NDPERS BOARD MEETING
Agenda

Due to public health considerations, and in accordance with Executive Order 2020-16, a meeting room will not be available to the public.

Conference Call #: 701.328.0950
Conference ID 882 931 915#

Tuesday, December 8, 2020 **Time: 8:30 AM**

I. MINUTES
- A. November 10, 2020

II. PRESENTATIONS
- A. (30 minutes) CliftonLarsonAllen 2020 Audit Report
- B. (60 Minutes) SHP 2020 Quarter 2 Executive Summary

III. GROUP INSURANCE
- A. Political Subdivisions Discontinuing NDPERS Health Plan – Rebecca (Information)
- B. Health Plan RFP Contract – Scott (Board Action) ***Executive Session**
- C. Health Plan RFP Report – Scott (Board Action)

IV. RETIREMENT
- A. Asset Liability Study – Bryan (Board Action)
- B. Quarter 3 Investment Report – Bryan (Board Action)
- C. Investment Consultant Recommendation – Bryan (Board Action) ***Executive Session**

V. MISCELLANEOUS
- A. Legislation – Scott (Information)
- B. Strategic Plan Update – Scott (Board Action)
- C. Audit Committee Meeting Minutes – Shawna (Information)

VI. MEMBER **Executive Session
- A. Retirement Appeal Case # 653 – MaryJo (Board Action)
- B. Retirement Appeal Case # 654 – MaryJo (Board Action)
- C. Retirement Appeal Case # 655 – MaryJo (Board Action)
- D. Retirement Appeal Case # 656 – MaryJo (Board Action)
- E. Hardship Withdrawal Case # 647 – MaryJo (Board Action)

*Executive Session pursuant to N.D.C.C. § 44-04-19.1(9) to discuss negotiating strategy or provide negotiating instructions to its attorney or other negotiator regarding a pending claim, litigation, adversarial administrative proceedings, or contracts, which are currently being negotiated or for which negotiation is reasonably likely to occur in the immediate future. An executive session may be held under this subsection only when an open meeting would have an adverse fiscal effect on the bargaining or litigating position of the public entity. A record revealing negotiation strategy or instruction under this section is exempt.

**Executive Session pursuant to N.D.C.C. §44-04-19.2, §44-04-19.2(1) and/or §54-52-26 to discuss confidential records or confidential member information.

Any individual requiring an auxiliary aid or service must contact the NDPERS ADA Coordinator at 328-3900, at least 5 business days before the scheduled meeting.

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 ● 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

Memorandum

TO: NDPERS Board

FROM: Shawna Piatz

DATE: December 8, 2020

SUBJECT: CliftonLarsonAllen Audit Report

Jason Ostroski from CliftonLarsonAllen will join the Board meeting via teleconference to review the audit report with you and answer any questions you may have. The FY 2020 audit report for the PERS agency is attached as well as a copy of their presentation.

Attachment

North Dakota Public Employees Retirement System – Board of Trustees

Audit Results Presentation

December 8, 2020

WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING

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

Create Opportunities

Agenda

- 2020 Audit Results
- Required Communications
- Financial Highlights
- GASB 68 and 75 Schedule Audit Update

2020 Preliminary 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, supplemental schedules, and the Introductory, Investment, Actuarial, and Statistical sections.
- 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.
  - One management letter comment related to contribution rates
- Letter to the Board providing required communications with those charged with governance

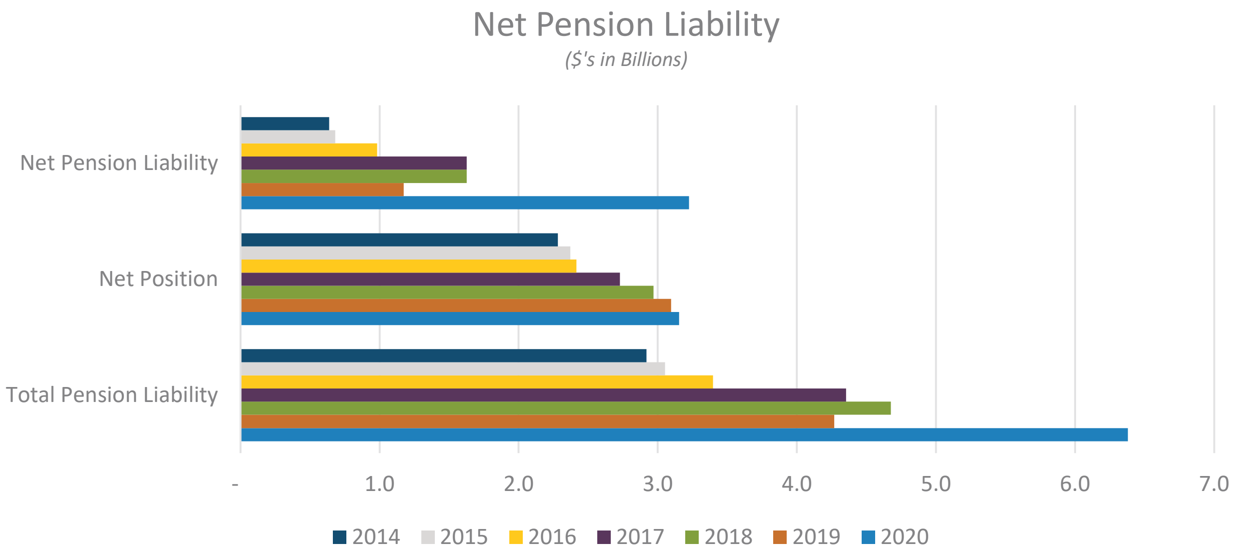
Required Governing Body Communications

- Auditor’s responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
  - No new accounting standards in fiscal year 2020
- Financial statement disclosures
  - There were no particularly sensitive financial statement disclosures
- Management judgments and accounting estimates
  - 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



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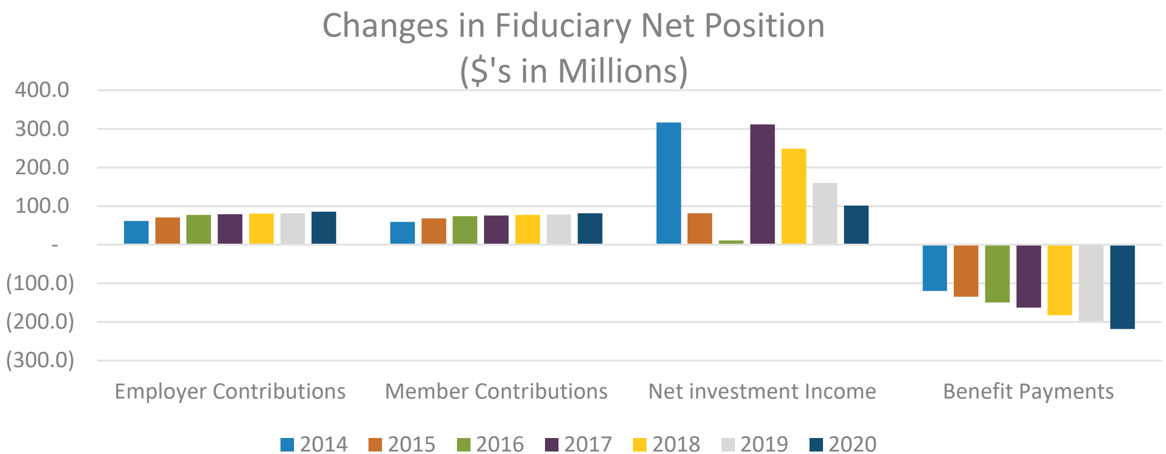
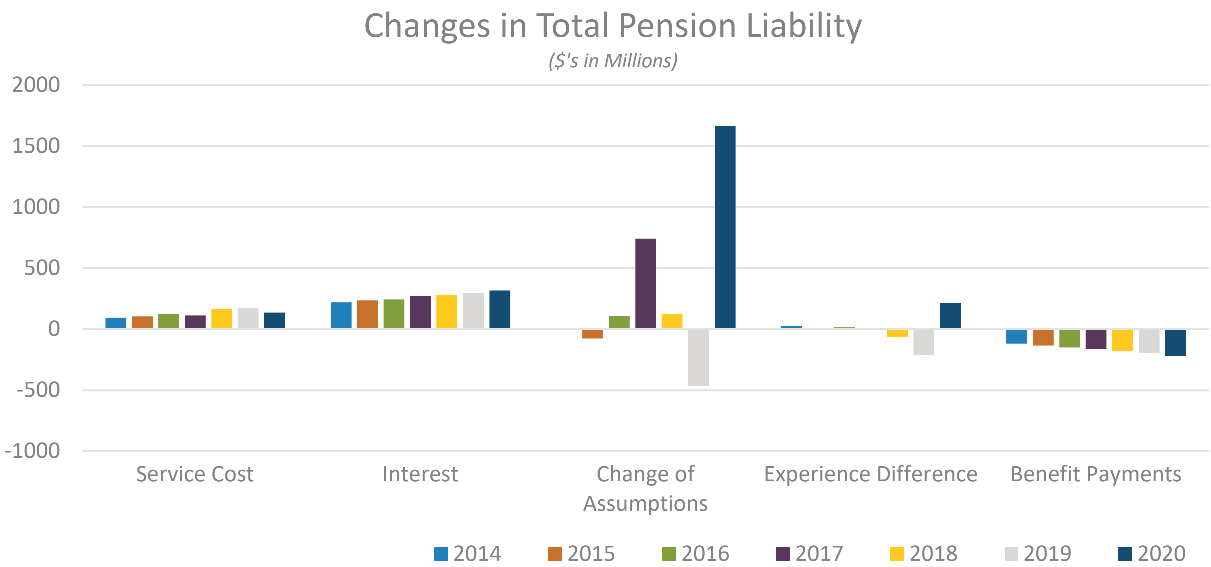
Financial Highlights – PERS



- Active members increased from 23,754 in 2019 to 24,489 in 2020
- No change in contribution rates from 2019 to 2020
- 3.57% money-weighted rate of return in 2020
- Retirees increased from 12,300 in 2019 to 12,945 in 2020

Financial Highlights – PERS



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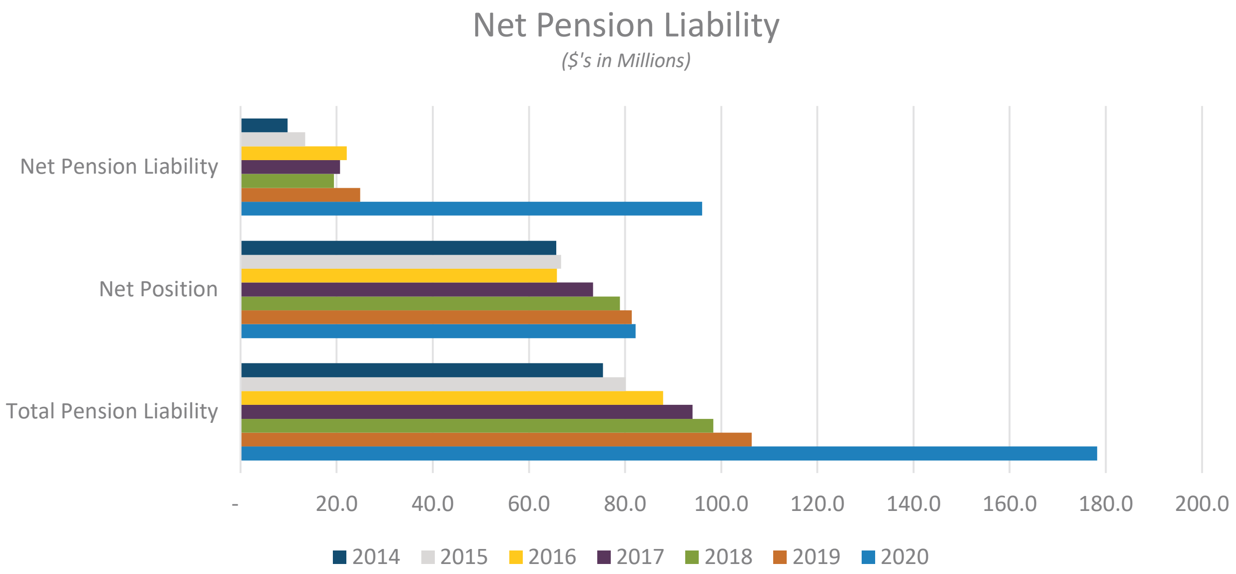
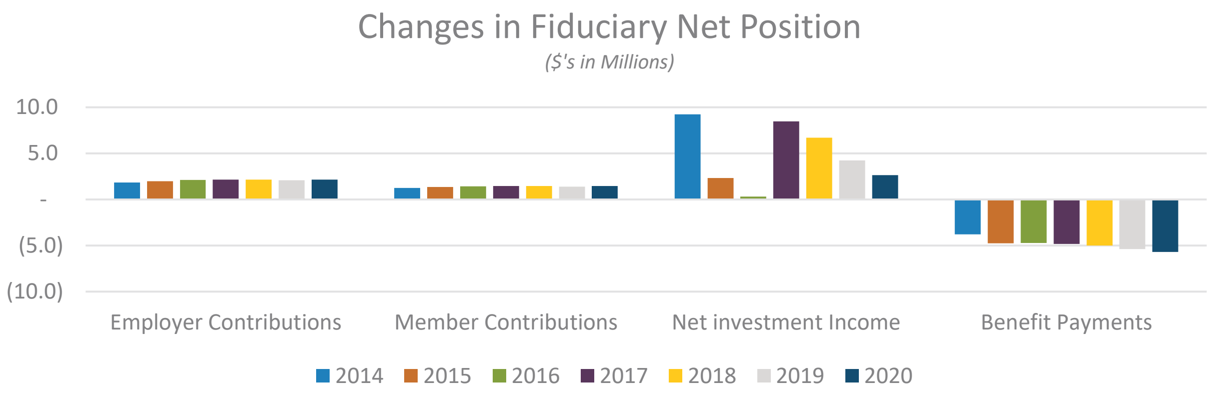
Financial Highlights – HPRS



Financial Highlights – HPRS

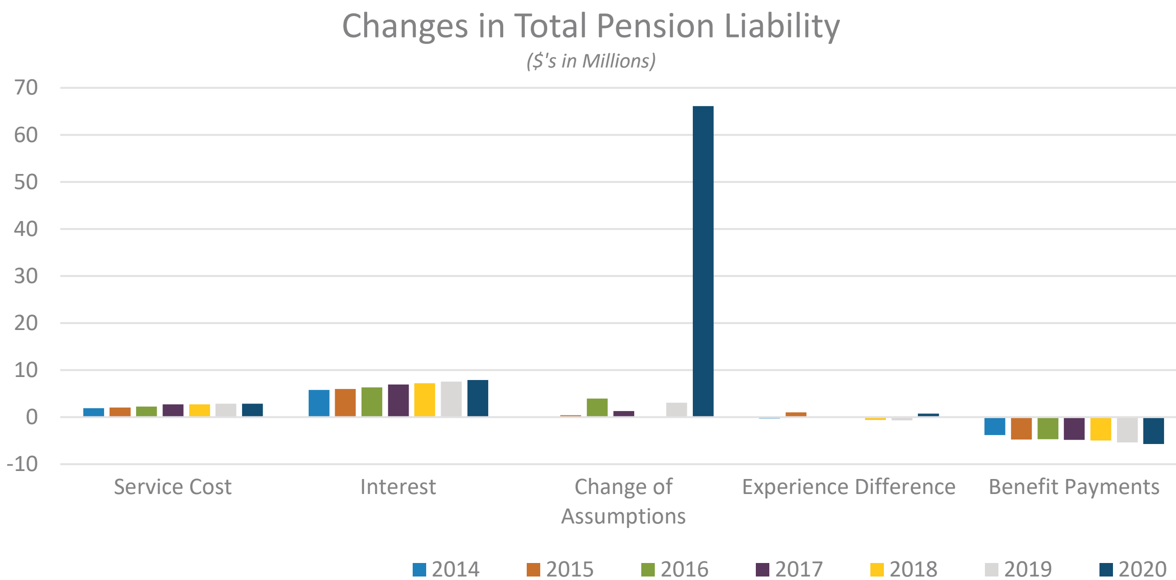


- Active members increased from 144 in 2019 to 154 in 2020
- No change in contribution rates from 2019 to 2020

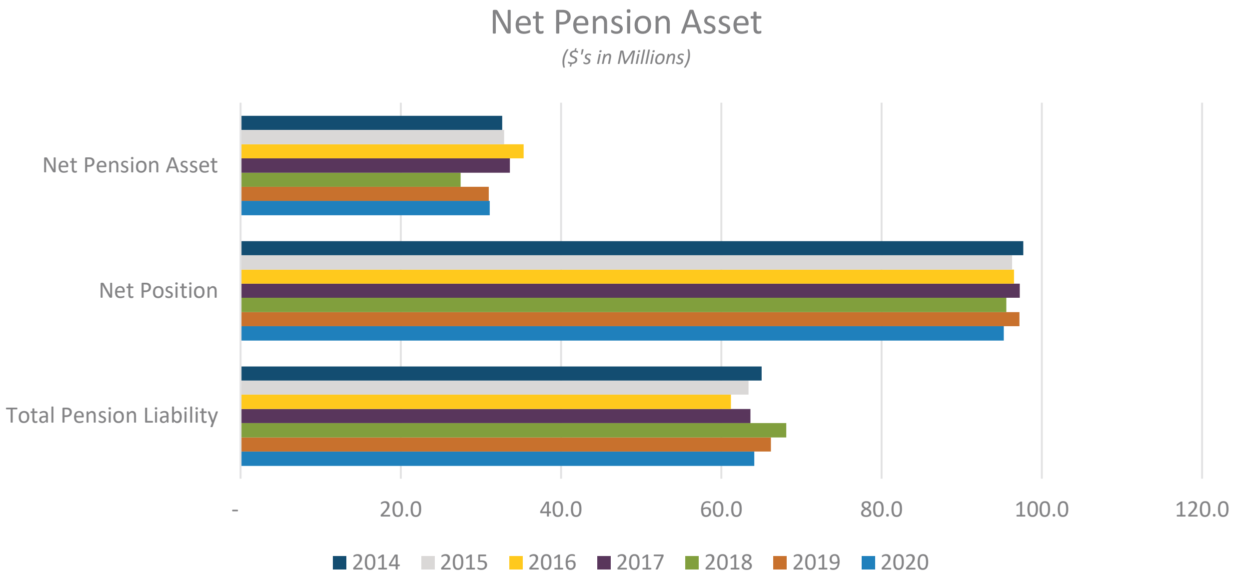
- 3.28% money-weighted rate of return in 2020

- Retirees decreased from 136 in 2019 to 133 in 2020

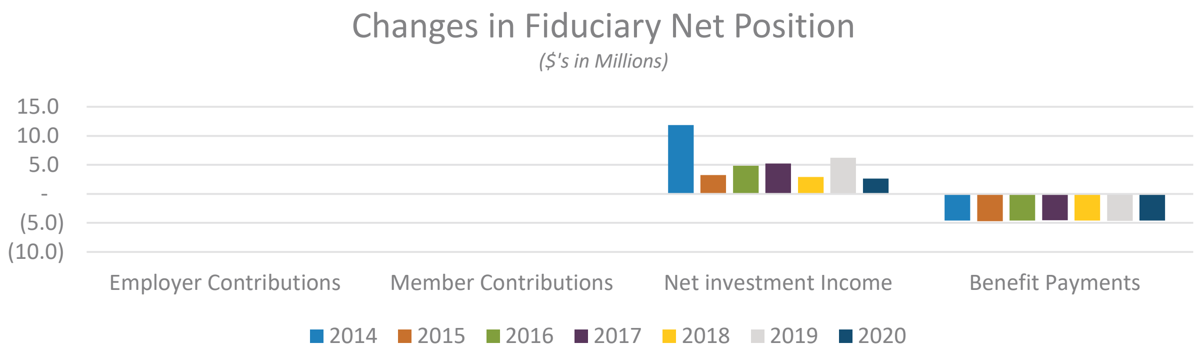
Financial Highlights – HPRS



Financial Highlights – JSND

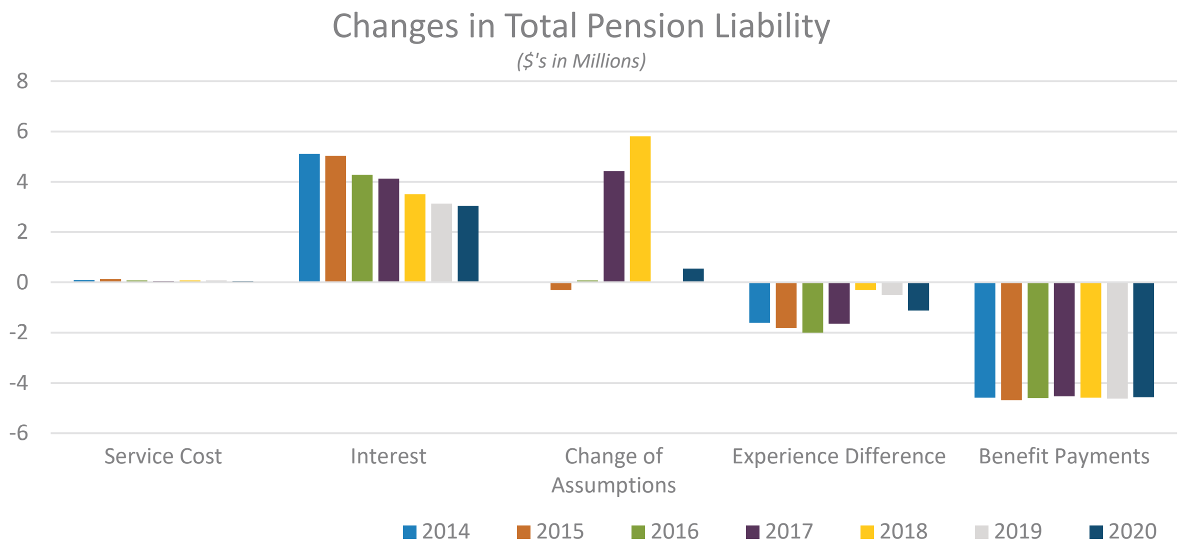


Financial Highlights – JSND



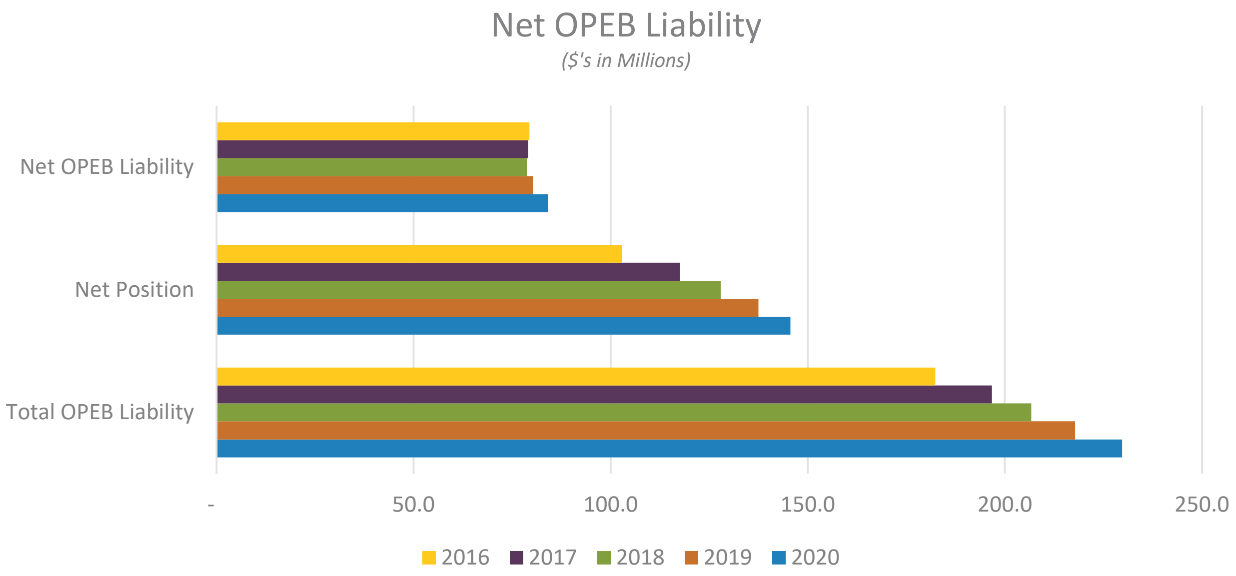
- Active members decreased from 7 in 2019 to 5 in 2020
- No employer contributions and minimal member contributions given the small population and closed, overfunded status of the plan
- 3.09% money-weighted rate of return in 2020
- Retirees decreased from 185 in 2019 to 181 in 2020

Financial Highlights – JSND



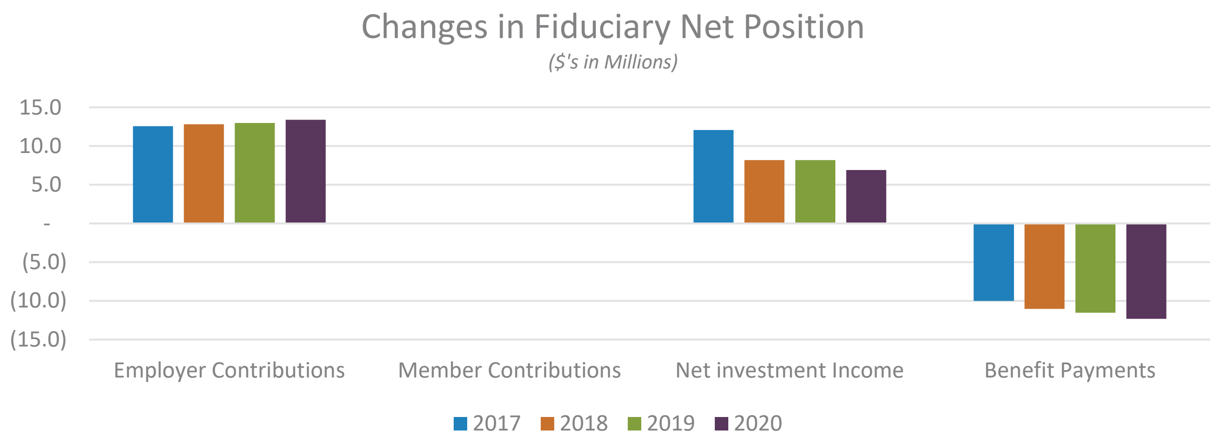
Create Opportunities

Financial Highlights – RHIC



Create Opportunities

Financial Highlights – RHIC



- Active members increased from 23,997 in 2019 to 23,495 in 2020
- 5.37% money-weighted rate of return in 2020
- Retirees increased from 12,471 in 2019 to 13,092 in 2020

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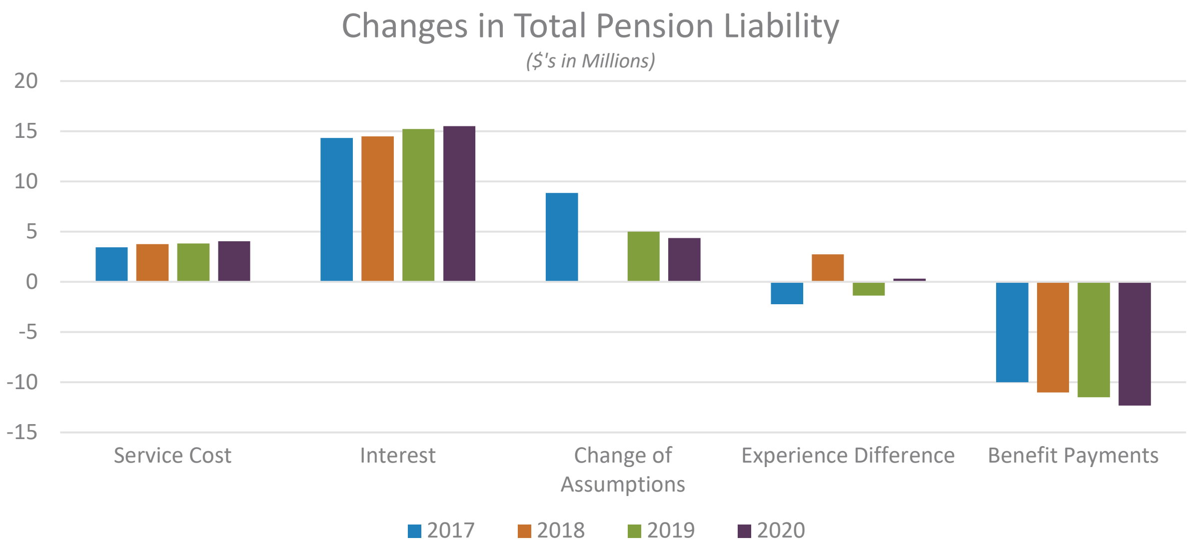
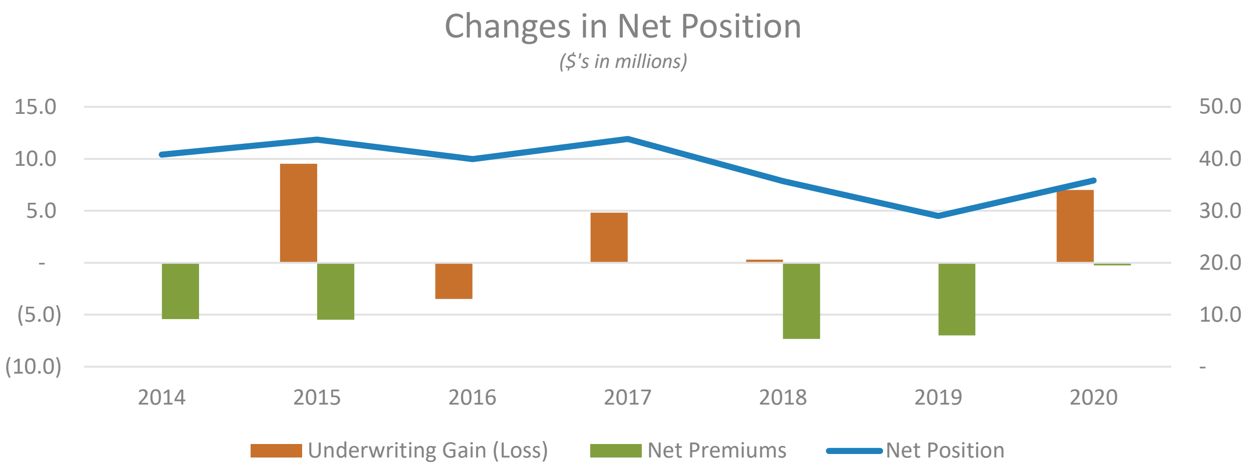
Financial Highlights – RHIC



Financial Highlights – Group Insurance



Create Opportunities

GASB 68 and 75 Schedule Audit Update

- Employer Census Testing is Complete
  - Selected 25 Employers for testing
  - Noted no significant errors
- Expect to begin work on the GASB 68 and 75 Schedules in January 2020
- Expect to issue our final report on the schedules no later than February 2020

CLAconnect.com

Jason Ostroski, CPA

Engagement Principal

jason.ostroski@cliftonlarsonallen.com

410-453-0900

CliftonLarsonAllen LLP
CLAconnect.com

Board of Trustees
North Dakota Public Employees Retirement System
Bismarck, North Dakota

We have audited the financial statements of the proprietary fund and each individual fiduciary fund of the North Dakota Public Employees Retirement System (the System) as of and for the years ended June 30, 2020 and 2019, and have issued our report thereon dated December 7, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the System are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies were not changed during 2020.

We noted no transactions entered into by the System during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were significant estimates in the valuation of alternative investments and the calculation of the actuarial information included in the footnotes and required supplementary information.

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, 2020. 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 7.0% 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 4.25% 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 4.64% and 4.09%, 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 2.45%. The discount rate used to measure the total pension liability of the JSND plan was its actuarial expected investment rate of return of 4.25% and the discount rate used to measure the total OPEB liability for the RHIC plan was its actuarial expected investment rate of return of 6.50%.

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, 2020. In accordance with GASB 74, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2020. 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.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated December 7, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the System's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated December 7, 2020, communicating other matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedules of investment expenses, administrative expenses - fiduciary funds and consultant expenses and the statement of appropriations (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 7, 2020.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Board of Trustees and management of the North Dakota Public Employees Retirement System and is not intended to be, and should

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

December 7, 2020

CliftonLarsonAllen LLP
1966 Greenspring Drive, Suite 300
Timonium, Maryland 21093

This representation letter is provided in connection with your audit of the financial statements North Dakota Public Employees' Retirement System (PERS), which comprise the financial position of the PERS as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of December 7, 2020, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of contract between the State of North Dakota, acting through the State Auditor, the Public Employees Retirement System and CliftonLarsonAllen LLP, and management acknowledgement letter dated September 3, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- We have no plans or intentions that may materially affect the carrying value or classification of assets or liabilities.

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

  With respect to actuarial assumptions and valuations for financial reporting purposes:

  - Management agrees with the actuarial methods and assumptions used by the actuary for funding purposes and for determining the total pension liabilities and total OPEB liability and has no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. We did not give any, nor cause any, instructions to be given to PERS' actuary with respect to values or amounts derived, and we are not aware of any matters that have impacted the independence or objectivity of PERS' actuary.

  - There were no omissions from the participant data provided to the actuary for the purpose of determining the total pension liabilities, total OPEB liability and other actuarially determined amounts in the financial statements.

  - There have been no changes in the actuarial methods or assumptions used in calculating the amounts recorded or disclosed in the financial statements, other than what has been disclosed in the financial statements. There have been no changes in plan provisions between the actuarial valuation date and the date of this letter.

- We believe the plan and trust established under the plan are qualified under the appropriate section of the Internal Revenue Code, and we intend to continue them as a qualified plan and trust.

- We are not aware of any present legislative intentions to terminate the plans.

Information Provided

- We have provided you with:
    - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
    - Additional information that you have requested from us for the purpose of the audit.
    - Unrestricted access to persons within the PERS from whom you determined it necessary to obtain audit evidence.
    - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
    - All actuarial reports prepared for the plan during the year.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the PERS and involves:
    - Management;
    - Employees who have significant roles in internal control; or
    - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the PERS' financial statements communicated by employees, former employees, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
- We have disclosed to you the identity of the PERS' related parties and all the related party relationships and transactions of which we are aware.

- We have a process to track the status of audit findings and recommendations.

- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to State of North Dakota; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- The PERS has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- The financial statements properly classify all funds and activities.

- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

- Provisions for uncollectible receivables have been properly identified and recorded.

- Expenses have been appropriately classified in or allocated to functions and programs in the statement of changes in net position, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of changes in net position.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- We have obtained the service auditor's report from our service organizations, TIAA and Sanford Health. We have reviewed such reports, including the complementary user controls. We have implemented the relevant user controls, and they were in operation for the year ended June 30, 2020.

- We have appropriately disclosed the PERS' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- We acknowledge our responsibility for presenting the schedules of investment expenses, schedules of administrative expenses, schedules of consulting expenses, and statement of appropriations (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

Signature: ______________________ Title: Executive Director

Signature: ______________________ Title: Chief Operating/Financial Officer

CliftonLarsonAllen LLP
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Board of Trustees and Management
North Dakota Public Employees Retirement System
Bismarck, North Dakota

In planning and performing our audit of the financial statements of the North Dakota Public Employees Retirement System (ND PERS) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the entity's 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

During our audit we became aware of other matters that are opportunities to strengthen your internal control. Our comments and suggestions regarding those matters are summarized below. This letter does not affect our report on the financial statements dated December 7, 2020, nor our 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* dated December 7, 2020.

Contribution Rates

Contributions to ND PERS' Public Employees Retirement System (also referred to as the Main System) and the Highway Patrolmen's Retirement System (HPRS) are based on fixed statutory rates. The cumulative contribution deficiency over the past 10 years between the actuarially determined contributions and the contributions in relation to the actuarially determined contribution for the Main System and HPRS was $466,542,000 and $6,297,000, respectively, as documented below in the schedules of employer contributions, which are also located in the required supplementary information section of the financial statements.

Main System ***($'s in thousands)***

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	140,537	127,129	125,714	116,564	124,336	107,514	107,864	97,985	91,458	82,910
Contributions in Relation to the Actuarially Determined Contribution	85,504	81,588	80,727	78,934	77,081	70,843	61,661	48,847	38,006	32,278
Contribution Deficiency (Excess)	55,033	45,541	44,987	37,630	47,255	36,671	46,203	49,138	53,452	50,632

HPRS ***($'s in thousands)***

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	3,256	2,936	2,949	3,060	2,307	2,201	2,348	2,191	2,171	1,744
Contributions in Relation to the Actuarially Determined Contribution	2,177	2,091	2,153	2,156	2,127	2,002	1,865	1,586	1,423	1,286
Contribution Deficiency (Excess)	1,079	845	796	904	180	199	483	605	748	458

The Main System's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability has decreased from 78.18% in 2014 to 49.44% in 2020 and the HPRS' Plan Fiduciary Net Position as a Percentage of the Total Pension Liability has decreased from 87.05% in 2014 to 46.11% in 2020. These ratios are presented in the Schedules of Changes to the Net Pension Liability and Related Ratios, which are also located in the required supplementary information section of the financial statements. One of the contributing factors to this decrease is the contribution deficiency.

ND PERS' actuary, GRS, noted the following in their actuarial valuation as of July 1, 2020 for the Main System:

> "Contributions to PERS are based on fixed statutory contribution rates. Based on the current actuarial valuation and the current actuarial assumptions, methods and benefit provisions for current employees, the total statutory contribution rate of 14.12 percent for the Main System (15.26 percent for employees hired on or after January 1, 2020) is not expected to ever amortize the unfunded liability. The plan changes for employees first enrolled on or after January 1, 2020 are expected to slowly improve the funding of the plan, but only have a marginal impact on the current valuation results. Despite lower liabilities for new members, the Main System funded ratio is projected to decline indefinitely. We recommend an increase to the Main System total statutory contribution rate such that the funded ratio is projected to reach 100 percent within 30 years."

We recommend that management continue to monitor the impact of the current statutory contribution rates on the funding of the Main System and the HPRS and continue to work toward adjusting those rates in accordance with the actuary's recommendations.

Management's Response

In 2010, the NDPERS Board adopted a four-year recovery plan to address the funding challenges faced by the retirement plans. The proposed plan was a "shared" recovery plan, which included increasing both the employee contributions and the employer contributions by one percent a year for four years. During the 2011 legislative session, NDPERS introduced a bill which provided for one percent increases to both the employer and employee contribution rates effective January 1, 2012 and increased annually thereafter by one percent, with the final increase taking place on January 1, 2015. The first two years of the recovery plan were passed, resulting in both the employee and employer contribution rates increasing by 1%, effective January 1, 2012, with a similar increase for January 1, 2013. The legislature chose to postpone taking action on the 2014 and 2015 increases until the next legislative session.

During the 2013 legislative session, NDPERS introduced a bill to provide for the final two years of the four-year recovery plan. The legislature passed the third year of the recovery plan, which provided for an additional one percent employee and employer contribution increase effective January 1, 2014.

During the 2015 legislative session, NDPERS introduced a bill to provide for the final year of the four-year recovery plan and also proposed benefit reductions for new employees. The contribution increase was not passed by the legislature, but the benefit reductions for new employees hired after December 31, 2015 were passed.

During the 2017 legislative session, NDPERS again introduced a bill to provide for the final year of the four-year recovery plan. The legislature did not pass this bill.

For the 2019 legislative session, NDPERS introduced three bills to help the funding of the retirement plan. These included:

1. The final year of the four-year recovery plan – with 1% employer and 1% employee contribution increases becoming effective January 1, 2020

2. Eliminate the Retiree Health Insurance Credit benefit for new hires after December 31, 2019 and redirect the employer contribution into the retirement fund

3. Reduce the multiplier from 2% to 1.75% for new hires after December 31, 2019

The legislature did pass the second and third bills, lowering benefits for all those newly enrolled into the retirement plan after December 31, 2019.

For the 2021 legislative session, NDPERS will be deciding which of the following bills to introduce during the session to help the funding of the retirement plan.

1. The final year of the four-year recovery plan – with 1% employer and 1% employee contribution increases becoming effective January 1, 2022

2. A bill to increase the employer contribution by the actuarially determined contribution shortfall.

3. A bill to increase the employer contribution by 2% effective January 1, 2022.

4. A bill to increase the employer contribution by 1.95%, which is the actuarial equivalent of the benefit reductions implemented to members, effective January 1, 2022.

The passage of any of these bills would significantly accelerate the timeframe in which the plan is projected to become 100% funded. All of them would put us on a path to full funding, which currently doesn't exist. The Board will be determining what bills they would like to submit in the coming months.

ND PERS' written responses to the other matters identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management of ND PERS, the Board of Trustees, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

Attachment

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2020 AND 2019

CliftonLarsonAllen LLP
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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 Financial Statements

We have audited the accompanying financial statements of the proprietary fund and each of the individual fiduciary funds of the North Dakota Public Employees' Retirement System (the System), a department of the State of North Dakota, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the fiduciary net position of each of the individual fiduciary funds of the System as of June 30, 2020 and 2019, 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.

A member of Nexia International

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

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, 2020 and 2019, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedules of investment expenses, administrative expenses and consulting expenses, and statement of appropriations (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.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 7, 2020, 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 System's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

Management's Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System's (NDPERS) financial performance provides an overview of the agency's financial activities for the fiscal years ended June 30, 2020 and 2019. 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, 2020, and 2019, 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:

	2020	2019
Public Employees Retirement System	49.4%	72.5%
Highway Patrolmen Retirement System	46.1%	76.6%
Retirement Plan for Employees of Job Service of ND	148.5%	146.8%
Retiree Health Insurance Credit Fund	63.4%	63.1%

  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 from June 30, 2019 to June 30, 2020. The increase 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 positive investment earnings in the current year.

- The fiduciary net position for all trust funds administered by NDPERS increased $77.9 million or 2.2% during the fiscal year ended June 30, 2020. This increase is primarily due to increased investment earnings as well as increased contributions from members and their employers.

(in thousands)	Change in Net Position
Public Employees Retirement System	$ 57,620
Highway Patrolmen Retirement System	769
Retiree Health Insurance Credit Fund	8,109
Defined Contribution Retirement Fund	709
Pretax Benefits Fund	-
Deferred Compensation Plan	12,694
Retirement Plan for Employees of Job Service ND	(1,953)
Total Increase in Plan Fiduciary Net Position	$ 77,948

Financial Highlights – Uniform Group Insurance Program

- Net position increased by $6.81 million or 23.5%. The increase is primarily a result of a moratorium on Patient Protection and Affordable Care Act (PPACA) fees that was accrued as of June 30, 2020 totaling $6.99 million.

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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019 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 Administrative Expenses, Schedule of Investment Expenses, Schedule of Consultant Expenses and Statement of Appropriations.

Financial Analysis

The financial results for fiscal years 2020, 2019 and 2018 are summarized on page 5. The information in the tables on the following page are condensed from the Financial Statements.

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

	June 30, 2020	% Change	June 30, 2019	% Change	June 30, 2018
Assets					
Cash	$ 16,847	10.1%	$ 15,303	24.2%	$ 12,325
Receivables	25,582	-0.4%	25,680	6.7%	24,063
Investments	3,596,248	2.2%	3,517,501	4.5%	3,366,923
Invested Securities Lending Collateral	9,189	-10.3%	10,242	15.1%	8,902
Software & Equipment, Net of Accumulated Depreciation	375	-61.6%	976	-42.8%	1,707
Total Assets	3,648,241	2.2%	3,569,702	4.6%	3,413,920
Liabilities					
Long-Term Liabilities	152	24.6%	122	-22.8%	158
Other Liabilities	13,452	4.4%	12,891	16.0%	11,111
Total Liabilities	13,604	4.5%	13,013	15.5%	11,269
Fiduciary Net Position	$ 3,634,637	2.2%	$ 3,556,689	4.5%	$ 3,402,651

The total assets for all fiduciary funds as of June 30, 2020 were $3.65 billion and were comprised mostly of investments. For the fiscal year ended June 30, 2020 net position increased $78 million. The increase was primarily due to financial market gains during the fiscal year. For the fiscal year ended June 30, 2019, net position increased by $154 million. This increase was primarily due to contributions and financial market gains during the fiscal year.

Total liabilities as of June 30, 2020 increased $0.6 million due to an increase in accounts payable. Total liabilities as of June 30, 2019 increased $1.7 million over the prior year due to increases in securities lending collateral.

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

	June 30, 2020	% Change	June 30, 2019	% Change	June 30, 2018
Additions					
Contributions	$ 203,276	4.7%	$ 194,086	0.5%	$ 193,038
Transfers In	2,103	9.1%	1,927	-8.4%	2,103
Net Investment Income	118,521	-36.1%	185,529	-33.1%	277,427
Other	12,518	41.2%	8,865	-59.5%	21,895
Total Additions	336,418	-13.8%	390,407	-21.0%	494,463
Deductions					
Benefit Payments	238,909	8.8%	219,596	7.4%	204,373
Transfers Out	644	58.6%	406	-43.3%	716
Refunds	14,252	20.4%	11,840	5.2%	11,250
Administrative Expenses	4,665	3.1%	4,524	-1.6%	4,598
Total Deductions	258,470	9.4%	236,366	7.0%	220,937
Change in Fiduciary Net Position	$ 77,948	-49.4%	$ 154,041	-43.7%	$ 273,526

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 $9.4 million for the year ended June 30, 2020 and increased $0.9 million for the year ended June 30, 2019. The increases reflect an increase in contributions as a result of membership and payroll growth. Investment earnings, while positive in 2020 and 2019, decreased by $67.0 million and $91.2 million from the prior years, respectively. The change in Other Additions for June 30, 2020 and June 30, 2019 is primarily due to fluctuations in service purchase payments received during the year.

Deductions. Total deductions increased by $22.1 million or 9.4% for the fiscal year ended June 30, 2020. Total deductions increased by $15.4 million or 7.0% for the fiscal year ended June 30, 2019. 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, 2020	% Change	June 30, 2019	% Change	June 30, 2018
Assets					
Cash & Investments	$ 36,294	4.7%	$ 34,676	-0.3%	$ 34,767
Receivables	7,279	2835.1%	248	-95.8%	5,900
Software	151	-61.7%	394	-42.7%	688
Total Assets	43,724	23.8%	35,318	-14.6%	41,355
Liabilities					
Long-Term Liabilities	65	22.6%	53	-23.2%	69
Other Liabilities	7,834	25.2%	6,255	11.9%	5,588
Total Liabilities	7,899	25.2%	6,308	11.5%	5,657
Net Position	$ 35,825	23.5%	$ 29,010	-18.7%	$ 35,698

The net position for the proprietary fund increased by $6.8 million during the fiscal year ended June 30, 2020. The increase is due to a refund of PPACA fees for the year as a result of a federal moratorium. The net position for the proprietary fund decreased by $6.69 million during the fiscal year ended June 30, 2019. The decrease was primarily due to the buydown of insurance premiums for the year.

Total assets, as of June 30, 2020, were $43.7 million and were comprised mainly of cash and investments. Total assets increased by $8.4 million from the prior fiscal year primarily due to receivable related to the PPACA moratorium. Total assets, as of June 30, 2019, were $35.3 million and were comprised mainly of cash and investments. Total assets decreased by $6.0 million from the prior fiscal year primarily due to the buydown of insurance premiums.

Total liabilities, as of June 30, 2020, were $7.9 million, $6.3 million as of June 30, 2019 and $5.7 million as of June 30, 2018, 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 15.

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, 2020	% Change	June 30, 2019	% Change	June 30, 2018
Operating Revenues					
Premium Revenues	$ 367,910	11.1%	$ 331,090	-4.8%	$ 347,623
Administrative Fee	1,001	-0.1%	1,002	-8.9%	1,100
Miscellaneous	7,023	175475.0%	4	-101.5%	(273)
Total Operating Revenues	375,934	13.2%	332,096	-4.7%	348,450
Non-Operating Revenues					
Net Investment Income	717	-52.8%	1,519	337.8%	347
Total Revenues	376,651	12.9%	333,615	-4.4%	348,797
Operating Expenses					
Premium Expenses	367,954	8.8%	338,090	-4.8%	354,958
Administrative Expenses	1,769	-6.3%	1,888	2.6%	1,841
Total Operating Expenses	369,723	8.7%	339,978	-4.7%	356,799
Non-Operating Expense					
Transfer Out	113	-65.2%	325	135.5%	138
Change in Net Position	$ 6,815	201.9%	$ (6,688)	-17.8%	$ (8,140)
Total Net Position	$ 35,825	23.5%	$ 29,010	-18.7%	$ 35,698

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. The net position for the proprietary fund decreased by $6.7 million during the fiscal year ended June 30, 2019 primarily due to the buydown of insurance premiums for the year. The net position for the proprietary fund decreased by $8.1 million during the fiscal year ended June 30, 2018 primarily due to the buydown of insurance premiums for the year.

