



Board Meeting Agenda

Location: WSI Board Room, 1600 East Century Avenue, Bismarck ND
By phone: 701.328.0950 Conference ID: 896 510 798#
Date: Tuesday, December 13, 2022
Time: 8:30 A.M.

I. MINUTES

- A. November 8, 2022

II. PRESENTATIONS

- A. CliftonLarsonAllen (CLA) External Audit Report - Daniel Sefick, CLA

III. DEFERRED COMPENSATION / FLEXCOMP

- A. 457 Deferred Compensation Provider Processes – Scott (Board Action)
***EXECUTIVE SESSION**
 - 1. Waddell & Reed/ Fiduciary Trust Company of New Hampshire (FTC)
- B. TIAA Revenue Shortfall – Derrick (Board Action)

IV. RETIREMENT

- A. 457 Companion Plan & 401(a) Plan 3rd Quarter 2022 Report – Derrick (Information)
- B. Investment Policies – Derrick (Board Action)

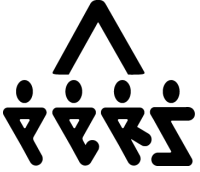
V. GROUP INSURANCE

- A. Medicare Part D Plan Updates Due to the Inflation Reduction Act – Rebecca (Information)
- B. Group Life Insurance Plan Request for Proposal (RFP) – Katheryne (Information)

VI. MISCELLANEOUS

- A. Audit Committee Minutes – Shawna (Information)
- B. Committee and Board Appointments – Scott (Board Action)
- C. Strategic Planning – Scott (Board Action)
- D. Legislative Relations – Scott (Board Action)

*Executive Session pursuant to N.D.C.C. § 44-04-19.1(9) and § 44-04-19.2 to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator.



**North Dakota
Public Employees Retirement System**
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Executive Director
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Memorandum

TO: NDPERS Board

FROM: Shawna Piatz

DATE: December 13, 2022

SUBJECT: CliftonLarsonAllen Audit Report

Daniel Sefick from CliftonLarsonAllen (CLA) will join the Board meeting to review the FY 2022 audit report and answer any questions you may have. The FY 2022 Financial Statements for the PERS agency is attached as well as a copy of the CLA audit presentation.

CLA Audit Report Presentation

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North Dakota Public Employees Retirement System – Board of Trustees

Audit Results Presentation
December 13, 2022



WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor



Agenda

- Introductions
- Overview of Audit Approach
- June 30, 2022 Audit Results
- Required Communications
- Other Communications
- Financial Highlights
- Questions

Responsibilities of Parties Involved



Governance

- Organizational Oversight
- Strategic Direction
- Transparent Decision Making
- Accountability, including financial reporting
- Ensure the future and mission of the organization

Management

- Day to Day Decisions
- Internal Controls and Accounting Policies
- Management Decisions
- Fair Presentation of Financial Statements
- Programs to Prevent and Detect Fraud

Independent Auditor

- Opinion on Fair Presentation of Financial Statements
- Audit in Accordance with GAAS and *Government Auditing Standards*
- Reasonable, not Absolute Assurance
- Understanding of Internal Controls
- Risk Based Audit Approach

Overview of Audit Approach

- Auditor's responsibility
 - Express an opinion on the financial statements. This requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- Planning the audit
 - Walkthroughs/Process documentation
 - Inquiries
 - Develop understanding of the entity
 - Determine materiality
 - Perform risk assessment to identify critical audit areas

Critical Audit Areas

- Investments
- Contributions
- Benefit payments
- Actuarial information (Accounting Valuation (GASB 67))

Critical Audit Areas - Investments

- Investments
 - Understanding of internal controls
 - ◇ Walkthroughs
 - Reconciliation procedures
 - Initial due diligence and on-going monitoring
 - Compliance monitoring
 - ◇ Review custodial bank's SSAE 18/SOC 1 report
 - Substantive procedures
 - ◇ Confirmation of custodial and non-custodial investments
 - ◇ Price testing of equity and fixed income securities
 - ◇ Review of audited financial statements and roll-forwards of non-custodial (alternative) investments

Critical Audit Areas - Contributions

- Understanding of internal controls
 - Review of internal procedures and reports
 - Walkthroughs of contribution and purchase of service processes
 - Test of controls over the contributions process
- Substantive procedures
 - Reconciliation of contributions from G/L to Subsidiary
 - Confirmation of contributions with employers
 - Analytical procedures including Data Analytics

Critical Audit Areas – Benefit Payments

- Understanding of internal controls
 - Review of internal procedures and reports
 - Walkthroughs of benefit payments processes; separate walkthroughs for disability, survivor, regular retirement and refund processes
 - Test of controls over the benefit payment processes
- Substantive Procedures
 - Reconciliation of benefit payments from G/L to Subsidiary
 - Analytical procedures including Data Analytics

Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
 - Evaluate the competence, capabilities and objectivity of the specialist
 - ◇ Confirm actuaries independence and accreditation
 - ◇ Prior experience with the actuaries
 - Obtain an understanding of the work of the specialist
 - ◇ Review the nature, scope and objectives of the work of the specialist
 - Evaluate the appropriateness of the work of the specialist
 - ◇ Review of the actuary report and compare key assumptions to pension and actuarial industry standards
 - ◇ Review of independent actuarial studies
 - Additional testing specific to GASB 67/68

Critical Audit Areas – Actuarial Data

- AU section 500.08 - use of a management specialist
 - Census Data
 - ◇ Leverage data analytics performed over contributions and benefit payments to test the active and retiree census data for completeness and accuracy.
- Utilize an independent actuary to evaluate the sufficiency and appropriateness of FCERA's actuarial valuations in accordance with AU-C 620
 - Using the Work of an Auditor's Specialist.

2022 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplemental information, and the Introductory, Investment, Actuarial, and Statistical sections.
- Unmodified "in relation to" opinion issued on the supplemental schedules
- Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
 - No material weaknesses were identified.
 - No significant deficiencies were identified.
- Letter to the Board providing required communications with those charged with governance

Required Governing Body Communications

Auditor's responsibility under U.S. Generally Accepted Auditing Standards	Significant accounting policies	Financial statement disclosures	Management judgments and accounting estimates
<ul style="list-style-type: none">• Express an opinion about whether the financial statements are materially stated in accordance with US GAAP.	<ul style="list-style-type: none">• Adoption of GASB 87 (Leases)• Did not have an impact on ND PERS	<ul style="list-style-type: none">• There were no particularly sensitive financial statement disclosures	<ul style="list-style-type: none">• Valuation of alternative investments• Actuarial assumptions and methods used

Required Governing Body Communications



Management was very cooperative and professional during the audit process



No disagreements with management



Management did not consult with other accountants on the application of GAAP or GAAS



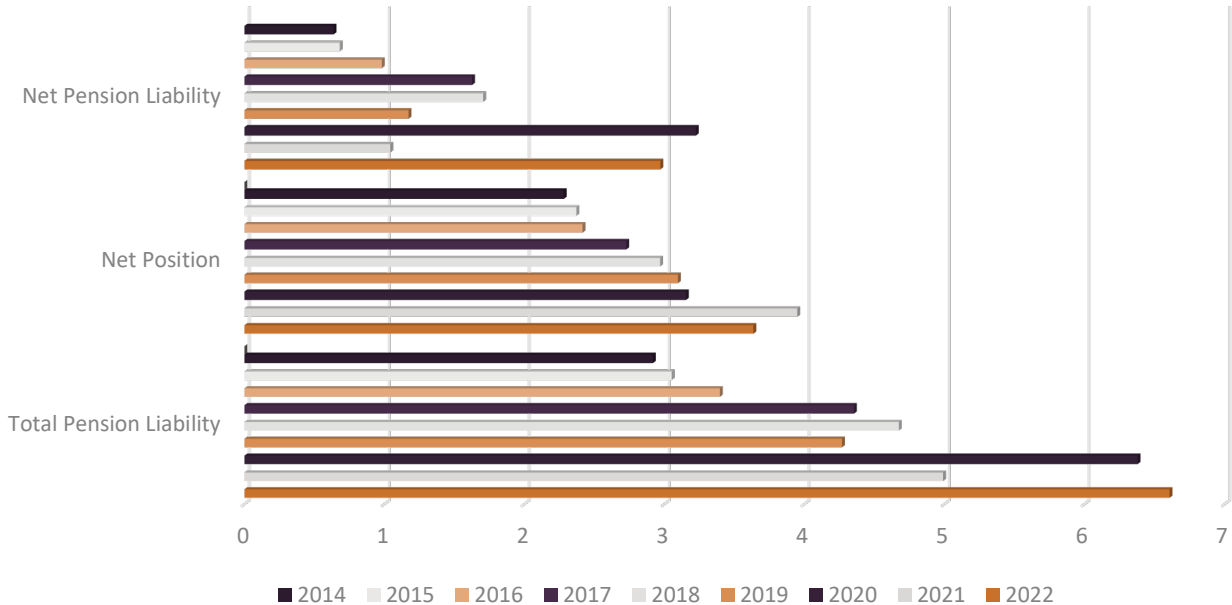
No major issues were discussed with management prior to retention



Management Representations

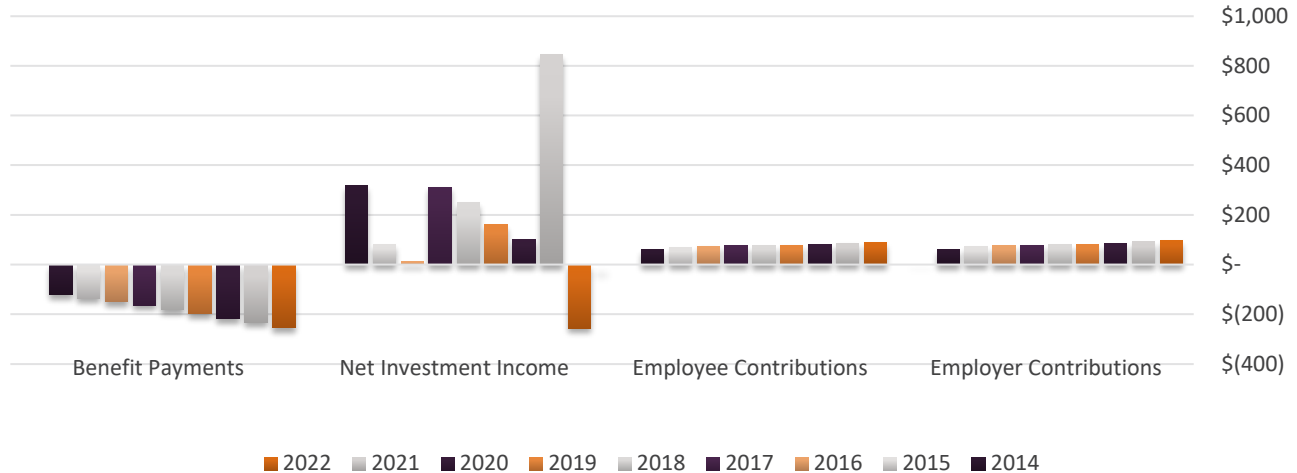
Financial Highlights – PERS

Net Pension Liability
(\$'s in Billions)



Financial Highlights – PERS

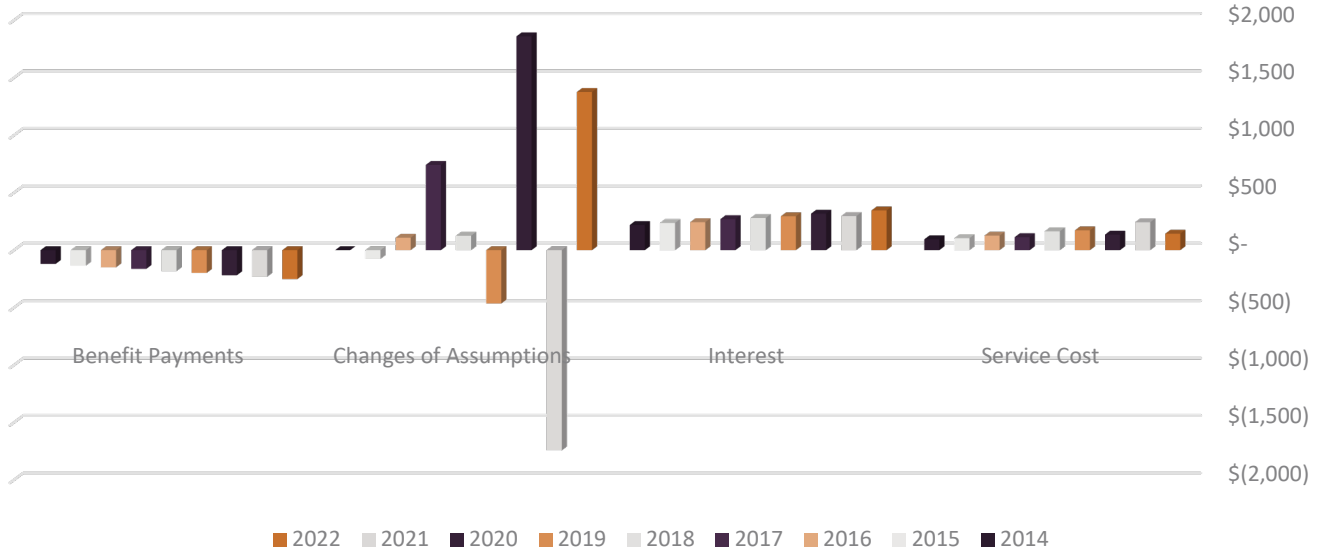
Changes in Fiduciary Net Position
(\$'s in Millions)



- Active members increased from 24,549 in 2021 to 24,779 in 2022
- -6.32% money-weighted rate of return in 2022
- Retirees increased from 13,575 in 2021 to 14,204 or 4.6% in 2022

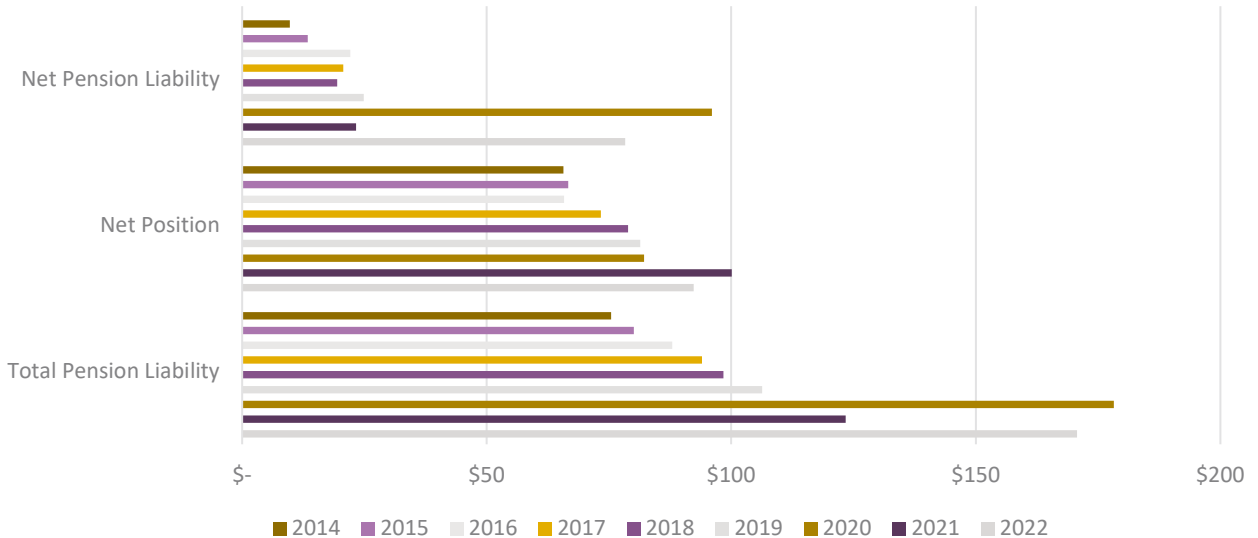
Financial Highlights – PERS

Changes in Total Pension Liability
(\$'s in Millions)



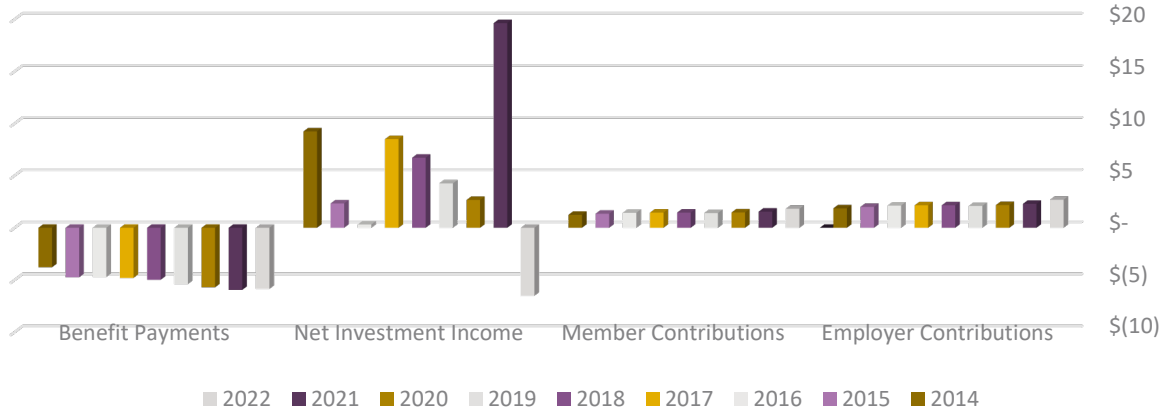
Financial Highlights – HPRS

Net Pension Liability
(\$'s in Millions)



Financial Highlights – HPRS

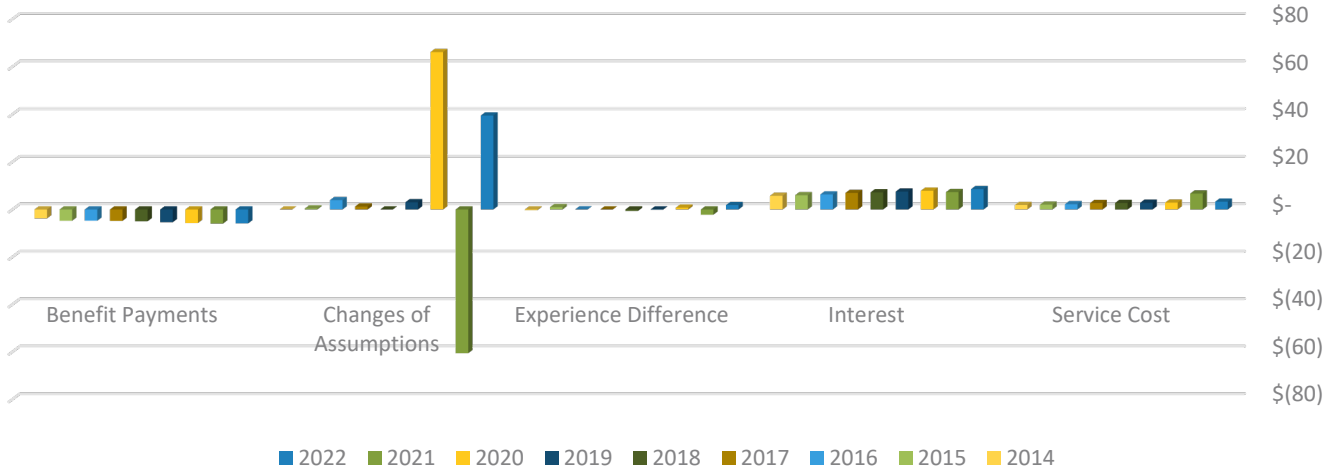
Changes in Fiduciary Net Position
(\$'s in Millions)



- Active members remained at 151 in 2021 and 2022
- -6.50% money-weighted rate of return in 2022
- Retirees remained at 135 in 2021 and 2022.

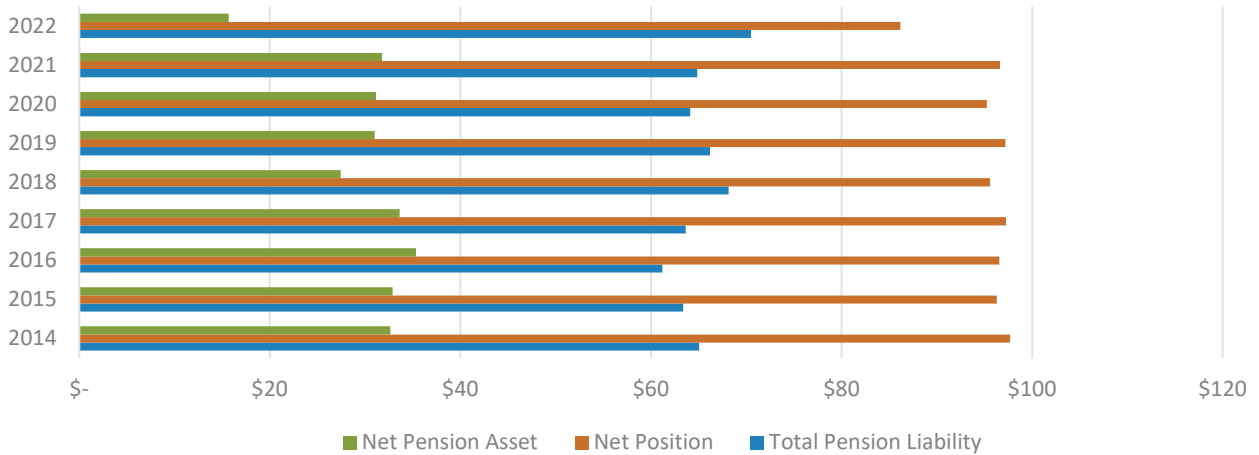
Financial Highlights – HPRS

Changes in Total Pension Liability
(\$'s in Millions)



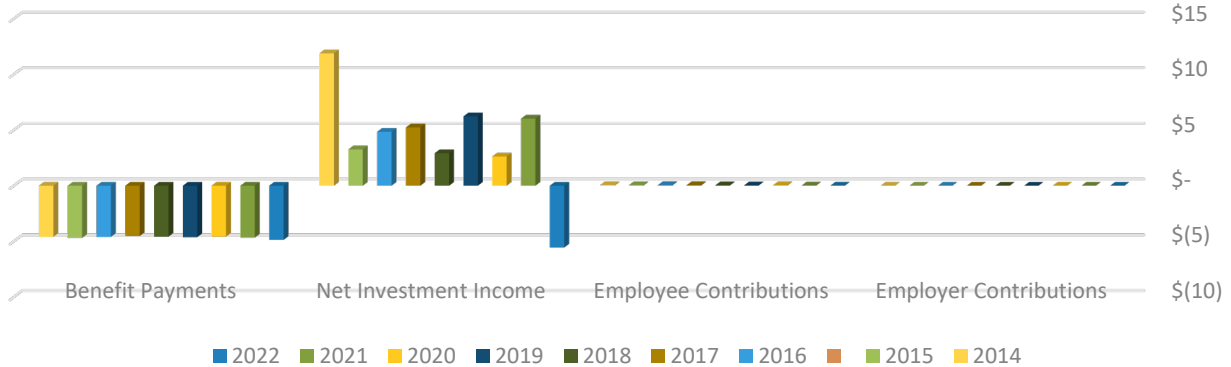
Financial Highlights – JSND

Net Pension Asset
(\$'s in Millions)



Financial Highlights – JSND

Changes in Fiduciary Net Position
(\$'s in Millions)



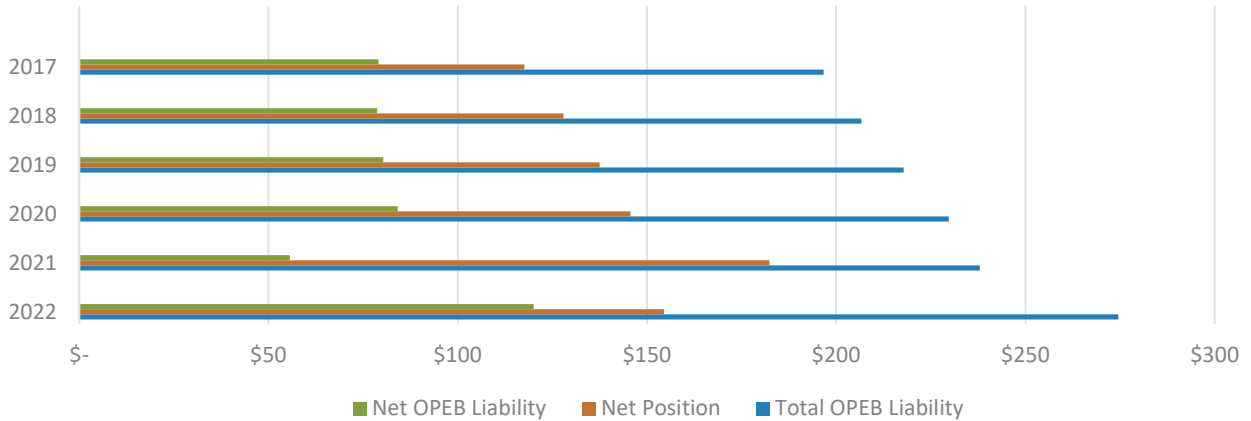
- Active members decreased from 3 in 2021 to 1 in 2022
- No employer contributions and minimal member contributions given the small population and closed, overfunded status of the plan
- -5.55% money-weighted rate of return in 2022
- Retirees decreased from 177 in 2021 to 175 in 2022

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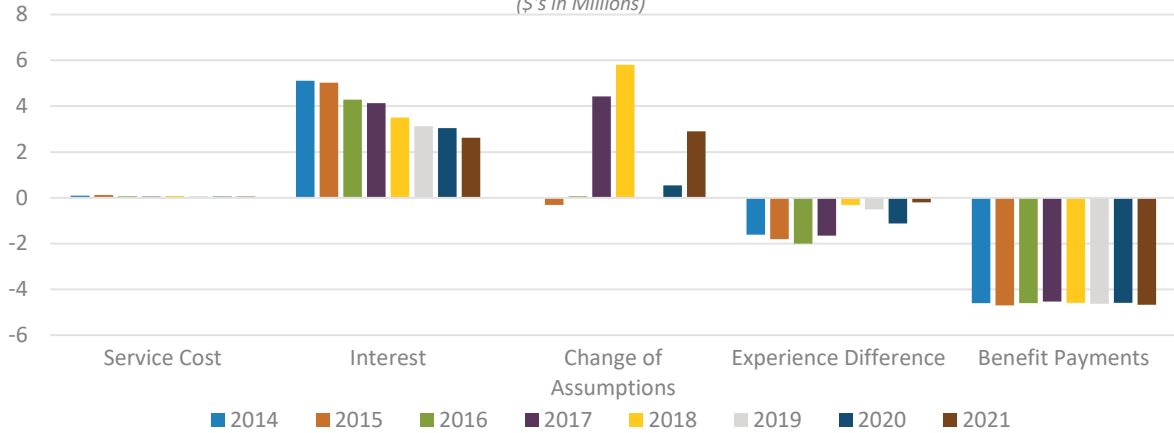
Financial Highlights – RHIC

Net OPEB Liability
(\$'s in Millions)



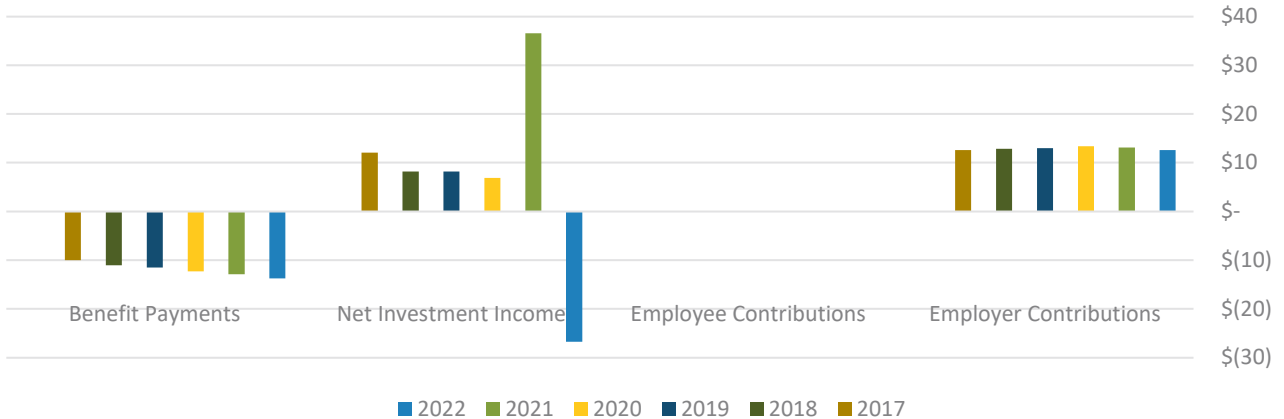
Financial Highlights – JSND

Changes in Total Pension Liability
 (\$'s in Millions)



Financial Highlights – RHIC

Changes in Fiduciary Net Position
(\$'s in Millions)



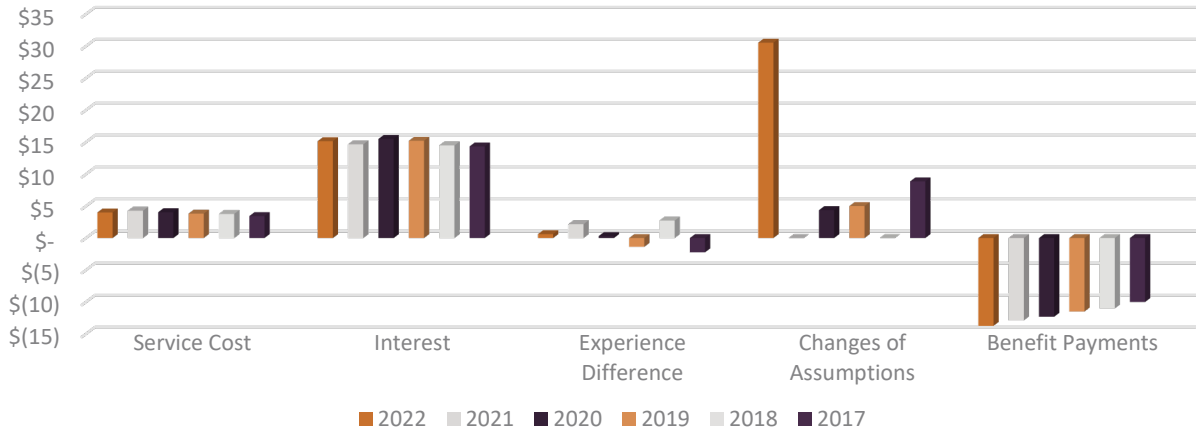
- Active members decreased from 21,067 in 2021 to 19,018 in 2022
- -14.48% money-weighted rate of return in 2022
- Retirees increased from 13,697 in 2021 to 14,290 in 2022

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Financial Highlights – RHIC

Changes in Total Pension Liability
(\$'s in Millions)



Financial Highlights – Group Insurance

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

	June 30, 2022	% Change	June 30, 2021	% Change	June 30, 2020
Operating Revenues					
Premium Revenues	\$ 356,896	-2.7%	\$ 366,941	-0.3%	\$ 367,910
Administrative Fee	953	-2.9%	981	-2.0%	1,001
Miscellaneous	26,113	652925.0%	(4)	-100.1%	7,023
Total Operating Revenues	383,962	4.4%	367,918	-2.1%	375,934
Non-Operating Revenues					
Net Investment Income	(1,690)	-232.3%	1,277	78.1%	717
Total Revenues	382,272	3.5%	369,195	-2.0%	376,651
Operating Expenses					
Premium Expenses	356,984	-2.7%	366,959	-0.3%	367,954
Administrative Expenses	1,672	-8.7%	1,832	3.6%	1,769
Total Operating Expenses	358,656	-2.7%	368,791	-0.3%	369,723
Non-Operating Expense					
Transfer Out	163	85.2%	88	-22.1%	113
Change in Net Position	<u>\$ 23,453</u>	7321.8%	<u>\$ 316</u>	-95.4%	<u>\$ 6,815</u>
Total Net Position	\$ 59,593	64.9%	\$ 36,140	0.9%	\$ 35,825

The net position for the proprietary fund increased by \$23.5 million during the fiscal year ended June 30, 2022 primarily due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims. The net position for the proprietary fund increased by \$0.3 million during the fiscal year ended June 30, 2021 primarily due to positive investment earnings. The net position for the proprietary fund increased by \$6.8 million during the fiscal year ended June 30, 2020 primarily due to a refund of PPACA fees for the year as a result of a federal moratorium.

