment Grade Fixed Income	$ 96 Million	1,785,211
International Fixed Income	$ 94 Million	354,027
Global Real Estate	$198 Million	2,036,459
Private Equity	$103 Million	1,996,034
Timber	$100 Million	389,485
Infrastructure	$ 77 Million	1,032,097
Cash	$ 26 Million	31,361
Total Investment Managers' Fees[1]		$15,183,407
Other Investment Service Fees:		
Custodian Fees	$ 2.0 Billion	$ 279,055
Investment Consultant Fees	$ 2.0 Billion	208,647
SIB Administrative Fees	$ 2.0 Billion	254,826
Total Investment Service Fees		$ 742,528

[1]Includes fees of $9,014,324 which were netted against investment income.

Job Service Retirement Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2013

	Assets Under Management	Fees
Investment Managers' Fees:		
Global Equity	$14 Million	$ 77,889
Large Cap Domestic Equities	$14 Million	26,787
Small Cap Domestic Equities	$ 3 Million	24,275
Developed International Equities	$ 5 Million	22,302
Investment Grade Fixed Income	$42 Million	545,862
Below Investment Grade Fixed Income	$ 7 Million	135,400
International Fixed Income	$ 4 Million	15,381
Cash	$ 1 Million	116
Total Investment Managers' Fees[1]		$ 848,012
Other Investment Service Fees:		
Custodian Fees	$90 Million	$ 12,686
Investment Consultant Fees	$90 Million	4,670
SIB Administrative Fees	$90 Million	10,541
Total Investment Service Fees		$ 27,897

[1]Includes fees of $633,126 which were netted against investment income.

Retiree Health Insurance Credit Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2013

	Assets Under Management	Fees
Investment Manager's Fees	$74 Million	$ 294,454
Custodian Fees	$74 Million	705
SIB Administrative Fees	$74 Million	7,171
Total Investment Service Fees		$ 302,330

[1]Includes fees of $104,533 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.

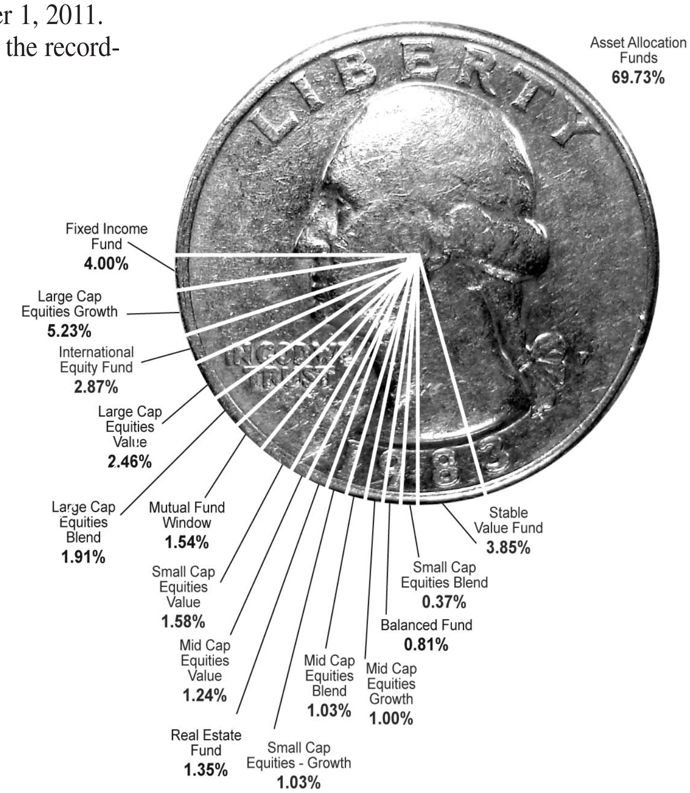
Defined Contribution Investments

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 recordkeeper for the Plan effective November 1, 2011. Prior to that, Fidelity Investments was the recordkeeper.

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, 2013



Investment Options	Market Value	Percent
Stable Value Fund	1,024,946	3.85%
Fixed Income Fund	1,063,900	4.00%
Balanced Fund	214,553	0.81%
Real Estate Fund	358,399	1.35%
Large Cap Equities - Value	654,252	2.46%
Large Cap Equities - Blend	508,368	1.91%
Large Cap Equities - Growth	1,392,949	5.23%
Mid Cap Equities - Value	329,485	1.24%
Mid Cap Equities - Blend	274,930	1.03%
Mid Cap Equities - Growth	267,490	1.00%
Small Cap Equities - Value	419,540	1.58%
Small Cap Equities - Blend	97,733	0.37%
Small Cap Equities - Growth	275,085	1.03%
International Equity Fund	762,986	2.87%
Asset Allocation Funds	18,554,877	69.73%
Mutual Fund Window	409,171	1.54%
Total	26,608,664	100.00%