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, 2020 AND 2019

	Uniform Group Insurance Program	
	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 4,914,119	$ 3,602,289
Invested Cash	2,727,932	2,867,344
Commingled Domestic Fixed Income Investments	28,651,685	28,207,330
Due from Other State Agencies	52,724	-
Accounts Receivable	7,226,484	248,238
Total Current Assets	43,572,944	34,925,201
NONCURRENT ASSETS		
Capital Assets (Net of Depreciation/Amortization)	151,212	393,539
Total Assets	43,724,156	35,318,740
LIABILITIES		
CURRENT LIABILITIES		
Salaries Payable	79,111	84,825
Accounts Payable	157,551	102,427
Due to Other State Agencies	8,920	9,779
Unearned Premiums	7,582,398	6,052,981
Accrued Compensated Absences	6,390	5,209
Total Current Liabilities	7,834,370	6,255,221
NONCURRENT LIABILITIES		
Accrued Compensated Absences	65,086	53,053
Total Liabilities	7,899,456	6,308,274
NET POSITION		
Net Investment in Capital Assets	151,212	393,539
Unrestricted Net Position	35,673,488	28,616,927
Total Net Position	$ 35,824,700	$ 29,010,466

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2020 AND 2019

	Uniform Group Insurance Program	
	2020	2019
OPERATING REVENUES		
Premium Revenues	$ 367,910,354	$ 331,090,017
Administrative Fee	1,001,017	1,001,677
Underwriting Gain (Loss)	6,992,619	(2,163)
Miscellaneous	30,000	6,094
Total Operating Revenues	375,933,990	332,095,625
OPERATING EXPENSES		
Premium Expenses	367,954,336	338,089,595
Salaries and Wages	937,444	976,168
Operating Expenses	330,960	346,463
Professional Fees	117,316	179,353
Data Processing	86,508	91,407
Amortization	297,190	294,577
Total Operating Expenses	369,723,754	339,977,563
Operating Gain (Loss)	6,210,236	(7,881,938)
NON-OPERATING REVENUES AND EXPENSES		
Investment Income	747,377	1,563,073
Investment Expenses	(30,879)	(43,655)
Total Non-Operating Revenues and Expenses	716,498	1,519,418
INCOME (LOSS) BEFORE TRANSFERS	6,926,734	(6,362,520)
TRANSFERS OUT	112,500	325,000
Change in Net Position	6,814,234	(6,687,520)
Total Net Position - Beginning of Year	29,010,466	35,697,986
TOTAL NET POSITION - END OF YEAR	$ 35,824,700	$ 29,010,466

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2020 AND 2019

	Uniform Group Insurance Program	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Collected	$ 367,910,354	$ 331,090,017
Administrative Fees Collected	(4,500,535)	1,635,699
Payments to Suppliers	(480,519)	(631,045)
Premiums Paid	(367,954,336)	(338,089,595)
Payments to Employees	(929,945)	(992,190)
Underwriting Gain	6,992,619	5,696,837
Miscellaneous Income	30,000	6,094
Net Cash Provided (Used) by Operating Activities	1,067,638	(1,284,183)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(444,355)	1,676,588
Investment Income	747,377	1,563,073
Investment Expense	(30,879)	(43,655)
Net Cash Provided by Investing Activities	272,143	3,196,006
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Purchase of Software	(54,863)	-
Transfers Out	(112,500)	(325,000)
Net Cash Used by Financing Activities	(167,363)	(325,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,172,418	1,586,823
Cash and Cash Equivalents - Beginning of Year	6,469,633	4,882,810
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 7,642,051	$ 6,469,633
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 6,210,236	$ (7,881,938)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Amortization	297,190	294,577
Effect of Changes in Assets and Liabilities:		
Accounts Receivable	(6,978,246)	5,651,886
Due from Other State Agencies	(52,724)	-
Salaries Payable	(5,714)	784
Accrued Compensated Absences	13,214	(16,807)
Accounts Payable	55,124	3,769
Due to Fiduciary Funds	-	(17,589)
Due to Other State Agencies	(859)	(2)
Amounts Held in Custody for Others	1,529,417	681,137
Net Cash Provided (Used) by Operating Activities	$ 1,067,638	$ (1,284,183)

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
ASSETS								
Cash	$ 15,113,663	$ -	$ 814,077	$ 159,859	$ 501,349	$ 250,648	$ 7,644	$ 16,847,240
Receivables:								
Contribution Receivable	12,756,310	23,152	1,007,849	83,406	518,551	966,517	2,153	15,357,938
Interest Receivable	9,952,954	261,434	252	-	-	-	43	10,214,683
Due from Other Fiduciary Funds	9,250							9,250
Due from Other State Agencies	-	-	291	-	-	-	-	291
Total Receivables	22,718,514	284,586	1,008,392	83,406	518,551	966,517	2,196	25,582,162
Investments:								
External Investment Pool	3,120,007,872	81,897,326	-	-	-	-	-	3,201,905,198
Equities	-	-	88,768,471	-	-	-	18,153,248	106,921,719
Fixed Income	-	-	54,676,415	285,606	-	2,262,844	76,766,803	133,991,668
Mutual Funds	-	-	-	14,974,555	-	133,971,266	-	148,945,821
Invested Cash	-	-	792,184	224,680	-	3,048,553	418,439	4,483,856
Total Investments	3,120,007,872	81,897,326	144,237,070	15,484,841	-	139,282,663	95,338,490	3,596,248,262
Invested Securities Lending Collateral	8,953,451	235,324	-	-	-	-	-	9,188,775
Capital Assets (Net of Depreciation/Amortization)	200,849	2,551	17,873	1,034	50,404	100,808	991	374,510
Total Assets	3,166,994,349	82,419,787	146,077,412	15,729,140	1,070,304	140,600,636	95,349,321	3,648,240,949

See accompanying notes to financial statements.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
LIABILITIES								
Salaries Payable	$ 118,234	$ -	$ -	$ -	$ 18,495	$ 33,653	$ -	170,382
Accounts Payable	3,454,006	-	456,495	-	12,077	11,771	89,434	4,023,783
Due to Other State Agencies	13,824	-	-	98	2,580	4,537	-	21,039
Due to Other Fiduciary Funds	-	-	-	-	-	-	9,250	9,250
Amounts Held in Custody for Others	-	-	-	-	-	38,644	-	38,644
Securities Lending Collateral	8,953,451	235,324	-	-	-	-	-	9,188,775
Accrued Compensated Absences	103,695	-	-	-	14,683	33,884	-	152,262
Total Liabilities	12,643,210	235,324	456,495	98	47,835	122,489	98,684	13,604,135
FIDUCIARY NET POSITION								
Restricted for Pensions	3,154,351,139	82,184,463	-	15,729,042	-	140,478,147	95,250,637	3,487,993,428
Restricted for Postemployment Healthcare Benefits	-	-	145,620,917	-	-	-	-	145,620,917
Restricted for Pretax Benefits	-	-	-	-	1,022,469	-	-	1,022,469
Total Fiduciary Net Position Held in Trust	$ 3,154,351,139	$ 82,184,463	$ 145,620,917	$ 15,729,042	$ 1,022,469	$ 140,478,147	$ 95,250,637	$ 3,634,636,814

See accompanying notes to financial statements.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
ASSETS								
Cash	$ 13,612,534	$ -	$ 927,624	$ 114,690	$ 445,409	$ 200,509	$ 2,113	$ 15,302,879
Receivables:								
Contribution Receivable	13,105,664	-	1,050,419	105,171	505,782	1,037,149	2,430	15,806,615
Interest Receivable	9,617,806	254,928	22	-	-	-	237	9,872,993
Due from Other State Agencies	-	-	294	-	-	-	-	294
Total Receivables	22,723,470	254,928	1,050,735	105,171	505,782	1,037,149	2,667	25,679,902
Investments:								
External Investment Pool	3,061,908,623	81,155,769	-	-	-	-	-	3,143,064,392
Equities	-	-	84,480,446	-	-	-	19,094,960	103,575,406
Fixed Income	-	-	51,472,649	234,950	-	2,066,180	77,780,193	131,553,972
Mutual Funds	-	-	-	14,368,134	-	121,999,475	-	136,367,609
Invested Cash	-	-	9,404	193,159	-	2,327,401	409,888	2,939,852
Total Investments	3,061,908,623	81,155,769	135,962,499	14,796,243	-	126,393,056	97,285,041	3,517,501,231
Invested Securities Lending Collateral	9,977,140	264,646	-	-	-	-	-	10,241,786
Capital Assets (Net of Depreciation/Amortization)	521,286	4,822	50,134	3,544	131,180	262,359	3,027	976,352
Total Assets	3,108,743,053	81,680,165	137,990,992	15,019,648	1,082,371	127,893,073	97,292,848	3,569,702,150

See accompanying notes to financial statements.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
LIABILITIES								
Salaries Payable	$ 99,247	$ -	$ -	$ -	$ 20,569	$ 40,921	$ -	160,737
Accounts Payable	1,844,752	-	478,706	8	24,592	16,071	89,602	2,453,731
Due to Other State Agencies	11,948	-	-	94	2,801	4,859	-	19,702
Amounts Held in Custody for Others	-	-	-	-	-	14,795	-	14,795
Securities Lending Collateral	9,977,140	264,646	-	-	-	-	-	10,241,786
Accrued Compensated Absences	78,885	-	-	-	11,532	31,811	-	122,228
Total Liabilities	12,011,972	264,646	478,706	102	59,494	108,457	89,602	13,012,979
FIDUCIARY NET POSITION								
Restricted for Pensions	3,096,731,081	81,415,519	-	15,019,546	-	127,784,616	97,203,246	3,418,154,008
Restricted for Postemployment Healthcare Benefits	-	-	137,512,286	-	-	-	-	137,512,286
Restricted for Pretax Benefits	-	-	-	-	1,022,877	-	-	1,022,877
Total Fiduciary Net Position Held in Trust	$ 3,096,731,081	$ 81,415,519	$ 137,512,286	$ 15,019,546	$ 1,022,877	$ 127,784,616	$ 97,203,246	$ 3,556,689,171

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, 2020

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
ADDITIONS								
Contributions:								
From Employer	$ 85,504,033	$ 2,176,902	$ 13,392,266	$ 479,861	$ -	$ -	$ -	$ 101,553,062
From Employee	81,477,666	1,469,682	16,319	482,365	5,534,001	12,716,174	27,047	101,723,254
Transfers from Other Plans	-	-	-	6,221	-	637,500	-	643,721
From External Plans	-	-	-	4,324	-	1,454,944	-	1,459,268
Total Contributions	166,981,699	3,646,584	13,408,585	972,771	5,534,001	14,808,618	27,047	205,379,305
Investment Income:								
Net Change in Fair Value of Investments	43,599,936	1,150,890	3,791,934	(132,456)	-	4,681,216	149,250	53,240,770
Interest and Dividends	65,795,981	1,736,006	3,530,531	677,312	1,747	931	2,792,754	74,535,262
Less Investment Expense	(8,419,181)	(222,946)	(417,596)	(8,520)	-	-	(320,937)	(9,389,180)
Net Investment Income	100,976,736	2,663,950	6,904,869	536,336	1,747	4,682,147	2,621,067	118,386,852
Securities Lending Income	129,262	3,421	-	-	-	-	-	132,683
Repurchase Service Credit	10,818,588	205,461	556,585	2,727	-	-	-	11,583,361
FICA Tax Savings	-	-	-	-	806,837	-	-	806,837
Transfer from Proprietary Fund	-	-	-	-	-	112,500	-	112,500
Miscellaneous Income (Expense)	(2,580)	(16)	9,580	8,870	-	100	-	15,954
Total Additions	278,903,705	6,519,400	20,879,619	1,520,704	6,342,585	19,603,365	2,648,114	336,417,492
DEDUCTIONS								
Benefits Paid to Participants	204,312,452	5,580,332	-	802,861	5,285,746	6,033,883	4,581,575	226,596,849
Refunds	14,122,715	124,254	4,614	-	-	-	-	14,251,583
Prefunded Credit Applied	-	-	12,312,461	-	-	-	-	12,312,461
Transfers to Other Plans	118,721	-	-	-	525,000	-	-	643,721
	218,553,888	5,704,586	12,317,075	802,861	5,810,746	6,033,883	4,581,575	253,804,614
Administrative Expenses	2,729,759	45,870	453,913	8,347	532,247	875,951	19,148	4,665,235
Total Deductions	221,283,647	5,750,456	12,770,988	811,208	6,342,993	6,909,834	4,600,723	258,469,849
CHANGE IN FIDUCIARY NET POSITION	57,620,058	768,944	8,108,631	709,496	(408)	12,693,531	(1,952,609)	77,947,643
Net Position - Beginning of Year	3,096,731,081	81,415,519	137,512,286	15,019,546	1,022,877	127,784,616	97,203,246	3,556,689,171
FIDUCIARY NET POSITION - END OF YEAR	$ 3,154,351,139	$ 82,184,463	$ 145,620,917	$ 15,729,042	$ 1,022,469	$ 140,478,147	$ 95,250,637	$ 3,634,636,814

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, 2019

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota	Total
ADDITIONS								
Contributions:								
From Employer	$ 81,588,318	$ 2,090,886	$ 12,977,460	$ 504,381	$ -	$ -	$ -	$ 97,161,045
From Employee	78,213,580	1,411,619	15,859	495,881	5,550,283	11,208,573	29,159	96,924,954
Transfers from Other Plans	-	-	-	5,963	-	400,000	-	405,963
From External Plans	-	-	-	-	-	1,521,518	-	1,521,518
Total Contributions	159,801,898	3,502,505	12,993,319	1,006,225	5,550,283	13,130,091	29,159	196,013,480
Investment Income:								
Net Change in Fair Value of Investments	100,603,577	2,678,760	5,197,140	4,619	-	6,252,160	3,497,989	118,234,245
Interest and Dividends	67,026,499	1,784,059	3,373,208	794,206	945	1,466	3,043,292	76,023,675
Less Investment Expense	(8,017,853)	(217,565)	(391,416)	(8,009)	-	-	(311,651)	(8,946,494)
Net Investment Income	159,612,223	4,245,254	8,178,932	790,816	945	6,253,626	6,229,630	185,311,426
Securities Lending Income	211,869	5,647	-	-	-	-	-	217,516
Repurchase Service Credit	7,219,697	167,824	377,329	-	-	-	-	7,764,850
FICA Tax Savings	-	-	-	-	772,629	-	-	772,629
Transfer from Proprietary Fund	-	-	-	-	-	325,000	-	325,000
Miscellaneous Income (Expense)	(5,641)	(41)	(857)	8,339	-	(216)	-	1,584
Total Additions	326,840,046	7,921,189	21,548,723	1,805,380	6,323,857	19,708,501	6,258,789	390,406,485
DEDUCTIONS								
Benefits Paid to Participants	185,644,486	5,341,256	-	1,049,355	5,460,799	5,975,993	4,626,846	208,098,735
Refunds	11,782,488	49,859	7,180	-	-	-	-	11,839,527
Prefunded Credit Applied	-	-	11,497,890	-	-	-	-	11,497,890
Transfers to Other Plans	330,963	-	-	-	75,000	-	-	405,963
	197,757,937	5,391,115	11,505,070	1,049,355	5,535,799	5,975,993	4,626,846	231,842,115
Administrative Expenses	2,531,304	43,555	437,349	8,535	570,248	916,616	16,808	4,524,415
Total Deductions	200,289,241	5,434,670	11,942,419	1,057,890	6,106,047	6,892,609	4,643,654	236,366,530
CHANGE IN FIDUCIARY NET POSITION	126,550,805	2,486,519	9,606,304	747,490	217,810	12,815,892	1,615,135	154,039,955
Net Position - Beginning of Year	2,970,180,276	78,929,000	127,905,982	14,272,056	805,067	114,968,724	95,588,111	3,402,649,216
FIDUCIARY NET POSITION - END OF YEAR	$ 3,096,731,081	$ 81,415,519	$ 137,512,286	$ 15,019,546	$ 1,022,877	$ 127,784,616	$ 97,203,246	$ 3,556,689,171

See accompanying notes to financial statements.

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 Comprehensive Annual 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.

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.

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

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

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.

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 Schedule 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, 2020 and 2019. 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.

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, 2020 and 2019, 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.

Unearned Premiums

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

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 2020 and 2019, transfers to other plans also includes operating transfers from the pretax benefits program, retirement plan, and insurance plan to the deferred compensation plan to cover general administrative expenses.

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, 2020 and June 30, 2019. 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 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.

NOTE 2 DEPOSITS AND INVESTMENTS

Defined Contribution Retirement Fund

	June 30, 2020			
	June 30, 2020	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	$ 14,974,555	$ 14,974,555	$ -	$ -
Investments at Contract Value				
Fixed Income	285,606			
Investments at Amortized Cost				
Invested Cash	224,680			
Total Investments	$ 15,484,841			

	June 30, 2019			
	June 30, 2019	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	$ 14,368,134	$ 14,368,134	$ -	$ -
Investments at Contract Value				
Fixed Income	234,950			
Investments at Amortized Cost				
Invested Cash	193,159			
Total Investments	$ 14,796,243			

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deferred Compensation Plan

	June 30, 2020			
	June 30, 2020	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	$ 133,971,266	$ 133,971,266	$ -	$ -
Investments at Contract Value				
Fixed Income	2,262,844			
Investments at Amortized Cost				
Invested Cash	3,048,553			
Total Investments	$ 139,282,663			

	June 30, 2019			
	June 30, 2019	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	$ 121,999,475	$ 121,999,475	$ -	$ -
Investments at Contract Value				
Fixed Income	2,066,180			
Investments at Amortized Cost				
Invested Cash	2,327,401			
Total Investments	$ 126,393,056			

Investments Measured at the Net Asset Value – Proprietary Fund

	June 30, 2020
Commingled Domestic Fixed Income	$ 28,651,685

	June 30, 2019
Commingled Domestic Fixed Income	$ 28,207,330

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at the Net Asset Value – Fiduciary Funds

	June 30, 2020			
	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	$ 3,120,007,872	$ 81,897,326	$ -	$ -
Commingled Equities	-	-	88,768,471	18,153,248
Commingled Fixed Income	-	-	54,676,415	76,766,803
Total Investments Measured at the Net Asset Value	$ 3,120,007,872	$ 81,897,326	$ 143,444,886	$ 94,920,051

	June 30, 2019			
	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	$ 3,061,908,623	$ 81,155,769	$ -	$ -
Commingled Equities	-	-	84,480,446	19,094,960
Commingled Fixed Income	-	-	51,472,649	77,780,193
Total Investments Measured at the Net Asset Value	$ 3,061,908,623	$ 81,155,769	$ 135,953,095	$ 96,875,153

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, 2020 and 2019. 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, 2020 and 2019, 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.

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.

	2020	2019
Cash Deposits at the Bank of North Dakota Recorded as Cash and Cash Equivalents	$ 19,444,296	$ 16,697,023
Cash Deposits at State Treasury Recorded as Cash and Cash Equivalents	2,250,071	2,044,097
Cash Held by the North Dakota Retirement and Investment Office Recorded as Cash and Cash Equivalents	2,727,932	2,867,344
Guaranteed Investment Contract with Health Plan Provider Recorded as Cash and Cash Equivalents	66,993	164,048
Total Cash and Cash Equivalents	$ 24,489,292	$ 21,772,512

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, 2020 and 2019, the carrying amount of the System's cash deposits were $53,140,977 and $49,979,842, and the bank balances were $55,005,793 and $49,473,133. All of the System's deposits are uncollateralized and uninsured at June 30, 2020 and 2019.

Investments

Total investments of the fiduciary funds of the System as of June 30, 2020 and 2019, consisted of the following:

	2020	2019
Equity Securities	$ 1,952,520,744	$ 1,936,989,935
Fixed Income Securities	869,135,872	840,744,060
Real Assets	602,436,549	581,869,362
Mutual Funds	148,945,821	136,367,608
Invested Cash	23,209,276	21,530,266
Securities Lending Collateral	9,188,775	10,241,786
	$ 3,605,437,037	$ 3,527,743,017

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, 2020 and 2019:

Asset Class	Target Allocation		
	PERS & HPRS	JSND	RHIC
Domestic Equities	30.00%	6.00%	39.00%
International Equities	21.00%	14.00%	21.00%
Private Equity	7.00%	6.00%	0.00%
Domestic Fixed Income	23.00%	74.00%	40.00%
International Fixed Income	0.00%	0.00%	0.00%
Global Real Assets	19.00%	0.00%	0.00%
Cash and Equivalents	0.00%	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, 2020 and 2019 are:

	2020	2019
Public Employees Retirement System	3.57%	5.69%
Highway Patrolman's Retirement System	3.28%	5.39%
Job Service Plan	3.09%	7.00%
Retiree Health Insurance Credit Fund	5.37%	6.75%

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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

For the years ended June 30, 2020 and 2019, the following are the net realized gains (losses):

	2020	2019
Public Employees Retirement System	$ 59,815,789	$ 78,102,906
Highway Patrolmen's Retirement System	1,578,933	2,079,637
Retiree Health Insurance Credit Plan	9,822,393	7,871,283
Defined Contribution Plan	(5,049)	230,794
Deferred Compensation Plan	5,491,243	6,454,352
Job Service Plan	1,125,627	2,901,971

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.

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

	2020				
Type (in thousands)	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Domestic Fixed Income Pool	$ 486,185	$ 23,329	$ 129,948	$ 64,822	$ 268,086
Below Investment Grade FI Pool	78,309	99	31,774	33,821	12,615
Large Cap Domestic Equity Pool	98,564	569	48,562	4,373	45,060
Small Cap Domestic Equity Pool	68,182	-	32,217	1,923	34,042
Total Debt Securities	$ 731,240	$ 23,997	$ 242,501	$ 104,939	$ 359,803

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

	2019				
Type (in thousands)	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Domestic Fixed Income Pool	$ 482,379	$ 17,789	$ 87,971	$ 129,571	$ 247,048
Below Investment Grade FI Pool	95,303	2,030	49,205	34,479	9,589
Large Cap Domestic Equity Pool	73,284	620	35,658	2,648	34,358
Small Cap Domestic Equity Pool	54,600	4	26,541	2,354	25,701
Total Debt Securities	$ 705,566	$ 20,443	$ 199,375	$ 169,052	$ 316,696

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

Job Service Retirement Plan

	2020				
Type (in thousands)	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Pooled Investments	$ 76,767	$ -	$ 48,531	$ 25,394	$ 2,842

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

	2019				
Type (in thousands)	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Pooled Investments	77,780	-	48,659	29,121	-

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

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Retiree Health Insurance Credit Fund

	2020				
Type (in thousands)	**Fair Value**	**Less Than 1 Year**	**1-6 Years**	**6-10 Years**	**Over 10 Years**
Pooled Investments	$ 54,676	$ -	$ 5,617	$ 43,307	$ 5,752

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

	2019				
Type (in thousands)	**Fair Value**	**Less Than 1 Year**	**1-6 Years**	**6-10 Years**	**Over 10 Years**
Pooled Investments	51,473	-	5,469	46,004	-

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 securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota State Investment Board loans was approximately 232 days as of June 30, 2020.

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

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

The June 30, 2020 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	$ 9,250	$ -
Highway Patrolmen's Retirement System	-	-
Retiree Health Insurance Credit Fund	-	-
Retirement Plan for Employees of Job Service North Dakota	-	9,250
Pretax Benefits Program	-	-
Deferred Compensation Plan	-	-
Defined Contribution Plan	-	-
Proprietary		
Uniform Group Insurance Program	-	-
	$ 9,250	$ 9,250

As of June 30, 2019 there were no due from/to balances on the fiduciary or proprietary funds as the Plan liquidated all account balances as of June 30, 2019.

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.

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

June 30, 2020 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	$ -	$ 12,832
Attorney General	-	783
Central Duplicating	-	17
Office of Administrative Hearings	-	192
Total	$ -	$ 13,824
Retiree Health Insurance Credit Fund		
Job Service	$ 291	$ -
Total	$ 291	$ -
Defined Contribution Plan		
Information Technology Department	$ -	$ 98
Total	$ -	$ 98
Pretax Benefits Program		
Information Technology Department	$ -	$ 2,424
Attorney General	-	156
Total	$ -	$ 2,580
Deferred Compensation Plan		
Information Technology Department	$ -	$ 4,198
Attorney General	-	339
Total	$ -	$ 4,537
Proprietary		
Uniform Group Insurance Program		
Information Technology Department	$ -	$ 8,383
Central Duplicating	-	17
Attorney General	-	520
Total	$ -	$ 8,920

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.

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

The June 30, 2019 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	$ -	$ 11,047
Attorney General	-	648
Central Duplicating	-	42
Department of Transportation	-	171
Central Supply	-	40
Total	$ -	$ 11,948
Retiree Health Insurance Credit Fund		
Job Service	$ 294	$ -
Total	$ 294	$ -
Defined Contribution Plan		
Information Technology Department	$ -	$ 94
Total	$ -	$ 94
Pretax Benefits Program		
Information Technology Department	$ -	$ 2,148
Attorney General	-	607
ND State Board of Accountancy		8
Central Duplicating	-	5
Central Supply	-	33
Total	$ -	$ 2,801
Deferred Compensation Plan		
Information Technology Department	$ -	$ 4,082
Attorney General	-	157
Department of Human Services	-	600
Central Supply	-	20
Total	$ -	$ 4,859
Proprietary		
Uniform Group Insurance Program		
Information Technology Department	$ -	$ 8,168
Central Supply	-	30
Attorney General	-	1,581
Total	$ -	$ 9,779

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

The June 30, 2020 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfers In	Transfers Out
Fiduciary Funds		
Defined Contribution Plan	$ 6,221	$ -
Deferred Compensation Plan	750,000	-
Pretax Benefit Program	-	525,000
Public Employee Retirement System	-	118,721
Proprietary Funds		
Uniform Group Insurance Program	-	112,500

The June 30, 2019 operating transfers in/out are summarized as follows:

Fund Type/Fund	Transfers In	Transfers Out
Fiduciary Funds		
Defined Contribution Plan	$ 5,963	$ -
Deferred Compensation Plan	725,000	-
Pretax Benefit Program	-	75,000
Public Employee Retirement System	-	330,963
Proprietary Funds		
Uniform Group Insurance Program	-	325,000

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.

NOTE 4 CAPITAL ASSETS

A statement of changes in equipment and accumulated depreciation for the System for the year ended June 30, 2020 and 2019 is as follows:

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	$ 2,921,416	$ 54,863	$ -	$ 2,976,279
Less Accumulated Amortization for:				
Software	(2,527,877)	(297,190)	-	(2,825,067)
Total Capital Assets Being Depreciated, Net	393,539	(242,327)	-	151,212
Proprietary Funds Capital Assets, Net	$ 393,539	$ (242,327)	$ -	$ 151,212
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	$ 7,244,785	$ 135,136	$ -	$ 7,379,921
Total Capital Assets Being Depreciated	7,244,785	135,136	-	7,379,921
Less Accumulated Depreciation for:				
Software	(6,268,433)	(736,978)	-	(7,005,411)
Total Capital Assets Being Depreciated, Net	976,352	(601,842)	-	374,510
Fiduciary Funds Capital Assets, Net	$ 976,352	$ (601,842)	$ -	$ 374,510

	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	$ 2,921,416	$ -	$ -	$ 2,921,416
Less Accumulated Amortization for:				
Software	(2,233,300)	(294,577)	-	(2,527,877)
Total Capital Assets Being Depreciated, Net	688,116	(294,577)	-	393,539
Proprietary Funds Capital Assets, Net	$ 688,116	$ (294,577)	$ -	$ 393,539
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	$ 7,244,785	$ -	$ -	$ 7,244,785
Total Capital Assets Being Depreciated	7,244,785	-	-	7,244,785
Less Accumulated Depreciation for:				
Software	(5,537,890)	(730,543)	-	(6,268,433)
Total Capital Assets Being Depreciated, Net	1,706,895	(730,543)	-	976,352
Fiduciary Funds Capital Assets, Net	$ 1,706,895	$ (730,543)	$ -	$ 976,352

NOTE 5 LEASE OBLIGATIONS

Operating Lease

The system entered into an operating lease for office space until June 30, 2021. Expenditures for this lease were $171,308 for the year ended June 30, 2020 and $176,202 for the year ended June 30, 2019, respectively. The future minimum lease payment for the fiscal year ending June 30, 2021 is $171,308.

The system has also entered into an operating lease for office equipment, with expenditures totaling $10,553 for the year ended June 30, 2020 and $9,354 for the year ended June 30, 2019.

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

NOTE 6 CHANGE IN LONG-TERM LIABILITIES

	Proprietary Fund	Fiduciary Fund
	Accrued Compensated Absences	Accrued Compensated Absences
Balance - June 30, 2018	75,069	158,261
Increases	51,349	107,725
Decreases	(68,156)	(143,758)
Balance - June 30, 2019	58,262	122,228
Increases	46,117	98,241
Decreases	(32,903)	(68,207)
Balance - June 30, 2020	$ 71,476	$ 152,262
Balance - Due Within One Year	$ 6,390	$ 13,612

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, 2020 and 2019, were $201,316 and $204,340 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, 2020 and 2019, were $16,682 and $13,965.

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.

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:

	2020	2019
Cities	98	94
Counties	51	50
School Districts	129	125
Other	86	85
Total Participating Political Subdivisions	364	354

Employee membership data is as follows:

	PERS		HPRS		Job Service	
	2020	2019	2020	2019	2020	2019
Retirees, Beneficiaries, and Disability						
Currently Receiving Benefits	12,945	12,300	133	136	181	185
Special Prior Service Retirees	-	-	-	-	-	-
Terminated Vested Participants	7,135	6,755	26	31	1	1
Inactive Participants	6,708	6,512	17	11	-	-
Active Plan Participants						
Vested	17,174	17,119	74	71	5	7
Nonvested	7,315	6,635	80	73	-	-
Total Plan Membership	51,277	49,321	330	322	187	193

The defined contribution plan had 93 and 99 active participants as of June 30, 2020 and June 30, 2019, 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.

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.

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.

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.

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.

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 13.3% and the employer rate is 19.7%.

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, 2020 and June 30, 2019 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.

NOTE 9 NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability (asset) of the Plans at June 30, 2020 and 2019, are as follows:

2020	PERS	HPRS	JSND
Total Pension Liability	$ 6,379,800,316	$ 178,229,354	$ 64,128,637
Plan Fiduciary Net Position	3,154,351,139	82,184,463	95,250,637
Net Pension Liability (Asset)	$ 3,225,449,177	$ 96,044,891	$ (31,122,000)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	49.44%	46.11%	148.53%

2019	PERS	HPRS	JSND
Total Pension Liability	$ 4,269,339,965	$ 106,315,030	$ 66,196,940
Plan Fiduciary Net Position	3,096,731,081	81,415,519	97,203,246
Net Pension Liability (Asset)	$ 1,172,608,884	$ 24,899,511	$ (31,006,306)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	72.53%	76.58%	146.84%

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, 2020 and 2019.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2020 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. The actuarial assumptions used in the June 30, 2019 valuations were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014 as adopted by the Board.

PERS:

The total pension liability as of June 30, 2020 and 2019, was determined by actuarial valuations as of July 1, 2020 and 2019, respectively, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Actuarial Cost Method	Entry Age Normal
Inflation	As of June 30, 2020, 2.25%. As of June 30, 2019, 2.5%
Salary Increases	For June 30, 2020, 3.50% to 17.75% including inflation. For June 30, 2019, 4.00% to 20.00% including inflation
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Mortality Rates	For June 30, 2020 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. For June 30, 2019 mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes	The interest rate on member contributions will decrease from 7.00% to 6.50% effective January 1, 2021. 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 7.50% to 7.00% beginning with the actuarial valuation as of July 1, 2020. 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 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.

Highway Patrol

The total pension liability as of June 30, 2020 and 2019, was determined by actuarial valuations as of July 1, 2020 and 2019, 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	For June 30, 2020, 2.25%. For June 30, 2019, 2.5%.
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	For June 30, 2020 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.

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

For June 30, 2019 , mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

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 employer rate to the System is the statutory ccontribution rate of 19.70% of payroll

JSND

The total pension liability as of June 30 2020 and 2019, was determined by actuarial valuations as of July 1, 2020 and 2019, 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	As of June 30, 2020, 2.25%. As of June 30, 2019, 2.5%.
Inflation	As of June 30, 2020, 2.25%. As of June 30, 2019, 2.5%.
Salary Increases	3.50%
Investment Rate of Return	As of June 30, 2020, 4.25%. As of June 30, 2019, 4.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality Rates	For June 30, 2020, 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.

For June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

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

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, 2020 are summarized in the following tables:

PERS and HPRS

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	6.30%
International Equity	6.85%
Private Equity	9.75%
Domestic Fixed Income	1.25%
Global Real Assets	5.01%
Cash Equivalents	0.00%

JSND

Asset Class	Long-Term Expected Real Rate of Return
Domestic Equity	5.50%
Core Fixed Income	0.07%
Limited Duration Fixed Income	-0.34%
Global Equity	5.24%
Diversified Short-Term Fixed Income	-0.21%
Short-Term Corporate Fixed Income	-0.89%
US High Yield	3.11%
Emerging Market Debt	5.26%

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.

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, 2020 valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%. For the June 30, 2019 valuation, the expected rate of return on pension plan investments was 7.50%, the municipal bond rate was 3.13%, and the resulting Single Discount Rate was 7.50%

For HPRS, the expected rate of return on pension plan investments is 7.00%, the municipal bond rate is 2.45% and the resulting Single Discount Rate is 4.09%. The discount rate used to measure the total pension liability was 7.50% as of June 30, 2019.

For JSND, the discount rate was 4.25% as of June 30, 2020 and 4.75% as of June 30, 2019. 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, 2020 and July 1, 2019 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, 2020. 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, 2020 and 2019.

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Plans as of June 30, 2020, calculated using the discount rate of 4.64% for PERS (7.50% as of June 30, 2019), 4.09% for HPRS (7.50% as of June 30, 2019) and 4.25% for JSND (4.75% as of June 30, 2019), 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:

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

as of June 30, 2020	(3.64%)	(4.64%)	(5.64%)
PERS	$ 4,199,073,080	$ 3,225,449,177	$ 2,429,510,424
	1% Decrease (3.09%)	**Current Discount (4.09%)**	**1% Increase (5.09%)**
HPRS	127,280,387	96,044,891	71,396,917
	1% Decrease (3.25%)	**Current Discount (4.25%)**	**1% Increase (5.25%)**
JSND	$ (24,661,696)	$ (31,122,000)	$ (36,644,730)

Net Pension Liability (Asset) as of June 30, 2019	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
PERS	$ 1,697,748,658	$ 1,172,608,884	$ 731,651,266
	1% Decrease (6.5%)	**Current Discount (7.5%)**	**1% Increase (8.5%)**
HPRS	38,662,943	24,899,511	13,491,914
	1% Decrease (3.75%)	**Current Discount (4.75%)**	**1% Increase (5.75%)**
JSND	$ (24,292,823)	$ (31,006,306)	$ (36,982,989)

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:

	2020	2019
Retired Participants, Receiving Benefits	13,092	12,471
Active Participants, Not Receiving Benefits	23,495	23,997
	36,587	36,468

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, 2020 and June 30, 2019 are as follows:

2020	RHIC
Total OPEB Liability	$ 229,740,674
RHIC Fiduciary Net Position	145,620,917
Net OPEB Liability (Asset)	$ 84,119,757
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.38%

2019	RHIC
Total OPEB Liability	$ 217,831,024
RHIC Fiduciary Net Position	137,512,286
Net OPEB Liability (Asset)	$ 80,318,738
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.13%

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	For June 30, 2020, 2.25%. For June 30, 2019, 2.50%
Salary Increases	Not applicable
Investment Rate of Return	For June 30, 2020, 6.50%. For June 30, 2019, 7.25%.
Mortality Rates	For June 30, 2020, Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for mailes 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 Geneeral Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale. For June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes:	RHIC is for the most part a closed plan. There were no benefit changes during the year. 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, 2020 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	6.10%
Small Cap Domestic Equities	7.00%
International Equities	6.45%
Core-Plus Fixed Income	1.15%

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2020 and 7.25% as of June 30, 2019. 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, 2020, and July 1, 2019, 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, 2020 (using a single discount rate of 6.50%) and June 30, 2019 (using a 7.25% 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, 2020	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
RHIC	$ 110,324,972	$ 84,119,757	$ 61,959,773

Net OPEB Liability (Asset) as of June 30, 2019	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
RHIC	$ 102,516,136	$ 80,318,738	$ 61,317,668

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 $19,500 for calendar year 2020 ($19,000 for 2019) 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.

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES (CONTINUED)

The deferred compensation plan had 14,044 and 12,934 active participants as of June 30, 2020 and 2019, respectively.

The related investments are reported at fair value as follows:

	2020		2019	
Investment Balance by:				
State of North Dakota	$ 121,097,251	87%	$ 108,758,247	86%
Other Jurisdictions	18,185,412	13%	17,634,809	14%
Total Investments	$ 139,282,663	100%	$ 126,393,056	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 2017-2019 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 2017-2019 biennium will occur in 2021 with an initial settlement occurring in 2020. In the event of a loss, the system does not have any risk. For this period premiums exceeded claims, therefore, a gain of $6.8 million will be returned to the system and is included as a receivable in the fiscal year 2020 financial statements.

The System again entered into a similar contract with Sanford Health Plan for the 2019-2021 biennium. 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. 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 $36.3 million and $34.7 million are shown as cash, invested cash and commingled domestic fixed income investments on the Statement of Net Position as of June 30, 2020 and 2019, 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:

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 7, 2020 which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2020, but prior to December 7, 2020 that provided additional evidence about conditions that existed at June 30, 2020, have been recognized in the financial statements for the year ended June 30, 2020. Events or transactions that provided evidence about conditions that did not exist at June 30, 2020, 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, 2020.

NOTE 18 CONTINGENCY

The State Investment Board has been 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 has been 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 U.S. 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 took the matter under advisement. No liability has been recorded for this 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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 135,139,549	$ 172,183,673	$ 164,018,071	$ 113,148,379	$ 126,443,929	$ 104,158,320	$ 94,611,357
Interest	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	17,186,877	(210,895,384)	(65,345,796)	(3,612,020)	15,914,938	4,395,805	25,782,859
Changes of Assumptions	1,859,558,804	(464,473,143)	125,224,437	741,491,982	108,139,418	(76,152,255)	-
Benefit Payments, Including Refund of Employee Contributions	(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	2,110,460,351	(406,241,790)	321,210,065	957,806,223	344,118,928	133,894,396	219,227,334
Total Pension Liability - Beginning	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)	$ 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
Plan Fiduciary Net Position							
Contributions - Employer	$ 85,504,033	$ 81,588,318	$ 80,727,209	$ 78,933,571	$ 77,080,576	$ 70,842,535	$ 61,661,050
Contributions - Employee	81,477,666	78,213,580	77,486,189	76,007,456	74,218,276	68,392,061	59,394,200
Service Credit Repurchase	10,818,588	7,219,697	19,984,972	11,805,070	9,179,163	6,651,879	8,325,140
Net Investment Income	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	(2,580)	(5,641)	(24,440)	32,183	23,574,937	-	-
Benefit Payments, Including Refund of Employee Contributions	(218,553,888)	(197,757,937)	(182,521,663)	(162,991,968)	(149,664,141)	(134,929,737)	(119,886,324)
Administrative Expense	(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	57,620,058	126,550,805	242,344,687	312,939,932	43,184,848	90,127,946	323,912,837
Plan Fiduciary Net Position - Beginning	3,096,731,081	2,970,180,276	2,727,835,589	2,414,895,657	2,371,710,809	2,281,582,863	1,957,670,026
Plan Fiduciary Net Position - Ending (B)	3,154,351,139	3,096,731,081	2,970,180,276	2,727,835,589	2,414,895,657	2,371,710,809	2,281,582,863
Net Pension Liability - Ending (A)-(B)	$ 3,225,449,177	$ 1,172,608,884	$ 1,705,401,479	$ 1,626,536,101	$ 981,669,810	$ 680,735,730	$ 636,969,280
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	49.44%	72.53%	63.53%	62.65%	71.10%	77.70%	78.18%
Covered Payroll	$ 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	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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 2,877,493	$ 2,818,006	$ 2,738,268	$ 2,701,326	$ 2,226,286	$ 2,038,291	$ 1,894,183
Interest	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	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	729,281	(67,748)	(621,359)	21,564	39,748	984,241	(299,964)
Changes of Assumptions	66,142,608	3,042,863	-	1,257,370	3,945,801	394,419	-
Benefit Payments, Including Refund of Employee Contributions	(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	71,914,324	7,929,070	4,338,882	6,125,118	7,809,743	4,679,316	3,559,501
Total Pension Liability (Asset) - Beginning	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)	$ 178,229,354	$ 106,315,030	$ 98,385,960	$ 94,047,078	$ 87,921,960	$ 80,112,217	$ 75,432,901
Plan Fiduciary Net Position							
Contributions - Employer	$ 2,176,902	$ 2,090,886	$ 2,152,970	$ 2,155,944	$ 2,127,355	$ 2,002,291	$ 1,864,632
Contributions - Employee	1,469,682	1,411,619	1,453,533	1,455,540	1,436,236	1,351,798	1,243,520
Service Credit Repurchase	205,461	167,824	281,573	249,436	-	96,429	87,418
Net Investment Income	2,667,371	4,250,901	6,716,525	8,500,352	316,963	2,334,780	9,239,929
Transfers and Other Income	(16)	(41)	(187)	221	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(5,704,586)	(5,391,115)	(4,981,377)	(4,806,319)	(4,713,495)	(4,745,510)	(3,784,735)
Administrative Expense	(45,870)	(43,555)	(30,353)	(30,195)	(31,450)	(30,925)	(27,983)
Net Change in Plan Fiduciary Net Position	768,944	2,486,519	5,592,684	7,524,979	(864,391)	1,008,863	8,622,781
Plan Fiduciary Net Position - Beginning	81,415,519	78,929,000	73,336,316	65,811,337	66,675,728	65,666,865	57,044,084
Plan Fiduciary Net Position - Ending (B)	82,184,463	81,415,519	78,929,000	73,336,316	65,811,337	66,675,728	65,666,865
Net Pension Liability (Asset) - Ending (A)-(B)	$ 96,044,891	$ 24,899,511	$ 19,456,960	$ 20,710,762	$ 22,110,623	$ 13,436,489	$ 9,766,036
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	46.11%	76.58%	80.22%	77.98%	74.85%	83.23%	87.05%
Covered Payroll	$ 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	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

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	$ 57,560	$ 70,295	$ 80,344	$ 55,500	$ 71,420	$ 127,734	$ 87,668
Interest	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	(1,122,296)	(504,895)	(310,124)	(1,648,283)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of Assumptions	539,852	-	5,811,755	4,421,401	69,885	(309,878)	-
Benefit Payments, Including Refund of Employee Contributions	(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	(2,068,303)	(1,932,271)	4,499,742	2,424,697	(2,185,242)	(1,656,419)	(1,006,368)
Total Pension Liability (Asset) - Beginning	66,196,940	68,129,211	63,629,469	61,204,772	63,390,014	65,046,433	66,052,801
Total Pension Liability (Asset) - Ending (A)	$ 64,128,637	$ 66,196,940	$ 68,129,211	$ 63,629,469	$ 61,204,772	$ 63,390,014	$ 65,046,433
Plan Fiduciary Net Position							
Contributions - Employer	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions - Employee	27,047	29,159	32,987	39,417	44,178	50,142	55,748
Service Credit Repurchase	-	-	-	-	-	-	-
Net Investment Income	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	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative Expense	(19,148)	(16,808)	(46,295)	(12,684)	(32,253)	(30,214)	(31,455)
Net Change in Plan Fiduciary Net Position	(1,952,609)	1,615,135	(1,677,300)	731,457	251,062	(1,413,736)	7,317,671
Plan Fiduciary Net Position - Beginning	97,203,246	95,588,111	97,265,411	96,533,954	96,282,892	97,696,628	90,378,957
Plan Fiduciary Net Position - Ending (B)	95,250,637	97,203,246	95,588,111	97,265,411	96,533,954	96,282,892	97,696,628
Net Pension Liability (Asset) - Ending (A)-(B)	$ (31,122,000)	$ (31,006,306)	$ (27,458,900)	$ (33,635,942)	$ (35,329,182)	$ (32,892,878)	$ (32,650,195)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	148.53%	146.84%	140.30%	152.86%	157.72%	151.89%	150.20%
Covered Payroll	$ 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	(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

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	$ 4,041,849	$ 3,827,807	$ 3,766,661	$ 3,430,578
Interest	15,498,021	15,217,017	14,485,170	14,327,443
Change of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	314,726	(1,374,146)	2,732,254	(2,231,206)
Changes of Assumptions	4,372,129	5,002,621	-	8,860,723
Benefit Payments, Including Refund of Employee Contributions	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Net Change in Total OPEB Liability	11,909,650	11,168,229	9,968,025	14,373,168
Total OPEB Liability (Asset) - Beginning	217,831,024	206,662,795	196,694,770	182,321,602
Total OPEB Liability (Asset) - Ending (A)	$ 229,740,674	$ 217,831,024	$ 206,662,795	$ 196,694,770
Plan Fiduciary Net Position				
Contributions - Employer	$ 13,392,266	$ 12,977,460	$ 12,834,547	$ 12,575,627
Contributions - Employee	16,319	15,859	15,984	16,173
Service Credit Repurchase	556,585	377,329	746,942	464,323
Net Investment Income	6,904,869	8,178,932	8,210,898	12,074,082
Transfers and Other Income	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Administrative Expense	(453,913)	(437,349)	(480,244)	(443,220)
Other	9,580	(857)	225	-
Net Change in Plan Fiduciary Net Position	8,108,631	9,606,304	10,312,292	14,672,615
Plan Fiduciary Net Position - Beginning	137,512,286	127,905,982	117,593,690	102,921,075
Plan Fiduciary Net Position - Ending (B)	145,620,917	137,512,286	127,905,982	117,593,690
Net OPEB Liability (Asset) - Ending (A)-(B)	$ 84,119,757	$ 80,318,738	$ 78,756,813	$ 79,101,080
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.38%	63.13%	61.89%	59.78%
Covered Payroll	$ 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	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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	140,537	127,129	125,714	116,564	124,336	107,514	107,864	97,985	91,458	82,910
Contributions in Relation to the Actuarially Determined Contribution	85,504	81,588	80,727	78,934	77,081	70,843	61,661	48,847	38,006	32,278
Contribution Deficiency (Excess)	55,033	45,541	44,987	37,630	47,255	36,671	46,203	49,138	53,452	50,632
Covered Payroll	1,167,768	1,098,416	1,075,958	1,063,372	1,048,548	973,536	888,452	800,878	804,169	769,710
Contributions as a Percentage of Covered Payroll	7.32%	7.43%	7.50%	7.42%	7.35%	7.28%	6.94%	6.10%	4.73%	4.19%

Highway Patrolmen's Retirement System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	3,256	2,936	2,949	3,060	2,307	2,201	2,348	2,191	2,171	1,744
Contributions in Relation to the Actuarially Determined Contribution	2,177	2,091	2,153	2,156	2,127	2,002	1,865	1,586	1,423	1,286
Contribution Deficiency (Excess)	1,079	845	796	904	180	199	483	605	748	458
Covered Payroll	11,410	10,354	10,737	10,629	10,527	10,146	9,348	8,167	8,002	7,738
Contributions as a Percentage of Covered Payroll	19.08%	20.20%	20.05%	20.28%	20.21%	19.73%	19.95%	19.42%	17.78%	16.62%

Retiree Health Insurance Credit Plan

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	12,145	12,707	12,252	11,696	7,544	6,439	7,014	7,411	7,263	7,053
Contributions in Relation to the Actuarially Determined Contribution	13,392	12,977	12,835	12,575	12,350	11,479	10,710	9,960	9,388	8,930
Contribution Deficiency (Excess)	(1,247)	(270)	(583)	(879)	(4,806)	(5,040)	(3,696)	(2,549)	(2,125)	(1,877)
Covered Payroll	1,139,971	1,115,858	1,094,217	1,081,841	1,142,375	1,052,657	1,001,204	914,368	824,855	828,978
Contributions as a Percentage of Covered Payroll	1.17%	1.16%	1.17%	1.16%	1.08%	1.09%	1.07%	1.09%	1.14%	1.08%

PERS

Benefit Changes: The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System and Public Safety members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 actuarial valuation:

- The investment return assumption was lowered from 7.5 to 7.0 percent for the July 1, 2020 valuation
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions used in the July 1, 2020 are the same as the last actuarial valuation as of July 1, 2019.

HPRS

Benefit Changes: For members who terminate employment after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019, or the average salary earned in the three highest periods of twelve consecutive months employed during the last one hundred eighty months of employment.

Changes of Assumptions: The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 actuarial valuation:

- The investment return assumption was lowered from 7.5 to 7.0 percent for the July 1, 2020 valuation
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was lowered from 3.75 to 3.5 percent for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions used in the July 1, 2020 are the same as the last actuarial valuation as of July 1, 2019.

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, 2020 actuarial valuation:

- The investment return assumption was lowered from 4.75 to 4.25 percent for the July 1, 2020 valuation
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed cost of living adjustment was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions used in the July 1, 2020 are the same as the last actuarial valuation as of July 1, 2019.

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, 2020 actuarial valuation:

- The investment return assumption was lowered from 7.25 to 6.5 percent for the July 1, 2020 valuation
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was lowered from 3.75 to 3.5 percent for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions used in the July 1, 2020 are the same as the last actuarial valuation as of July 1, 2019.

Schedule of Employer Contributions – PERS

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.75% (3.25% for Judges)
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
Salary Increases	4.00% to 20.00% including inflation
Investment Rate of Return	For June 30, 2020, 7.5%. For June 30, 2019, 7.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	For June 30, 2020 and June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes:	The calculation of Final Average Salary was changed for members who terminate after December 31, 2019. The interest rate on member contributions will decrease from 7.25% to 7.00% effective January 1, 2020. 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 7.75% to 7.50% beginning with the actuarial valuation as of July 1, 2019. The economic assumptions (excluding salary increases) were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS. 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.

Schedule of Employer Contributions – HPRS

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.75%
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
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	For June 30, 2020, 7.5%. For June 30, 2019, 7.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	For June 30, 2020 and June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes:	There were no benefit changes during the year. The economic assumptions (excluding salary increases) were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS. The investment return assumption was decreased from 7.75% to 7.50% beginning with the actuarial valuation as of July 1, 2019. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2009, through June 30, 2014 The employer rate to the System is the statutory contribution rate of 19.70% of payroll.

Schedule of Employer Contributions – Job Service

Valuation date	July 1, 2019
Actuarial cost method	Frozen Initial Liability (Aggregate since no initial Liability remains
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
COLA	2.50%
Salary Increases	3.50%
Investment Rate of Return	4.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	For June 30, 2020 and June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes:	There were no benefit changes during the year.
	The economic assumptions (excluding salary increases) were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS. The Board approved lowering the investment return assumption from 5.70% to 4.75% beginning with the July 1, 2018, actuarial valuation. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2009 through June 30, 2014
	The System has assets in excess of the present value of future benefits. Therefore, no employer contributions are being made.

Schedule of Employer Contributions – RHIC

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Method.
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
Salary Increases	Not Appicable
Investment Rate of Return	7.50%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	For June 30, 2020 and June 30, 2019 mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

Other Notes:

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.

The economic assumptions (excluding salary increases) and the asset smoothing method were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2009, through June 30, 2014.

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.