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GASB 68 and 75 Schedule Audit Update

- Employer Census Testing
 - Selected 25 Employers for testing
 - No significant differences/exceptions have been identified
- Expect to begin work on the GASB 68 and 75 Schedules in January 2023
- Expect to issue our final report on the schedules no later than February 2023



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Engagement Principal
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CLA PERS Financial Statements

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
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YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly

Scott Miller, Executive Director
North Dakota Public Employees' Retirement System
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinions

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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

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 fiduciary net position of each of the individual fiduciary funds of the System as of June 30, 2022 and 2021, 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..

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows 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, changes in financial position, and, where applicable, the cash flows of the State of North Dakota as of June 30, 2022 and 2021, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 to the net pension liability and related ratios, changes to the net other postemployment benefits liability and related ratios, employer contributions and investment returns, and the related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

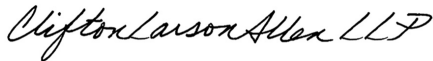
Governor Doug Burgum
The Legislative Assembly
Scott Miller, Executive Director
North Dakota Public Employees' Retirement System

Supplementary 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 consulting expenses, and statement of appropriations (collectively, "the supplementary information"), 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2022 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's 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 internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2022

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Management's Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System's (NDPERS) financial performance provides an overview of the system's financial activities for the fiscal years ended June 30, 2022 and 2021. 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, 2022, and 2021, the Plan Fiduciary Net Position (FNP) as a percentage of the Total Pension Liability (TPL) and Total OPEB Liability (TOL) for each pension and OPEB fund is shown below:

	<u>2022</u>	<u>2021</u>
Public Employees Retirement System	65.7%	79.1%
Highway Patrolmen Retirement System	66.1%	81.1%
Retirement Plan for Employees of Job Service of ND	122.2%	148.8%
Retiree Health Insurance Credit Fund	58.5%	76.6%

The decreases in the FNP as a percentage of the TPL for the Public Employees Retirement System and the Highway Patrol System were mainly due to decreases in the discount rate and investment returns from June 30, 2021 to June 30, 2022. The decrease in the FNP as a percentage of the TPL for the Retiree Health Insurance Credit Fund and Job Service of ND was the result of negative investment earnings in the current year, and a decrease in the long term rate of return assumption.

- The fiduciary net position for all trust funds administered by NDPERS decreased \$382.1 million during the fiscal year ended June 30, 2022. This decrease is primarily due to decreased investment earnings.

<i>(in thousands)</i>	<u>Change in Net Position</u>
Public Employees Retirement System	\$ (313,951)
Highway Patrolmen Retirement System	(7,751)
Retiree Health Insurance Credit Fund	(27,851)
Defined Contribution Retirement Fund	(2,819)
Pretax Benefits Fund	(324)
Deferred Compensation Plan	(19,006)
Retirement Plan for Employees of Job Service ND	(10,426)
Total Decrease in Plan Fiduciary Net Position	<u>\$ (382,128)</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Financial Highlights – Uniform Group Insurance Program

- Net position increased by \$23.5 million or 64.9%. The increase is primarily a result of the realization of a gain share on the health insurance plan for the year ended June 30, 2022.

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 and notes to the financial statements.

Financial Statements

There are two financial statements presented for the fiduciary funds. The Statements of Fiduciary Net Position as of June 30, 2022 and 2021 indicate the net position available to pay future benefits and gives a snapshot at a particular point in time. The Statements of Changes in Fiduciary Net Position for the years ended June 30, 2022 and 2021 provide 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 Statements of Net Position as of June 30, 2022 and 2021 provide a snapshot at a particular point in time of the net position available for use by this program. The Statements of Revenues, Expenses, and Changes in Fund Net Position for the years ended June 30, 2022 and 2021, provide a view of the current year's operating and non-operating revenues and expenses for the enterprise fund. The Statements of Cash Flows for the years ended June 30, 2022 and 2021 show the cash used and provided by operating activities as well as the net increase or decrease in cash due to operating and investing activities for the years presented.

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 17-54 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 Net OPEB Liability and related ratios, Schedule of Employer Contributions and Schedule of Investment Returns for the Retiree Health Insurance Credit advance funded plan.

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

Financial Analysis

The financial results for fiscal years 2022, 2021 and 2020 are summarized on page 5. The information in the tables on the following page are condensed from the Financial Statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Statement of Fiduciary Plan Net Position (condensed, in thousands)

	June 30, 2022	% Change	June 30, 2021	% Change	June 30, 2020
Assets					
Cash	\$ 21,361	17.7%	\$ 18,154	7.8%	\$ 16,847
Receivables	22,972	-3.8%	23,871	-6.7%	25,582
Investments	4,113,847	-8.6%	4,500,167	25.1%	3,596,248
Invested Securities Lending Collateral	23,612	44.9%	16,290	77.3%	9,189
Software & Equipment, Net of Accumulated Depreciation	355	55.0%	229	-38.9%	375
Total Assets	4,182,147	-8.3%	4,558,711	25.0%	3,648,241
Liabilities					
Long-Term Liabilities	141	-24.2%	186	22.4%	152
Other Liabilities	26,881	26.4%	21,272	58.1%	13,452
Total Liabilities	27,022	25.9%	21,458	57.7%	13,604
Fiduciary Net Position	\$ 4,155,125	-8.4%	\$ 4,537,253	24.8%	\$ 3,634,637

The total assets for all fiduciary funds as of June 30, 2022 were \$4.18 billion and were comprised mostly of investments. For the fiscal year ended June 30, 2022 net position decreased \$382.1 million. The decrease was primarily due to financial market loses during the fiscal year. For the fiscal year ended June 30, 2021, net position increased by \$902.6 million. This increases were primarily due to financial market gains during the fiscal year.

Total liabilities as of June 30, 2022 increased \$5.6 million due to an increase in securities lending collateral. Total liabilities as of June 30, 2021 increased \$7.9 million over the prior year due to increases in accounts payable and securities lending collateral.

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

	June 30, 2022	% Change	June 30, 2021	% Change	June 30, 2020
Additions					
Contributions	\$ 226,465	5.3%	\$ 214,981	5.8%	\$ 203,276
Transfers In	2,613	-2.9%	2,690	27.9%	2,103
Net Investment Income/(Loss)	(325,627)	-134.3%	950,393	701.9%	118,521
Other	11,777	32.9%	8,859	-29.2%	12,518
Total Additions	(84,772)	-107.2%	1,176,923	249.8%	336,418
Deductions					
Benefit Payments	276,697	7.9%	256,388	7.3%	238,909
Transfers Out	714	12.8%	633	-1.7%	644
Refunds	15,769	21.6%	12,970	-9.0%	14,252
Administrative Expenses	4,177	-3.2%	4,316	-7.5%	4,665
Total Deductions	297,357	8.4%	274,307	6.1%	258,470
Change in Fiduciary Net Position	\$ (382,129)	-142.3%	\$ 902,616	1058.0%	\$ 77,948

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

Additions. Contributions, transfers in and earnings on invested funds are the primary additions that are accumulated and used to pay benefits for each of the plans. Contributions and transfers in, combined, increased by \$11.4 million for the year ended June 30, 2022 and increased \$12.3 million for the year ended June 30, 2021. The increases reflect an increase in contributions as a result of membership and payroll growth. Investment earnings decreased \$1.276 billion in 2022. Investment earnings increased by \$831.9 million in 2021 from the previous year. The change in Other Additions for June 30, 2022 and June 30, 2021 is primarily due to fluctuations in service purchase payments received during the year.

Deductions. Total deductions increased by \$23.1 million or 8.4% for the fiscal year ended June 30, 2022. Total deductions increased by \$15.8 million or 6.1% for the fiscal year ended June 30, 2021. The increase each year 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.

Statement of Proprietary Fund Net Position (in thousands)

	June 30, 2022	% Change	June 30, 2021	% Change	June 30, 2020
Assets					
Cash & Investments	\$ 33,457	-7.4%	\$ 36,136	-0.4%	\$ 36,294
Receivables	26,371	14389.6%	182	-97.5%	7,279
Capital Assets	124	33.3%	93	-38.4%	151
Total Assets	<u>59,952</u>	64.7%	<u>36,411</u>	-16.7%	<u>43,724</u>
Liabilities					
Long-Term Liabilities	76	2.7%	74	13.8%	65
Other Liabilities	283	43.7%	197	-97.5%	7,834
Total Liabilities	<u>359</u>	32.5%	<u>271</u>	-96.6%	<u>7,899</u>
Net Position	<u>\$ 59,593</u>	64.9%	<u>\$ 36,140</u>	0.9%	<u>\$ 35,825</u>

The net position for the proprietary fund increased by \$23.5 million during the fiscal year ended June 30, 2022. The increase is mostly due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims. The net position for the proprietary fund increased by \$0.3 million during the fiscal year ended June 30, 2021. The increase is mostly due to investment earnings.

Total assets, as of June 30, 2022, were \$60.0 million and were comprised mainly of cash and investments as well as a \$26.0 receivable from Sanford Health Plan. Total assets increased by \$23.5 million from the prior fiscal year primarily due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims. Total assets, as of June 30, 2021, were \$36.4 million and were comprised mainly of cash and investments. Total assets decreased by \$7.3 million from the prior fiscal year primarily due to payment of a receivable related to the PPACA moratorium.

Total liabilities, as of June 30, 2022, were \$0.4 million, \$0.3 million as of June 30, 2021 and \$7.9 million as of June 30, 2020, 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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022 AND 2021**

The net position of the proprietary fund consists primarily of cash and investments and is to pay administrative expenses of the uniform group insurance program, reduce premium payments/increases, and increase insurance coverage.

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

	June 30, 2022	% Change	June 30, 2021	% Change	June 30, 2020
Operating Revenues					
Premium Revenues	\$ 356,896	-2.7%	\$ 366,941	-0.3%	\$ 367,910
Administrative Fee	953	-2.9%	981	-2.0%	1,001
Miscellaneous	26,113	652925.0%	(4)	-100.1%	7,023
Total Operating Revenues	<u>383,962</u>	4.4%	<u>367,918</u>	-2.1%	<u>375,934</u>
Non-Operating Revenues					
Net Investment Income	<u>(1,690)</u>	-232.3%	<u>1,277</u>	78.1%	<u>717</u>
Total Revenues	<u>382,272</u>	3.5%	<u>369,195</u>	-2.0%	<u>376,651</u>
Operating Expenses					
Premium Expenses	356,984	-2.7%	366,959	-0.3%	367,954
Administrative Expenses	<u>1,672</u>	-8.7%	<u>1,832</u>	3.6%	<u>1,769</u>
Total Operating Expenses	<u>358,656</u>	-2.7%	<u>368,791</u>	-0.3%	<u>369,723</u>
Non-Operating Expense					
Transfer Out	<u>163</u>	85.2%	<u>88</u>	-22.1%	<u>113</u>
Change in Net Position	<u><u>\$ 23,453</u></u>	7321.8%	<u><u>\$ 316</u></u>	-95.4%	<u><u>\$ 6,815</u></u>
Total Net Position	\$ 59,593	64.9%	\$ 36,140	0.9%	\$ 35,825

The net position for the proprietary fund increased by \$23.5 million during the fiscal year ended June 30, 2022 primarily due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims.. The net position for the proprietary fund increased by \$0.3 million during the fiscal year ended June 30, 2021 primarily due to positive investment earnings. The net position for the proprietary fund increased by \$6.8 million during the fiscal year ended June 30, 2020 primarily due to a refund of PPACA fees for the year as a result of a federal moratorium.

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
STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022 AND 2021**

	Uniform Group Insurance Program	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,452,713	\$ 1,699,735
Invested Cash	1,635,593	1,719,117
Commingled Domestic Fixed Income Investments	30,368,921	32,716,340
Due from Fiduciary Funds	92,105	-
Unearned Premiums	20,668	105,400
Accounts Receivable	26,258,022	182,412
Total Current Assets	59,828,022	36,423,004
NONCURRENT ASSETS		
Capital Assets (Net of Depreciation/Amortization)	123,759	92,841
Total Assets	59,951,781	36,410,445
LIABILITIES		
CURRENT LIABILITIES		
Salaries Payable	90,779	85,798
Accounts Payable	159,293	196,195
Due to Other State Agencies	25,473	13,480
Accrued Compensated Absences	7,370	6,720
Total Current Liabilities	282,915	196,793
NONCURRENT LIABILITIES		
Accrued Compensated Absences	76,284	73,663
Total Liabilities	359,199	270,456
NET POSITION		
Net Investment in Capital Assets	123,759	92,841
Unrestricted Net Position	59,468,823	36,047,148
Total Net Position	\$ 59,592,582	\$ 36,139,989

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2022 AND 2021**

	Uniform Group Insurance Program	
	2022	2021
OPERATING REVENUES		
Premium Revenues	\$ 356,896,044	\$ 366,940,896
Administrative Fee	952,004	980,446
Underwriting Gain (Loss)	26,111,259	(4,408)
Miscellaneous	1,977	47
Total Operating Revenues	383,961,284	367,916,981
OPERATING EXPENSES		
Premium Expenses	356,984,101	366,958,640
Salaries and Wages	1,078,063	1,005,078
Operating Expenses	353,597	309,960
Professional Fees	118,910	323,669
Data Processing	92,734	92,570
Amortization	28,632	101,221
Total Operating Expenses	358,656,037	368,791,138
Operating Gain (Loss)	25,305,247	(874,157)
NON-OPERATING REVENUES AND EXPENSES		
Investment Income (Loss)	(1,648,090)	1,322,916
Investment Expenses	(42,064)	(45,970)
Total Non-Operating Revenues and Expenses	(1,690,154)	1,276,946
INCOME BEFORE TRANSFERS	23,615,093	402,789
TRANSFERS OUT	162,500	87,500
Change in Net Position	23,452,593	315,289
Total Net Position - Beginning of Year	36,139,989	35,824,700
TOTAL NET POSITION - END OF YEAR	\$ 59,592,582	\$ 36,139,989

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2022 AND 2021**

	Uniform Group Insurance Program	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Collected	\$ 356,896,044	\$ 366,940,896
Administrative Fees Collected	940,542	389,444
Payments to Suppliers	(590,150)	(682,995)
Premiums Paid	(356,984,101)	(366,958,640)
Payments to Employees	(1,069,811)	(989,484)
Underwriting Gain (Loss)	39,738	(4,408)
Miscellaneous Income	1,977	47
Net Cash Provided (Used) by Operating Activities	(765,761)	(1,305,140)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	2,347,419	(4,064,655)
Investment Income/(Loss)	(1,648,090)	1,322,916
Investment Expense	(42,064)	(45,970)
Net Cash Provided (Used) by Investing Activities	657,265	(2,787,709)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Purchase of Software	(59,550)	(42,850)
Transfers Out	(162,500)	(87,500)
Net Cash Used by Financing Activities	(222,050)	(130,350)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(330,546)	(4,223,199)
Cash and Cash Equivalents - Beginning of Year	3,418,852	7,642,051
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,088,306	\$ 3,418,852
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 25,305,247	\$ (874,157)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Amortization	28,632	101,221
Effect of Changes in Assets and Liabilities:		
Accounts Receivable	(26,075,610)	7,044,072
Due from Other State Agencies	-	52,724
Unearned Premium	84,732	-
Due from Other Fiduciary Funds	(92,105)	-
Salaries Payable	4,981	6,687
Accrued Compensated Absences	3,271	8,907
Accounts Payable	(36,902)	38,644
Amounts held in custody of others	-	(7,687,798)
Due to Other State Agencies	11,993	4,560
Net Cash Provided (Used) by Operating Activities	\$ (765,761)	\$ (1,305,140)

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ASSETS								
Cash	\$ 19,350,154	\$ -	\$ 1,441,571	\$ 221,306	\$ 76,883	\$ 270,116	\$ 1,340	\$ 21,361,370
Receivables:								
Contribution Receivable	11,011,361	730,304	792,296	90,660	545,741	1,216,019	593	14,386,974
Interest Receivable	8,369,490	214,063	532	-	-	-	199	8,584,284
Due from Other State Agencies	-	-	199	-	-	-	-	199
Total Receivables	<u>19,380,851</u>	<u>944,367</u>	<u>793,027</u>	<u>90,660</u>	<u>545,741</u>	<u>1,216,019</u>	<u>792</u>	<u>22,971,457</u>
Investments:								
External Investment Pool	3,599,792,150	91,378,024	-	-	-	-	-	3,691,170,174
Equities	-	-	96,887,675	-	-	-	17,152,361	114,040,036
Fixed Income	-	-	54,944,364	149,804	-	3,045,746	68,585,665	126,725,579
Mutual Funds	-	-	-	16,279,378	-	160,978,323	-	177,257,701
Invested Cash	-	-	498,576	342,385	-	3,293,943	518,444	4,653,348
Total Investments	<u>3,599,792,150</u>	<u>91,378,024</u>	<u>152,330,615</u>	<u>16,771,567</u>	<u>-</u>	<u>167,318,012</u>	<u>86,256,470</u>	<u>4,113,846,838</u>
Invested Securities Lending Collateral	23,022,445	589,333	-	-	-	-	-	23,611,778
Capital Assets (Net of Depreciation/Amortization)	<u>174,532</u>	<u>2,106</u>	<u>71,755</u>	<u>485</u>	<u>27,871</u>	<u>78,042</u>	<u>623</u>	<u>355,414</u>
Total Assets	<u><u>3,661,720,132</u></u>	<u><u>92,913,830</u></u>	<u><u>154,636,968</u></u>	<u><u>17,084,018</u></u>	<u><u>650,495</u></u>	<u><u>168,882,189</u></u>	<u><u>86,259,225</u></u>	<u><u>4,182,146,857</u></u>

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
LIABILITIES								
Salaries Payable	\$ 119,901	\$ -	\$ -	\$ -	\$ 26,893	\$ 35,480	\$ -	\$ 182,274
Accounts Payable	2,697,848	-	153,882	97	12,915	26,686	81,755	2,973,183
Due to Other State Agencies	14,068	-	14	162	2,158	4,018	-	20,420
Due to Proprietary Funds	-	-	-	-	92,105	-	-	92,105
Amounts Held in Custody for Others	-	-	-	-	-	2,000	-	2,000
Securities Lending Collateral	23,022,445	589,333	-	-	-	-	-	23,611,778
Accrued Compensated Absences	93,968	-	-	-	17,833	28,926	-	140,727
Total Liabilities	25,948,230	589,333	153,896	259	151,904	97,110	81,755	27,022,487
FIDUCIARY NET POSITION								
Restricted for Pensions	3,635,771,902	92,324,497	-	17,083,759	-	168,785,079	86,177,470	4,000,142,707
Restricted for Postemployment Healthcare Benefits	-	-	154,483,072	-	-	-	-	154,483,072
Restricted for Pretax Benefits	-	-	-	-	498,591	-	-	498,591
Total Fiduciary Net Position Held in Trust	\$ 3,635,771,902	\$ 92,324,497	\$ 154,483,072	\$ 17,083,759	\$ 498,591	\$ 168,785,079	\$ 86,177,470	\$ 4,155,124,370

See accompanying notes to financial statements.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ASSETS								
Cash	\$ 16,168,202	\$ -	\$ 1,298,715	\$ 214,040	\$ 238,482	\$ 223,073	\$ 11,723	\$ 18,154,235
Receivables:								
Contribution Receivable	12,731,180	4,300	941,729	102,629	612,014	1,058,391	1,022	15,451,265
Interest Receivable	8,205,048	214,366	37	-	-	-	6	8,419,457
Due from Other Fiduciary Funds	-	-	-	-	-	-	-	-
Due from Other State Agencies	-	-	282	-	-	-	-	282
Total Receivables	<u>20,936,228</u>	<u>218,666</u>	<u>942,048</u>	<u>102,629</u>	<u>612,014</u>	<u>1,058,391</u>	<u>1,028</u>	<u>23,871,004</u>
Investments:								
External Investment Pool	3,917,244,099	99,855,106	-	-	-	-	-	4,017,099,205
Equities	-	-	118,281,574	-	-	-	19,108,158	137,389,732
Fixed Income	-	-	61,279,787	622,065	-	2,318,952	77,129,210	141,350,014
Mutual Funds	-	-	-	18,721,710	-	181,261,020	-	199,982,730
Invested Cash	-	-	681,897	242,473	-	2,985,672	435,556	4,345,598
Total Investments	<u>3,917,244,099</u>	<u>99,855,106</u>	<u>180,243,258</u>	<u>19,586,248</u>	<u>-</u>	<u>186,565,644</u>	<u>96,672,924</u>	<u>4,500,167,279</u>
Invested Securities Lending Collateral Capital Assets (Net of Depreciation/Amortization)	15,875,367	415,066	-	-	-	-	-	16,290,433
	<u>123,726</u>	<u>2,037</u>	<u>9,372</u>	<u>361</u>	<u>30,947</u>	<u>61,894</u>	<u>462</u>	<u>228,799</u>
Total Assets	<u>3,970,347,622</u>	<u>100,490,875</u>	<u>182,493,393</u>	<u>19,903,278</u>	<u>881,443</u>	<u>187,909,002</u>	<u>96,686,137</u>	<u>4,558,711,750</u>

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2021**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
LIABILITIES								
Salaries Payable	\$ 131,657	\$ -	\$ -	\$ -	\$ 20,259	\$ 35,891	\$ -	\$ 187,807
Accounts Payable	4,471,974	-	158,834	102	16,192	33,006	82,440	4,762,548
Due to Other State Agencies	18,050	-	113	100	3,804	6,491	-	28,558
Due to Proprietary Funds	-	-	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	3,322	-	3,322
Securities Lending Collateral	15,875,367	415,066	-	-	-	-	-	16,290,433
Accrued Compensated Absences	127,874	-	-	-	19,202	38,722	-	185,798
Total Liabilities	20,624,922	415,066	158,947	202	59,457	117,432	82,440	21,458,466
FIDUCIARY NET POSITION								
Restricted for Pensions	3,949,722,700	100,075,809	-	19,903,076	-	187,791,570	96,603,697	4,354,096,852
Restricted for Postemployment Healthcare Benefits	-	-	182,334,446	-	-	-	-	182,334,446
Restricted for Pretax Benefits	-	-	-	-	821,986	-	-	821,986
Total Fiduciary Net Position Held in Trust	\$ 3,949,722,700	\$ 100,075,809	\$ 182,334,446	\$ 19,903,076	\$ 821,986	\$ 187,791,570	\$ 96,603,697	\$ 4,537,253,284

See accompanying notes to financial statements.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ADDITIONS								
Contributions:								
From Employer	\$ 96,630,783	\$ 2,686,795	\$ 12,565,573	\$ 503,267	\$ -	\$ -	\$ -	\$ 112,386,418
From Employee	89,633,939	1,825,729	12,234	551,993	6,013,536	16,032,276	9,299	114,079,006
Transfers from Other Plans	-	-	-	1,205	-	712,500	-	713,705
Transfer from Proprietary Fund	-	-	-	-	-	162,500	-	162,500
From External Plans	-	-	-	-	-	1,737,082	-	1,737,082
Total Contributions	<u>186,264,722</u>	<u>4,512,524</u>	<u>12,577,807</u>	<u>1,056,465</u>	<u>6,013,536</u>	<u>18,644,358</u>	<u>9,299</u>	<u>229,078,711</u>
Investment Income:								
Net Change in Fair Value of Investments	(315,774,045)	(8,022,147)	(30,112,037)	(4,557,395)	-	(27,438,499)	(7,105,726)	(393,009,849)
Interest and Dividends	68,878,159	1,747,872	3,893,161	1,468,973	454	(205,073)	1,862,254	77,645,800
Less Investment Expense	(9,307,158)	(239,010)	(537,631)	(5,720)	-	-	(308,015)	(10,397,534)
Net Investment Income/(Loss)	<u>(256,203,044)</u>	<u>(6,513,285)</u>	<u>(26,756,507)</u>	<u>(3,094,142)</u>	<u>454</u>	<u>(27,643,572)</u>	<u>(5,551,487)</u>	<u>(325,761,583)</u>
Securities Lending Income	130,680	3,314	-	-	-	-	-	133,994
Repurchase Service Credit	10,249,235	159,747	456,895	-	-	-	-	10,865,877
FICA Tax Savings	-	-	-	-	890,175	-	-	890,175
Miscellaneous Income (Expense)	14,125	62	(1)	6,844	-	-	-	21,030
Total Additions	<u>(59,544,282)</u>	<u>(1,837,638)</u>	<u>(13,721,806)</u>	<u>(2,030,833)</u>	<u>6,904,165</u>	<u>(8,999,214)</u>	<u>(5,542,188)</u>	<u>(84,771,796)</u>
DEDUCTIONS								
Benefits Paid to Participants	236,144,369	5,840,127	-	782,229	6,125,693	9,195,151	4,865,682	262,953,251
Refunds	15,758,175	7,897	2,631	-	-	-	-	15,768,703
Prefunded Credit Applied	-	-	13,743,479	-	-	-	-	13,743,479
Transfers to Other Plans	163,705	-	-	-	550,000	-	-	713,705
	<u>252,066,249</u>	<u>5,848,024</u>	<u>13,746,110</u>	<u>782,229</u>	<u>6,675,693</u>	<u>9,195,151</u>	<u>4,865,682</u>	<u>293,179,138</u>
Administrative Expenses	2,340,267	65,650	383,458	6,255	551,867	812,126	18,357	4,177,980
Total Deductions	<u>254,406,516</u>	<u>5,913,674</u>	<u>14,129,568</u>	<u>788,484</u>	<u>7,227,560</u>	<u>10,007,277</u>	<u>4,884,039</u>	<u>297,357,118</u>
CHANGE IN FIDUCIARY NET POSITION	(313,950,798)	(7,751,312)	(27,851,374)	(2,819,317)	(323,395)	(19,006,491)	(10,426,227)	(382,128,914)
Net Position - Beginning of Year	<u>3,949,722,700</u>	<u>100,075,809</u>	<u>182,334,446</u>	<u>19,903,076</u>	<u>821,986</u>	<u>187,791,570</u>	<u>96,603,697</u>	<u>4,537,253,284</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 3,635,771,902</u>	<u>\$ 92,324,497</u>	<u>\$ 154,483,072</u>	<u>\$ 17,083,759</u>	<u>\$ 498,591</u>	<u>\$ 168,785,079</u>	<u>\$ 86,177,470</u>	<u>\$ 4,155,124,370</u>

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ADDITIONS								
Contributions:								
From Employer	\$ 91,265,640	\$ 2,293,404	\$ 13,110,651	\$ 481,934	\$ -	\$ -	\$ -	\$ 107,151,629
From Employee	85,914,756	1,548,335	15,481	412,341	5,757,480	14,167,468	13,979	107,829,840
Transfers from Other Fiduciary Plans	-	-	-	5,918	-	627,500	-	633,418
Transfer from Proprietary Fund	-	-	-	-	-	87,500	-	87,500
From External Plans	-	-	-	4,984	-	2,052,023	-	2,057,007
Total Contributions	<u>177,180,396</u>	<u>3,841,739</u>	<u>13,126,132</u>	<u>905,177</u>	<u>5,757,480</u>	<u>16,934,491</u>	<u>13,979</u>	<u>217,759,394</u>
Investment Income:								
Net Change in Fair Value of Investments	793,302,359	18,448,605	34,154,175	3,591,121	-	38,727,815	4,513,662	892,737,737
Interest and Dividends	62,626,623	1,427,901	2,867,873	957,992	793	1,100	1,833,777	69,716,059
Less Investment Expense	(11,212,468)	(244,020)	(495,393)	(10,209)	-	-	(322,167)	(12,284,257)
Net Investment Income	<u>844,716,514</u>	<u>19,632,486</u>	<u>36,526,655</u>	<u>4,538,904</u>	<u>793</u>	<u>38,728,915</u>	<u>6,025,272</u>	<u>950,169,539</u>
Securities Lending Income	216,695	5,355	-	-	-	-	-	222,050
Repurchase Service Credit	7,129,269	400,751	375,038	-	-	-	-	7,905,058
FICA Tax Savings	-	-	-	-	856,973	-	-	856,973
Miscellaneous Income (Expense)	(1,723)	(11)	312	11,662	-	-	-	10,240
Total Additions	<u>1,029,241,151</u>	<u>23,880,320</u>	<u>50,028,137</u>	<u>5,455,743</u>	<u>6,615,246</u>	<u>55,663,406</u>	<u>6,039,251</u>	<u>1,176,923,254</u>
DEDUCTIONS								
Benefits Paid to Participants	218,414,339	5,780,173	-	1,275,339	5,795,730	7,574,521	4,668,820	243,508,922
Refunds	12,792,647	171,704	5,437	-	-	-	-	12,969,788
Prefunded Credit Applied	-	-	12,879,074	-	-	-	-	12,879,074
Transfers to Other Plans	93,418	-	-	-	540,000	-	-	633,418
	<u>231,300,404</u>	<u>5,951,877</u>	<u>12,884,511</u>	<u>1,275,339</u>	<u>6,335,730</u>	<u>7,574,521</u>	<u>4,668,820</u>	<u>269,991,202</u>
Administrative Expenses	2,569,186	37,097	430,097	6,370	479,999	775,462	17,371	4,315,582
Total Deductions	<u>233,869,590</u>	<u>5,988,974</u>	<u>13,314,608</u>	<u>1,281,709</u>	<u>6,815,729</u>	<u>8,349,983</u>	<u>4,686,191</u>	<u>274,306,784</u>
CHANGE IN FIDUCIARY NET POSITION	<u>795,371,561</u>	<u>17,891,346</u>	<u>36,713,529</u>	<u>4,174,034</u>	<u>(200,483)</u>	<u>47,313,423</u>	<u>1,353,060</u>	<u>902,616,470</u>
Net Position - Beginning of Year	<u>3,154,351,139</u>	<u>82,184,463</u>	<u>145,620,917</u>	<u>15,729,042</u>	<u>1,022,469</u>	<u>140,478,147</u>	<u>95,250,637</u>	<u>3,634,636,814</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 3,949,722,700</u>	<u>\$ 100,075,809</u>	<u>\$ 182,334,446</u>	<u>\$ 19,903,076</u>	<u>\$ 821,986</u>	<u>\$ 187,791,570</u>	<u>\$ 96,603,697</u>	<u>\$ 4,537,253,284</u>

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Public Employees Retirement System (the 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 Annual Comprehensive Financial Report as a pension and other employee benefit 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.