Defined Contribution Retirement Plan – Schedule of Investment Results

For the Five Years Ended June 30, 2013

	2009	2010	2011	2012	2013	3-year annualized	5-year annualized
Stable Value /Money Market Fund:							
Fidelity Managed Income Portfolio [2]	2.67%	1.16%	1.34%	N/A	N/A	N/A	N/A
GIC 5 year index [2]	2.00%	0.86%	0.92%	N/A	N/A	N/A	N/A
Vanguard Prime Money Market[2]	N/A	N/A	N/A	0.03%	0.02%	0.04%	0.38%
Wells Fargo Stable Return Fund [2]	N/A	N/A	N/A	1.39%	1.09%	1.46%	1.98%
3 Month T-Bill Index [2]	N/A	N/A	N/A	0.39%	0.08%	0.09%	0.23%
Fixed Income Fund:							
PIMCO Total Return Bond Fund	8.99%	13.03%	5.67%	6.69%	0.95%	4.41%	6.99%
PIMCO Real Return Admin [2]	N/A	N/A	N/A	11.52%	-5.13%	4.42%	4.85%
Barclays Aggregate Bond Index	6.05%	9.50%	3.90%	7.47%	-0.69%	3.51%	5.19%
Taxable Bond Fund Universe [2]	N/A	N/A	N/A	5.30%	2.21%	4.89%	5.50%
Prudential High Yield Z [2]	N/A	N/A	N/A	7.11%	8.75%	10.25%	9.93%
ML High Yield Bond Fund Index [2]	N/A	N/A	N/A	6.49%	9.55%	10.42%	10.62%
High Yield Bond Fund Universe [2]	N/A	N/A	N/A	5.14%	9.04%	9.65%	8.65%
Templeton Global Bond Adv [2]	N/A	N/A	N/A	-0.86%	7.95%	6.84%	9.63%
Citi World Govt Bond Index [2]	N/A	N/A	N/A	2.68%	-4.50%	2.72%	3.04%
World Bond Fund Universe [2]	N/A	N/A	N/A	2.23%	0.15%	4.05%	4.45%
Real Estate Fund:							
Cohen & Steers Realty Shares [2]	N/A	N/A	N/A	8.79%	8.06%	16.60%	8.11%
FTSE NAREIT All Equity REITs Index [2]	N/A	N/A	N/A	12.48%	10.21%	18.46%	7.72%
Real Estate Fund Universe [2]	N/A	N/A	N/A	5.42%	7.75%	16.90%	6.69%
Balanced Fund:							
Fidelity Puritan[2]	-17.25%	15.85%	22.28%	N/A	N/A	N/A	N/A
60% Russell 3000 Index							
and 40% Barclays Aggregate Bond Index [2]	-14.82%	14.34%	19.04%	N/A	N/A	N/A	N/A
T.Rowe Price Capital Appreciation [2]	N/A	N/A	N/A	4.01%	17.89%	14.49%	8.04%
60% Large Cap Value Univ							
and 40% Taxable Bond Universe [2]	N/A	N/A	N/A	2.42%	14.70%	12.10%	5.82%
60% Russell 1000 Value & 40% Agg Bond Index [2]	N/A	N/A	N/A	4.79%	14.92%	12.51%	6.08%
Large Cap Equities-Value:							
Fidelity Equity-Income [2]	-28.70%	15.41%	29.57%	N/A	N/A	N/A	N/A
Franklin Mutual Shares A [2]	-23.79%	15.85%	23.25%	N/A	N/A	N/A	N/A
Hartford Dividend & Growth [2]	N/A	N/A	N/A	2.88%	21.49%	17.08%	6.73%
T.Rowe Price Equity Income [2]	N/A	N/A	N/A	2.64%	23.66%	17.49%	7.37%
Russell 1000 Value Index	-29.03%	16.92%	35.01%	3.01%	25.32%	18.51%	6.67%
Large Cap Value Fund Universe [2]	N/A	N/A	N/A	0.50%	23.02%	16.90%	6.03%
Large Cap Equities – Blend:							
Fidelity Spartan US Equity Index [2]	-26.19%	14.37%	30.59%	N/A	N/A	N/A	N/A
Fidelity Dividend Growth [2]	-23.34%	19.95%	35.57%	N/A	N/A	N/A	N/A
Vanguard 500 Index Signal [2]	N/A	N/A	N/A	5.42%	20.55%	18.42%	7.03%
Vanguard Dividend Growth Fund [2]	N/A	N/A	N/A	-12.27%	19.65%	18.55%	8.64%
S&P 500 Index	-26.18%	14.43%	30.69%	5.45%	20.60%	18.45%	7.01%
Large Cap Blend Fund Universe [2]	N/A	N/A	N/A	0.94%	20.83%	16.68%	5.83%
Large Cap Equities – Growth:							
Fidelity Growth Company [2]	-29.39%	17.29%	41.56%	N/A	N/A	N/A	N/A
Wells Fargo Adv Growth Adm [2]	N/A	N/A	N/A	5.31%	14.40%	21.44%	11.81%
Russell 3000 Growth Index	-24.53%	13.95%	35.68%	5.05%	17.56%	18.78%	7.58%
Fidelity Blue Chip Growth [2]	-24.29%	21.25%	37.16%	N/A	N/A	N/A	N/A
Franklin Growth Adv [2]	N/A	N/A	N/A	2.30%	16.27%	15.34%	7.96%
Russell 1000 Growth Index	-24.50%	13.62%	35.01%	5.76%	17.07%	18.68%	7.47%
Large Cap Growth Fund Universe [2]	N/A	N/A	N/A	0.81%	17.23%	16.51%	5.57%
Mid Cap Equities –Value:							
Goldman Sachs Mid Cap Value [2]	-30.99%	22.02%	36.32%	N/A	N/A	N/A	N/A
RidgeWorth Mid Cap Value Equity I [2]	N/A	N/A	N/A	-5.67%	27.45%	17.55%	12.21%
Russell Mid Cap Value	-30.52%	28.91%	34.28%	-0.37%	27.65%	19.53%	8.87%
Mid Cap Value Fund Universe [2]	N/A	N/A	N/A	-3.42%	26.71%	17.61%	8.29%
Mid Cap Equities – Blend:							
Dreyfus Mid Cap Index [2]	-28.16%	24.29%	38.82%	N/A	N/A	N/A	N/A
Columbia Mid Cap Index A [2]	N/A	N/A	N/A	-2.66%	24.54%	18.91%	8.47%
S&P Mid Cap 400	-27.36%	24.93%	39.38%	-2.33%	25.18%	19.45%	8.91%
Fidelity Spartan Extended Market Index [2]	-27.36%	24.22%	39.22%	N/A	N/A	N/A	N/A
ASTON/Fairpointe Mid Cap I [2]	N/A	N/A	N/A	-3.91%	34.07%	19.70%	10.03%
Wilshire 4500 Index	-27.52%	23.68%	38.97%	-2.53%	25.22%	19.26%	8.74%
Mid Cap Blend Fund Universe [2]	N/A	N/A	N/A	-5.10%	25.06%	17.40%	6.67%
Mid Cap Equities – Growth:							
Fidelity Mid Cap Stock [2]	-36.22%	26.06%	37.48%	N/A	N/A	N/A	N/A
Prudential Jennison Mid Cap Growth Z [2]	N/A	N/A	N/A	3.58%	14.78%	16.89%	8.12%
Russell Mid Cap Growth	-30.33%	21.30%	43.25%	-2.99%	22.88%	19.53%	7.61%
Mid Cap Growth Fund Universe [2]	N/A	N/A	N/A	-4.31%	19.79%	17.01%	6.07%
Small Cap Equities – Value:							
Allianz NFJ Small Cap Value	-23.86%	24.75%	32.54%	-3.36%	22.30%	16.14%	8.28%
Russell 2000 Value Index	-25.24%	25.07%	31.35%	-1.44%	24.76%	17.33%	8.59%
Small Value Fund Universe [2]	N/A	N/A	N/A	-2.74%	25.62%	16.70%	9.31%
Small Cap Equities – Blend:							
Dreyfus Small Cap Index [2]	-24.87%	23.22%	36.83%	N/A	N/A	N/A	N/A
Russell 2000 Small Cap Index [2]	-25.01%	21.48%	37.41%	N/A	N/A	N/A	N/A