The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

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

	2020	2019	2018	2017	2016	2015	2014	2013
Public Employees Retirement	3.57%	5.69%	9.21%	13.01%	0.49%	3.61%	16.29%	13.52%
Highway Patrolmen's Retirement	3.28%	5.39%	9.16%	12.93%	0.48%	3.66%	16.20%	13.38%
Retirement Plan for Employees								
Job Service North Dakota	3.09%	7.00%	3.32%	5.85%	5.14%	3.41%	13.46%	12.07%
Retiree Health Insurance Credit Fund	5.37%	6.75%	7.01%	11.75.%	0.83%	-	-	-

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Public Employees Retirement System*	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Payments to State Investment Board:							
Investment Fees	$ 8,016,185	$ 211,500	$ 417,596	$ -	$ -	$ -	$ 320,937
Administrative Expenses	433,642	11,446	-	-	-	-	-
	8,449,827	222,946	417,596	-	-	-	320,937
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	8,520	-	-	-
Total Investment Expenses	$ 8,449,827	$ 222,946	$ 417,596	$ 8,520	$ -	$ -	$ 320,937

*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, 2019

	Public Employees Retirement System*	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Payments to State Investment Board:							
Investment Fees	$ 7,535,954	$ 200,628	$ 391,416	$ -	$ -	$ -	$ 311,651
Administrative Expenses	502,107	16,937	-	-	-	-	-
	8,038,061	217,565	391,416	-	-	-	311,651
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	8,009	-	-	-
Total Investment Expenses	$ 8,038,061	$ 217,565	$ 391,416	$ 8,009	$ -	$ -	$ 311,651

*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, 2020

	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	$ 982,254	$ 6,311	$ 55,788	$ 1,909	$ 152,034	$ 273,235	$ 2,758
Social Security	72,598	466	4,103	140	11,185	20,060	203
Retirement	109,138	701	6,295	215	17,432	32,108	311
Insurance	261,771	1,682	14,546	498	39,636	64,134	719
Total Personnel Services	1,425,761	9,160	80,732	2,762	220,287	389,537	3,991
Professional Services:							
Actuarial	221,643	28,968	21,200	-	-	-	9,250
Audit	43,052	277	11,097	89	8,768	17,536	128
Data Processing	319,049	2,050	21,198	1,896	76,539	161,329	1,048
Consulting	15,314	98	4,000	-	-	-	-
Legal Counsel	28,874	186	1,720	303	2,725	16,710	77
Misc Outside Services	45,754	294	263,744	187	77,202	14,489	1,735
Total Professional Services	673,686	31,873	322,959	2,475	165,234	210,064	12,238
Communication:							
Printing	8,076	52	397	14	658	658	20
Postage	31,216	201	1,489	51	3,504	3,504	74
Telephone	10,878	70	627	21	1,912	2,608	31
Total Communication	50,170	323	2,513	86	6,074	6,770	125
Rentals:							
Equipment Rent	1,537	10	105	4	387	773	5
Office Rent	71,352	458	4,678	160	16,833	33,476	231
Total Rentals	72,889	468	4,783	164	17,220	34,249	236
Miscellaneous:							
Depreciation/Amortization	393,587	3,506	37,714	2,681	99,063	198,126	2,301
Dues & Prof Development	12,102	78	542	19	1,016	2,944	26
Insurance	657	4	45	2	165	331	2
Repairs and Maintenance	340	2	23	1	85	1,453	1
Supplies	92,408	404	4,245	145	22,976	30,287	210
Travel	8,158	52	357	12	127	2,190	18
Total Miscellaneous	507,252	4,046	42,926	2,860	123,432	235,331	2,558
Total Administrative Expenses	$ 2,729,758	$ 45,870	$ 453,913	$ 8,347	$ 532,247	$ 875,951	$ 19,148

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	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	$ 816,058	$ 5,318	$ 61,395	$ 1,925	$ 164,069	$ 321,394	$ 2,995
Social Security	60,428	394	2,905	91	12,107	23,717	142
Retirement	96,574	629	6,020	189	18,769	36,962	294
Insurance	211,073	1,376	13,983	438	38,795	62,501	682
Total Personnel Services	1,184,133	7,717	84,303	2,643	233,740	444,574	4,113
Professional Services:							
Actuarial	182,365	27,345	20,550	-	-	-	6,900
Audit	72,975	476	2,560	86	6,286	12,209	134
Data Processing	301,051	1,962	5,722	1,355	24,238	137,484	749
Consulting	69,399	452	9,640	302	51,059	4,569	-
Legal Counsel	31,867	208	4,113	596	3,427	11,029	89
Misc Outside Services	24,079	163	248,084	86	99,714	11,326	1,322
Total Professional Services	681,736	30,606	290,669	2,425	184,724	176,617	9,194
Communication:							
Printing	13,318	87	1,388	44	1,646	1,675	68
Postage	42,744	279	1,698	70	4,345	4,345	83
Telephone	9,534	62	3,030	95	1,704	2,387	148
Total Communication	65,596	428	6,116	209	7,695	8,407	299
Rentals:							
Equipment Rent	1,780	12	122	4	448	896	6
Office Rent	71,153	464	3,694	116	17,285	34,359	180
Total Rentals	72,933	476	3,816	120	17,733	35,255	186
Miscellaneous:							
Depreciation/Amortization	390,104	3,447	37,454	2,672	98,192	196,385	2,289
Dues & Prof Development	15,260	99	4,631	145	1,034	1,794	226
Insurance	381	2	278	9	96	187	13
Repairs and Maintenance	2,231	15	1,634	51	557	1,114	80
Supplies	105,689	679	7,712	238	25,985	51,729	372
Travel	13,241	86	736	23	492	554	36
Total Miscellaneous	526,906	4,328	52,445	3,138	126,356	251,763	3,016
Total Administrative Expenses	$ 2,531,304	$ 43,555	$ 437,349	$ 8,535	$ 570,248	$ 916,616	$ 16,808

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF CONSULTING EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	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	$ 221,643	$ 28,968	$ 21,200	$ -	$ -	$ -	$ 9,250
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	43,052	277	11,097	89	8,768	17,536	128
Disability Consulting Fees:							
Mid Dakota Clinic	4,850	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	201,675	1,297	13,748	470	50,743	101,486	680
Agency MABU	161	-	-	-	40	81	-
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	10,462	98	4,000	-	-	-	-
Ice Miller, LLP	4,730	30	511	17	971	13,131	25
ND Attorney General	19,853	128	1,092	282	1,754	3,579	46
Totals	$ 506,426	$ 30,798	$ 51,648	$ 858	$ 62,276	$ 135,813	$ 10,129

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF CONSULTING EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

	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	$ 182,365	$ 27,345	$ 20,550	$ -	$ -	$ -	$ 6,900
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	72,975	476	2,560	86	6,286	12,209	134
Disability Consulting Fees:							
Mid Dakota Clinic	7,000	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	179,519	1,179	9,640	302	45,175	90,349	470
Agency MABU	1,436	-	-	-	359	718	-
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	62,399	452	-	-	5,525	4,569	-
Ice Miller, LLP	2,331	15	691	22	48	2,672	34
ND Attorney General	29,536	193	3,422	574	3,379	8,357	55
Totals	$ 537,561	$ 29,660	$ 36,863	$ 984	$ 60,772	$ 118,874	$ 7,593

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2020

	Approved Fiscal Years 2020-2021	Fiscal Year 2020 Expenditures	Unexpended
ALL FUND TYPES			
Salaries and Wages	6,652,604	3,026,429	3,626,175
Operating Expenses	2,483,592	1,136,257	1,347,335
Capital Assets	338,000	264,000	74,000
Contingency	102,000	-	102,000
	9,576,196	4,426,686	5,149,510

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2020
Administrative expenses as reflected in the financial statements	
Pension and OPEB trust funds	4,665,235
Enterprise funds - Group Insurance	369,723,754
Total administrative expenses	374,388,989
Adjustments:	
Change in accrued compensated absences	(43,248)
Professional Fees, premiums and benefits paid pursuant to NDCC54-52-04(6)	(368,884,922)
Amortization Expense	(1,034,168)
Contribution/premium over & short	35
	4,426,686

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, 2020, 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 7, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 System's 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 entity'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 may exist that have not been identified.

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

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 determination of financial statement amounts. 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

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2020

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?

   Not applicable

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

   Yes, please see below:

Contribution Rates

Contributions to ND PERS' Public Employees Retirement System (also referred to as the Main System) and the Highway Patrolmen's Retirement System (HPRS) are based on fixed statutory rates. The cumulative contribution deficiency over the past 10 years between the actuarially determined contributions and the contributions in relation to the actuarially determined contribution for the Main System and HPRS was $466,542,000 and $6,297,000, respectively, as documented below in the schedules of employer contributions, which are also located in the required supplementary information section of the financial statements.

Main System *($'s in thousands)*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	140,537	127,129	125,714	116,564	124,336	107,514	107,864	97,985	91,458	82,910
Contributions in Relation to the Actuarially Determined Contribution	85,504	81,588	80,727	78,934	77,081	70,843	61,661	48,847	38,006	32,278
Contribution Deficiency (Excess)	55,033	45,541	44,987	37,630	47,255	36,671	46,203	49,138	53,452	50,632

HPRS *($'s in thousands)*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially Determined Contribution	3,256	2,936	2,949	3,060	2,307	2,201	2,348	2,191	2,171	1,744
Contributions in Relation to the Actuarially Determined Contribution	2,177	2,091	2,153	2,156	2,127	2,002	1,865	1,586	1,423	1,286
Contribution Deficiency (Excess)	1,079	845	796	904	180	199	483	605	748	458

The Main System's Plan Fiduciary Net Position as a Percentage of the Total Pension Liability has decreased from 78.18% in 2014 to 49.44% in 2020 and the HPRS' Plan Fiduciary Net Position as a Percentage of the Total Pension Liability has decreased from 87.05% in 2014 to 46.11% in 2020. These ratios are presented in the Schedules of Changes to the Net Pension Liability and Related Ratios, which are also located in the required supplementary information section of the financial statements. One of the contributing factors to this decrease is the contribution deficiency.

ND PERS' actuary, GRS, noted the following in their actuarial valuation as of July 1, 2020 for the Main System:

> "Contributions to PERS are based on fixed statutory contribution rates. Based on the current actuarial valuation and the current actuarial assumptions, methods and benefit provisions for current employees, the total statutory contribution rate of 14.12 percent for the Main System (15.26 percent for employees hired on or after January 1, 2020) is not expected to ever amortize the unfunded liability. The plan changes for employees first enrolled on or after January 1, 2020 are expected to slowly improve the funding of the plan, but only have a marginal impact on the current valuation results. Despite lower liabilities for new members, the Main System funded ratio is projected to decline indefinitely. We recommend an increase to the Main System total statutory contribution rate such that the funded ratio is projected to reach 100 percent within 30 years."

We recommend that management continue to monitor the impact of the current statutory contribution rates on the funding of the Main System and the HPRS and continue to work toward adjusting those rates in accordance with the actuary's recommendations.

Management's Response

In 2010, the NDPERS Board adopted a four-year recovery plan to address the funding challenges faced by the retirement plans. The proposed plan was a "shared" recovery plan, which included increasing both the employee contributions and the employer contributions by one percent a year for four years. During the 2011 legislative session, NDPERS introduced a bill which provided for one percent increases to both the employer and employee contribution rates effective January 1, 2012 and increased annually thereafter by one percent, with the final increase taking place on January 1, 2015. The first two years of the recovery plan were passed, resulting in both the employee and employer contribution rates increasing by 1%, effective January 1, 2012, with a similar increase for January 1, 2013. The legislature chose to postpone taking action on the 2014 and 2015 increases until the next legislative session.

During the 2013 legislative session, NDPERS introduced a bill to provide for the final two years of the four-year recovery plan. The legislature passed the third year of the recovery plan, which provided for an additional one percent employee and employer contribution increase effective January 1, 2014.

During the 2015 legislative session, NDPERS introduced a bill to provide for the final year of the four-year recovery plan and also proposed benefit reductions for new employees. The contribution increase was not passed by the legislature, but the benefit reductions for new employees hired after December 31, 2015 were passed.

During the 2017 legislative session, NDPERS again introduced a bill to provide for the final year of the four-year recovery plan. The legislature did not pass this bill.

For the 2019 legislative session, NDPERS introduced three bills to help the funding of the retirement plan. These included:

1. The final year of the four-year recovery plan – with 1% employer and 1% employee contribution increases becoming effective January 1, 2020

2. Eliminate the Retiree Health Insurance Credit benefit for new hires after December 31, 2019 and redirect the employer contribution into the retirement fund

3. Reduce the multiplier from 2% to 1.75% for new hires after December 31, 2019

The legislature did pass the second and third bills, lowering benefits for all those newly enrolled into the retirement plan after December 31, 2019.

For the 2021 legislative session, NDPERS will be deciding which of the following bills to introduce during the session to help the funding of the retirement plan.

1. The final year of the four-year recovery plan – with 1% employer and 1% employee contribution increases becoming effective January 1, 2022

2. A bill to increase the employer contribution by the actuarially determined contribution shortfall.

3. A bill to increase the employer contribution by 2% effective January 1, 2022.

4. A bill to increase the employer contribution by 1.95%, which is the actuarial equivalent of the benefit reductions implemented to members, effective January 1, 2022.

The passage of any of these bills would significantly accelerate the timeframe in which the plan is projected to become 100% funded. All of them would put us on a path to full funding, which currently doesn't exist. The Board will be determining what bills they would like to submit in the coming months.

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, 2020. 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 7.0% 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 4.25% 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 4.64% and 4.09%, 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 2.45%. The discount rate used to measure the total pension liability of the JSND plan was its actuarial expected investment rate of return of 4.25% and the discount rate used to measure the total OPEB liability for the RHIC plan was its actuarial expected investment rate of return of 6.50%.

   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, 2020. In accordance with GASB 74, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2020. 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

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 ● 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

Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: December 8, 2020

SUBJECT: SHP 2020 Quarter 2 Executive Summary

Sanford Health Plan (SHP) will be at the meeting to review the 2020 Quarter 2 Executive Summary and answer any questions you may have. The Summary is attached for your reference (Attachment 1).

In addition, in follow-up to the question raised during the previous Executive Summary in May, SHP will also be providing survey responses related to outcomes of the Tobacco Cessation Program (Attachment 2).

Attachment 1

NDPERS Executive Summary

Quarter 2 | 2020

Presented December 2020

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM | SANFORD HEALTH PLAN

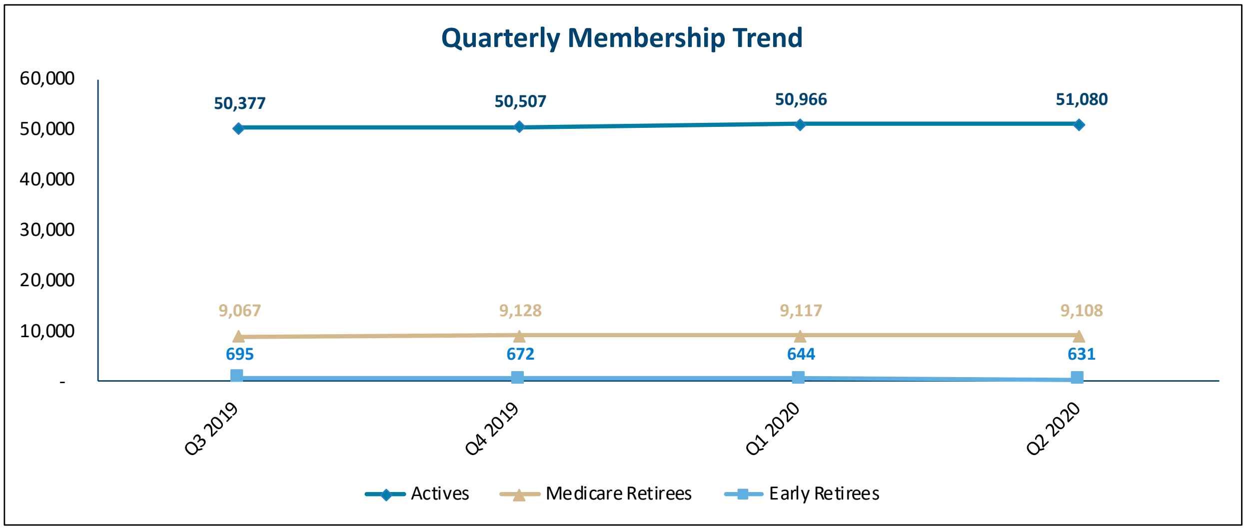
CONTENTS

ANNUAL MEMBERSHIP SUMMARY

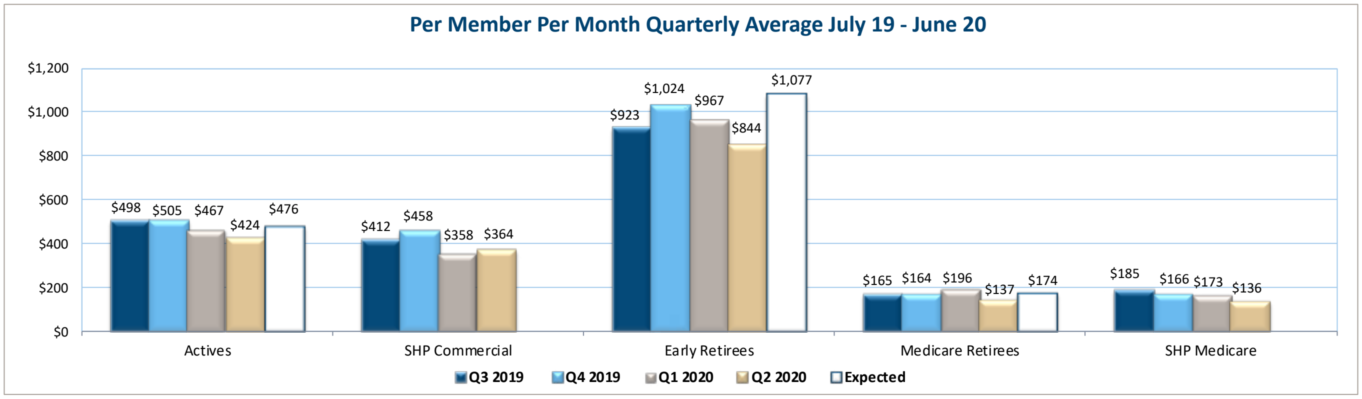
Summary

MEMBERSHIP COMPARISON						PERCENT CHANGE
	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q2 2019 – Q2 2020
Actives	50,613	50,377	50,507	50,966	51,080	0.9%
Medicare Retirees	8,986	9,067	9,128	9,117	9,108	1.3%
Early Retirees	698	695	672	644	631	-9.5%

MEMBERSHIP TREND



PMPM SUMMARY



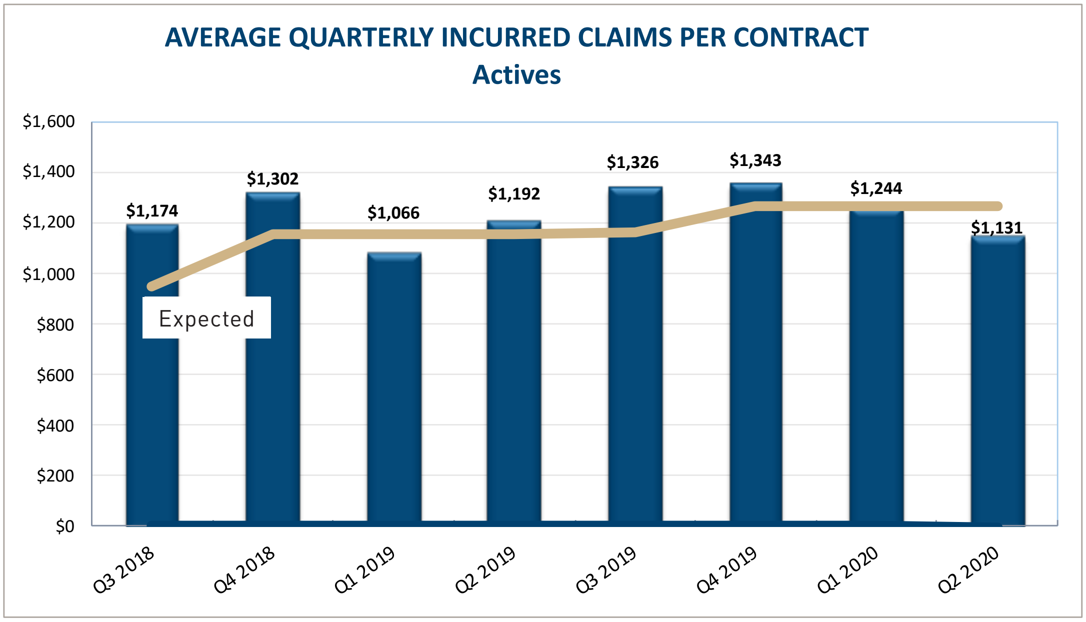
*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

*Medicare Retirees PMPM excludes prescription drug coverage (Medicare Part D).

*Expected is July 1, 2019 - June 30, 2020.

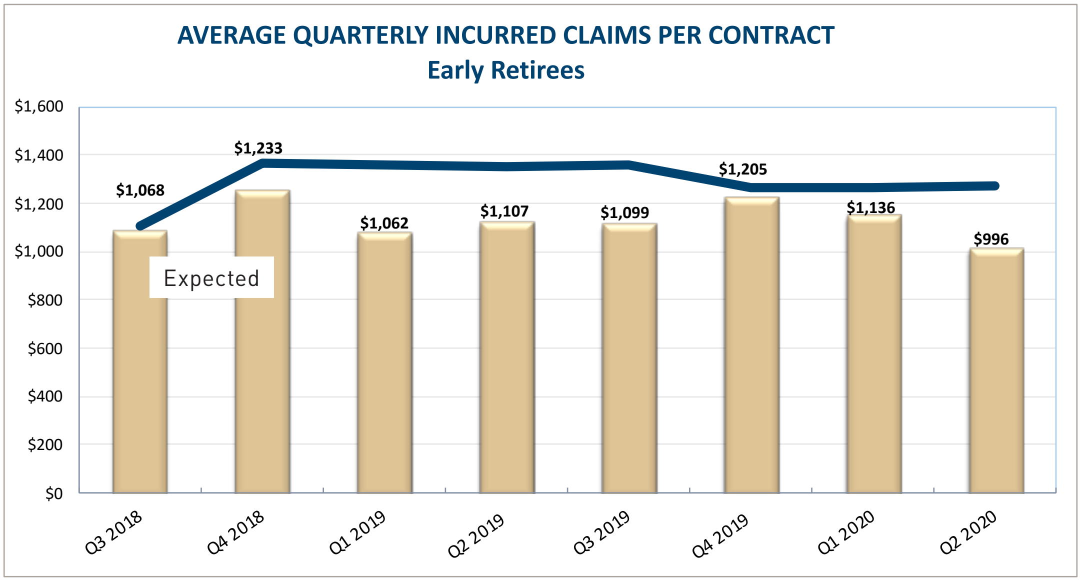
Claims Analysis

PAID CLAIMS PER CONTRACT PER MONTH



*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

*NDPERS Active contracts have approximately 2.66 members per contract.

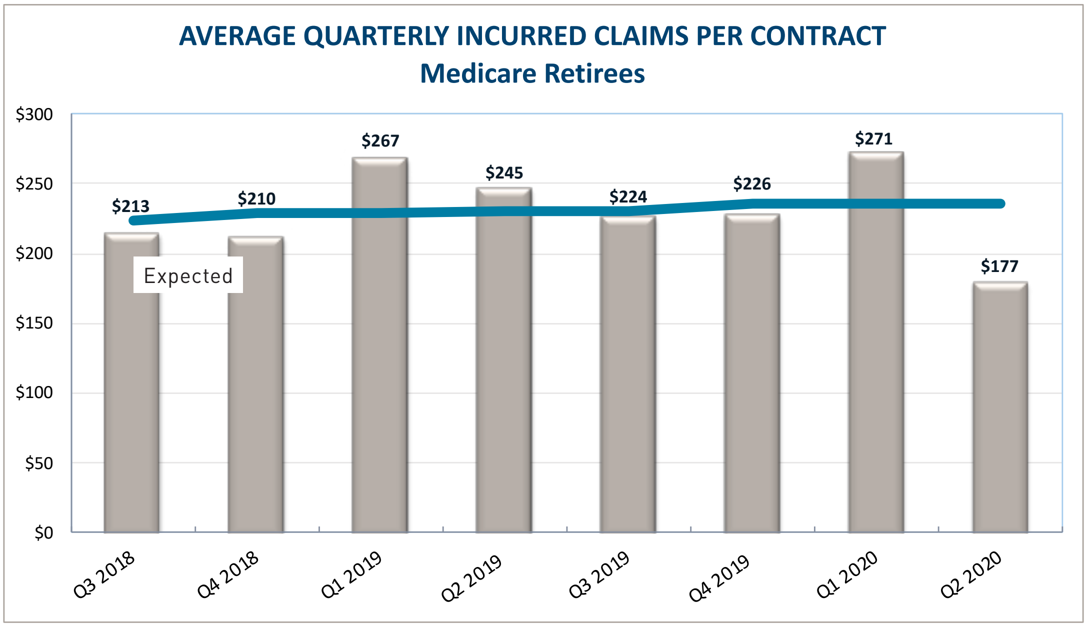


*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

*NDPERS Early Retirees contracts have approximately 1.19 members per contract.

PAID CLAIMS PER CONTRACT PER MONTH

Claims Analysis

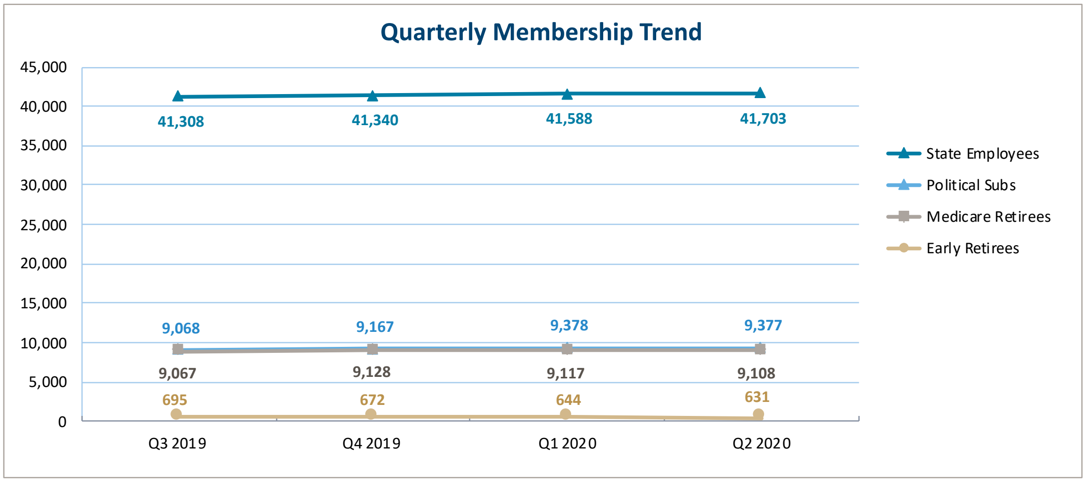


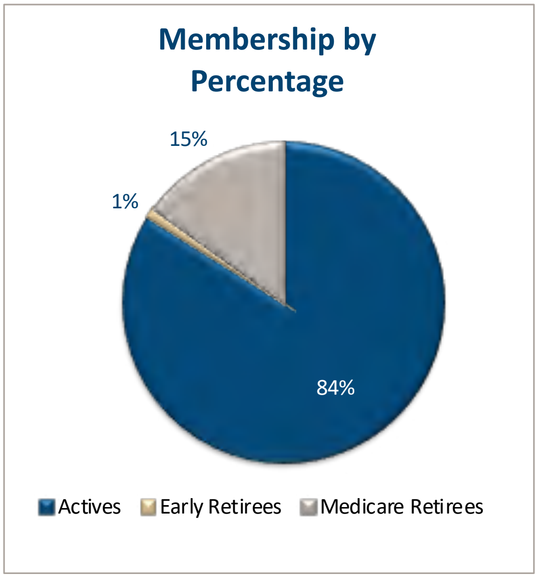
*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

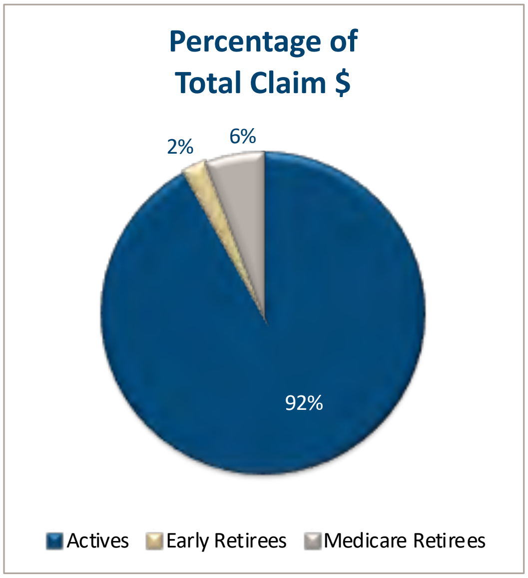
*NDPERS Medicare Retirees contracts have approximately 1.36 members per contract.

Membership & Utilization

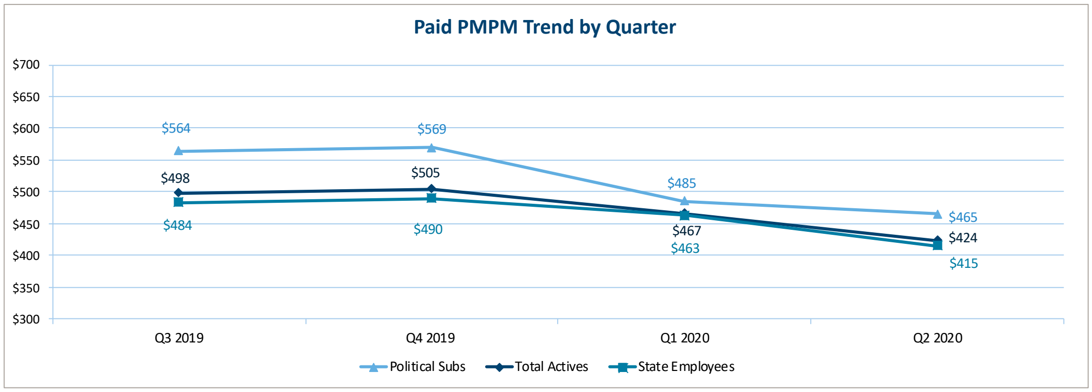
MEMBERSHIP PERCENTAGE







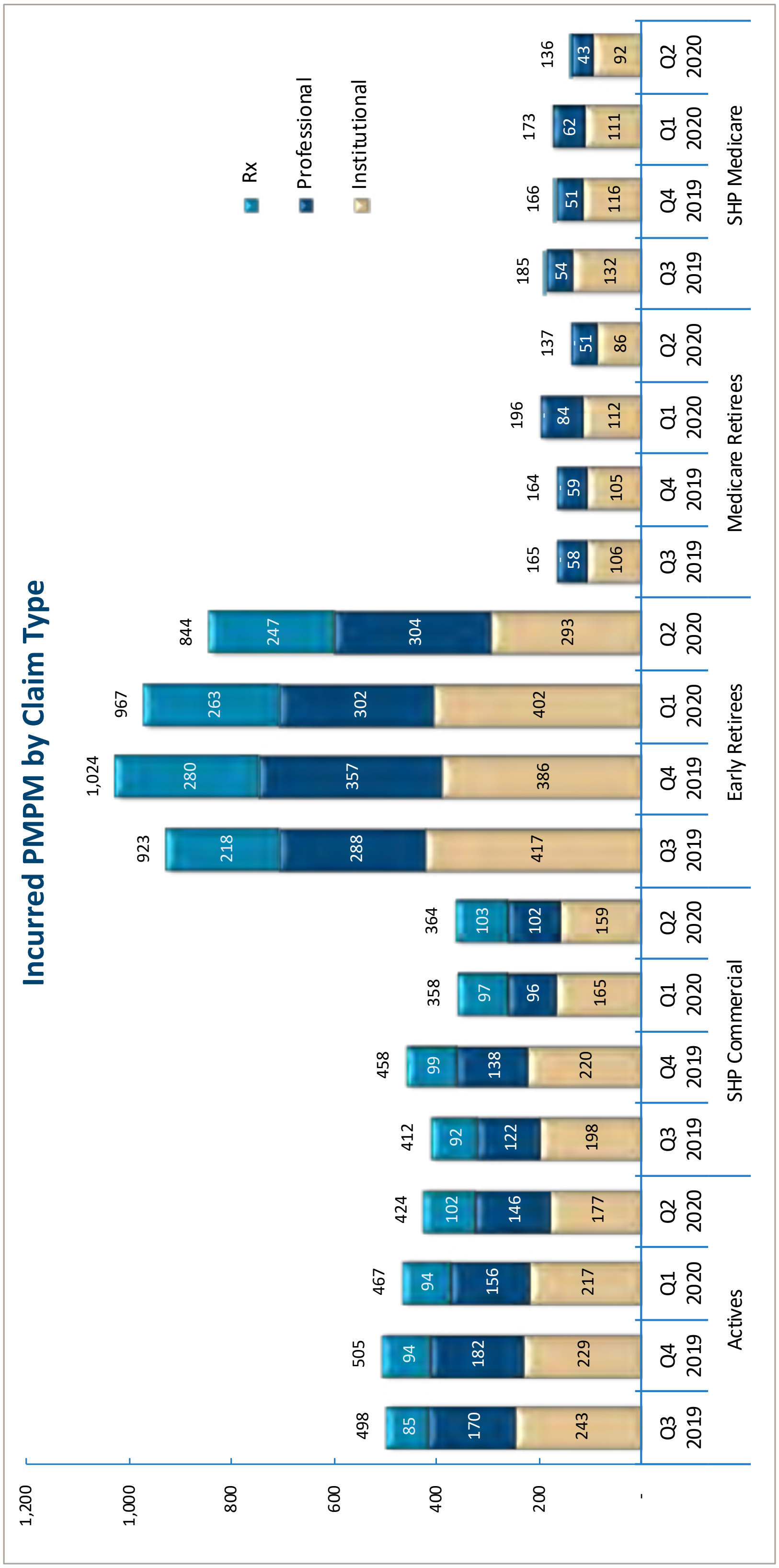
PAID PMPM TREND BY QUARTER



*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

Membership & Utilization

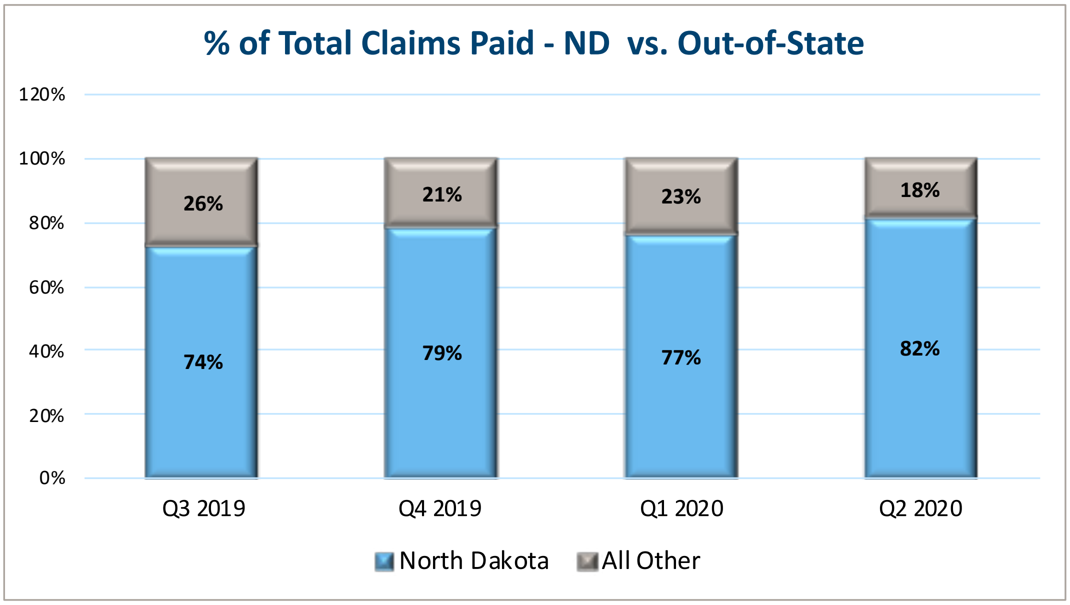
PMPM BY CLAIM TYPE

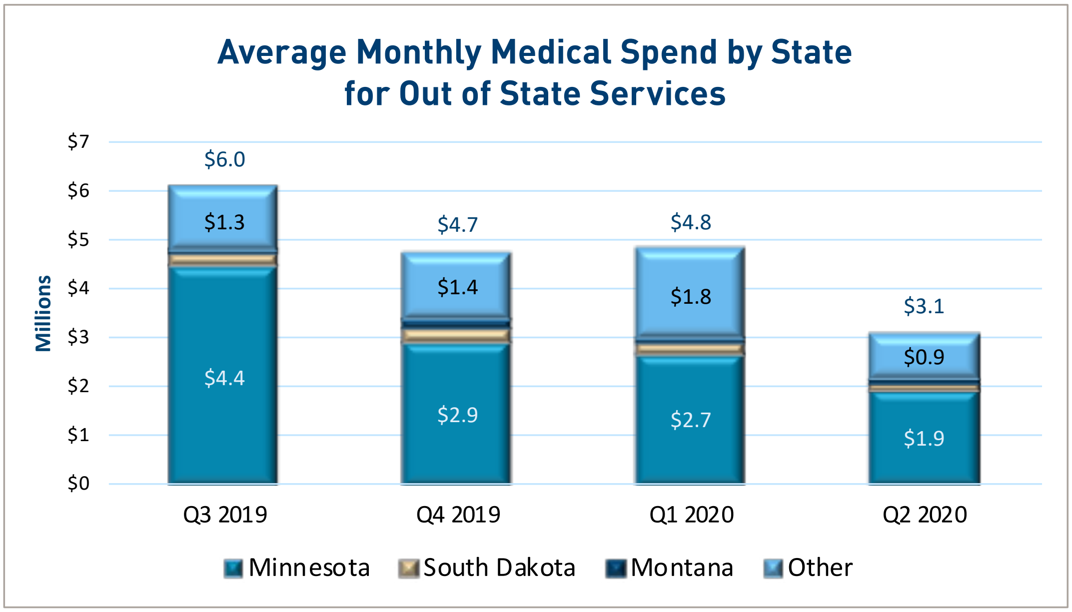


*Incurred between July 1, 2019 and June 30, 2020. Includes IBNR for July 2019 through June 2020, as of August 31, 2020.

Membership & Utilization

PAID CLAIMS BY STATE





*Paid Claims by State charts include both active and retiree membership.

MEMBER RISK PROFILE & UTILIZATION

Membership & Utilization

	NDPERS	SHP Commercial
Average Age	35	33
% Male (Current)	49	46
Average Care Gap Index	1.09	0.76
Inpatient Days Per 1000	218	241
Total Admissions Per 1000	57	65
ER Visits Per 1000	194	160
Total Office Visits Per 1000	3,783	3,481
Pharmacy Scripts Per 1000	8,445	8,610

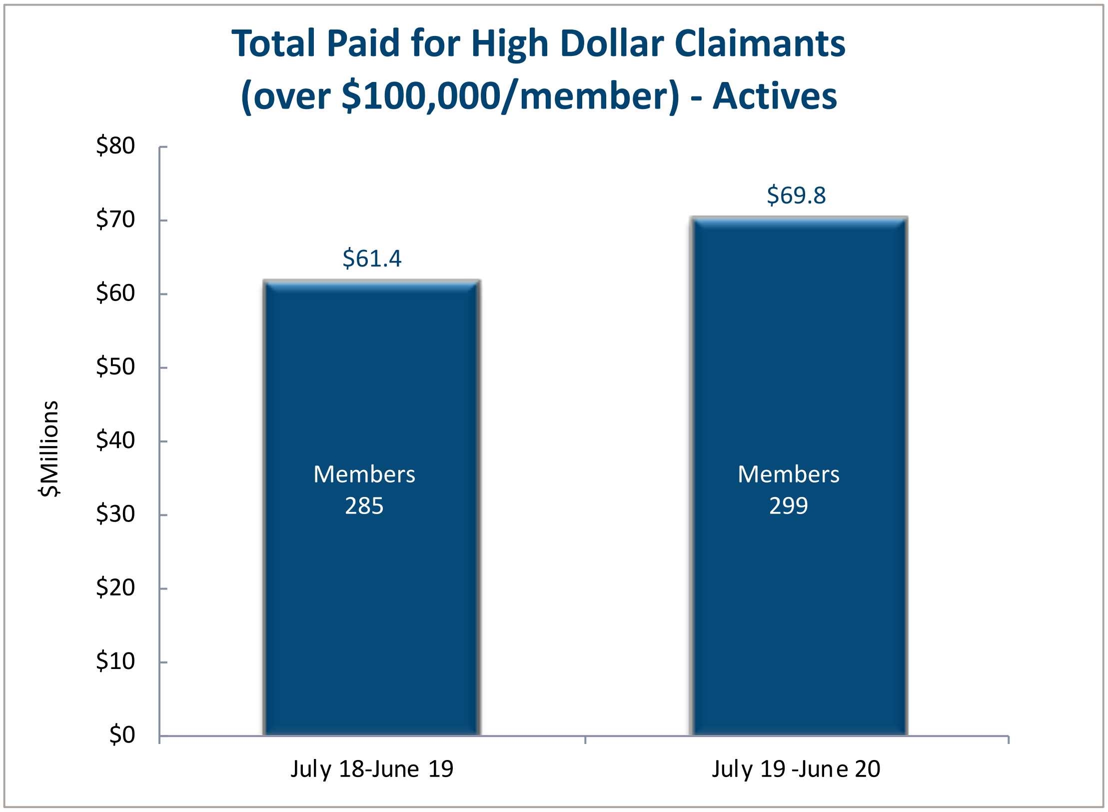
*Incurred between July 1, 2019 and June 30, 2020.

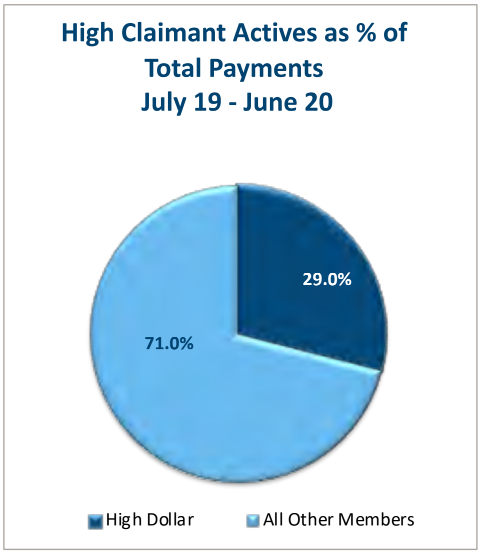
*All data was normalized using Cotiviti's methodologies and algorithms.

*NDPERS includes Political Subdivisions, Early (Pre-Medicare) Retirees and State Employees.

