North Dakota Public Employees Retirement System

An Agency of the State of North Dakota

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2000

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Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2000

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

GFOA CERTIFICATE OF ACHIEVEMENT

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, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director

PPCC
ACHIEVEMENT
AWARD

PPCC

Public Pension Coordinating Council

Public Pension Principles

1998 Achievement Award

Presented to

North Dakota Public Employees Retirement System

In recognition of instituting professional standards for public employee retirement systems as established by the Public Pension Principles.

Presented by the Public Pension Coordinating Council, a confederation of
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Scott Engmann
Chairman

LETTER OF TRANSMITTAL

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

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

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November 30, 2000

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, 2000. The management of the System is responsible for both the accuracy of the data and the completeness and fairness of the presentation.

The report consists of five sections:
1. The Introductory Section contains this Letter of Transmittal and an overview of our administrative organization.
2. The Financial Section contains a letter expressing the opinion of our independent auditor, the System's financial statements, required supplementary information and other supplementary financial information.
3. The Investment Section contains an overview of the investment portfolio, a summary of the System's investment policies, the asset allocation, and investment performance and fees.
4. The Actuarial Section contains the Actuarial Valuation Certificates and summaries of major actuarial assumptions, plan provisions, and participant data.
5. The Statistical Section contains membership and financial information for the programs administered by the System.

Plan History and Services Provided
The System is the administrator of two defined benefit pension plans and a new 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, 2000.

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 and the National Guard Security Officers and Firefighters. 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.

PERS has 16,375 contributing members and 4,879 retirees and beneficiaries currently receiving benefits. HPRS has 122 contributing members and 80 retirees and beneficiaries. The employers participating in PERS include 87 state agencies and 223 political subdivisions.

PERS and HPRS are accounted for as pension trust funds.

Defined Contribution Retirement Plan
An optional Defined Contribution Retirement Plan (Plan) was established effective January 1, 2000. The Plan covers state employees who are in positions not classified by the central personnel division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan. The Plan has 237 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. Approximately 67% of eligible retirees are receiving benefits under this plan.

This program is advance-funded on an actuarially determined basis. The market value of net assets available to pay benefits as of June 30, 2000 is $26.1 million, an increase of 11.5% over the previous year. The assets earned an annualized rate of return of 9.16% for the fiscal year ended June 30, 2000, 13.20% for the last three years and 15.18% for the last five years. As of fiscal year end, the program's actuarial value of assets were 36.5% of the actuarial accrued liability. Funding progress is covered in more detail in the actuarial section of this report.

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

Uniform Group Insurance Program
Group Health Insurance. The System began administering the group health insurance plan in 1971. There are 21,100 active and retired contracts under this plan as of June 30, 2000, an increase of 2.7% from last year at this time. Total covered lives, including spouses and dependents, are 52,155. Membership in the health insurance plan continues to increase as a result of more retirees and political subdivision employees in the plan. As of June 30, 2000 there were 112 political subdivisions participating in the group health program, an increase of 14.3% from last year. The health insurance premiums paid to Blue Cross Blue Shield for the fiscal year ended June 30, 2000 totaled $80.8 million. Managed care continues to be at the forefront of plan design initiatives. Since 1989, a Preferred Provider Option (PPO) has been available and in 1997, the Exclusive Provider Option (EPO) pilot program became a permanent option under the plan. Enrollment in the EPO increased from 20% of covered lives in 1997 to 32% in 2000.

Group Life Insurance. The System began administering the group life insurance plan in 1971. There are 16,136 active and 3,409 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, 2000 totaled $1.9 million. As of fiscal year end, there is $752.5 million of life insurance in force for all participants covered by this plan, a 3.7% increase in coverage from last year.

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. There are approximately 3,700 participants in the dental plan and 60 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 13,500 state employees are covered under this program.

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

Deferred Compensation Program
This is a voluntary, supplemental retirement plan provided in accordance with Section 457 of the Internal Revenue Code. It allows eligible employees to defer and invest income on a pretax basis to be withdrawn at a later date, usually at retirement. The System has administered the Plan since 1987. Sixteen companies have agreed to provide investment services for the State’s deferred compensation program. The System is the trustee for deferred compensation assets totaling $6.8 million; provider companies hold the remaining plan assets of $75.1 million in trust for the exclusive benefit of participants and their beneficiaries. Approximately 4,800 employees participate in this program, a 72% increase from last year.
The deferred compensation program is accounted for as an expendable trust fund. Prior to January 1, 1999, it was accounted for as an agency 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 the following benefits on a pretax basis: qualified insurance premiums, medical expenses, and dependent care expenses. Participation in the program has remained relatively constant at approximately 97% of eligible employees in the premium conversion option, 6% in the dependent care account, and 31% in the medical spending account. However, employee salary reductions into the program increased 4.4%, to $4.8 million, during the fiscal year. The employer FICA savings generated from the salary reductions are sufficient to cover the administrative expenses; therefore, this program remains budget neutral.

The pretax benefits program is accounted for as an expendable trust fund.

Major Initiatives
The following is a summary of revisions to the laws governing the System that were passed by the 1999 North Dakota Legislature. All changes were effective August 1, 1999 unless otherwise noted. Significant effort was spent implementing the new portability enhancement provision to the defined benefit plan and implementing the new optional defined contribution retirement plan, which both became effective January 1, 2000.

PERS
• Multiplier increase from 1.77% to 1.89% for main system and national guard system.
• Addition of a portability enhancement provision that allows members to vest in the employer contribution for cash distribution purposes. The amount of the employer contribution a member may vest in is equal to the amount they contribute to the 457 plan, subject to a minimum monthly contribution of $25; maximum contribution of 1% of monthly salary up to a maximum of 4% of monthly salary, based upon service credit. For main system and national guard system. (Effective January 1, 2000)
• Decrease in service requirement from 5 to 3 years of eligible service for vesting, early retirement and pre-retirement death benefits for main system and national guard system.
• 8% benefit adjustment for main system and national guard system retirees, beneficiaries and recipients of disability benefits.
• Decrease in service requirement from 5 to 3 years for normal retirement for the national guard system.
• Change in formula for disability benefit from 25% of final average salary to 70% of final average salary minus Social Security and Workers' Compensation benefits for judges system. (Effective March 25, 1999)
• Change in death benefit for judges retirement system. (Effective March 25, 1999)
• 2% increase for judges' system retirees and beneficiaries on January 1, 2000 and January 1, 2001
• Acceptance of rollovers from other qualified plans for purchase of additional service credit.
• Create a new defined contribution plan for non-classified state employees. (Effective January 1, 2000)

HPRS
• Multiplier increase from 3.25% to 3.40% for the first 25 years of service.
• Post-retirement increase for retiree and beneficiaries to reflect multiplier increase.

Retiree Health Insurance Credit
• The service requirement for normal retirement was lowered from 5 to 3 years for national guard system.
• The service requirement for early retirement and pre-retirement death benefit was lowered from 5 to 3 years for main system and national guard system.

In addition to the legislative benefit changes, the following significant activities occurred during the fiscal year:
• Completed Y2K testing and prepared a Y2K contingency plan
• Prepared a 5-year Information Technology Strategic Plan
• Completed an actuarial experience study for the PERS, HPRS and Retiree Health Insurance Credit Plan
• Completed an asset/liability study for PERS and HPRS

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.

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 of PERS and HPRS for fiscal years 2000 and 1999:

(Millions) Revenue Type	Fiscal Year 2000	Fiscal Year 1999	Change in $'s	Percentage Change
Employee Contributions	$ 17.1	$ 16.6	$ .5	3.0%
Employer Contributions	17.3	16.6	0.7	4.2
Investments	106.8	112.1	- 5.3	- 4.7
Total	$141.2	$145.3	$- 4.1	-2.8%
Expense Type				
Benefits	$ 35.7	$ 30.6	$ 5.1	16.7%
Refunds and Transfers	12.5	3.9	8.6	220.5
Administrative Expenses	0.8	0.7	0.1	14.3
Total	$ 49.0	$ 35.2	$13.8	39.2%

Investment earnings decreased from the previous year as a result of a reduction in the fiscal year rate of return on investments from 10.63% to 9.34%. Benefit payments are higher than the previous fiscal year because there are more retired members and beneficiaries receiving benefits from the System and benefits for existing retirees and beneficiaries were increased by 8%. Refunds and transfers were significantly higher than last year. This reflects the transfer of $8.5 million in assets for the employees who elected to join the new optional defined contribution plan. Administrative expenses increased over last fiscal year due to data processing costs related to Y2K and the additional programming and communication costs for implementing new legislation.

Funding Status

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

A common measure of the strength of a pension system is to express the assets as a percentage of liabilities – the greater the percentage, the stronger the funding position of the System. The schedules of funding progress in the Financial Section of this report show both PERS and HPRS to be funded very soundly. The July 1, 2000 actuarial valuation reports the actuarial value of assets for PERS at $1,027 million, which exceeds the actuarial accrued liabilities of $891.9 million by $135.1 million. The actuarial value of assets for HPRS is $35.9 million, which exceeds the actuarial accrued liabilities of $34.0 million by $1.9 million.

Investments

The North Dakota State Investment Board (SIB) invests the PERS and HPRS funds. 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, 2000 is $1.2 billion, an increase of 7.9% from the previous year. During the fiscal year ended June 30, 2000, the System's portfolio remained broadly diversified with investments in domestic and international equities, domestic and international fixed income securities, real estate, private equity and cash equivalents. The investment policies, goals and objectives were last reviewed and revised by the Retirement Board in November 1996. This included revisions to the asset allocation to provide for further diversification into large and small cap domestic equities, emerging markets equities and high yield fixed income.

The System assets earned an annualized rate of return of 9.34% for the fiscal year ended June 30, 2000, 11.98% for the last three years and 14.24% for the last five years. These investment returns are in excess of the actuarial investment return rate needed to meet future liabilities.

The assets of the defined contribution retirement plan are invested according to the direction of each participating member. The participant can select from eight investment categories, 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, 2000 is $8.6 million.

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

Independent Audit

The financial statements contained in this report were audited by the accounting firm of Brady, Martz & Associates PC, under the direction of the North Dakota State Auditor. The auditors' opinion was unqualified for the System for the year ended June 30, 2000.

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, 1999. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a 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 four consecutive years (fiscal years ended June 30, 1996-1999). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

The System is also a recipient of the Public Pension Principles 1998 Achievement Award. This program, administered by the Public Pension Coordinating Council, covers a two-year period recognizing the professional achievements of public employee retirement systems.

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. This report is being mailed to all employer members of the System. Summary financial information will be distributed to the active and retired PERS membership in the two agency newsletters, PERSpectives and Alternative PERSpectives. Copies of this report are available to members and other interested parties upon request.

Sincerely,

Sparb Collins — Sharon Schiermeister

Sparb Collins	Sharon Schiermeister, CPA
Executive Director	Accounting/Information Systems Manager

Pictured, left to right: Joseph Maichel, Murray Sagsveen, Weldee Baetsch, Rosellen Sand, Howard Sage, Ronald Leingang, David Gunkel.

THE RETIREMENT BOARD

Joseph Maichel
Chairman
Term expires
6/30/2004

Murray Sagsveen
State Health Officer

Rosellen Sand
Attorney General
Appointee
Term expires
6/30/2004

David Gunkel
Member elected
Term expires
6/30/2004

Ronald Leingang
Member elected
Term expires
6/30/2002

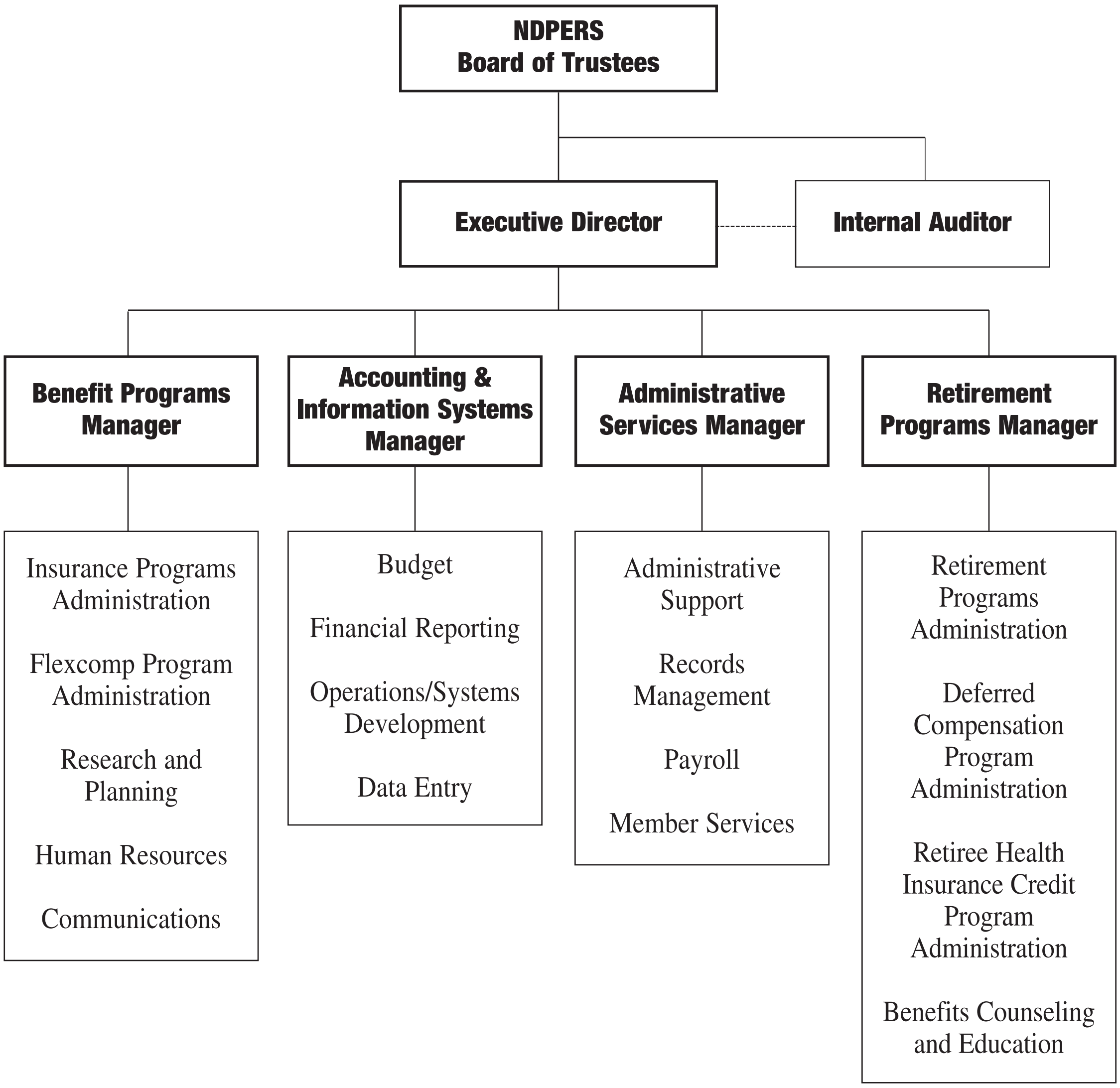
Howard Sage
Member elected
Term expires
6/30/2003

Weldee Baetsch
Retiree elected
Term expires
6/30/2004

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'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 Auditor*
Deb Knudsen, *Retirement Programs Manager*
Sharon Schiermeister, CPA, *Accounting and Information Systems Manager*
Jeanne Welder, *Administrative Services Manager*

CONSULTING & PROFESSIONAL SERVICES

Actuary:
The Segal Company
Denver, CO

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

Dental Insurance Carrier:
ReliaStar
Minneapolis, MN

Disability Consultant:
Mid Dakota Clinic
Bismarck, ND

Employee Assistance Program Vendors:
Medcenter One
Bismarck, ND

St. Alexius/Heartview
Bismarck, ND

Village Family Services
Fargo, ND

VRI
Fargo, ND

Health Insurance Carrier:
Blue Cross Blue Shield of North Dakota
Fargo, ND

Insurance Consultant:
Deloitte & Touche 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
Minneapolis, MN

Long Term Care Insurance Carrier:
UNUM
Portland, ME

FINANCIAL SECTION

The System's retirement assets are held in trust for the purpose of providing retirement benefits in the future. Since these benefits are guaranteed by North Dakota law to each eligible participant, it is the responsibility of the Retirement Board to see that the plans are soundly funded and that a complete accounting is made for all investments, receipts, payments and expenses. In addition to the Public Employees Retirement System, Highway Patrolmen's Retirement System, Defined Contribution Retirement Plan and Retiree Health Insurance Credit Program, the Retirement Board is also responsible for the Uniform Group Insurance Plan, Deferred Compensation Plan and FlexComp program.

To assure that proper accounting methods are being used, the Retirement Board requires an annual independent audit of the assets and liabilities of the System. The audit for the fiscal year ended June 30, 2000, was performed by Brady, Martz & Associates, P.C.. In addition to the annual audit, the System's internal auditor reports on a quarterly basis directly to the Audit Committee of the Retirement Board. This provides the Board with ongoing assurance of the safety of the System's assets.

The audit opinion of the CPA firm follows along with the audited financial statements, accompanying notes and required supplementary information.

INDEPENDENT AUDITOR'S REPORT

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS

Governor Edward T. Schafer
The Legislative Assembly

Sparb Collins, Executive Director
Public Employees Retirement System

We have audited the accompanying financial statements and the combining and individual fund financial statements of the Public Employees Retirement System as of and for the years ended June 30, 2000 and 1999. These financial statements and required supplementary information and supporting schedules referred to below are the responsibility of the Public Employees Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees Retirement System as of June 30, 2000 and 1999, and the results of its operations and cash flows of its proprietary fund for the years then ended, in conformity with generally accepted accounting principles. Also, in our opinion, the combining and individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the Public Employees Retirement System as of June 30, 2000 and 1999, and the results of operations of such funds for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole and on the combining and individual fund financial statements. The financial information listed as required supplementary information in the table of contents is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. The financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The required supplementary information and supporting schedules have been subjected to the auditing procedures applied in our audit of the combined, combining and individual fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose, combining and individual fund financial statements taken as a whole.

We did not audit the data included in the introductory, actuarial, investment and statistical sections of this report, and accordingly, we do not express an opinion thereon.

Reports in accordance with Government Auditing Standards, on the Public Employees Retirement System's internal control structure and on compliance with laws and regulations are issued under separate cover.

BRADY, MARTZ & ASSOCIATES, P.C.

