

# 2015

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND JUNE 30, 2014



**NORTH DAKOTA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

AN AGENCY OF THE STATE OF NORTH DAKOTA

# North Dakota Public Employees Retirement System

*An Agency of the State of North Dakota*

## Comprehensive Annual Financial Report

*For the Fiscal Years Ended June 30, 2015 and June 30, 2014*

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Prepared by the staff of the North Dakota Public Employees Retirement System

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## INTRODUCTORY SECTION



Public Pension Coordinating Council

***Recognition Award for Administration  
2015***

Presented to

***North Dakota Public Employees Retirement System***

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

*Presented by the Public Pension Coordinating Council, a confederation of*

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

A handwritten signature in black ink, reading 'Alan H. Winkle'. The signature is fluid and cursive, with the first name 'Alan' and last name 'Winkle' clearly distinguishable.

Alan H. Winkle  
Program Administrator

**GFOA  
CERTIFICATE OF  
ACHIEVEMENT**



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**North Dakota Public Employees  
Retirement System**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, reading 'Jeffrey R. Egan'. The signature is written in a cursive, flowing style.

Executive Director/CEO



## LETTER OF TRANSMITTAL



**North Dakota  
Public Employees Retirement System**  
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Executive Director  
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December 29, 2015

Board of Trustees  
Members of the System

We are pleased to present the Comprehensive Annual Financial Report for the North Dakota Public Employees Retirement System (System) for the fiscal year ended June 30, 2015. The management of the System is responsible for both the accuracy of the data and the completeness and fairness of the presentation.

Generally accepted accounting principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

### **Plan History and Services Provided**

The System is the administrator of four defined benefit pension plans and an optional defined contribution retirement plan. The System also manages and administers the retiree health insurance credit program, the uniform group insurance program, the deferred compensation program and the pretax benefits program. Following is a brief overview of the statistical and financial highlights for each of these programs for the fiscal year ended June 30, 2015.

### **Defined Benefit Pension Plans**

The Public Employees Retirement System (PERS) is a cost-sharing multiple-employer retirement plan. PERS was established July 1, 1966 as a defined contribution plan and was changed to a defined benefit plan by the 1977 North Dakota Legislature. PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. It also covers Supreme and District Court Judges, the National Guard Security Officers and Firefighters, and as of August 1, 2004, peace officers and correctional officers employed by political subdivisions. The Highway Patrolmen's Retirement System (HPRS) is a single-employer defined benefit plan established July 1, 1949 that covers substantially all sworn officers of the North Dakota Highway Patrol. The System became the administrator of this plan effective July 1, 1983. The Retirement Plan for Employees of Job Service North Dakota (Job Service Plan) is a single-employer defined benefit plan established July 1, 1961 and is limited to employees participating in the plan as of September 30, 1980. The System became the administrator of the Job Service plan effective August 1, 2003.

PERS has 22,845 contributing members and 10,063 retirees and beneficiaries currently receiving benefits. HPRS has 161 contributing members and 128 retirees and beneficiaries. The Job Service Plan has 11 contributing members and 206 retirees. The employers participating in PERS include 96 state agencies and 333 political subdivisions.

PERS, HPRS and Job Service Plan are accounted for as pension trust funds.

### **Defined Contribution Retirement Plan**

An optional Defined Contribution Retirement Plan (DC Plan) was established effective January 1, 2000. The DC Plan was available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan. The 2013 Legislative Assembly passed legislation to expand eligibility for the Plan to include all new state employees hired on or after October 1, 2013. The Plan has 312 participants.

The defined contribution retirement plan is accounted for as a pension trust fund.

### **Retiree Health Insurance Credit Program**

This program was created by the North Dakota Legislature in 1989. It is designed to provide members with a benefit that can be used to offset the cost of their health insurance premiums during their retirement years. There are 23,237 contributing members and 5,212 retired participants currently receiving benefits.

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

### **Uniform Group Insurance Program**

**Group Health Insurance.** The System began administering the group health insurance plan in 1971. There are 29,082 active and retired contracts under this plan as of June 30, 2015. Total covered lives, including spouses and dependents, are 66,699. As of June 30, 2015 there were 177 political subdivisions participating in the group health program. The health insurance premiums paid to Blue Cross Blue Shield for the fiscal year ended June 30, 2015 totaled \$282.5 million. This last year, the System continued its efforts to reduce the trend in health care costs by promoting wellness through on-line programs and supporting health club memberships and providing on-site wellness programs and premium discounts to employers that have on-site wellness programs. In addition, the System continued targeted programs that include smoking cessation, Prenatal Plus and diabetes management based on the Ashville Model. To address prescription drug costs, the System is focusing new efforts on reviewing specialty drug programs. The System also focused on compliance efforts relating to the federal Affordable Care Act which included providing technical assistance to participating employers in the group health plan.

Another component of this plan, which is being reported in compliance with GASB Statement 43, provides health care coverage to eligible retirees who are not yet eligible for Medicare. The premiums for this group are not age-rated and do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. There are approximately 500 retiree's currently receiving the subsidized premium.

**Group Life Insurance.** The System began administering the group life insurance plan in 1971. There are 18,559 active and 3,135 retired employees covered under the basic life insurance plan. Active employees have the option of purchasing additional life insurance under the employee supplemental, dependent supplemental, and spouse supplemental provisions of the plan. The life insurance premiums paid to Reliastar for the fiscal year ended June 30, 2015 totaled \$3.1 million. As of fiscal year end, there is \$1.566 billion of life insurance in force for all participants covered by this plan.

**Voluntary Insurance Products.** The 1995 North Dakota Legislature authorized the System to offer voluntary insurance products, specifically dental, vision and long term care insurance. On January 1, 1997, the System began offering a dental plan and long term care plan and on January 1, 2003, a vision plan was offered. There are 8,815 participants in the dental plan, 9,811 participants in the vision plan and 126 participants in the long term care plan.

**Employee Assistance Program.** The 1997 North Dakota Legislature authorized the System to administer an employer-sponsored Employee Assistance Program (EAP) for all state employees, effective August 1, 1997. The System has contracted with four EAP vendors to provide services to employees and their families. The System collects the monthly premiums from the employers and remits them to the appropriate vendor. Approximately 15,710 state employees are covered under this program.

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

### **Deferred Compensation Program**

This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. The System has administered the Plan since 1987. Fourteen companies have agreed to provide investment services for the State's deferred compensation program. The System is the trustee for deferred compensation assets totaling \$73.0 million; provider companies hold the remaining plan assets of \$142.7 million in custodial accounts for the exclusive benefit of participants and their beneficiaries. Approximately 11,500 employees participate in this program.

The deferred compensation program is accounted for as an other employee benefit trust fund.

### **Pretax Benefits Program (FlexComp)**

This program was established by the North Dakota Legislature in 1989 in accordance with Section 125 of the Internal Revenue Code. It allows eligible employees to elect to reduce their salaries to pay for qualified insurance premiums, medical expenses, and dependent care expenses on a pretax basis. There are 3,000 partici-



pants in the medical and dependent care spending accounts. Employee contributions to the spending accounts totaled \$5.6 million. Starting in January 2013, the System contracted with a benefits service company for processing spending account reimbursements.

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

### **Major Initiatives**

#### **Retirement**

- A legislative committee continued a study of the NDPERS retirement plan, which included retaining an actuary to conduct an actuarial audit. The audit confirmed the results of the NDPERS actuary. The committee also studied the possibility of closing the NDPERS defined benefit plan. The committee proposed legislation; however, it was not passed during the session.
- Prepared and submitted legislation to implement the fourth year of contribution increases that were part of the Recovery Plan for the retirement plans that were affected by the downturn in the financial markets. The legislation also included changes to the benefits for employees hired after January 1, 2016. The Legislature approved the benefit plan changes, but not the contribution increases.
- Legislation was passed to approve a special election opportunity for members in the NDPERS Defined Contribution Plan to elect to rejoin the NDPERS Defined Benefit Plan.
- Implemented provisions of the Windsor Decision which recognizes same-gender spouses for retirement benefit purposes.
- Updated the investment policies for the retirement plans.
- Provided training to employers on GASB Statement No. 68 and worked with our actuary and audit firm to provide audited schedules for employers to use when preparing their financial statements and related disclosures.

#### **Group Insurance**

- Approved a three year renewal with Superior Vision for the group vision plan with fixed premium rates for the duration of the contract.
- Continued to work with our participating employers on the implementation of the provisions of the Affordable Care Act.
- Prepared, distributed and reviewed a Request For Proposal for the group health plan. The Board made the decision to switch health carriers effective July 1, 2015 to Sanford Health Plan. Staff began work to transfer members from the existing carrier to the new carrier.
- Legislation was passed in the 2013 session to no longer offer pre-Medicare retiree health insurance after June 30, 2015. This substantially reduces the implicit liability associated with offering this coverage to terminating active employees.
- Began implementation of legislation passed in the 2013 session which makes the retiree health credit portable starting July 2015. The method for a retiree to receive this benefit involved a significant change and resulted in hiring a third party administrator to process the benefit payments.

#### **Administrative**

- Completed the redesign of Employer Self Service (ESS) to improve usability of this on-line system
- Prepared and issued a Request for Proposal for a website redesign project and awarded the bid to a website design firm.

#### **Financial Information**

The financial statements included in this report are the responsibility of the System's management and have been prepared in accordance with generally accepted accounting principles for governmental accounting and reporting as pronounced or adopted by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. Management is also responsible for maintaining a system of adequate internal accounting controls designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Management has established a comprehensive framework of internal control to provide a reasonable basis for asserting that the financial statements are fairly presented. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

The expenses of the System are monitored through two budgetary controls. The majority of the administrative expenditures are appropriated each biennium by the North Dakota Legislature; certain statutorily prescribed expenses (including benefit payments, actuarial and consulting fees and audit fees) have received a continuing appropriation from the North Dakota Legislature and are reviewed directly by the System's Board.

## Revenues and Expenses

Investment earnings, together with employee and employer contributions, are the funding sources for the benefits provided through the System. The main expenses of the System are benefit payments and the cost of administering the System. The following tables show the combined revenues and expenses for the PERS, HPRS and Job Service plans for fiscal years 2015 and 2014:

(Millions)	Fiscal Year <u>2015</u>	Fiscal Year <u>2014</u>	Change <u>Change in \$s</u>	Percentage <u>Percentage Change</u>
<b>Revenue Type</b>				
Employee Contributions	\$ 76.5	\$ 69.1	\$ 7.4	10.7%
Employer Contributions	72.9	63.5	9.4	14.8
Investments	<u>87.1</u>	<u>337.8</u>	<u>(250.7)</u>	<u>(74.2)</u>
Total	\$236.5	\$ 470.4	\$(233.9)	(49.7)%
<b>Expense Type</b>				
Benefits	\$136.4	\$ 121.6	\$ 14.8	12.2%
Refunds & Transfers	8.0	6.6	1.4	21.2
Administrative Expenses	<u>2.4</u>	<u>2.3</u>	<u>0.1</u>	<u>4.3</u>
Total	\$ 146.8	\$ 130.5	\$ 16.3	12.5%

The decrease in revenues reflects weaker financial markets. The increase in expenses is primarily due to an increase in the total number of retirees who are receiving pension payments.

## Funding Status

The funding goal of any retirement system is to accumulate sufficient assets to pay all of its promised benefits as they come due. The annual valuation of the System's assets and liabilities performed by the System's actuary provides the best current estimate of the System's funding status and allows the Board to monitor funding progress.

A common measure of the strength of a pension system is to express the assets as a percentage of liabilities - the greater the percentage, the stronger the funding position of the System. The funding status for both PERS and HPRS increased, after being on a downward trend for several years. This is the direct result of the Recovery Plan that began in January 2012, which included contribution increases for both employers and employees. The July 1, 2015 actuarial valuation reports the actuarial value of assets for PERS at \$2,094 million, which is 68.6% of the actuarial accrued liabilities of \$3,052 million. The actuarial value of assets for HPRS is \$58.9 million, which is 73.5% of the actuarial accrued liabilities of \$80.1. The Job Service Plan is fully funded. The actuarial value of assets for the Job Service Plan is \$79.2 million, which is 124.5% of the actuarial present value of benefits of \$63.6 million.

The Retiree Health Insurance Credit Program is advance-funded on an actuarially determined basis. As of fiscal year end, the program's actuarial value of assets is 69.4% of the actuarial accrued liability, which is an increase from the previous year. The Retiree Health Implicit Subsidy is not advance funded. As of June 30, 2013, the date of the last actuarial valuation, the unfunded actuarial accrued liability for this plan is \$33.8 million.

Funding progress is covered in more detail in the actuarial section of this report.

## Investments

The North Dakota State Investment Board (SIB) invests the funds for the PERS, HPRS and Job Service Plan. Chapter 21-10 of the North Dakota Century Code states that the SIB shall apply the prudent investor rule when investing funds under its supervision. The prudent investor rule means that in making investments, the fiduciaries shall exercise the judgment and care, under the circumstances then prevailing, that an institutional investor of ordinary prudence, discretion and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, but in regard to the permanent disposition of funds, considering probable safety of capital as well as probable income. All funds must be invested exclusively for the benefit of the System's members and all investments are made in accordance with the System's long-term investment objectives and performance goals.

The combined market value of assets for PERS and HPRS as of June 30, 2015 is \$2.4 billion, which is an increase of 3.8% from the previous year. The market value of assets for Job Service as of June 30, 2015 is \$96.3 million, a decrease of 1.5% from the previous year. During the fiscal year ended June 30, 2015, the System's portfolio remained broadly diversified with investments in domestic and international equities,

domestic and international fixed income securities, real estate, private equity, timber, infrastructure and cash equivalents.

The PERS and HPRS assets had an annualized rate of return of 3.53% for the fiscal year ended June 30, 2015. The annualized rate of return was 10.98% for the last three years and 10.61% for the last five years. The annualized rate of return for the fiscal year ended June 30, 2015 for the Job Service Plan was 3.30%. The annualized rate of return was 9.42% for the last three years and 9.47% for the last five years.

The assets of the Retiree Health Insurance Credit Program are also invested with the SIB. The market value of assets as of June 30, 2015 is \$90.3 million, which is 8.1% higher than the previous year. The assets earned an annualized rate of return of 3.06% for the fiscal year ended June 30, 2015. The annualized rate of return was 11.30% for the last three years and 11.47% for the last five years. During the fiscal year ended June 30, 2015, the System's portfolio remained broadly diversified with investments in domestic and international equities and fixed income securities.

The assets of the defined contribution retirement plan are invested according to the direction of each participating member. The participant can select from fifteen investment categories and a mutual fund window, as provided by the Board. The investment categories are designed to cover a broad range to allow the participant to structure an investment strategy that meets their individual return objectives and risk tolerances. The market value of assets in the defined contribution retirement plan as of June 30, 2015 is \$35.8 million, which is an 8.0% increase from the previous year.

More detailed information on investment policies, investment fees, performance results and asset allocation can be found in the Investment Section of this report.

#### **Independent Audit**

The financial statements contained in this report were audited by the accounting firm of CliftonLarsenAllen LLP, under the direction of the North Dakota State Auditor. The auditors' opinion was unqualified for the System for the year ended June 30, 2015.

#### **Achievement Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the North Dakota Public Employees Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. The North Dakota Public Employees Retirement System has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years ended June 30, 1996 - 2014). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

#### **Acknowledgements**

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

Sincerely,



Sparb Collins  
Executive Director



Sharon Schiermeister, CPA  
Chief Operating Officer

## THE RETIREMENT BOARD

The Retirement Board is the governing authority of the Public Employees Retirement System and consists of seven persons. A North Dakota citizen who is neither a state or political subdivision employee is appointed by the Governor to serve as Chairman of the Board. A member of the Attorney General's legal staff and the State Health Officer are also appointed to serve on the Board. One Board member is elected by retired PERS members and the remaining three Board members are elected from active employees currently contributing to PERS. Three members of the Retirement Board are included in the membership of the North Dakota State Investment Board (SIB). The Retirement Board has specified that the members who serve on the SIB are to be selected from among the four elected members.

The Board members, and their respective terms, are as follows:



Jon Strinden  
Chairman  
Term expires  
6/30/2015



Arvy Smith  
Health Department  
Appointee



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



Casey Goodhouse  
Member elected  
Term expires  
6/30/2019



Yvonne Smith  
Retiree elected  
Term expires  
6/30/2019



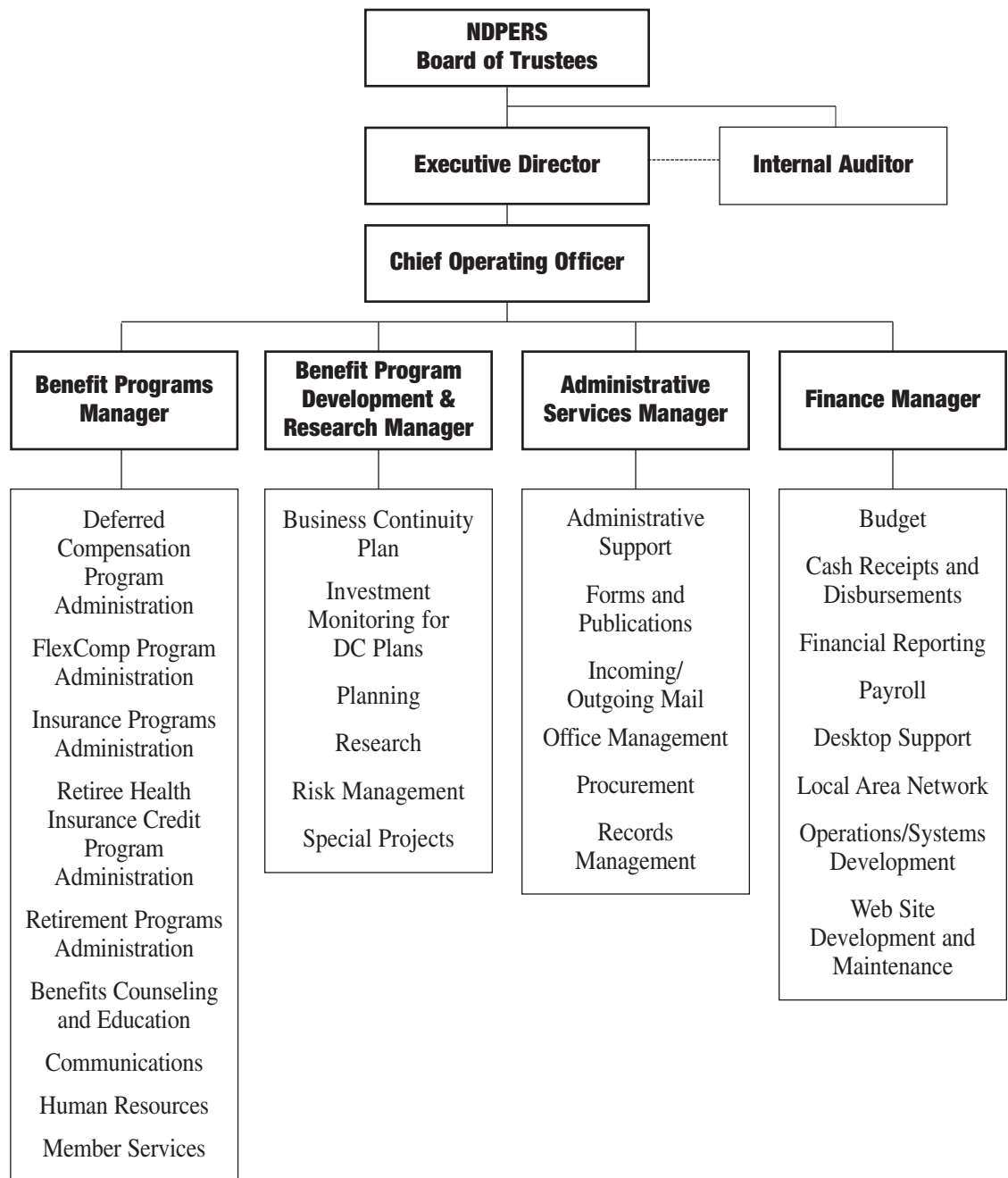
Mike Sandal  
Member elected  
Term expires  
6/30/2017



Kim Wassim  
Member elected  
Term expires  
6/30/2018

*The Board's mission is to design, communicate and efficiently administer a viable employee benefits program within a framework of prudent risk taking, applicable state and federal laws, and professional and ethical standards so as to provide an employee benefit package that is among the best available from public and private employers in the upper midwest.*

## ORGANIZATIONAL CHART



### ADMINISTRATION

Sparb Collins, *Executive Director*

Kathy Allen, *Benefit Programs Manager*

Jamie Kinsella, CPA, CIA, *Internal Audit Manager*

Deb Knudsen, *Benefit Program Development and Research Manager*

Sharon Schiermeister, CPA, *Chief Operating Officer and Finance Manager*

Cheryl Stockert, *Administrative Services Manager*

## CONSULTING & PROFESSIONAL SERVICES

### **Actuary:**

Segal Consulting  
Greenwood Village, CO

### **Auditor:**

Clifton Larson Allen LLP  
Baltimore, MD

### **Dental Insurance Carrier:**

Delta Dental of Minnesota  
Minneapolis, MN

### **Disability Consultant:**

Mid Dakota Clinic  
Bismarck, ND

### **Employee Assistance Program Vendors:**

Deer Oaks EAP Services  
San Antonio, TX

Live Well Solutions  
Fargo, ND

St. Alexius/Heartview  
Bismarck, ND

Village Family Services  
Fargo, ND

### **Health Insurance Carrier:**

Blue Cross Blue Shield of North Dakota  
Fargo, ND

### **Insurance Consultant:**

Deloitte Consulting LLP  
Minneapolis, MN

### **Investment Services:**

North Dakota Retirement & Investment Office  
Bismarck, ND

### **Legal Counsel:**

North Dakota Attorney General's Office  
Bismarck, ND

### **Life Insurance Carrier:**

Reliastar Life Insurance Company  
Minneapolis, MN

### **Long Term Care Insurance Carrier:**

UNUM  
Portland, ME

### **Vision Insurance Carrier:**

Superior Vision  
Rancho Cordova, CA





**FINANCIAL SECTION**



CliftonLarsonAllen LLP  
www.CLAconnect.com

## INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITORS' REPORT

Governor Jack Dalrymple  
The Legislative Assembly

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the proprietary fund and each of the individual fiduciary funds of the North Dakota Public Employees' Retirement System (the System), a department of the State of North Dakota, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditors' Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the plan net position of each of the individual fiduciary funds of the System as of June 30, 2015, and the respective changes in financial and plan net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



An independent member of Nexia International

**Prior Period Financial Statements**

The financial statements of the System as of June 30, 2014, were audited by other auditors whose report dated December 16, 2014, expressed an unmodified opinion on those statements.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

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

These schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2015 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering System's internal control over financial reporting and compliance.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
December 3, 2015



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System (NDPERS) financial performance provides an overview of the agency's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the basic financial statements, which follow this discussion.

NDPERS administers a total of seven fiduciary funds. This includes three defined benefit pension trust funds (PERS, Highway Patrol and Job Service), one defined contribution pension trust fund, the retiree health insurance credit trust fund, the deferred compensation trust fund and pretax benefits trust fund. NDPERS also administers one proprietary fund, the Uniform Group Insurance Program, which is an enterprise fund.

### Financial Highlights – Pension and Other Employee Benefit Plans

As of June 30, 2015 and 2014, the Plan Fiduciary Net Position as a percentage of the Total Pension Liability for each pension fund is shown below

Public Employees	2015	2014
Retirement System	77.7%	78.2%
Highway Patrolmen		
Retirement System	83.2%	87.1%
Retirement Plan for Employees of Job Service ND	151.9%	150.2%

Lower investment earnings in the current fiscal year were the primary reason for the lack of growth in these percentages.

As of June 30, 2015, the funding ratio for the Retiree Health Insurance Credit Fund increased from 66.8% to 69.4%.

The net position for all trust funds administered by NDPERS increased \$108.5 million or 4% during the fiscal year ended June 30, 2015. This increase is primarily due to gains in the financial markets during the fiscal year.

	(In Thousands)
Public Employees Retirement System	\$ 90,128
Highway Patrolmen Retirement System	1,009
Retiree Health Insurance Credit Fund	7,128
Defined Contribution Retirement Fund	2,653
Pretax Benefits Fund	162
Deferred Compensation Plan	8,883
Retirement Plan for Employees of Job Service ND	(1,414)
Total decrease in plan net assets	\$ 108,549

### Financial Highlights – Uniform Group Insurance Program

Net position increased by \$2.9 million or 7%. The increase is primarily due to the receipt of additional revenue through a gain sharing provision of the health insurance contract. This provision is explained in more detail in Note 14.

### Overview of the Financial Statements

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

### Financial Statements

There are two financial statements presented for the fiduciary funds. The Statement of Fiduciary Net Position as of June 30, 2015 and 2014, indicates the net position available to pay future payments and gives a snapshot at a particular point in time. The Statement of Changes in Fiduciary Net Position for the year ended June 30, 2015 and 2014, provides a view of the current year's additions and deductions to the individual trust funds.

There are three financial statements presented for the proprietary fund. The Statement of Net Position as of June 30, 2015 and 2014, provides a snapshot at a particular point in time of the net position available for use by this program. The Statement of Revenues, Expenses and Changes in Fund Net Position for the year ended June 30, 2015 and 2014, provides a view of the current year's operating and non-operating revenues and expenses for the enterprise fund. The Statement of Cash Flows for the year ended June 30, 2015 and 2014 shows the cash used by operating activities as well as the net increase in cash due to operating and investing activities.

*Notes to the financial statements.* The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 28-51 of this report.

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

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

### Financial Analysis

The financial results for fiscal years 2015, 2014 and 2013 are summarized below. The information in the tables below is condensed from the Financial Statements.

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

	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>	<u>% Change</u>	<u>June 30, 2013</u>
<b>Assets</b>					
Cash	\$ 9,119	34.0%	\$ 6,804	10.3%	\$6,171
Receivables	17,621	11.0%	15,881	12.4%	14,123
Investments, at fair value	2,720,705	4.0%	2,615,133	16.8%	2,238,095
Prepaid expenses	-	-100.0%	580	5.3%	551
Software & Equipment, net of accum depr.	<u>3,827</u>	-15.8%	<u>4,545</u>	-13.7%	<u>5,264</u>
Total assets	<u>2,751,272</u>	4.1%	<u>2,642,943</u>	16.7%	<u>2,264,204</u>
<b>Liabilities</b>					
Long-term liabilities outstanding	145	-3.3%	150	2.0%	147
Other liabilities	4,708	-4.4%	<u>4,924</u>	45.0%	<u>3,395</u>
Total liabilities	<u>4,853</u>	-4.4%	<u>5,074</u>	43.3%	<u>3,542</u>
<b>Net Position</b>	<u>\$2,746,419</u>	4.1%	<u>\$2,637,869</u>	16.7%	<u>\$2,260,662</u>

The total assets for all fiduciary funds as of June 30, 2015 were \$2.7 billion and were comprised mainly of investments. For the fiscal year ended June 30, 2015, plan assets increased by \$108 million. This increase was primarily due to contributions and financial market gains during the fiscal year. Prepaid expenses were reduced as a result of a change in when the Retiree Health Insurance Credit benefits are paid to retirees.

Total liabilities as of June 30, 2015 were \$4.9 million and were comprised mainly of investment expenses payable.

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

	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>	<u>% Change</u>	<u>June 30, 2013</u>
<b>Additions</b>					
Contributions	\$172,503	14.9%	\$150,144	22.4%	\$122,679
Investment Income	92,903	-74.5%	364,104	37.3%	265,103
Other	<u>8,172</u>	-16.5%	<u>9,785</u>	10.4%	<u>8,867</u>
Total additions	<u>273,578</u>	-47.8%	<u>524,033</u>	32.1%	<u>396,649</u>
<b>Deductions</b>					
Benefit payments	152,987	12.2%	136,367	8.1%	126,099
Refunds/Transfers	7,975	20.5%	6,621	6.3%	6,228
Administrative Expenses	<u>4,066</u>	6.0%	<u>3,837</u>	6.9%	<u>3,591</u>
Total deductions	<u>165,028</u>	12.4%	<u>146,825</u>	8.0%	<u>135,918</u>
<b>Change in Net Position</b>	<u>\$108,550</u>	-71.2%	<u>\$377,208</u>	44.7%	<u>\$260,731</u>

**Additions.** Contributions and earnings on invested funds are the primary additions that are accumulated and used to pay benefits for each of the plans. Contributions increased by \$22.4 million for the year ended June 30, 2015 which reflects the effect of a full year of the increase in the employee and employer contribution rates to the pension plans, which became effective January 1, 2014. The plans experienced positive investment earnings of \$92.9 million for the fiscal year ending June 30, 2015. The change in Other Additions for June 30, 2015 is primarily due to a decrease in service purchase payments received during the fiscal year.

**Deductions.** Total deductions increased by \$18.2 million or 12.4% for the fiscal year ended June 30, 2015. This increase was primarily due to an increase in benefit payments which reflects the increase in the total number of retirees who are receiving pension payments.



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

	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>	<u>% Change</u>	<u>June 30, 2013</u>
<b>Assets</b>					
Cash	\$47,461	7.0%	\$44,363	-12.2%	\$50,500
Receivables	834	159.0%	322	-33.6%	485
Software	<u>1,543</u>	-15.8%	<u>1,833</u>	-13.6%	<u>2,122</u>
Total assets	<u>49,838</u>	7.1%	<u>46,518</u>	-12.4%	<u>53,107</u>
<b>Liabilities</b>					
Long-term liabilities outstanding	81	2.5%	79	5.3%	75
Other liabilities	<u>6,090</u>	7.7%	<u>5,654</u>	-6.3%	<u>6,031</u>
Total liabilities	<u>6,171</u>	7.6%	<u>5,733</u>	-6.1%	<u>6,106</u>
<b>Net Position</b>	<u>\$43,667</u>	7.1%	<u>\$40,785</u>	-13.2%	<u>\$47,001</u>

Total assets, as of June 30, 2015, were \$49.8 million and were comprised mainly of cash and cash equivalents. Total assets increased by \$3.3 million from the prior fiscal year primarily due to the receipt of funds as part of the gain sharing provision for the 2011-13 health insurance contract.

Total liabilities, as of June 30, 2015, were \$6.2 million and were comprised mostly of unearned premiums, which represent premiums received before they are due. Total liabilities increased by \$.4 million or 7.6% from the prior year primarily due to an increase in unearned premiums.

The net position of the proprietary fund consist primarily of cash and are to be used for the following:

- To pay the administrative expenses of the uniform group insurance program
- To reduce premium payments or premium increases, or
- To increase insurance coverage

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

	<u>June 30, 2015</u>	<u>% Change</u>	<u>June 30, 2014</u>	<u>% Change</u>	<u>June 30, 2013</u>
<b>Operating Revenues</b>					
Premium revenues	\$289,237	2.3%	\$282,767	10.8%	\$255,114
Administrative Fee	1,092	2.1%	\$1,070	2.0%	\$1,049
Miscellaneous	<u>9,560</u>	-	<u>0</u>	-100.0%	<u>36,642</u>
Total Operating Revenues	299,889	5.7%	283,837	-3.1%	292,805
<b>Non-Operating Revenues</b>					
Net Investment income	<u>36</u>	44.0%	<u>25</u>	-82.5%	<u>143</u>
Total revenues	<u>299,925</u>	5.7%	<u>283,862</u>	-3.1%	<u>292,948</u>
<b>Operating Expenses</b>					
Premium expenses	294,709	2.3%	288,174	13.0%	255,092
Administrative expenses	<u>1,984</u>	24.9%	<u>1,589</u>	2.7%	<u>1,547</u>
Total Operating Expenses	296,693	2.4%	289,763	12.9%	256,639
<b>Non-Operating Expense</b>					
Transfer Out	<u>350</u>	11.1%	<u>315</u>	48.6%	<u>212</u>
<b>Change in Net Position</b>	<u>\$ 2,882</u>	146.4%	<u>\$(6,216)</u>	-117.2%	<u>\$36,097</u>

The net position for the proprietary fund increased by \$2.9 million during the fiscal year ended June 30, 2015 due to additional income received as part of the gain sharing provision in the 2011-13 health insurance contract. The determination of any gains is made every two years, which results in the large fluctuation in miscellaneous revenue from year to year. Premiums paid are greater than premiums collected which shows the financial impact of the decision to reduce (buydown) the health premiums by approximately 2% for the 2013-2015 biennium.

**Contacting NDPERS Financial Management**

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

# BASIC FINANCIAL STATEMENTS

## Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds For the Years Ended June 30, 2015 and 2014

	Uniform Group Insurance Program 2015	Uniform Group Insurance Program 2014
<b>OPERATING REVENUES</b>		
Premium revenues	\$ 289,237,079	\$ 282,767,163
Administrative fee	1,091,522	1,069,499
Underwriting gain	9,530,062	585
Miscellaneous	30,000	-
Total operating revenues	299,888,663	283,837,247
<b>OPERATING EXPENSES</b>		
Premium expenses	294,708,608	288,173,608
Salaries and wages	802,110	756,584
Operating expenses	429,493	405,130
Professional fees	404,621	83,525
Data processing	58,010	54,643
Amortization	289,706	289,706
Total operating expenses	296,692,548	289,763,196
Operating income (loss)	3,196,115	(5,925,949)
<b>NON-OPERATING REVENUES AND EXPENSES</b>		
Investment income	41,621	29,413
Investment expenses	(5,336)	(4,539)
Total non-operating revenues and expenses	36,285	24,874
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	3,232,400	(5,901,075)
<b>TRANSFERS OUT</b>		
Change in net position	350,000	315,000
Total net position - beginning of year	2,882,400	(6,216,075)
Total net position - end of year	40,785,143	47,001,218
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 43,667,543	\$ 40,785,143

## Statement of Net Position Proprietary Funds June 30, 2015 and 2014

	Uniform Group Insurance Program 2015	Uniform Group Insurance Program 2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 47,461,288	\$ 44,363,434
Accounts receivable	814,518	304,636
Due from fiduciary funds	19,029	17,203
Total current assets	48,294,835	44,685,273
Prepaid expenses	207	-
Capital assets (net of depreciation/amortization)	1,543,030	1,832,736
Total capital assets	1,543,237	1,832,736
Total assets	49,838,072	46,518,009
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Salaries payable	73,042	66,298
Accounts payable	180,645	107,279
Due to fiduciary funds	361,439	319,996
Due to other state agencies	9,821	5,781
Unearned premiums	5,459,160	5,149,081
Accrued compensated absences	5,453	5,328
Total current liabilities	6,089,560	5,653,763
<b>NONCURRENT LIABILITIES</b>		
Accrued compensated absences	80,969	79,103
Total liabilities	6,170,529	5,732,866
<b>NET POSITION</b>		
Net investment in capital assets	1,543,030	1,832,736
Restricted for benefits	3,000,000	3,000,000
Unrestricted net position	39,124,513	35,952,407
Total net position	\$ 43,667,543	\$ 40,785,143

See accompanying notes to financial statements.