High Dollar Cases

ACTIVES

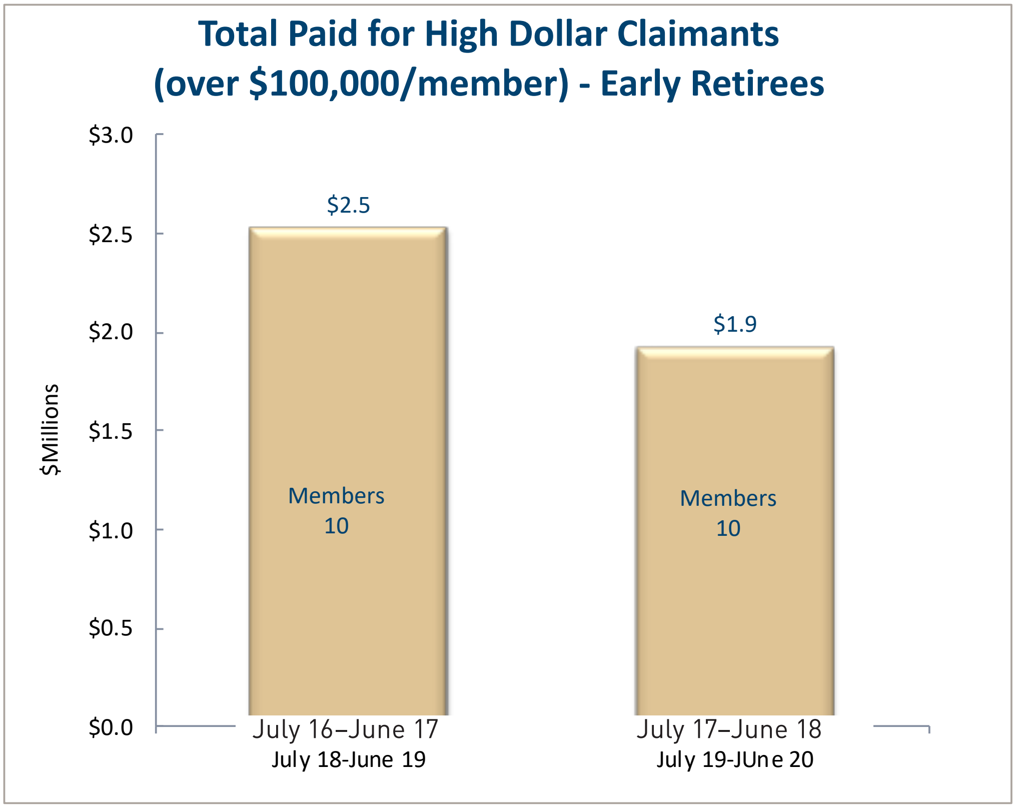


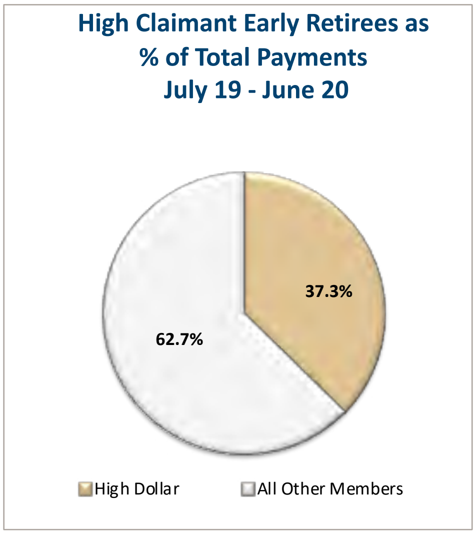


Avg. Paid/Case	$233,300
% of Total Payments	29.0%

EARLY RETIREES

High Dollar Cases

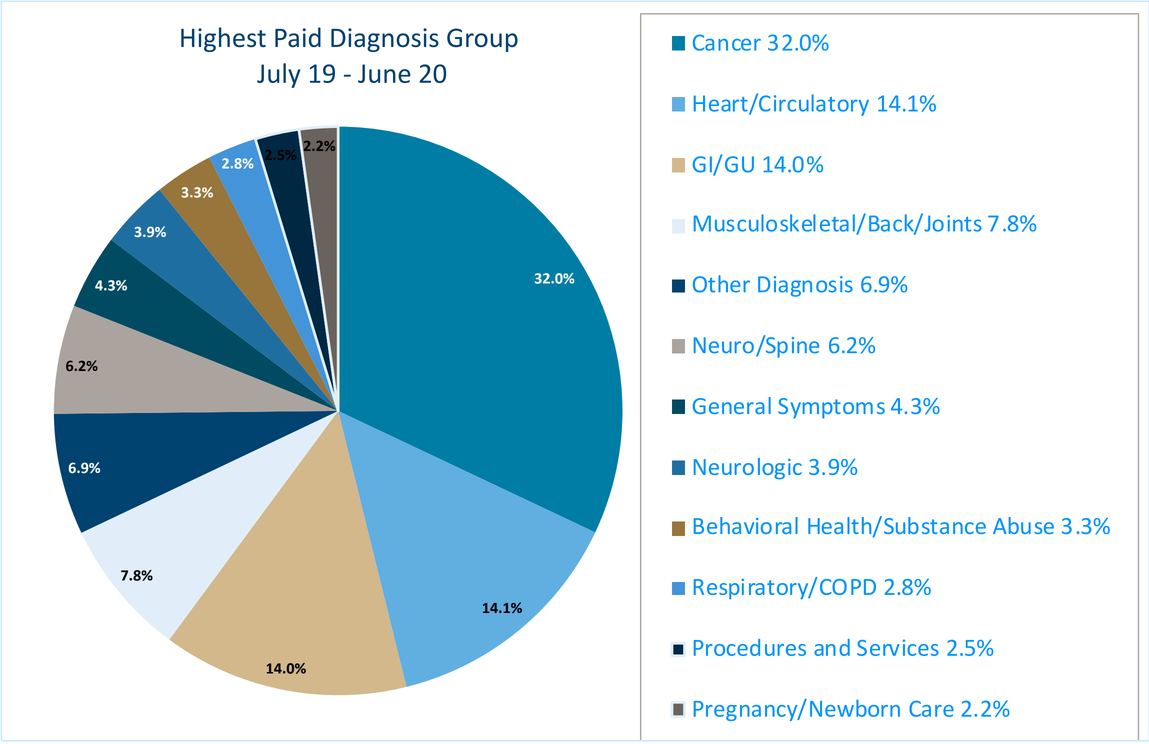


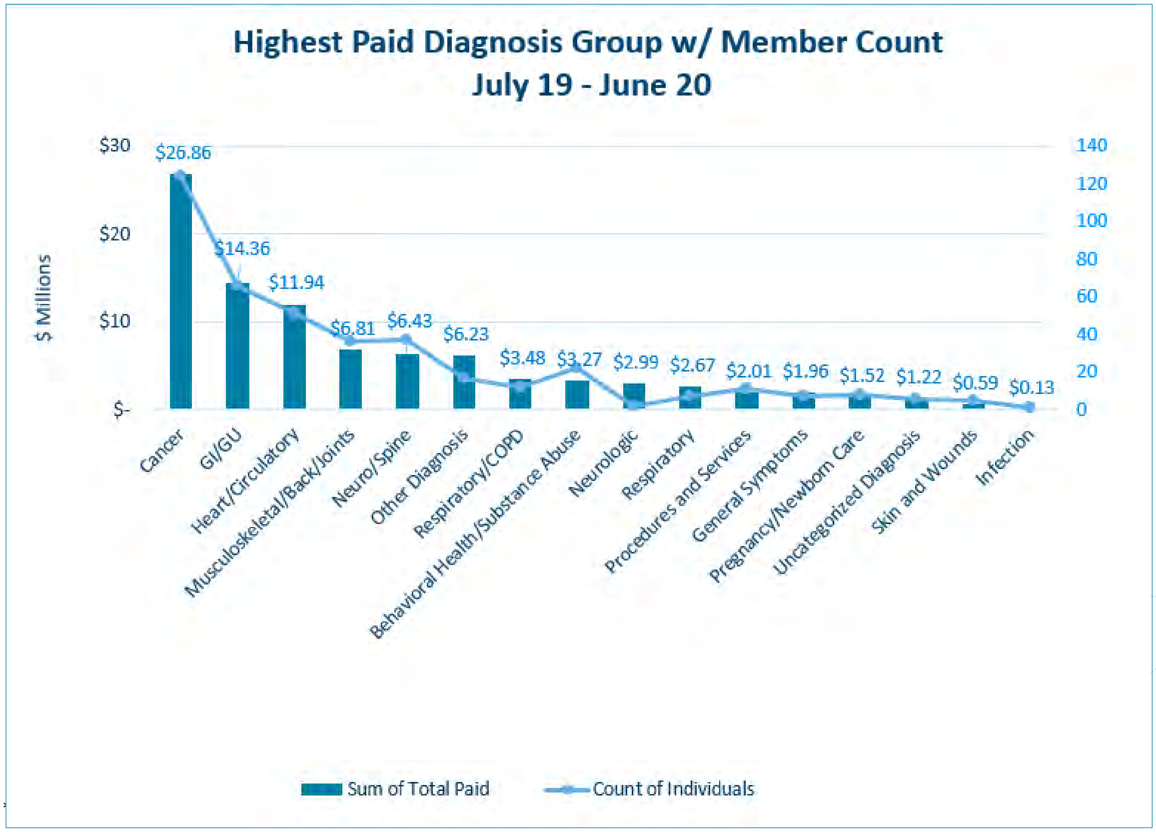


Avg. Paid/Case	$191,919
% of Total Payments	37.3%

High Dollar Cases

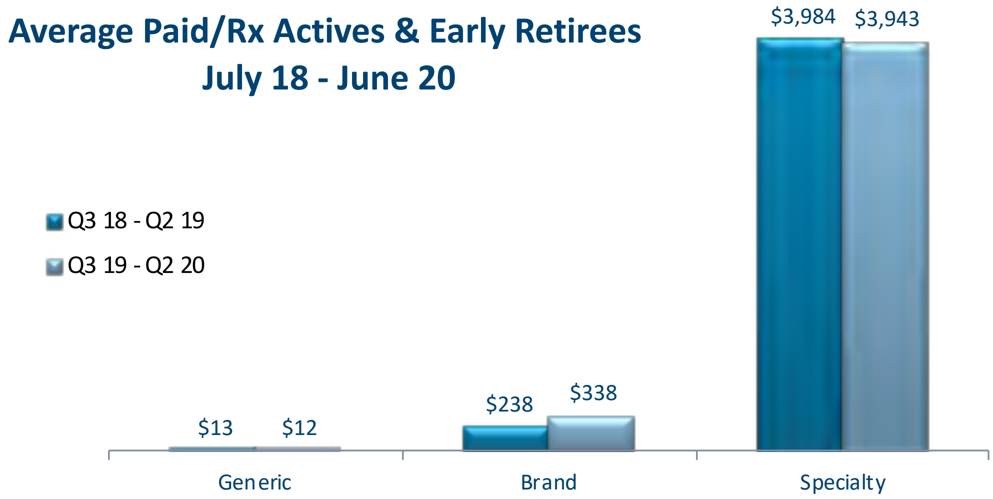
PRIMARY DIAGNOSIS

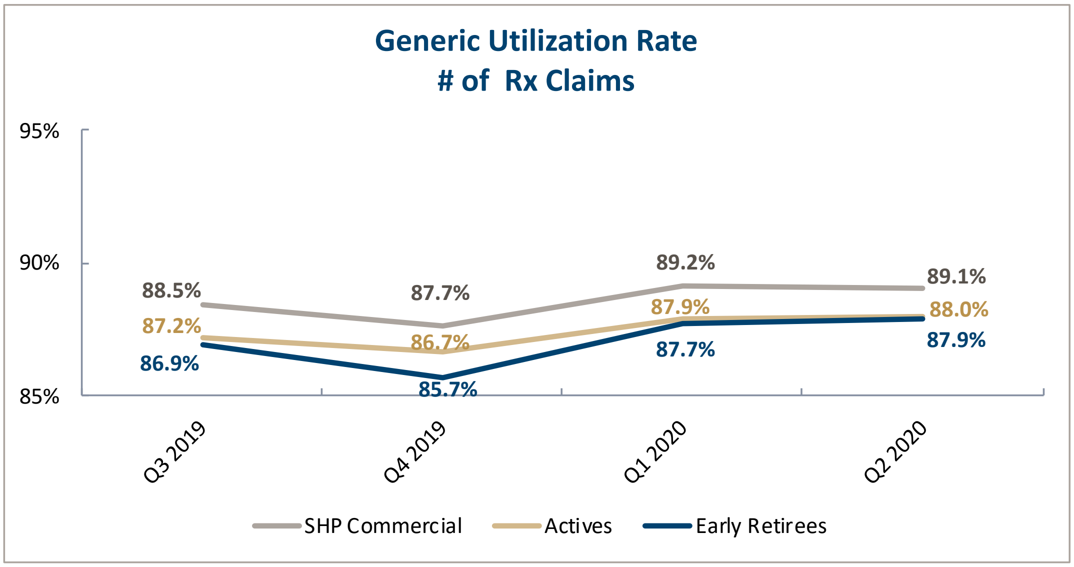


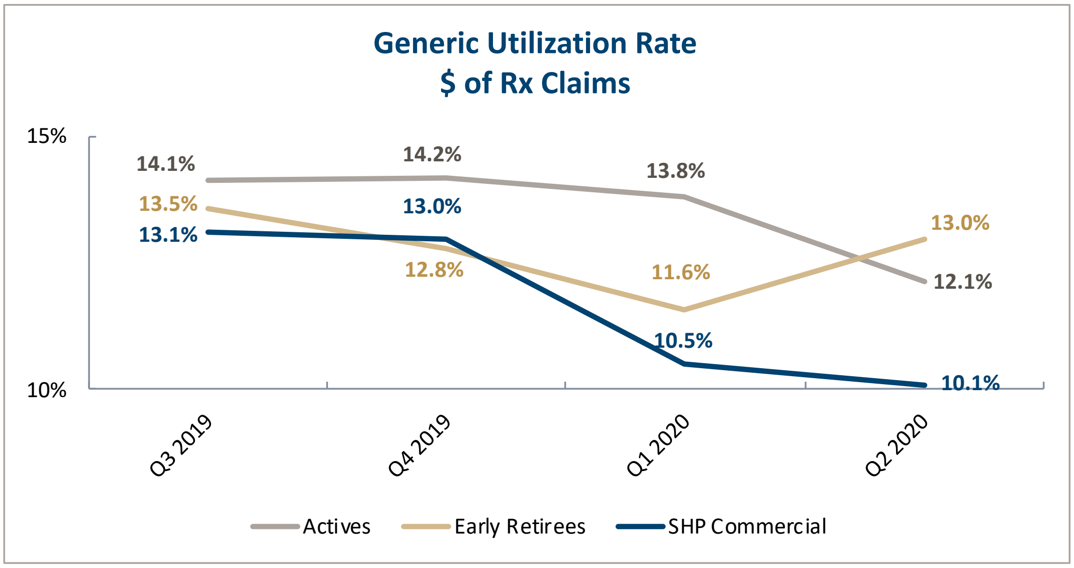


GENERIC UTILIZATION

Prescription Drugs



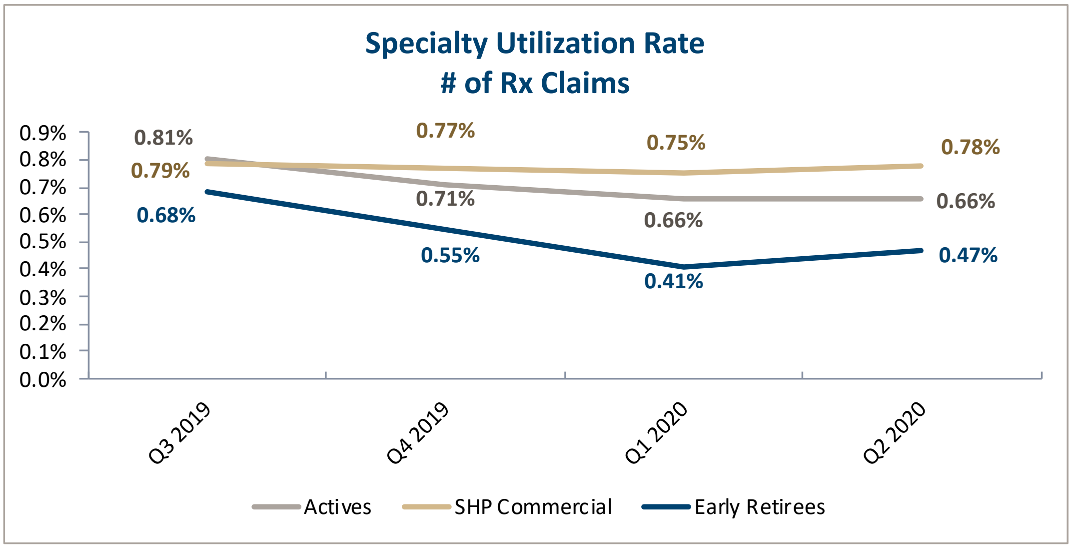


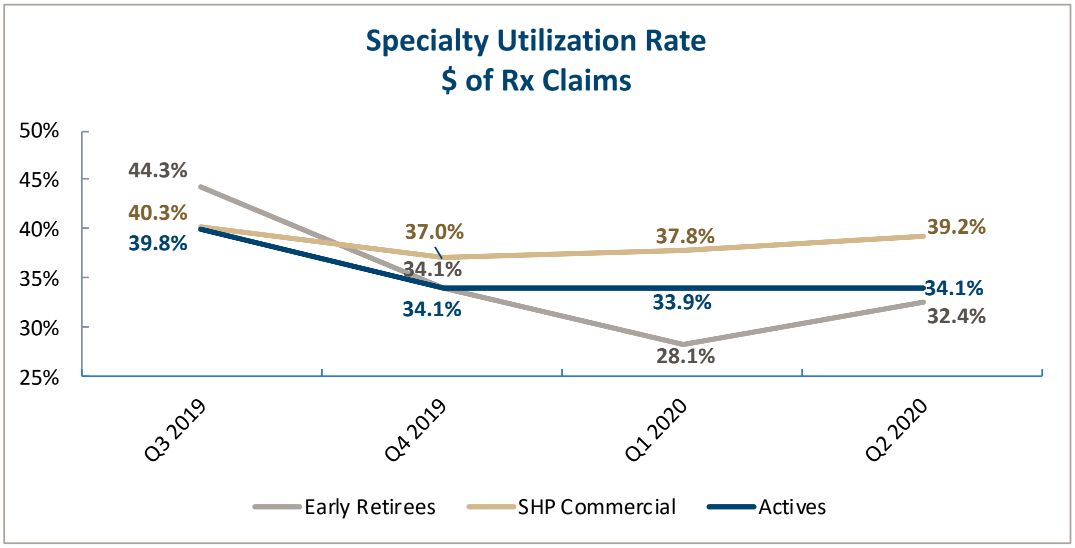


*Incurred between June 1, 2019 and July 30, 2020 and paid through August 31, 2020

Prescription Drugs

SPECIALTY PHARMACY

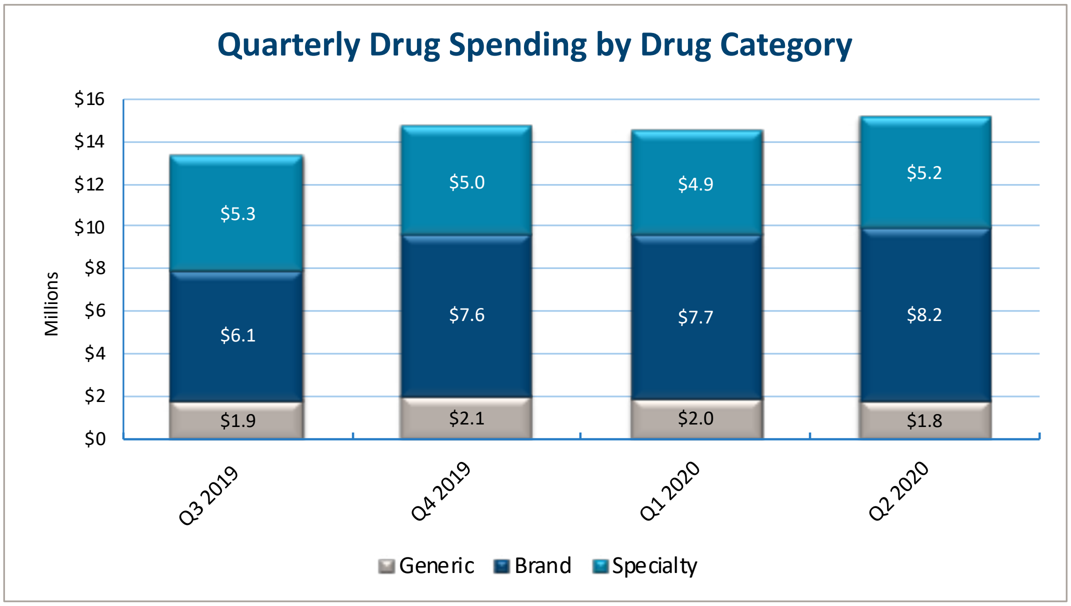




*Incurred between June 1, 2019 and July 30, 2020 and paid through August 31, 2020

PHARMACY

Prescription Drugs



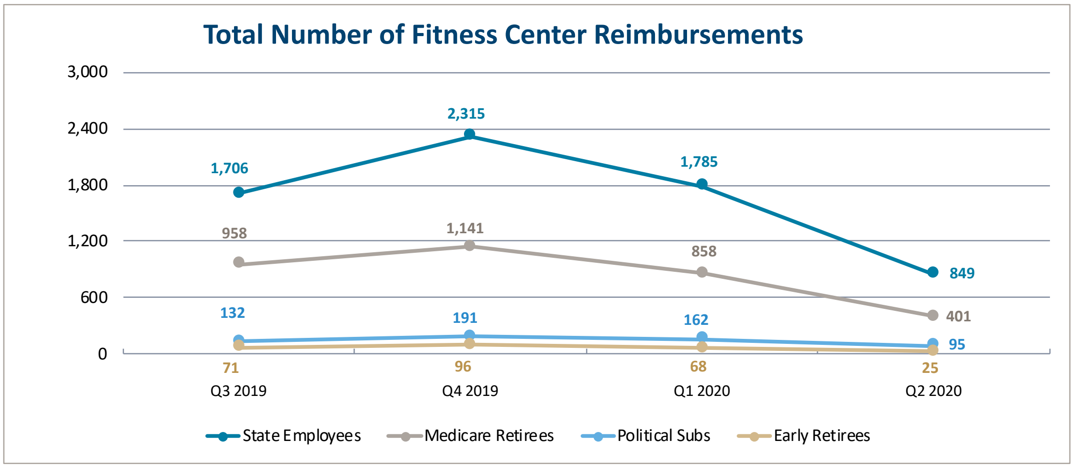
*Incurred between June 1, 2019 and July 30, 2020 and paid through August 31, 2020

Sanford Health Plan – NDPERS EGWP			
Description	**Q1 2019**	**Q1 2020**	**Change**
Avg Subscribers per Month	8,955	9,107	1.7%
Avg Members per Month	8,955	9,107	1.7%
Number of Unique Patients	8,595	8,684	1.0%
Pct Members Utilizing Benefit	96.0%	95.4%	-0.6
Total Days	6,629,089	6,975,437	5.2%
Total Adjusted Rxs	241,623	252,062	4.3%
Average Member Age	75.5	75.7	0.2%
Nbr Adjusted Rxs PMPM	4.50	4.61	2.6%
Generic Fill Rate	91.4%	91.9%	0.5
90 Day Utilization	66.5%	66.7%	0.2
Retail - Maintenance 90 Utilization	65.1%	64.9%	-0.2
Home Delivery Utilization	1.4%	1.8%	0.4
Member Cost Net %	27.3%	27.1%	-0.3
Specialty Percent of Plan Cost Net	38.2%	39.1%	0.9
Formulary Compliance Rate	99.1%	99.1%	0.0

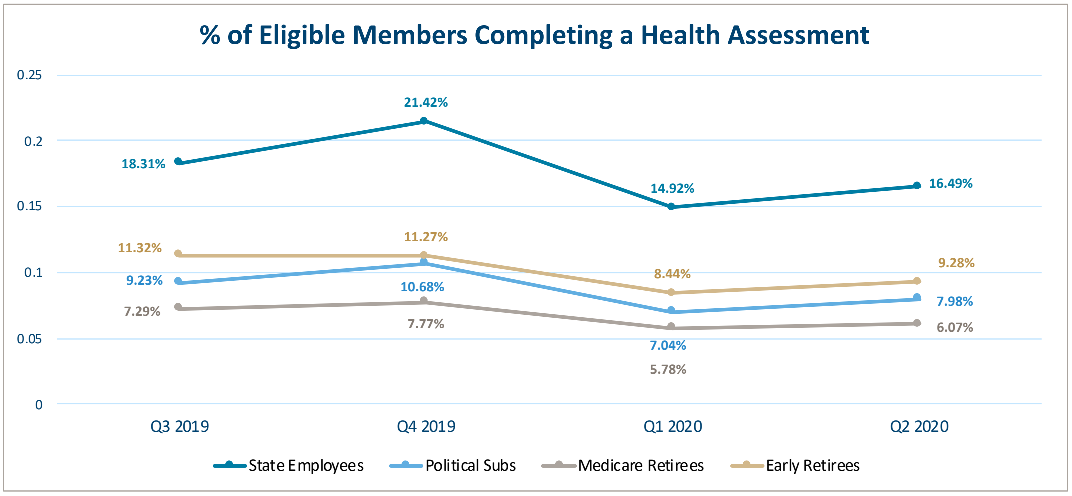
*This data was prepared by Express Scripts Inc. (ESI)

Dakota Wellness Program

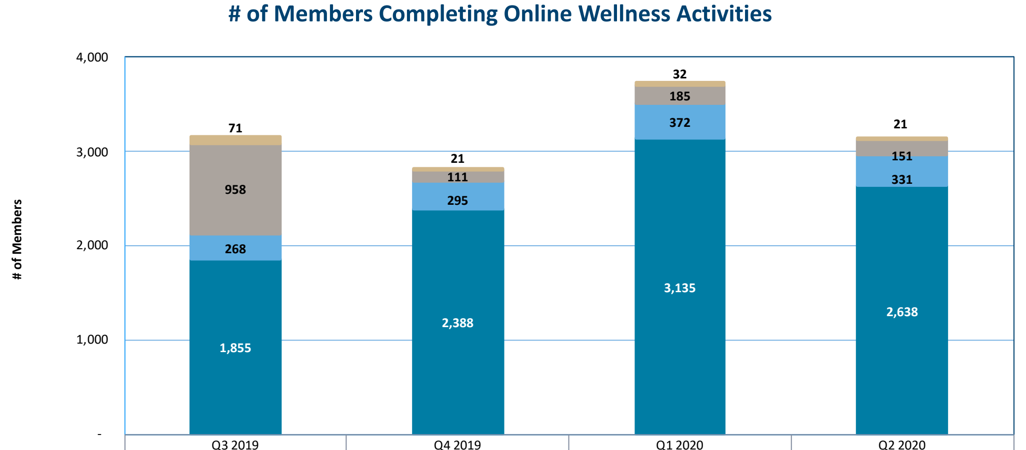
FITNESS CENTER REIMBURSEMENT



HEALTH ASSESSMENT



ONLINE WELLNESS ACTIVITIES



	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Early Retirees	71	21	32	21
Medicare Retirees	958	111	185	151
Political Subs	268	295	372	331
State Employees	1855	2388	3135	2638

LIFESTYLE MEDICINE PROGRAMS

Dakota Wellness Program

Center for Lifestyle Medicine
NDPERS members with qualifying conditions have access to ongoing visits with a Lifestyle Medicine Specialist to create an individualized Lifestyle Medicine plan: **27 members**

- Weekly moderate **physical activity increased** 145%, from 71 to 174 minutes on average.
- Participants with Type 2 Diabetes **reduced glucose by 30%** and 55 points on average.
- **Eating habits improved 37%** on average, from 5.4 pre-program to 7.4 post-program on a 10-point scale.
- **Sleep improved 24%** on average, from 5.9 points pre-program to 7.3 points post-program on a 10-point scale.

Exercise is Medicine (EIM)
In person EIM was suspended March- June. EIM went virtual in June 2020! Total members participating to date: **82 members**

Six months following program completion, NDPERS participants increased their physical activity by **100%** compared to before the program.

41% said their energy levels increased.

Of participants who had pain prior to enrolling, **35%** indicted their pain decreased.

61% indicated they improved their eating habits.

57% increased their confidence of doing physical activity on their own.

Diabetes Prevention Program (DPP)
All in-person co-horts have wrapped up, and the program is now being offered virtually with a wireless scale being sent to participants due to Covid.

Weight loss %	Number of Participants	Reduced Disease Risk
4.8%	111	38%

Omada (launched Oct. 2019) A virtual diabetes prevention program.

Total members participating to date: **140 members**

Percent by age: **18-39: 17%** **40-59: 63%** **60+: 20%**

Total Weight loss: **470.4 pounds**

Week 16 Percentage of weight loss and reduced disease risk:

Weight loss %	Number of Participants	Reduced Disease Risk
0 – <3%	36	35%
3 – <5%	17	38%
5 – <7%	12	54%
7 – <10%	10	64%

Dakota Wellness Program

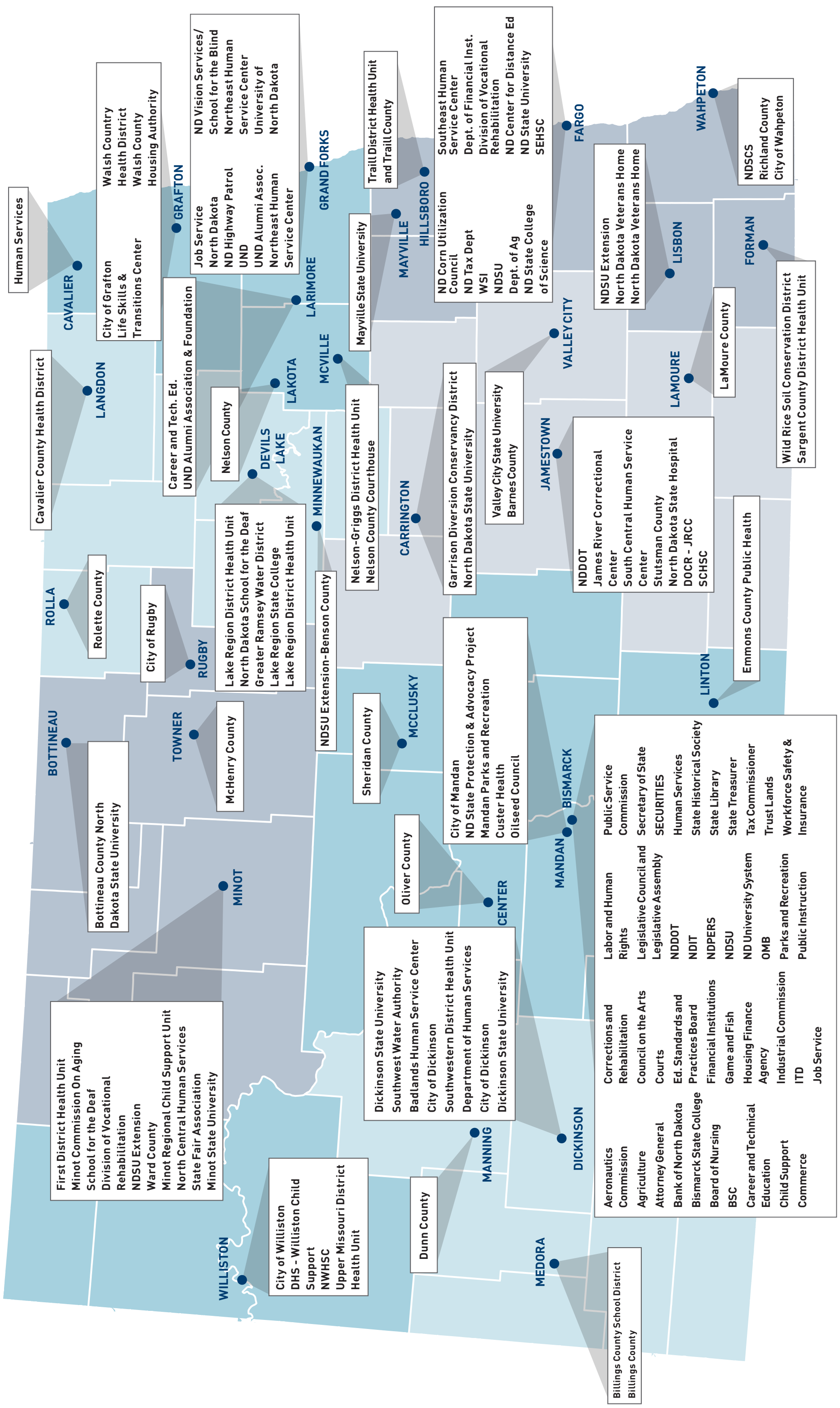
MONTHLY WELLNESS THEMES

Monthly themes keep the wellness program fresh throughout the year and keeps members engaged in their individual wellness pursuit. Newsletters, e-blasts and worksite posters are used to introduce themes.

Dakota Wellness Program

EVENT ATTENDANCE BY AGENCY

The Sanford Health Plan NDPERS wellness team engages members both offline and online. Wellness educators travel across the state to support agency wellness coordinators and provide worksite education and activities. This map shows where they've been over the last quarter.



TOTAL MEMBER ATTENDANCE THIS QUARTER: 1984

PRESENTATIONS/EVENTS:

- Marathon in a Month
- May member webinar Success Over Stress
- June member webinar How to Love Exercise
- April Coordinator Webinar
- May Coordinator Webinar
- June Coordinator Webinar
- Mindfulness Series
- Wellbeing for Prevention
- Dakota Wellness Program
- 5 Star Sleep
- Healthy Meals in a Hurry
- Make it Happen
- Flourishing Financially
- Get Moving @ Work
- Exercise Consults
- Nutrition Consults

TOTAL NUMBER OF AGENCIES VISITED (UNDUPLICATED) 144

Dakota Wellness Program

Dakota Wellness Program Goes Virtual Amidst COVID-19

Marathon in a Month

This challenge took place in lieu of the annual Walk at Work Day. The goal was to walk, run, or bike a marathon- 26.2 miles- in the month of May.

Participation:
60 agencies
1,248 employees

Exercise and Nutrition Consults

Employees had the opportunity to schedule an exercise consult with one of Sanford health Plan's personal trainers and/or a nutrition consult with one of our Registered Dietitians. Consults are customized to fit individual needs, and they can include specific strategies, goal setting, addressing barriers, or additional resources. They are free of charge and employees can earn $30 towards their $250 wellness benefit.

Exercise Consults 61 | Nutrition Consults 52

Monthly Educational Webinars

Explore how to apply information from monthly newsletter to real life. Members can earn $30 towards their $250 wellness benefit.

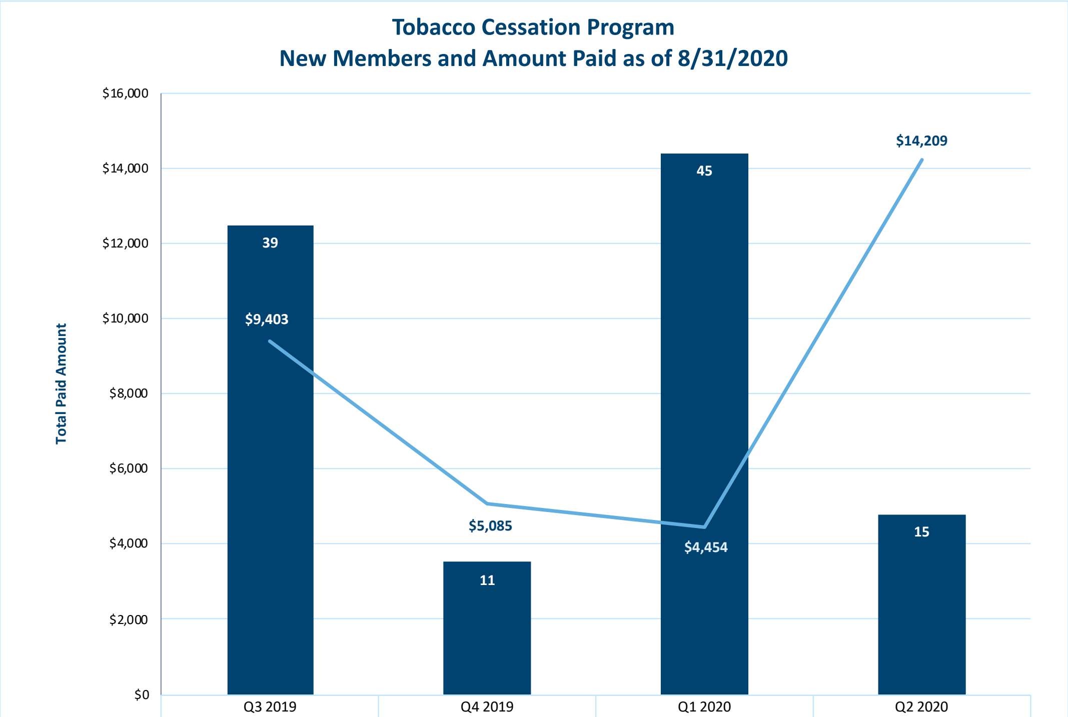
	Attendees	Agencies
May: Success of Stress	140	70
June: How to Love Exercise	177	73

Cook with Me

Sanford Health Plan Lifestyle Medicine Specialists are bringing cooking classes live to your kitchen. Classes are held as live events on the Sanford Wellness and Lifestyle Medicine Facebook group. Agencies can also schedule their OWN zoom classes!

TOBACCO CESSATION PROGRAM

Tobacco Cessation Program



	Q3 2019	Q4 2019	Q1 2020	Q2 2020
New Members	39	11	45	15
Amt. Paid	$9,402.70	$5,085.00	$4,454.49	$14,209.39

Member Management

MEMBER MANAGEMENT REPORT

	CASE SUMMARY		MEMBER OUTREACH		CASE MANAGEMENT
CASE TYPE	Total Cases	Members	Successful Contact	Unsuccessful Contact	Care Coordination
CASE MANAGEMENT 489 Total Cases					
Behavioral Health	30	30	20	38	91
Case Management	118	118	66	83	238
ER Utilization	1	1	0	3	0
Healthy Pregnancy Program	220	218	341	373	213
High Risk Pregnancy	3	3	5	9	2
Inpatient Behavioral Health	68	68	32	90	204
Inpatient Medical/ Surgical	17	17	3	3	16
Inpatient Substance Abuse	3	3	3	5	10
Medication Adherence	6	6	0	0	13
Oncology	8	8	1	5	13
Psychosocial Needs	6	6	8	0	22
Substance Use Disorder	1	1	2	1	2
Transplant	8	8	4	11	25
COMPLEX CASE MANAGEMENT 13 TOTAL CASES					
Chronic Multiple Conditions	2	2	5	1	2
Complicated Case	5	5	37	6	28
Transplant	6	6	8	18	10
POPULATION HEALTH 9 TOTAL CASES					
Congestive Heart Failure	3	3	3	8	0
HTN/CAD	6	6	5	20	2

Case Summary
- Total cases – Count of any cases open or closed during the report time frame.
- Individual members – Count of the individual members with a case open.

Member Outreach
- Successful outreach – Includes the following activities: successful telephone call, outreach, site visit, member interaction.
- Unsuccessful outreach – Includes leaving messages for a member or letter sent.

Case Management
- Case manager activities related to care coordination, including: chart review, referrals to internal Health Plan staff for claim or coverage questions, electronic outreach to providers and educational material mailings.

Performance Standards & Guarantees

2019-2021

MEASURE	GOAL	OUTCOME REPORTING DATES	CURRENT
WELLNESS:			
Health Risk Assessment completion	17%	June 30, 2021	16%
Worksite Interventions agency participation	73%	June 30, 2021	**73%**
Fitness Center Reimbursement participation	5%	Dec. 31, 2020	3.91%
Redemption Center payments	$800,000	Dec. 31, 2020	$281,116
Redemption Center participation rate	8%	Dec. 31, 2020	3.21%
HEALTH OUTCOMES:			
Tobacco Cessation grant dollar distribution	5% increase	June 30, 2021	On Track
Healthy Pregnancy Program	2.5% growth	June 30, 2021	5.5%
Diabetes Prevention Program	5% increase	Dec. 31, 2020	On Track
Exercise is Medicine Program	3% increase	Dec. 31, 2020	On Track
Breast cancer screening rates	80%	June 30, 2021	78.1%
Cervical cancer screening rates	85%	June 30, 2021	78.8%
Colorectal cancer screening rates	60%	June 30, 2021	On Track
PROVIDER NETWORK/CONTRACTING:			
PPO Network participation rate	Hospital, MDs & DOs: 92%	June 30, 2021	100% – Hos 95% – MD/DO
Par Network minimum discount	30%	June 30, 2021	40.92%
CUSTOMER SERVICE & CLAIMS:			
Claims financial accuracy	99%	June 30, 2021	99.99%
Claims payment incidence accuracy	97%	June 30, 2021	99.99%
Claim timeliness	99%	June 30, 2021	99.93%
Claims procedural accuracy	95%	June 30, 2021	99.97%
Average speed of answer	30 seconds	June 30, 2021	12.72 seconds
Call abandoned rate	5% or less	June 30, 2021	1.27%
ANCILLARY ITEMS:			
Interest rate based on US Treasury	US Treasury rate	June 30, 2021	On Track
Rx rebate pass-through rate	100%	June 30, 2021	On Track
About the patient payment on schedule	100%	June 30, 2021	On Track
Explanation of benefits redesign	100%	Dec. 31, 2019	Met

Memo

To: Rebecca Fricke

From: Katie Nermoe

Date: November 4, 2020

Re: Tobacco Cessation Survey Results

This memo is in follow up to a NDPERS Board request for Sanford Health Plan to conduct a survey to gauge the impact the Tobacco Cessation program has had on the NDPERS membership.

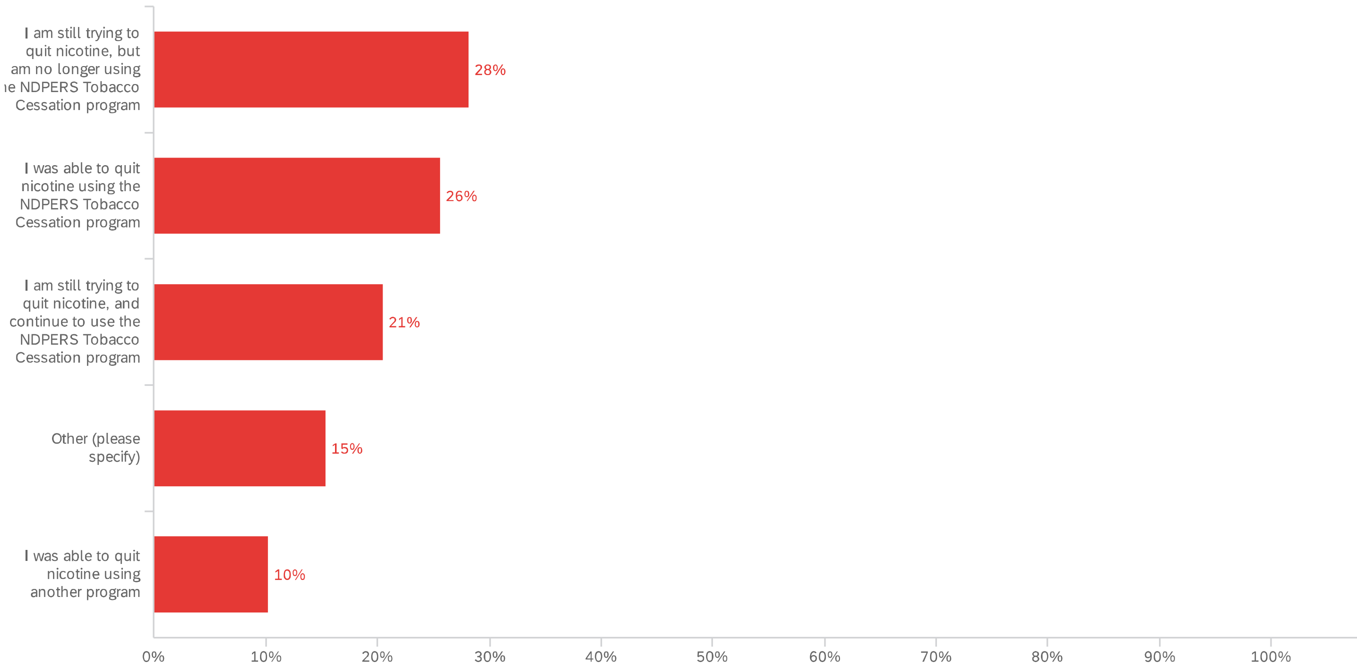
Nicotine Survey Results

There are 402 members who have participated in the Tobacco Cessation Grant Program since transitioning to Sanford Health Plan coverage in 2015. Of those, 314 are no longer members (termed) and 88 are still active.

All 402 past participants received a letter invitation to participate in a one-question survey, and were offered a $20 Visa gift card for their participation. We received 78 survey responses with the following results:

- 26% indicated they were able to quit utilizing the NDPERS program.
- 21% said they are still trying to quit, and continue utilizing the NDPERS program to do so.
- 10% said they were able to quit utilizing another program.
- The remaining 43% of respondents indicated they either continue to smoke or are continuing to try to quit.

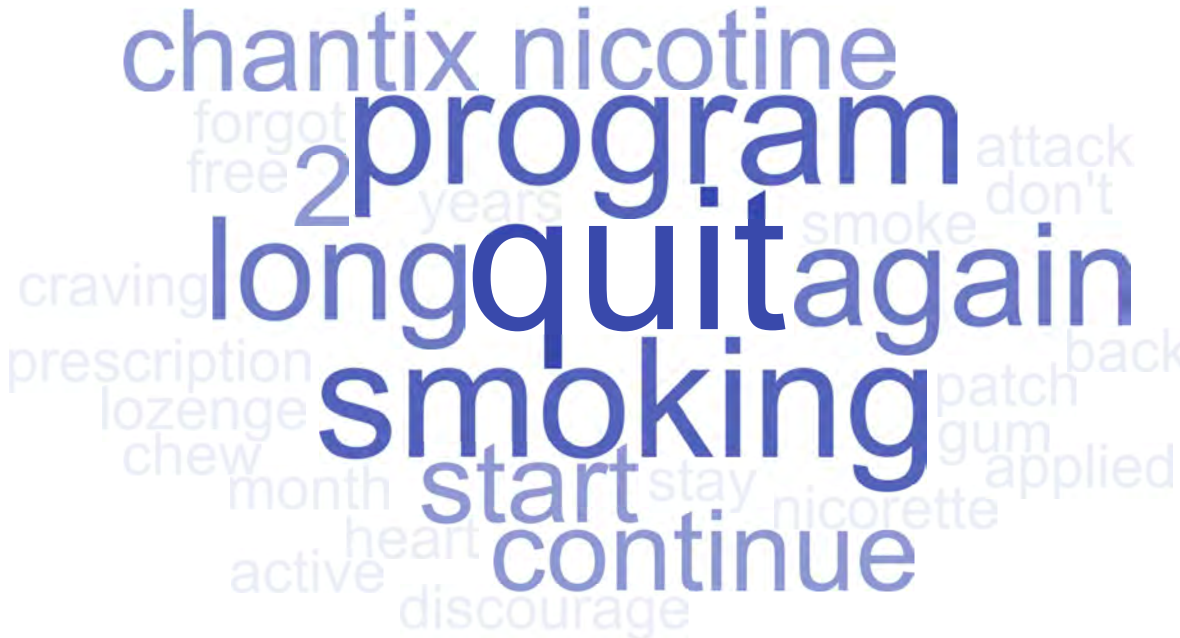
Q2 - Which of the following best describes where you are today?



#	Field		Choice Count
1	I am still trying to quit nicotine, but am no longer using the NDPERS Tobacco Cessation program	28%	22
2	I am still trying to quit nicotine, and continue to use the NDPERS Tobacco Cessation program	21%	16
3	I was able to quit nicotine using the NDPERS Tobacco Cessation program	26%	20
4	I was able to quit nicotine using another program	10%	8
5	Other (please specify)	15%	12
			78

Showing rows 1 - 6 of 6

Q2_5_TEXT - Other (please specify)



Other (please specify)
I was able to quit with a prescription for Chantix. I have been smoke free 2 years now.
Never really used it applied and forgot about it but I am still trying
no longer smoking but continue using nicotine patch
no longer smoking but continue using nicotine gum
I was able to quit due to having a heart attack.
Still chewing nicorette
Still want to quit, but not actively trying
I was able to quit using the program but I have started again
I quit using the program but don't think I used the Chantix long enough (2 months). started smoking again and became discouraged.
Still smoking
i have quit but use the program to stay quit. I still use the lozenges when I get a craving.
I need to go back to the program and start again

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Memorandum

TO: NDPERS Board

FROM: Rebecca

DATE: December 8, 2020

SUBJECT: Political Subdivisions Discontinuing the NDPERS Group Health Plan

Staff wanted to inform the Board of political subdivisions that have elected to discontinue participation in the NDPERS group health plan effective January 1, 2021. NDPERS received written notice of their election within the timeframe required by the Administrative Agreement signed when the group joined the plan.

The following are the employers:

- Billings County
- Dunn County
- McHenry County
- Rolette County
- Sheridan County
- Stutsman County
- Traill County
- City of Beulah
- City of Crosby
- City of Grafton
- City of Lisbon
- City of Mandan
- City of Rolla
- Burleigh County Housing Authority
- Dickinson Park District

The total contracts of these employers is 707, with a total of 1,606 covered lives (subscribers and dependents).

NDPERS does not require information related to the reason the group is discontinuing participation. However, staff is aware of a new group insurance offering that is available to political subdivisions within the state through the North Dakota Public Health Insurance Trust (NDPHIT). Therefore, we anticipate that many if not all of these employers may have opted to discontinue with NDPERS to join this group.

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

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 8, 2020

SUBJECT: Health Plan Contract

This is a placeholder on the agenda to talk about any issues that may have arisen with the negotiation of the Health Plan Contract. As of the date this Board book went out there were no issues. I will update the Board during the meeting.

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 8, 2020

SUBJECT: Health Plan Report

Section 4 of Senate Bill 2023, which was passed last Legislative Session and contained the NDPERS budget, required the NDPERS Board to issue a Request for Proposals (RFP) for the health plan for the 2021-2023 biennium. Section 4 of Senate Bill 2023 also requires the Board to

> report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.

On September 14, 2020, I provided the appropriate legislators an update on the RFP process. That update was, by necessity, fairly vague since the Board was still in the middle of the RFP process and there was certain information that we needed to keep closed for the duration of that process. I have attached that update for your information.

Now that the selection has been made, we need to provide the Legislature with the final report. I have drafted a proposed report, which is attached. Please review the proposed report. We will discuss any thoughts or suggested changes at the Board meeting, and approve a final version for my submission to the Legislature.

Board Action: Modify and/or approve the proposed report.

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Memorandum

TO: North Dakota Legislative Management
North Dakota House and Senate Appropriations Committees

FROM: Scott Miller, Executive Director

DATE:

SUBJECT: NDPERS Group Health Plan Request for Proposals

Section 4 of Senate Bill 2023, which was passed last Legislative Session and contained the NDPERS budget, required the NDPERS Board to issue a Request for Proposals (RFP) for the health plan for the 2021-2023 biennium. Section 4 of Senate Bill 2023 also required the Board to

> report to the majority and minority leaders of the House and Senate and the chairmen of the appropriations committees, or their designees, when bids are received during the biennium beginning July 1, 2019, and ending June 30, 2021. The report must provide comparative information and the board's evaluation of the bids received, including information on the self-insurance option.

On September 14, 2020, I emailed you an update on the RFP process. This memo is intended to provide the final required report and supporting information to you. Please let me know if you would like any additional information.

NDPERS staff began this RFP process in January of 2020. We began by working with Deloitte on a complete review and update of the existing RFP, which we have historically reviewed and updated every two years in the event the Board did not renew with the then-current carrier.

We brought a proposed RFP timeline to the Board at its February 11, 2020 meeting. The Board ultimately approved the following timeline, which was included in the RFP:

Activity	Date/Time
NDPERS publishes Request for Proposal (RFP)*	June 1, 2020
Bidder Conference**	June 16, 2020 (9am – 11am CST)
Bidder questions (in writing) due	June 18, 2020 (5pm CST)
Proposals due	**Wednesday, July 15, 2020 (5 pm CST)**
Finalist presentations (if requested)	September 2020
NDPERS notifies finalist of intent to negotiate	November 2020
Bidder and NDPERS begin implementation	January 2021
Bidder begins providing services	July 1, 2021

At the March 10th Board meeting, the Board considered the services that should be included in the RFP. The Board approved including the following services:

1. Fully-insured medical and pharmacy proposal
2. Self-insured medical and pharmacy proposal
3. Fully-insured medical proposal only
4. Self-insured medical proposal only
5. Fully-insured pharmacy proposal only
6. Self-insured pharmacy proposal only
7. Stop loss insurance for all self-insured options

The RFP was released on June 1, 2020. In the RFP, the Board advised potential vendors that the Board would use the following criteria in evaluating the proposals to determine which bid, if any, was most beneficial for our participants and the State of North Dakota:

1. The economy to be affected.
2. The ease of administration.
3. The adequacy of the coverages.
4. The financial position and experience of the carrier, with special emphasis as to its solvency.
5. The reputation of the carrier and any other information that is available to show past experience with the carrier in matters of claim settlement, underwriting, and services.
6. Multi-year guaranteed premium/fees.
7. The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.

The first five of those criteria reflect the complete list of criteria from NDCC section 54-52.1-04(1). The last two were criteria used in previous RFP efforts, and relate to items within the first five criteria.

The Board also considered several sub-criteria to more finely hone the evaluation of the proposals submitted. Each of those sub-criteria, along with the last two criteria provided in the list above, were added as part of the evaluation of the statutory criteria provided in NDCC section 54-52.1-04(1). The Board carefully considered its statutory responsibilities and the information it would need in order to make a decision regarding which proposal, if any, was most beneficial to our participants and the State of North Dakota. The Board approved the following evaluation matrix for making that determination:

NDPERS Medical & Prescription Drug RFP
Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria		
A	**The economy to be effected.**	
	a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.
	a2.	Multi-year guaranteed premium/fees.
	a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.
	a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota's economy and job base?
B	**The ease of administration.**	
	b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?
	b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?
	b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers
	b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?
C	**The adequacy of the coverages.**	
	c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?
	c2.	Proposal deviations from our standard contract
	c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?
D	**The financial position of the carrier, with special emphasis on the solvency of the carrier**	
	d1.	Ratings agency ratings
	d2.	Financial stability
E	**The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.**	
	e1.	References
	e2.	Information from the Insurance Department
	e3.	Member satisfaction information
	e4.	Performance standards proposed
		TOTAL SCORE

NDPERS staff and Deloitte held a virtual bidders conference on June 16, 2020. There were many potential vendors who called in, but very few questions were asked. We received formal questions from 8 potential vendors by the June 18th deadline, and staff responded with written answers to those questions soon afterwards.

Proposals were due July 15, 2020. We received fourteen different proposals from five different vendors, as shown in the table below:

Required Proposal Content:	Proposed Services:						
	1. Fully Insured Medical & Rx	2. Self-insured Medical & Rx	3. Fully-Insured Medical Only	4. Self-insured Medical Only	5. Fully-Insured Rx Only	6. Self-Insured Rx Only	7. Stop Loss
BCBSND	x	X		x			x
Sanford Health Plan	x	X	x	x	x	x (OptumRx)	x
Express Scripts						x	
MedImpact						x	
WellDyne						x	

Staff and Deloitte immediately began reviewing the proposals to determine whether each of them met the minimum requirements. We eventually determined that all of the proposals did meet the minimum requirements. Those minimum requirements included compliance with the transparency requirements enacted by House Bill 1374 by the 2019 Legislative Assembly.

Prior to receiving any of the cost proposal information, staff began reviewing the technical proposal information. Throughout the process we had many questions regarding proposals for each of the vendors. We forwarded those questions to Deloitte for them to address with the vendors. Over the course of the RFP process, staff believes it received all of the necessary clarification from the vendors to be confident in our analysis of the various proposals.

During this time, Deloitte performed a disruption analysis to determine whether our participants would be affected by a change from SHP to a different provider. Deloitte's analysis showed very little disruption if we were to move to BCBSND or ESI. However, Deloitte's analysis did show that choosing either MedImpact or WellDyne would result in significant disruption for our participants. If the Board chose MedImpact, 2.8% of the prescriptions filled would become out-of-network, increasing the costs to our participants, and making it more difficult for them to fill their prescriptions. Similarly, if the Board chose WellDyne, 9.7% of the prescriptions filled would become out-of-network.

Staff and Deloitte then completed the evaluation matrix for the technical aspects of the various proposals, other than for references and contract deviations. Only after that was completed did staff receive any information regarding the cost proposals.

Staff and Deloitte presented the technical and financial analyses of the various proposals to the Board, including the evaluation matrix (attached), at its September 8, 2020 meeting. The Board directed staff and Deloitte to invite BCBSND, SHP, and Express Scripts to vendor interviews on September 30th. The Board further directed Deloitte to invite those three vendors to submit best and final offers (BAFOs) prior to the interviews.

The Board did not invite MedImpact or WellDyne to interview with the Board for two primary reasons. First, the Board did not believe the disruption that transitioning to those vendors would cause to our participants would be in the best interests of those participants or the State. Second, the proposals submitted by MedImpact and WellDyne were the highest cost proposals for pass-through, open formulary prescription drug plans. (Statutory transparency requirements essentially mandate that NDPERS utilize pass-through, rather than spread, PBM arrangements. Further, exclusionary formularies would have subjected our participants to additional disruption.)

The Board held interviews with the three vendors on September 30th. After the interviews, Deloitte presented the Board with the results of the BAFOs received from each of the vendors. The below table shows Deloitte's final financial results after the BAFOs.

(Millions)	Current Rates	Biennium (7/2021 - 6/2023)					
Medical Insurer	SHP	SHP	BCBS	SHP	BCBS	SHP	BCBS
Prescription Drug Administrator	SHP	SHP	BCBS	SHP	BCBS	ESI	ESI
Medical Funding Arrangement	Insured	Insured	Insured	Self-Insured	Self-Insured	Insured	Self-Insured
Prescription Drug Funding Arrangement	Insured	Insured	Insured	Self-Insured	Self-Insured	Self-Insured	Self-Insured
Medical & Prescription Drug[2]	**$686.8**	**$689.2**	**$730.6**	**$779.4**	**$784.1**	**$721.0**	**$786.5**
Change vs. SHP Current ($)		***$2.4***	***$43.8***	***$92.6***	***$97.3***	***$34.2***	***$99.7***
Change vs. SHP Current (%)		***0.4%***	***6.4%***	***13.5%***	***14.2%***	***5.0%***	***14.5%***

The major difference between the insured and the self-insured amounts is the difference in the trend proposed by SHP and BCBS for the fully-insured plans and the trend Deloitte has calculated for our population based on the claims experience we have, which makes up the bulk of the cost of the self-insured plans. Both SHP and BCBS projected lower trend than did Deloitte, which in part results in their insured proposals being lower than the self-insured options. We do not know why they projected lower claims; Deloitte's projections were based on all of the claims information available, and that claims information was provided to the vendors.