Brady, Martz

August 25, 2000

Combined Balance Sheets
All Proprietary and Fiduciary Fund Types and Account Groups
June 30, 2000 and 1999

	Proprietary Fund Type Enterprise		Fiduciary Fund Type Trust and Agency		Account Groups General Fixed Asset		Account Groups General Long-Term Debt	
	2000	1999	2000	1999	2000	1999	2000	1999
ASSETS AND OTHER DEBITS:								
Assets:								
Cash and cash equivalents	$4,061,941	$7,132,893	$1,286,458	$1,218,893	$ -	$ -	$ -	$ -
Investments	119,373	-	1,270,123,047	1,166,876,967	-	-	-	-
Invested securities collateral	-	-	117,319,258	116,349,265	-	-	-	-
Contributions receivable	-	-	2,845,020	2,757,951	-	-	-	-
Interest receivable	-	-	5,020,130	3,634,486	-	-	-	-
Accounts receivable	35,483	74,534	303,015	307,070	-	-	-	-
Due from other funds	19,604	17,864	77,583	101,613	-	-	-	-
Due from other state agencies	5,670	1,209	30,084	47	-	-	-	-
Equipment (net of depreciation)	-	-	58,648	50,904	11,098	6,126	-	-
Other debits:								
Amount to be provided for payments on annual leave	-	-	-	-	-	-	14,779	10,970
Total assets and other debits	$4,242,071	$7,226,500	$1,397,063,243	$1,291,297,196	$11,098	$6,126	$14,779	$10,970
LIABILITIES, EQUITY & OTHER CREDITS:								
Liabilities:								
Salaries payable	$ 32,950	$ 28,009	$ 51,967	$ 40,613	$ -	$ -	$ -	$ -
Accounts payable	19,467	21,834	1,130,476	913,296	-	-	-	-
Due to other funds	-	24,246	97,187	95,231	-	-	-	-
Due to other state agencies	3,819	6,605	32,977	30,935	-	-	-	-
Amounts held in custody for others	759,309	4,165,108	-	-	-	-	-	
Securities lending collateral	-	-	117,319,258	116,349,265	-	-	-	-
Deferred premiums	58,601	49,244	-	-	-	-		
Capital lease payable	-	-	8,019	13,622	-	-	-	-
Accrued annual leave	36,467	30,974	35,371	27,090	-	-	14,779	10,970
Total liabilities	910,613	4,326,020	118,675,255	117,470,052	-	-	14,779	10,970
Equity and other credits:								
Investment in equipment	-	-	-	-	11,098	6,126	-	-
Reserved retained earnings	3,331,458	2,900,480	-	-	-	-	-	-
Fund balances:								
Reserved:								
Employees Retirement System	-	-	1,270,944,570	1,167,435,311	-	-	-	-
Unreserved:								
Designated for trust purposes	-	-	7,443,418	6,391,833	-	-	-	-
Total equity	3,331,458	2,900,480	1,278,387,988	1,173,827,144	11,098	6,126	-	-
Total liabilities, equity and other credits	$4,242,071	$7,226,500	$1,397,063,243	$1,291,297,196	$11,098	$6,126	$14,779	$10,970

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

Statements of Revenues, Expenses and Changes in Retained Earnings – Enterprise Fund

For the fiscal years ended June 30, 2000 and 1999

	2000	1999
OPERATING REVENUE:		
Administrative Fee	$ 734,203	$ 715,406
Total Operating Revenues	734,203	715,406
OPERATING EXPENSES:		
Salaries and Wages	358,565	317,405
Operating Expenses	130,745	130,829
Professional Fees	43,700	80,469
Data Processing	31,451	33,750
Total Operating Expenses	564,461	562,453
Operating Income	169,742	152,953
NONOPERATING REVENUES:		
Investment Income	261,236	184,205
Miscellaneous Income	–	317
Net Nonoperating Revenues	261,236	184,522
Net Income	430,978	337,475
Reserved Retained Earnings - July 1	2,900,480	2,563,005
Reserved Retained Earnings - June 30	$ 3,331,458	$ 2,900,480

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

Combined Statements of Revenues, Expenditures and Changes in Fund Balance – Expendable Trust Fund

For the fiscal years ended June 30, 2000 and 1999

	2000	1999
REVENUES:		
FICA Tax Savings	$ 364,951	$ 352,388
Interest Income	31,209	29,060
Investment Earnings	615,519	331,410
Employee Contributions	4,582,690	4,019,469
Total Revenues	5,594,369	4,732,327
EXPENDITURES:		
Employee withdrawals	43,067	52,603
Administrative expenditures	489,790	394,613
Flexcomp expenditures	3,774,075	3,517,754
Total Expenditures	4,306,932	3,964,970
Revenue Over Expenditures Before Effect of Accounting Change and Other Financing Sources (Uses)	1,287,437	767,357
Other Financing Sources (Uses)		
Operating Transfer In	300,635	116,850
Operating Transfer Out	(536,487)	(116,850)
Revenue Over Expenditures Before Effect of Accounting Change	1,051,585	767,357
Cumulative Effect on Prior Years of Accounting Change	-	4,597,383
Revenue Over Expenditures	1,051,585	5,364,740
Fund Balances – July 1	6,391,833	1,027,093
Fund Balances – June 30	$ 7,443,418	$ 6,391,833

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

Combining Statements of Net Plan Assets – All Pension Trust Funds

June 30, 2000 and 1999

	Public Employees Retirement System		Highway Patrolmen's Retirement System		Retiree Health Insurance Credit Fund		Defined Contribution Retirement Fund		Totals	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
ASSETS:										
Cash	$ 930,495	$ 461,224	$ -	$ -	$ 34,638	$ 37,138	$ -	$ -	$965,133	$498,362
Receivables:										
Contributions receivable	2,487,588	2,469,413	-	-	294,134	288,538	63,298	-	2,845,020	2,757,951
Interest receivable	4,850,250	3,511,646	169,837	122,816	43	24	-	-	5,020,130	3,634,486
Accounts receivable	913	-	-	-	-	-	-	-	913	-
Due from other funds	63,530	43,927	-	-	-	-	-	-	63,530	43,927
Due from other state agencies	462	47	-	-	-	-	-	-	462	47
Total receivables	7,402,743	6,025,033	169,837	122,816	294,177	288,562	63,298	-	7,930,055	6,436,411
Investments, at fair value:										
Domestic equities	-	-	-	-	12,451,220	11,417,614	5,941,136	-	18,392,356	11,417,614
International equities	-	-	-	-	3,129,272	2,794,695	909,811	-	4,039,083	2,794,695
International equity pool	139,426,782	136,659,553	4,882,413	4,779,582	-	-	-	-	144,309,195	141,439,135
Domestic equity pool	485,923,820	469,709,672	17,015,961	16,427,801	-	-	-	-	502,939,781	486,137,473
Fixed income	21,494,274	17,820,305	752,681	623,254	10,271,748	8,945,114	1,770,831	-	34,289,534	27,388,673
International fixed income pool	46,772,940	41,187,883	1,637,883	1,440,520	-	-	-	-	48,410,823	42,628,403
Domestic fixed-income pool	392,139,660	358,324,310	13,731,851	12,532,168	-	-	-	-	405,871,511	370,856,478
Certificates of deposit	16,244,199	12,103,243	568,835	423,303	-	-	-	-	16,813,034	12,526,546
Real estate pool	58,737,593	49,412,179	2,056,859	1,728,159	-	-	-	-	60,794,452	51,140,338
Private Equity	4,038,297	4,028,207	141,412	140,884	-	-	-	-	4,179,709	4,169,091
Private Equity Pool	21,415,912	4,957,551	749,937	173,387	-	-	-	-	22,165,849	5,130,938
Short-term investment fund	1,064,230	5,680,922	37,268	198,687	-	-	-	-	1,101,498	5,879,609
Total investments	1,187,257,707	1,099,883,825	41,575,100	38,467,745	25,852,240	23,157,423	8,621,778	-	1,263,306,825	1,161,508,993
Invested securities lending collateral	113,349,996	112,417,532	3,969,262	3,931,733	-	-	-	-	117,319,258	116,349,265
Equipment (net of accumulated depreciation)	58,648	50,904	-	-	-	-	-	-	58,648	50,904
Total assets	1,308,999,589	1,218,838,518	45,714,199	42,522,294	26,181,055	23,483,123	8,685,076	-	1,389,579,919	1,284,843,935
LIABILITIES:										
Salaries payable	33,285	29,263	-	-	-	-	3,261	-	36,546	29,263
Accounts payable	1,094,658	879,120	-	-	12,436	11,522	6,875	-	1,113,969	890,642
Due to other funds	-	-	18,832	16,788	78,355	54,569	-	-	97,187	71,357
Due to other state agencies	24,311	26,625	-	-	634	760	54	-	24,999	27,385
Securities lending collateral	113,349,996	112,417,532	3,969,262	3,931,733	-	-	-	-	117,319,258	116,349,265
Accrued annual leave	35,371	27,090	-	-	-	-	-	-	35,371	27,090
Capital lease payable	8,019	13,622	-	-	-	-	-	-	8,019	13,622
Total liabilities	114,545,640	113,393,252	3,988,094	3,948,521	91,425	66,851	10,190	-	118,635,349	117,408,624
NET ASSETS HELD IN TRUST:										
Net assets held in trust for pension benefits	1,194,453,949	1,105,445,266	41,726,105	38,573,773	-	-	8,674,886	-	1,244,854,940	1,144,019,039
Net assets held in trust for postemployment Healthcare benefits	-	-	-	-	26,089,630	23,416,272	-	-	26,089,630	23,416,272
(A schedule of pension funding progress for each plan is presented on page 36)										
Total net assets held in trust	$1,194,453,949	$1,105,445,266	$41,726,105	$ 38,573,773	$26,089,630	$23,416,272	$8,674,886	$ -	$1,270,944,570	$1,167,435,311

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

Combining Statements of Changes in Net Plan Assets – All Pension Trust Funds

For the years ended June 30, 2000 and 1999

	Public Employees Retirement System		Highway Patrolmen's Retirement System		Retiree Health Insurance Credit Fund		Defined Contribution Retirement Fund		Totals	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
ADDITIONS:										
Contributions:										
From Employer	$ 16,521,248	$ 15,873,917	$ 741,089	$ 717,357	$ 3,992,189	$ 3,790,514	$ 198,077	-	$ 21,452,603	$ 20,381,788
From Employee	15,693,237	15,070,370	457,079	442,441	3,246	12,155	192,307	-	16,345,869	15,524,966
From Other Plans	-	-	-	-	-	-	8,544,005	-	8,544,005	-
From pretax benefits fund	-	-	-	-	-	-	235,852	-	235,852	-
Total contributions	32,214,485	30,944,287	1,198,168	1,159,798	3,995,435	3,802,669	9,170,241	-	46,578,329	35,906,754
Investment income:										
Net appreciation (depreciation) in fair value of investments	68,101,931	77,612,878	2,375,276	2,719,457	1,291,045	1,818,477	(236,486)	-	71,531,766	82,150,812
Interest and dividends	38,478,430	33,586,432	1,345,421	1,179,008	860,741	700,317	181,546	-	40,866,138	35,465,757
Less investment expense	(3,684,724)	(3,204,931)	(128,902)	(112,521)	(51,548)	(45,741)	(12)	-	(3,865,186)	(3,363,193)
Net investment income	102,895,637	107,994,379	3,591,795	3,785,944	2,100,238	2,473,053	(54,952)	-	108,532,718	114,253,376
Securities lending activity:										
Securities lending income	5,706,923	5,044,855	199,672	177,203	-	-	-	-	5,906,595	5,222,058
Less securities lending expenses	(5,371,876)	(4,783,825)	(187,951)	(168,037)	-	-	-	-	(5,559,827)	(4,951,862)
Net securities lending income	335,047	261,030	11,721	9,166	-	-	-	-	346,768	270,196
Purchased service credit	925,534	1,082,415	-	-	73,929	81,952	-	-	999,463	1,164,367
Miscellaneous income	10,530	3,874	65	36	-	-	-	-	10,595	3,910
Total additions	136,381,233	140,285,985	4,801,749	4,954,944	6,169,602	6,357,674	9,115,289	-	156,467,873	151,598,603
DEDUCTIONS:										
Benefits paid to participants	34,026,828	29,150,704	1,629,020	1,453,640	-	-	194,361	-	35,850,209	30,604,344
Refunds	3,852,102	3,785,874	6,576	4,784	1,712	1,020	-	-	3,860,390	3,791,678
Prefunded credit applied	-	-	-	-	3,409,471	3,160,789	-	-	3,409,471	3,160,789
Transfers to other plans	8,693,091	134,137	-	-	-	-	-	-	8,693,091	134,137
	46,572,021	33,070,715	1,635,596	1,458,424	3,411,183	3,161,809	194,361	-	51,813,161	37,690,948
Administrative expenses	800,529	718,396	13,821	12,966	85,061	60,912	246,042	-	1,145,453	792,274
Total deductions	47,372,550	33,789,111	1,649,417	1,471,390	3,496,244	3,222,721	440,403	-	52,958,614	38,483,222
Net increase	89,008,683	106,496,874	3,152,332	3,483,554	2,673,358	3,134,953	8,674,886	-	103,509,259	113,115,381
Net assets held in trust for pension and post-employment healthcare benefits:										
Beginning of year	1,105,445,266	998,948,392	38,573,773	35,090,219	23,416,272	20,281,319	-	-	1,167,435,311	1,054,319,930
End of year	$1,194,453,949	$1,105,445,266	$41,726,105	$38,573,773	$ 26,089,630	$23,416,272	$8,674,886	-	$ 1,270,944,570	$1,167,435,311

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

Statements of Cash Flows – Enterprise Fund

For the fiscal years ended June 30, 2000 and 1999

	2000	1999
Cash Flows From Operating Activities:		
Operating Income	$ 169,742	$ 152,953
Adjustments To Reconcile Operating Income To Net Cash From (Used By) Operating Activities:		
Miscellaneous Income	-	317
Premiums Collected and BCBS Surplus Used	85,815,135	76,390,644
Premiums Paid	(85,815,135)	(76,390,644)
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	39,051	(57,762)
(Increase) in Due From Other Funds	(1,740)	(14,106)
Increase in Due From Other State Agencies	(4,461)	(213)
Increase (Decrease) in Salaries Payable	4,941	(540)
Increase in Accrued Annual Leave	5,493	180
Decrease in Accounts Payable	(2,367)	(519)
Decrease in Due To Other State Agencies	(2,786)	(3,149)
Decrease in Amounts Held in Custody for Others	(3,405,799)	(4,990,162)
Decrease in Due To Other Funds	(24,246)	(17,848)
Increase in Deferred Premiums	9,357	13,454
Total Adjustments	(3,382,557)	(5,070,348)
Net Cash Used By Operating Activities	(3,212,815)	(4,917,395)
Cash Flows From Investing Activities:		
Increase in Investments	(119,373)	-
Investment Income	261,236	184,205
Net Cash from Investing Activities	141,863	184,205
Net Decrease in Cash and Cash Equivalents	(3,070,952)	(4,733,190)
Cash and Cash Equivalents Balance – Beginning of Year	7,132,893	11,866,083
Cash and Cash Equivalents Balance – End of Year	$ 4,061,941	$7,132,893

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

Statement of Appropriations

For the biennium ended June 30, 2001

	Approved 1999-2001 Appropriation	1999-2001 Appropriation Adjustments	Adjusted 1999-2001 Appropriation	Expenditures 2000	Unexpended Appropriation
All Fund Types:					
Salaries and wages	$ 1,818,176	$ 43,043	$ 1,861,219	$ 889,131	$ 972,088
Operating Expenses	1,222,052	-	1,222,052	728,402	493,650
Equipment	7,500	-	7,500	7,422	78
Contingency	25,000	-	25,000	-	25,000
Defined Contribution Plan	197,000	-	197,000	137,405	59,595
Employer vesting	87,181	-	87,181	50,811	36,370
Total	$ 3,356,909	$ 43,043	$ 3,399,952	$ 1,813,171	$ 1,586,781

Reconciliation of Administrative Expenses to Appropriated Expenditures

	2000
Administrative expenses as reflected in the financial statements	$2,198,538
Plus:	
Equipment Purchases	29,232
Lease Payments (Net of Interest)	5,603
Contributions Short and Long	49
Less:	
Professional Fees - Not including legal fees which are appropriated	(377,588)
Depreciation Expenses	(16,516)
Allocated Depreciation Charged as Equipment Rent to Other Programs	(8,351)
Changes in Annual Leave	(17,584)
FLex Comp FICA Payments	(36)
Bank Supply Charges	(176)
Total Appropriated Expenditures	$ 1,813,171

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2000 & 1999

NOTE 1
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Financial Statements and Reporting Entity
The accompanying financial statements of the Public Employees Retirement System (System) have been prepared in conformity with generally accepted accounting principles. These financial statements represent the financial status, results of operations and changes in financial status of the System for the fiscal years ended June 30, 2000 and 1999.

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.

B) Fund Structure and Basis of Accounting
The financial activities of the System reported in the accompanying statements are classified into two fund categories and account groups. The fund categories are proprietary funds and fiduciary funds and the account groups are General Fixed Assets and General Long-Term Debt.

The System follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for governmental entities. In accordance with GASB Statement No. 20, the System follows all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with GASB pronouncements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The proprietary and pension trust funds are accounted for on a flow of economic resources measurement focus. This measurement focus includes all assets and liabilities associated with the operations of these funds on the balance sheet. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets (General Fixed Assets Account Group) and liabilities (General Long-Term Debt Account Group). These long-term assets and liabilities are not recorded in the funds because they do not directly affect expendable available financial resources. The proprietary fund operating statement presents increases and decreases in net total assets. The expendable trust fund is accounted for using a current financial resources measurement focus. With this measurement focus, generally only current assets and current liabilities are included on the balance sheet. The operating statement for the fund presents increases and decreases in net current assets.

The proprietary fund type is an Enterprise Fund which is used to account for the operations of the Uniform Group Insurance Program. The System has been given the responsibility to manage this public entity risk pool. The Uniform Group Insurance Program is an insurance purchasing pool which provides the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments, or agencies, economies of scale in purchasing health, life, dental and long-term care insurance. Since there is no pooling of risk, the disclosures relating to public entity risk pools are not applicable. Accordingly, this enterprise fund only reports administrative revenues and expenses. The proprietary fund is accounted for on the accrual basis of accounting. In accordance with the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

The retained earnings of the enterprise fund are reserved as North Dakota Century Code 54-52.1-06 requires that any excess amounts received or earned by the program must be used to reduce the amount of premium amounts paid monthly by the enrolled eligible employees or to provide increased insurance coverage.

The fiduciary fund type consists of Trust and Agency Funds which are used to account for assets held by the department in a trust or agency capacity. These funds include:

1. *Pension Trust Funds* – Used to account for the activities of the Public Employees Retirement System, the Highway Patrolmen's Retirement System, the Retiree Health Insurance Credit Fund, and the Defined Contribution Retirement Fund.