	2009	2010	2011	2012	2013	3-year annualized	5-year annualized
Parnassus Small Cap [2]	N/A	N/A	N/A	-7.71%	17.52	13.38%	9.84%
Russell 2000 Index [2]	N/A	N/A	N/A	-2.08%	24.21	18.67%	8.77%
Small Blend Fund Universe [2]	N/A	N/A	N/A	-3.71%	24.56	17.99%	8.01%
Small Cap Equities – Growth:							
MSI Small Co Growth B [2]	-19.83%	15.10%	38.55%	N/A	N/A	N/A	N/A
Brown Capital Mgmt Small Co Inv [2]	N/A	N/A	N/A	-2.82%	23.89	21.22%	12.97%
Russell 2000 Growth Index	-24.85%	17.96%	43.50%	-2.71%	23.67	19.97%	8.89%
Small Growth Fund Universe [2]	N/A	N/A	N/A	-5.09%	22.25	18.57%	8.33%
International Equity Funds:							
Fidelity Diversified International [2]	-34.29%	5.58%	30.50%	N/A	N/A	N/A	N/A
Fidelity Spartan International Index [2]	N/A	4.73%	39.22%	N/A	N/A	N/A	N/A
Mutual Global Discovery Z [2]	N/A	N/A	N/A	-2.96%	19.67	12.19%	6.10%
Vanguard Total Intl Stock Index Inv [2]	N/A	N/A	N/A	-14.64%	13.58	N/A	N/A
MSCI EAFE	-31.25%	6.02%	30.49%	-13.83%	18.62	10.04%	-0.63%
International Stock Fund Universe [2]	N/A	N/A	N/A	-12.88%	14.89	9.43%	0.48%
Oppenheimer Developing Markets Y [2]	N/A	N/A	N/A	-9.98%	7.87	8.13%	5.48%
MSCI Emerging Markets Index [2]	N/A	N/A	N/A	-15.95%	2.87	3.38%	-0.43%
Diversified Emerging Mkts Universe [2]	N/A	N/A	N/A	-16.10%	4.45	3.44%	-1.35%
Asset Allocation Funds:							
Fidelity Freedom Income [2]	-2.94%	10.86%	9.49%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle Ret Income [2]	N/A	N/A	N/A	3.58%	7.64	8.74%	5.23%
Income benchmark [1]	-3.00%	7.63%	7.59%	3.48%	8.88	8.99%	5.26%
Fidelity Freedom 2000 [2]	-4.39%	11.09%	10.07%	N/A	N/A	N/A	N/A
2000 benchmark [1] [2]	-4.57%	7.81%	7.92%	N/A	N/A	N/A	N/A
Fidelity Freedom 2005 [2]	-11.37%	13.10%	16.17%	N/A	N/A	N/A	N/A
2005 benchmark [1] [2]	-10.78%	10.96%	14.51%	N/A	N/A	N/A	N/A
Fidelity Freedom 2010 [2]	-12.01%	13.33%	18.53%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2010 [2]	N/A	N/A	N/A	2.69%	9.07	9.89%	5.04%
2010 benchmark [1]	-11.64%	11.33%	16.90%	3.10%	10.08	9.82%	5.24%
Fidelity Freedom 2015 [2]	-13.41%	13.60%	18.93%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2015 [2]	N/A	N/A	N/A	1.91%	10.39	10.73%	5.00%
2015 benchmark [1]	-12.92%	11.67%	17.35%	2.72%	11.22	10.57%	5.24%
Fidelity Freedom 2020 [2]	-17.32%	14.65%	21.91%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2020 [2]	N/A	N/A	N/A	1.06%	12.08	11.72%	4.93%
2020 benchmark [1]	-16.82%	13.19%	20.44%	2.25%	12.69	11.53%	5.23%
Fidelity Freedom 2025 [2]	-18.58%	14.42%	24.21%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2025 [2]	N/A	N/A	N/A	0.17%	13.86	12.65%	4.88%
2025 benchmark [1]	-18.12%	13.50%	23.05%	1.77%	14.17	12.48%	5.23%
Fidelity Freedom 2030 [2]	-21.87%	14.72%	25.43%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2030 [2]	N/A	N/A	N/A	-0.83%	15.48	13.56%	4.69%
2030 benchmark [1]	-21.46%	13.86%	24.50%	1.20%	15.74	13.47%	5.22%
Fidelity Freedom 2035 [2]	-22.56%	14.24%	27.11%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2035 [2]	N/A	N/A	N/A	-1.83%	17.06	14.42%	4.74%
2035 benchmark [1]	-22.39%	14.05%	26.73%	0.56%	17.43	14.50%	5.23%
Fidelity Freedom 2040 [2]	-23.45%	14.40%	27.62%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2040 [2]	N/A	N/A	N/A	-1.88%	17.77	14.60%	4.89%
2040 benchmark [1]	-23.31%	14.33%	27.05%	0.31%	18.36	15.06%	5.23%
Fidelity Freedom 2045 [2]	-23.74%	14.45%	28.11%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2045 [2]	N/A	N/A	N/A	-1.93%	17.90	14.60%	4.55%
2045 benchmark [1]	-23.68%	14.33%	27.47%	0.31%	18.36	15.06%	5.23%
Fidelity Freedom 2050 [2]	-25.05%	14.30%	29.14%	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2050 [2]	N/A	N/A	N/A	-1.84%	17.76	14.57%	4.32%
2050 benchmark [1]	-24.75%	14.35%	28.76%	0.31%	18.36	15.06%	5.23%
TIAA-CREF Lifecycle 2055 [2]	N/A	N/A	N/A	-1.77%	17.87	N/A	N/A
2055 Benchmark [1] [2]	N/A	N/A	N/A	0.31%	18.36	15.06%	5.23%

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 Consulting

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November 5, 2013

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, 2013

Dear Members of the Board:

The North Dakota Public Employees Retirement System is a funded retirement plan. One of the Retirement System's basic funding 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 Public 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, 2013 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2013 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2013 (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 Governmental Accounting Standards Boards (GASB) recently approved two new Statements. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redfine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. While these new Statements are applicable for preparing the 2014 calendar year financial statement for the Plan's reporting and for the 2014/2015 fiscal year financial statement for the employer's reporting, the actual preparation of schedules in compliance with those Statements will depend on GASB's detailed implementation guides for the Plan (issued June 2013) and the employer (anticipated to be issued around January 2014). As a result, we have continued to use Statements 25 and 27 in preparing the financial reporting information in this report.

The actuarial assumptions used in the July 1, 2013 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 $1.0 billion as of July 1, 2013.

Calculated and Statutory Approved Contribution Rates

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

PERS Plan	2013-2014 Actuarial Required Contribution Rate[1]	Statutory/Approved Employer Contribution Rate	Statutory Member Contribution Rate
Main System	12.14%	6.12%-7.12%[2]	6.00%-7.00%[2]
Judges	16.66%	16.52%-17.52%[2]	7.00%-8.00%[2]
National Guard	9.07%	6.50%-7.00%	4.00%-4.50%
Law Enforcement with prior Main service	11.18%	9.31%-9.81%[3]	5.00%-5.50%[4]
Law Enforcement without prior Main service	8.11%	7.43-7.93%[2]	5.00%-5.50%[2]

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

[2]The statutory rate is scheduled to increase in January 2014.

[3]The employer contribution rate is scheduled to increase to 9.81% for the members other than BCI as of January 1, 2014. For BCI, the employer contribution rate remains at 10.31%.

[4]The member contribution rate increases to 5.50% for members other than BCI as of January 1, 2014. For BCI, the members contribution rate remains at 6.00%.

Exhibits

The enclosed supporting exhibits, prepared by Segal Consulting, provide further related information regarding the 2013 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 Consulting 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 5, 2013

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2013 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, FSA, 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 approximately a 10% margin for 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	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 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	0	1	2	3	4
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
51-54		8%
55	2%	8
56-59	2	10
60	4	10
61	10	20
62	20	35
63	15	25
64	10	30
65		30
66-74		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 annual normal cost is calculated for each member as the level percentage of pay required over the member's period of covered employment to pay the total expected benefits. The normal cost is determined as if the current benefit accrual rate had always been in effect. 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 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 or no 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 choose 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 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 NDPERS Board
	Employees	Employer	Employer
Main System			
Full-Time Employees	6.00%	6.12%	
Effective Jan. 2013	7.00%	7.12%	
Main System			
Part-Time Employees	12.12%	0.00%	
Effective Jan. 2014	14.12%	0.00%	
Judges	7.00%	16.52%	
Effective Jan. 2014	8.00%	17.52%	
National Guard	4.00%		6.50%
Effective Jan. 2014	4.50%		7.00%
Law Enforcement with			
prior Main service	5.00%		9.31%*
Effective Jan. 2014	5.50%		9.81%
BCI Employees	6.00%		10.31%
Law Enforcement w/out			
prior Main service	5.00%		7.43%
Effective Jan. 2014	5.50%		7.93%

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 2013, the contribution rates are scheduled to increase in January of 2014 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%
National Guard	.50%	.50%
Law Enforcement (excluding BCI)	0.50%	.50%

Solvency Test — PERS 2008-2013

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)
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
2013	687.9	1,126.0	902.6	1,683.0	100	88	0

Schedule of Active Member Valuation Data – PERS – 2008-2013

Main System

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2013	21,201	865.9	40,841	8.4

Judges

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2013	49	6.6	134,673	8.0

National Guard

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2013	39	1.7	43,359	6.3

Law Enforcement with prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2013	229	11.7	51,109	11.7