The other major differences between the insured and the self-insured premiums are the necessary addition of $12.4 million per biennium for a reserve contribution (based on the bare minimum two months of claims as established by the Department of Insurance; we would most likely prefer a higher reserve) and $800,000 per biennium for additional staffing.

SHP included a $12 million "retention credit" in its BAFO, which it increased from the $9 million credit in its initial financial proposal. SHP conditioned that credit on the Board awarding a bundled, fully-insured contract to SHP for both the active population and the Medicare retiree population. During the vendor interview, SHP agreed that the retention credit would function much like the buy-down the Board has used in the past to reduce premiums for our members and employers. The last time the Board used a buy-down was for the 2017-2019 biennium. As happened for the renewal for the current biennium (after the last buy-down), the renewal next biennium will appear larger than it would normally be because the premiums will be going up an additional 1.9% to make up for the elimination of the retention credit.

The Board held a special session on October 15, 2020. At that meeting it received the report Deloitte provided to the Legislative Employee Benefits Programs Committee entitled, “State of North Dakota House Bill No. 1374, Section 3: Public Employees Retirement System Prescription Drug Coverage Study”. In that study, Deloitte examined the benefits and detriments of “carving out” the prescription drug coverage from the medical coverage; that is, using a different vendor for pharmacy than for medical coverage.

The Board then considered the various proposals submitted. It received Deloitte’s report on its reference checks, which did not reveal any concerning information on any of the three finalists. The Board further considered the proposals and adjourned until another special meeting on October 19, 2020.

At its October 19, 2020 special meeting, the Board further discussed the proposals and the relevant information regarding the proposals. The Board reached consensus that awarding the contract to the Sanford Health Plan was in the best interests of its participants and the State of North Dakota. In open session, the Board passed a motion to award a contract to Sanford Health Plan for a bundled, fully-insured medical and pharmacy health plan for both its active and Medicare-retiree participants. The Board based that decision primarily on the cost savings to the State, our participating political subdivisions, and our Medicare retirees of over $32 million, and the fact that continuing to use SHP would result in no disruption to our participants and their dependents.

It is important to keep in mind that our “fully-insured” health insurance is actually a “modified fully-insured” health plan. We do not have any of the risk under this plan – SHP has all of the risk. However, we share in any gains we realize – we receive 50% of the first $3 million of gains, and all of the gains over $3 million. That was a significant factor in the Board’s decision, especially given the significantly higher projected cost of a self-insured plan.

Attachment

NDPERS Medical & Prescription Drug RFP
Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria			RFP Response Evaluation						
			Sanford	Sanford	BCBS	BCBS	Sanford	Sanford	BCBS
			Fully Insured Bundled Medical	Fully Insured Carve out	Fully Insured Bundled Medical	Self Insured Carve Out	Self Insured Carve Out	Self Insured Bundled Medical	Self Insured Medical
A	**The economy to be effected.**								
	a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.	4	4	3	2	3	3	2
	a2.	Multi-year guaranteed premium/fees.	3	3	3	3	3	3	3
	a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.	4	3	3	2	2	2	2
	a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota's economy and job base?	3	3	3	3	3	3	3
B	**The ease of administration.**								
	b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?	3	3	3	3	3	3	3
	b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?	4	3	4	2	2	2	2
	b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers	4	3	3	2	2	2	2
	b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?	3	3	3	3	3	3	3
C	**The adequacy of the coverages.**								
	c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?	3	3	3	3	3	3	3
	c2.	Proposal deviations from our standard contract							
	c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?	3	3	3	3	3	3	3

NDPERS Medical & Prescription Drug RFP
Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria			RFP Response Evaluation						
			Sanford	**Sanford**	**BCBS**	**BCBS**	**Sanford**	**Sanford**	**BCBS**
D	**The financial position of the carrier, with special emphasis on the solvency of the carrier.**								
	d1.	Ratings agency ratings	3	3	3	3	3	3	3
	d2.	Financial stability	3	3	3	3	3	3	3
E	**The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.**								
	e1.	References							
	e2.	Information from the Insurance Department	3	3	3	3	3	3	3
	e3.	Member satisfaction information	3	3	3	3	3	3	3
	e4.	Performance standards proposed	3	3	3	3	3	3	3

Additional Comments:

NDPERS Medical & Prescription Drug RFP

Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria			RFP Response Evaluation				
			Sanford	Sanford	ESI	WellDyne	MedImpact
			Prescription Drug - Fully	Prescription Drug - Self	Prescription Drug - Self	Prescription Drug - Self	Prescription Drug - Self
A	**The economy to be effected.**						
	a1.	Overall Pricing – this includes all costs of the insurance product, including administrative fees, reinsurance or stop-loss insurance, and any federal fees. The additional personnel/office costs of administering a self-insured plan would fall within this sub-criterial. Premium costs, including any additional amount that would be necessary to add to a self-insurance premium to establish adequate reserves, are also included.	3	3	4	1	2
	a2.	Multi-year guaranteed premium/fees.	3	3	3	3	3
	a3.	The value proposition of different insurance arrangements including self-insurance to determine if it is in the best interest of the State and the State's eligible employees.	4	2	2	2	2
	a4.	The effect on North Dakota – would choosing one of the bids add to or detract from North Dakota's economy and job base?	3	3	2	2	2
B	**The ease of administration.**						
	b1.	Infrastructure – does the provider have the necessary office space, technology and claims payment system, and personnel system to most beneficially serve our needs?	3	3	3	3	3
	b2.	Staffing – does the provider have adequate personnel to most beneficially serve our needs? How does the bid affect ongoing staffing within NDPERS?	4	3	2	2	2
	b3.	Transition – what would a transition from one carrier to another require of NDPERS? PERS call center, Member communication materials, PERS staff time, informational meeting with both members and employers	4	3	2	2	2
	b4.	Goals and objectives – does the bidder have the same objectives as NDPERS and the State of North Dakota?	3	3	2	2	2
C	**The adequacy of the coverages.**						
	c1.	Plan benefits comparison – do the proposed benefits match our current menu of benefits?	3	3	2	2	2
	c2.	Proposal deviations from our standard contract					
	c3.	Disruption analysis – would a transition overly disrupt our members by affecting their choice of physician or pharmacist?	3	3	3	1	2

NDPERS Medical & Prescription Drug RFP

Evaluation Template

In determining which bid, if any, will best serve the interests of eligible employees and the state, the board shall give adequate consideration to the following factors:

Evaluation Criteria			RFP Response Evaluation				
			Sanford	**Sanford**	**ESI**	**WellDyne**	**MedImpact**
D	**The financial position of the carrier, with special emphasis on the solvency of the carrier.**						
	d1.	Ratings agency ratings	**3**	**3**	**3**	**3**	**3**
	d2.	Financial stability	**3**	**3**	**3**	**3**	**3**
E	**The reputation of the carrier and any other information available tending to show past experience with the carrier in matters of claim settlement, underwriting, and services.**						
	e1.	References					
	e2.	Information from the Insurance Department	**3**	**3**	**3**	**3**	**3**
	e3.	Member satisfaction information	**3**	**3**	**3**	**3**	**3**
	e4.	Performance standards proposed	**3**	**3**	**3**	**2**	**2**

Additional Comments:

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 ● 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

Memorandum

TO: NDPERS Board

FROM: Bryan

DATE: December 8, 2020

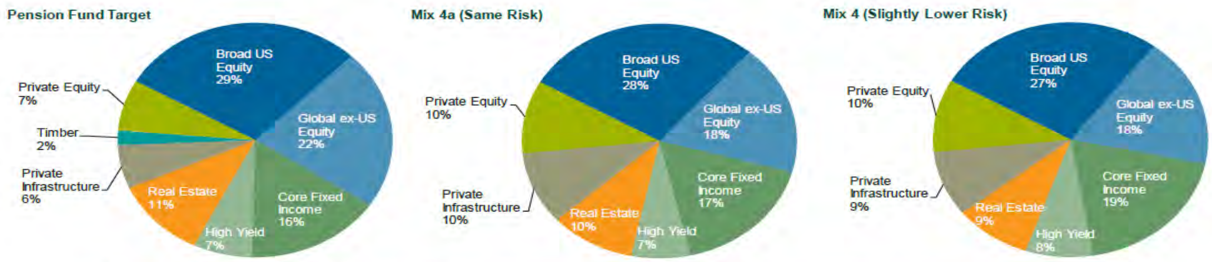
SUBJECT: Asset Liability Studies

At the September NDPERS Board meeting, Callan presented the Asset Liability Study results for the NDPERS Main plan and Retiree Health Insurance Credit (RHIC) plan. At that time, the Board gave direction to the NDPERS Investment Subcommittee to evaluate the results and bring back recommendations to the full NDPERS Board in December.

The Main plan asset allocations:

The Investment Subcommittee reviewed the Callan report and chose to recommend keeping the current asset allocation. The mixes proposed would allocate more funds to illiquid assets such as Private Infrastructure and Private Equity. As shown in the exhibit below, this would have little effect on expected returns and risk (standard deviation).

Recommendation



Asset Class	Policy Target	Same Risk Mix 4a	% Change	$M Change	Lower Risk Mix 4	% Change	$M Change
Public Equity	51%	46%	-5%	($161)	45%	-6%	($193)
Broad U.S. Equity	29%	28%	-1%	($19)	27%	-2%	($51)
Global ex-U.S. Equity	22%	18%	-4%	($141)	18%	-4%	($141)
Fixed Income	23%	24%	1%	$32	27%	4%	$128
Core Fixed Income	16%	17%	1%	$32	19%	3%	$96
High Yield	7%	7%	0%	$0	8%	1%	$32
Alternatives	26%	30%	4%	$128	28%	2%	$64
Real Estate	11%	10%	-1%	($32)	9%	-2%	($64)
Private Infrastructure	6%	10%	4%	$128	9%	3%	$96
Timber	2%	0%	-2%	($64)	0%	-2%	($64)
Private Equity	7%	10%	3%	$96	10%	3%	$96
Expected Return	6.8%	6.8%			6.7%		
Expected Standard Deviation	13.4%	13.4%			13.1%		

Note: Dollar changes based on June 30, 2020 asset value

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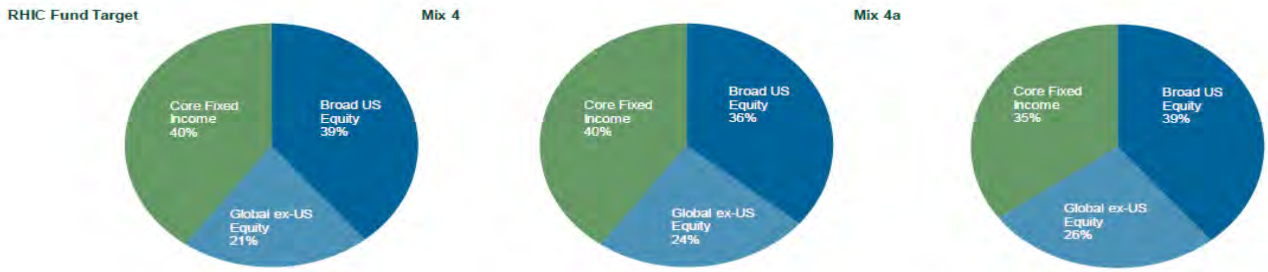
The Retiree Health Insurance Credit plan asset allocations:

The Investment Subcommittee reviewed the Callan report and recommends moving to asset mix 4a. The proposed mix 4a would allocate more funds to Global ex-US equity from Fixed Income. As shown in the exhibit below, this would increase the expected return from 5.9% to 6.1% and would also increase risk (standard deviation). Here are the comments from Callan.

Finally, while the target and mixes 4 and 4a have expected returns over the next 10 years that fall short of the 6.5% return assumption, there are mitigating factors that offset the projected returns

- Callan's public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
- Callan's 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations
- The target and mixes 4 and 4a have a 43-46% probability of achieving a 6.5% return over the next 10 years

Recommendation



Asset Class	Policy Target	Same Risk Mix 4	% Change	$M Change	More Risk Mix 4a	% Change	$M Change
Public Equity	**60%**	**60%**	0%	$0	**65%**	**5%**	**$7**
Broad U.S. Equity	39%	36%	-3%	($4)	39%	0%	$0
Global ex-U.S. Equity	21%	24%	3%	$4	26%	5%	$7
Fixed Income	**40%**	**40%**	0%	$0	**35%**	**-5%**	**($7)**
Core Fixed Income	40%	40%	0%	$0	35%	-5%	($7)
Expected Return	**5.9%**	**5.9%**			**6.1%**		
Expected Std. Deviation	**10.8%**	**10.8%**			**11.7%**		
Prob. ≥ 6.5%	**43%**	**43%**			**46%**		

Note: Dollar changes based on June 30, 2020 asset value

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BOARD ACTION:

Determine whether to adopt new asset allocations for the two investment trusts.

Callan

Attachment: Asset Liability Study for PERS Main Plan

August 27, 2020

North Dakota PERS

2020 Asset -Liability Study

Alex Browning
Fund Sponsor Consulting

Paul Erlendson
Fund Sponsor Consulting

Julia Moriarty, CFA
Capital Market Research

Agenda

Callan

Introduction and Process Overview

Introduction

The goal of the asset-liability study is to determine an appropriate long-term mix between return-seeking assets (e.g., equities, real assets, alternatives) and risk-mitigating assets (cash, fixed income)

- 80-90% of funded status volatility is driven by the broad asset allocation decision

Asset allocation will vary by the unique circumstances of the plan

- No “one-size-fits-all” solution exists

The asset-liability study helps NDPERS quantify the impact that different strategies might have on relevant metrics

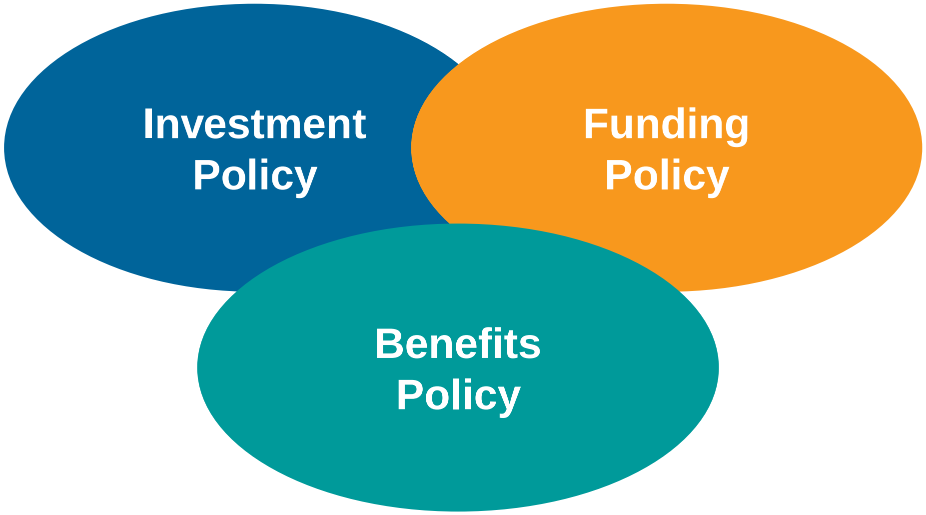
Factors to consider:

- Liability characteristics
- Funded status
- Contribution policy
- Time horizon
- Liquidity needs

Where Does Asset Allocation Fit In?

Evaluate the interaction of three key policies to identify the optimal investment policy

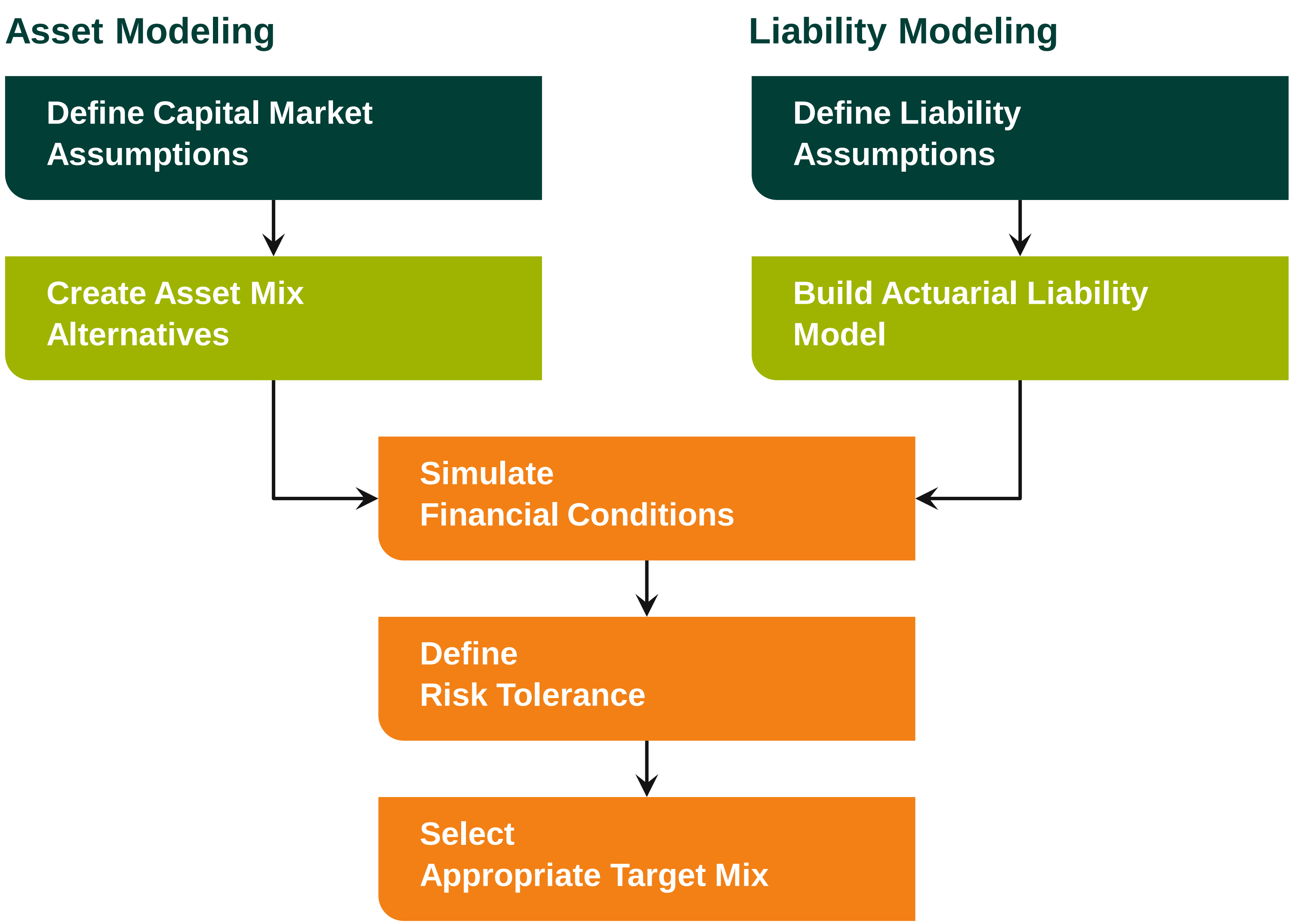
Investment Policy
- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?



Funding Policy
- How will the benefits/deficits be paid for (funded)?
- What are the actuarial assumptions to use?

Benefits Policy
- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

Callan Asset-Liability Modeling Process



Callan

Asset Allocation

Callan Capital Market Process and Philosophy

Underlying beliefs guide the development of the projections

- An initial bias toward long-run averages
- An awareness of risk premiums
- A presumption that markets ultimately clear and are rational

Reflect our belief that long-term equilibrium relationships between the capital markets and lasting trends in global economic growth are key drivers to setting capital market expectations

Long-term compensated risk premiums represent “beta”—exposure to each broad market, whether traditional or “exotic,” with limited dependence on successful realization of alpha

The projection process is built around several key building blocks

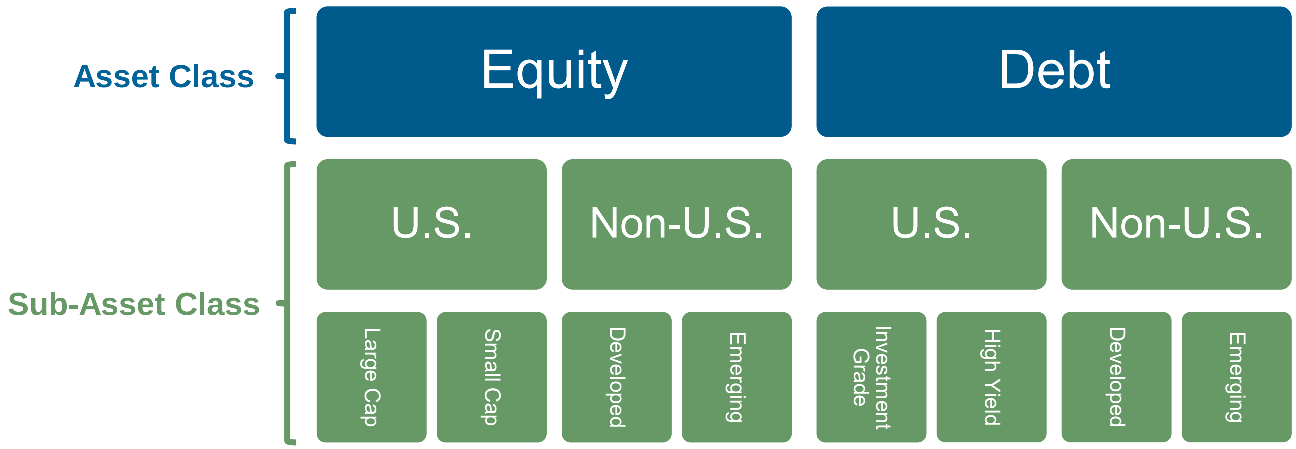
- Advanced modeling at the individual asset class level (e.g., a detailed bond model, an equity model)
- Pathways for both interest rates and inflation
- A cohesive economic outlook
- A framework that encompasses Callan’s beliefs about the long-term operation and efficiencies of the capital markets

The Focus is on Broad Asset Classes

Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis

Primary asset classes and important sub-asset classes include:

- U.S. Stocks
- U.S. Bonds
- Non-U.S. Stocks
- Non-U.S. Bonds
- Real Estate
- Private Equity
- Absolute Return
- Cash



Callan Capital Market Assumptions

Risk and return: 2020–2029

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad U.S. Equity	Russell 3000	7.15%	18.10%
Large Cap U.S. Equity	S&P 500	7.00%	17.70%
Small/Mid Cap U.S. Equity	Russell 2500	7.25%	21.20%
Global ex-U.S. Equity	MSCI ACWI ex USA	7.25%	20.50%
Developed ex-U.S. Equity	MSCI World ex USA	7.00%	19.70%
Emerging Market Equity	MSCI Emerging Markets	7.25%	25.70%
Fixed Income			
Short Duration Gov't/Credit	Bloomberg Barclays 1-3 Yr G/C	2.70%	2.10%
Core U.S. Fixed	Bloomberg Barclays Aggregate	2.75%	3.75%
Long Government/Credit	Bloomberg Barclays Long G/C	2.75%	10.60%
TIPS	Bloomberg Barclays TIPS	2.40%	5.05%
High Yield	Bloomberg Barclays High Yield	4.65%	10.25%
Global ex-U.S. Fixed	Bloomberg Barclays Glbl Agg xUSD	0.90%	9.20%
Emerging Market Sovereign Debt	EMBI Global Diversified	4.35%	9.50%
Other			
Core Real Estate	NCREIF ODCE	6.25%	14.00%
Timberland	NCREIF Timberland	6.05%	14.60%
Farmland	NCREIF Farmland	6.10%	15.00%
Private Infrastructure	DJB Glob Infr / FTSE Dev Core Infr 50/50	6.60%	15.20%
Private Equity	Cambridge Private Equity	8.50%	27.80%
Hedge Funds	Callan Hedge FoF Database	5.00%	8.70%
Commodities	Bloomberg Commodity	2.75%	18.00%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

– Most capital market expectations represent passive exposure (beta only); however, return expectations for private market investments reflect active management premiums

– Return expectations are net of fees

Policy Target Allocation

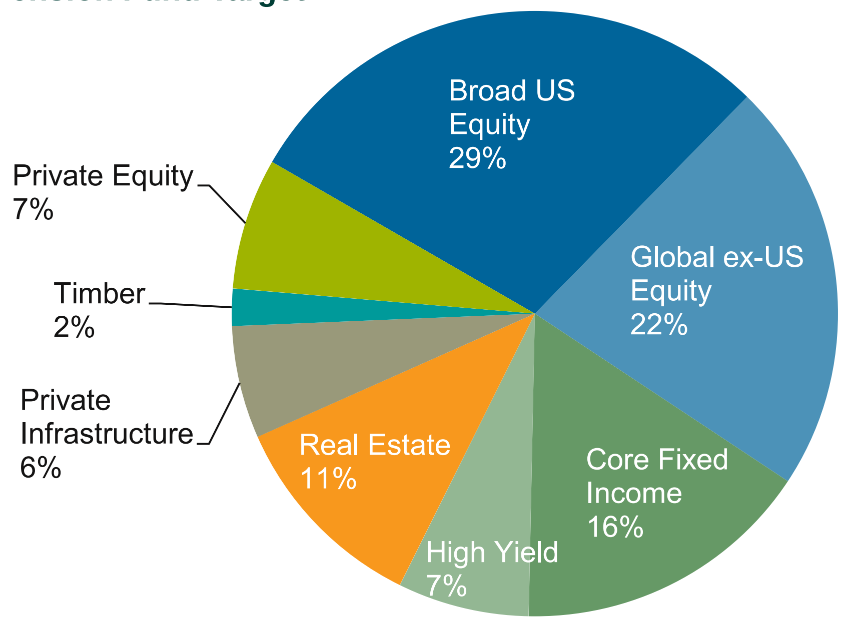
The target asset allocation consists of 51% public equity, 23% fixed income, and 26% alternatives

- Alternatives include real estate, private infrastructure, timber, and private equity

While the Fund's target allocation is projected to return 6.8% over the next 10 years versus an actuarial discount rate of 7.0%, two key items should be noted

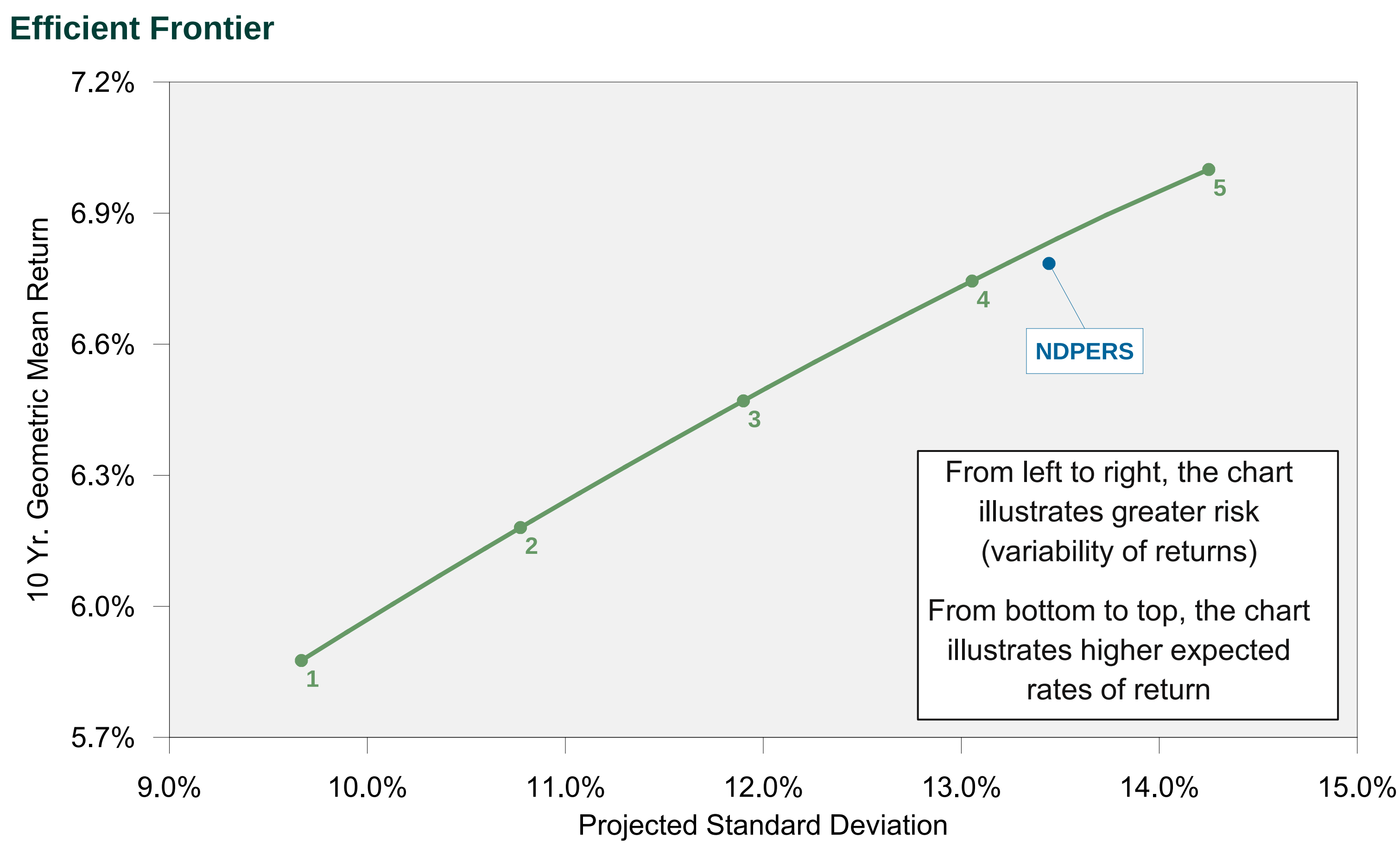
- Callan's public market return projections do not incorporate active management premiums
  - Active management premiums accrue when investment firms selected by the State Investment Board outperform their passive benchmarks
    - *It is important to note, though, that investment firms will at times underperform their passive benchmarks*
  - The Plan's public market returns have benefitted from active management by ~25 basis points net of fees (annualized) over the past five years ended 3/31/20
- Callan's 10-year projections are below longer-term expectations due to the current economic environment and the forecast for the next several years

Pension Fund Target



Expected Geometric Mean Return = 6.8%
Expected Standard Deviation = 13.4%

Efficient Frontier



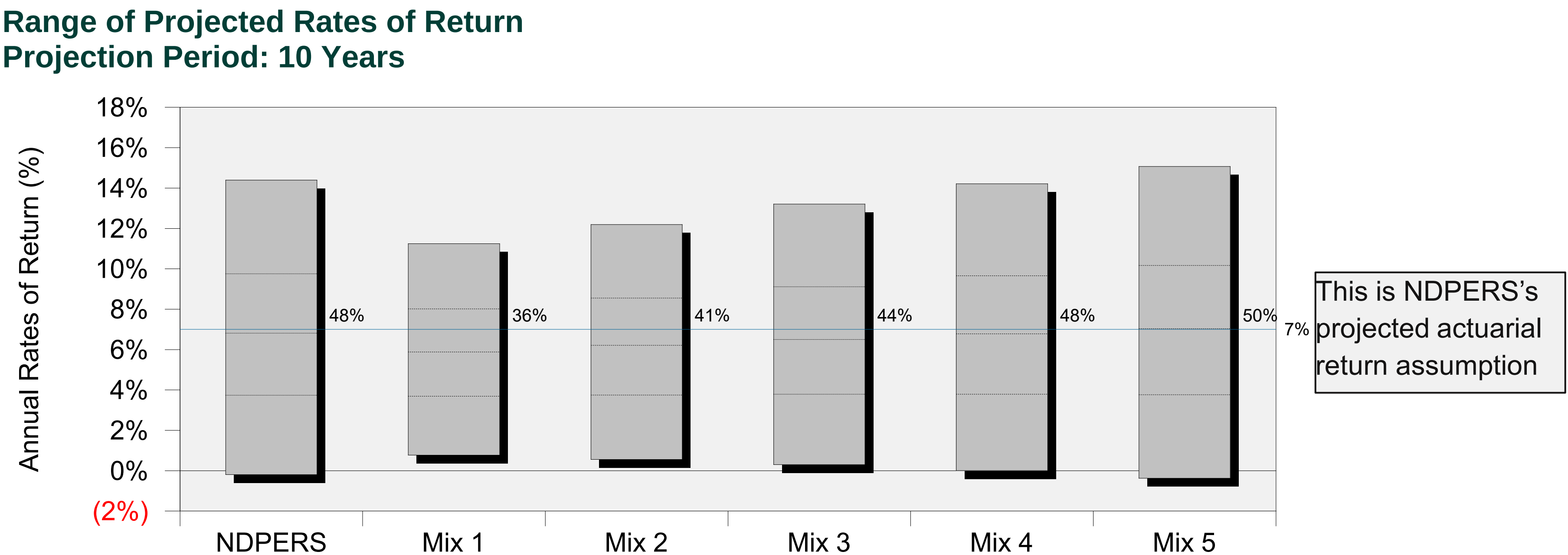
- A series of optimal mixes at different levels of expected return and risk is depicted above
  - Optimal mixes generate the greatest return for a given level of risk, or conversely, the lowest risk for a given level of return
  - Five efficient mixes are numbered and described in more detail on the following page
- The current target portfolio is modestly below the efficient frontier near mix 4

Alternative Asset Mixes

Asset Class	Policy Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Public Equity	**51%**	**30%**	**34%**	**39%**	**45%**	**51%**
Broad U.S. Equity	29%	18%	21%	24%	27%	30%
Global ex-U.S. Equity	22%	12%	13%	15%	18%	21%
Fixed Income	**23%**	**50%**	**43%**	**35%**	**27%**	**19%**
Core Fixed Income	16%	35%	30%	24%	19%	13%
High Yield	7%	15%	13%	11%	8%	6%
Alternatives	**26%**	**20%**	**23%**	**26%**	**28%**	**30%**
Real Estate	11%	6%	7%	8%	9%	10%
Private Infrastructure	6%	6%	7%	8%	9%	10%
Timber	2%	0%	0%	0%	0%	0%
Private Equity	7%	8%	9%	10%	10%	10%
Expected Return	**6.8%**	**5.9%**	**6.2%**	**6.5%**	**6.7%**	**7.0%**
Expected Standard Deviation	**13.4%**	**9.7%**	**10.8%**	**11.9%**	**13.1%**	**14.3%**

- The optimal mixes are constructed with decreasing allocations to fixed income (from 50% to 19%)
  - High yield equals 30% of total fixed income, private equity is constrained to a maximum of 10%, equal allocations are made to real estate and private infrastructure, and timber is eliminated, as a result of discussions with SIB
    - *Efficient allocations to real estate and private infrastructure are ~75/25, respectively*
- As fixed income decreases, the expected return increases and annual portfolio risk reaches over 14%
- The policy target's risk and return profile is similar to that of mix 4
- Large allocations to alternatives will require stress-testing to determine if the amount of illiquidity is tolerable

Projected Rates of Return (10 Years)



	NDPERS	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5th Percentile	14.4%	11.2%	12.2%	13.2%	14.2%	15.1%
25th Percentile	9.8%	8.0%	8.6%	9.1%	9.7%	10.2%
Median	6.8%	5.9%	6.2%	6.5%	6.8%	7.0%
75th Percentile	3.7%	3.7%	3.7%	3.8%	3.8%	3.8%
95th Percentile	(0.2%)	0.8%	0.6%	0.3%	0.0%	(0.4%)
Prob > 7%	48%	36%	41%	44%	48%	50%

- Chart reflects annualized return distribution over the next ten years
- Bar heights proportional to return volatility
  - Higher expected (median) returns associated with higher volatilities
  - Increased volatility leads to lower worse-case (95th percentile) returns
- The current policy has a 48% probability of earning 7% or better over the next 10 years

Callan

Asset-Liability Modeling

Current Conditions

Build Actuarial Liability Model

Callan's liability model is based on the GRS 2019 actuarial valuation

Model used to forecast future liabilities

Assets rolled forward using May 31, 2020 actual asset values

Additional forecast assumptions

- Open to new entrants
  - Composition reflects recent new entrants
- 0% workforce growth

July 1, 2019 Actuarial Valuation	All Plans
Actuarial Accrued Liability	$4,269 mm
Market Value of Assets	$3,097 mm
Actuarial Value of Assets	$3,082 mm
Market Funded Status (MVA/AL)	72.5%
Actuarial Funded Status (AVA/AL)	72.2%

Key Assumptions	Actuarial Assumption*	Callan 10-year Expectation
Investment Return	7.0%	6.8%**
Price Inflation	2.25%	2.25%

As of July 1, 2020

***Based on Callan's capital market assumptions applied to NDPERS' target asset allocation; used throughout the remainder of the study*

Current Conditions

Build Actuarial Liability Model

Contributions (employer and employee) are set by statute

Current employer contribution rates are shown below for the various Plan populations along with the employer actuarial contribution requirement

The Main System's contribution rate is more than 5% below the actuarial rate

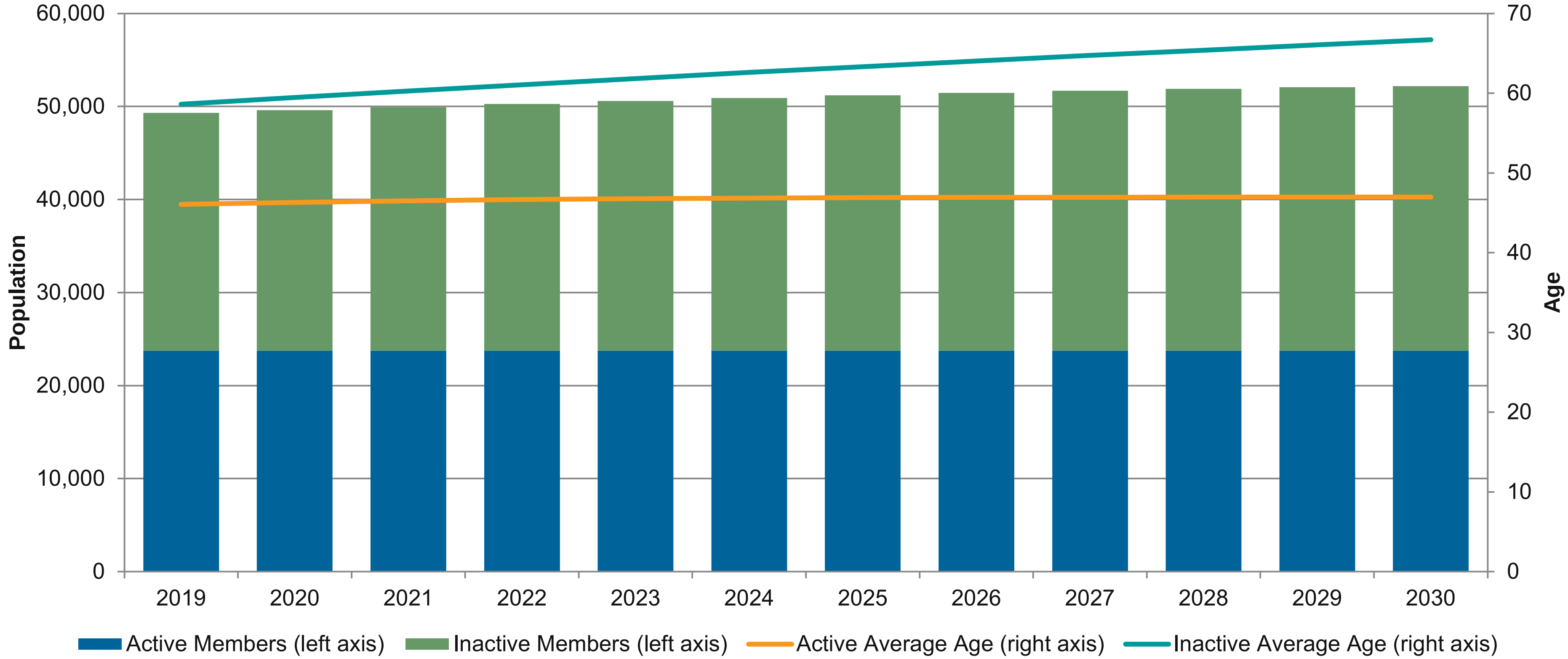
The impact on the Fund of a 2% increase in the employer contribution rate and separately a 1% increase in both the employer and employee contribution rates beginning January 1, 2022 are shown in the appendix

Employer Contribution Rates	Statutory	Actuarial Requirement	Surplus/(Deficit)
Main System*	7.12%	12.22%	-5.10%
Judges	17.52%	2.83%	14.69%
Public Safety w/ prior Main System service	9.81%	8.00%	1.81%
Public Safety w/o prior Main System service	7.93%	6.37%	1.56%
Total	7.31%	11.94%	-4.63%

**The Main System employer contribution rate is increasing to 8.26% for new members as of January 1, 2020*

Member Numbers

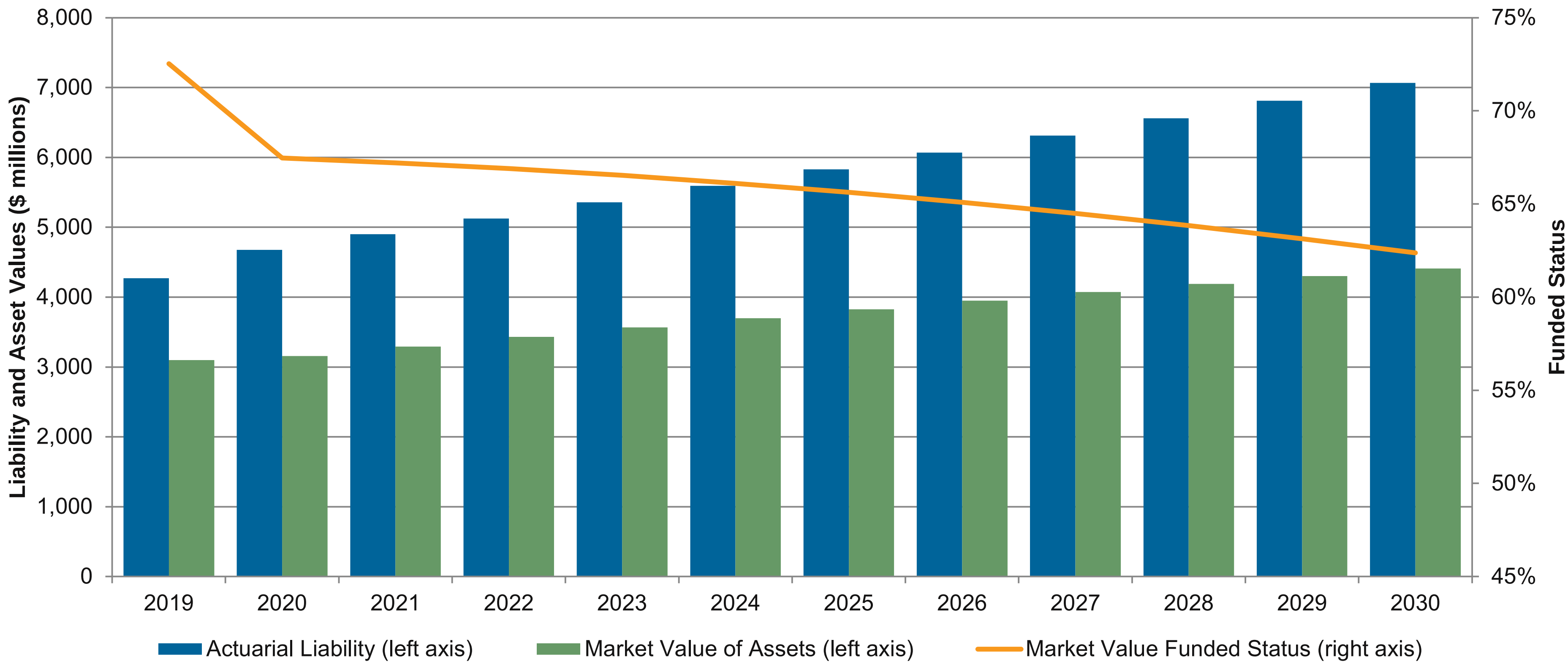
Deterministic Forecast



- Number of active members assumed to remain constant (0% workforce growth)
  - Future new hires replace exits due to retirement, death, disability, and withdrawal
  - Stable active age reflects Plan maturity
- Number of inactive members and their average age increase gradually over time

Funding

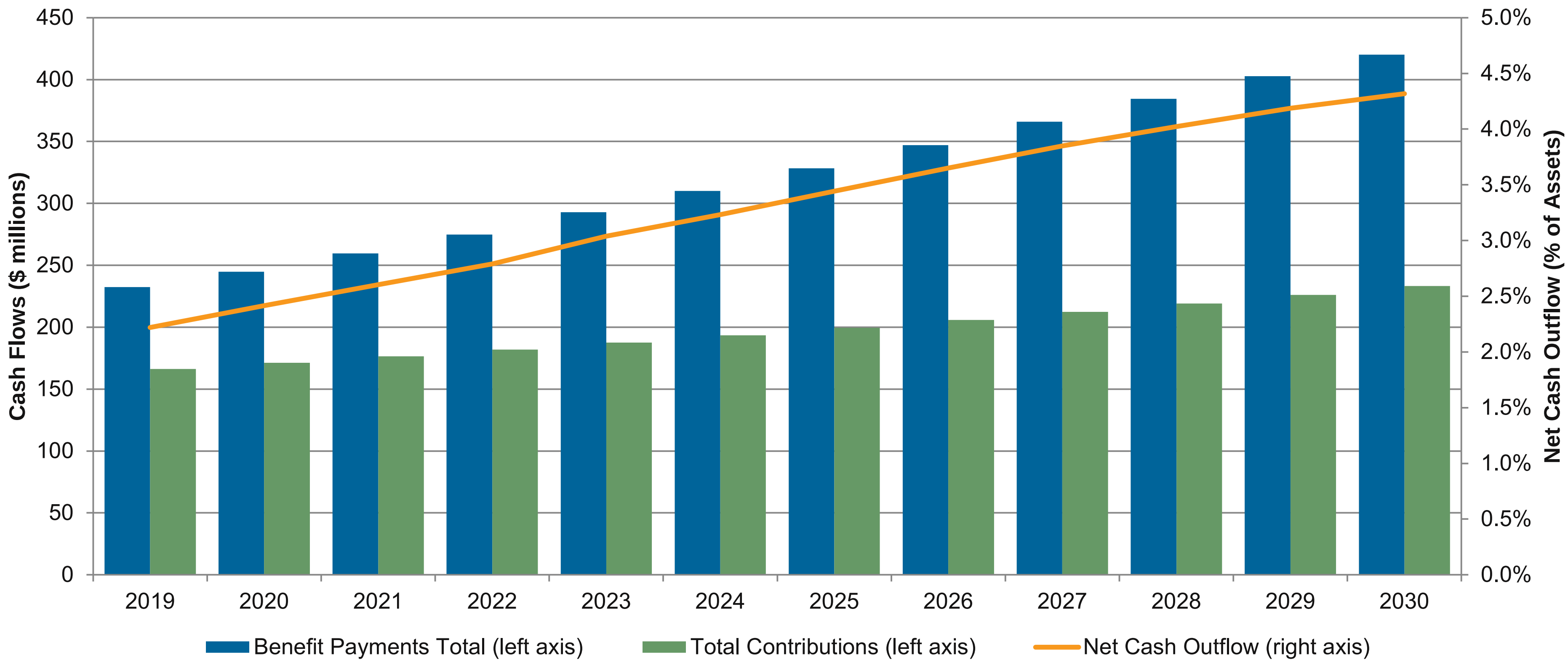
Deterministic Forecast



- Liabilities increase faster than the market value of assets, widening the funding gap
  - Change in assets due to both investment returns and net cash flows (contributions net of benefit payments and expenses)
- Projected funding depends on adherence to the contribution policy
  - Assumes assets earn 6.8%

Cash Flows and Liquidity

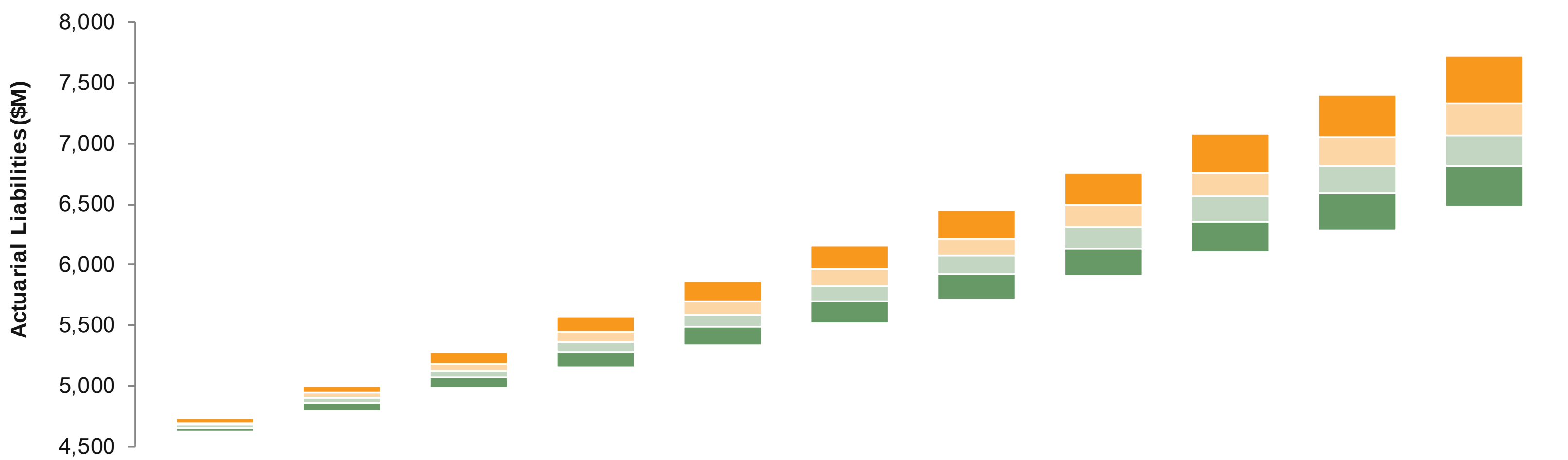
Deterministic Forecast



- Net Cash Outflow = Benefit Payments + Expenses – Employer Contributions – Employee Contributions
- Plan is expected to have growing net outflow (both in nominal dollars and as a percentage of assets) over the coming decade
- Cash flow is a factor used to determine a cap on the level of private investments
- Net outflow as a percentage of assets under 7% should be manageable as long as PERS adheres to the current funding policy, though the trajectory should be closely monitored