2. *Expendable Trust Fund* – Used to account for the activities of trusts whose principal and income may be used for purposes of the trust. The System's expendable trust fund consists of the Pretax Benefits Program and the Deferred Compensation Plan.

3. *Agency Fund* – Used to account for amounts held in trust for others. The System's agency fund consists of the Deferred Compensation Plan Funds not held in trust through December 31, 1998.

The Pension Trust 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.

Expendable Trust Funds are accounted for on the modified accrual basis of accounting. In accordance with this basis, revenues are recognized when they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the current period. "Available" means that amounts are due and collectible within the current period or soon enough thereafter (within 30 days) to be used to pay liabilities of the current period. System member contributions are recognized in the period in which the contributions are due. Expenditures are recognized when the related fund liability is incurred. Agency funds, since they are custodial in nature, do not have measurement of results of operations.

The General Fixed Asset Account Group is used to account for equipment of the Expendable Trust Funds. Fixed assets of the Pension Trust Funds are accounted for separately in their respective funds.

The General Long-Term Debt Account Group is used to account for the accrued annual leave of the Expendable Trust Funds. Long-term obligations of the proprietary and Pension Trust Funds are accounted for in their respective funds.

C) 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 that is 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 State's budgeting system does not include revenues, thus, a Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual statement cannot be prepared as required by generally accepted accounting principles. In its place a Statement of Appropriations has been presented. The Statement of Appropriations has been prepared using the modified accrual basis. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC), Section 54-44.1-11. Expenditures not subject to appropriation of a specific amount include professional fees (not including legal fees), depreciation expense, benefits and refunds paid to participants, prefunded credits applied and employee reimbursements in the Flexcomp Program.

During the fiscal year ending June 30, 2000, there was a supplemental appropriation for a market/equity salary adjustment provided by the legislature.

There were no supplemental appropriations during the fiscal year ending June 30, 1999.

Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements, as encumbrance accounting is not utilized. 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.

D) Cash and Investments

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. Fair value is, "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than a forced liquidation sale." Fair value was determined by reference to published market data for publicly traded securities or through the use of independent valuation services and appraisers for other investments. All investments of the fund, except for the Defined Contribution Plan, are to be made by the North Dakota Retirement and Investment Office (RIO). 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 Plan are participant-directed and are held by Fidelity Investments.

Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value. Investment expense of the fund, except for the Defined Contribution Retirement Plan consists of those administrative expenses directly related to the RIO investment operations. Investment expense of the Defined Contribution Retirement Plan consists of administrative expenses directly related to the plan.

Securities Lending

GASB Statement No. 28, "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

For securities loaned at year end, the System has no credit risk exposure to borrowers because the amounts the System owes the borrowers exceed the amounts the borrowers owe the System.

Types of securities used for lending purposes are equity securities and bonds and notes.

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

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of overall loans is 39 days.

Cash open collateral is invested in a short term investment pool, the Core Collateral Section, which had an average weighted maturity of 33 days as of this statement date. Cash collateral may also be invested separately in "term loans", in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust (custodian of investments for RIO) has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. Northern Trust indemnifies the System if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay income distributions on them.

Derivative Securities

The System's investment policy allows investment managers to use derivative securities. Managers are specifically permitted to use Treasury futures and options, S & P 500 index futures and options, and currency forwards and futures to hedge portfolio risk, but not to speculate or to leverage the portfolio. Managers may use their discretion to use other derivatives to enhance returns, reduce risk, or facilitate the management of index funds. The System's policy with respect to these derivatives is that their use may not increase the credit, market or legal risk level associated with a fully invested portfolio of common stocks or fixed income obligations, depending on the manager's designated role.

E) Accounts Receivable

Accounts receivable primarily include amounts due for contributions, insurance premiums, employee pretax benefit deductions and accrued interest on investments.

F) Fixed Assets and Depreciation

Fixed assets are presented in the accompanying financial statements at cost or estimated historical cost. Donated fixed assets are stated at fair market value at the time of donation. Fixed assets acquired via lease agreements are capitalized at the inception of the agreement. The System capitalizes equipment costing over $750 in accordance with Section 54-27-21 of the North Dakota Century Code.

Fixed assets acquired by the Pension Trust Funds are reported in those funds. The fixed assets are depreciated on a straight-line basis over estimated useful lives ranging from 5 to 10 years.

G) Accumulated Unpaid Vacation and Sick Pay

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 March 31st 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 except for the expendable trust fund which is reported in the General Long-Term Debt Account Group.

H) Deferred Contributions / Premiums

Deferred contributions consist of monies collected from participating employers, for retirement contributions, before the contributions are due. Deferred premiums consist of monies collected by the System from individuals or state agencies, for insurance premiums, before the premiums are due.

I) Transfers To Other Plans

Transfers to other plans consist of monies transferred to other alternative retirement programs in accordance with Section 15-10-17 Subsection 13 of the North Dakota Century Code. Employees of institutions under the control of higher education who are members of the Public Employees Retirement System and become entitled to participate in the alternate retirement program are entitled to have an annuity purchased from the employee and employer contributions and related interest from the Public Employees Retirement System in lieu of any other rights under the Public Employees Retirement System.

Transfers to other plans also consist of monies transferred from the Public Employees Retirement System Defined Benefit Plan to the Defined Contribution Retirement Plan. 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 employees electing to transfer to the Defined Contribution Retirement Plan prior to December 31, 1999, the lump sum was the higher of the actuarial present value of accrued benefits or actual employee and employer contributions plus interest. 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.

NOTE 2
DEPOSITS AND INVESTMENTS

DEPOSITS:
The following summary presents the amount of the System's deposits which are fully insured or collateralized with securities held by the System or by its agent in the System's name (Category 1), those deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the System's name (Category 2) and those deposits which are not collateralized or are collateralized by the pledging financial institution's trust department or agent, but not in the System's name (Category 3) at June 30, 2000 and 1999. Funds deposited in the Bank of North Dakota are guaranteed by the state of North Dakota (North Dakota Century Code Section 6-09-10).

At June 30, 2000 and 1999, the carrying amount of the System's cash deposits were $18,857,564 and $14,216,256 and the bank balances were $19,185,423 and $14,537,609. Included in these amounts were certificates of deposit recorded as investments with a carrying value and bank balances of $16,813,034 and $12,526,546 at June 30, 2000 and 1999. All of the System's deposits are uncollateralized, a class three risk as defined by the Government Accounting Standards Board.

INVESTMENTS:
Risk Categories:
Governmental Accounting Standards Board (GASB) Statement No. 3 entitled "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires certain financial statement disclosure of deposits and investments such as the disclosure of carrying amounts by type of investment and classification into one of three categories based upon credit risk. Category (1) includes investments insured or registered or securities held by the System or its agent in the System's name. Category (2) includes uninsured and unregistered investments, with securities held by the counterparty's trust department or agent in System's name. Category (3) includes investments uninsured and unregistered with securities held by the counterparty, or by its trust department or agent, but not in System's name.

The guaranteed investment contracts with Blue Cross Blue Shield and ReliaStar are not subject to credit risk requirements and are shown as cash and cash equivalents on the financial statements.

All investments of the fund, except for the defined contribution retirement plan, are to be made by RIO. Investments of the Public Employees Retirement System and the Highway Patrolmen's Retirement System are commingled and invested. Earnings on the investments and expenses related to administering the plans are allocated to each plan based on their percentage of ownership or number of participants. The System's investments are pooled with other state investments and managed by the North Dakota Retirement and Investment Office. All pooled investments subject to credit risk classification at the Retirement and Investment Office are categorized in Category 1. These investments include the equity securities, the bonds and notes and the private equity pool.

Those investments not subject to credit risk classification are the mutual funds, guaranteed investment contracts, the real estate pool, the private equity, the short-term investment fund, the deferred compensation plans, and the securities lending short-term collateral investment pool.

The Public Employees Retirement System Board, or vendors contracted for by the board, has exclusive authority to invest and manage the assets of the defined contribution retirement plan. State statute allows each participating member to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board. The following investments represent 5% or more of net plan assets at June 30, 2000:

Fidelity Growth Company Mutual Fund	22.95%
Fidelity Managed Income Portfolio Mutual Fund	15.45%
Fidelity Diversified International Mutual Fund	10.55%
Alger Small Cap Retirement Mutual Fund	9.49%
Fidelity Freedom 2020 Mutual Fund	9.30%
Fidelity Spartan 500 Index Mutual Fund	8.49%
Fidelity Freedom 2010 Mutual Fund	7.61%
Fidelity Equity Income Mutual Fund	5.48%

Total investments of the System at cost and fair value as of June 30, 2000 and 1999 consisted of the following:

June 30, 2000	Fair Value	Cost
Equity Securities	$ 662,829,468	$ 426,717,380
Bonds and Notes	486,801,037	491,485,016
Mutual Funds	8,621,778	8,843,354
Guaranteed Investment Contracts	3,303,869	3,303,869
Real Estate Pool	60,794,452	60,619,430
Private Equity	4,179,709	2,766,680
Private Equity Pool	22,165,849	19,645,123
Short-Term Investment Fund	1,220,871	1,050,791
Deferred Compensation Plans:		
Annuities	261,896	261,896
Mutual Funds	6,554,326	6,554,326
Securities Lending Short-Term Collateral Investment Pool	117,319,258	117,319,258
	$1,374,052,513	$1,138,567,123

June 30, 1999	Fair Value	Cost
Equity Securities	$ 641,788,917	$ 416,001,163
Bonds and Notes	440,873,554	440,372,516
Guaranteed Investment Contracts	6,662,076	6,662,076
Real Estate Pool	51,140,338	52,522,454
Private Equity	4,169,091	2,887,122
Private Equity Pool	5,130,938	5,450,378
Short-Term Investment Fund	5,879,609	5,826,673
Deferred Compensation Plans:		
Annuities	249,771	249,771
Mutual Funds	5,118,203	5,118,203
Securities Lending Short-Term Collateral Investment Pool	116,349,265	116,349,265
	$1,277,361,762	$1,051,439,621

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments and unrealized gains and losses on investments sold in the current year that had been held for more than one year were included in the net appreciation (depreciation) reported in the prior year(s) and the current year.

Net realized and unrealized appreciation in the fair value of investments on the accompanying combined statements of changes in plan net assets consists of the following:

	2000	1999
Net realized gain on investments	$ 61,730,759	$ 32,135,708
Unrealized appreciation (depreciation) in fair value of investments	9,801,007	50,015,104
Net realized/unrealized appreciation in fair value of investments	$ 71,531,766	$ 82,150,812

NOTE 3 INTERFUND AND STATE AGENCY TRANSACTIONS

The June 30, 2000 interfund due from/to other funds are summarized as follows:

Fund Type / Fund	Due From Other Funds	Due To Other Funds
Pension Trust:		
PERS	$ 63,530	$ -
Highway Patrol Retirement	-	18,832
Retiree Health Insurance Credit Fund	-	78,355
Enterprise	19,604	
Expendable Trust:		
Pretax Benefit Program	14,053	-
	$ 97,187	$ 97,187

The June 30, 1999 interfund due from/to other funds are summarized as follows:

Fund Type / Fund	Due From Other Funds	Due To Other Funds
Pension Trust:		
PERS	$ 43,927	$ -
Highway Patrol Retirement	-	16,788
Retiree Health Insurance Credit Fund	-	54,569
Enterprise	17,864	24,246
Expendable Trust:		
Pretax Benefits Program	28,339	23,874
Deferred Compensation	29,347	-
	$ 119,477	$ 119,477

The June 30, 2000 due from/to state agencies are summarized as follows:

Fund Type / Fund	Due From State Agencies	Due To State Agencies
Public Employees Retirement Fund:		
OMB Central	$ 219	$ -
Human Services	243	-
State Investment Board	-	1,715
ITD	-	20,830
DOT	-	88
Facilities Management	-	9
Attorney General	-	1,062
Central Duplicating	-	607
Total	$ 462	$24,311
Prefunded Retiree Health Program:		
State Investment Board	$ -	$ 634
Defined Contribution:		
ITD	$ -	$ 26
Attorney General	-	28
Total	$ -	$ 54
PERS Group Insurance:		
OMB Central	$ 1,457	$ -
Human Services	2,107	-
Department of Corrections	703	-
Adjutant General	1,053	-
Water Commission	350	-
ITD	-	3,016
DOT	-	40
Facilities Management	-	8
Attorney General	-	470
Central Duplicating	-	285
Total	$ 5,670	$ 3,819
Flex Program:		
OMB Central	$29,622	$ -
ITD	-	198
Facilities Management	-	2
Attorney General	-	39
Central Duplicating	-	649
Total	$29,622	$ 888
Deferred Comp:		
ITD	$ -	$ 6,626
DOT	-	79
Facilities Management	-	2
Attorney General	-	325
Central Duplicating	-	58
Total	$ -	$ 7,090

The June 30, 1999 due from/to state agencies are summarized as follows:

Fund Type / Fund	Due From State Agencies	Due To State Agencies
Public Employees Retirement Fund:		
State Investment Board	$ -	$11,744
ISD	47	14,881
Total	$ 47	$26,625
Prefunded Retiree Health Program:		
State Investment Board	$ -	$ 760
PERS Group Insurance:		
ISD	$ 1,209	$ 6,605
Flex Program	$ -	$ 3,550

The June 30, 2000 operating transfers in/out are summarized as follows:

Fund Type / Fund	Operating Transfer In	Operating Transfer Out
Expendable Trust Fund:		
Deferred Compensation	$300,635	$ -
Pretax Benefits	-	536,487
Pension Trust Fund:		
Defined Contribution Retirement Fund	$235,852	$ -

The June 30, 1999 operating transfers in/out are summarized as follows:

Fund Type / Fund	Operating Transfer In	Operating Transfer Out
Expendable Trust Fund:		
Deferred Compensation	$116,850	$ -
Pretax Benefits	-	116,850

NOTE 4
FIXED ASSETS

A statement of changes in equipment and accumulated depreciation for the Pension Trust Funds for the years ended June 30, 2000 and 1999 is as follows:

	Equipment	Accumulated Depreciation	Net Equipment
Balance - June 30, 1998	$ 104,532	$ 82,297	$ 22,235
Additions	42,658	13,012	29,646
Deletions	(38,836)	(37,859)	(977)
Balance - June 30, 1999	108,354	57,450	50,904
Additions	24,260	16,516	7,744
Deletions	(6,998)	(6,998)	-
Balance - June 30, 2000	$125,616	$66,968	$58,648

A statement of changes in equipment for the General Fixed Assets Account Group for the years ended June 30, 2000 and 1999 is as follows:

Balance - June 30, 1998	$ 6,153
Additions	1,726
Deletions	(1,753)
Balance - June 30, 1999	6,126
Additions	4,972
Deletions	-
Balance - June 30, 2000	$11,098

NOTE 5
LEASE OBLIGATIONS
Operating Lease:
The department has entered into an operating lease for office space until June 30, 2001.The lease contains a clause stating that renewal is dependent on appropriation funding by the State Legislature. Lease obligations for operating and capital leases are payable from all funds of the System. Expenditures for the operating lease were $68,079 and $61,254 for the years ended June 30, 2000 and 1999, respectively. The future minimum lease payments for the fiscal years ending June 30th are:

2001	$ 68,079

Capital Lease:
The department has entered into a capital lease for equipment with a cost of $17,260 until October 2001. Lease obligations for operating and capital leases are payable from all funds of the System. The future minimum lease payments and the present value for fiscal years ending June 30 are:

2001	$ 6,276
2002	2,092
Total minimum lease payments	8,368
Less amount representing interest	349
Present value of minimum lease payments	$ 8,019

NOTE 6
NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
All eligible employees of the System, except those electing to participate in the North Dakota Defined Contribution Retirement Plan, contribute to the North Dakota Public Employees Retirement System (PERS), a state-wide cost-sharing multiple-employer defined benefit pension plan which is detailed in the notes that follow.

The System is required to contribute to PERS at an actuarially determined rate for permanent employees. The System's contributions to PERS for the years ended June 30, 2000, 1999 and 1998, were $57,535, $49,615 and $47,735 equal to the required contributions for each year.

NOTE 7
DESCRIPTION OF PLANS
A) General
The System administers two 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 following brief description of the PERS and the HPRS, and the Defined Contribution Plan 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. The HPRS covers substantially all sworn officers of the North Dakota Highway Patrol. The Defined Contribution Plan covers state employees who are in positions not classified by the central personnel division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Defined Contribution Plan.

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:

	2000	1999
Cities and Park Districts	58	54
Counties	41	41
School Districts	76	66
Other	48	44
Total participating political subdivisions	223	205

Employee membership data is as follows:

	PERS 2000	PERS 1999	HPRS 2000	HPRS 1999
Retirees and Beneficiaries Currently Receiving Benefits	4,709	4,496	80	77
Special Prior Service Retirees	170	191	-	-
Terminated Vested Participants	180	72	1	1
Inactive Participants	2,699	2,467	-	1
Active Plan Participants:				
Vested	11,914	11,953	66	68
Nonvested	4,461	4,381	56	56
Total Plan Membership	24,133	23,560	203	203

Every permanent state employee who is at least 18 years old and who is in a position not classified by the central personnel division of the State of North Dakota may be eligible to participate in a defined contribution pension plan administered by the North Dakota Public Employees Retirement System. 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 defined contribution plan had 237 participants as of June 30, 2000.

B) Pension Benefits

PERS

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. (Effective August 1, 1999, there is an addition of ad-hoc post-retirement increase for retirees, disableds and beneficiaries equal to 8%, for the Main System and National Guard and effective March 25, 1999 two ad-hoc post-retirement increases for retirees and beneficiaries for judges equal to 2% beginning January 1, 2000 and January 1, 2001). Members are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85, or at normal retirement age (65), equal to 1.77 percent (1.89 percent, effective August 1, 1999) of their final average salary for each year of service. The Plan permits early retirement at ages 55-64 with five or more years of service (three years of service for the Main System and National Guard, effective August 1, 1999).

The monthly pension benefit for Supreme and District Court judges at normal retirement age (65) is equal to 3.50 percent of final average salary multiplied by the first ten years of service, plus 2.80 percent of the final average salary times the second ten years of service, plus 1.25 percent of final average 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 1.77 percent multiplier (1.89 percent effective August 1, 1999).

The monthly pension benefit for the National Guard Security Officers and Firefighters at normal retirement age (55) is equal to 1.77 percent (1.89 percent, effective August 1, 1999) of final average salary for each year of service with five years served (three years of service effective August 1, 1999) as a security officer or firefighter.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, level social security or term-certain 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 consecutive months out of the last 120 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.25 percent (3.40 percent effective August 1, 1999) and 1.75 percent 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.

Defined Contribution Plan

Members are entitled to their vested account balance. A participating member is immediately 100% vested in the member's contributions. A participating member vests in the employer contributions made on the member's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Members may elect to receive their account balance in a lump sum, lump sum direct roll-over or periodic distribution.