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 (GASB) 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 non-fiduciary 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 as restricted for benefits which 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.

All other activities of the system are pension and other post-employment employee benefit trust funds and are shown in the separate fiduciary fund financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 funds consist 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.

Retiree Health Insurance Credit Fund – a cost-sharing multiple employer other post-employment benefit (OPEB) plan that offsets the members’ cost of health insurance during their retirement.

Defined Contribution Retirement Plan – an optional defined contribution retirement plan available to state employees.

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 GASB, which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

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 and losses. 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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and 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, 2022 and 2021. 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 investments is discussed in further detail in Note 2 to the financial statements.

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. The fair value for the Stable Value option within the deferred compensation and defined contribution plans is measured at contract value.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) greater than \$5,000, are presented in the accompanying financial statements at cost or estimated historical cost. Donated capital assets are stated at acquisition 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, 2022 and 2021, 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 five to 10 years.

Accrued Compensated Absences

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

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

Amounts Held in Custody for Others

Amounts held in custody for others includes monies collected from participating employers for deferred compensation contributions that had not been forwarded to the investment provider company as of June 30, 2022.

Unearned Premiums

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2022 and 2021, transfers to other plans also includes transfers from the pretax benefits program, retirement plan, and insurance plan to the deferred compensation plan to cover general administrative expenses.

Restricted Net Position

Net position restricted for benefits consists of funds on deposit with Sanford Health Plan to pay health care benefits in the event total claims incurred during the biennium exceed total premiums. This amount was \$0 as of June 30, 2022 and June 30, 2021. See Note 14 for additional discussion on the status of open contracts.

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 fiduciary net position.

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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS

Defined Contribution Retirement Fund

June 30, 2022				
	June 30, 2022	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	\$ 16,279,378	\$ 16,279,378	\$ -	\$ -
Investments at Contract Value				
Fixed Income	149,804			
Investments at Amortized Cost				
Invested Cash	342,385			
Total Investments	\$ 16,771,567			
June 30, 2021				
	June 30, 2021	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	\$ 18,721,710	\$ 18,721,710	\$ -	\$ -
Investments at Contract Value				
Fixed Income	622,065			
Investments at Amortized Cost				
Invested Cash	242,473			
Total Investments	\$ 19,586,248			

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deferred Compensation Plan

June 30, 2022				
	June 30, 2021	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	\$ 160,978,323	\$ 160,978,323	\$ -	\$ -
Investments at Contract Value				
Fixed Income	3,045,746			
Investments at Amortized Cost				
Invested Cash	3,293,943			
Total Investments	\$ 167,318,012			

June 30, 2021				
	June 30, 2021	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	\$ 181,261,020	\$ 181,261,020	\$ -	\$ -
Investments at Contract Value				
Fixed Income	2,318,952			
Investments at Amortized Cost				
Invested Cash	2,985,672			
Total Investments	\$ 186,565,644			

Investments Measured at the Net Asset Value – Proprietary Fund

	June 30, 2022
Commingled Domestic Fixed Income	\$ 30,368,921
	June 30, 2021
Commingled Domestic Fixed Income	\$ 32,716,340

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at the Net Asset Value – Fiduciary Funds

	June 30, 2022			
	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	\$ 3,599,792,150	\$ 91,378,024	\$ -	\$ -
Commingled Equities	-	-	96,887,675	17,152,361
Commingled Fixed Income	-	-	54,944,364	68,585,665
Total Investments Measured at the Net Asset Value	<u>\$ 3,599,792,150</u>	<u>\$ 91,378,024</u>	<u>\$ 151,832,039</u>	<u>\$ 85,738,026</u>
	June 30, 2021			
	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	\$ 3,917,244,099	\$ 99,855,106	\$ -	\$ -
Commingled Equities	-	-	118,281,574	19,108,158
Commingled Fixed Income	-	-	61,279,787	77,129,210
Total Investments Measured at the Net Asset Value	<u>\$ 3,917,244,099</u>	<u>\$ 99,855,106</u>	<u>\$ 179,561,361</u>	<u>\$ 96,237,368</u>

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 one day redemption notice period.

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 one day redemption notice period.

The System's investments in the Retiree Health Insurance Credit Fund 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, 2022 and 2021. There are no unfunded commitments and the plan may redeem investments daily with a one day redemption notice period. For the years ended June 30, 2022 and 2021, the Retirement Plan for Employees of Job Service of North Dakota's investments were held in an individual investment pool with the North Dakota Retirement and Investment Office and were valued at Net Asset Value (NAV). There were no unfunded commitments and the plan may redeem investments daily with a one day redemption notice period.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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 at the time of acquisition.

	2022	2021
Cash Deposits at the Bank of North Dakota Recorded as Cash and Cash Equivalents	\$ 20,797,790	\$ 17,488,930
Cash Deposits at State Treasury Recorded as Cash and Cash Equivalents	2,007,216	2,336,748
Cash Held by the North Dakota Retirement and Investment Office Recorded as Cash and Cash Equivalents	1,635,593	1,719,117
Guaranteed Investment Contract with Health Plan Provider Recorded as Cash and Cash Equivalents	9,077	28,292
Total Cash and Cash Equivalents	\$ 24,449,676	\$ 21,573,087

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, 2022 and 2021, the carrying amount of the System's cash deposits were \$54,818,596 and \$54,289,427, and the bank balances were \$53,993,984 and \$53,258,613. All of the System's deposits are uncollateralized and uninsured at June 30, 2022 and 2021.

Investments

Total investments of the fiduciary funds of the System as of June 30, 2022 and 2021, consisted of the following:

	2022	2021
Equity Securities	\$ 2,158,621,201	\$ 2,561,562,701
Fixed Income Securities	995,463,837	1,084,047,978
Real Assets	757,923,432	625,531,022
Mutual Funds	177,257,701	199,982,730
Invested Cash	24,580,667	29,042,848
Securities Lending Collateral	23,611,778	16,290,433
	\$ 4,137,458,616	\$ 4,516,457,712

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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.

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 were the System's asset allocation policies for the Public Employees Retirement System, Highway Patrolmen's Retirement System, Retirement Plan for Employees of Job Service of North Dakota, and Retiree Health Insurance Credit Fund as of June 30, 2022.

Asset Class	Target Allocation		
	PERS & HPRS	JSND	RHIC
Domestic Equities	30.00%	2.00%	39.00%
International Equities	21.00%	18.00%	26.00%
Private Equity	7.00%	6.00%	0.00%
Domestic Fixed Income	23.00%	74.00%	35.00%
Global Real Assets	19.00%	0.00%	0.00%
Total	100.00%	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 and OPEB plan investments, net of pension and OPEB plan investment expense for the years ended June 30, 2022 and 2021 are:

	2022	2021
Public Employees Retirement System	-6.32%	27.43%
Highway Patrolman's Retirement System	-6.50%	23.90%
Job Service Plan	-5.55%	6.81%
Retiree Health Insurance Credit Fund	-14.48%	25.58%

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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

For the years ended June 30, 2022 and 2021, the following are the net realized gains (losses):

	2022	2021
Public Employees Retirement System	\$ 170,740,373	\$ 301,304,554
Highway Patrolmen's Retirement System	4,337,609	7,191,804
Retiree Health Insurance Credit Plan	17,279,324	6,384,582
Defined Contribution Plan	195,667	401,039
Deferred Compensation Plan	13,843,422	7,861,634
Job Service Plan	2,461,462	2,375,571

Credit Risk

All investments of the Public Employees Retirement System, Highway Patrolmen's Retirement System, and Uniform Group Insurance Program 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 on the next page. Readers may refer to the North Dakota Retirement and Investment Office financial statements regarding highly sensitive securities that are disclosed at the SIB level.

The System does not have a formal investment interest rate risk policy for the investments in the Defined Contribution Retirement Plan or the Deferred Compensation Plan as the investments are directed by each individual participant.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

<u>Type (in thousands)</u>	2022				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Domestic Fixed Income Pool	\$ 579,319	\$ 22,304	\$ 162,797	\$ 70,976	\$ 322,243
Below Investment Grade FI Pool	79,341	855	43,395	29,225	5,866
Large Cap Domestic Equity Pool	107,920	6,624	67,359	1,326	32,611
Total Debt Securities	<u>\$ 766,580</u>	<u>\$ 29,783</u>	<u>\$ 273,551</u>	<u>\$ 101,527</u>	<u>\$ 360,720</u>

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

<u>Type (in thousands)</u>	2021				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Domestic Fixed Income Pool	\$ 640,088	\$ 55,770	\$ 163,265	\$ 101,832	\$ 319,220
Below Investment Grade FI Pool	91,795	105	39,500	43,664	8,526
Large Cap Domestic Equity Pool	132,693	1,225	77,443	1,559	52,466
Small Cap Domestic Equity Pool	-	-	-	-	-
Total Debt Securities	<u>\$ 864,576</u>	<u>\$ 57,100</u>	<u>\$ 280,208</u>	<u>\$ 147,055</u>	<u>\$ 380,212</u>

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

Job Service Retirement Plan

<u>Type (in thousands)</u>	2022				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Pooled Investments	\$ 68,586	\$ -	\$ 37,744	\$ 30,842	\$ -

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

<u>Type (in thousands)</u>	2021				
	<u>Fair Value</u>	<u>Less Than 1</u>			
		<u>Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Pooled Investments	77,129	-	41,428	32,832	2,869

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Retiree Health Insurance Credit Fund

<u>Type (in thousands)</u>	<u>2022</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Pooled Investments	\$ 54,944	\$ -	\$ 4,705	\$ 50,239	\$ -

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

<u>Type (in thousands)</u>	<u>2021</u>				
	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-6 Years</u>	<u>6-10 Years</u>	<u>Over 10 Years</u>
Pooled Investments	61,280	-	5,346	48,782	7,152

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

Securities Lending

Securities are loaned versus collateral that may include cash; U.S. government and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. 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 North Dakota State Investment Board loans was approximately 70 days as of June 30, 2022.

Cash open collateral is invested in a short term investment pool, the NDSIB USD Cash fund, which had an interest sensitivity of 1 days as of this statement date.

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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

The June 30, 2022 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	\$ -	\$ -
Highway Patrolmen's Retirement System	-	-
Retiree Health Insurance Credit Fund	-	-
Retirement Plan for Employees of Job Service North Dakota	-	-
Pretax Benefits Program	-	92,105
Deferred Compensation Plan	-	-
Defined Contribution Plan	-	-
Proprietary		
Uniform Group Insurance Program	92,105	-
	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2021 there were no due from/to balances on the fiduciary or proprietary funds as the Plan liquidated all account balances as of June 30, 2021.

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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

June 30, 2022 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due to State Agencies
Fiduciary		
Public Employees Retirement System		
NDIT	\$ -	\$ 11,687
Attorney General	-	553
Central Duplicating	-	62
RIO	-	1,766
Total	<u>\$ -</u>	<u>\$ 14,068</u>
Retiree Health Insurance Credit Fund		
Job Service	\$ 199	\$ -
Attorney General	-	14
Total	<u>\$ 199</u>	<u>\$ 14</u>
Defined Contribution Plan		
NDIT	\$ -	\$ 161
Attorney General	-	1
Total	<u>\$ -</u>	<u>\$ 162</u>
Pretax Benefits Program		
NDIT	\$ -	\$ 2,058
Attorney General	-	100
Total	<u>\$ -</u>	<u>\$ 2,158</u>
Deferred Compensation Plan		
NDIT	\$ -	\$ 3,787
Attorney General	-	231
Total	<u>\$ -</u>	<u>\$ 4,018</u>
Proprietary		
Uniform Group Insurance Program		
NDIT	\$ -	\$ 8,266
State Auditor	-	16,481
Central Duplicating	-	7
Attorney General	-	719
Total	<u>\$ -</u>	<u>\$ 25,473</u>

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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

The June 30, 2021 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due to State Agencies
Fiduciary		
Public Employees Retirement System		
Information Technology Department	\$ -	\$ 14,018
Attorney General	-	1,067
Central Duplicating	-	17
Central Supply	-	25
Department of Transportation	-	293
Workforce Safety and Insurance	-	2,630
Total	<u>\$ -</u>	<u>\$ 18,050</u>
Retiree Health Insurance Credit Fund		
Job Service	\$ 282	\$ -
Attorney General	-	113
Total	<u>\$ 282</u>	<u>\$ 113</u>
Defined Contribution Plan		
Information Technology Department	\$ -	\$ 100
Total	<u>\$ -</u>	<u>\$ 100</u>
Pretax Benefits Program		
Information Technology Department	\$ -	\$ 2,908
Central Supply	-	6
Workforce Safety and Insurance	-	658
Attorney General	-	232
Total	<u>\$ -</u>	<u>\$ 3,804</u>
Deferred Compensation Plan		
Information Technology Department	\$ -	\$ 4,954
Central Supply	-	12
Workforce Safety and Insurance	-	1,315
Attorney General	-	210
Total	<u>\$ -</u>	<u>\$ 6,491</u>
Proprietary		
Uniform Group Insurance Program		
Information Technology Department	\$ -	\$ 10,533
Central Supply	-	18
Workforce Safety and Insurance	-	1,973
Central Duplicating	-	17
Attorney General	-	939
Total	<u>\$ -</u>	<u>\$ 13,480</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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

The June 30, 2022 transfers in/out are summarized as follows:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Fiduciary Funds		
Defined Contribution Plan	\$ 1,205	\$ -
Deferred Compensation Plan	875,000	-
Pretax Benefit Program	-	550,000
Public Employee Retirement System	-	163,705
Proprietary Funds		
Uniform Group Insurance Program	-	162,500

The June 30, 2021 transfers in/out are summarized as follows:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Fiduciary Funds		
Defined Contribution Plan	\$ 5,918	\$ -
Deferred Compensation Plan	715,000	-
Pretax Benefit Program	-	540,000
Public Employee Retirement System	-	93,418
Proprietary Funds		
Uniform Group Insurance Program	-	87,500

The transfer to the Defined Contribution Retirement Fund is for those employees electing to transfer from the PERS 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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 CAPITAL ASSETS

A statement of changes in equipment and accumulated depreciation for the System for the year ended June 30, 2022 and 2021 is as follows:

	<u>Balance 7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2022</u>
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 3,019,129	\$ 59,550	\$ -	\$ 3,078,679
Less Accumulated Amortization for:				
Software	<u>(2,926,288)</u>	<u>(28,632)</u>	-	<u>(2,954,920)</u>
Total Capital Assets Being Depreciated, Net	<u>92,841</u>	<u>30,918</u>	<u>-</u>	<u>123,759</u>
Proprietary Funds Capital Assets, Net	<u>\$ 92,841</u>	<u>\$ 30,918</u>	<u>\$ -</u>	<u>\$ 123,759</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	<u>\$ 7,485,072</u>	<u>\$ 198,052</u>	<u>\$ -</u>	<u>\$ 7,683,124</u>
Total Capital Assets Being Depreciated	<u>7,485,072</u>	<u>198,052</u>	<u>-</u>	<u>7,683,124</u>
Less Accumulated Depreciation for:				
Software	<u>(7,256,273)</u>	<u>(71,437)</u>	-	<u>(7,327,710)</u>
Total Capital Assets Being Depreciated, Net	<u>228,799</u>	<u>126,615</u>	<u>-</u>	<u>355,414</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 228,799</u>	<u>\$ 126,615</u>	<u>\$ -</u>	<u>\$ 355,414</u>
	<u>Balance 7/1/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2021</u>
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 2,976,279	\$ 42,850	\$ -	\$ 3,019,129
Less Accumulated Amortization for:				
Software	<u>(2,825,067)</u>	<u>(101,221)</u>	-	<u>(2,926,288)</u>
Total Capital Assets Being Depreciated, Net	<u>151,212</u>	<u>(58,371)</u>	<u>-</u>	<u>92,841</u>
Proprietary Funds Capital Assets, Net	<u>\$ 151,212</u>	<u>\$ (58,371)</u>	<u>\$ -</u>	<u>\$ 92,841</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	<u>\$ 7,379,921</u>	<u>\$ 105,151</u>	<u>\$ -</u>	<u>\$ 7,485,072</u>
Total Capital Assets Being Depreciated	<u>7,379,921</u>	<u>105,151</u>	<u>-</u>	<u>7,485,072</u>
Less Accumulated Depreciation for:				
Software	<u>(7,005,411)</u>	<u>(250,862)</u>	-	<u>(7,256,273)</u>
Total Capital Assets Being Depreciated, Net	<u>374,510</u>	<u>(145,711)</u>	<u>-</u>	<u>228,799</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 374,510</u>	<u>\$ (145,711)</u>	<u>\$ -</u>	<u>\$ 228,799</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 5 LEASE OBLIGATIONS

Intra-Agency Lease

The system entered into an intra-agency lease for office space until June 30, 2023. Expenditures for this lease were \$113,185 for the year ended June 30, 2022 and \$171,308 for the year ended June 30, 2021, respectively. The future minimum lease payment for the fiscal year ending June 30, 2023 is \$99,843.

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

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>
	<u>Accrued Compensated</u>	<u>Accrued Compensated</u>
	<u>Absences</u>	<u>Absences</u>
Balance - June 30, 2020	\$ 71,476	\$ 152,262
Increases	51,045	117,987
Decreases	(42,138)	(84,451)
Balance - June 30, 2021	80,383	185,798
Increases	64,618	108,704
Decreases	(61,347)	(153,774)
Balance - June 30, 2022	<u>\$ 83,654</u>	<u>\$ 140,727</u>
Balance - Due Within One Year	\$ 7,370	\$ 12,398

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, 2022 and 2021, were \$235,972 and \$221,614 which were 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, 2022 and 2021, were \$17,857 and \$17,467.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

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 employer 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, the National Guard Security Officers and Firefighters, peace officers and correctional officers employed by political subdivisions, and as of August 1, 2017, firefighters employed by participating 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. 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 under 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 to the Plan to include all new state employees hired on or after October 1, 2013 through July 31, 2017. 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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

The plans 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>2022</u>	<u>2021</u>
Cities	97	98
Counties	51	51
School Districts	131	131
Other	94	88
Total Participating Political Subdivisions	<u>373</u>	<u>368</u>

Employee membership data is as follows:

	<u>PERS</u>		<u>HPRS</u>		<u>Job Service</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Retirees, Beneficiaries, and Disability						
Currently Receiving Benefits	14,204	13,575	135	135	175	177
Terminated Vested Participants	8,673	7,877	35	28	-	-
Inactive Participants	7,610	7,094	20	21	-	-
Active Plan Participants						
Vested	17,247	17,160	70	73	1	3
Nonvested	7,532	7,434	81	78	-	-
Total Plan Membership	<u>55,266</u>	<u>53,140</u>	<u>341</u>	<u>335</u>	<u>176</u>	<u>180</u>

The defined contribution plan had 88 and 89 active participants as of June 30, 2022 and June 30, 2021, respectively.

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. For members hired on or after January 1, 2020 the annual pension benefit is equal to 1.75% of their average monthly salary, using the three highest periods of twelve consecutive months employed during the last one hundred eighty months of employment. The Plan permits early retirement at ages 55-64 with three or more years of service.

Supreme and District Court Judges are entitled to unreduced monthly pension benefits beginning at normal retirement age of (65) or the Rule of 85. The monthly pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 180 months of service. The percentage is equal to 3.50% of average monthly salary multiplied by the first ten years of service, plus 2.80% of the average monthly salary times the second ten years of service, plus 1.25% of average monthly salary times years of service in excess of twenty years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The Plan permits early retirement at ages 55-64 with five or more years of service.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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 10 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%

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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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 five plus
- 1.75% times years of credited service between six and ten plus
- 2.0% times years of credited service in excess of ten years

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 Public Safety, 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 Public Safety, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the System in the North Dakota Administrative Code.

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

HPRS

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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 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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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. The 2019 Legislative Assembly passed legislation that ended the RHIC plan for new hires after January 1, 2020 and redirected the 1.14% RHIC employer contribution to the retirement account for both the PERS plan as well as the defined contribution plan.

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 by statute as a percent of covered compensation as follows:

	Member Contributions	Employer Contributions
Public Employees Retirement System		
Members first enrolled prior to January 1, 2020	7.00%	7.12%
Members first enrolled after January 1, 2020	7.00%	8.26%
Members returning to the Defined Benefit Plan as a result of Senate Bill 2015	9.00%	7.12%
Judges Retirement System	8.00%	17.52%
Law Enforcement with Previous Service		
State - BCI Plan	6.00%	9.81%
State - National Guard	5.50%	9.81%
Political Subdivisions	5.50%	9.81%
Law Enforcement without Previous Service	5.50%	7.93%

The member's account balance includes employee contributions, interest, and the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. Members of the Supreme and District Court Judges are not eligible to vest in the employer contributions if contributing to the deferred compensation plan.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

The minimum monthly member contribution to the deferred compensation plan is \$25 and the maximum vesting in the employer contributions 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

HPRS

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4.0% of the member contribution. The member contribution rate is 13.8% and the employer rate is 20.2%. Both the member and the employer contribution rate will increase by 0.5% in January 2023, 2024, and 2025.

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% for members first enrolled prior to January 1, 2020. For members first enrolled after January 1, 2020 the member contribution rate is 7.00% and the employer rate is 8.26%.

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. For the fiscal years ended June 30, 2022 and June 30, 2021 there were no employer contributions necessary into the plan.

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.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability (asset) of the Plans at June 30, 2022 and 2021, are as follows:

<u>2022</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total Pension Liability	\$ 6,607,469,220	\$ 170,663,177	\$ 70,492,767
Plan Fiduciary Net Position	3,635,771,902	92,324,497	86,177,470
Net Pension Liability (Asset)	<u>\$ 2,971,697,318</u>	<u>\$ 78,338,680</u>	<u>\$ (15,684,703)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	55.03%	54.10%	122.25%
<u>2021</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total Pension Liability	\$ 4,991,542,997	\$ 123,371,001	\$ 64,843,971
Plan Fiduciary Net Position	3,949,722,700	100,075,809	96,603,697
Net Pension Liability (Asset)	<u>\$ 1,041,820,297</u>	<u>\$ 23,295,192</u>	<u>\$ (31,759,726)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	79.13%	81.12%	148.98%

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, 2022 and 2021.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2022 and June 30, 2021 valuations were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019 as adopted by the Board.

PERS:

The total pension liability as of June 30, 2022 and 2021, was determined by actuarial valuations as of July 1, 2022 and 2021, respectively, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	3.50% to 17.75% including inflation.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Mortality Rates Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members.

Other Notes The employer rates to the System are the statutory/Board approved contribution rates of 7.12% of payroll for the Main System (8.26% for members enrolled on or after January 1, 2020), 17.52% for the Judges System, 9.81% for the Public Safety with prior Main System, and 7.93% for the Public Safety without prior Main System service System.

The benefit accrual rate for members first enrolled on or after January 1, 2020 in the Main and Public Safety Systems is 1.75% (compared to 2.00% for members enrolled before January 1, 2020).

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

Highway Patrol

The total pension liability as of June 30, 2022 and 2021, was determined by actuarial valuations as of July 1, 2022 and 2021, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no assets smoothing)
Inflation	2.25%
Salary Increases	Service-based table for members with less than five years of service and age-based table for members with more than five years of service
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality Rates	Pub 2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using MP-2019 scale.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Other Notes There were no benefit changes during the year

The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period of July 1, 2014 through July 1, 2019. The investment return assumption was decreased from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022

The employer rate to the System is the statutory contribution rate of 20.20% of payroll. The statutory employer and employee contributions will each increase by 0.5% of pay every year from January 1, 2023 to January 1, 2025, ultimately increasing both by 1.5% of pay.

JSND

The total pension liability as of June 30, 2022 and 2021, was determined by actuarial valuations as of July 1, 2022 and 2021, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no assets smoothing)
COLA	2.25%
Inflation	2.25%
Salary Increases	3.50%
Investment Rate of Return	As of June 30, 2022, 3.00%. As of June 30, 2021, 3.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality Rates	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Other Notes There were no benefit changes during the year

The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019. The Board approved lowering the investment return assumption from 3.75 percent to 3.00 percent, first effective July 1, 2022.

The System has assets in excess of the present value of future benefits. Therefore, no employer contributions are being made.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

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, 2022 are summarized in the following tables:

PERS and HPRS

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.75%
International Equity	6.45%
Private Equity	9.20%
Domestic Fixed Income	0.34%
Global Real Assets	4.56%
Cash Equivalents	0.00%

JSND

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	5.37%
Core Fixed Income	1.31%
Limited Duration Fixed Income	0.59%
Global Equity	5.74%
Diversified Short-Term Fixed Income	1.86%
Short-Term Corporate Fixed Income	0.53%
US High Yield	4.22%
Emerging Market Debt	4.96%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments the use of a municipal bond rate is required.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of the June 30, 2022 valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%. For the June 30, 2021 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

For HPRS, the expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.69% and the resulting Single Discount Rate is 5.02% for June 30, 2022. The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021.

For JSND, the discount rate was 3.00% as of June 30, 2022 and 3.75% as of June 30, 2021. 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, 2022 and July 1, 2021 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, 2022. 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, 2022 and 2021.

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Plans as of June 30, 2022, calculated using the discount rate of 5.10% for PERS (7.00% as of June 30, 2021), 5.02% for HPRS (7.00% as of June 30, 2021) and 3.00% for JSND (3.75% as of June 30, 2021), 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:

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Net Pension Liability (Asset) as of June 30, 2022	1% Decrease (4.10%)	Current Discount (5.10%)	1% Increase (6.10%)
PERS	\$ 3,942,552,866	\$ 2,971,697,318	\$ 2,175,743,390
	1% Decrease (4.02%)	Current Discount (5.02%)	1% Increase (6.02%)
HPRS	40,084,617	23,295,192	9,514,031
	1% Decrease (2.00%)	Current Discount (3.00%)	1% Increase (4.00%)
JSND	\$ (8,404,268)	\$ (15,684,703)	\$ (21,896,493)
Net Pension Liability (Asset) as of June 30, 2021	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
PERS	\$ 1,686,774,453	\$ 1,041,820,297	\$ 505,489,341
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
HPRS	40,084,617	23,295,192	9,514,031
	1% Decrease (2.75%)	Current Discount (3.75%)	1% Increase (4.75%)
JSND	\$ (25,814,168)	\$ (31,759,726)	\$ (38,151,410)

NOTE 10 RETIREE HEALTH INSURANCE CREDIT (RHIC) FUND

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer other post-employment benefit (OPEB) plan, is administered by the System to provide members that were first enrolled in the plan prior to January 1, 2020 and are 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. Effective August 1, 2019 the credit is expanded to also include any dental, vision, and long term care plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	<u>2022</u>	<u>2021</u>
Retired Participants, Receiving Benefits	14,290	13,697
Active Participants, Not Receiving Benefits	19,018	21,067
	<u>33,308</u>	<u>34,764</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 10 RETIREE HEALTH INSURANCE CREDIT (RHIC) FUND (CONTINUED)

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. 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.

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.