Actuarial Liability, 2020-2030

Stochastic Forecast



Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	4,728	5,003	5,280	5,573	5,864	6,155	6,454	6,764	7,076	7,400	7,723
75	4,697	4,941	5,187	5,443	5,701	5,960	6,221	6,492	6,762	7,048	7,328
50	4,677	4,898	5,128	5,358	5,589	5,830	6,073	6,317	6,558	6,812	7,068
25	4,656	4,858	5,064	5,277	5,487	5,696	5,918	6,136	6,357	6,585	6,815
5	4,624	4,797	4,980	5,155	5,337	5,522	5,706	5,907	6,099	6,286	6,483
Range	104	207	301	418	527	633	748	856	978	1,114	1,240

- Plan liabilities are increasing at a steady pace which is typical for an open plan
- Drivers include wage growth for current employees and a gradually increasing number of inactives
  - Inflation flows through to member compensation which is a component of the retirement benefit formula

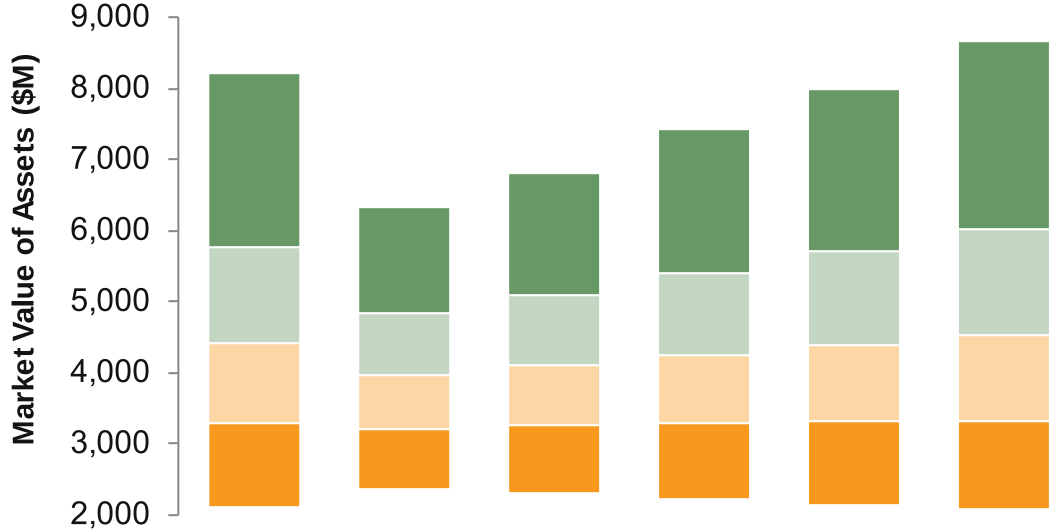
Market Value of Assets in 2030 (10 Years)

Stochastic Forecast

Moving from left to right (mix 1 to mix 5), the range of results widens as one takes on more risk (greater equity exposure)

More aggressive mixes have larger expected values (50th percentile) but lower worse-case (95th percentile) outcomes

- The 50th percentile is the expected case – half of the outcomes are higher and half lower
- The 95th percentile is a worse-case scenario – a 5% probability that assets will be the value shown or lower



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5	8,186	6,310	6,805	7,406	7,974	8,646
25	5,775	4,836	5,090	5,415	5,701	6,023
50	4,420	3,977	4,110	4,261	4,394	4,534
75	3,307	3,214	3,267	3,305	3,330	3,345
95	2,126	2,385	2,329	2,251	2,174	2,100
Range	6,060	3,925	4,477	5,155	5,799	6,546

Asset Change = Contributions + Investment Earnings – Benefit Payments & Expenses

Funded Ratio in 2030 (10 Years)

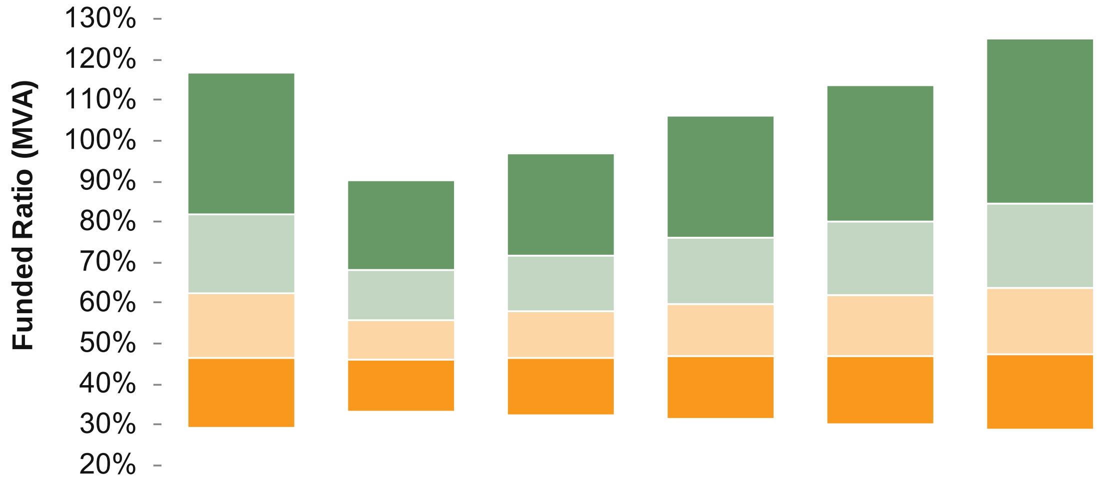
Stochastic Forecast

Starting funded status = 72.5%

The Plan's funded status is expected (50th percentile) to decline over the next ten years under the current funding policy

Funding ratios in worse-case scenarios are particularly low because the contribution policy is not impacted by a declining funded status

More aggressive mixes are expected to have higher funded ratios at the end of 10 years relative to more conservative mixes but have lower funded ratios in worse-case scenarios (95th percentile)



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5	116.6%	90.1%	96.9%	105.9%	113.4%	124.9%
25	81.8%	68.1%	71.6%	75.9%	80.1%	84.6%
50	62.6%	56.1%	58.0%	60.1%	61.9%	64.0%
75	46.9%	46.1%	46.6%	46.9%	47.1%	47.4%
95	29.7%	33.5%	32.7%	31.6%	30.5%	29.2%
Range	86.9%	56.6%	64.1%	74.3%	82.9%	95.8%

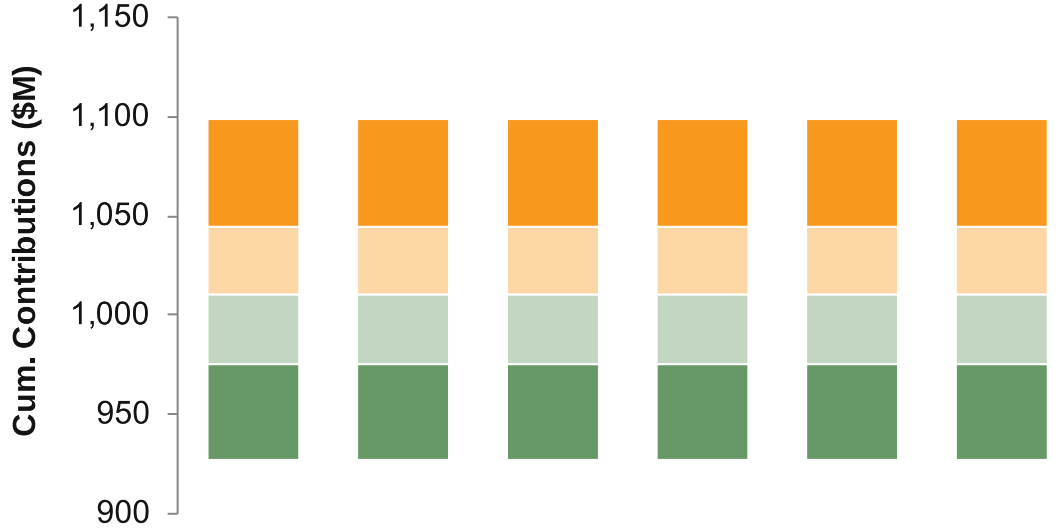
Funded Status = Market Value of Assets / Actuarial Liability

Cumulative Contributions through 2030 (10 Years)

Stochastic Forecast

There is no contribution variability across the asset mixes due to the statutory percentage of pay policy

Contribution volatility within an asset mix stems from simulated inflation which impacts salaries



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	1,099	1,099	1,099	1,099	1,099	1,099
75	1,045	1,045	1,045	1,045	1,045	1,045
50	1,011	1,011	1,011	1,011	1,011	1,011
25	976	976	976	976	976	976
5	928	928	928	928	928	928
Range	171	171	171	171	171	171

Ultimate Net Cost in 2030 (10 Years)

Stochastic Forecast

Ultimate net cost (UNC) = 10-Year cumulative contributions + 7/1/2030 unfunded actuarial liability

UNC is a more complete measure of the cost to the employer since it captures what is expected to be paid over 10 years plus what is owed at the end of the 10-year period

- Negative numbers indicate the Plan is in a surplus position at 7/1/2030

More aggressive mixes lower UNC in the expected case but result in greater UNC in a worse-case scenario

Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	6,084	5,812	5,863	5,956	6,024	6,091
75	4,759	4,850	4,816	4,787	4,766	4,734
50	3,674	4,115	3,981	3,834	3,693	3,562
25	2,326	3,237	2,996	2,698	2,417	2,094
5	-185	1,738	1,234	582	70	-728
Range	6,269	4,075	4,629	5,374	5,954	6,819

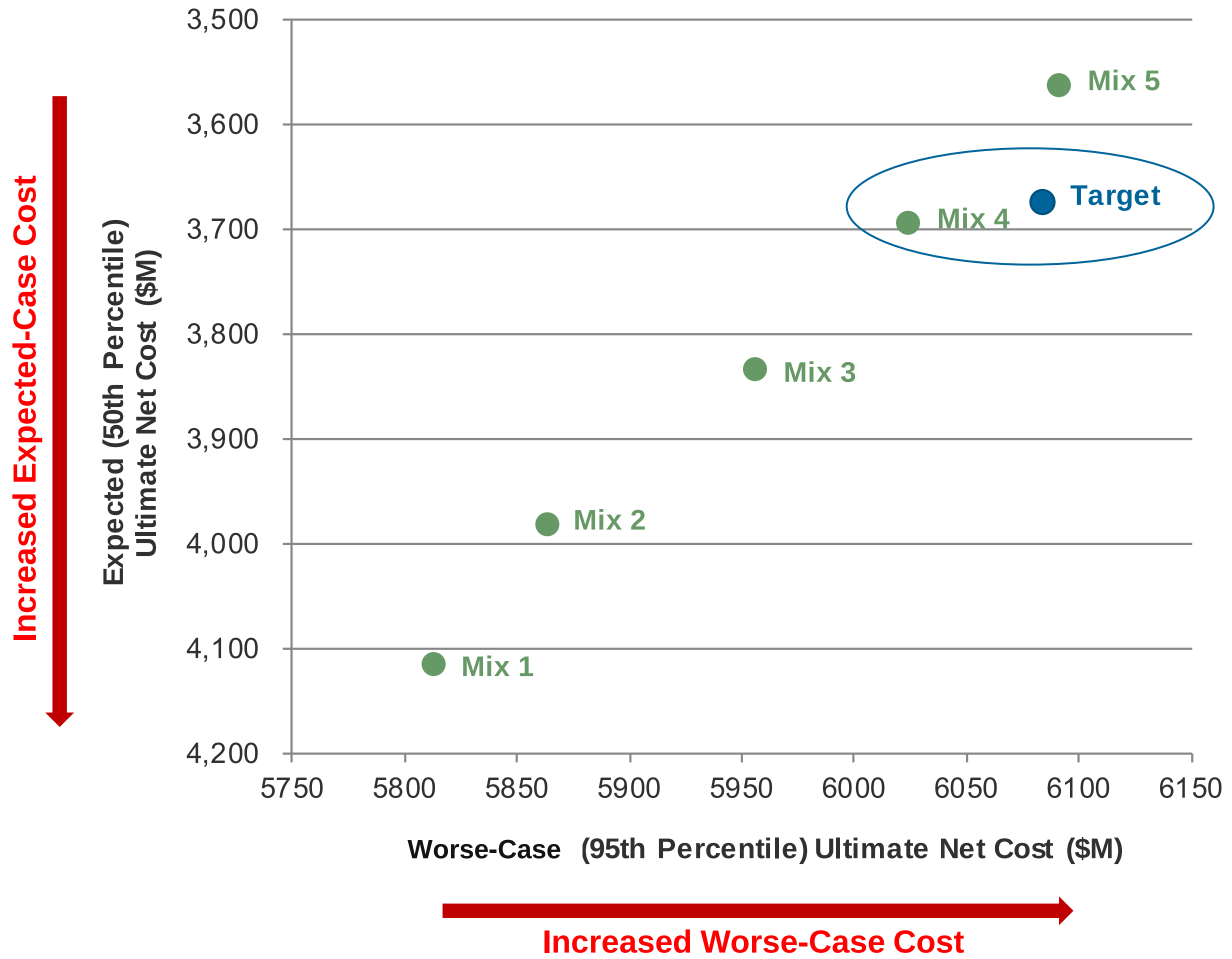
UNC = Cumulative Contributions + Unfunded Liability

Ultimate Net Cost in 2030 (10 Years): Expected (50th) vs Worse Case (95th)

Stochastic Forecast

Tradeoff is roughly linear for optimal mixes

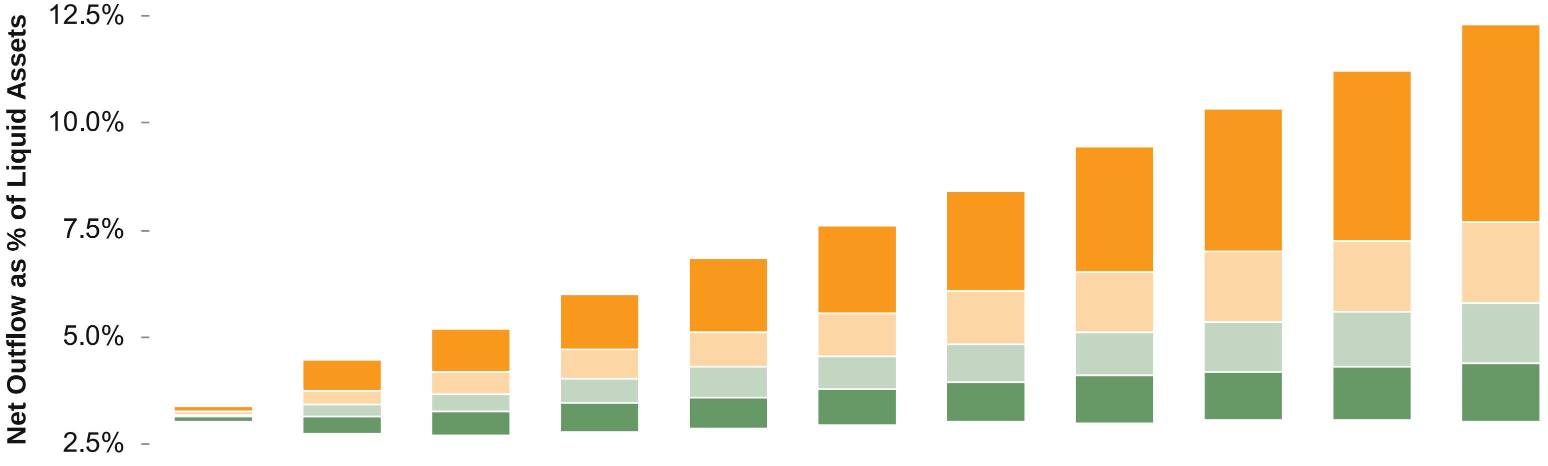
Mix 4 reduces worse-case ultimate net cost by $60 million relative to current target with slightly more cost in the expected case



Liquidity and Stress Testing

Net Outflow as a Percentage of Liquid Assets, 2020-2030

Stochastic Forecast



Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	3.4%	4.5%	5.2%	6.0%	6.9%	**7.6%**	**8.4%**	**9.4%**	**10.3%**	**11.2%**	**12.3%**
75	3.3%	3.8%	4.2%	4.7%	5.1%	5.6%	6.1%	6.5%	**7.0%**	**7.3%**	**7.7%**
50	3.2%	3.4%	3.7%	4.0%	4.3%	4.6%	4.8%	5.1%	5.4%	5.6%	5.8%
25	3.2%	3.2%	3.3%	3.5%	3.6%	3.8%	4.0%	4.1%	4.2%	4.3%	4.4%
5	3.0%	2.8%	2.7%	2.8%	2.9%	3.0%	3.0%	3.0%	3.1%	3.1%	3.0%
Range	0.3%	1.7%	2.5%	3.2%	4.0%	4.6%	5.4%	6.4%	7.2%	8.1%	9.2%

- Net Outflow = Benefit Payments & Expenses – Employee & Employer Contributions
  – A useful indicator of ongoing liquidity needs
  – Ratio < 7.0% is typically manageable; >10% presents high liquidity pressure and illiquid investments may need to be reduced
  – Based on our experience, most public funds have net outflow of 4-7% depending on funded status, funding policy, and plan maturity
- For the current target (74% liquid assets), liquidity needs are expected (50th percentile) to be manageable; in worse-case (95th percentile) scenarios net outflows exceed 10%
- The liquidity analysis assumes the funding policy is adhered to

Stress Testing

The current target and mixes 3 and 4 were subjected to six investment scenarios to gauge the impact on investment performance, funding, and net outflow

The six scenarios include three historical and three hypothetical

- Historical
  - Global Financial Crisis (GFC): October 2007 – February 2009
  - Black Monday: October 1987
  - U.S. Debt Ceiling Crisis and Downgrade: June – September 2011
- Hypothetical
  - Equities Decline 20% for 1 Year (bear market definition)
  - Perfect Storm for 1 Year (equities decline 20%, Treasuries and spreads increase 1%)
  - Perfect Storm for 3 Years (equities decline 15% annually, Treasuries and spreads increase 1% annually)

Findings

- Performance
  - The target underperforms mix 4, while mix 3 generates the best performance which is not surprising given it is the most conservative of the three portfolios
- Funding
  - Funded status drops by more than 10% in nominal terms, and falls below 50% for the GFC and Perfect Storm for 3 Years
- Net Outflow
  - Net outflow as a percentage of liquid assets reaches relatively high levels (>7% for the GFC and Perfect Storm for 3 Years)

The findings support the ability of the Fund to implement investment policies such as the current target and mixes 3 and 4 and the relatively large illiquid allocations they employ

Callan

Recommendation

Recommendation

The combination of a statutory contribution rate below that of the actuarially required contribution and an expected low-return environment over the next 10 years results in a deterioration of the funded status over time

Many factors support an asset allocation with a risk posture similar to the current target

- Pursuit of a 7% return; long time horizon; actuarial methodology (static contribution rate and asset smoothing)

While moving to a more aggressive asset allocation is expected to generate greater returns and a higher funded status, it also increases the risk of "bad investment outcomes" which in turn could result in further deterioration of the Plan's funded status and the need for higher contribution rates

The statutory contribution policy combined with the relatively large illiquid allocation leads us to recommend maintaining the current risk posture (mix 4a) or moving to a slightly less aggressive asset allocation (mix 4)

- Reduces reliance on public equity markets
- Slight increase to alternatives which can provide a source of uncorrelated returns and potential for alpha generation and fixed income which provides downside protection in the event of a large equity drawdown
  - A high allocation to illiquid investments is suitable for a long-term investor with an actuarially sound funding policy
  - Potential sources of liquidity in a crisis include a long Treasury mandate (1.5% of the total fund), cash accounts (almost 1% of the total fund), the Treasury allocations within some of the other fixed income managers, and the cash flows coming from some of the real estate and infrastructure funds

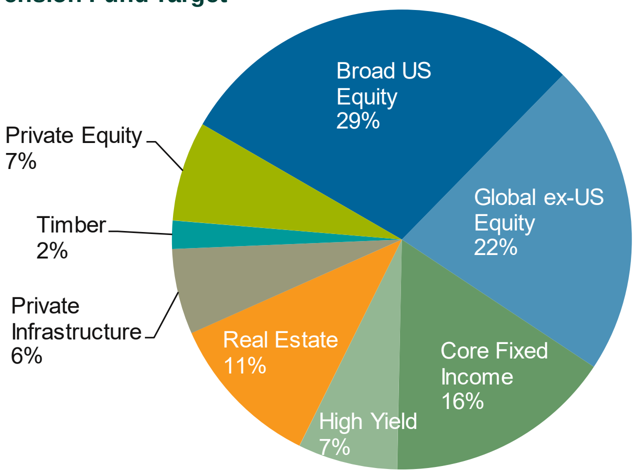
Recommendation

Finally, while the target and mixes 4 and 4a have expected returns over the next 10 years that fall short of the 7% return assumption, there are mitigating factors that offset the projected returns

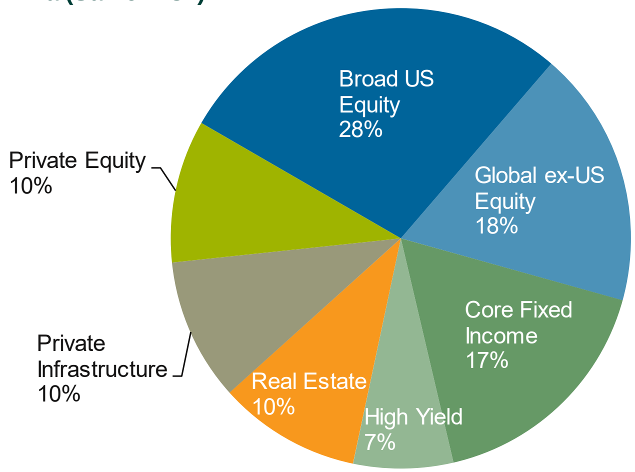
- Callan's public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
- Callan's 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations
- The target and mixes 4 and 4a have ~50% probability of achieving a 7% return over the next 10 years

Recommendation

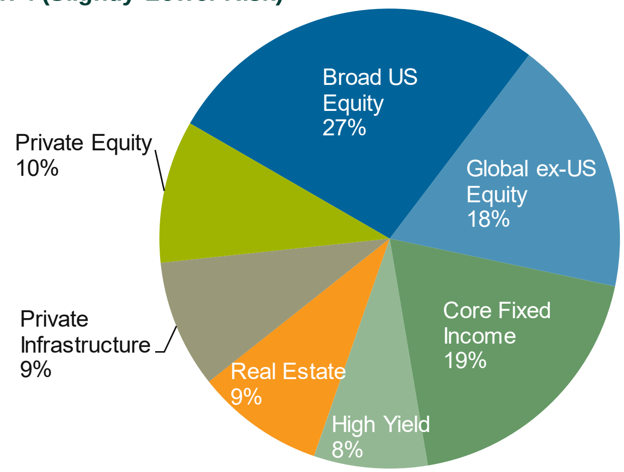
Pension Fund Target



Mix 4a (Same Risk)



Mix 4 (Slightly Lower Risk)



Asset Class	Policy Target	Same Risk Mix 4a	% Change	$M Change	Lower Risk Mix 4	% Change	$M Change
Public Equity	**51%**	**46%**	**-5%**	**($161)**	**45%**	**-6%**	**($193)**
Broad U.S. Equity	29%	28%	-1%	($19)	27%	-2%	($51)
Global ex-U.S. Equity	22%	18%	-4%	($141)	18%	-4%	($141)
Fixed Income	**23%**	**24%**	**1%**	**$32**	**27%**	**4%**	**$128**
Core Fixed Income	16%	17%	1%	$32	19%	3%	$96
High Yield	7%	7%	0%	$0	8%	1%	$32
Alternatives	**26%**	**30%**	**4%**	**$128**	**28%**	**2%**	**$64**
Real Estate	11%	10%	-1%	($32)	9%	-2%	($64)
Private Infrastructure	6%	10%	4%	$128	9%	3%	$96
Timber	2%	0%	-2%	($64)	0%	-2%	($64)
Private Equity	7%	10%	3%	$96	10%	3%	$96
Expected Return	**6.8%**	**6.8%**			**6.7%**		
Expected Standard Deviation	**13.4%**	**13.4%**			**13.1%**		

Note: Dollar changes based on June 30, 2020 asset value

Next Steps and Timeline

Next Steps

Incorporate feedback from today's meeting

Deliver the final study to NDPERS in September

Timeline

Asset-Liability Kickoff ***COMPLETED***

Meeting Date: May 26

Preliminary Asset-Liability Results ***COMPLETED***

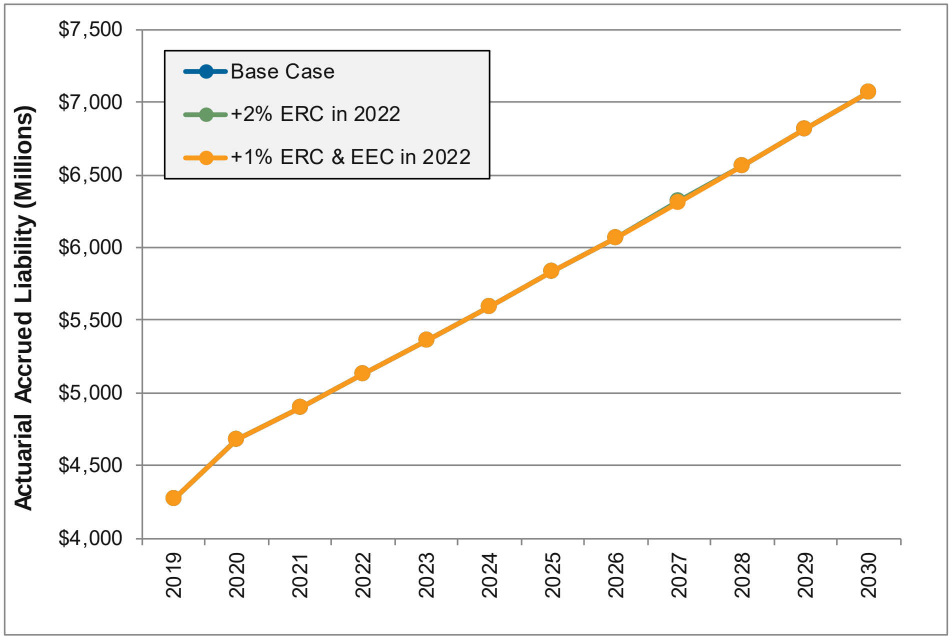
Meeting Date: July 22

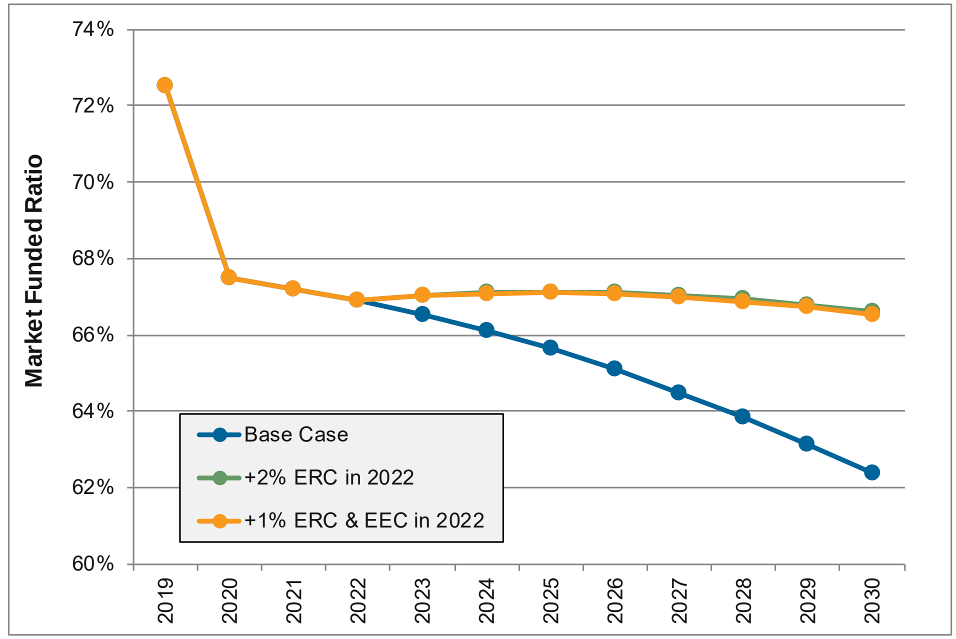
Final Asset-Liability Results ***IN PROGRESS***

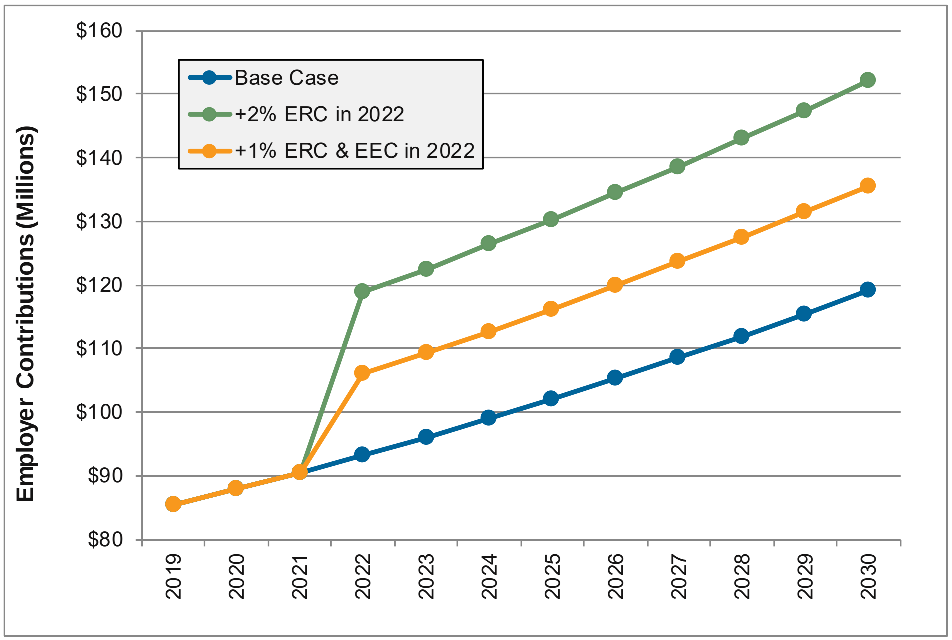
Meeting Dates: August 27 and September 8

Appendix

Additional Contribution Scenarios

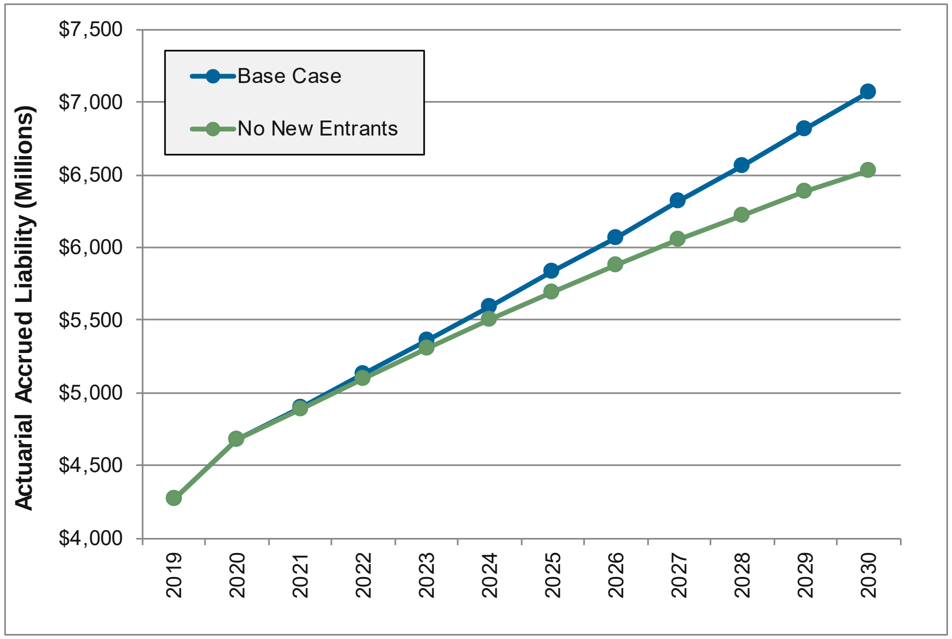


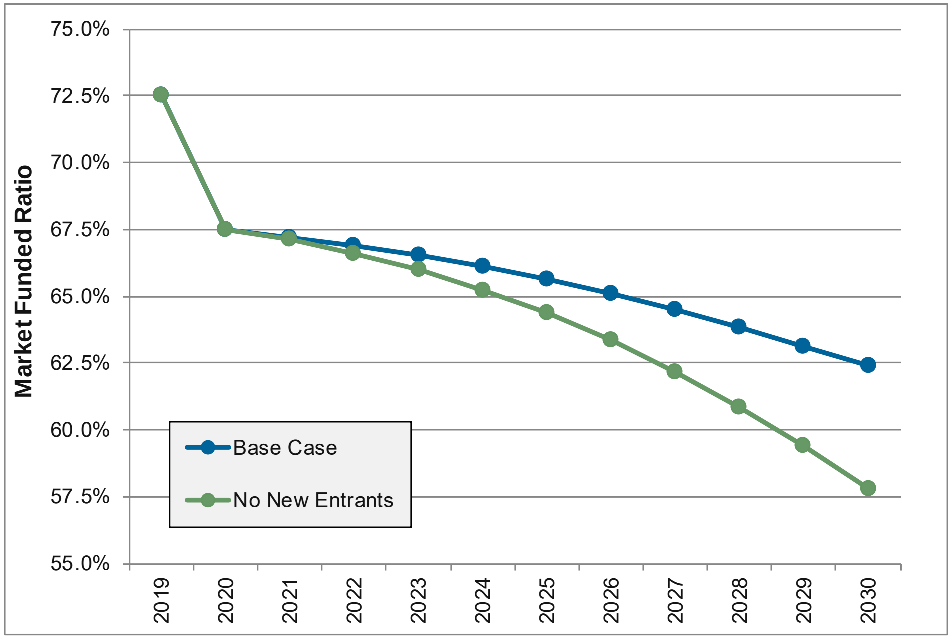


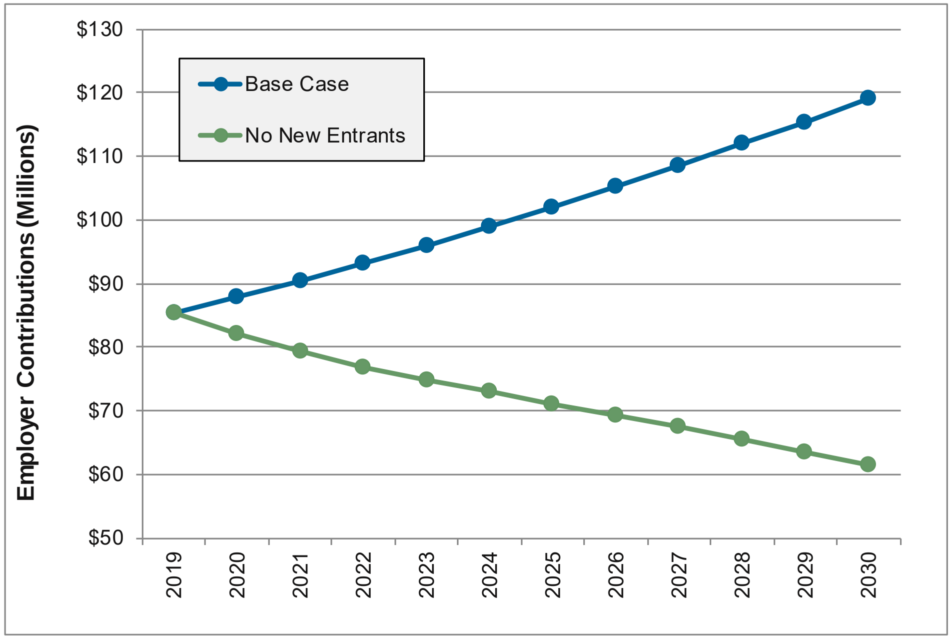


- Two additional contribution scenarios are shown alongside the current statutory contribution policy
  - Employer contributions rates rise 2% in 2022
  - Employer and employee contribution rates rise 1% in 2022
- There is no change in the actuarial liability
- Funded status improves, though still declines beyond 2025 albeit at a much slower pace
- Not surprising that employer contributions rise
  - +2% ER: Additional $263 million through 2030
  - +1% EE/ER: Additional $131 million through 2030

Additional Population Scenario







- A scenario in which the Plan is closed to new entrants in 2020 is shown alongside the current open plan
- Actuarial liability growth slows
  - $537 million lower by 2030
- Despite the decline in the liability, the market funded ratio declines due to fewer contributions
  - $345 million in fewer employer contributions through 2030 which does not account for the loss from compounding
  - Employee contributions (not shown) also decline

Stress Tests

Six Scenarios

Historical Scenarios

(1) 2008 Financial Crisis (October 2007 – February 2009)

(2) Black Monday (October 1987)

(3) 2011 U.S. Debt Ceiling Crisis and Downgrade (June – September 2011)

Parametric Scenarios

(4) Equities Decline 20% for 1 Year (bear market definition)

(5) Perfect Storm for 1 Year (equities decline 20%, Treasuries and spreads increase 1%)

(6) Perfect Storm for 3 Years (equities decline 15% annually, Treasuries and spreads increase 1% annually)

Asset Mixes Tested

- Current Target:
  - 51% Public equity, 23% fixed income, 26% alts
- Mix 3:
  - 39% public equity, 35% fixed income, 26% alts
- Mix 4:
  - 45% public equity, 27% fixed income, 28% alts

Stress Tests

Drawdowns

Asset Class	(1) 2008 Financial Crisis	(2) Black Monday	(3) 2011 U.S. Debt Ceiling Crisis and Downgrade	(4) Equities Decline 20% for 1 Year	(5) Perfect Storm for 1 Year	(6) Perfect Storm for 3 Years
U.S. Equity	-42%	-22%	-15%	-20%	-20%	-45%
Global ex-US Equity	-48%	-14%	-19%	-20%	-20%	-45%
U.S. Fixed Income	5%	4%	4%	0%	-7%	-25%
High Yield Fixed Income	-20%	-3%	-6%	-5%	-10%	-30%
Real Estate / Timber	-21%	-11%	-8%	-10%	-10%	-23%
Private Equity	-21%	-11%	-8%	-10%	-10%	-23%
Infrastructure	-21%	-11%	-8%	-10%	-10%	-23%

Total Drawdown	2008 Financial Crisis	Black Monday	2011 U.S. Debt Ceiling Crisis and Downgrade	Equities Decline 20% for 1 Year	Perfect Storm for 1 Year	Perfect Storm for 3 Years
Target (26% Alts)	-28.7%	-12.2%	-10.4%	-13.1%	-14.6%	-34.9%
Mix 3 (26% Alts)	-23.7%	-9.9%	-8.3%	-10.9%	-13.2%	-32.7%
Mix 4 (28% Alts)	-26.4%	-11.3%	-9.4%	-12.2%	-14.0%	-33.7%

- Returns shown represent index performance
  - Public Asset Classes: Russell 3000, MSCI ACWI ex-US IMI, Bloomberg Barclays Aggregate, Bloomberg High Yield
  - Private Asset Classes: 0.5 * Russell 3000
    - *Estimate based on Cambridge PE Fund and NCREIF ODCE Index Data*
- 2008 Financial Crisis and Perfect Storm for 3 Years are the most extreme stress tests
- Equities Decline 20% for 1 Year is the most similar scenario to recent events

Stress Tests

Additional Metrics

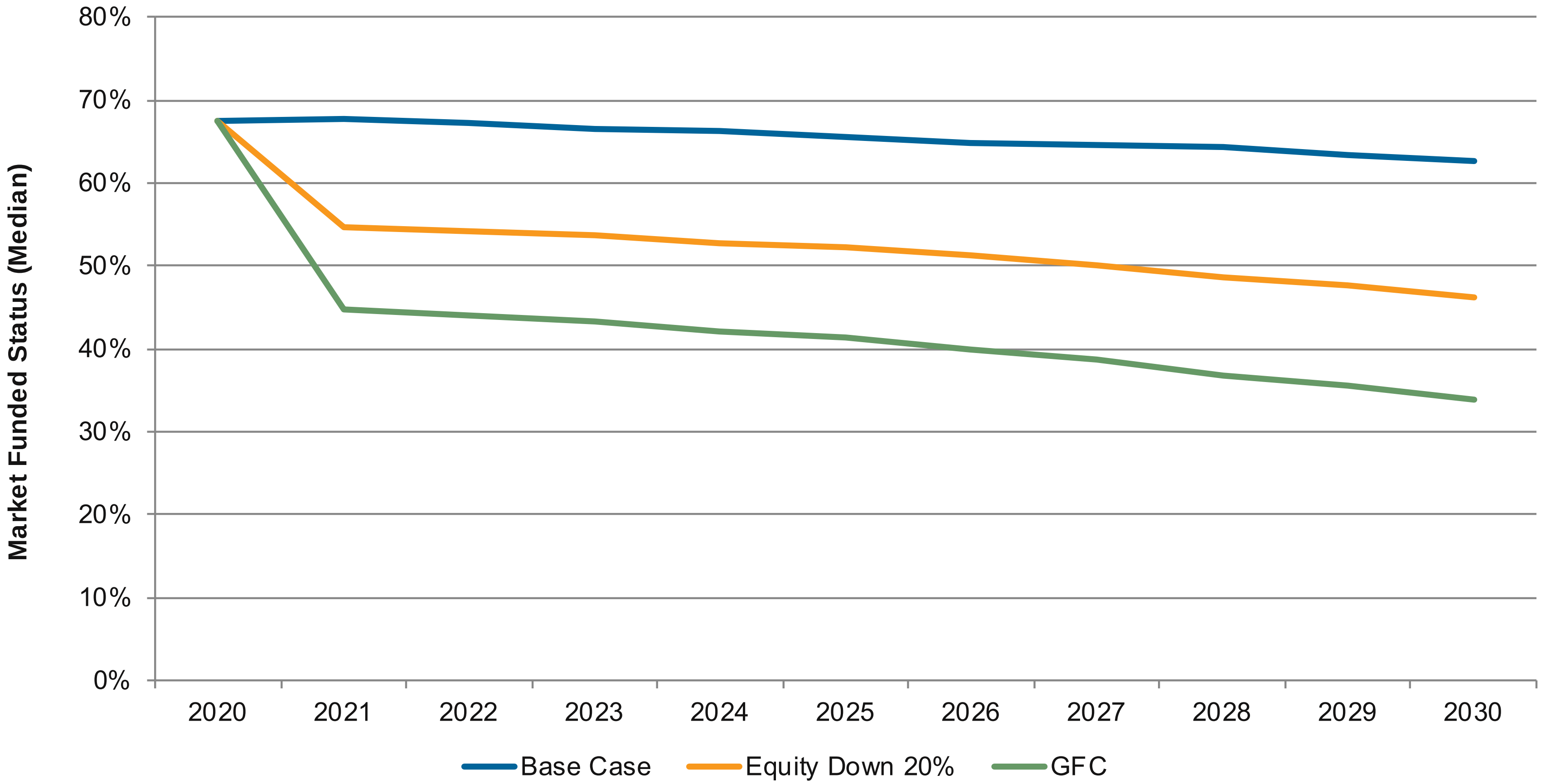
	(1) 2008 Financial Crisis	(2) Black Monday	(3) 2011 U.S. Debt Ceiling Crisis and Downgrade	(4) Equities Decline 20% for 1 Year	(5) Perfect Storm for 1 Year	(6) Perfect Storm for 3 Years
7/1/20 Funded Ratio	67.5%	67.5%	67.5%	67.5%	67.5%	67.5%
7/1/21 Funded Ratio						
Target (26% Alts)	44.2%	54.8%	56.0%	54.2%	53.2%	40.2%
Mix 3 (26% Alts)	47.4%	56.3%	57.3%	55.6%	54.2%	41.6%
Mix 4 (28% Alts)	45.7%	55.4%	56.6%	54.8%	53.7%	40.9%
6/30/20 Alternatives Allocation						
Target (26% Alts)	44.8%	40.5%	40.5%	41.2%	41.5%	47.5%
Mix 3 (26% Alts)	46.2%	43.8%	43.7%	44.5%	45.0%	50.2%
Mix 4 (28% Alts)	47.3%	43.6%	43.6%	44.3%	44.8%	50.7%
2020 Net Outflow (% Liquid)						
Target (26% Alts)	7.2%	5.4%	5.3%	5.5%	5.6%	8.3%
Mix 3 (26% Alts)	6.9%	5.5%	5.4%	5.7%	5.9%	8.5%
Mix 4 (28% Alts)	7.3%	5.6%	5.5%	5.7%	5.9%	8.7%

- Assuming scenarios transpire over a one-year period, funded status declines from starting point of 67.5%
  - Below 50% for GFC and Perfect Storm for 3 Years
- Alternative allocations can reach high levels during a crisis due to a combination of the following:
  - Benefit payments funded from liquid asset classes
  - Muted losses from alternatives due to valuation smoothing
  - Capital calls for existing private asset class commitments
- Net outflow (% of liquid assets) can reach relatively high levels (>7% for the GFC and Perfect Storm for 3 Years)

Notes: 7/1/21 Funded Ratio estimate reflects $262M in benefit payments/expenses, $176M in total contributions, and a liability estimate of $4.9B; High yield considered illiquid in stressed environments

Stress Tests

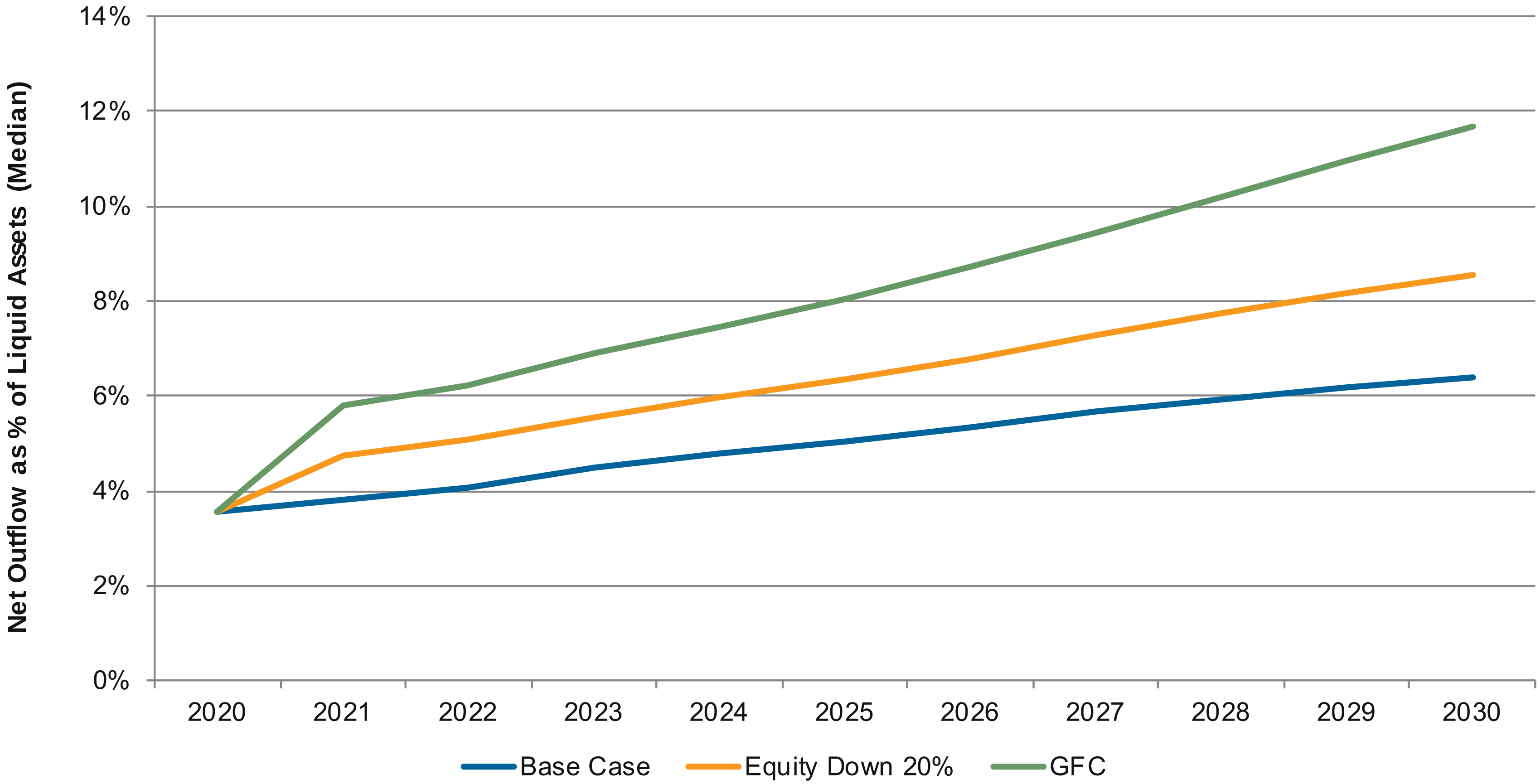
Market Funded Status (2020 = 67.5%)



- Base case funded status gradually declines to 62.6% by 2030
- With equities down 20% , the funded status drops to 54.6% in 2021 and declines to 46.1% by 2030
- In a GFC scenario, the funded status drops to 44.6% in 2021 and falls to just 33.8% by 2030

Stress Tests

Net Outflow as a % of Liquid Assets (2020 = 3.6%)



- Base case net outflow rises to 6.4% by 2030
- With equities down 20% , net outflow rises to 8.6% by 2030
- In a GFC scenario, net outflow rises to 11.7% by 2030
- Outcomes are heavily contingent upon adherence to the funding policy

Note: High yield considered illiquid in stressed environments

Disclaimers

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Attachment: Asset Liability Study for RHIC Plan

Callan

August 27, 2020

North Dakota PERS RHIC Fund

2020 Asset -Liability Study

Alex Browning
Fund Sponsor Consulting

Paul Erlendson
Fund Sponsor Consulting

Julia Moriarty, CFA
Capital Market Research

Agenda

Introduction and Process Overview

Asset Allocation

Asset-Liability Modeling

Recommendation

Next Steps and Timeline

Callan

Introduction and Process Overview

Introduction

The goal of the asset-liability study is to determine an appropriate long-term mix between return-seeking assets (e.g., equities, real assets, alternatives) and risk-mitigating assets (cash, fixed income)

- 80-90% of funded status volatility is driven by the broad asset allocation decision

Asset allocation will vary by the unique circumstances of the plan

- No "one-size-fits-all" solution exists

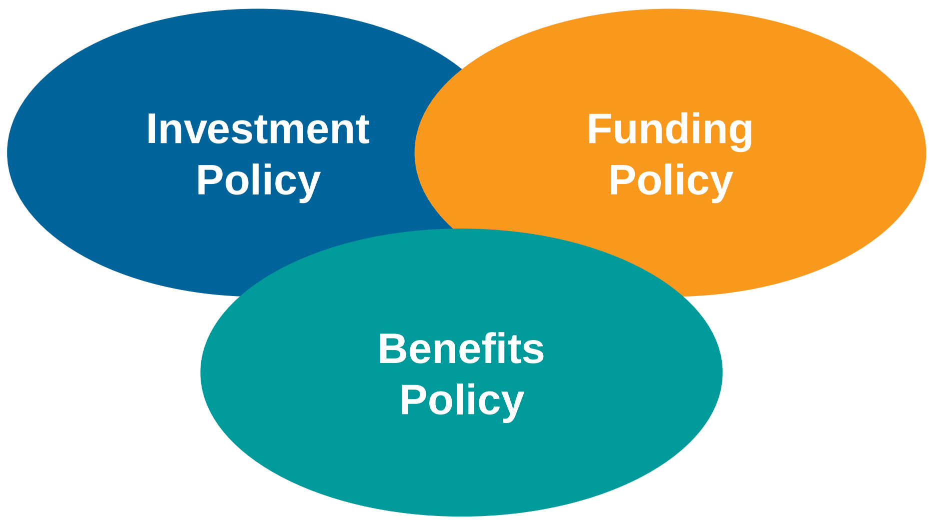
The asset-liability study helps NDPERS quantify the impact that different strategies might have on relevant metrics

Factors to consider:

- Liability characteristics
- Funded status
- Contribution policy
- Time horizon
- Liquidity needs

Where Does Asset Allocation Fit In?

