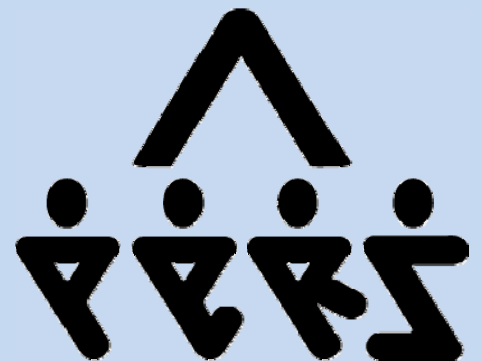


2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND JUNE 30, 2015



**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, 2016 and June 30, 2015

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Prepared by the staff of the North Dakota Public Employees Retirement System
400 East Broadway, Suite 505, Bismarck, North Dakota 58501
701-328-3900 • Toll-Free: 1-800-803-7377 • E-mail: ndpers-info@nd.gov • www.nd.gov/ndpers

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INTRODUCTORY SECTION



Public Pension Coordinating Council

***Recognition Award for Administration
2016***

Presented to

North Dakota Public Employees Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator



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, 2015

Executive Director/CEO



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

Sparb Collins
Executive Director
(701) 328-3900
1-800-803-7377

FAX: (701) 328-3920 • EMAIL: NDPERS-info@nd.gov • www.nd.gov/ndpers

December 20, 2016

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, 2016. 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, 2016.

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 23,416 contributing members and 10,518 retirees and beneficiaries currently receiving benefits. HPRS has 156 contributing members and 123 retirees and beneficiaries. The Job Service Plan has 9 contributing members and 206 retirees. The employers participating in PERS include 96 state agencies and 336 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 was 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 178 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 23,664 contributing members and 10,320 retired participants currently receiving benefits.

The retiree health insurance credit program is accounted for as an other employee benefit trust fund.

Uniform Group Insurance Program

Group Health Insurance. The System began administering the group health insurance plan in 1971. There are 28,873 active and retired contracts under this plan as of June 30, 2016. Total covered lives, including spouses and dependents, are 66,954. As of June 30, 2016 there were 160 political subdivisions participating in the group health program. The health insurance premiums paid to Sanford Health Plan for the fiscal year ended June 30, 2016 totaled \$313.2 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, Health Pregnancy and diabetes management based on the Ashville Model. To address prescription drug costs, the System is focusing new efforts on reviewing specialty drug programs. 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.

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 423 retiree's currently receiving the subsidized premium.

Group Life Insurance. The System began administering the group life insurance plan in 1971. There are 18,753 active and 3,178 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 Voya for the fiscal year ended June 30, 2016 totaled \$3.3 million. As of fiscal year end, there is \$1.640 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 9,451 participants in the dental plan, 10,378 participants in the vision plan and 148 participants in the long term care plan.

Employee Assistance Program. The 1997 North Dakota Legislature authorized the System to administer an employer-sponsored Employee Assistance Program (EAP) for all state employees, effective August 1, 1997. The System has contracted with four EAP vendors to provide services to employees and their families. The System collects the monthly premiums from the employers and remits them to the appropriate vendor. Approximately 15,770 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 \$77.9 million; provider companies hold the remaining plan assets of \$136.5 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 12,499 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 2,954 participants in the medical and dependent care spending accounts. Employee contributions to the spending accounts totaled \$5.67 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 legislation passed during the 2015 Legislative Session which included transferring current and newly eligible members of the National Guard System into the Law Enforcement System effective August 1, 2015; a new benefit tier for employees hired after January 1, 2016; and allowing a special election opportunity for members in the NDPERS Defined Contribution Plan to elect to rejoin the NDPERS Defined Benefit Plan.
- Implemented actuarial assumption changes resulting from an actuarial experience study in the annual actuarial valuations
- Issued a request for proposal for retirement actuarial and consulting services and selected Gabriel Roeder Smith & Company as the new plan actuary.

- Selected Callan Associates to perform an Asset Liability Study and approved a modified asset allocation which will be implemented in fiscal year 2017.
- Conducted an IRS compliance review and submitted an application to the IRS for a determination letter for the PERS and Highway Patrol plans

Group Insurance

- Closed the non-Medicare health insurance group to new retirees after June 30, 2015, as a result of legislation that was passed in the 2013 session. This substantially reduces the implicit liability associated with offering this coverage to terminating active employees.
- Implemented a change to make the retiree health credit portable starting July 2015, as a result of legislation that was passed in the 2013 session. The method for a retiree to receive this benefit involved a significant change and resulted in hiring a third party administrator to process the benefit payments.
- Completed the transition of the health plan to a new carrier effective July 1, 2015
- Completed the transition of the retiree prescription drug plan to a new carrier effective January 1, 2016
- Issued a request for proposal and selected a consultant to assist with bidding out the life, dental and vision plans
- Continued to work with our participating employers on the implementation of the provisions of the Affordable Care Act.
- Pursuant to legislative direction, began studying the merits of telehealth for the group health insurance plan.

Administrative

- Started exploring external communication channels that include social media and a mobile app. The agency went live with a mobile app for the PERSLink business system in July 2016 and launched a Facebook page in the summer of 2016.
- Updated the plan document for the FlexComp Plan
- Reviewed and updated administrative rules
- Restructured the organization to split out the Chief Operating Officer and Chief Financial Officer positions, and reclassified a position to a public information specialist to allow the agency's communications to be centralized with one position.
- Developed and implemented the Financial Essentials Workshop (FEW), a new educational program for members in the early to mid-career stage to assist members with financial planning and retirement savings goals.
- Began working with a website design firm on the website redesign project. The new website will be launched in the first quarter of 2017.

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

North Dakota Public Employees Retirement System – Introductory Section

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 2016 and 2015:

<u>(Millions)</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Change in \$ s</u>	<u>Percentage</u>
<u>Revenue Type</u>	<u>2016</u>	<u>2015</u>		<u>Change</u>
Employee Contributions	\$ 75.7	\$ 69.8	\$ 5.9	8.5%
Employer Contributions	79.2	72.9	6.3	8.6
Investments	<u>16.5</u>	<u>87.1</u>	<u>(70.6)</u>	<u>(81.1)</u>
Total	<u>\$171.4</u>	<u>\$ 229.8</u>	<u>\$ (58.4)</u>	<u>(64.0)%</u>
<u>Expense Type</u>				
Benefits	\$150.5	\$136.4	\$14.1	10.3%
Refunds & Transfers	8.5	8.0	0.5	6.3
Administrative Expenses	<u>2.6</u>	<u>2.4</u>	<u>0.2</u>	<u>8.3</u>
Total	<u>\$161.6</u>	<u>\$146.8</u>	<u>\$16.3</u>	<u>24.9%</u>

The decrease in revenues reflects weaker financial markets. 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 July 1, 2016 actuarial valuation reports the actuarial value of assets for PERS at \$2,265 million, which is 66.7% of the actuarial accrued liabilities of \$3,397 million. The actuarial value of assets for HPRS is \$61.7 million, which is 70.2% of the actuarial accrued liabilities of \$87.9. The Job Service Plan is fully funded. The actuarial value of assets for the Job Service Plan is \$81.0 million, which is 132.4% of the actuarial present value of benefits of \$61.2 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 55.4% of the actuarial accrued liability, which is a decrease from the previous year due to the benefit becoming portable in 2016. The Retiree Health Implicit Subsidy is not advance funded. As of June 30, 2015, the date of the last actuarial valuation, the unfunded actuarial accrued liability for this plan is \$8.9 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, 2016 is \$2.5 billion, which is an increase of 1.5% from the previous year. The market value of assets for Job Service as of June 30, 2016 is \$96.6 million, an increase of 0.3% from the previous year. During the fiscal year ended June 30, 2016, 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 0.28% for the fiscal year ended June 30, 2016. The annualized rate of return was 6.51% for the last three years and 6.49% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2016 for the Job Service Plan was 5.45%. The annualized rate of return was 7.34% for the last three years and 7.33% 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, 2016 is \$101.5 million, which is 4.0% higher than the previous year. The assets earned an annualized rate of return of 0.72% for the fiscal year ended June 30, 2016. The annualized rate of return was 6.55% for the last three years and 6.95% for the last five years. During the fiscal year ended June 30, 2016, the System's portfolio remained broadly diversified with investments in domestic and international equities and fixed income securities.

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, 2016 is \$10.9 million, which is a 69.5% decrease from the previous year. This decrease is a direct result of legislation passed during the 2015 legislative session, which allowed defined contribution members a one-time election period to return to the defined benefit plan.

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 CliftonLarsenAllen LLP, under the direction of the North Dakota State Auditor. The auditors' opinion was unqualified for the System for the year ended June 30, 2016.

Achievement Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a

North Dakota Public Employees Retirement System – Introductory Section

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, 2015. 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 twenty consecutive years (fiscal years ended June 30, 1996 - 2015). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

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

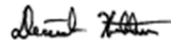
Sincerely,



Sparb Collins
Executive Director



Sharon Schiermeister, CPA
Chief Operating Officer



Derrick Hohbein, CPA
Chief Financial Officer

North Dakota Public Employees Retirement System – Introductory Section

The Retirement Board is the governing authority of the Public Employees Retirement System and consists of nine 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, two members are appointed by legislative management, 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 6/30/20



Arvy Smith
Health Department
Appointee



Thomas Trenbeath
Attorney General Appointee
Term Expires 6/30/20



Casey Goodhouse
Member Elected
Term Expires 6/30/19



Yvonne Smith
Retiree Elected
Term Expires 6/30/19



Mike Sandal
Member Elected
Term Expires 6/30/17



Kim Wassim
Member Elected
Term Expires 6/30/18



Senator Dick Dever
Appointed by
Legislative Management



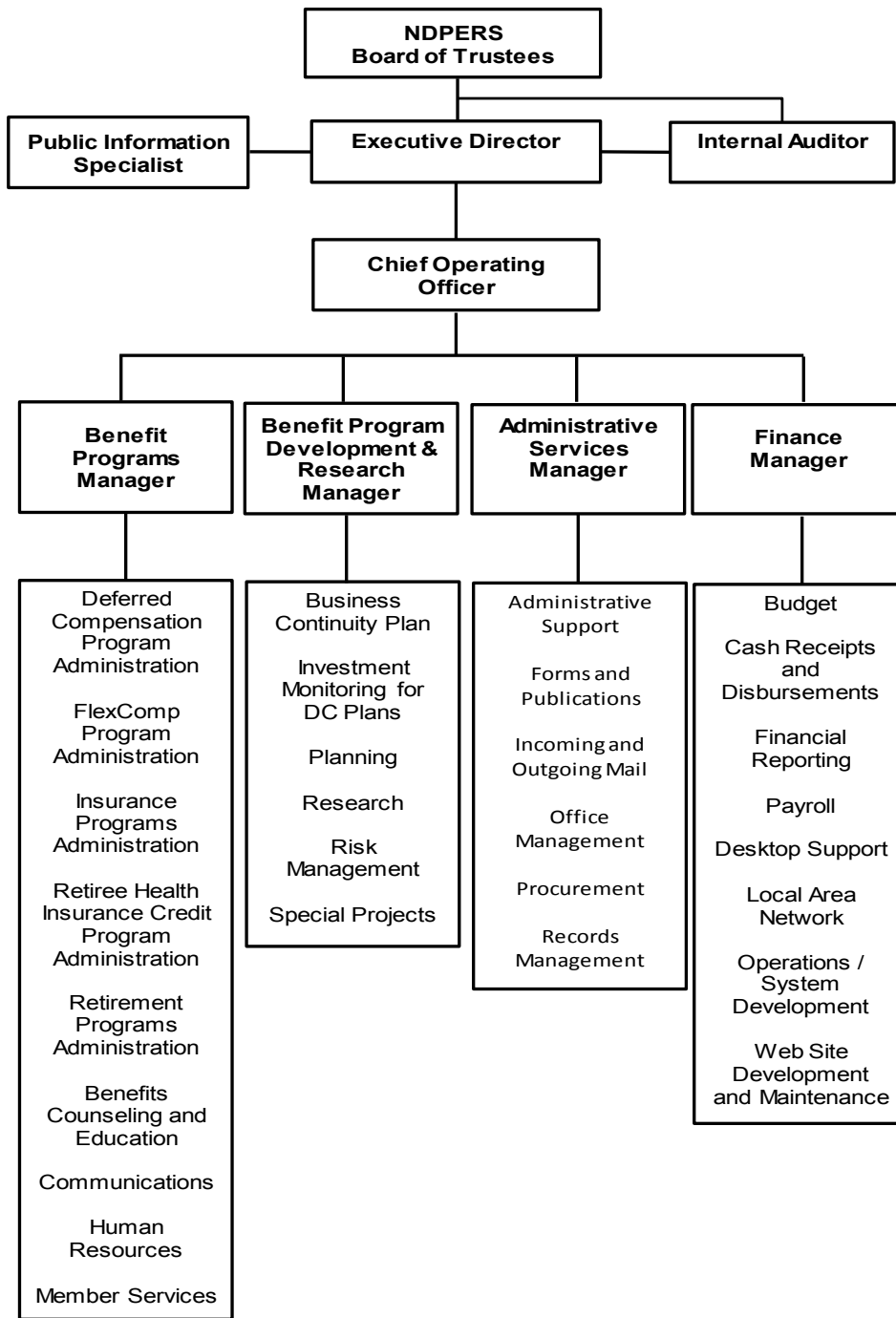
Rep. Pamela Anderson
Appointed by
Legislative Management

THE RETIREMENT BOARD

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.

North Dakota Public Employees Retirement System – Introductory Section

**Organizational
Chart**



ADMINISTRATION

Sparb Collins, Executive Director
 Kathy Allen, Benefit Programs Manager
 Jamie Kinsella, CPA, CIA, *Chief Audit Executive*
 Bryan Reinhardt, *Benefit Program Development and Research Manager*
 Derrick Hohbein, CPA, *Finance Manager*
 Sharon Schiermeister, CPA, *Chief Operating Officer*
 Cheryl Stockert, *Administrative Services Manager*

North Dakota Public Employees Retirement System – Introductory Section

ACTUARY:

Gabriel Roeder Smith & Company
Chicago, IL

AUDITOR:

Clifton Larson Allen LLP
Baltimore, MD

**Consulting &
Professional**

DENTAL INSURANCE CARRIER:

Delta Dental of Minnesota
Minneapolis, MN

DISABILITY CONSULTANT:

Mid Dakota Clinic
Bismarck, ND

Services

EMPLOYEE ASSISTANCE PROGRAM VENDORS:

Deer Oaks EAP Services
San Antonio, TX

St. Alexius/Heartview
Bismarck, ND

Live Well Solutions
Fargo, ND

Village Family Services
Fargo, ND

HEALTH INSURANCE CARRIER:

Sanford Health Plan
Sioux Falls, SD

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:

Voya Financial
New York, NY

**LONG TERM CARE INSURANCE
CARRIER:**

UNUM
Portland, ME

3rd PARTY PAYMENT PROCESSING:

ADP (Flexcomp Reimbursements)
Roseland, NJ

ASI Flex (RHIC Reimbursements)
Columbia, MO

VISION INSURANCE CARRIER:

Superior Vision
Rancho Cordova, CA



FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAAconnect.com

INDEPENDENT AUDITORS' REPORT

Governor Jack Dalrymple
The Legislative Assembly

Sparb Collins, Executive Director
North Dakota Public Employees' Retirement System
Bismarck, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund and each of the individual fiduciary funds of the North Dakota Public Employees' Retirement System (the System), a department of the State of North Dakota, as of and for the years ended June 30, 2016 and 2015, 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.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the net position of each of the individual fiduciary funds of the System as of June 30, 2016 and 2015, and the respective changes in financial and net 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.



**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

Emphasis of Matter

As discussed in Note 1, the financial statements of the System are intended to present the financial position and the changes in financial position of only that portion of the State of North Dakota that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position of the State of North Dakota as of June 30, 2016, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer contributions, investment returns, and funding progress and the related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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

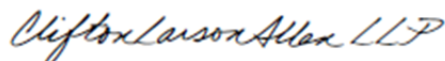
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedules of investment expenses, administrative expenses and consultant expenses and statement of appropriations, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical section, as listed in the table of contents, 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
November 28, 2016

**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

Management’s Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System (NDPERS) financial performance provides an overview of the agency’s financial activities for the fiscal year ended June 30, 2016 and 2015. 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, 2016 and 2015, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability for each pension fund is shown below:

	<u>2016</u>	<u>2015</u>
Public Employees Retirement System	71.1%	77.7%
Highway Patrolmen Retirement System	74.9%	83.2%
Retirement Plan for Employees of Job Service of ND	157.7%	151.9%

Lower investment earnings in the current fiscal year were the primary reason for the lack of growth in the percentages for PERS and Highway Patrol.

As of June 30, 2016, the funding ratio for the Retiree Health Insurance Credit Fund decreased from 69.4% to 55.4%, primarily due to an increase of benefit payments due to making the benefit portable in 2016.

- The net position for all trust funds administered by NDPERS increased \$25.9 million or 1% during the fiscal year ended June 30, 2016. This increase is primarily due to increased contributions from members & their employers.

<i>(in thousands)</i>	<u>Change in Net Position</u>
Public Employees Retirement System	\$ 43,185
Highway Patrolmen Retirement System	(864)
Retiree Health Insurance Credit Fund	3,779
Defined Contribution Retirement Fund	(24,980)
Pretax Benefits Fund	(208)
Deferred Compensation Plan	4,772
Retirement Plan for Employees of Job Service ND	251
Total increase in plan net position	<u>\$ 25,935</u>

Financial Highlights – Uniform Group Insurance Program

- Net position decreased by \$3.75 million or 8.6%. The decrease is primarily due to operating expenses exceeding operating revenues.

**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

Overview of the Financial Statements

The MD&A is intended to serve as an introduction and overview of the basic financial statements for NDPERS, which include the fund financial statements, notes to the financial statements, required supplementary information and other supplementary information.

Financial Statements.

There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Position as of June 30, 2016 and 2015, indicates the net position available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Position for the year ended June 30, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015, 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, 2016 and 2015 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 to the financial statements can be found on pages 29-71 of this report.

Required supplementary information. The required supplementary information consists of a Schedule of Employer Contributions, Schedule of Changes to the Net Pension Liability and Related Ratios, and Schedule of Investment Returns for the defined benefit pension trust funds and a Schedule of Employer Contributions and Schedule of Funding Progress for the retiree health insurance credit advance funded plan and implicit subsidy unfunded plan.

Other supplementary schedules. The other supplementary schedules consist of a Schedule of Administrative Expenses, Schedule of Investment Expenses, Schedule of Consultant Expenses and Statement of Appropriations.

Financial Analysis

The financial results for fiscal years 2016, 2015 and 2014 are summarized on page 17. The information in the tables below is condensed from the Financial Statements.

**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

Statement of Fiduciary Plan Net Position (in thousands)

	June 30, 2016	% Change	June 30, 2015	% Change	June 30, 2014
Assets					
Cash	\$ 10,855	19.0%	\$ 9,119	34.0%	\$ 6,804
Receivables	21,730	23.3%	17,621	11.0%	15,881
Investments	2,740,379	0.7%	2,720,705	4.0%	2,615,133
Prepaid expenses	-	-	-	-100.0%	580
Invested securities lending collateral	24,703	-	-	-	-
Software & equipment, net of accum depr.	3,168	-17.2%	3,827	-15.8%	4,545
Total assets	2,800,835	1.8%	2,751,272	4.1%	2,642,943
Liabilities					
Long-term liabilities outstanding	177	22.1%	145	-3.3%	150
Other liabilities	28,304	501.2%	4,708	-4.4%	4,924
Total liabilities	28,481	486.9%	4,853	-4.4%	5,074
Net Position	\$ 2,772,354	0.9%	\$ 2,746,419	4.1%	\$ 2,637,869

The total assets for all fiduciary funds as of June 30, 2016 were \$2.8 billion and were comprised mainly of investments. For the fiscal year ended June 30, 2016, plan assets increased by \$26 million. This increase was primarily due to contributions and financial market gains during the fiscal year.

Total liabilities as of June 30, 2016 were \$28.5 million and were comprised mainly of investment expenses payable and securities lending collateral.

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

	June 30, 2016	% Change	June 30, 2015	% Change	June 30, 2014
Additions					
Contributions	\$ 209,108	21.2%	\$ 172,503	14.9%	\$ 150,144
Investment income	14,901	-84.0%	92,903	-74.5%	364,104
Other	10,512	28.6%	8,172	-16.5%	9,785
Total additions	234,521	-14.3%	273,578	-47.8%	524,033
Deductions					
Benefit payments	171,585	12.2%	152,987	12.2%	136,367
Refunds/transfers	32,357	305.7%	7,975	20.5%	6,621
Administrative expenses	4,645	14.2%	4,066	6.0%	3,837
Total deductions	208,587	26.4%	165,028	12.4%	146,825
Change in Net Position	\$ 25,934	-76.1%	\$ 108,550	-71.2%	\$ 377,208

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 \$36.6 million for the year ended June 30, 2016. The plans experienced positive investment earnings of \$14.9 million for the fiscal year ending June 30, 2016. The change in Other Additions for June 30, 2016 is primarily due to an increase in service purchase payments received during the fiscal year.

**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

Deductions. Total deductions increased by \$43.6 million or 26.4% for the fiscal year ended June 30, 2016. This increase was due to an increase in benefit payments which reflects the increase in the total number of retirees who are receiving pension payments, as well as the significant increase in refunds/transfers. The increase in refunds/transfers was due to Senate Bill 2015, which allowed a one time election for members of the defined contribution plan to move back into the PERS defined benefit plan. Administrative expenses in the RHIC fund increased 97.8% due to the portability of RHIC benefit payments and the outsourcing of the payment functionality to ASI Flex. The increase in benefit payments was in part due to Senate Bill 2015, which allowed a one time election for members of the defined contribution plan to move back into the PERS defined benefit plan, with a number of those members retiring shortly after moving back.

Statement of Proprietary Fund Net Position (in thousands)

	<u>June 30, 2016</u>	<u>% Change</u>	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>
Assets					
Cash	\$ 48,033	1.2%	\$ 47,461	7.0%	\$ 44,363
Receivables	332	-60.2%	834	159.0%	322
Software	1,277	-17.2%	1,543	-15.8%	1,833
Total assets	<u>49,642</u>	-0.4%	<u>49,838</u>	7.1%	<u>46,518</u>
Liabilities					
Long-term liabilities outstanding	91	12.3%	81	2.5%	79
Other liabilities	9,638	58.3%	6,090	7.7%	5,654
Total liabilities	<u>9,729</u>	57.7%	<u>6,171</u>	7.6%	<u>5,733</u>
Net Position	<u>\$ 39,913</u>	-8.6%	<u>\$ 43,667</u>	7.1%	<u>\$ 40,785</u>

Total assets, as of June 30, 2016, were \$49.6 million and were comprised mainly of cash and cash equivalents. Total assets decreased by \$0.2 million from the prior fiscal.

Total liabilities, as of June 30, 2016, were \$9.7 million and were comprised mostly of unearned premiums, which represent premiums received before they are due as well as a liability to Sanford Health Plan as further explained in Note 14.

The net position of the proprietary fund consists primarily of cash and is 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

**North Dakota Public Employees Retirement System – Financial Section
Management’s Discussion and Analysis
June 30, 2016 and 2015**

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

	June 30, 2016	% Change	June 30, 2015	% Change	June 30, 2014
Operating Revenues					
Premium revenues	\$ 334,889	15.8%	\$ 289,237	2.3%	\$ 282,767
Administrative fee	1,138	4.2%	1,092	2.1%	1,070
Miscellaneous	(3,438)	-136.0%	9,560	-	-
Total operating revenues	<u>332,589</u>	10.9%	<u>299,889</u>	5.7%	<u>283,837</u>
Non-Operating Revenues					
Net investment income	<u>616</u>	1611.1%	<u>36</u>	44.0%	<u>25</u>
Total revenues	<u>333,205</u>	11.1%	<u>299,925</u>	5.7%	<u>283,862</u>
Operating Expenses					
Premium expenses	334,834	13.6%	294,709	2.3%	288,174
Administrative expenses	1,871	-5.7%	1,984	24.9%	1,589
Total operating expenses	<u>336,705</u>	13.5%	<u>296,693</u>	2.4%	<u>289,763</u>
Non-Operating Expense					
Transfer in	1	-	-	-	-
Transfer out	<u>255</u>	-27.1%	<u>350</u>	11.1%	<u>315</u>
Change in Net Position	<u><u>\$ (3,754)</u></u>	-230.3%	<u><u>\$ 2,882</u></u>	146.4%	<u><u>\$ (6,216)</u></u>

The net position for the proprietary fund decreased by \$3.75 million during the fiscal year ended June 30, 2016. The decrease is primarily due to operating expenses exceeding operating revenues as well as a settlement of ACA fees with Blue Cross Blue Shield of North Dakota.

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.

North Dakota Public Employees Retirement System – Financial Section
Statement of Net Position – Proprietary Fund
June 30, 2016 and 2015

	Uniform Group Insurance Program	
	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,434,655	\$ 47,461,288
Commingled domestic fixed income investments	33,598,449	-
Accounts receivable	318,497	814,518
Prepaid expenses	-	207
Due from fiduciary funds	13,325	19,029
Total current assets	<u>48,364,926</u>	<u>48,295,042</u>
NONCURRENT ASSETS		
Capital assets (net of depreciation/amortization)	<u>1,277,270</u>	<u>1,543,030</u>
Total noncurrent assets	<u>1,277,270</u>	<u>1,543,030</u>
Total assets	<u>49,642,196</u>	<u>49,838,072</u>
LIABILITIES		
CURRENT LIABILITIES		
Salaries payable	76,910	73,042
Accounts payable	666,888	180,645
Due to Sanford Health Plan	3,000,000	-
Due to fiduciary funds	360,379	361,439
Due to other state agencies	11,318	9,821
Unearned premiums	5,515,692	5,459,160
Accrued compensated absences	7,102	5,453
Total current liabilities	<u>9,638,289</u>	<u>6,089,560</u>
NONCURRENT LIABILITIES		
Accrued compensated absences	<u>90,450</u>	<u>80,969</u>
Total liabilities	<u>9,728,739</u>	<u>6,170,529</u>
NET POSITION		
Net investment in capital assets	1,277,270	1,543,030
Restricted for benefits	6,000,000	3,000,000
Unrestricted net position	<u>32,636,187</u>	<u>39,124,513</u>
Total net position	<u>\$ 39,913,457</u>	<u>\$ 43,667,543</u>

North Dakota Public Employees Retirement System – Financial Section
Statements of Revenues, Expenses, and Changes in Fund Net Position—Proprietary Fund
June 30, 2016 and 2015

	Uniform Group Insurance Program	
	2016	2015
OPERATING REVENUES		
Premium revenues	\$ 334,888,620	\$ 289,237,079
Administrative fee	1,138,380	1,091,522
Underwriting gain (loss)	(3,476,314)	9,530,062
Miscellaneous	37,500	30,000
Total operating revenues	<u>332,588,186</u>	<u>299,888,663</u>
OPERATING EXPENSES		
Premium expenses	334,833,893	294,708,608
Salaries and wages	858,704	802,110
Operating expenses	491,657	429,493
Professional fees	131,847	404,621
Data processing	98,721	58,010
Amortization	290,112	289,706
Total operating expenses	<u>336,704,934</u>	<u>296,692,548</u>
Operating income (loss)	<u>(4,116,748)</u>	<u>3,196,115</u>
NON-OPERATING REVENUES AND EXPENSES		
Investment income	658,097	41,621
Investment expenses	(41,785)	(5,336)
Total non-operating revenues and expenses	<u>616,312</u>	<u>36,285</u>
INCOME (LOSS) BEFORE TRANSFERS	(3,500,436)	3,232,400
TRANSFERS IN	1,350	-
TRANSFERS OUT	255,000	350,000
Change in net position	<u>(3,754,086)</u>	<u>2,882,400</u>
Total net position - beginning of year	<u>43,667,543</u>	<u>40,785,143</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 39,913,457</u>	<u>\$ 43,667,543</u>

North Dakota Public Employees Retirement System – Financial Section
Statements of Cash Flows – Proprietary Fund
June 30, 2016 and 2015

	Uniform Group Insurance Program	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums collected	\$ 334,888,620	\$ 289,237,079
Administrative fees collected	1,679,741	822,465
Payments to suppliers	(694,756)	(706,054)
Premiums paid	(334,833,893)	(294,708,608)
Payments to employees	(843,706)	(793,375)
Underwriting gain (loss)	-	9,530,062
Miscellaneous income	37,500	30,000
Net cash provided (used) by operating activities	<u>233,506</u>	<u>3,411,569</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(33,598,449)	-
Investment income	658,097	41,621
Investment expense	(41,785)	(5,336)
Net cash provided by investing activities	<u>(32,982,137)</u>	<u>36,285</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of software	(24,352)	-
Net cash provided (used) by capital financing activities	<u>(24,352)</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	1,350	-
Transfers out	(255,000)	(350,000)
Net cash provided (used) by capital financing activities	<u>(253,650)</u>	<u>(350,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(33,026,633)	3,097,854
Cash and cash equivalents - beginning of year	47,461,288	44,363,434
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 14,434,655</u>	<u>\$ 47,461,288</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ (4,116,748)	\$ 3,196,115
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Amortization	290,112	289,706
Changes in assets and liabilities:		
Accounts receivable	496,021	(509,882)
Due from other funds	5,704	(1,826)
Prepaid expenses	207	(207)
Salaries payable	3,868	6,744
Accrued compensated absences	11,130	1,991
Accounts payable	3,486,243	73,366
Due to fiduciary funds	(1,060)	41,443
Due to other state agencies	1,497	4,040
Amounts held in custody for others	56,532	310,079
Net cash provided (used) by operating activities	<u>\$ 233,506</u>	<u>\$ 3,411,569</u>

North Dakota Public Employees Retirement System – Financial Section
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016

	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 Services North Dakota
ASSETS							
Cash	\$ 9,317,857	\$ -	\$ 478,157	\$ 145,918	\$ 712,448	\$ 200,201	\$ 424
Receivables:							
Contribution receivable	12,753,464	560	962,713	81,589	503,767	663,800	3,296
Interest receivable	5,765,507	158,350	97,862	-	-	-	163
Due from other fiduciary funds	309,308	25,479	14,004	292	382	29,073	-
Due from Uniform Group Insurance Plan	-	-	359,259	-	1,120	-	-
Due from other state agencies	-	-	335	-	-	-	-
Total receivables	18,828,279	184,389	1,434,173	81,881	505,269	692,873	3,459
Investments:							
External investment pool	2,387,841,823	65,626,348	-	-	-	-	-
Equities	-	-	59,903,215	-	-	-	39,637,397
Fixed income	-	-	41,622,146	463,659	-	1,411,041	56,950,773
Mutual funds	-	-	-	10,405,678	-	75,705,779	-
Annuities	-	-	-	-	-	116,397	-
Invested cash	-	-	-	55,008	-	639,964	-
Total investments	2,387,841,823	65,626,348	101,525,361	10,924,345	-	77,873,181	96,588,170
Invested securities lending collateral	24,042,640	660,777	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-	-
Capital assets (net of depreciation/ amortization)	1,691,598	15,163	162,495	11,562	425,757	851,514	9,893
Total assets	2,441,722,197	66,486,677	103,600,186	11,163,706	1,643,474	79,617,769	96,601,946

North Dakota Public Employees Retirement System – Financial Section
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2016

	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 Services North Dakota
LIABILITIES							
Salaries payable	\$ 103,819	\$ -	\$ -	\$ -	\$ 21,802	\$ 44,164	\$ -
Accounts payable	2,520,453	559	367,190	8	20,147	25,285	65,187
Due to other fiduciary funds	25,861	14,004	311,921	10,655	-	13,292	2,805
Due to Uniform Group Insurance Plan	13,325	-	-	-	-	-	-
Due to other state agencies	11,713	-	-	333	3,807	5,539	-
Amounts held in custody for others	-	-	-	-	-	19,176	-
Securities lending collateral	24,042,640	660,777	-	-	-	-	-
Accrued compensated absences	108,729	-	-	-	26,443	42,110	-
Total liabilities	26,826,540	675,340	679,111	10,996	72,199	149,566	67,992
NET POSITION							
Restricted for pensions	2,414,895,657	65,811,337	-	11,152,710	-	79,468,203	96,533,954
Restricted for postemployment healthcare benefits	-	-	102,921,075	-	-	-	-
Restricted for pretax benefits	-	-	-	-	1,571,275	-	-
Total net position held in trust	\$ 2,414,895,657	\$ 65,811,337	\$ 102,921,075	\$ 11,152,710	\$ 1,571,275	\$ 79,468,203	\$ 96,533,954

North Dakota Public Employees Retirement System – Financial Section
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015

	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 Services North Dakota
ASSETS							
Cash	\$ 7,700,778	\$ -	\$ 286,999	\$ 119,835	\$ 817,443	\$ 193,970	\$ 343
Receivables:							
Contribution receivable	10,097,551	30	859,924	219,513	493,620	564,867	3,931
Interest receivable	4,462,618	126,209	87,940	-	-	-	106,664
Due from other fiduciary funds	205,726	-	14,004	292	14,120	-	1,878
Due from Uniform Group Insurance Plan	-	-	360,319	-	1,120	-	-
Due from other state agencies	460	-	-	-	-	-	-
Total receivables	14,766,355	126,239	1,322,187	219,805	508,860	564,867	112,473
Investments:							
External investment pool	2,351,434,809	66,559,899					96,285,896
Equities	-	-	59,124,528	-	-	-	-
Fixed income	-	-	38,458,592	1,148,289	-	1,223,316	-
Mutual funds	-	-	-	34,653,967	-	71,701,023	-
Annuities	-	-	-	-	-	114,498	-
Total investments	2,351,434,809	66,559,899	97,583,120	35,802,256	-	73,038,837	96,285,896
Invested securities lending collateral	-	-	-	-	-	-	-
Prepaid expenses	276	-	-	-	69	138	-
Capital assets (net of depreciation/amortization)	2,043,278	17,900	196,448	14,083	514,343	1,028,686	12,021
Total assets	2,375,945,496	66,704,038	99,388,754	36,155,979	1,840,715	74,826,498	96,410,733

North Dakota Public Employees Retirement System – Financial Section
Statement of Fiduciary Net Position – Fiduciary Funds
June 30, 2015

	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 Services North Dakota
LIABILITIES							
Salaries payable	\$ 91,535	\$ -	\$ -	\$ -	\$ 18,441	\$ 40,545	\$ -
Accounts payable	4,012,487	30	77,357	-	18,390	18,780	127,280
Due to other fiduciary funds	1,878	28,280	169,219	22,790	-	13,292	561
Due to Uniform Group Insurance Plan	19,029	-	-	-	-	-	-
Due to other state agencies	13,346	-	128	176	2,116	3,648	-
Amounts held in custody for others	-	-	-	-	-	18,695	-
Securities lending collateral	-	-	-	-	-	-	-
Accrued compensated absences	96,412	-	-	-	22,920	35,283	-
Total liabilities	4,234,687	28,310	246,704	22,966	61,867	130,243	127,841
NET POSITION							
Restricted for pensions	2,371,710,809	66,675,728	-	36,133,013	-	74,696,255	96,282,892
Restricted for postemployment healthcare benefits	-	-	99,142,050	-	-	-	-
Restricted for pretax benefits	-	-	-	-	1,778,848	-	-
Total net position held in trust	\$2,371,710,809	\$ 66,675,728	\$ 99,142,050	\$ 36,133,013	\$ 1,778,848	\$ 74,696,255	\$ 96,282,892

North Dakota Public Employees Retirement System – Financial Section
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2016