**Statement of Cash Flows**  
**Proprietary Funds**  
**For the years ended June 30, 2015 and 2014**

	Uniform Group Insurance Program	
	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Premiums collected	\$ 289,237,079	\$ 282,767,163
Administrative fees collected	822,465	932,346
Payments to suppliers	(706,054)	(624,238)
Premiums paid	(294,708,608)	(288,173,608)
Payments to employees	(793,375)	(748,275)
Underwriting gain	9,530,062	585
Miscellaneous income	30,000	-
Net cash provided (used) by operating activities	<u>3,411,569</u>	<u>(5,846,027)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment income	41,621	29,413
Investment expense	(5,336)	(4,539)
Net cash provided by investing activities	<u>36,285</u>	<u>24,874</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers out	<u>(350,000)</u>	<u>(315,000)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	3,097,854	(6,136,153)
Cash and cash equivalents - beginning of year	<u>44,363,434</u>	<u>50,499,587</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 47,461,288</u></u>	<u><u>\$ 44,363,434</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ 3,196,115	\$ (5,925,949)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Amortization	289,706	289,706
Changes in assets and liabilities:		
Accounts receivable	(509,882)	120,012
Due from other funds	(1,826)	42,778
Prepaid expenses	(207)	-
Salaries payable	6,744	3,583
Accrued compensated absences	1,991	4,725
Accounts payable	73,366	26,544
Due to fiduciary funds	41,443	(100,420)
Due to other state agencies	4,040	(7,065)
Amounts held in custody for others	310,079	(299,941)
Net cash provided (used) by operating activities	<u><u>\$ 3,411,569</u></u>	<u><u>\$ (5,846,027)</u></u>

*See accompanying notes to financial statements.*

**Statement of Plan Net Position**  
**Fiduciary Funds**  
**June 30, 2015**

		Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota
<b>ASSETS</b>								
Cash		\$ 7,700,778	\$ -	\$ 286,999	\$ 119,835	\$ 817,443	\$ 193,970	\$ 343
Receivables:								
Contribution receivable		10,097,551	30	859,924	219,513	493,620	564,867	3,931
Interest receivable		4,462,618	126,209	87,940	-	-	-	106,664
Due from other fiduciary funds		205,726	-	14,004	292	14,120	-	1,878
Due from Uniform Group Insurance Plan		-	-	360,319	-	1,120	-	-
Due from other state agencies		460	-	-	-	-	-	-
Total receivables		14,766,355	126,239	1,322,187	219,805	508,860	564,867	112,473
Investments:								
Equities		1,263,057,765	35,752,212	59,124,528	-	-	-	37,726,351
Fixed Income		544,120,975	15,401,931	38,458,592	1,148,289	-	1,223,316	57,998,983
Real estate		418,669,456	11,850,891	-	-	-	-	-
Mutual funds		-	-	-	34,653,967	-	71,701,023	-
Annuities		-	-	-	-	-	114,498	-
Alternative investments		86,518,762	2,449,007	-	-	-	-	-
Invested cash		39,067,851	1,105,858	-	-	-	-	560,562
Total investments		2,351,434,809	66,559,899	97,583,120	35,802,256	-	73,038,837	96,285,896
Prepaid expenses		276	-	-	-	69	138	-
Capital assets (net of depreciation/ amortization)		2,043,278	17,900	196,448	14,083	514,343	1,028,686	12,021
Total assets		2,375,945,496	66,704,038	99,388,754	36,155,979	1,840,715	74,826,498	96,410,733

See accompanying notes to financial statements.

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

See accompanying notes to financial statements.



**Statement of Plan Net Position**  
**Fiduciary Funds**  
**June 30, 2014**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota
<b>ASSETS:</b>							
Cash	\$ 5,991,879	\$ -	\$ 50,169	\$ 117,135	\$ 550,904	\$ 91,121	\$ 2,605
Receivables:							
Contribution receivable	10,197,314	-	783,903	203,620	499,098	-	4,393
Interest receivable	3,259,339	94,358	85,205	-	-	-	96,697
Due from fiduciary funds	260,174	-	9,189	292	15,555	50,950	431
Due from proprietary funds	-	-	318,876	-	1,120	-	-
Due from other state agencies	40	-	-	-	-	-	-
Total receivables	13,716,867	94,358	1,197,173	203,912	515,773	50,950	101,521
Investments, at fair value:							
Domestic equities	509,920,969	14,779,824	42,578,295	-	-	-	18,141,815
International equities	695,332,269	20,163,886	12,534,457	-	-	-	20,544,452
International fixed income	112,293,730	3,254,782	-	-	-	-	4,624,320
Domestic fixed income	421,096,933	12,205,301	35,162,409	1,079,433	-	1,370,450	54,031,116
Real estate	396,107,838	11,481,003	-	-	-	-	-
Mutual funds	-	-	-	32,071,880	-	63,103,463	-
Annuities	-	-	-	-	-	109,052	-
Alternative investments	103,079,973	2,987,726	-	-	-	-	-
Invested cash	25,947,939	752,089	-	-	-	-	-
Total investments	2,263,779,651	65,614,611	90,275,161	33,151,313	-	64,582,965	387,369
Prepaid expenses	-	-	580,193	-	-	-	-
Software (net of amortization)	2,426,891	21,226	233,311	16,730	610,912	1,221,824	14,283
Total assets	2,285,915,288	65,730,195	92,336,007	33,489,090	1,677,589	65,946,860	97,847,481

See accompanying notes to financial statements.

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota
<b>LIABILITIES:</b>							
Salaries payable	87,106	-	-	-	18,691	38,079	-
Accounts payable	4,129,900	-	69,150	15	14,971	13,216	148,692
Due to fiduciary funds	431	63,330	253,148	6,390	-	13,292	-
Due to proprietary funds	12,160	-	-	2,882	-	-	2,161
Due to other state agencies	8,473	-	-	28	1,566	3,041	-
Amounts held in custody for others	-	-	-	-	-	14,072	-
Accrued compensated absences	94,355	-	-	-	25,892	39,379	-
Total liabilities	4,332,425	63,330	322,298	9,315	61,120	121,079	150,853
<b>DEFERRED INFLOW OF RESOURCES:</b>							
Deferred Contributions	-	-	-	-	-	12,782	-
<b>NET POSITION:</b>							
Held in trust for pension benefits	2,281,582,863	65,666,865	-	33,479,775	-	65,812,999	97,696,628
Held in trust for postemployment healthcare benefits	-	-	92,013,709	-	-	-	-
Held in trust for pretax benefits	-	-	-	-	1,616,469	-	-
Total net position held in trust	\$ 2,281,582,863	\$ 65,666,865	\$ 92,013,709	\$ 33,479,775	\$ 1,616,469	\$ 65,812,999	\$ 97,696,628

See accompanying notes to financial statements.

**Statement of Changes in Plan Net Position – Fiduciary Funds  
For the Year Ended June 30, 2015**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Services North Dakota
<b>ADDITIONS</b>							
Contributions:							
From employer	\$ 70,842,535	\$ 2,002,291	\$ 11,478,599	\$ 1,240,684	\$ -	\$ -	\$ -
From employee	68,392,061	1,351,798	12,625	1,219,774	5,559,317	8,329,715	50,142
Transfers from other plans	-	-	-	182,647	-	350,000	-
From external plans	-	-	-	-	-	1,491,209	-
Total contributions	139,234,596	3,354,089	11,491,224	2,643,105	5,559,317	10,170,924	50,142
Investment income:							
Net change in fair value of investments	44,887,622	1,287,164	936,842	(1,034,532)	-	(5,703,789)	1,818,431
Interest and dividends	44,597,780	1,278,179	2,105,589	2,049,613	458	7,718,662	1,721,361
Less investment expense	(7,948,837)	(230,563)	(281,478)	(19,907)	-	-	(279,285)
Net investment income	81,536,565	2,334,780	2,760,953	995,174	458	2,014,873	3,260,507
Repurchase service credit	6,851,879	96,429	347,238	-	-	-	-
FICA tax savings	-	-	-	-	705,660	-	-
Transfer from proprietary fund	-	-	-	-	-	350,000	-
Miscellaneous income	-	-	-	20,855	-	338	-
Total additions	227,423,040	5,785,298	14,599,415	3,659,134	6,265,435	12,536,135	3,310,649
<b>DEDUCTIONS</b>							
Benefits paid to participants	127,179,525	4,528,178	-	992,163	5,566,438	2,781,735	4,694,171
Refunds	7,217,565	217,332	6,994	-	-	-	-
Prefunded credit applied	-	-	7,246,091	-	-	-	-
Health premium paid	-	-	-	-	-	-	-
Transfers to other plans	532,647	-	-	-	-	-	-
Administrative expenses	134,929,737	4,745,510	7,253,085	992,163	5,566,438	2,781,735	4,694,171
Total deductions	2,365,357	30,925	217,989	13,733	536,618	871,144	30,214
CHANGE IN NET POSITION	137,295,094	4,776,435	7,471,074	1,005,896	6,103,056	3,652,879	4,724,385
Net position - beginning of year	90,127,946	1,008,863	7,128,341	2,853,238	162,379	8,883,256	(1,413,736)
Net position - end of year	2,281,582,863	65,666,865	92,013,709	33,479,775	1,616,469	65,812,999	97,696,628
<b>NET POSITION - END OF YEAR</b>	<b>\$ 2,371,710,809</b>	<b>\$ 66,675,728</b>	<b>\$ 99,142,050</b>	<b>\$ 36,133,013</b>	<b>\$ 1,778,848</b>	<b>\$ 74,696,255</b>	<b>\$ 96,282,892</b>

See accompanying notes to financial statements.

# Statement of Changes in Plan Net Position – Fiduciary Funds For the Year Ended June 30, 2014

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota
<b>ADDITIONS:</b>							
Contributions:							
From employer	\$ 61,661,050	\$ 1,864,632	\$ 10,709,792	\$ 1,099,790	\$ -	\$ -	\$ -
From employee	59,394,200	1,243,520	6,274,649	1,079,863	5,584,388	6,238,092	55,748
Transfers from other plans	-	-	-	32,783	-	315,000	-
From external plans	-	-	-	-	-	849,744	-
Total contributions	121,055,250	3,108,152	16,984,441	2,212,436	5,584,388	7,402,836	55,748
<b>Investment income:</b>							
Net change							
in fair value of investments	285,047,952	8,318,289	10,820,455	3,305,934	-	6,204,209	10,466,656
Interest and dividends	39,771,600	1,160,492	1,984,656	1,530,475	320	2,947,054	1,725,637
Less investment expense	(8,191,090)	(238,852)	(238,703)	(13,069)	-	6,173	(304,453)
Net investment income	316,628,462	9,239,929	12,566,408	4,823,340	320	9,157,436	11,887,840
Repurchase service credit	8,325,140	87,418	368,859	-	-	-	-
FICA tax savings	-	-	-	-	668,899	-	-
Transfer from proprietary fund	-	-	-	-	-	315,000	-
Miscellaneous income	1,101	-	-	18,488	-	156	-
Total additions	446,009,953	12,435,499	29,719,708	7,054,264	6,253,607	16,875,428	11,943,588
<b>DEDUCTIONS:</b>							
Benefits paid to participants	113,300,699	3,752,627	-	452,014	5,634,822	1,833,977	4,594,462
Refunds	6,237,842	32,108	2,992	-	-	-	-
Prefunded credit applied	-	-	6,798,427	-	-	-	-
Health premiums paid	-	-	6,259,110	-	-	-	-
Transfers to other plans	347,783	-	-	-	-	-	-
	119,886,324	3,784,735	13,060,529	452,014	5,634,822	1,833,977	4,594,462
Administrative expenses	2,210,792	27,983	201,471	7,150	531,758	826,936	31,455
Total deductions	122,097,116	3,812,718	13,262,000	459,164	6,166,580	2,660,913	4,625,917
Change in net position	323,912,837	8,622,781	16,457,708	6,595,100	87,027	14,214,515	7,317,671
Net position - beginning of year	1,957,670,026	57,044,084	75,556,001	26,884,675	1,529,442	51,598,484	90,378,957
Net position - end of year	\$ 2,281,582,863	\$ 65,666,865	\$ 92,013,709	\$ 33,479,775	\$ 1,616,469	\$ 65,812,999	\$ 97,696,628

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2015 & 2014

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

The Public Employees Retirement System (System) is an agency of the State of North Dakota, operating through the legislative authority of North Dakota Century Code 54-52-03. As a state agency, the System is considered to be a department of the State of North Dakota and is included in the State's Comprehensive Annual Financial Report as a pension trust fund, except for the uniform group insurance program, which is reported as a proprietary fund.

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

The System administers three defined benefit pension plans and one defined contribution retirement plan. The System also manages and administers the retiree health insurance credit program, the uniform group insurance program, the deferred compensation program and the pretax benefits program.

For financial reporting purposes, the System has included all funds, and has considered all potential component units for which the System is financially accountable, and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the System to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the System.

Based upon these criteria, there are no component units to be included within the System as a reporting entity and the System is part of the State of North Dakota as a reporting entity.

#### Fund Financial Statements

The System's only nonfiduciary activity is the administration and management of the uniform group insurance program. This program is an

enterprise fund that relies to a significant extent on fees and charges for support and is shown in the separate proprietary fund financial statements.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net position. Net position is reported in three categories:

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

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

Unrestricted net position consists of net position that do not meet the definition of the two preceding categories.

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

#### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the System are reported using the economic resources measurement focus and the accrual basis of accounting.

This measurement focus includes all assets and liabilities associated with the operations of the proprietary and fiduciary funds on the statements of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The proprietary fund is used to account for the operations of the Uniform Group Insurance Program. The System has been given the responsibility to manage this public entity risk pool. The Uniform Group Insurance Program is a risk sharing pool that provides the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments, or agencies, economies of scale in purchasing health, life, dental, vision and long-term care insurance.

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

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

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

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

**Retiree Health Insurance Credit Fund** – an advance funded plan to offset the member's cost of health insurance during their retirement and a plan to provide health care coverage to eligible retiree's who are not yet eligible for Medicare.

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

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

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

The System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

The proprietary funds is accounted for on the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when the liability is incurred, regardless of the timing of related cash flows. The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are premiums and administrative fees charged to the participants in the Uniform Group Insurance Program and underwriting gains. Operating expenses include premiums, salaries and wages, and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary funds are accounted for on the accrual basis of accounting. Member contributions are recognized in the period in which the

contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each system.

### **Budgetary Process**

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

The Statement of Appropriations has been prepared using the accrual basis of accounting. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC), Section 54-44.1-11. Expenditures not subject to appropriation of a specific amount include premium expenses, professional fees, depreciation and amortization expense, benefits and refunds paid to participants, prefunded credits applied and employee reimbursements in the Pretax Benefits Program.

There were no supplemental appropriations during the fiscal years ending June 30, 2015 and 2014.

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**

Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair values for securities that have no quoted market price represent estimated fair value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields



currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. Fixed income securities in the Deferred Compensation and Defined Contribution plans consist solely of the Stable Value Contract Fund, administered by TIAA-CREF. This fund is presented at contract value, which approximates fair value.

The fair value of real estate investments, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. Investments in the external investment pool are stated at fair value which is the same as the value of the pool shares.

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

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

#### **Derivative Securities**

Derivatives are financial arrangements between two parties whose payments are based on, or "derived" from, the performance of some agreed upon benchmark. The System's investment policy allows the use of derivative securities to hedge or replicate underlying exposures but not for specu-

lation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the statements of net position.

#### **Accounts Receivable and Credit Policy**

Accounts receivable primarily include amounts due for contributions, insurance premiums, employee pretax benefit deductions and accrued interest on investments. Management reviews all receivables at year-end and assesses collectability. All remaining receivables are considered collectible.

#### **Capital Assets and Depreciation**

Capital assets, which include equipment and intangibles (software) are presented in the accompanying financial statements at cost or estimated historical cost. Donated capital assets are stated at fair market value at the time of donation. Capital assets acquired via lease agreements are capitalized at the inception of the agreement. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. For the years ending June 30, 2015 and 2014 the System capitalized equipment and software in accordance with Section 54-27-21 of the North Dakota Century Code.

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

#### **Accrued Compensated Absences**

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

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

#### **Amounts Held in Custody for Others**

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

#### **Unearned Premiums**

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

#### **Transfers to/from Other Plans**

Transfers to/from other plans consist of monies transferred from the Public Employees Retirement System Defined Benefit Plan to the Defined Contribution Retirement Plan pursuant to Section 54-52.6 Subsection 3 of the North Dakota Century Code. Each eligible employee who elects to terminate membership in the Defined Benefit Plan has a lump sum amount transferred to the participating member's account under the Defined Contribution Retirement Plan. For new employees electing to transfer to the Defined Contribution Retirement Plan, the lump sum transferred is the actual employee and employer contributions plus interest. In 2015 and 2014, transfers to other plans also includes operating transfers from the 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 Blue Cross Blue Shield to pay health care benefits in the event total claims incurred during the biennium exceed total premiums.

#### **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.

#### **NOTE 2**

#### **DEPOSITS AND INVESTMENTS**

##### ***Deposits***

According to North Dakota Century Code 21-04-01, the System is required to bank at the state-owned and operated Bank of North Dakota. The System receives interest for funds on deposit in all accounts.

Cash and cash equivalents for reporting purposes, includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Investments are stated at fair value.

	<u>2015</u>	<u>2014</u>
Cash deposits at the Bank of North Dakota recorded as cash and cash equivalents	\$10,154,891	\$7,391,039
Cash Deposits at State Treasury recorded as cash and cash equivalents	844,297	375,042
Cash held by the North Dakota Retirement and Investment Office recorded as cash and cash equivalents	39,653,336	37,425,118
Guaranteed Investment Contract with Blue Cross Blue Shield recorded as cash and cash equivalents	5,762,761	5,810,677
Cash held by ADP Benefit Services recorded as cash and cash equivalents	<u>165,371</u>	<u>165,371</u>
	<u>\$56,580,656</u>	<u>\$51,167,247</u>

##### ***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, 2015 and 2014 the carrying amount of the System's cash deposits were \$56,580,656 and \$51,167,247, and the bank balances were \$56,030,201 and \$51,229,670. All of the System's deposits are uncollateralized and uninsured at June 30, 2015 and 2014.

### Investments

Total investments of the System at fair value as of June 30, 2015 and 2014 consisted of the following:

	2015	2014
Equity Securities	\$1,395,660,856	\$1,333,985,967
Fixed Income Securities	658,352,086	645,118,474
Real estate	430,520,347	407,588,841
Alternative investments	88,967,769	106,067,699
Mutual funds	106,354,990	95,175,343
Annuities	114,498	109,052
Invested cash	40,734,271	27,087,397
	<u>\$2,720,704,817</u>	<u>\$2,615,132,773</u>

All investments of the fund, except for the Defined Contribution Retirement Plan and Deferred Compensation Plan are to be made by the North Dakota State Investment Board (SIB). Chapter 21-10-07 of the North Dakota Century Code requires that all investments made by this state agency, be made using the prudent investor rule.

Investments of the Defined Contribution Retirement Plan and the Deferred Compensation Plan are participant directed and are held by TIAA-CREF.

The System's Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans' performance objectives, benefit projections, and capital market expectations when determining the asset allocation. The SIB is responsible for managing the System's investments in accordance with the investment policy. The following was the System's asset allocation policy as of June 30, 2015 and 2014:

Asset Class	Target Allocation	
	PERS & HPRS	JSND
Domestic equities	31.0%	31.0%
International equities	21.0%	9.0%
Private equity	5.0%	0.0%
Domestic fixed income	17.0%	55.0%
International fixed income	5.0%	5.0%
Global real assets	20.0%	0.0%
Cash & equivalents	<u>1.0%</u>	<u>0.0%</u>
Total	100%	100%

Rate of return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The annual money-weighted rate of return on pension plan investment, net of pension plan investment expense for the years ended June 30, 2015 and 2014 are:

	2015	2014
Public Employees Retirement	3.61%	16.29%
Highway Patrolmen's Retirement	3.66%	16.20%
Job Service Plan	3.41%	13.46%

Realized gains and losses – Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in Note 1.

For the years ended June 30, 2015 and 2014, the following are the net realized gains (losses):

	2015	2014
Public Employees Retirement	\$54,088,390	\$140,363,845
Highway Patrolmen's Retirement	1,550,996	4,096,107
Retiree Health Insurance Credit	3,591,925	1,495,120
Defined Contribution	551,276	(478,557)
Deferred Compensation	1,086,833	880,073
Job Service Plan	1,681,081	4,758,174

Investment expense of the fund, except for the Defined Contribution Retirement Plan and the Deferred Compensation Plan consists of those administrative and investment expenses directly related to the RIO investment operations.

Investment expense of the Defined Contribution Retirement Plan and the Deferred Compensation Plan consist of administrative expenses directly related to each plan. All expenses are paid out of plan assets.

### Credit Risk

All investments of the fund, except for the Defined Contribution Retirement Plan and the Deferred Compensation Plan are invested in an external investment pool managed by SIB. The pool is not rated. The System does not have a formal credit risk policy that limits the credit risk of the investments.

Investments of the Defined Contribution Retirement Plan and the Deferred Compensation Plan are invested in mutual funds directed by the participants. The mutual funds are not rated. The System does not have a formal credit risk policy that limits the credit risk of the investments.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. The SIB has

chosen to use the Segmented Time Distribution disclosure method. Tables detailing the System's portion of the investment pool are reported below. Readers may refer to the North Dakota Retirement and Investment Office financial statements regarding highly sensitive securities that are disclosed at the SIB level.

**PERS and HPRS Plan**

<u>Type (in thousands)</u>	<u>Fair Value</u>		<u>Less Than 1 Year</u>		<u>1-6 Years</u>		<u>6-10 Years</u>		<u>Over 10 Years</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Asset Backed Securities	\$12,616	\$11,035	\$ -	\$ -	\$ 649	\$2,216	\$2,033	\$2,874	\$9,934	\$5,945
Bank Loans	-	140	-	-	-	140	-	-	-	-
Collateralized Bonds	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage-Backed	10,645	5,263	-	-	284	309	-	-	10,361	4,954
Commercial Paper	186	-	186	-	-	-	-	-	-	-
Corporate Bonds	96,564	93,704	5,210	2,895	39,841	40,554	36,206	30,287	15,307	19,968
Corporate Convertible Bonds	9,105	11,461	2,114	1,097	4,402	5,405	1,683	1,558	906	3,401
Government Agencies	19,194	16,541	2,680	394	15,461	15,386	(1)	(1)	1,054	762
Government Bonds	65,110	57,128	2,493	3,995	21,493	8,644	14,840	22,736	26,284	21,753
Government Mortgage and CMB	192,261	188,121	-	-	5,003	656	13,164	1,002	174,094	186,463
Repurchase Agreements	64,482	10,175	64,482	10,175	-	-	-	-	-	-
Index Linked Government Bonds	3,816	79	-	-	-	-	2,252	-	1,564	79
Municipal/Provincial Bonds	3,269	5,290	-	-	-	501	2,775	1,000	494	3,789
Non-Government Backed CMOs	11,509	7,037	-	-	591	1,155	-	-	10,918	5,882
Other Fixed Income	2,601	3,030	1,117	364	1,484	2,666	-	-	-	-
Pooled Investments	3,027	210,002	3,027	1,980	-	51,726	-	93,812	-	62,484
Short Term Bills and Notes	<u>208,380</u>	<u>27,109</u>	<u>19,995</u>	<u>27,109</u>	<u>52,441</u>	<u>-</u>	<u>93,788</u>	<u>-</u>	<u>42,156</u>	<u>-</u>
Total Debt Securities	<u>\$702,765</u>	<u>\$646,115</u>	<u>\$101,304</u>	<u>\$48,009</u>	<u>\$141,649</u>	<u>\$129,358</u>	<u>\$166,740</u>	<u>\$153,268</u>	<u>\$293,072</u>	<u>\$315,480</u>

**Job Service Retirement Plan**

<u>Type (in thousands)</u>	<u>Fair Value</u>		<u>Less Than 1 Year</u>		<u>1-6 Years</u>		<u>6-10 Years</u>		<u>Over 10 Years</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Asset Backed Securities	\$1,657	\$1,001	\$ -	\$ -	\$ 39	\$141	\$130	\$150	\$1,488	\$710
Bank Loans	-	21	-	-	-	21	-	-	-	-
Collateralized Bonds	-	-	-	-	-	-	-	-	-	-
Commercial Mortgage-Backed	571	267	-	-	48	46	-	-	523	221
Commercial Paper	32	-	32	-	-	-	-	-	-	-
Corporate Bonds	4,362	7,761	529	245	2,709	4,249	769	1,964	355	1,303
Corporate Convertible Bonds	191	739	44	71	93	348	35	100	19	220
Government Agencies	618	704	58	16	474	663	-	-	86	25
Government Bonds	3,527	3,816	52	160	1,681	750	925	1,982	869	924
Government Mortgage and CMB	22,969	20,507	-	-	536	26	2,074	50	20,359	20,431
Repurchase Agreements	10,971	1,511	10,971	1,511	-	-	-	-	-	-
Index Linked Government Bonds	649	12	-	-	-	-	383	-	266	12
Municipal/Provincial Bonds	80	221	-	-	-	20	68	40	12	161
Non-Government Backed CMOs	1,490	518	-	-	36	47	-	-	1,454	471
Other Fixed Income	202	241	142	11	60	230	-	-	-	-
Pooled Investments	450	22,653	450	294	-	6,272	-	7,404	-	8,683
Short Term Bills and Notes	<u>23,561</u>	<u>3,984</u>	<u>756</u>	<u>3,984</u>	<u>7,664</u>	<u>-</u>	<u>8,079</u>	<u>-</u>	<u>7,062</u>	<u>-</u>
Total Debt Securities	<u>\$71,330</u>	<u>\$63,956</u>	<u>\$13,034</u>	<u>\$6,292</u>	<u>\$13,340</u>	<u>\$12,813</u>	<u>\$12,463</u>	<u>\$11,690</u>	<u>\$32,493</u>	<u>\$33,161</u>

**Retiree Health Insurance Credit Fund**

All securities subject to interest rate risk disclosure in the Retiree Health Insurance Credit Fund are pooled investments. At June 30, 2015, the market value of these securities maturing in 1-6 years is \$3.875 million and maturing in 6-10 years is \$34.593 million for a total market value of \$38.468 million. At June 30, 2014, the market value of these securities maturing in 1-6 years is \$3.686 million and maturing in 6-10 years is \$31.501 million for a total market value of \$35.187 million.

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The System does not have a formal investment policy governing foreign currency risk. The System is invested in an external investment pool managed by SIB. A table detailing the exposure to foreign currency through the System's portion of the investment pool is reported below.

**PERS and HPRS Plan**

<b>Currency (in thousands)</b>	<b>Short term</b>		<b>Debt</b>		<b>Equity</b>		<b>Total</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Australian dollar	\$(312)	\$(3,058)	\$5,296	\$6,703	\$5,527	\$6,426	\$10,511	\$10,071
Brazilian real	(224)	121	4,352	4,234	2,483	3,189	6,611	7,544
British pound sterling	(242)	(279)	279	3,541	34,252	39,248	34,289	42,510
Canadian dollar	(74)	24	-	-	10,292	9,967	10,218	9,991
Chilean peso	4,719	4,597	455	515	98	-	5,272	5,112
Chinese yuan renminbi	-	(1)	-	-	-	-	-	(1)
Czech koruna	5	-	-	-	511	747	516	747
Israeli shekel	7	25	-	-	989	636	996	661
Danish krone	-	-	-	-	2,223	914	2,223	914
Euro	(9,431)	(10,131)	8,003	9,310	81,986	62,979	80,558	62,158
Hong Kong dollar	63	45	-	-	8,852	7,596	8,915	7,641
Hungarian forint	4	19	2,495	2,088	521	664	3,020	2,771
Iceland krona	-	17	-	-	-	-	-	17
Indian rupee	-	177	3,750	-	-	-	3,750	177
Indonesian rupiah	-	-	2,959	2,071	-	-	2,959	2,071
Japanese yen	(1,193)	(1,326)	28	-	32,791	36,383	31,626	35,057
Malaysian ringgit	32	37	1,824	1,184	-	-	1,856	1,221
Mexican peso	783	1,033	12,552	12,570	-	-	13,335	13,603
New Zealand dollar	(2,030)	(1,581)	2,131	1,665	114	54	215	138
Norwegian krone	2,044	-	-	-	2,192	2,309	4,236	2,309
Philippine peso	-	-	1,047	1,083	-	-	1,047	1,083
Polish zloty	8	(2,231)	1,391	2,486	990	1,429	2,389	1,684
Singapore dollar	(216)	11	-	-	931	957	715	968
South African rand	5	7	2,721	1,862	1,512	1,651	4,238	3,520
South Korean won	(584)	108	2,808	2,518	4,495	4,243	6,719	6,869
Swedish krona	2,104	29	-	-	4,564	3,415	6,668	3,444
Swiss franc	-	110	-	25	17,223	12,534	17,223	12,669
Thai baht	120	52	-	-	1,989	1,000	2,109	1,052
Turkish lira	-	-	-	762	900	743	900	1,505
International commingled funds (various currencies)	-	-	49,535	57,475	296,552	301,314	346,087	358,789
	<u>\$(4,412)</u>	<u>\$(12,195)</u>	<u>\$101,626</u>	<u>\$110,092</u>	<u>\$511,987</u>	<u>\$498,398</u>	<u>\$609,201</u>	<u>\$596,295</u>



## Job Service Retirement Plan

Currency (in thousands)	Short term		Debt		Equity		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Australian dollar	\$(60)	\$(140)	\$201	\$286	\$166	\$251	\$307	\$397
Brazilian real	(33)	18	178	199	98	135	243	352
British pound sterling	(40)	(45)	41	175	899	1,445	900	1,575
Canadian dollar	(12)	1	-	-	319	379	307	380
Chilean peso	189	184	10	33	4	-	203	217
Czech koruna	-	-	-	-	20	32	20	32
Israeli shekel	-	1	-	-	27	27	27	28
Danish krone	-	-	-	-	-	18	-	18
Euro	-	(718)	525	554	1,978	1,785	2,503	1,621
Hong Kong dollar	(750)	2	-	-	235	269	(515)	271
Hungarian forint	2	1	100	84	21	28	123	113
Iceland krona	-	1	-	-	-	-	-	1
Indian rupee	-	26	140	-	-	-	140	26
Indonesian rupiah	-	-	118	83	-	-	118	83
Japanese yen	(203)	(111)	4	-	729	1,308	530	1,197
Malaysian ringgit	1	2	73	47	-	-	74	49
Mexican peso	137	153	449	610	-	-	586	763
New Zealand dollar	(81)	(63)	85	67	-	1	4	5
Norwegian krone	82	-	-	-	64	88	146	88
Philippine peso	-	-	22	70	-	-	22	70
Polish zloty	-	(89)	56	100	39	61	95	72
Singapore dollar	(33)	-	-	-	16	29	(17)	29
South African rand	-	-	109	75	60	70	169	145
South Korean won	(105)	5	112	101	177	180	184	286
Swedish krona	84	1	-	-	101	104	185	105
Swiss franc	-	2	-	4	416	391	416	397
Thai baht	5	2	-	-	78	42	83	44
Turkish lira	-	-	-	31	35	31	35	62
International commingled funds (various currencies)	-	-	1,984	2,302	-	4,217	1,984	6,519
	<u>\$ (817)</u>	<u>\$(767)</u>	<u>\$4,207</u>	<u>\$4,821</u>	<u>\$5,482</u>	<u>\$10,891</u>	<u>\$8,872</u>	<u>\$14,945</u>



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

The June 30, 2015 due from/to fiduciary and proprietary funds are summarized as follows:

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

The June 30, 2014 due from/to fiduciary and proprietary funds are summarized as follows:

	Due From	Due To
<u>Fund</u>	<u>Fiduciary and</u>	<u>Fiduciary and</u>
	<u>Proprietary Funds</u>	<u>Proprietary Funds</u>
<b>Fiduciary</b>		
Public Employees		
Retirement System	\$ 260,174	\$ 12,591
Highway Patrolmen's		
Retirement System	-	63,330
Retiree Health Insurance		
Credit Fund	328,065	253,148
Retirement Plan for Employees		
of Job Service ND	431	2,161
Pretax Benefits Program	16,675	-
Deferred Compensation		
Plan	50,950	13,292
Defined Contribution Plan	292	9,272
<b>Proprietary</b>		
Uniform Group Insurance		
Program	17,203	319,996
	<u>\$ 673,790</u>	<u>\$ 673,790</u>

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

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

	Due From	Due To
<u>Fund</u>	<u>State Agencies</u>	<u>State Agencies</u>
<b>Fiduciary</b>		
Public Employees		
Retirement System		
Dept. of Agriculture	\$ 40	\$ -
Dept. of Parks & Rec	420	-
ITD	-	8,172
Attorney General	-	1,288
Office of Mgmt. & Budget	-	3,886
Total	<u>\$ 460</u>	<u>\$ 13,346</u>
Retiree Health Ins. Credit Fund		
Attorney General	\$ -	\$ 128
Total	<u>\$ -</u>	<u>\$ 128</u>
Defined Contribution Plan		
ITD	\$ -	\$ 26
Attorney General	-	150
Total	<u>\$ -</u>	<u>\$ 176</u>
Pretax Benefits Program		
ITD	\$ -	\$ 1,618
Attorney General	-	204
Office of Mgmt. & Budget	-	294
Total	<u>\$ -</u>	<u>\$ 2,116</u>
Deferred Compensation Plan		
ITD	\$ -	\$ 2,986
Attorney General	-	408
Office of Mgmt. & Budget	-	312
Total	<u>\$ -</u>	<u>\$ 3,648</u>
<b>Proprietary</b>		
Uniform Group Insurance		
Program		
Dept. of Transportation	\$ -	\$ 515
Office of Mgmt. & Budget	-	1,157
ITD	-	5,933
Attorney General	-	2,216
Total	<u>\$ -</u>	<u>\$ 9,821</u>

The June 30, 2014 due from/to state agencies are summarized as follows:

<u>Fund</u>	<u>Due From State Agencies</u>	<u>Due To State Agencies</u>
<b>Fiduciary</b>		
Public Employees Retirement System		
ITD	\$ -	\$ 7,436
Attorney General	-	920
Office of Mgmt. & Budget	-	117
Dept. of Transportation	<u>40</u>	<u>-</u>
Total	<u>\$ 40</u>	<u>\$ 8,473</u>
Defined Contribution Plan		
ITD	<u>\$ -</u>	<u>\$ 28</u>
Pretax Benefits Program		
ITD	\$ -	\$ 1,538
Attorney General	-	5
Office of Mgmt. & Budget	<u>-</u>	<u>23</u>
Total	<u>\$ -</u>	<u>\$ 1,566</u>
Deferred Compensation Plan		
ITD	\$ -	\$ 2,986
Attorney General	-	10
Office of Mgmt. & Budget	<u>-</u>	<u>45</u>
Total	<u>\$ -</u>	<u>\$ 3,041</u>
<b>Proprietary</b>		
Uniform Group Insurance Program		
Office of Mgmt. & Budget	\$ -	\$ 68
ITD	-	5,698
Attorney General	<u>-</u>	<u>15</u>
Total	<u>\$ -</u>	<u>\$ 5,781</u>

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

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

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Fiduciary Funds</b>		
Defined Contribution Retirement Fund	\$ 182,647	\$ -
Deferred Comp Plan Public Employees Retirement System	700,000	-
	-	532,647
<b>Proprietary Funds</b>		
Uniform Group Insurance Program	-	350,000

The June 30, 2014 operating transfers in/out are summarized as follows:

<u>Fund Type/Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
<b>Fiduciary Funds</b>		
Defined Contribution Retirement Fund	\$ 32,873	\$ -
Deferred Comp Plan Public Employees Retirement System	630,000	-
	-	347,783
<b>Proprietary Funds</b>		
Uniform Group Insurance Program	-	315,000

The transfer to the Defined Contribution Retirement Fund is for those employees electing to transfer from the defined benefit plan. The transfers to the Deferred Compensation Plan are to cover administrative expenses 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, 2015 and 2014 is as follows:

	Balance 7/01/14	Additions	Deletions	Balance 6/30/15
Proprietary Funds:				
Capital assets being depreciated:				
Software	\$2,897,064	\$ -	\$ -	\$ 2,897,064
Less: Accumulated amortization for:				
Software	(1,064,328)	(289,706)	-	(1,354,034)
Total capital assets being depr., net	<u>1,832,736</u>	<u>(289,706)</u>	<u>-</u>	<u>1,543,030</u>
Proprietary Funds capital assets, net	<u>\$1,832,736</u>	<u>\$(289,706)</u>	<u>\$ -</u>	<u>\$ 1,543,030</u>
Fiduciary Funds:				
Capital assets being depreciated:				
Software	\$7,184,137	\$ -	\$ -	\$7,184,137
Equipment	<u>11,527</u>	<u>-</u>	<u>-</u>	<u>(11,527)</u>
Total capital assets being depreciated	7,195,664	-	-	7,195,664
Less: Accumulated amort/depr. for:				
Equipment	(11,527)	-	-	(11,527)
Software	<u>(2,638,960)</u>	<u>(718,418)</u>	<u>-</u>	<u>(3,357,378)</u>
Total capital assets being depr. net	<u>4,545,177</u>	<u>(718,418)</u>	<u>-</u>	<u>3,826,759</u>
Fiduciary Funds capital assets, net	<u>\$4,545,177</u>	<u>\$(718,418)</u>	<u>\$ -</u>	<u>\$3,826,759</u>
	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Proprietary Funds:				
Capital assets being depreciated:				
Software	\$2,897,064	\$ -	\$ -	\$2,897,064
Less: Accumulated amortization for software	(774,622)	(289,706)	-	(1,064,328)
Total capital assets being depr., net	<u>2,122,442</u>	<u>(289,706)</u>	<u>-</u>	<u>\$1,832,736</u>
Proprietary Funds capital assets, net	<u>\$2,122,442</u>	<u>\$(289,706)</u>	<u>\$ -</u>	<u>\$ 1,832,736</u>
Fiduciary Funds:				
Capital assets being depreciated:				
Software	\$7,184,137	\$ -	\$ -	\$7,184,137
Equipment	<u>11,527</u>	<u>-</u>	<u>-</u>	<u>11,527</u>
Total capital assets being depr.	7,195,664	-	-	7,195,664
Less: Accumulated amort/depr. for:				
Equipment	(11,527)	-	-	(11,527)
Software	<u>(1,920,546)</u>	<u>(718,414)</u>	<u>-</u>	<u>(2,638,960)</u>
Total capital assets being depr. net	<u>5,263,591</u>	<u>(718,414)</u>	<u>-</u>	<u>4,545,177</u>
Fiduciary Funds capital assets, net	<u>\$5,263,591</u>	<u>\$(718,414)</u>	<u>\$ -</u>	<u>\$4,545,177</u>

**NOTE 5 – LEASE OBLIGATIONS***Operating Lease:*

The system has entered into an operating lease for office space until June 30, 2015. Expenditures for this lease were \$138,376 and \$135,660 for the years ended June 30, 2015 and 2014, respectively. The future minimum lease payment for the fiscal year ending June 30, 2016 is \$171,307.