Law Enforcement without prior Main service

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
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
2013	70	2.6	36,998	1.1

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, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**7.74%**	**10.76%**	**11.36%**	**12.24%**
Death after Retirement	0.09	-0.07	(0.48)	(0.11)
Death-in-Service	0.02	0.01	0.00	0.00
Disability Retirements	0.00	0.01	0.00	0.00
Withdrawal From Employment	-0.03	-0.16	(0.15)	0.04
Age and Service Retirements	-0.25	0.06	0.13	0.00
Financial Experience-Investments	0.96	0.68	1.20	0.54
Salary Scale and Service	0.28	0.02	(0.57)	0.59
Contribution Income	0.26	0.45	0.45	0.34
Administrative Expenses	0.00	0.01	0.01	0.01
New and Reinstated Members	0.07	0.05	0.05	0.04
Demographic Changes	0.24	-0.02	0.60	(0.36)
Assumption Changes	1.54	0.00	0.00	0.00
Plan Change	0.00	-0.21	(0.07)	(0.69)
Change in Amortization Schedule	-0.16	-0.23	(0.29)	(0.31)
Death and Retirement from Withdrawals	N/A	N/A	N/A	(0.19)
Employer Cost Rate at End of Year	**10.76%**	**11.36%**	**12.24%**	**12.14%**

Judges

Plan Year Ended	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**10.48%**	**14.10%**	**15.96%**	**16.33%**
Plan Change	0.00	-0.48	(1.00)	(1.00)
Plan Experience	0.60	0.86	(1.51)	0.18
Investment Loss/(Gain)	2.34	1.63	3.07	1.38
Contribution Loss/(Gain)	-0.27	-0.08	(0.04)	(0.04)
Assumption Changes	0.91	0.00	0.00	0.00
Change in Amortization Schedule	0.04	-0.07	(0.15)	(0.19)
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**14.10%**	**15.96%**	**16.33%**	**16.66%**

National Guard

Plan Year Ended	June 30, 2010	June 30, 2011	June 30, 2012	June 30.2013
Employer Cost Rate at Beginning of Year	**3.71%**	**7.00%**	**7.08%**	**7.40%**
Plan Experience	0.82	-0.39	(0.37)	1.68
Investment Loss/(Gain)	0.76	0.52	1.02	0.39
Contribution Loss/(Gain)	-0.14	-0.01	(0.29)	(0.05)
Assumption Changes	1.85	0.00	0.00	0.00
Change in Amortization Schedule	0.00	-0.04	(0.04)	(0.10)
Plan Change	0.00	0.00	0.00	(0.25)
Employer Cost Rate at End of Year	**7.00%**	**7.08%**	**7.40%**	**9.07%**

Law Enforcement With Prior Main Service

Plan Year Ended	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**9.11%**	**10.80%**	**10.96%**	**10.69%**
Plan Change	0.00	-0.21	(0.39)	(0.49)
Plan Experience	0.36	-0.42	(0.54)	0.88
Investment Loss/(Gain)	-0.08	0.49	0.91	0.39
Contribution Loss/(Gain)	0.00	0.51	(0.04)	(0.07)
Assumption Changes	1.54	0.00	0.00	0.00
Change in Amortization Schedule	-0.13	-0.21	(0.21)	(0.22)
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**10.80%**	**10.96%**	**10.69%**	**11.18%**

Law Enforcement Without Prior Main Service

Plan Year Ended	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**6.83%**	**7.53%**	**7.56%**	**7.33%**
Plan Change	0.00	-0.19	(0.50)	(0.50)
Plan Experience	-0.49	0.34	0.07	1.21
Investment Loss/(Gain)	0.07	-0.06	0.20	0.17
Contribution Loss/(Gain)	-0.02	-0.04	0.02	(0.06)
Assumption Changes	1.16	0.00	0.00	0.00
Change in Amortization Schedule	-0.02	-0.02	(0.02)	(0.04)
Employer Cost Rate at End of Year	**7.53%**	**7.56%**	**7.33%**	**8.11%**

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2008-2013

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
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
2013	8,242	708	10.9	(284)	(4.0)	8,666	11,798	102.2	7.2

*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
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
2013	34	2	60,181	0	0	36	42,521	1,530,765	4.1

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
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
2013	10	0	0	0	(13,776)	10	11,672	116,720	(10.6)

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2008-2013

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
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
2013	37	9	225,057	0	0	46	20,847	958,982	30.7

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
2008	0	0	$ 0	0	$ 0	0	$ 0	$ 0	0.0%
2009	0	0	$ 0	0	$ 0	0	$ 0	0	0.0
2010	0	0	0	0	0	0	0	0	0.0
2011	0	0	0	0	0	0	0	0	0.0
2012	0	0	0	0	0	0	0	0	0.0
2013	0	1	9,792	0	0	1	9,792	9,792	100.0

COMMENTS FROM THE SEGAL COMPANY

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

SEGAL Consulting

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November 5, 2013

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, 2013

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 funding 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, 2013 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2013 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2013 (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 Governmental Accounting Standards Boards (GASB) recently approved two new Statements. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redfine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. While these new Statements are applicable for preparing the 2014 calendar year financial statement for the Plan's reporting and for the 2014/2015 fiscal year financial statement for the employer's reporting, the actual preparation of schedules in compliance with those Statements will depend on GASB's detailed implementation guides for the Plan (issued June 2013) and the employer (anticipated to be issued around January 2014). As a result, we have continued to use Statements 25 and 27 in preparing the financial reporting information in this report.

The actuarial assumptions used in the July 1, 2013 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

The actuarial assumptions used in the July 1, 2013 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 $22.9 million as of July 1, 2013.

Calculated and Statutory Contribution Rates

The July 1, 2013 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
25.11*	Current	18.70%	12.30%
	Effective January 2014	19.70%	13.30%

**Reflects a scheduled increase in the member contribution rate from 12.3% to 13.3% on January 1, 2014*

Exhibits

The enclosed supporting exhibits, prepared by Segal Consulting, provide further related information regarding the 2013 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 Consulting 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 5, 2013

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2013 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 approximately a 10% margin for future mortality improvement, based on a review of mortality experience in 2010.

Annual Withdrawal Rates

First year of service is 10%.
Second through fifth years of service is 5% per year.
After five years of service, depends on age:

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 annual normal cost is calculated for each member as the level percentage of pay required over the member's period of covered employment to pay the total expected benefits. The normal cost is determined as if the current benefit accrual rate had always been in effect. The unfunded actuarial accrued liability is amortized in installments assuming a 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
7/1/13	3.00	1.0233	1.6711

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 or no 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:	12.30%
Effective January 2014:	13.30%

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:	18.70%
Effective January 2014:	19.70%

Plan Amendments –
Highway Patrolmen's Retirement System
As a result of legislation passed in 2013, the contribution rates are as shown above.