Evaluate the interaction of three key policies to identify the optimal investment policy



Investment Policy

- How will the assets supporting the benefits be invested?
- What risk and return objectives?
- How to manage cash flows?

Funding Policy

- How will the benefits/deficits be paid for (funded)?
- What are the actuarial assumptions to use?

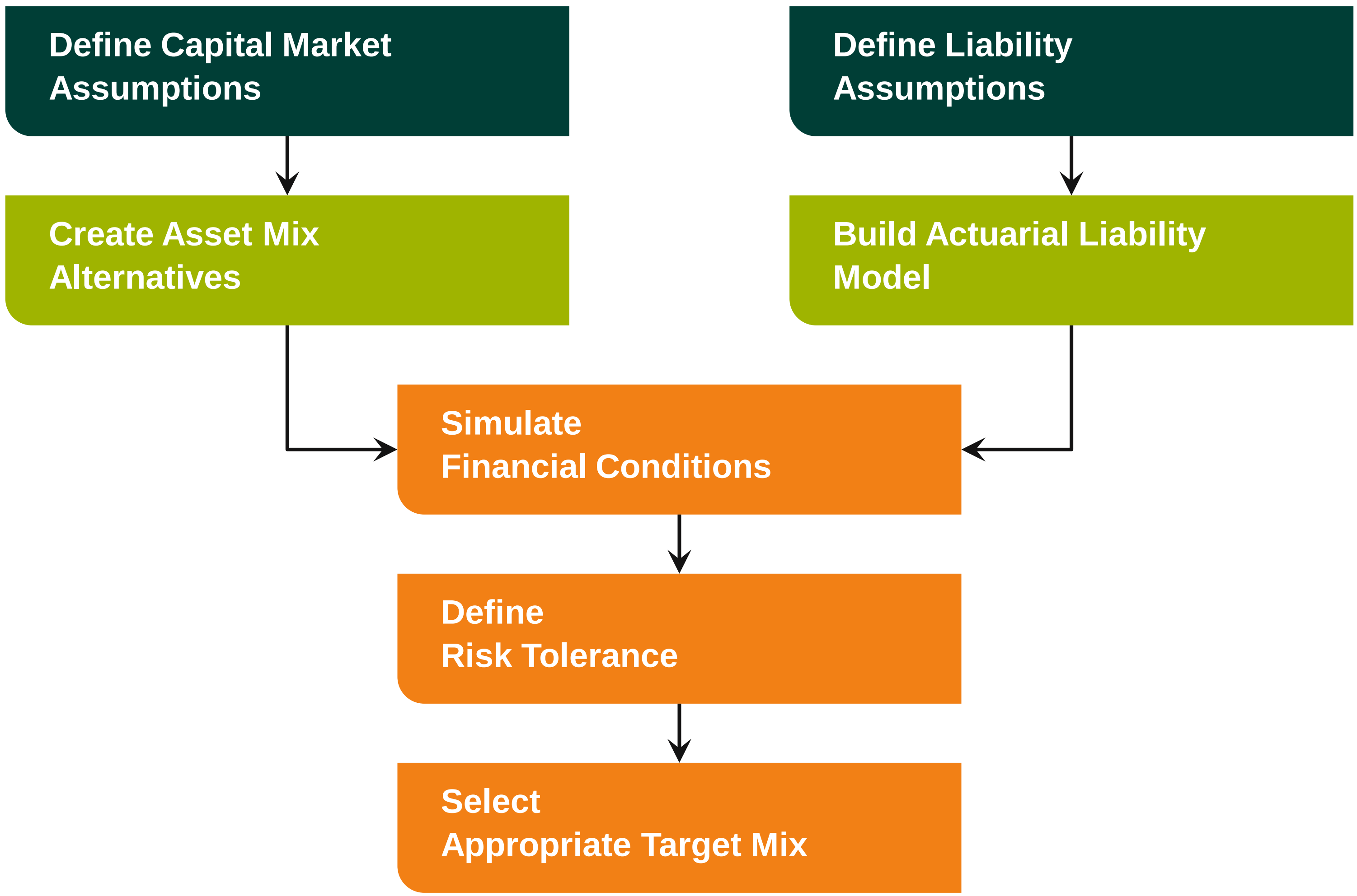
Benefits Policy

- What type/kind of benefits?
- What level of benefit?
- When and to whom are they payable?

Callan Asset-Liability Modeling Process

Asset Modeling

Liability Modeling



Callan

Asset Allocation

Callan Capital Market Process and Philosophy

Underlying beliefs guide the development of the projections

- An initial bias toward long-run averages
- An awareness of risk premiums
- A presumption that markets ultimately clear and are rational

Reflect our belief that long-term equilibrium relationships between the capital markets and lasting trends in global economic growth are key drivers to setting capital market expectations

Long-term compensated risk premiums represent "beta"—exposure to each broad market, whether traditional or "exotic," with limited dependence on successful realization of alpha

The projection process is built around several key building blocks

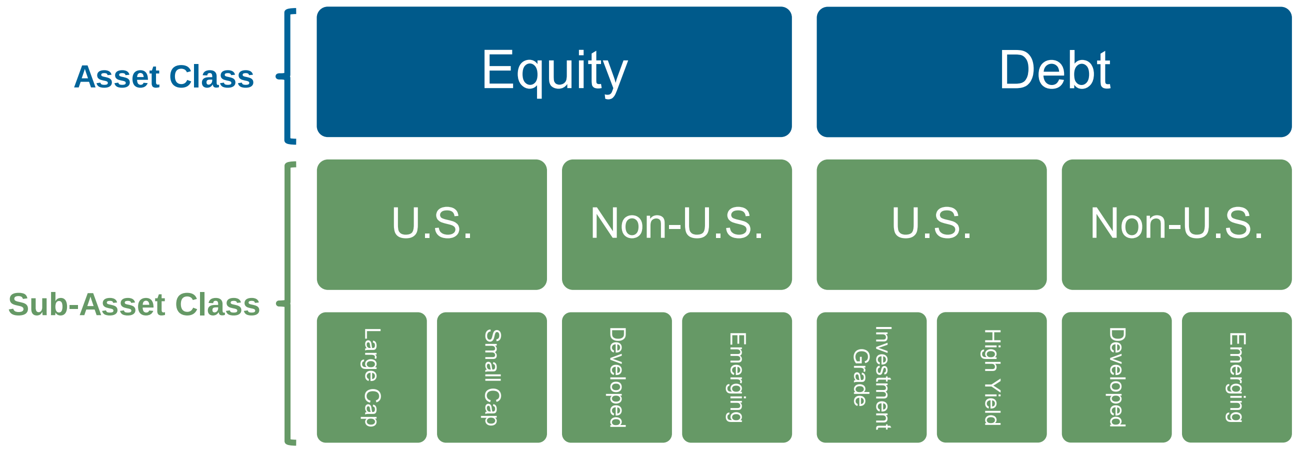
- Advanced modeling at the individual asset class level (e.g., a detailed bond model, an equity model)
- Pathways for both interest rates and inflation
- A cohesive economic outlook
- A framework that encompasses Callan's beliefs about the long-term operation and efficiencies of the capital markets

The Focus is on Broad Asset Classes

Breakdowns between investment styles within asset classes (growth vs. value, large cap vs. small cap) are best addressed in a manager structure analysis

Primary asset classes and important sub-asset classes include:

- U.S. Stocks
- U.S. Bonds
- Non-U.S. Stocks
- Non-U.S. Bonds
- Real Estate
- Private Equity
- Absolute Return
- Cash



Callan Capital Market Assumptions

Risk and return: 2020–2029

Asset Class	Index	Projected Return*	Projected Risk
Equities			
Broad U.S. Equity	Russell 3000	7.15%	18.10%
Large Cap U.S. Equity	S&P 500	7.00%	17.70%
Small/Mid Cap U.S. Equity	Russell 2500	7.25%	21.20%
Global ex-U.S. Equity	MSCI ACWI ex USA	7.25%	20.50%
Developed ex-U.S. Equity	MSCI World ex USA	7.00%	19.70%
Emerging Market Equity	MSCI Emerging Markets	7.25%	25.70%
Fixed Income			
Short Duration Gov't/Credit	Bloomberg Barclays 1-3 Yr G/C	2.70%	2.10%
Core U.S. Fixed	Bloomberg Barclays Aggregate	2.75%	3.75%
Long Government/Credit	Bloomberg Barclays Long G/C	2.75%	10.60%
TIPS	Bloomberg Barclays TIPS	2.40%	5.05%
High Yield	Bloomberg Barclays High Yield	4.65%	10.25%
Global ex-U.S. Fixed	Bloomberg Barclays Glbl Agg xUSD	0.90%	9.20%
Emerging Market Sovereign Debt	EMBI Global Diversified	4.35%	9.50%
Other			
Core Real Estate	NCREIF ODCE	6.25%	14.00%
Timberland	NCREIF Timberland	6.05%	14.60%
Farmland	NCREIF Farmland	6.10%	15.00%
Private Infrastructure	DJB Glob Infr / FTSE Dev Core Infr 50/50	6.60%	15.20%
Private Equity	Cambridge Private Equity	8.50%	27.80%
Hedge Funds	Callan Hedge FoF Database	5.00%	8.70%
Commodities	Bloomberg Commodity	2.75%	18.00%
Cash Equivalents	90-Day T-Bill	2.25%	0.90%
Inflation	CPI-U	2.25%	1.50%

* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

– Most capital market expectations represent passive exposure (beta only); however, return expectations for private market investments reflect active management premiums

– Return expectations are net of fees

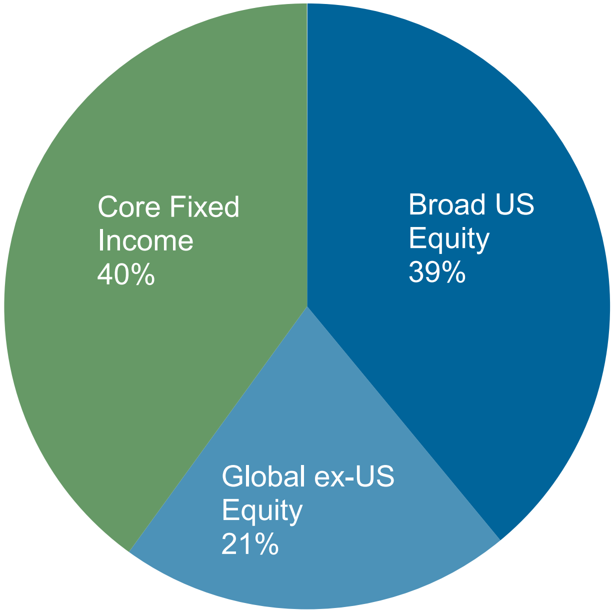
Policy Target Allocation

The target asset allocation consists of 60% public equity and 40% fixed income

While the Fund's target allocation is projected to return 5.9% over the next 10 years versus an actuarial discount rate of 6.5%, two key items should be noted

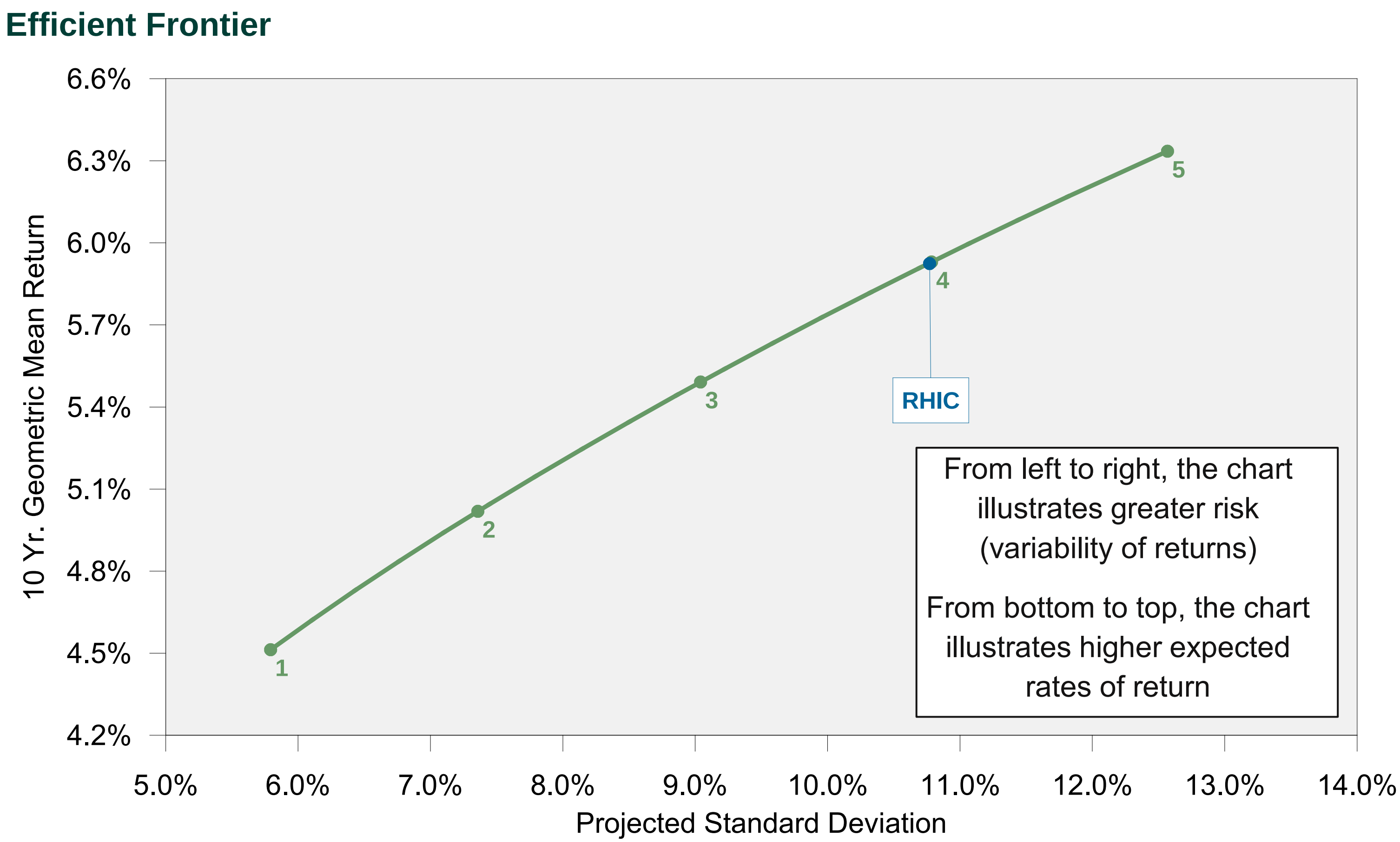
- Callan's public market return projections do not incorporate active management premiums
  - Active management premiums accrue when investment firms selected by the State Investment Board outperform their passive benchmarks
    - *It is important to note, though, that investment firms will at times underperform their passive benchmarks*
  - The Plan has benefitted from active management by ~10 basis points net of fees (annualized) over the past ten years ended 3/31/20
- Callan's 10-year projections are below longer-term expectations due to the current economic environment and the forecast for the next several years

RHIC Fund Target



Expected Geometric Mean Return = 5.9%
Expected Standard Deviation = 10.8%

Efficient Frontier



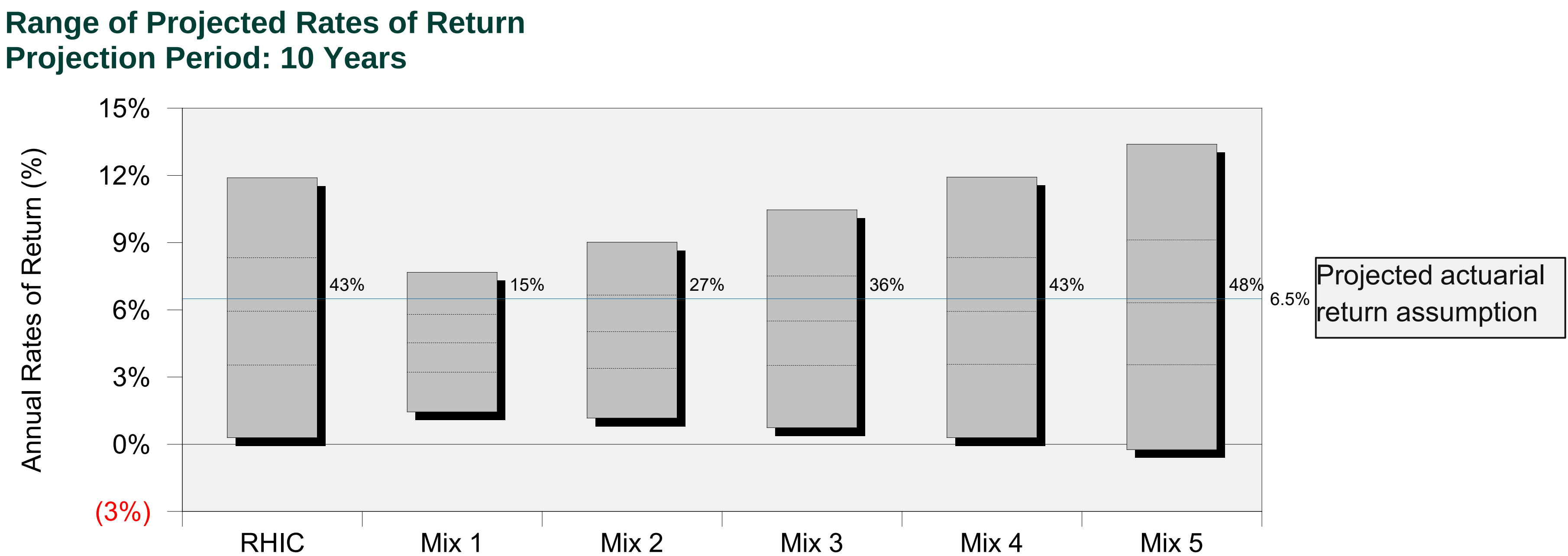
- A series of optimal mixes at different levels of expected return and risk is depicted above
  - Optimal mixes generate the greatest return for a given level of risk, or conversely, the lowest risk for a given level of return
  - Five efficient mixes are numbered and described in more detail on the following page
- The current target portfolio is virtually identical to Mix 4 from a return and risk perspective

Alternative Asset Mixes

Asset Class	Policy Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
Public Equity	**60%**	**30%**	**40%**	**50%**	**60%**	**70%**
Broad U.S. Equity	39%	18%	24%	30%	36%	42%
Global ex-U.S. Equity	21%	12%	16%	20%	24%	28%
Fixed Income	**40%**	**70%**	**60%**	**50%**	**40%**	**30%**
Core Fixed Income	40%	70%	60%	50%	40%	30%
Expected Return	**5.9%**	**4.5%**	**5.0%**	**5.5%**	**5.9%**	**6.3%**
Expected Standard Deviation	**10.8%**	**5.8%**	**7.4%**	**9.0%**	**10.8%**	**12.6%**

- The optimal mixes are constructed with decreasing allocations to Fixed Income (from 70% to 30%)
- As the Fixed Income allocation decreases, the expected return increases and annual portfolio risk reaches over 12%
- The Policy Target's risk and return profile is virtually identical to that of Mix 4

Projected Rates of Return (10 Years)



	RHIC	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5th Percentile	11.9%	7.7%	9.0%	10.5%	11.9%	13.4%
25th Percentile	8.3%	5.8%	6.7%	7.5%	8.3%	9.1%
Median	5.9%	4.5%	5.0%	5.5%	5.9%	6.3%
75th Percentile	3.5%	3.2%	3.4%	3.5%	3.6%	3.5%
95th Percentile	0.3%	1.4%	1.2%	0.7%	0.3%	(0.2%)
Prob > 6.5%	43%	15%	27%	36%	43%	48%

- Chart reflects annualized return distribution over the next ten years
- Bar heights proportional to return volatility
  - Higher expected (median) returns associated with higher volatilities
  - Increased volatility leads to lower worse-case (95th percentile) returns
- The current policy has a 43% probability of earning 6.5% or better over the next 10 years

Callan

Asset-Liability Modeling

Current Conditions

Build Actuarial Liability Model

Callan's liability model is based on the GRS 2019 actuarial valuation

Model used to forecast future liabilities

Assets rolled forward using May 31, 2020 actual asset values

Additional forecast assumptions

- Closed to new entrants

July 1, 2019 Actuarial Valuation	RHIC
Actuarial Accrued Liability	$217.8 mm
Market Value of Assets	$137.5 mm
Actuarial Value of Assets	$137.6 mm
Market Funded Status (MVA/AL)	63.1%
Actuarial Funded Status (AVA/AL)	63.2%
Statutory Employer Contrib. (% of payroll)	1.14%

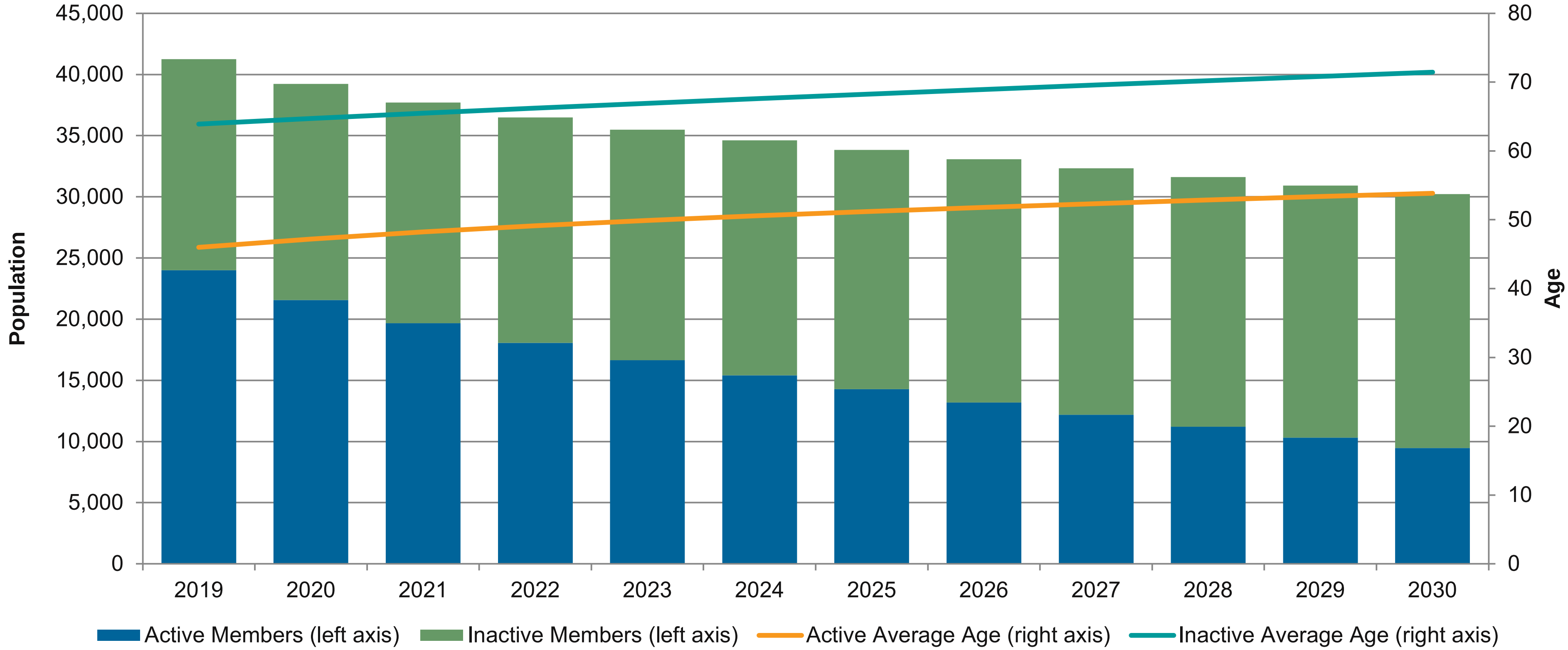
Key Assumptions	Actuarial Assumption*	Callan 10-year Expectation
Investment Return	6.5%	5.9%**
Price Inflation	2.25%	2.25%

**As of July 1, 2020*

***Based on Callan's capital market assumptions applied to the RHIC Fund's target asset allocation; used throughout the remainder of the study*

Member Numbers

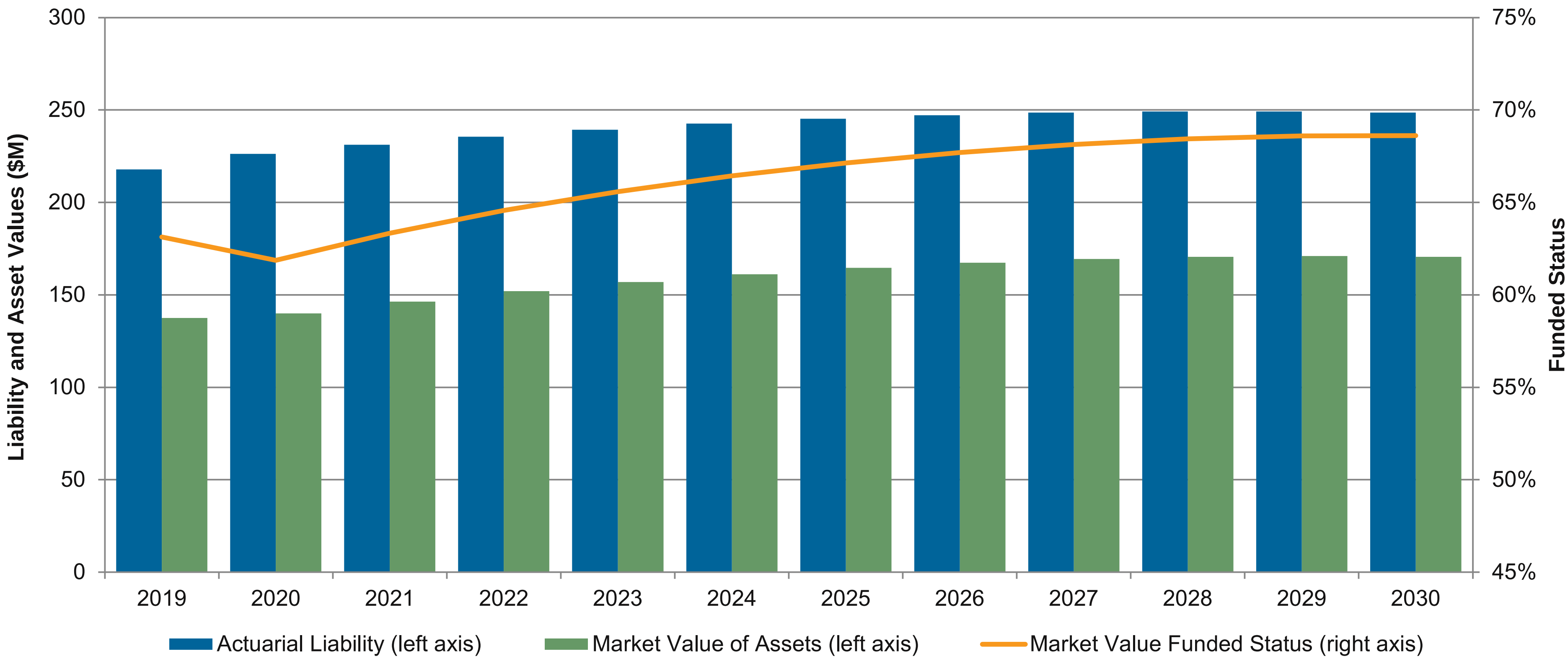
Deterministic Forecast



- Number of active members declines as the Plan is closed to new entrants
  – Rising active average age reflects plan closure to new entrants
- Number of inactive members and their average age increase steadily over time

Funding

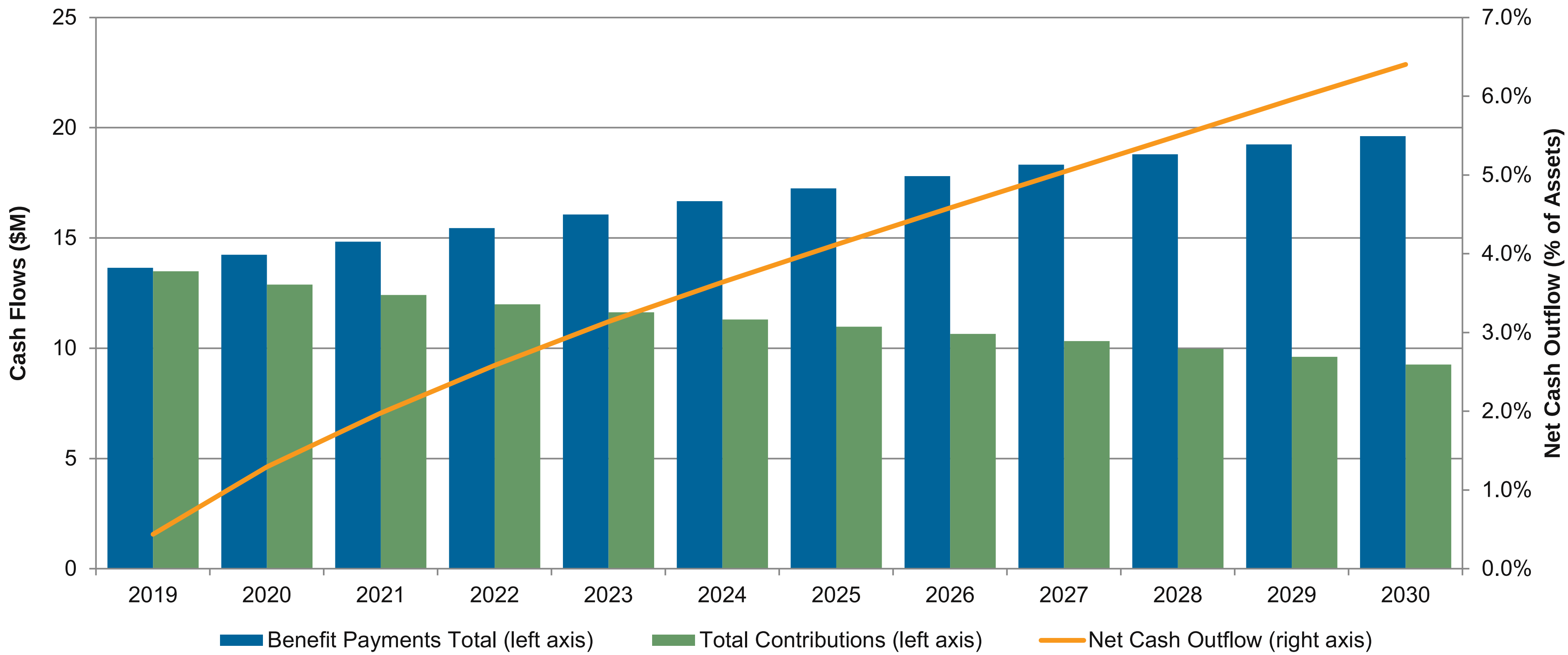
Deterministic Forecast



- Market value of assets increases faster than the liabilities, narrowing the funding gap through 2030
  - Change in assets due to both investment returns and net cash flows (contributions net of benefit payments and expenses)
  - Extending the projection beyond 2030 shows a decline in the funded status as assets fall faster than the liabilities
- Projected funding depends on adherence to the contribution policy
  - Assumes assets earn 5.9%

Cash Flows and Liquidity

Deterministic Forecast



- Net Cash Outflow = Benefit Payments + Expenses – Employer Contributions
- Plan is expected to have growing net outflow (both in nominal dollars and as a percentage of assets) over the coming decade
  – Extending the projection beyond 2030 shows the net outflow percentage continuing to climb as contributions fall and benefit payments rise through 2036

Actuarial Liability, 2020-2030

Stochastic Forecast

Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	226	231	236	239	243	245	247	249	249	249	249
75	226	231	236	239	243	245	247	249	249	249	249
50	226	231	236	239	243	245	247	249	249	249	249
25	226	231	236	239	243	245	247	249	249	249	249
5	226	231	236	239	243	245	247	249	249	249	249
Range	0	0	0	0	0	0	0	0	0	0	0

- With the Plan recently closed to new entrants, liabilities growth slows and liabilities begin to fall by 2030

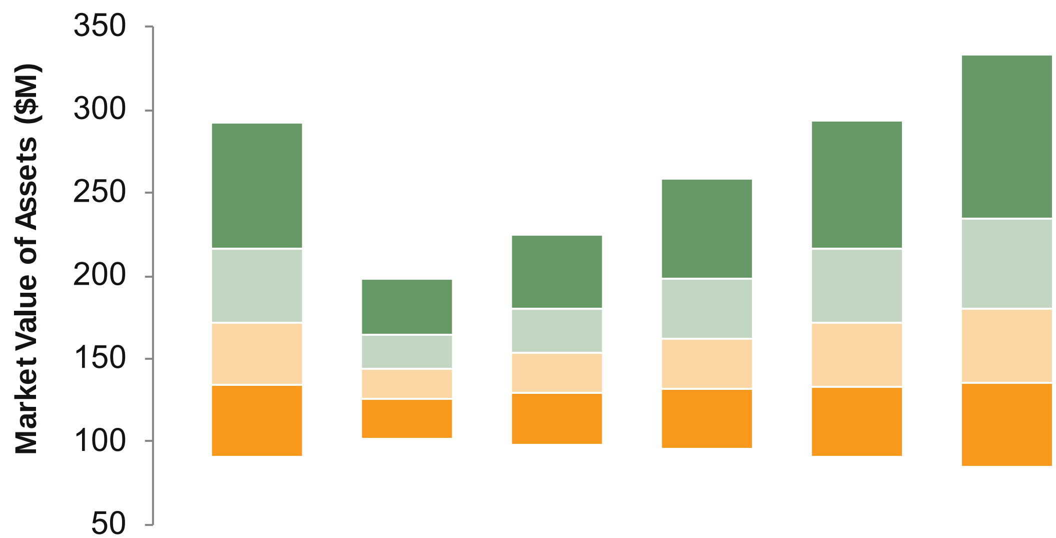
Market Value of Assets in 2030 (10 Years)

Stochastic Forecast

Moving from left to right (Mix 1 to Mix 5), the range of results widens as one takes on more risk (greater equity exposure)

More aggressive mixes have larger expected values (50th percentile) but lower worse-case (95th percentile) outcomes

- The 50th percentile is the expected case – half of the outcomes are higher and half lower
- The 95th percentile is a worse-case scenario – a 5% probability that assets will be the value shown or lower



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5	292	198	225	258	292	332
25	216	164	180	198	217	234
50	171	144	154	163	172	180
75	135	126	130	133	134	136
95	92	103	99	96	92	86
Range	199	95	125	161	201	246

Asset Change = Contributions + Investment Earnings – Benefit Payments & Expenses

Funded Ratio in 2030 (10 Years)

Stochastic Forecast

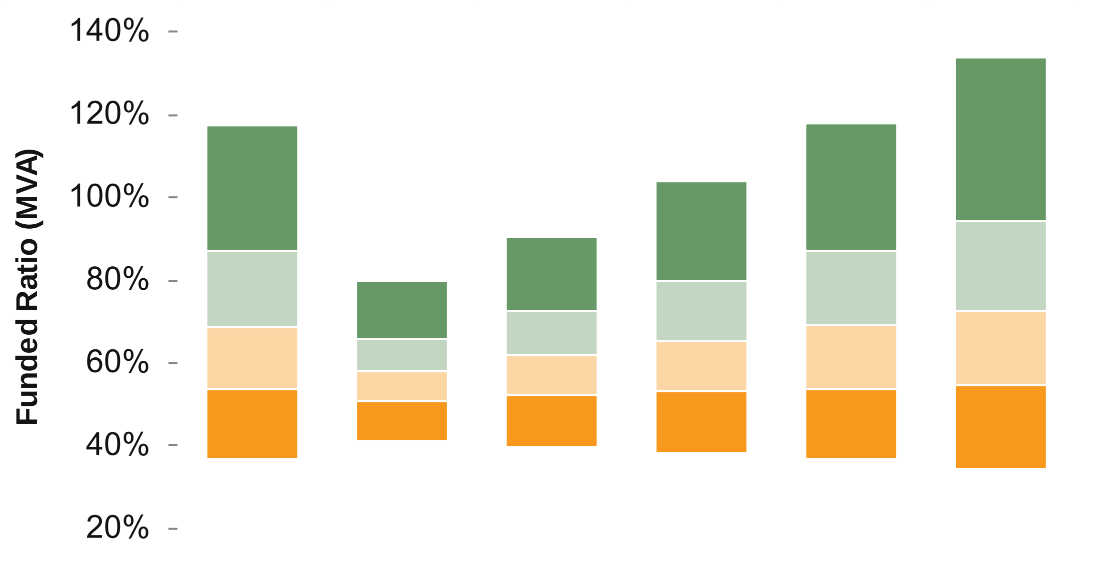
Starting funded status = 63.1%

The Plan's funded status is expected (50th percentile) to improve over the next ten years under the current funding policy

- Mixes 1 and 2 expect a decline in the funding ratio while Mixes 3, 4, and 5 expect to see an improvement in funding

Funding ratios in worse-case scenarios are particularly low because the contribution policy is not impacted by a declining funded status

More aggressive mixes are expected to have higher funded ratios at the end of 10 years relative to more conservative mixes but have lower funded ratios in worse-case scenarios (95th percentile)



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
5	117%	80%	90%	104%	118%	134%
25	87%	66%	72%	80%	87%	94%
50	69%	58%	62%	65%	69%	73%
75	54%	51%	52%	53%	54%	55%
95	37%	41%	40%	39%	37%	35%
Range	80%	38%	50%	65%	81%	99%

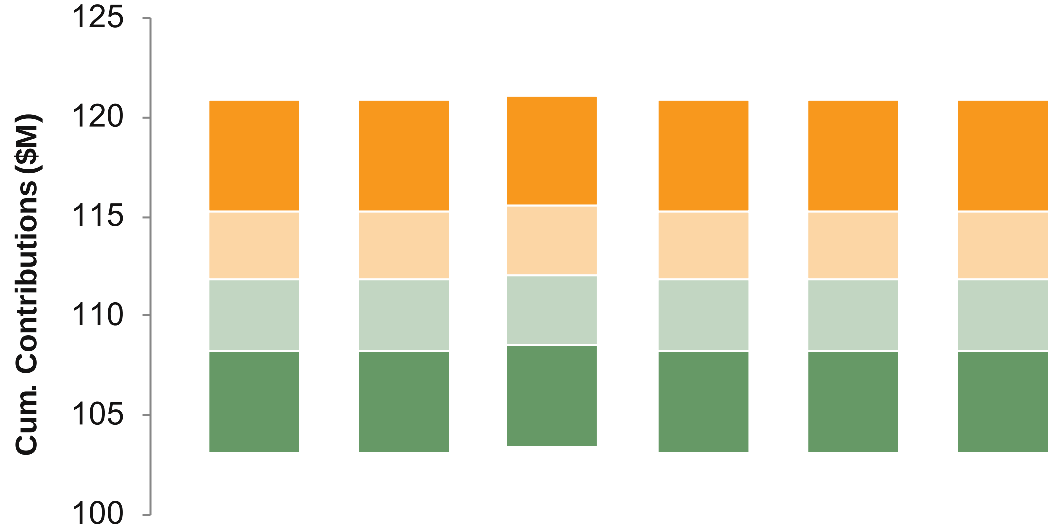
Funded Status = Market Value of Assets / Actuarial Liability

Cumulative Contributions through 2030 (10 Years)

Stochastic Forecast

There is no contribution variability across the asset mixes due to the statutory percentage of pay policy

Contribution volatility within an asset mix stems from simulated inflation which impacts salaries



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	121	121	121	121	121	121
75	115	115	115	115	115	115
50	112	112	112	112	112	112
25	108	108	108	108	108	108
5	103	103	103	103	103	103
Range	18	18	18	18	18	18

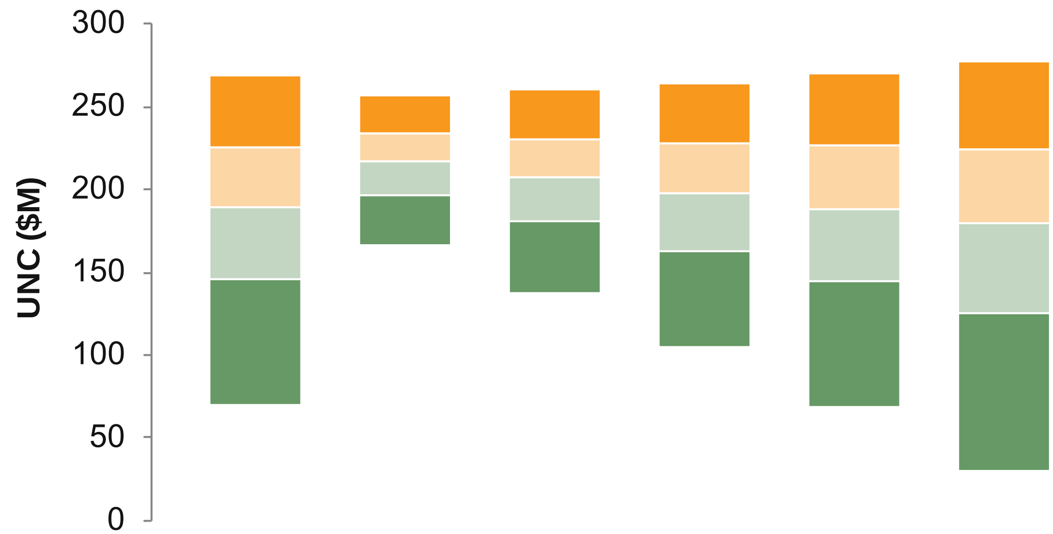
Ultimate Net Cost in 2030 (10 Years)

Stochastic Forecast

UNC is a more complete measure of the cost to the employer since it captures what is expected to be paid over 10 years plus what is owed at the end of the 10-year period

Ultimate net cost (UNC) = 10-Year cumulative contributions + 7/1/2030 unfunded actuarial liability

More aggressive mixes lower UNC in the expected case but result in greater UNC in a worse-case scenario



Pctl	Target	Mix 1	Mix 2	Mix 3	Mix 4	Mix 5
95	268	256	259	263	269	276
75	225	234	230	227	225	224
50	189	216	207	198	188	180
25	145	197	180	162	145	125
5	70	166	138	105	69	31
Range	198	90	121	158	200	245

UNC = Cumulative Contributions + Unfunded Liability

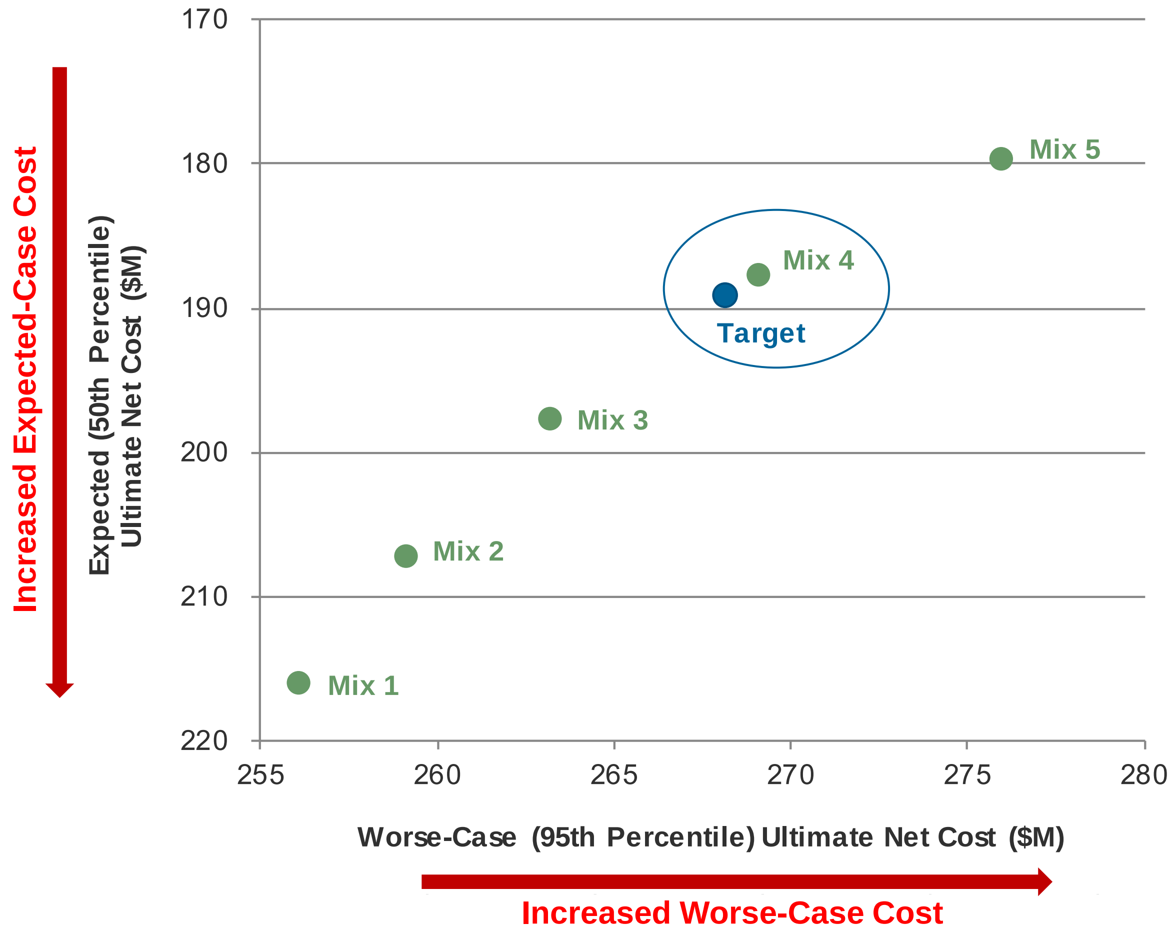
Ultimate Net Cost in 2030 (10 Years): Expected (50th) vs Worse Case (95th)

Stochastic Forecast

Tradeoff is roughly linear for optimal mixes

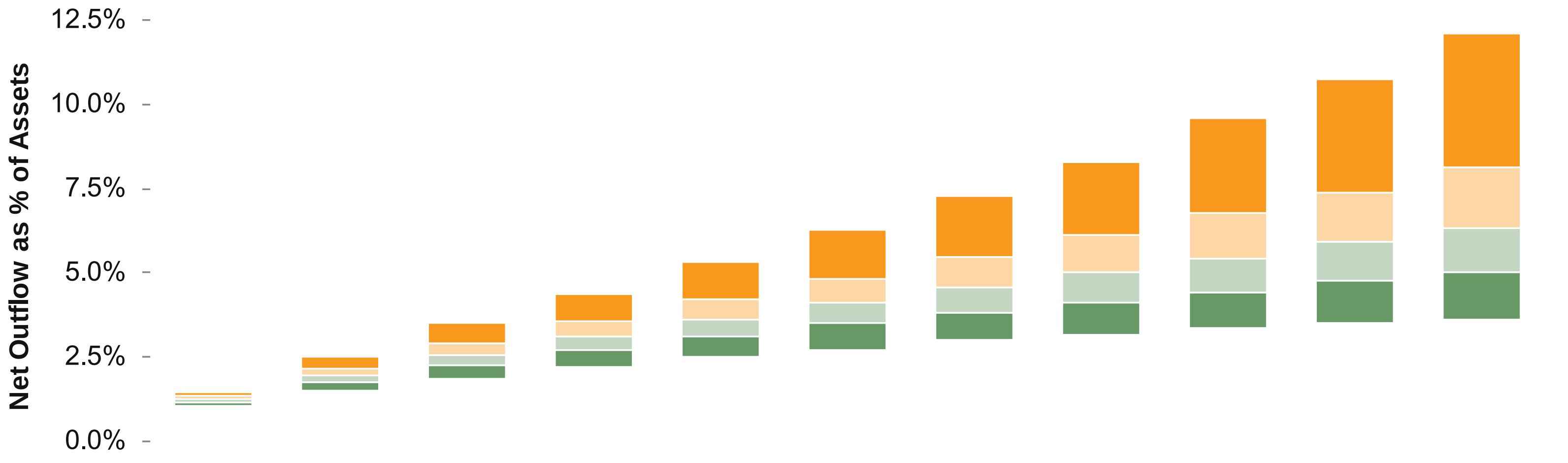
Mix 4 and the current target are very similar, each with 60% equity though with slightly different weights to US and non-US

Mix 4 marginally lowers expected-case cost relative to the current target, though with slightly greater cost in a worse-case scenario



Net Outflow as a Percentage of Assets, 2020-2030

Stochastic Forecast



Pctl	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
95	1.5%	2.5%	3.5%	4.4%	5.3%	6.3%	**7.3%**	**8.3%**	**9.6%**	**10.7%**	**12.1%**
75	1.4%	2.2%	2.9%	3.6%	4.2%	4.8%	5.5%	6.1%	6.8%	**7.4%**	**8.1%**
50	1.3%	2.0%	2.6%	3.1%	3.6%	4.1%	4.6%	5.0%	5.5%	5.9%	6.3%
25	1.2%	1.8%	2.3%	2.7%	3.1%	3.5%	3.8%	4.1%	4.4%	4.8%	5.0%
5	1.1%	1.5%	1.9%	2.2%	2.6%	2.8%	3.0%	3.2%	3.4%	3.6%	3.6%
Range	0.4%	1.0%	1.6%	2.1%	2.8%	3.5%	4.2%	5.1%	6.2%	7.2%	8.4%

- Net Outflow = Benefit Payments & Expenses – Employer Contributions
  - A useful indicator of ongoing liquidity needs
  - Ratio < 7.0% is typically manageable; >10% presents high liquidity pressure depending on the level of illiquid assets in the portfolio
  - Based on our experience, most public funds have net outflow of 4-7% depending on funded status, funding policy, and plan maturity
- For the current target (100% liquid), liquidity needs are expected (50th percentile) to be manageable; in worse-case (95th percentile) scenarios net outflows exceed 10%
- The liquidity analysis assumes the funding policy is adhered to

Recommendation

Recommendation

The combination of the current funding and investment policies may lead to a modest improvement in the funded status over the next 10 years despite the expectation of a low-return environment

- Looking beyond 10 years shows a decline in the funded status as assets fall faster than the liabilities
- 30 years out assets are projected to be approximately $20 million versus a liability of roughly $150 million under the current funding policy (deterministic projection)
  - Employer contributions fall from ~$13 million today to just $2 million 30 years out as the number of active employees on which to base the statutory percentage of pay contribution policy declines dramatically (~24,000 active participants at July 1, 2019 versus less than a 1,000 in 30 years)

Many factors support an asset allocation with a risk posture similar to (mix 4) or slightly more aggressive (mix 4a) than the current target

- Pursuit of a 6.5% return
- Long time horizon
- Static contribution rate

Further diversification via core real estate might be worth studying but we are not recommending it be included in the asset allocation at this particular time

- An allocation to real estate would reduce the reliance on both public equity and low yielding fixed income while modestly raising the expected return for the same level of risk
- Real estate may also offer some protection in a rising inflation environment

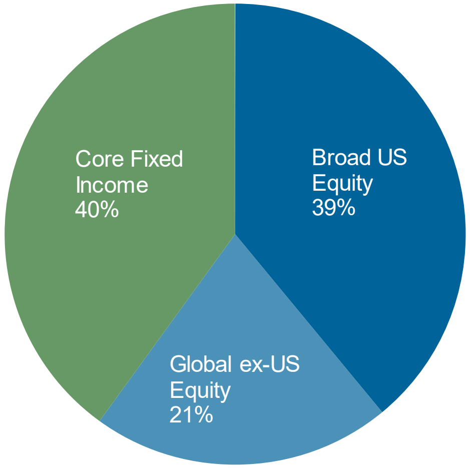
Recommendation

Finally, while the target and mixes 4 and 4a have expected returns over the next 10 years that fall short of the 6.5% return assumption, there are mitigating factors that offset the projected returns

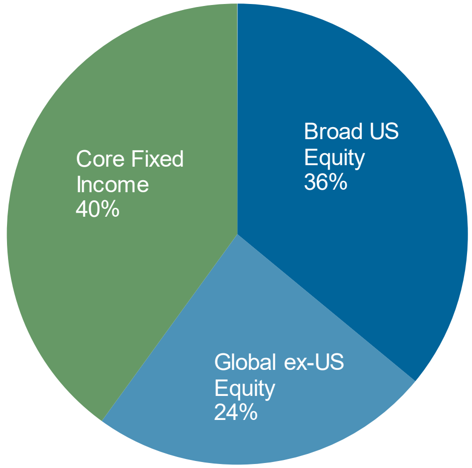
- Callan's public market return projections are based on passive (i.e., index fund) implementation and do not incorporate active management premiums
- Callan's 10-year projections are cyclically lower than our longer-term (i.e., greater than 10 years) expectations
- The target and mixes 4 and 4a have a 43-46% probability of achieving a 6.5% return over the next 10 years

Recommendation

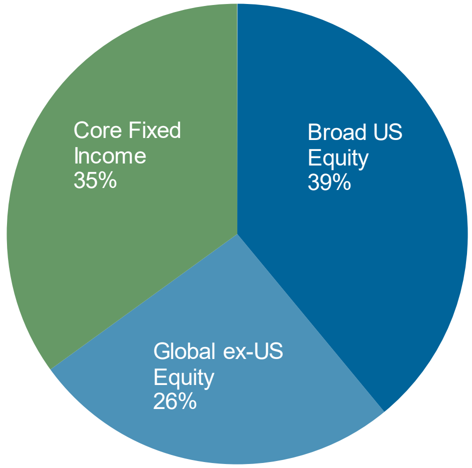
RHIC Fund Target



Mix 4



Mix 4a



Asset Class	Policy Target	Same Risk Mix 4	% Change	$M Change	More Risk Mix 4a	% Change	$M Change
Public Equity	**60%**	**60%**	0%	$0	**65%**	**5%**	**$7**
Broad U.S. Equity	39%	36%	-3%	($4)	39%	0%	$0
Global ex-U.S. Equity	21%	24%	3%	$4	26%	5%	$7
Fixed Income	**40%**	**40%**	0%	$0	**35%**	**-5%**	**($7)**
Core Fixed Income	40%	40%	0%	$0	35%	-5%	($7)
Expected Return	**5.9%**	**5.9%**			**6.1%**		
Expected Std. Deviation	**10.8%**	**10.8%**			**11.7%**		
Prob. ≥ 6.5%	**43%**	**43%**			**46%**		

Note: Dollar changes based on June 30, 2020 asset value

Next Steps and Timeline

Next Steps

Incorporate feedback from today's meeting

Deliver the final study to NDPERS in September

Timeline

Asset-Liability Kickoff ***COMPLETED***

Meeting Date: May 26

Preliminary Asset-Liability Results ***COMPLETED***

Meeting Date: July 22

Final Asset-Liability Results ***IN PROGRESS***

Meeting Dates: August 27 and September 8

Disclaimers

This report is for informational purposes only and should not be construed as legal or tax advice on any matter. Any decision you make on the basis of this content is your sole responsibility. You should consult with legal and tax advisers before applying any of this information to your particular situation.