The system has also entered into an operating lease for office equipment until February 28, 2014. Expenditures for this lease were \$1,707 for the year ended June 30, 2014.

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**

	<b>Proprietary Fund</b>	<b>Fiduciary Fund</b>
	<u>Accrued Comp. Absences</u>	<u>Accrued Comp. Absences</u>
Balance -		
June 30, 2013	\$ 79,706	\$ 157,405
Increases	53,184	100,549
Decreases	(48,459)	(98,328)
Balance-		
June 30, 2014	\$ 84,431	\$ 159,626
Increases	55,223	98,800
Decreases	(53,232)	(103,811)
Balance-		
June 30, 2015	\$ 86,422	\$ 154,615
Balance-due within one year	\$ 5,453	\$ 9,756

For the government activities, the accrued annual compensated absences is generally liquidated by excess revenue in the Uniform Group Insurance Program and the Pension Trust Funds.

**NOTE 7****NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All eligible employees of the System, except those electing to participate in the North Dakota Defined Contribution Retirement Plan, contribute to the North Dakota Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan which is detailed in the notes that follow.

The System is required to contribute to PERS at a statutorily determined rate for permanent employ-

ees. The System's contributions to PERS for the years ended June 30, 2015 and 2014, were \$196,248 and \$182,989 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 year ended June 30, 2015 were \$2,313. None of the eligible employees of the System participated in this plan in 2014.

**NOTE 8 – DESCRIPTION OF PLANS***General*

The System administers three defined benefit pension plans and a defined contribution plan. The Public Employees Retirement System (PERS) is a cost-sharing multiple-employer retirement plan. The PERS was established July 1, 1966 as a defined contribution plan and was changed to a defined benefit plan by the 1977 North Dakota Legislature. The PERS is administered in accordance with Chapter 54-52 of the North Dakota Century Code. The Highway Patrolmen's Retirement System (HPRS) was established July 1, 1949 and is administered in accordance with Chapter 39-03 of the North Dakota Century Code. The HPRS is a single-employer defined benefit plan. The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000 and is administered in accordance with Chapter 54-52.6 of the North Dakota Century Code. The Retirement Plan for Employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by the Agency. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended.

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

The following brief description of the PERS, HPRS, Defined Contribution Plan and the Retirement Plan for Employees of Job Service North Dakota is provided for general information purposes only. Participants should refer to the applicable chapters of the North Dakota Century Code for more complete information.

The PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions (Main System). It also covers Supreme and District Court Judges and the National Guard Security Officers and Firefighters and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System. The HPRS covers substantially all sworn officers of the North Dakota Highway Patrol. The Defined Contribution Plan covers state employees who elect to participate in the plan. Effective October 1, 2013, eligibility was expanded to include all state employees hired on or after October 1, 2013 through July 31, 2017, with the exception of employees eligible for the Highway Patrol Retirement System, Teachers Fund for Retirement or the alternate retirement plan of the Board of Higher Education. The Retirement Plan for Employees of Job Service North Dakota is limited to employees participating in the plan as of September 30, 1980.

Responsibility for administration of the defined benefit pension plans and the defined contribution plan is assigned to a Board comprised of seven 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; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

The systems are not subject to the provisions of the Employee Retirement Income Security Act of 1974. The number of participating political subdivisions in the PERS was:

	<u>2015</u>	<u>2014</u>
Cities	88	86
Counties	49	49
School Districts	122	119
Other	<u>74</u>	<u>73</u>
Total participating political subdivisions	<u>333</u>	<u>327</u>

Employee membership data is as follows:

	<b>PERS</b>		<b>HPRS</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Retirees & Beneficiaries				
Currently Receiving Benefits	10,060	9,355	128	117
Special Prior Service Retirees	3	7	-	-
Terminated				
Vested Participants	4,733	4,372	11	11
Inactive Participants	4,481	4,050	11	8
Active Plan Participants				
Vested	15,645	15,701	62	75
Nonvested	<u>7,200</u>	<u>6,561</u>	<u>99</u>	<u>81</u>
Total Plan Membership	<u>42,122</u>	<u>40,046</u>	<u>311</u>	<u>292</u>

	<b>Job Service</b>	
	<u>2015</u>	<u>2014</u>
Retirees & Beneficiaries		
Currently Receiving Benefits	206	213
Special Prior Service Retirees	-	-
Terminated		
Vested Participants	1	1
Inactive Participants	-	-
Active Plan Participants:		
Vested	11	13
Nonvested	-	-
Total Plan Membership	<u>218</u>	<u>227</u>

The defined contribution plan had 312 and 286 participants as of June 30, 2015 and 2014, 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 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The Plan permits early retirement at ages 55-64 with three or more years of service.

Supreme and District Court Judges are entitled to unreduced monthly pension benefits beginning at normal retirement age of (65) or the Rule of 85. The monthly pension benefit is equal to a percentage of average monthly salary using the highest 36



months out of the last 180 months of service. The percentage is equal to 3.50% of average monthly salary multiplied by the first ten years of service, plus 2.80% of the average monthly salary times the second ten years of service, plus 1.25% of average monthly salary times years of service in excess of twenty years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The Plan permits early retirement at ages 55-64 with five or more years of service.

Members of the National Guard System are entitled to unreduced monthly pension benefits at normal retirement age (55). Effective August 1, 2015, the National Guard System will become part of the Law Enforcement System. Members of the Law Enforcement System are entitled to unreduced monthly pension benefits at normal retirement age (55) or the Rule of 85. The monthly pension benefit for the National Guard/Law Enforcement is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The Plan permits early retirement at ages 50-55 with three or more years of service.

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

#### **HPRS**

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

Members may elect to receive the pension bene-

fits 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.

#### **Retirement Plan for Employees of Job Service North Dakota**

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

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

#### **Death and Disability Benefits**

##### **PERS**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System and National



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

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

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

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

### **HPRS**

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

Eligible members, who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits that are up to 70% of their final average salary, reduced by worker's compensation, with a minimum benefit of \$100. To qualify under this section the member must meet the criteria established by the System for being totally disabled and apply for benefits within one year of termination.

### **Defined Contribution Plan**

Death and disability benefits are set by statute. Upon the death of a participating member or former participating member, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies).

A member who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account balance. To qualify under this section, the member must meet the criteria established by the System for being totally disabled.

### **Retirement Plan for Employees of Job Service North Dakota**

The plan document provides disability and death benefits. If the death of a participant occurs prior to his/her annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before he/she died and elected the Contingent Annuitant Option with 55% of his/her retirement benefit continued to his/her spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death and the date they would have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefits will cease.

If a participant becomes totally disabled, he/she will be eligible for a monthly disability benefit that shall be equal to the greater of 40% of the participant's average annual earnings or the accrued benefit determined as their date of disability.

### **Refunds of Member Contributions**

Upon termination, if a member of PERS or HPRS is not vested (is not 65 or does not have three years of service for the Main System and National Guard/Law Enforcement, or five years

of service for the Supreme and District Court Judges, credited for the PERS, or is not 60 or does not have ten years of service credited for the HPRS), they will receive the accumulated member contributions plus interest, or may elect to receive this amount at a later date. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

### CONTRIBUTIONS

Contribution rates for PERS, HPRS, and the Defined Contribution Plan are set by state statute and are a percentage of salaries and wages. Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, which prescribes that they are actuarially determined using the frozen initial liability actuarial cost method which is the same as the aggregate cost method.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges, Law Enforcement, Highway Patrol and Defined Contribution plans. Both the employee and employer contribution rates increased for each of the plans by an additional 1% (.5% for the Law Enforcement Plans for political subdivisions) effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the PERS, Judges, National Guard, Law Enforcement, Highway Patrol and Defined Contribution plans. Effective January 2014, both the employee and employer contribution rates were increased for each of the plans by an additional 1% (.5% for the National Guard and Law Enforcement Plans for political subdivisions).

### PERS

Member contributions are set by statute. During the 1983-1985 biennium the State and some of the participating political subdivisions implemented the employer pickup provision of the IRS code whereby a portion or all of the required member contributions are made by the employer. The State is paying 4% of the member contribution. Some of the political subdivisions are paying all or part of the member contributions. Employer contributions are set by statute except the contribution rates for the National Guard/Law Enforcement Plans which are set by the Board.

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

	<u>Member Contributions</u>	<u>Employer Contributions</u>
Public Employees Retirement System	7.00%	7.12%
Judges Retirement System	8.00%	17.52%
National Guard Retirement System*	4.50%	7.00%
Law Enforcement with previous service		
State	6.00%	10.31%
Political Subdivisions	5.00%	10.31%
Law Enforcement w/out previous service	5.50%	7.93%

\*Effective August 1, 2015, the National Guard System will be moved under the Law Enforcement System with previous service. The member contribution rate for the National Guard members will be 6.00% and the employer rate will be 9.81%.

The entry age normal cost method determines the amount of contributions necessary to fund; (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

Except for Supreme and District Court Judges, the member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan.

The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service - Greater of one percent of monthly salary or \$25

13 to 24 months of service - Greater of two percent of monthly salary or \$25

25 to 36 months of service - Greater of three percent of monthly salary or \$25

Longer than 36 months of service - Greater of four percent of monthly salary or \$25

An open period of 20 years to fund accrued liabilities for the Public Employees Retirement System and the Supreme and District Court Judges has been adopted for the July 1, 1996 valuation and adopted for the National Guard Security Officers and Firefighters for the July 1, 1998 valuation. Currently, the present rate of contributions for the PERS and Law Enforcement without previous service plans are not sufficient to meet the actuarially determined requirement for 2015-2016.

**HPRS**

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

The entry age normal cost method determines the amount of contributions necessary to fund; (a) the current service cost, which represents the estimated amount necessary to pay for benefits earned by employees during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

An open period of 20 years to fund accrued liabilities for the Highway Patrolmen's Retirement System has been adopted for the July 1, 1996 valuation. Currently, the present rate of contributions is not sufficient to meet the actuarially determined requirement for 2015-2016.

**Defined Contribution Plan**

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4% of the member contribution. The member contribution rate is 7.00% and the employer rate is 7.12%.

**Retirement Plan for Employees of Job Service North Dakota**

Employees' contributions are established at 7.0% of total compensation of which the state is paying 4%. The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

**NOTE 9****NET PENSION LIABILITY OF THE PLANS**

Actuarial Assumptions

**PERS and HPRS**

The total pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

**Inflation** 3.50%

**Salary Increase (Payroll Growth)**

For June 30, 2015, 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement; 4% per annum for Judges. For June 30, 2014, 3.85% per annum for four years, then 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement.

**Investment Rate of Return**

8.00%, net of investments expense, including inflation

**Mortality Rates**

For June 30, 2015, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%. For June 30, 2014, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back three years for PERS and one year for HPRS. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females).

**JSND**

The total pension liability was determined by an actuarial valuation as of July 1, 2015 and 2014, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

**Inflation** 3.50%

**Salary Increase (Payroll Growth)**

5.00% per annum

**Investment Rate of Return**

7.00% (8.00% for 2014), net of investment expense, including inflation

**Cost of Living Adjustment**

3.00 per annum (5.00% per annum for 2014)

The components of the net pension liability of the Plans at June 30, 2015 and 2014, are as follows:

<b>2015</b>	<b>PERS</b>	<b>HPRS</b>	<b>JSND</b>
Total pension liability	\$ 3,052,446,539	\$80,112,217	\$ 63,390,014
Plan fiduciary net position	<u>2,371,710,809</u>	<u>66,675,728</u>	<u>96,282,892</u>
Net pension liability (asset)	\$ 680,735,730	\$13,436,489	\$(32,892,878)
Plan fiduciary net position as a percentage of the total pension liability	77.70%	83.23%	151.89%

<b>2014</b>	<b>PERS</b>	<b>HPRS</b>	<b>JSND</b>
Total pension liability	\$ 2,918,552,143	\$75,432,901	\$ 65,046,433
Plan fiduciary net position	<u>2,281,582,863</u>	<u>65,666,865</u>	<u>97,696,628</u>
Net pension liability (asset)	\$ 636,969,280	\$ 9,766,036	\$(32,650,195)
Plan fiduciary net position as a percentage of the total pension liability	78.18%	87.05%	150.20%

The plan provisions used in the measurement of the net pension liability are the same as those used in the PERS, HPRS and JSND Actuarial Valuation and Reviews as of July 1, 2015 and 2014.

### Mortality Rates

For June 30, 2015, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males, (no setback for females) multiplied by 125%. For June 30, 2014, mortality rates for active members, inactive members and healthy retirees were based on the 1994 Group Annuity Mortality Table. For disabled retirees, mortality rates were based on 1983 Railroad Retirement Board Disabled Life Mortality Table.

### 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, 2015 are summarized in the following tables:

### PERS & HPRS

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	6.90%
International equity	7.55%
Private equity	11.30%
Domestic fixed income	1.55%
International fixed income	0.90%
Global real assets	5.38%
Cash equivalents	0.00%

### JSND

<b>Asset Class</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	7.16%
Core fixed income	4.26%
Limited duration fixed income	3.13%
Global equity	7.10%
Diversified short-term fixed income	3.49%
Short-term corporate fixed income	2.48%
US High Yield	5.98%
Emerging Market Debt	7.45%

### Discount Rate

The discount rate used to measure the total pension liability for PERS and HPRS was 8.00% as of June 30, 2015 and 2014. For JSND, the discount rate was 7.00% as of June 30, 2015 and 8.00% as of June 30, 2014. 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, 2015 and July 1, 2014 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, 2015. 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, 2015 and 2014.

#### **Sensitivity of Net Pension Liability (Asset)**

The following presents the net pension liability (asset) of the Plans as of June 30, 2015, calculated using the discount rate of 8.00% for PERS and HPRS and 7.00% for JSND, as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

<b>Net pension liability (asset) as of June 30, 2015</b>	<b>1% Decrease (7.00%)</b>	<b>Current Discount (8.00%)</b>	<b>1% Increase (9.00%)</b>
PERS	\$ 1,052,010,116	\$ 680,735,730	\$ 376,867,526
HPRS	23,140,230	13,436,489	5,494,139
<b>Net pension liability (asset) as of June 30, 2015</b>	<b>1% Decrease (6.00%)</b>	<b>Current Discount (7.00%)</b>	<b>1% Increase (9.00%)</b>
JSND	\$ (26,578,200)	\$ (32,892,878)	\$ (38,280,035)

#### **NOTE 10 RETIREE HEALTH INSURANCE CREDIT FUND**

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the System to provide members receiving retirement benefits from the PERS, the HPRS, and judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	<b>2015</b>	<b>2014</b>
Retired participants, receiving benefits	5,212	4,828
Active participants, not receiving benefits	<u>23,237</u>	<u>22,642</u>
	<u>28,449</u>	<u>27,470</u>



The Retiree Health Insurance Credit Fund has 23,237 and 22,642 active participants at June 30, 2015 and 2014, respectively. The employers' actuarially required contribution was \$6,438,784 and \$7,014,084, and the actual employer contributions were \$11,478,599 and \$10,709,792 for the periods ended June 30, 2015 and 2014, respectively.

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

	<b>ER Contribution Rate as % of Covered Payroll</b>	<b>Actuarial Accrued Liability</b>
Changes in		
actuarial assumption	(0.02%)	\$210,531
Changes in plan provisions	0.15%	1,578,986
Changes in plan experience		
during the year	<u>(0.05%)</u>	<u>(526,329)</u>
	<u>0.08%</u>	<u>\$842,126</u>

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the pension trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.



**Funded Status and Funding Progress**

The funded status of the plans as of the most recent actuarial valuation date is shown in the table below.

<b>Funded Status (in millions)</b>							
<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a % of of Annual Covered Payroll</u>
Retiree Health Credit	2015	\$89.4	\$128.9	\$39.5	69.4%	\$1,052.7	8.0%

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

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

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

Under the Projected Unit Credit Actuarial Cost Method, benefits are projected to each assumed occurrence of decrement (death, disability, retirement) using service as of the valuation date. The normal cost is equal to the actuarial present value of the benefits allocated to the current year. The actuarial accrued liability for active members is equal to the actuarial present value of the benefits

allocated to all prior years. The actuarial accrued liability for members currently receiving benefits and for participants entitled to deferred benefits is the actuarial present value of the benefits expected to be paid. The unfunded actuarial accrued liability is equal to the actuarial accrued liability minus the actuarial value of assets. This amount is amortized as a level percentage of payroll over a fixed period of 40 years, of which 15 years remain. For the implicit subsidy unfunded plan, this amount is amortized as a level dollar over a fixed period of 30 years, of which 22 years remain.

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

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

**Advance Funded Plan**

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015, the date of the latest actuarial valuation include:

**Mortality Rates:**

The RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, and the RP-2000 Disabled Retiree

Mortality Table set back one year for males (not set back for females), multiplied by 125%.

**Withdrawal Rates:**

Rates of withdrawal from active service before retirement for reasons other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.

**Interest Rate:**

8.00% per annum, net of investment expenses.

**Inflation:** 3.50% per annum.

**Expenses:**

Prior year expenses, adjusted for inflation.

**NOTE 11**

**IMPLICIT SUBSIDY UNFUNDED PLAN**

The Implicit Subsidy Unfunded Plan provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under North Dakota Century Code Chapter 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this coverage are not age-rated. Currently, the premiums for this group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2013-15 biennium will continue in the future.

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

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

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2013, the date of the latest actuarial valuation include:

**Mortality Rates:**

RP-2000 Combined Healthy Mortality Table, set back three years for males and females (set back one year for Highway Patrol)

RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females)

**Health Care Cost Trend:**

Select - 8.00%; Ultimate 6.0%. Select trends are reduced 0.5% each year until reaching the ultimate trend.

**Retirement Age:**

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

**Termination:**

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

**Funded Status and Funding Progress**

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

Plan	Funded Status (in millions)						
	Actuarial Valuation Date June 30	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a % of Annual Covered Payroll
Retiree Health							
Implicit Subsidy	2013	\$ -	\$29.9	\$29.9	0.0%	\$ -	0.0%

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

## NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES

The System was given the authority by Chapter 54-52.2 to administer an employee deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan allows employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies to participate, providing that the employee has signed a participant agreement which permits them to defer a portion of their salary until future years. Each participant may defer the lesser of \$18,000 or 100% of gross annual compensation and \$17,500 or 100% of gross annual compensation for the calendar years of 2015 and 2014, respectively. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

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

	2015	
Plan participation by		
State of ND	\$66,595,443	91%
Other jurisdictions	<u>6,443,394</u>	<u>9%</u>
Total value	<u>\$73,038,837</u>	<u>100%</u>
	2014	
Plan participation by		
State of ND	\$57,914,618	90%
Other jurisdictions	<u>6,668,347</u>	<u>10%</u>
Total value	<u>\$64,582,965</u>	<u>100%</u>

## 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, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care

insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract for the 2011-2013 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2011-2013 biennium occurred on June 30, 2015. For this period, premiums exceeded claims, therefore, a gain of \$9.5 million was returned to the System. The System has entered into a similar contract with BCBS for the 2013-2015 biennium and with Sanford Health Plan for the 2015-2017 biennium. The accumulated surplus and other invested funds in the amount of \$47 million are shown as cash on the System's balance sheet. No other insurance contracts have a gain sharing provision.

The federal health care reform bill provides for a pre-Medicare retiree reinsurance provision for employer plans that will reimburse employers by providing reinsurance for 80% of retiree claims between \$15,000 and \$90,000. This program became effective on June 1, 2010 and employer eligibility is determined from an application submitted by the employer to the Department of Health and Human Services. The program requires that the funds be used to (1) reduce the sponsor's health benefit premiums or health benefit costs, (2) reduce health benefit premium contributions, copayment, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The System Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. The System submitted an application and was determined to be an eligible employer. The System received a reimbursement of \$1.0 million during fiscal year 2012 and \$1.7 million during fiscal year 2011. Funding for this program is no longer available; therefore no further reimbursements were received.

During fiscal year 2014, the System Board made the decision to use the reimbursement funds, in addition to a portion of the accumulated surplus, to reduce the health premiums by approximately 2% for the 2013-2015 biennium.

## NOTE 15 RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to

employees; and natural disasters. The following are funds/pools established by the state for risk management issues:

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

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

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

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

#### **NOTE 16**

##### **RELATED PARTIES**

As stated in Note 1 of these financial statements, the System is a state agency of the state of North Dakota, as such, the other state agencies of the state and political subdivisions are related parties.

#### **NOTE 17**

##### **RECLASSIFICATION**

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

#### **NOTE 18**

##### **SUBSEQUENT EVENTS**

The System evaluated subsequent events through December 3, 2015, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to December 3, 2015 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015.

Events or transactions that provided evidence about conditions that did not exist at June 30, 2015, 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, 2015.

**Required Supplementary Information**  
**Schedule of Changes to the Net Pension Liability and Related Ratios**  
For the Years Ended June 30, 2015 and 2014

	Public Employees Retirement System		Highway Patrolmen's Retirement System		Retirement Plan for Employees of Job Service ND	
	2015	2014	2015	2014	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 104,158,320	\$ 94,611,357	\$ 2,038,291	\$ 1,894,183	\$ 127,734	\$ 87,668
Interest	236,419,648	218,719,441	6,007,875	5,750,017	5,026,167	5,107,459
Change of benefit terms	2,615	-	-	-	-	-
Differences between expected and actual experience	4,395,805	25,782,859	984,241	(299,964)	(1,806,271)	(1,607,033)
Changes of assumptions	(76,152,255)	-	394,419	-	(309,878)	-
Benefit payments, including refund of employee cont.	(134,929,737)	(119,886,323)	(4,745,510)	(3,784,735)	(4,694,171)	(4,594,462)
<b>Net change in total pension liability</b>	133,894,396	219,227,334	4,679,316	3,559,501	(1,656,419)	(1,006,368)
<b>Total pension liability (asset) - beginning</b>	<u>2,918,552,143</u>	<u>2,699,324,809</u>	<u>75,432,901</u>	<u>71,873,400</u>	<u>65,046,433</u>	<u>66,052,801</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 3,052,446,539</u>	<u>\$ 2,918,552,143</u>	<u>\$ 80,112,217</u>	<u>\$ 75,432,901</u>	<u>\$ 63,390,014</u>	<u>\$ 65,046,433</u>
<b>Plan fiduciary net position</b>						
Contributions - employer	\$ 70,842,535	\$ 61,661,050	\$ 2,002,291	\$ 1,864,632	\$ -	\$ -
Contributions - employee	68,392,061	59,394,200	1,351,798	1,243,520	50,142	55,748
Service credit repurchase	6,651,879	8,325,140	96,429	87,418	-	-
Net investment income	81,536,565	316,629,563	2,334,780	9,239,929	3,260,507	11,887,840
Benefit payments, including refund of employee contributions	(134,929,737)	(119,886,324)	(4,745,510)	(3,784,735)	(4,694,171)	(4,594,462)
Administrative expense	(2,365,357)	(2,210,792)	(30,925)	(27,983)	(30,214)	(31,455)
<b>Net change in plan fiduciary net position</b>	90,127,946	323,912,837	1,008,863	8,622,781	(1,413,736)	7,317,671
Plan fiduciary net position - beginning	<u>2,281,582,863</u>	<u>1,957,670,026</u>	<u>65,666,865</u>	<u>57,044,084</u>	<u>97,696,628</u>	<u>90,378,957</u>
Plan fiduciary net position - ending (b)	<u>\$ 2,371,710,809</u>	<u>\$ 2,281,582,863</u>	<u>\$ 66,675,728</u>	<u>\$ 65,666,865</u>	<u>\$ 96,282,892</u>	<u>\$ 97,696,628</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ 680,735,730</u>	<u>\$ 636,969,280</u>	<u>\$ 13,436,489</u>	<u>\$ 9,766,036</u>	<u>\$ (32,892,878)</u>	<u>\$ (32,650,195)</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	77.70%	78.18%	83.23%	87.05%	151.89%	150.20%
<b>Covered employee payroll</b>	\$ 973,536,402	\$ 888,452,060	\$ 10,145,713	\$ 9,348,386	\$ 790,649	\$ 842,601
<b>Plan net pension liability (asset) as a percentage of covered employee payroll</b>	69.92%	71.69%	132.44%	104.47%	-4160.24%	-3874.93%

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

**Required Supplementary Information**  
**Schedule of Employer Contributions**  
For the Ten Years Ended June 30 (in thousands)

## Public Employees Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	107,514	107,864	97,985	91,458	82,910	54,158	40,327	35,875	38,185	31,906
Contributions in relation to the actuarially determined contribution	<u>70,843</u>	<u>61,661</u>	<u>48,847</u>	<u>38,006</u>	<u>32,278</u>	<u>30,253</u>	<u>27,705</u>	<u>25,254</u>	<u>23,141</u>	<u>21,970</u>
Contribution deficiency (excess)	<u>36,671</u>	<u>46,203</u>	<u>49,138</u>	<u>53,452</u>	<u>50,632</u>	<u>23,905</u>	<u>12,622</u>	<u>10,621</u>	<u>15,044</u>	<u>9,936</u>
Covered-employee payroll	973,536	888,452	800,878	804,169	769,710	697,737	640,685	582,287	547,006	521,132
Contributions as a percentage of covered-employee payroll	7.28%	6.94%	6.10%	4.73%	4.19%	4.34%	4.32%	4.34%	4.23%	4.22%

## Highway Patrolmen's Retirement System

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	2,201	2,348	2,191	2,171	1,744	1,313	1,026	924	1,083	933
Contributions in relation to the actuarially determined contribution	<u>2,002</u>	<u>1,865</u>	<u>1,586</u>	<u>1,423</u>	<u>1,286</u>	<u>1,197</u>	<u>1,123</u>	<u>1,059</u>	<u>960</u>	<u>931</u>
Contribution deficiency (excess)	<u>199</u>	<u>483</u>	<u>605</u>	<u>748</u>	<u>458</u>	<u>116</u>	<u>(97)</u>	<u>(135)</u>	<u>123</u>	<u>2</u>
Covered-employee payroll	10,146	9,348	8,167	8,002	7,738	7,009	6,509	6,129	5,688	5,299
Contributions as a percentage of covered-employee payroll	19.73%	19.95%	19.42%	17.78%	16.62%	17.08%	17.25%	17.28%	16.88%	17.57%

## Retirement Plan for Employees of Job Service North Dakota

[illegible]



## NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

### PERS

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

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

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

### HPRS

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

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

### JSND

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

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

### Schedule of Changes to the Net Pension Liability

Methods and assumptions used to determine GASB 67 and 68 amounts for PERS, HPRS, and JSND:

#### *Actuarial cost method*

Entry Age Actuarial Cost Method. Under this method, each employee's service cost is determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefit payments.

#### *Asset valuation method*

The plan's assets (Fiduciary Net Position) are reported without actuarial smoothing.

#### *Investment rate of return*

8.00% (7.00% for JSND for July 1, 2015). The net investment return assumption is a long-term

estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.

#### *Inflation rate 3.50%*

#### *Projected salary increases*

July 1, 2015. For PERS- ranges from 7.25% to 20.00% for new members, and 5.00% to 10.00% for members with 3 or more years of service (5 or more for Law Enforcement); 4.00% for Judges. For HPRS – 4.50% per annum. For JSND – 5.0% per annum.

July 1, 2014. For PERS – ranges from 8.25% for new members to 4.86% for members with 5 or more years of service; 5.00% for Judges. For HPRS – 3.85% per annum for first five years, then 4.50% per annum. For JSND – 5.0% per annum.

#### *Cost of living adjustment*

5.0% per annum for JSND, none for PERS and HPRS.

#### *Mortality*

July 1, 2015. Healthy: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and 3 years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014.

#### *Other assumptions*

Same as those used in the July 1, 2015 and 2014 actuarial funding valuation.

### Schedule of Employer Contributions

#### *Valuation date*

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

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

#### *Actuarial cost method*

Entry Age Actuarial Cost Method. For June 30, 2015, Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. For June 30, 2014 Normal Cost is determined as if the current benefit accrual rate had always been in effect.

*Amortization Method*

Level percent of payroll

*Remaining amortization period*

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

*Asset valuation method*

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized.

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

*Actuarial cost method*

Frozen Initial Liability Cost Method. The "annual contribution" under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method. The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.

*Asset valuation method*

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized.