Schedule of Active Member Valuation Data – HPRS
2008-2013

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Change in Average Salary
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
2013	149	9.3	62,741	11.4

North Dakota Highway Patrolmen's Retirement System
Retirees and Beneficiaries Added to and Removed from the Rolls, 2008-2013

		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
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
2013	116	4	169,974	(4)	(114,418)	116	32,325	3,749,654	1.5

Solvency Test — HPRS
2008-2013

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)
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
2013	13.5	40.5	17.9	49.0	100	88	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, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**18.73%**	**22.54%**	**27.13%**	**26.83%**
Plan Change	0.00	-0.43	(-1.00)	(0.66)
Plan Experience	1.12	0.71	(-2.78)	(2.16)
Change in Amortization Schedule	-0.42	-0.53	(-0.65)	(0.63)
Assumption Changes	0.00	2.44	0.00	0.00
Investment Loss/(Gain)	3.02	1.98	3.48	1.40
Contribution Loss/(Gain)	.09	0.92	0.65	0.33
Miscellaneous	0.00	0.00	0.00	0.00
Employer Cost Rate at End of Year	**22.54%**	**27.13%**	**26.83%**	**25.11%**

COMMENTS FROM THE SEGAL COMPANY

JOB SERVICE RETIREMENT PLAN

SEGAL Consulting

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November 5, 2013

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, 2013

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 funding 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, 2013 is based on the following major elements:

- Current benefit provisions.
- Membership data as of June 30, 2013 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2013 (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 Governmental Accounting Standards Boards (GASB) recently approved two new Statements. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redfine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. While these new Statements are applicable for preparing the 2014 calendar year financial statement for the Plan's reporting and for the 2014/2015 fiscal year financial statement for the employer's reporting, the actual preparation of schedules in compliance with those Statements will depend on GASB's detailed implementation guides for the Plan (issued June 2013) and the employer (anticipated to be issued around January 2014). As a result, we have continued to use Statements 25 and 27 in preparing the financial reporting information in this report.

The actuarial assumptions used in the July 1, 2013 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 under GASB 25 and GASB 27. The Frozen Initial Liability Actuarial Cost Method is the method 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 Consulting, provide further related information regarding the 2013 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 5, 2013

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the Plan as of July 1, 2013 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 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

Tammy F. Dixon

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 assumed to be four years younger than males.

Rate of return: 8.0% 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

The interest rate assumption was changed from 7.5% per year to 8.0% per year. The interest rate assumption is compounded annually and net of investment and administrative expenses.

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 as approved by the Board.

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 contribution, 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
2008 to 2013

Valuation Date as of July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Increase in Average Salary
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
2013	15	0.8	56,173	2.3

Retirement Plan for Employees of Job Service North Dakota
Retirees and Beneficiaries (Including Travelers Annuitants)
Added to and Removed from the Rolls, 2008-2013

		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
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
2013	212	8	273,087	(7)	(250,470)	213	20,713	4,411,776	0.5

Solvency Test — Job Service Retirement Plan
2008-2013

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 liabilities for future benefits to present retired lives; 2) the liabilities for future benefits to inactive vested employees not in pay status; and 3) the liabilities for future benefits to current active employees.

In a system that has been following level percent of payroll financing, the liabilities for current active employees (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	Pensioners (Including Disableds & Beneficiaries (1)	Inactive Vested Employees Not in Pay Status (2)	Active Employees (3)	Actuarial Value of Assets	(1)	(2)	(3)
2008	$ 54.8	$ 0.2	$ 16.9	$ 77.0	100%	100%	100%
2009	55.3	0.2	16.5	74.5	100	100	100
2010	55.1	0.2	15.6	73.5	100	100	100
2011	55.7	0.9	11.6	74.2	100	100	100
2012	61.1	0.7	10.2	75.1	100	100	100
2013	56.7	1.9	7.8	76.3	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, 2010	June 30, 2011	June 30, 2012	June 30, 2013
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 Consulting

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November 5, 2013

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, 2013

Dear Members of the Board:

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund is a funded retiree health plan. One of the program's basic funding 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 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 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, 2013 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2013 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2013 (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 Governmental Accounting Standards Boards (GASB) recently approved two new Statements. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. It is important to note that the new GASB rules only redfine pension expense for financial reporting purposes, and do not apply to contribution amounts for actual pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. While these new Statements are applicable for preparing the 2014 calendar year financial statement for the Plan's reporting and for the 2014/2015 fiscal year financial statement for the employer's reporting, the actual preparation of schedules in compliance with those Statements will depend on GASB's detailed implementation guides for the Plan (issued June 2013) and the employer (anticipated to be issued around January 2014). As a result, we have continued to use Statements 25 and 27 in preparing the financial reporting information in this report.

The actuarial assumptions used in the July 1, 2013 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

The actuarial assumptions used in the July 1, 2013 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 $48.1 million as of July 1, 2013. 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, 2013 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 0.77%, while the statutory contribution rate is 1.14% of payroll.

Exhibits

The enclosed supporting exhibits prepared by Segal Consulting provide further related information regarding the 2013 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 Annual Benefit, and Active Member/Retiree Comparison
- Analysis of Financial Experience
- Assets and Actuarial Accrued Liabilities

Segal Consulting 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 5, 2013

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2013 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 members and for financial data. We have not verified, and customarily would not verify, such information but we have 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 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

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 – 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 Retiree Mortality Table set back one year for males (not set back for females).

These mortality tables were determined to contain approximately a 10% margin for 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
51-54	8%	0%	63	25%	15%
55	8	2	64	30	10
56-59	10	2	65	30	
60	10	4	66-74	20	
61	20	10	75	100	
62	35	20			

*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, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

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 and DC Systems 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 and DC Systems 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 and DC Systems and Judges: Age 55.
Highway Patrol, National Guard and Law Enforcement: Age 50.

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

Benefit amount:
Main and DC Systems 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, for Highway Patrol and Rule of 85 for Law Enforcement.

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 and DC Systems, 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 2008-2013

July 1	Number of Retired Members	Average Annual Benefit	Active Members Per Retiree
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
2013	4,635	1,428	4.7

Funding Progress – Retiree Health Insurance Credit Fund 2008-2013

(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
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
2013	114.1	66.0	57.8	48.1	914.4	5.3

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, 2010	June 30, 2011	June 30, 2012	June 30, 2013
Employer Cost Rate at Beginning of Year	**1.00%**	**0.89%**	**0.88%**	**0.90%**
Plan Experience	(-0.06)	(-0.01)	0.07	(0.06)
Assumption and Method Changes	(-0.06)	0.00	0.00	0.00
Investment Loss/(Gain)	0.02	0.02	0.03	0.01
Contribution Loss/(Gain)	(-0.01)	(-0.02)	(-0.08)	(0.08)
Plan 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	**0.89%**	**0.88%**	**0.90%**	**0.77%**