	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 Services North Dakota
ADDITIONS							
Contributions:							
From employer	\$ 77,080,576	\$ 2,127,355	\$ 12,349,883	\$ 922,371	\$ -	\$ -	\$ -
From employee	74,218,276	1,436,236	16,655	867,076	5,670,342	8,893,268	44,178
Transfer from general fund	1,890	-	-	-	1,080	1,080	-
Transfers from other plans	23,573,047	-	-	143,649	-	580,000	-
From external plans	-	-	-	57,208	-	1,123,518	-
Total contributions	174,873,789	3,563,591	12,366,538	1,990,304	5,671,422	10,597,866	44,178
Investment income:							
Net change in fair value of investments	(38,325,802)	(1,073,991)	(1,185,174)	(3,635,672)	-	(4,732,529)	2,352,098
Interest and dividends	56,512,739	1,583,045	2,271,699	1,648,218	575	4,348,980	2,650,945
Less investment expense	(7,132,911)	(199,955)	(292,820)	(11,925)	-	-	(166,226)
Net investment income	11,054,026	309,099	793,705	(1,999,379)	575	(383,549)	4,836,817
Securities lending activity							
Net securities lending income	279,098	7,859	-	-	-	-	3,516
Repurchase service credit	9,179,163	-	383,089	-	-	-	-
FICA tax savings	-	-	-	-	681,806	-	-
Transfer from proprietary fund	-	-	-	-	-	255,000	-
Miscellaneous income	712	5	-	12,075	-	-	-
Total additions	195,386,788	3,880,554	13,543,332	3,000	6,353,803	10,469,317	4,884,511
DEDUCTIONS							
Benefits paid to participants	141,263,796	4,658,232	-	1,396,663	5,621,287	4,714,348	4,601,196
Refunds	8,001,696	55,263	3,135	-	-	-	-
Prefunded credit applied	-	-	9,329,881	-	-	-	-
Health premium paid	-	-	-	-	-	-	-
Transfers to other plans	398,649	-	-	23,573,047	325,000	-	-
Administrative expenses	149,664,141	4,713,495	9,333,016	24,969,710	5,946,287	4,714,348	4,601,196
Total deductions	152,201,940	4,744,945	9,764,307	24,983,303	6,561,376	5,697,369	4,633,449
CHANGE IN NET POSITION	43,184,848	(864,391)	3,779,025	(24,980,303)	(207,573)	4,771,948	251,062
Net position - beginning of year	2,371,710,809	66,675,728	99,142,050	36,133,013	1,778,848	74,696,255	96,282,892
NET POSITION - END OF YEAR	\$ 2,414,895,657	\$ 65,811,337	\$ 102,921,075	\$ 11,152,710	\$ 1,571,275	\$ 79,468,203	\$ 96,533,954

North Dakota Public Employees Retirement System – Financial Section
Statement of Changes in Fiduciary Net Position – Fiduciary Funds
June 30, 2015

	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 Services North Dakota
ADDITIONS							
Contributions:							
From employer	\$ 70,842,535	\$ 2,002,291	\$ 11,478,599	\$ 1,240,684	\$ -	\$ -	\$ -
From employee	68,392,061	1,351,798	12,625	1,219,774	5,559,317	8,329,715	50,142
Transfer from general fund	-	-	-	-	-	-	-
Transfers from other plans	-	-	-	182,647	-	350,000	-
From external plans	-	-	-	-	-	1,491,209	-
Total contributions	139,234,596	3,354,089	11,491,224	2,643,105	5,559,317	10,170,924	50,142
Investment income:							
Net change in fair value of investments	44,887,622	1,287,164	936,842	(1,034,532)	-	(5,703,789)	1,818,431
Interest and dividends	44,597,780	1,278,179	2,105,589	2,049,613	458	7,718,662	1,721,361
Less investment expense	(7,948,837)	(230,563)	(281,478)	(19,907)	-	-	(279,285)
Net investment income	81,536,565	2,334,780	2,760,953	995,174	458	2,014,873	3,260,507
Securities lending activity							
Net securities lending income	-	-	-	-	-	-	-
Repurchase service credit	6,651,879	96,429	347,238	-	-	-	-
FICA tax savings	-	-	-	-	705,660	-	-
Transfer from proprietary fund	-	-	-	-	-	350,000	-
Miscellaneous income	-	-	-	20,855	-	338	-
Total additions	227,423,040	5,785,298	14,599,415	3,659,134	6,265,435	12,536,135	3,310,649
DEDUCTIONS							
Benefits paid to participants	127,179,525	4,528,178	-	992,163	5,566,438	2,781,735	4,694,171
Refunds	7,217,565	217,332	6,994	-	-	-	-
Prefunded credit applied	-	-	7,246,091	-	-	-	-
Health premium paid	-	-	-	-	-	-	-
Transfers to other plans	532,647	-	-	-	-	-	-
Administrative expenses	134,929,737	4,745,510	7,253,085	992,163	5,566,438	2,781,735	4,694,171
	2,365,357	30,925	217,989	13,733	536,618	871,144	30,214
Total deductions	137,295,094	4,776,435	7,471,074	1,005,896	6,103,056	3,652,879	4,724,385
CHANGE IN NET POSITION	90,127,946	1,008,863	7,128,341	2,653,238	162,379	8,883,256	(1,413,736)
Net position - beginning of year	2,281,582,863	65,666,865	92,013,709	33,479,775	1,616,469	65,812,999	97,696,628
NET POSITION - END OF YEAR	\$ 2,371,710,809	\$ 66,675,728	\$ 99,142,050	\$ 36,133,013	\$ 1,778,848	\$ 74,696,255	\$ 96,282,892

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, except for the uniform group insurance program, which is reported as a proprietary fund.

The System is governed by a nine-member board, five of the members are appointed and the remaining four are elected by the participants of the retirement plans which was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management effective July 1, 2015.

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 an enterprise fund 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:

Net investment in capital assets 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 for benefits 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position consists of net position that does 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 a risk sharing pool that 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.

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 available to state employees.

Retiree Health Insurance Credit Fund – an advance funded plan to offset the member’s cost of health insurance during their retirement

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The proprietary fund is 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 proprietary fund are premiums and administrative fees charged to the participants in the Uniform Group Insurance Program and underwriting gains. Operating expenses include premiums, salaries and wages, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary funds are 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 premium expenses, 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 years ending June 30, 2016 and 2015.

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.

Investment Valuation and Income Recognition

The fair value of real estate investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Derivative Securities

Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The System’s investment policy allows the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statements of fiduciary net position.

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) are presented in the accompanying financial statements at cost or estimated historical cost. Donated capital assets are stated at fair 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, 2016 and 2015 the System capitalized equipment and software in accordance with Section 54-27-21 of the North Dakota Century Code.

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

Accrued Compensated Absences

Annual leave is a part of permanent employees’ compensation as set forth in Section 54-06-14 of the North Dakota Century Code. Employees are entitled to earn annual leave based on tenure of employment, within a range of a minimum of one working day per month of employment, to a maximum of two working days per month of employment, to be fixed by rules and regulations adopted

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Unearned Premiums

Unearned premiums include monies collected by the System from individuals or participating employers for insurance premiums before the premiums are due.

Transfers to/from Other Plans

Transfers to/from 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 2016 and 2015, transfers to other plans also includes operating transfers from the pretax benefits program, retirement plan, and insurance plan to the deferred compensation plan to cover general administrative expenses. In 2016 it also includes a general fund transfer in to cover part of the cost of a state sponsored internship program.

Senate Bill 2015 provided participating members of the Defined Contribution Retirement Plan as of July 1, 2015 a one-time 3 month special election opportunity to transfer their account balances back into the Public Employees Retirement System's Defined Benefit Plan. The election period was open from November 1, 2015 and lasted until January 31, 2016. Of the 223 eligible Defined Contribution Retirement Plan participants, 170 members made the election to move back into the Public Employees Retirement System Defined Benefit Plan.

Restricted Net Position

Net position restricted for benefits consists of funds on deposit with Blue Cross Blue Shield and Sanford Health Plan to pay health care benefits in the event total claims incurred during the biennium exceed total premiums.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

ADOPTION OF NEW ACCOUNTING STANDARD

GASB 72 introduces additional fair value disclosure requirements to improve the financial reporting and transparency of public employee's pensions by state and local governments. The System implemented this standard for 2016. The statement addresses accounting and financial reporting requirements related to fair value measurements and requires measurement of certain assets and liabilities at fair value using a consistent and detailed definition of fair value and accepted valuation technique. It also enhances disclosures about fair value measurements, the level of fair value hierarchy, and valuation techniques. Additional disclosures are also required for investments in certain entities that calculate net asset value per share (or its equivalent).

NOTE 2 DEPOSITS AND INVESTMENTS

Fair Value Measurement

The System's investments in the Defined Contribution Retirement Plan and Deferred Compensation Plan are measured and reported at fair value, and are classified according to the following hierarchy:

Level 1 – Investments that represent unadjusted quoted prices for identical instruments in active markets

Level 2 – Investments are based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Investments are based on valuation techniques in which significant inputs are unobservable.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Defined Contribution Retirement Fund		June 30, 2016		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	June 30, 2016			
Investments at fair value				
Mutual funds	\$10,405,678	\$ 10,405,678	-	-
Investments at contract value				
Fixed income	463,659			
Investments at amortized cost				
Invested cash	55,008			
Total investments	<u>\$ 10,924,345</u>			
		June 30, 2015		
	June 30, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value				
Mutual funds	\$34,653,967	\$ 34,653,967	-	-
Investments at contract value				
Fixed income	1,148,289			
Investments at amortized cost				
Invested cash	-			
Total investments	<u>\$ 35,802,256</u>			

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deferred Compensation Plan	June 30, 2016			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	June 30, 2016	(Level 1)	(Level 2)	(Level 3)
Investments at fair value				
Mutual funds	\$75,705,779	\$ 75,705,779	-	-
Investments at contract value				
Fixed income	1,411,041			
Investments at cash surrender value				
Annuities	116,397			
Investments at amortized cost				
Invested cash	639,964			
Total investments	<u>\$ 77,873,181</u>			
	June 30, 2015			
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	June 30, 2015	(Level 1)	(Level 2)	(Level 3)
Investments at fair value				
Mutual funds	\$71,701,023	\$ 71,701,023	-	-
Investments at contract value				
Fixed income	1,223,316			
Investments at cash surrender value				
Annuities	114,498			
Investments at amortized cost				
Invested cash	-			
Total investments	<u>\$ 73,038,837</u>			

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Net Asset Value Measurement

The System's investments in the Uniform Group Insurance Program are held in an external investment pool with the North Dakota Retirement and Investment Office and are valued at Net Asset Value (NAV). The System's investments in commingled cash are valued at amortized cost. There are no unfunded commitments and the plan may redeem investments daily with a 1 day redemption notice period.

INVESTMENTS MEASURED AT THE NET ASSET VALUE - PROPRIETARY FUND

	6/30/2016
Commingled domestic fixed income	\$ 33,598,449
	6/30/2015
Commingled domestic fixed income	\$ -

The System's investments in the Public Employees Retirement System and Highway Patrol Retirement System are held in an external investment pool with the North Dakota Retirement and Investment Office and are valued at Net Asset Value (NAV). There are no unfunded commitments and the plan may redeem investments daily with a 1 day redemption notice period.

The System's investments in the Retiree Health Insurance Credit Fund and Retirement Plan for Employees of Job Service of North Dakota are directly managed and held in an individual investment account with the North Dakota Retirement and Investment Office and are valued at NAV as of June 30, 2016. There are no unfunded commitments and the plan may redeem investments daily with a 1 day redemption notice period. For the year ended June 30, 2015, the Retirement Plan for Employees of Job Service of North Dakota were held in an external investment pool with the North Dakota Retirement and Investment Office and are valued at Net Asset Value (NAV). There were no unfunded commitments and the plan may redeem investments daily with a 1 day redemption notice period.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

INVESTMENTS MEASURED AT THE NET ASSET VALUE - FIDUCIARY FUNDS

	June 30, 2016			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled external investment pools	\$ 2,387,841,823	\$ 65,626,348	\$ -	\$ -
Commingled equities	-	-	59,903,215	39,637,397
Commingled fixed income	-	-	41,622,146	56,950,773
Total investments measured at the net asset value	<u>\$ 2,387,841,823</u>	<u>\$ 65,626,348</u>	<u>\$ 101,525,361</u>	<u>\$ 96,588,170</u>

	June 30, 2015			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled external investment pools	\$ 2,351,434,809	\$ 66,559,899	\$ -	\$ 96,285,896
Commingled equities	-	-	59,124,528	-
Commingled fixed income	-	-	38,458,592	-
Total investments measured at the net asset value	<u>\$ 2,351,434,809</u>	<u>\$ 66,559,899</u>	<u>\$ 97,583,120</u>	<u>\$ 96,285,896</u>

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.

	<u>2016</u>	<u>2015</u>
Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$ 12,981,013	\$ 10,154,891
Cash deposits at State Treasury recorded as cash and cash equivalents	1,797,240	844,297
Cash held by the North Dakota Retirement and Investment Office recorded as cash and cash equivalents	37,697,350	39,653,336
Guaranteed investment contract with Blue Cross Blue Shield / Sanford Health Plan recorded as cash and cash equivalents	6,247,135	5,762,761
Cash held by ADP Benefit Services recorded as cash and cash equivalents	165,371	165,371
Total cash and cash equivalents	<u>\$ 58,888,109</u>	<u>\$ 56,580,656</u>

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2016 and 2015 the carrying amount of the System’s cash deposits were \$58,888,109 and \$56,580,656, and the bank balances were \$58,782,219 and \$56,030,201. All of the System’s deposits are uncollateralized and uninsured at June 30, 2016 and 2015.

Investments

Total investments of the System as of June 30, 2016 and 2015 consisted of the following:

	2016	2015
Equity Securities	\$ 1,413,420,437	\$ 1,395,660,856
Fixed Income Securities	661,343,983	658,352,086
Real estate	459,762,805	430,520,347
Alternative investments	79,938,588	88,967,769
Mutual funds	86,111,457	106,354,990
Annuities	116,397	114,498
Invested cash	39,685,561	40,734,271
Invested Securities Lending Collateral	24,703,417	-
	<u>\$ 2,765,082,645</u>	<u>\$ 2,720,704,817</u>

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.

The System’s Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans’ performance objectives, benefit projections, and capital market expectations when determining the asset allocation. The SIB is responsible for managing the System’s investments in accordance with the investment policy. The following was the System’s asset allocation policy for the Uniform Group Insurance Program, Public Employees Retirement System, Highway Patrolmen’s Retirement System, RHIC Fund, and Retirement Plan for Employees of Job Service of North Dakota as of June 30, 2016 and 2015:

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Asset Class	Target Allocation	
	PERS & HPRS	JSND
Domestic equities	31.00%	31.00%
International equities	21.00%	9.00%
Private equity	5.00%	0.00%
Domestic fixed income	17.00%	55.00%
International fixed income	5.00%	5.00%
Global real assets	20.00%	0.00%
Cash & equivalents	1.00%	0.00%
Total	100.00%	100.00%

Rate of return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The annual money-weighted rate of return on pension plan investment, net of pension plan investment expense for the years ended June 30, 2016 and 2015 are:

	<u>2016</u>	<u>2015</u>
Public Employees Retirement	0.49%	3.61%
Highway Patrolmen’s Retirement	0.48%	3.66%
Job Service Plan	5.14%	3.41%

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, 2016 and 2015, the following are the net realized gains (losses):

	<u>2016</u>	<u>2015</u>
Public Employees Retirement System	\$ 66,822,688	\$ 54,088,390
Highway Patrolmen’s Retirement	1,872,550	1,550,996
Retiree Health Insurance Credit	3,305,180	3,591,925
Defined Contribution	(70,697)	551,276
Deferred Compensation	77,215	1,086,833
Job Service Plan	506,503	1,681,081

Investment expense of the fund, except for the Defined Contribution Retirement Plan and the Deferred Compensation Plan consists of those administrative and investment 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.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk

All investments of the fund, except for the Retirement Plan for Employees of Job Service, Retiree Health Insurance Credit Fund, 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.

All investments of the Retirement Plan for Employees of Job Service of North Dakota and Retiree Health Insurance Credit Fund are managed and invested by the SIB in institutional equity and fixed income mutual funds. The fixed income funds are rated AA. 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)	2016				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 11,607	\$ -	\$ 821	\$ 2,401	\$ 8,385
Bank Loans	50	-	-	50	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	9,758	-	-	-	9,758
Commercial Paper	-	-	-	-	-
Corporate Bonds	98,469	4,991	34,652	38,798	20,028
Corporate Convertible Bonds	4,789	-	3,734	107	948
Government Agencies	13,286	1,351	9,871	1,477	587
Government Bonds	68,381	-	25,830	17,207	25,344
Government Mortgage and CMB	227,174	-	10,678	13,441	203,055
Repurchase Agreements	(7,193)	(7,193)	-	-	-
Index Linked Government Bonds	1,665	-	-	760	905
Municipal/Provincial Bonds	4,574	-	-	2,925	1,649
Non-Government Backed CMOs	12,408	-	282	282	11,844
Other Fixed Income	1,375	371	1,004	-	-
Pooled Investments	191,985	107	136,775	55,103	-
Short Term Bills and Notes	7,976	7,976	-	-	-
Total Debt Securities	<u>\$ 646,304</u>	<u>\$ 7,603</u>	<u>\$ 223,647</u>	<u>\$ 132,551</u>	<u>\$ 282,503</u>

Note: Table above represents fixed income investments, as well as debt securities in underlying equity funds.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

Type (In Thousands)	2015				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 12,616	\$ -	\$ 649	\$ 2,033	\$ 9,934
Bank Loans	-	-	-	-	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	10,645	-	284	-	10,361
Commercial Paper	186	186	-	-	-
Corporate Bonds	96,564	5,210	39,841	36,206	15,307
Corporate Convertible Bonds	9,105	2,114	4,402	1,683	906
Government Agencies	19,194	2,680	15,461	(1)	1,054
Government Bonds	65,110	2,493	21,493	14,840	26,284
Government Mortgage and CMB	192,261	-	5,003	13,164	174,094
Repurchase Agreements	64,482	64,482	-	-	-
Index Linked Government Bonds	3,816	-	-	2,252	1,564
Municipal/Provincial Bonds	3,269	-	-	2,775	494
Non-Government Backed CMOs	11,509	-	591	-	10,918
Other Fixed Income	2,601	1,117	1,484	-	-
Pooled Investments	3,027	3,027	-	-	-
Short Term Bills and Notes	208,380	19,995	52,441	93,788	42,156
Total Debt Securities	\$ 702,765	\$ 101,304	\$ 141,649	\$ 166,740	\$ 293,072

Note: Table above represents fixed income investments, as well as debt securities in underlying equity funds.

Securities Lending

State statutes permit and the SIB has authorized the use of securities lending – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. Northern Trust is the securities lending agent for the SIB. Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults. All securities loans can be terminated on demand by either the lender or the borrower, although the average term of SIB loans was approximately 69 days as of June 30, 2016. Cash open collateral is invested in a short term investment pool, which is valued based on amortized cost. There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Job Service Retirement Plan

Type (In Thousands)	2016				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loans	-	-	-	-	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	-	-	-	-	-
Commercial Paper	-	-	-	-	-
Corporate Bonds	-	-	-	-	-
Corporate Convertible Bonds	-	-	-	-	-
Government Agencies	-	-	-	-	-
Government Bonds	-	-	-	-	-
Government Mortgage and CMB	-	-	-	-	-
Repurchase Agreements	-	-	-	-	-
Index Linked Government Bonds	-	-	-	-	-
Municipal/Provincial Bonds	-	-	-	-	-
Non-Government Backed CMOs	-	-	-	-	-
Other Fixed Income	-	-	-	-	-
Pooled Investments	56,559	14,758	41,801	-	-
Short Term Bills and Notes	-	-	-	-	-
Total Debt Securities	\$ 56,559	\$ 14,758	\$ 41,801	\$ -	\$ -

Note: Table above represents fixed income investments, as well as debt securities in underlying equity funds.

Job Service Retirement Plan

Type (In Thousands)	2015				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Asset Backed Securities	\$ 1,657	\$ -	\$ 39	\$ 130	\$ 1,488
Bank Loans	-	-	-	-	-
Collateralized Bonds	-	-	-	-	-
Commercial Mortgage-Backed	571	-	48	-	523
Commercial Paper	32	32	-	-	-
Corporate Bonds	4,362	529	2,709	769	355
Corporate Convertible Bonds	191	44	93	35	19
Government Agencies	618	58	474	-	86
Government Bonds	3,527	52	1,681	925	869
Government Mortgage and CMB	22,969	-	536	2,074	20,359
Repurchase Agreements	10,971	10,971	-	-	-
Index Linked Government Bonds	649	-	-	383	266
Municipal/Provincial Bonds	80	-	-	68	12
Non-Government Backed CMOs	1,490	-	36	-	1,454
Other Fixed Income	202	142	60	-	-
Pooled Investments	450	450	-	-	-
Short Term Bills and Notes	23,561	756	7,664	8,079	7,062
Total Debt Securities	\$ 71,330	\$ 13,034	\$ 13,340	\$ 12,463	\$ 32,493

Note: Table above represents fixed income investments, as well as debt securities in underlying equity funds.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Retiree Health Insurance Credit Fund

All securities subject to interest rate risk disclosure in the Retiree Health Insurance Credit Fund are pooled investments. At June 30, 2016, the fair value of these securities maturing in 1-6 years is \$41.62 million for a total fair value of \$41.62 million. At June 30, 2015, the fair value of these securities maturing in 1-6 years is \$3.875 million and maturing in 6-10 years is \$34.593 million for a total fair value of \$38.468 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. The Retirement Plan for Employees of Job Services of North Dakota was in an external investment pool in 2015, but in 2016 was directly managed and therefore no longer has a foreign currency risk. A table detailing the exposure to foreign currency through the Public Employees Retirement System and Highway Patrolmen's Retirement System's portion of the investment pool is reported on page 45.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

Currency (In thousands)	2016			
	Short term	Debt	Equity	Total
Australian dollar	\$ 53	\$ 5,551	\$ 6,460	\$ 12,064
Brazilian real	290	3,939	2,117	6,346
British pound sterling	107	3,615	37,956	41,678
Canadian dollar	40	-	7,251	7,291
Chilean peso	28	4,845	448	5,321
Chinese yuan renminbi	(8)	-	-	(8)
Columbian peso	-	1,230	-	1,230
Czech koruna	-	-	390	390
Israeli shekel	6	-	902	908
Danish krone	-	-	1,352	1,352
Euro	(2,153)	3,725	60,672	62,244
Hong Kong dollar	38	-	17,512	17,550
Hungarian forint	-	2,805	1,003	3,808
Indian rupee	3,424	-	-	3,424
Indonesian rupiah	17	3,380	552	3,949
Japanese yen	(1,121)	60	27,902	26,841
Malaysian ringgit	31	3,229	-	3,260
Mexican peso	(151)	13,215	1,031	14,095
New Zealand dollar	-	2,590	-	2,590
Norwegian krone	2,090	-	1,480	3,570
Polish zloty	-	1,474	618	2,092
Russian ruble	(271)	-	-	(271)
Singapore dollar	20	-	1,054	1,074
South African rand	25	2,267	2,096	4,388
South Korean won	255	-	6,996	7,251
Swedish krona	4,986	-	3,765	8,751
Swiss franc	17	-	8,505	8,522
Thai baht	203	-	2,014	2,217
Turkish lira	22	-	616	638
International commingled funds (various currencies)	-	55,103	305,373	360,476
	<u>\$ 7,948</u>	<u>\$ 107,028</u>	<u>\$ 498,065</u>	<u>\$ 613,041</u>

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan-Continued

Currency (In thousands)	2015			
	Short term	Debt	Equity	Total
Australian dollar	\$ (312)	\$ 5,296	\$ 5,527	\$ 10,511
Brazilian real	(224)	4,352	2,483	6,611
British pound sterling	(242)	279	34,252	34,289
Canadian dollar	(74)	-	10,292	10,218
Chilean peso	4,719	455	98	5,272
Chinese yuan renminbi	-	-	-	-
Czech koruna	5	-	511	516
Israeli shekel	7	-	989	996
Danish krone	-	-	2,223	2,223
Euro	(9,431)	8,003	81,986	80,558
Hong Kong dollar	63	-	8,852	8,915
Hungarian forint	4	2,495	521	3,020
Iceland krona	-	-	-	-
Indian rupee	-	3,750	-	3,750
Indonesian rupiah	-	2,959	-	2,959
Japanese yen	(1,193)	28	32,791	31,626
Malaysian ringgit	32	1,824	-	1,856
Mexican peso	783	12,552	-	13,335
New Zealand dollar	(2,030)	2,131	114	215
Norwegian krone	2,044	-	2,192	4,236
Philippine peso	-	1,047	-	1,047
Polish zloty	8	1,391	990	2,389
Singapore dollar	(216)	-	931	715
South African rand	5	2,721	1,512	4,238
South Korean won	(584)	2,808	4,495	6,719
Swedish krona	2,104	-	4,564	6,668
Swiss franc	-	-	17,223	17,223
Thai baht	120	-	1,989	2,109
Turkish lira	-	-	900	900
International commingled funds (various currencies)	-	49,535	296,552	346,087
	<u>\$ (4,412)</u>	<u>\$ 101,626</u>	<u>\$ 511,987</u>	<u>\$ 609,201</u>

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Job Service Retirement Plan

Currency (In thousands)	2016			
	Short term	Debt	Equity	Total
Australian dollar	\$ -	\$ -	\$ -	\$ -
Brazilian real	-	-	-	-
British pound sterling	-	-	-	-
Canadian dollar	-	-	-	-
Chilean peso	-	-	-	-
Czech koruna	-	-	-	-
Israeli shekel	-	-	-	-
Danish krone	-	-	-	-
Euro	-	-	-	-
Hong Kong dollar	-	-	-	-
Hungarian forint	-	-	-	-
Iceland krona	-	-	-	-
Indian rupee	-	-	-	-
Indonesian rupiah	-	-	-	-
Japanese yen	-	-	-	-
Malaysian ringgit	-	-	-	-
Mexican peso	-	-	-	-
New Zealand dollar	-	-	-	-
Norwegian krone	-	-	-	-
Philippine peso	-	-	-	-
Polish zloty	-	-	-	-
Singapore dollar	-	-	-	-
South African rand	-	-	-	-
South Korean won	-	-	-	-
Swedish krona	-	-	-	-
Swiss franc	-	-	-	-
Thai baht	-	-	-	-
Turkish lira	-	-	-	-
International commingled funds (various currencies)	-	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Job Service Retirement Plan-Continued

Currency (In thousands)	2015			
	Short term	Debt	Equity	Total
Australian dollar	\$ (60)	\$ 201	\$ 166	\$ 307
Brazilian real	(33)	178	98	243
British pound sterling	(40)	41	899	900
Canadian dollar	(12)	-	319	307
Chilean peso	189	10	4	203
Czech koruna	-	-	20	20
Israeli shekel	-	-	27	27
Danish krone	-	-	-	-
Euro	-	525	1,978	2,503
Hong Kong dollar	(750)	-	235	(515)
Hungarian forint	2	100	21	123
Iceland krona	-	-	-	-
Indian rupee	-	140	-	140
Indonesian rupiah	-	118	-	118
Japanese yen	(203)	4	729	530
Malaysian ringgit	1	73	-	74
Mexican peso	137	449	-	586
New Zealand dollar	(81)	85	-	4
Norwegian krone	82	-	64	146
Philippine peso	-	22	-	22
Polish zloty	-	56	39	95
Singapore dollar	(33)	-	16	(17)
South African rand	-	109	60	169
South Korean won	(105)	112	177	184
Swedish krona	84	-	101	185
Swiss franc	-	-	416	416
Thai baht	5	-	78	83
Turkish lira	-	-	35	35
International commingled funds (various currencies)	-	1,984	-	1,984
	<u>\$ (817)</u>	<u>\$ 4,207</u>	<u>\$ 5,482</u>	<u>\$ 8,872</u>

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

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

The June 30, 2016 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	\$ 309,308	\$ 39,186
Highway Patrolmen's Retirement System	25,479	14,004
Retiree Health Insurance Credit Fund	373,263	311,921
Retirement Plan for Employees of Job Service		
North Dakota	-	2,805
Pretax Benefits Program	1,502	-
Deferred Compensation Plan	29,073	13,292
Defined Contribution Plan	292	10,655
Proprietary		
Uniform Group Insurance Program	13,325	360,379
	<u>\$ 752,242</u>	<u>\$ 752,242</u>

The June 30, 2015 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	\$ 205,726	\$ 20,907
Highway Patrolmen's Retirement System	-	28,280
Retiree Health Insurance Credit Fund	374,323	169,219
Retirement Plan for Employees of Job Service		
North Dakota	1,878	561
Pretax Benefits Program	15,240	-
Deferred Compensation Plan	-	13,292
Defined Contribution Plan	292	22,790
Proprietary		
Uniform Group Insurance Program	19,029	361,439
	<u>\$ 616,488</u>	<u>\$ 616,488</u>

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

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 3 DUE TO/FROM AND TRANSFERS IN/OUT FIDUCIARY AND PROPRIETARY FUNDS AND STATE AGENCY TRANSACTIONS (CONTINUED)

June 30, 2016 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
ITD	\$ -	\$ 8,776
Attorney General	-	2,831
Central Duplicating	-	70
Central Supply	-	36
Total	\$ -	\$ 11,713
Retiree Health Insurance Credit Fund		
Job Service	\$ 335	\$ -
Total	\$ 335	\$ -
Defined Contribution Plan		
ITD	\$ -	\$ 75
Attorney General	-	258
Total	\$ -	\$ 333
Pretax Benefits Program		
ITD	\$ -	\$ 2,426
Attorney General	-	531
Central Duplicating	-	841
Central Supply	-	9
Total	\$ -	\$ 3,807
Deferred Compensation Plan		
ITD	\$ -	\$ 3,646
Attorney General	-	1,113
Central Duplicating	-	762
Central Supply	-	18
Total	\$ -	\$ 5,539
Proprietary		
Uniform Group Insurance Program		
ITD	\$ -	\$ 6,179
Central Supply	-	27
Central Duplicating	-	45
Attorney General	-	5,067
Total	\$ -	\$ 11,318

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

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 3 DUE TO/FROM AND TRANSFERS IN/OUT FIDUCIARY AND PROPRIETARY FUNDS AND STATE AGENCY TRANSACTIONS (CONTINUED)

The June 30, 2015 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due To State Agencies
Fiduciary		
Public Employees Retirement System		
ITD	\$ -	\$ 8,172
Department of Agriculture	40	-
Department of Parks & Recreation	420	-
Attorney General	-	1,288
Office of Management and Budget	-	3,886
Total	\$ 460	\$ 13,346
Retiree Health Insurance Credit Fund		
Attorney General	\$ -	\$ 128
Total	\$ -	\$ 128
Defined Contribution Plan		
ITD	\$ -	\$ 26
Attorney General	-	150
Total	\$ -	\$ 176
Pretax Benefits Program		
ITD	\$ -	\$ 1,618
Attorney General	-	204
Office of Management and Budget	-	294
Total	\$ -	\$ 2,116
Deferred Compensation Plan		
ITD	\$ -	\$ 2,928
Office of Management and Budget	-	312
Attorney General	-	408
Total	\$ -	\$ 3,648
Proprietary		
Uniform Group Insurance Program		
Department of Transportation	\$ -	\$ 515
Office of Management and Budget	-	1,157
ITD	-	5,933
Attorney General	-	2,216
Total	\$ -	\$ 9,821

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 3 DUE TO/FROM AND TRANSFERS IN/OUT FIDUCIARY AND PROPRIETARY FUNDS AND STATE AGENCY TRANSACTIONS (CONTINUED)

The June 30, 2016 transfers in/out are summarized as follows:

Fund Type/Fund	Transfers In	Transfers Out
Fiduciary Funds		
Defined Contribution Plan	\$ 143,649	\$23,573,047
Deferred Compensation Plan	836,080	-
Pretax Benefit Program	1,080	325,000
Public Employee Retirement System	23,574,937	398,649
Proprietary Funds		
Uniform Group Insurance Program	1,350	255,000

The June 30, 2015 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfers In	Transfers Out
Fiduciary Funds		
Defined Contribution Plan	\$ 182,647	\$ -
Deferred Compensation Plan	700,000	-
Public Employee Retirement System	-	532,647
Proprietary Funds		
Uniform Group Insurance Program	-	350,000

The transfer to the Defined Contribution Retirement Fund is for those employees electing to transfer from the defined benefit plan. The transfer from the Defined Contribution Plan to the Public Employee Retirement System represents those members making the one time election under Senate Bill 2015 to move from the Defined Contribution Plan back to the Public Employee Retirement System Defined Benefit Plan. The transfers to the Deferred Compensation Plan are to cover administrative expenses pursuant to NDCC 54-52-04 subsection 11.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
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NOTE 4 CAPITAL ASSETS

A statement of changes in equipment and accumulated depreciation for the System for the year ended June 30, 2016 and 2015 is as follows:

	Balance 7/1/2015	Additions	Deletions	Balance 6/30/2016
Proprietary Funds:				
Capital assets being depreciated:				
Software	\$ 2,897,064	\$ 24,352	\$ -	\$ 2,921,416
Less: Accumulated amortization for:				
Software	(1,354,034)	(290,112)	-	(1,644,146)
Total capital assets being depr., net	<u>1,543,030</u>	<u>(265,760)</u>	<u>-</u>	<u>1,277,270</u>
Proprietary Funds capital assets, net	<u>\$ 1,543,030</u>	<u>\$ (265,760)</u>	<u>\$ -</u>	<u>\$ 1,277,270</u>
Fiduciary Funds:				
Capital assets being depreciated:				
Software	\$ 7,184,137	\$ 60,648	\$ -	\$ 7,244,785
Total capital assets being depreciated	7,184,137	60,648	-	7,244,785
Less: Accumulated amort/depr. for:				
Software	(3,357,378)	(719,425)	-	(4,076,803)
Total capital assets being depr. net	<u>3,826,759</u>	<u>(658,777)</u>	<u>-</u>	<u>3,167,982</u>
Fiduciary Funds capital assets, net	<u>\$ 3,826,759</u>	<u>\$ (658,777)</u>	<u>\$ -</u>	<u>\$ 3,167,982</u>
	Balance 7/1/2014	Additions	Deletions	Balance 6/30/2015
Proprietary Funds:				
Capital assets being depreciated:				
Software	\$ 2,897,064	\$ -	\$ -	\$ 2,897,064
Less: Accumulated amortization for:				
Software	(1,064,328)	(289,706)	-	(1,354,034)
Total capital assets being depr., net	<u>1,832,736</u>	<u>(289,706)</u>	<u>-</u>	<u>1,543,030</u>
Proprietary Funds capital assets, net	<u>\$ 1,832,736</u>	<u>\$ (289,706)</u>	<u>\$ -</u>	<u>\$ 1,543,030</u>
Fiduciary Funds:				
Capital assets being depreciated:				
Software	7,184,137	-	-	7,184,137
Total capital assets being depreciated	7,184,137	-	-	7,184,137
Less: Accumulated amort/depr. for:				
Software	(2,638,960)	(718,418)	-	(3,357,378)
Total capital assets being depr. net	<u>4,545,177</u>	<u>(718,418)</u>	<u>-</u>	<u>3,826,759</u>
Fiduciary Funds capital assets, net	<u>\$ 4,545,177</u>	<u>\$ (718,418)</u>	<u>\$ -</u>	<u>\$ 3,826,759</u>

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NOTE 5 LEASE OBLIGATIONS

Operating Lease

The system has entered into an operating lease for office space until June 30, 2017. Expenditures for this lease were \$171,344 and \$138,376 for the years ended June 30, 2016 and 2015, respectively. The future minimum lease payment for the fiscal year ending June 30, 2017 is \$171,307.

The system has also entered into an operating lease for office equipment, with expenditures totaling \$6,841 for the year ended June 30, 2016 and \$9,543 for the year ended June 30, 2015.