**Required Supplementary Information**  
**Schedule of Investment Returns**  
**For the Three years ended June 30**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Public Employees Retirement	3.61%	16.29%	13.52%
Highway Patrolmen's Retirement	3.66%	16.20%	13.38%
Retirement Plan for Employees of			
Job Service ND	3.41%	13.46%	12.07%

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

**Required Supplementary Information – RHIC**  
**Schedule of Employer Contributions**  
**For the years ended June 30**

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

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$7,199,033	117%
2011	7,053,215	127
2012	7,263,487	129
2013	7,410,911	134
2014	7,014,084	153
2015	6,438,784	178

**Retiree Health Insurance Credit**  
**Implicit Subsidy Plan**

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2010	\$6,938,000	0%
2011	7,295,000	0
2012	7,854,425	0
2013	8,212,947	0
2014	3,053,866	0
2015	2,848,396	0

**Required Supplementary Information**  
**Schedule of Funding Progress**  
**For the years ended June 30**

**Retiree Health Insurance Credit** (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) Projected Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2010	\$102.8	\$48.7	\$54.1	47.4%	\$793.6	6.8%
2011	108.3	53.7	54.6	49.6	828.9	6.6
2012	112.4	58.3	54.1	51.9	824.9	6.6
2013	114.1	66.0	48.1	57.8	914.4	5.3
2014	116.6	77.9	38.7	66.8	1,001.2	3.9
2015	128.9	89.4	39.5	69.4	1,052.7	3.8

**Retiree Health Insurance Implicit Subsidy** (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) Projected Unit Credit	Actuarial Value of Assets	Unfunded AAL (UAAL)	Ratio of Assets to AAL	Covered Payroll	UAAL as a Percentage of Covered Payroll
2007	\$ 30.7	\$ -	\$ 30.7	0.0%	\$ -	0.0%
2009	53.7	-	53.7	0.0	-	0.0
2011	65.2	-	65.2	0.0	-	0.0
2013	33.8	-	33.8	0.0	-	0.0

# SUPPLEMENTARY INFORMATION

## SCHEDULE OF ADMINISTRATIVE EXPENSES

### Fiduciary Funds

For the Fiscal Year Ended June 30, 2015

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

# **SCHEDULE OF ADMINISTRATIVE EXPENSES**

## **Fiduciary Funds**

**For the Fiscal Year Ended June 30, 2014**

	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	\$ 691,110	\$5,466	\$70,543	\$4,254	\$153,605	\$305,176	\$3,190
Social security	51,274	406	5,230	315	11,349	22,950	237
Retirement	79,144	626	8,086	488	17,467	35,016	366
Insurance	160,897	1,273	15,329	924	31,857	58,316	693
Total Personnel Services	982,425	7,771	99,188	5,981	214,278	421,458	4,486
Professional Services:							
Actuarial	302,473	12,600	13,100	0	0	0	19,000
Audit	17,547	139	1,841	111	4,421	8,843	83
Data processing	78,761	623	7,354	1,332	14,951	27,674	333
Consulting	137,106	1,080	13,404	(6,692)	33,087	61,404	606
Legal counsel	13,310	105	1,533	1,228	2,881	4,904	1,324
Misc outside services	4,005	32	392	24	102,839	1,928	2,105
Total Professional Services	553,202	14,579	37,624	(3,997)	158,179	104,753	23,451
Communication:							
Postage & mailing svc	59,496	471	4,937	399	11,398	8,566	223
Printing	17,827	141	1,406	85	2,676	2,072	64
Telephone	9,918	78	956	58	1,818	3,049	43
Total Communication	87,241	690	7,299	542	15,892	13,687	330
Rentals:							
Equipment rent	1,998	16	210	13	503	843	9
Office rent	52,770	417	5,536	334	13,297	26,266	250
Total Rentals	54,768	433	5,746	347	13,800	27,109	259
Miscellaneous:							
Depreciation/amortization	383,610	3,327	36,862	2,647	96,569	193,138	2,261
Dues and prof development	12,716	100	859	202	1,185	2,069	39
Insurance	359	3	39	2	93	186	2
Miscellaneous	6,617	53	695	41	1,705	3,351	32
Repairs and maintenance	2,770	22	291	18	698	1,396	13
Supplies	116,567	922	12,202	933	29,300	58,704	552
Travel	10,517	83	666	434	59	1,085	30
Total Miscellaneous	533,156	4,510	51,614	4,277	129,609	259,929	2,929
Total Administrative Expenses	\$2,210,792	\$27,983	\$201,471	\$7,150	\$531,758	\$826,936	\$31,455



**Statement of Appropriations**  
**For the Year Ended June 30, 2015**

	Approved 2013-2015	2013-2015 Appropriation	Adjusted 2013-2015	2014 Expenditures	2015 Expenditures	Unexpended
<b>All Fund Types:</b>						
Salaries and wages	\$ 5,016,339	\$ 79,480	\$ 5,095,819	\$ 2,476,257	\$ 2,614,135	\$ 5,427
Accrued leave payments	103,217	(54,480)	48,737	3,845	28,963	15,929
Operating expenses	2,280,894	25,000	2,305,894	1,060,108	1,097,557	148,229
Contingency	250,000	(50,000)	200,000	0	0	200,000
	<u>\$ 7,650,450</u>	<u>\$ (0)</u>	<u>\$ 7,650,450</u>	<u>\$ 3,540,210</u>	<u>\$ 3,740,655</u>	<u>\$ 369,585</u>

**Reconciliation of Administrative Expenses to Appropriated Expenditures**

Administrative expenses as reflected in the financial statements	2014	2015
Pension trust funds	\$3,837,545	\$4,065,980
Enterprise funds – Group Insurance	<u>289,763,196</u>	<u>296,692,548</u>
Total administrative expenses	293,600,741	300,758,528
Adjustments:		
Change in accounts payable not charged to appropriation	(72,940)	(3,373)
Change in accrued salary and benefits	(5,123)	5,123
Change in accrued compensated absences	(6,945)	3,019
Change in prepaid expenses	0	690
Miscellaneous income reclassified to miscellaneous expense	0	(4,514)
Professional fees, premiums and benefits paid pursuant to NDCC 54-52-04(6)	(288,967,411)	(296,010,770)
Amortization expense	(1,008,120)	(1,008,120)
Contribution/premium over & short	<u>8</u>	<u>72</u>
	<u>\$ 3,540,210</u>	<u>\$ 3,740,655</u>

# SCHEDULE OF INVESTMENT EXPENSES

## Fiduciary Funds

For the Fiscal Year Ended June 30, 2015

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
<b>Payments to State Investment Board:</b>							
Investment Fees	\$7,639,829	\$219,242	\$281,478	\$ -	\$ -	\$ -	\$279,285
Administrative Expenses	309,008	11,321	-	-	-	-	-
	7,948,837	230,563	281,478	-	-	-	279,285
<b>Payments to Providers:</b>							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	19,907	-	-	-
<b>Total Investment Expenses</b>	<b>\$7,948,837</b>	<b>\$230,563</b>	<b>\$281,478</b>	<b>\$19,907</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$279,285</b>

# SCHEDULE OF INVESTMENT EXPENSES

## Fiduciary Funds

For the Fiscal Year Ended June 30, 2014

	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
<b>Payments to State Investment Board:</b>							
Investment Fees	\$7,924,455	\$231,071	\$238,703	\$ 0	\$ 0	\$ 0	\$304,453
Administrative Expenses	266,635	7,781	0	0	0	0	0
	8,191,090	238,852	238,703	0	0	0	304,453
<b>Payments to Providers:</b>							
Investment Fees (net of plan servicing credits)	0	0	0	13,069	0	0	0
<b>Total Investment Expenses</b>	<b>\$8,191,090</b>	<b>\$238,852</b>	<b>\$238,703</b>	<b>\$13,069</b>	<b>\$0</b>	<b>\$ 0</b>	<b>\$304,453</b>

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

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Actuary Fees:							
The Segal Company	\$ 302,090	\$ 14,200	\$ 13,300	\$	\$	\$	\$ 19,200
Audit/Accounting Fees:							
Brady, Martz & Associates	81,393	651	4,310	278	4,092	8,184	178
Disability Consulting Fees:							
Mid Dakota Clinic	8,600	65					
IT Consulting:							
Sagitec Solution LLC	132,336	1,060	13,483	871	33,349	66,698	558
Miscellaneous Consulting Fees:							
Callan Associates, Inc.	5,000	38					
Eide Bailly LLP	3,675	28					
The Segal Company	812	6	1,330		140	4,830	
Ice Miller, LLP	23,846	191	1,939	125			80
ND Attorney General	15,516	124	2,068	387	2,882	6,219	700
Totals	\$ 573,268	\$ 16,363	\$ 36,430	\$ 1,661	\$ 40,463	\$ 85,931	\$ 20,716

**SCHEDULE OF CONSULTANT EXPENSES**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2014**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Actuary Fees:							
The Segal Company	\$ 302,473	\$ 12,600	\$ 13,100	\$	\$	\$	\$ 19,000
Audit/Accounting Fees:							
Brady, Martz & Associates	17,547	139	1,841	111	4,421	8,843	83
Disability Consulting Fees:							
Mid Dakota Clinic	6,054	46					
IT Consulting							
Sagitec Solutions LLC	125,277	990	13,404	808	31,567	63,134	606
Miscellaneous Consulting Fees:							
Eide Bailly LLP	2,797	21					
The Segal Company	2,978	23		(7,500)	1,520	(1,730)	
Legal Fees:							
ND Attorney General	13,310	105	1,533	1,228	2,881	4,904	1,324
Totals	\$470,436	\$13,924	\$29,878	\$(5,353)	\$40,389	\$75,151	\$21,013



## INVESTMENT SECTION

**INVESTMENT  
REPORT  
FROM THE  
NORTH DAKOTA  
RETIREMENT  
AND  
INVESTMENT  
OFFICE**



**North Dakota Retirement and Investment Office**

*State Investment Board  
Teachers' Fund for Retirement*

1930 Burnt Boat Drive  
P.O. Box 7100  
Bismarck, ND 58507-7100  
Telephone: 701-328-9885  
Toll free: 800-952-2970  
FAX: 701-328-9897  
[www.nd.gov/rio](http://www.nd.gov/rio)

November 30, 2015  
Board of Trustees  
Members of the System

**Introduction**

For the fiscal year ended June 30, 2015, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a net total return of 3.53%. The Job Service Pension Plan experienced a net total return of 3.30% for the same time period. The investment return calculations were prepared using a monthly time-weighted rate of return methodology based upon fair values and are subject to independent review.

**Economic Overview as of June 30, 2015**

The global economic outlook demonstrated increasing dispersion the second half of 2014, with growth in the U.S. solidifying while economic progress in Europe and Japan stalled. The first half of 2015, quantitative easing in Europe and Abenomics in Japan bolstered those regions' economies while growth expectations in the U.S. have been revised downward. The Fed has maintained a zero rate policy since the end of their quantitative easing program in October 2014. They are expected to raise rates towards the end of 2015, but have yet to meet their dual mandate of a 2% inflation rate and full employment. Core inflation, which excludes food and energy prices, increased 1.8% year over year in June. Since the collapse of oil prices in late 2014, headline inflation figures, which include food and energy prices, have been mostly flat. The U.S. unemployment rate fell to 5.3% in June from the 6.1% mark at the start of the fiscal year. An average of 205,000 jobs was added to payrolls each month the first half of 2015. While the headline employment rate is impressive, the labor force participation rate reached a 38-year low of 62.6% at the end of June.

U.S. GDP has been volatile over the course of the past fiscal year. Strong figures wrapped up 2014, while the first two quarters of 2015 yielded 0.6% and 2.3% annualized growth. Furthermore, revisions of GDP between 2012 and 2014 reveal average annual growth of only 2%, 0.3% weaker than previously estimated.

Greece and China stole most of the global spotlight starting in June, ushering increased volatility into world markets. Greece began negotiations with creditors when it became clear they were not going to be able to make debt repayments due at the end of June. After tumultuous negotiations, Greece officially defaulted when it missed a \$1.73 billion payment to the IMF on June 30th. A third bailout deal has been proposed to Greece. China has been experiencing issues relating to its slowing growth rate. Officials have attempted to prop up the country's consumption by reducing reserve requirements, interest rates, and import duties. Despite these efforts, the Shanghai Composite Index fell nearly 20% between June 12th and June 30th.

**Domestic Equity Overview**

The fiscal year ended June 30, 2015 brought positive returns across the domestic equity market. The S&P 1500 Index, a broad market indicator for the U.S. stock market, finished the fiscal year with a return of 7.31%. Large cap stocks performed better than small cap stocks during fiscal year 2015. The S&P 600, a gauge of small cap stock performance, underperformed its large cap peer (the S&P 500 Index), 6.72% to 7.42%. Growth stocks outperformed value stocks. The Russell 3000 Growth Index advanced 10.69% versus a gain of 3.86% for the Russell 3000 Value Index.

**International Equity Overview**

Developed International equity markets, as represented by the MSCI EAFE Index, fell in fiscal year 2015. The index returned -4.22%, lagging the +23.57% performance in fiscal year 2014. Growth fared better than Value in the international developed equity space. For the trailing twelve-months ended June 30, 2015, the MSCI EAFE Growth Index lost 1.33% while the MSCI EAFE Value Index fell 7.09%. Emerging market returns trailed developed market returns in as the MSCI Emerging Markets Index dipped 5.12%. Overall, it was a lackluster year for international stock markets.

**Private Equity**

The private equity market was healthy in fiscal year 2015 as institutional investors placed capital into new programs. According to Private Equity Analyst, 741 new partnerships were formed raising \$291 billion in commitments during the past 12 months. This is an increase in the total number of new partnerships from fiscal year 2014 (698) but a decrease in dollar volume (\$232 billion). Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous.

### Domestic Fixed Income Overview

The U.S. bond market, as measured by the Barclays Capital Aggregate Bond Index, returned 1.86%. The yield curve flattened then steepened again during fiscal year 2015, taking longer duration bond prices on a ride. The Barclays Capital Government Index rose 2.27% over the fiscal year. Long duration bond yields were lower than in June 2014 which boosted the Barclays Capital Government Long Index 6.20%. The Barclays Capital Credit Index rose a modest 0.93% for the trailing twelve-months as spreads widened to end the fiscal year. High yield bonds, except for those at the very end of the curve, suffered as the Barclays Capital Corporate High Yield Index fell 0.40% for the year ended June 30, 2015.

### International Fixed Income Overview

International fixed income markets performed poorly in fiscal year 2015. The Citi non-U.S. World Government Unhedged Bond Index fell 13.49%. Sovereign yields in Europe remained low for most of the fiscal year, then ticked upward, leading the Citi Euro Government Bond Index to a loss of 15.07%. The U.S. Dollar strengthened relative to most foreign currencies during the last 12 months, which hurt U.S. investors' foreign bond returns. Emerging Market countries experienced a tough start to 2015; the JP Morgan Emerging Markets Bond Index Plus was down 2.08% over the fiscal year.

### Real Estate Overview

The NCREIF Property Index, a measure of the private real estate market, gained 12.98% during the 2015 fiscal year. The index was positive in each of the four quarters, extending its positive streak to 22 straight quarters. The FTSE NAREIT Equity Index, a measure of the public securities real estate market, gained 4.11%.

### Timber

The timber sector has increased in market size over the course of the last twelve months. As of June 30, 2015 the total size of the NCREIF Timberland Property Index was up to \$24.3 billion, representing approximately 13.5 million acres of land. The index was also up year over year, returning 10.02% for the twelve months ending June 30, 2015, consisting of a 7.00% appreciation return and a 2.87 % income return. The Lake States were the best performing region by gaining 12.61% for the year ended June 30, 2015. The South remains the largest region, representing \$16.8 billion in market value and 9.5 million acres of land.

### Infrastructure

About 4% of the NDPERS assets are invested in infrastructure investments. These types of strategies are spread among four strategies: the JP Morgan Asian Infrastructure fund; the JP Morgan Infrastructure Fund; the Grosvenor Infrastructure Fund; and the Grosvenor Infrastructure II Fund.

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

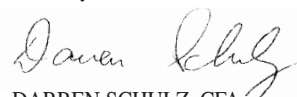
Over the one-year period ended June 30, 2015, the SIB's infrastructure investment program provided net returns of 3.52% for the pension funds.

### Summary

Following two fiscal years of strong absolute returns, financial markets generated modest returns in fiscal year 2015. Despite the modest absolute returns during the fiscal year period, the NDPERS funds delivered mostly favorable results on a relative basis. Performance was favorably impacted by exposure to such asset classes as private real estate, domestic equities and domestic fixed income. Due to the strength of the U.S. dollar during the fiscal year, the international equities and international fixed income asset classes detracted from total fund performance.

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

Sincerely,



DARREN SCHULZ, CFA  
Deputy Chief Investment Officer



DAVID HUNTER  
Executive Director/Chief Investment Officer



## INVESTMENT POLICIES

By state law, PERS and HPRS assets are invested by the North Dakota State Investment Board (SIB). This change became effective July 1, 1989, with the primary purpose being to achieve cost savings through pooling of assets for investment. The System also contracts with the SIB to invest the assets of the Job Service Retirement Plan and the Retiree Health Insurance Credit Plan (RHIC).

State law requires that the SIB apply the prudent investor rule when investing funds under its supervision. The "prudent investor rule" means fund fiduciaries shall exercise the judgment and care, similar to that of an institutional investor who exercises ordinary prudence, discretion, and intelligence when managing the assets of large investments entrusted to it. The funds belonging to the System must be invested exclusively for the benefit of the members and the beneficiaries in accordance with the System's investment goals and objectives.

The Retirement Board is responsible for establishing policies on investment goals and objectives and asset allocation, which are to be viewed over the long term. The investment goals for PERS and HPRS are: to accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the Fund and, to obtain investment returns in excess of that needed to allow for increases in a retiree's annuity to maintain the purchasing power of their retirement benefit.

The Board acknowledges the material impact that funding the pension plan has on the State's financial performance. To enable the State to continue offering secure pension benefits to plan participants, the Board believes that the Fund should pursue the following secondary goals:

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

The investment performance objectives for the PERS, HPRS, Job Service and RHIC plans are:

- The fund's rate of return, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.
- The fund's risk, measured by the standard deviation of net returns, should not exceed 115% of the policy benchmark over a minimum evaluation period of five years.
- The risk-adjusted performance of the fund, net of fees and expenses, should at least match that of the policy benchmark over a minimum evaluation period of five years.

The investment goals for the Job Service Retirement Plan are:

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

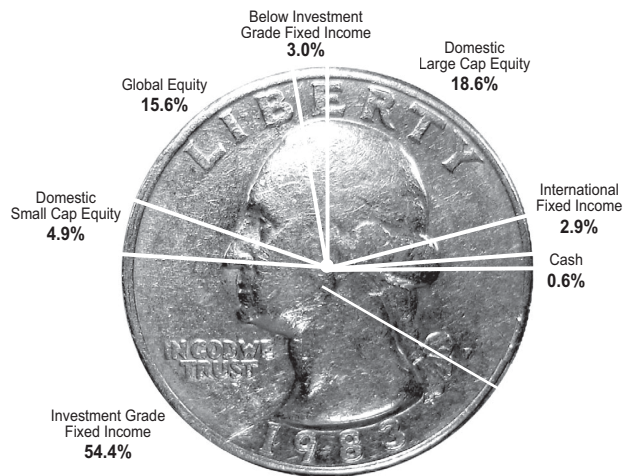
The investment goals for the Retiree Health Insurance Credit Plan are:

- To accumulate sufficient wealth through a diversified portfolio of investments which will enable the State of North Dakota to pay all current and future retirement benefits and expense obligations of the fund.
- To obtain an investment return in excess of that needed to allow for increases in a retiree's credit to maintain the purchasing power of their benefit.

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

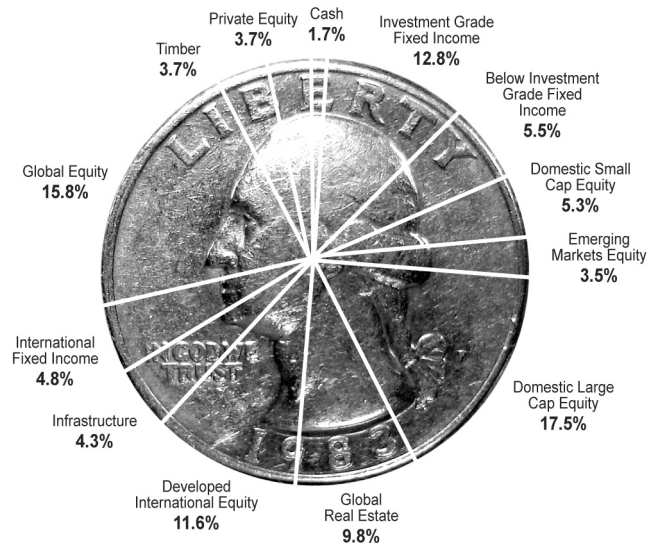
## INVESTMENT SUMMARIES

### Job Service Retirement Plan Asset Allocation – June 30, 2015

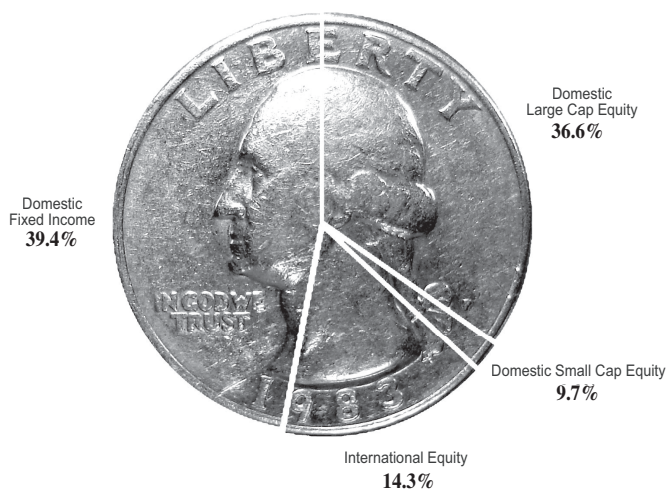


Asset Class	Market Value	Actual %	Policy %
Global Equity	\$ 15,023,759	15.6%	16.0%
Domestic Large Cap Equity	17,941,397	18.6%	19.0%
Domestic Small Cap Equity	4,761,195	4.9%	5.0%
Investment Grade Fixed Income	52,358,480	54.4%	54.0%
Below Investment Grade Fixed Income	2,847,765	3.0%	3.0%
International Fixed Income	2,792,738	2.9%	3.0%
Cash & Equivalents	560,562	0.6%	0.0%
Total	\$ 96,285,896	100.0%	100.0%

### Public Employees and Highway Patrolmen's Retirement Systems Asset Allocation – June 30, 2015



### Retiree Health Insurance Credit Program Asset Allocation – June 30, 2015



Asset Class	Market Value	Actual %	Policy %
Domestic Large Cap Equity	\$ 35,760,181	36.6%	37.0%
Domestic Small Cap Equity	9,455,638	9.7%	9.0%
International Equity	13,908,709	14.3%	14.0%
Domestic Fixed Income	38,458,592	39.4%	40.0%
Total	\$ 97,583,120	100.0%	100.0%

Asset Class	Market Value	Actual %	Policy %
Global Equity	\$ 381,820,782	15.8%	16.0%
Domestic Large Cap Equity	424,095,945	17.5%	16.6%
Domestic Small Cap Equity	127,043,213	5.3%	4.8%
Developed International Equity	280,570,474	11.6%	11.1%
Emerging Markets Equity	85,279,563	3.5%	3.5%
Private Equity	88,967,769	3.7%	5.0%
Investment Grade Fixed Income	308,765,166	12.8%	12.0%
Below Investment Grade Fixed Income	133,716,672	5.5%	5.0%
International Fixed Income	117,041,068	4.8%	5.0%
Global Real Estate	236,368,373	9.8%	10.0%
Timber	89,607,737	3.7%	5.0%
Infrastructure	104,544,237	4.3%	5.0%
Cash & Equivalents	40,173,709	1.7%	1.0%
Total	\$2,417,994,708	100.0%	100.0%

**Public Employees and Highway Patrolmen's Retirement Systems (PERS)**  
**Schedule of Investment Results<sup>(1)</sup>**  
**For the Five Years Ended June 30, 2015**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Annualized</u>	
						<u>3 Year</u>	<u>5 Year</u>
Total Fund (PERS)	21.43%	0.06%	13.50%	16.38%	3.53%	10.98%	10.61%
CPI	4.06%	1.58%	1.75%	2.04%	-0.38%	1.13%	1.80%
Global Equity <sup>(2)</sup>	-	NA	17.06%	23.25%	4.67%	14.74%	NA
MSCI World	-	NA	18.58%	24.05%	1.43%	14.27%	NA
Large Cap Domestic Equities	30.58%	3.68%	23.13%	25.21%	9.48%	19.08%	17.99%
Russell 1000 (S&P 500 prior to 7/1/2011)	30.69%	5.34%	21.24%	25.35%	7.37%	17.73%	17.57%
Small Cap Domestic Equities	36.07%	0.23%	26.86%	24.73%	5.77%	18.77%	17.80%
Russell 2000	37.41%	-2.08%	24.21%	23.64%	6.49%	17.81%	17.08%
Developed International Equities	31.20%	-14.72%	20.94%	26.19%	-3.10%	13.89%	10.39%
MSCI EAFE (50% Hedged MSCI EAFE thru 3/31/11)	23.57%	-13.83%	18.62%	23.57%	-4.22%	11.97%	8.37%
Emerging Markets Equities	27.93%	-9.21%	4.55%	12.58%	-0.86%	5.28%	6.30%
MSCI Emerging Markets Net (MSCI EM Gross prior to 7/1/2011)	28.17%	-15.94%	2.87%	14.31%	-5.12%	3.71%	3.69%
Private Equity <sup>(3)</sup>	14.99%	14.99%	6.69%	4.07%	-5.39%	1.56%	4.76%
Investment Grade Fixed Income	6.15%	6.24%	5.13%	5.64%	3.66%	4.81%	5.36%
Barclays Aggregate	3.90%	7.47%	-0.69%	4.37%	1.86%	1.83%	3.35%
Below Investment Grade Fixed Income	18.22%	3.46%	14.10%	13.51%	2.53%	9.92%	10.18%
Barclays High Yield Corp 2% Issuer Cap	15.53%	7.21%	9.49%	11.72%	-0.39%	6.81%	8.58%
International Fixed Income	15.79%	4.62%	0.83%	8.58%	-9.37%	-0.26%	3.75%
BC Global Aggregate ex US	15.39%	-0.03%	-3.40%	9.42%	-13.19%	-2.83%	1.08%
Global Real Estate	24.11%	12.97%	11.05%	16.77%	15.78%	14.49%	16.18%
NCREIF Total	16.73%	12.04%	10.72%	11.21%	12.98%	11.63%	12.72%
Timber <sup>(2)</sup>	-	NA	0.58%	2.62%	3.94%	2.37%	NA
NCREIF Timber	-	NA	9.37%	9.92%	10.02%	9.77%	NA
Infrastructure <sup>(2)</sup>	-	NA	12.33%	9.50%	1.23%	7.60%	NA
CPI	-	NA	1.75%	2.04%	-0.38%	1.13%	NA
Cash	0.17%	0.13%	0.10%	0.04%	0.07%	0.07%	0.09%
90 Day T-bills	0.16%	0.06%	0.11%	0.05%	0.02%	0.06%	0.08%

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

<sup>(2)</sup> This asset class has less than the indicated years under management due to the addition of this asset class during fiscal year 2012.

<sup>(3)</sup> It has been determined that there is no benchmark that is an accurate reflection of the System's investments in this asset class. For total fund policy purposes, the actual asset class return is used.

**Job Service Retirement Plan**  
**Schedule of Investment Results<sup>(1)</sup>**  
**For the Five Years Ended June 30, 2015**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Annualized	
						<u>3 Year</u>	<u>5 Year</u>
Total Fund	16.39%	3.10%	11.71%	13.54%	3.30%	9.42%	9.47%
CPI	4.06%	1.58%	1.75%	2.04%	-0.38%	1.13%	1.80%
Global Equity <sup>(2)</sup>	-	NA	17.06%	23.25%	4.67%	14.75%	NA
MSCI World	-	NA	18.58%	24.05%	1.43%	14.27%	NA
Large Cap Domestic Equities	30.58%	3.68%	23.13%	25.21%	9.48%	19.10%	17.99%
Russell 1000 (S&P 500 prior to 7/1/2011)	30.69%	5.34%	21.24%	25.35%	7.37%	17.73%	17.57%
Small Cap Domestic Equities	36.07%	0.23%	26.86%	24.73%	5.77%	18.87%	18.03%
Russell 2000	37.41%	-2.08%	24.21%	23.64%	6.49%	17.81%	17.08%
Developed International Equities <sup>(3)</sup>	31.20%	-14.72%	20.94%	26.19%	NA	NA	NA
MSCI EAFE (50% Hedged MSCI EAFE thru 3/31/11)	23.57%	-13.83%	18.62%	23.57%	NA	NA	NA
Investment Grade Fixed Income	6.15%	6.24%	5.13%	5.64%	3.67%	4.81%	5.63%
Barclays Aggregate	3.90%	7.47%	-0.69%	4.37%	1.86%	1.83%	3.35%
Below Investment Grade Fixed Income	18.22%	3.46%	14.10%	13.51%	2.54%	9.92%	10.19%
Barclays High Yield Corp 2% Issuer Cap	15.53%	7.21%	9.49%	11.72%	-0.39%	6.81%	8.58%
International Fixed Income	15.79%	4.62%	0.83%	8.58%	-9.37%	-0.26%	3.74%
BC Global Aggregate ex US	15.39%	-0.03%	-3.40%	9.42%	-13.19%	-2.83%	1.08%
Cash	0.17%	0.13%	0.10%	0.04%	0.06%	0.07%	0.09%
90 Day T-bills	0.16%	0.06%	0.11%	0.05%	0.02%	0.06%	0.08%

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

<sup>(2)</sup> This asset class has less than the indicated years under management due to the addition of this asset class during fiscal year 2012.

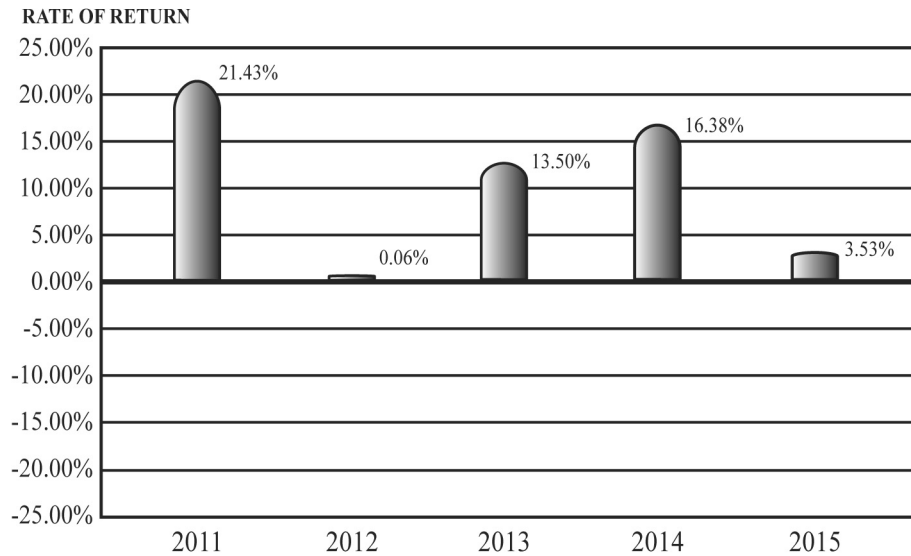
<sup>(3)</sup> Use of this asset class was discontinued during fiscal year 2015.

**Retiree Health Insurance Credit Plan**  
**Schedule of Investment Results<sup>(1)</sup>**  
**For the Five Years Ended June 30, 2015**

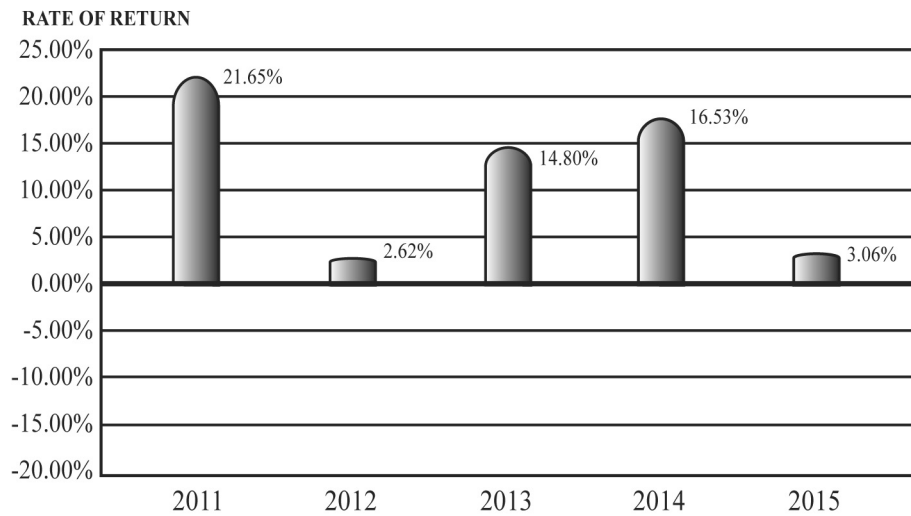
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	Annualized	
						<u>3 Year</u>	<u>5 Year</u>
Total Fund	21.65%	2.62%	14.80%	16.53%	3.06%	11.30%	11.47%
Large Cap Domestic Equity	31.56%	4.35%	22.50%	24.89%	7.38%	18.26%	17.91%
Russell 1000	31.94%	4.37%	21.24%	25.35%	7.37%	17.73%	17.58%
Small Cap Domestic Equity	34.55%	-3.55%	24.63%	23.77%	5.99%	18.08%	16.47%
Russell 2000	37.41%	-2.08%	24.21%	23.64%	6.49%	17.81%	17.08%
International Equity	31.42%	-13.43%	20.87%	21.43%	-3.02%	12.75%	10.35%
MSCI EAFE	30.36%	-13.83%	18.62%	23.57%	-4.22%	11.97%	9.54%
Core Plus Fixed Income	7.88%	8.68%	4.16%	5.73%	1.45%	4.01%	5.77%
Barclays Aggregate	3.90%	7.47%	-0.69%	4.37%	1.86%	1.83%	3.35%

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

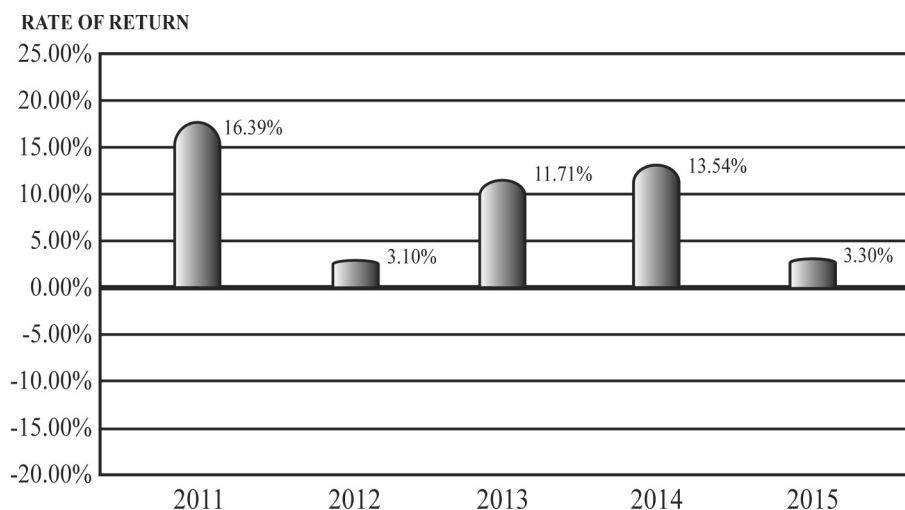
### Public Employees and Highway Patrolmen's Retirement Systems Investment Results



### Retiree Health Insurance Credit Program Investment Results



### Job Service Retirement Plan Investment Results



### Largest Holdings By Market Value at June 30, 2015

#### Stocks

	Fair Value
Apple Incorporated	\$ 20,383,973
CVS Caremark Corporation	10,167,803
Boeing Company	9,430,550
Home Depot Incorporated	8,090,962
Oracle Corporation	7,692,850
United Health Group Incorporated	7,607,341
Abbvie Incorporated	7,220,815
Microsoft Corporation	7,172,550
Gilead Sciences Incorporated	7,029,517
Safran SA	6,840,016

#### Bonds

	Fair Value
FHLMC Pool #G0-8648 3% Due 06-01-2045	\$ 13,499,745
FNMA Single Family Mortgage 3% 30 Years August	8,817,418
US Treasury Notes 1.625% Due 07-31-2019	6,028,777
GNMA II Jumbos 3% 30 Years August	5,878,102
GNMA II Jumbos 3.5% 30 Years August	5,801,276
GNMA II Jumbos 4% 30 Years August	5,683,652
US Treasury Bonds 2.5% Due 02-15-2045	4,967,173
FHLMC Gold Single Family 3.5% 30 Years August	4,312,783
Mexico (United Mexican States) Notes 7.75% 11-13-2042	3,931,393
FHLMC Gold Single Family 4% 30 Years August	3,449,768

A complete list of all holdings is available upon request.