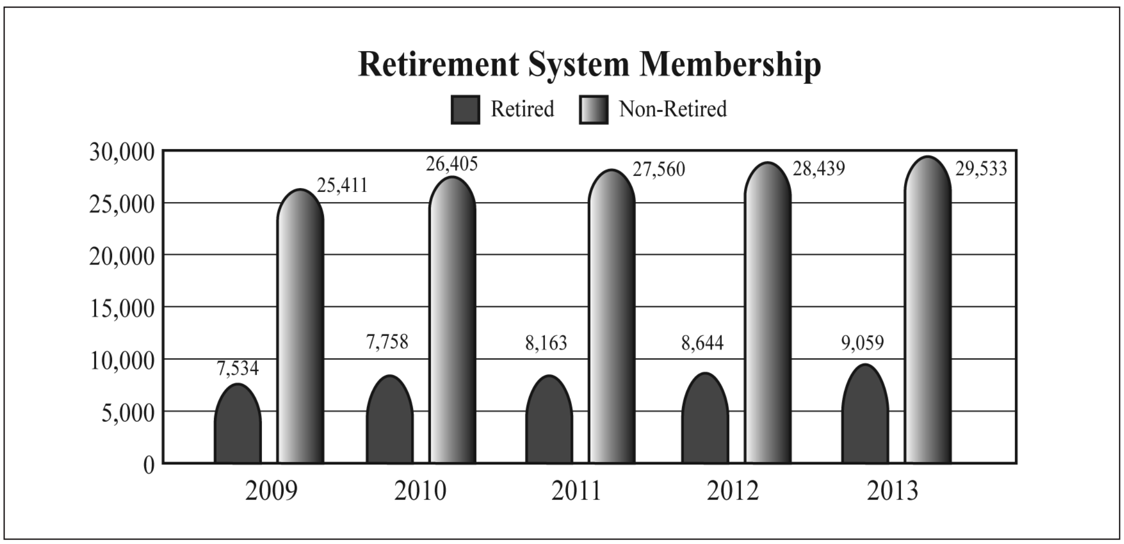
STATISTICAL SECTION

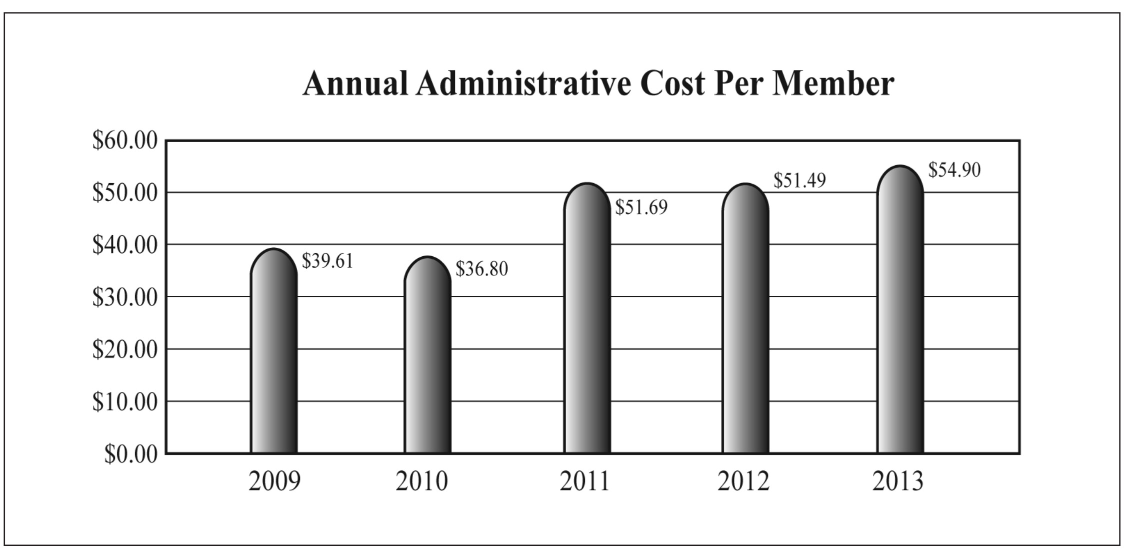
The Statistical Section contains membership and financial information for the programs administered by the System. Included in this section are schedules providing financial trend information for administrative cost per member, benefits paid, changes in net assets and deferred compensation assets by 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 and Job Service
As of June 30

	2009	2010	2011	2012	2013
State Agencies	13,714	14,031	13,676	13,763	13,985
Cities	1,327	1,418	1,586	1,734	1,908
Counties	4,019	4,208	4,536	4,795	5,040
School Districts	6,085	6,440	7,039	7,390	7,821
Other Political Subdivisions	266	308	723	757	779
Total Non-Retired [(1)]	25,411	26,405	27,560	28,439	29,533
Retired Members & Beneficiaries	7,534	7,758	8,163	8,644	9,059
Total Membership	32,945	34,163	35,723	37,083	38,592
Administrative Expenses	$1,305,055	$1,257,205	$1,846,389	$1,909,569	$2,118,566
Administrative Cost per Member	$39.61	$36.80	$51.69	$51.49	$54.90

[(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
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[3]	79,780,978
2010	74,553,724	NA	5,493,863	239,384	3,942,285	210,638[3]	84,439,894
2011	81,124,561	NA	5,934,724	778,888	4,706,228	264,688[3]	92,809,089
2012	85,599,845	1,934,357	6,549,185	706,326	4,098,719	412,994[3]	99,301,426
2013	95,023,504	1,930,968	6,341,305	1,045,556	4,738,268	212,500[3]	109,292,101

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
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	0	598	0	3,662,247
2013	3,353,261	105,131	291,496	0	22,428	0	3,772,316

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
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
2013	3,977,545	126,601	249,838	0	0	0	4,353,984

[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.
[3]Includes transfers to Deferred Compensation Plan to offset software development costs.

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:	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
	2013	46,815,060	48,846,796	7,470,218	231,849,472	0	334,981,546	5.50
Highway Patrolmen's Retirement System:	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
	2013	1,028,615	1,586,186	133,169	6,854,552	0	9,602,522	16.97
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
	2013	72,174	0	0	9,984,241	0	10,056,415	0.00
Retiree Health Insurance Credit Plan:	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
	2013	6,014,003	9,959,603	371,587	7,963,391	0	24,308,584	1.09

[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 Position
Public Employees Retirement System:	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)
	2013	103,295,777	2,059,315	5,996,324	111,351,416	223,630,130
Highway Patrolmen's Retirement System:	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)
	2013	3,749,888	29,237	22,428	3,801,553	5,800,969
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)
	2013	4,353,984	30,014	0	4,383,998	5,672,417
Retiree Health Insurance Credit Plan:	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
	2013	12,459,152	185,619	8,765	12,653,536	11,655,048

[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, 2013

Main System

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	7,884	2,500	2,272	334	2,738
Less than $200	1,016	472	516	14	14
$200 - $ 399	1,389	518	747	110	14
400 - 599	1,061	397	511	119	34
600 - 799	680	264	249	58	109
800 - 999	607	217	107	23	260
1,000 - 1,199	555	154	72	5	324
1,200 - 1,399	490	119	29	2	340
1,400 - 1,599	369	83	14	1	271
1,600 - 1,799	305	58	8	-	239
1,800 - 1,999	272	53	7	1	211
2,000 - 2,199	212	35	4	1	172
2,200 - 2,399	197	26	6	-	165
2,400 - 2,599	162	25	-	-	137
2,600 - 2,799	115	14	-	-	101
2,800 - 2,999	78	9	1	-	68
3,000 & Over	336	56	1	-	279
Life	4,976	1,686	1,657	278	1,355
Level Social Security Payment	139	3	22	-	114
Joint & 100% Survivor	1,589	509	360	26	694
Joint & 50% Survivor	917	239	143	23	512
20 Year C & L	30	12	11	-	7
10 Year C & L	163	46	67	4	46
5 Year C & L	30	5	12	3	10
Total	7,844	2,500	2,272	334	2,738

**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
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
2013							
Number of Retirees	1,611	1,258	1,146	1,136	1,174	1,519	7,844
Average Monthly Benefit	$242	$423	$626	$1,031	$1,503	$2,270	$1,023
Average Years of Service	6.10	12.32	17.35	22.50	27.26	35.01	19.88

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2013

Judges

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Service *
Total	27	13	6	0	8
Less than 400	-	-	-	-	-
400 - 799	-	-	-	-	-
800 - 1,199	1	1-	-	-	-
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	3	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	3	2	1	-	-
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	17	10	3	-	4
Joint & 50% Survivor	7	1	2	-	4
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	27	13	6	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
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
2013							
Number of Retirees	1	5	8	4	7	2	27
Average Monthly Benefits	$1,057	$2,445	$4,124	$4,740	$4,404	$3,740	$3,835
Average Years of Service	3.33	11.92	17.54	24.04	26.56	30.79	20.26