The lease contains 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 Compensated Absences		Accrued Compensated Absences	
Balance - June 30, 2014	\$	84,431	\$	159,626
Increases		55,223		98,800
Decreases		(53,232)		(103,811)
Balance - June 30, 2015		86,422		154,615
Increases		61,212		111,240
Decreases		(50,082)		(88,575)
Balance - June 30, 2016	\$	97,552	\$	177,280
Balance - due within one year	\$	7,102	\$	12,906

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 a statutorily determined rate for permanent employees. The System's contributions to PERS for the years ended June 30, 2016 and 2015, were \$209,692 and \$196,226 equal to the required contributions for each year.

The System is required to contribute to the North Dakota Defined Contribution Retirement Plan at a statutorily determined rate for permanent employees who have elected to participate in this plan. The System's contributions to this plan for the years ended June 30, 2016 and 2015, were \$7,837 and \$2,313 equal to the required contributions for each year.

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 PERS, HPRS, and the Retirement Plan for Employees of Job Service North Dakota are financed through the contributions and investment earnings of each plan. The administrative costs of the Defined Contribution Plan are funded by forfeitures of non-vested employee contributions and administrative fees charged to individual participant accounts.

The following brief description of the PERS, HPRS, 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. Effective August 1, 2015, current and newly eligible members of the National Guard System were transferred to the Law Enforcement System. 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. Effective October 1, 2013, eligibility was 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.

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

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NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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:

	<u>2016</u>	<u>2015</u>
Cities	89	88
Counties	49	49
School Districts	123	122
Other	75	74
Total Participating Political Subdivisions	<u>336</u>	<u>333</u>

Employee membership data is as follows:

	<u>PERS</u>		<u>HPRS</u>		<u>Job Service</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Retirees and beneficiaries						
currently receiving benefits	10,515	10,060	123	128	206	206
Special prior service retirees	3	3	-	-	-	-
Terminated vested participants	5,456	4,733	31	11	1	1
Inactive participants	5,277	4,481	8	11	-	-
Active plan participants						
Vested	16,018	15,645	67	62	9	11
Nonvested	7,398	7,200	89	99	-	-
Total plan membership	<u>44,667</u>	<u>42,122</u>	<u>318</u>	<u>311</u>	<u>216</u>	<u>218</u>

The defined contribution plan had 178 and 312 participants as of June 30, 2016 and 2015, respectively. This decrease is a direct result of Senate Bill 2015, where Defined Contribution participants were given a one-time election to move back into the North Dakota Public Employees Retirement System's Defined Benefit Plan.

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). For members hired on or after January 1, 2016 the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. 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

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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). Effective August 1, 2015, the National Guard System became part of the Law Enforcement System. 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, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

HPRS

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members are entitled to unreduced pension benefits upon attainment of age 55 and ten years of eligible employment or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 180 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The Plan permits early retirement at ages 50-54, with ten or more years of service.

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

Defined Contribution Plan

Benefits are set by statute. 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%

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

Members may elect to receive their account balance in a lump sum, lump sum direct rollover or periodic distribution. Legislation was passed during the 2015 session providing eligible members of the Defined Contribution Plan a special election period in which to elect to return to the PERS defined benefit plan.

Retirement Plan for Employees of Job Service North Dakota

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

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

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.

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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

Death and disability benefits are set by statute. 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 document 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

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NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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, HPRS, and 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, which prescribes that they are 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. 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) effective January 2012 and January 2013. 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 were increased for each of the plans by an additional 1% (.5% for the National Guard and Law Enforcement Plans for political subdivisions). Members that made a qualifying election under Senate Bill 2015 to move from the Defined Contribution Plan back to the Defined Benefit Plan have a 2% increase on employee contributions.

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

Contribution rates are established as a percent of covered compensation as follows:

	Member Contributions	Employer Contributions
Public Employees Retirement System*	7.00%	7.12%
Judges Retirement System	8.00%	17.52%
Law Enforcement with previous service		
State - BCI Plan**	6.00%	10.31%
State - National Guard	5.50%	9.81%
Political Subdivisions	5.50%	9.81%
Law Enforcement without previous service	5.50%	7.93%

*Members making the election to move from the Defined Contribution Plan back to the Defined Benefit Plan as a result of Senate Bill 2015 pay a 9% employee contribution

**Effective July 1, 2016, the BCI member contribution will be 6.00% and the employer rate will be 9.81%.

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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.

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 for the PERS and Law Enforcement without previous service plans are not sufficient to meet the actuarially determined requirement for 2016-2017.

HPRS

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 10.3% of the member contribution. The member contribution rate is 13.3% and the employer rate is 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 2016-2017.

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 contribution rate is 7.00% and the employer rate is 7.12%.

Retirement Plan for Employees of Job Service North Dakota

Employees' contributions are established at 7.0% of total compensation. 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.

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NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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.

NOTE 9 NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability of the Plans at June 30, 2016 and 2015, are as follows:

<u>2016</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total pension liability	\$ 3,396,565,467	\$ 87,921,960	\$ 61,204,772
Plan fiduciary net position	<u>2,414,895,657</u>	<u>65,811,337</u>	<u>96,533,954</u>
Net pension liability (asset)	\$ 981,669,810	\$ 22,110,623	\$ (35,329,182)
Plan fiduciary net position as a percentage of the total pension liability	71.10%	74.85%	157.72%
<u>2015</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total pension liability	\$ 3,052,446,539	\$ 80,112,217	\$ 63,390,014
Plan fiduciary net position	<u>2,371,710,809</u>	<u>66,675,728</u>	<u>96,282,892</u>
Net pension liability (asset)	\$ 680,735,730	\$ 13,436,489	\$ (32,892,878)
Plan fiduciary net position as a percentage of the total pension liability	77.70%	83.23%	151.89%

The plan provisions used in the measurement of the total pension liability are the same as those used in the PERS, HPRS and JSND Actuarial Valuation and Reviews as of July 1, 2016 and 2015.

Actuarial Assumptions

PERS and HPRS

The total pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

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NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Inflation	3.50%
Salary Increase (Payroll Growth)	For June 30, 2016, 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement; 4% per annum for Judges. For June 30, 2015, 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement; 4% per annum for Judges.
Investment Rate of Return	8.00%, net of investments expense, including inflation
Mortality Rates	For June 30, 2016 and June 30, 2015, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

JSND

The total pension liability was determined by an actuarial valuation as of July 1, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Inflation	3.50%
Salary Increase (Payroll Growth)	3.5% per annum
Investment Rate of Return	7.00%, net of investment expense, including inflation
Cost of Living Adjustment	3.00 per annum
Mortality Rates	For June 30, 2016 and June 30, 2015, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males, (no setback for females) multiplied by 125%.

Investment Rate of Return

The long-term expected investment rate of return assumption for PERS, HPRS and JSND was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the pension plan's target asset allocation as of July 1, 2016 are summarized in the following tables:

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

PERS & HPRS	
Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.60%
International equity	7.30%
Private equity	10.90%
Domestic fixed income	1.49%
International fixed income	-0.45%
Global real assets	5.24%
Cash equivalents	0.00%

JSND	
Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	7.16%
Core fixed income	4.26%
Limited duration fixed income	3.18%
Global Equity	7.11%
Diversified Short-Term Fixed Income	3.54%
Short-Term Corporate Fixed Income	2.48%
US High Yield	6.13%
Emerging Market Debt	7.45%

Discount Rate

The discount rate used to measure the total pension liability for PERS and HPRS was 8.00% as of June 30, 2016 and 2015. For JSND, the discount rate was 7.00% as of June 30, 2016 and 2015. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2016 and July 1, 2015 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions (for JSND it is assumed no future contribution will be made), the pension plans' fiduciary net position were projected to be available to make all projected future benefit payments for current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016 and 2015.

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Plans as of June 30, 2016, calculated using the discount rate of 8.00% for PERS and HPRS and 7.00% for JSND, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net pension liability (asset) as of June 30, 2016	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
PERS	\$ 1,401,158,232	\$ 981,669,810	\$ 628,295,237
HPRS	33,272,054	22,110,623	12,830,376
Net pension liability (asset) as of June 30, 2016	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
JSND	\$ (29,386,845)	\$ (35,329,182)	\$ (40,412,093)
Net pension liability (asset) as of June 30, 2015	1% Decrease (7.00%)	Current Discount (8.00%)	1% Increase (9.00%)
PERS	\$ 1,052,010,116	\$ 680,735,730	\$ 376,867,526
HPRS	23,140,230	13,436,489	5,494,139
Net pension liability (asset) as of June 30, 2015	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
JSND	\$ (26,578,200)	\$ (32,892,878)	\$ (38,280,035)

NOTE 10 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. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	2016	2015
Retired participants, receiving benefits	10,320	5,212
Active participants, not receiving benefits	23,664	23,237
	<u>33,984</u>	<u>28,449</u>

NOTE 10 RETIREE HEALTH INSURANCE CREDIT FUND (CONTINUED)

The Retiree Health Insurance Credit Fund has 23,664 and 23,237 active participants at June 30, 2016 and 2015, respectively. The employers' actuarially required contribution was \$7,543,743 and \$6,438,784, and the actual employer contributions were \$12,349,883 and \$11,478,599 for the periods ended June 30, 2016 and 2015, respectively.

The following is the net effect of changes in actuarial assumptions, plan provisions and plan experience on the employer's contribution rates expressed as a percent of covered payroll and the dollar impact to the actuarial accrued liability.

	ER Contribution Rate as % of Covered Payroll	Actuarial Accrued Liability
Changes in plan experience during the year	0.29%	\$ 38,441,297
Changes in plan provisions	-	-
Changes in actuarial assumptions	-	-
	<u>0.29%</u>	<u>\$ 38,441,297</u>

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute 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 for a period of eight years ending October 1, 2015. 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 Position 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. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance 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.

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows (in millions):

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 10 RETIREE HEALTH INSURANCE CREDIT FUND (CONTINUED)

Plan	Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded)		Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
				Actuarial Accrued Liability (UAAL)	Funded Ratio		
Retiree Health Credit	2016	\$ 97.8	\$ 176.6	\$ 78.8	55.4%	\$ 1,142.4	6.9%

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

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

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

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 14 years remain.

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

NOTE 10 RETIREE HEALTH INSURANCE CREDIT FUND (CONTINUED)

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

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, 2016, the date of the latest actuarial valuation include:

Mortality Rates: The RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, and the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females), multiplied by 125%.

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.

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

Inflation: 3.50% per annum.

Expenses: Prior year expenses, adjusted for inflation.

NOTE 11 IMPLICIT SUBSIDY UNFUNDED PLAN

The Implicit Subsidy Unfunded Plan 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 2015-17 biennium will continue in the future.

A retiree must be receiving a retirement allowance from NDPERS, ND TFFR or TIAA-CREF to be eligible for the retiree health care coverage. Effective July 1, 2015, eligibility for this coverage is limited to employees who retired prior to July 2015 and/or former Legislators.

The premiums for this plan are reported as premium revenue on the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Uniform Group Insurance Plan. The full amount of the premiums collected are expended each year and are reported as premium expenses on the Statement of Revenues, Expenses, and Changes in Fund Net Position in the Uniform Group Insurance Plan.

Funded Status and Funding Progress

The funded status of the plan as of the most recent actuarial valuation date is as follows (in millions):

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 11 IMPLICIT SUBSIDY UNFUNDED PLAN (CONTINUED)

Plan	Actuarial	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded (Overfunded)	Funded Ratio	Annual Covered Payroll	UAAL
	Valuation Date June 30			Actuarial Accrued Liability (UAAL)			as a Percentage of Annual Covered Payroll
Retiree Health Implicit Subsidy	2015	\$ -	\$ 8.9	\$ 8.9	0.0%	\$ -	0.0%

*See Note 10 for additional discussion on the Funded Status and Funding Progress

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2015, the date of the latest actuarial valuation include:

- Mortality Rates:** For June 30, 2015, RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females. RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females) multiplied by 125%

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.
- Withdrawal Rates:**
- Interest Rate:** 8% per annum, net of investment expenses
- Inflation:** 3.5% per annum
- Expenses:** Prior year expenses, adjusted for inflation

NOTE 12 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. Each participant may defer the lesser of \$18,000 or 100% of gross annual compensation for the calendar years of 2016 and 2015, respectively. 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.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Financial Statements
June 30, 2016 and 2015

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES (CONTINUED)

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

	2016		2015	
Plan participation by:				
State of North Dakota	\$ 69,691,547	89%	\$ 66,595,443	91%
Other jurisdictions	8,181,634	11%	6,443,394	9%
Total value	\$ 77,873,181	100%	\$ 73,038,837	100%

NOTE 13 FEDERAL INCOME TAX STATUS

The System is qualified under Section 401(a) of the Internal Revenue Code (IRC) and is exempt from the payment of any federal income taxes under Section 501(a) of the IRC and by virtue of being an agency of the state of North Dakota.

NOTE 14 UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The Uniform Group Insurance Program, a proprietary fund, contracted 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 for the 2011-2013 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2011-2013 biennium occurred on June 30, 2015. For this period, premiums exceeded claims, therefore, a gain of \$9.5 million was returned to the System. The System entered into a similar contract with BCBS for the 2013–2015 biennium. The accumulated surplus and other invested funds in the amount of \$47 million are shown as cash on the System’s balance sheet. No other insurance contracts have a gain sharing provision. During fiscal year 2014, the System Board made the decision to use a portion of the accumulated surplus, to reduce the health premiums by approximately 2% for the 2013-2015 biennium.

The System entered into a similar contract with Sanford Health Plan for the 2015-2017 biennium. The contract for the 2015-2017 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2015 – 2017 biennium will occur in 2019. The System has \$3.0 million at risk, and it is reasonably assured claims will exceed premiums, and the full \$3.0 million that is at risk was recorded as an underwriting loss in 2016, and shown as a liability to Sanford Health Plan.

NOTE 15 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.

NOTE 15 RISK MANAGEMENT (CONTINUED)

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 16 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 17 RECLASSIFICATION

Certain amounts from the prior year financial statements have been reclassified to conform to the presentation of the current year financial statements.

NOTE 18 SUBSEQUENT EVENTS

The System evaluated subsequent events through November 4, 2016, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 4, 2016 that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2016.

NOTE 19 CONTINGENCY

The State Investment Board has been named as a defendant in two cases, arising out of the Tribune and General Motors bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained for both cases, in addition to assistance received from the ND Office of Attorney General. As of June 30, 2016, no liability has been recorded as it is too early in the litigation process to reasonably determine whether any payments will be required. Any anticipated payments would be immaterial in nature.

**North Dakota Public Employees Retirement System – Financial Section
Required Supplementary Information
Schedule of Changes to the Net Pension Liability and Related Ratios
For the Years Ended June 30**

	Public Employees Retirement System			Highway Patrolmen's Retirement System			Retirement Plan for Employees of Job Service North Dakota		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Total pension liability									
Service cost	\$ 126,443,929	\$ 104,158,320	\$ 94,611,357	\$ 2,226,286	\$ 2,038,291	\$ 1,894,183	\$ 71,420	\$ 127,734	\$ 87,668
Interest	243,284,784	236,419,648	218,719,441	6,311,403	6,007,875	5,750,017	4,281,440	5,026,167	5,107,459
Change of benefit terms	-	2,615	-	-	-	-	-	-	-
Differences between expected and actual experience	15,914,938	4,395,805	25,782,859	39,748	984,241	(299,964)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of assumptions	108,139,418	(76,152,255)	-	3,945,801	394,419	-	69,885	(309,878)	-
Benefit payments, including refund of employee contributions	(149,664,141)	(134,929,737)	(119,886,323)	(4,713,495)	(4,745,510)	(3,784,735)	(4,601,196)	(4,694,171)	(4,594,462)
Net change in total pension liability	344,118,928	133,894,396	219,227,334	7,809,743	4,679,316	3,559,501	(2,185,242)	(1,656,419)	(1,006,368)
Total pension liability (asset) - beginning	3,052,446,539	2,918,552,143	2,699,324,809	80,112,217	75,432,901	71,873,400	63,390,014	65,046,433	66,052,801
Total pension liability (asset) - ending (a)	\$ 3,396,565,467	\$ 3,052,446,539	\$ 2,918,552,143	\$ 87,921,960	\$ 80,112,217	\$ 75,432,901	\$ 61,204,772	\$ 63,390,014	\$ 65,046,433
Plan fiduciary net position									
Contributions - employer	\$ 77,080,576	\$ 70,842,535	\$ 61,661,050	\$ 2,127,355	\$ 2,002,291	\$ 1,864,632	\$ -	\$ -	\$ -
Contributions - employee	74,218,276	68,392,061	59,394,200	1,436,236	1,351,798	1,243,520	44,178	50,142	55,748
Service credit repurchase	9,179,163	6,651,879	8,325,140	-	96,429	87,418	-	-	-
Net investment income	11,333,836	81,536,565	316,629,563	316,963	2,334,780	9,239,929	4,840,333	3,260,507	11,887,840
Transfers from other plans	23,574,937	-	-	-	-	-	-	-	-
Benefit payments, including refund of employee contributions	(149,664,141)	(134,929,737)	(119,886,324)	(4,713,495)	(4,745,510)	(3,784,735)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative expense	(2,537,799)	(2,365,357)	(2,210,792)	(31,450)	(30,925)	(27,983)	(32,253)	(30,214)	(31,455)
Net change in plan fiduciary net position	43,184,848	90,127,946	323,912,837	(864,391)	1,008,863	8,622,781	251,062	(1,413,736)	7,317,671
Plan fiduciary net position - beginning	2,371,710,809	2,281,582,863	1,957,670,026	66,675,728	65,666,865	57,044,084	96,282,892	97,696,628	90,378,957
Plan fiduciary net position - ending (b)	\$ 2,414,895,657	\$ 2,371,710,809	\$ 2,281,582,863	\$ 65,811,337	\$ 66,675,728	\$ 65,666,865	\$ 96,533,954	\$ 96,282,892	\$ 97,696,628
Net pension liability (asset) - ending (a) - (b)	\$ 981,669,810	\$ 680,735,730	\$ 636,969,280	\$ 22,110,623	\$ 13,436,489	\$ 9,766,036	\$ (35,329,182)	\$ (32,892,878)	\$ (32,650,195)
Plan fiduciary net position as a percentage of the total pension liability	71.10%	77.70%	78.18%	74.85%	83.23%	87.05%	157.72%	151.89%	150.20%
Covered employee payroll	\$ 1,048,548,467	\$ 973,536,402	\$ 888,452,060	\$ 10,526,791	\$ 10,145,713	\$ 9,348,386	\$ 564,684	\$ 790,649	\$ 842,601
Plan net pension liability (asset) as a percentage of covered employee payroll	93.62%	69.92%	71.69%	210.04%	132.44%	104.47%	(6,256.45)%	(4,160.24)%	(3,874.93)%

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

**North Dakota Public Employees Retirement System – Financial Section
Required Supplementary Information
Schedule of Employer Contributions
For the Years Ended June 30**

Public Employees Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	124,336	107,514	107,864	97,985	91,458	82,910	54,158	40,327	35,875	38,185
Contributions in relation to the actuarially determined	77,081	70,843	61,661	48,847	38,006	32,278	30,253	27,705	25,254	23,141
Contribution deficiency (excess)	47,255	36,671	46,203	49,138	53,452	50,632	23,905	12,622	10,621	15,044
Covered-employee payroll	1,048,548	973,536	888,452	800,878	804,169	769,710	697,737	640,685	582,287	547,006
Contributions as a percentage of covered-employee	7.35%	7.28%	6.94%	6.10%	4.73%	4.19%	4.34%	4.32%	4.34%	4.23%

Highway Patrolmen's Retirement System

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	2,307	2,201	2,348	2,191	2,171	1,744	1,313	1,026	924	1,083
Contributions in relation to the actuarially determined	2,127	2,002	1,865	1,586	1,423	1,286	1,197	1,123	1,059	960
Contribution deficiency (excess)	180	199	483	605	748	458	116	(97)	(135)	123
Covered-employee payroll	10,527	10,146	9,348	8,167	8,002	7,738	7,009	6,509	6,129	5,688
Contributions as a percentage of covered-employee	20.21%	19.73%	19.95%	19.42%	17.78%	16.62%	17.08%	17.25%	17.28%	16.88%

Retirement Plan for Employees of Job Service North Dakota

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contributions in relation to the actuarially determined	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	565	791	843	1,011	1,163	1,266	1,487	1,613	1,843	1,923
Contributions as a percentage of covered-employee	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

North Dakota Public Employees Retirement System – Financial Section
Notes to the Required Supplementary Information
For the Years Ended June 30, 2016 and 2015

PERS

Benefit Changes: New employer contribution rates were adopted beginning July 1, 2016 for members of the BCI plan, which are a part of the Law Enforcement System. Those changes are reflected in the results for June 30, 2015.

New employer and member contribution rates were adopted beginning August 1, 2015 for members of the National Guard system who were transferred to the Law Enforcement System. Those changes are reflected in the results for June 30, 2015.

New employer and member contribution rates were adopted beginning January 1, 2014 for PERS. Those changes are reflected in the results for June 30, 2014 and after.

Changes of Assumptions: The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

HPRS

Benefit Changes: New employer and member contribution rates were adopted beginning January 1, 2014 for PERS. Those changes are reflected in the results for June 30, 2014 and after.

Changes of Assumptions: The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

JSND

Benefit Changes: There were no changes made in the plan provisions since the prior valuation

Changes of Assumptions: The actuarial assumptions used in the July 1, 2016 and 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

North Dakota Public Employees Retirement System – Financial Section
Notes to the Required Supplementary Information
For the Years Ended June 30, 2016 and 2015

Schedule of Employer Contributions

Valuation date Actuarially determined contribution rates are calculated as of June 30, 12 months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to establish “actuarially determined contribution” rates for PERS and HPRS:

Actuarial cost method Entry Age Normal Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

Amortization Method Level percent of payroll, Open Period

Remaining amortization period 20 years open, assuming 4.50% (4.00% for Judges) of payroll growth per annum

Asset valuation method Adjusted fair 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

Methods and assumptions used to establish “actuarially determined contribution” rates for JSND:

Actuarial cost method Frozen Initial Liability Cost Method. 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. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method. The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.

Asset valuation method Adjusted fair 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.

**North Dakota Public Employees Retirement System – Financial Section
Required Supplementary Information
Schedule of Investment Returns**

**Schedule of Investment Returns
For the Four Years Ended June 30**

	2016	2015	2014	2013
Public Employees Retirement	0.49%	3.61%	16.29%	13.52%
Highway Patrolmen's Retirement	0.48%	3.66%	16.20%	13.38%
Retirement Plan for Employees of Job Service North Dakota	5.14%	3.41%	13.46%	12.07%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available

**North Dakota Public Employees Retirement System – Financial Section
 Required Supplementary Information
 Schedule Employer Contributions
 For the Years Ended June 30**

***Retiree Health Insurance Credit
 Advance Funded Plan***

Year Ended June 30	Required Contribution	Percentage Contributed
2011	7,053,215	127%
2012	7,263,487	129%
2013	7,410,911	134%
2014	7,014,084	153%
2015	6,438,784	178%
2016	7,543,743	152%

Retiree Health Implicit Subsidy Plan

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2011	7,295,000	0%
2012	7,854,425	0%
2013	8,212,947	0%
2014	3,053,866	0%
2015	2,848,396	0%
2016	686,429	0%

**North Dakota Public Employees Retirement System – Financial Section
 Required Supplementary Information
 Schedule of Funding Progress – RHIC
 For the Years Ended June 30**

**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
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%
2014	116.6	77.9	38.7	66.8%	1,001.2	3.9%
2015	128.9	89.4	39.5	69.4%	1,052.7	3.8%
2016	176.6	97.8	78.8	55.4%	1,142.4	6.9%

**Retiree Health Implicit Subsidy Plan
 (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
2009	53.7	-	53.7	0.0%	-	0.0%
2011	65.2	-	65.2	0.0%	-	0.0%
2013	33.8	-	33.8	0.0%	-	0.0%
2015	6.9	-	6.9	0.0%	-	0.0%

**North Dakota Public Employees Retirement System – Financial Section
 Supplemental Information
 Schedule of Investment Expenses – Fiduciary Funds**

**SCHEDULE OF INVESTMENT EXPENSES
 Fiduciary Funds
 For the Fiscal Year Ended June 30, 2016**

	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	\$ 6,789,869	\$ 191,154	\$ 292,820	\$ -	\$ -	\$ -	\$ 166,226
Administrative Expenses	343,042	8,801	-	-	-	-	-
	<u>7,132,911</u>	<u>199,955</u>	<u>292,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>166,226</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	11,925	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,925</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u>\$ 7,132,911</u>	<u>\$ 199,955</u>	<u>\$ 292,820</u>	<u>\$ 11,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,226</u>

**North Dakota Public Employees Retirement System – Financial Section
 Supplemental Information
 Schedule of Investment Expenses – Fiduciary Funds**

**SCHEDULE OF INVESTMENT EXPENSES
 Fiduciary Funds
 For the Fiscal Year Ended June 30, 2015**

	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	\$ 7,639,829	\$ 219,242	\$ 281,478	\$ -	\$ -	\$ -	\$ 279,285
Administrative Expenses	309,008	11,321	-	-	-	-	-
	<u>7,948,837</u>	<u>230,563</u>	<u>281,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,285</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	19,907	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,907</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u>\$ 7,948,837</u>	<u>\$ 230,563</u>	<u>\$ 281,478</u>	<u>\$ 19,907</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 279,285</u>

**North Dakota Public Employees Retirement System – Financial Section
Supplemental Information
Schedule of Administrative Expenses – Fiduciary Funds**

SCHEDULE OF ADMINISTRATIVE EXPENSES

Fiduciary Funds

For the Fiscal Year Ended June 30, 2016

	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	821,333	5,842	71,268	3,072	174,231	354,495	4,010
Social security	59,954	426	5,186	224	12,744	26,010	291
Retirement	97,184	691	8,318	359	19,992	40,488	468
Insurance	191,220	1,360	15,314	660	35,539	65,800	860
Total Personnel Services	1,169,691	8,319	100,086	4,315	242,506	486,793	5,629
Professional Services:							
Actuarial	262,795	14,650	13,700	1,622	-	-	19,500
Audit	39,626	282	3,609	155	9,994	19,954	199
Data processing	131,495	935	11,288	1,137	28,627	52,184	636
Consulting	213,432	1,518	19,843	779	68,043	106,491	998
Legal counsel	16,813	120	3,417	1,501	3,539	6,942	277
Misc outside services	28,546	204	214,758	107	104,613	14,859	1,447
Total Professional Services	692,707	17,709	266,615	5,301	214,816	200,430	23,057
Communication:							
Printing	15,248	108	1,910	48	1,877	1,795	67
Postage	56,794	404	5,513	357	9,543	9,548	270
Telephone	9,735	69	772	33	1,782	2,614	44
Total Communication	81,777	581	8,195	438	13,202	13,957	381
Rentals:							
Equipment rent	2,614	18	238	12	659	1,316	13
Office rent	67,090	477	6,423	262	16,751	33,208	335
Total Rentals	69,704	495	6,661	274	17,410	34,524	348
Miscellaneous:							
Depreciation/amortization	384,151	3,337	36,912	2,649	96,704	193,408	2,264
Dues and prof development	14,184	101	796	34	870	2,226	40
Insurance	432	3	39	1	99	238	2
Miscellaneous	14,874	119	2,355	67	4,184	-	3
Repairs and maintenance	2,699	19	246	11	681	1,359	13
Supplies	95,836	683	8,767	476	24,388	48,099	483
Travel	11,744	84	619	27	229	1,987	33
Total Miscellaneous	523,920	4,346	49,734	3,265	127,155	247,317	2,838
Total Administrative Expenses	\$2,537,799	\$31,450	\$431,291	\$13,593	\$615,089	\$983,021	\$32,253

North Dakota Public Employees Retirement System – Financial Section
Supplemental Information
Schedule of Administrative Expenses – Fiduciary Funds

SCHEDULE OF ADMINISTRATIVE EXPENSES
Fiduciary Funds
For the Fiscal Year Ended June 30, 2015

	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	739,262	5,915	73,407	4,742	158,535	333,568	3,035
Social security	54,930	440	5,451	352	11,720	25,115	225
Retirement	85,323	683	8,466	547	18,491	38,516	350
Insurance	159,195	1,274	14,768	954	31,214	58,841	611
Total Personnel Services	1,038,710	8,312	102,092	6,595	219,960	456,040	4,221
Professional Services:							
Actuarial	302,090	14,200	13,300	0	0	0	19,200
Audit	81,393	651	4,310	278	4,092	8,184	178
Data processing	75,182	602	7,317	807	16,032	31,149	303
Consulting	150,423	1,197	14,813	871	33,489	71,528	558
Legal counsel	39,362	315	4,007	512	2,882	6,219	780
Misc outside services	12,334	99	1,744	79	105,253	4,469	1,619
Total Professional Services	660,784	17,064	45,491	2,547	161,748	121,549	22,638
Communication:							
Printing	17,738	142	5,561	85	2,355	1,354	54
Postage	52,454	420	7,528	448	13,747	8,834	198
Telephone	10,322	83	948	61	1,909	3,044	39
Total Communication	80,514	645	14,037	594	14,193	13,232	291
Rentals:							
Equipment rent	2,862	23	292	19	721	1,294	12
Office rent	53,746	430	5,492	355	13,544	26,789	227
Total Rentals	56,608	453	5,784	374	14,265	28,083	239
Miscellaneous:							
Depreciation/amortization	383,613	3,326	36,863	2,647	96,569	193,138	2,262
Dues and prof development	13,463	108	776	50	692	1,089	32
Insurance	318	3	32	2	80	160	1
Miscellaneous	20,839	130	1,829	108	4,192	7,979	72
Repairs and maintenance	2,778	22	283	18	700	1,400	12
Supplies	94,560	757	9,631	722	23,994	47,291	398
Travel	13,170	105	1,171	76	225	1,183	48
Total Miscellaneous	528,741	4,451	50,585	3,623	126,452	252,240	2,825
Total Administrative Expenses	\$2,365,357	\$30,925	\$217,989	\$13,733	\$536,618	\$871,144	\$30,214

North Dakota Public Employees Retirement System – Financial Section
Supplemental Information
Schedule of Consultant Expenses – Fiduciary Funds

Schedule of Consultant Expenses
Fiduciary Funds
For the Fiscal Year Ended June 30, 2016

	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	\$ 262,795	\$ 14,650	\$ 13,700	\$ 1,623	\$ -	\$ -	\$ 19,500
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	39,626	282	3,609	156	9,994	19,954	199
Disability Consulting Fees:							
Mid Dakota Clinic	8,300	59	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	183,572	1,412	18,073	779	46,329	92,509	998
Agency MABU	14,876	-	-	-	3,719	6,977	-
Miscellaneous Consulting Fees:							
The Segal Company	3,374	24	1,770	-	17,995	7,006	-
Callan Associates, Inc.	3,310	23	-	-	-	-	-
Ice Miller, LLP	522	4	286	12	-	-	25
ND Attorney General	16,291	116	3,131	1,489	3,539	6,942	251
Totals	\$ 532,666	\$ 16,570	\$ 40,569	\$ 4,059	\$ 81,576	\$ 133,388	\$ 20,973

**North Dakota Public Employees Retirement System – Financial Section
Supplemental Information
Schedule of Consultant Expenses – Fiduciary Funds**

	Schedule of Consultant Expenses Fiduciary Funds For the Fiscal Year Ended June 30, 2015						
	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	\$ 302,090	\$ 14,200	\$ 13,300	\$ -	\$ -	\$ -	\$ 19,200
Audit/Accounting Fees:							
Brady, Martz & Associates	81,393	651	4,310	278	4,092	8,184	178
Disability Consulting Fees:							
Mid Dakota Clinic	8,600	65	-	-	-	-	-
IT Consulting							
Sagitec Solution LLC	132,336	1,060	13,483	871	33,349	66,698	558
Miscellaneous Consulting Fees:							
Callan Associates, Inc.	5,000	38	-	-	-	-	-
Eide Bailly LLP	3,675	28	-	-	-	-	-
The Segal Company	812	6	1,330	-	140	4,830	-
Ice Miller, LLP	23,846	191	1,939	125	-	-	80
ND Attorney General	15,516	124	2,068	387	2,882	6,219	700
Totals	\$ 573,268	\$ 16,363	\$ 36,430	\$ 1,661	\$ 40,463	\$ 85,931	\$ 20,716

North Dakota Public Employees Retirement System – Financial Section
Statement of Appropriations
June 30, 2016

	Approved 2015-2017	2015-2017 Appropriation	Adjusted 2015-2017	2016 Expenditures	Unexpended
ALL FUND TYPES					
Salaries and Wages	\$ 6,415,360	\$ 5,400	\$ 6,420,760	\$ 2,842,248	\$ 3,578,512
Accrued Leave payments	-	-	-	-	-
Operating Expenses	2,831,013	-	2,831,013	1,521,003	1,310,010
Contingency	250,000	-	250,000	-	250,000
	<u>9,496,373</u>	<u>5,400</u>	<u>9,501,773</u>	<u>4,363,251</u>	<u>5,138,522</u>

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2016
Pension trust funds	\$ 4,644,496
Enterprise funds - Group Insurance	336,704,934
Total administrative expenses	<u>341,349,430</u>
Adjustments:	
Change in accrued compensated absences	(33,795)
Change in prepaid expenses	(690)
Professional Fees, premiums and benefits paid pursuant to NDCC54-52-	(335,943,986)
Miscellaneous income reclassified to miscellaneous expense	1,932
Amortization Expense	(1,009,537)
Contribution/premium over & short	<u>(103)</u>
	<u><u>\$ 4,363,251</u></u>



INVESTMENT SECTION



ND Retirement and Investment Office

*State Investment Board
Teachers' Fund for Retirement*

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
Telephone 701-328-9885
Toll Free 800-952-2970
Fax 701-328-9897
www.nd.gov/rio

November 15, 2016

Board of Trustees
Members of the System

This report is a summary of the investment portfolios managed by the State Investment Board (SIB) and market environment for the fiscal year ended June 30, 2016.

Introduction

For the fiscal year ended June 30, 2016, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of 0.28%. The Job Service Pension Plan experienced a net total return of 5.45% for the same time period, while the Retiree Health Insurance Credit Fund returned 0.72% net of fees. 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, 2016

Several macro-economic events drove capital market volatility in the second half of 2015. Among these were fears of Greece exiting the European Union (E.U.) and the subsequent run on their banks, a slowing Chinese economy and their devaluation of the yuan, and oil prices that slid 34%. Adding to global market volatility was the uncertainty surrounding U.S. interest rates that culminated in the U.S. Federal Reserve moving off its zero interest rate policy to a target range of 0.25%-0.50% at its December 2015 meeting.

Calendar year 2016 started off with a slide in oil and equity prices that lasted until mid-February when both oil and stock prices stabilized, then reversed course, climbing throughout the rest of the fiscal year. During the second quarter, employers added an average of 175,000 jobs pushing the unemployment rate to end June at 4.9% versus 5.3% a year earlier. Despite this strong data, the U.S. Federal Reserve chose not to raise rates at their June 2016 meeting citing weak business capital investment and the surprisingly low May jobs creation figures. Headline and core CPI ended the fiscal year rising 1.0% and 2.3% year-over-year, respectively.

U.S. GDP growth was modestly positive over the 2016 fiscal year. Based on the most recent estimates, quarterly annualized GDP growth for the second quarter 2016 was 1.1%. Mirroring the slow growth rate in the U.S., euro zone GDP rose 1.6% during the same time period.