**LARGEST  
HOLDINGS  
JUNE 30, 2015**



**INVESTMENT  
FEES****Public Employees and Highway Patrolmen's Retirement System  
Schedule of Investment Fees****For the Fiscal Year Ended June 30, 2015**

	<u>Assets Under Management</u>	<u>Fees</u>
<b>Investment Managers' Fees:</b>		
Global Equity	\$382 Million	\$2,847,819
Large Cap Domestic Equities	\$424 Million	610,866
Small Cap Domestic Equities	\$127 Million	550,418
Developed International Equities	\$281 Million	911,722
Emerging Markets Equities	\$ 85 Million	692,265
Investment Grade Fixed Income	\$309 Million	1,176,165
Below Investment Grade Fixed Income	\$134 Million	1,440,432
International Fixed Income	\$117 Million	421,044
Global Real Estate	\$236 Million	2,631,744
Private Equity	\$ 89 Million	1,579,453
Timber	\$ 90 Million	351,187
Infrastructure	\$105 Million	1,150,098
Cash	\$ 40 Million	36,755
Total Investment Managers' Fees <sup>(1)</sup>		<u>\$14,399,968</u>
<b>Other Investment Service Fees:</b>		
Custodian Fees	\$ 2.4 Billion	\$ 238,481
Investment Consultant Fees	\$ 2.4 Billion	189,876
SIB Administrative Fees	\$ 2.4 Billion	317,959
Total Investment Service Fees		<u>\$ 746,316</u>

<sup>(1)</sup>Includes fees of \$6,966,884 which were netted against investment income.**Job Service Retirement Plan  
Schedule of Investment Fees****For the Fiscal Year Ended June 30, 2015**

	<u>Assets Under Management</u>	<u>Fees</u>
<b>Investment Managers' Fees:</b>		
Global Equity	\$15 Million	\$ 114,618
Large Cap Domestic Equities	\$18 Million	22,820
Small Cap Domestic Equities	\$ 5 Million	19,499
Developed International Equities	0	14,371
Investment Grade Fixed Income	\$52 Million	187,482
Below Investment Grade Fixed Income	\$ 3 Million	62,579
International Fixed Income	\$ 3 Million	12,469
Cash	\$0.6 Million	152
Total Investment Managers' Fees <sup>(1)</sup>		<u>\$ 433,990</u>
<b>Other Investment Service Fees:</b>		
Custodian Fees	\$96 Million	\$ 9,492
Investment Consultant Fees	\$96 Million	4,695
SIB Administrative Fees	\$96 Million	11,281
Total Investment Service Fees		<u>\$ 25,468</u>

<sup>(1)</sup>Includes fees of \$180,173 which were netted against investment income.**Retiree Health Insurance Credit Plan  
Schedule of Investment Fees****For the Fiscal Year Ended June 30, 2015**

	<u>Assets Under Management</u>	<u>Fees</u>
Investment Manager's Fees	\$98 Million	\$ 402,347
Custodian Fees	\$98 Million	8,387
SIB Administrative Fees	\$98 Million	10,646
Total Investment Service Fees		<u>\$ 421,380</u>

<sup>(1)</sup>Includes fees of \$139,902 which were netted against investment income.

A schedule of commissions paid for each plan is not available. A schedule of commissions paid for all assets under the management of the State Investment Board is available upon request.

## Defined Contribution Investments

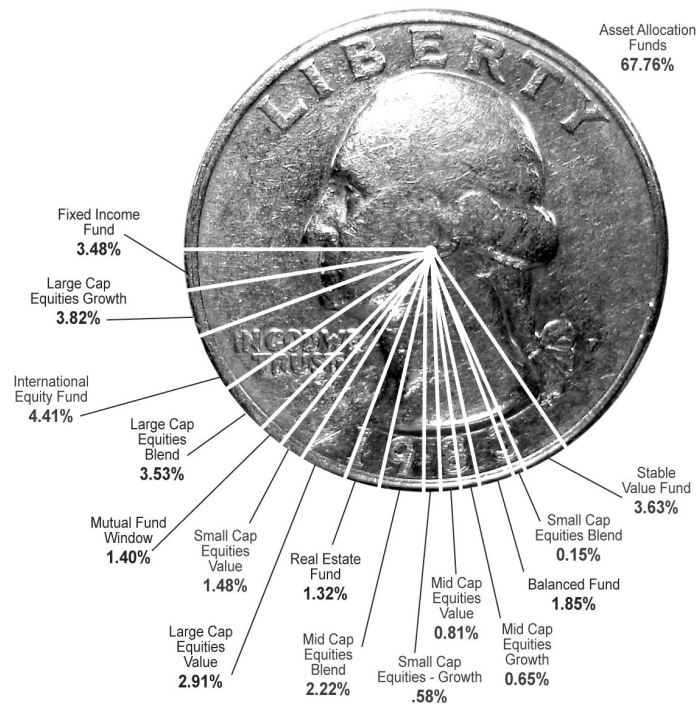
The Defined Contribution Retirement Plan (Plan) is a long-term retirement savings vehicle and is intended as a source of retirement income for eligible participants. Each participating member shall direct the investment of the individual's accumulated employer and employee contributions and earnings to one or more investment choices within available categories of investment provided by the Board. The available investment options cover a broad range of investment risk and rewards appropriate for this kind of retirement savings program. Participants bear the risk and reap the rewards of investment returns that result from the investment options that they select. TIAA-CREF is the recordkeeper for the Plan.

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

- Establishes an investment program that will allow plan participants the opportunity to structure an investment strategy that meets their individual return objectives and risk tolerances
- Defines the investment categories offered by the Plan
- Establishes benchmarks and performance standards for each investment category to evaluate each fund's performance
- Establishes a procedure for reporting and evaluating the various funds and a methodology for monitoring their performance
- Defines the procedures for investment fund evaluation and formal fund review.

## DEFINED CONTRIBUTION INVESTMENTS

### Defined Contribution Retirement Plan Investment Options – June 30, 2015



<u>Investment Options</u>	<u>Market Value</u>	<u>Percent</u>
Stable Value Fund	\$ 1,299,664	3.63%
Fixed Income Fund	1,246,211	3.48%
Balanced Fund	663,609	1.85%
Real Estate Fund	472,878	1.32%
Large Cap Equities - Value	1,041,073	2.91%
Large Cap Equities - Blend	1,264,373	3.53%
Large Cap Equities - Growth	1,368,819	3.82%
Mid Cap Equities - Value	288,632	0.81%
Mid Cap Equities - Blend	794,018	2.22%
Mid Cap Equities - Growth	233,777	0.65%
Small Cap Equities - Value	528,479	1.48%
Small Cap Equities - Blend	54,053	0.15%
Small Cap Equities - Growth	207,766	0.58%
International Equity Fund	1,578,000	4.41%
Asset Allocation Funds	24,258,402	67.76%
Mutual Fund Window	<u>502,502</u>	<u>1.40%</u>
Total	<u>\$35,802,256</u>	<u>100.00%</u>

## Defined Contribution Retirement Plan – Schedule of Investment Results

For the Five Years Ended June 30, 2015

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>3-year annualized</u>	<u>5-year annualized</u>
<b>Stable Value Fund / Money Market Fund:</b>							
Fidelity Managed Income Portfolio (2)	1.34%	N/A	N/A	N/A	N/A	N/A	N/A
GIC 5 year index (2)	0.92%	N/A	N/A	N/A	N/A	N/A	N/A
Vanguard Prime Money Market (2)	N/A	0.03%	0.02%	0.02%	0.01%	0.02%	0.03%
Wells Fargo Stable Fund (2)	N/A	1.39%	1.09%	0.70%	0.78%	0.85%	1.17%
3 Month T-Bill Index (2)	N/A	0.39%	0.08%	0.04%	0.02%	0.05%	0.06%
<b>Fixed Income Fund:</b>							
PIMCO Real Return Admin (2)	N/A	11.52%	-5.13%	5.27%	-3.29%	-1.15%	3.00%
PIMCO Total Return Bond Fund	5.67%	6.69%	0.95%	4.62%	1.04%	2.19%	3.77%
Barclays Aggregate Bond Index	3.90%	7.47%	-0.69%	4.37%	1.86%	1.83%	3.35%
Taxable Bond Fund Universe (2)	N/A	5.30%	2.21%	5.47%	-0.58%	2.42%	4.02%
Prudential High Yield Z (2)	N/A	7.11%	8.75%	11.63%	0.03%	6.69%	8.39%
ML High Yield Bond Fund Index (2)	N/A	6.49%	9.55%	11.84%	-0.55%	6.81%	8.41%
High Yield Bond Fund Universe (2)	N/A	5.14%	9.04%	10.50%	-1.01%	6.08%	7.68%
Templeton Global Bond Adv (2)	N/A	-0.86%	7.95%	7.41%	-1.62%	4.49%	5.21%
Citi World Govt Bond Index (2)	N/A	2.68%	-4.50%	6.85%	-9.02%	-2.45%	1.05%
World Bond Fund Universe (2)	N/A	2.23%	0.15%	6.93%	-5.52%	0.58%	2.67%
<b>Real Estate Fund:</b>							
Cohen & Steers Realty Shares (2)	N/A	8.79%	8.06%	14.14%	5.32%	9.11%	13.77%
FTSE NAREIT All Equity REITs Index (2)	N/A	12.48%	10.21%	13.02%	4.33%	8.93%	14.28%
Real Estate Fund Universe (2)	N/A	5.42%	7.75%	13.87%	5.05%	8.76%	13.91%
<b>Balanced Fund:</b>							
Fidelity Puritan (2)	22.28%	N/A	N/A	N/A	N/A	N/A	N/A
T.Rowe Price Capital Appreciation (2)	N/A	4.01%	17.89%	18.45%	8.47%	14.84%	14.03%
60% Large Cap Value Univ & 40% Taxable Bond Universe (2)	N/A	2.42%	14.70%	15.59%	1.68%	10.58%	10.76%
60% Russell 1000 Value & 40% Agg Bond Index (2)	N/A	4.79%	14.92%	16.03%	3.22%	11.14%	11.24%
<b>Large Cap Equities-Value:</b>							
Fidelity Equity-Income (2)	29.57%	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Mutual Shares A (2)	23.25%	N/A	N/A	N/A	N/A	N/A	N/A
Hartford Dividend & Growth (2)	N/A	2.88%	21.49%	23.40%	4.26%	16.05%	15.61%
T.Rowe Price Equity Income (2)	N/A	2.64%	23.66%	20.66%	-0.34%	14.14%	14.30%
Russell 1000 Value Index	35.01%	3.01%	25.32%	22.33%	4.13%	17.34%	16.50%
Large Cap Value Fund Universe (2)	N/A	0.50%	23.02%	23.81%	3.19%	16.02%	15.26%
<b>Large Cap Equities-Blend:</b>							
Fidelity Spartan US Equity Index (2)	30.59%	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Dividend Growth (2)	35.57%	N/A	N/A	N/A	N/A	N/A	N/A
Vanguard 500 Index Signal (2)	N/A	5.42%	20.55%	24.55%	7.40%	17.27%	17.31%
Vanguard Dividend Growth Fund	N/A	-12.27%	19.65%	19.39%	6.19%	14.90%	16.13%
S&P 500 Index	30.69%	5.45%	20.60%	23.74%	7.42%	17.31%	17.34%
Large Cap Blend Fund Universe (2)	N/A	0.94%	20.83%	23.83%	5.46%	16.77%	16.06%
<b>Large Cap Equities-Growth:</b>							
Fidelity Growth Company (2)	41.56%	N/A	N/A	N/A	N/A	N/A	N/A
Wells Fargo Adv Growth Adm (2)	N/A	5.31%	14.40%	22.03%	9.71%	15.27%	19.11%
Russell 3000 Growth Index	35.68%	5.05%	17.56%	26.75%	10.69%	18.15%	18.64%
Fidelity Blue Chip Growth (2)	37.16%	N/A	N/A	N/A	N/A	N/A	N/A
Franklin Growth Adv (2)	N/A	2.30%	16.27%	26.71%	10.94%	17.79%	16.62%
Russell 1000 Growth Index	35.01%	5.76%	17.07%	26.92%	10.56%	17.99%	18.59%
Large Cap Growth Fund Universe (2)	N/A	0.81%	17.23%	26.38%	9.06%	17.74%	17.16%
<b>Mid Cap Equities - Value</b>							
Goldman Sachs Mid Cap Value (2)	36.32%	N/A	N/A	N/A	N/A	N/A	N/A
RidgeWorth Mid Cap Value Equity I (2)	N/A	-5.67%	27.45%	27.99%	0.03%	17.73%	15.77%
Russell Mid Cap Value	34.28%	-0.37%	27.65%	25.21%	3.67%	19.13%	17.73%
Mid Cap Value Fund Universe (2)	N/A	-3.42%	26.71%	27.76%	2.78%	18.03%	16.33%
<b>Mid Cap Equities-Blend:</b>							
Dreyfus Mid Cap Index (2)	38.82%	N/A	N/A	N/A	N/A	N/A	N/A
Columbia Mid Cap Index A (2)	N/A	-2.66%	24.54%	24.68%	5.92%	18.04%	17.30%
S&P Mid Cap 400	39.38%	-2.33%	25.18%	25.24%	6.40%	18.60%	17.82%
Fidelity Spartan Extended Market Index (2)	39.22%	N/A	N/A	N/A	N/A	N/A	N/A
ASTON/Fairpointe Mid Cap I (2)	N/A	-3.91%	34.07%	30.65%	-0.33%	20.41%	17.43%
Wilshire 4500 Index	38.97%	-2.53%	25.22%	24.42%	6.14%	19.26%	18.11%
Mid Cap Blend Fund Universe (2)	N/A	-5.10%	25.06%	27.63%	8.51%	17.72%	17.01%
<b>Mid Cap Equities-Growth:</b>							
Fidelity Mid Cap Stock (2)	37.48%	N/A	N/A	N/A	N/A	N/A	N/A
Prudential Jennison Mid Cap Growth Z (2)	N/A	3.58%	14.78%	21.52%	10.76%	15.60%	16.54%
Russell Mid Cap Growth	43.25%	-2.99%	22.88%	23.59%	9.45%	19.24%	18.69%
Mid Cap Growth Fund Universe (2)	N/A	-4.31%	19.79%	26.04%	8.51%	17.72%	17.01%
<b>Small Cap Equities-Value:</b>							
Allianz NFJ Small Cap Value	32.54%	-3.36%	22.30%	24.55%	-3.63%	13.65%	13.46%
Russell 2000 Value Index	31.35%	-1.44%	24.76%	23.23%	0.78%	15.50%	14.81%
Small Value Fund Universe (2)	N/A	-2.74%	25.62%	22.54%	-0.18%	16.19%	14.98%
<b>Small Cap Equities - Blend</b>							
Dreyfus Small Cap Index (2)	36.83%	N/A	N/A	N/A	N/A	N/A	N/A
Russell 2000 Small Cap Index (2)	37.41%	N/A	N/A	N/A	N/A	N/A	N/A
Parnassus Small Cap (2) (fund replaced during FY 2015)	N/A	-7.71%	17.52%	20.99%	N/A	N/A	N/A
DFA US Small Cap (3)	N/A	N/A	N/A	N/A	5.76%	19.24%	18.45%

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>3-year annualized</u>	<u>5-year annualized</u>
Russell 2000 Index (2)	37.41%	-2.08%	24.21%	23.64%	6.49%	17.81%	17.08%
Small Blend Fund Universe (2)	N/A	-3.71%	24.56%	23.48%	2.69%	16.85%	16.18%
Small Cap Equities-Growth:							
MSI Small Co Growth B (2)	38.55%	N/A	N/A	N/A	N/A	N/A	N/A
Brown Capital Mgmt Small Co Inv (2)	N/A	-2.82%	23.89%	27.08%	10.83%	20.39%	20.19%
Russell 2000 Growth Index	43.50%	-2.71%	23.67%	22.04%	12.34%	20.11%	19.33%
Small Growth Fund Universe (2)	N/A	-5.09%	22.25%	24.73%	8.61%	18.06%	17.88%
International Equity Funds:							
Fidelity Diversified International (2)	30.50%	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Spartan International Index (2)	39.22%	N/A	N/A	N/A	N/A	N/A	N/A
Mutual Global Discovery Z (2)	N/A	-2.96%	19.67%	20.95%	7.42%	17.31%	17.34%
Vanguard Total Intl Stock Index Inv (2)	N/A	-14.64%	13.58%	22.44%	-4.60%	9.89%	N/A
MSCI EAFE	30.49%	-13.83%	18.62%	23.16%	-4.19%	12.25%	9.87%
International Stock Fund Universe (2)	N/A	-12.88%	14.89%	20.11%	-2.17%	10.81%	9.24%
Oppenheimer Developing Markets Y (2)	N/A	-9.98%	7.87%	19.75%	-10.41%	4.99%	6.29%
MSCI Emerging Markets Index (2)	N/A	-15.95%	2.87%	14.31%	-5.12%	3.71%	3.68%
Diversified Emerging Mkts Universe (2)	N/A	-16.10%	4.45%	14.05%	-6.98%	3.82%	3.50%
Asset Allocation Funds:							
Fidelity Freedom Income (2)	9.49%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle Ret Income (2)	N/A	3.58%	7.64%	12.02%	2.23%	7.22%	8.05%
Income benchmark(1)	7.59%	3.48%	8.88%	12.12%	2.19%	7.41%	7.81%
Fidelity Freedom 2000 (2)	10.07%	N/A	N/A	N/A	N/A	N/A	N/A
2000 benchmark(1) (2)	7.92%	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Freedom 2005 (2)	16.17%	N/A	N/A	N/A	N/A	N/A	N/A
2005 benchmark(1) (2)	14.51%	N/A	N/A	N/A	N/A	N/A	N/A
Fidelity Freedom 2010 (2)	18.53%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2010 (2)	N/A	2.69%	9.07%	13.43%	2.43%	8.21%	9.04%
2010 benchmark(1)	16.90%	3.10%	10.08%	13.69%	2.37%	8.48%	8.76%
Fidelity Freedom 2015 (2)	18.93%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2015 (2)	N/A	1.91%	10.39%	14.66%	2.71%	9.14%	9.84%
2015 benchmark(1)	17.35%	2.72%	11.22%	15.06%	2.48%	9.43%	9.59%
Fidelity Freedom 2020 (2)	21.91%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2020 (2)	N/A	1.06%	12.08%	16.20%	3.06%	10.31%	10.80%
2020 benchmark(1)	20.44%	2.25%	12.69%	16.83%	2.62%	10.64%	10.65%
Fidelity Freedom 2025 (2)	24.21%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2025 (2)	N/A	0.17%	13.86%	17.79%	3.27%	11.47%	11.70%
2025 benchmark(1)	23.05%	1.77%	14.17%	18.57%	2.77%	11.85%	11.70%
Fidelity Freedom 2030 (2)	25.43%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2030 (2)	N/A	-0.83%	15.48%	19.33%	3.58%	12.59%	12.60%
2030 benchmark(1)	24.50%	1.20%	15.74%	19.82%	3.06%	12.74%	12.41%
Fidelity Freedom 2035 (2)	27.11%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2035 (2)	N/A	-1.83%	17.06%	20.74%	3.81%	13.63%	13.43%
2035 benchmark(1)	26.73%	0.56%	17.43%	21.42%	3.19%	13.87%	13.35%
Fidelity Freedom 2040 (2)	27.62%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2040 (2)	N/A	-1.88%	17.77%	21.72%	4.02%	14.24%	13.76%
2040 benchmark(1)	27.05%	0.31%	17.77%	22.37%	3.26%	14.54%	13.91%
Fidelity Freedom 2045 (2)	28.11%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2045 (2)	N/A	-1.93%	17.90%	21.52%	4.03%	14.23%	13.73%
2045 benchmark(1)	27.47%	0.31%	18.36%	22.38%	3.26%	14.55%	13.91%
Fidelity Freedom 2050 (2)	29.14%	N/A	N/A	N/A	N/A	N/A	N/A
TIAA-CREF Lifecycle 2050 (2)	N/A	-1.84%	17.76%	21.63%	4.00%	14.21%	13.72%
2050 benchmark(1)	28.76%	0.31%	18.36%	22.38%	3.24%	14.54%	13.91%
TIAA-CREF Lifecycle 2055 (2)	N/A	-1.77%	17.87%	21.53%	4.04%	14.23%	N/A
2055 Benchmark (1)	N/A	0.31%	18.36%	22.38%	3.24%	14.54%	13.91%
TIAA-CREF Lifecycle 2060 (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2060 Benchmark (1)	N/A	N/A	N/A	N/A	3.24%	14.54%	13.91%

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## ACTUARIAL SECTION



**COMMENTS  
FROM THE  
SEGAL  
COMPANY**

**PUBLIC  
EMPLOYEES  
RETIREMENT  
SYSTEM**



5990 Greenwood Plaza Boulevard, Suite 118, Greenwood Village, CO 80111-4708  
T 303.714.9900 www.segalco.com

November 20, 2015

State Retirement Board  
North Dakota Public Employees Retirement System  
400 East Broadway, Suite 505  
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota  
Public Employees Retirement System  
Financial Report for Fiscal Year Ended June 30, 2015

Dear Members of the Board:

The North Dakota Public Employees Retirement System is a funded retirement plan. One of the Retirement System's basic financial objectives is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Public Employees Retirement System. The basic purpose of annual actuarial valuations is to determine the Retirement System's actuarial liabilities and the level percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

**Basic Elements**

The most recent actuarial valuation prepared as of July 1, 2015 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2015 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2015 (obtained from the Retirement System's draft financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

**Actuarial Assumptions**

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Government Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

The actuarial assumptions used for both funding and financial (GASB) purposes are the same and are summarized in the July 1, 2015 actuarial valuation.

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions.

**Actuarial Funding Method**

An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Public Employees Retirement System is the entry age cost method. This method is intended to meet the basic level percent of payroll funding objective.

Under the entry age cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded accrued actuarial liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's actuarial accrued liabilities.

The North Dakota Public Employees Retirement System had an unfunded accrued actuarial liability of about \$958 million as of July 1, 2015.

#### Calculated and Statutory/Approved Contribution Rates

The July 1, 2015 actuarial valuation of the North Dakota Public Employees Retirement System indicates the following contribution requirements:

	2015-2016 Actuarial Required Contribution Rate <sup>1</sup>	Statutory/Approved Employer Contribution Rate	Statutory Member Contribution Rate
<b>PERS Plan</b>			
Main System	12.21%	7.12%	7.00%
Judges	10.75%	17.52%	8.00%
Law Enforcement			
with prior Main service <sup>2</sup>	9.78%	9.81% <sup>3</sup>	5.50% <sup>4</sup>
Law Enforcement			
without prior Main service	8.03%	7.93%	5.50%

<sup>1</sup>The employer contribution rate for the Main System and Judges are set in Statute, while the employer rate for Law Enforcement is approved by the NDPERS Board. The rates are expressed as a percentage of covered payroll.

<sup>2</sup>Includes former National Guard members.

<sup>3</sup>The employer contribution rate is 9.81% for the members other than BCI. For BCI, the employer contribution rate is 10.31%. The employer rate for former National Guard members increased from 7.00% to 9.81% as of August 1, 2015.

<sup>4</sup>The member contribution rate for members other than BCI is 5.50%. For BCI, the member contribution rate is 6.00%. The member rate for former National Guard members increased from 4.50% to 6.00% and will be reduced by 0.50% to 5.50% effective January 1, 2016.

#### Exhibits

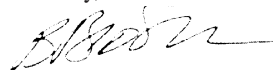
The enclosed supporting exhibits, prepared by Segal Consulting, provide further related information regarding the 2015 valuation. Specifically these exhibits are:

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

Segal Consulting did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

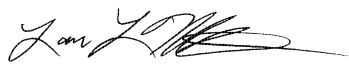
Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

**ACTUARIAL  
VALUATION  
CERTIFICATE**

**NORTH DAKOTA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**NOVEMBER 20, 2015**

*Actuarial Valuation Certificate*

*This is to certify that we have prepared an Actuarial Valuation  
of the System as of July 1, 2015 in accordance with  
generally accepted actuarial principles and practices.*

*The valuation was based on the assumption that the plan is qualified  
and on information supplied by the Retirement Office with respect to  
participants and for financial data. We have not verified, and  
customarily would not verify, such information but we have had  
no reason to doubt its substantial accuracy.*

*To the best of our knowledge, the information supplied in this actuarial valuation  
is complete and accurate. Certain assumptions, including interest rates, mortality  
tables and others identified in this report are prescribed by the Board and,  
in our opinion, are reasonably related to the experience of and the expectations  
for the Plan. The Board is also responsible for selecting the scheduled  
contribution, actuarial cost method and asset valuation method.*

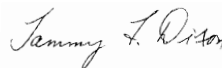
*We are members of the American Academy of Actuaries and we meet  
the Qualification Standards of the American Academy of Actuaries  
to render the actuarial opinion herein.*



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

## Actuarial Assumptions and Cost Method – Public Employees Retirement System

(Adopted July 1, 2015)

### Mortality Tables

Healthy: The RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using SSA 2014 Intermediate Cost Scale from 2014.

Disabled: The RP-2000 Disabled Retiree Mortality Table, set back one year for males (no set back for females) multiplied by 125%.

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

### Disability Incidence Rates

Before Age 65:

Males: 20% of OASDI disability incidence rates.

Females: 10% of OASDI disability incidence rates.

Age 65 and Later: .25% per year

Sample rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.01%	0.01%
30	0.02	0.01
40	0.04	0.02
50	0.12	0.06
60	0.33	0.16

### Annual Withdrawal Rates

Main System, first five years of service:

<u>Age</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
29 & under	22%	18%	16%	14%	14%
30-39	16	14	12	12	11
40 & Over	12	10	10	8	7

Ultimate withdrawal rates for five or more years of service:

<u>Age</u>	<u>Rates</u>
20 - 24	8.8%
25 - 29	8.8
30 - 34	5.5
35 - 39	4.7
40 - 44	3.9
45 - 49	3.7
50 - 54	3.4
55 - 59	0.1
60 & Over	0.2

Law Enforcement:

First five years of service:

<u>Age</u>	<u>0</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>
29 & under	25%	23%	20%	17%	15%
30-39	20	17	15	13	11
40 & Over	17	15	12	10	7

Ultimate withdrawal rates for five or more years of service:

<u>Age</u>	<u>Rates</u>
20 - 24	8.8%
25 - 29	8.8
30 - 34	5.5
35 - 39	4.7
40 - 44	3.9
45 - 49	3.7
50 - 54	3.4
55 - 59	0.1
60 & Over	0.2

There are no withdrawal rates for Judges.

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

*Main System:*

Earlier of (i) age 55 and 3 years of service, and (ii) eligibility for Rule of 85.

*Judges:*

Earlier of (i) age 55 and 5 years of service, and (ii) eligibility for Rule of 85.

*Law Enforcement:*

Age 50 and 3 years of service.

### Refund of Employee Contributions

Inactive vested members are assumed to elect a refund of employee contributions in lieu of deferred pension benefits when it is more valuable than the deferred annuity.

### Retirement Rates for Active Members

Main System:

<u>Age</u>	<u>Early Retirement</u>	<u>Unreduced Retirements</u>
50		30%
51-54		10
55	1	10
56-59	1	8
60	2	8
61	5	15
62-63	10	30
64	10	20
65		30
66		20
67-74		15
75		100

*Judges:*

Age 55 to 64: 10%

Age 65 to 74: 20%

Age 75: 100%

*Law Enforcement:*

Age 50 to 54: 25%

Age 55 to 61: 10%

Age 62 to 65: 50%

Age 66 to 74: 20%

Age 75: 100%

**Interest Rate**

8.00% per annum, net of investment expenses.

**Administrative Expenses**

Prior year expenses, adjusted for inflation.

Assumed expenses for 2015/2016 are as follows:

Main System: \$2,400,044

Judges: \$11,559

Law Enforcement with prior main service:

\$29,842

Law Enforcement without prior main service:

\$7,402

**Salary Scale***Main System*

Less than three years of service:

Service	<u>Percentage Increase</u>	
	State Employees	Non-State Employees
0	12.00%	15.00%
1	9.50	10.00
2	7.25	8.00

Three or more years of service:

Age	<u>Percentage Increase</u>	
	State Employees	Non-State Employees
Less than 30	7.25%	10.00%
30-39	6.50	7.50
40-49	6.25	6.75
50-59	5.75	6.50
60 & over	5.00	5.25

*Law Enforcement*

Less than five years of service:

Service	Percentage Increase
0-2	20.00%
3-4	10.00

Five or more years of service:

Service	Percentage Increase
Less than 30	7.25%
30-39	6.50
40-49	6.25
50-59	5.75
60 & over	5.00

Judges: 4.00% per annum for all years of service.

**Payroll Growth**

Main System and Law Enforcement:

4.50% per annum

Judges: 4.00% per annum

**Inflation**

3.5% per annum

**Percent Married and Age of Spouse**

At retirement or death, 75% of members are assumed to have spouses for the Main System and Law Enforcement. For Judges, at retirement or

death, 100% of members are assumed to have spouses. Males are assumed to be three years older than their female spouses for all plans.

All spouses are assumed to be the opposite gender as the participant. The relatively low rate of same-gender spouses is not actuarially significant.

**Part-time Employees**

One full year of service is credited for each future year of service.

**Split Service**

Liabilities are held in both plans based on service in each plan and are based on the actuarial assumptions of the plan in which they are currently active.

**Actuarial Cost Method**

Entry Age Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. The unfunded actuarial accrued liability is amortized in installments assuming a 4.50% payroll growth assumption (4.0% for Judges) and an open 20-year period.

**Actuarial Value of Assets**

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

**Social Security Disability (for Judges' disability benefit offset):**

Eligibility: 50% of disabled Judges

Consumer Price Index Increases: 3.5% per annum

Wage Base Increases: 5.0% per annum

**Workers' Compensation (for Judges' disability benefit offset):** None assumed.**Account Balance Due to****Vested Employer Contribution (PEP):**

Participation Under Chapter 54-52.2:

if not elected, none. If elected, 100% of active members of the Main System and Law Enforcement.

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

**Benefit Election**

*Main System and Law Enforcement:*

50% of new retirements are assumed to elect the

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

*Judges:*

All participants elect the 50% joint and survivor annuity.

## **Changes in Actuarial**

### **Assumptions or Cost Method –**

#### **Public Employees Retirement System**

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions, effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, percent married and actuarial cost method.

### **Summary of Plan Provisions –**

#### **Public Employees Retirement System**

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

#### **1. Normal Service Retirement:**

**Eligibility:**

Main System and Judges: Attainment of age 65 or at any age plus service equal to at least 85 (Rule of 85). For members enrolled after December 31, 2015 into the Main System, attainment of age 65, or at age 60 with age plus service equal to at least 90 (Rule of 90).

Law Enforcement: Attainment of age 55 and 3 consecutive years of service, or if not former National Guard, at any age plus service equal to at least 85 (Rule of 85). Former National Guard is eligible for Rule of 85 on August 1, 2015.

**Benefit:**

Main System and Law Enforcement: 2.00% of final average salary multiplied by service.

Judges: 3.50% of final average salary for each of the first 10 years of service, 2.80% for each of the next 10 years of service, and 1.25% for service in excess of 20 years.

#### **2. Early Retirement:**

**Eligibility:**

**Main System:**

Attainment of age 55 with 3 years of service.

Judges: Attainment of age 55 with 5 years of service.

**Law Enforcement:**

Attainment of age 50 with 3 years of service.

**Benefit:**

Main System: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before the earlier of age 65 or the age at which the Rule of 85 is met. For members enrolled after December 31, 2015 into the Main System, a benefit that begins before age 65 (or Rule 90, if earlier) is reduced by 2/3% of one percent for each month before the earlier of age 65 or the age at which the Rule of 90 is met.

Judges: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 65 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 65 or the age at which the Rule of 85 is met.

Law Enforcement: The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 (or Rule of 85, if earlier) is reduced by one-half of one percent for each month before age 55 or the age at which the Rule of 85 is met.

#### **3. Disability Benefit:**

**Eligibility:**

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

**Benefit:**

**Main System and Law Enforcement:**

25% of the member's final average salary at disability, with a minimum of \$100 per month.

**Judges:**

70% of the member's final average salary at disability, minus social security and worker's compensation benefits paid.

#### **4. Deferred Vested Retirement:**

**Eligibility:**

Main System and Law Enforcement: Three years of service.

Judges: Five years of service.

**Benefit:**

Main System and Judges: The Normal Service Retirement Benefit payable at age 65 or the Rule of 85, if earlier. Reduced early retirement benefits can be elected upon attainment of age 55.

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

#### **5. Pre-retirement Death Benefits:**

**Eligibility** (vested participants with a surviving spouse):

Main System and Law Enforcement: Three years of service.



Judges: Five years of service.

Benefit:

*Main System and Law Enforcement:*

One of the following options:

- Lump sum payment of member's accumulated contributions with interest.
- 50% of the member's accrued benefit (not reduced on account of age) payable for the surviving spouse's lifetime.
- Continuation portion of 100% Joint and Survivor Annuity (only if participant was eligible for normal retirement).
- A partial lump sum payment in addition to one of the annuity options above.

*Judges:*

One of the following options:

- Lump sum payment of member's accumulated contributions with interest.
- 100% of the member's accrued benefit (not reduced on account of age) payable for the surviving spouse's lifetime.

Other death benefits (non-vested members or vested members without a surviving spouse):

*Main System, Judges and Law Enforcement:*

Eligibility: Not vested or no surviving spouse.

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

#### 6. Refund of Member Contributions:

Paid to terminated non-vested members and terminated vested members who choose refund in lieu of a monthly retirement benefit.

#### 7. Accumulated Member Contributions:

Member contributions accumulate with interest at the following rates:

<u>Time Period</u>	<u>Interest Rate</u>
Through 6/30/81	5.0%
7/1/81 to 6/30/86	6.0%
After 6/30/86	0.5% less than the actuarial interest rate assumption.

#### 8. Standard and Optional Forms of Payment:

##### *Standard Form of Payment*

*Main System and Law Enforcement:*

Monthly benefit for life with a refund to the beneficiary at death of the remaining balance (if any) of accumulated member contributions.

*Judges:*

Monthly benefit for life, with 50% payable to an eligible survivor.

##### *Optional forms of payment:*

Life annuity (for Judges), 50% joint and survivor annuity with pop-up (for Main System and Law Enforcement), 100% joint and survivor annuity with pop-up, twenty-year certain and life annuity, ten-year certain and life annuity, a partial lump sum payment in addition

to one of the annuity options above and an actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year. Not available for disability or early retirements or in combination with a partial lump sum option or a deferred normal retirement option.

#### 9. Final Average Salary:

Average of the highest salary received by the member for any 36 months employed during the last 180 months of employment.

#### 10. Contributions:

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

	Rates Determined by NDPERS	
	Rates Set by Statute <u>Employees</u>	<u>Employer</u> Board <u>Employer</u>
Main System		
Full-Time Employees	7.00%	7.12%
Main System		
Part-Time Employees	14.12%	0.00%
Judges	8.00%	17.52%
Law Enforcement with		
prior Main service	5.50%	9.81%
BCI Employees	6.00%	10.31%
National Guard		
members*	4.50%	7.00%
Law Enforcement w/out		
prior Main service	5.50%	7.93%

*\*Effective August 1, 2015, the member contribution rate for former National Guard members increased to 6% and the employer contribution rate increased to 9.81%. Effective January 1, 2016, the contribution rate for National Guard members of the State Law Enforcement plan will be reduced by 0.5% to 5.50%.*

*Effective January 1, 2000:*

A member's account balance includes vested employer contributions equal to the member's contributions to the deferred compensation plan under chapter 54-52.2. The vested employer contribution may not exceed:

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

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

#### 11. Rollovers:

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

#### Changes in Plan Provisions:

As a result of legislation passed in May 2015, the following plan provisions were changed:

1. The Normal Service Pension for members enrolled after December 31, 2015 into the Main System: attainment of age 65, or at age 60 with age plus service equal to at least 90 (Rule of 90).

2. Benefits for Early Retirement for members enrolled after December 31, 2015 into the Main

System: a benefit that begins before age 65 (or Rule of 90, if earlier) is reduced by 2/3% of one percent for each month before the earlier of age 65 or the age at which the Rule of 90 is met.