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The statements made herein may include forward-looking statements regarding future results. The forward-looking statements herein: (i) are best estimations consistent with the information available as of the date hereof and (ii) involve known and unknown risks and uncertainties such that actual results may differ materially from these statements. There is no obligation to update or alter any forward-looking statement, whether as a result of new information, future events or otherwise. Undue reliance should not be placed on forward-looking statements.

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Executive Director
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Memorandum

TO: NDPERS Board

FROM: **Bryan Reinhardt**

DATE: December 8, 2020

SUBJECT: 457 Companion Plan & 401(a) Plan 3rd Quarter 2020 Report

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Here is the 3rd quarter 2020 investment report for the 401(a) & 457 Companion Plans. The reports are available separately on the NDPERS website. The NDPERS Investment Sub-committee reviewed the 3rd quarter reports. The two plans have 8,411 participants with about $167 million in assets.

Assets in the 401(a) plan increased to $16.6 million on September 30, 2020 from $15.5 million as of June 30, 2020 ($15.5 as of December 31, 2019). The number of active participants is at 92. The TIAA-CREF Target Date funds have 60% of the plan assets.

Assets in the 457 Companion Plan increased to $150.3 million on September 30, 2020 from $139.3 as of June 30, 2020 ($138.9 million as of December 31, 2019). The number of active participants is increasing and is now at 5,779. The TIAA-CREF Target Date funds have 70% of the plan assets.

<u>Benchmarks:</u>
Fund returns for the quarter were all positive, except Templeton Global Bond fund. Core fund performance was mixed when compared to their benchmarks and peer funds. Seventeen of the 36 core funds beat both their benchmarks and peer funds in the third quarter. Note that index funds are expected to slightly underperform their benchmarks because of fund administration fees.

<u>Fund / Investment News:</u>
The NDPERS Investment Subcommittee reviewed the 3rd quarter 2020 plan review, field activity report, and investment overview with TIAA. The Subcommittee reviewed the two funds under formal fund review (Templeton Global Bond – TGBAX and Prudential Mid Cap Growth – PEGZX). The Subcommittee marked Templeton Global Bond – TGBAX and T.Rowe Price Equity Income – PRFDX as underperforming for the quarter. There is no recommended action at this time. The Subcommittee also reviewed a plan fee analysis from TIAA. Callan reviewed the asset liability study results for the main plan and RHIC plan with the Subcommittee. The Subcommittee came up with asset allocation recommendations for the Main system and RHIC plan.

Attachment

NDPERS
Quarterly Investment Report
3rd Quarter
7/1/2020 – 9/30/2020

North Dakota Public Employees Retirement System
400 E Bdwy, Suite 505
Box 1657
Bismarck, ND 58502

NDPERS 401(a) Defined Contribution Plan & 457 Companion Plan - TIAA-CREF

INITIAL OFFERING:

Hartford Dividend & Growth T.Rowe Price Equity Income	Vanguard 500 Index Vanguard Dividend Growth	Franklin Growth Adv Wells Fargo Adv Growth Adm	**LARGE**
Virtus Mid Cap Value Equity I	Columbia Mid Cap Index A	Prudential Jennison Mid Cap Growth Z	**MEDIUM**
Northern Small Cap Value	DFA US Small Cap	Brown Capital Mgmt Small Co Inv	**SMALL**
VALUE	**BLEND**	**GROWTH**	

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Prime Money Market	
BOND FUNDS:	Baird Core Plus Bond Fund	Vanguard Total Bond Index Fund	Templeton Global Bond
	Mass Mutual Inflation Protected Bond Fund	Prudential High Yield Z	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	American Funds New Perspective	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060

FUND STYLE CHANGES:

Vanguard Dividend Growth ←	←		**LARGE**
→	Virtus Mid Cap Value Equity I	Brown Capital Mgmt Small Co Inv ↑	**MEDIUM**
		↑	**SMALL**
VALUE	**BLEND**	**GROWTH**	

OTHER FUNDS:

CURRENT LINEUP:

Hartford Dividend & Growth T.Rowe Price Equity Income Vanguard Dividend Growth	Vanguard 500 Index	Franklin Growth Adv Wells Fargo Adv Growth Adm	**LARGE**
	Columbia Mid Cap Index A Virtus Mid Cap Value Equity I	Prudential Jennison Mid Cap Growth Z Brown Capital Mgmt Small Co Inv	**MEDIUM**
Northern Small Cap Value	DFA US Small Cap		**SMALL**
VALUE	**BLEND**	**GROWTH**	

BALANCED FUND:	T.Rowe Price Capital Appreciation		
INCOME FUNDS:	Wells Fargo Stable Value Fund J	Vanguard Treasury Money Market	
BOND FUNDS:	Baird Core Plus Bond Fund	Vanguard Total Bond Index Fund	Templeton Global Bond
	Mass Mutual Inflation Protected Bond Fund	Prudential High Yield Z	
REAL ESTATE:	Cohen & Steers Realty Shares		
INTERNATIONAL FUNDS:	American Funds New Perspective	Vanguard Total Intl Stock Index	Oppenheimer Developing Markets Y
LIFESTYLE FUNDS:	TIAA-CREF Lifecycle Ret Income	TIAA-CREF Lifecycle 2025	TIAA-CREF Lifecycle 2045
	TIAA-CREF Lifecycle 2010	TIAA-CREF Lifecycle 2030	TIAA-CREF Lifecycle 2050
	TIAA-CREF Lifecycle 2015	TIAA-CREF Lifecycle 2035	TIAA-CREF Lifecycle 2055
	TIAA-CREF Lifecycle 2020	TIAA-CREF Lifecycle 2040	TIAA-CREF Lifecycle 2060

NDPERS Investment Benchmarks - 3rd Quarter 2020

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Stable Value / Money Market Fund					
Vanguard Treasury Money Market - VUSXX	0.02%	0.46%	0.89%	1.55%	1.09%
Wells Fargo Stable Return Fund J - WFSJ#	0.41%	1.19%	1.63%	1.52%	1.31%
3 Month T-Bill Index	0.03%	0.56%	1.02%	1.65%	1.16%
Fixed Income Fund					
Mass Mutual Income Bond Fund - MIPYX	3.93%	9.12%	9.82%	5.57%	4.57%
Baird Core Plus Bond Fund - BCOSX	1.33%	7.09%	7.56%	5.42%	4.76%
Vanguard Total Bond Market Index Fund - VBTLX	0.61%	7.00%	7.03%	5.30%	4.20%
US Aggregate Bond Index	0.65%	6.99%	7.14%	5.33%	4.26%
Taxable Corporate Bond Fund Universe	1.79%	5.87%	7.25%	5.58%	5.44%
Prudential High Yield Z - PHYZX	5.07%	-0.22%	2.83%	4.71%	6.88%
BofA High Yield Bond Fund Index	4.71%	-0.30%	2.30%	3.83%	6.61%
High Yield Bond Fund Universe	4.32%	-0.99%	1.33%	2.89%	5.18%
Templeton Global Bond Adv - TGBAX <ON WATCH>	-0.60%	-4.91%	-3.42%	-1.50%	1.71%
World Govt Bond Index	2.94%	7.14%	6.77%	4.37%	3.95%
World Bond Fund Universe	3.02%	3.67%	4.97%	2.63%	3.52%
Real Estate Fund					
Cohen & Steers Realty Shares - CSRSX	2.82%	-10.54%	-10.34%	5.46%	6.80%
FTSE NAREIT Equity REITs Index	1.19%	-12.27%	-12.15%	3.54%	6.61%
Real Estate Fund Universe	2.35%	-14.01%	-13.44%	1.17%	4.28%
Balanced Fund					
T.Rowe Price Capital Appreciation - PACLX	5.80%	5.80%	11.53%	10.71%	11.32%
60% Large Cap Value Univ & 40% Taxable Bond Universe	3.63%	-4.29%	0.19%	3.76%	6.53%
60% Russell 1000 Value & 40% Agg Bond Index	3.61%	-4.15%	-0.16%	3.71%	6.30%
Large Cap Equities - Value					
Hartford Dividend & Growth - HDGTX	5.96%	-5.56%	1.55%	6.72%	10.53%
T.Rowe Price Equity Income - PRFDX	3.15%	-16.22%	-10.39%	0.47%	7.09%
Russell 1000 Value Index	5.59%	-11.58%	-5.03%	2.63%	7.66%
Large Cap Value Fund Universe	4.85%	-11.07%	-4.52%	2.55%	7.26%
Large Cap Equities - Blend					
Vanguard Institutional Index - VINIX	8.92%	5.57%	15.13%	12.25%	14.12%
Vanguard Dividend Growth Fund - VDIGX	9.92%	2.86%	7.58%	12.54%	13.09%
S&P 500 Index	8.93%	5.57%	15.15%	12.28%	14.15%
Large Cap Blend Fund Universe	8.06%	2.30%	10.70%	9.55%	11.77%
Large Cap Equities - Growth					
Wells Fargo Adv Growth Adm - SGRKX	11.86%	26.18%	36.91%	22.91%	19.89%
Russell 3000 Growth Index	12.86%	23.00%	36.12%	20.73%	19.51%
Franklin Growth Adv - FCGAX	11.52%	15.96%	25.41%	16.45%	16.69%
Russell 1000 Growth Index	13.22%	24.33%	37.53%	21.67%	20.10%
Large Cap Growth Fund Universe	11.54%	20.64%	32.13%	18.22%	16.99%
Mid Cap Equities - Value					
Virtus Mid Cap Value Equity I - SMVTX	6.21%	-15.93%	-9.06%	2.67%	7.96%
Russell Mid Cap Value	6.40%	-12.84%	-7.30%	0.82%	6.38%
Mid Cap Value Fund Universe	4.39%	-16.25%	-10.25%	-1.16%	4.93%
Mid Cap Equities - Blend					
Columbia Mid Cap Index A - NTIAX	4.66%	-8.95%	-2.66%	2.41%	7.59%
S&P Mid Cap 400	4.77%	-8.62%	-2.16%	2.90%	8.11%
Mid Cap Blend Fund Universe	6.34%	-7.00%	-0.46%	3.43%	7.34%
Mid Cap Equities - Growth					
Prudential Jennison Mid Cap Growth - PEGZX <ON WATCH>	12.58%	16.97%	24.38%	15.86%	14.15%
Russell Mid Cap Growth	9.37%	13.92%	23.23%	16.23%	15.53%
Mid Cap Growth Fund Universe	10.20%	15.01%	24.49%	14.68%	14.28%

Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

NDPERS Investment Benchmarks - 3rd Quarter 2020

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Small Cap Equities - Value					
Northern Small Cap Value Fund - NOSGX	1.94%	-23.31%	-18.17%	-6.40%	2.46%
Russell 2000 Value Index	2.56%	-21.54%	-14.88%	-5.13%	4.11%
Small Value Fund Universe	2.98%	-20.54%	-14.26%	-5.51%	2.67%
Small Cap Equities - Blend					
DFA US Small Cap - DFSTX	3.94%	-13.62%	-6.31%	-1.75%	5.27%
Russell 2000 Index	4.93%	-8.69%	0.39%	1.77%	8.00%
Small Blend Fund Universe	4.17%	-13.32%	-6.56%	-0.86%	5.68%
Small Cap Equities - Growth					
Brown Capital Mgmt Small Co Inv - BCSIX	5.29%	21.47%	26.91%	18.01%	18.91%
Russell 2000 Growth Index	7.16%	3.88%	15.71%	8.18%	11.42%
Small Growth Fund Universe	8.17%	8.41%	18.73%	11.08%	12.88%
International Equity Funds					
American Funds New Perspective Fund - RNPEX	12.56%	13.84%	25.30%	13.36%	14.30%
Vanguard Total Intl Stock Index Inv - VTIAX	6.48%	-4.80%	3.77%	1.25%	6.31%
MSCI ACWI Index	6.25%	-5.44%	3.00%	1.16%	6.23%
International Stock Fund Universe	5.80%	-5.73%	2.19%	0.41%	5.19%
Invesco Developing Markets Y - ODVYX	8.27%	-1.23%	10.44%	4.35%	10.38%
MSCI Emerging Markets Index	9.56%	-1.16%	10.54%	2.42%	8.97%
Diversified Emerging Mkts Universe	8.87%	-1.43%	9.11%	1.73%	8.08%
Asset Allocation Funds:					
TIAA-CREF Lifecycle Ret Income - TLIRX	4.05%	4.00%	7.67%	5.52%	6.64%
Income Benchmark	2.02%	3.38%	5.38%	4.75%	4.91%
TIAA-CREF Lifecycle 2010 - TCLEX	4.08%	4.01%	7.74%	5.60%	6.88%
2010 Benchmark	3.45%	3.05%	6.63%	5.55%	6.38%
TIAA-CREF Lifecycle 2015 - TCLIX	4.37%	3.86%	8.04%	5.78%	7.25%
2015 Benchmark	4.20%	2.88%	7.28%	5.97%	7.16%
TIAA-CREF Lifecycle 2020 - TCLTX	4.75%	3.72%	8.39%	5.98%	7.75%
2020 Benchmark	4.84%	2.73%	7.84%	6.33%	7.82%
TIAA-CREF Lifecycle 2025 - TCLFX	5.37%	3.59%	8.96%	6.23%	8.31%
2025 Benchmark	5.38%	2.61%	8.31%	6.64%	8.38%
TIAA-CREF Lifecycle 2030 - TCLNX	6.06%	3.42%	9.52%	6.50%	8.88%
2030 Benchmark	6.28%	2.39%	9.08%	7.14%	9.30%
TIAA-CREF Lifecycle 2035 - TCLRX	6.66%	3.08%	10.06%	6.72%	9.38%
2035 Benchmark	7.38%	1.80%	9.75%	7.60%	10.31%
TIAA-CREF Lifecycle 2040 - TCLOX	7.29%	2.86%	10.59%	6.88%	9.84%
2040 Benchmark	7.77%	1.65%	10.04%	7.79%	10.69%
TIAA-CREF Lifecycle 2045 - TTFRX	7.86%	2.65%	11.07%	6.95%	10.06%
2045 Benchmark	7.78%	1.65%	10.06%	7.80%	10.71%
TIAA-CREF Lifecycle 2050 - TLFRX	7.99%	2.63%	11.15%	7.00%	10.14%
2050 Benchmark	7.78%	1.65%	10.06%	7.80%	10.71%
TIAA-CREF Lifecycle 2055 - TTRLX	8.09%	2.56%	11.18%	7.00%	10.20%
2055 Benchmark	7.79%	1.66%	10.06%	7.80%	10.71%
TIAA-CREF Lifecycle 2050 - TLXRX	8.08%	2.53%	11.24%	7.01%	10.27%
2060 Benchmark	7.79%	1.66%	10.07%	7.81%	10.71%

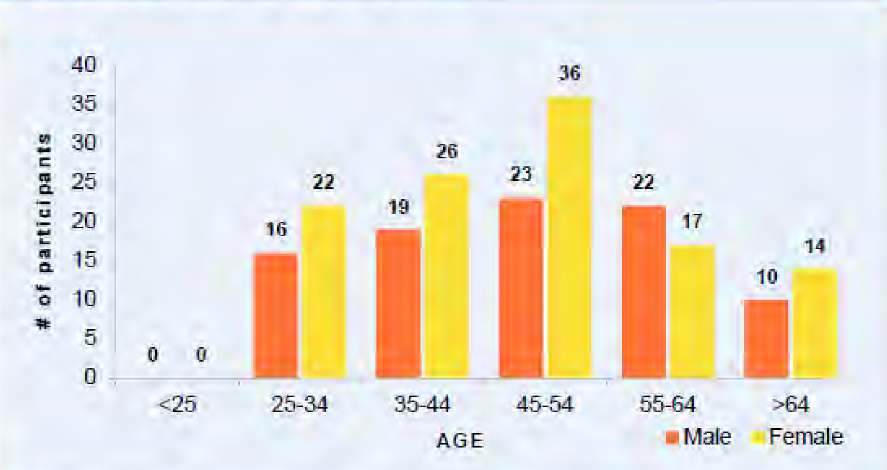
Income Benchmark is comprised of 11.1% Wilshire 5000, 9.1% MSCI ACWI, 52.4% Ag Bond, 5.0% REIIT Index, 22.4% 3 Month T-Bill
2010 Benchmark is comprised of 23.1% Wilshire 5000, 14.9% MSCI ACWI, 42.0% Ag Bond, 5.0% REIT Index, 15.0% 3 Month T-Bill
2015 Benchmark is comprised of 29.6% Wilshire 5000, 17.7% MSCI ACWI, 36.2% Ag Bond, 5.0% REIT Index, 11.5% 3 Month T-Bill
2020 Benchmark is comprised of 35.1% Wilshire 5000, 20.1% MSCI ACWI, 31.2% Ag Bond, 5.0% REIT Index, 8.6% 3 Month T-Bill
2025 Benchmark is comprised of 39.8% Wilshire 5000, 22.1% MSCI ACWI, 27.0% Ag Bond, 5.0% REIT Index, 6.1% 3 Month T-Bill
2030 Benchmark is comprised of 47.6% Wilshire 5000, 25.5% MSCI ACWI, 19.7% Ag Bond, 5.0% REIT Index, 2.2% 3 Month T-Bill
2035 Benchmark is comprised of 57.4% Wilshire 5000, 29.7% MSCI ACWI, 5.8% Ag Bond, 5.0% REIT Index, 2.1% 3 Month T-Bill
2040 Benchmark is comprised of 60.8% Wilshire 5000, 31.3% MSCI ACWI, 1.8% Ag Bond, 5.0% REIT Index, 1.3% 3 Month T-Bill
2045 Benchmark is comprised of 60.9% Wilshire 5000, 31.3% MSCI ACWI, 1.8% Ag Bond, 5.0% REIT Index, 1.1% 3 Month T-Bill
2050 Benchmark is comprised of 60.9% Wilshire 5000, 31.3% MSCI ACWI, 1.8% Ag Bond, 5.0% REIT Index, 1.1% 3 Month T-Bill
2055 Benchmark is comprised of 61.0% Wilshire 5000, 31.2% MSCI ACWI, 1.7% Ag Bond, 5.0% REIT Index, 1.1% 3 Month T-Bill
2060 Benchmark is comprised of 61.0% Wilshire 5000, 31.2% MSCI ACWI, 1.8% Ag Bond, 5.0% REIT Index, 1.1% 3 Month T-Bill

	Quarter	Y-T-D	1-Year	3-Year	5-Year
Wilshire 5000 Index	9.45%	6.30%	15.74%	11.73%	13.69%
FTSE NAREIT Equity REITs Index	1.19%	-12.27%	-12.15%	3.54%	6.61%
MSCI ACWI Index	6.25%	-5.44%	3.00%	1.16%	6.23%
US Aggregate Bond Index	0.65%	6.99%	7.14%	5.33%	4.26%
3 Month T-Bill Index	0.03%	0.56%	1.02%	1.65%	1.16%

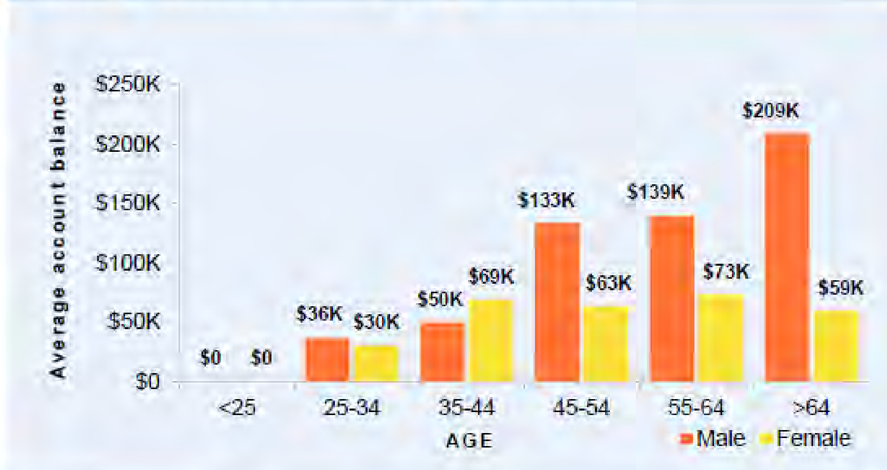
Fund Returns in RED do not meet both benchmarks. **Fund Returns in BLACK meet both benchmarks.**

Employee summary: Gender and age[1]

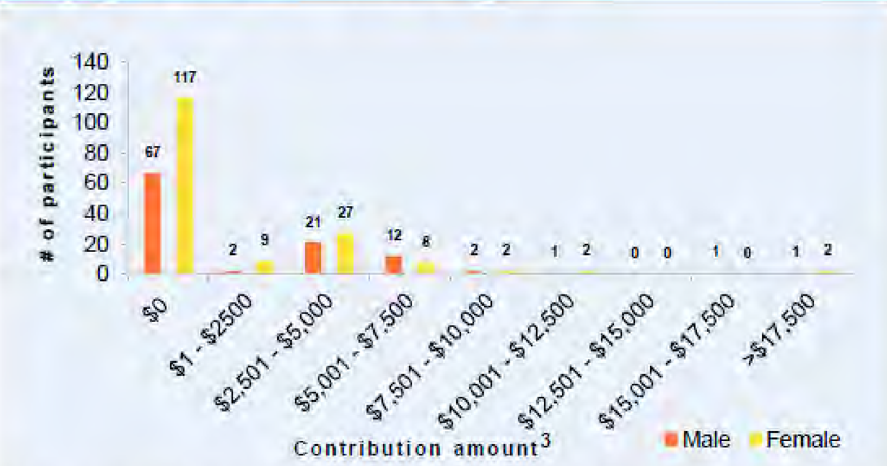
Demographics by Age and Gender



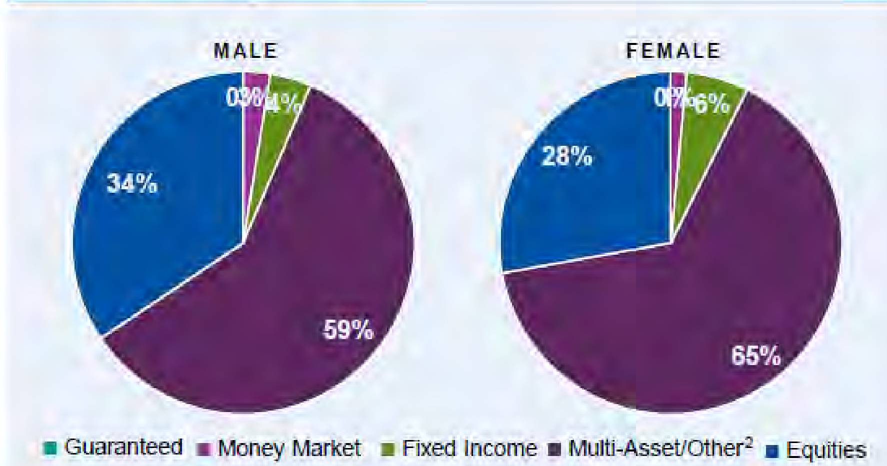
Average Account Balance by Age and Gender



Employee Contribution Amounts by Gender



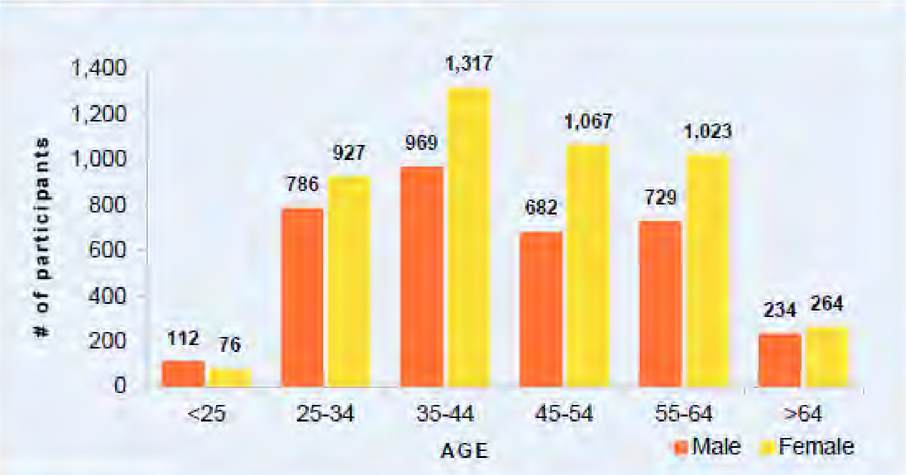
Diversification by Gender



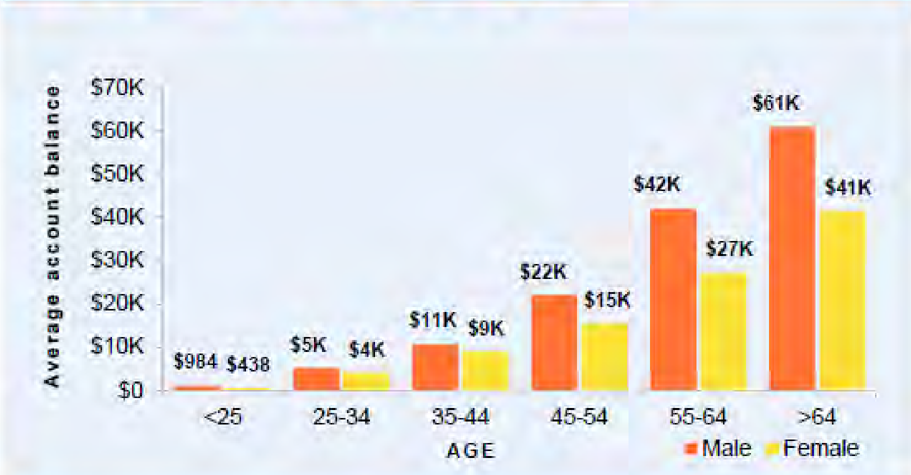
This report is as of the period ending 09/30/2020 and reflects the trailing 12 months of activity unless otherwise noted. The report includes all TIAA plans except 457(f), 457(b) Private, Nonqualified Deferred Compensation, and Retirement Healthcare plans. 1. Data reflected is for all participant statuses except Employee Contribution Amounts by Gender which includes only active or leave status. Does not include 2 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.

Employee summary: Gender and age[1]

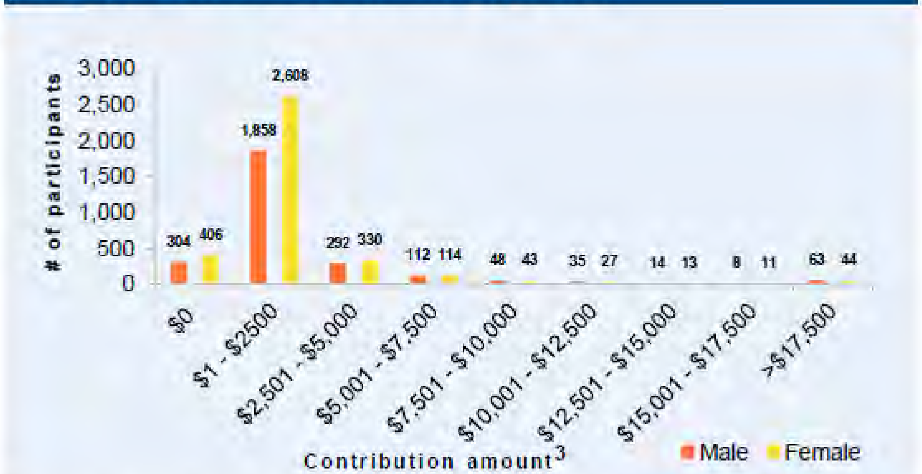
Demographics by Age and Gender



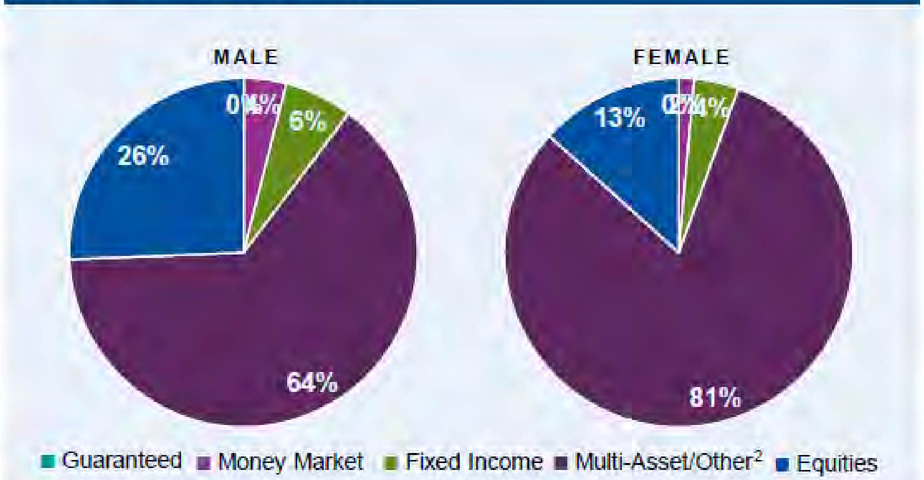
Average Account Balance by Age and Gender



Employee Contribution Amounts by Gender



Diversification by Gender



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Plan Summary

As of 09/30/2020

457(b)	Assets	Pct
TIAA-CREF Lifecycle 2025 Fund Retirement	$21,550,235	14.3%
TIAA-CREF Lifecycle 2020 Fund Retirement	$17,602,082	11.7%
TIAA-CREF Lifecycle 2030 Fund Retirement	$15,576,993	10.4%
TIAA-CREF Lifecycle 2035 Fund Retirement	$11,914,515	7.9%
TIAA-CREF Lifecycle 2045 Fund Retirement	$10,082,958	6.7%
TIAA-CREF Lifecycle 2040 Fund Retirement	$9,712,613	6.5%
TIAA-CREF Lifecycle 2015 Fund Retirement	$7,987,173	5.3%
Vanguard Institutional Index Fund Institutional	$6,973,108	4.6%
TIAA-CREF Lifecycle 2050 Fund Retirement	$6,547,681	4.4%
Vanguard Total Bond Market Index Fund Admiral	$4,122,443	2.7%
Vanguard Admiral Treasury Money Market Fund Investor	$3,939,918	2.6%
Vanguard Total International Stock Index Fund Admiral	$3,183,492	2.1%
Vanguard Dividend Growth Fund Investor	$2,675,615	1.8%
Wells Fargo Stable Value Fund - J	$2,444,716	1.6%
Brown Capital Management Small Company Fund Investor	$2,313,128	1.5%
TIAA-CREF Lifecycle 2055 Fund Retirement	$2,256,486	1.5%
Franklin Growth Fund Advisor	$2,103,967	1.4%
Wells Fargo Growth Fund Administrator	$1,616,374	1.1%
T. Rowe Price Capital Appreciation Fund Advisor	$1,432,795	1.0%
TIAA-CREF Lifecycle 2010 Fund Retirement	$1,270,367	0.8%
PGIM High Yield Fund Z	$1,250,948	0.8%
Columbia Mid Cap Index Fund A	$1,186,656	0.8%
Invesco Developing Markets Fund Y	$1,148,297	0.8%
Hartford Dividend and Growth Fund R5	$1,119,336	0.7%
Baird Core Plus Bond Fund Investor	$1,091,111	0.7%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	$1,044,050	0.7%
Cohen & Steers Realty Shares	$994,362	0.7%
American Funds New Perspective Fund R4	$942,306	0.6%
Self Directed Brokerage Account	$931,919	0.6%
Virtus Ceredex Mid-Cap Value Equity Fund I	$926,799	0.6%
T. Rowe Price Equity Income Fund	$909,941	0.6%
Prudential Jennison Mid-Cap Growth Fund Z	$747,890	0.5%
MassMutual Premier Inflation-Protected and Income Fund Service Class	$656,672	0.4%
Northern Small Cap Value Fund	$621,775	0.4%
Templeton Global Bond Fund Advisor	$545,626	0.4%
DFA U.S. Small Cap Portfolio Institutional	$454,693	0.3%
TIAA-CREF Lifecycle 2060 Fund Retirement	$379,697	0.3%
Total	$150,258,737	100.0%

401(a)	Assets	Pct
TIAA-CREF Lifecycle 2030 Fund Retirement	$2,120,125	12.8%
TIAA-CREF Lifecycle 2025 Fund Retirement	$1,923,643	11.6%
TIAA-CREF Lifecycle 2035 Fund Retirement	$1,711,550	10.3%
TIAA-CREF Lifecycle 2020 Fund Retirement	$1,032,409	6.2%
Vanguard Institutional Index Fund Institutional	$1,020,978	6.1%
TIAA-CREF Lifecycle 2050 Fund Retirement	$832,452	5.0%
TIAA-CREF Lifecycle 2045 Fund Retirement	$758,426	4.6%
Brown Capital Management Small Company Fund Investor	$710,396	4.3%
TIAA-CREF Lifecycle 2040 Fund Retirement	$644,257	3.9%
Wells Fargo Growth Fund Administrator	$522,668	3.1%
TIAA-CREF Lifecycle 2055 Fund Retirement	$503,422	3.0%
Franklin Growth Fund Advisor	$497,714	3.0%
TIAA-CREF Lifecycle 2010 Fund Retirement	$403,980	2.4%
Vanguard Admiral Treasury Money Market Fund Investor	$365,862	2.2%
Vanguard Total International Stock Index Fund Admiral	$344,589	2.1%
T. Rowe Price Capital Appreciation Fund Advisor	$344,171	2.1%
PGIM High Yield Fund Z	$315,529	1.9%
American Funds New Perspective Fund R4	$310,005	1.9%
Vanguard Dividend Growth Fund Investor	$252,661	1.5%
Hartford Dividend and Growth Fund R5	$226,646	1.4%
Invesco Developing Markets Fund Y	$205,497	1.2%
Cohen & Steers Realty Shares	$201,420	1.2%
Columbia Mid Cap Index Fund A	$183,810	1.1%
Baird Core Plus Bond Fund Investor	$164,917	1.0%
Wells Fargo Stable Value Fund - J	$155,637	0.9%
Vanguard Total Bond Market Index Fund Admiral	$139,373	0.8%
T. Rowe Price Equity Income Fund	$121,856	0.7%
Self Directed Brokerage Account	$105,957	0.6%
Prudential Jennison Mid-Cap Growth Fund Z	$97,120	0.6%
DFA U.S. Small Cap Portfolio Institutional	$96,253	0.6%
Templeton Global Bond Fund Advisor	$85,884	0.5%
Northern Small Cap Value Fund	$72,672	0.4%
MassMutual Premier Inflation-Protected and Income Fund Service Class	$71,621	0.4%
TIAA-CREF Lifecycle 2015 Fund Retirement	$39,671	0.2%
Virtus Ceredex Mid-Cap Value Equity Fund I	$34,040	0.2%
TIAA-CREF Lifecycle 2060 Fund Retirement	$6,457	0.0%
TIAA-CREF Lifecycle Retirement Income Fund Retirement	$0	0.0%
Total	$16,623,668	100.0%
Grand Total	$166,882,405	

IV. RETIREMENT

C. Investment Consultant Recommendation

Material for the Executive Session will be sent under separate cover.

North Dakota
Public Employees Retirement System
400 East Broadway, Suite 505 ● 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

Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 8, 2020

SUBJECT: Legislation

As the Board directed in November, I have pre-filed the following bills, which have been accepted:

Bill 89 – 5.12% employer contribution increase (PERS) – **favorable recommendation**

Bill 90 – 2% and 2% employer contribution increase to the Highway Patrol plan (PERS/HP) – **favorable recommendation**

Bill 91 – Penalty for violating PERS statutory processes (PERS) – **favorable recommendation**

Bill 92 – Technical corrections (PERS) – **favorable recommendation**

Bill 93 – would remove the NDPERS Part D plan from the HB 1374 requirements (PERS) – **favorable recommendation**

Bill 94 – Deferred compensation plan administrative expense assessment (PERS) – **favorable recommendation**

Bill 95 – 1% employer and 1% employee contribution increases (PERS) – **favorable recommendation**

There has not been an Employee Benefits Programs Committee meeting since the last Board meeting, so I have no additional information regarding legislation.

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Memorandum

TO: NDPERS Board

FROM: Scott

DATE: December 8, 2020

SUBJECT: Strategic Plan Update

At the December 2019 meeting, the Board approved goals for a three-year strategic plan. I gave you an update on our progress in June, and advised you we would revisit the Strategic Plan at this meeting to review our progress and set additional goals for the future.

I have attached the updated strategic planning table. New information is in red. As you can see, we are well on our way to completing the goals for 2020. Management staff also met to discuss suggested goals to add for the next few years, which are also added in red. We look forward to discussing our goals going forward, and getting the Board's direction on where to focus our work.

Board Action: Designate new goals to include in our strategic plan.

Attachment

Goal	2020	2021	2022	2023
Accuracy Improvement	In Process	X	X	X
Succession Planning:				
IT	In Process	X		
Research & Planning	In Process	X		
Admin Services			X	X
CFO			X	X
Transition RHIC to Calendar Year	Done			
Internal MVVM	Done			
Part D Transparency	Done			
HRMS Onboarding	Done			
External MVVM	Done			
*Online Presentations - FEW & PREP	Done	~~X~~		
Funded Status of Retirement	In Process - Legislation Submitted	X		
Educational Videos for Website	In Process	X	X	
Consider/Relocate Office	In Process	X		
Part D Bundle/Unbundle		X		
*Communication Engine		Implementing Alternate Solution		
**Mainframe Discontinuation		X		
**Website Redesign		X		
**ND Login Process		X		
Internal PIR Process Redesign		X		
Renewal/RFPs				
Vision		X		
RHIC (RFP)		X		
Medicare Part D (RFP)		X		
EAP		X		
Consultant - Actuary		X		
Consultant - Health Plan		X		
Health			X	
Dental			X	
457/DC Third Party Administrator			X	
Flexcomp Third Party Administrator			X	
Consultant - Dental, Vision, Life			X	
Consultant - Investment			X	
Electronic Surveys/Board Elections		X	X	
Electronic Records Cleanup		X	X	
Develop an Employee Handbook		X	X	
Implement Employer Statement Process		X	X	
Archive/Purge PERSLInk Tables & Drives		X	X	X
*Comprehensive Wizards		X	X	X
*System Enhancement Backlog		X	X	X
*Workflow Redesign (BPM)		X	X	X
Lifecycle Training Recordings				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: Shawna Piatz

DATE: September 8, 2020

SUBJECT: Audit Committee August 2020 Minutes

Attached are the approved minutes for the August 17, 2020 meeting. Those who attended the meeting are available at the Board meeting to answer any questions you may have.

The minutes may also be viewed on the NDPERS website at www.nd.gov.ndpers.

The next Audit Committee meeting is scheduled for November 9, 2020 at 3:00 p.m. in the NDPERS Conference Room.

M E M O R A N D U M

TO: Audit Committee
Mona Rindy
Adam Miller
Julie Dahle
Dirk Wilke
Senator John Grabinger

FROM: Shawna Piatz, Chief Audit Executive

DATE: August 17, 2020

SUBJECT: **August 17, 2020 Audit Committee Meeting**

In Attendance:

Mona Rindy
Adam Miller
Senator John Grabinger
Julie Dahle
Dean DePountis
Shawna Piatz
Scott Miller
Derrick Hohbein
Rebecca Fricke
Sarah Marsh
Bryan Reinhardt

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 13, 2020 Audit Committee Minutes

A. The Audit Committee minutes were examined. Mr. Miller motioned approval of the minutes. The motion was seconded by Ms. Dahle. 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 was included with the Audit Committee materials. Of the total hours reported, 58.22% was spent in audit, 12.65% in consulting, and 29.13% in administrative hours. A large portion of the audit hours were spent on auditing the retirement program, as we are reviewing 100% of the new BDS's work and a sample of the rest. The Retirement Program hours increased as there is new BDS staffing, we are completing a more thorough compliance review of the retirement accounts, and continue working to incorporate the new FAS calculation for those who terminate employment after 12/31/2019. The consulting hours were largely attributable to Internal Audit's assistance with the FY 2020 external audit as well as assistance with a service purchase clean-up project and missed interest reconciliations. Internal Audit also completed the Contract Process Review and started preliminary work with the Sanford Health Plan Interest Calculation Report and Settlement Audit this quarter.

A status update was provided on the 2020 – 2021 Audit Plan for each area of review. Along with the work done in the Retirement Benefit and Refund Payments audit, Internal Audit completed an audit of NDPERS Contract Process, completed preliminary audit work on the Sandford Health Plan interest calculation report, and assisted with numerous consulting projects.

B. Retirement Benefit Payment Status Report – Information was provided to the Audit Committee, which summarizes the accuracy percentages of the 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 where procedure, system, compliance, or employer issues. For fiscal year 2020, an accuracy rate of 96.33% was achieved for new retirement benefit payments, which was below 97% goal. For fiscal year 2021, an accuracy rate of 92.86% was achieved fiscal YTD as of July 2020 for new retirement benefit payments, which was below 97% goal. 100% J&S and Single Life benefits continue to be the largest new retiree benefit categories. For fiscal year 2020, an accuracy rate of 85.71% was achieved for retirement refunds, which is below our 97% goal. An accuracy rate of 85.71% was achieved fiscal YTD as of July 2020 for retirement refunds, which is below our 97% goal. However, a limited number of retirement refunds were audited and a portion of the sample was focused on those refunds in which a known system issue may have occurred.

C. Contract Process Review – Internal Audit completed the Contract Process Review. Internal Audit discussed all recommendations found, along with management's responses to each recommendation. This was for the Audit Committee's discussion and review.

D. 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. These adjustments are considered errors, not adjustments made in the normal course of business. It was noted that the dollar amount of errors significantly declined.

E. Outstanding Issues Status Report – As stated in the Audit Policy #103, the Internal Audit Division is to report quarterly to management and to the Audit Committee, the status of the audit recommendations of the external auditors, as well as any found by the Internal Auditor. The report has been updated to reflect what has been accomplished May 1, 2020 through July 31, 2020. Staff reviewed the recommendations with the committee. There were 20 new issues added from the Contract Process Review, with six outstanding issues that continue to be worked through, four of which that did not have responses.

III. Administrative

A. Audit Committee Meeting Date & Time – The next Audit Committee meeting is scheduled for Monday, November 9, 2020 at 3:00 p.m.

B. Deminimus Policy & Internal Review Policies Discussion – The Audit Committee reviewed and approved the revisions to the Deminimus Policy and the Overtime Pay Policy, since the thorough discussions held around these topics during the May Audit Committee meeting. Ms. Dahle made a motion to approved the policies. Mr. Miller seconded the motion, followed and approved by voice vote. The draft policies will be taken to an upcoming Board meeting for their consideration and request for approval.

C. External Audit Updates – CliftonLarsonAllen (CLA) is performing their fieldwork remotely this year, due to COVID-19 concerns. Internal Audit worked to provide supporting documentation for all items needed, as CLA was not able to obtain remote network access. An exit meeting is tentatively planned for October 2020.

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, 2020 through July 31, 2020. This was provided for the Audit Committee's information.

B. Risk Management Report – Bryan Reinhardt presented updates to the Audit Committee related to the Loss Control Committee activities over the past year and presented their minutes for review. The Loss Control Committee reviewed a number of action items for the previous quarter including disaster recovery training, reviewed and updated the COG plan and NDPERS user access control chart, reviewed outstanding audit recommendations, conducted quarterly office inspections and reviewed agency incident reports.

C. Report on Consultant Fees – According to the Audit Committee Charter, the Audit Committee should "Periodically review a report of all costs and payments to the external financial statement auditor. The listing should separately disclose the costs of the financial statement audit, other attest projects, agreed-upon-procedures and any non-audit services provided." A copy of the report showing the consulting, investment and administrative fees paid during the quarter ended June 2020 was provided for the Audit Committee's information.

D. CPEs and Webinars – A report on the continuing professional education webinars, luncheon meetings and seminars Internal Audit participated in for the period May 1, 2020 through July 31, 2020 was provided to the committee. The Chief Audit Executive attended one webinar and a virtual ND CPA Society Management Conference.

E. Publications – A copy of Tips for Audit Committees During the Pandemic from the Journal of Accountancy from May 2020 and also 4 Key COVID-19 Audit Risks for 2020 Year Ends from the Journal of Accountancy from June 2020.

Meeting adjourned at 4:05 p.m, by Ms. Rindy.

VI. MEMBER

A. Retirement Appeal Case # 653
B. Retirement Appeal Case # 654
C. Retirement Appeal Case # 655
D. Retirement Appeal Case # 656
E. Hardship Withdrawal Case # 647

Board material for the Executive Session will be sent under separate cover.