In international markets, the European Central Bank announced a new stimulus package in December that had muted effects. As the calendar year turned from 2015 to 2016, concerns about global growth were building. Japan continued its quantitative easing program by reducing its 10-year benchmark interest rate to -0.1% in an attempt to stimulate growth and support its capital markets. During this period, Japan and Germany became the second and third countries respectively to issue negative yielding 10-year debt. Despite these events, markets rallied in March and April. This momentum however stalled in late May when concerns regarding mediocre global growth figures and the U.K. referendum to leave the E.U. appeared to be gaining support. On June 23rd, the U.K. voted unexpectedly to exit the E.U., leading to a sharp global equity market selloff erasing two trillion dollars in a single day with the British Pound hitting a 31-year low. The U.S. dollar and yen rallied. Global equity markets digested the event in short order and recovered swiftly, reducing fears of a broad systemic event.

Domestic Equity Overview

The fiscal year ended June 30, 2016 brought positive yet muted returns across most of the domestic equity market. The S&P 1500 Index, a broad market indicator for the U.S. stock market, finished the fiscal year up 3.64%. Large cap stocks performed better than small cap stocks during the time period. The S&P 500, a gauge of large cap stock performance,

outperformed its small cap peers by a wide margin. The S&P 500 rose 3.99% while the S&P 600 returned -0.03%. During this period value stocks outperformed growth stocks with the Russell 3000 Value Index advancing 2.42% versus a gain of 1.88% for the Russell 3000 Growth Index.

International Equity Overview

Developed International equity market returns, as represented by the MSCI EAFE Index, fell during fiscal year 2016. The index returned -10.16%, lagging its -4.22% performance in the prior fiscal year 2015. Growth fared better than Value in the international developed equity space. For the trailing twelve-months ended June 30, 2016, the MSCI EAFE Growth Index lost only 4.80% while the MSCI EAFE Value Index plummeted 15.43%. Emerging market equity returns trailed developed market returns for the fiscal year despite the rally in emerging market equities during the second quarter of the calendar year. The MSCI Emerging Markets Index dipped 12.05% over the trailing 12-months ended June 30, 2016. Overall, it was a lackluster year for international stock markets.

Private Equity

The private equity market decelerated in fiscal year 2016, but was still strong as institutional investors placed significant capital into new programs. According to the Dow Jones Private Equity Analyst service, 677 new partnerships were formed raising \$269 billion in commitments during the past 12 months. Compared to fiscal year 2015, this is a decrease in both the total number of new partnerships formed (741) and dollars invested (\$291 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 Aggregate Bond Index, jumped 6.00% in fiscal year 2016. The yield curve shifted downward and flattened throughout the period, rewarding holders of longer duration bonds. The Barclays Government Index rose 6.04% over the 12-month period. Given the environment, the Barclays Government Long Index returned a generous 18.98%. The Barclays Credit Index rose 7.55% for the same time period as spreads compressed versus Treasuries. High yield bonds, despite a rally in the first six months of 2016, returned only 1.62% over the trailing 12-months (Barclays Corporate High Yield Index).

International Fixed Income Overview

International fixed income markets performed well in fiscal year 2016. The Barclays Global Aggregate ex-US Bond Index rose 11.24%. Sovereign yields in Europe remained low for the fiscal year, even falling into negative territory in some areas, leading the Citi Euro Government Bond Index to a gain of 8.59%. The U.S. dollar went through periods of weakening and strengthening relative to the euro, yen, and pound during the last 12 months, which had mixed effects on dollar denominated returns versus local currency returns. Emerging market countries gained some long awaited footing during fiscal year 2016; the JP Morgan Emerging Markets Bond Index Plus surged 13.22% over the 12 month period.

Real Estate Overview

The NCREIF Property Index, a measure of the direct private real estate market, gained 10.64% during the 2016 fiscal year. The index was positive in each of the four quarters, extending its winning streak to 26 straight quarters. The FTSE NAREIT Equity Index, a measure of the public securities real estate market, skyrocketed 24.04%.

Timber

The timber sector has maintained its market size over the course of the last twelve months. As of June 30, 2016 the total size of the NCREIF Timberland Property Index was \$24.2 billion, representing approximately 13.4 million acres of land. The index was up year over year, returning 3.49% for the twelve months ending June 30, 2016, consisting of a 0.86% appreciation return and a 2.50% income return. The Northwest was the best performing region by gaining 6.02% for the year ended June 30, 2016. The South remains the largest region, representing \$17.3 billion in market value and 9.7 million acres of land.

Infrastructure

Approximately 4.4% of the PERS pension plan assets are invested in infrastructure investments. These types of strategies are spread among four strategies: the JP Morgan Asian Infrastructure fund; the JP Morgan Infrastructure Fund; the Grosvenor Infrastructure Fund; and the Grosvenor Infrastructure II Fund.

By definition, infrastructure assets are essential to the economic health and productivity of civilized society. They include the basic facilities, services, and installations needed for the functioning of a community, such as transit and communications systems; both potable and sewage water lines; and electricity access. They also include such public entities as schools, post offices, and incarceration facilities. Most of these facilities have traditionally been owned and regulated by municipalities and states. The private sector's participation has been limited, to varying degrees, to the areas of design, construction, and operation. Budget and fiscal pressures limit the ability of public authorities to maintain existing infrastructure, much less to build the new facilities required by a growing population. In response to these problems, many municipalities and states have sold or are contemplating the sale of their infrastructure assets to private investors.

Over the one-year period ended June 30, 2016, the PERS infrastructure investments provided net returns of 2.89%.


Summary

Amid a backdrop of modest economic growth, low central bank-controlled interest rates, and unpredictable political events, investment performance in absolute terms for the PERS investment funds was muted in fiscal year 2016. With respect to relative performance, the Job Service Pension Fund outperformed its respective policy benchmark, while the PERS main plan, Retiree Health Insurance Credit Fund and the Group Insurance Fund underperformed. Performance was favorably impacted by exposure to private real estate, whereas international and global equities detracted from total fund performance.

While absolute returns in fiscal year 2016 were unexceptional, performance over longer periods has been better. Over the past five years ending June 30, 2016, the PERS main plan earned 6.48%; over the past seven years, which most closely approximates the most recent market cycle, PERS main plan returned a healthy 9.50%. The other PERS sponsored funds have seen similar performance.

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 portfolios of all investment clients in the future.

Sincerely,



DARREN SCHULZ, CFA
Deputy Chief Investment Officer



DAVID HUNTER
Executive Director/Chief Investment Officer

North Dakota Public Employees Retirement System – Investment Section 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 believes that 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 minimum 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:

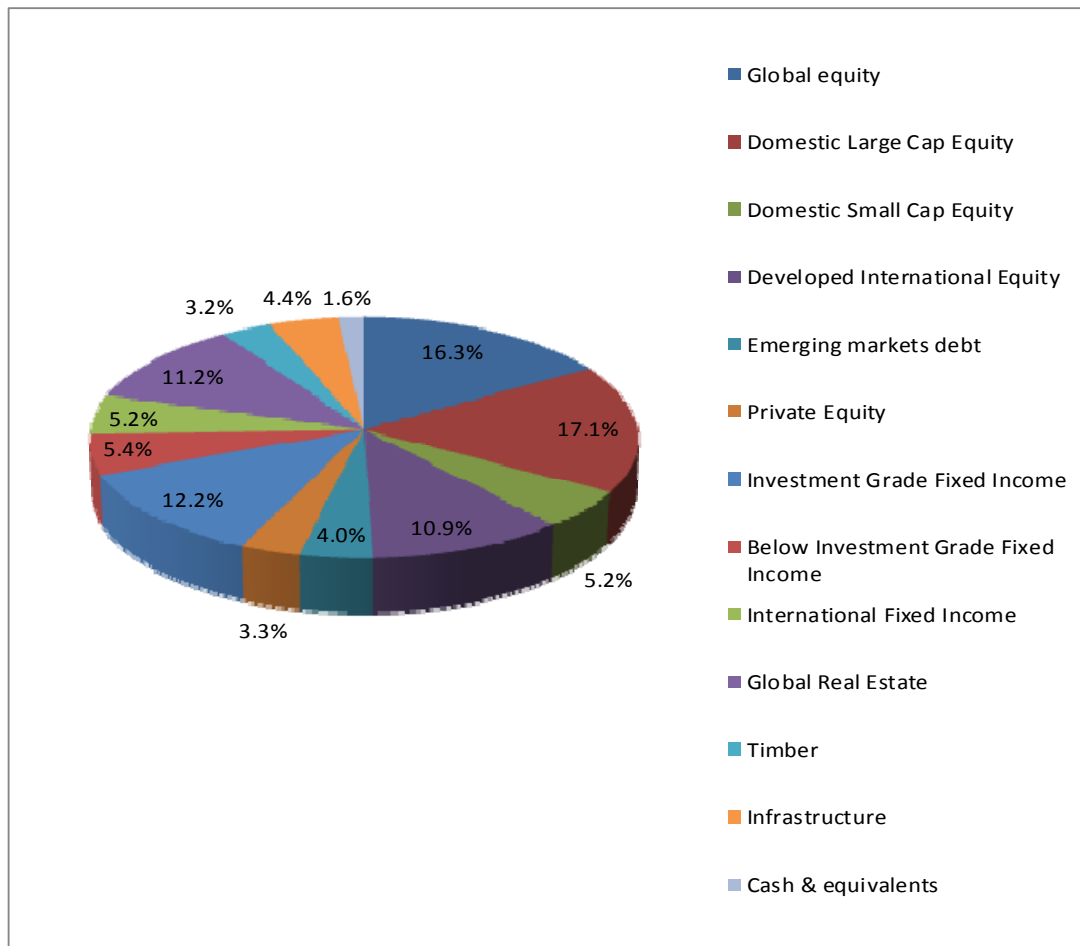
- To maintain a level of surplus sufficient to eliminate the need for future contributions.
- To achieve a rate of return which exceeds the rate of inflation, as measured by the Consumer Price Index, by 3.0 percentage points per year (based on current actuarial assumptions of 7.0% return and 2-3% inflation), over a complete market cycle.
- To maximize the Plan’s surplus to increase future benefit payments as a secondary objective.

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.

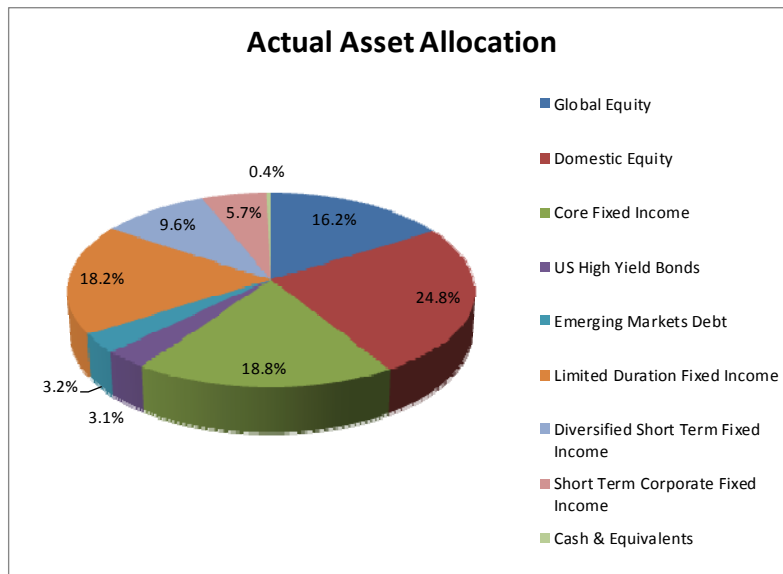
The SIB is responsible for carrying out the Retirement Board’s investment goals, objectives and policies; implementing the asset allocation plan submitted by the System, maintaining a separate accounting and preparing periodic investment performance reports for the System funds under their authority.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

Public Employees and Highway Patrolmen's Retirement Systems Asset Allocation - June 30, 2016



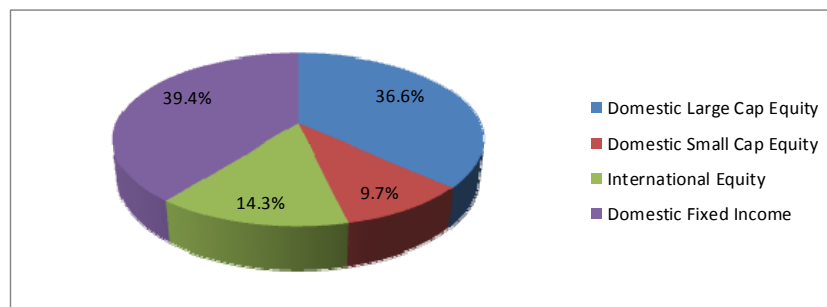
<u>Asset Class</u>	<u>Market Value</u>	<u>Actual %</u>	<u>Policy %</u>
Global equity	\$ 401,303,182	16.3%	16.0%
Domestic Large Cap Equity	419,064,147	17.1%	16.6%
Domestic Small Cap Equity	127,226,789	5.2%	4.8%
Developed International Equity	268,326,951	10.9%	11.1%
Emerging markets debt	97,958,756	4.0%	3.5%
Private Equity	79,938,588	3.3%	5.0%
Investment Grade Fixed Income	300,823,633	12.2%	12.0%
Below Investment Grade Fixed Income	132,346,683	5.4%	5.0%
International Fixed Income	128,117,893	5.2%	5.0%
Global Real Estate	274,892,127	11.2%	10.0%
Timber	77,459,623	3.2%	5.0%
Infrastructure	107,411,055	4.4%	5.0%
Cash & equivalents	38,598,744	1.6%	1.0%
Total	\$ 2,453,468,171	100.0%	100.0%

Job Service Retirement Plan Asset Allocation - June 30, 2016



Asset Class	Market Value	Actual %	Policy %
Global Equity	\$ 15,695,311	16.2%	16.0%
Domestic Equity	23,942,085	24.8%	24.0%
Core Fixed Income	18,171,485	18.8%	19.0%
US High Yield Bonds	2,959,404	3.1%	3.0%
Emerging Markets Debt	3,085,168	3.2%	3.0%
Limited Duration Fixed Income	17,585,107	18.2%	19.0%
Diversified Short Term Fixed Income	9,248,038	9.6%	10.0%
Short Term Corporate Fixed Income	5,509,726	5.7%	6.0%
Cash & Equivalents	391,845	0.4%	0.0%
Total	\$ 96,588,169	100.0%	100.0%

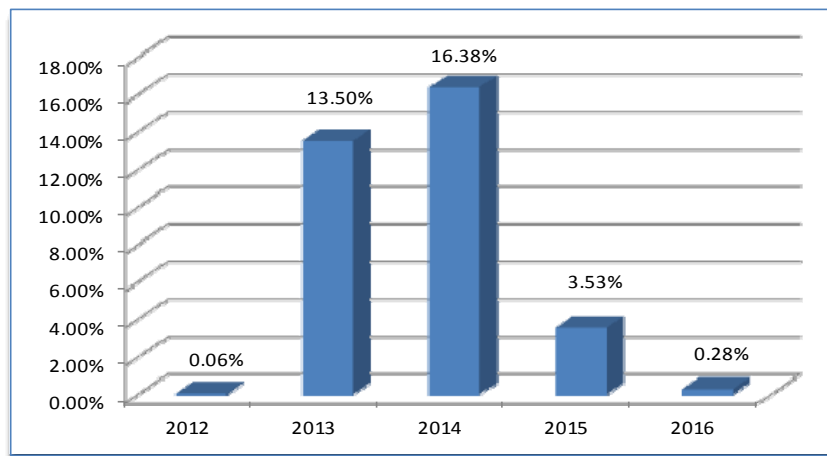
Retiree Health Insurance Credit Program Asset Allocation - June 30, 2016



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	\$ 37,923,758	36.6%	37.0%
Domestic Small Cap Equity	9,186,964	9.7%	9.0%
International Equity	12,792,493	14.3%	14.0%
Domestic Fixed Income	41,622,146	39.4%	40.0%
Total	\$ 101,525,361	100.0%	100.0%

**North Dakota Public Employees Retirement System – Investment Section
Investment Results**

**Public Employees and Highway Patrolmen's
Retirement Systems Investment Results**



**Public Employees and Highway Patrolmen's Retirement Systems (PERS)
Schedule of Investment Results⁽¹⁾
For the Five Years Ended June 30, 2016**

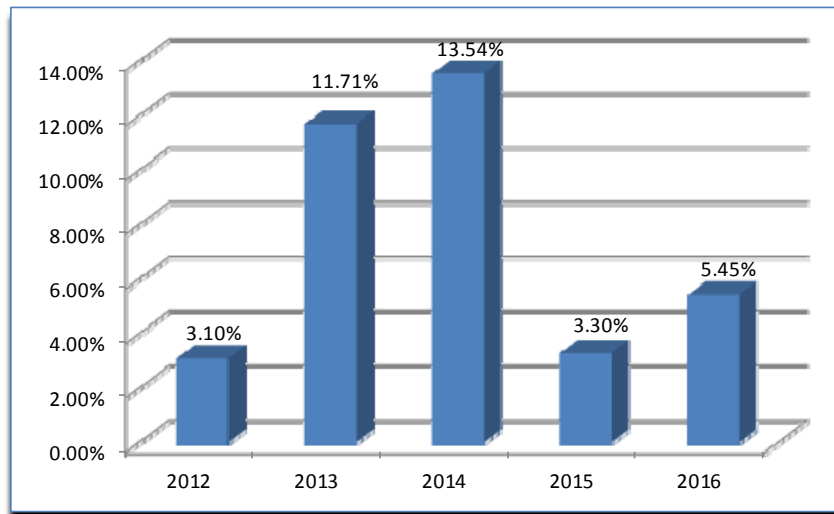
	2012	2013	2014	2015	2016	Annualized	
						3 Year	5 Year
Total Fund (PERS)	0.60%	13.50%	16.38%	3.53%	0.28%	6.51%	6.49%
CPI	1.58%	1.75%	2.04%	-0.38%	0.64%	0.76%	1.12%
Global Equity ⁽²⁾	-	17.06%	23.25%	4.67%	-7.27%	5.70%	-
MSCI World	-	18.58%	24.05%	1.43%	-2.78%	6.95%	-
Large Cap Domestic Equities	3.68%	23.13%	25.21%	9.48%	4.52%	12.60%	12.65%
Russell 1000	5.34%	21.24%	25.35%	7.37%	2.93%	11.48%	12.09%
Small Cap Domestic Equities	0.23%	26.86%	24.73%	5.77%	-7.04%	6.86%	9.03%
Russell 2000	-2.08%	24.21%	23.64%	6.49%	-6.73%	7.09%	8.35%
Developed International Equities	-14.72%	20.94%	26.19%	-3.10%	-7.92%	3.86%	2.65%
MSCI EAFE	-13.83%	18.62%	23.57%	-4.22%	-10.16%	2.06%	1.68%
Emerging Markets Equities	-9.21%	4.55%	12.58%	-0.86%	-9.26%	0.29%	-1.03%
MSCI Emerging Markets Net	-15.94%	2.87%	14.31%	-5.12%	-12.05%	-1.56%	-3.78%
Private Equity ⁽³⁾	14.99%	6.69%	4.07%	-5.39%	-7.20%	-2.98%	0.41%
Investment Grade Fixed Income	6.24%	5.13%	5.64%	3.66%	5.00%	4.69%	5.01%
Barclays Aggregate	7.47%	-0.69%	4.37%	1.86%	6.00%	4.06%	3.76%
Below Investment Grade Fixed Income	3.46%	14.10%	13.51%	2.53%	0.28%	4.98%	6.26%
Barclays High Yield Corp 2% Issuer Cap	7.21%	9.49%	11.72%	-0.39%	1.65%	4.20%	5.84%
International Fixed Income	4.62%	0.83%	8.58%	-9.37%	7.50%	1.65%	1.93%
BC Global Aggregate ex US	-0.03%	-3.40%	9.42%	-13.19%	11.24%	1.85%	0.35%
Global Real Estate	12.97%	11.05%	16.77%	15.78%	11.34%	14.26%	13.13%
NCREIF Total	12.04%	10.72%	11.21%	12.98%	10.64%	11.61%	11.51%
Timber ⁽²⁾	-	0.58%	2.62%	3.94%	4.34%	3.63%	-
NCREIF Timber	-	9.37%	9.92%	10.02%	3.39%	7.73%	-
Infrastructure ⁽²⁾	-	12.33%	9.50%	1.23%	2.88%	4.09%	-
CPI	-	1.75%	2.04%	-0.38%	0.64%	0.76%	-
Cash	0.13%	0.10%	0.04%	0.07%	0.29%	0.13%	0.11%
90 Day T-bills	0.06%	0.11%	0.05%	0.02%	0.19%	0.09%	0.09%

⁽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. For total fund policy purposes, the actual asset class return is used.

**Job Service Retirement Plan
Investment Results**



**Job Service Retirement Plan
Schedule of Investment Results⁽¹⁾⁽⁴⁾
For the Five Years Ended June 30, 2016**

	2012	2013	2014	2015	2016	Annualized	
						3 Year	5 Year
Total Fund	3.10%	11.71%	13.54%	3.30%	5.45%	7.34%	7.33%
CPI	1.58%	1.75%	2.04%	-0.38%	0.64%	0.76%	1.12%
Global Equity ⁽²⁾	-	17.06%	23.25%	4.67%	6.41%	11.53%	10.94%
MSCI World ⁽⁴⁾	-	18.58%	24.05%	1.43%	-	-	-
Large Cap Domestic Equities	3.68%	23.13%	25.21%	9.48%	-	-	-
Russell 1000	5.34%	21.24%	25.35%	7.37%	-	-	-
Small Cap Domestic Equities	0.23%	26.86%	24.73%	5.77%	-	-	-
Russell 2000	-2.08%	24.21%	23.64%	6.49%	-	-	-
Developed International Equities ⁽³⁾	-14.72%	20.94%	26.19%	-	-	-	-
MSCI EAFE	-13.83%	18.62%	23.57%	-	-	-	-
Investment Grade Fixed Income	6.24%	5.13%	5.64%	3.67%	-	-	-
Barclays Aggregate	7.47%	-0.69%	4.37%	1.86%	-	-	-
Below Investment Grade Fixed Income	3.46%	14.10%	13.51%	2.54%	-	-	-
Barclays High Yield Corp 2% Issuer Cap	7.21%	9.49%	11.72%	-0.39%	-	-	-
International Fixed Income	4.62%	0.83%	8.58%	-9.37%	-	-	-
BC Global Aggregate ex US	-0.03%	-3.40%	9.42%	-13.19%	-	-	-
Weighted Benchmark - Global Equity	-	-	-	-	-0.94%	8.45%	8.86%
Global Fixed Income	-	-	-	-	4.87%	4.54%	3.85%
Weighted Benchmark - Global Fixed Income	-	-	-	-	3.53%	3.15%	1.96%
Cash	0.13%	0.10%	0.04%	0.06%	0.29%	0.13%	0.12%
90 Day T-bills	0.06%	0.11%	0.05%	0.02%	0.19%	0.09%	0.09%

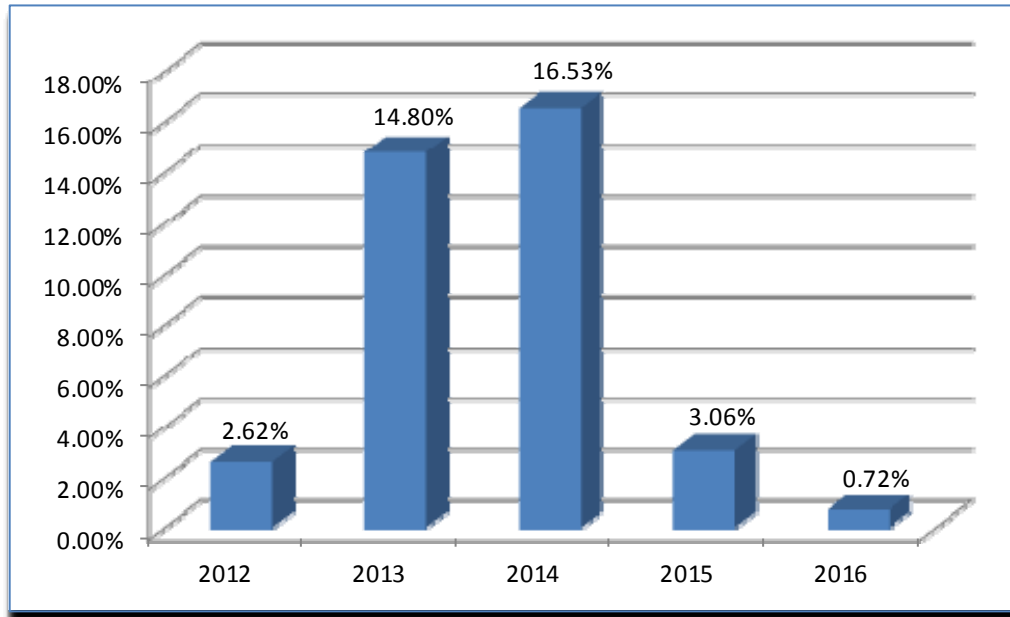
⁽¹⁾The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values

⁽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⁾Use of this asset class was discontinued during fiscal year 2015

⁽⁴⁾Mid year 2016 the investments were removed from pension pools and were directly managed

**Retiree Health Insurance Credit Program
Investment Results**



**Retiree Health Insurance Credit Plan
Schedule of Investment Results⁽¹⁾
For the Five Years Ended June 30, 2016**

	2012	2013	2014	2015	2016	Annualized	
						3 Year	5 Year
Total Fund	2.62%	14.80%	16.53%	3.06%	0.72%	6.55%	6.95%
Large Cap Domestic Equity	4.35%	22.50%	24.89%	7.38%	2.49%	11.03%	11.45%
Russell 1000	4.37%	21.24%	25.35%	7.37%	2.93%	11.48%	12.09%
Small Cap Domestic Equity	-3.55%	24.63%	23.77%	5.99%	-5.67%	7.21%	8.12%
Russell 2000	-2.08%	24.21%	23.64%	6.49%	-6.73%	7.09%	8.35%
International Equity	-13.43%	20.87%	21.43%	-3.02%	-11.04%	1.42%	0.89%
MSCI EAFE	-13.83%	18.62%	23.57%	-4.22%	-10.16%	2.06%	1.68%
Core Plus Fixed Income	8.68%	4.16%	5.73%	1.45%	4.90%	3.86%	4.37%
Barclays Aggregate	7.47%	-0.69%	4.37%	1.86%	6.00%	4.06%	3.76%

⁽¹⁾The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon market values

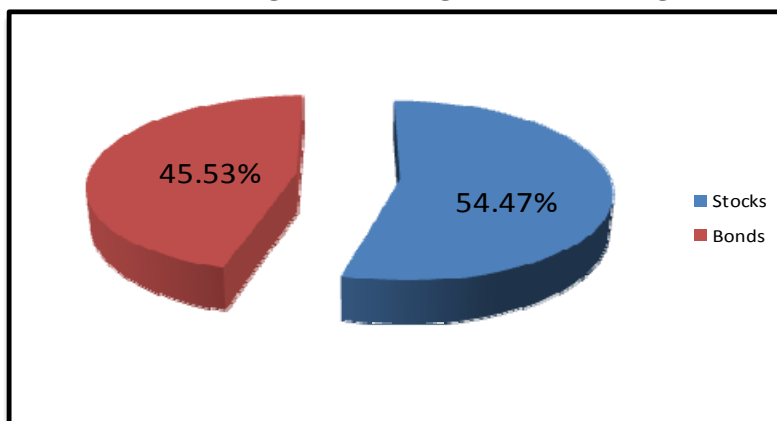
Largest Holdings by Market Value at June 30, 2016

Stocks	Fair Value
Microsoft Corporation	\$ 12,104,378
Johnson & Johnson	9,039,530
United Health Group Incorporated	8,761,615
Alphabet Incorporated	8,619,783
Visa Incorporated	8,592,163
Home Depot Incorporated	8,388,951
Comcast Corporation	7,875,083
Oracle Corporation	7,575,813
Verizon Communications	7,468,209
AIA Group LTD	7,323,371

Bonds	Fair Value
GNMAII Pool #MA3106 4.0% Due 09-20-2045	\$ 11,730,280
FNMA Single Family Mortgage 3.5% 30 Years August	9,160,310
FHLMC Gold G60583 4% 03-01-2046	8,329,342
FNMA Single Family Mortgage 2.5% 15 Years August	7,439,605
US Treasury Notes Dated 07-31-2014 1.625% Due 07-31-2019	6,478,001
IShares 1-3 Year Credit Bond ETF	6,280,059
FNMA Single Family Mortgage 3% 30 Years August	5,968,225
FNMA 3.5% MBS Due 01-02-2046	5,787,015
Vanguard Scottsdale Fund-Short-Term Corp Bond Index Fund ETF	5,727,589
FNMA Single Family Mortgage 4% 30 Years August	4,788,415

A complete list of all holdings is available upon request

Percentage of Largest Holdings



**North Dakota Public Employees Retirement System – Investment Section
Schedule of Investment Fees**

Public Employees and Highway Patrolmen's Retirement System
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2016

Investment Manager's Fees:	<u>Assets Under Management</u>	<u>Fees</u>
Global Equity	\$401 Million	\$ 1,463,105
Domestic Large Cap Equity	\$419 Million	1,042,600
Domestic Small Cap Equity	\$127 Million	661,525
Developed International Equity	\$268 Million	1,087,387
Emerging Markets Equity	\$98 Million	717,641
Private Equity	\$80 Million	1,524,925
Investment Grade Fixed Income	\$301 Million	1,164,370
Below Investment Grade Fixed Income	\$132 Million	1,349,888
International Fixed Income	\$128 Million	428,095
Global Real Estate	\$275 Million	2,470,029
Timber	\$77 Million	(1,054,317)
Infrastructure	\$107 Million	1,148,047
Cash & Equivalents	\$38 Million	34,800
Total Investment Managers' Fees		<u>\$ 12,038,095</u>
Other Investment Service Fees:		
Custodian Fees	\$2.45 Billion	\$ 227,822
Investment Consultant Fees	\$2.45 Billion	150,745
SIB Administrative Fees	\$2.45 Billion	333,608
Total Investment Service Fees		<u>\$ 712,175</u>

**North Dakota Public Employees Retirement System – Investment Section
Schedule of Investment Fees**

Job Service Retirement Plan
Schedule of Investment Fees⁽¹⁾
For the Fiscal Year Ended June 30, 2016

Investment Manager's Fees:	<u>Assets Under Management</u>	<u>Fees</u>
Pooled Manager Fees (Through Dec 2015)	\$97 Million	\$ 90,874
Balanced Account Manager (Through Dec 2015)	\$97 Million	227,664
Total Investment Managers' Fees		<u>\$ 318,538</u>
 Other Investment Service Fees:		
Custodian Fees	\$97 Million	\$ 10,844
Investment Consultant Fees	\$97 Million	1,584
SIB Administrative Fees	\$97 Million	11,389
Total Investment Service Fees		<u>\$ 23,817</u>

⁽¹⁾ The Job Service fund was removed from the Pension Investment Pool in December 2015. Fees prior to that reflect individual manager fees within the pools. Fees after that reflect fees paid to the investment manager hired to manage the entire Job Service portfolio in a "balanced account" structure.

Retiree Health Insurance Credit Plan
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2016

Other Investment Service Fees:	<u>Assets Under Management</u>	<u>Fees</u>
Investment Management Fees	\$98 Million	\$ 415,083
Custodian Fees	\$98 Million	8,207
SIB Contract Fees	\$98 Million	11,298
Total Investment Service Fees		<u>\$ 434,588</u>

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 is the record-keeper for the Plan.

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

- Establishes an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances

- Defines the investment categories offered by the Plan

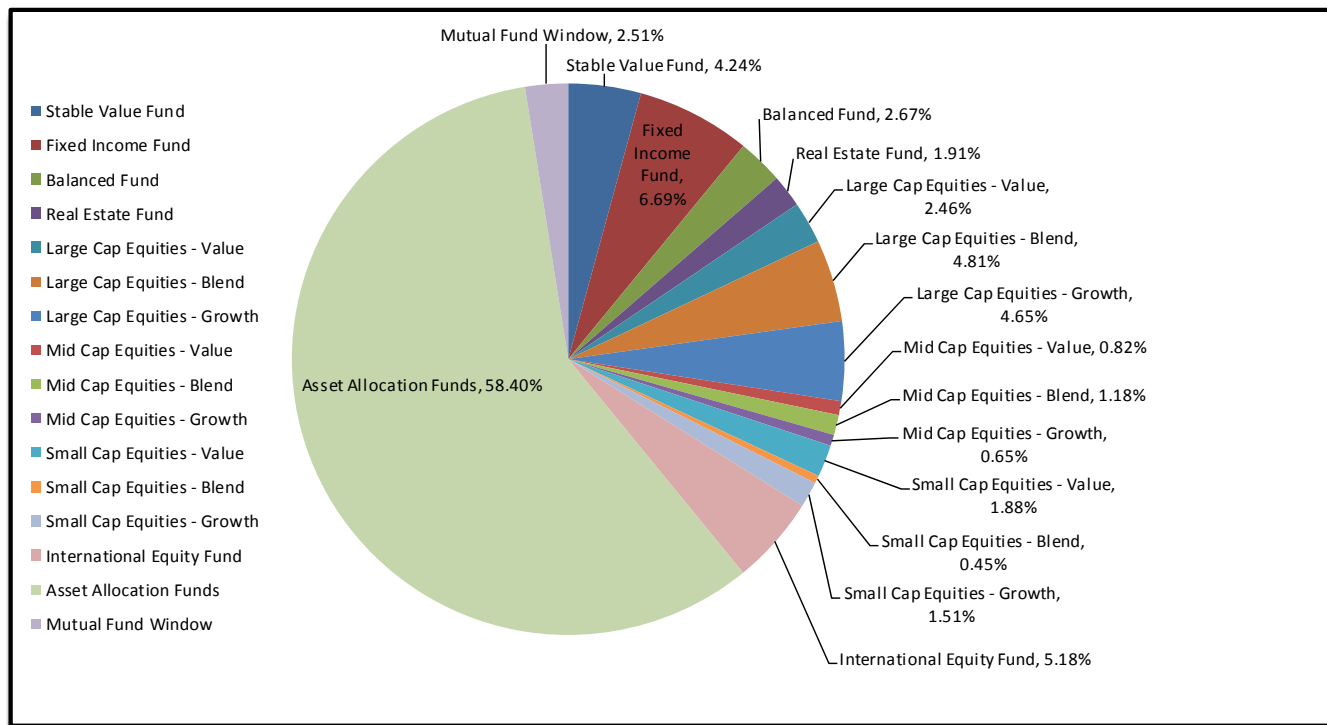
- Establishes benchmarks and performance standards for each investment category to evaluate each fund's performance

- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance

- Defines the procedures for investment fund evaluation and formal fund review.