C) Death and Disability Benefits

PERS

Death and disability benefits are set by statute. If an active members dies with less than five years (three years of service for the Main System and National Guard, effective August 1, 1999) 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 five years of credited service (three years of service for the Main System and National Guard, effective August 1, 1999), the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the member's accrued normal retirement benefit, or 60 monthly payments equal to the member's accrued normal retirement benefit calculated as if the member were age 65 the day before death occurred 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.

Effective March 25, 1999 for Judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (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 that are equal to 25 percent 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.

Effective March 25, 1999 for Judges only, the disability benefit formula is changed to 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, life-time monthly payments in an amount equal to 50 percent of the member's accrued normal retirement benefit or 60 monthly payments equal to the member's accrued normal retirement benefit calculated as if the member were age 55 the day before death occurred. 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 percent of their final average salary, reduced by worker's compensation, with a minimum benefit of $100. To qualify under this section the member must meet the criteria established by the System for being totally disabled and apply for benefits within one year of termination.

Defined Contribution Plan

Upon the death of a participating member or former participating member, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies).

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

D) Refunds of Member Contributions

Upon termination, if a member of PERS or HPRS is not vested (is not 65 or does not have five years of service (three years of service for the Main System and National Guard, effective August 1, 1999) 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. 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.

E) Contributions

Contribution rates for PERS and HPRS are set by state statute, actuarially determined based on the entry age normal actuarial cost method. This method produces an employer contribution rate consisting of (1) an amount for normal cost, (2) an amount for amortization of the unfunded accrued liability over an open period of 20 years, and (3) the amount necessary to provide for operating expenses. Contribution rates for the Defined Contribution Plan are set by state statute and are a percentage of salaries and wages.

Member contributions are established at 4 percent of regular compensation with the exception of Supreme and District Court judge contributions which are established at 5 percent of total compensation. 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 of all of the required member contributions are made by the employer. The State is paying the full member contribution with the exception of the Supreme and District court judges for which the State is paying 4 of the 5 percent contribution. Some of the political subdivisions are paying all or part of the member contributions.

Employer contributions of 4.12 percent of covered compensation are set by statute. The employer contribution rate for the Supreme and District Court Judges is also set by statute at 14.52 percent and the contribution rate for the National Guard Security Officers and Firefighters is set by the Board at 8.33 percent. The entry age normal cost method determines the amount of contributions necessary to fund: (a) the current service cost, which represents the estimated amount necessary to pay for the benefits earned by members during the current service year and, (b) the prior service cost, which represents the amount necessary to pay for benefits earned prior to the effective date of the plan.

Effective January 1, 2000, 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, employer contributions are sufficient to meet these funding schedules.

HPRS

Employees' contributions are established at 10.3 percent of total compensation of which the state is paying 4 percent. Employer contributions of 16.7 percent of covered compensation are set by statute. 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, employer contributions are sufficient to meet this funding schedule.

Defined Contribution Plan

Member contributions are established at 4 percent and employer contributions are established at 4.12 percent of regular compensation.

NOTE 8
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, the Retirement Plan for Employees of Job Service North Dakota, and judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

	2000	1999
Retired Participants	3,169	3,015
Active Participants	16,720	16,458
Total Participants	19,889	19,473

The Projected Unit Credit is the actuarial cost method used for the Retiree Health Insurance Credit Fund. Significant actuarial assumptions used are as follows:

Mortality Rates: 1983 Group Annuity Mortality Table for Healthy Lives and the Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Participants Receiving Social Security Benefits for Disabled Lives.

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

Investment Return: 8.00% per annum, net of investment expenses.

Inflation: 4.50% per annum.

Expenses: Administrative expenses of $65,000 a year.

Actuarial Value of Assets: Adjusted market value that immediately recognizes interest and dividends. The procedures recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence.

The Retiree Health Insurance Credit Fund has 16,720 active participants at June 30, 2000. The employers' actuarially required contribution was $4,211,825 and the actual employer contributions for the period ended June 30, 2000 were $3,992,189. The amount of net assets held in trust for post employment healthcare benefits at June 30, 2000 is $26,089,630. The actuarially accrued liability and actuarially unfunded accrued liability at June 30, 2000 is $61,901,039 and $39,325,243, respectively. The benefit security ratio for the last five years is 24.3% for 1996, 26.4% for 1997, 29.7% for 1998, 33.7% for 1999, and 36.5% for 2000. The progress of this ratio reveals overall improvement in the Plan's funded condition.

The following are the changes in actuarial assumptions, asset method and plan experience and the effect on the employer's contribution rates expressed as a percent of covered payroll, and the dollar effect on the actuarial accrued liability.

	%	Dollar
Net effect of change in retirement age assumption	.03	$124,195
Benefit improvements	.00	-
Changes in plan experience during the year	.00	-
	.03	$124,195

The employer contribution for the PERS and the HPRS and the Defined Contribution Plan is set by statute on an actuarially determined basis at 1 percent of covered compensation. Job Service North Dakota reimburses the Retiree Health Insurance Credit Fund monthly for credit received by members of the Retirement Plan for Employees of Job Service North Dakota. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Assets for the pension trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Retirement Plan for Employees of Job Service North Dakota, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan. The benefits are equal to $4.50 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

NOTE 9
DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES

The System was given the authority by Chapter 54-52.2 to administer an employee deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan allows employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies to participate, providing that the employee has signed a participant agreement which permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held in trust for the exclusive use of the employee or their beneficiary. See Note 14 for accounting change for the deferred compensation plan.

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

	2000		1999	
Plan Participation By:				
State of North Dakota	$5,653,244	83%	$4,451,162	83%
Other Jurisdictions	1,162,978	17%	916,812	17%
Total Value	$6,816,222	100%	$5,367,974	100%

NOTE 10
FEDERAL INCOME TAX STATUS

The System is exempt from the payment of any federal income taxes by virtue of being an agency of the state of North Dakota.

NOTE 11
UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. The surplus will be reduced by claims incurred during the biennium that are paid during the 24 months following the end of the biennium. Based on BCBS's accounting for the biennium ended June 30, 1999, the PERS portion of the surplus was determined to be $4.9 million. This amount was depleted by claims paid during the current fiscal year that were incurred during the 1997-99 biennium. The System used $2.1 million and $5.5 million of the accumulated surplus and earnings during the fiscal years 2000 and 1999, respectively, to reduce the premium rates. The accumulated surplus and other invested funds in the amount of $2.8 million is shown as cash on the System's balance sheet. These funds are being held by BCBS.

The contract for the 1999-2001 biennium provides for a similar accounting of surplus balances. As of June 30, 2000, the surplus for the 2000 fiscal year is $10.4 million. This surplus is not reflected on the financial statements as this is only an estimate and the amount will change based on claims paid throughout the life of the contract and 24 months following the end of the contract.

Similarly, the Uniform Group Insurance Program contracts with ReliaStar Life Insurance Company to provide life insurance to the employees of the State of North Dakota or any of its political subdivisions, institutions, departments or agencies. The contract provides for an accounting of premiums paid and claims incurred during the biennium, with any surplus shared according to a formula outlined in the contract. Based on ReliaStar final accounting for the 1997-1999 biennium there is no surplus for this contract period. Accumulated surplus and earnings are used to fund rate reductions in the supplemental life program or provide benefit enhancements. The accumulated surplus is being held at ReliaStar and is earning interest based on a formula provided in the contract at a rate equal to three percent plus any additional interest as ReliaStar may declare from year to year. The accumulated surplus and earnings of $552,810 is shown as cash on the System's balance sheet.

NOTE 12
RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The following are funds/pools established by the state for risk management issues:

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

The statutory liability of the State is limited to a total of $250,000 per person and $1,000,000 per occurrence.

The System also participates in the North Dakota Fire and Tornado Fund and the State Bonding Fund. The agency pays an annual premium to the Fire and Tornado Fund to cover property damage to building and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of one million dollars per occurrence during a 12-month period. The State Bonding Fund currently provides the agency with blanket fidelity bond coverage in the amount of $4,000,000 for its employees. The State Bonding Fund does not currently charge any premium for this coverage.

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

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

NOTE 13
RELATED PARTIES

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

NOTE 14
CUMULATIVE EFFECT OF ACCOUNTING CHANGE

In accordance with GASB #32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," the System recorded as a cumulative effect of accounting change the amount of deferred compensation plan account balances held in trust by the System. A portion of the balances were held in trust beginning October 1, 1998 and another portion beginning January 1, 1999. Those balances held in trust are reported as an expendable trust fund in the June 30, 1999 financial statements. Prior to January 1, 1999 the full amount of deferred compensation plan account balances were reported in the agency fund.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Schedule of Employer Contributions For the six years ended June 30, 2000

Public Employees Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1995	$ 12,544,500	100%
1996	10,588,800	100
1997	11,421,000	100
1998	10,810,265	100
1999	9,698,810	100
2000	13,457,783	100

Highway Patrolmen’s Retirement System

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1995	$ 507,600	100%
1996	468,100	100
1997	439,900	100
1998	609,384	100
1999	521,216	100
2000	529,929	100

See Notes to Required Supplementary Schedules

Required Supplementary Information
Schedule of Funding Progress For the six years ended June 30, 2000

Public Employees Retirement System (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) – Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL) (Funded Excess)	Ratio of Assets to AAL	Covered Payroll	UAAL (Funded Excess) as a Percentage of Covered Payroll
1995	$ 539.8	$ 554.6	$ (14.8)	102.7%	$ 303.4	(4.9)%
1996	597.9	621.7	(23.8)	104.0	345.3	(6.9)
1997	646.9	704.5	(57.6)	108.9	359.0	(16.0)
1998	720.1	801.3	(81.2)	111.3	379.0	(21.4)
1999	842.7	917.0	(74.3)	108.8	397.7	(18.7)
2000	891.9	1,027.0	(135.1)	115.1	409.0	(33.0)

Highway Patrolmen’s Retirement System (Expressed in Millions)

Actuarial Valuation Date June 30	Actuarial Accrued Liabilities (AAL) - Entry Age	Actuarial Value of Assets	Unfunded AAL (UAAL) (Funded Excess)	Ratio of Assets to AAL	Covered Payroll	UAAL (Funded Excess) as a Percentage of Covered Payroll
1995	$ 22.3	$ 20.0	$ 2.3	89.7%	$ 3.4	67.6%
1996	23.8	22.2	1.6	93.3	3.8	42.1
1997	27.5	24.9	2.6	90.5	4.2	61.9
1998	28.9	28.1	.8	97.2	4.3	18.6
1999	32.2	32.0	.2	99.4	4.5	4.4
2000	34.0	35.9	(1.9)	105.6	4.7	(40.4)

See Notes To Required Supplementary Schedules

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

June 30, 2000 & 1999

NOTE 1
DESCRIPTION OF SCHEDULE OF FUNDING PROGRESS

Each time a new benefit is added which applies to service already rendered, an "unfunded accrued liability" is created. Laws governing PERS require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to unfunded accrued liabilities.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded accrued liabilities increasing in dollar amounts, all at a time when the actual substance of these items maybe decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. Unfunded accrued liabilities divided by active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to covered payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

NOTE 2
ACTUARIAL ASSUMPTIONS AND METHODS

Funding Method: An entry age normal actuarial cost method of valuation is used in determining benefit liabilities and normal cost. Differences between assumed and actual experience (actuarial gains and losses) become part of unfunded actuarial accrued liabilities. Unfunded actuarial accrued liabilities for pension benefits are amortized over an open period of 20 years for the Public Employees Retirement System, the Supreme and District Court Judges, and the Highway Patrolmen's Retirement System which was adopted for the July 1, 1996 valuation. For the July 1, 1998 valuation the National Guard Security Officers and Firefighters changed the amortization period for the unfunded actuarial accrued liabilities for pension benefits from a closed period to an open period of 20 years. For both plans, this will produce payments which are level percents of payroll contributions based on an open amortization period.

Asset Valuation Method: 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, 2000, the date of the latest actuarial study include:

Investment Return – A rate of return on the investment of present and future assets of 8 percent.

Inflation – The assumed inflation rate is 4.50% per annum.

Salary Scale – Projected salary increases based upon inflation of 4.5 percent together with wage increases attributable to seniority, merit and "standard of living" increases.

Mortality Rates – Pre- and post-mortality life expectancies of participants based upon 1983 Group Annuity Mortality Tables and the Pension Benefit Guaranty Corporation's Disabled Life Mortality Tables.

Withdrawal – 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.

Expenses – Administrative expense of $720,000 a year for the Public Employees Retirement System and $16,000 a year for Highway Patrolmen's Retirement System.

Post-retirement benefit increase – There are no post-retirement benefit increase assumptions.

COMBINING, INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES

FIDUCIARY FUNDS

Expendable Trusts:

Pretax Benefits Program
Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code.

Deferred Compensation
Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 for State employees and various participating political subdivisions.

Pension Trusts:

Defined Contribution Retirement Plan
An optional defined contribution retirement plan that covers state employees who are in positions not classified by the central personnel division of the State of North Dakota. Employees of the judicial branch or the Board of Higher Education and State institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in this plan.

Highway Patrolmen's Retirement System
A single-employer defined benefit pension plan covering officers of the North Dakota Highway Patrol.

Public Employees Retirement System
A cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. It also covers Supreme and District Court Judges and the National Guard Security Officers and Firefighters.

Retiree Health Insurance Credit Fund
A cost-sharing multiple-employer plan which provides members receiving retirement benefits from PERS, HPRS, or the defined contribution plan a credit toward their monthly health insurance premium under the state health plan.

Agency:

Deferred Compensation
Accounts for activity of the deferred compensation plan funds, not held in trust, through December 31, 1998.

Combining Balance Sheet – Fiduciary Funds

June 30, 2000 and 1999

	Expendable Trust		Pension Trust		Totals	
	2000	1999	2000	1999	2000	1999
ASSETS						
Assets						
Cash and cash equivalents	$ 321,325	$ 720,531	$ 965,133	$ 498,362	$ 1,286,458	$ 1,218,893
Investments	6,816,222	5,367,974	1,263,306,825	1,161,508,993	1,270,123,047	1,166,876,967
Invested securities collateral	-	-	117,319,258	116,349,265	117,319,258	116,349,265
Contributions receivable	-	-	2,845,020	2,757,951	2,845,020	2,757,951
Interest receivable	-	-	5,020,130	3,634,486	5,020,130	3,634,486
Accounts receivable	302,102	307,070	913	-	303,015	307,070
Due from other funds	14,053	57,686	63,530	43,927	77,583	101,613
Due from other state agencies	29,622	-	462	47	30,084	47
Equipment (net of depreciation)	-	-	58,648	50,904	58,648	50,904
Total assets	$ 7,483,324	$6,453,261	$ 1,389,579,919	$1,284,843,935	$ 1,397,063,243	$1,291,297,196
LIABILITIES AND EQUITY						
Liabilities:						
Salaries payable	$ 15,421	$ 11,350	$ 36,546	$ 29,263	$ 51,967	$ 40,613
Accounts payable	16,507	22,654	1,113,969	890,642	1,130,476	913,296
Due to other funds	-	23,874	97,187	71,357	97,187	95,231
Due to other state agencies	7,978	3,550	24,999	27,385	32,977	30,935
Securities lending collateral	-	-	117,319,258	116,349,265	117,319,258	116,349,265
Equipment lease payable	-	-	8,019	13,622	8,019	13,622
Accrued annual leave	-	-	35,371	27,090	35,371	27,090
Total liabilities	39,906	61,428	118,635,349	117,408,624	118,675,255	117,470,052
EQUITY						
Fund balances:						
Reserved:						
Employees Retirement System	-	-	1,270,944,570	1,167,435,311	1,270,944,570	1,167,435,311
Unreserved:						
Designated for trust purposes	7,443,418	6,391,833	-	-	7,443,418	6,391,833
Total equity	7,443,418	6,391,833	1,270,944,570	1,167,435,311	1,278,387,988	1,173,827,144
Total liabilities & equity	$ 7,483,324	$ 6,453,261	$ 1,389,579,919	$ 1,284,843,935	$ 1,397,063,243	$ 1,291,297,196

Combining Balance Sheet – Expendable Trust Funds

For the fiscal years ended June 30, 2000 and 1999

	Pretax Benefits Program		Deferred Compensation		Totals	
	2000	1999	2000	1999	2000	1999
ASSETS						
Assets:						
Cash and cash equivalents	$ 321,325	$ 720,531	$ -	$ -	$ 321,325	$ 720,531
Investments	-	-	6,816,222	5,367,974	6,816,222	5,367,974
Accounts receivable	302,102	307,070	-	-	302,102	307,070
Due from other funds	14,053	28,339	-	29,347	14,053	57,686
Due from other state agencies	29,622	-	-	-	29,622	-
Total assets	$ 667,102	$ 1,055,940	$ 6,816,222	$ 5,397,321	$ 7,483,324	$ 6,453,261
LIABILITIES & EQUITY						
Liabilities:						
Salaries payable	$ 6,373	$ 5,771	$ 9,048	$ 5,579	$ 15,421	$ 11,350
Accounts payable	1,560	6,762	14,947	15,892	16,507	22,654
Due to other funds	-	23,874	-	-	-	23,874
Due to other state agencies	888	715	7,090	2,835	7,978	3,550
Total liabilities	8,821	37,122	31,085	24,306	39,906	61,428
EQUITY						
Fund Balances:						
Unreserved:						
Designated for trust purposes	658,281	1,018,818	6,785,137	5,373,015	7,443,418	6,391,833
Total equity	658,281	1,018,818	6,785,137	5,373,015	7,443,418	6,391,833
Total liabilities and equity	$ 667,102	$ 1,055,940	$ 6,816,222	$ 5,397,321	$ 7,483,324	$ 6,453,261

Statement of Changes in Assets and Liabilities – Agency Fund

For the fiscal years ended June 30, 2000 and 1999

	June 30, 1998 Balance	Additions	Deductions	*	June 30, 1999 Balance	Additions	Deductions	June 30, 2000 Balance
Deferred Compensation Plan:								
ASSETS:								
Investments	$76,424,021	$10,372,812	$82,199,450	$(4,597,383)	$ -	$ -	$ -	$ -
LIABILITIES:								
Due to Others	$76,424,021	10,372,812	82,199,450	(4,597,383)	$ -	$ -	$ -	$ -

**Cumulative Effect of Accounting Change*

Combining Statements of Revenues, Expenditures and Changes in Fund Balances – Expendable Trust Fund