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2013

National Guard

		Type of Pension			
Monthly Amount	Total	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
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
2013							
Number of Retirees	1	3	1	2	2	0	9
Average Monthly Benefits	$169	$631	$722	$1,332	$1,771	$0	$999
Average Years of Service	3.25	12.19	19.17	23.46	27.58	0.00	17.90

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2013

Law Enforcement with Prior Main Service

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	45	30	5	0	10
Less than $200	1	1	-	-	-
$200 - $399	1	1	-	-	-
400 - 599	3	2	1	-	-
600 - 799	2	2	-	-	-
800 - 999	3	3	-	-	-
1,000 - 1,199	7	7	-	-	-
1,200 - 1,399	3	3	-	-	-
1,400 - 1,599	5	2	1	-	2
1,600 - 1,799	1	-	-	-	1
1,800 - 1,999	3	1	1	-	1
2,000 - 2,199	7	4	1	-	2
2,200 - 2,399	3	2	-	-	1
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	-	-	-	-	-
2,800 - 2,999	-	-	-	-	-
3,000 & Over	6	2	1	-	3
Life	14	12	1	-	1
Level Social Security Payment	4	-	3	-	1
Joint & 100% Survivor	21	13	1	-	7
Joint & 50% Survivor	6	5	-	-	1
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	45	30	5	-	10

**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
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
2013							
Number of Retirees	6	5	3	9	12	10	45
Average Monthly Benefits	$500	$939	$1,161	$1,307	$1,997	$3,129	$1,738
Average Years of Service	7.10	12.70	18.94	21.57	27.10	33.00	22.49

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2013

Law Enforcement without Prior Main Service

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

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

Schedule of Average Benefit Payment – PERS
As of June 30

Law Enforcement without Prior Main Service

	Years of Credited Service						
	<10	10-14	15-19	20-24	25-29	>=30	Total
2009							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2011							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2013							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	$ 816	$ 0	$ 0	$ 0	$ 0	$ 0	$ 816
Average Years of Service	.58	0.00	0.00	0.00	0.00	0.00	0.58

Schedule of Retired Members by Type of Benefit – HPRS
As of June 30, 2013

Monthly Amount	Total	Type of Pension: Normal	Early	Disability	Rule of 80
Total	86	27	1	4	54
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	10	5	-	1	4
2,500 - 2,749	8	2	-	-	6
2,750 - 2,999	9	2	-	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	4	-	-	-	4
4,250 - 4,499	5	1	-	-	4
4,500 - 4,749	5	1	-	-	4
4,750 & Over	6	-	-	-	6
Life	5	1	-	1	3
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	37	9	-	-	28
Joint & 50% Survivor	44	17	1	3	23
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	86	27	1	4	54

Schedule of Average Benefit Payment – HPRS
As of June 30

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
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
2013							
Number of Retirees	1	1	4	6	58	16	86
Average Monthly Benefits	$1,456	$2,054	$2,135	$2,598	$3,287	$3,998	$3,282
Average Years of Service	2.25	11.17	17.10	22.14	27.92	31.31	27.15

Schedule of Retired Members (Excluding Beneficiaries) by Type of Benefit – Job Service Retirement Plan As of June 30, 2013

		Type of Pension		
Monthly Amount	Total	Retirement	Disability	Early
Total	186	178	7	1
Less than $200	10	10	-	-
$200 - $ 399	11	10	-	1
400 - 599	9	9	-	-
600 - 799	8	8	-	-
800 - 999	6	6	-	-
1,000 - 1,199	13	11	2	
1,200 - 1,399	7	5	2	
1,400 - 1,599	21	20	1	
1,600 - 1,799	7	6	1	
1,800 - 1,999	13	12	1	
2,000 - 2,199	12	12	-	
2,200 - 2,399	6	6	-	
2,400 - 2,599	16	16	-	
2,600 - 2,799	6	6	-	
2,800 - 2,999	14	14	-	
3,000 & Over	27	27	-	
Life	42	41	-	1
Joint & 55% Survivor	42	38	4	-
Joint & 75% Survivor	22	22	-	-
Joint & 100% Survivor	16	16	-	-
10 Year C & L	33	30	3	-
15 Year C & L	3	3	-	-
20 Year C&L	28	28	-	-
Total	186	178	7	1

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

	Retirement Plan	Travelers Annuitants	Total
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
2013			
Number of Retirees and Beneficiaries	137	76	213
Average Monthly Benefits	$2,289	$710	$1,726

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
CENTRAL SERVICES
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
FACILITY MANAGEMENT
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 SYSTEM INFORMATION TECHNOLOGY SERVICES
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 = 96

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
LEEDS PUBLIC SCHOOL DISTRICT 6
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
ROUGHRIDER EDUCATION SERVICES PROGRAM
RUGBY PUBLIC SCHOOL DIST #5
RURAL CASS MULTI-DISTRICT SPECIAL ED
SAWYER PUBLIC SCHOOL
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 = 117

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 LAKOTA
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 REGENT
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 = 83

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
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 PUBLIC HEALTH
ROLETTE COUNTY SOIL CONSERVATION DISTRICT
SARGENT CTY DIST HEALTH UNIT
SE REGION CAREER AND TECH CENTER
S W DISTRICT HEALTH UNIT
SOUTHWEST WATER AUTHORITY
STUTSMAN CO HOUSING AUTHORITY
TOWNER COUNTY PUBLIC HEALTH
TRAILL CTY WATER RESOURCE DISTRICT
TRAILL DISTRICT HEALTH UNIT
TRAILL RURAL WATER DISTRICT
UPPER MISSOURI HEALTH UNIT
WALSH COUNTY HEALTH DISTRICT
WALSH COUNTY HOUSING AUTHORITY
WALSH COUNTY WATER RESOURCE DISTRICT
WARD COUNTY WATER RESOURCE DISTRICT
WATFORD CITY PARK DISTRICT
WELLS COUNTY DIST HEALTH UNIT
WEST & CENTRAL STARK SOIL CONSERVATION DISTRICT
WESTERN AREA WATER SUPPLY AUTHORITY
WEST FARGO PARK DISTRICT
WILLIAMS COUNTY SOIL CONSERVATION
WILLISTON HOUSING AUTHORITY
Total = 73

Principle Participating Employers
June 30, 2013

Participating Employer	Covered Employees	Rank	% of Total System
Department of Human Services	1,268	1	5.97%
University of North Dakota	1,123	2	5.29%
Department of Transporation	1,035	3	4.87%
North Dakota State University	830	4	3.91%
Bismarck Public Schools	766	5	3.61%
Fargo Public Schools	626	6	2.95%
Minot Public School District #1	511	7	2.41%
North Dakota State Hospital	436	8	2.05%
West Fargo Public School	435	9	2.05%
City of Fargo	412	10	1.94%
Other Employers	13,804		64.95%
Total covered employees*	21,246		100.00%

**Total covered employees represents the number of employees in a contributing status as of June 30, 2013 in the Main retirement plan.*