Defined Contribution Retirement Plan
Investment Options - June 30, 2016

<u>Investment Options</u>	<u>Market Value</u>	<u>Percent</u>
Stable Value Fund	\$ 463,659	4.24%
Fixed Income Fund	729,437	6.69%
Balanced Fund	291,478	2.67%
Real Estate Fund	209,184	1.91%
Large Cap Equities - Value	268,864	2.46%
Large Cap Equities - Blend	525,575	4.81%
Large Cap Equities - Growth	508,348	4.65%
Mid Cap Equities - Value	89,175	0.82%
Mid Cap Equities - Blend	129,098	1.18%
Mid Cap Equities - Growth	70,788	0.65%
Small Cap Equities - Value	204,929	1.88%
Small Cap Equities - Blend	49,515	0.45%
Small Cap Equities - Growth	164,582	1.51%
International Equity Fund	566,246	5.18%
Asset Allocation Funds	6,379,385	58.40%
Mutual Fund Window	274,082	2.51%
Total	\$ 10,924,345	100.00%



**North Dakota Public Employees Retirement System – Investment Section
Defined Contribution Schedule of Investment Results**

**Defined Contribution Retirement Plan - Schedule of Investment Results
For the Five Years Ended June 30, 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>3-Year Annualized</u>	<u>5-Year Annualized</u>
Stable Value Fund/Money Market Fund:							
Vanguard Prime Money Market (2)	0.03%	0.02%	0.02%	0.01%	0.13%	0.05%	0.04%
Wells Fargo Stable Fund (2)	1.39%	1.09%	0.70%	0.78%	0.89%	0.79%	0.97%
3 Month T-Bill Index (2)	0.39%	0.08%	0.04%	0.02%	0.41%	0.30%	0.34%
Fixed Income Fund:							
PIMCO Real Return Admin (2)	11.52%	-5.13%	5.27%	-3.29%	3.05%	1.61%	2.11%
PIMCO Total Return Bond Fund	6.69%	0.95%	4.62%	1.04%	4.05%	3.22%	3.45%
Barclays Aggregate Bond Index	7.47%	-0.69%	4.37%	1.86%	6.00%	4.06%	3.76%
Taxable Bond Fund Universe (2)	5.30%	2.21%	5.47%	-0.58%	0.30%	2.11%	3.27%
Prudential High Yield Z (2)	7.11%	8.75%	11.63%	0.03%	2.42%	4.57%	5.90%
ML High Yield Bond Fund Index (2)	6.49%	9.55%	11.84%	-0.55%	1.71%	4.18%	5.71%
High Yield Bond Universe (2)	5.14%	9.04%	10.50%	-1.01%	2.92%	4.58%	5.97%
Templeton Global Bond Adv (2)	-0.86%	7.95%	7.41%	-1.62%	-4.26%	0.39%	1.60%
Citi World Govt Bond Index (2)	2.68%	-4.50%	6.85%	-9.02%	11.26%	2.65%	1.18%
World Bond Fund Universe (2)	2.23%	0.15%	6.93%	-5.52%	4.77%	2.08%	1.91%
Real Estate Fund:							
Cohen & Steers Realty Shares (2)	8.79%	8.06%	14.14%	5.32%	21.31%	13.40%	11.38%
FTSE NAREIT All Equity REITs Index (2)	12.48%	10.21%	13.02%	4.33%	24.04%	13.58%	12.60%
Real Estate Fund Universe (2)	5.42%	7.75%	13.87%	5.05%	19.50%	12.11%	11.17%
Balanced Fund:							
T Rowe Price Capital Appreciation (2)	4.01%	17.89%	18.45%	8.47%	6.63%	11.06%	10.93%
60% Large Cap Value Univ & 40% Taxable Bond Universe (2)	2.42%	14.70%	15.59%	1.68%	0.07%	563.00%	6.93%
60% Russell 1000 Value & 40% Agg Bond Index (2)	4.79%	14.92%	16.03%	3.22%	4.14%	7.56%	8.34%
Large Cap Equities - Value:							
Hartford Dividend & Growth (2)	2.88%	21.49%	23.40%	4.26%	2.72%	9.74%	10.56%
T Rowe Price Equity Income (2)	2.64%	23.66%	20.66%	-0.34%	1.28%	6.80%	9.11%
Russell 1000 Value Index	3.01%	25.32%	22.33%	4.13%	2.90%	9.90%	11.40%
Large Cap Value Fund Universe (2)	0.50%	23.02%	23.81%	3.19%	-0.09%	7.97%	9.37%
Large Cap Equities - Blend:							
Vanguard 500 Index Signal (2)	5.42%	20.55%	24.55%	7.40%	3.75%	11.62%	12.06%
Vanguard Dividend Growth Fund	-12.27%	19.65%	19.39%	6.19%	9.13%	11.43%	12.22%
S&P 500 Index	5.45%	20.60%	23.74%	7.42%	3.99%	11.66%	12.10%
Large Cap Blend Fund Universe (2)	0.94%	20.83%	23.83%	5.46%	-2.33%	10.58%	9.98%
Large Cap Equities - Growth:							
Well's Fargo Adv Growth Adm (2)	5.31%	14.40%	22.03%	9.71%	-4.89%	8.39%	8.93%
Russell 3000 Growth Index	5.05%	17.56%	26.75%	10.69%	1.88%	12.65%	12.04%
Franklin Growth Adv (2)	2.30%	16.27%	26.71%	10.94%	0.37%	12.16%	10.91%
Russell 1000 Growth Index	5.76%	17.07%	26.92%	10.56%	3.00%	13.10%	12.30%
Large Cap Growth Fund Universe (2)	0.81%	17.23%	26.38%	9.06%	-2.33%	10.58%	9.98%
Mid Cap Equities - Value:							
RidgeWorth Mid Cap Value Equity I (2)	-5.67%	27.45%	27.99%	0.03%	-0.44%	8.42%	8.91%
Russell Mid Cap Value	-0.37%	27.65%	25.21%	3.67%	3.25%	11.00%	11.70%
Mid Cap Value Universe (2)	-3.42%	26.71%	27.76%	2.78%	-2.16%	7.85%	8.77%
Mid Cap Equities - Blend:							
Columbia Mid Cap Index A (2)	-2.66%	24.54%	24.68%	5.92%	0.89%	10.04%	10.07%
S&P Mid Cap 400	-2.33%	25.18%	25.24%	6.40%	1.33%	10.53%	10.55%
ASTON/Fairpointe Mid Cap I (2)	-3.91%	34.07%	30.65%	-0.33%	-9.69%	5.55%	8.66%
Wilshire 4500 Index	-2.53%	25.22%	24.42%	6.14%	-3.29%	9.42%	9.84%
Mid Cap Blend Fund Universe (2)	-5.10%	25.06%	27.63%	8.51%	-4.33%	7.55%	8.26%
Mid Cap Equities - Growth:							
Prudential Jennison Mid Cap Growth Z (2)	3.58%	14.78%	21.52%	10.76%	-6.47%	7.97%	8.40%
Russell Mid Cap Growth	-2.99%	22.88%	23.59%	9.45%	-2.14%	10.52%	9.98%
Mid Cap Growth Fund Universe (2)	-4.31%	19.79%	26.04%	8.51%	-6.43%	8.21%	7.93%

**North Dakota Public Employees Retirement System – Investment Section
Defined Contribution Schedule of Investment Results**

**Defined Contribution Retirement Plan - Schedule of Investment Results
For the Five Years Ended June 30, 2016**

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>3-Year Annualized</u>	<u>5-Year Annualized</u>
Small Cap Equities - Value:							
Allianz NFJ Small Cap Value	-3.36%	22.30%	24.55%	-3.63%	-5.11%	4.43%	6.13%
Russell 2000 Value Index	-1.44%	24.76%	23.23%	0.78%	-2.58%	6.36%	8.15%
Small Value Fund Universe (2)	-2.74%	25.62%	22.54%	-0.18%	-4.30%	5.92%	7.67%
Small Cap Equities - Blend:							
Parnassus Small Cap (2) (Fund Replaced During FY15)	-7.71%	17.52%	20.99%	N/A	N/A	N/A	N/A
DFA US Small Cap (3)	N/A	N/A	N/A	5.76%	-4.05%	8.28%	9.71%
Russell 2000 Index (2)	-2.08%	24.21%	23.64%	6.49%	-6.73%	7.09%	8.35%
Small Blend Fund Universe (2)	-3.71%	24.56%	23.48%	2.69%	-5.78%	6.37%	7.62%
Small Cap Equities - Growth:							
Brown Capital Mgmt Small Co Inv (2)	-2.82%	23.89%	27.08%	10.83%	3.25%	13.30%	11.85%
Russell 2000 Growth Index	-2.71%	23.67%	22.04%	12.34%	-10.80%	7.70%	8.50%
Small Growth Fund Universe (2)	-5.09%	22.25%	24.73%	8.61%	-9.86%	6.46%	7.26%
International Equity Funds							
Mutual Global Discovery Z (2)	-2.96%	19.67%	20.95%	7.42%	-5.73%	5.12%	6.17%
Vanguard Total International Stock Index Inv (2)	-14.64%	13.58%	22.44%	-4.60%	-9.11%	2.02%	0.58%
MSCI EAFE	-13.83%	18.62%	23.16%	-4.19%	-10.24%	1.16%	0.10%
International Stock Fund Universe	-12.88%	14.89%	20.11%	-2.17%	-4.17%	5.63%	5.33%
Oppenheimer Developing Markets Y (2)	-9.98%	7.87%	19.75%	-10.41%	-10.13%	-1.21%	-1.31%
MSCI Emerging Markets Index (2)	-15.95%	2.87%	14.31%	-5.12%	-12.00%	-1.56%	-3.78%
Diversified Emerging Markets Universe (2)	-16.10%	4.45%	14.05%	-6.98%	-9.89%	-1.30%	-3.19%
Asset Allocation Funds:							
TIAA-CREF Lifecycle Ret Income (2)	3.58%	7.64%	12.02%	2.23%	1.23%	5.05%	5.26%
Income Benchmark (1)	3.48%	8.88%	12.12%	2.19%	2.00%	5.12%	5.06%
TIAA-CREF Lifecycle 2010 (2)	2.69%	9.07%	13.43%	2.43%	0.88%	5.44%	5.59%
2010 Benchmark (1)	3.10%	10.08%	13.69%	2.37%	1.72%	5.40%	5.36%
TIAA-CREF Lifecycle 2015 (2)	1.91%	10.39%	14.66%	2.71%	0.44%	5.76%	5.88%
2015 Benchmark (1)	2.72%	11.22%	15.06%	2.48%	1.43%	5.66%	5.64%
TIAA-CREF Lifecycle 2020 (2)	1.06%	12.08%	16.20%	3.06%	-0.15%	6.14%	6.25%
2020 Benchmark (1)	2.25%	12.69%	16.83%	2.62%	0.91%	6.04%	6.04%
TIAA-CREF Lifecycle 2025 (2)	0.17%	13.86%	17.79%	3.27%	-0.91%	6.43%	6.57%
2025 Benchmark (1)	1.77%	14.17%	18.57%	2.77%	0.36%	6.42%	6.47%
TIAA-CREF Lifecycle 2030 (2)	-0.83%	15.48%	19.33%	3.58%	-1.67%	6.72%	6.84%
2030 Benchmark (1)	1.20%	15.74%	19.82%	3.06%	-0.21%	6.80%	6.90%
TIAA-CREF Lifecycle 2035 (2)	-1.83%	17.06%	20.74%	3.81%	-2.42%	6.94%	7.05%
2035 Benchmark (1)	0.56%	17.43%	21.42%	3.19%	-0.83%	7.12%	7.25%
TIAA-CREF Lifecycle 2040 (2)	-1.88%	17.77%	21.72%	4.02%	-3.29%	6.98%	7.19%
2040 Benchmark (1)	0.31%	17.77%	22.37%	3.26%	-1.45%	7.41%	7.57%
TIAA-CREF Lifecycle 2045 (2)	-1.93%	17.90%	21.52%	4.03%	-3.29%	6.93%	7.17%
2045 Benchmark (1)	0.31%	18.36%	22.38%	3.26%	-1.45%	7.40%	7.56%
TIAA-CREF Lifecycle 2050 (2)	-1.84%	17.76%	21.63%	4.00%	-3.24%	6.97%	7.19%
2050 Benchmark (1)	0.31%	18.36%	22.38%	3.24%	-1.46%	7.40%	7.56%
TIAA-CREF Lifecycle 2055 (2)	-1.77%	17.87%	21.53%	4.04%	-3.28%	6.94%	7.20%
2055 Benchmark (1)	0.31%	18.36%	22.38%	3.24%	-1.46%	7.39%	7.55%
TIAA-CREF Lifecycle 2060 (2)	N/A	N/A	N/A	N/A	-3.18%	N/A	N/A
2060 Benchmark (1)	N/A	N/A	N/A	3.24%	-1.46%	7.39%	7.55%



ACTUARIAL SECTION

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary's Certificate Letter
Public Employees Retirement System**



Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

December 15, 2016

Board Members
North Dakota Public Employees Retirement System
Bismarck, North Dakota

Members of the Board:

At your request, we have performed an actuarial valuation which includes actuarial valuation results for funding purposes and separate actuarial valuation results for accounting purposes for the North Dakota Public Employees Retirement System ("NDPERS") as of July 1, 2016. The purpose of the funding actuarial valuation, which is performed annually, is to determine the funding status and actuarial employer contribution rate for NDPERS. The actuarial valuation was performed at the request of the Board and is intended for use by the Board and NDPERS and those designated by the Board and NDPERS. This report may be provided to parties other than the Board and NDPERS only in its entirety and only with the permission of the Board and NDPERS. GRS is not responsible for reliance upon this valuation for any other purpose, or by any other party.

Actuarial Assumptions and Methods

The actuarial assumptions used in the actuarial valuation as of July 1, 2016, were based on an experience review for the five-year period ending July 1, 2014, which was performed by the prior actuary. The actuarial assumptions were first adopted for use commencing with the July 1, 2015, valuation.

The plan provisions were unchanged since the last actuarial valuation as of July 1, 2015. Members hired into the Main System after December 31, 2015, are subject to later retirement conditions. Members covered under these provisions were first reflected in the actuarial valuation as of July 1, 2016.

Under the current asset valuation method to calculate the actuarial value of assets, interest and dividends are immediately recognized and the total appreciation or depreciation from the current year (net change in fair value of investments) is recognized over a five-year period.

The current asset valuation method has a systematic bias toward the actuarial value of assets being lower than the market value of assets.

The actuarial employer contribution rate is calculated using a 20-year open period, level percentage of payroll amortization method. The remaining amortization period will be reset to 20 years in each future actuarial valuation.

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The actuarial assumptions were provided by, and are the responsibility of, the NDPERS Board. GRS was unable to judge the reasonableness of the actuarial assumptions and methods without performing a substantial amount of additional work beyond the scope of the assignment, and did not do so.

We recommend reviewing the current asset valuation method along with the economic assumptions (rate of inflation, investment return, payroll growth assumption) before the July 1, 2017, actuarial valuation.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and the asset valuation method, appear to be in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board for the funding of public sector pension plans and are set by the Board. Assumptions and methods required under GASB Statement 67 and 68 were used in the preparation of the accounting disclosures and schedules required by GASB 67 and 68.

Benefit Provisions

There were no changes in plan provisions since the previous actuarial valuation. Members hired into the Main System after December 31, 2015, are subject to later retirement conditions. Members covered under these provisions were first reflected in the actuarial valuation as of July 1, 2016.

Participant Data

A total of 23,416 active members (including the Main System, Judges and Law Enforcement) were included in the actuarial valuation as of July 1, 2016. Between the 2015 and 2016 actuarial valuations, the number of active employees increased by 571 members, or 2.5 percent. The average annual valuation pay increased by 6.4 percent, from \$42,096 to \$44,779 between the 2015 and 2016 actuarial valuations. There were 7,515 active members who were eligible for retirement (normal, early or Rule of 85) as of July 1, 2016.

The number of benefit recipients (excluding 3 members receiving benefits under the Special Prior Service Plan) increased from 10,094 to 10,515, or 4.2 percent, since the last actuarial valuation. The average monthly benefit increased by 1.3 percent, from \$1,120 to \$1,135. During the year ending June 30, 2016, there were 760 members awarded a benefit.

There were 5,424 inactive members (and an additional 6 members on leave of absence) as of July 1, 2016, who were vested and elected to receive a deferred benefit. The average monthly deferred benefit is \$5,946. There were 5,277 inactive members as of July 1, 2016, who were not vested or elected to receive a refund of contributions. There were an additional 26 members on leave of absence who were valued as inactive members that elected a refund of contributions.

Actuarial Valuation Assets

The asset values for the NDPERS and the Patrolmen's Retirement System ("HPRS") are combined for purposes of calculating the actuarial value of assets and then are allocated among

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the Systems. On a market value basis, NDPERS assets (combined for the NDPERS and the HPRS) had an investment return of approximately 0.46 percent (net of investment expenses). Recognition of deferred asset gains from fiscal years 2013 through 2015 were partially offset by recognition of the fiscal year end 2012 and 2016 investment losses (decrease in the fair value of investments). This recognition of asset gains and losses resulted in an estimated net asset rate of return of 6.59 percent on an actuarial value of assets basis, which compares to the assumed rate of return of 8.00 percent.

The actuarial value of assets is currently 93.8 percent of the market value of assets. There is \$153,695,443 in net asset gains (combined for the NDPERS and the HPRS) currently being deferred that will be phased into the actuarial value of assets over the next four years.

Statutory and Actuarial Employer Contributions

The actuarially determined contribution rate is calculated as the normal cost contribution (to fund benefits accruing during the year) plus a contribution to amortize the unfunded liability. The unfunded liability contribution rate is calculated using a 20-year open period, level percentage of payroll amortization method. The remaining amortization period will be reset to 20 years in each future actuarial valuation. If employers contributed the actuarial contribution rate, the contribution rate would be expected to gradually decrease using a 20-year open amortization period as the funded ratio gradually increased. An open amortization period is expected to gradually improve the funded ratio. However, the funded ratio is not expected to reach 100 percent under this method (assuming no actuarial gains or losses) because the remaining unfunded liability at each future valuation date is re-amortized over a new 20-year period.

The contributions that are made by employers are based on fixed contribution rates that are set by statute (and not based on the actuarially determined rate). The statutory contribution rates and the actuarial contribution rates are as follows.

**Employer Contribution Rates as a % of
 Projected Annual Compensation for
 Fiscal Year Ending June 30, 2017**

	Statutory Rate	Actuarial Rate
Main System	7.12%	10.48%
Judges	17.52%	8.90%
Law Enforcement with prior Main System service	9.81%	8.08%
Law Enforcement without prior Main System service	7.93%	6.44%
Total PERS (Combined)	7.27%	10.38%

The portion of the statutory contribution that is applied toward the unfunded liability is the statutory contribution rate minus the employer normal cost rate. The unfunded liability contribution rate from the statutory contribution is significantly lower than the rate calculated using the 20-year level percentage of payroll amortization period. The statutory employer rate for the Main System is expected to amortize the current unfunded liability over a period of approximately 70 years based

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on the actuarial value of assets. Because the statutory employer rate is higher than the actuarial employer rate (based on a 20-year amortization period) for the Judges and Law Enforcement Systems, the statutory employer rate amortizes the unfunded liability over a period shorter than 20 years.

Reliance on Others

The actuarial valuation was based upon information furnished by the NDPERS Staff, concerning benefits provided by the North Dakota Public Employees Retirement System, financial transactions, plan provisions and census data for active members, terminated members, retirees and beneficiaries as of July 1, 2016. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the NDPERS Staff.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by NDPERS Staff with our input. Data prior to fiscal year 2016 was prepared by NDPERS Staff and the prior actuary. Specifically these exhibits are:

- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions and Cost Method
- 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

Accounting Schedules Under GASB Statement Nos. 67 and 68

The total pension liability (actuarial accrued liability) is based on a measurement date of July 1, 2016, under the Entry Age Normal actuarial cost method. A single discount rate of 8.00 percent, which is the same rate that is used in the funding actuarial valuation calculations, was used to measure the total pension liability. All other assumptions and methods used in the funding actuarial valuation for calculation of the actuarial accrued liabilities as of July 1, 2016, were used in the GASB 67/68 actuarial valuation for calculation of the total pension liability for fiscal year ending June 30, 2016.

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position (market value of assets) as of June 30, 2016.

Certification

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Public Employees Retirement System as of the actuarial valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Lance J. Weiss and Amy Williams are Members of the

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American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

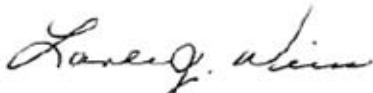
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader



Amy Williams, A.S.A., M.A.A.A., F.C.A.
Consultant

AW:rl

Gabriel Roeder Smith & Company

Actuarial Assumptions and Cost Method – Public Employees Retirement System
(Adopted July 1, 2016)

Mortality Tables:

RP-2000 Combined Healthy Mortality table, sex-distinct, with rates set back 2 years for males and 3 years for females. RP 2000 Disabled Mortality table, sex-distinct, with rates set back 1 years for males (no setback for females), with rates multiplied by 125% for post-retirement disabled mortality. Mortality rates are projected from 2014 using the Social Security Administration (SSA) Intermediate Cost scale.

The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date.

Disability Incidence Rates

Before Age 65:

Males: 20% of OASDI disability incidence rates

Females: 10% of OASDI disability incidence rates

Age 65 and Later : .25% per year

Sample rates are as follows:

Age	Male	Female
20	0.0120%	0.0060%
25	0.0171%	0.0085%
30	0.0220%	0.0110%
35	0.0295%	0.0147%
40	0.0440%	0.0220%
45	0.0719%	0.0360%
50	0.1212%	0.0606%
55	0.2018%	0.1009%
60	0.3254%	0.1627%
65	0.2500%	0.2500%

Rates of Separation from Active Membership:

Service Beginning of Year	Service and Age-Based Rates For First Five Years of Service					
	Main System			Law Enforcement		
	Age					
	Under 30	30-39	40+	Under 30	30-39	40+
0	22.00%	16.00%	12.00%	25.00%	20.00%	17.00%
1	18.00%	14.00%	10.00%	23.00%	17.00%	15.00%
2	16.00%	12.00%	10.00%	20.00%	15.00%	12.00%
3	14.00%	12.00%	8.00%	17.00%	13.00%	10.00%
4	14.00%	11.00%	7.00%	15.00%	11.00%	7.00%

Age	Age-Based Rates Only After First Five Years of Service	
	Main System	Law Enforcement
	20-24	8.80%
25-29	8.80%	8.80%
30-34	5.50%	5.50%
35-39	4.70%	4.70%
40-44	3.90%	3.90%
45-49	3.70%	3.70%
50-54	3.40%	3.40%
55-59	0.10%	0.10%
60+	0.20%	0.20%

**North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System**

No pre-retirement termination is assumed for Judges.

Vested participants that terminate are assumed to elect the option with the greater present value:

- 1) A refund of their accumulated contributions with interest or
- 2) A deferred benefit.

Withdrawal rates end upon eligibility for early retirement. Early retirement eligibility is as follows:

Main System: Earlier of 1) age 55 and 3 years of service, and 2) eligibility for Rule of 85. For members hired after 1/1/16, earlier of 1) age 55 and 3 years of service, and 2) eligibility for Rule of 90.

Judges: Earlier of 1) age 55 and 5 years of service, and 2) eligibility for Rule of 85.

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 a deferred pension benefit when it is more valuable than the deferred annuity

Retirement Rates

Age	Main System		Law Enforcement	Judges
	Reduced	Unreduced	Unreduced	Unreduced
50		30.00%	25.00%	
51		10.00%	25.00%	
52		10.00%	25.00%	
53		10.00%	25.00%	
54		10.00%	25.00%	
55	1.00%	10.00%	10.00%	10.00%
56	1.00%	8.00%	10.00%	10.00%
57	1.00%	8.00%	10.00%	10.00%
58	1.00%	8.00%	10.00%	10.00%
59	1.00%	8.00%	10.00%	10.00%
60	2.00%	8.00%	10.00%	10.00%
61	5.00%	15.00%	10.00%	10.00%
62	10.00%	30.00%	50.00%	10.00%
63	10.00%	30.00%	50.00%	10.00%
64	10.00%	20.00%	50.00%	10.00%
65		30.00%	50.00%	20.00%
66		20.00%	20.00%	20.00%
67		15.00%	20.00%	20.00%
68		15.00%	20.00%	20.00%
69		15.00%	20.00%	20.00%
70		15.00%	20.00%	20.00%
71		15.00%	20.00%	20.00%
72		15.00%	20.00%	20.00%
73		15.00%	20.00%	20.00%
74		15.00%	20.00%	20.00%
75+		100.00%	100.00%	100.00%

**North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System**

Investment Rate of Return

8.00% per annum, net of investment expenses

Annual Administrative Expenses

Prior year expenses, adjusted for inflation

Assumed expenses for 2016/2017 are as follows:

Main System: \$2,568,029

Judges: \$12,094

Law Enforcement With Prior Main Service: \$38,513

Law Enforcement Without Prior Main Service: \$7,986

Salary Scale

Service At Beginning of Year	State Employee	Non-State Employee	Law Enforcement	Judges
0	12.00%	15.00%	20.00%	
1	9.50%	10.00%	20.00%	
2	7.25%	8.00%	20.00%	
3			10.00%	
4			10.00%	
Age				
Under 30	7.25%	10.00%	7.25%	4.00%
30-39	6.50%	7.50%	6.50%	4.00%
40-49	6.25%	6.75%	6.25%	4.00%
50-59	5.75%	6.50%	5.75%	4.00%
60+	5.00%	5.25%	5.00%	4.00%

Inflation

3.50% per annum

Payroll Growth

Main System and Law Enforcement: 4.50% per annum

Judges: 4.00% per annum

Marital Status

It is assumed that 75% of participants in the Main System and Law Enforcement and 100% of Judges have an eligible spouse at the time of retirement or pre-retirement death. The male spouse is assumed to be three years older than the female spouse

Spouses are assumed to be the opposite sex of the employees and retirees. The relatively low rate of same-sex spouses does not have a material actuarial impact on the actuarial valuation results

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

North Dakota Public Employees Retirement System – Actuarial Section Public Employees Retirement System

Actuarial Cost Method

Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using the Individual Entry Age Normal actuarial cost method having the following characteristics:

- The normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement; and
- Each annual normal cost is a constant percentage of the member's year by year projected covered pay

Actuarial Value of Assets

The asset value is the actuarial value of assets which is calculated by recognizing 100% of the current year's interest and dividends and 20% of the current year and previous four years' total appreciation/(depreciation). The total appreciation/(depreciation) for a given year is fully recognized after a five-year period.

The current asset valuation method has a systematic bias towards the actuarial value of assets being lower than the market value of assets.

Social Security Disability (for Judges' Disability Benefit Offset)

Eligibility: 50% of disabled judges

Consumer Price Index Increase: 3.5% per annum

Wage Base Increases: 5.0% per annum

Workers' Compensation (for Judges' Disability Benefit Offset)

None assumed for disability benefit offset

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 and Law Enforcement.

Contribution: Maximum allowed based on service at the beginning of the Plan year.

Benefit Election

Main System and Law Enforcement:

- 50% of new retirements are assumed to elect the life annuity,
- 45% are assumed to elect the 50% joint and survivor annuity, and
- 5% are assumed to elect a Refund of Member Contributions

Judges:

- All participants elect the 50% joint and survivor annuity

Changes in Actuarial Assumptions and Methods - Public Employees Retirement System

There have been no changes in actuarial valuation assumptions or methods since the previous valuation as of July 1, 2015.

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Summary of Plan Provisions - Public Employees Retirement System

This section summarizes the major benefit provisions of the North Dakota Highway 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:

Main System and Judges:

Eligibility: Attainment of age 65 with at least 10 years of eligible employment or with age plus service equal to at least 85 (Rule of 85)

For members enrolled after December 31, 2015, into the Main System, attainment of age 65 or at age 60 with age plus service equal to at least 90 (Rule of 90).

Benefit: 2% of final average salary multiplied by years of service

Law Enforcement:

Eligibility: Attainment of age 55 and three consecutive years of service, or if not former National Guard, at any age with age plus service equal to at least 85 (Rule of 85). Former National Guard is eligible for Rule of 85 on August 1, 2015.

Benefit: 3.5% of final average salary for each of the first ten years of service, 2.8% for each of the next ten years of service, and 1.25% for service in excess of twenty years.

2. Early Service Retirement:

Main System

Eligibility: Attainment of age 55 with three years of service

Benefit: 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.

For members enrolled after December 31, 2015, into the Main System, a benefit that begins before age 65 (or Rule of 90, if earlier) is reduced by 2/3 of one percent for each month before the earlier of age 65 or the age at which the Rule of 90 is met.

Judges

Eligibility: Attainment of age 55 with five years of service

Benefit: 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.

Law Enforcement:

Eligibility: Attainment of age 50 with three years of service

Benefit: 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 the earlier of age 65 or the age at which the Rule of 85 is met.

3. Disability Benefit:

Main System and Law Enforcement

Eligibility: Six months of service and inability to engage in any substantial gainful activity

Benefit: 25% of the member's final average salary at disability minus workers' compensation benefits, with a minimum of \$100 per month.

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Judges

Eligibility: Six months of service and inability to engage in any substantial gainful activity

Benefit: 70% of the member's final average salary at disability minus Social Security and Workers' Compensation benefits paid.

4. Deferred Vested Retirement:

Main System

Eligibility: Three years of service

Benefit: 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.

Law Enforcement

Eligibility: Three years of service

Benefit: The Normal Service Retirement Benefit payable at age 55 or the Rule of 85, if earlier.
Reduced early retirement benefits can be elected upon attainment of age 50.

Judges

Eligibility: Five years of service

Benefit: 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.

5. Pre-Retirement Death Benefits:

Main System and Law Enforcement

Vested participants with a surviving spouse:

Eligibility: Three years of service

Benefit: One of the following options:

- Lump sum payout 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 the one of the annuity options above.

Non-vested members or vested members without a surviving spouse

Eligibility: Non-vested or no surviving spouse

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

Judges

Vested participants with a surviving spouse:

Eligibility: Five years of service

Benefit: One of the following options:

- Lump sum payout 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

**North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System**

Non-vested members or vested members without a surviving spouse

Eligibility: Non-vested or no surviving spouse

Benefit: Lump sum payout 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:

<u>Time Period</u>	<u>Per Annum Interest Rate</u>
Through June 30, 1981	5.00%
July 1, 1981 - June 30, 1986	6.00%
After June 30, 1986	0.5% less than the actuarial interest rate assumption

8. Standard and Optional Forms of Payment:

Standard form of payment:

Main System and Law Enforcement:

Monthly benefit for life with a refund to 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 pop-up (for Main System and Law Enforcement)
- 100% joint and survivor annuity with pop-up
- Ten-year certain and life annuity
- Twenty-year certain and life annuity
- Social Security level income 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, 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.

**North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System**

10. Contributions:

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

	Rates Set by Statute		Rates determined by the Board of Retirement
	<u>Member</u>	<u>Employer</u>	<u>Employer</u>
Main System Full-Time Employees	7.00%	7.12%	
Main System Part-Time Employees	14.12%	0.00%	
Judges	8.00%	17.52%	
Law Enforcement with prior Main service	5.50%		9.81%
BCI Employees	6.00%		9.81%
National Guard members	5.50%		9.81%
Law Enforcement without prior Main service	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:

- For months 1-12 of service credit, \$25 or 1% of the member's monthly salary, whichever is greater
- For months 13-24 of service credit, \$25 or 2% of the member's monthly salary, whichever is greater
- For months 25-36 of service credit, \$25 or 3% of the member's monthly salary, whichever is greater
- For service exceeding 36 months, \$25 or 4% of the member's monthly salary, whichever is greater

Vested employer contributions are credited to the member's account balance

11. Rollovers

The fund may accept rollovers from other qualified plans under ruled adopted by the Board for the purchase of additional service credit

Changes in Plan Provisions Since the Previous Valuation:

There have been no changes in plan provisions since the previous valuations as of July 1, 2015

Solvency Test - PERS
2007 – 2016

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)

Valuation Date	(1) Total Actuarial Accrued Liability	(2) Active Member Contributions	(3) Retirees, Beneficiaries, and Inactive Members	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion (%) of Actuarial Accrued Liability By Assets		
						(1)	(2)	(3)
2007	\$1,609.2	\$433.7	\$611.3	\$565.2	\$1,503.1	100%	100%	81%
2008	1,737.6	468.1	655.7	613.8	1,609.8	100%	100%	79%
2009	1,901.2	507.6	728.1	665.5	1,617.1	100%	100%	57%
2010	2,208.4	600.5	822.2	785.7	1,621.7	100%	100%	25%
2011	2,339.8	588.3	908.3	843.2	1,650.5	100%	100%	18%
2012	2,501.3	626.2	1,070.7	804.4	1,627.4	100%	94%	0%
2013	2,716.5	687.9	1,126.0	902.6	1,683.0	100%	88%	0%
2014	2,938.8	746.5	1,255.4	936.9	1,895.8	100%	92%	0%
2015	3,052.4	788.3	1,437.0	827.1	2,094.3	100%	91%	0%
2016	3,396.6	879.3	1,559.5	957.8	2,265.3	100%	89%	0%

Values prior to July 1, 2016, were calculated by the prior actuary.

Schedule of Active Member Valuation Data – PERS - 2007–2016

Main System				
Valuation Date 7/1	Number	Annual Payroll (\$ in Millions)	Average Annual Pay ¹	% Increase in Avg Pay
2007	18,299	\$570.4	\$31,169	3.9%
2008	19,042	627.6	32,959	5.7%
2009	19,686	684.3	34,762	5.5%
2010	20,372	751.1	36,868	6.1%
2011	20,359	785.4	38,577	4.6%
2012	20,738	781.6	37,690	(2.3)%
2013	21,201	865.9	40,841	8.4%
2014	21,814	946.2	43,376	9.3%
2015	22,381	993.6	43,395	0.0%
2016	22,762	1,007.8	44,274	2.0%

Judges				
Valuation Date 7/1	Number	Annual Payroll (\$ in Millions)	Average Annual Pay ¹	% Increase in Avg Pay
2007	47	\$4.9	\$103,683	4.2%
2008	47	5.2	111,427	7.5%
2009	47	5.4	115,741	3.9%
2010	47	5.7	120,962	4.5%
2011	49	6.2	126,474	4.6%
2012	49	6.1	124,645	(1.4)%
2013	49	6.6	134,673	8.0%
2014	50	7.0	139,290	3.4%
2015	51	7.3	142,636	2.4%
2016	56	7.9	141,733	(0.6)%

¹ Prior to the valuation as of July 1, 2016, annual payroll is based on projected annual compensation for the upcoming year. Beginning with the valuation as of July 1, 2016, annual payroll and average annual pay are based on annualized payroll as of the valuation date.

Values prior to July 1, 2016, were calculated by the prior actuary.

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Law Enforcement with Prior Main System Service				
Valuation Date 7/1	Number	Annual Payroll (\$ in Millions)	Average Annual Pay¹	% Increase in Avg Pay
2007	178	\$6.4	\$35,672	2.8%
2008	177	7.1	39,674	11.2%
2009	180	7.0	38,965	(1.8)%
2010	217	11.9	54,467	39.8%
2011	226	10.1	44,908	(17.6)%
2012	239	10.8	45,074	0.4%
2013	268	13.4	49,981	10.9%
2014	315	16.7	53,121	6.3%
2015	318	18.7	58,781	10.7%
2016	498	28.2	56,678	(3.6)%

Law Enforcement without Prior Main System Service				
Valuation Date 7/1	Number	Annual Payroll (\$ in Millions)	Average Annual Pay¹	% Increase in Avg Pay
2007	28	\$0.7	\$25,327	(13.5)%
2008	30	0.8	27,472	8.5%
2009	30	0.9	31,660	15.2%
2010	32	1.1	35,572	12.4%
2011	61	2.4	39,911	12.2%
2012	65	2.4	36,588	(8.3)%
2013	70	2.6	36,998	1.1%
2014	83	3.6	43,872	18.6%
2015	95	4.6	48,204	9.9%
2016	100	4.6	46,217	(4.1)%

¹ Prior to the valuation as of July 1, 2016, annual payroll is based on projected annual compensation for the upcoming year. Beginning with the valuation as of July 1, 2016, annual payroll and average annual pay are based on annualized payroll as of the valuation date.

Values prior to July 1, 2016, were calculated by the prior actuary.