NOTE 11 NET OPEB LIABILITY OF THE RHIC FUND

The components of the net OPEB liability of the RHIC Plan at June 30, 2022 and June 30, 2021 are as follows:

2022	RHIC
Total OPEB Liability	\$ 274,514,031
RHIC Fiduciary Net Position	154,483,072
Net OPEB Liability (Asset)	\$ 120,030,959
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.28%
2021	RHIC
Total OPEB Liability	\$ 237,951,735
RHIC Fiduciary Net Position	182,334,446
Net OPEB Liability (Asset)	\$ 55,617,289
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	76.63%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 11 NET OPEB LIABILITY OF THE RHIC FUND (CONTINUED)

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no asset smoothing)
Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	5.75% for 2022; 6.5% for 2021
Mortality Rates	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	RHIC is for the most part a closed plan. There were no benefit changes during the year. The investment return assumption was decreased from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2015, through June 30, 2019. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

Investment Rate of Return

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC 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 RHIC's target asset allocation as of July 1, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	5.75%
Small Cap Domestic Equities	0.00%
International Equities	6.00%
Core-Plus Fixed Income	0.22%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 11 NET OPEB LIABILITY OF THE RHIC FUND (CONTINUED)

Discount Rate

For the purpose of the June 30, 2022 valuation, the expected rate of return on OPEB plan investments is 5.75%; the municipal bond rate is 3.69%; and the resulting single discount rate is 5.39%. discount rate and the OPEB plan investments were both 6.5% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2022, and July 1, 2021, PERS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Net OPEB Liability (Asset)

The following presents the net OPEB liability of the Plans as of June 30, 2022 (using a single discount rate of 5.39%) and June 30, 2021 (using a 6.50% single discount rate), as well as what the RHIC net OPEB liability 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 OPEB Liability (Asset) as of June 30, 2022	1% Decrease (4.39%)	Current Discount (5.39%)	1% Increase (6.39%)
RHIC	\$ 153,212,299	\$ 120,030,959	\$ 92,176,119
Net OPEB Liability (Asset) as of June 30, 2021	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
RHIC	\$ 82,487,616	\$ 55,617,289	\$ 32,880,996

The benefit provided by the North Dakota Retiree Health Insurance Credit Fund is a fixed dollar subsidy and is not affected by healthcare cost trend. Therefore, a healthcare cost trend rate was not performed.

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 \$20,500 for calendar year 2022 (\$19,500 for 2021) or 100% of gross annual compensation. 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
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES (CONTINUED)

The deferred compensation plan had 15,567 and 14,559 active participants as of June 30, 2022 and 2021, respectively.

The related investments are reported at fair value as follows:

	2022		2021	
Investment Balance by:				
State of North Dakota	\$ 150,768,142	90%	\$ 173,169,034	93%
Other Jurisdictions	16,549,870	10%	13,396,610	7%
Total Investments	\$ 167,318,012	100%	\$ 186,565,644	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 Sanford Health Plan 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 2019-2021 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 2019-2021 biennium will occur in 2023 with an initial settlement occurring in 2022. In the event of a loss, the system does not have any risk. For this period, premiums exceeded claims, therefore, a gain of \$26.1 million was returned to the System.

The System again entered into a similar contract with Sanford Health Plan for the 2021-2023 biennium. The contract for the 2021-2023 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 2021-2023 biennium will occur in 2025. In the event of a loss, the system does not have any risk. No other insurance contracts have a gain sharing provision.

The accumulated surplus and other invested funds in the amounts of \$33.5 million and \$36.1 million are shown as cash, invested cash and commingled domestic fixed income investments on the Statement of Net Position as of June 30, 2022 and 2021, respectively.

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:

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 15 RISK MANAGEMENT (CONTINUED)

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

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

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

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

NOTE 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 SUBSEQUENT EVENTS

The System evaluated subsequent events through December 8, 2022 which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2022, but prior to December 8, 2022 that provided additional evidence about conditions that existed at June 30, 2022, have been recognized in the financial statements for the year ended June 30, 2022. Events or transactions that provided evidence about conditions that did not exist at June 30, 2022, 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, 2022.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 18 CONTINGENCY

The State Investment Board was named as a defendant in a case arising out of the Tribune 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 was retained, in addition to assistance received from the ND Office of Attorney General. On July 15, 2019, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the US District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. The Second Circuit held oral argument on August 24, 2020, and on August 20, 2021, upheld the dismissal. The Litigation Trustee then filed a petition for an en banc rehearing by the full Second Circuit of the Court's August 20, 2021, decision which was denied on October 7, 2021. On February 22, 2022, the U.S. Supreme Court declined to review the Second Circuit's latest decision leaving all action dismissed in favor of the SIB and co-defendants. No further activity is expected in the case.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30**

Public Employees Retirement System

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability									
Service Cost	\$ 143,197,284	\$ 242,751,143	\$ 135,139,549	\$ 172,183,673	\$ 164,018,071	\$ 113,148,379	\$ 126,443,929	\$ 104,158,320	\$ 94,611,357
Interest	345,662,042	296,285,379	317,129,009	294,701,001	279,835,016	269,769,850	243,284,784	236,419,648	218,719,441
Change of Benefit Terms	-	-	-	-	-	-	-	2,615	-
Differences Between Expected and Actual Experience	3,714,515	47,335,729	17,186,877	(210,895,384)	(65,345,796)	(3,612,020)	15,914,938	4,395,805	25,782,859
Changes of Assumptions	1,375,418,631	(1,743,329,166)	1,859,558,804	(464,473,143)	125,224,437	741,491,982	108,139,418	(76,152,255)	-
Benefit Payments, Including Refund of Employee Contributions	(252,066,249)	(231,300,404)	(218,553,888)	(197,757,937)	(182,521,663)	(162,991,968)	(149,664,141)	(134,929,737)	(119,886,323)
Net Change in Total Pension Liability	<u>1,615,926,223</u>	<u>(1,388,257,319)</u>	<u>2,110,460,351</u>	<u>(406,241,790)</u>	<u>321,210,065</u>	<u>957,806,223</u>	<u>344,118,928</u>	<u>133,894,396</u>	<u>219,227,334</u>
Total Pension Liability - Beginning	4,991,542,997	6,379,800,316	4,269,339,965	4,675,581,755	4,354,371,690	3,396,565,467	3,052,446,539	2,918,552,143	2,699,324,809
Total Pension Liability - Ending (A)	<u>\$ 6,607,469,220</u>	<u>\$ 4,991,542,997</u>	<u>\$ 6,379,800,316</u>	<u>\$ 4,269,339,965</u>	<u>\$ 4,675,581,755</u>	<u>\$ 4,354,371,690</u>	<u>\$ 3,396,565,467</u>	<u>\$ 3,052,446,539</u>	<u>\$ 2,918,552,143</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 96,630,783	\$ 91,265,640	\$ 85,504,033	\$ 81,588,318	\$ 80,727,209	\$ 78,933,571	\$ 77,080,576	\$ 70,842,535	\$ 61,661,050
Contributions - Employee	89,633,939	85,914,756	81,477,666	78,213,580	77,486,189	76,007,456	74,218,276	68,392,061	59,394,200
Service Credit Repurchase	10,249,235	7,129,269	10,818,588	7,219,697	19,984,972	11,805,070	9,179,163	6,651,879	8,325,140
Net Investment Income	(256,072,364)	844,933,209	101,105,998	159,824,092	249,165,181	311,760,863	11,333,836	81,536,565	316,629,563
Transfers and Other Income	14,125	(1,723)	(2,580)	(5,641)	(24,440)	32,183	23,574,937	-	-
Benefit Payments, Including Refund of Employee Contributions	(252,066,249)	(231,300,404)	(218,553,888)	(197,757,937)	(182,521,663)	(162,991,968)	(149,664,141)	(134,929,737)	(119,886,324)
Administrative Expense	(2,340,267)	(2,569,186)	(2,729,759)	(2,531,304)	(2,472,761)	(2,607,243)	(2,537,799)	(2,365,357)	(2,210,792)
Net Change in Plan Fiduciary Net Position	<u>(313,950,798)</u>	<u>795,371,561</u>	<u>57,620,058</u>	<u>126,550,805</u>	<u>242,344,687</u>	<u>312,939,932</u>	<u>43,184,848</u>	<u>90,127,946</u>	<u>323,912,837</u>
Plan Fiduciary Net Position - Beginning	<u>3,949,722,700</u>	<u>3,154,351,139</u>	<u>3,096,731,081</u>	<u>2,970,180,276</u>	<u>2,727,835,589</u>	<u>2,414,895,657</u>	<u>2,371,710,809</u>	<u>2,281,582,863</u>	<u>1,957,670,026</u>
Plan Fiduciary Net Position - Ending (B)	<u>3,635,771,902</u>	<u>3,949,722,700</u>	<u>3,154,351,139</u>	<u>3,096,731,081</u>	<u>2,970,180,276</u>	<u>2,727,835,589</u>	<u>2,414,895,657</u>	<u>2,371,710,809</u>	<u>2,281,582,863</u>
Net Pension Liability - Ending (A)-(B)	<u>\$ 2,971,697,318</u>	<u>\$ 1,041,820,297</u>	<u>\$ 3,225,449,177</u>	<u>\$ 1,172,608,884</u>	<u>\$ 1,705,401,479</u>	<u>\$ 1,626,536,101</u>	<u>\$ 981,669,810</u>	<u>\$ 680,735,730</u>	<u>\$ 636,969,280</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	55.03%	79.13%	49.44%	72.53%	63.53%	62.65%	71.10%	77.70%	78.18%
Covered Payroll	\$ 1,248,307,560	\$ 1,213,675,937	\$ 1,167,767,935	\$ 1,098,416,146	\$ 1,075,957,954	\$ 1,063,371,798	\$ 1,048,548,467	\$ 973,536,402	\$ 888,452,060
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	85.84%	85.84%	276.21%	106.75%	158.50%	152.96%	93.62%	69.92%	71.69%

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30**

Highway Patrolmen's Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 3,280,944	\$ 6,693,393	\$ 2,877,493	\$ 2,818,006	\$ 2,738,268	\$ 2,701,326	\$ 2,226,286	\$ 2,038,291	\$ 1,894,183
Interest	8,547,642	7,304,593	7,869,528	7,527,064	7,203,350	6,951,177	6,311,403	6,007,875	5,750,017
Change of Benefit Terms	-	(135,457)	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	1,844,603	(2,196,613)	729,281	(67,748)	(621,359)	21,564	39,748	984,241	(299,964)
Changes of Assumptions	39,467,011	(60,572,392)	66,142,608	3,042,863	-	1,257,370	3,945,801	394,419	-
Benefit Payments, Including Refund of Employee Contributions	(5,848,024)	(5,951,877)	(5,704,586)	(5,391,115)	(4,981,377)	(4,806,319)	(4,713,495)	(4,745,510)	(3,784,735)
Net Change in Total Pension Liability	<u>47,292,176</u>	<u>(54,858,353)</u>	<u>71,914,324</u>	<u>7,929,070</u>	<u>4,338,882</u>	<u>6,125,118</u>	<u>7,809,743</u>	<u>4,679,316</u>	<u>3,559,501</u>
Total Pension Liability (Asset) - Beginning	123,371,001	178,229,354	106,315,030	98,385,960	94,047,078	87,921,960	80,112,217	75,432,901	71,873,400
Total Pension Liability (Asset) - Ending (A)	<u>\$ 170,663,177</u>	<u>\$ 123,371,001</u>	<u>\$ 178,229,354</u>	<u>\$ 106,315,030</u>	<u>\$ 98,385,960</u>	<u>\$ 94,047,078</u>	<u>\$ 87,921,960</u>	<u>\$ 80,112,217</u>	<u>\$ 75,432,901</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ 2,686,795	\$ 2,293,404	\$ 2,176,902	\$ 2,090,886	\$ 2,152,970	\$ 2,155,944	\$ 2,127,355	\$ 2,002,291	\$ 1,864,632
Contributions - Employee	1,825,729	1,548,335	1,469,682	1,411,619	1,453,533	1,455,540	1,436,236	1,351,798	1,243,520
Service Credit Repurchase	159,747	400,751	205,461	167,824	281,573	249,436	-	96,429	87,418
Net Investment Income	(6,509,971)	19,637,841	2,667,371	4,250,901	6,716,525	8,500,352	316,963	2,334,780	9,239,929
Transfers and Other Income	62	(11)	(16)	(41)	(187)	221	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(5,848,024)	(5,951,877)	(5,704,586)	(5,391,115)	(4,981,377)	(4,806,319)	(4,713,495)	(4,745,510)	(3,784,735)
Administrative Expense	(65,650)	(37,097)	(45,870)	(43,555)	(30,353)	(30,195)	(31,450)	(30,925)	(27,983)
Net Change in Plan Fiduciary Net Position	<u>(7,751,312)</u>	<u>17,891,346</u>	<u>768,944</u>	<u>2,486,519</u>	<u>5,592,684</u>	<u>7,524,979</u>	<u>(864,391)</u>	<u>1,008,863</u>	<u>8,622,781</u>
Plan Fiduciary Net Position - Beginning	<u>100,075,809</u>	<u>82,184,463</u>	<u>81,415,519</u>	<u>78,929,000</u>	<u>73,336,316</u>	<u>65,811,337</u>	<u>66,675,728</u>	<u>65,666,865</u>	<u>57,044,084</u>
Plan Fiduciary Net Position - Ending (B)	<u>92,324,497</u>	<u>100,075,809</u>	<u>82,184,463</u>	<u>81,415,519</u>	<u>78,929,000</u>	<u>73,336,316</u>	<u>65,811,337</u>	<u>66,675,728</u>	<u>65,666,865</u>
Net Pension Liability (Asset) - Ending (A)-(B)	<u>\$ 78,338,680</u>	<u>\$ 23,295,192</u>	<u>\$ 96,044,891</u>	<u>\$ 24,899,511</u>	<u>\$ 19,456,960</u>	<u>\$ 20,710,762</u>	<u>\$ 22,110,623</u>	<u>\$ 13,436,489</u>	<u>\$ 9,766,036</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.10%	81.12%	46.11%	76.58%	80.22%	77.98%	74.85%	83.23%	87.05%
Covered Payroll	\$ 12,267,230	\$ 11,516,196	\$ 11,409,711	\$ 10,354,210	\$ 10,737,297	\$ 10,629,403	\$ 10,526,791	\$ 10,145,713	\$ 9,348,386
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	638.60%	202.28%	841.78%	240.48%	181.21%	194.84%	210.04%	132.44%	104.47%

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO THE NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30**

Retirement Plan for Employees of Job Service North Dakota

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability									
Service Cost	\$ 41,998	\$ 58,356	\$ 57,560	\$ 70,295	\$ 80,344	\$ 55,500	\$ 71,420	\$ 127,734	\$ 87,668
Interest	2,342,037	2,628,514	3,038,156	3,129,175	3,500,344	4,130,232	4,281,440	5,026,167	5,107,459
Change of Benefit Terms	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	3,413,145	(201,346)	(1,122,296)	(504,895)	(310,124)	(1,648,283)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of Assumptions	4,717,298	2,898,630	539,852	-	5,811,755	4,421,401	69,885	(309,878)	-
Benefit Payments, Including Refund of Employee Contributions	(4,865,682)	(4,668,820)	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Net Change in Total Pension Liability	<u>5,648,796</u>	<u>715,334</u>	<u>(2,068,303)</u>	<u>(1,932,271)</u>	<u>4,499,742</u>	<u>2,424,697</u>	<u>(2,185,242)</u>	<u>(1,656,419)</u>	<u>(1,006,368)</u>
Total Pension Liability (Asset) - Beginning	<u>64,843,971</u>	<u>64,128,637</u>	<u>66,196,940</u>	<u>68,129,211</u>	<u>63,629,469</u>	<u>61,204,772</u>	<u>63,390,014</u>	<u>65,046,433</u>	<u>66,052,801</u>
Total Pension Liability (Asset) - Ending (A)	<u>\$ 70,492,767</u>	<u>\$ 64,843,971</u>	<u>\$ 64,128,637</u>	<u>\$ 66,196,940</u>	<u>\$ 68,129,211</u>	<u>\$ 63,629,469</u>	<u>\$ 61,204,772</u>	<u>\$ 63,390,014</u>	<u>\$ 65,046,433</u>
Plan Fiduciary Net Position									
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	9,299	13,979	27,047	29,159	32,987	39,417	44,178	50,142	55,748
Service Credit Repurchase	-	-	-	-	-	-	-	-	-
Net Investment Income	(5,551,487)	6,025,272	2,621,067	6,229,630	2,918,585	5,238,877	4,840,333	3,260,507	11,887,840
Transfers and Other Income	-	-	-	-	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(4,865,682)	(4,668,820)	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative Expense	(18,357)	(17,371)	(19,148)	(16,808)	(46,295)	(12,684)	(32,253)	(30,214)	(31,455)
Net Change in Plan Fiduciary Net Position	<u>(10,426,227)</u>	<u>1,353,060</u>	<u>(1,952,609)</u>	<u>1,615,135</u>	<u>(1,677,300)</u>	<u>731,457</u>	<u>251,062</u>	<u>(1,413,736)</u>	<u>7,317,671</u>
Plan Fiduciary Net Position - Beginning	<u>96,603,697</u>	<u>95,250,637</u>	<u>97,203,246</u>	<u>95,588,111</u>	<u>97,265,411</u>	<u>96,533,954</u>	<u>96,282,892</u>	<u>97,696,628</u>	<u>90,378,957</u>
Plan Fiduciary Net Position - Ending (B)	<u>86,177,470</u>	<u>96,603,697</u>	<u>95,250,637</u>	<u>97,203,246</u>	<u>95,588,111</u>	<u>97,265,411</u>	<u>96,533,954</u>	<u>96,282,892</u>	<u>97,696,628</u>
Net Pension Liability (Asset) - Ending (A)-(B)	<u>\$ (15,684,703)</u>	<u>\$ (31,759,726)</u>	<u>\$ (31,122,000)</u>	<u>\$ (31,006,306)</u>	<u>\$ (27,458,900)</u>	<u>\$ (33,635,942)</u>	<u>\$ (35,329,182)</u>	<u>\$ (32,892,878)</u>	<u>\$ (32,650,195)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	122.25%	148.98%	148.53%	146.84%	140.30%	152.86%	157.72%	151.89%	150.20%
Covered Payroll	\$ 175,176	\$ 175,176	\$ 314,607	\$ 416,552	\$ 416,652	\$ 498,564	\$ 564,684	\$ 790,649	\$ 842,601
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	(25,573.44)%	(18,130.18)%	(9,892.34)%	(7,443.56)%	(6,590.37)%	(6,746.56)%	(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
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES TO THE NET OTHER POST EMPLOYMENT BENEFIT LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED JUNE 30**

Retiree Health Insurance Credit Fund

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service Cost	\$ 4,003,587	\$ 4,273,247	\$ 4,041,849	\$ 3,827,807	\$ 3,766,661	\$ 3,430,578
Interest	15,155,215	14,657,683	15,498,021	15,217,017	14,485,170	14,327,443
Change of Benefit Terms	-	-	-	-	-	-
Differences Between Expected and Actual Experience	616,158	2,164,642	314,726	(1,374,146)	2,732,254	(2,231,206)
Changes of Assumptions	30,533,446	-	4,372,129	5,002,621	-	8,860,723
Benefit Payments, Including Refund of Employee Contributions	(13,746,110)	(12,884,511)	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Net Change in Total OPEB Liability	<u>36,562,296</u>	<u>8,211,061</u>	<u>11,909,650</u>	<u>11,168,229</u>	<u>9,968,025</u>	<u>14,373,168</u>
Total OPEB Liability (Asset) - Beginning	<u>237,951,735</u>	<u>229,740,674</u>	<u>217,831,024</u>	<u>206,662,795</u>	<u>196,694,770</u>	<u>182,321,602</u>
Total OPEB Liability (Asset) - Ending (A)	<u>\$ 274,514,031</u>	<u>\$ 237,951,735</u>	<u>\$ 229,740,674</u>	<u>\$ 217,831,024</u>	<u>\$ 206,662,795</u>	<u>\$ 196,694,770</u>
Plan Fiduciary Net Position						
Contributions - Employer	\$ 12,565,573	\$ 13,110,651	\$ 13,392,266	\$ 12,977,460	\$ 12,834,547	\$ 12,575,627
Contributions - Employee	12,234	15,481	16,319	15,859	15,984	16,173
Service Credit Repurchase	456,895	375,038	556,585	377,329	746,942	464,323
Net Investment Income	(26,756,507)	36,526,655	6,904,869	8,178,932	8,210,898	12,074,082
Transfers and Other Income	-	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(13,746,110)	(12,884,511)	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Administrative Expense	(383,458)	(430,097)	(453,913)	(437,349)	(480,244)	(443,220)
Other	(1)	312	9,580	(857)	225	-
Net Change in Plan Fiduciary Net Position	<u>(27,851,374)</u>	<u>36,713,529</u>	<u>8,108,631</u>	<u>9,606,304</u>	<u>10,312,292</u>	<u>14,672,615</u>
Plan Fiduciary Net Position - Beginning	<u>182,334,446</u>	<u>145,620,917</u>	<u>137,512,286</u>	<u>127,905,982</u>	<u>117,593,690</u>	<u>102,921,075</u>
Plan Fiduciary Net Position - Ending (B)	<u>154,483,072</u>	<u>182,334,446</u>	<u>145,620,917</u>	<u>137,512,286</u>	<u>127,905,982</u>	<u>117,593,690</u>
Net OPEB Liability (Asset) - Ending (A)-(B)	<u>\$ 120,030,959</u>	<u>\$ 55,617,289</u>	<u>\$ 84,119,757</u>	<u>\$ 80,318,738</u>	<u>\$ 78,756,813</u>	<u>\$ 79,101,080</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%
Covered Payroll	\$ 1,032,405,030	\$ 1,090,257,793	\$ 1,139,970,530	\$ 1,115,857,588	\$ 1,094,216,775	\$ 1,081,841,008
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	11.63%	5.10%	7.38%	7.20%	7.20%	7.31%

*Complete data for this schedule is not available prior to 2017.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
FOR THE YEARS ENDED JUNE 30
(IN THOUSANDS)**

Public Employees Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	157,390	157,543	140,537	127,129	125,714	116,564	124,336	107,514	107,864	97,985
Contributions in Relation to the Actuarially Determined Contribution	96,631	91,266	85,504	81,588	80,727	78,934	77,081	70,843	61,661	48,847
Contribution Deficiency (Excess)	<u>60,759</u>	<u>66,277</u>	<u>55,033</u>	<u>45,541</u>	<u>44,987</u>	<u>37,630</u>	<u>47,255</u>	<u>36,671</u>	<u>46,203</u>	<u>49,138</u>
Covered Payroll	1,248,308	1,213,676	1,167,768	1,098,416	1,075,958	1,063,372	1,048,548	973,536	888,452	800,878
Contributions as a Percentage of Covered Payroll	7.74%	7.52%	7.32%	7.43%	7.50%	7.42%	7.35%	7.28%	6.94%	6.10%

Highway Patrolmen's Retirement System

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	3,921	4,081	3,256	2,936	2,949	3,060	2,307	2,201	2,348	2,191
Contributions in Relation to the Actuarially Determined Contribution	2,687	2,293	2,177	2,091	2,153	2,156	2,127	2,002	1,865	1,586
Contribution Deficiency (Excess)	<u>1,234</u>	<u>1,788</u>	<u>1,079</u>	<u>845</u>	<u>796</u>	<u>904</u>	<u>180</u>	<u>199</u>	<u>483</u>	<u>605</u>
Covered Payroll	12,267	11,516	11,410	10,354	10,737	10,629	10,527	10,146	9,348	8,167
Contributions as a Percentage of Covered Payroll	21.90%	19.91%	19.08%	20.20%	20.05%	20.28%	20.21%	19.73%	19.95%	19.42%

Retiree Health Insurance Credit Plan

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially Determined Contribution	12,414	13,340	12,145	12,707	12,252	11,696	7,544	6,439	7,014	7,411
Contributions in Relation to the Actuarially Determined Contribution	12,566	13,111	13,392	12,977	12,835	12,575	12,350	11,479	10,710	9,960
Contribution Deficiency (Excess)	<u>(152)</u>	<u>229</u>	<u>(1,247)</u>	<u>(270)</u>	<u>(583)</u>	<u>(879)</u>	<u>(4,806)</u>	<u>(5,040)</u>	<u>(3,696)</u>	<u>(2,549)</u>
Covered Payroll	1,032,405	1,090,258	1,139,971	1,115,858	1,094,217	1,081,841	1,142,375	1,052,657	1,001,204	914,368
Contributions as a Percentage of Covered Payroll	1.22%	1.20%	1.17%	1.16%	1.17%	1.16%	1.08%	1.09%	1.07%	1.09%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

PERS

Benefit Changes: There were no benefit changes during the year.

Changes of Assumptions: The investment return assumption was lowered from 7.00 to 6.50 percent for the July 1, 2022 valuation.

HPRS

Benefit Changes: There were no benefit changes during the year.

Changes of Assumptions: The investment return assumption was lowered from 7.00 to 6.50 percent for the July 1, 2022 valuation.

JSND

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

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2022 actuarial valuation:

- The investment return assumption was lowered from 3.75 to 3.00 percent for the July 1, 2022 valuation

All other actuarial assumptions used in the July 1, 2022 are the same as the last actuarial valuation as of July 1, 2021.

RHIC

Benefit Changes: Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC.

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2022 actuarial valuation:

- The investment return assumption was lowered from 6.50 to 5.75 percent for the July 1, 2022 valuation

All other actuarial assumptions used in the July 1, 2022 are the same as the last actuarial valuation as of July 1, 2021.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Schedule of Employer Contributions – PERS

Valuation date	July 1, 2021
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.50% (3.00% for Judges)
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	3.50% to 17.75% including inflation
Investment Rate of Return	6.50%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	<p>The interest rate on member contributions decreased from 7.00% to 6.50% effective January 1, 2021.</p> <p>The benefit accrual rate for members first enrolled on or after January 1, 2020 in the Main and Public Safety Systems is 1.75% (compared to 2.00% for members enrolled before January 1, 2020).</p> <p>The investment return assumption was updated from 7.0% to 6.50% beginning with the actuarial valuation as of July 1, 2022. Other updates to actuarial assumptions since the July 1, 2019 valuation include changes to mortality tables used for the valuation as well as changes to rates of annual salary increases, separation for active membership, disability, and retirement. The actuarial assumptions were based on an experience review for the period from July 1 2014 to July 1 2019</p> <p>The employer rates to the System are the statutory/Board approved contribution rates of 7.12% of payroll for the Main System (8.26% for members enrolled on or after January 1, 2020), 17.52% for the Judges System, 9.81% for Public Safety with prior Main System service System and 7.93% for Public Safety without prior Main System service System.</p>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Schedule of Employer Contributions – HPRS

Valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.50%
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	Service-based table for members with less than five years of service and age-based table for members with more than five years of service
Investment Rate of Return	6.50%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex- distinct, with rates multiplied by 103% for males and 101% for females. Pub- 2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	There were no benefit changes during the year.

The economic assumptions were updated beginning with the actuarial valuation as of July 1, 2022 based on a review performed by GRS. The investment return assumption was decreased from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1 2014 through June 30 2019.