3. Effective August 1, 2015, National Guard merged into Law Enforcement with Prior Main System service. As a result, the member contribution rate for former National Guard members increased to 6% and the employer contribution rate increased to 9.81%. Effective January 1, 2016, the contribution rate for former National Guard members of the State Law Enforcement plan will be reduced by 0.5% to 5.50%.

### Solvency Test — PERS 2006-2015

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active members (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing the funded portion of liability 3 will increase over time.

(Amounts in Millions)

Aggregate Actuarial Accrued Liabilities					Portion of Actuarial Accrued Liabilities Covered by Assets		
July 1	Member Contributions (1)	Retirees and Beneficiaries, Inactive and Pay- Status Members (2)	Active Member Employer Financed Portion (3)	Actuarial Value of Assets	(1)	(2)	(3)
2006	\$402.6	\$545.7	\$532.2	\$1,314.5	100%	100%	69%
2007	433.7	611.3	565.2	1,503.1	100	100	81
2008	468.1	655.7	613.8	1,609.8	100	100	79
2009	507.6	728.1	665.5	1,617.1	100	100	57
2010	600.5	822.2	785.7	1,621.7	100	100	25
2011	588.3	908.3	843.2	1,650.5	100	100	18
2012	626.2	1,070.7	804.4	1,627.4	100	94	0
2013	687.9	1,126.0	902.6	1,683.0	100	88	0
2014	746.5	1,255.4	936.9	1,895.8	100	92	0
2015	788.3	1,437.0	827.1	2,094.3	100	91	0

## Schedule of Active Member Valuation Data – PERS – 2006-2015

	<b>Main System</b>			
<u>July 1</u>	<u>Number of</u> <u>Active Members</u>	<u>Total Payroll</u> <u>(millions)</u>	<u>Average</u> <u>Annual Salary</u>	<u>Percent Increase</u> <u>In Average Salary</u>
2006	17,887	\$536.6	\$29,998	4.0%
2007	18,299	570.4	31,169	3.9
2008	19,042	627.6	32,959	5.7
2009	19,686	684.3	34,762	5.5
2010	20,372	751.1	36,868	6.1
2011	20,359	785.4	38,577	4.6
2012	20,738	781.6	37,690	(2.3)
2013	21,201	865.9	40,841	8.4
2014	21,814	946.2	43,376	9.3
2015	22,381	993.6	43,395	0.0

	<b>Judges</b>			
<u>July 1</u>	<u>Number of</u> <u>Active Members</u>	<u>Total Payroll</u> <u>(millions)</u>	<u>Average</u> <u>Annual Salary</u>	<u>Percent Increase</u> <u>In Average Salary</u>
2006	47	\$4.7	\$ 99,500	4.1%
2007	47	4.9	103,683	4.2
2008	47	5.2	111,427	7.5
2009	47	5.4	115,741	3.9
2010	47	5.7	120,962	4.5
2011	49	6.2	126,474	4.6
2012	49	6.1	124,645	(1.4)
2013	49	6.6	134,673	8.0
2014	50	7.0	139,290	3.4
2015	51	7.3	142,636	2.4

	<b>Law Enforcement with prior Main service<sup>(1)</sup></b>			
<u>July 1</u>	<u>Number of</u> <u>Active Members</u>	<u>Total Payroll</u> <u>(millions)</u>	<u>Average</u> <u>Annual Salary</u>	<u>Percent Increase</u> <u>In Average Salary</u>
2006	154	\$5.4	\$34,711	(1.57)%
2007	178	6.4	35,672	2.8
2008	177	7.1	39,674	11.2
2009	180	7.0	38,965	(1.8)
2010	217	11.9	54,467	39.8
2011	226	10.1	44,908	(17.6)
2012	239	10.8	45,074	0.4
2013	268	13.4	49,981	10.9
2014	315	16.7	53,121	6.3
2015	318	18.7	58,781	10.7

<sup>(1)</sup>Includes former National Guard members.

	<b>Law Enforcement without prior Main service</b>			
<u>July 1</u>	<u>Number of</u> <u>Active Members</u>	<u>Total Payroll</u> <u>(millions)</u>	<u>Average</u> <u>Annual Salary</u>	<u>Percent Increase</u> <u>In Average Salary</u>
2006	14	\$0.4	\$29,264	(1.5)%
2007	28	0.7	25,327	(13.5)
2008	30	0.8	27,472	8.5
2009	30	0.9	31,660	15.2
2010	32	1.1	35,572	12.4
2011	61	2.4	39,911	12.2
2012	65	2.4	36,588	(8.3)
2013	70	2.6	36,998	1.1
2014	83	3.6	43,872	18.6
2015	95	4.6	48,204	9.9

### Analysis of Financial Experience — PERS

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

Main System				
Plan Year Ended	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
<b>Employer Cost Rate at Beginning of Year</b>	<b>11.36%</b>	<b>12.24%</b>	<b>12.14%</b>	<b>11.06%</b>
Death after Retirement	(0.48)	(0.11)	(0.02)	(0.02)
Death-in-Service	0.00	0.00	0.00	0.00
Disability Retirements	0.00	0.00	0.00	0.00
Withdrawal From Employment	(0.15)	0.04	0.02	0.01
Age and Service Retirements	0.13	0.00	0.03	0.08
Financial Experience-Investments	1.20	0.54	(0.82)	(0.52)
Salary Scale and Service	(0.57)	0.59	0.16	(0.03)
Contribution Income	0.45	0.34	0.29	0.23
Administrative Expenses	0.01	0.01	0.01	0.01
New and Reinstated Members	0.05	0.04	0.07	0.07
Demographic Changes	-0.60	(0.36)	(0.04)	0.13
Assumption Changes	0.00	0.00	0.00	1.13
Plan Change	(0.07)	(0.69)	(0.50)	0.00
Effect of Maintaining 20-year Amortization	-(0.29)	(0.31)	(0.28)	(0.27)
Death and Retirement from Withdrawals	N/A	(0.19)	0.00	0.00
Payroll Growth	N/A	N/A	N/A	0.33
<b>Employer Cost Rate at End of Year</b>	<b>12.24%</b>	<b>12.14%</b>	<b>11.06%</b>	<b>12.21%</b>

Judges				
Plan Year Ended	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
<b>Employer Cost Rate at Beginning of Year</b>	<b>15.96%</b>	<b>16.33%</b>	<b>16.66%</b>	<b>14.80%</b>
Plan Change	(1.00)	(1.00)	(0.50)	0.00
Plan Experience	(1.51)	0.18	0.22	0.95
Investment Loss/(Gain)	3.07	1.38	(1.45)	(1.15)
Contribution Loss/(Gain)	(0.04)	(0.04)	0.00	0.00
Assumption Changes	0.00	0.00	0.00	(3.77)
Effect of Maintaining 20-year Amortization	(0.15)	(0.19)	(0.13)	(0.08)
<b>Employer Cost Rate at End of Year</b>	<b>16.33%</b>	<b>16.66%</b>	<b>14.80%</b>	<b>10.75%</b>

Law Enforcement With Prior Main Service*				
Plan Year Ended	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
<b>Employer Cost Rate at Beginning of Year</b>	<b>10.96%</b>	<b>10.69%</b>	<b>11.18%</b>	<b>9.42%</b>
Plan Change	(0.39)	(0.49)	(0.18)	(0.04)
Plan Experience	(0.54)	0.88	(1.06)	0.22
Investment Loss/(Gain)	0.91	0.39	(0.25)	(0.07)
Contribution Loss/(Gain)	(0.04)	(0.07)	0.00	0.00
Assumption Changes	0.00	0.00	0.00	0.39
Effect of Maintaining 20-year Amortization	(0.21)	(0.22)	(0.17)	(0.14)
<b>Employer Cost Rate at End of Year</b>	<b>10.69%</b>	<b>11.18%</b>	<b>9.52%</b>	<b>9.78%</b>

Law Enforcement Without Prior Main Service				
Plan Year Ended	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015
<b>Employer Cost Rate at Beginning of Year</b>	<b>7.56%</b>	<b>7.33%</b>	<b>8.11%</b>	<b>7.42%</b>
Plan Change	(0.50)	(0.50)	(0.25)	0.00
Plan Experience	0.07	1.21	0.00	0.87
Investment Loss/(Gain)	0.20	0.17	(0.41)	(0.05)
Contribution Loss/(Gain)	0.02	(0.06)	0.00	0.00
Assumption Changes	0.00	0.00	0.00	(0.18)
Effect of Maintaining 20-year Amortization	(0.02)	(0.04)	(0.03)	(0.03)
<b>Employer Cost Rate at End of Year</b>	<b>7.33%</b>	<b>8.11%</b>	<b>7.42%</b>	<b>8.03%</b>

\*Years prior to the year ended June 30, 2015 do not include National Guard members.

## Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2006-2015

Main System and Special Prior Service Pensioners									
Plan Year	Additions		Annual Pension Benefits*	(Removals)		Ending Number**	Average Annual Benefits	Annual Pension Benefits <sup>(1)</sup>	% Increase In Annual Benefits
	Beginning Number	Counts		Counts	Annual Pension Benefits*				
2006	5,921	440	\$4.6	(163)	\$(0.9)	6,198	\$9,156	\$56.7	8.6%
2007	6,198	528	6.4	(220)	(1.4)	6,506	9,481	61.7	8.8
2008	6,506	547	7.2	(240)	(1.7)	6,813	9,869	67.2	8.9
2009	6,813	567	7.1	(222)	(1.9)	7,158	10,120	72.4	7.7
2010	7,158	468	6.5	(254)	(1.9)	7,372	10,451	77.0	6.4
2011	7,372	618	9.4	(230)	(1.8)	7,760	10,904	84.6	9.9
2012	7,760	698	12.5	(250)	(1.8)	8,242	11,566	95.3	12.6
2013	8,242	708	10.9	(284)	(4.0)	8,666	11,798	102.2	7.2
2014	8,666	855	13.2	(291)	(2.4)	9,230	12,243	113.0	10.6
2015	9,230	992	19.3	(243)	(2.4)	9,979	13,017	129.9	15.0

\*In millions.

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

Judges									
Plan Year	Additions		Annual Pension Benefits	(Removals)		Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
	Beginning Number	Counts		Counts	Annual Pension Benefits				
2006	25	2	\$63,865	0	\$ 0	27	\$36,191	\$ 977,162	7.6%
2007	27	3	92,172	0	0	30	35,917	1,077,497	10.3
2008	30	1	49,517	(1)	(33,795)	30	36,441	1,093,219	1.5
2009	30	1	69,931	(3)	(92,038)	28	38,254	1,071,112	(2.0)
2010	28	4	194,159	(2)	(47,106)	30	40,605	1,218,165	13.7
2011	30	5	273,928	(1)	(20,861)	34	43,272	1,471,232	20.8
2012	34	0	0	0	(648)	34	43,252	1,470,584	0.0
2013	34	2	60,181	0	0	36	42,521	1,530,765	4.1
2014	36	2	190,156	0	0	38	45,287	1,720,921	12.4
2015	38	6	462,888	0	0	44	49,632	2,183,809	26.9

### Retirees and Beneficiaries Added to and Removed from the Rolls – PERS – 2006-2015

#### Law Enforcement with prior Main service\*

Plan Year	Additions		Annual Pension Benefits	(Removals)		Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
	Beginning Number	Counts		Counts	Annual Pension Benefits				
2006	4	6	\$79,893	-	\$ -	10	\$13,860	\$138,595	236.1%
2007	10	5	74,509	-	-	15	14,207	213,045	53.7
2008	15	6	122,584	-	-	21	15,985	335,688	57.6
2009	21	4	78,938	(1)	(23,246)	24	16,307	391,380	16.6
2010	24	10	176,285	(2)	(26,749)	32	16,904	540,916	38.2
2011	32	9	217,899	-	-	41	18,508	758,815	40.3
2012	41	6	105,606	-	-	47	18,392	864,421	13.9
2013	47	9	225,057	-	(13,776)	56	19,209	1,075,702	24.4
2014	56	7	83,168	(1)	(57,253)	62	17,768	1,101,617	2.4
2015	62	11	301,041	-	-	73	19,215	1,402,658	27.3

\*Includes former National Guard members.

#### Law Enforcement without prior Main service

Plan Year	Additions		Annual Pension Benefits	(Removals)		Ending Number	Average Annual Benefits	Annual Pension Benefits	% Increase In Annual Benefits
	Beginning Number	Counts		Counts	Annual Pension Benefits				
2006	-	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-	-
2013	-	1	\$9,792	-	-	1	\$9,792	\$9,792	100.0%
2014	1	-	-	-	-	1	9,792	9,792	0.0
2015	1	-	-	-	-	1	9,792	9,792	0.0



**COMMENTS  
FROM  
THE SEGAL  
COMPANY**

**HIGHWAY  
PATROLMEN'S  
RETIREMENT  
SYSTEM**



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November 20, 2015

State Retirement Board  
North Dakota Public Employees Retirement System  
400 East Broadway, Suite 505  
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota  
Highway Patrolmen's Retirement System  
Financial Report for Fiscal Year Ended June 30, 2015

Dear Members of the Board:

The North Dakota Highway Patrolmen's Retirement System is a funded retirement plan. One of the Retirement System's basic financial objectives is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Highway Patrolmen's Retirement System. The basic purpose of annual actuarial valuations is to determine the Retirement System's actuarial liabilities and the level percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

**Basic Elements**

The most recent actuarial valuation prepared as of July 1, 2015 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2015 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2015 (obtained from the Retirement System's draft financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

**Actuarial Assumptions**

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

The actuarial assumptions used for both funding and financial (GASB) purposes are the same and are summarized in the July 1, 2015 actuarial valuation.

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions.

**Actuarial Funding Method**

An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Highway Patrolmen's Retirement System is the entry age cost method. This method is intended to meet the basic level percent of payroll funding objective.

Under the entry age cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded accrued actuarial liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's accrued actuarial liabilities.

The North Dakota Highway Patrolmen's Retirement Fund had an unfunded actuarial accrued liability of about \$21.2 million as of July 1, 2015.

#### Calculated and Statutory Contribution Rates

The July 1, 2015 actuarial valuation of the North Dakota Highway Patrolmen's Retirement Fund indicates the following contribution requirements, expressed as a percentage of covered payroll.

2015-2016 Actuarial Required Employer Contribution Rate	Current Statutory Contribution Rates	
	Employer	Member
21.42%	19.70%	13.30%

#### Exhibits

The enclosed supporting exhibits, prepared by Segal Consulting, provide further related information regarding the 2015 valuation. Specifically, those exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from the Rolls
- Solvency Test
- Analysis of Financial Experience
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payments

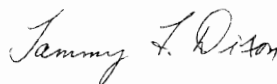
Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

**ACTUARIAL  
VALUATION  
CERTIFICATE**

**NORTH DAKOTA  
HIGHWAY PATROLMEN'S RETIREMENT SYSTEM**

**NOVEMBER 20, 2015**

*Actuarial Valuation Certificate*

*This is to certify that we have prepared an Actuarial Valuation  
of the System as of July 1, 2015 in accordance with  
generally accepted actuarial principles and practices.*

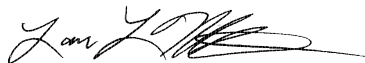
*The valuation was based on the assumption that the plan is qualified  
and on information supplied by the Retirement Office with respect to  
participants and for financial data. We have not verified, and  
customarily would not verify, such information but we have had  
no reason to doubt its substantial accuracy.*

*To the best of our knowledge, the information supplied in this actuarial valuation  
is complete and accurate. Certain assumptions, including interest rates, mortality  
tables and others identified in the report are prescribed by the Board and in our  
opinion, are reasonably related to the experience of the Plan and the expectations  
for the Plan. The Board is also responsible for selecting the actuarially  
required contribution, actuarial cost method and asset valuation method.*

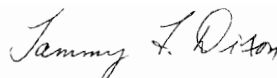
*We are members of the American Academy of Actuaries and we meet  
the Qualification Standards of the American Academy of Actuaries  
to render the actuarial opinion herein.*



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

## Actuarial Assumptions and Cost Method – Highway Patrolmen’s Retirement System

(Adopted July 1, 2015)

### Mortality Tables

Healthy: The RP-2000 Combined Healthy Mortality Table set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost Scale from 2014.

Disabled: The RP-2000 Disabled Mortality Table, set back one year for males (not set back for females) multiplied by 125%. Sample healthy rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.03%	0.02%
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.13
55	0.29	0.20
60	0.53	0.35

### Annual Withdrawal Rates

First year of service is 10%.

Second through fifth years of service is 5% per year.

After five years of service, depends on age:

Under age 35: 2.5% at each age

Age 35 and older: 1% at each age

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

### Disability Incidence Rates

Sample rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.01%	0.01%
25	0.02	0.01
30	0.02	0.01
35	0.03	0.01
40	0.04	0.02
45	0.07	0.04
50	0.12	0.06
55	0.20	0.10
60	0.33	0.16

### Refund of Employee Contributions

Inactive vested members are assumed to elect a refund of employee contributions in lieu of a deferred pension benefit when it is more valuable than the deferred annuity.

### Retirement Rates

The following annual rates apply for active and inactive vested members:

<u>Age</u>	<u>Rate</u>
50-54	20%
55	100%

### Net Investment Return

8.00% per annum, net of investment expenses.

### Annual Administrative Expenses

Prior year expenses, adjusted for inflation.

### Salary Scale

Less than three years of service:

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

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

<u>Age</u>	<u>Percentage Increase</u>
35 or less	8.00%
36-40	7.50
41-49	6.00
50 and over	5.00

### Inflation

3.50% per annum.

### Payroll Growth

4.50% per annum.

### Percent Married and Age of Spouse

At retirement or death, 100% of non-retired members are assumed to have spouses. Males are assumed to be three years older than females. All spouses are assumed to be the opposite gender as the participant. The relatively low rate of same-gender spouses is not actuarially significant at this time.

### Workers’ Compensation

None assumed for disability benefit offset.

### Indexing for Benefits of Inactive Vested Members

4.00% per annum.

### Split Service

Liabilities are held in both plans based on service in each plan, and are based on the actuarial assumptions of the plan in which they are currently active.

### Transfers to PERS System

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

**Actuarial Cost Method**

Entry Age Actuarial Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. The unfunded actuarial accrued liability is amortized in installments assuming a 4.50% payroll growth assumption and an open 20-year period.

**Actuarial Value of Assets**

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each Plan Year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

**Benefit Election**

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

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

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions, effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, indexing for benefit of inactive members, percent married, benefit election and actuarial cost method.

**Summary of Plan Provisions –  
Highway Patrolmen's Retirement System**

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

**1. Normal Service Retirement:**

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

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

average salary for service in excess of 25 years.

**2. Early Service Retirement:**

Eligibility: Attainment of age 50 with 10 years of eligible employment.

Benefit: The Normal Service Retirement Benefit as determined above, reduced by one-half of one percent for each month before age 55.

**3. Disability Benefit:**

Eligibility: Accumulation of six months of service and inability to engage in substantial gainful activity.

Benefit: 70% of the member's final average salary at disability minus workers' compensation, with a minimum of \$100 per month.

**4. Deferred Retirement:**

Eligibility: 10 years of eligible employment.

Benefit: The Normal Service Retirement Benefit payable at age 55 or the Rule of 80, if earlier. Vested benefits are indexed at a rate set by the Retirement Board based on the increase in final average salary from date of termination to benefit commencement date, as follows:

Year	Average Monthly Increase	3-Yr. Avg. Increase Factor	Cumulative Salary Factor
<u>Beginning</u>	<u>Increase</u>	<u>Factor</u>	<u>Factor</u>
7/1/94	3.00%	1.0301	1.0301
7/1/95	2.00	1.0286	1.0595
7/1/96	2.00	1.0233	1.0842
7/1/97	3.00	1.0233	1.1095
7/1/98	1.80	1.0227	1.1347
7/1/99	1.26	1.0202	1.1576
7/1/00	2.00	1.0169	1.1771
7/1/01	1.81	1.0169	1.1971
7/1/02	1.73	1.0185	1.2191
7/1/03	0.00	1.0118	1.2335
7/1/04	0.00	1.0058	1.2406
7/1/05	4.00	1.0133	1.2572
7/1/06	4.00	1.0267	1.2907
7/1/07	4.00	1.0400	1.3423
7/1/08	4.00	1.0400	1.3960
7/1/09	5.00	1.0433	1.4565
7/1/10	5.00	1.0467	1.5245
7/1/11	2.00	1.0400	1.5855
7/1/12	2.00	1.0300	1.6330
7/1/13	3.00	1.0233	1.6711
7/1/14	3.00	1.0267	1.7011
7/1/15	3.00	1.0300	1.7311

Reduced early retirement benefits can be elected upon attainment of age 50.

**5. Pre-retirement Death Benefits:**

Eligibility: Ten years of eligible employment.

Benefit:

One of the following options:

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

Other death benefits:

Eligibility: Less than 10 years of service or no surviving spouse.

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

**6. Normal and Optional Forms of Payment:**

Normal form of payment: Monthly benefit for life with 50% of the benefit continuing for the life of the surviving spouse (if any).

Optional forms of payment:

- 100% joint and survivor annuity, ten-year certain and life annuity, and twenty-year certain and life annuity.
- A partial lump sum payment in addition to one of the annuity options above.
- An actuarially equivalent graduated benefit option with either a one percent or two percent increase to be applied the first day of January of each year. Not available for disability or early retirements or in combination with a partial lump sum option or a deferred normal retirement option.

**7. Final Average Salary:**

Average of the highest salary received by the member for any 36 months employed during the last 180 months of employment.

**8. Contributions:**

Member contributions as a percent of monthly salary: 13.30%

Member contributions earn interest at an annual rate of 7.50% compounded monthly.

Employer (state) contributions as a percent of monthly salary for each participating member: 19.70%

**Plan Amendments –****Highway Patrolmen's Retirement System**

There were no changes in plan provisions since the prior valuation.



**Schedule of Active Member Valuation Data – HPRS  
2006-2015**

<u>July 1</u>	<u>Number of Active Members</u>	<u>Total Payroll (millions)</u>	<u>Average Annual Salary</u>	<u>% Change in Average Salary</u>
2006	127	\$5.7	\$44,789	5.7%
2007	133	6.1	46,082	2.9
2008	130	6.5	50,066	8.6
2009	133	7.0	52,701	5.3
2010	139	7.7	55,666	5.6
2011	133	8.0	60,168	8.1
2012	145	8.2	56,323	(6.4)
2013	149	9.3	62,741	11.4
2014	156	10.1	65,037	3.7
2015	161	10.8	66,921	2.9

**North Dakota Highway Patrolmen's Retirement System  
Retirees and Beneficiaries Added to and Removed from the Rolls, 2006-2015**

<u>Plan Year</u>	<u>Beginning Number</u>	<u>Additions</u>		<u>(Removals)</u>		<u>Ending Number<sup>(1)</sup></u>	<u>Average Annual Benefits</u>	<u>Annual Pension Benefits</u>	<u>% Increase In Annual Benefits</u>
		<u>Counts</u>	<u>Annual Pension Benefits</u>	<u>Counts</u>	<u>Annual Pension Benefits</u>				
2006	92	9	\$380,570	(1)	\$(16,251)	100	\$27,996	\$2,799,646	14.2%
2007	100	4	177,564	(3)	(33,624)	101	29,341	2,963,415	5.8
2008	101	7	256,680	(3)	(48,925)	105	30,202	3,171,170	7.0
2009	105	8	249,776	(4)	(96,523)	109	30,499	3,324,423	4.8
2010	109	5	191,085	(1)	(13,126)	113	30,995	3,502,382	5.4
2011	113	2	58,150	0	0	115	30,961	3,560,532	1.7
2012	115	3	179,349	(2)	(7,037)	116	31,846	3,694,098	3.8
2013	116	4	169,974	(4)	(114,418)	116	32,325	3,749,654	1.5
2014	116	2	138,200	(1)	(64,069)	117	32,682	3,823,785	2.0
2015	117	16	967,969 <sup>(2)</sup>	(5)	(94,620)	128	36,696	4,697,134	22.8

<sup>(1)</sup>Includes alternate payees.

<sup>(2)</sup>Average annual benefit is \$60,498.

### Solvency Test — HPRS 2006-2015

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members.

In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active members (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time.

(Amounts in Millions)

<u>Aggregate Actuarial Accrued Liabilities</u>							
	Member	Retirees and	Active Member		Portion of Actuarial		
	Contributions	Inactive and Pay-	Employer	Actuarial	Accrued Liabilities		
		Status Members	Financed	Value of	Covered by Assets		
July 1	(1)	(2)	(3)	Assets	(1)	(2)	(3)
2006	\$ 9.2	\$28.8	\$11.1	\$42.8	100%	100%	43%
2007	9.5	30.5	11.5	48.2	100	100	71
2008	9.5	32.6	12.5	50.8	100	100	70
2009	10.0	34.3	13.3	50.2	100	100	44
2010	10.5	36.1	15.2	49.3	100	100	18
2011	11.6	37.4	18.1	49.5	100	100	3
2012	12.1	39.3	17.1	48.1	100	92	0
2013	13.5	40.5	17.9	49.0	100	88	0
2014	14.8	41.9	18.8	54.6	100	95	0
2015	12.3	54.1	13.7	58.9	100	86	0

### Analysis of Financial Experience – HPRS

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

<u>Plan Year Ended</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Employer Cost Rate at Beginning of Year</b>	<b>27.13%</b>	<b>26.83%</b>	<b>25.11%</b>	<b>21.70%</b>
Plan Change	(-1.00)	(0.66)	(0.50)	0.00
Plan Experience	(-2.78)	(2.16)	(1.03)	(0.12)
Change in Amortization Schedule	(-0.65)	(0.63)	(0.54)	(0.50)
Assumption Changes	0.00	0.00	0.00	1.16
Investment Loss/(Gain)	3.48	1.40	(1.60)	(0.89)
Contribution Loss/(Gain)	0.65	0.33	0.26	0.07
<b>Employer Cost Rate at End of Year</b>	<b>26.83%</b>	<b>25.11%</b>	<b>21.70%</b>	<b>21.42%</b>

**COMMENTS  
FROM  
THE SEGAL  
COMPANY**

**JOB SERVICE  
RETIREMENT  
PLAN**



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November 20, 2015

State Retirement Board  
North Dakota Public Employees Retirement System  
400 East Broadway, Suite 505  
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for Retirement Plan  
For Employees of Job Service North Dakota  
Financial Report for Fiscal Year Ended June 30, 2015

Dear Members of the Board:

The Retirement Plan for Employees of Job Service North Dakota is a funded retirement plan administered by the North Dakota Public Employees Retirement System. One of the Retirement Plan's basic financial objectives is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the Retirement Plan for Employees of Job Service North Dakota. The basic purpose of annual actuarial valuations is to determine the Retirement Plan's actuarial liabilities and the scheduled contribution determined based on the funding policy adopted by the Employer.

**Basic Elements**

The most recent actuarial valuation prepared as of July 1, 2015 is based on the following major elements:

- Current benefit provisions.
- Membership data as of June 30, 2015 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2015 (obtained from the Retirement System's draft financial statements).
- Actuarial assumptions and methods.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement Plan. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

**Actuarial Assumptions**

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution for the existing schedule of benefits will remain relatively level. Annual contributions are redetermined in connection with each annual actuarial valuation to reflect actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans.

The actuarial assumptions used for both funding and financial (GASB) purposes are the same and are summarized in the July 1, 2015 actuarial valuation.

**Exhibits**

The enclosed supporting exhibits, prepared by Segal Consulting (Segal), provide further related information regarding the 2015 valuation. Specifically, those exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Method
- Summary of Plan Provisions
- Changes in Plan Provisions
- Active Member Valuation Data
- Retirees and Beneficiaries Added to and Removed from the Rolls
- Solvency Test
- Analysis of Financial Experience
- Schedule of Retired Members by Type of Benefit
- Schedule of Average Benefit Payments

Segal did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

**ACTUARIAL  
VALUATION  
CERTIFICATE**

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

**NOVEMBER 20, 2015**

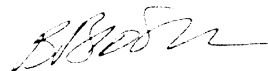
*Actuarial Valuation Certificate*

*This is to certify that we have prepared an Actuarial Valuation  
of the Plan as of July 1, 2015 in accordance with  
generally accepted actuarial principles and practices.*

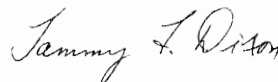
*The valuation was based on the assumption that the plan is qualified  
and on information supplied by the Retirement Office with respect to  
participants and for financial data. We have not verified, and  
customarily would not verify, such information but we have had  
no reason to doubt its substantial accuracy.*

*To the best of our knowledge, the information supplied in this actuarial valuation  
is complete and accurate. Certain assumptions, including interest rates, mortality  
tables and others identified in the report are prescribed by the Board and, in our  
opinion, are reasonably related to the experience of and the expectations  
for the Plan. The Board is also responsible for selecting the scheduled  
contribution, actuarial cost method and asset valuation method.*


*We are members of the American Academy of Actuaries and we meet  
the Qualification Standards of the American Academy of Actuaries  
to render the actuarial opinion herein.*



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

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

(Adopted July 1, 2015)

### Actuarial Cost Method

There is a wide range of funding methods that are considered acceptable by the actuarial profession and meet government standards. The frozen initial liability actuarial cost method is the method used currently for the Retirement Plan for Employees of Job Service North Dakota.

The “annual contribution” under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the frozen initial liability actuarial cost method is the same as the aggregate cost method.

The “scheduled contribution” will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

### Asset Valuation Method

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

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year’s total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

### Actuarial Assumptions

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

Mortality tables:

Healthy: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and 3 years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014.

Disabled: RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

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

Disability incidence: Sample rates shown below.

Age	Rates (%)			
	Mortality		Disability	
	Male	Female	Male	Female
20	0.03	0.02	0.01	0.01
25	0.04	0.02	0.02	0.01
30	0.04	0.02	0.02	0.01
35	0.06	0.04	0.03	0.01
40	0.10	0.06	0.04	0.02
45	0.13	0.09	0.07	0.04
50	0.19	0.13	0.12	0.06
55	0.29	0.20	0.20	0.10
60	0.53	0.35	0.33	0.16

Withdrawal rates: There are no withdrawal rates for Job Service members.

Retirement rates:

The following annual rates apply for non-retired participants:

Age	Rate
50-64	15%
65	100%

Salary scale: 3.5% per year.

Post-retirement cost-of-living adjustment: 3.0% per year.

Percent married and Age of Spouse: 85% of all active and inactive vested participants are assumed to be married. Females are assumed to be four years younger than males. All spouses are assumed to be the opposite gender as the participant. The relatively low rate of same-gender spouses is not actuarially significant at this time.

Rate of return on assets/Discount Rate: 7.0% per year, compounded annually, net of investment expenses.

Future benefit accruals: One year of credited service per year per active employee included in the valuation.

Administrative Expenses: Prior year expenses, adjusted for inflation.



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

### **Changes in Actuarial Assumptions or Cost Method**

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions, effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, rate of return of assets/discount rate, administrative expenses, salary scale, post-retirement cost-of-living adjustment and benefit election.

### **Summary of Plan Provisions**

This section summarizes the major provisions of the Retirement Plan for Employees of Job Service North Dakota as included in the valuation. It is not intended to be, nor should it be, interpreted as a complete description of all plan provisions. Benefits are established through the plan document, as amended. The system provides a post-retirement cost-of-living adjustment each year, based on the Consumer Price Index.

#### **Normal retirement**

Age requirement: 65.

Service requirement: None.

Benefit: Average monthly earnings multiplied by the sum of:

- a. 1.50% times credited service up to five years, plus
- b. 1.75% times credited service between six and ten years, plus
- c. 2.00% times credited service in excess of ten years.

Average monthly earnings – monthly average earnings during the highest three consecutive years of employment.

#### **Optional retirement**

Age and service requirements: Age 62 with five years of credited service, or  
Age 60 with twenty years of credited service, or  
Age 55 with thirty years of credited service.

Benefit: Accrued normal retirement benefit.

#### **Early retirement**

Age requirement: Ten years before normal or optional retirement age.

Service requirement: Same as optional retirement.

Benefit: Accrued normal retirement benefit, reduced if payments begin before normal or optional retirement.

#### **Disability Benefit**

Age requirement: None.

Service requirement: Five years of credited service.

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

#### **Deferred Vested Retirement**

Age requirement: None.

Service requirement: Five years of credited service.

Benefit: Accrued normal retirement benefit payable at normal or optional retirement. After attainment of early retirement age, reduced benefits may be paid.

Employees who meet the requirements for a vested benefit may elect to receive a return of their accumulated employee contributions (including interest at 4% per year) in lieu of all other benefits under the plan.

**Refund of Member contributions:** Employees who do not meet the requirements for a vested benefit will receive a return of their accumulated employee contributions (including interest at 4% per year).

#### **Pre-retirement death benefits**

*Married participants or single participants with eligible children*

Surviving spouse's benefit:

Age requirement: None.

Service requirement: None.

Benefit: 55% of the greater of (a) or (b).

(a) Accrued normal retirement benefit.

(b) The lesser of (1) or (2).

(1) 40% of average monthly earnings.

(2) Normal retirement benefit based on credited service to age 60.

Children's benefit: Provided for children under age 18 (age 22 if a full-time student) - note: the actuarial valuation does not consider benefits for expected surviving children.

*Single participants with no eligible children*

120 payment guarantee:

Age requirement: None.

Service requirement: Five years of credited service.

Benefit: Accrued normal retirement benefit payable for 120 months. Not payable if surviving spouse or children's benefit is payable.

Lump sum benefit:

Age requirement: None.

Service requirement: None.

**Benefit:** Accumulated employee contributions (including interest at 4% per year). Not payable if the surviving spouse, children's benefit or 120 payment guarantee is in effect.

**Post-retirement death benefits**

Based on form of payment elected by the pensioner.

**Post-retirement cost-of-living adjustment**

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

**Participation**

Plan participant before October 1, 1980.

**Credited service**

Monthly salaried employment in a probationary or permanent status including only: service for which contributions were made (including purchased service), eligible military service and unused sick leave.

**Contribution rate**

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

Employer: remaining scheduled contribution, if any.

**Normal and Optional Forms of Payment:**

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

**Changes in Plan Provisions**

There were no changes in plan provisions since the preceding valuation.