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Analysis of Financial Experience - PERS

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

<i>Plan Year Ended</i>	Main System			
	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	12.24%	12.14%	11.06%	12.21%
Death after Retirement	(0.11)	(0.02)	(0.02)	(0.01)
Death-in-Service	0.00	0.00	0.00	0.00
Disability Requirements	0.00	0.00	0.00	0.00
Withdrawal from Employment	0.04	0.02	0.01	(0.01)
Age and Service Requirements	0.00	0.03	0.08	(0.01)
Financial Experience-Investments	0.54	(0.82)	(0.52)	0.10
Salary Scale and Service	0.59	0.16	(0.03)	(0.31)
Contribution Income	0.34	0.29	0.23	0.22
Administrative Expenses	0.01	0.01	0.01	0.01
New and Reinstated Members	0.04	0.07	0.07	0.02
Demographic Changes	(0.36)	(0.04)	0.13	0.00
Assumption Changes	0.00	0.00	1.13	0.00
Plan Change	(0.69)	(0.50)	0.00	0.00
Effect of Maintaining 20 Year Amortization	(0.31)	(0.28)	(0.27)	0.00
Death and Retirement from Withdrawals	(0.19)	0.00	0.00	(0.02)
Payroll Growth	N/A	N/A	0.33	N/A
Employer Cost Rate - End of Year	12.14	11.06%	12.21%	10.48%

<i>Plan Year Ended</i>	Judges			
	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	16.33%	16.66%	14.80%	10.75%
Plan Change	(1.00)	(0.50)	0.00	0.00
Plan Experience	0.18	0.22	0.95	(1.67)
Investment Loss/(Gain)	1.38	(1.45)	(1.15)	0.47
Contribution Loss/(Gain)	(0.04)	0.00	0.00	(0.65)
Assumption Changes	0.00	0.00	(3.77)	0.00
Effect of Maintaining 20-year amortization	(0.19)	(0.13)	(0.08)	0.00
Employer Cost Rate - End of Year	16.66	14.80%	10.75%	8.90%

<i>Plan Year Ended</i>	Law Enforcement With Prior Main Service*			
	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	10.69%	11.18%	9.42%	9.78%
Plan Change	(0.49)	(0.18)	(0.04)	0.00
Plan Experience	0.88	(1.06)	0.22	(1.87)
Investment Loss/(Gain)	0.39	(0.25)	(0.07)	0.59
Contribution Loss/(Gain)	(0.07)	0.00	0.00	(0.42)
Assumption Changes	0.00	0.00	0.39	0.00
Effect of Maintaining 20-year amortization	(0.22)	(0.17)	(0.14)	0.00
Employer Cost Rate - End of Year	11.18	9.52%	9.78%	8.08%

<i>Plan Year Ended</i>	Law Enforcement Without Prior Main Service			
	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	7.33%	8.11%	7.42%	8.03%
Plan Change	(0.50)	(0.25)	0.00	0.00
Plan Experience	1.21	0.00	0.87	(1.62)
Investment Loss/(Gain)	0.17	(0.41)	(0.05)	0.14
Contribution Loss/(Gain)	(0.06)	0.00	0.00	(0.11)
Assumption Changes	0.00	0.00	(0.18)	0.00
Effect of Maintaining 20-year amortization	(0.04)	(0.03)	(0.03)	0.00
Employer Cost Rate - End of Year	8.11	7.42%	8.03%	6.44%

* Years prior to the year ended June 30, 2016 do not include National Guard members.

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Retirees and Beneficiaries Added to and Removed from the Rolls PERS - 2007–2016

Main System and Special Prior Service Pensioners

Plan Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average	% Increase
	No.	Ann. Benefits*	No.	Ann. Benefits*	No.	Ann. Benefits*	No.**	Ann. Benefits*	Annual Benefit	in Annual Benefit
Retirement										
2007	6,198	\$ 56.7	528	\$ 6.4	(220)	\$ (1.4)	6,506	\$ 61.7	\$ 9,481	8.8%
2008	6,506	61.7	547	7.2	(240)	(1.7)	6,813	67.2	9,869	8.9%
2009	6,813	67.2	567	7.1	(222)	(1.9)	7,158	72.4	10,120	7.7%
2010	7,158	72.4	468	6.5	(254)	(1.9)	7,372	77.0	10,451	6.4%
2011	7,372	77.0	618	9.4	(230)	(1.8)	7,760	84.6	10,904	9.9%
2012	7,760	84.6	698	12.5	(216)	(1.8)	8,242	95.3	11,566	12.6%
2013	8,242	95.3	708	10.9	(284)	(4.0)	8,666	102.2	11,798	7.2%
2014	8,666	102.2	855	13.2	(291)	(2.4)	9,230	113.0	12,243	10.6%
2015	9,230	113.0	992	19.3	(243)	(2.4)	9,979	129.9	13,017	15.0%
2016	9,979	129.9	703	12.3	(288)	(2.6)	10,394	139.6	13,435	7.5%

*\$ in millions

**Excludes 24 pensioners as of June 30, 2014, 28 pensioners as of June 30, 2015, and 35 pensioners as of June 30, 2016 in suspended status.

Judges

Plan Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average	% Increase
	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits	Annual Benefit	in Annual Benefit
Retirement										
2007	27	\$ 977,162	3	\$ 92,172	0	\$ 0	30	\$ 1,077,497	\$ 35,917	10.3%
2008	30	1,077,497	1	49,517	(1)	(33,795)	30	1,093,219	36,441	1.5%
2009	30	1,093,219	1	69,931	(3)	(92,038)	28	1,071,112	38,254	-2.0%
2010	28	1,071,112	4	194,159	(2)	(47,106)	30	1,218,165	40,605	13.7%
2011	30	1,218,165	5	273,928	(1)	(20,861)	34	1,471,232	43,272	20.8%
2012	34	1,471,232	0	0	0	(648)	34	1,470,584	43,252	0.0%
2013	34	1,470,584	2	60,181	0	0	36	1,530,765	42,521	4.1%
2014	36	1,530,765	2	190,156	0	0	38	1,720,921	45,287	12.4%
2015	38	1,720,921	6	462,888	0	0	44	2,183,809	49,632	26.9%
2016	44	2,183,809	2	85,597	(3)	(147,638)	43	2,121,768	49,343	-2.8%

North Dakota Public Employees Retirement System – Actuarial Section
Public Employees Retirement System

Law Enforcement with prior Main System Service

Plan Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average Annual Benefit	% Increase in Annual Benefit
	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits		
Retirement										
2007	10	\$ 138,595	5	\$ 74,509	0	\$ 0	15	\$ 213,045	\$ 14,207	53.7%
2008	15	213,045	6	122,584	0	0	21	335,688	15,985	57.6%
2009	21	335,688	4	78,938	(1)	(23,246)	24	391,380	16,307	16.6%
2010	24	391,380	10	176,285	(2)	(26,749)	32	540,916	16,904	38.2%
2011	32	540,916	9	217,899	0	0	41	758,815	18,508	40.3%
2012	41	758,815	6	105,606	0	0	47	864,421	18,392	13.9%
2013	47	864,421	9	225,057	0	(13,776)	56	1,075,702	19,209	24.4%
2014	56	1,075,702	7	83,168	(1)	(57,253)	62	1,101,617	17,768	2.4%
2015	62	1,101,617	11	301,041	0	0	73	1,402,658	19,215	27.3%
2016	73	1,402,658	7	53,522	(1)	(10,529)	79	1,445,651	18,299	3.1%

Law Enforcement without prior Main System Service

Plan Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average Annual Benefit	% Increase in Annual Benefit
	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits	No.	Ann. Benefits		
Retirement										
2007	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	\$ 0	NA
2008	0	0	0	0	0	0	0	0	0	NA
2009	0	0	0	0	0	0	0	0	0	NA
2010	0	0	0	0	0	0	0	0	0	NA
2011	0	0	0	0	0	0	0	0	0	NA
2012	0	0	0	0	0	0	0	0	0	NA
2013	0	0	1	9,792	0	0	1	9,792	9,792	100.0%
2014	1	9,792	0	0	0	0	1	9,792	9,792	0.0%
2015	1	9,792	0	0	0	0	1	9,792	9,792	0.0%
2016	1	9,792	1	3,264	0	0	2	13,056	6,528	33.3%

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary’s Certification Letter
Highway Patrolmen’s Retirement System**



Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

December 15, 2016

Board Members
North Dakota Highway Patrolmen’s Retirement System
Bismarck, North Dakota

Members of the Board:

At your request, we have performed an actuarial valuation which includes actuarial valuation results for funding purposes and separate actuarial valuation results for accounting purposes for the North Dakota Highway Patrolmen’s Retirement System (“HPRS”) as of July 1, 2016. The purpose of the funding actuarial valuation, which is performed annually, is to determine the funding status and actuarial employer contribution rate for the HPRS. The actuarial valuation was performed at the request of the Board and is intended for use by the Board and HPRS and those designated by the Board and HPRS. This report may be provided to parties other than the Board and HPRS only in its entirety and only with the permission of the Board and HPRS. GRS is not responsible for reliance upon this valuation for any other purpose, or by any other party.

Actuarial Assumptions and Methods:

The actuarial assumptions used in the actuarial valuation as of July 1, 2016, were based on an experience review for the five-year period ending July 1, 2014, which was performed by the prior actuary. The actuarial assumptions were first adopted for use commencing with the July 1, 2015, valuation.

Starting with the July 1, 2016, actuarial valuation, projected future benefits for future retirees are limited by the projected IRC 415 limit that is assumed to increase from the current year limit by the current inflation assumption of 3.50 percent. The current IRC 415 limit for 2016 is \$210,000.

Under the current asset valuation method to calculate the actuarial value of assets, interest and dividends are immediately recognized and the total appreciation or depreciation from the current year (net change in fair value of investments) is recognized over a five-year period.

The current asset valuation method has a systematic bias toward the actuarial value of assets being lower than the market value of assets.

The actuarial employer contribution rate is calculated using a 20-year open period, level percentage of payroll amortization method. The remaining amortization period will be reset to 20 years in each future actuarial valuation.

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary’s Certification Letter
Highway Patrolmen’s Retirement System**

Board Members
North Dakota Highway Patrolmen’s Retirement System
December 15, 2016
Page 2

The actuarial assumptions were provided by, and are the responsibility of, the NDPERS Board. GRS was unable to judge the reasonableness of the actuarial assumptions and methods without performing a substantial amount of additional work beyond the scope of the assignment, and did not do so.

We recommend reviewing the current asset valuation method along with the economic assumptions (rate of inflation, investment return, payroll growth assumption) before the July 1, 2017, actuarial valuation.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and the asset valuation method, appear to be in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board for the funding of public sector pension plans and are set by the Board. Assumptions and methods required under GASB Statement 67 and 68 were used in the preparation of the accounting disclosures and schedules required by GASB 67 and 68.

Benefit Provisions

There were no changes in plan provisions since the previous actuarial valuation. The Board set the rate at 2% for the indexing percentage for the year beginning July 1, 2016, applicable to the final average salaries of System deferred vested members.

Participant Data

A total of 156 active members were included in the actuarial valuation as of July 1, 2016. Between the 2015 and 2016 valuations, the number of active employees decreased by 5 members, or 3.1 percent. The average annual valuation pay increased by 9.0 percent, from \$61,908 to \$67,479 between the 2015 and 2016 valuation. There were 7 active members that were eligible for retirement (normal, early or Rule of 80) as of July 1, 2016.

The number of benefit recipients decreased from 128 to 123, or 3.9 percent, since the last actuarial valuation. The average monthly benefit increased by 1.6 percent, from \$3,058 to \$3,107. During the year ending June 30, 2016, there were no members awarded a benefit.

There were 22 inactive members as of July 1, 2016, who were vested and elected to receive a deferred benefit. The average monthly deferred benefit is \$185. There were 17 inactive members as of July 1, 2016, who elected to receive a refund of contributions.

There were 12 members that were previously in the HPRS that transferred to the PERS.

Actuarial Valuation Assets

The asset values for the NDPERS and the HPRS are combined for purposes of calculating the actuarial value of assets and then are allocated among the Systems. On a market value basis, NDPERS assets (combined for the NDPERS and the HPRS) had an investment return of approximately 0.46 percent (net of investment expenses). Recognition of deferred asset gains from fiscal years ending 2013 through 2015 were partially offset by recognition of the fiscal year

Gabriel Roeder Smith & Company

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end 2012 and 2016 investment losses (decrease in the fair value of investments), which resulted in an estimated net asset rate of return of 6.59 percent on an actuarial value of assets basis, which compares to the assumed rate of return of 8.00 percent.

The actuarial value of assets is currently 93.8 percent of the market value of assets. There is \$153,695,443 in net asset gains (combined for the NDPERS and the HPRS) currently being deferred that will be phased into the actuarial value of assets over the next four years.

Statutory and Actuarial Employer Contributions

The actuarially determined contribution rate is calculated as the normal cost contribution (to fund benefits accruing during the year) plus a contribution to amortize the unfunded liability. The unfunded liability contribution rate is calculated using a 20-year open period, level percentage of payroll amortization method. The remaining amortization period will be reset to 20 years in each future actuarial valuation. If employers contributed the actuarial contribution rate, the contribution rate would be expected to gradually decrease using a 20-year open amortization period as the funded ratio gradually increased. An open amortization period is expected to gradually improve the funded ratio. However, the funded ratio is not expected to reach 100 percent under this method (assuming no actuarial gains or losses) because the remaining unfunded liability at each future valuation date is re-amortized over a new 20-year period.

The contributions that are made by employers are based on fixed contribution rates that are set by statute (and not based on the actuarially determined rate). The statutory contribution rate of 19.70% is lower than the actuarial contribution rate of 27.11%.

The portion of the statutory contribution that is applied toward the unfunded liability is the statutory contribution rate minus the employer normal cost rate. The unfunded liability contribution rate from the statutory contribution is lower than the rate calculated using the 20-year level percentage of payroll amortization period. (The equivalent amortization period of the unfunded liability rate from the statutory contribution rate is 67.0 years based on the actuarial value of assets and 42.3 years based on the market value of assets.)

Reliance on Others

The actuarial valuation was based upon information furnished by the NDPERS Staff, concerning benefits provided by the North Dakota Highway Patrolmen's Retirement System, financial transactions, plan provisions and census data for active members, terminated members, retirees and beneficiaries as of July 1, 2016. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the NDPERS Staff.

Gabriel Roeder Smith & Company

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The trend data in the Financial Section and the schedules and other data in this Section are prepared by NDPERS Staff with our input. Data prior to fiscal year 2016 was prepared by NDPERS Staff and the prior actuary. Specifically these exhibits are:

- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions and Cost Method
- 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

Accounting Schedules Under GASB Statement Nos. 67 and 68

The total pension liability (actuarial accrued liability) is based on a measurement date of July 1, 2016, under the Entry Age Normal actuarial cost method. A single discount rate of 8.00 percent, which is the same rate that is used in the funding actuarial valuation calculations, was used to measure the total pension liability. All other assumptions and methods used in the funding actuarial valuation for calculation of the actuarial accrued liabilities as of July 1, 2016, were used in the GASB 67/68 actuarial valuation for calculation of the total pension liability for fiscal year ending June 30, 2016.

The net pension liability is measured as the total pension liability, less the amount of the pension plan’s fiduciary net position (market value of assets) as of June 30, 2016.

Certification

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Highway Patrolmen’s Retirement System as of the actuarial valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Lance Weiss and Amy Williams are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary’s assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

This report should not be relied on for any purpose other than the purpose stated.

Gabriel Roeder Smith & Company

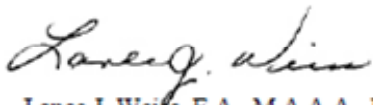
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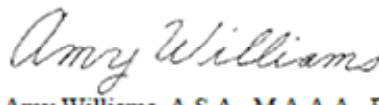
The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader



Amy Williams, A.S.A., M.A.A.A., F.C.A.
Consultant

AW:rg

Gabriel Roeder Smith & Company

**Actuarial Assumptions and Cost Method – Highway Patrolmen’s Retirement System
(Adopted July 1, 2016)**

Mortality Tables:

RP-2000 Combined Healthy Mortality table, sex-distinct, with rates set back 2 years for males and 3 years for females. RP 2000 Disabled Mortality table, sex-distinct, with rates set back 1 years for males (no setback for females), with rates multiplied by 125% for post-retirement disabled mortality. Mortality rates are projected from 2014 using the Social Security Administration (SSA) Intermediate Cost scale.

Rates of Separation from Active Membership:

<u>Service Beginning of Year</u>	<u>Rates</u>
1	10.00%
2-5	5.00%
 <u>Age</u>	
Under 35	2.50%
35+	1.00%

Withdrawal rates end upon eligibility for early retirement (age 50 and 10 years of service)

Disability Incidence Rates

Sample rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.0120%	0.0060%
25	0.0171%	0.0085%
30	0.0220%	0.0110%
35	0.0295%	0.0147%
40	0.0440%	0.0220%
45	0.0719%	0.0360%
50	0.1212%	0.0606%
55	0.2018%	0.1009%
60	0.3254%	0.1627%
65	0.2500%	0.2500%

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

Rates of retirement for members eligible to retire during the next year were as follows:

<u>Age</u>	<u>Rates</u>
50 - 54	20.00%
55+	100.00%

Investment Rate of Return

8.00% per annum, net of investment expenses

Annual Administrative Expenses

Prior year expenses, adjusted for inflation

**North Dakota Public Employees Retirement System – Actuarial Section
Highway Patrolmen’s Retirement System**

Salary Scale

Less than three years of service:

<u>Service</u>	<u>Percent Increase</u>
0	15.00%
1	10.00%
2	8.00%

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

<u>Age</u>	<u>Percent Increase</u>
Under 36	8.00%
36-40	7.50%
41-49	6.00%
50+	5.00%

Inflation

3.50% per annum

Payroll Growth

4.50% per annum

Marital Status

It is assumed that 100 percent of participants have an eligible spouse at the time of retirement or pre-retirement death. The male spouse is assumed to be three years older than the female spouse.

Spouses are assumed to be the opposite sex of the employees and retirees. The relatively low rate of same-sex spouses does not have a material actuarial impact on the actuarial valuation results.

Workers' Compensation

None assumed for disability benefit offset

Indexing for Benefits of Inactive Vested Members

4.00% 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 PERS System

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

North Dakota Public Employees Retirement System – Actuarial Section Highway Patrolmen’s Retirement System

Actuarial Cost Method

Entry age normal. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. 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

Calculated by recognizing 100 percent of the current year’s interest and dividends and 20 percent of the current year and previous four years’ total appreciation/(depreciation). The total appreciation/(depreciation) for a given year is fully recognized after a five-year period. The current asset valuation method has a systematic bias toward the actuarial value of assets being lower than the market value of assets.

Benefit Election

All participants are assumed to elect the 50% joint and survivor annuity

Changes in Actuarial Assumptions and Methods - Highway Patrolmen’s Retirement System

The application of Internal Revenue Code Section 415 limits to projected benefits has changed since the previous valuation as of July 1, 2015. Previously projected benefits were limited to the Section 415 limit applicable to the actuarial valuation year. Beginning with the actuarial valuation as of July 1, 2016, projected benefits are limited to a projected Section 415 limit which projects the limit at the actuarial valuation year by the inflation assumption used in the actuarial valuation. There have been no other changes in actuarial valuation assumptions or methods since the previous valuation as of July 1, 2015.

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: 3.6% of final average salary for each of 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

**North Dakota Public Employees Retirement System – Actuarial Section
Highway Patrolmen’s Retirement System**

4. Deferred Vested 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:

<u>Year Beginning</u>	<u>Average Annual Increase</u>	<u>Three-Year Average Increase</u>
07/01/1994	3.00%	3.01%
07/01/1995	2.00%	2.86%
07/01/1996	2.00%	2.33%
07/01/1997	3.00%	2.33%
07/01/1998	1.80%	2.27%
07/01/1999	1.26%	2.02%
07/01/2000	2.00%	1.69%
07/01/2001	1.81%	1.69%
07/01/2002	1.73%	1.85%
07/01/2003	0.00%	1.18%
07/01/2004	0.00%	0.58%
07/01/2005	4.00%	1.33%
07/01/2006	4.00%	2.67%
07/01/2007	4.00%	4.00%
07/01/2008	4.00%	4.00%
07/01/2009	5.00%	4.33%
07/01/2010	5.00%	4.67%
07/01/2011	2.00%	4.00%
07/01/2012	2.00%	3.00%
07/01/2013	3.00%	2.33%
07/01/2014	3.00%	2.67%
07/01/2015	3.00%	3.00%
07/01/2016	2.00%	2.67%

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:

- 1) Lump sum payout of member's accumulated contributions with interest
- 2) 50% of the member's accrued benefit (not reduced on account of age) for the surviving spouse's lifetime.

Eligibility: Less than 10 years of service

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

**North Dakota Public Employees Retirement System – Actuarial Section
Highway Patrolmen’s Retirement System**

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:

- 1) 100% joint and survivor annuity
- 2) Twenty-year certain and life annuity
- 3) Ten-year certain and life annuity
- 4) A partial lump sum payment in addition to one of the annuity options above.
- 5) 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: 13.3%

Member contributions earn interest at an annual rate of 7.5% compounded monthly.

State contributions as a percent of monthly salary for each participating member: 19.7%

Changes in Plan Provisions Since the Previous Valuation:

There have been no changes in plan provisions since the previous valuations as of July 1, 2015

**Schedule of Active Member Valuation Data - HPRS
2007 – 2016**

Valuation Date 7/1	Highway Patrol			
	Number	Annual Payroll (\$ in Millions)	Average Annual Pay ¹	% Increase in Avg Pay
2007	133	\$ 6.1	\$ 46,082	2.9%
2008	130	6.5	50,066	8.6%
2009	133	7.0	52,701	5.3%
2010	139	7.7	55,666	5.6%
2011	133	8.0	60,168	8.1%
2012	145	8.2	56,323	(6.4)%
2013	149	9.3	62,741	11.4%
2014	156	10.1	65,037	3.7%
2015	161	10.8	66,921	2.9%
2016	156	10.5	67,479	0.8%

¹Prior to the valuation as of July 1, 2016, annual payroll and average annual pay are based on projected annual compensation for the upcoming year. Beginning with the actuarial valuation as of July 1, 2016, annual payroll and average annual pay are based on annualized payroll as of the valuation date.

**North Dakota Highway Patrolmen's Retirement System
Retirees and Beneficiaries Added to and Removed from the Rolls, 2007 – 2016**

Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average Annual Benefit	% Increase in Annual Benefit
	No.	Ann. Benefits*	No.	Ann. Benefits*	No.	Ann. Benefits*	No.**	Ann. Benefits*		
Retirement										
2007	100	\$ 2,799,646	4	\$ 177,564	(3)	(\$13,795)	101	\$ 2,963,415	\$ 29,341	5.8%
2008	101	2,963,415	7	256,680	(3)	(48,925)	105	3,171,170	30,202	7.0%
2009	105	3,171,170	8	249,776	(4)	(96,523)	109	3,324,423	30,499	4.8%
2010	109	3,324,423	5	191,085	(1)	(13,126)	113	3,502,382	30,995	5.4%
2011	113	3,502,382	2	58,150	0	0	115	3,560,532	30,961	1.7%
2012	115	3,560,532	3	179,349	(2)	(45,783)	116	3,694,098	31,846	3.8%
2013	116	3,694,098	4	169,974	(4)	(114,418)	116	3,749,654	32,325	1.5%
2014	116	3,749,654	2	138,200	(1)	(64,069)	117	3,823,785	32,682	2.0%
2015	117	3,823,785	16	967,969	(5)	(94,620)	128	4,697,134	36,696	22.8%
2016	128	4,697,134	2	68,562	(7)	(179,032)	123	4,586,664	37,290	-2.4%

* \$ in millions

**Includes alternate payees.

**North Dakota Public Employees Retirement System – Actuarial Section
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**Solvency Test - HPRS
2007 – 2016**

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:

- 4) Active member contributions on deposit
- 5) The liabilities for future benefits to present retired lives; and
- 6) 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)

Valuation Date	(1) Total Actuarial 6/30 Accrued Liability	(1) Active Member Contributions	(2) Retirees, Term Vested and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets		
						(1)	(2)	(3)
2007	\$ 51.5	\$ 9.5	\$ 30.5	\$ 11.5	\$ 48.2	100%	100%	71%
2008	54.6	9.5	32.6	12.5	50.8	100%	100%	70%
2009	57.6	10.0	34.3	13.3	50.2	100%	100%	44%
2010	61.8	10.5	36.1	15.2	49.3	100%	100%	18%
2011	67.1	11.6	37.4	18.1	49.5	100%	100%	3%
2012	68.5	12.1	39.3	17.1	48.1	100%	92%	0%
2013	71.9	13.5	40.5	17.9	49.0	100%	88%	0%
2014	75.5	14.8	41.9	18.8	54.6	100%	95%	0%
2015	80.1	12.3	54.1	13.7	58.9	100%	86%	0%
2016	88.0	14.3	53.9	19.7	61.7	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

<u>Plan Year Ended</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	26.83%	25.11%	21.70%	21.42%
Plan Change	(0.66)	(0.50)	0.00	0.00
Plan Experience	(2.16)	(1.03)	(0.12)	5.17
Change in Amortization Schedule	(0.63)	(0.54)	(0.50)	0.00
Assumption Changes	0.00	0.00	1.16	0.00
Investment Loss/(Gain)	1.40	(1.60)	(0.89)	0.00
Contribution Loss/(Gain)	0.33	(0.26)	0.07	0.52
Employer Cost Rate - End of Year	25.11%	21.70%	21.42%	27.11%

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary's Certification Letter
Job Service Retirement Plan**



Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

December 15, 2016

Board Members
Retirement Plan for Employees of Job Service North Dakota
Bismarck, North Dakota

Members of the Board:

At your request, we have performed an actuarial valuation which includes actuarial valuation results for funding purposes and separate actuarial valuation results for accounting purposes for the Retirement Plan for Employees of Job Service North Dakota as of July 1, 2016. The purpose of the funding actuarial valuation, which is performed annually, is to determine the funding status and actuarial employer contribution rate for the Retirement Plan for Employees of Job Service North Dakota. The actuarial valuation was performed at the request of the Board and is intended for use by the Board and the Retirement Plan for Employees of Job Service North Dakota and those designated by the Board and the Retirement Plan for Employees of Job Service North Dakota. This report may be provided to parties other than the Board and the Retirement Plan for Employees of Job Service North Dakota only in its entirety and only with the permission of the Board and the Retirement Plan for Employees of Job Service North Dakota. GRS is not responsible for reliance upon this actuarial valuation for any other purpose, or by any other party.

Actuarial Assumptions and Methods

The actuarial assumptions used in the actuarial valuation as of July 1, 2016, were based on an experience review for the five-year period ending July 1, 2014, which was performed by the prior actuary. The actuarial assumptions were first adopted for use commencing with the July 1, 2015, valuation.

The actuarial employer contribution rate under the Frozen Initial Liability Actuarial Cost Method is equal to the normal cost plus the payment required to amortize the initial unfunded actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total present value of all future benefits, subtracting the outstanding balance (if any) of the initial unfunded 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. In the absence of an initial unfunded actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method.

The actuarial assumptions were provided by, and are the responsibility of, the Board. GRS was unable to judge the reasonableness of the actuarial assumptions and methods without performing a substantial amount of additional work beyond the scope of the assignment, and did not do so.

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We recommend reviewing the current asset valuation method along with the economic assumptions (rate of inflation, investment return, payroll growth assumption) before the July 1, 2017, actuarial valuation.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and the asset valuation method, appear to be in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board for the funding of public sector pension plans and are set by the Board. Assumptions and methods required under GASB Statement 67 and 68 were used in the preparation of the accounting disclosures and schedules required by GASB 67 and 68.

Benefit Provisions

There were no changes in plan provisions since the previous actuarial valuation.

Participant Data

A total of 9 active members were included in the valuation as of July 1, 2016. Between the 2015 and 2016 valuations, the number of active employees decreased by 2 members, or 18.2 percent. The average annual valuation pay increased by 2.4 percent, from \$61,258 to \$62,743 between the 2015 and 2016 valuation. There were 9 active members that were eligible for retirement (normal, optional or early) as of July 1, 2016.

The number of benefit recipients remained at 206, since the last actuarial valuation. The average monthly benefit decreased by 0.1 percent, from \$1,866 to \$1,864. During the year ending June 30, 2016, there were 2 members awarded a benefit.

There was 1 inactive member as of July 1, 2016, who was vested and elected to receive a deferred benefit. The monthly deferred benefit is \$442.

Actuarial Valuation Assets

On a market value basis, the Retirement Plan for Employees of Job Service North Dakota assets had an investment return of approximately 5.15 percent (net of investment expenses). On an actuarial value of asset basis, the Retirement Plan for Employees of Job Service North Dakota had an estimated net asset rate of return of 8.29 percent, which compares to the assumed rate of return of 7.00 percent.

The actuarial value of assets is currently 84 percent of the market value of assets.

Statutory and Actuarial Employer Contributions

The actuarial employer contribution rate is calculated under the Frozen Initial Liability Actuarial Cost Method and is equal to the normal cost plus the payment required to amortize the initial unfunded actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total present 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

Gabriel Roeder Smith & Company

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lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method.

The plan currently has a surplus, and therefore, the actuarial employer contribution rate is 0%.

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.

Reliance on Others

The actuarial valuation was based upon information furnished by the NDPERS Staff, concerning benefits provided by the Retirement Plan for Employees of Job Service North Dakota, financial transactions, plan provisions and census data for active members, terminated members, retirees and beneficiaries as of July 1, 2016. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the NDPERS Staff.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by NDPERS Staff with our input. Data prior to fiscal year 2016 was prepared by NDPERS Staff and the prior actuary. Specifically these exhibits are:

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

Accounting Schedules Under GASB Statement Nos. 67 and 68

The total pension liability (actuarial accrued liability) is based on a measurement date of July 1, 2016, under the Entry Age Normal actuarial cost method. A single discount rate of 7.00 percent, which is the same rate that is used in the funding actuarial valuation calculations, was used to measure the total pension liability. All other assumptions and methods used in the funding actuarial valuation for calculation of the actuarial accrued liabilities as of July 1, 2016, were used in the GASB 67/68 actuarial valuation for calculation of the total pension liability for fiscal year ending June 30, 2016.

The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position (market value of assets) as of June 30, 2016.

Certification

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Retirement Plan for Employees of Job Service North Dakota

Gabriel Roeder Smith & Company

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as of the actuarial valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

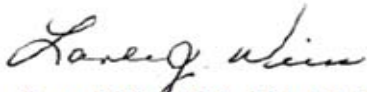
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

This report should not be relied on for any purpose other than the purpose stated.

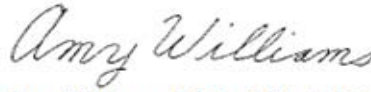
The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader



Amy Williams, A.S.A., M.A.A.A., F.C.A.
Consultant

AW:rl

Gabriel Roeder Smith & Company

**Actuarial Assumptions and Cost Method
Retirement Plan for Employees of Job Service of North Dakota
(Adopted July 1, 2016)**

Actuarial Cost Method:

There is a wide range of funding methods that are considered acceptable by the actuarial profession and meet government standards. The frozen initial liability actuarial cost method is the method used currently 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. In the absence of an unfunded initial liability 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.

Asset Valuation Method:

The asset value indicates the portion of the benefits already funded. The method used to determine this value is called the actuarial asset valuation method. The actuarial asset valuation method is as follows:

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.

Actuarial Assumptions:

The information and analysis is used in selecting each assumption that has a significant effect on this actuarial valuation is shown in our report titled Experience Review: July 2009 - June 2014, issued in May 2015.

Mortality Tables:

RP-2000 Combined Healthy Mortality table, sex-distinct, with rates set back 2 years for males and 3 years for females. RP 2000 Disabled Mortality table, sex-distinct, with rates set back 1 years for males (no setback for females), with rates multiplied by 125% for post-retirement disabled mortality. Mortality rates are projected from 2014 using the Social Security Administration (SSA) Intermediate Cost scale.

These underlying tables with generational projection to the ages of participants as one of the measurement date reasonably reflect the mortality experience as of the measurement date.

**North Dakota Public Employees Retirement System – Actuarial Section
Job Service Retirement Plan**

<i>Age</i>	<i>Healthy Mortality Future Life Expectancy in Years in 2016</i>		<i>Disability Mortality Future Life Expectancy in Years in 2016</i>	
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>
20	67.65	72.06	32.27	49.75
25	62.25	66.64	30.36	45.90
30	56.86	61.22	28.35	41.98
35	51.49	55.82	26.21	37.97
40	46.17	50.44	23.85	33.83
45	40.91	45.11	21.15	29.52
50	35.70	39.83	18.27	25.27
55	30.58	34.64	15.76	21.51
60	25.63	29.56	13.57	18.22
65	20.97	24.71	11.54	15.22
70	16.74	20.23	9.58	12.45
75	12.92	16.11	7.73	9.95
80	9.60	12.46	6.12	7.79
85	6.86	9.28	4.81	5.97
90	4.78	6.69	3.63	4.49
95	3.40	4.89	2.55	3.40
100	2.59	3.85	1.92	2.76
105	2.15	3.13	1.60	2.14

Disability Incidence Rates:

Sample rates are as follows:

<i>Age</i>	<i>Male</i>	<i>Female</i>
20	0.0120%	0.0060%
25	0.0171%	0.0085%
30	0.0220%	0.0110%
35	0.0295%	0.0147%
40	0.0440%	0.0220%
45	0.0719%	0.0360%
50	0.1212%	0.0606%
55	0.2018%	0.1009%
60	0.3254%	0.1627%
65	0.2500%	0.2500%

Withdrawal Rates:

There are no withdrawal rates for Job Service members.

Retirement Rates

Rates of retirement for members eligible to retire during the next year were as follows:

<i>Age</i>	<i>Rates</i>
50-64	15.00%
65+	100.00%

Salary Scale

3.5% per year.

Post-retirement cost-of-living adjustment:

3% per year.

North Dakota Public Employees Retirement System – Actuarial Section Job Service Retirement Plan

Marital Status

It is assumed that 85 percent of participants have an eligible spouse at the time of retirement or pre-retirement death. The male spouse is assumed to be four years older than the female spouse.

Spouses are assumed to be the opposite sex of the employees and retirees. The relatively low rate of same-sex spouses does not have a material actuarial impact on the actuarial valuation results

Rate of Return on Assets/Discount Rate:

7% per year, compounded annually, net of investment expenses

Future Benefit Accruals:

One year of credited service per year per active employee included in the valuation

Annual Administrative Expenses

Prior year expenses, adjusted for inflation

Benefit Election:

55% of participants are assumed to elect the Single Life Annuity with 120 month guarantee, and 45% are assumed to elect the 55% Contingent Annuitant Option.

Changes in Actuarial Assumptions or Cost Method

There have been no changes in valuation assumptions or methods since the previous valuation as of July 1, 2015

Summary of Plan Provisions - Job Service Retirement Plan

This section summarizes the major benefit provisions of the Retirement Plan for Employees of Job Service 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 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

1. Normal Retirement

Age Requirement: 65

Service Requirement: None

Benefit: Average monthly earnings multiplied by the sum of:

- a. 1.5% 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

2. Optional Retirement

Age and Service Requirements:

- Age 62 with 5 years of credited service, or
- Age 60 with 20 years of credited service, or
- Age 55 with 30 years of credited service.

Benefit: Accrued normal retirement benefit.

**North Dakota Public Employees Retirement System – Actuarial Section
Job Service Retirement Plan**

3. 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

4. Disability Benefit

Age Requirement: None

Service Requirement: Five years of credited service

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

5. 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 not 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.

6. Refund of Member 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).

7. 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 the benefits for expected surviving children

**North Dakota Public Employees Retirement System – Actuarial Section
Job Service Retirement Plan**

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

8. Post-Retirement Death Benefits

Based on form of payment elected by the pensioner.

9. Post-Retirement Cost-of-Living Adjustment

Based on the Consumer Price Index as approved by the Board.

10. Participation

Plan participant before October 1, 1980

11. 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.

12. Contribution Rate

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

Employer: remaining scheduled contribution, if any.