The employer rate to the System is the statutory contribution rate of 19.70% of payroll. The statutory employer and employee contributions will each increase by 0.5% of pay every year from January 1, 2022 to January 1, 2025 ultimately increasing both by 2.0% of pay.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Schedule of Employer Contributions – Job Service

Valuation date	July 1, 2022
Actuarial cost method	Frozen Initial Liability (Aggregate since no initial Liability remains)
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
COLA	2.25%
Salary Increases	3.50%
Investment Rate of Return	As of June 30, 2022, 3.00%. As of June 30, 2021, 3.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale
Other Notes:	<p>There were no benefit changes during the year.</p> <p>The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019. The investment return assumption was lowered from 3.75 to 3.00 percent for the July 1, 2022 valuation.</p> <p>The System has assets in excess of the present value of future benefits. Therefore, no employer contributions are being made.</p>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2022**

Schedule of Employer Contributions – RHIC

Valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal Method.
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	5.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	<p>Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.</p> <p>The investment return assumption was decreased from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2015, through June 30, 2019.</p> <p>The determination of the actuarial rate was changed effective July 1, 2019 to equal the rate needed to pay off the unfunded liability and future NC contributions at the end of 20 years as a level percent of closed group (decreasing) payroll.</p> <p>The employer rate to the System is the statutory contribution rate of 1.14% of payroll.</p>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF INVESTMENT RETURNS
 FOR THE YEARS ENDED JUNE 30**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Public Employees Retirement	-6.32%	27.43%	3.57%	5.69%	9.21%	13.01%	0.49%	3.61%	16.29%	13.52%
Highway Patrolmen's Retirement Retirement Plan for Employees	-6.50%	23.90%	3.28%	5.39%	9.16%	12.93%	0.48%	3.66%	16.20%	13.38%
Job Service North Dakota	-5.55%	6.81%	3.09%	7.00%	3.32%	5.85%	5.14%	3.41%	13.46%	12.07%
Retiree Health Insurance Credit Fund	-14.48%	25.58%	5.37%	6.75%	7.01%	11.75%	0.83%	-	-	-

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	<u>Public Employees Retirement System*</u>	<u>Highway Patrolmen's Retirement System</u>	<u>Retiree Health Insurance Credit Fund</u>	<u>Defined Contribution Retirement Fund</u>	<u>Pretax Benefits Program</u>	<u>Deferred Compensation Program</u>	<u>Job Service Retirement Plan</u>
Payments to State Investment Board:							
Investment Fees	\$ 8,907,948	\$ 225,924	\$ 537,631	\$ -	\$ -	\$ -	\$ 308,015
Administrative Expenses	706,836	13,086	-	-	-	-	-
	<u>9,614,784</u>	<u>239,010</u>	<u>537,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,015</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,720</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u><u>\$ 9,614,784</u></u>	<u><u>\$ 239,010</u></u>	<u><u>\$ 537,631</u></u>	<u><u>\$ 5,720</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 308,015</u></u>

*Also includes GASB 68 admin expenses of the Retirement & Investment Office

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	<u>Public Employees Retirement System*</u>	<u>Highway Patrolmen's Retirement System</u>	<u>Retiree Health Insurance Credit Fund</u>	<u>Defined Contribution Retirement Fund</u>	<u>Pretax Benefits Program</u>	<u>Deferred Compensation Program</u>	<u>Job Service Retirement Plan</u>
Payments to State Investment Board:							
Investment Fees	\$ 10,467,739	\$ 234,365	\$ 495,393	\$ -	\$ -	\$ -	\$ 322,167
Administrative Expenses	850,897	9,655	-	-	-	-	-
	<u>11,318,636</u>	<u>244,020</u>	<u>495,393</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>322,167</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,209</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u><u>\$ 11,318,636</u></u>	<u><u>\$ 244,020</u></u>	<u><u>\$ 495,393</u></u>	<u><u>\$ 10,209</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 322,167</u></u>

*Also includes GASB 68 admin expenses of the Retirement & Investment Office

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	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	\$ 1,029,865	\$ 6,353	\$ 52,935	\$ 1,899	\$ 221,914	\$ 309,377	\$ 2,849
Social Security	75,800	468	3,887	139	16,320	22,688	209
Retirement	121,858	752	6,215	223	26,638	36,370	334
Insurance	266,487	1,644	13,423	482	60,328	70,471	722
Total Personnel Services	1,494,010	9,217	76,460	2,743	325,200	438,906	4,114
Professional Services:							
Actuarial	99,468	51,463	22,500	-	-	-	10,913
Audit	43,418	268	3,216	115	10,921	21,843	173
Data Processing	387,934	2,391	21,677	2,304	91,444	175,664	1,172
Consulting	21,068	130	122	392	-	49,412	-
Legal Counsel	25,883	160	1,326	85	1,742	2,362	62
Misc Outside Services	25,230	150	243,773	88	72,419	30,188	1,202
Total Professional Services	603,001	54,562	292,614	2,984	176,526	279,469	13,522
Communication:							
Printing	10,574	65	432	15	1,328	1,436	23
Postage	26,197	162	1,172	42	4,156	4,157	63
Telephone	9,284	57	457	16	1,497	2,323	25
Total Communication	46,055	284	2,061	73	6,981	7,916	111
Rentals:							
Equipment Rent	1,588	10	91	3	400	799	5
Office Rent	43,903	271	2,524	91	11,044	22,087	136
Total Rentals	45,491	281	2,615	94	11,444	22,886	141
Miscellaneous:							
Depreciation/Amortization	38,239	600	3,871	152	9,383	19,034	158
Dues & Prof Development	23,280	144	704	25	1,107	2,334	38
Insurance	870	11	99	4	424	422	3
Repairs and Maintenance	18,579	115	1,068	38	4,673	9,347	57
Supplies	62,807	387	3,627	130	15,822	31,386	195
Travel	7,935	49	339	12	307	426	18
Total Miscellaneous	151,710	1,306	9,708	361	31,716	62,949	469
Total Administrative Expenses	\$ 2,340,267	\$ 65,650	\$ 383,458	\$ 6,255	\$ 551,867	\$ 812,126	\$ 18,357

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	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	\$ 1,076,656	\$ 6,815	\$ 56,442	\$ 1,851	\$ 168,345	\$ 301,000	\$ 2,776
Social Security	78,934	500	4,126	135	12,297	21,994	203
Retirement	121,265	768	6,434	211	18,847	34,871	316
Insurance	270,389	1,712	13,816	453	39,837	65,454	679
Total Personnel Services	1,547,244	9,795	80,818	2,650	239,326	423,319	3,974
Professional Services:							
Actuarial	184,015	21,200	21,850	-	-	-	9,500
Audit	49,690	315	3,133	103	12,501	25,002	154
Data Processing	299,159	2,081	20,063	1,837	71,371	133,611	992
Consulting	87,754	555	340	204	-	24,696	-
Legal Counsel	31,548	200	5,249	104	3,817	3,105	81
Misc Outside Services	26,340	167	273,469	148	72,461	10,219	1,313
Total Professional Services	678,506	24,518	324,104	2,396	160,150	196,633	12,040
Communication:							
Printing	6,737	42	512	17	753	753	25
Postage	21,240	134	1,229	40	3,229	3,230	70
Telephone	10,693	68	581	19	2,237	2,533	29
Total Communication	38,670	244	2,322	76	6,219	6,516	124
Rentals:							
Equipment Rent	2,717	17	171	6	683	1,367	8
Office Rent	66,294	420	4,180	137	16,678	33,357	206
Total Rentals	69,011	437	4,351	143	17,361	34,724	214
Miscellaneous:							
Depreciation/Amortization	134,257	1,461	12,394	807	33,740	67,481	721
Dues & Prof Development	11,917	75	426	14	849	2,053	20
Insurance	954	6	51	2	179	358	3
Repairs and Maintenance	28,398	180	1,791	59	7,144	14,289	88
Supplies	59,946	379	3,810	222	15,031	30,089	185
Travel	283	2	30	1	-	-	2
Total Miscellaneous	235,755	2,103	18,502	1,105	56,943	114,270	1,019
Total Administrative Expenses	\$ 2,569,186	\$ 37,097	\$ 430,097	\$ 6,370	\$ 479,999	\$ 775,462	\$ 17,371

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF CONSULTING EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

	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:							
Gabriel Roeder Smith & Co	\$ 99,468	\$ 51,463	\$ 22,500	\$ -	\$ -	\$ -	\$ 10,913
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	43,418	268	3,216	115	10,921	21,843	173
Disability Consulting Fees:							
Mid Dakota Clinic	4,800	-	-	-	-	-	-
IT Consulting:							
Sagitech Solution LLC	262,758	1,621	15,106	542	66,095	132,190	813
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	16,268	130	-	-	-	-	-
Investment Consulting							
Callan Associates	-	-	-	388	-	49,412	-
Legal:							
Ice Miller, LLP	12,102	75	452	16	-	-	24
ND Attorney General	13,781	85	874	69	1,742	2,362	38
Totals	<u>\$ 452,595</u>	<u>\$ 53,642</u>	<u>\$ 42,148</u>	<u>\$ 1,130</u>	<u>\$ 78,758</u>	<u>\$ 205,807</u>	<u>\$ 11,961</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF CONSULTING EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

	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:							
Gabriel Roeder Smith & Co	\$ 184,015	\$ 21,200	\$ 21,850	\$ -	\$ -	\$ -	\$ 9,500
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	49,690	315	3,133	103	12,501	25,002	154
Disability Consulting Fees:							
Mid Dakota Clinic	4,500	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	202,136	1,279	12,745	418	50,854	101,708	627
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	15,255	555	340	-	-	-	-
Investment Consulting							
Callan Associates	68,000	-	-	204	-	24,696	-
Legal:							
Ice Miller, LLP	8,176	15	691	22	48	2,672	34
ND Attorney General	22,407	193	3,422	574	3,379	8,357	55
Totals	\$ 554,179	\$ 23,557	\$ 42,181	\$ 1,321	\$ 66,782	\$ 162,435	\$ 10,370

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2022**

	Approved Fiscal Years 2021-2023	Fiscal Year 2022 Expenditures	Unexpended
ALL FUND TYPES			
Salaries and Wages	7,209,060	3,470,511	3,738,549
Operating Expenses	2,500,736	1,170,278	1,330,458
Capital Assets	257,600	257,600	-
Contingency	250,000	-	250,000
	10,217,396	4,898,389	5,319,007

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2022
Pension and OPEB trust funds	4,177,980
Enterprise funds - Group Insurance	358,656,037
Total administrative expenses	362,834,017
Adjustments:	
Change in accrued compensated absences	41,800
Professional Fees, premiums and benefits paid pursuant to NDCC54-52-04(6)	(357,877,130)
Amortization Expense	(100,067)
Contribution/premium over & short	(231)
	4,898,389

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governor Doug Burgum
The Legislative Assembly

Scott Miller, Executive Director
North Dakota Public Employees Retirement System
Bismarck, North Dakota

We have audited, in accordance with the 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, the 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 year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 8, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Investment Programs' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Investment Programs' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

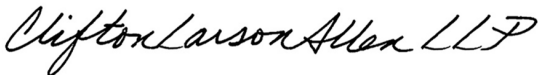
Governor Doug Burgum
The Legislative Assembly
Scott Miller, Executive Director
North Dakota Public Employees Retirement System

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2022

**Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2022**

The Legislative Audit and Fiscal Review Committee requires that certain items be addressed by auditors performing audits of state agencies. These items and our responses are as follows:

Audit Report Communications

1. What type of opinion was issued on the financial statements?

Unmodified

2. Was there compliance with statutes, laws, rules and regulations under which the agency was created and is functioning?

Yes

3. Was internal control adequate and functioning effectively?

No material weaknesses noted. See internal controls report.

4. Were there any indications of lack of efficiency in financial operations and management of the agency?

No

5. Has action been taken on findings and recommendations included in prior year reports?

Yes

6. Was a management letter issued? If so, provide a summary below, including any recommendations and the management response.

No

Audit Committee Communications

1. Identify any significant changes in accounting policies, any management conflicts of interest, any contingent liabilities, or any significant unusual transactions.

None

2. Identify any significant accounting estimates, the process used by management to formulate the accounting estimates, and the basis for the auditors' conclusions regarding the reasonableness of those estimates.

The fair value of alternative investments, including private equity and real estate investments, are a management estimate which is primarily based upon net asset values reported by the investment managers. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2022. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable in relation to the financial statements taken as a whole.

The actuarial valuations were based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 6.50% for the Public Employees Retirement System (PERS) and Highway Patrolmen's Retirement System (HPRS), 6.50% for the Retiree Health Insurance Credit Fund (RHIC) and 3.0% for the Retirement Plan for Employees of Job Services North Dakota (JSND).

The discount rates used to measure the total pension liabilities for the PERS and HPRS plans were 5.10% and 5.02%, respectively, which were the blended discount rates calculated based on the actuarial expected investment rate of return for each plan and the municipal bond rate of 3.69%. The discount rate used to measure the total pension liability of the JSND plan was its actuarial expected investment rate of return of 3.0%. The discount rate used to measure the total OPEB liability for the RHIC plan was 5.39%, which was the blended discount rate calculated based on the actuarial expected investment rate of return for each plan and the municipal bond rate of 3.69%.

In accordance with GASB 67, the total pension liability of the PERS, HPRS and JSND were calculated with an actuarial valuation and measurement date of June 30, 2022. In accordance with GASB 74, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2022. We evaluated the key factors and assumptions used to develop the estimate of the total pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

None

4. Identify any disagreements with management, whether or not resolved to the auditors' satisfaction, relating to financial accounting, reporting, or auditing matters that could be significant to the financial statements.

None

5. Identify any significant difficulties encountered in performing the audit.

None

6. Identify any major issues discussed with management prior to retention.

None

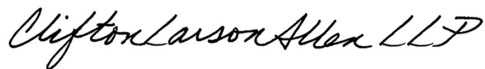
7. Identify any management consultations with other accountants about auditing and accounting matters.

None

8. Identify any high-risk information technology systems critical to operations based on the auditors' overall assessment of the importance of the system to the agency and its mission or whether any exceptions identified in the six audit report questions addressed above are directly related to the operations of an information technology system.

Based on the audit procedures performed, the System's critical information technology system is PERSlink. There were no exceptions identified that were directly related to this application.

This report is intended solely for the information and use of the audit committee, management, the Legislative Audit and Fiscal Review Committee, and other state officials, and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 8, 2022



**North Dakota
Public Employees Retirement System**
1600 East Century Avenue, Suite 2 • PO Box 1657
Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
1-800-803-7377

Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Scott

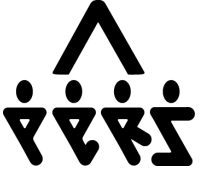
DATE: December 13, 2022

SUBJECT: 457 Deferred Compensation Provider Processes

We have been trying to work through issues with Waddell & Reed/FTC for two months; the memos for the past two months are attached. At the September Board meeting, the Board passed a motion terminating them as an active provider. The Board directed staff to bring the topic back with an update on our progress and consider whether to terminate them as a provider for our plan. Staff will provide the Board with an update at the meeting for the Board's consideration in its decision-making.

Board Action Requested: Determine how to proceed with this provider.

Attachment – August Meeting Memo



**North Dakota
Public Employees Retirement System**
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Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
1-800-803-7377

Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Scott

DATE: August 16, 2022

SUBJECT: Waddell & Reed Reporting

Waddell & Reed has been a deferred compensation provider since at least 1998. They were one of the few providers that agreed to signing our fiduciary amendment, and so they are an active provider.

Unfortunately, their recent acquisition by the Fiduciary Trust Company of New Hampshire (FTC) has not resulted in positive changes, at least from NDPERS' perspective. Attached you will find a letter we sent to FTC on August 1st advising them of the myriad of problems we have recently had. The letter constitutes our 30-day notice of breach of the agreement.

As of the time I wrote this memo, we have not been contacted by FTC. I will let you know at the Board meeting whether I hear from them, and whether they will virtually attend the meeting to explain how they intend to remedy the various problems we currently face with their provision of services.

Board Action Requested: Determine whether to terminate the agreement with Waddell & Reed/FTC.

Attachment from August meeting



**North Dakota
Public Employees Retirement System**
1600 E Century Ave, Suite 2 • Box 1657
Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
1-800-803-7377

Fax: (701) 328-3920 Email ndpers-info@nd.gov Website <https://ndpers.nd.gov>

August 1, 2022

Fiduciary Trust Company of New Hampshire (FTC)
PO Box 219638
Kansas City, MO 64121-9638
Fax – 816-218-0421

Dear Sirs:

This is to notify you that NDPERS has repeatedly had issues with Waddell & Reed delivering accurate quarterly reports to NDPERS as required by Section II(C) of the signed Provider Administrative Agreement. Pursuant to section II(C) of the agreement, the provider is required to provide reports – accurately – within thirty days of the end of each reporting period. You are now in violation of that agreement.

Since Waddell & Reed transitioned to Fiduciary Trust Company of New Hampshire (FTC) in 2022, the quarterly statement reporting issues encountered previously have continued. The FTC statements also appear to have 12-15 different plans shown rather than being consolidated into one. In addition, FTC has failed at processing employee contributions timely. To our knowledge, participant contributions have not been deposited into accounts in over 10 weeks.

Given that you have failed to provide accurate reporting and timely posting of participant contributions, you are now in material breach of our agreement. The Retirement Board's remedy for your material breach is to inform the participants using your services of the breach and that the Board is commencing termination of its agreement with you as provided in Section II(C). This means you will no longer be eligible to supply services under the State of North Dakota Deferred Compensation Program and the participants will no longer be allowed to contribute to the program using you as their provider.

We will take this situation to the Board for its consideration at the August 16, 2022 Board meeting. If we do not have a designated point of contact for FTC (formerly Waddell & Reed) or you have otherwise failed to correct this situation by this meeting, I will recommend that the Board exercise its remedy and terminate this agreement. I suggest you make plans to attend this meeting, virtually or in person, to explain to the Board why you seem to have problems with basic reporting requirements and responding to our requests for information in a timely manner.

If you have any questions, please contact me.

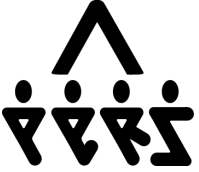
Sincerely,

A handwritten signature in black ink, appearing to read "Scott Miller". The signature is fluid and cursive, written over a light blue horizontal line.

Scott Miller
Executive Director

Certified Mail: 7021 0350 0001 1030 5228

Attachment – September Meeting Memo



North Dakota
Public Employees Retirement System
1600 East Century Avenue, Suite 2 • PO Box 1657
Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
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Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

Memorandum

TO: NDPERS Board
FROM: Scott
DATE: September 13, 2022
SUBJECT: 457 Deferred Compensation Provider Processes

Waddell & Reed/FTC

At last month's Board meeting, I brought forward issues we've been having with Waddell & Reed/FTC. That memo and its attachment are attached. The issues have been:

- 1) Failure to provide a single point of contact for NDPERS;
- 2) Failure to provide accurate reports in a format we can use;
- 3) The unexplained split of our plan into 12-15 different plans;
- 4) Failure to timely process employee contributions.

Just prior to last month's Board meeting we had a phone conference with FTC representatives, who assured us these issues were either fixed or would be shortly. As of the time I am writing this memo, that is decidedly not the case. In fact, none of the issues have been corrected.

Given that more than 30 days have elapsed since I notified FTC of the issues, which have gone unresolved, it may be prudent to exercise the rights provided in NDAC section 71-04-06-11: "If the provider fails to deliver the required report within the thirty-day period, the provider is in violation of the administrative agreement and shall lose active provider status as described under subsection 1 of section 71-04-04-09." We will discuss at the meeting whether FTC's failures warrant termination of its provider status, as allowed by NDAC section 71-04-06-11:

If the provider has not filed the report within ninety days after the end of the reporting period, the provider shall lose provider status as described under subsection 2 of section 71-04-04-09. Loss of provider status results in all current contributions of active participants being suspended effective in the

next payroll cycle. The board will notify all participants of the company's failure to deliver the required reports. Current participants will be required to either select a new provider for future contributions, or have their account go into a dormant status with the company losing provider status. The board will then terminate the agreement with the provider.

There are currently 89 members actively contributing to this provider, and 71 who are no longer actively contributing but still have funds in a provider account.

Lincoln Financial

Lincoln has also had its share of problems in 2022, which is documented in the non-compliance letter I sent to them (attached). Initially, we do not have a direct contact with them, which makes working through these issues even more difficult. However, they did respond back to us and have stated they have been working to resolve our issues. We are still working through the problems with the 3/31/22 statement, although we have resolved our issues with the 6/30/22 statement. Hopefully we will have more information at the Board meeting.

This is a non-active provider (they did not sign the fiduciary amendment). As such, the 90-day termination of contract is the only recourse we have. They have nine members actively contributing and 45 inactive members.

Board Action Requested: Determine how to proceed with these providers.

Attachment from September meeting



**North Dakota
Public Employees Retirement System**

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August 1, 2022

Fiduciary Trust Company of New Hampshire (FTC)
PO Box 219638
Kansas City, MO 64121-9638
Fax – 816-218-0421

Dear Sirs:

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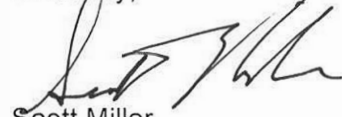
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Given that you have failed to provide accurate reporting and timely posting of participant contributions, you are now in material breach of our agreement. The Retirement Board's remedy for your material breach is to inform the participants using your services of the breach and that the Board is commencing termination of its agreement with you as provided in Section II(C). This means you will no longer be eligible to supply services under the State of North Dakota Deferred Compensation Program and the participants will no longer be allowed to contribute to the program using you as their provider.

We will take this situation to the Board for its consideration at the August 16, 2022 Board meeting. If we do not have a designated point of contact for FTC (formerly Waddell & Reed) or you have otherwise failed to correct this situation by this meeting, I will recommend that the Board exercise its remedy and terminate this agreement. I suggest you make plans to attend this meeting, virtually or in person, to explain to the Board why you seem to have problems with basic reporting requirements and responding to our requests for information in a timely manner.

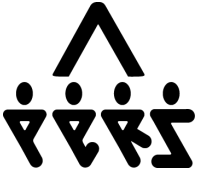
If you have any questions, please contact me.

Sincerely,



Scott Miller
Executive Director

Certified Mail: 7021 0350 0001 1030 5228



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Executive Director
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Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: December 13, 2022

SUBJECT: TIAA Revenue Shortfall

We are once again experiencing a revenue shortfall in both the 401(a) Defined Contribution plan and the 457 Deferred Compensation plan.

The 401(a) plan has a revenue shortfall of \$1,100.76 for the first half of 2022. TIAA stated this amount is below their threshold and is not being invoiced to our plan.

The 457 plan has a revenue shortfall of \$12,104.41 for the first half of 2022 that needs to be addressed. When the 457 plan previously had a revenue shortfall, the Board decided to pull the shortfall equally from each participant's account.

The Investment Subcommittee decided at their November 2022 to recommend to the full Board that the \$12,104.41 shortfall again be taken equally from each participant's account. In addition, they recommended that the full Board adopt a policy that any shortfalls in the future should also have the shortfall taken equally from each participant's account.

Committee Action Required:

Approve that the \$12,104.41 shortfall on the 457 plan be pulled equally from each participating member's account and that any future revenue shortfalls should follow this same methodology.



Plan Economics Reconciliation Report

Attachment

NORTH DAKOTA PUBLIC EMPLOYEES

The Plan Economics Reconciliation Report provides an accounting of the plan services cost compared to the revenue generated by the plan during the reporting period. Please refer to the Recordkeeping Services Agreement for reconciliation details including how excess revenue or shortfalls are managed.

The Reconciliation is based upon the following:

Reconciliation Period Start Date: **07/01/2021**

Recordkeeping Services Agreement Expiration Date: **06/30/2023**

Plan Services Cost as a Percentage of Average Assets (Required Revenue): **0.230000%**

Reconciliation Frequency: **Semi-Annually**

Reconciliation Outcome Threshold Outcome Solution

Excess \$ 1,250.00 Credit to Revenue Credit Account

Shortfall \$ 1,250.00 To Be Invoiced

Reconciliation Period: 01/01/2022 to 06/30/2022

Summary of Plan Expenses to Offset Plan Services Cost

Plan Name	Plan Number	Participant Count- All ¹	Participant Count- Prorated ¹	Average Assets	Plan Services Expense and Revenue Share from Investments	Direct Fees	Direct Credits	Plan Services Expense Paid	Plan Services Cost	Reconciliation Outcome Excess/ (Shortfall)
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM COMPANION PLAN	405546	9,376	9,376	\$181,969,154.70	\$197,160.12	\$0.00	\$0.00	\$197,160.12	\$209,264.53	(\$12,104.41)
Estimated Total/Average		9,376	9,376	\$181,969,154.70	\$197,160.12	\$0.00	\$0.00	\$197,160.12	\$209,264.53	(\$12,104.41)

1 - Participant Count (Unique SSN with balance greater than \$25.00)



Investment Fee & Expense Disclosure

Activity for the Reporting Period: 01/01/2022 to 06/30/2022

FUND NAME	FUND ID	TICKER	ASSET CLASS	ASSETS AS OF 06/30/2022	AVERAGE ASSETS FOR THE REPORTING PERIOD	NET EXPENSE RATIO ¹		PLAN SERVICES EXPENSE ¹	
						(%)	(\$)	(%)	(\$)
Vanguard Inst Idx Inst ⁴	VZ	VINIX	Equities	\$9,496,619.91	\$10,618,948.23	0.040%	\$2,123.79	0.000%	\$0.00
Vanguard Ttl Intl Stk Idx Adm ⁴	AA	VTIAX	Equities	\$4,090,993.80	\$4,347,818.78	0.110%	\$2,391.30	0.000%	\$0.00
Vanguard Dividend Growth Inv ⁴	ZF	VDIGX	Equities	\$2,986,074.71	\$3,094,152.47	0.260%	\$4,022.40	0.000%	\$0.00
Hartford Dividend & Growth R5 ⁴	05	HDGTX	Equities	\$2,815,216.02	\$2,905,010.94	0.730%	\$10,603.29	0.100%	\$1,452.51
Franklin Growth Fund Advisor ⁴	NQ	FCGAX	Equities	\$1,848,879.25	\$2,112,621.71	0.540%	\$5,704.08	0.250%	\$2,640.78
Columbia Mid Cap Index Fund A ⁴	UC	NTIAX	Equities	\$1,742,160.58	\$1,948,562.83	0.450%	\$4,384.27	0.350%	\$3,409.98
AF New Perspective Fund R4 ⁴	AC	RNPEX	Equities	\$1,708,906.57	\$1,849,675.32	0.760%	\$7,028.77	0.350%	\$3,236.93
Brown Capital Mgmt Sml Co Inv ⁴	KV	BCSIX	Equities	\$1,678,302.88	\$1,886,104.91	1.240%	\$11,693.85	0.200%	\$1,886.10
T. Rowe Price Cap Apprec Adv ⁴	P5	PACLX	Equities	\$1,561,139.08	\$1,718,804.78	0.970%	\$8,336.20	0.400%	\$3,437.61
T Rowe Price Equity Income ⁴	ON	PRFDX	Equities	\$1,469,682.11	\$1,578,752.88	0.630%	\$4,973.07	0.150%	\$1,184.06
Allspring Growth Admin ⁴	03	SGRKX	Equities	\$1,265,665.26	\$1,584,229.09	0.960%	\$7,604.30	0.350%	\$2,772.40
Cohen & Steers Realty Shares ⁴	D9	CSRSX	Equities	\$1,224,430.89	\$1,315,023.97	0.880%	\$5,786.11	0.250%	\$1,643.78
Invesco Developing Markets Y ⁴	NV	ODVYX	Equities	\$1,176,576.37	\$1,293,753.14	0.950%	\$6,145.33	0.250%	\$1,617.19
DFA US SmallCap Portfolio Inst ⁴	QV	DFSTX	Equities	\$1,050,600.01	\$1,129,416.93	0.270%	\$1,524.71	0.000%	\$0.00
Virtus Ceredex Mid Cp Val Eq I ⁴	UY	SMVTX	Equities	\$1,045,042.57	\$1,171,593.06	0.990%	\$5,799.39	0.350%	\$2,050.29
PGIM Jennison Mid Cap Growth Z ⁴	NF	PEGZX	Equities	\$906,396.41	\$998,198.58	0.700%	\$3,493.70	0.250%	\$1,247.75
Northern Small Cap Value Fund ⁴	AE	NOSGX	Equities	\$736,988.82	\$829,182.81	1.000%	\$4,145.91	0.250%	\$1,036.48
Vanguard Ttl Bd Mkt Idx Adm ⁴	U4	VBTLX	Fixed Income	\$3,924,542.06	\$3,962,329.08	0.050%	\$990.58	0.000%	\$0.00
PGIM High Yield Z ⁴	02	PHYZX	Fixed Income	\$1,401,616.51	\$1,512,468.71	0.500%	\$3,781.17	0.250%	\$1,890.59
Baird Core Plus Bond Investor ⁴	AF	BCOSX	Fixed Income	\$894,471.18	\$954,372.38	0.550%	\$2,624.52	0.275%	\$1,312.26
MassMutual Infl-Prot Inc Svc ⁴	AD	MIPYX	Fixed Income	\$860,959.56	\$868,380.59	0.670%	\$2,909.07	0.250%	\$1,085.48
Templeton Global Bond AdvClass ⁴	PD	TGBAX	Fixed Income	\$533,604.90	\$549,643.27	0.720%	\$1,978.72	0.250%	\$687.05
Vanguard Treasury MoneyMkt Inv ⁴	RX	VUSXX	Money Market	\$3,293,943.34	\$3,504,819.01	0.090%	\$1,577.17	0.000%	\$0.00
TIAA-CREF Lifecycle 2025-Rtmt ⁴	L4	TCLFX	Multi-Asset	\$22,310,358.87	\$24,433,688.72	0.660%	\$80,631.17	0.250%	\$30,542.11
TIAA-CREF Lifecycle 2030-Rtmt ⁴	L5	TCLNX	Multi-Asset	\$17,996,305.64	\$19,438,416.16	0.670%	\$65,118.69	0.250%	\$24,298.02
TIAA-CREF Lifecycle 2020-Rtmt ⁴	L3	TCLTX	Multi-Asset	\$15,858,611.22	\$17,527,249.44	0.640%	\$56,087.20	0.250%	\$21,909.06
TIAA-CREF Lifecycle 2035-Rtmt ⁴	L6	TCLRX	Multi-Asset	\$13,791,551.72	\$15,161,240.67	0.680%	\$51,548.22	0.250%	\$18,951.55
TIAA-CREF Lifecycle 2040-Rtmt ⁴	L7	TCLOX	Multi-Asset	\$12,223,696.67	\$13,361,816.84	0.690%	\$46,098.27	0.250%	\$16,702.27



Investment Fee & Expense Disclosure

Activity for the Reporting Period: 01/01/2022 to 06/30/2022

FUND NAME	FUND ID	TICKER	ASSET CLASS	ASSETS AS OF 06/30/2022	AVERAGE ASSETS FOR THE REPORTING PERIOD	NET EXPENSE RATIO ¹		PLAN SERVICES EXPENSE ¹	
						(%)	(\$)	(%)	(\$)
TIAA-CREF Lifecycle 2045-Rtmt ⁴	L9	TTFRX	Multi-Asset	\$11,972,924.15	\$13,147,225.82	0.700%	\$46,015.29	0.250%	\$16,434.03
TIAA-CREF Lifecycle 2050-Rtmt ⁴	LB	TLFRX	Multi-Asset	\$8,566,938.59	\$9,343,602.35	0.700%	\$32,702.61	0.250%	\$11,679.50
TIAA-CREF Lifecycle 2015-Rtmt ⁴	L2	TCLIX	Multi-Asset	\$6,627,176.99	\$7,331,801.36	0.630%	\$23,095.17	0.250%	\$9,164.75
TIAA-CREF Lifecycle 2055-Rtmt ⁴	ZJ	TTRLX	Multi-Asset	\$3,217,542.68	\$3,462,739.74	0.700%	\$12,119.59	0.250%	\$4,328.42
TIAA-CREF Lifecycle 2010-Rtmt ⁴	L1	TCLEX	Multi-Asset	\$1,099,098.52	\$1,186,767.55	0.620%	\$3,678.98	0.250%	\$1,483.46
TIAA-CREF Lifecycle 2060-Rtmt ⁴	AB	TLXRX	Multi-Asset	\$783,102.03	\$786,252.61	0.700%	\$2,751.88	0.250%	\$982.82
TIAA-CREF Lfcyle Rtmt Inc-Rtmt ⁴	LD	TLIRX	Multi-Asset	\$760,306.73	\$813,340.68	0.620%	\$2,521.36	0.250%	\$1,016.68
TIAA-CREF Lifecycle 2065-Rtmt ⁴	AG	TSFRX	Multi-Asset	\$52,468.45	\$29,047.20	0.700%	\$101.67	0.250%	\$36.31
Galliard Stable Return J ^{4 25}	HP	WFSJ#	Other	\$3,045,745.72	\$2,808,636.54	0.900%	\$12,638.86	0.500%	\$7,021.59
TIAA-CREF Self Directed Acct	SD	SDA01#	Other	\$1,290,205.23	\$1,403,465.55	0.000%	\$0.00	0.001%	\$18.30
ESTIMATED TOTAL / AVERAGE				\$167,308,846.00	\$181,969,154.70	0.299%	\$544,730.65	0.108%	\$197,160.12

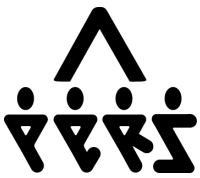
¹ Net expense ratio percentages are from the most recent prospectuses available to TIAA prior to the end of the reporting period. The plan services expense is a component of and not in addition to the net expense ratio percentage and estimated dollar amounts. Net expense ratio and plan services expense dollars are calculated using the average assets for the reporting period.