For the fiscal years ended June 30, 2000 and 1999

	Pretax Benefits Program		Deferred Compensation		Totals	
	2000	1999	2000	1999	2000	1999
REVENUES:						
FICA Tax Savings	$ 364,951	$ 352,388	$ -	$ -	$ 364,951	$ 352,388
Interest Income	31,209	29,060	-	-	31,209	29,060
Investment Earnings	-	-	615,519	331,410	615,519	331,410
Employee Contributions	3,706,894	3,527,685	875,796	491,784	4,582,690	4,019,469
Total Revenues	4,103,054	3,909,133	1,491,315	823,194	5,594,369	4,732,327
EXPENDITURES:						
Employee withdrawals	-	-	43,067	52,603	43,067	52,603
Administrative expenditures	153,029	282,804	336,761	111,809	489,790	394,613
Flex comp expenditures	3,774,075	3,517,754	-	-	3,774,075	3,517,754
Total Expenditures	3,927,104	3,800,558	379,828	164,412	4,306,932	3,964,970
Revenue Over (Under) Expenditures Before Effect of Accounting Change and Other Financing Sources (Uses)	175,950	108,575	1,111,487	658,782	1,287,437	767,357
Other Financing Sources (Uses)						
Operating Transfer In	-	-	300,635	116,850	300,635	116,850
Operating Transfer Out	(536,487)	(116,850)	-	-	(536,487)	(116,850)
Revenue Over (Under) Expenditures Before Effect of Accounting Change	(360,537)	(8,275)	1,412,122	775,632	1,051,585	767,357
Cumulative Effect on Prior Years of Accounting Change	-	-	-	4,597,383	-	4,597,383
Revenue Over (Under) Expenditures	(360,537)	(8,275)	1,412,122	5,373,015	1,051,585	5,364,740
Fund Balances – July 1	1,018,818	1,027,093	5,373,015	-	6,391,833	1,027,093
Fund Balances – June 30	$ 658,281	$ 1,018,818	$ 6,785,137	$ 5,373,015	$ 7,443,418	$ 6,391,833

Schedule of General Fixed Assets by Source
June 30, 2000

General Fixed Assets	
Equipment	$ 11,098
Total General Fixed Assets	$ 11,098
Investment in General Fixed Assets By Source	
Special Revenue Fund	$ 11,098
Total Investment in General Fixed Assets	$ 11,098

Schedule of General Fixed Assets by Function
June 30, 2000

Function	Equipment
General Government	$ 11,098
Total General Fixed Assets	$ 11,098

Schedule of Changes in General Fixed Assets by Function
for the Fiscal Year Ended June 30, 2000

Function	General Fixed Assets June 30, 1999	Additions	Retirements	General Fixed Assets June 30, 2000
General Government	$ 6,126	$ 4,972	$ -	$ 11,098
Total General Fixed Assets	$ 6,126	$ 4,972	$ -	$ 11,098

Schedule of Administrative Expenses

For the Fiscal Years Ended June 30, 2000 and 1999

	Public Employees Retirement System		Highway Patrolmen's Retirement System		Retiree Health Insurance Credit Fund		Defined Contribution Retirement Fund	
	2000	1999	2000	1999	2000	1999	2000	1999
Personnel Services:								
Salaries	283,140	$ 257,301	$ 2,408	$ 2,242	$ 27,744	$ 23,602	$ 25,841	$ 0
Social Security	21,642	19,668	184	171	2,120	1,803	1,972	0
Retirement	24,846	22,592	211	197	2,423	2,084	2,351	0
Insurance	38,143	33,152	324	289	3,688	2,961	4,057	0
Total Personnel Services	367,771	332,713	3,127	2,899	35,975	30,450	34,221	0
Professional Services:								
Actuarial	75,176	89,557	7,500	7,500	21,200	7,700	48,337	0
Audit	8,361	9,321	234	81	1,660	1,306	0	0
Data Processing	125,869	87,372	1,070	762	8,563	5,992	61,363	0
Consulting	8,627	6,625	70	56	0	0	75,988	0
Legal Counsel	13,729	7,381	117	64	1,378	906	10,614	0
Misc. Outside Services	14,745	19,679	125	171	1,249	1,304	1,869	0
Total Professional Services	246,507	219,935	9,116	8,634	34,050	17,208	198,171	0
Communication:								
Postage & Mailing Svc	41,943	42,034	357	367	3,589	3,695	783	0
Printing	44,187	28,088	376	245	2,879	2,019	563	0
Telephone	9,868	8,740	84	76	861	707	526	0
Total Communication	95,998	78,862	817	688	7,329	6,421	1,872	0
Rentals:								
Equipment Rent	6,376	4,636	188	149	1,415	797	0	0
Office Rent	26,583	25,762	226	225	2,607	2,305	2,709	0
Total Rentals	32,959	30,398	414	374	4,022	3,102	2,709	0
Miscellaneous:								
Depreciation	16,516	13,012	0	0	0	0	0	0
Dues and Prof Development	6,146	13,044	52	113	412	927	0	0
Insurance	68	68	1	0	6	6	0	0
Miscellaneous	10,669	5,802	91	43	967	448	380	0
Repairs and Maintenance	1,051	1,256	9	11	131	146	0	0
Supplies	10,842	15,349	92	135	1,147	1,477	1,290	0
Travel	12,002	7,957	102	69	1,022	727	7,399	0
Total Miscellaneous	57,294	56,488	347	371	3,685	3,731	9,069	0
Total Administrative Expenses	$ 800,529	$ 718,396	$ 13, 821	$ 12,966	$ 85,061	$ 60,912	$ 246,042	$ 0

Schedule of Investment Expenses [1]
For the Fiscal Years Ended June 30, 2000 and 1999

	Public Employees Retirement System 2000	Public Employees Retirement System 1999	Highway Patrolmen's Retirement System 2000	Highway Patrolmen's Retirement System 1999	Retiree Health Insurance Credit Fund 2000	Retiree Health Insurance Credit Fund 1999	Defined Contribution Retirement Fund 2000	Defined Contribution Retirement Fund 1999
Payments to State Investment Board:								
Investment Fees	$ 3,578,469	$ 3,086,583	$ 125,186	$ 108,368	$ 51,548	$ 45,741	$ 0	$ 0
Administrative Fees	106,255	118,348	3,716	4,153	0	0	0	0
	3,684,724	3,204,931	128,902	112,521	51,548	45,741	0	0
Securities Lending Fees	5,371,876	4,783,825	187,951	168,037	0	0	0	0
Payments to Fidelity Investments:								
Investment Fees	0	0	0	0	0	0	12	0
Total Investment Expenses	$ 9,056,600	$ 7,988,756	$ 316,853	$ 280,558	$ 51,548	$ 45,741	$ 12	$ 0

[1] All pension trust fund assets, except for the assets of the Defined Contribution Fund, are invested with the North Dakota State Investment Board (SIB). The fees paid to the SIB include reimbursement for investment fees paid by the SIB to investment managers, consultants, and the master custodian and reimbursement for the portion of Retirement and Investment Office administrative fees allocated to the Fund.

Schedule of Consultant Expenses
For the Fiscal Years Ended June 30, 2000 and 1999

	Public Employees Retirement System 2000	Public Employees Retirement System 1999	Highway Patrolmen's Retirement System 2000	Highway Patrolmen's Retirement System 1999	Retiree Health Insurance Credit Fund 2000	Retiree Health Insurance Credit Fund 1999	Defined Contribution Retirement Plan 2000	Defined Contribution Retirement Plan 1999
Actuary Fees:								
Segal Advisors, Inc.	$ 25,000	$ 0	$ 0	$ 0	$ 10,000	$ 0	$ 0	$ 0
The Segal Company	50,176	89,557	7,500	7,500	11,200	7,700	38,337	0
Watson Wyatt	0	0	0	0	0	0	10,000	0
Audit Fees:								
Brady, Martz & Associates	8,361	9,321	234	81	1,660	1,306	0	0
Disability Consulting Fees:								
Mid Dakota Clinic	3,695	3,275	30	56	0	0	0	0
Miscellaneous Consulting Fees:								
L.R. Wechsler LTD	4,932	0	40	0	0	0	0	0
Segal Advisors, Inc.	0	0	0	0	0	0	75,988	0
The Segal Company	0	3,350	0	0	0	0	0	0
Legal Fees:								
Calhoun Law Group	2,412	0	0	0	0	0	0	0
ND Attorney General	11,317	7,381	117	64	1,378	906	10,614	0
Totals	$ 105,893	$ 112,884	$ 7,921	$ 7,701	$ 24,238	$ 9,912	$ 134,939	$ 0

INVESTMENT SECTION

The goal of the Board is to provide income through various investments, together with employer and employee contributions, sufficient to pay benefits accrued under the North Dakota Public Employees Retirement System (System) and to provide for future benefit enhancements. The investment portfolio is very important to achieve this goal.

The investment section includes a report of investment activity prepared by the Investment Director of the State Investment Board (SIB), a summary of the Retirement Board's investment policies, and tables and charts presenting investment results, asset allocation information, and investment fees. The System's assets are held by the SIB in investment pools, therefore, a list of largest assets held is not presented.

Select information for the voluntary Defined Contribution Retirement Plan is also presented in this section.

INVESTMENT REPORT FROM THE NORTH DAKOTA RETIREMENT AND INVESTMENT OFFICE

North Dakota Retirement and Investment Office

Teachers' Fund for Retirement
State Investment Board

1930 Burnt Boat Drive
P.O. Box 7100
Bismarck, ND 58507-7100
701-328-9885
ND Toll free: 800-952-2970
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Steve Cochrane, CFA
Executive Director

Fay Kopp
Deputy Executive Director

November 15, 2000

Board of Trustees
Members of the System

It is a pleasure to provide the following summary of the North Dakota Public Employees Retirement System investment portfolio and market environment for the fiscal year ended June 30, 2000.

Introduction
For the fiscal year ended June 30, 2000, the North Dakota Public Employees Retirement System (PERS) investment portfolio experienced a total return of 9.34%.The investment return calculations were prepared using a monthly time-weighted rate of return methodology in accordance with AIMR's Performance Presentation Standards.

The total return for PERS was boosted by superior performance in the small cap domestic equity, international equity, emerging market equity and private equity sectors and also benefited from robust returns in domestic fixed income and real estate.

Economic Overview
For the first nine months of the fiscal year, the U.S. economy continued to steamroll along with historically low levels of unemployment and inflation. In March 2000, the economy began a record tenth year of expansion. Finally in the second quarter of 2000, signs of a slowing economy became evident. For much of the fiscal year, Alan Greenspan and the Federal Reserve continued to raise short-term interest rates in hopes of warding off inflation. As the economy began to slow in the second quarter of 2000, Greenspan's focus shifted from curbing inflation to trying to guide the economy to a so-called soft landing for the second time in his term as Federal Reserve Chairman.

Domestic Equity Overview
Much like the general economy, the domestic equity market continued a recent trend for the first nine months of the fiscal year-growth stocks, especially technology stocks, outperformed value stocks and drove the market's outstanding performance. In the second quarter of 2000, the news of a possible economic slowdown resulted in a long anticipated stock market correction. The downturn affected growth stocks more than value stocks, and as the fiscal year ended the market was seeing an extended period of value outperforming growth for the first time in recent memory. Overall, the Dow Jones Industrials returned (3.34)% for the year with the S&P 500 returning 7.24%. The median large cap growth manager outperformed the median large cap value manager 21.68% to (7.47)% for the fiscal year. Small cap stocks, as measured by the Russell 2000 Index, returned 14.32% for the year ending June 30.

International Equity Overview
The fiscal year performance of the international equity markets was a story of two halves. For the final two quarters of 1999, the markets flourished driven by renewed economic growth in Europe and Asia. International stocks were especially impressive in the third quarter of 1999 when they produced positive returns despite the fact that U.S. stocks were lower. The first half of 2000 has seen the international equity market lose steam due to a strong dollar and fears of a slowing U.S. economy. As in the U.S. stock market, value issues had begun to outperform growth issues as the fiscal year ended. Overall, the Morgan Stanley Capital International Europe, Australasia, Far East Index (MSCI EAFE), which includes 20 developed non-U.S. countries, was up 17.15% in dollar terms for the year ending June 30, 2000. For the second consecutive year, Pacific Basin markets outperformed European markets. The

MSCI Pacific Index gained 21.61% for the fiscal year ending June 30, 2000 while the MSCI Europe Index returned 15.10%. Except for an amazing 4th quarter of 1999, it was a difficult year for emerging markets.The MSCI Emerging Markets Index gained 9.48% for the fiscal year.

Domestic Fixed-Income Overview

The final two quarters of 1999 saw the bond market finish its worst calendar year since 1994, and its second worst in history. Continuing fear of inflation and the rampant equity markets pushed investors away from fixed-income instruments. However, bonds rebounded in the first half of 2000 to provide welcome diversification benefit for weary stock market investors, especially in the second quarter. A particularly important factor that led to positive fixed-income returns in the first half of 2000 was the performance of Treasury bonds. This sector benefited from a Treasury buyback program and very large yield spreads to credit sectors. The buyback program created a shortage in the supply of Treasury bonds, while the lower yields pushed Treasury bond prices, which move in the opposite direction, higher. For the year ending June 30, 2000, the Lehman Brothers Government/Credit Bond Index (formerly called the Government/Corporate Index) returned 4.31% for the year, and the broader Lehman Brothers Aggregate Index gained 4.57%. The Lehman Aggregate is the combination of the Government/ Corporate Index and the Mortgage Backed Securities Index. The Lehman Brothers Mortgage-Backed Securities Index was up 5.02% for the fiscal year. The Merrill Lynch High Yield Master Index posted a 1.37% loss for the year.

International Fixed-Income Overview

After a stellar third quarter of 1999, a strong dollar had more influence on the poor performance of non-US bonds in the fiscal year ended June 30 than any other factor. In local terms, the non-US markets managed relatively flat returns in late 1999 and positive returns for the first half of 2000. But when taking into account the strength of the U.S. dollar, especially against the Euro, returns were down for U.S. foreign bond investors.The Salomon Non-US Government Bond Index rose 2.42% for the year compared to 3.15% for the Salomon World Government Bond Index (the latter index includes U.S. Treasury bonds). The positive returns were entirely due to the terrific 3rd quarter 1999 returns. The J.P. Morgan Emerging Markets Bond Index was up 23.15% for the year.

Real Estate Overview

While private real estate markets continued to chug along at a steady rate for the fiscal year, the biggest development was the end of the two-year slump of Real Estate Investment Trust (known as REITs) returns. REITs especially benefited from the volatility in the broader equity market and strong investor sentiment. Overall, the NAREIT (National Association of Real Estate Investment Trusts) index for REIT funds was up 3.03% for the fiscal year. However, in the first two quarters of 2000, the return was 13.18%. In the private markets, the median manager of direct real estate investments in the Callan database gained 10.76% for the fiscal year ended June 30, 2000.

Private Equity Overview

Due to the nature of private equity performance measurement, relative comparisons of fund performance with benchmarks are inherently ambiguous. Rather than recognizing any particular index as being representative of opportunity in the year's markets, it is worth noting that PERS' private equity allocation returned 35.19% for the period.

Summary

Fiscal year 2000 rewarded investors who were exposed to a wide variety of asset classes. The PERS portfolio was invested across many asset classes and thus was able to reap much of the reward made available in the year's markets.

Sincerely,

STEVE COCHRANE, CFA
Executive Director/CIO

INVESTMENT POLICIES

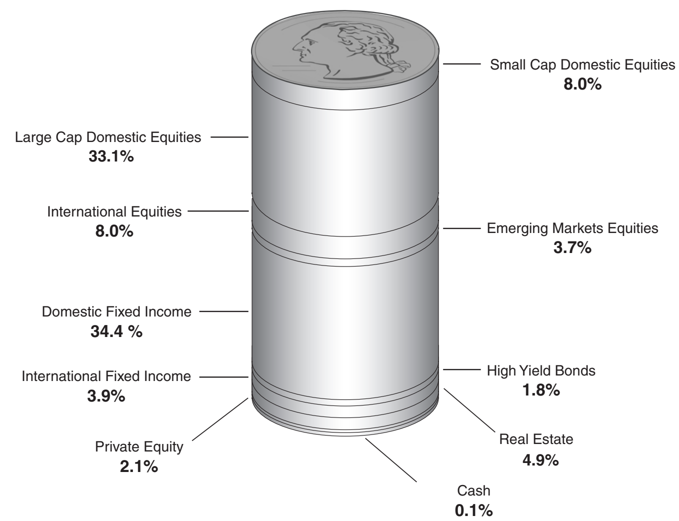
By state law, the System's assets are invested by the North Dakota State Investment Board (SIB). This change became effective July 1, 1989, with the primary purpose being to achieve cost savings through pooling of assets for investment.

State law requires that the SIB 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. The retirement funds belonging to the System must be invested exclusively for the benefit of its members and 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 are: to accumulate sufficient wealth through a diversified portfolio of investments which must enable the System to pay all current and future retirement benefits and expense obligations of the Fund; to obtain investment returns which allow for future retirement and disability benefit increases; 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 benefit. The investment objectives are: to achieve a minimum total real rate of return of 4.5% in excess of the annual rate of inflation, however, the absolute total rate of return must be no less than 9.5% net of fees; and the portfolio mix must be in accordance with the asset allocation.