13. Normal and Optional Forms of Payment:

- Single Life Annuity with 120 month guarantee (Normal);
- Single Life Annuity with 240 month guarantee;
- Single Life Annuity with 180 month guarantee;
- 55% Contingent Annuitant Option;
- 75% Contingent Annuitant Option;
- 100% Contingent Annuitant Option; and
- Uniform Income Option

Changes in Plan Provisions Since the Previous Valuation:

There have been no changes in plan provisions since the previous valuations as of July 1, 2015

**Schedule of Active Member Valuation Data
Job Service Retirement Plan 2007 – 2016**

Valuation Date 7/1	Job Service			
	Number	Annual Payroll (\$ in Millions)	Average Annual Pay ¹	% Increase in Avg Pay
2007	40	\$1.8	\$46,079	5.5%
2008	38	1.8	46,385	0.7%
2009	35	1.7	48,841	5.3%
2010	31	1.6	51,975	6.4%
2011	23	1.2	52,208	0.4%
2012	19	1.0	54,892	5.1%
2013	15	0.8	56,173	2.3%
2014	13	0.8	60,819	8.3%
2015	11	0.7	63,402	4.2%
2016	9	0.6	62,743	(1.0)%

¹Prior to the valuation as of July 1, 2016, annual payroll and average annual pay are based on projected annual compensation for the upcoming year. Beginning with the actuarial valuation as of July 1, 2016, annual payroll and average annual pay are based on annualized payroll as of the valuation date.

**Retirement Plan for Employees of Job Service North Dakota
Retirees and Beneficiaries (Including Traveler's Annuitants)
Added to and Removed from the Rolls, 2007 – 2016**

Plan Year	Beg of Year		Added to Rolls		Removed from Rolls		End of Year Balance		Average	% Increase
	No.	Ann. Benefits*	No.	Ann. Benefits*	No.	Ann. Benefits*	No.**	Ann. Benefits*	Annual Benefit	in Annual Benefit
Retirement										
2007	221	\$ 3,272,565	4	\$ 111,871	(5)	(\$42,458)	220	\$ 3,459,148	\$ 15,723	5.7%
2008	220	3,459,148	7	195,354	(11)	(99,492)	216	3,555,010	16,458	2.8%
2009	216	3,555,010	4	354,356	(6)	(80,657)	214	3,828,709	17,891	7.7%
2010	214	3,828,709	4	116,464	(7)	(121,601)	211	3,866,281	18,324	1.0%
2011	211	3,866,281	8	229,678	(6)	(96,255)	213	3,999,704	18,778	3.5%
2012	213	3,999,704	9	543,433	(10)	(153,978)	212	4,389,159	20,704	9.7%
2013	212	4,389,159	8	273,087	(7)	(250,470)	213	4,411,776	20,713	0.5%
2014	213	4,411,776	6	300,806	(6)	(86,706)	213	4,625,876	21,718	4.9%
2015	213	4,625,876	2	106,825	(9)	(119,238)	206	4,613,463	22,395	-0.3%
2016	206	4,613,463	7	119,994	(7)	(126,408)	206	4,607,049	22,364	-0.1%

* Includes cost of living adjustment of 3.6% for retirement benefits in pay status as of July 1, 2011 and 1.7% as of July 1, 2015.
Excludes benefits paid by Travelers.

**Includes 2 alternate payees

**North Dakota Public Employees Retirement System – Actuarial Section
Job Service Retirement Plan**

**Solvency Test – Job Service Retirement Plan
2007 – 2016**

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; and
- 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 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)

Valuation Date 7/1	Present Value of Future Benefits	(1)	(2)	(3)	Actuarial Value of Assets	Portion (%) of Present Value Covered By Assets		
		Retirees, Term Vested and Beneficiaries	Inactive Vested Employee (Not in Pay Status)	Active Member Contributions		(1)	(2)	(3)
2007	\$71.8	\$53.9	\$0.3	\$17.6	\$75.7	100%	100%	100%
2008	71.9	54.8	0.2	16.9	77.0	100%	100%	100%
2009	72.0	55.3	0.2	16.5	74.5	100%	100%	100%
2010	70.9	55.1	0.2	15.6	73.5	100%	100%	100%
2011	68.2	55.7	0.9	11.6	74.2	100%	100%	100%
2012	72.0	61.1	0.7	10.2	75.1	100%	100%	100%
2013	66.4	56.7	1.9	7.8	76.3	100%	100%	100%
2014	65.5	57.9	0.0	7.6	78.2	100%	100%	100%
2015	63.6	56.2	0.0	7.4	79.2	100%	100%	100%
2016	61.4	55.0	0.0	6.4	81.0	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 and Actual Experience

<i>Plan Year Ended</i>	<i>June 30, 2013</i>	<i>June 30, 2014</i>	<i>June 30, 2015</i>	<i>June 30, 2016</i>
Employer Cost Rate - Beginning of Year	0.00%	0.00%	0.00%	0.00%
Plan Change	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
Investment Loss/(Gain)	0.00	0.00	0.00	0.00
Contribution Loss/(Gain)	0.00	0.00	0.00	0.00
Employer Cost Rate - End of Year	0.00%	0.00%	0.00%	0.00%

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary's Certification Letter
Retiree Health Insurance Credit Fund**



Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

December 15, 2016

Board Members
North Dakota Retiree Health Insurance Credit Fund
Bismarck, North Dakota

Members of the Board:

At your request, we have performed an actuarial valuation for the North Dakota Retiree Health Insurance Credit Fund ("RHIC") as of July 1, 2016. The purpose of the actuarial valuation, which is performed annually, is to determine the funding status and actuarial employer contribution rate for the RHIC. The actuarial valuation was performed at the request of the Board and is intended for use by the Board and RHIC and those designated by the Board and RHIC. This report may be provided to parties other than the Board and RHIC only in its entirety and only with the permission of the Board and RHIC. GRS is not responsible for reliance upon this valuation for any other purpose, or by any other party.

Actuarial Assumptions and Methods

The actuarial assumptions used in the actuarial valuation as of July 1, 2016, were based on an experience review for the five-year period ending July 1, 2014, which was performed by the prior actuary. The actuarial assumptions were first adopted for use commencing with the July 1, 2015, valuation. The assumptions used in the North Dakota Retiree Health Insurance Credit Fund are the same as those used in the North Dakota Public Employees' Retirement System and North Dakota Highway Patrolmen's Retirement System valuations for members participating in those Systems.

Under the current asset valuation method to calculate the actuarial value of assets, interest and dividends are immediately recognized and the total appreciation or depreciation from the current year (net change in fair value of investments) is recognized over a five-year period.

The current asset valuation method has a systematic bias toward the actuarial value of assets being lower than the market value of assets.

The actuarial contribution rate is calculated using a 40-year closed (beginning July 1, 1990) level-percentage of pay amortization of the unfunded liability. The remaining amortization period is 14 years as of the actuarial valuation date.

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary's Certification Letter
Retiree Health Insurance Credit Fund**

Board Members
North Dakota Retiree Health Insurance Credit Fund
December 15, 2016
Page 2

The actuarial assumptions were provided by, and are the responsibility of, the NDPERS Board. GRS was unable to judge the reasonableness of the actuarial assumptions and methods without performing a substantial amount of additional work beyond the scope of the assignment, and did not do so.

We recommend reviewing the current asset valuation method along with the economic assumptions (rate of inflation, investment return, payroll growth assumption) before the July 1, 2017, actuarial valuation.

The actuarial assumptions and methods used, including the economic and demographic assumptions, the actuarial cost method and the asset valuation method, appear to be in conformity with the Actuarial Standards of Practice issued by the Actuarial Standards Board for the funding of public sector pension plans and are set by the Board.

Benefit Provisions

There were no changes in plan provisions since the previous actuarial valuation. The plan was changed to no longer require enrollment in the NDPERS health insurance plan. Although a change in the participation rate for future retirees was reflected in the 2015 valuation, a change in the expected number of current retirees participating in the Plan was first reflected in the 2016 valuation.

Participant Data

A total of 23,664 active members were included in the actuarial valuation as of July 1, 2016. Between the 2015 and 2016 actuarial valuations, the number of active employees increased by 427 members, or 1.8 percent. The average annual valuation pay increased by 5.8 percent, from \$42,608 to \$45,075 between the 2015 and 2016 actuarial valuations.

The number of benefit recipients increased from 5,212 to 10,320, or 98.0 percent, since the last actuarial valuation. The plan was changed to no longer require enrollment in the NDPERS health insurance plan. Only those retirees enrolled in the NDPERS health insurance plan were included in the 2015 actuarial valuation. All eligible retirees were included in the 2016 actuarial valuation.

The average monthly benefit decreased by 17.4 percent, from \$121 to \$100.

Actuarial Valuation Assets

On a market value basis, RHIC assets had an investment return of approximately 0.79 percent (net of investment expenses). Recognition of deferred asset gains from fiscal years ending 2012 through 2015 were partially offset by recognition of the fiscal year end 2016 investment losses (decrease in the fair value of investments), which resulted in an estimated net asset rate of return of 5.90 percent on an actuarial value of assets basis, which compares to the assumed rate of return of 8.00 percent.

The actuarial value of assets is currently 95 percent of the market value of assets. There is

Gabriel Roeder Smith & Company

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary's Certification Letter
Retiree Health Insurance Credit Fund**

Board Members
North Dakota Retiree Health Insurance Credit Fund
December 15, 2016
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\$5,138,951 in net asset gains currently being deferred that will be phased into the actuarial value of assets over the next four years.

Statutory and Actuarial Employer Contributions

The actuarially determined contribution rate is calculated as the normal cost contribution (to fund benefits accruing during the year) plus a contribution to amortize the unfunded liability. The unfunded liability contribution rate is calculated using a 40-year closed (beginning July 1, 1990) level-percentage of pay amortization of the unfunded liability. The remaining amortization period is 14 years as of the actuarial valuation date. If employers contributed the actuarial contribution rate, the contribution rate would be expected to remain level using a 40-year closed amortization period (assuming the actuarial assumptions are realized, including an 8.00 return on the actuarial value of assets). A closed amortization period is expected to increase the funded ratio to 100 percent by the end of the closed period (assuming no actuarial gains or losses).

The contributions that are made by employers are based on fixed contribution rates that are set by statute (and not based on the actuarially determined rate). The statutory contribution rate of 1.14% is higher than the actuarial contribution rate of 1.02%.

The portion of the statutory contribution that is applied toward the unfunded liability is the statutory contribution rate minus the employer normal cost rate. The unfunded liability contribution rate from the statutory contribution is higher than the rate calculated using the 14-year level percentage of payroll amortization period. (The equivalent amortization period of the unfunded liability rate based on the statutory contribution rate is 11.3 years based on the actuarial value of assets and 10.5 years based on the market value of assets.)

Reliance on Others

The actuarial valuation was based upon information furnished by the NDPERS Staff, concerning benefits provided by the North Dakota Retiree Health Insurance Credit Fund, financial transactions, plan provisions and census data for active members, terminated members, retirees and beneficiaries as of July 1, 2016. We checked for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the NDPERS Staff.

The trend data in the Financial Section and the schedules and other data in this Section are prepared by NDPERS Staff with our input. Data prior to fiscal year 2016 was prepared by NDPERS Staff and the prior actuary. Specifically these exhibits are:

- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions and Cost Method
- Retired Members and Beneficiaries, Average Annual Benefit, and Active Member/Retiree Comparison
- Analysis of Financial Experience
- Assets and Actuarial Accrued Liabilities

Gabriel Roeder Smith & Company

**North Dakota Public Employees Retirement System – Actuarial Section
Actuary’s Certification Letter
Retiree Health Insurance Credit Fund**

Board Members
North Dakota Retiree Health Insurance Credit Fund
December 15, 2016
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Certification

To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the North Dakota Retiree Health Insurance Credit Fund as of the actuarial valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. Lance J. Weiss and Amy Williams are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

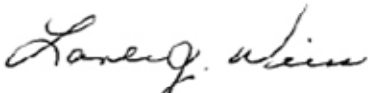
Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuary’s assignment, the actuary did not perform an analysis of the potential range of such future measurements in this report.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Lance J. Weiss, E.A., M.A.A.A., F.C.A.
Senior Consultant and Team Leader



Amy Williams, A.S.A., M.A.A.A., F.C.A.
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**Actuarial Assumptions and Cost Method
Retiree Health Insurance Credit Fund
(Adopted July 1, 2016)**

Mortality Tables:

Active PERS Members and Retirees:

RP-2000 Combined Healthy Mortality table, sex-distinct, with rates set back 2 years for males and 3 years for females. RP 2000 Disabled Mortality table, sex-distinct, with rates set back 1 year for males (no setback for females), with rates multiplied by 125% for post-retirement disabled mortality. Mortality rates are projected from 2014 using the Social Security Administration (SSA) Intermediate Cost scale.

These underlying tables with generational projection to the ages of participants as one of the measurement date reasonably reflect the mortality experience as of the measurement date.

Age	<i>Healthy Mortality Future Life Expectancy in Years in 2016</i>		<i>Disability Mortality Future Life Expectancy in Years in 2016</i>	
	<i>Men</i>	<i>Women</i>	<i>Men</i>	<i>Women</i>
20	67.65	72.06	32.27	49.75
25	62.25	66.64	30.36	45.90
30	56.86	61.22	28.35	41.98
35	51.49	55.82	26.21	37.97
40	46.17	50.44	23.85	33.83
45	40.91	45.11	21.15	29.52
50	35.70	39.83	18.27	25.27
55	30.58	34.64	15.76	21.51
60	25.63	29.56	13.57	18.22
65	20.97	24.71	11.54	15.22
70	16.74	20.23	9.58	12.45
75	12.92	16.11	7.73	9.95
80	9.60	12.46	6.12	7.79
85	6.86	9.28	4.81	5.97
90	4.78	6.69	3.63	4.49
95	3.40	4.89	2.55	3.40
100	2.59	3.85	1.92	2.76
105	2.15	3.13	1.60	2.14

Withdrawal Rates:

Different withdrawal rates are applied to the active members of the Main and DC Systems, Highway Patrol, Judges and Law Enforcement. Rates for the Main and Law Enforcement 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.

Rates of separation from active membership are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

**North Dakota Public Employees Retirement System – Actuarial Section
Retiree Health Insurance Credit Fund**

Service and Age-Based Rates for First Five Years of Service						
Service Beginning of Year	Main System			Law Enforcement		
	Age					
	Under 30	30-39	40+	Under 30	30-39	40+
0	22.00%	16.00%	12.00%	25.00%	20.00%	17.00%
1	18.00%	14.00%	10.00%	23.00%	17.00%	15.00%
2	16.00%	12.00%	10.00%	20.00%	15.00%	12.00%
3	14.00%	12.00%	8.00%	17.00%	13.00%	10.00%
4	14.00%	11.00%	7.00%	15.00%	11.00%	7.00%

Age	Age-Based Rates Only After First Five Years of Service	
	Main System	Law Enforcement
20-24	8.80%	8.80%
25-29	8.80%	8.80%
30-34	5.50%	5.50%
35-39	4.70%	4.70%
40-44	3.90%	3.90%
45-49	3.70%	3.70%
50-54	3.40%	3.40%
55-59	0.10%	0.10%
60+	0.20%	0.20%

No pre-retirement termination is assumed for Judges.

Disability Incidence Rates:

Sample rates are as follows:

Age	Male	Female
20	0.0120%	0.0060%
25	0.0171%	0.0085%
30	0.0220%	0.0110%
35	0.0295%	0.0147%
40	0.0440%	0.0220%
45	0.0719%	0.0360%
50	0.1212%	0.0606%
55	0.2018%	0.1009%
60	0.3254%	0.1627%
65	0.2500%	0.2500%

Retirement Rates

Different retirement rates are applied to the active members of the Main and DC Systems, Highway Patrol, Judges, and Law Enforcement. Retirement rates for the Systems are detailed below. The retirement rates applied to the active members of the other groups are detailed in the valuation report for the retirement system.

**North Dakota Public Employees Retirement System – Actuarial Section
Retiree Health Insurance Credit Fund**

Rates of retirement for members eligible to retire during the next year were as follows:

Age	Main System		Law Enforcement	Judges
	Reduced	Unreduced	Unreduced	Unreduced
50		30.00%	25.00%	
51		10.00%	25.00%	
52		10.00%	25.00%	
53		10.00%	25.00%	
54		10.00%	25.00%	
55	1.00%	10.00%	10.00%	10.00%
56	1.00%	8.00%	10.00%	10.00%
57	1.00%	8.00%	10.00%	10.00%
58	1.00%	8.00%	10.00%	10.00%
59	1.00%	8.00%	10.00%	10.00%
60	2.00%	8.00%	10.00%	10.00%
61	5.00%	15.00%	10.00%	10.00%
62	10.00%	30.00%	50.00%	10.00%
63	10.00%	30.00%	50.00%	10.00%
64	10.00%	20.00%	50.00%	10.00%
65		30.00%	50.00%	20.00%
66		20.00%	20.00%	20.00%
67		15.00%	20.00%	20.00%
68		15.00%	20.00%	20.00%
69		15.00%	20.00%	20.00%
70		15.00%	20.00%	20.00%
71		15.00%	20.00%	20.00%
72		15.00%	20.00%	20.00%
73		15.00%	20.00%	20.00%
74		15.00%	20.00%	20.00%
75+		100.00%	100.00%	100.00%

Highway Patrol

Age	Rates
50	20.00%
51	20.00%
52	20.00%
53	20.00%
54	20.00%
55+	100.00%

Unreduced retirement is achieved when reaching age 65 or meeting the Rule of 85.

Participation Rates

All members are assumed to participate.

North Dakota Public Employees Retirement System – Actuarial Section Retiree Health Insurance Credit Fund

Benefit Election

Main and DC Systems and Law Enforcement:

- 50% of participants are assumed to elect the Single Life Annuity with 120 month guarantee,
- 45% are assumed to elect the 55% Contingent Annuitant Option,
- 5% of new retirements are assumed to elect a Refund of Member Contributions

Valued without reduction for optional form of payment

Judges and HPRS:

- 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

Interest Rate

8% per annum, net of investment expenses

Inflation

3.5% per annum

Annual Administrative Expenses

Prior year expenses, adjusted for inflation

Marital Status

It is assumed that 75% of participants in the Main System and Law Enforcement and 100% of Judges and Highway Patrol participants have an eligible spouse at the time of retirement or pre-retirement death. The male spouse is assumed to be three years older than the female spouse.

Spouses are assumed to be the opposite sex of the employees and retirees. The relatively low rate of same-sex spouses does not have a material actuarial impact on the actuarial valuation results

Payroll Growth

4.5% 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 adoption each year over a fixed period.

Asset Valuation Method:

Actuarial value of assets that immediately recognizes 100% of the current year's interest and dividends and recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized.

Changes in Actuarial Assumptions or Cost Method

There have been no changes in valuation assumptions or methods since the previous valuation as of July 1, 2015

**North Dakota Public Employees Retirement System – Actuarial Section
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.

1. Covered Employees

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

2. Eligibility

Receiving a periodic payment from Public Employees Retirement System, the Highway Patrolmen's Retirement System or the Defined Contribution Retirement Plan and incurring an eligible insurance premium expense.

3. Normal Retirement

Age Requirement:

Main, DC Systems, and Judges: Age 65, or at any age with age plus service equal to at least 85 (rule of 85). For member enrolled after December 31, 2015 into the Main System, attainment of age 65, or at any age with age plus service equal to at least 90 (rule of 90).

Highway Patrol: Age 55 or at any age with age plus service equal to at least 80 (rule of 80)

Law Enforcement: Age 55, or if not National Guard, at any age with age plus service equal to at least 85 (rule of 85). National Guard is eligible for Rule of 85 on August 1, 2015.

Service Requirement:

Main, DC Systems, and Judges: None

Highway Patrol: 10 years

Law Enforcement: 3 consecutive years

Effective July 1, 2015, the Retiree Health Insurance Credit benefit may be used for any health insurance and/or prescription drug plan for which a retiree incurs an eligible premium expense. In addition, the benefit can also be applied toward NDPERS administered dental, vision, and long-term care plan premium expenses

Benefit Amount: A monthly stipend equal to \$5.00 times years of service.

4. Early Retirement

Age Requirement:

Main, DC Systems, and Judges: Age 55

Highway Patrol and Law Enforcement: Age 50

**North Dakota Public Employees Retirement System – Actuarial Section
Retiree Health Insurance Credit Fund**

Service Requirement:

Main, DC Systems, and Law Enforcement: 3 years

Judges: 5 years

Highway Patrol: 10 years

Benefit:

Main, 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 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

5. Disability Retirement

Age Requirement: None

Service Requirement: 6 months

Other Requirements: As required by applicable pension plan

Benefit: Same as Normal Retirement Benefit

6. Pre-Retirement Death Benefits

Age Requirement: None

Service Requirement:

Main, DC Systems, 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

7. Post-Retirement Death Benefits

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.

**North Dakota Public Employees Retirement System – Actuarial Section
Retiree Health Insurance Credit Fund**

8. 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

9. Service

Members receive credit for each year and month of employment

10. Contributions

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

Plan Amendments - Retiree Health Insurance Credit Fund

There have been no changes made in the plan provisions since the prior valuation

**Retired Members and Beneficiaries,
Average Annual Benefit and Active Member/Retiree Comparison
Retiree Health Insurance Credit Fund 2007 – 2016**

Valuation Date 7/1	Number of Active Members *	Number of Retired Members	Average Annual Benefit	Number of Active Members Per Retiree
2007	18,826	3,922	\$ 1,177	4.8
2008	19,675	3,935	1,200	5.0
2009	20,150	4,030	1,356	5.0
2010	20,936	4,105	1,377	5.1
2011	21,210	4,242	1,394	5.0
2012	21,322	4,442	1,416	4.8
2013	21,785	4,635	1,428	4.7
2014	22,642	4,828	1,428	4.7
2015	23,237	5,212	1,455	4.5
2016	23,664	10,320	1,199	2.3

* Number of active members prior to 7/1/2014 is approximated based on figures from the NDPERS Comprehensive Annual Financial Report

**North Dakota Public Employees Retirement System – Actuarial Section
Retiree Health Insurance Credit Fund**

**Assets and Actuarial Accrued Liabilities
Retiree Health Insurance Credit Fund 2007 - 2016**

(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 Liability as % of Payroll
2007	\$85.3	\$38.8	45.6%	\$46.5	\$602.9	7.7%
2008	87.6	42.5	48.6	45.1	660.9	6.8
2009	102.2	44.8	43.9	57.4	719.8	8.0
2010	102.8	48.7	47.4	54.1	793.6	6.8
2011	108.4	53.7	49.6	54.7	829.0	6.6
2012	112.4	58.3	51.9	54.1	824.9	6.6
2013	114.1	66.0	57.8	48.1	914.4	5.3
2014	116.6	77.9	66.8	38.7	1,001.2	3.9
2015	128.9	89.4	69.4	39.5	1,052.7	3.8
2016	176.6	97.8	55.4	78.8	1,142.4	6.9

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 and Actual Experience

<u>Plan Year Ended</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>	<u>June 30, 2016</u>
Employer Cost Rate - Beginning of Year	0.90%	0.77%	0.64%	0.72%
Plan Change	(0.06)	(0.08)	0.04	0.00
Plan Experience	0.00	0.00	0.00	0.30
Change in Amortization Schedule	0.01	(0.02)	(0.01)	0.00
Assumption Changes	(0.08)	0.00	(0.10)	0.00
Investment Loss/(Gain)	0.00	0.00	0.15	0.00
Contribution Loss/(Gain)	0.00	(0.03)	0.00	0.00
Employer Cost Rate - End of Year	0.77%	0.64%	0.72%	1.02%



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.

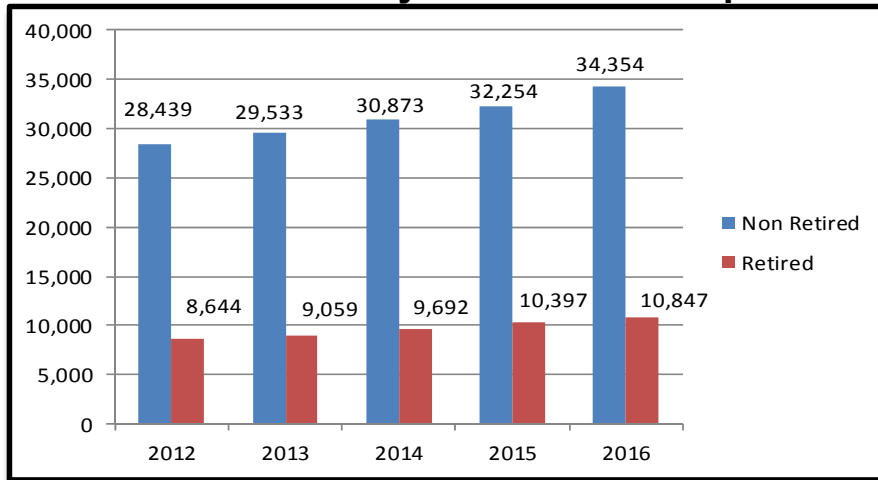
**North Dakota Public Employees Retirement System – Statistical Section
Retirement System Membership**

**Retirement System Membership - PERS, HPRS, and Job Service
As of June 30**

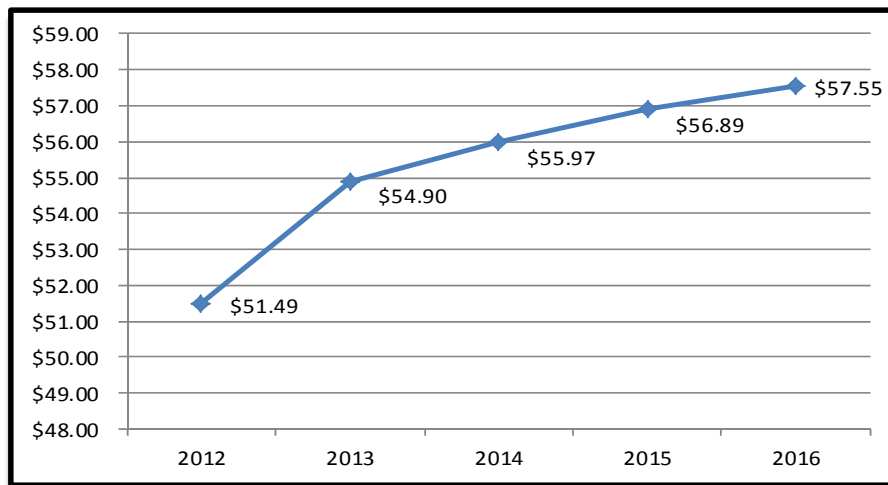
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
State Agencies	13,763	13,985	14,176	14,284	15,254
Cities	1,734	1,908	2,142	2,391	2,641
Counties	4,795	5,040	5,410	5,750	5,986
School Districts	7,390	7,821	8,314	8,939	9,528
Other Political Subdivisions	757	779	831	890	945
Total Non-Retired ⁽¹⁾	28,439	29,533	30,873	32,254	34,354
Retired Members & Beneficiaries	8,644	9,059	9,692	10,397	10,847
Total Membership	37,083	38,592	40,565	42,651	45,201
Administrative Expenses	\$ 1,909,569	\$ 2,118,566	\$ 2,270,230	\$ 2,426,496	\$ 2,601,502
Administrative Cost Per Member	\$ 51.49	\$ 54.90	\$ 55.97	\$ 56.89	\$ 57.55

⁽¹⁾ Total non-retired members includes all contributing members plus all non-contributing members who have not begun to receive retirement benefits

Retirement System Membership



Annual Administrative Cost Per Member



**North Dakota Public Employees Retirement System – Statistical Section
Benefit Expenses**

**Schedule of Benefit Expenses by Type - PERS⁽¹⁾
Fiscal Year Ended June 30**

FY Ended June 30	Annuities ⁽²⁾			Refunds			Total
	Retirant	Disability	Survivor	Death	Separation	Transfers ⁽³⁾	
2011	81,124,561	NA	5,934,724	778,888	4,706,228	264,688	92,809,089
2012	85,599,845	1,934,357	6,549,185	706,326	4,098,719	412,994	99,301,426
2013	95,023,504	1,930,968	6,341,305	1,045,556	4,738,268	212,500	109,292,101
2014	104,765,144	1,964,820	6,570,735	652,235	5,585,607	347,783	119,886,324
2015	117,545,803	1,901,631	7,732,091	1,221,279	5,996,286	532,647	134,929,737
2016	131,207,803	1,804,201	8,251,792	706,059	7,295,636	398,649	149,664,141

**Schedule of Benefit Expenses by Type - HPRS⁽¹⁾
Fiscal Year Ended June 30**

FY Ended June 30	Annuities ⁽²⁾			Refunds			Total
	Retirant	Disability	Survivor	Death	Separation	Transfers	
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
2014	3,297,164	105,131	350,332	0	32,108	0	3,784,735
2015	4,049,384	105,131	373,663	0	217,332	0	4,745,510
2016	4,179,070	105,131	374,031	0	55,263	0	4,713,495

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

FY Ended June 30	Annuities ⁽²⁾			Refunds			Total
	Retirant	Disability	Survivor	Death	Separation	Transfers	
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
2014	4,208,982	118,440	267,040	0	0	0	4,594,462
2015	4,402,680	150,008	141,483	0	0	0	4,694,171
2016	4,175,496	107,092	318,608	0	0	0	4,601,196

⁽¹⁾ Prior to July 1, 2011, the benefits for PERS and HPRS 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

**North Dakota Public Employees Retirement System – Statistical Section
Changes in Net Assets**

Changes in Net Assets

Additions:	FY Ended	Member	Employer	Purchased	Investment	Miscellaneous	Total	Employer
	30-Jun	Contributions	Contributions	Service	Income	Income	Additions	Contributions
				Credit				as a % of
								Covered Payroll
Public Employees Retirement System:	2007	\$ 21,883,581	\$ 23,140,767	\$ 3,679,036	\$ 309,726,953	\$ 4,759	\$ 358,435,096	3.97%
	2008	27,105,614	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	-	334,981,546	5.50%
	2014	59,394,200	61,661,050	8,325,140	316,628,462	1,101	446,009,953	6.33%
	2015	68,392,061	70,842,535	6,651,879	81,536,565	-	227,423,040	6.92%
	2016	74,218,276	77,080,576	9,179,163	11,333,124	23,575,649	195,386,788	6.86%
Highway Patrolmen's Retirement System:	2007	\$ 593,398	\$ 960,487	\$ -	\$ 10,026,722	\$ 44	\$ 11,579,651	15.67%
	2008	649,861	1,058,825	-	(3,100,879)	21	(1,392,172)	16.27%
	2009	692,320	1,122,720	-	(13,215,900)	14	(11,400,846)	16.02%
	2010	741,271	1,196,562	-	53,466,677	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	-	9,602,522	16.97%
	2014	1,243,520	1,864,632	87,418	9,239,929	-	12,435,499	18.38%
	2015	1,351,798	2,002,291	96,429	2,334,780	-	5,785,298	18.58%
	2016	1,436,236	2,127,355	-	316,958	5	3,880,554	18.85%
Job Service Retirement Plan:	2007	\$ 132,564	\$ -	\$ -	\$ 13,618,796	\$ -	\$ 13,751,360	0.00%
	2008	123,718	-	-	(1,310,119)	-	(1,186,401)	0.00%
	2009	119,115	-	-	(14,092,621)	-	(13,973,506)	0.00%
	2010	114,626	-	-	9,307,523	-	9,422,149	0.00%
	2011	97,591	-	-	11,999,421	2	12,097,014	0.00%
	2012	83,351	-	-	3,100,706	-	3,184,057	0.00%
	2013	72,174	-	-	9,984,241	-	10,056,415	0.00%
	2014	55,748	-	-	11,887,840	-	11,943,588	0.00%
	2015	50,142	-	-	3,260,507	-	3,310,649	0.00%
	2016	44,178	-	-	4,840,333	-	4,884,511	0.00%
Retiree Health Insurance Credit Plan:	2007	\$ 7,959	\$ 5,665,071	\$ 204,758	\$ 6,129,528	\$ -	\$ 12,007,046	0.94%
	2008	7,593	6,174,940	227,655	(6,469,252)	-	(59,064)	0.93%
	2009	9,094	6,771,699	169,242	(6,251,486)	-	698,549	0.94%
	2010	10,653	8,392,847	237,735	6,658,687	-	15,299,922	1.06%
	2011	15,592	8,929,903	166,962	9,788,886	-	18,907,343	1.08%
	2012	13,246	9,388,040	423,449	1,604,475	-	11,429,210	1.14%
	2013	13,300	9,959,603	371,587	7,963,391	-	18,307,881	1.09%
	2014	15,539	10,709,792	368,859	12,366,408	-	23,460,598	1.07%
	2015	12,625	11,478,599	347,238	2,760,953	-	14,599,415	1.09%
	2016	16,655	12,349,883	383,089	793,705	-	13,543,332	1.08%

**North Dakota Public Employees Retirement System – Statistical Section
Changes in Net Assets**

Changes in Net Assets

Deductions:	FY Ended <u>30-Jun</u>	<u>Benefits</u>	Administrative <u>Expenses</u>	Transfers & <u>Refunds</u>	Total <u>Deductions</u>	Change in <u>Net Position</u>
Public Employees Retirement System:						
	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
	2014	113,300,699	2,210,792	6,585,625	122,097,116	323,912,837
	2015	127,179,525	2,365,357	7,750,212	137,295,094	90,127,946
	2016	141,263,796	2,537,799	8,400,345	152,201,940	43,184,848
Highway Patrolmen's Retirement System:						
	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
	2014	3,752,627	27,983	32,108	3,812,718	8,622,781
	2015	4,528,178	217,332	30,925	4,776,435	1,008,863
	2016	4,658,232	31,450	55,263	4,744,945	(864,391)
Job Service Retirement Plan:						
	2007	\$ 3,400,892	\$ 22,811	\$ -	\$ 3,423,703	\$ 10,327,657
	2008	3,564,811	22,212	-	3,587,023	(4,773,424)
	2009	3,759,618	25,101	-	3,784,719	(17,758,225)
	2010	3,891,996	24,318	-	3,916,314	5,505,835
	2011	4,012,707	26,368	-	4,039,075	8,057,939
	2012	4,170,969	25,980	-	4,196,949	(1,012,892)
	2013	4,353,984	30,014	-	4,383,998	5,672,417
	2014	4,594,462	31,455	-	4,625,917	7,317,671
	2015	4,694,171	30,214	-	4,724,385	7,317,671
	2016	4,601,196	32,253	-	4,633,449	251,062
Retiree Health Insurance Credit Plan:						
	2007	\$ 4,525,810	\$ 104,953	\$ 2,798	\$ 4,633,561	\$ 7,373,485
	2008	4,704,087	89,877	2,673	4,796,637	(4,855,701)
	2009	4,854,724	115,207	2,846	4,972,777	(4,274,228)
	2010	5,563,631	102,353	3,932	5,669,916	9,630,006
	2011	5,789,371	151,388	1,745	5,942,504	12,958,839
	2012	6,092,429	171,393	2,071	6,265,893	5,163,317
	2013	6,458,449	185,619	8,765	66,652,833	11,655,048
	2014	6,798,427	201,471	2,992	7,002,890	16,457,708
	2015	7,246,091	217,989	6,994	7,471,074	7,128,341
	2016	9,329,881	431,291	3,135	9,764,307	3,779,025

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit - PERS
As of June 30, 2016
Main System**