⁴ TIAA has made reasonable efforts to include the most updated prospectus expense ratio information. However, due to the timing of the prospectus update being too close to the reporting period end-date, the previously issued prospectus information may be used to prepare this report.

⁵ 2.00% redemption or exchange fee may be assessed on shares that are redeemed or exchanged within 60 days of the initial purchase date.

²⁵ The Wells Fargo Stable Value Fund is a stable value collective fund that seeks stability of principal and consistency of returns with minimal volatility. The Fund primarily invests in security backed contracts which are comprised of two components: a broadly diversified fixed income portfolio that invests in U.S. domestic fixed income securities (bonds) rated investment grade by one of the major rating agencies (Moody's, S&P, Fitch) at time of purchase, and "wrap contracts" issued by financial institutions (bank or insurance company) to help provide stability of principal and a smooth credited rate of interest. The Fund may also hold Guaranteed Investment Contracts, Insurance Company Separate Accounts, cash or cash equivalents, bonds and shares or units in stable value and/or bond collective trust funds. Unit price, yield and return will vary on a daily basis.

²⁷ The Fidelity Managed Income Portfolio is a collective investment trust fund managed by Fidelity Management Trust Company. The Fund charges a total annualized fee for investment and administrative services equivalent to 0.55% of assets invested in the Fund. From this total fee, the Fund will pay a fee equivalent to 0.00% of assets invested in the Fund to the Recordkeeper for administrative and recordkeeping services performed by it, or its agents, related to the purchase, sale and holdings of fund units by all participants' assets. The difference between the Fund's total annual operating expenses (expense ratio) and the investment and administrative services fee described above is attributable to investment contract fees (wrap fees). The Fund is not FDIC insured and is not guaranteed by the Fund sponsor or the investment manager. Past performance is no guarantee of future results. Returns for periods less than one year are not annualized.



Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: December 13, 2022

SUBJECT: 457 Companion Plan & 401(a) Plan 3rd Quarter 2022 Report

Here is the 3rd quarter 2022 investment report for the 401(a) & 457 Companion Plans, which was reviewed by the Investment Subcommittee. The reports are available separately on the NDPERS website. The two plans have 9,488 (9,588 in Q2) participants with \$177.4 million (\$184.1 million in Q2) in assets.

Assets in the 401(a) plan decreased to \$16.1 million on September 30, 2022. The number of active participants is at 93. The TIAA-CREF Target Date funds have 59% of the plan assets.

Assets in the 457 Companion Plan decreased to \$161.3 million on September 30, 2022. The number of active participants slightly decreased and is now at 6,450 (each September NDPERS does an auto refund of terminated account balances under \$1,000). The TIAA-CREF Target Date funds have 67% of the plan assets.

Benchmarks:

Fund returns for the quarter were mostly negative for the funds in the core lineup. 2 core funds had positive returns for the quarter (34 negative). Core fund performance was mixed when compared to benchmarks. Fund performance in the 3-year & 5-year periods were mostly good. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

Fund / Investment News:

The NDPERS Investment Subcommittee reviewed the 3rd quarter 2022 plan review and field activity report with TIAA. Callan gave a market overview and investment performance report. The Subcommittee reviewed the two funds under formal fund review (Templeton Global Bond and Allspring Growth). The investment subcommittee did not have any actionable concerns for the Board to consider. Callan reviewed the NDPERS core fund offerings and will continue presenting the Investment Subcommittee with recommendations for the equity lineup at the next meeting scheduled in February 2023.

NDPERS Quarterly Investment Report 3rd Quarter 7/1/2022 – 9/30/2022



North Dakota Public Employees Retirement System
1600 East Century Ave, Suite 2
Box 1657
Bismarck, ND 58502

457 & 401(a) Investment Structure

Tier I: Asset Allocation	Tier II: Core	Tier III: Specialty
Target Date TIAA-CREF Lifecycle Retirement 5-Year Increments	Capital Preservation Galliard Stable Value Vanguard Treasury MM	
Balanced TRP Capital Appreciation	Domestic Fixed Income Vanguard Total Bond Index Baird Core Plus Bond	Specialty Fixed Income MassMutual Inflation Protected PGIM High Yield Templeton Global Bond
	Large Cap U.S. Equity Franklin Growth Fund Allspring Growth Vanguard Dividend and Income Vanguard Institutional Index Hartford Dividend and Growth T. Rowe Price Equity Income	
	Mid Cap U.S. Equity PGIM Jennison Mid-Cap Growth Columbia Mid Cap Index Fund Virtus Ceredex Mid Cap Value	
	Small Cap U.S. Equity Brown Small Company Fund DFA U.S. Small Cap Northern Small Cap Value Fund	
	International Equity AF New Perspective Vanguard Total Intn'l Stock	Specialty International Equity Invesco Developing Markets
		Specialty Sector Fund Cohen & Steers Realty Shares
		Brokerage Window

Plan Performance Monitoring

As of September 30, 2022

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Asset Allocation Funds					
TIAA-CREF Lifecycle Ret. Inc	(4.00%)	(14.70%)	0.79%	2.25%	3.95%
LifeCycle Ret Income CB	(4.89%)	(15.19%)	1.10%	2.77%	4.18%
Callan Tgt Dt Idx 2010	(4.78%)	(14.39%)	0.72%	2.51%	3.89%
TIAA-CREF Lifecycle Ret. 2010	(3.94%)	(14.66%)	0.83%	2.30%	4.12%
LifeCycle 2010 CB	(4.78%)	(14.87%)	1.17%	2.85%	4.39%
Callan Tgt Dt Idx 2010	(4.78%)	(14.39%)	0.72%	2.51%	3.89%
TIAA-CREF Lifecycle Ret. 2015	(4.11%)	(15.17%)	1.11%	2.52%	4.47%
LifeCycle 2015 Cust Bnch	(4.98%)	(15.55%)	1.41%	3.08%	4.75%
CAI Tgt Dt Idx 2015	(4.91%)	(14.74%)	0.93%	2.69%	4.18%
TIAA-CREF Lifecycle Ret. 2020	(4.29%)	(15.89%)	1.30%	2.68%	4.85%
LifeCycle 2020 Cust Bnchm	(5.13%)	(16.16%)	1.72%	3.36%	5.23%
CAI Tgt Dt Idx 2020	(5.04%)	(15.16%)	1.32%	3.01%	4.76%
TIAA-CREF Lifecycle Ret. 2025	(4.49%)	(16.83%)	1.74%	2.99%	5.35%
LifeCycle 2025 Cust Bnch	(5.32%)	(16.87%)	2.14%	3.72%	5.80%
CAI Tgt Dt Idx 2025	(5.28%)	(15.90%)	1.91%	3.47%	5.45%
TIAA-CREF Lifecycle Ret. 2030	(4.73%)	(17.89%)	2.13%	3.28%	5.85%
LifeCycle 2030 Cust Bnch	(5.53%)	(17.67%)	2.60%	4.10%	6.39%
CAI Tgt Dt Idx 2030	(5.55%)	(16.78%)	2.46%	3.89%	6.12%
TIAA-CREF Lifecycle Ret. 2035	(5.05%)	(18.97%)	2.51%	3.53%	6.29%
LifeCycle 2035 Cust Bnch	(5.74%)	(18.48%)	3.04%	4.46%	6.95%
CAI Tgt Dt Idx 2035	(5.78%)	(17.55%)	3.01%	4.27%	6.68%
TIAA-CREF Lifecycle Ret. 2040	(5.26%)	(19.80%)	3.00%	3.83%	6.76%
LifeCycle 2040 Cust Bnch	(5.91%)	(19.09%)	3.58%	4.85%	7.53%
CAI Tgt Dt Idx 2040	(5.99%)	(18.23%)	3.36%	4.51%	7.04%
TIAA-CREF Lifecycle Ret. 2045	(5.48%)	(20.54%)	3.51%	4.08%	7.06%
LifeCycle 2045 Cust Bnch	(6.05%)	(19.59%)	4.16%	5.21%	7.91%
CAI Tgt Dt Idx 2045	(6.15%)	(18.70%)	3.59%	4.66%	7.24%
TIAA-CREF Lifecycle Ret. 2050	(5.55%)	(20.84%)	3.54%	4.11%	7.12%
LifeCycle 2050 Cust Bnch	(6.13%)	(19.88%)	4.22%	5.26%	8.00%
CAI Tgt Dt Idx 2050	(6.24%)	(18.99%)	3.64%	4.69%	7.31%
TIAA-CREF Lifecycle Ret. 2055	(5.63%)	(20.97%)	3.58%	4.13%	7.18%
LifeCycle 2055 Cust Bnch	(6.15%)	(19.96%)	4.31%	5.32%	8.09%
CAI Tgt Dt Idx 2055	(6.28%)	(19.10%)	3.66%	4.70%	7.34%
TIAA-CREF Lifecycle Ret. 2060	(5.66%)	(21.02%)	3.69%	4.20%	7.26%
LifeCycle 2060 Cust Bnch	(6.17%)	(20.04%)	4.39%	5.38%	8.19%
Callan Tgt Dt Idx 2055	(6.28%)	(19.10%)	3.66%	4.70%	7.34%
T. Rowe Capital Appreciation Adv	(2.66%)	(11.75%)	6.94%	8.27%	9.39%
S&P 500 Index	(4.88%)	(15.47%)	8.16%	9.24%	11.40%



Knowledge. Experience. Integrity.

NDPERS Quarterly Performance Review

Plan Performance Monitoring

As of September 30, 2022

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Large Cap U.S. Equity					
Franklin Growth Fund Advisor	(4.47%)	(23.64%)	6.68%	8.86%	11.14%
S&P 500 Index	(4.88%)	(15.47%)	8.16%	9.24%	11.40%
Wells Fargo Growth Adm	(5.12%)	(38.34%)	2.58%	7.92%	10.04%
Russell 3000 Growth Index	(3.37%)	(23.01%)	10.16%	11.57%	13.28%
Vanguard Dividend Growth Inv	(5.50%)	(6.18%)	7.15%	10.27%	11.30%
S&P 500 Index	(4.88%)	(15.47%)	8.16%	9.24%	11.40%
Vanguard Institutional Index	(4.89%)	(15.50%)	8.14%	9.21%	11.38%
S&P 500 Index	(4.88%)	(15.47%)	8.16%	9.24%	11.40%
Hartford Dividend and Growth R5	(6.72%)	(9.30%)	7.66%	8.35%	10.62%
S&P 500 Index	(4.88%)	(15.47%)	8.16%	9.24%	11.40%
T. Rowe Price Equity Income	(6.47%)	(8.16%)	5.28%	5.72%	9.05%
Russell 1000 Value Index	(5.62%)	(11.36%)	4.36%	5.29%	8.15%
Mid Cap U.S. Equity					
PGIM Jennison Mid-Cap Growth Z	(0.93%)	(27.28%)	6.01%	8.29%	9.24%
Russell MidCap Growth Idx	(0.65%)	(29.50%)	4.26%	7.62%	9.54%
Columbia Mid Cap Index Fund A	(2.60%)	(15.61%)	5.51%	5.32%	8.23%
S&P Mid Cap 400 Index	(2.46%)	(15.25%)	6.01%	5.82%	8.74%
Virtus Ceredex Mid-Cap Value I	(4.83%)	(15.57%)	1.89%	4.71%	7.93%
Russell MidCap Value Idx	(4.93%)	(13.56%)	4.50%	4.76%	7.66%
Small Cap U.S. Equity					
Brown Small Company Fund Investor	(2.73%)	(35.58%)	(2.39%)	3.79%	8.26%
Russell 2000 Growth Index	0.24%	(29.27%)	2.94%	3.60%	7.12%
DFA U.S. Small Cap Inst'l	(3.23%)	(15.66%)	7.34%	4.59%	7.93%
Russell 2000 Index	(2.19%)	(23.50%)	4.29%	3.55%	7.51%
Northern Small Cap Value Fund	(3.66%)	(12.73%)	2.36%	1.45%	5.76%
Russell 2000 Value Index	(4.61%)	(17.69%)	4.72%	2.87%	7.42%
Non-U.S. Equity					
AF New Perspective R4	(6.12%)	(27.08%)	5.70%	6.55%	9.09%
MSCI ACWI	(6.82%)	(20.66%)	3.75%	4.44%	7.42%
Vanguard Total Int'l Stock Adm	(10.51%)	(25.21%)	(1.18%)	(0.70%)	3.39%
FTSE GI All Cap ex US Idx	(9.66%)	(25.20%)	(0.93%)	(0.50%)	3.58%
Invesco Developing Markets Y	(9.79%)	(35.38%)	(6.36%)	(3.32%)	2.86%
MSCI EM	(11.57%)	(28.11%)	(2.07%)	(1.80%)	3.88%

Plan Performance Monitoring

As of September 30, 2022

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 7 Years
Fixed Income					
Vanguard Total Bond Index Adm	(4.65%)	(14.66%)	(3.27%)	(0.26%)	0.54%
Blmbg:Aggregate Fit Adj	(4.68%)	(14.61%)	(3.22%)	(0.23%)	0.59%
Baird Core Plus Bond Investor	(4.41%)	(15.31%)	(2.95%)	(0.09%)	1.00%
Blmbg:Universal	(4.45%)	(14.92%)	(3.11%)	(0.18%)	0.86%
MM Premier Infl-Pr and Inc Srv c	(5.00%)	(12.51%)	0.56%	1.73%	2.12%
Blmbg:TIPS	(5.14%)	(11.57%)	0.79%	1.95%	2.21%
PGIM High Yield Fund Z	(1.42%)	(14.21%)	(0.45%)	1.95%	4.25%
Blmbg HY Corp 1% Iss Cap	(0.61%)	(14.11%)	(0.61%)	1.45%	4.02%
Templeton Global Bond Advisor	(7.03%)	(13.74%)	(7.06%)	(4.50%)	(1.42%)
FTSE WGBI	(7.61%)	(22.14%)	(7.03%)	(3.07%)	(1.29%)
Capital Preservation					
Wells Fargo Stable Value J	0.38%	1.27%	1.40%	1.63%	1.45%
3-month Treasury Bill	0.46%	0.62%	0.59%	1.15%	0.95%
Vanguard Treasury MM Inv	0.47%	0.64%	0.52%	1.06%	0.87%
3-month Treasury Bill	0.46%	0.62%	0.59%	1.15%	0.95%
Sector Funds					
Cohen & Steers Realty Shares	(11.02%)	(16.06%)	0.14%	5.61%	6.52%
FTSE NAREIT All Eq Index	(10.83%)	(16.27%)	(1.10%)	4.10%	6.13%



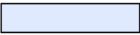



Knowledge. Experience. Integrity.

NDPERS Quarterly Performance Review

Active Manager Monitoring Summary

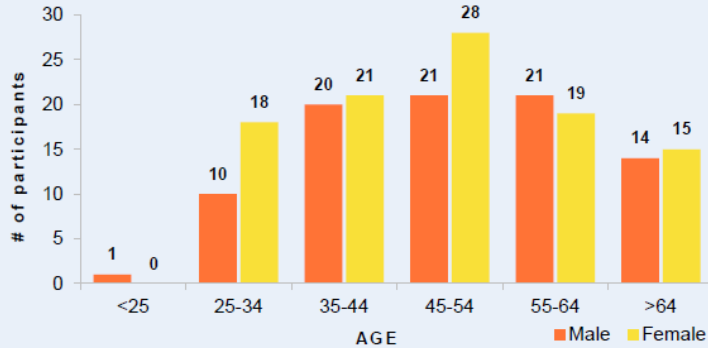
As of September 30, 2022

Manager	Above Benchmark			Above Peer Median		Qualitative Assessment					Overall Eval.
	8 Straight Quarters	3-Year Period	5-Year Period	3-Year Period	5-Year Period	Firm	Team	Process	Perf.	Product	
Large U.S. Equity											
Franklin Growth Fund	Yes	No	No	No	No						Stable
Allspring Growth	Yes	No	No	No	No						On Watch
Vanguard Dividend Growth	Yes	No	Yes	No	Yes						Stable
Hartford Dividend and Growth	Yes	No	No	Yes	Yes						Stable
T. Rowe Price Equity Income	Yes	Yes	Yes	Yes	No						Stable
Mid U.S. Equity											
PGIM Jennison Mid-Cap Growth	Yes	Yes	Yes	Yes	Yes						Stable
Virtus Ceredex Mid-Cap Value	Yes	No	No	No	Yes						Stable
Small U.S. Equity											
Brown Small Compay Fund	Yes	No	Yes	No	No						Stable
DFA U.S. Small Cap	Yes	Yes	Yes	Yes	No						Stable
Northern Small Cap Value Fund	Yes	No	No	No	No						Stable
Global Equity											
AF New Perspective	Yes	Yes	Yes	Yes	Yes						Stable
Invesco Developing Markets	Yes	No	No	No	No						Stable
Fixed Income											
Baird Core Plus Bond	Yes	Yes	Yes	Yes	Yes						Stable
MM Premier Infl-Pr and Inc Srvc	Yes	No	No	No	No						Stable
PGIM High Yield Fund	Yes	Yes	Yes	Yes	Yes						Stable
Templeton Global Bond	Yes	No	No	No	No						On Watch
Sector Fund											
Cohen & Steers Realty Shares	Yes	Yes	Yes	Yes	Yes						Stable

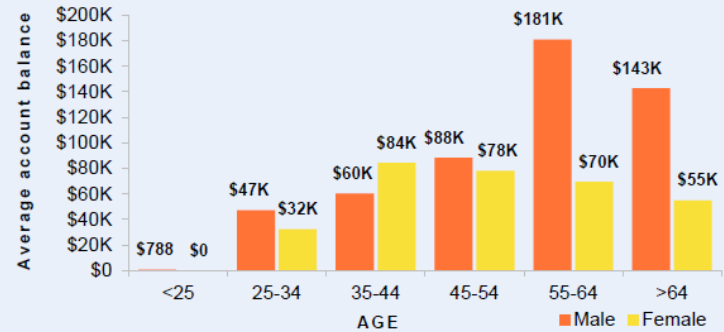
Assessment	Status and Actions
Stable 	Firm, Team, Strategy are performing as expected
In Review 	Callan is proposing that the fund be added to the watchlist
Cautionary 	Staff is reviewing strategy with consultant and scheduling an update meeting with manager
Terminating 	Following staff review and consultant recommendation, manager will be terminated following a successful replacement search

Employee summary: Gender and age¹

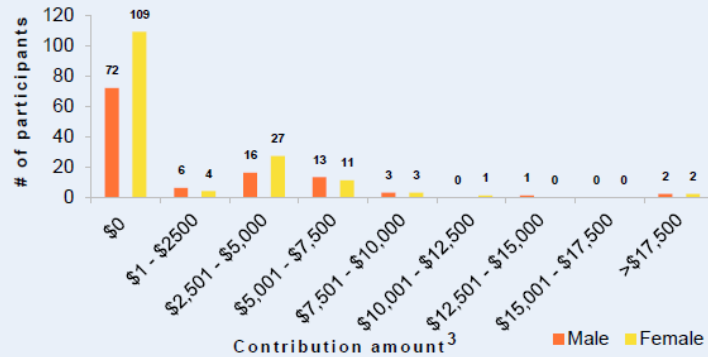
Demographics by Age and Gender



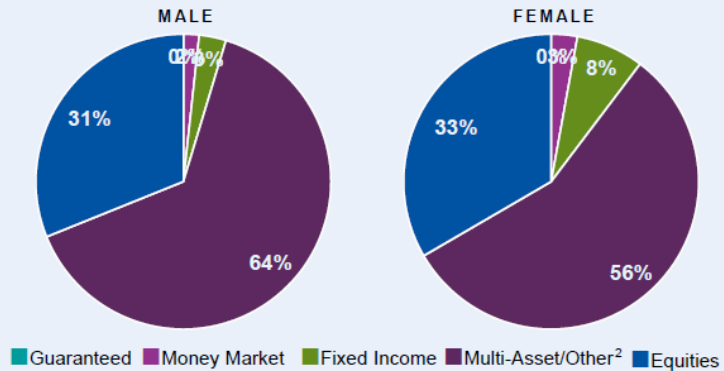
Average Account Balance by Age and Gender



Employee Contribution Amounts by Gender



Diversification by Gender



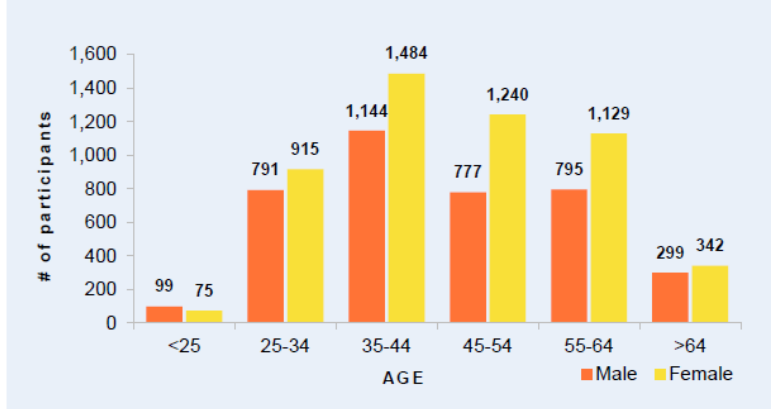
This report is as of the period ending 09/30/2022 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans. 1. Data reflected is for all participant statuses except Employee Contribution Amounts by Gender which includes only active or leave status. Does not include 271 participants with no age or gender on file. 2. Multi-Asset/Other includes Lifecycle, Real Estate, and Brokerage. 3. Contribution data reflects the trailing 12 months of data.

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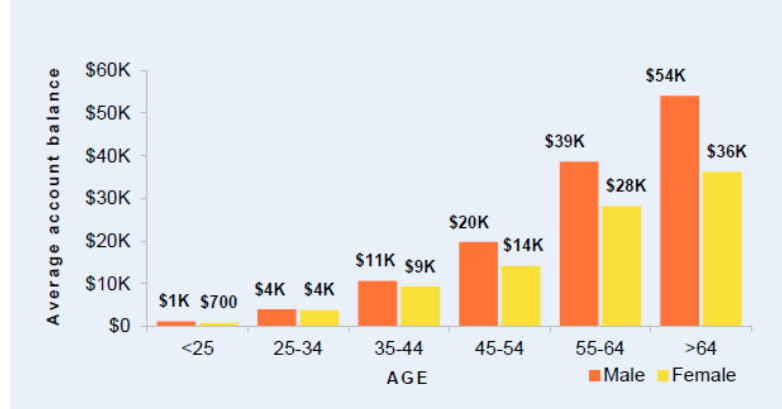
North Dakota Public Employees |

Employee summary: Gender and age¹

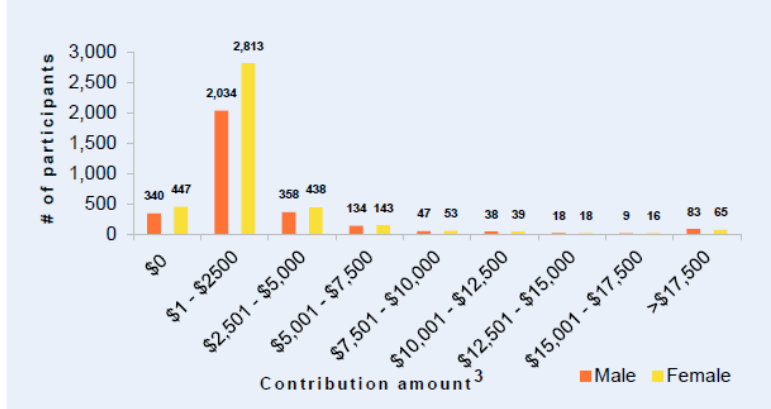
Demographics by Age and Gender



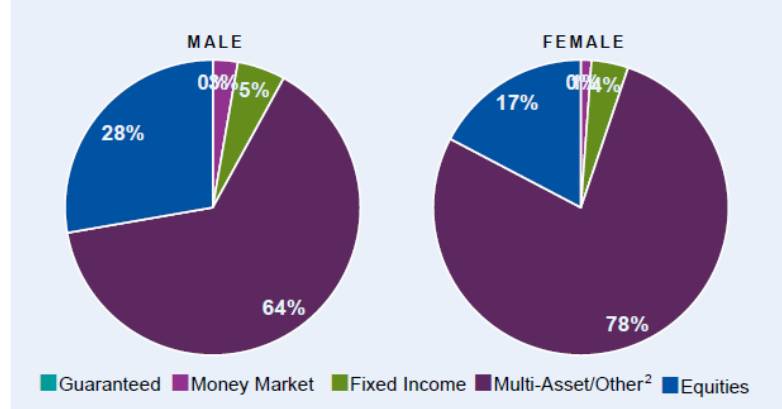
Average Account Balance by Age and Gender



Employee Contribution Amounts by Gender



Diversification by Gender

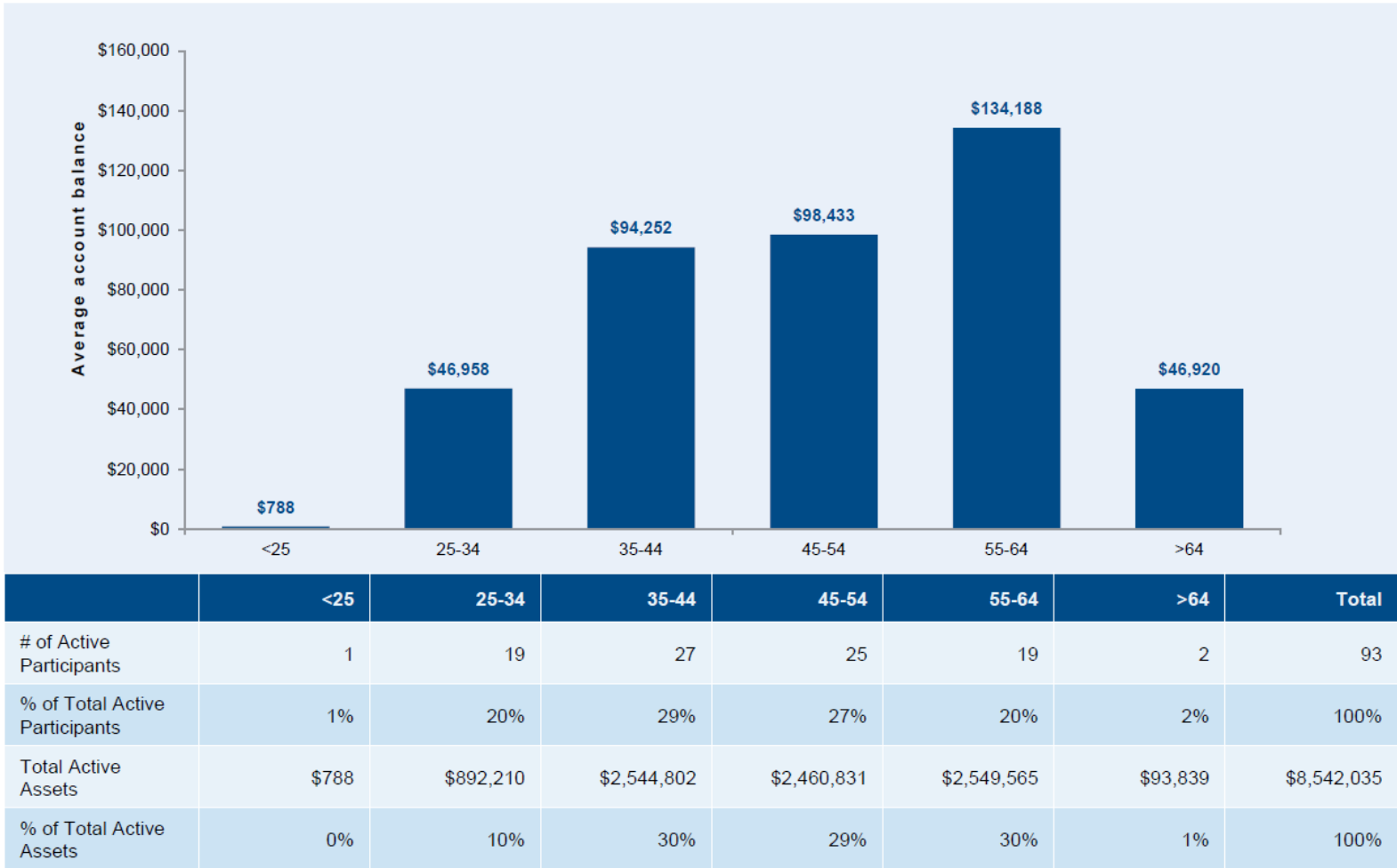


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Active participants: Average account balance by age



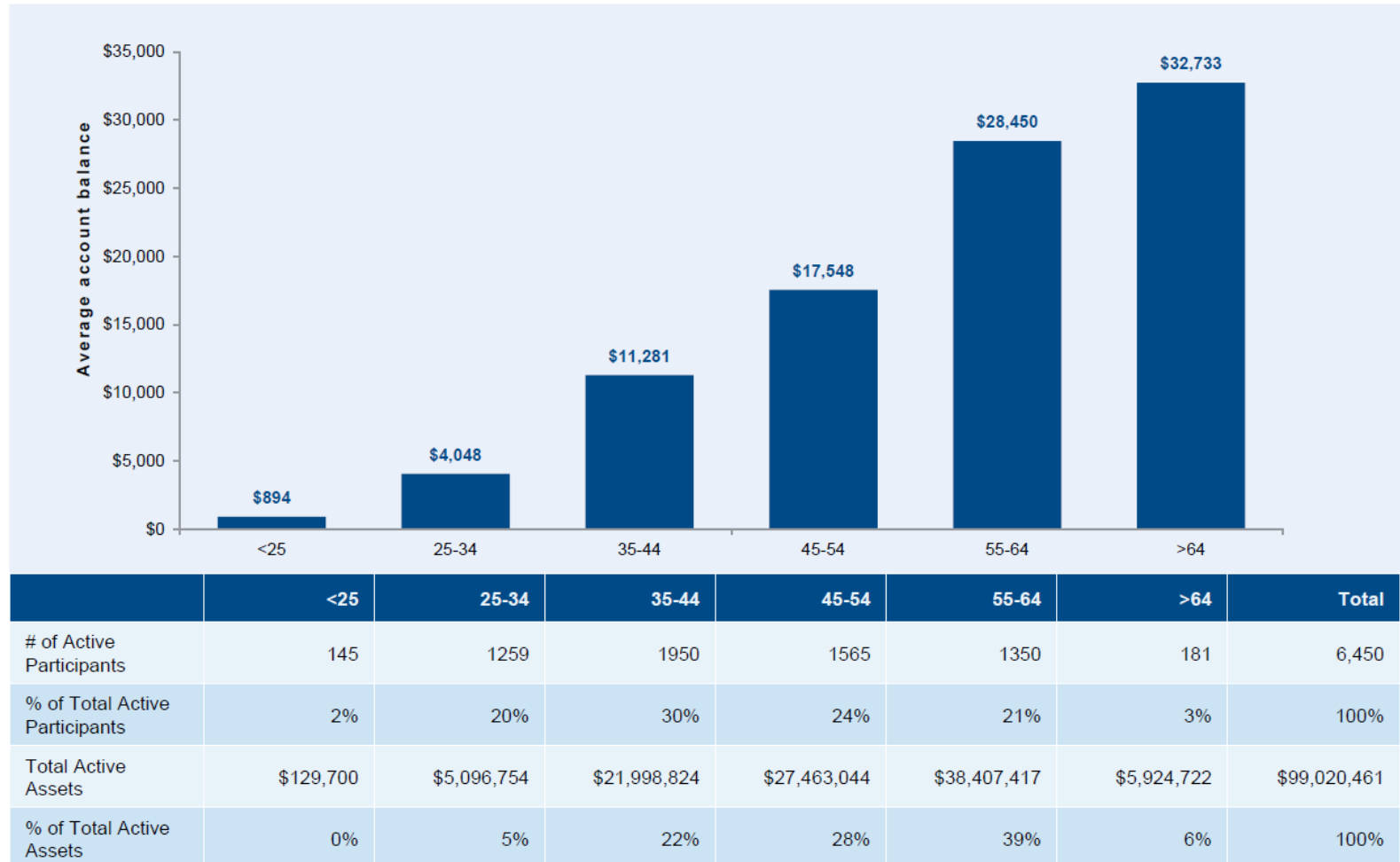
This report is as of the period ending 09/30/2022 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans.