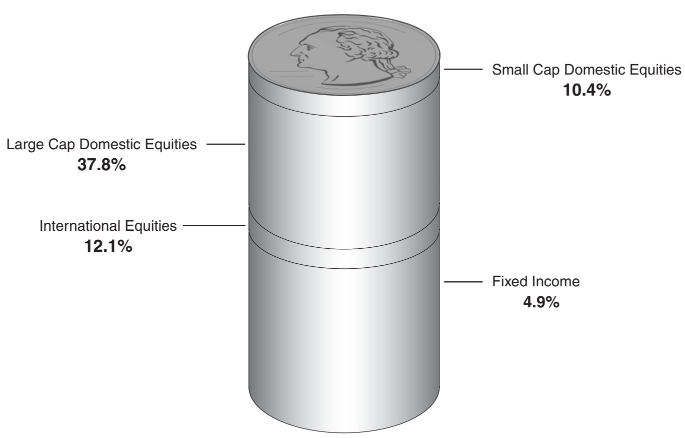
The SIB is responsible for carrying out the Retirement Board's investment goals, objectives and policies; implementing the asset allocation plan submitted by the System, maintaining a separate accounting and preparing periodic investment performance reports for the System funds under their authority.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

Public Employees and Highway Patrolmen's Retirement Systems Asset Allocation – June 30, 2000



Asset Class	Market Value	Actual %	Policy %
Large Cap Domestic Equities	$ 405,006,185	33.1%	33.0%
Small Cap Domestic Equities	97,933,596	8.0%	8.0%
International Equities	98,469,175	8.0%	8.0%
Emerging Markets Equities	45,840,020	3.7%	3.0%
Domestic Fixed Income	422,684,544	34.4%	34.0%
High Yield Bonds	22,246,955	1.8%	2.0%
International Fixed Income	48,410,823	3.9%	4.0%
Real Estate	60,794,452	4.9%	5.0%
Private Equity	26,345,559	2.1%	3.0%
Cash & Equivalents	1,101,498	0.1%	0.0%
Total	$ 1,228,832,807	100.0%	100.0%

Retirees Health Insurance Credit Program Asset Allocation – June 30, 2000

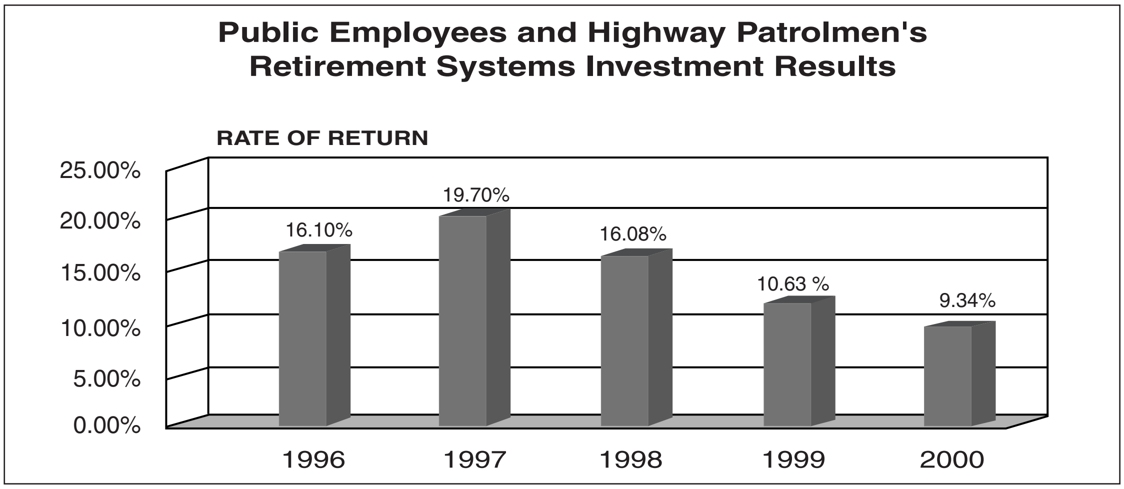


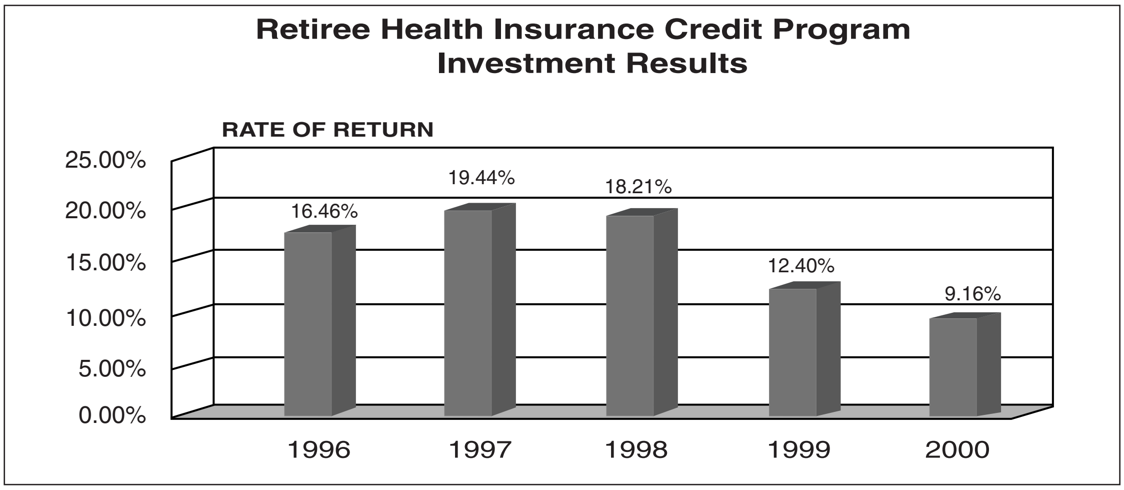
Asset Class	Market Value	Actual %	Policy %
Large Cap Domestic Equities	$ 9,764,450	37.8%	38.0%
Small Cap Domestic Equities	2,686,771	10.4%	10.0%
International Equities	3,129,272	12.1%	12.0%
Fixed Income	10,271,747	39.7%	40.0%
Total	$ 25,852,240	100.0%	100.0%

Public Employees and Highway Patrolmen's Retirement Systems
Schedule of Investment Results [1]
For the Five Years Ended June 30, 2000

	1996	1997	1998	1999	2000	Annualized 3 Year	Annualized 5 Year
Total Fund	16.10%	19.70%	16.08%	10.63%	9.34%	11.98%	14.24%
CPI	2.81%	2.15%	1.60%	1.94%	3.87%	2.42%	2.44%
Large Cap Domestic Equities	24.96%	30.12%	29.17%	19.46%	1.31%	16.06%	20.63%
S&P 500	26.14%	34.66%	30.27%	22.76%	7.24%	19.67%	23.80%
Small Cap Domestic Equities[2]	N/A	24.40%	15.79%	-6.18%	16.48%	8.16%	N/A
Russell 2000	N/A	16.33%	16.51%	1.50%	14.32%	10.57%	N/A
International Equities	24.40%	21.59%	8.92%	13.81%	26.19%	16.09%	19.21%
Morgan Stanley Capital Intntl EAFE	13.28%	12.84%	6.10%	6.10%	17.15%	10.18%	11.33%
Emerging Markets Equities[3]	N/A	N/A	-27.10%	21.32%	26.42%	3.80%	N/A
MSCI Emerging Markets Free	N/A	N/A	-39.09%	28.71%	9.48%	-4.96%	N/A
Domestic Fixed Income	4.75%	8.08%	10.82%	3.17%	11.03%	8.58%	7.76%
Lehmann Brothers Aggregate	5.02%	8.15%	10.54%	3.15%	4.57%	6.04%	6.25%
High Yield Bonds[3]	N/A	N/A	20.41%	15.24%	-0.86%	11.21%	N/A
Lehmann Brothers High Yield Bonds	N/A	N/A	11.35%	-0.38%	-1.03%	3.16%	N/A
International Fixed Income	11.99%	5.88%	.29%	5.49%	-0.23%	1.82%	4.74%
Salomon Brothers World Gov't Non-US	-1.69%	2.16%	.89%	4.87%	2.42%	2.71%	1.71%
Real Estate	6.51%	9.09%	11.32%	11.11%	10.87%	11.10%	9.77%
NCREIF Index	8.31%	11.03%	17.50%	13.46%	10.35%	13.48%	11.84%
Private Equity	37.60%	20.09%	27.97%	12.47%	35.19%	24.89%	26.35%
Cash	5.50%	5.30%	5.94%	5.33%	6.22%	5.83%	5.73%
90 Day T-bills	5.35%	5.30%	5.31%	4.87%	5.53%	5.25%	5.28%

CPI = Consumer Price Index
S&P 500 = Standard & Poor's Domestic Equity Stock Index
Russell 2000 = Frank Russell Company 2000 Index
EAFE = Europe, Australia and Far East Stock Index
NCREIF = National Council of Real Estate Investment Fiduciaries Index
[1]Calculations were prepared using a monthly time-weighted rate of return based on the market rate of return in accordance with AIMR's Performance Presentation Standards. Total Fund returns are net of investment management fees, all other returns are before fees.
[2]Prior to July 1, 1996, investment results for this asset class were not tracked; they were included with Large Cap Domestic Equities.
[3]1998 is the first full fiscal year the asset class has been in place.





INVESTMENT FEES

Public Employees and Highway Patrolmen's Retirement System
Schedule of Investment Fees
For the Fiscal Year Ended June 30, 2000

	Assets Under Management	Fees
Investment Managers' Fees:		
Large Cap Domestic Equities	$405 Million	$ 604,790
Small Cap Domestic Equities	$98 Million	856,313
International Equities	$98 Million	344,679
Emerging Markets Equities	$46 Million	280,752
Domestic Fixed Income	$423 Million	890,440
High Yield Bonds	$22 Million	43,677
International Fixed Income	$48 Million	175,600
Real Estate	$61 Million	483,540
Private Equity	$26 Million	838,762
Cash	$1 Million	11,108
Total Investment Managers' Fees[1]		$4,529,661
Other Investment Service Fees:		
Custodian Fees	$1 Billion	$185,829
Investment Consultant Fees	$1 Billion	61,199
Total Investment Service Fees		$247,028
Securities Lending Fees	$1 Billion	$5,559,827

[1]Includes fees of $1,073,034 which were netted against investment income.

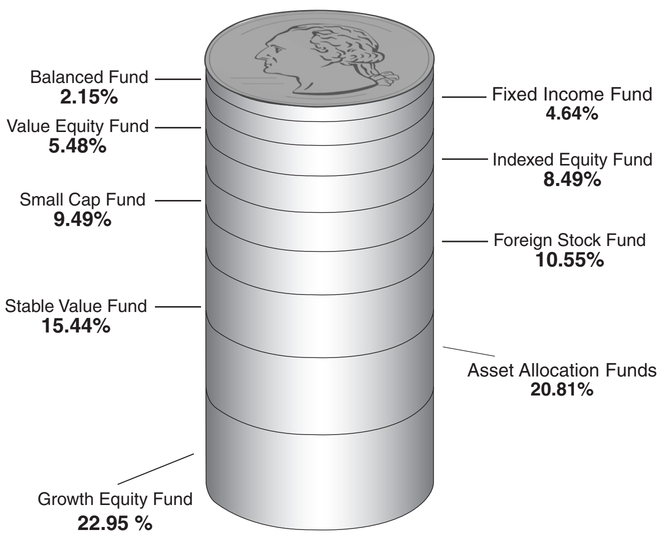
Defined Contribution Investments

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 rewards of investment returns that result from the investment options that they select. Fidelity Investments was selected as the recordkeeper for the Plan.

The Board has adopted an investment policy that serves the following purposes:
• Delineates investment options for participants to structure an investment strategy that meets their individual return objectives and risk tolerances
• Defines the investment categories offered by the Plan
• Establishes investment objectives for each investment category offered within the Plan
• Establishes benchmarks and performance standards for each investment category to evaluate each option's performance
• Establishes a procedure and methodology for reporting and monitoring
• Defines the procedures for investment fund evaluation and formal fund review.

Defined Contribution Retirement Plan
Investment Options - June 30,2000



Defined Contribution Retirement Plan
Investment Options – June 30, 2000

Investment Options	Market Value	Percent
Stable Value Fund	$ 1,331,705	15.44%
Fixed Income Fund	400,182	4.64%
Balanced Fund	185,508	2.15%
Value Equity Fund	472,205	5.48%
Indexed Equity Fund	731,671	8.49%
Growth Equity Fund	1,978,268	22.95%
Foreign Stock Fund	909,811	10.55%
Small Cap Fund	818,355	9.49%
Asset Allocation Funds	1,794,073	20.81%
Total	$ 8,621,778	100.00%

DEFINED CONTRIBUTION INVESTMENTS

Defined Contribution Retirement Plan
Schedule of Investment Results
For the Fiscal Year Ended June 30, 2000[1]

	2000
Stable Value Fund	5.80%
GIC 5 year Index	7.30%
Fixed Income Fund	4.73%
Lehman Aggregate Bond Index	4.56%
Balanced Fund	-1.29%
65% S&P 500 Index, 35% Lehman Aggregate Bond Index	6.55%
Value Equity Fund	-7.67%
Russell 1000 Value Index	-8.92%
Indexed Equity Fund	7.08%
S&P 500 Index	7.25%
Growth Equity Fund	63.91%
Russell 1000 Growth Index	25.66%
Foreign Stock Fund	32.18%
MSCI EAFE	17.16%
Small Cap Fund	27.45%
Russell 2000 Index	14.32%
Asset Allocation Funds[2]:	
Income Fund	8.50%
Income Benchmark	6.11%
2000 Fund	11.10%
2000 Benchmark	6.84%
2010 Fund	14.67%
2010 Benchmark	7.80%
2020 Fund	18.01%
2020 Benchmark	8.84%
2030 Fund	19.52%
2030 Benchmark	9.33%

All fund returns are reported net of fees.

[1] The Defined Contribution Plan became effective January 1, 2000, therefore, only annualized returns for the fiscal year ended June 30, 2000 are being reported.

[2] Benchmarks for the asset allocation funds are customized based on target weightings and market indices for each asset class.

ACTUARIAL SECTION

An actuarial valuation is a mathematical means of determining if the contributions paid by the employee and employer, together with investment earnings, are adequate to pay the retirement benefits guaranteed to current retirees and all future retirees.

Because the Retirement Board is charged with maintaining the soundness of the retirement plans, focus must be placed on long-range goals, rather than the short term receipts and expenses. The actuarial valuation provides this information, allowing the Board to make sound judgements on investment decisions and benefit enhancements.

North Dakota law requires that the Board engage the services of a qualified, competent actuary who will perform an annual actuarial valuation. The Board's actuarial consultant is The Segal Company, Inc. The following pages are the actuarial assumptions and plan provisions which were used to perform the actuarial valuation.The Segal Company also conducted the five-year experience study upon which the current actuarial assumptions are based. The actuarial assumptions used in these valuations were adopted by the Board effective July 1, 2000.

The actuarial valuation for the Public Employees Retirement System includes the PERS Main System, the Judge's System and the National Guard Security/Firefighter's System. Separate valuations are performed for the Highway Patrolmen's Retirement System and the Retiree Health Insurance Credit Program.

COMMENTS FROM THE SEGAL COMPANY

PUBLIC EMPLOYEES RETIREMENT SYSTEM

THE SEGAL COMPANY
6300 S. Syracuse Way
Suite 750
Englewood, Colorado
80111-6722
303-714-9900
FAX: 303-714-9990

November 6, 2000

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, 2000

Dear Members of the Board:

The North Dakota Public Employees Retirement System is a funded retirement plan. The System's basic financial objective 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, 2000 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2000 (obtained from diskettes provided by the Retirement System).
- Assets as of June 30, 2000 (obtained from the Retirement System's independent audited financial statements).
- Actuarial assumptions and methods adopted by the Public Employees Retirement Board.

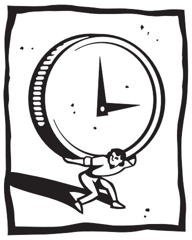
Each annual actuarial valuation involves a projection of the benefits expected to be paid in the future to all members of the Retirement System. The projection of expected future benefit payments is based on the benefit provisions in effect on the actuarial valuation date.

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

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

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The actuarial assumptions used in the July 1, 2000 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement. These assumptions are based, in part, on a study of the actuarial experience for the five-year period ending June 30, 1999.



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

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

The Retirement System had no unfunded accrued actuarial liability as of July 1, 2000.

Calculated and Statutory Contribution Rates
The July 1, 2000 actuarial valuation of the North Dakota Public Employees Retirement System indicates the following contribution requirements:

PERS Plan	Actuarial Required Contribution Rate*	Statutory Employer Contribution Rate	Member Contribution Rate
Main System	2.32%	4.12%	4.00%
Judges	6.50%	14.52%	5.00%
National Guard	1.74%	8.33%	4.00%

•Expressed as a percentage of covered payroll.

Exhibits
The enclosed supporting exhibits prepared by The Segal Company provide further related information regarding the 2000 valuation. Specifically these exhibits are:

- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Methods
- Summary of Plan Provisions
- Plan Amendments
- 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

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

Sincerely,

Leslie Thompson

Leslie L. Thompson A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM

NOVEMBER 6, 2000

Actuarial Valuation Certificate

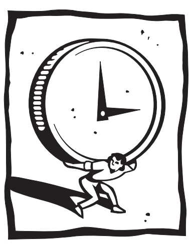
This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2000 in accordance with generally accepted actuarial principles and practices.

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.

In my opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Leslie Thompson

Leslie L. Thompson, A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary



Actuarial Assumptions and Cost Method – Public Employees Retirement System

Mortality Tables
Healthy: 1983 Group Annuity Mortality Table.

Disabled: The Pension Benefit Guaranty Corporation Disabled Life Mortality Table for individuals receiving Social Security disability benefits.

Disability Incidence Rates
Before Age 65: 42% of Social Security disability incidence rates for males and 30% for females.

Age 65 and Later: Males .25% per year
Females .35% per year

Annual Withdrawal Rates
Main System and National Guard:

First five years of service:

Age	1	2	3	4	5
20-29	23%	20%	17%	16%	15%
30-39	17	15	13	12	11
40 & Over	15	12	10	8	6

After five years service:

Age	Male	Female
20 - 24	12%	12%
25 - 29	8	10
30 - 34	5	8
35 - 39	4	6
40 - 44	3	5
45 - 49	3	4
50 & Over	2	3

Judges:
One half of the Main System ultimate rates.

Withdrawal Rates End Upon Eligibility for Early Retirement:
Main System:
Earlier of (i) age 55 and 3 years of service, and (ii) eligibility of Rule of 85.

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

National Guard:
Age 50 and 3 years of service.

Retirement Rates for Active Members
Main System:

Age	Unisex Rate
55	4%
56	6
57	6
58	6
59	6
60	8
61	15
62	35
63	25
64	25
65	40
66	20
67	20
68	20
69	20
70	100

Judges:
Ages 62 to 64: 35% per year
Age 65 to 69: 50% per year
Age 70: 100%

National Guard:
Age 60: 100%

Retirement Age for Inactive Vested Members
Main System and Judges:
The earlier of:
Age 65
Unreduced retirement date for each individual

National Guard:
Age 55

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

Administrative Expenses
Main System: $710,000 per year

Judges: $5,000 per year

National Guard: $5,000 per year

Salary Scale
Main System and National Guard:
Less than five years of service: 7.00% per annum
Five or more years of service:

Age	Percentage Increase	Age	Percentage Increase
25	5.90%	45	4.90%
30	5.60	50	4.80
35	5.30	55	4.70
40	5.10	60	4.70

Judges: 5.50% per annum.

Payroll Growth
Main System and National Guard:
4.50% per annum
Judges: 4.00% per annum

Marital Status
At death, 75% of active male members and 60% of active female members are assumed to have spouses. Males are assumed to be five years older than their female spouses.

Part-time Employees
One full year of service is credited for each future year of service.

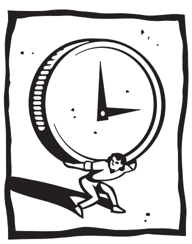
Split Service
Liabilities are held in both plans based on service in each plan and are based on the actuarial assumptions of the plan in which they are currently active.

Actuarial Cost Method
Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments increasing by the inflation assumption each year over an open 20 year period.

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

Social Security Disability (for Judges' disability benefit offset):
Eligibility: 50% of disabled Judges
Consumer Price Index Increases: 4.5% 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:
Participation Under Chapter 54-52.2: if not elected, 50% of active members of the Main System and National Guard. If elected, 100% of active members of the Main System and National Guard.