**Schedule of Active Member Valuation Data – Job Service Retirement Plan  
2006 to 2015**

Valuation Date as of <u>July 1</u>	<u>Number of Active Members</u>	<u>Total Payroll (millions)</u>	<u>Average Annual Salary</u>	<u>% Increase in Average Salary</u>
2006	44	\$1.9	\$43,697	2.0%
2007	40	1.8	46,079	5.5
2008	38	1.8	46,385	0.7
2009	35	1.7	48,841	5.3
2010	31	1.6	51,975	6.4
2011	23	1.2	52,208	0.5
2012	19	1.0	54,892	5.1
2013	15	0.8	56,173	2.3
2014	13	0.8	60,819	8.3
2015	11	0.7	63,402	4.2

**Retirement Plan for Employees of Job Service North Dakota  
Retirees and Beneficiaries (Including Travelers Annuitants)  
Added to and Removed from the Rolls, 2006-2015**

<u>Plan Year</u>	<u>Beginning Number</u>	<u>Additions</u>		<u>Removals</u>		<u>Ending Number</u>	<u>Average Annual Benefits</u>	<u>Annual Pension Benefits</u>	<u>% Increase in Annual Benefits</u>
		<u>Counts</u>	<u>Annual Pension Benefits</u>	<u>Counts</u>	<u>Annual Pension Benefits</u>				
2006	217	9	\$251,760	(5)	\$(35,703)	221	\$14,808	\$3,272,565	12.5%
2007	221	4	111,871	(5)	(42,458)	220	15,723	3,459,148	5.7
2008	220	7	195,354	(11)	(99,492)	216	16,458	3,555,010	2.8
2009	216	4	354,356	6	80,657	214	17,891	3,828,709	7.7
2010	214	4	116,464	7	121,601	211	18,324	3,866,281	1.0
2011	211	8	229,678	6	96,255	213	18,778	3,999,704	3.5
2012	213	9	543,433	10	153,978	212	20,704	4,389,159*	9.7
2013	212	8	273,087	(7)	(250,470)	213	20,713	4,411,776	0.5
2014	213	6	300,806	(6)	(86,706)	213	21,718	4,625,876	4.9
2015	213	2	106,825*	(9)	(119,238)	206	22,395	4,613,463*	(0.3)

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

### Solvency Test — Job Service Retirement Plan 2006-2015

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) the liabilities for future benefits to present retired lives; 2) the liabilities for future benefits to inactive vested employees not in pay status; and 3) the liabilities for future benefits to current active employees.

In a system that has been following level percent of payroll financing, the liabilities for current active employees (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time.

(Amounts in Millions)

<u>July 1</u>	<u>Actuarial Present Value of Benefits</u>		<u>Active Employees</u>	<u>Actuarial Value of Assets</u>	<u>Portion of Actuarial Present Value of Benefits Covered by Assets</u>		
	<u>Pensioners (Including Disableds &amp; Beneficiaries)</u>	<u>Inactive Vested Employees Not in Pay Status</u>			<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>				
2006	\$52.0	\$0.3	\$17.7	\$70.6	100%	100%	100%
2007	53.9	0.3	17.6	75.7	100	100	100
2008	54.8	0.2	16.9	77.0	100	100	100
2009	55.3	0.2	16.5	74.5	100	100	100
2010	55.1	0.2	15.6	73.5	100	100	100
2011	55.7	0.9	11.6	74.2	100	100	100
2012	61.1	0.7	10.2	75.1	100	100	100
2013	56.7	1.9	7.8	76.3	100	100	100
2014	57.9	0.0	7.6	78.2	100	100	100
2015	56.2	0.0	7.4	63.6	100	100	100

### Analysis of Financial Experience – Job Service Retirement Plan

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

<u>Plan Year Ended</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Employer Cost Rate at Beginning of Year</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
Plan Experience	0.00	0.00	0.00	0.00
Change in Amortization Schedule	0.00	0.00	0.00	0.00
Assumption Changes	0.00	0.00	0.00	0.00
Amendments	0.00	0.00	0.00	0.00
<b>Employer Cost Rate at End of Year</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>



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November 20, 2015

State Retirement Board  
North Dakota Public Employees Retirement System  
400 East Broadway, Suite 505  
Bismarck, ND 58502

Re: Introductory Letter for Actuarial Section for North Dakota  
Public Employees Retirement System Retiree Health Insurance Credit Fund  
Financial Report for Fiscal Year Ended June 30, 2015

Dear Members of the Board:

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund is a funded retiree health plan. One of the program's basic financial objectives is to establish and receive contributions that remain relatively level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually by the independent actuary for the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund. The basic purpose of annual actuarial valuations is to determine the System's actuarial liabilities and the percentage-of-payroll contribution rates required to fund the System on an actuarial reserve basis.

#### Basic Elements

The most recent actuarial valuation prepared as of July 1, 2015 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2015 (obtained from data provided by the Retirement System).
- Assets as of June 30, 2015 (obtained from the Retirement System's draft financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statements No. 25 and 43.

Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

#### Actuarial Assumptions

In addition to utilizing current membership and financial data, an actuarial valuation requires the use of a series of assumptions regarding uncertain future events. Assumptions must be made to project the number of active members who will become eligible for benefits, the amount of those benefits, and the number of years benefits will be payable to current and future benefit recipients.

If the actuarial assumptions prove to be a good indicator of actual emerging experience, the actuarially-determined contribution rates for the existing schedule of benefits will remain relatively level as a percentage of salary. Contribution rates are redetermined in connection with each annual actuarial valuation to recognize actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions used in the July 1, 2015 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions.

## COMMENTS FROM THE SEGAL COMPANY

## RETIREE HEALTH INSURANCE CREDIT FUND

### Actuarial Funding Method

An actuarial valuation is based on a particular actuarial cost or funding method, which allocates the present value of expected future benefit payments to various time periods. The funding method used in annual actuarial valuations of the North Dakota Retiree Health Insurance Credit Fund is the projected unit credit cost method.

Under the projected unit credit cost funding method, the total actuarially-determined employer contribution rates consist of the normal cost plus the payment required to amortize the unfunded actuarial accrued liability over the established amortization period. Actuarial gains and losses resulting from differences between actual and assumed experience become part of the System's actuarial accrued liabilities.

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund's unfunded actuarial accrued liability amounted to \$39.5 million as of July 1, 2015. The unfunded actuarial accrued liability is being amortized by level percentage-of-payroll payments over a fixed period that ends June 30, 2030.

### Calculated and Statutory Contribution Rates

The July 1, 2015 actuarial valuation of the North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund indicates the following contribution requirements: the actuarially determined employer-pay contribution rate is 0.72%, while the statutory contribution rate is 1.14% of payroll.

### Exhibits

The enclosed supporting exhibits prepared by Segal Consulting provide further related information regarding the 2015 valuation. Specifically, they are:

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

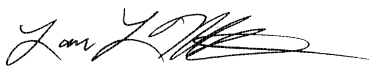
Segal Consulting did not prepare the Schedule of Employer Contributions and the Schedule of Funding Progress for the financial section of the CAFR.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Sincerely,



Brad Ramirez, FSA, MAAA, FCA, EA  
Vice President and Consulting Actuary



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



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

**ACTUARIAL  
VALUATION  
CERTIFICATE**

**NORTH DAKOTA  
PUBLIC EMPLOYEES RETIREMENT SYSTEM  
RETIREE HEALTH INSURANCE CREDIT FUND**

**NOVEMBER 20, 2015**

## *Actuarial Valuation Certificate*

*This is to certify that we have prepared an Actuarial Valuation  
of the System as of July 1, 2015 in accordance with  
generally accepted actuarial principles and practices.*

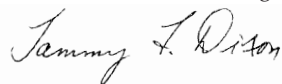
*The valuation was based on the assumption that the plan is qualified  
and on information supplied by the Retirement Office with respect to  
members and for financial data. We have not verified, and  
customarily would not verify, such information but we have  
no reason to doubt its substantial accuracy.*

*To the best of our knowledge, the information supplied in this actuarial valuation  
is complete and accurate. Certain assumptions, including interest rates, mortality  
tables and others identified in the report are prescribed by the Board, and in our  
opinion, are reasonably related to the experience of and the expectations  
for the Plan. The Board is also responsible for selecting the actuarially  
required contribution, actuarial cost method and asset valuation method.*

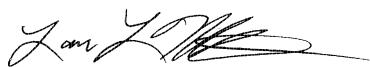
*We are members of the American Academy of Actuaries and we meet  
the Qualification Standards of the American Academy of Actuaries  
to render the actuarial opinion herein.*



**Brad Ramirez, FSA, MAAA, FCA, EA**  
**Vice President and Consulting Actuary**



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



**Laura L. Mitchell, MAAA, EA**  
**Vice President and Consulting Actuary**



### Actuarial Assumptions and Cost Method – Retiree Health Insurance Credit Fund

(Adopted July 1, 2015)

#### Mortality Tables

Active PERS members and retirees:

Healthy: RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using SSA 2014 Intermediate Cost scale from 2014.

Disabled: RP-2000 Disabled Mortality Table, set back one year for males (not setback for females) multiplied by 125%.

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

Sample healthy rates for the base table, including setback, are as follows:

Age	Male	Female
20	0.03%	0.02%
25	0.04	0.02
30	0.04	0.02
35	0.06	0.04
40	0.10	0.06
45	0.13	0.09
50	0.19	0.13
55	0.29	0.20
60	0.53	0.35

#### Withdrawal Rates

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

Select and ultimate rates are used for active members of the Main and DC Systems. During the select period (first five years of active employment) rates vary by entry age and year of employment. During the ultimate period (active employment after the first five years), rates vary by attained age.

Select Period

Age	Year of Employment				
	0	1	2	3	4
29 & Under	22%	18%	16%	14%	14%
30-39	16	14	12	12	11
40 & Over	12	10	10	8	7

Ultimate Period

Age	Rate
20-24	8.8%
25-29	8.8
30-34	5.5
35-39	4.7
40-44	3.9
45-49	3.7
50-54	3.4
55-59	0.1
60 & Over	0.2

Withdrawal rates end upon eligibility for early retirement.

#### Disability Incidence Rates

Sample rates as follows:

Age	Male	Female
20	0.01%	0.01%
25	0.02	0.01
30	0.02	0.01
35	0.03	0.01
40	0.04	0.02
45	0.07	0.04
50	0.12	0.06
55	0.20	0.10
60	0.33	0.16

#### Retirement Rates for Active Members

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

Annual Rates for the Main and DC System are as follows:

Age	Early Retirement	Unreduced Retirements*
50		30%
51-54		10
55	1%	10
56-59	1	8
60	2	8
61	5	15
62-63	10	30
64	10	20
65		30
66		20
67-74		15
75		100

\*Age 65 or Rule of 85

#### Participation Rates

All members are assumed to participate.

**Benefit Election***Main and DC Systems and Law Enforcement:*

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

Valued without reduction for optional form of payment.

*Judges and HPRS:*

100% of retirees will elect a 100% joint and survivor form of pension from the retirement system.

Valued without reduction for optional form of payment.

**Interest Rate**

8.0% per annum, net of investment expenses

**Inflation**

3.50% per annum

**Administrative Expenses**

Prior year expenses, adjusted for inflation.

**Percent Married and Age of Spouse:**

*Main, DC Systems and Law Enforcement:* At retirement or death, 75% of active members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

*Judges and Highway Patrol:*

At retirement or death, 100% of members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

All spouses are assumed to be the opposite gender as the participant. The relatively low rate of same-gender spouses is not actuarially significant at this time.

**Payroll Growth**

4.50% per annum.

**Actuarial Cost Method**

Projected Unit Credit Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the payroll growth assumption each year over a fixed period which ends on June 30, 2030.

**Actuarial Value of Assets**

Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation

(depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized. A characteristic of this asset valuation method is that, over time, it is more likely than not to produce an actuarial value of assets that is less than the market value of assets, if the investment return attributable to net interest and dividends is less than the assumed rate of return.

**Changes in Actuarial Assumptions or Cost Method – Retiree Health Insurance Credit Fund**

Based on the results of the Actuarial Experience Study completed in May 2015, the Board approved several changes to the actuarial assumptions, effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, participation rates, benefit election and marital status.

**Summary of Plan Provisions – Retiree Health Insurance Credit Fund**

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

**Covered Employees**

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

**Normal Retirement**

Age requirement:

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

Highway Patrol: Age 55 or at any age plus with age plus service equal to at least 80 (Rule of 80). Law Enforcement: Age 55, or if not National Guard, at any age with age plus service equal to at least 85 (Rule of 85). National Guard is eligible for Rule of 85 on August 1, 2015.

Service requirement:

Main and DC Systems and Judges: None.

Highway Patrol: 10 years.

Law Enforcement:

3 consecutive years.

Other requirements:  
Participation in the North Dakota Uniform Group Insurance Program.

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

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

### **Early Retirement**

Age requirement:  
Main, DC Systems and Judges: Age 55.  
Highway Patrol, and Law Enforcement: Age 50.

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

Benefit amount:  
Main, DC Systems and Judges:  
The Normal Retirement Benefit reduced by 3% for retirements at age 64 and an additional 6% for each year by which retirement precedes age 64.

Benefits are unreduced upon the fulfillment of the Rule of 85.

Highway Patrol and Law Enforcement:  
The Normal Retirement Benefit reduced by 3% for retirements at age 54 and an additional 6% for each year by which retirement precedes age 54.

Benefits are unreduced upon the fulfillment of the Rule of 80, for Highway Patrol and Rule of 85 for Law Enforcement.

### **Disability Retirement**

Age requirement: None  
Service requirement: 6 months  
Other requirements: As required by applicable pension plan  
Benefit amount: Same as Normal Retirement Benefit

### **Pre-Retirement Death Benefit**

Age requirement: None  
Service requirement:  
Main, DC Systems and Law Enforcement: 3 years.  
Judges: 5 years.  
Highway Patrol: 10 years.  
Benefit amount:  
Same as Normal Retirement Benefit accrued to the date of the member's death, payable for as long as benefits are payable to the spouse from the Retirement System under the standard option.

### **Post-Retirement Death Benefit**

Following a retired member's death, the Retiree Health Insurance Credit Fund will: (1) continue benefits to the member's spouse if the spouse continues to receive a monthly pension from member's Retirement Plan or (2) provide benefits to the member's spouse if the member selected a joint and survivor option from the Retiree Health Insurance Credit Fund.

### **Alternative Options**

If benefits from the member's Retirement Plan are paid under single life, level Social Security, or 10 or 20-year term certain options (without a continuation to the spouse after the certain period ends), actuarially reduced health credit benefits may be elected for the spouse. Alternative options in the Retiree Health Insurance Credit Fund include 50% and 100% joint and survivor annuities.

### **Service**

Members receive credit for each year and month of employment.

### **Contributions**

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

### **Plan Amendments –**

#### **Retiree Health Insurance Credit Fund**

The change made in the plan provisions since the prior valuation is:

Participation in the North Dakota Uniform Group Insurance Program has been expanded to no longer require enrollment in the NDPERS health insurance plan. The participation rates were changed in conjunction with this Plan change.

**Retired Members and Beneficiaries,  
Average Annual Benefit, and Active Member/Retiree Comparison  
Retiree Health Insurance Credit Fund 2006-2015**

<u>July 1</u>	<u>Number of Retired Members*</u>	<u>Average Annual Benefit</u>	<u>Active Members Per Retiree</u>
2006	3,838	\$1,168	4.8
2007	3,922	1,177	4.8
2008	3,935	1,200	5.0
2009	4,030	1,356	5.0
2010	4,105	1,377	5.1
2011	4,242	1,394	5.0
2012	4,442	1,416	4.8
2013	4,635	1,428	4.7
2014	4,828	1,428	4.7
2015	5,212	1,455	4.5

*\*Includes beneficiaries and alternate payees.*

**Assets and Actuarial Accrued Liabilities  
Retiree Health Insurance Credit Fund 2006-2015**

(Amounts in Millions)						
<u>July 1</u>	<u>Total Actuarial Accrued Liability</u>	<u>Total Actuarial Value of Assets</u>	<u>Assets as of % of Total Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Total Payroll</u>	<u>Total Unfunded Liability as % of Payroll</u>
2006	\$ 82.6	\$34.0	41.2%	\$48.6	\$568.0	8.6%
2007	85.3	38.8	45.6	46.5	602.9	7.7
2008	87.6	42.5	48.6	45.1	660.9	6.8
2009	102.2	44.8	43.9	57.4	719.8	8.0
2010	102.8	48.7	47.4	54.1	793.6	6.8
2011	108.4	53.7	49.6	54.7	829.0	6.6
2012	112.4	58.3	51.9	54.1	824.9	6.6
2013	114.1	66.0	57.8	48.1	914.4	5.3
2014	116.6	77.9	66.8	38.7	1,001.2	3.9
2015	128.9	89.4	69.4	39.5	1,052.7	3.8

**Analysis of Financial Experience –  
Retiree Health Insurance Credit Fund**

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

<u>Plan Year Ended</u>	<u>June 30, 2012</u>	<u>June 30, 2013</u>	<u>June 30, 2014</u>	<u>June 30, 2015</u>
<b>Employer Cost Rate at Beginning of Year</b>	<b>0.88%</b>	<b>0.90%</b>	<b>0.77%</b>	<b>0.64%</b>
Plan Experience	0.07	(0.06)	(0.08)	0.04
Assumption and Method Changes	0.00	0.00	0.00	0.00
Investment Loss/(Gain)	0.03	0.01	(0.02)	(0.01)
Contribution Loss/(Gain)	(-0.08)	(0.08)	0.00	(0.10)
Plan Amendments	0.00	0.00	0.00	0.15
Change in normal cost rate	0.00	0.00	(0.03)	0.00
<b>Employer Cost Rate at End of Year</b>	<b>0.90%</b>	<b>0.77%</b>	<b>0.64%</b>	<b>0.72%</b>

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## STATISTICAL SECTION

The Statistical Section contains membership and financial information for the programs administered by the System. Included in this section are schedules providing financial trend information for administrative cost per member, benefits paid, changes in net assets and deferred compensation assets by provider. Information on the operations of the System is provided in the schedules of members by type of benefit, average benefit payments, participating employers, Group Health insurance contracts and premiums.

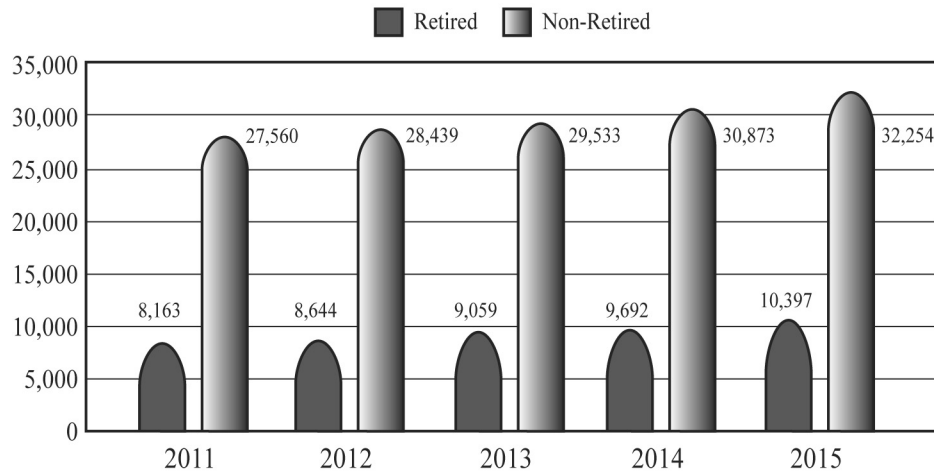


### Retirement System Membership – PERS, HPRS and Job Service As of June 30

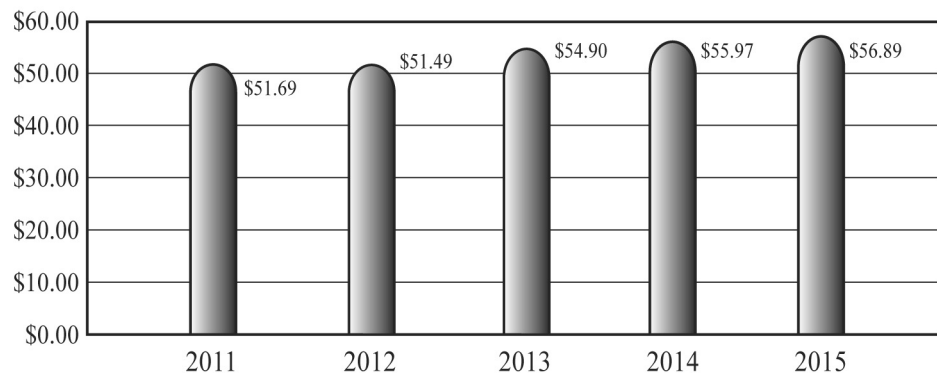
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
State Agencies	13,676	13,763	13,985	14,176	14,284
Cities	1,586	1,734	1,908	2,142	2,391
Counties	4,536	4,795	5,040	5,410	5,750
School Districts	7,039	7,390	7,821	8,314	8,939
Other Political Subdivisions	<u>723</u>	<u>757</u>	<u>779</u>	<u>831</u>	<u>890</u>
Total Non-Retired <sup>(1)</sup>	27,560	28,439	29,533	30,873	32,254
Retired Members & Beneficiaries	<u>8,163</u>	<u>8,644</u>	<u>9,059</u>	<u>9,692</u>	<u>10,397</u>
Total Membership	35,723	37,083	38,592	40,565	42,651
Administrative Expenses	\$1,846,389	\$1,909,569	\$2,118,566	\$2,270,230	\$2,426,496
Administrative Cost per Member	\$51.69	\$51.49	\$54.90	\$55.97	\$56.89

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

#### Retirement System Membership



#### Annual Administrative Cost Per Member



**Schedule of Benefit Expenses by Type – PERS<sup>(1)</sup>**  
**Fiscal Year Ended June 30**

FY Ended June 30	Annuities <sup>(2)</sup>			Refunds		Transfers <sup>(3)</sup>	Total
	Retirant	Disability	Survivor	Death	Separation		
2010	\$74,553,724	NA	\$5,493,863	\$ 239,384	\$3,942,285	\$210,638	\$ 84,439,894
2011	81,124,561	NA	5,934,724	778,888	4,706,228	264,688	92,809,089
2012	85,599,845	1,934,357	6,549,185	706,326	4,098,719	412,994	99,301,426
2013	95,023,504	1,930,968	6,341,305	1,045,556	4,738,268	212,500	109,292,101
2014	104,765,144	1,964,820	6,570,735	652,235	5,585,607	347,783	119,886,324
2015	117,545,803	1,901,631	7,732,091	1,221,279	5,996,286	532,647	134,929,737

**Schedule of Benefit Expenses by Type – HPRS<sup>(1)</sup>**  
**Fiscal Year Ended June 30**

FY Ended June 30	Annuities <sup>(2)</sup>			Refunds		Transfers	Total
	Retirant	Disability	Survivor	Death	Separation		
2010	NA	NA	NA	NA	NA	\$ 0	\$ 0
2011	NA	NA	NA	NA	NA	0	0
2012	3,290,516	105,131	266,002	0	598	0	3,662,247
2013	3,353,261	105,131	291,496	0	22,428	0	3,772,316
2014	3,297,164	105,131	350,332	0	32,108	0	3,784,735
2015	4,049,384	105,131	373,663	0	217,332	0	4,745,510

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

FY Ended June 30	Annuities <sup>(2)</sup>			Refunds		Transfers	Total
	Retirant	Disability	Survivor	Death	Separation		
2010	\$3,668,101	NA	\$223,895	\$ 0	\$ 0	\$ 0	\$3,891,996
2011	3,787,450	NA	225,257	0	0	0	4,012,707
2012	3,821,456	143,649	205,864	0	0	0	4,170,969
2013	3,977,545	126,601	249,838	0	0	0	4,353,984
2014	4,208,982	118,440	267,040	0	0	0	4,594,462
2015	4,258,969	150,008	285,194	0	0	0	4,694,171

<sup>(1)</sup>Prior to July 1, 2011, the benefits for PERS and HPERS are combined and are shown as part of the PERS table.

<sup>(2)</sup>Prior to July 1, 2011, disability benefits were included as part of the Retirant totals.

<sup>(3)</sup>Includes transfers to Deferred Compensation Plan to offset software development costs and general administrative expenses.

## Changes in Net Assets

ADDITIONS:	FY Ended June 30	Member Contributions	Employer Contributions	Purchased Service Credit	Investment Income	Miscellaneous Income	Total Additions	Employer Contributions as a % of Covered Payroll
Public Employees Retirement System:	2006	\$20,805,715	\$21,969,517	\$3,702,908	\$170,879,698	\$11,218	\$217,369,056	4.02%
	2007	21,883,581	23,140,767	3,679,036	309,726,953	4,759	358,435,096	3.97
	2008	27,105,614 <sup>(1)</sup>	25,253,902	3,454,411	(97,388,032)	5,187	(41,568,918)	3.94
	2009	26,237,554	27,705,267	3,732,801	(421,049,421)	1,983	(363,371,816)	3.90
	2010	28,579,338	30,253,093	4,005,571	173,592,763	3,406	236,434,171	3.93
	2011	30,479,702	32,278,056	3,797,333	308,352,471	2,129	374,909,691	4.01
	2012	36,095,927	38,005,854	6,503,853	(3,472,695)	8,700	77,141,639	4.75
	2013	46,815,060	48,846,796	7,470,218	231,849,472	0	334,981,546	5.50
	2014	59,394,200	61,661,050	8,325,140	316,628,462	1,101	446,009,953	6.33
	2015	68,392,061	70,842,535	6,651,879	81,536,565	0	227,423,040	6.92
Highway Patrolmen's Retirement System:	2006	\$574,341	\$931,206	\$ 0	\$5,623,010	\$219	\$7,128,776	16.37%
	2007	592,398	960,487	0	10,026,722	44	11,579,651	15.67
	2008	649,861	1,058,825	0	(3,100,879)	21	(1,392,172)	16.27
	2009	692,320	1,122,720	0	(13,215,900)	14	(11,400,846)	16.02
	2010	741,271	1,196,562	0	5,346,677	25	7,284,535	15.46
	2011	793,028	1,285,699	46,844	9,332,725	4	11,458,300	16.07
	2012	893,784	1,423,154	13,911	(104,302)	68	2,226,615	17.43
	2013	1,028,615	1,586,186	133,169	6,854,552	0	9,602,522	16.97
	2014	1,243,520	1,864,632	87,418	9,239,929	0	12,435,499	18.38
	2015	1,351,798	2,002,291	96,429	2,334,780	0	5,785,298	18.58
Job Service Retirement Plan:	2006	\$150,633	\$ 0	\$25,927	\$ 5,766,011	\$ 0	\$ 5,942,571	0.00%
	2007	132,564	0	0	13,618,796	0	13,751,360	0.00
	2008	123,718	0	0	(1,310,119)	0	(1,186,401)	0.00
	2009	119,115	0	0	(14,092,621)	0	(13,973,506)	0.00
	2010	114,626	0	0	9,307,523	0	9,422,149	0.00
	2011	97,591	0	0	11,999,421	2	12,097,014	0.00
	2012	83,351	0	0	3,100,706	0	3,184,057	0.00
	2013	72,174	0	0	9,984,241	0	10,056,415	0.00
	2014	55,748	0	0	11,887,840	0	11,943,588	0.00
	2015	50,142	0	0	3,260,507	0	3,310,649	0.00
Retiree Health Insurance Credit Plan:	2006	\$7,210	\$5,373,091	\$211,601	\$2,828,932	\$ 0	\$ 8,420,834	0.95%
	2007	7,959	5,665,071	204,758	6,129,258	0	12,007,046	0.94
	2008	7,593 <sup>(2)</sup>	6,174,940	227,655	(6,469,252)	0	(59,064)	0.93
	2009	9,094	6,771,699	169,242	(6,251,486)	0	698,549	0.94
	2010	10,653	8,392,847	237,735	6,658,687	0	15,299,922	1.06
	2011	15,592	8,929,903	166,962	9,788,886	0	18,901,343	1.08
	2012	13,246	9,388,040	423,449	1,604,475	0	11,429,210	1.14
	2013	13,300	9,959,603	371,587	7,963,391	0	18,307,881	1.09
	2014	15,539	10,709,792	368,859	12,366,408	0	23,460,598	1.07
	2015	12,625	11,478,599	347,238	2,760,953	0	14,599,415	1.09

<sup>(1)</sup> Member contributions include \$3,208,999 contributions from external pension plans.

## Changes in Net Assets

DEDUCTIONS:	FY Ended June 30	Benefits	Administrative Expenses	Transfers and Refunds	Total Deductions	Change in Net Position
Public Employees Retirement System:	2006	\$57,820,126	\$1,037,535	\$4,277,700	\$63,135,361	\$154,233,695
	2007	60,469,904	1,109,260	5,171,153	66,750,317	291,684,779
	2008	70,153,871	1,118,233	4,860,814	76,132,918	(117,701,836)
	2009	71,169,574	1,261,120	5,417,235	77,847,929	(441,219,745)
	2010	76,884,950	1,214,733	4,152,792	82,252,475	154,181,696
	2011	84,307,028	1,797,287	4,933,760	91,038,075	283,871,616
	2012	94,083,387	1,856,915	5,218,039	101,158,341	(24,016,702)
	2013	103,295,777	2,059,315	5,996,324	111,351,416	223,630,130
	2014	113,300,699	2,210,792	6,585,625	122,097,116	323,912,837
	2015	127,179,525	2,365,357	7,750,212	137,295,094	90,127,946
Highway Patrolmen's Retirement System:	2006	\$2,662,076	\$17,470	\$ 0	\$2,679,546	\$4,449,230
	2007	2,892,964	19,410	85,812	2,998,186	8,581,465
	2008	3,077,105	18,364	134,475	3,229,944	(4,622,116)
	2009	3,176,258	18,834	17,911	3,213,003	(14,613,849)
	2010	3,402,021	18,154	131	3,420,306	3,864,229
	2011	3,531,145	22,734	37,156	3,591,035	7,867,265
	2012	3,661,649	26,674	598	3,688,921	(1,462,306)
	2013	3,749,888	29,237	22,428	3,801,553	5,800,969
	2014	3,752,627	27,983	32,108	3,812,718	8,622,781
	2015	4,528,178	217,332	30,925	4,776,435	1,008,863
Job Service Retirement Plan:	2006	\$3,062,585	\$29,335	\$ 0	\$3,091,920	\$2,850,651
	2007	3,400,892	22,811	0	3,423,703	10,327,657
	2008	3,564,811	22,212	0	3,587,023	(4,773,424)
	2009	3,759,618	25,101	0	3,784,719	(17,758,225)
	2010	3,891,996	24,318	0	3,916,314	5,505,835
	2011	4,012,707	26,368	0	4,039,075	8,057,939
	2012	4,170,969	25,980	0	4,196,949	(1,012,892)
	2013	4,353,984	30,014	0	4,383,998	5,672,417
	2014	4,594,462	31,455	0	4,625,917	7,317,671
	2015	4,694,171	30,214	0	4,724,385	(1,413,736)
Retiree Health Insurance Credit Plan:	2006	\$4,337,900	\$88,569	\$4,291	\$4,430,760	\$3,990,074
	2007	4,525,810	104,953	2,798	4,633,561	7,373,485
	2008	4,704,087	89,877	2,673	4,796,637	(4,855,701)
	2009	4,854,724	115,207	2,846	4,972,777	(4,274,228)
	2010	5,563,631	102,353	3,932	5,669,916	9,630,006
	2011	5,789,371	151,388	1,745	5,942,504	12,958,839
	2012	6,092,429	171,393	2,071	6,265,893	5,163,317
	2013	6,458,449	185,619	8,765	6,652,833	11,655,048
	2014	6,798,427	201,471	2,992	7,002,890	16,457,708
	2015	7,246,091	217,989	6,994	7,471,074	7,128,341

**Schedule of Retired Members by Type of Benefit – PERS**  
**As of June 30, 2015**  
**Main System**

Monthly Amount	Total	Type of Pension			
		Normal	Early	Disability	Service *
Total	9,094	2,924	2,432	337	3,401
Less than \$200	1,097	516	540	14	27
200 - 399	1,503	565	793	101	44
400 - 599	1,147	433	541	109	64
600 - 799	775	313	264	69	129
800 - 999	670	254	112	31	273
1,000 - 1,199	615	177	91	5	342
1,200 - 1,399	566	149	41	5	371
1,400 - 1,599	443	115	20	1	307
1,600 - 1,799	375	77	10	0	288
1,800 - 1,999	338	71	7	1	259
2,000 - 2,199	270	49	4	1	216
2,200 - 2,399	261	39	6	0	216
2,400 - 2,599	206	33	0	0	173
2,600 - 2,799	170	25	1	0	144
2,800 - 2,999	115	17	1	0	97
3,000 & Over	543	91	1	0	451
Life	5,632	1,944	1,745	280	1,663
Life, 1% Graduated Benefits	4	3	0	0	1
Life, 2% Graduated Benefits	5	2	0	0	3
Level Social Security Payment	133	1	21	0	111
Joint & 100% Survivor	1,984	620	416	25	923
Joint & 100% Survivor, 1% Graduated Benefits	2	0	0	0	2
Joint & 100% Survivor, 2% Graduated Benefits	6	3	0	0	3
Joint & 50% Survivor	1,097	289	158	26	624
Joint & 50% Survivor, 1% Graduated Benefits	2	2	0	0	0
20 Year C & L	40	14	16	0	10
10 Year C & L	160	42	66	3	49
10 Year C & L, 1% Graduated Benefits	1	0	0	0	1
5 Year C & L	28	4	10	3	11
Total	9,094	2,924	2,432	337	3,401

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

**Schedule of Average Benefit Payments – PERS As of June 30**  
**Main System**

	Years of Credited Service						Total
	<10	10-14	15-19	20-24	25-29	>=30	
<b>2011</b>							
Number of Retirees	1,309	1,161	1,090	1,022	1,048	1,360	6,990
Average Monthly Benefit	\$ 231	\$ 395	\$ 581	\$ 947	\$ 1,392	\$ 2,047	\$ 945
Average Years of Service	6.27	12.30	17.36	22.49	27.23	35.04	20.11
<b>2012</b>							
Number of Retirees	1,405	1,223	1,134	1,092	1,136	1,477	7,467
Average Monthly Benefit	\$ 238	\$ 411	\$ 602	\$ 993	\$ 1,462	\$ 3,167	\$ 1,000
Average Years of Service	6.27	12.32	17.36	22.50	27.24	35.07	20.21
<b>2013</b>							
Number of Retirees	1,611	1,258	1,146	1,136	1,174	1,519	7,844
Average Monthly Benefit	\$242	\$423	\$626	\$1,031	\$1,503	\$2,270	\$1,023
Average Years of Service	6.10	12.32	17.35	22.50	27.26	35.01	19.88
<b>2014</b>							
Number of Retirees	1,760	1,330	1,193	1,191	1,252	1,662	8,388
Average Monthly Benefit	\$248	\$440	\$647	\$1,068	\$1,547	\$2,345	\$1,061
Average Years of Service	6.07	12.32	17.33	22.53	27.25	35.07	19.91
<b>2015</b>							
Number of Retirees	1,957	1,418	1,231	1,273	1,352	1,863	9,094
Average Monthly Benefits	\$ 290	\$ 462	\$ 674	\$ 1,123	\$ 1,616	\$ 2,462	\$ 1,128
Average Years of Service	5.90	12.32	17.30	22.55	27.27	35.08	19.93

**Schedule of Retired Members by Type of Benefit – PERS**  
**As of June 30, 2015**  
**Judges**

Monthly Amount	Total	Type of Pension			
		Normal	Early	Disability	Service *
Total	33	17	6	-	10
Less than 400	-	-	-	-	-
400 - 799	-	-	-	-	-
800 - 1,199	1	1	-	-	-
1,200 - 1,599	1	-	-	-	1
1,600 - 1,999	3	1	2	-	-
2,000 - 2,399	-	-	-	-	-
2,400 - 2,799	1	1	-	-	-
2,800 - 3,199	2	2	-	-	-
3,200 - 3,599	3	-	2	-	1
3,600 - 3,999	3	2	1	-	-
4,000 - 4,399	1	-	1	-	-
4,400 - 4,799	5	3	-	-	2
4,800 - 5,199	3	2	-	-	1
5,200 - 5,599	1	-	-	-	1
5,600 - 5,999	2	1	-	-	1
6,000 & Over	7	4	-	-	3
Life	3	2	1	-	-
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	20	12	3	-	5
Joint & 50% Survivor	10	3	2	-	5
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	33	17	6	-	10

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

**Schedule of Average Benefit Payments – PERS**  
**As of June 30**  
**Judges**

	Years of Credited Service						Total
	<10	10-14	15-19	20-24	25-29	>=30	
<b>2011</b>							
Number of Retirees	0	2	7	5	8	3	25
Average Monthly Benefit	\$ 0	\$ 2,281	\$ 3,733	\$ 4,521	\$ 4,231	\$ 3,794	\$ 3,941
Average Years of Service	0.00	12.38	17.62	23.75	26.94	33.69	23.34
<b>2012</b>							
Number of Retirees	0	2	7	5	8	3	25
Average Monthly Benefit	\$ 0	\$ 2,281	\$ 3,733	\$ 4,521	\$ 4,231	\$ 3,794	\$ 3,941
Average Years of Service	0.00	12.38	17.62	23.75	26.94	33.69	23.34
<b>2013</b>							
Number of Retirees	1	5	8	4	7	2	27
Average Monthly Benefits	\$1,057	\$2,445	\$4,124	\$4,740	\$4,404	\$3,740	\$3,835
Average Years of Service	3.33	11.92	17.54	24.04	26.56	30.79	20.26
<b>2014</b>							
Number of Retirees	1	5	8	5	7	3	29
Average Monthly Benefits	\$1,057	\$2,445	\$4,124	\$5,303	\$4,404	\$5,258	\$4,117
Average Years of Service	3.33	11.92	17.54	23.78	26.56	31.86	20.82
<b>2015</b>							
Number of Retirees	1	6	8	5	9	4	33
Average Monthly Benefit	\$1,057	\$2,817	\$4,288	\$5,303	\$5,097	\$5,887	\$4,491
Average Years of Service	3.33	12.25	17.73	23.78	26.82	32.27	21.46



### Schedule of Retired Members by Type of Benefit – PERS As of June 30, 2015

#### Law Enforcement with Prior Main Service<sup>(1)</sup>

Monthly Amount	Total	Type of Pension			
		Normal	Early	Disability	Service *
Total	65	44	10	-	11
Less than \$200	3	2	1	-	-
200 - 399	1	1	-	-	-
400 - 599	5	3	2	-	-
600 - 799	3	2	1	-	-
800 - 999	6	4	1	-	1
1,000 - 1,199	8	8	-	-	-
1,200 - 1,399	3	3	-	-	-
1,400 - 1,599	7	3	2	-	2
1,600 - 1,799	2	1	-	-	1
1,800 - 1,999	3	1	1	-	1
2,000 - 2,199	6	5	-	-	1
2,200 - 2,399	4	3	-	-	1
2,400 - 2,599	1	-	1	-	-
2,600 - 2,799	2	2	-	-	-
2,800 - 2,999	1	1	-	-	-
3,000 & Over	10	5	1	-	4
Life	26	21	4	-	1
Level Social Security Payment	6	1	4	-	1
Joint & 100% Survivor	26	16	2	-	8
Joint & 50% Survivor	7	6	-	-	1
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	65	44	10	-	11

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

<sup>(1)</sup>Includes former National Guard members.