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NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM COMPANION PLAN

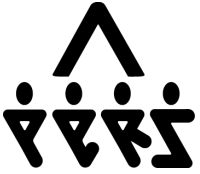
Active participants: Average account balance by age



This report is as of the period ending 09/30/2022 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans.

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North Dakota Public Employees |



**North Dakota
Public Employees Retirement System**
1600 East Century Avenue, Suite 2 • PO Box 1657
Bismarck, North Dakota 58502-1657

Scott A. Miller
Executive Director
(701) 328-3900
1-800-803-7377

Fax (701) 328-3920 Email ndpers-info@nd.gov Website www.ndpers.nd.gov

Memorandum

TO: NDPERS Board

FROM: Derrick Hohbein

DATE: December 13, 2022

SUBJECT: Investment Policies

At the November 2022 Investment Subcommittee meeting, the Subcommittee reviewed the investment policies for the PERS defined benefit plan, the RHIC plan, and the Group Insurance fund. Attached are redlined versions of the updates the Subcommittee approved at that meeting.

After NDPERS Board approval I will send them over to the State Investment Board for review and signature.

If you have any questions we will be available at the NDPERS Board meeting.

Board Action:

Approve investment policies.

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES FOR THE NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) and the Highway Patrol Retirement System (HPRS) are pension benefit plans established to provide retirement income to state employees and employees of participating political subdivisions. The plans are administered by a nine member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a multi-employer hybrid benefit public pension plan that provides retirement benefits, disability retirement benefits, and survivor benefits, in accordance with Chapter 54-52 of the North Dakota Century Code (NDCC). Monthly retirement benefits for the Main, State Law Enforcement (BCI) and Public Safety Plans are based on the formula: number of Years of Service times 2.0% times the final average salary. For the Main 2020 Plan the retirement formula is: number of Years of Service times 1.75% times the final average salary. For the NDPERS Judges Plan the retirement formula is: for the first ten years of service of the formula is final average salary times 3.5%, for the second ten years of service the formula is final average salary times 2.80% and for all remaining years of service the formula is final average salary times 1.25%.

The Highway Patrol plan is a single employer plan that provides retirement benefits, disability benefits, and survivor benefits in accordance with Chapter 39-03.1 of the North Dakota Century Code. Monthly retirement benefits are based upon on the formula: first 25 years of credit service times 3.25% and all remaining years of service times 1.75%.

Funding for the NDPERS plan is provided by monthly employee contributions and employer contributions with the amount varying based upon which NDPERS plan the member participates in. For the Main NDPERS plan the employee contribution is 7% and the employer contribution is 7.12%, for the Main 2020 NDPERS plan the employee contribution is 7% and the employer contribution is 8.26%, for the Judges Plan the employee contribution is 8% and employer contribution is 17.52%, for the State Law Enforcement (BCI) employee contribution is 6.0% and employer contribution is 9.81%, for the Public Safety Plan with prior service the employee contribution is 5.5% and the employer contribution is 9.81% and for the Public Safety Plan without prior service the employee contribution rate is 5.5% and the employer rate is 7.93%.

Funding for the Highway Patrol plan is provided by a monthly employee contribution of 13.38% and an employer contribution of 19.720.2% for 2022, 14.3% employee and 20.7% employer contribution for 2023, and a 14.8% employee and 21.2% employer contribution for 2024.

Each year the Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for all plans is 7.006.5%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-01, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with the Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- Goal# 1 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.
- Goal #2 To obtain an investment return 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**:

1. Stabilize the employee and employer contributions needed to fund the Plan over the long term.
2. Avoid both substantial volatility in contributions and sizable fluctuations in the funding status of the Plan.

These two secondary goals affect the Fund's investment strategies and often represent conflicting goals. That is, minimizing the long-term funding costs implies a less conservative investment program, whereas dampening the volatility of contributions and avoiding large swings in the funding status implies a more conservative investment program. The Board places greater emphasis on the strategy of stabilizing the employee and employer contribution needed to fund the plan over the long term as it assists our participating employers by having a predictable contribution for budgeting.

5. INVESTMENT PERFORMANCE OBJECTIVE

The Board's investment objectives are expressed in terms of reward and risk expectations relative to investable, passive benchmarks. The Fund's policy benchmark is comprised of policy mix weights of appropriate asset class benchmarks as set by the SIB.

1. 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.
2. 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.
3. 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.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

<u>Asset Class</u>	<u>Policy Target(%)</u>	<u>Rebalancing Range(%)</u>
Global Equity	57 8	46-66
Public Equity	51	42-57
Private Equity	7	4-9
Global Fixed Income	23	16-30
Investment Grade	16	11-21
Non-Investment Grade	7	5-9
Global Real Assets	19	10-25
Global Real Estate	11	5-15
Other (Infrastructure/Timber)	8	0-10
Global Alternatives		0-10
Cash	0	0-2

The Board does not endorse tactical asset allocation, therefore, it is anticipated the portfolio be managed as close to the policy target as is prudent and practicable while minimizing re-balancing costs. Any allocation to Global Alternatives shall not increase the expected volatility of the portfolio as measured in Section #5, and all other targets will be adjusted pro-rata.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- B. Use of derivatives will be monitored to ensure that undue risks are not taken by the money managers
- C. No transaction may be made which threatens the tax exempt status of the Fund.
- D. No unhedged short sales or speculative margin purchases may be made.

Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- E. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

F. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

Changes in asset class portfolio structures, tactical approaches and market values;

All pertinent legal or legislative proceedings affecting the SIB.

Compliance with these investment goals, objectives and policies.

A general market overview and market expectations.

A review of fund progress and its asset allocation strategy.

A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable source showing the value added versus the cost.

Changes/additions to benchmarks utilized to monitor the funds.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Scott Miller
Executive Director
North Dakota Public Employees Retirement System

Date: _____

[David Hunter](#)
[Jan Murtha](#) Executive
Director
North Dakota Retirement and Investment Office

Date: _____

Approved by the NDSIB **7/24/2020**
Approved by the NDPERS Board **07-14-2020**

NDPERS RETIREE HEALTH INSURANCE CREDIT FUND

STATEMENT OF INVESTMENT GOALS, OBJECTIVES AND POLICIES

1. PLAN CHARACTERISTICS AND FUND CONSTRAINTS

The North Dakota Public Employees Retirement System (NDPERS) Retiree Health Insurance Credit Fund was established in 1989 to provide for prefunding of premiums for medical coverage to state employees and employees of participating political subdivisions in accordance with Chapter 54-52.1 of the North Dakota Century Code. The plan is administered by a nine member Board of Trustees (the Board). The Chair is appointed by the governor, three members are elected by the active members of the plans, one member is elected by the retired members, one is appointed by the Attorney General, one member is the State Health Officer or their designee and two are legislative appointees.

The NDPERS plan is a defined benefit program that provides for a partial payment of a retiree's medical insurance premium based on the number of years of service.

Funding for the NDPERS plan is provided by a monthly employer contribution of 1.14 percent of payroll. On a monthly basis, benefit payments are netted out against contributions and the balance forwarded to the trust's custodian for investment.

Each year the NDPERS Board has an actuarial valuation performed. The current actuarial assumed rate of return on assets for the plan is 6.55.75%.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB)

Aggregate plan contributions plus earnings, minus allowable expenses constitute the Fund. The Board is charged by NDCC chapters 54-52, 21-10-02, and 39-03.1 to establish policies for the investment goals and asset allocation of the Fund. The State Investment Board (SIB) is charged with implementing the asset allocation as promptly and prudently as possible in accordance with Board's policies by investing the assets of the Fund in the manner provided in the prudent investor rule, which provides:

Fund 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. The retirement funds belonging to the teachers' fund for retirement and the public employees retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives. (NDCC 21-10-07)

The SIB may delegate investment responsibility of the Fund or any portion of the Fund to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy is supervisory not advisory.

The SIB may at its discretion, pool the assets of the Fund with another fund or funds having similar investment objectives and time horizons in order to maximize returns and minimize costs. In pooling fund assets the SIB will establish asset class pools it deems necessary to achieve the specific quality, diversification, restrictions, and performance objectives subject to the prudent investor rule and the objectives of the funds participating in the pools.

The SIB is responsible for establishing the selection criteria, determining the performance measures, and retaining all fund money managers. SIB is also responsible for the selection and retention of any investment consultants that may be employed in the investment of the Fund assets.

3. DELEGATION OF AUTHORITY

Management responsibility for NDPERS funds not assigned to the North Dakota State Investment Board (SIB) in Chapter 21-10 of the North Dakota Century Code (NDCC) is hereby delegated to the SIB, which must establish written policies and procedures for the operation of the NDPERS funds, consistent with this investment policy.

Such procedures must provide for:

1. The definition and assignment of duties and responsibilities to advisory services and persons employed by the SIB pursuant to NDCC 21-10-02.1(1) (a).
2. Investment diversification, investment quality, qualification of money managers, and amounts to be invested by money managers pursuant to NDCC 21-10-02.1(1)(e). In developing these policies it is understood:
 - a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
 - b. The use of derivatives will be monitored to ensure that undue risks are not taken by the money managers.
 - c. All assets must be held in custody by the SIB's master custodian or such other custodians as are selected by the SIB.
3. Guidelines for the selection and redemption of investments will be in accordance with NDCC 21-10-02.1(1) (d).
4. The criteria for making decisions with respect to hiring, retention, and termination of money managers will be clearly defined. This also includes selecting performance measurement standards, consultants, report formats, and frequency of meetings with money managers.

All participants in the investment process must seek to act responsibly as custodians of the public trust.

4. INVESTMENT GOALS

The investment goals of the Fund have been established by the NDPERS Board based upon consideration of the Board's strategic objectives and a comprehensive review of the current and projected financial requirements. These goals are to be viewed over the long term.

- Goal # 1 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.
- Goal # 2 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.

5. INVESTMENT PERFORMANCE OBJECTIVE

The NDPERS Board will seek to make investments that generate sufficient return to meet the goals outlined in this policy. The objectives established in this section are in accordance with the fiduciary requirement in federal and state law.

It is in the best interest of NDPERS and its beneficiaries that performance objectives be established for the total Fund. It is clearly understood these objectives are to be viewed over the long term and have been established after full consideration of all factors set forth in this Statement of Investment Goals, Objectives and Policies.

- a. The funds rate of return, over the long term should equal that of the policy portfolio which is comprised of policy weights of appropriate asset class benchmarks as set by the SIB.
- b. The annual standard deviation of total returns for the Fund should not materially exceed that of the policy portfolio.
- c. Over 5-year and longer periods the fund should match or exceed the expected rate of return projected in the most recent asset/liability study without exceeding the expected risk for the period by more than 15% as measured by standard deviation.

6. ASSET ALLOCATION

In recognition of the plan's performance objectives, benefit projections, and capital market expectations, the NDPERS Board has established the following asset allocation:

Date of Last Asset Allocation Study: December 2020 – Callan Corporation

Broad US Equity	39%
Global ex-US Equity	26%
Fixed Income	35%
Expected Return	6.1%
Standard Deviation	11.7%

Rebalancing of the Fund to this target will be done in accordance with the SIB's rebalancing policy, but not less than annually.

PERS requires that in implementing this asset allocation that the State Investment Board seek to maximize return within the scope of these policies while limiting investment costs.

7. RESTRICTIONS

- A. No transaction may be made which threatens the tax exempt status of the Fund.

Social Investing is defined as "The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."

- B. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time

horizon and similar risk.

Economically targeted investing is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

C. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

The Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

8. INTERNAL CONTROLS

The SIB must have a system of internal controls to prevent losses of public funds arising from fraud or employee error. The controls deemed most important are the separation of responsibilities for investment purchases from the recording of investment activity, custodial safekeeping, written confirmation of investment transactions, and established criteria for broker relationships. The annual financial audit must include a comprehensive review of the portfolio, accounting procedures for security transactions and compliance with the investment policy.

9. EVALUATION

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards.

An annual performance report must be provided to the Board by the State Investment Officer at a regularly scheduled NDPERS Board meeting. The annual performance report must include asset returns and allocation data as well as information regarding all significant or material matters and changes pertaining to the investment of the Fund, including:

- Changes in asset class portfolio structures, tactical approaches and market values;
- All pertinent legal or legislative proceedings affecting the SIB.
- Compliance with these investment goals, objectives and policies.
- A general market overview and market expectations.
- A Review of fund progress and its asset allocation strategy.
- A report on investment fees and the SIB's effort relating to Section 6. To measure investment cost PERS requires as part of the annual review information from Callan, CEM or other acceptable

source showing the value added versus the cost.

In addition, the State Investment Officer shall review with the Board the procedures and policies established by the SIB relating to this statement of investment goals, objectives, and policies.

Scott Miller
Executive Director
North Dakota Public Employees Retirement System

~~David Hunter~~ Jan Murtha
Executive Director
North Dakota Retirement and Investment Office

Date: _____

Date: _____

NDPERS GROUP INSURANCE ACCOUNT INVESTMENT OBJECTIVES AND POLICY GUIDELINES

1. FUND CHARACTERISTICS AND CONSTRAINTS.

The ND Public Employees Retirement System (PERS) Group Insurance Account (Fund) was established to hold insurance premiums collected from employers until paid to the insurance carrier.

2. RESPONSIBILITIES AND DISCRETION OF THE STATE INVESTMENT BOARD (SIB).

PERS has entered into a contract with the SIB for investment services as allowed under NDCC 21-10-06. It is the responsibility of PERS to establish policies on investment goals and asset allocation of the Funds. The SIB is charged with implementing these policies and asset allocation and investing the assets of the Funds in a manner consistent with the prudent investor rule as provided in NDCC 21-10-07.

At the discretion of the SIB, the Fund's assets may be pooled with other funds. In pooling funds, the SIB may establish whatever asset class pools it deems necessary with specific quality, diversification, restrictions, performance objectives appropriate to the prudent investor rule and objectives of the funds participating in the pools.

The SIB may delegate investment responsibility to professional money managers. Where a money manager has been retained, the SIB's role in determining investment strategy and security selection is supervisory, not advisory.

The SIB is responsible for establishing criteria and procedures and making decisions with respect to hiring, maintaining, and terminating money managers. This responsibility includes selecting performance measurement services, consultants and report formats and determining the frequency of meetings with managers.

The SIB will implement changes to this policy as promptly as is prudent.

3. INVESTMENT OBJECTIVES.

Premiums are collected throughout the month at PERS and will be forwarded to the Fund investment account ~~on~~ the 1st and 15th on approximately the 5th of each month. The premiums transferred into the investment account will be transferred back to PERS on approximately the 22nd of each month so they may be remitted to the insurance carrier. The investment objective of the Fund is to maximize the return on the deposits within the short-term time-frame involved.

4. STANDARDS OF INVESTMENT PERFORMANCE.

The Fund's investment objectives and liquidity constraints give rise to an asset allocation that is considered the most likely to achieve the results desired. For evaluation purposes, the following performance targets will apply:

- a. The Fund should produce a rate of return that meets or exceeds the portfolio policy index defined as the 90-day Treasury bill.
- b. The Fund annual standard deviation of total returns should not materially exceed that of the policy portfolio.

5. POLICY AND GUIDELINES.

The asset allocation of the Fund is established by PERS, with input from the SIB. Asset allocation is based upon the appraisal of projected liquidity and income requirements, and estimates of the investment returns likely to be achieved by the various asset classes over the next five years.

In recognition of these factors, the following allocation is deemed appropriate for the fund:

Short Term Fixed Income	95% (allocation not to exceed \$36 million)
Cash Equivalents	5%

This cash will be held in an enhanced money market account at the Fund's custodian.

While the SIB is responsible for establishing specific quality, diversification, restrictions, and performance objectives for the investment vehicles in which the Fund's assets will be invested, it is understood that:

- a. Futures and options may be used to hedge or replicate underlying index exposure, but not for speculation.
- b. Derivatives use will be monitored to ensure that undue risks are not taken by managers.
- c. No transaction shall be made which threatens the tax exempt status of the Fund.
- d. All assets will be held in custody by the SIB's master custodian or such other custodians as are acceptable to the SIB.
- e. No unhedged short sales or speculative margin purchases shall be made.
- f. Social investing is prohibited unless it meets the Exclusive Benefit Rule and it can be substantiated that the investment must provide an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.

For the purpose of this document, Social Investing is defined as *"The investment or commitment of public pension fund money for the purpose of obtaining an effect other than a maximized return to the intended beneficiaries."*

- g. Economically targeted investing is prohibited unless the investment meets the Exclusive Benefit Rule.

For the purpose of this document economically targeted investment is defined as an investment designed to produce a competitive rate of return commensurate with risk involved, as well as to create collateral economic benefits for a targeted geographic area, group of people, or sector of the economy.

Also, for the purpose of this document, the Exclusive Benefit Rule is met if the following four conditions are satisfied:

- (1) The cost does not exceed the fair market value at the time of investment.
- (2) The investment provides the Fund with an equivalent or superior rate of return for a similar investment with a similar time horizon and similar risk.
- (3) Sufficient liquidity is maintained in the Fund to permit distributions in accordance with the terms of the plan.
- (4) The safeguards and diversity that a prudent investor would adhere to are present.

Where investment characteristics, including yield, risk, and liquidity are equivalent, the Board's policy favors investments which will have a positive impact on the economy of North Dakota.

6. EVALUATION AND REVIEW.

Investment management of the Fund will be evaluated against the Fund's investment objectives and investment performance standards. Evaluation will be conducted quarterly by the SIB through its review of funds participating in the Insurance Trust.

Money managers will be evaluated by the SIB quarterly. In-state meetings will be held with the money managers at least annually.

Approved by:

NDPERS

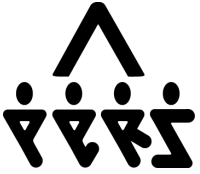
STATE INVESTMENT BOARD

~~Sharon Schiermeister~~ Scott Miller
~~Interim~~ Executive Director, NDPERS

~~David Hunter~~ Jan Murtha
Executive Director, ~~CIO~~, RIO

Date: _____

Date: _____



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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: December 13, 2022

SUBJECT: Medicare Part D Plan Updates Due to the Inflation Reduction Act

Humana will be at the meeting to review updates to the Medicare Part D Plan due to the Inflation Reduction Act (IRA) passed earlier this year. Please see the attached information provided by Humana that outlines the IRA-required changes that impact our Part D plan for the 2023 plan year.

This item is informational and does not require any action by the Board.

Memorandum

To: Board of Trustees - NDPERS

From: Julie Bodenski, Humana

Date: November 21, 2022

Re: Inflation Reduction Act

Inflation Reduction Act of 2022

The Inflation Reduction Act (IRA) was signed into law on 8/16/2022. As a part of this law, there are several changes that will impact Part D prescription (PDP) drug plans, which includes the NDPERS PDP plan with Humana. The changes will be implemented in stages throughout the next several years and below is an overview of the changes that will apply to NDPERS PDP plan in 2023.

Under the IRA, effective 1/1/2023:

- Requires coverage of Part D adult vaccines at \$0 member cost share.
- The member cost share of the plan's covered Part D insulin products can be no more than \$35 for every one-month (up to a 30-day) supply.

Member materials include language regarding the IRA:

- 2023 Welcome Kit includes the attached flyer
- 2023 Summary of Benefits includes the following language:

Important Message About What You Pay for Vaccines – Our plan covers most Part D vaccines at no cost to you.

Important Message About What You Pay for Insulin – You won't pay more than \$35 for a one-month supply of each insulin product covered by our plan, no matter what cost-sharing tier it's on.

- 2023 Annual Notice of Change Letter (ANOC) and the Evidence of Coverage (EOC) also include updated member facing language.

NDPERS Part D covered insulin utilization through November 11, 2022:

- 505 members would have seen a positive impact and an average savings of \$95/30 day claim.

Additional IRA requirements to PDP plans begin in 2024 through 2029. Humana will work closely with NDPERS with regards to upcoming 2024 impacts.

Thank you,



Julie Bodenski

Group Medicare Senior Account Executive - Humana

2023 enhanced vaccine and insulin coverage

At Humana, we strive to help our members achieve total health so that they may live their best lives, which includes efforts to provide our members with access to more affordable prescription drugs. Helping to further support these initiatives, President Biden signed the Inflation Reduction Act into law on August 16, 2022.

This means that this Humana Group Medicare prescription drug plan (PDP) in this booklet may have additional benefits that are not currently described, including reduced out-of-pocket costs for Part D vaccines and Humana covered insulin. Benefits include:



\$0 vaccines

Member cost share of all Part D vaccines listed on the Advisory Committee on Immunization Practices (ACIP) list¹ will be **\$0**.



\$35 insulin copay

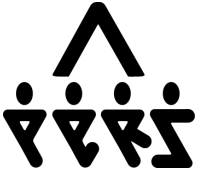
Member cost share of this plan's covered insulin products covered under Part D will be **no more than \$35** for every one-month (up to a 30-day) supply.

Additional information on the 2023 benefit enhancements will be provided as soon as possible.

- Please check **Humana.com** frequently for updates on these benefit enhancements.
- If you have questions about these benefit enhancements or general questions about the plan, contact Humana Group Medicare Customer Care.

Humana®

¹For more information regarding the Centers for Disease Control and Prevention's ACIP vaccine recommendations, please go to www.cdc.gov/vaccines/hcp/acip-recs/vacc-specific/index.html.



Memorandum

TO: NDPERS Board

FROM: Katheryne Korom

DATE: December 13, 2022

SUBJECT: Group Life Insurance Plan Request For Proposal (RFP)

The Group Life Insurance Plan RFP was issued on November 1, 2022. Buck received a total of 65 questions. One of these questions was received from a consulting firm that was not directly notified of the RFP and had not submitted an NDA, six of these questions were received after the deadline to submit questions. The responses were posted on December 6, 2022.

Following are the key dates for the proposal process:

Date	Activity
November 01, 2022	RFP is issued.
November 22, 2022	Written questions regarding proposals must be received by NDPERS no later than 5:00 p.m. (CDT).
December 06, 2022	NDPERS posts responses to all questions received.
December 22, 2022	Proposals must be received by 5:00 p.m. (CDT).
February 2023	Begin finalist interviews and Best and Final Offers if deemed necessary by the NDPERS Board.
March 2023	Selection and award of contract by NDPERS.
July 1, 2023	Effective Date of Coverage.

Buck consultants tracked the 20 firms that they sent notification to about the Life RFP and 8 of these returned the Non-Disclosure Agreement.

NDPERS
Group Term Life/AD&D Bid Disposition 12/1/2022

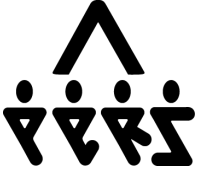
Vendor	Date NDA Received	Date Bid Package Sent	Notes
Aetna			No Response
Aflac	11/8/2022	11/9/2022	Submitted 21 questions on 11/22
AIG			No Response
BCBSND			No Response (Dearborn National is owned BCBS)
Colonial Life			No Response
Dakota Capitol			No Response
Dearborn National/BCBSTX	11/11/2022	11/11/2022	Submitted 1 question on 11/8 and 10 questions on 11/18
Guardian Life			No Response
Hartford			No Response
Lincoln National			No Response
MetLife	11/10/2022	11/10/2022	Submitted 8 questions on 11/22
Mutual of Omaha			No Response
New York Life Insurance Co (formerly Cigna)	11/7/2022	11/7/2022	Submitted 8 questions on 11/18
Principal Financial			No Response
Reliance Standard Life Insurance			Declined to quote (did not provide reason)
Securian (formerly Minnesota Life)	11/8/2022	11/9/2022	Submitted 6 questions after the deadline
Sun Life Financial	11/10/2022	11/10/2022	Submitted 7 questions 11/22
The Standard	11/17/2022	11/17/2022	Did not submit any questions
Unum			No response
Voya	11/9/2022	11/9/2022	Submitted 1 question 11/17

Note: All organizations listed above with the exception of Aflac received notification from NDPERS on 11/01/2022 regarding the availability of the RFP documents.

Buck Consultants will analyze the proposals and narrow them down to 3 or 4 for NDPERS to review.

If you have any questions regarding the Group Life Insurance Plan RFP, we will be available at the NDPERS Board Meeting to discuss.

This update is informational.



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Memorandum

TO: NDPERS Board

FROM: Shawna Piatz

DATE: December 13, 2022

SUBJECT: Audit Committee Minutes

Attached are the approved minutes for the August 15, 2022 meeting. The minutes may also be viewed on the NDPERS web site at www.nd.gov/ndpers.

The next audit committee meeting is scheduled virtually and in person for February 13, 2023 at 3:00 p.m. This is for your information.

Attachments

MEMORANDUM

TO: Audit Committee
Mona Rindy
Adam Miller
Julie Dahle
Dirk Wilke
Senator Dick Dever

FROM: Shawna Piatz, Chief Audit Officer

DATE: August 15, 2022

SUBJECT: **August 15, 2022 Audit Committee Meeting**

In Attendance:

Mona Rindy
Adam Miller
Senator Dick Dever
Dean DePountis
Shawna Piatz
Scott Miller
Derrick Hohbein
Rebecca Fricke
Sarah Marsh

The meeting was called to order at 3:00 p.m. by Ms. Rindy. The committee began the meeting with approving the prior Audit Committee minutes.

I. May 16, 2022 Audit Committee Minutes

- A. The Audit Committee minutes were examined. Senator Dever moved approval of the minutes. The motion was seconded by Mr. Miller. This was followed and approved by voice vote.

II. Internal Audit Reports

- A. Quarterly Audit Plan Status Report – A summary of the Internal Audit staff time spent for the past quarter along with a status update on each area of the 2022 – 2023 Audit Plan was included with the Audit Committee materials. Of the total hours reported, 44.01% was spent in audit, 6.86% in consulting, and 49.13% in administrative hours. The audit hours were spent on the monthly retirement program audit, the Sanford Interest Calculation Report Audit, the Sanford Claims Audit prep, and the Service Purchases Audit. The consulting hours were attributable to New W-4 reporting programming, SOC Committee, HR/staffing

support, and various reviews and reconciliations for the Benefits and Accounting divisions. The increase in the administrative hours was largely due to staff on extended medical leave in the first two months of the quarter.

- B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages of the new monthly retirement benefit and refund payments. The report shows the number of new retirees or refunds each month, the total number of new retirees or refunds audited and whether issues identified were procedure, system or compliance issues. Fiscal year to date 2022, a total of 475 new retirees out of the 964 were audited, which equates to \$1,931,837.69 of \$4,013,383.28 being audited. An accuracy rate of 95.37% was achieved fiscal YTD 2022 for new retirement benefit payments, which is below the 97% goal. Fiscal year to date 2023, a total of 187 new retirees out of 199 were audited, which equates to \$641,495.45 of \$677,713.13 being audited. An accuracy rate of 98.93% was achieved fiscal YTD as of August 2023 for new retirement benefit payments, which is above the 97% goal.