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

Changes in Actuarial Assumptions or Cost Methods – Public Employees Retirement System

There were no changes in cost methods since the preceding actuarial valuation. Since the preceding actuarial valuation, the following changes in actuarial assumptions have been adopted:

Main System
- Disability: the assumed disability incidence rates decreased for ages on or after 65.
- Retirement Rates for Active Members: the assumed rates of retirement were changed to Unisex Rates.

Judges
- Salary increase: the assumed salary increase was changed from 6.0% per year to 5.5% per year.
- Inflation: the assumed inflation rate was changed from 4.5% per year to 4.0% per year.
- Disability: the assumed disability incidence rate decreased for ages on or after 65.
- Retirement Rates for Active Members: the assumed rates of retirement were increased for ages 62-69.

National Guard
- Disability: the assumed disability incidence rates decreased for ages on or after 65.

Summary of Plan Provisions – Public Employees Retirement System

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

1. Normal Service Retirement:
Eligibility:
Main System and Judges:
Attainment of age 65 or age plus service equal to at least 85 (Rule of 85).

National Guard:
Attainment of age 55 and 3 consecutive years of service.

Benefit:
Main System:
1.89% of final average salary multiplied by service.

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

National Guard:
1.89% of final average salary multiplied by service.

2. Early Service Retirement:
Eligibility:
Main System:
Attainment of age 55 with 3 years of service.

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

National Guard:
Attainment of age 50 with 3 years of service.

Benefit:
Main System and 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.

National Guard:
The Normal Service Retirement Benefit as determined above. A benefit that begins before age 55 is reduced by one-half of one percent for each month before age 55.

3. Disability Benefit:
Eligibility:
Six months of service and inability to engage in any substantial gainful activity.

Benefit:
Main System and National Guard:
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 National Guard:
Three years of service.

Judges: Five years of service.

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

National Guard:
The Normal Service Retirement Benefit payable at age 55. Reduced early retirement benefits can be elected upon attainment of age 50.

5. Pre-retirement Death Benefits:
Survivor annuity benefits (paid to surviving spouse):
Main System and National Guard:
Eligibility:
Three years of service and before normal retirement.

Benefit:
One of the following options:
• Lump sum payment of accumulated contributions.
• The member's accrued benefit payable for 60 months.
• 50% of the member's accrued benefit (not reduced on account of age) payable for the spouse's lifetime.

Eligibility:
Eligible for normal retirement

Benefit:
Continuation portion of 100% Joint and Survivor Annuity.

Judges
Eligibility: Five years of service.

Benefit: One of the following options:
• Lump sum payment of accumulated contributions.
• 100% of the member's accrued benefit (not reduced on account of age) payable for the spouse's lifetime.

Other death benefits:
Main System, National Guard and Judges:
Eligibility: Not vested or no surviving spouse.

Benefit: Refund of member's accumulated contributions.

6. Refund of Contributions:
Paid to terminated non-vested members and terminated vested members in lieu of a monthly retirement benefit.

7. Accumulated Member Contributions:
Member contributions accumulate with interest at the following rates:

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

8. Standard and Optional Forms of Payment:
Standard form of payment:
Monthly benefit for life with a refund of the remaining balance (if any) of accumulated member contributions.

Optional forms of payment:
100% joint and survivor annuity, 50% joint and survivor annuity (with pop-up feature), five year certain and life annuity, ten year certain and life annuity, or a level social security income annuity.

9. Final Average Salary:
Average of the highest salary received by the member for any 36 months employed during the last 120 months of employment.

10. Contributions:
Except for the employer contribution rate for the National Guard, the contribution rates are specified in the Century Code and differ between permanent full-time employees and part-time temporary employees. These rates are as follows:

	Full-time Employees	Employer
Main System	4.00%	4.12%
Judges	5.00%	14.52%
National Guard	4.00%	8.33%

Part-time employees in the Main System contribute 8.12%, with no employer contributions.
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

Schedule of Active Member Valuation Data – PERS 1995-2000

Main System

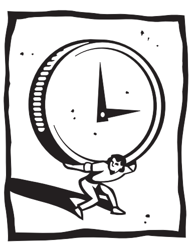
July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
1995	14,995	$ 299.5	$ 19,975	(0.4)%
1996	15,398	340.7	22,126	10.8
1997	15,596	354.2	22,710	2.6
1998	15,954	374.2	23,456	3.3
1999	16,254	392.8	24,165	3.0
2000	16,314	404.6	24,802	2.6

Judges

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
1995	52	$ 3.1	$ 60,052	(8.2)%
1996	51	3.8	75,181	25.2
1997	51	3.9	76,673	2.0
1998	49	3.9	79,012	3.1
1999	47	3.9	82,329	4.2
2000	48	4.0	82,906	.7

National Guard

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	Percent Increase In Average Salary
1995	31	$ .8	$ 25,794	6.0%
1996	29	.8	27,977	8.5
1997	30	.9	29,423	5.2
1998	32	.9	29,169	(0.9)
1999	33	1.0	30,821	5.7
2000	13	.4	31,874	3.4



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.
5. The vested employer contribution may not exceed 4% of the member's monthly salary.

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

12. Other Ancillary Benefits:
The North Dakota Public Employees Retirement System does not have any other ancillary benefits that would affect the current contribution rate.

Plan Amendments
There were no changes in plan provisions since the preceding actuarial valuation. However, the July 1, 2000 actuarial valuation reflects a 2% ad-hoc post-retirement increase for retirees and beneficiaries in the Judges' System beginning January 2, 2001.

Retirees and Beneficiaries Added to and Removed from the Rolls – PERS 1995-2000

Main System

Plan Year	Beginning Balance	Additions	(Removals)	Ending Balance	Average Monthly Benefit	Annual Pension Benefits	% Increase In Annual Benefits
1995	3,610	317	(99)	3,828	$ 416	$ 19.1	10.4%
1996	3,828	345	(137)	4,036	436	21.1	10.5
1997	4,036	306	(149)	4,193	504	25.3	19.9
1998	4,193	384	(160)	4,417	523	27.7	9.5
1999	4,417	407	(154)	4,670	546	30.6	10.5
2000	4,670	357	(165)	4,862	600	35.0	14.4

Judges

Plan Year	Beginning Balance	Additions	(Removals)	Ending Balance	Average Monthly Benefit	Annual Pension Benefits	% Increase In Annual Benefits
1995	8	0	0	8	$ 1,332	$ 127,891	22.8%
1996	8	2	0	10	1,347	161,632	26.4
1997	10	0	0	10	1,578	189,332	17.1
1998	10	2	0	12	1,719	247,487	30.7
1999	12	4	(1)	15	1,640	295,170	19.3
2000	15	1	(1)	15	1,975	355,463	20.4

National Guard

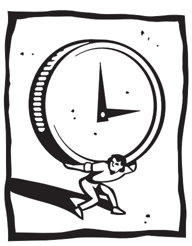
Plan Year	Beginning Balance	Additions	(Removals)	Ending Balance	Average Monthly Benefit	Annual Pension Benefits	% Increase In Annual Benefits
1995	0	0	0	0	$ 0	$ 0	N/A
1996	0	1	0	1	619	7,425	N/A
1997	1	0	0	1	631	7,573	2.0%
1998	1	1	0	2	1,073	25,743	239.9
1999	2	0	0	2	1,158	27,802	8.0
2000	2	0	0	2	1,158	27,802	0.0

Solvency Test – PERS
1995-2000

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)
1995	$ 162.6	$ 186.7	$ 190.5	$ 554.6	100%	100%	100%
1996	177.7	206.6	216.6	621.7	100	100	100
1997	193.2	224.0	229.7	704.5	100	100	100
1998	204.9	256.4	258.8	801.3	100	100	100
1999	217.9	305.7	319.1	917.0	100	100	100
2000	235.1	324.7	332.1	1,027.0	100	100	100



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	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Employer Cost Rate at Beginning of Year	**3.23%**	**2.94%**	**2.51%**	**3.34%**
Death after Retirement	-0.14	0.16	-0.04	0.00
Death-in-Service	0.01	0.01	0.00	0.02
Withdrawal From Employment	0.06	0.06	0.02	-0.03
Age and Service Retirements	-0.10	-0.02	-0.03	-0.07
Financial Experience-Investments	-0.61	-0.65	-0.94	-0.87
Pay Increases	-0.09	-0.06	0.05	0.00
Contribution Income	-0.08	-0.04	-0.10	-0.06
Administrative Expenses	-0.01	0.00	0.00	0.00
New and Reinstated Members	0.02	-0.01	0.01	0.03
Demographic Changes	-0.02	0.05	0.18	0.19
Assumption Changes	0.00	0.00	0.03	-0.34
Amendments	0.61	0.00	1.60	0.00
Miscellaneous	0.06	0.07	0.05	0.05
Impact of Enhanced Benefits due to Portability Enhancement Provision	0.00	0.00	0.00	0.06
Employer Cost Rate at End of Year	**2.94%**	**2.51%**	**3.34%**	**2.32%**

Judges

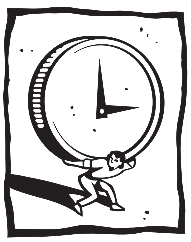
Plan Year	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Employer Cost Rate at Beginning of Year	**9.76%**	**9.18%**	**7.35%**	**7.36%**
Plan Experience	-0.83	-2.01	-2.01	-2.31
Assumption Changes	0.00	0.00	0.00	1.18
Amendments	0.13	0.00	1.79	0.00
Miscellaneous	0.12	0.18	0.23	0.27
Employer Cost Rate at End of Year	**9.18%**	**7.35%**	**7.36%**	**6.50%**

National Guard

Plan Year	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Employer Cost Rate at Beginning of Year	**7.12%**	**2.81%**	**3.44%**	**3.84%**
Plan Experience	-5.05	-4.77	-1.02	-2.29
Change in Amortization Schedule	0.00	5.40	0.00	0.00
Amendments	0.74	0.00	1.36	0.00
Miscellaneous	0.00	0.00	0.06	0.19
Employer Cost Rate at End of Year	**2.81%**	**3.44%**	**3.84%**	**1.74%**

COMMENTS FROM THE SEGAL COMPANY

HIGHWAY PATROLMEN'S RETIREMENT SYSTEM



THE SEGAL COMPANY
6300 S. Syracuse Way
Suite 750
Englewood, Colorado
80111-6722
303-714-9900
FAX: 303-714-9990

November 6, 2000

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, 2000

Dear Members of the Board:

The North Dakota Highway Patrolmen's Retirement System is a funded retirement plan. The Retirement System's basic financial objective 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 on an actuarial reserve basis.

Basic Elements

The most recent actuarial valuation prepared as of July 1, 2000 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2000 (obtained from diskettes provided by the Retirement System).
- Assets as of June 30, 2000 (obtained from the Retirement System's independent audited 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 used in the July 1, 2000 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement. These assumptions are based, in part, on a study of the actuarial experience of the System for the five-year period ending June 30, 1999.

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

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

The actuarial assumptions and methods used for funding the Retirement System meet the parameters set for disclosure by the Governmental Accounting Standards Board (GASB) Statement #25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

The North Dakota Highway Patrolmen's Retirement Fund had no unfunded actuarial accrued liability as of July 1, 2000.

Calculated and Statutory Contribution Rates
The July 1, 2000 actuarial valuation of the North Dakota Highway Patrolmen's Retirement Fund indicates the following contribution requirements, expressed as a percentage of covered payroll.

Actuarial Required Contribution Rate	Statutory Employer Contribution Rate	Member Contribution Rate
9.18%	16.70%	10.30%

Exhibits
The enclosed supporting exhibits provide further related information regarding the 2000 valuation. Specifically, those exhibits are:

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

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

Sincerely,

Leslie Thompson

Leslie L. Thompson A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
HIGHWAY PATROLMEN'S RETIREMENT SYSTEM

NOVEMBER 6, 2000

Actuarial Valuation Certificate

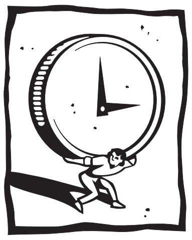
This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2000 in accordance with generally accepted actuarial principles and practices.

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.

In my opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Leslie Thompson

Leslie L. Thompson, A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary



Actuarial Assumptions and Cost Method – Highway Patrolmen's Retirement System

Mortality Tables

Healthy: 1983 Group Annuity Mortality Table.

Disabled: Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Disability Benefits.

Annual Withdrawal Rates

First five years of service: 5%
After five years of service:

Under age 35:	2% at each age
Age 35 or older:	1% at each age

Withdrawal rates end upon eligibility for early retirement (age 50 and 5 years of service.)

Disability Rates

Age based rates. Sample rates:

Age	Rate
25	0.05%
30	0.12
35	0.20
40	0.30
45	0.37
50	0.38
55	0.55

Retirement Rates

The following annual rates apply for active members:

Age	Eligible for Rule of 80	Not Eligible for Rule of 80
50-54	100%	50%
55+	100%	100%

Inactive vested members eligible for deferred benefits are assumed to retire at age 55.

Interest Rate

8.00% per annum, net of investment expenses.

Administrative Expenses

$16,000 per year.

Salary Scale

Less than five years of service: 7.00% per annum
Five or more years of service:

Age	Percentage Increase
25	5.90%
30	5.60
35	5.30
40	5.10
45	4.90
50	4.80
55	4.70

Inflation

4.50% per annum.

Marital Status

At death, 90% of all members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Workers' Compensation

None assumed for disability benefit offset.

Indexing for Benefits of Inactive Vested Members

5% per annum.

Split Service

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

Actuarial Cost Method

Entry Age Normal Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments assuming 4.5% inflation 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.

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

There was no change in actuarial or cost method since the preceding valuation. Since the preceding actuarial valuation, one change in actuarial assumptions was adopted. The assumed rates of retirement were increased for ages 50-59.

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:
3.40% of final average salary for the first 25 years of service and 1.75% 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. A benefit that begins before age 55 (or Rule of 80, if earlier) is reduced by one-half of one percent for each month before age 55.

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

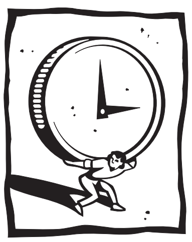
Benefit:
70% of the member's final average salary at disability minus workers' compensation, with a minimum of $100 per month.

4. Deferred Retirement:
Eligibility:
10 years of eligible employment.

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

Year Beginning	Average Monthly Increase	3-Year Average Increase Factor	Cumulative Salary Factor
7/1/92	2.46%	–	–
7/1/93	3.57	–	1.0000
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

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



5. Pre-retirement Death Benefits:
Survivor annuity benefits (paid to surviving spouse):
Eligibility:
Ten years of service.
Benefit:
One of the following options:
• Lump sum payment of accumulated contributions.
• Monthly payment of the member’s accrued benefit for 60 months.
• 50% of the member’s accrued benefit (not reduced on account of age) for the spouse’s lifetime.

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

Benefit: Refund of member’s accumulated contributions.

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, five year certain and life annuity, and ten year certain and life annuity.

7. Final Average Salary:
Average of the highest salary received by the member for any 36 consecutive months employed during the last 120 months of employment.

8. Contributions:
Members:
10.30% of monthly salary.

State of North Dakota:
16.70% of the monthly salary for each participating member.

Plan Amendments – Highway Patrolmen’s Retirement System
There were no plan ammendments since the preceding valuation.

Schedule of Active Member Valuation Data – HPRS
1995 to 2000

July 1	Number of Active Members	Total Payroll (millions)	Average Annual Salary	% Change in Average Salary
1995	113	$ 3.4	$ 30,204	(3.3)%
1996	112	3.8	33,587	11.2
1997	124	4.2	33,518	(0.2)
1998	121	4.3	35,924	7.2
1999	124	4.5	36,011	0.2
2000	122	4.7	38,152	5.9

Retirees and Beneficiaries Added to and Removed from the Rolls – HPRS

Plan Year	Beginning Balance	Additions	(Removals)	Ending Balance	Average Monthly Benefit	Annual Pension Benefits	% Increase in Annual Benefits
1995	59	8	(4)	63	$ 1,315	$ 915,195	7.0%
1996	63	7	(1)	69	1,411	1,168,081	27.6
1997	69	3	(2)	70	1,570	1,319,151	12.9
1998	70	4	(2)	72	1,605	1,386,573	5.1
1999	72	7	(2)	77	1,748	1,614,996	16.5
2000	77	4	(1)	80	1,723	1,654,536	2.4

Solvency Test – HPRS
1995-2000

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.

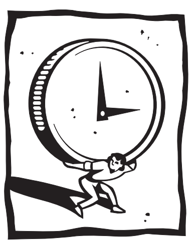
(Amounts in Millions)

	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)
1995	$ 5.5	$ 10.2	$ 6.6	$ 20.0	100%	100%	65%
1996	5.6	12.1	6.1	22.2	100	100	74
1997	6.1	13.6	7.8	24.8	100	100	65
1998	6.8	14.1	8.1	28.1	100	100	89
1999	7.0	16.5	8.7	32.0	100	100	98
2000	7.7	16.7	9.6	35.9	100	100	100

Analysis of Financial Experience – HPRS

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

Plan Year	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Employer Cost Rate at Beginning of Year	**11.69%**	**14.66%**	**11.99%**	**11.87%**
Plan Experience	-0.73	-2.67	-2.96	-3.68
Assumption Changes	0.02	0.00	0.00	0.99
Amendments	3.84	0.00	2.84	0.00
Miscellaneous	-0.16	0.00	0.00	0.00
Employer Cost Rate at End of Year	**14.66%**	**11.99%**	**11.87%**	**9.18%**



COMMENTS FROM THE SEGAL COMPANY

RETIREE HEALTH INSURANCE CREDIT FUND

THE SEGAL COMPANY
6300 S. Syracuse Way
Suite 750
Englewood, Colorado
80111-6722
303-714-9900
FAX: 303-714-9990

November 6, 2000

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, 2000

Dear Members of the Board:

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund is a funded retiree health plan. The programs basic financial objective 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 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, 2000 is based on the following major elements:

- Current benefit provisions (as specified in the North Dakota Century Code).
- Membership data as of June 30, 2000 (obtained from diskettes provided by the Retirement System).
- Assets as of June 30, 2000 (obtained from the Retirement System's independent audited 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 recognize actual experience and any benefit changes enacted since the last valuation.

The actuarial assumptions used in the July 1, 2000 actuarial valuation are summarized in a schedule following our Actuarial Certification Statement.

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

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

The North Dakota Public Employees Retirement System Retiree Health Insurance Credit Fund's unfunded actuarial accrued liability amounted to about $39.3 million as of July 1, 2000. 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, 2000 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 1.02%, while the statutory contribution rate is 1.00% of payroll.