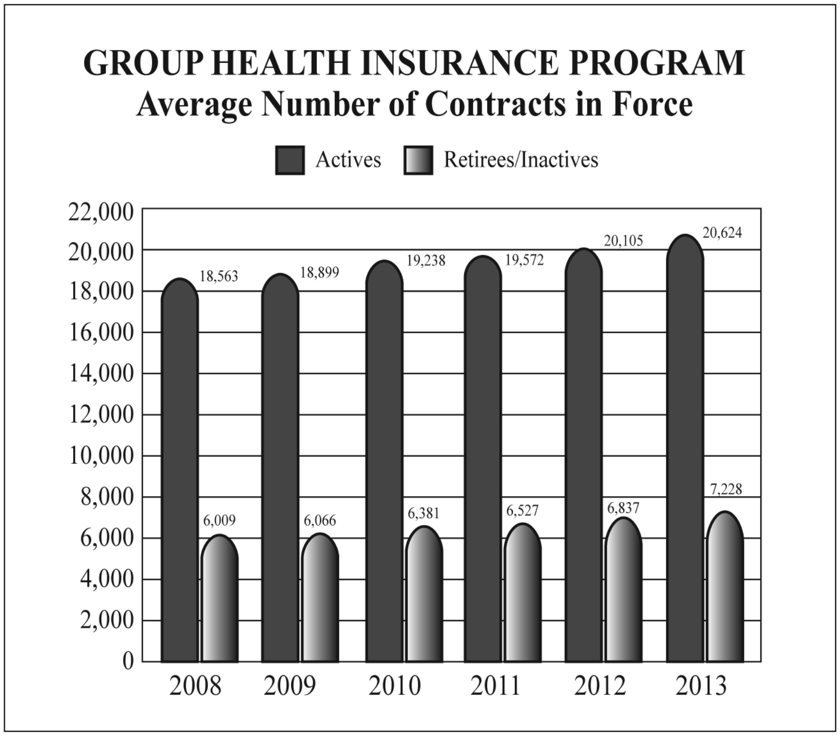
Deferred Compensation Program
Schedule of Assets
By Provider

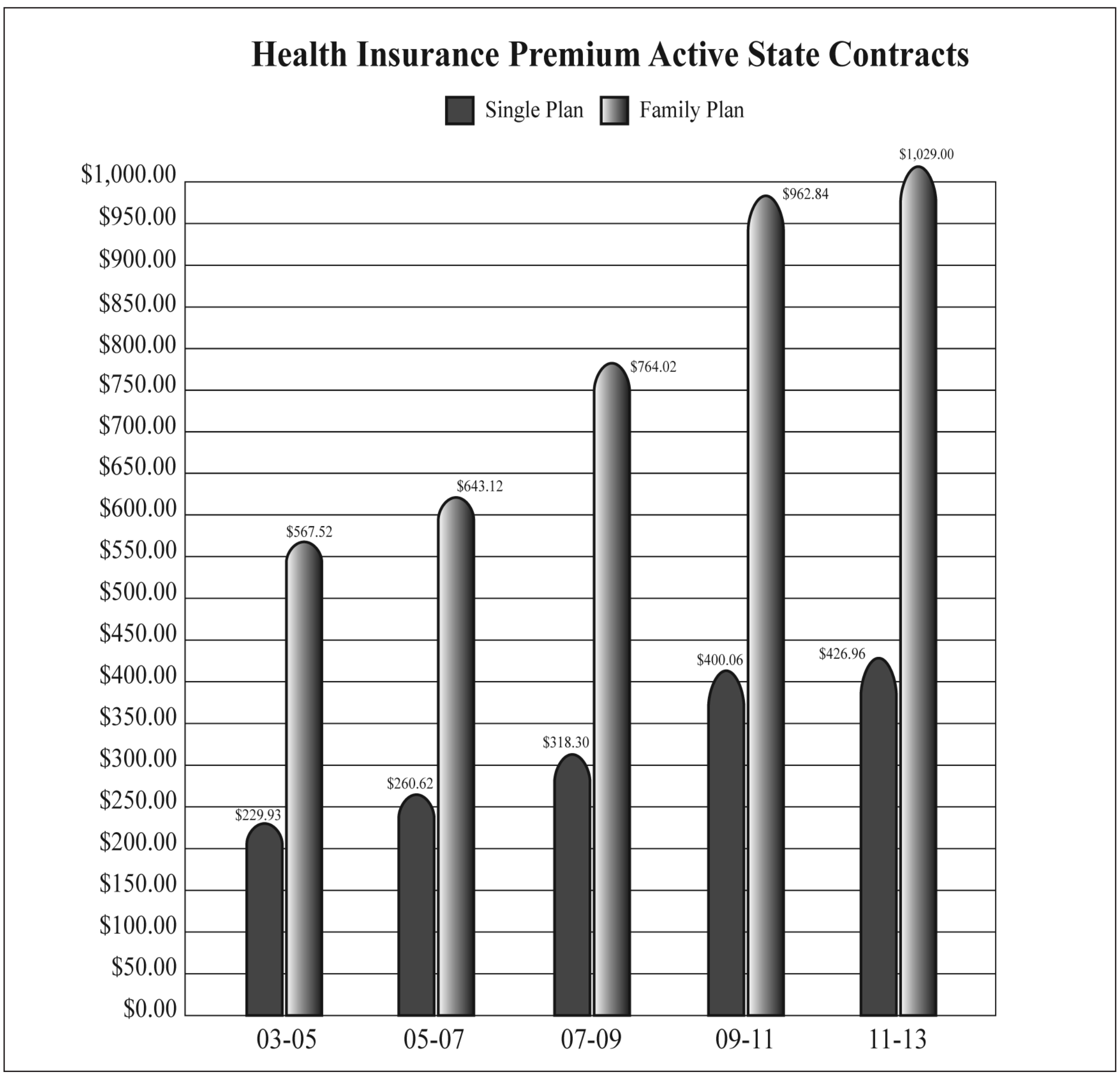
	6/30/09	6/30/10	6/30/11	6/30/12	06/30/13
AIG VALIC	$ 6,451,199	$7,475,965	$ 9,273,099	$ 10,005,329	$ 11,137,291
American Trust Center	3,622,718	4,401,306	6,220,966	6,652,642	8,654,834
AXA Equitable	18,485,110	20,264,795	23,802,876	19,768,514	20,253,226
Bank of North Dakota	4,325,613	4,826,940	5,052,015	4,953,960	5,297,216
Commonwealth Annuity & Life Insurance Co. (formerly Chase Financial/Kemper)	5,108,373	6,109,277	7,101,363	6,744,070	7,589,208
Mass Mutual (formerly Hartford)	21,527,797	26,064,862	32,777,966	34,620,370	42,080,983
ING (formerly Aetna)	1,241,758	1,392,402	1,542,256	1,546,676	1,719,510
Jackson National Life	1,351,123	1,584,770	1,945,958	2,363,895	3,534,630
Kansas City Life (formerly Sunset Life)	233,832	250,553	270,209	130,390	142,142
Lincoln National	4,464,625	4,907,412	5,997,710	5,002,890	5,491,725
NDPERS Companion Plan[1]	21,388,646	27,638,654	37,015,050	39,771,092	49,850,857
Nationwide Life Insurance	5,326,443	6,174,645	8,029,037	8,447,206	9,798,394
New York Life[1]	290,488	302,829	319,468	336,650	320,892
Symetra (formerly Safeco)	553,647	450,554	342,429	275,053	274,712
Waddell & Reed Financial Services	4,841,463	5,629,199	6,187,770	5,705,656	8,153,702
Total	$ 99,212,835	$ 117,474,163	$ 145,878,172	$ 146,324,393	$174,299,322

[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
22,000
20,000
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
18,563
6,009
18,899
6,066
19,238
6,381
19,572
6,527
20,105
6,837
20,624
7,228
2008
2009
2010
2011
2012
2013


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
$229.93
$567.52
$260.62
$643.12
$318.30
$764.02
$400.06
$962.84
$426.96
$1,029.00
03-05
05-07
07-09
09-11
11-13