Fiscal year to date 2022, a total of 73 of the 1,951 refunds issued were audited, which equates to \$2,963,844.55 of \$16,753,927.16. An accuracy rate of 91.78% was achieved fiscal YTD 2022 for retirement refunds, which fell below the 97% accuracy rate goal. Fiscal year to date 2023, a total of 16 of the 311 refunds issued were audited, which equates to \$1,058,123.03 of \$2,971,542.86. An accuracy rate of 81.25% was achieved fiscal YTD as of August 2023 for retirement refunds, which falls below the 97% accuracy rate goal. A limited number of retirement refunds were audited and a portion of the sample continues to be focused on those refunds in which a known system issue is likely to have occurred.

- C. Benefit/Premium Adjustments Report – The quarterly benefit adjustment report was provided to the Audit Committee. The report is in several sections, each representing the type of corrections. The dollar amount and the number of errors did decline, but overall remain fairly consistent each quarter. There were 7 adjustments that were new this quarter and 13 previously reported adjustments remain outstanding.
- D. Sanford 2017-2019 Final Settlement Audit Report – The review of the Sanford Health Plan 2017 – 2019 final settlement for the period ending June 30, 2021 is completed. The final examination uncovered a discrepancy between the Interest Calculation Reports and the Settlement reports resulting in an overstatement of claims and expenses being included in the settlement documents that could not be substantiated. The discrepancies resulted in a net gain instead of the loss that was originally reported. Corrections have been made. Sanford has adjusted their reconciliation process and will provide additional documentation to PERS to support costs on a monthly basis.
- E. Outstanding Issues Status Report –The Outstanding Issues Status report has been updated to reflect new and outstanding issues as of July 31, 2022. There were two existing recommendations where progress has been made, one existing recommendation with no change, and three new recommendations added to this

report. One item was closed from the prior quarter. Staff have been proactive about addressing recommendations as they are made in which case they would not be included on this report.

III. Administrative

- A. Audit Committee Charter Matrix – In order to confirm all responsibilities outlined in the Audit Committee charter are carried out annually, a matrix was developed to review each objective and ensure that the Audit Committee is meeting its responsibilities. The matrix was reviewed and discussed for progress made over the past quarter.
- B. Internal Audit Charter Matrix – A copy of the Internal Audit Charter matrix with progress made over the previous quarter was provided to the Audit Committee for their review and information. Discussion took place around Status Updates on the annual audit plan and Internal Audit's assistance with fieldwork being completed by the external auditors.
- C. Audit Committee Meeting Dates & Times – The next Audit Committee meeting is scheduled for Monday, November 7, 2022 at 3:00 p.m. It will be held both in person and with an option for virtual attendance.

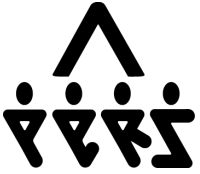
IV. Miscellaneous

- A. Travel Expenditures – There were no out-of-state travel expenditures incurred by the Executive Director or Board for the period May 1, 2022 through July 31, 2022. This was provided for the Audit Committee's information.
- B. CPEs, Training and Webinars – A report on the training and education, including continuing professional education (CPE) webinars and seminars Internal Audit participated in for the period May 1, 2022 through July 31, 2022 was provided to the committee for their review.

V. Additional Discussion

- A. Bonus Recommendation – CAO stepped out of the meeting. Based on discussions with management and the Audit Committee, a recommendation was made to give a \$500 bonus, in line with previous bonuses given to PERS staff, to the CAO to recognize her hard work on the Sanford 2017-2019 Final Settlement Audit. The CAO was then brought back into the meeting. Senator Dever moved to give the CAO a \$500 bonus for her hard work. The motion was seconded by Ms. Rindy. This was followed and approved by voice vote.

The meeting adjourned at 3:59 p.m, by Ms. Rindy.



Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 13, 2022

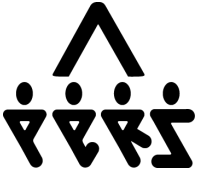
SUBJECT: Committee and Board Appointments

With the recent changes to the members of the Board, it is time to consider on which Board subcommittees you would like to serve. The current subcommittees and their members are below:

- Investment Committee: Adam Miller, Claire Ness, Yvonne Smith, **Open** (Previously Representative Anderson), Chairperson Rindy (alternate)
- Audit Committee: Chairperson Rindy, Adam Miller, Julie Dahl, Dirk Wilke, **Open** (Previously Senator Dever)
- Benefits Committee: Casey Goodhouse, **Open** (Previously Senator Dever)
- Retiree Committee: Yvonne Smith, **Open** (Previously Representative Anderson), **Open** (Previously Kim Wassim)
- Election Committee: Casey Goodhouse, Dirk Wilke, Adam Miller

Board Action:

Consider which subcommittees you would like to serve on. Chairperson Rindy to make the appointments.



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 13, 2022

SUBJECT: Strategic Planning

If you recall from last year's Board Planning Meeting, we do a "deep-dive" strategic planning session the December of every odd year. In Decembers of even years we take a look at where we are on the strategic plan and consider changes to the plan, including adding projects for the new third year of the plan.

Attached is the current status of the strategic plan. While staff usually populates the third year with new projects we've come up with, this year is different simply because of the Retirement Committee's proposed bills: if one of them passes, our next two years will be very busy, especially when combined with the work we have upcoming. Because of that, we have added necessary RFPs to the third year and a couple of topics we must address, but nothing else. In fact, in 2023 we may need to work with the Board on what projects can be moved to 2025 or 2026.

The Board can, of course, direct other projects be added or moved. That is why we have "Board Action" on the agenda. We look forward to working with the Board on this topic.

Attachment

Goal	2021	2022	2023	2024	2025
Accuracy Improvement	In Process	In Process	X	X	X
Renewal/RFPs					
Vision	Done		X		X
RHIC	Done		X		X
Medicare Part D	Done	DONE	X	X	X
EAP	Done		X		X
Consultant - Actuary	Done		X		X
Consultant - Health Plan	In Process		X		X
Health		DONE		X	
Dental		DONE		X	
457/DC Third Party Administrator		X	X		X
Flexcomp Third Party Administrator		DONE		X	
Consultant - Dental, Vision, Life		DONE		X	
Consultant - Investment		DONE		X	
Life		In Process		X	
Education Campaign					
Employers		In Process	X	X	X
Legislators		In Process	X	X	X
Members		In Process	X	X	X
Succession Planning:					
IT	In Process	DONE			
Research & Planning	In Process	DONE			
Admin Services		X	X	X	
CFO		X	X	X	
CBO				X	X
Funded Status of Retirement	Done				
Educational Videos for Website	In Process	In Process			
Consider/Relocate Office	Done				
Part D Bundle/Unbundle	Done				
Communication Engine	Implementing Alternate Solution	In Process	X		
Mainframe Discontinuation	Done				
Website Redesign	Done				
**ND Login Process	In Process	In Process	X		
Internal PIR Process Redesign	Done				
Electronic Surveys/Board Elections	In Process	DONE			
Electronic Records Cleanup	In Process	X	X		
Develop an Employee Handbook	In Process	X	X		
Implement Employer Statement Process	In Process	DONE			
Archive/Purge PERSLink Tables & Drives	In Process	DONE	X		
Comprehensive Wizards	In Process	In Process	X		
System Enhancement Backlog	In Process	In Process	X		
Workflow Redesign (BPM)	In Process	In Process	X	X	
Lifecycle Training Recordings		X	X	X	
HSA Administrator Change	Done				
Redefining Mission Statement		X	X		
FAS Calculations		DONE		X	
Death Processing Accuracy Improvement		In Process	X		
Automated Report Moving		In Process	X		
**State Auditor PBM Audit		In Process	X		
**Microfiche Project		In Process	X		
**Deferred Comp Process Automation		DONE	X		
Procedure Manual Documentation		In Process	X	X	
Committee Charter Creation				X	

* Will require one-time appropriation next session

** Bulk of the work done outside of NDPERS Staff



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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 13, 2022

SUBJECT: Legislative Relations

There have been no legislative committee meetings that would affect NDPERS since the last Board meeting.

We do need the Board's direction regarding what position to take on the variety of bills that have been proposed to the Employee Benefits Programs Committee. I have attached the presentations I have provided to that Committee (or will provide) for each of the bills. You can access the bills themselves here: [Employee Benefits Programs Committee | North Dakota Legislative Branch \(ndlegis.gov\)](http://Employee Benefits Programs Committee | North Dakota Legislative Branch (ndlegis.gov)) (in the "All Documents" tab).

As you may recall, last session the Legislature put a requirement in the State Auditor's budget bill for the State Auditor to perform an audit on OptumRx for the years 2019, 2020, and 2021. We have seen a draft report, but do not yet have a final audit report. I will update the Board with any new information at the Board meeting.

At its November meeting, the State Investment Board (SIB) approved the submission of a bill to revise the makeup of the SIB. I will need the Board's thoughts on this bill, as well.

Board Action: Advise staff of the position to take on each of the bills.

Proposed Legislation Consultant Analysis Presentation

June 21, 2022

Scott Miller, Executive Director



Bill 8 – State-employed “Peace Officers”

- Adds “peace officers employed by the state” to the Public Safety Retirement Plan
- “Peace officers” to include campus police, park rangers, game wardens, and parole and probation officers (BCI Agents are already in the Public Safety plan)
- Consultant notes (IceMiller):
 - The Internal Revenue Code does not generally recognize people who are not employed by a “police department or fire department” or who do not “provide police protection [or] fire fighting services” as public safety employees. Internal Revenue Code sections 71(t)(10) and 415(b). As a result, park rangers, game wardens, and parole and probation officers who retire early may be subject to a 10% tax penalty. This may also include campus police – we are still trying to determine how they are employed.
- Consultant notes (GRS):
 - The actuarial impact depends on how many of these employees there are – we are working with HRMS and Higher Ed to determine who these people might be. Bill 77 will also impact this analysis.



Bill 16 – TFFR Membership Exception

- Allows a retired armed forces veteran who is beginning a teaching career to opt out of the Teachers' Fund for Retirement
 - Note that depending on the circumstance the individual may have to participate in PERS
- Consultant notes:
 - Any effect depends entirely on whether these individuals would be eligible to participate in PERS
 - Given the narrow requirements, the number of teachers affected by this bill is expected to be small



Bill 34 – Employee Benefits Programs Committee

- Modifies the requirements regarding submission of bills and amendments that would affect PERS or TFFR plans
- Removes the following language from statute: “Any legislation enacted in contravention of this section is invalid and of no force and effect, and any benefits provided under such legislation must be reduced to the level current prior to enactment.”
- Consultant Notes (Deloitte):
 - No quantifiable financial impacts
 - Without allowing the Committee to take jurisdiction of a bill, Bill 34 eliminates the authority for the Committee to authorize the review of a bill by appropriate experts
 - May reduce the discovery of non-actuarial impacts of a bill
 - Increases the potential that legislation will be enacted that will have an impact on one of the NDPERS plans without information on what that impact might be

Bill 34 – Employee Benefits Programs Committee

- Consultant Notes (GRS):
 - Actuarial analysis is important to understand the long-term financial impact of the proposed change. If an actuarial analysis of a legislative measure or proposal is not performed before it is debated or passed, risks associated with the legislation are elevated.
 - There may also be tax qualification issues if legislative changes are made without the proper review or analysis.



Bill 45 – Retirement Board Membership and Health Insurance Contracts

1. Removes the retiree Board member and the State Health Officer or their designee from the PERS Board;
2. Adds four more legislators, for a total of six legislators on an eleven-person board;
3. Removes the requirement that one or more legislators must be from a different party;
4. Requires the majority leaders in the House and the Senate to appoint three Board members each; and,
5. Enacts a new section 5.2 to NDCC chapter 54-52.1, which:
 - a. Prohibits the Board from entering a new or renewal contract for hospital benefits coverage, medical benefits coverage, or prescription drug benefits coverage unless the action has been “authorized” by the Legislative Assembly;
 - b. Requires the Board to introduce legislation “seeking legislative authorization for the board’s proposed action relating to the [health or prescription drug] contract”; and,
 - c. States that a bill introduced under this new section is not subject to jurisdiction of the Employee Benefits Programs Committee.



Bill 45 – Retirement Board Membership and Health Insurance Contracts

- Consultant Notes:
 - No quantifiable actuarial impacts
 - Operational and compliance requirements may be detrimentally affected
 - There may not be sufficient time to enact legislation to authorize a new plan or necessary plan changes
 - Because the contract period is from July 1 to June 30 of odd-numbered years, if the Legislative Assembly requires a change in vendor, the contract period should be moved to a later date, for a two-year period, to insure adequate time for implementation. That will require an extension of the current contract, which is not assured.
 - Federal notice requirements may be compromised if the contract period remains July 1-June 30
- Agency Notes:
 - Constitutionality of bill 45 should be evaluated considering N.D. Legislative Assembly, et al. v. Burgum, 2018 ND 189.



Bill 54 – Final Average Salary Computation

- Removes the previous Final Average Salary (FAS) calculation, which leaves the updated FAS calculation going forward
- Consultant Notes:
 - Immaterial financial impact on the Systems
 - No impact to the actuarial valuation results



Bill 71 – County Clerks of Court

- For PERS purposes, requires a “county employee who becomes a state judicial employee after December 31, 2023, or upon expiration of the elected clerk of district court term is considered an existing employee for state retirement purposes”
- Consultant notes:
 - Consultant analysis delayed pending possible changes to bill
- Agency Note:
 - We understand the Supreme Court will remove this language from the proposed bill, making the bill inapplicable to PERS.

Bill 77 – BCI Agent Retirement Benefits

- Requires new BCI agents to have a ten-year vesting for benefits, up from the current three years
- Increases the retirement multiplier for the first twenty years of service to 3%, and reduce the multiplier for all additional years to 1.75%
- Consultant notes:
 - Delayed while evaluating Bill 8



Questions?



Email scottmiller@nd.gov

Call (701) 328-3901



Proposed Legislation Consultant Analysis Presentation

October 26, 2022

Scott Miller, Executive Director



Bill 2 – Prosthetic Limb Coverage

- Expands PERS health plan coverage for prosthetic appliances and limbs, to include repair or replacement if medically appropriate
- Consultant notes (Deloitte):
 - Change will align the PERS health plan with other fully-insured and self-insured plans
 - Estimated increase in total claims cost of between 0.3-0.4%, which will be reflected in increased premiums



Bill 8 – State-employed “Peace Officers”

- Adds “peace officers employed by the state” to the BCI agent Public Safety Retirement Plan
- “Peace officers” to include campus police, park rangers, game wardens, and parole and probation officers (BCI Agents are already in the Public Safety plan)
- Consultant notes (IceMiller):
 - The Internal Revenue Code does not generally recognize people who are not employed by a “police department or fire department” or who do not “provide police protection [or] fire fighting services” as public safety employees. Internal Revenue Code sections 71(t)(10) and 415(b). As a result, park rangers, game wardens, and parole and probation officers who retire early may be subject to a 10% tax penalty.
- Consultant notes (GRS):
 - The actuarial impact depends on the number and age of new members who would transfer, and the amount of liabilities and assets that would be transferred.



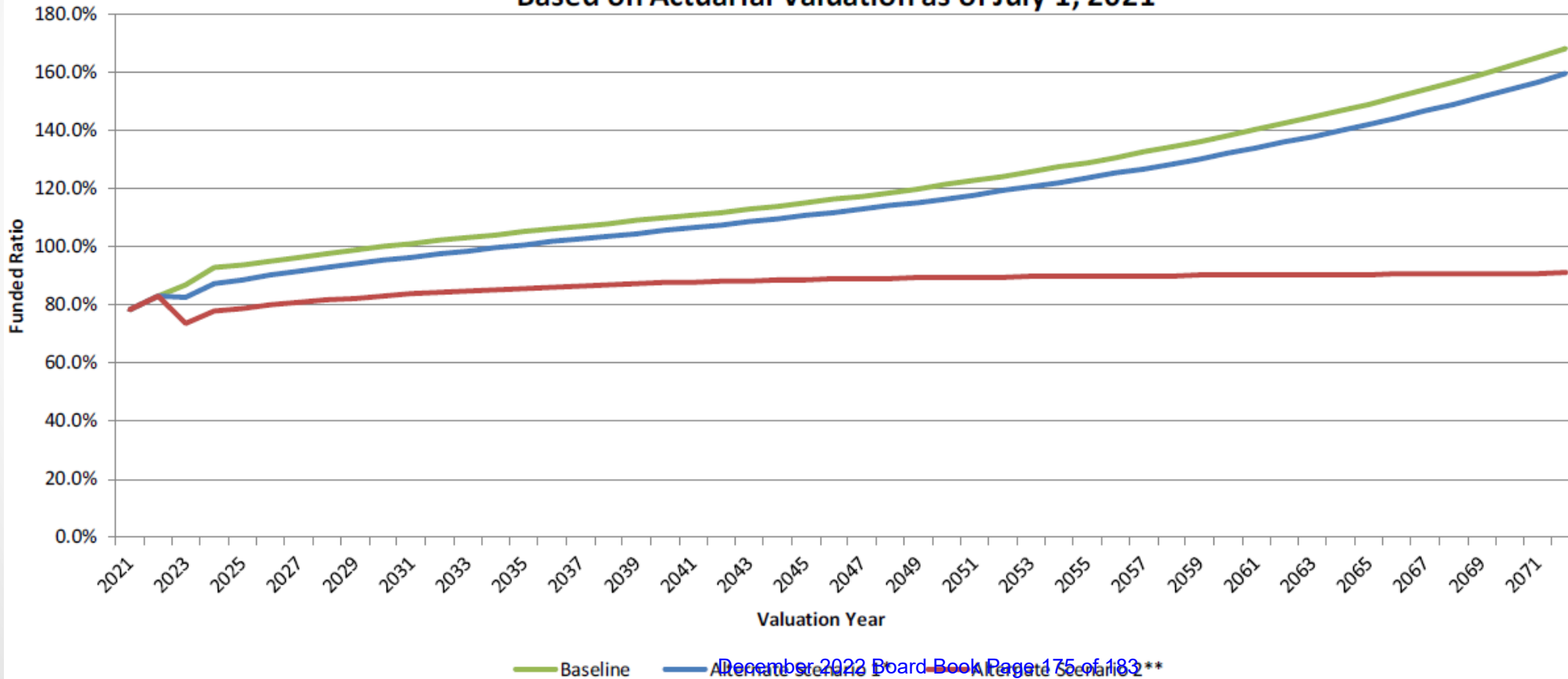
Bill 8 – State-employed “Peace Officers”

- Consultant notes (GRS):
 - Approximately 430 members would transfer from the Main PERS plan to the Public Safety with prior Main service plan. Future members would start in the Public Safety plan.
 - Because the Public Safety system contains more favorable retirement provisions than the Main system, there would be an increase in past service liability because of the transfer.
 - The net impact of the transfer is expected to result in an increase in unfunded actuarial accrued liability to the Public Safety system due to an asset transfer that is about 78% of the actuarial accrued liability under the Main system.
 - Note this went down to 65% with the 2022 valuation
 - Normal cost of benefits goes down from 12.97% to 11.91% because of the expansion
 - If Bill 77 passes, normal cost would increase to 16.74%
 - Employer contributions will increase
 - Board just increased employer contributions from 9.81% to 11.4% due to the 7/1/22 valuation



Bill 8 – State-employed “Peace Officers”

Public Safety with Prior Main System Service
Current Statutory Contribution Rate
(9.81% Employer, 5.50% non-BCI Employee, 6.00% BCI Employee)
Projected Funded Ratio (Actuarial Value of Assets)
Based on Actuarial Valuation as of July 1, 2021



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 Alternative Scenario B Alternative Scenario C**



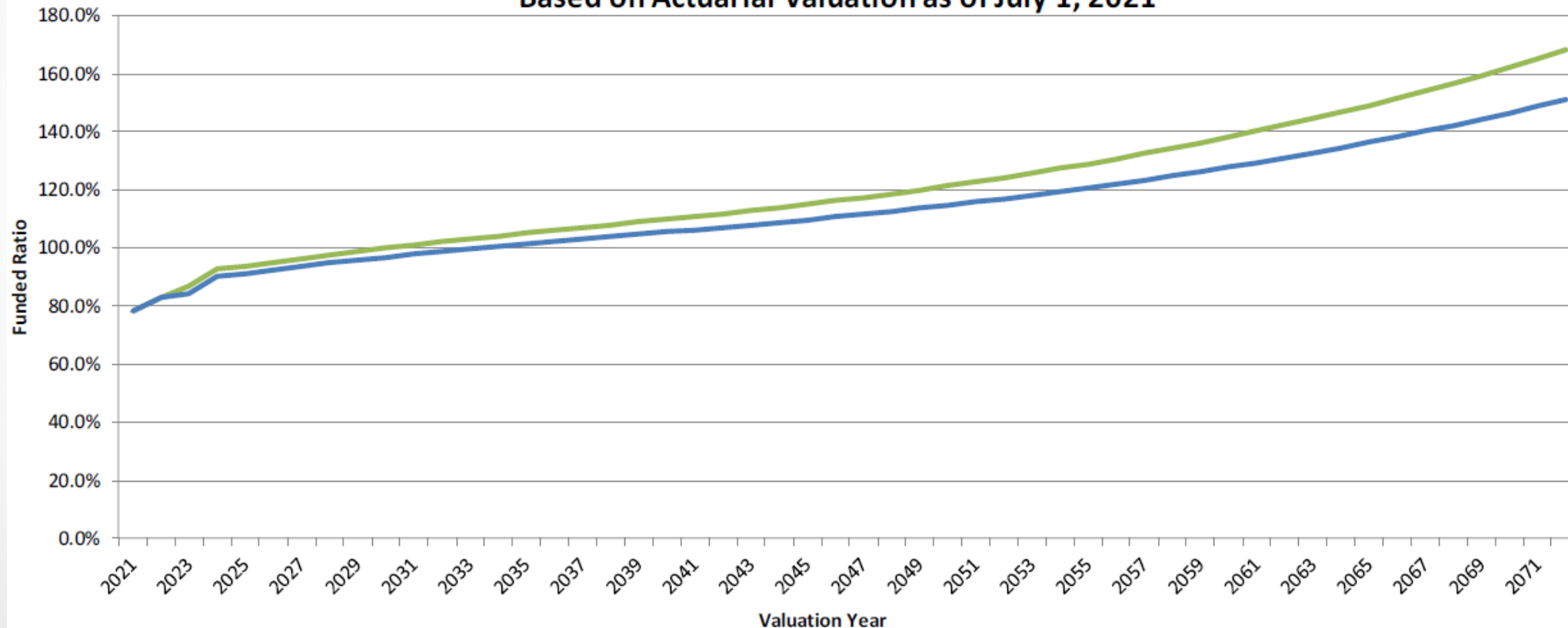
Bill 77 – BCI Agent Retirement Benefits

- Requires new BCI agents to have a ten-year vesting for benefits, up from the current three years
- Increases the retirement multiplier for the first twenty years of service to 3%, and reduces the multiplier for all additional years to 1.75%
- Consultant notes:
 - Extends the projected year of full funding for the entire Public Safety with Prior Main Service system from 2030 to 2034
 - Normal cost increases by 5.38%, from 12.97% to 18.35%, which will require the BCI agent employer contribution to significantly increase



Bill 77 – BCI Agent Retirement Benefits

Public Safety with Prior Main System Service
Current Statutory Contribution Rate
(9.81% Employer, 5.50% non-BCI Employee, 6.00% BCI Employee)
Projected Funded Ratio (Actuarial Value of Assets)
Based on Actuarial Valuation as of July 1, 2021



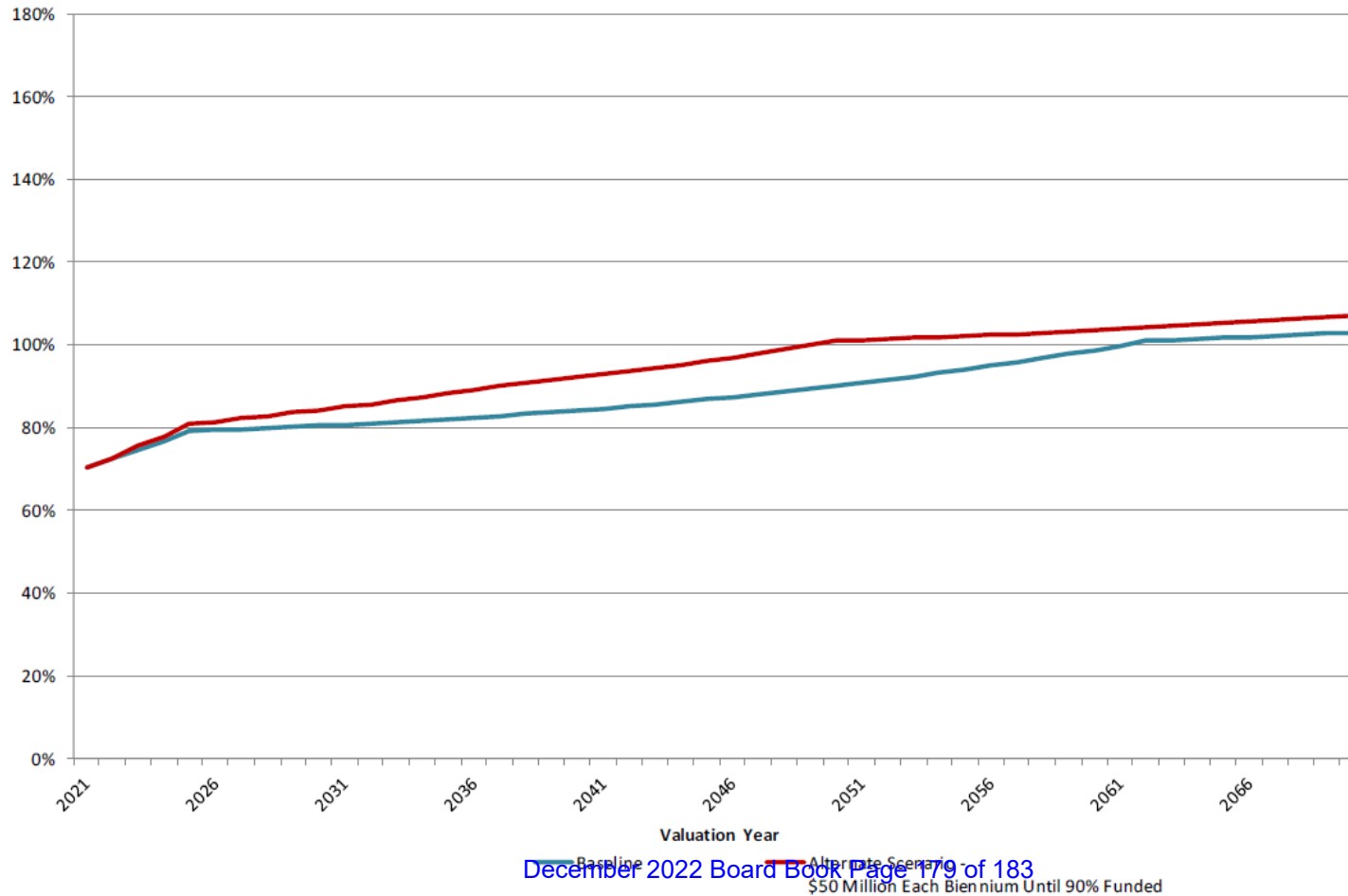
Bill 87 – Legacy Earnings Fund PERS Transfer

- Eliminates the Main PERS plan as a recipient of additional monies from the legacy sinking and interest fund
- Establishes the Main PERS plan as a recipient of up to \$50 million/biennium from the legacy earnings fund
- Consultant notes:
 - Based on the July 1, 2021 valuation, would help make the Main PERS plan better funded, and get the fund to 100% funded by 2049 – 13 years earlier than without this bill
 - See graph of projection on next page



Bill 87 – Legacy Earnings Fund PERS Transfer

Main System
Projected Funded Ratio (Actuarial Value of Assets)
Based on Actuarial Valuation as of July 1, 2021



Bill 92 – Prescription Drug Reference Rate

- Seeks to reduce the cost of prescription drugs to North Dakota citizens by establishing a program to cap payments for certain drugs at the amount set in various Canadian provinces
- Consultant notes:
 - Determining the actuarial impact is difficult based on the information available, the number of assumptions that would need to be made, and the uncertainty of how the bill could be implemented and administered
 - The program would most likely yield lower costs if the legislation can be implemented, operationalized, and complied with by the various stakeholders, which present significant challenges
 - The appropriate methodology used to identify the costliest 25 drugs and their “net price” is complex
 - The methodology for calculating “savings” is also challenging



Bill 92 – Prescription Drug Reference Rate

- Consultant notes:
 - A process for converting drug prices from \$Canadian to \$US will need to be created
 - The Affordable Care Act prohibits the use of a metric used in Canada to set prices
 - The bill may lower prices and potentially future premiums, but may not directly benefit members because of the typical copay/coinsurance and annual maximums
 - The penalty provisions apply to NDPERS, but NDPERS does not purchase prescription drugs, and so the provisions would be inapplicable
 - However, pharmacies in the state, which would be subject to the penalty provisions, may elect to terminate participation in the NDPERS network because of those penalties
 - Access to the affected drugs may be reduced
 - The reference rate may conflict with federal most favored nation (MFN) requirements which restrict manufacturers from offering rates lower than what the federal government pays for Medicaid
 - The U.S. Constitution's Commerce Clause may affect the ability to assess penalties on manufacturers



Bill 93 – Increase Infertility Benefits

- Requires the NDPERS health plan to expand its coverage of infertility treatment and set an upper cap of \$50,000, which is an increase of \$30,000 from the current \$20,000 maximum
- Consultant notes:
 - Estimate this expansion will increase claims cost by 0.27% a year, or an annual cost of about \$2 million
 - The current median lifetime maximum dollar benefit for employers that provide fertility coverage is \$16,250, and \$20,000 among employers with more than 500 employees
 - If the bill passes through the two-year pilot program with NDPERS to become effective for all plans, the Affordable Care Act (ACA) will ban the \$50,000 lifetime limit
 - Additional guidance on gestational carriers and cryopreservation would be appropriate
 - Additional clarification on the definition of a “covered individual” would be appropriate
 - The impact of the *Dobbs* decision on these issues is unknown



Questions?



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