### Schedule of Average Benefit Payment – PERS As of June 30

#### Law Enforcement with Prior Main Service<sup>(1)</sup>

	Years of Credited Service						Total
	<10	10-14	15-19	20-24	25-29	>=30	
<b>2011</b>							
Number of Retirees	3	2	3	8	10	6	32
Average Monthly Benefits	\$ 288	\$845	\$1,161	\$1,314	\$1,842	\$2,969	\$1,649
Average Years of Service	5.86	12.00	18.94	21.52	26.69	32.85	22.96
<b>2012</b>							
Number of Retirees	5	3	3	9	10	7	37
Average Monthly Benefits	\$ 426	\$ 1,049	\$ 1,161	\$ 1,307	\$ 1,956	\$ 3,010	\$ 1,653
Average Years of Service	6.73	12.42	18.94	21.57	26.97	32.86	22.21
<b>2013</b>							
Number of Retirees	6	5	3	9	12	10	45
Average Monthly Benefits	\$500	\$939	\$1,161	\$1,307	\$1,997	\$3,129	\$1,738
Average Years of Service	7.10	12.70	18.94	21.57	27.10	33.00	22.49
<b>2014</b>							
Number of Retirees	6	5	3	10	12	10	46
Average Monthly Benefits	\$ 500	\$ 939	\$ 1,161	\$ 1,437	\$ 1,960	\$ 3,129	\$ 1,747
Average Years of Service	7.10	12.70	18.64	21.64	27.18	33.00	22.55
<b>2015</b>							
Number of Retirees	10	9	5	13	15	13	65
Average Monthly Benefits	\$ 981	\$ 865	\$ 1,158	\$ 1,554	\$ 1,958	\$ 3,141	\$ 1,751
Average Years of Service	5.10	12.45	18.56	21.94	27.12	32.78	21.14

<sup>(1)</sup>Includes former National Guard members.

**Schedule of Retired Members by Type of Benefit – PERS**  
**As of June 30, 2015**  
**Law Enforcement without Prior Main Service**

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

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

**Schedule of Average Benefit Payment – PERS**  
**As of June 30**

**Law Enforcement without Prior Main Service**  
**Years of Credited Service**

	<10	10-14	15-19	20-24	25-29	>=30	Total
<b>2011</b>							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>2012</b>							
Number of Retirees	0	0	0	0	0	0	0
Average Monthly Benefits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Average Years of Service	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>2013</b>							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	\$ 816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 816
Average Years of Service	.58	0.00	0.00	0.00	0.00	0.00	0.58
<b>2014</b>							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	\$ 816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 816
Average Years of Service	0.58	0.00	0.00	0.00	0.00	0.00	0.58
<b>2015</b>							
Number of Retirees	1	0	0	0	0	0	1
Average Monthly Benefits	\$ 816	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 816
Average Years of Service	0.58	0.00	0.00	0.00	0.00	0.00	0.58

**Schedule of Retired Members by Type of Benefit – HPRS  
As of June 30, 2015**

Monthly Amount	Total	Type of Pension			
		Normal	Early	Disability	Rule of 80
Total	96	23	1	4	68
\$1,000 - 1,249	1	1	-	-	-
1,250 - 1,499	2	1	-	1	-
1,500 - 1,749	-	-	-	-	-
1,750 - 1,999	-	-	-	-	-
2,000 - 2,249	7	4	1	1	1
2,250 - 2,499	9	5	-	1	3
2,500 - 2,749	7	1	-	-	6
2,750 - 2,999	9	1	-	1	7
3,000 - 3,249	9	2	-	-	7
3,250 - 3,499	7	1	-	-	6
3,500 - 3,749	7	3	-	-	4
3,750 - 3,999	3	-	-	-	3
4,000 - 4,249	4	-	-	-	4
4,250 - 4,499	5	-	-	-	5
4,500 - 4,749	7	2	-	-	5
4,750 & Over	19	2	-	-	17
Life	6	-	-	1	5
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	47	8	-	-	39
Joint & 50% Survivor	43	15	1	3	24
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	96	23	1	4	68

**Schedule of Average Benefit Payment – HPRS  
As of June 30**

	Years of Credited Service						Total
	<10	10-14	15-19	20-24	25-29	>=30	
<b>2011</b>							
Number of Retirees	1	1	5	6	58	17	88
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 1,812	\$ 2,051	\$ 3,242	\$ 3,491	\$ 3,094
Average Years of Service	2.25	11.17	17.18	21.64	27.87	31.18	27.00
<b>2012</b>							
Number of Retirees	1	1	4	6	58	17	87
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,598	\$ 3,277	\$ 3,708	\$ 3,227
Average Years of Service	2.25	11.17	17.10	22.14	27.92	31.25	27.19
<b>2013</b>							
Number of Retirees	1	1	4	6	58	16	86
Average Monthly Benefit	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,598	\$ 3,277	\$ 3,708	\$ 3,227
Average Years of Service	2.25	11.17	17.10	22.14	27.92	31.31	27.15
<b>2014</b>							
Number of Retirees	1	1	4	6	56	17	85
Average Monthly Benefit	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,598	\$ 3,315	\$ 4,222	\$ 3,354
Average Years of Service	2.25	11.17	17.10	22.14	27.89	31.27	27.15
<b>2015</b>							
Number of Retirees	1	1	5	5	66	18	96
Average Monthly Benefits	\$ 1,456	\$ 2,054	\$ 2,135	\$ 2,777	\$ 3,751	\$ 4,359	\$ 3,698
Average Years of Service	2.25	11.17	17.18	22.20	27.84	31.16	27.18

**Schedule of Retired Members (Excluding Beneficiaries) by Type of Benefit –  
Job Service Retirement Plan As of June 30, 2015**

Monthly Amount	Total	Type of Pension		
		Retirement	Disability	Early
Total	181	174	6	1
Less than \$200	2	2	-	-
200 - 399	8	7	-	1
400 - 599	5	5	-	-
600 - 799	5	5	-	-
800 - 999	2	2	-	-
1,000 - 1,199	4	3	1	-
1,200 - 1,399	10	7	3	-
1,400 - 1,599	14	13	1	-
1,600 - 1,799	6	6	-	-
1,800 - 1,999	13	12	1	-
2,000 - 2,199	15	15	-	-
2,200 - 2,399	11	11	-	-
2,400 - 2,599	14	14	-	-
2,600 - 2,799	14	14	-	-
2,800 - 2,999	13	13	-	-
3,000 & Over	45	45	-	-
<hr/>				
Life	48	45	2	1
Joint & 55% Survivor	42	38	4	-
Joint & 75% Survivor	20	20	-	-
Joint & 100% Survivor	15	15	-	-
10 Year C & L	25	25	-	-
15 Year C & L	3	3	-	-
20 Year C&L	28	28	-	-
Total	181	174	6	1

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

	<u>Retirement Plan</u>	<u>Travelers Annuity</u>	<u>Total</u>
<b>2011</b>			
Number of Retirees	128	85	213
Average Monthly Benefits	\$ 2,194	\$ 617	\$ 1,565
<b>2012</b>			
Number of Retirees	133	79	212
Average Monthly Benefits	\$ 2,340	\$ 691	\$ 1,725
<b>2013</b>			
Number of Retirees and Beneficiaries	137	76	213
Average Monthly Benefits	\$2,289	\$710	\$1,726
<b>2014</b>			
Number of Retirees and Beneficiaries	140	73	213
Average Monthly Benefits	\$2,359	\$757	\$1,810
<b>2015</b>			
Number of Retirees	142	64	206
Average Monthly Benefits	\$2,361	\$770	\$1,866

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## SCHEDULE OF PARTICIPATING EMPLOYERS

### STATE AGENCIES:

ADJUTANT GENERAL ND NATL GRD  
AERONAUTICS COMMISSION  
ATTORNEY GENERAL'S OFFICE  
BANK OF NORTH DAKOTA  
BEEF COMMISSION  
BISMARCK STATE COLLEGE  
BOARD OF MEDICAL EXAMINERS  
BOARD OF NURSING  
BOARD OF PHARMACY  
CAREER & TECHNICAL ED  
CENTRAL SERVICES  
DAIRY PROMOTION COMMISSION  
DEPT OF AGRICULTURE  
DEPT OF FINANCIAL INSTRUCTION  
DEPT OF COMMERCE  
DEPT OF CORRECTIONS TRANSITIONAL SERVICES  
DEPT OF HUMAN SERVICES  
DEPARTMENT OF CORRECTIONS  
DEPARTMENT OF TRANSPORTATION  
DEVELOPMENTAL CENTER  
DICKINSON STATE UNIVERSITY  
EDUCATION STANDARDS & PRACTICE  
ELECTRICAL BOARD  
FACILITY MANAGEMENT  
FIELD SERVICES DIVISION  
GAME & FISH DEPT  
GOVERNOR'S OFFICE  
HIGHWAY PATROL  
HISTORICAL SOCIETY  
HOUSING FINANCE AGENCY  
INDIAN AFFAIRS COMMISSION  
INDUSTRIAL COMMISSION  
INFORMATION TECHNOLOGY DEPARTMENT  
INSURANCE DEPARTMENT  
JAMES RIVER CORRECTIONAL CENTER  
JOB SERVICE NORTH DAKOTA  
JUVENILE SERVICES DOCR  
LAKE REGION STATE COLLEGE  
LAND DEPARTMENT  
LEGAL COUNSEL OF INDIGENTS  
LEGISLATIVE COUNCIL  
MAYVILLE STATE UNIVERSITY  
MILK MARKETING BOARD  
MILL & ELEVATOR ASSOCIATION  
MINOT STATE UNIVERSITY  
ND BARLEY COUNCIL  
ND CORN UTILIZATION COUNCIL  
ND COUNCIL ON THE ARTS  
ND DEPARTMENT OF HEALTH  
ND DEPARTMENT OF LABOR  
ND OILSEED COUNCIL  
ND SECURITIES DEPARTMENT  
ND SOYBEAN COUNCIL  
ND STATE BOARD OF ACCOUNTANCY  
ND STATE BOARD OF COSMETOLOGY  
ND STATE COLLEGE OF SCIENCE  
ND STATE LIBRARY  
ND SYSTEM INFORMATION TECHNOLOGY SERVICES  
ND SUPREME COURT  
ND UNIVERSITY SYSTEM  
ND VETERANS HOME  
ND WHEAT COMMISSION  
ND YOUTH CORRECTIONAL CENTER  
NORTH DAKOTA STATE HOSPITAL  
NORTH DAKOTA STATE UNIVERSITY  
OFFICE OF ADM HEARING  
OFFICE OF MANAGEMENT & BUDGET  
PARKS & RECREATION DEPARTMENT  
PLUMBING BOARD  
PROTECTION & ADVOCACY PROJECT  
PUBLIC EMPLOYEES RETIREMENT  
PUBLIC FINANCE AUTHORITY  
PUBLIC INSTRUCTION  
PUBLIC SERVICE COMMISSION  
RACING COMMISSION  
REAL ESTATE COMMISSION  
RETIREMENT & INVESTMENT OFFICE

ROUGH RIDER INDUSTRIES  
SCHOOL FOR THE BLIND  
SCHOOL FOR THE DEAF  
SECRETARY OF STATE  
SOIL CONSERVATION COMMITTEE  
STATE AUDITOR'S OFFICE  
STATE BOARD OF LAW EXAMINERS  
STATE FAIR ASSN  
STATE PENITENTIARY  
STATE SEED DEPARTMENT  
STATE TREASURER'S OFFICE  
TAX DEPARTMENT  
TOBACCO PREVENTION/CONTROL COMMITTEE  
UNIVERSITY OF NORTH DAKOTA  
VALLEY CITY STATE UNIVERSITY  
VETERANS AFFAIRS DEPARTMENT  
WATER COMMISSION  
WILLISTON STATE COLLEGE  
WORKFORCE SAFETY AND INSURANCE  
**Total = 96**

### COUNTIES:

ADAMS COUNTY  
BARNES COUNTY  
BENSON COUNTY  
BILLINGS COUNTY  
BOTTINEAU COUNTY  
BOWMAN COUNTY  
BURKE COUNTY  
BURLEIGH COUNTY  
CASS COUNTY  
CAVALIER COUNTY  
DICKEY COUNTY  
DIVIDE COUNTY  
DUNN COUNTY  
EDDY COUNTY  
EMMONS COUNTY  
FOSTER COUNTY  
GRAND FORKS COUNTY  
GRANT COUNTY  
GRIGGS COUNTY  
HETTINGER COUNTY  
LAMORE COUNTY  
LOGAN COUNTY  
MCHENRY COUNTY  
MCINTOSH COUNTY  
MCKENZIE COUNTY  
MCLEAN COUNTY  
MERCER COUNTY  
MORTON COUNTY  
MOUNTRAIL COUNTY  
NELSON COUNTY  
OLIVER COUNTY  
PEMBINA COUNTY  
PIERCE COUNTY  
RAMSEY COUNTY  
RANSOM COUNTY  
RENVILLE COUNTY  
RICHLAND COUNTY  
ROLETTE COUNTY  
SHERIDAN COUNTY  
SLOPE COUNTY  
STARK COUNTY  
STEELE COUNTY  
STUTSMAN COUNTY  
TOWNER COUNTY  
TRAILL COUNTY  
WALSH COUNTY  
WARD COUNTY  
WELLS COUNTY  
WILLIAMS COUNTY  
**Total = 49**

### SCHOOLS:

ANNAMOOSSE PUBLIC SCHOOL DISTRICT #14  
APPLE CREEK ELEMENTARY SCHOOL  
BEACH PUBLIC SCHOOL DISTRICT  
BELCOURT SCHOOL DIST #7



## 126 North Dakota Public Employees Retirement System

BELFIELD PUBLIC SCHOOL #13  
BEULAH PUBLIC SCHOOL #27  
BILLINGS COUNTY SCHOOL DISTRICT  
BISMARCK PUBLIC SCHOOLS  
BOTTINEAU PUBLIC SCHOOL  
BOWMAN COUNTY SCHOOL DISTRICT #1  
BURKE CENTRAL SCHOOL  
BURLEIGH COUNTY SPECIAL ED UNIT  
CARRINGTON SCHOOL DIST #49  
CAVALIER PUBLIC SCHOOLS  
CENTER STANTON PUBLIC SCHOOL  
CENTRAL CASS PUBLIC SCHOOL #7  
DAKOTA PRAIRIE PUBLIC SCHOOLS  
DEVILS LAKE PUBLIC SCHOOL  
DICKINSON PUBLIC SCHOOLS  
DIVIDE COUNTY SCHOOL DIST #1  
DRAKE PUBLIC SCHOOL DISTRICT  
DRAYTON PUBLIC SCHOOL #19  
DUNSEITH SCHOOL DISTRICT #1  
EAST CENTRAL SPECIAL EDUCATION  
ELLENDALÉ PUBLIC SCHOOL #40  
ENDERLIN AREA SCHOOL DISTRICT #24  
FARGO PUBLIC SCHOOLS  
FT. TOTTEN SCHOOL DISTRICT #30  
GARRISON PUBLIC SCHOOL  
GLENBURN PUBLIC SCHOOL  
GLEN ULLIN PUBLIC SCHOOL #48  
GRAFTON PUBLIC SCHOOL DIST #3  
GREAT NORTHWEST EDUCATION COOPERATIVE  
HALLIDAY PUBLIC SCHOOL  
HARVEY PUBLIC SCHOOL DIST #38  
HAZEN PUBLIC SCHOOL DIST #3  
HILLSBORO PUBLIC SCHOOL  
JAMES RIVER MULTI DISTRICT SPECIAL EDUCATION  
JAMESTOWN PUBLIC SCHOOL #1  
KENMARE PUBLIC SCHOOLS  
KILLDEER PUBLIC SCHOOL #16  
KINDRED PUBLIC SCHOOL DIST #2  
KULM PUBLIC SCHOOL DIST #7  
LAKE REGION SPECIAL ED UNIT  
LAKOTA PUBLIC SCHOOL DISTRICT #66  
LAMOURE SCHOOL DISTRICT #8  
LARIMORE PUBLIC SCHOOL  
LEEDS PUBLIC SCHOOL DISTRICT 6  
LEWIS AND CLARK PUBLIC SCHOOLS  
LIDGERWOOD PUBLIC SCHOOL  
LINTON PUBLIC SCHOOL  
LISBON PUBLIC SCHOOL  
LONETREE SPECIAL EDUCATION UNIT  
MANDAN PUBLIC SCHOOL DIST #1  
MANDAREE PUBLIC SCHOOL #36  
MANVEL PUBLIC SCHOOL  
MAPLETON PUBLIC SCHOOL  
MAPLE VALLEY SCHOOL DISTRICT  
MAX PUBLIC SCHOOL  
MCCLUSKY PUBLIC SCHOOLS  
MCKENZIE CTY PUBLIC SCHOOL #1  
MEDINA PUBLIC SCHOOL DIST #3  
MIDKOTA SCHOOL  
MIDWAY PUBLIC SCHOOL DIST #128  
MILNOR PUBLIC SCHOOLS  
MINOT PUBLIC SCHOOL DIST #1  
MINTO PUBLIC SCHOOL DIST #20  
MOHALL/LANSFORD/SHERWOOD SCHOOLS  
MOTT/REGENT PUBLIC SCHOOL DIST #1  
MT PLEASANT SCHOOL DIST #4  
NAPOLEON PUBLIC SCHOOL DIST #2  
NEW PUBLIC SCHOOL #8  
NEW ROCKFORD SHEYENNE PUBLIC SCHOOL  
NEW SALEM ALMONT SCHOOL DIST  
NEW TOWN PUBLIC SCHOOL #1  
NEWBURG UNITED PUBLIC SCHOOL  
NORTHERN CASS SCHOOL DIST #97  
NORTH BORDER SCHOOL DIST #100  
NORTH SARGENT SCHOOL DIST #3  
NORTHERN PLAINS SPECIAL EDUCATION UNIT  
NORTH VALLEY CAREER AND TECH CENTER  
OAKES PUBLIC SCHOOLS

OLIVER-MERCER SPECIAL ED UNIT  
PARK RIVER PUBLIC SCHOOLS  
PEACE GARDEN SPECIAL SERVICES  
PINGREE BUCHANON SCHOOL DIST  
RICHLAND SCHOOL DIST #44  
ROLETTE COUNTY ALT ED CONSORT  
ROLETTE PUBLIC SCHOOLS  
ROUGH RIDER EDUCATION SERVICES PROGRAM  
RUGBY PUBLIC SCHOOL DIST #5  
RURAL CASS MULTI-DISTRICT SPECIAL ED  
SAWYER PUBLIC SCHOOL  
SHEYENNE VALLEY CAREER TECH CT  
SHEYENNE VALLEY SPECIAL ED UNIT  
SOLEN PUBLIC SCHOOL DIST #3  
SOURIS VALLEY SPECIAL SERVICES  
SOUTH PRAIRIE SCHOOL DISTRICT #70  
ST JOHN SCHOOL DIST #3  
STANLEY COMMUNITY PUBLIC SCHOOL  
SURREY SCHOOLS  
SW SPECIAL EDUCATION UNIT  
TGU SCHOOL DIST #60  
THOMPSON PUBLIC SCHOOL  
TIOGA PUBLIC SCHOOL  
TURTLE LAKE MERCER SCHOOL DISTRICT  
UNDERWOOD SCHOOL DIST #8  
UNITED PUBLIC SCHOOL DISTRICT  
VALLEY CITY PUBLIC SCHOOL  
VELVA PUBLIC SCHOOL  
WAHPETON PUBLIC SCHOOL DIST #39  
WARWICK PUBLIC SCHOOL  
WASHBURN PUBLIC SCHOOL  
WEST FARGO PUBLIC SCHOOL #6  
WESTHOPE PUBLIC SCHOOL #17  
WEST RIVER STUDENT SERVICES  
WHITE SHIELD SCHOOL DIST #85  
WILLISTON PUBLIC SCHOOL #1  
WILMAC MULTIDISTRICT SPECIAL EDUCATION UNIT  
WILTON PUBLIC SCHOOL DISTRICT  
YELLOWSTONE SCHOOL DIST #14  
ZEELAND PUBLIC SCHOOLS  
**Total = 122**

### CITIES:

CITY OF ALEXANDER  
CITY OF ASHLEY  
CITY OF BEACH  
CITY OF BELFIELD  
CITY OF BERTHOLD  
CITY OF BOWMAN  
CITY OF BURLINGTON  
CITY OF CARRINGTON  
CITY OF CARSON  
CITY OF CAVALIER  
CITY OF COOPERSTOWN  
CITY OF CROSBY  
CITY OF DEVILS LAKE  
CITY OF DRAYTON  
CITY OF ELGIN  
CITY OF ELLENDALÉ  
CITY OF EMERADO  
CITY OF FARGO  
CITY OF FESSENDEN  
CITY OF FINLEY  
CITY OF GLENBURN  
CITY OF GRAFTON  
CITY OF GRAND FORKS  
CITY OF GRANVILLE  
CITY OF GWINNER  
CITY OF HALLIDAY  
CITY OF HANKINSON  
CITY OF HARVEY  
CITY OF HARWOOD  
CITY OF HATTON  
CITY OF HETTINGER  
CITY OF JAMESTOWN  
CITY OF KENMARE  
CITY OF KILLDEER  
CITY OF KULM

CITY OF LAKOTA  
 CITY OF LARIMORE  
 CITY OF LAMOURE  
 CITY OF LIDGERWOOD  
 CITY OF LINCOLN  
 CITY OF LINTON  
 CITY OF LISBON  
 CITY OF MADDOCK  
 CITY OF MAPLETON  
 CITY OF MCVILLE  
 CITY OF MCCLUSKY  
 CITY OF MEDORA  
 CITY OF MICHIGAN  
 CITY OF MINTO  
 CITY OF MOHALL  
 CITY OF MOTT  
 CITY OF NAPOLEON  
 CITY OF NECHE  
 CITY OF NEW ENGLAND  
 CITY OF NEW LEIPZIG  
 CITY OF NEW ROCKFORD  
 CITY OF NEW SALEM  
 CITY OF NEW TOWN  
 CITY OF NORTHWOOD  
 CITY OF OAKES  
 CITY OF PARK RIVER  
 CITY OF PEMBINA  
 CITY OF POWERS LAKE  
 CITY OF RAY  
 CITY OF REGENT  
 CITY OF RHAME  
 CITY OF ROLLA  
 CITY OF RUGBY  
 CITY OF SAWYER  
 CITY OF SCRANTON  
 CITY OF SHERWOOD  
 CITY OF ST. JOHN  
 CITY OF STANLEY  
 CITY OF SURREY  
 CITY OF THOMPSON  
 CITY OF TIOGA  
 CITY OF TOWNER  
 CITY OF UNDERWOOD  
 CITY OF VELVA  
 CITY OF WAHPETON  
 CITY OF WALHALLA  
 CITY OF WATFORD CITY  
 CITY OF WEST FARGO  
 CITY OF WESTHOPE  
 CITY OF WILLISTON  
 CITY OF WILTON  
 CITY OF WISHEK  
 CITY OF ZEELAND

**Total = 88**

**OTHER POLITICAL SUBDIVISIONS:**

BARNES COUNTY SOIL CONSERVATION DISTRICT  
 BISMARCK RURAL FIRE PROTECTION  
 BOWMAN CITY PARK BOARD  
 BURLEIGH COUNTY COUNCIL ON AGING  
 BURLEIGH COUNTY SOIL CONSERVATION  
 CARNEGIE REGIONAL LIBRARY  
 CASS COUNTY SOIL CONSERVATION DISTRICT  
 CASS CTY WATER RESOURCE DISTRICT  
 CAVALIER COUNTY JOB DEVELOPMENT  
 CAVALIER COUNTY HEALTH DISTRICT  
 CAVALIER COUNTY HOUSING AUTHORITY  
 CENTRAL PLAINS WATER DISTRICT  
 CENTRAL VALLEY HEALTH UNIT  
 CITY-COUNTY HEALTH DISTRICT  
 CONSOLIDATED WASTE LTD  
 CUSTER DIST HEALTH UNIT  
 DEVILS LAKE BASIN JOINT WATER  
 DEVILS LAKE PARK BOARD  
 DICKEY COUNTY HEALTH DISTRICT  
 DUNSEITH COMMUNITY NURSE HOME  
 EMMONS COUNTY PUBLIC HEALTH

FARGO PARK DISTRICT  
 FIRST DISTRICT HEALTH UNIT  
 GARRISON DIVERSION CONSERVATION DISTRICT  
 GRAFTON PARK DISTRICT  
 GRAND FORKS COUNTY WATER RESOURCE  
 GRAND FORKS E GRAND FORKS MPO  
 GRAND FORKS PARK DISTRICT  
 GRAND FORKS PUBLIC LIBRARY  
 GREATER RAMSEY WATER DISTRICT  
 GRIGGS COUNTY LIBRARY  
 JAMES RIVER SOIL CONSERVATION DISTRICT  
 JAMES RIVER VALLEY LIBRARY SYSTEM  
 JAMESTOWN PARKS AND RECREATION  
 JAMESTOWN REGIONAL AIRPORT  
 KIDDER COUNTY DISTRICT HEALTH UNIT  
 LAKE METIGOSHE REC SERV DISTRICT  
 LAKE REGION DISTRICT HEALTH UNIT  
 MCINTOSH CITY HOUSING AUTHORITY  
 MCINTOSH DISTRICT HEALTH UNIT  
 MERCER CTY SOIL CONSERVATION DISTRICT  
 MINOT RURAL FIRE DEPT  
 ND FIREFIGHTERS ASSOCIATION  
 NELSON-GRIGGS DIST HEALTH UNIT  
 R & T WATER SUPPLY ASSOCIATION  
 RAMSEY COUNTY HOUSING AUTHORITY  
 RAMSEY COUNTY SOIL CONSERVATION DISTRICT  
 RAMSEY COUNTY WATER RESOURCE DISTRICT  
 RANSOM COUNTY SOIL CONSERVATION DISTRICT  
 RED RIVER JOINT WATER RESOURCE DISTRICT  
 ROLETTE COUNTY PUBLIC HEALTH  
 ROLETTE COUNTY SOIL CONSERVATION DISTRICT  
 SARGENT CTY DIST HEALTH UNIT  
 SE REGION CAREER AND TECH CENTER  
 S W DISTRICT HEALTH UNIT  
 SOUTHWEST WATER AUTHORITY  
 STUTSMAN CO HOUSING AUTHORITY  
 TOWNER COUNTY PUBLIC HEALTH  
 TRAILL CTY WATER RESOURCE DISTRICT  
 TRAILL DISTRICT HEALTH UNIT  
 TRAILL RURAL WATER DISTRICT  
 UPPER MISSOURI HEALTH UNIT  
 WALSH COUNTY HEALTH DISTRICT  
 WALSH COUNTY HOUSING AUTHORITY  
 WALSH COUNTY WATER RESOURCE DISTRICT  
 WARD COUNTY WATER RESOURCE DISTRICT  
 WATFORD CITY PARK DISTRICT  
 WELLS COUNTY DIST HEALTH UNIT  
 WEST & CENTRAL STARK SOIL CONSERVATION DISTRICT  
 WESTERN AREA WATER SUPPLY AUTHORITY  
 WEST FARGO PARK DISTRICT  
 WILLIAMS COUNTY SOIL CONSERVATION  
 WILLISTON HOUSING AUTHORITY

**Total = 74**

**Principle Participating Employers  
June 30, 2015**

<b>Participating Employer</b>	<b>Covered Employees</b>	<b>Rank</b>	<b>% of Total System</b>
Department of Human Services	1,284	1	5.76%
University of North Dakota	1,094	2	4.90%
Department of Transportation	1,030	3	4.62%
North Dakota State University	847	4	3.80%
Bismarck Public Schools	795	5	3.56%
Fargo Public Schools	663	6	2.97%
West Fargo Public School	540	8	2.42%
Minot Public School District #1	533	7	2.39%
City of Fargo	465	9	2.08%
North Dakota State Hospital	410	10	1.84%
Remaining Employers	14,647		65.66%
Total covered employees*	22,308		100.00%

*\*Total covered employees represents the number of employees in a contributing status as of June 30, 2015 in the Main retirement plan.*

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

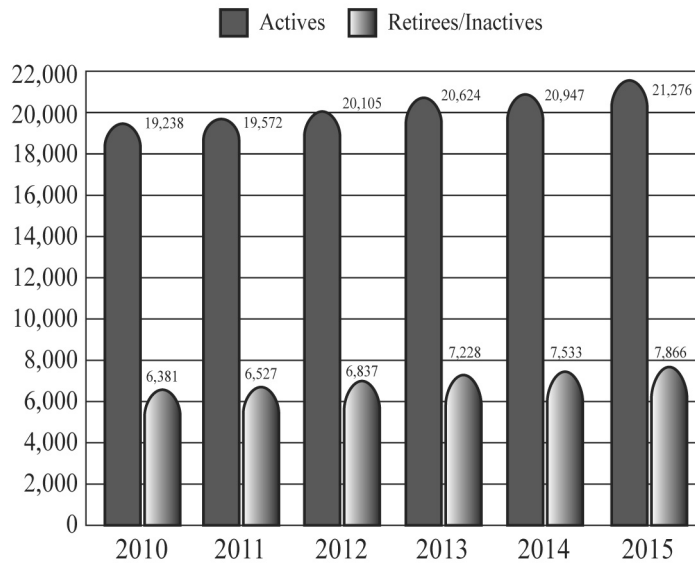
	<b>6/30/11</b>	<b>6/30/12</b>	<b>6/30/13</b>	<b>6/30/14</b>	<b>06/30/15</b>
AIG VALIC	\$ 9,273,099	\$ 10,005,329	\$ 11,137,291	\$10,599,979	\$10,016,937
American Trust Center	6,220,966	6,652,642	8,654,834	11,100,596	11,735,069
AXA Equitable	23,802,876	19,768,514	20,253,226	20,837,719	20,625,431
Bank of North Dakota	5,052,015	4,953,960	5,297,216	5,037,014	5,297,281
Commonwealth Annuity & Life Insurance Co. (formerly Chase Financial/Kemper)	7,101,363	6,744,070	7,589,208	8,839,687	9,242,801
Mass Mutual (formerly Hartford)	32,777,966	34,620,370	42,080,983	49,860,107	48,872,979
ING (formerly Aetna)	1,542,256	1,546,676	1,719,510	1,867,908	1,887,364
Jackson National Life	1,945,958	2,363,895	3,534,630	4,726,895	4,695,001
Kansas City Life (formerly Sunset Life)	270,209	130,390	142,142	156,237	171,730
Lincoln National	5,997,710	5,002,890	5,491,725	6,185,369	6,373,463
NDPERS Companion Plan <sup>(1)</sup>	37,015,050	39,771,092	49,850,857	64,234,247	72,705,990
Nationwide Life Insurance	8,029,037	8,447,206	9,798,394	12,369,171	13,574,078
New York Life <sup>(1)</sup>	319,468	336,650	320,892	348,718	332,847
Symetra (formerly Safeco)	342,429	275,053	274,712	296,839	168,934
Waddell & Reed Financial Services	<u>6,187,770</u>	<u>5,705,656</u>	<u>8,153,702</u>	<u>10,288,488</u>	<u>9,996,846</u>
Total	\$ 145,878,172	\$ 146,324,393	\$174,299,322	\$206,748,974	\$215,696,751

<sup>(1)</sup>As of January 1, 1999, the System is the trustee for these deferred compensation assets and is reporting them as a trust fund in the June 30, 2015 and June 30, 2014 financial statements.

All other assets are being held in trust, by the respective provider company, for the exclusive benefit of participants and their beneficiaries. Accordingly, these assets are not included in the System's financial statements.

STATISTICS

### GROUP HEALTH INSURANCE PROGRAM Average Number of Contracts in Force



### Health Insurance Premium Active State Contracts