Monthly Amount	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under \$200	541	539	12	28	176	1,296	1,120
\$200 - \$400	578	805	97	34	225	1,739	1,514
\$400 - \$600	471	565	104	48	174	1,362	1,188
\$600 - \$800	328	277	66	115	108	894	786
\$800 - \$1,000	276	125	36	252	49	738	689
\$1,000 - \$1,200	203	108	6	338	40	695	655
\$1,200 - \$1,400	165	46	6	356	36	609	573
\$1,400 - \$1,600	132	21	2	308	21	484	463
\$1,600 - \$1,800	105	15	0	285	17	422	405
\$1,800 - \$2,000	91	9	1	256	16	373	357
\$2,000 - \$2,200	75	4	0	213	6	298	292
\$2,200 - \$2,400	65	8	0	208	9	290	281
\$2,400 - \$2,600	56	1	0	169	2	228	226
\$2,600 - \$2,800	42	1	0	142	5	190	185
\$2,800 - \$3,000	33	2	0	97	4	136	132
\$3,000 and Over	176	1	0	445	18	640	622
Total	3,337	2,527	330	3,294	906	10,394	9,488
Payment Option	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Life	2,160	1,814	271	1,603	194	6,042	5,848
Life 1% Graduated Benefits	4	0	0	1	0	5	5
Life 2% Graduated Benefits	6	0	0	3	0	9	9
Level Social Security Payment	0	19	0	110	0	129	129
Joint & 100% Survivor	750	431	31	902	478	2,592	2,114
Joint & 100% Survivor 1% Graduated Benefits	0	0	0	2	0	2	2
Joint & 100% Survivor 2% Graduated Benefits	5	0	0	3	0	8	8
Joint & 50% Survivor	345	171	23	605	204	1,348	1,144
Joint & 50% Survivor 1% Graduated Benefits	3	0	0	0	0	3	3
Joint & 50% Survivor 2% Graduated Benefits	1	0	0	0	0	1	1
20 Year C & L	22	16	0	10	18	66	48
10 Year C & L	38	66	2	44	6	156	150
10 Year C & L 1% Graduated Benefits	0	0	0	1	0	1	1
5 Year C & L	3	10	3	10	6	32	26
Total	3,337	2,527	330	3,294	906	10,394	9,488
Age	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under 50	0	0	16	0	27	43	16
50 - 54	16	0	27	23	18	84	66
55 - 59	47	48	43	221	43	402	359
60 - 64	116	410	68	719	83	1,396	1,313
65 - 69	946	682	66	1,031	119	2,844	2,725
70 - 74	837	452	43	587	150	2,069	1,919
75 and Over	1,375	935	67	713	466	3,556	3,090
Total	3,337	2,527	330	3,294	906	10,394	9,488

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

**Total excluding beneficiaries.

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit - PERS
As of June 30, 2016
Judges**

Monthly Amount	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under \$400	0	0	0	0	0	0	0
\$400 - \$800	0	0	0	0	1	1	0
\$800 - \$1,200	1	0	0	0	0	1	1
\$1,200 - \$1,600	0	0	0	1	1	2	1
\$1,600 - \$2,000	1	2	0	0	1	4	3
\$2,000 - \$2,400	0	0	0	0	0	0	0
\$2,400 - \$2,800	1	0	0	0	1	2	1
\$2,800 - \$3,200	2	0	0	0	2	4	2
\$3,200 - \$3,600	1	1	0	1	1	4	3
\$3,600 - \$4,000	3	1	0	0	0	4	4
\$4,000 - \$4,400	0	1	0	0	0	1	1
\$4,400 - \$4,800	3	0	0	2	1	6	5
\$4,800 - \$5,200	1	0	0	1	2	4	2
\$5,200 - \$5,600	0	0	0	1	0	1	1
\$5,600 - \$6,000	1	0	0	1	0	2	2
\$6,000 and Over	4	0	0	3	0	7	7
Total	18	5	0	10	10	43	33
Payment Option	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Life	0	0	0	0	3	3	0
Level Social Security Payment	0	0	0	0	0	0	0
Joint & 100% Survivor	12	3	0	5	6	26	20
Joint & 50% Survivor	6	2	0	5	1	14	13
10 Year C & L	0	0	0	0	0	0	0
5 Year C & L	0	0	0	0	0	0	0
Total	18	5	0	10	10	43	33
Age	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under 50	0	0	0	0	0	0	0
50 - 54	0	0	0	0	0	0	0
55 - 59	0	0	0	0	0	0	0
60 - 64	0	1	0	1	1	3	2
65 - 69	4	2	0	3	5	14	9
70 - 74	5	0	0	2	1	8	7
75 and Over	9	2	0	4	3	18	15
Total	18	5	0	10	10	43	33

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

**Total excluding beneficiaries.

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit - PERS
As of June 30, 2016
Law Enforcement with Prior Main Service**

Monthly Amount	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under \$200	3	1	0	0	3	7	4
\$200 - \$400	1	1	0	0	2	4	2
\$400 - \$600	5	2	0	0	1	8	7
\$600 - \$800	2	1	0	0	2	5	3
\$800 - \$1,000	4	1	0	1	0	6	6
\$1,000 - \$1,200	8	0	1	0	0	9	9
\$1,200 - \$1,400	2	0	0	0	0	2	2
\$1,400 - \$1,600	5	2	0	2	0	9	9
\$1,600 - \$1,800	1	0	0	1	0	2	2
\$1,800 - \$2,000	1	1	0	1	0	3	3
\$2,000 - \$2,200	5	0	0	1	0	6	6
\$2,200 - \$2,400	3	0	0	1	0	4	4
\$2,400 - \$2,600	1	1	0	0	0	2	2
\$2,600 - \$2,800	2	0	0	0	0	2	2
\$2,800 - \$3,000	1	0	0	0	0	1	1
\$3,000 and Over	4	1	0	4	0	9	9
Total	48	11	1	11	8	79	71
Payment Option	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Life	24	5	1	1	0	31	31
Level Social Security Payment	1	4	0	1	0	6	6
Joint & 100% Survivor	16	2	0	8	2	28	26
Joint & 50% Survivor	7	0	0	1	0	8	8
10 Year C & L	0	0	0	0	0	0	0
5 Year C & L	0	0	0	0	0	0	0
20 Year Certain	0	0	0	0	6	6	6
Total	48	11	1	11	8	79	71
Age	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under 50	0	0	0	0	5	5	0
50 - 54	0	1	0	0	0	1	1
55 - 59	6	4	1	6	0	17	17
60 - 64	16	2	0	2	2	22	20
65 - 69	18	1	0	3	1	23	22
70 - 74	7	3	0	0	0	10	10
75 and Over	1	0	0	0	0	1	1
Total	48	11	1	11	8	79	71

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

**Total excluding beneficiaries.

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit - PERS
As of June 30, 2016
Law Enforcement without Prior Main Service**

Monthly Amount	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under \$200	0	0	0	0	0	0	0
\$200 - \$400	1	0	0	0	0	1	1
\$400 - \$600	0	0	0	0	0	0	0
\$600 - \$800	0	0	0	0	0	0	0
\$800 - \$1,000	0	0	1	0	0	1	1
\$1,000 - \$1,200	0	0	0	0	0	0	0
\$1,200 - \$1,400	0	0	0	0	0	0	0
\$1,400 - \$1,600	0	0	0	0	0	0	0
\$1,600 - \$1,800	0	0	0	0	0	0	0
\$1,800 - \$2,000	0	0	0	0	0	0	0
\$2,000 - \$2,200	0	0	0	0	0	0	0
\$2,200 - \$2,400	0	0	0	0	0	0	0
\$2,400 - \$2,600	0	0	0	0	0	0	0
\$2,600 - \$2,800	0	0	0	0	0	0	0
\$2,800 - \$3,000	0	0	0	0	0	0	0
\$3,000 and Over	0	0	0	0	0	0	0
Total	1	0	1	0	0	2	2
Payment Option	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Life	0	0	1	0	0	1	1
Level Social Security Payment	0	0	0	0	0	0	0
Joint & 100% Survivor	1	0	0	0	0	1	1
Joint & 50% Survivor	0	0	0	0	0	0	0
10 Year C & L	0	0	0	0	0	0	0
5 Year C & L	0	0	0	0	0	0	0
Total	1	0	1	0	0	2	2
Age	Normal	Early	Disability	Service*	Beneficiary	Total	Total**
Under 50	0	0	1	0	0	1	1
50 - 54	0	0	0	0	0	0	0
55 - 59	0	0	0	0	0	0	0
60 - 64	1	0	0	0	0	1	1
65 - 69	0	0	0	0	0	0	0
70 - 74	0	0	0	0	0	0	0
75 and Over	0	0	0	0	0	0	0
Total	1	0	1	0	0	2	2

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

**Total excluding beneficiaries.

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit - HPRS
As of June 30, 2016**

Monthly Amount	Normal	Early	Disability	Service*	Beneficiary**	Total
Under \$200	0	0	0	0	3	3
\$200- \$400	0	0	0	0	4	4
\$400- \$600	0	0	0	0	0	0
\$600- \$800	0	0	0	0	2	2
\$800- \$1,000	0	0	0	0	2	2
\$1,000- \$1,200	1	0	0	0	4	5
\$1,200- \$1,400	1	0	0	0	7	8
\$1,400- \$1,600	0	0	1	0	2	3
\$1,600- \$1,800	0	0	0	0	2	2
\$1,800- \$2,000	0	0	0	0	0	0
\$2,000 - \$2,200	2	1	1	1	1	6
\$2,200 - \$2,400	4	0	1	0	0	5
\$2,400 - \$2,600	3	0	0	4	2	9
\$2,600 - \$2,800	1	0	0	5	0	6
\$2,800 - \$3,000	1	0	1	5	0	7
\$3,000 - \$3,200	2	0	0	7	0	9
\$3,200 - \$3,400	1	0	0	2	0	3
\$3,400 - \$3,600	1	0	0	6	1	8
\$3,600 - \$3,800	2	0	0	2	0	4
\$3,800 - \$4,000	0	0	0	2	0	2
\$4,000 - \$4,200	0	0	0	2	1	3
\$4,200 - \$4,400	0	0	0	4	0	4
\$4,400 - \$4,600	1	0	0	4	0	5
\$4,600 - \$4,800	1	0	0	4	0	5
\$4,800 - \$5,000	0	0	0	2	0	2
\$5,000 and Over	2	0	0	14	0	16
Total	23	1	4	64	31	123
Payment Option	Normal	Early	Disability	Service*	Beneficiary**	Total
Life	0	0	0	0	1	1
Level Social Security Payment	0	0	0	0	0	0
Joint & 100% Survivor	8	0	0	37	3	48
Joint & 50% Survivor	15	1	4	27	27	74
5 Year C&L	0	0	0	0	0	0
10 Year C &L	0	0	0	0	0	0
Total	23	1	4	64	31	123
Age	Normal	Early	Disability	Service*	Beneficiary**	Total
Under 50	0	0	2	0	1	3
50- 54	0	0	2	12	1	15
55- 59	3	0	0	12	2	17
60- 64	3	0	0	18	2	23
65- 69	4	0	0	10	5	19
70- 74	0	0	0	10	4	14
75- 79	1	1	0	2	6	10
80- 84	9	0	0	0	4	13
85- 89	3	0	0	0	5	8
90 and Over	0	0	0	0	1	1
Total	23	1	4	64	31	123

* Includes Rule of 80.

** Includes alternate payees

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Schedule of Retired Members by Type of Benefit -
Job Service Retirement Plan as of June 30, 2016**

Monthly Amount	Normal	Early	Disability	Beneficiary*	Total
Under \$200	2	0	0	0	2
\$200- \$400	7	1	0	2	10
\$400- \$600	5	0	0	2	7
\$600- \$800	5	0	0	1	6
\$800- \$1,000	1	0	0	3	4
\$1,000- \$1,200	3	0	1	2	6
\$1,200- \$1,400	7	0	2	4	13
\$1,400- \$1,600	12	0	1	1	14
\$1,600- \$1,800	7	0	0	5	12
\$1,800- \$2,000	12	0	2	0	14
\$2,000 - \$2,200	15	0	0	0	15
\$2,200- \$2,400	11	0	0	1	12
\$2,400- \$2,600	13	0	0	3	16
\$2,600 - \$2,800	13	0	0	2	15
\$2,800- \$3,000	13	0	0	1	14
\$3,000 - \$3,200	12	0	0	2	14
\$3,200- \$3,400	5	0	0	0	5
\$3,400- \$3,600	4	0	0	1	5
\$3,600 - \$3,800	6	0	0	0	6
\$3,800- \$4,000	3	0	0	0	3
\$4,000 - \$4,200	6	0	0	0	6
\$4,200- \$4,400	2	0	0	0	2
\$4,400- \$4,600	2	0	0	0	2
\$4,600 - \$4,800	0	0	0	0	0
\$4,800- \$5,000	1	0	0	0	1
\$5,000 and Over	2	0	0	0	2
Total	169	1	6	30	206
Payment Option	Normal	Early	Disability	Beneficiary*	Total
Life	44	1	2	14	61
Joint & 55% Survivor	36	0	4	6	46
Joint & 75% Survivor	19	0	0	6	25
Joint & 100% Survivor	15	0	0	2	17
10 Year C &L	24	0	0	2	26
15 Year C &L	3	0	0	0	3
20 Year C &L	28	0	0	0	28
Total	169	1	6	30	206
Age	Normal	Early	Disability	Beneficiary*	Total
Under 50	0	0	0	0	0
50- 54	0	0	0	0	0
55- 59	1	0	1	0	2
60- 64	15	1	2	1	19
65- 69	39	0	1	4	44
70- 74	41	0	1	4	46
75- 79	25	0	1	4	30
80- 84	20	0	0	6	26
85- 89	22	0	0	6	28
90 and Over	6	0	0	5	11
Total	169	1	6	30	206

* Includes 2 alternate payees

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

**Monthly Benefit Amount -
Retiree Health Insurance Credit Plan as of June 30, 2016**

Age	Under \$30	\$30-\$59	\$60-\$89	\$90-\$119	\$120-\$149	\$150-\$179	\$180 and over	Total
Under 50	11	15	8	2	0	0	0	36
50 - 54	14	12	15	7	11	36	5	100
55 - 59	35	65	26	14	69	194	30	433
60 - 64	158	218	127	107	330	319	154	1,413
65 - 69	347	602	430	350	494	310	290	2,823
70 - 74	249	407	362	305	357	174	164	2,018
75 - 79	192	313	308	228	220	138	104	1,503
80 - 84	107	228	237	127	146	98	77	1,020
85 - 89	65	158	151	87	53	48	50	612
90 and Over	15	66	103	70	54	26	28	362
Total	1,193	2,084	1,767	1,297	1,734	1,343	902	10,320

**Schedule of Average Benefit Payments - As of June 30
Retiree Health Insurance Credit Fund**

	<u>Total</u>
2012	
Total Participants	4,442
Average Monthly Benefits	\$118
2013	
Total Participants	4,635
Average Monthly Benefits	\$119
2014	
Total Participants	4,828
Average Monthly Benefits	\$119
2015	
Total Participants	5,212
Average Monthly Benefits	\$121
2016	
Total Participants	10,320
Average Monthly Benefits	\$100

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

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
2012							
Number of Retirees	1,405	1,223	1,134	1,092	1,136	1,477	7,467
Average Monthly Benefits	\$ 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 Benefits	\$ 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
2014							
Number of Retirees	1,760	1,330	1,193	1,191	1,252	1,662	8,388
Average Monthly Benefits	\$ 248	\$ 440	\$ 647	\$ 1,068	\$ 1,547	\$ 2,345	\$ 1,061
Average Years of Service	6.07	12.32	17.33	22.53	27.25	35.07	19.91
2015							
Number of Retirees	1,957	1,418	1,231	1,273	1,352	1,863	9,094
Average Monthly Benefits	\$ 290	\$ 462	\$ 674	\$ 1,123	\$ 1,616	\$ 2,462	\$ 1,128
Average Years of Service	5.90	12.32	17.30	22.55	27.27	35.08	19.93
2016							
Number of Retirees	1,848						
Average Monthly Benefits	\$ 255	\$ 469	\$ 684	\$ 1,151	\$ 1,613	\$ 2,432	\$ 1,163
Average Years of Service	6.25	12.33	17.29	22.57	27.27	35.17	20.61

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
2012							
Number of Retirees	0	2	7	5	8	3	25
Average Monthly Benefits	\$ -	\$ 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	23.78	26.56	31.86	20.82
2014							
Number of Retirees	1	5	8	5	7	3	29
Average Monthly Benefits	\$ 1,057	\$ 2,445	\$ 4,124	\$ 5,303	\$ 4,404	\$ 5,258	\$ 4,117
Average Years of Service	3.33	11.92	17.54	23.75	26.56	31.86	20.82
2015							
Number of Retirees	1	6	8	5	9	4	33
Average Monthly Benefits	\$ 1,057	\$ 2,817	\$ 4,288	\$ 5,303	\$ 5,097	\$ 5,887	\$ 4,491
Average Years of Service	3.33	12.25	17.73	23.78	26.82	32.27	21.46
2016							
Number of Retirees	2	3	6	6	8	8	33
Average Monthly Benefits	\$ 2,217	\$ 2,773	\$ 3,621	\$ 5,026	\$ 4,598	\$ 5,701	\$ 4,455
Average Years of Service	6.38	11.58	17.35	23.58	26.92	35.16	23.93

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

Schedule of Average Benefit Payments - PERS As of June 30

Law Enforcement with Prior Main Service⁽¹⁾

Years of Credited Service

	< 10	10-14	15-19	20-24	25-29	>=30	Total
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	\$ 423	\$ 626	\$ 1,031	\$ 1,503	\$ 2,270	\$ 1,738
Average Years of Service	7.10	12.70	18.94	21.57	27.10	33.00	22.49
2014							
Number of Retirees	6	5	3	10	12	10	46
Average Monthly Benefits	\$ 500	\$ 939	\$ 1,161	\$ 1,307	\$ 1,997	\$ 3,129	\$ 1,738
Average Years of Service	7.10	12.70	18.64	21.64	27.18	33.00	22.55
2015							
Number of Retirees	10	9	5	13	15	13	65
Average Monthly Benefits	\$ 981	\$ 865	\$ 1,158	\$ 1,554	\$ 1,958	\$ 3,141	\$ 1,751
Average Years of Service	5.10	12.45	18.56	21.94	27.12	32.78	21.14
2016							
Number of Retirees	10	10	6	16	15	14	71
Average Monthly Benefits	\$ 455	\$ 795	\$ 1,239	\$ 1,635	\$ 1,958	\$ 2,992	\$ 1,653
Average Years of Service	5.84	12.63	18.43	22.08	27.12	32.89	21.35

⁽¹⁾ Includes former National Guard members.

Schedule of Average Benefit Payments - 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
2012							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 816
Average Years of Service	0.58	0.00	0.00	0.00	0.00	0.00	0.58
2014							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	\$ 816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 816
Average Years of Service	0.58	0.00	0.00	0.00	0.00	0.00	0.58
2015							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	\$ 816	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 816
Average Years of Service	0.58	0.00	0.00	0.00	0.00	0.00	0.58
2016							
Number of Retirees	2	0	0	0	0	0	2
Average Monthly Benefits	\$ 544	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544
Average Years of Service	2.29	0.00	0.00	0.00	0.00	0.00	2.29

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Average Benefit Payments**

Schedule of Average Benefit Payments - PERS As of June 30

	HPRS						Total
	Years of Credited Service						
	< 10	10-14	15-19	20-24	25-29	>=30	
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	\$ 3,277	\$ 3,708	\$ 3,227
Average Years of Service	2.25	11.17	17.10	22.14	27.92	31.31	27.15
2014							
Number of Retirees	1	1	4	6	56	17	85
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,598	\$ 3,315	\$ 4,222	\$ 3,354
Average Years of Service	2.25	11.17	17.10	22.14	27.89	31.27	27.15
2015							
Number of Retirees	1	1	5	5	66	18	96
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,777	\$ 3,751	\$ 4,359	\$ 3,698
Average Years of Service	2.25	11.17	17.18	22.20	27.84	31.16	27.18
2016							
Number of Retirees	1	1	4	4	63	19	92
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,741	\$ 3,756	\$ 4,387	\$ 3,728
Average Years of Service	2.25	11.17	17.11	22.46	27.90	31.22	27.42

Schedule of Average Benefit Payments - PERS As of June 30

Job Service Plan

	Retirement Plan	Travelers Annuitants	Total
2012			
Number of Retirees	133	79	212
Average Monthly Benefits	\$ 2,340	\$ 691	\$ 1,725
2013			
Number of Retirees	137	76	213
Average Monthly Benefits	\$ 2,289	\$ 710	\$ 1,726
2014			
Number of Retirees	140	73	213
Average Monthly Benefits	\$ 2,359	\$ 757	\$ 1,810
2015			
Number of Retirees	142	64	206
Average Monthly Benefits	\$ 2,361	\$ 770	\$ 1,866
2016			
Number of Retirees	142	64	206
Average Monthly Benefits	\$2,360	\$763	\$1,864

Stage Agency Employers

Adjutant General ND National Guard	Insurance Department	North Dakota State Hospital
Aeronautics Commission	James River Correctional Ctr	North Dakota State University
Attorney General's Office	Job Service North Dakota	Office Of Administrative Hearings
Bank Of North Dakota	Juvenile Services - DOCR	Office Of Management & Budget
Beef Commission	Lake Region State College	Parks & Recreation Department
Bismarck State College	Land Department	Plumbing Board
Board Of Medical Examiners	Legislative Assembly	Protection & Advocacy Project
Board Of Nursing	Legislative Council	Public Finance Authority
Board Of Pharmacy	Mayville State University	Public Instruction
Career & Technical Education	Milk Marketing Board	Public Service Commission
Central Services	Mill & Elevator Association	Racing Commission
Dairy Promotion Commission	Minot State University	Real Estate Commission
Dept Of Agriculture	ND Barley Council	Retirement & Investment Office
Department Of Commerce	ND Board Of Nursing	Rough Rider Industries
Department Of Corrections And Rehabilitation	ND Corn Utilization Council	School For The Blind
Department Of Corrections Transitional Services	ND Council On The Arts	SCHOOL FOR THE DEAF
Department Of Financial Institutions	ND Department Of Health	Secretary Of State
Department Of Human Services	ND Department Of Labor	Soil Conservation Committee
Department Of Transportation	ND Oilseed Council	State Auditor's Office
Dickinson State University	ND Public Employees Retirement System	State Board Of Law Examiners
Education Standards & Practice	ND Securities Department	State Fair Association
Electrical Board	ND Soybean Council	State Penitentiary
Facility Management	ND St College Of Science	State Seed Department
Field Services Division	ND State Board Of Accountancy	State Treasurer's Office
Game & Fish Department	ND State Board Of Cosmetology	Tax Department
Governor's Office	ND State Library	Tobacco Prevention/Control Committee
Highway Patrol	ND Supreme Court	University Of North Dakota
Historical Society	ND System Information Technology Services	Valley City State University
Housing Finance Agency	ND University System Office	Veterans Affairs Department
Indian Affairs Commission	ND Veterans Home	Water Commission
Industrial Commission	ND Wheat Commission	Williston State College
Information Technology Dept	ND Youth Correctional Center	Workforce Safety & Insurance

Total State Employers = 96

County Employers

Adams County	Grant County	Ransom County
Barnes County	Griggs County	Renville County
Benson County	Hettinger County	Richland County
Billings County	Lamoure County	Rolette County
Bottineau County	Logan County	Sheridan County
Bowman County	Mchenry County	Slope County
Burke County	Mcintosh County	Stark County
Burleigh County	Mckenzie County	Steele County
Cass County	Mclean County	Stutsman County
Cavalier County	Mercer County	Towner County
Dickey County	Morton County	Trail County
Divide County	Mountrail County	Walsh County
Dunn County	Nelson County	Ward County
Eddy County	Oliver County	Wells County
Emmons County	Pembina County	Williams County
Foster County	Pierce County	
Grand Forks County	Ramsey County	

Total County Employers = 49

School District Employers

Anamoose Public School District #14	Midkota School
Apple Creek Elementary School	Midway Public School District #128
Beach Public School District #3	Minor Public School District #2
Belcourt School District #7	Minot Public School District #1
Belfield Public School #13	Minto Public School District #20
Beulah Public School #27	Mohall Lansford Sherwood School
Billings County School District	Mott/Regent School Dist #1
Bismarck Public Schools	Mt Pleasant School Dist #4
Bottineau Public School	Napoleon Public School District #2
Bowman County School District #1	New Public School #8
Burke Central School	New Rockford Sheyenne Public School
Burleigh County Special Education Unit	New Salem Almont School District #49
Carrington School District #49	New Town Public School District
Cavalier Public Schools	Newburg United Public School
Center Stanton Public School	North Border School District # 100
Central Cass Public School District #7	North Sargent School District #3
Dakota Prairie Public School	North Valley Career and Tech Center
Devils Lake Public School	Northern Cass School District # 97
Dickinson Public Schools	Northern Plains Special Ed Unit
Divide County School Dist #1	Oakes Public Schools
Drake Public School District	Oliver-Mercer Special Education Unit
Drayton Public School #19	Park River Area School District
Dunseith School District #1	Peace Garden Special Services
East Central Special Education Unit	Pingree-Buchanan School District
Ellendale Public School District #40	Richland School District # 44
Enderlin Area School District #24	Rolette County Alt Ed Consortium
Fargo Public Schools	Rolette Public School
Fort Totten School District # 30	Roughrider Education Services Program (RESP)
Garrison Public School District #51	Rugby Public School District #5
Glen Ullin Public School #48	Rural Cass Special Education Unit
Glenburn School District	Sawyer Public School
Grafton Public School District #3	Sheyenne Valley Career And Tech Center
Great Northwest Education Cooperative	Sheyenne Valley Special Education Unit
Halliday Public School	Solen Public School Dist #3
Harvey Public School Dist #38	Souris Valley Special Services
Hazen Public School District #3	South Heart Public School District #9
Hillsboro Public School	South Prairie School District #70
James River Multidistrict Special Education Unit	St John School District #3
Jamestown Public School District #1	Stanley Community Public School District # 2
Kenmare Public School District #28	Surrey Schools
Killdeer Public School #16	Sw Special Education Unit
Kindred Public School District #2	Tgu School District #60
Kulm Public School District #7	Thompson Public School
Lake Region Special Education Unit	Tioga Public School District #15
Lakota Public School District # 66	Turtle Lake Mercer School District #72
Lamoure School District #8	Underwood School District #8
Larimore Public School District #44	United Public School District # 7
Leeds Public School District 6	Valley City Public School
Lewis & Clark Public Schools	Velva Public School
Lidgerwood Public School	Wahpeton Public School District 37
Linton Public School District #36	Warwick Public School
Lisbon Public School	Washburn Public School
Lonetree Special Education Unit	West Fargo Public School #6
Mandan Public School District #1	West River Student Services
Mandaree Public School #36	Westhope Public School #17
Manvel Public School	White Shield School Dist #85
Mapleton Public School	Williston Public School #1
Maple Valley School District	Wilmac Multidistrict Special Education Unit
Max Public School	Wilton Public School District
Mcclusky Public Schools	Yellowstone School District # 14
Mckenzie Cty Public School #1	Zeeland Public Schools
Medina Public School District #3	

Total School District Employers = 123

**North Dakota Public Employees Retirement System – Statistical Section
Schedule of Participating Employers**

City Employers

City of Alexander	City Of Hatton	City Of Oakes
City Of Ashley	City Of Hettinger	City Of Park River
City Of Beach	City Of Jamestown	City Of Pembina
City Of Belfield	City Of Kenmare	City Of Powers Lake
City of Berthold	City Of Killdeer	City Of Ray
City Of Bowman	City Of Kulm	City of Regent
City Of Burlington	City of Lakota	City Of Rhame
City Of Carrington	City Of Lamoure	City Of Rolla
City of Carson	City Of Larimore	City Of Rugby
City Of Cavalier	City Of Lidgerwood	City Of Sawyer
City Of Cooperstown	City Of Lincoln	City Of Scranton
City Of Crosby	City Of Linton	City Of Sherwood
City Of Devils Lake	City Of Lisbon	City Of St John
City of Dodge	City Of Maddock	City Of Stanley
City Of Drayton	City Of Mapleton	City Of Surrey
City Of Elgin	City Of Mcville	City Of Thompson
City Of Ellendale	City Of McClusky	City Of Tioga
City Of Emerado	City Of Medora	City Of Towner
City Of Fargo	City Of Michigan	City Of Underwood
City Of Fessenden	City Of Minto	City of Velsa
City Of Finley	City Of Mohall	City Of Wahpeton
City Of Glenburn	City Of Mott	City Of Walhalla
City Of Grafton	City Of Napoleon	City Of Watford City
City Of Grand Forks	City Of Neche	City Of West Fargo
City Of Granville	City Of New England	City Of Westhope
City Of Gwinner	City Of New Leipzig	City Of Williston
City Of Halliday	City Of New Rockford	City Of Wilton
City Of Hankinson	City Of New Salem	City Of Wishek
City Of Harvey	City Of New Town	City Of Zeeland
City Of Harwood	City Of Northwood	

Total City Employers = 89

Other Political Subdivision Employers

Barnes County Soil Conservation District	Grand Forks County Water Resource District	Red River Joint Water Resource District
Bismarck Rural Fire Protection	Grand Forks Park District	Rolette County Public Health
Bowman City Park Board	Grand Forks Public Library	Rolette County Soil Conservation District
Burleigh County Council On Aging	Grand Forks-E Grand Forks Metropolitan Planning	Sargent County District Health Unit
Burleigh County Soil Conservation District	Greater Ramsey Water District	Southeast Region Career & Technology Center
Carnegie Regional Library	Griggs County Public Library	Southwest Water Authority
Cass County Soil Conservation District	James River Soil Conservation District	Southwestern District Health Unit
Cass County Water Resource District	James River Valley Library System	Stutsman County Housing Authority
Cavalier County Health Dist	Jamestown Parks And Recreation District	Towner County Public Health Unit
Cavalier County Housing Authority	Jamestown Regional Airport	Traill County Water Resource District
Cavalier County Job Development Authority	Kidder County District Health Unit	Traill District Health Unit
Central Plains Water District	Lake Metigoshe Recreation Service District	Traill Rural Water District
Central Valley Health Unit	Lake Region District Health Unit	Upper Missouri Health Unit
City-County Health District	Mcintosh County Housing Authority	Walsh County Health District
Consolidated Waste Ltd	McIntosh District Health Unit	Walsh County Housing Authority
Custer Health Unit	Mercer County Soil Conservation District	Walsh County Water Resource District
Devils Lake Basin Joint Water Resource Board	Minot Rural Fire Department	Ward County Water Resource District
Devils Lake Park Board	Nelson-Griggs District Health Unit	Watford City Park District
Dickey County Health District	North Central Soil Conservation District	Wells County Dist Health Unit
Dunseith Community Nursing Home	North Dakota Firefighters Association	West Fargo Park District
Emmons County Public Health	R & T Water Supply Commerce Authority	Western & Central Stark Soil Conservation District
Fargo Park District	Ramsey County Housing Authority	Western Area Water Supply Authority
First District Health Unit	Ramsey County Soil Conservation District	Williams County Soil Conservation District
Garrison Diversion Conservancy District	Ramsey County Water Resource District	Williston Housing Authority
Grafton Park District	Ransom County Soil Cons Dist	Williston Rural Fire Protection District #1

Total Other Political Subdivision Employers = 75

**Principle Participating Employers
June 30, 2016**

<u>Participating Employer</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>% of Total System</u>
Department of Human Services	1,322	1	5.76%
Department of Transportation	1,030	2	4.49%
University of North Dakota	1,027	3	4.48%
Bismarck Public Schools	882	4	3.85%
North Dakota State University	858	5	3.74%
Fargo Public Schools	674	6	2.94%
West Fargo Public School District #6	584	7	2.55%
Minot Public School District #1	556	8	2.42%
City of Fargo	526	9	2.29%
North Dakota State Hospital	393	10	1.71%
Remaining Employers	15,085		65.77%
Total Covered Employees*	22,937		100.00%

**Total covered employees represents the number of employees in a contributing status as of June 30, 2016 in the Main retirement plan*

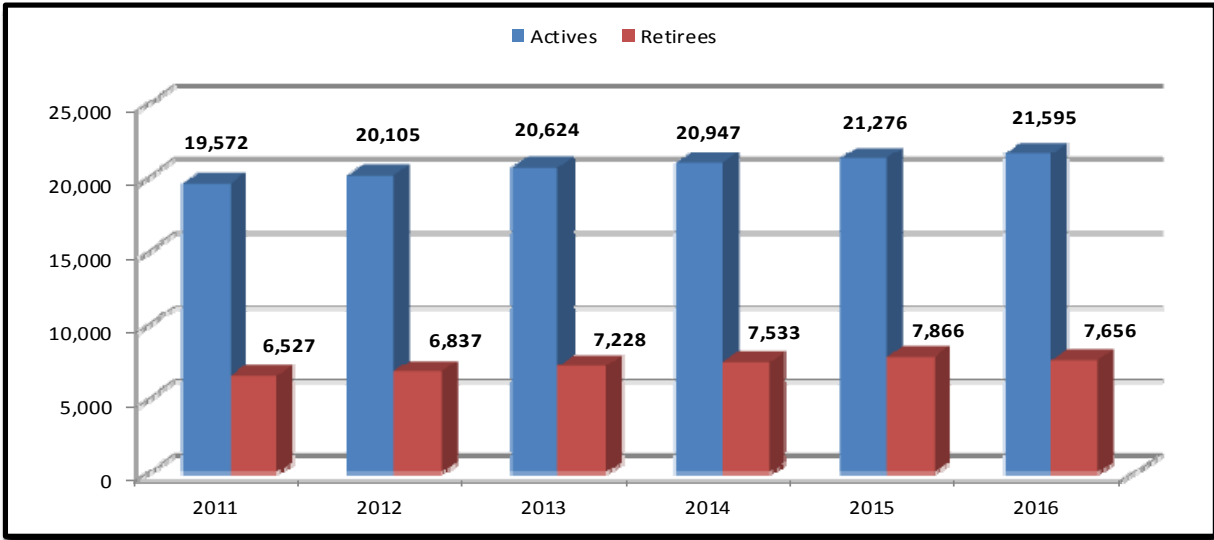
**Deferred Compensation Program
Schedule of Assets
By Provider**

	<u>6/30/12</u>	<u>6/30/13</u>	<u>6/30/14</u>	<u>6/30/15</u>	<u>6/30/16</u>
AIG VALIC	\$10,005,329	\$11,137,291	\$10,599,979	\$10,016,937	\$9,113,556
American Trust Center	6,652,642	8,654,834	11,100,596	11,735,069	11,386,469
AXA Equitable	19,768,514	20,253,226	20,837,719	20,625,431	17,112,366
Bank of North Dakota	4,953,960	5,297,216	5,037,014	5,297,281	5,723,463
Commonwealth Annuity & Life Insurance Co. (Formerly Chase Financial/Kemper)	6,744,070	7,589,208	8,839,687	9,242,801	8,601,614
Mass Mutual (formerly Hartford)	34,620,370	42,080,983	49,860,107	48,872,979	48,584,792
ING (Formerly Aetna)	1,546,676	1,719,510	1,867,908	1,887,364	1,848,403
Jackson National Life	2,363,895	3,534,630	4,726,895	4,695,001	5,114,883
Kansas City Life (formerly Sunset Life)	130,390	142,142	156,237	171,730	188,193
Lincoln National	5,002,890	5,491,725	6,185,369	6,373,463	5,711,133
NDPERS Companion Plan ⁽¹⁾	39,771,092	49,850,857	64,234,247	72,705,990	77,545,379
Nationwide Life Insurance	8,447,206	9,798,394	12,369,171	13,574,078	14,553,736
New York Life ⁽¹⁾	336,650	320,892	348,718	332,847	327,802
Symetra (Formerly Safeco)	275,053	274,712	296,839	168,934	155,178
Waddell & Reed Financial Services	<u>5,705,656</u>	<u>8,153,702</u>	<u>10,288,488</u>	<u>9,996,846</u>	<u>8,425,708</u>
Total	\$146,324,393	\$174,299,322	\$206,748,974	\$215,696,751	\$214,392,675

⁽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, 2016 and June 30, 2015 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*

GROUP HEALTH INSURANCE PROGRAM Average Number of Contracts in Force



Health Insurance Premium Active State Contracts