Exhibits
The enclosed supporting exhibits provide further related information regarding the 2000 valuation. Specifically, they are:

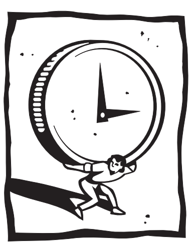
- Actuarial Valuation Certificate
- Actuarial Assumptions and Cost Method
- Changes in Actuarial Assumptions or Cost Methods
- Summary of Plan Provisions
- Plan Amendments
- Retired Members, Average Benefit, and Active Member/Retiree Comparison
- Analysis of Financial Experience
- Assets and Actuarial Accrued Liabilities

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

Sincerely,

Leslie Thompson

Leslie L. Thompson A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary



ACTUARIAL VALUATION CERTIFICATE

NORTH DAKOTA
PUBLIC EMPLOYEES RETIREMENT SYSTEM
RETIREE HEALTH INSURANCE CREDIT FUND

NOVEMBER 6, 2000

Actuarial Valuation Certificate

This is to certify that we have prepared an Actuarial Valuation of the System as of July 1, 2000 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 no reason to doubt its substantial accuracy.

In my opinion, the assumptions used in the aggregate are reasonably related to the experience of the System and to reasonable expectations.

Leslie Thompson

Leslie L. Thompson, A.S.A., M.A.A.A., E.A.
Vice President and Consulting Actuary

Actuarial Assumptions and Cost Method – Retiree Health Insurance Credit Fund

Mortality Tables
Healthy: 1983 Group Annuity Mortality Table.

Disabled: The Pension Benefit Guaranty Corporation Disabled Life Mortality Table for Individuals Receiving Social Security Benefits.

Annual Withdrawal Rates
Different withdrawal rates are applied to the active members of the Main System, Highway Patrol, Judges, and National Guard. Rates for the Main System are detailed below. The withdrawal assumptions applied to the active members in the other groups are detailed in the respective actuarial sections.

Select and ultimate rates are used for active members of the Main System. 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 and sex.

Select Period

	Year of Employment				
Age	1	2	3	4	5
20 - 29	23%	20%	17%	16%	15%
30 - 39	17	15	13	12	11
40 & Over	15	12	10	8	6

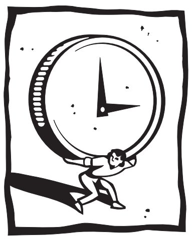
Ultimate Period

Age	Male	Female
20-24	12%	12%
25-29	8	10
30-34	5	8
35-39	4	6
40-44	3	5
45-49	3	4
50 & Over	2	3

Disability Incidence Rates
Different disability incidence rates are applied to the active members of PERS and the Highway Patrol. The disability rates applied to the Highway Patrol are described in the respective valuation section.

Sample rates for PERS are:

	Disability Rates (%)	
Age	Males	Females
25	0.036	0.026
30	0.046	0.033
35	0.062	0.044
40	0.092	0.066
45	0.151	0.108
50	0.255	0.182
55	0.424	0.303



Retirement Rates for Active Members
Different retirement rates are applied to the active members of the Main System, Highway Patrol, Judges and National Guard. Retirement rates for the Main System are detailed below. The retirement rates applied to the active members of the other groups are detailed in the respective actuarial sections.

Rates for the Main System are as follows:

Age	Unisex Rate
55	4%
56	6
57	6
58	6
59	6
60	8
61	15
62	35
63	25
64	25
65	40
66	20
67	20
68	20
69	20
70	100

Participation Rates
The percentage of eligible members electing coverage under the health insurance program and receiving the stipend varies with years of service. Rates are as follows:

Main System and National Guard:

Years of Service	Participation Rate
3-4	25%
5-9	50
10-14	70
15-19	80
20-24	95
25+	100

Judges:

Years of Service	Participation Rate
5-9	50%
10-14	70
15-19	80
20-24	95
25+	100

Joint and Survivor Option Election Rates
Main System, Judges and National Guard:
50% of male retirees and 15% of female retirees will elect a joint and survivor form of pension from the retirement system in which they participated.

Highway Patrol:
90% of retirees receive a joint and survivor form of pension from the retirement system.

Interest Rate
8.0% per annum, net of investment expenses

Inflation
4.50% per annum

Administrative Expenses
$65,000 per year.

Marital Status:
Main System, Judges and National Guard:
At death, 75% of active male members and 60% of active female members are assumed to have spouses. Males are assumed to be five years older than their female spouses.

Highway Patrol:
At death, 90% of all active members are assumed to have spouses. Males are assumed to be three years older than their female spouses.

Actuarial Cost Method
Projected Unit Credit Actuarial Cost Method. The unfunded actuarial accrued liability is amortized in installments assuming 4.5% inflation assumption 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.

Changes in Actuarial Assumptions or Cost Methods – Retiree Health Insurance Credit Fund

There has been no change in the plan provisions sice the preceding actuarial valuation. The following changes in actuarial assumptions have been made sice the preceding valuation:
• The assumed age of retirement was changed to Unisex Rates.
There has been no change in cost method since the preceding actuarial valuation.

Summary of Plan Provisions – Retiree Health Insurance Credit Fund

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

1. Normal Retirement
Age requirement:
Main System and Judges: Age 65 or Rule of 85.
Highway Patrol: Age 55 or Rule of 80.
National Guard: Age 55.

Service requirement:
Main System and Judges: None.
Highway Patrol: 10 years.
National Guard: 3 consecutive years.

Other requirements:
Participation in the North Dakota Uniform Group Insurance Program.

Benefit amount:
A monthly stipend equal to $4.50 times service.

2. Early Retirement
Age requirement:
Main System and Judges: Age 55.
Highway Patrol and National Guard: Age 50.

Service requirement:
Main System and National Guard: 3 years.
Judges: 5 years.
Highway Patrol: 10 years.

Benefit amount:
Main System 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 National Guard:
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.

3. Disability Retirement
Age requirement: None
Service requirement: 6 months
Other requirements: As required by applicable pension plan
Benefit amount: Same as Normal Retirement Benefit

4. Pre-Retirement Death Benefit
Age requirement: None
Service requirement:
Main System and National Guard: 3 years.
Judges: 5 years.
Highway Patrol: 10 years.

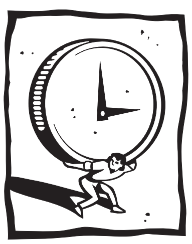
Benefit amount:
Same as Normal Retirement Benefit accrued to the date of the member's death, payable for as long as benefits are payable to the spouse from the Retirement System under the standard option.

5. 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.

6. Alternative Options
If benefits from the member's Retirement Plan are paid under single life, level Social Security, or 5 or 10 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.

7. Service
Members receive credit for each year and month of employment.

8. Contributions
The employer contributes 1.00% of covered salaries and wages for participating employees.



Plan Amendments - Retiree Health Insurance Credit Fund
There have been no changes in the plan provisions since the July 1, 1999 actuarial valuation.

Retired Members, Average Benefit, and Active Member/Retiree Comparison – Retiree Health Insurance Credit Fund 1995 - 2000

July 1	Number of Retired Members	Average Annual Benefit	Active Members Per Retiree
1995	2,281	$ 1,104	6.7
1996	2,469	1,128	6.3
1997	2,639	1,116	6.0
1998	2,812	1,115	5.7
1999	3,015	1,109	5.5
2000	3,169	1,116	5.3

Funding Progress – Retiree Health Insurance Credit Fund 1995 - 2000

(Amounts in Millions)

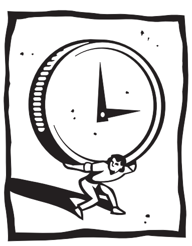
July 1	Total Actuarial Accrued Liability	Total Actuarial Value of Assets*	Assets as of % of Total Actuarial Accrued Liability
1995	$ 46.6	$ 10.7	23.0%
1996	47.0	11.4	24.3
1997	51.8	13.7	26.4
1998	54.7	16.3	29.8
1999	57.6	19.4	33.7
2000	61.9	22.6	36.5

** Prior to 1996 the actuarial value of assets was equal to the market value of assets.*

Analysis of Financial Experience – Retiree Health Insurance Credit Fund

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

Plan Year	June 30, 1997	June 30, 1998	June 30, 1999	June 30, 2000
Employer Cost Rate at Beginning of Year	**1.01%**	**1.04%**	**1.02%**	**0.99%**
Plan Experience	0.01	-0.02	-0.03	0.00
Assumption and Method Changes	0.01	0.00	0.00	0.03
Miscellaneous	0.01	0.00	0.00	0.00
Employer Cost Rate at End of Year	**1.04%**	**1.02%**	**0.99%**	**1.02%**

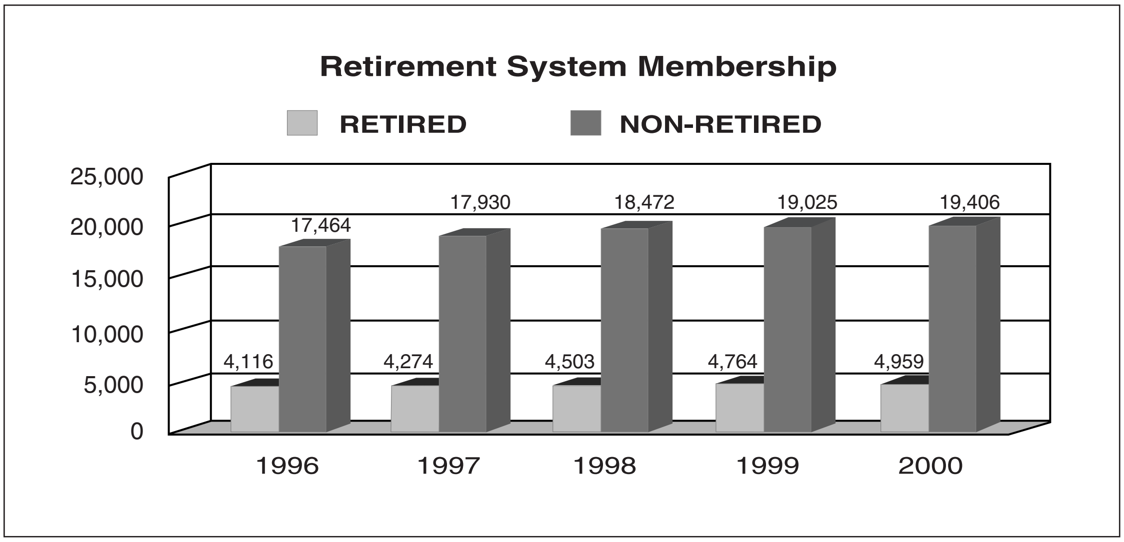


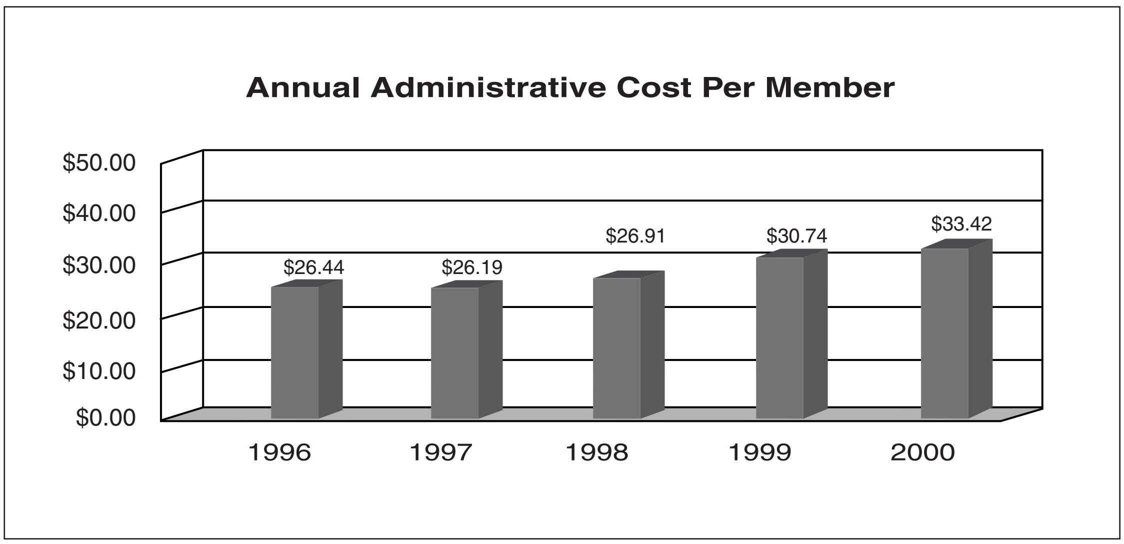
STATISTICAL SECTION

Retirement System Membership – PERS and HPRS
As of June 30

	1996	1997	1998	1999	2000
State Agencies	10,649	10,718	10,958	11,079	11,025
Cities	283	301	322	362	377
Counties	2,978	3,063	3,108	3,213	3,311
School Districts	3,212	3,488	3,714	3,992	4,302
Other Political Subdivisions	342	360	370	379	391
Total Non-Retired [1]	17,464	17,930	18,472	19,025	19,406
Retired Members & Beneficiaries	4,116	4,274	4,503	4,764	4,959
Total Membership	21,580	22,204	22,975	23,789	24,365
Administrative Expenses	$ 570,582	$ 581,488	$ 618,230	$ 731,362	$ 814,350
Administrative Cost per Member	$ 26.44	$ 26.19	$ 26.91	$ 30.74	$ 33.42

[1] Total non-retired members includes all contributing members plus all non-contributing members who have not begun to receive retirement benefits.





Revenues by Source
Fiscal Year Ended June 30

	FY Ended June 30	Member Contributions[1]	Employer Contributions	Investment Income	Total	Employer Contributions as a % of Covered Payroll
Public Employees Retirement System:	1995	$13,164,344	$13,257,600	$76,858,020	$103,279,964	4.37%
	1996	13,831,828	13,815,784	97,707,027	125,354,639	4.00
	1997	14,320,237	14,435,989	143,090,676	171,846,902	4.02
	1998	15,061,818	15,078,427	134,886,733	165,026,978	3.98
	1999	16,152,785	15,873,917	108,255,409	140,282,111	3.99
	2000	16,618,771	16,521,248	103,230,684	136,370,703	4.04
Highway Patrolmen's Retirement System:	1995	367,384	595,657	2,810,235	3,773,276	17.45
	1996	383,061	621,080	3,543,880	4,548,021	16.51
	1997	395,459	641,179	5,080,715	6,117,353	15.43
	1998	430,585	698,132	4,763,168	5,891,885	16.06
	1999	442,441	717,357	3,795,110	4,954,908	16.06
	2000	457,079	741,089	3,603,516	4,801,684	15.92

[1] Member contributions include statutory contributions and service purchases. Contributions for repurchased service credit were $925,534 and $1,082,415 for the fiscal years ended June 30, 2000 and 1999.

Expenses by Type
Fiscal Year Ended June 30

	FY Ended June 30	Benefits	Administrative Expenses	Transfers and Refunds	Total
Public Employees Retirement System:	1995	$ 19,222,738	$ 528,430	$ 3,149,897	$ 22,901,065
	1996	21,282,613	555,421	3,188,181	25,026,215
	1997	23,314,065	565,778	3,477,574	27,357,417
	1998	26,696,621	605,241	4,292,281	31,594,143
	1999	29,150,704	718,396	3,920,011	33,789,111
	2000	34,026,828	800,529	12,545,193[1]	47,372,550
Highway Patrolmen's Retirement System:	1995	915,195	14,360	4,609	934,164
	1996	1,067,614	15,161	113,697	1,196,472
	1997	1,215,732	15,710	42,121	1,273,563
	1998	1,329,615	12,989	0	1,342,604
	1999	1,453,640	12,966	4,784	1,471,390
	2000	1,629,020	13,821	6,576	1,649,417

[1] Includes transfers of $8,544,005 to the new optional Defined Contribution Plan

Schedule of Benefit Expenses by Type – PERS and HPRS
Fiscal Year Ended June 30

FY Ended	Annuities [1]		Refunds			
June 30	Retirant	Survivor	Death	Separation	Transfers	Total
1995	$18,736,168	$1,337,552	$ 64,213	$3,023,586	$130,920	$23,292,439
1996	20,715,499	1,534,966	99,762	3,171,104	130,774	25,652,105
1997	22,750,307	1,693,435	86,055	3,301,240	218,455	28,049,492
1998	25,948,775	1,952,504	124,957	4,075,399	216,882	32,318,517
1999	28,281,417	2,274,824	48,103	3,790,658	134,137	34,529,139
2000	32,992,363	2,567,201	96,284	3,858,678	8,693,091	48,207,617

[1] Includes disability benefits

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2000

Main System

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	4,286	1,645	1,472	263	906
Less than $200	801	374	385	33	9
$200 - $ 399	1,169	479	557	126	7
400 - 599	771	325	343	72	31
600 - 799	413	174	123	26	90
800 - 999	293	100	29	3	161
1,000 - 1,199	214	65	18	1	130
1,200 - 1,399	172	35	8	-	129
1,400 - 1,599	117	30	3	1	83
1,600 - 1,799	87	19	2	-	66
1,800 - 1,999	72	13	2	-	57
2,000 - 2,199	59	8	2	1	48
2,200 - 2,399	30	3	-	-	27
2,400 - 2,599	37	10	-	-	27
2,600 - 2,799	12	3	-	-	9
2,800 - 2,999	10	-	-	-	10
3,000 & Over	29	7	-	-	22
Life	2,861	1,128	1,080	215	438
Level Social Security Payment	61	-	12	-	49
Joint & 100% Survivor	639	273	172	24	170
Joint & 50% Survivor	488	155	113	16	204
10 Year C & L	189	69	78	5	37
5 Year C & L	48	20	17	3	8
Total	4,286	1,645	1,472	263	906

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

Schedule of Average Benefit Payments – PERS
As of June 30, 2000

Main System

	Years of Credited Service						
	<10	10-14	15-19	20-24	25-29	>=30	Total
1996							
Number of Retirees	571	787	690	483	377	526	3,434
Average Monthly Benefit	$161	$248	$359	$508	$808	$1,243	$507
Average Years of Service	6.42	12.30	17.35	22.23	27.11	35.27	18.88
1997							
Number of Retirees	606	811	720	498	403	566	3,604
Average Monthly Benefit	$175	$271	$385	$545	$863	$1,350	$551
Average Years of Service	6.44	12.31	17.37	22.23	27.10	35.23	18.96
1998							
Number of Retirees	655	855	769	537	428	599	3,843
Average Monthly Benefit	$176	$277	$394	$563	$896	$1,371	$562
Average Years of Service	6.43	12.35	17.36	22.26	27.09	35.16	18.93
1999							
Number of Retirees	708	894	812	568	470	650	4,102
Average Monthly Benefit	$193	$304	$435	$626	$994	$1,516	$627
Average Years of Service	6.47	12.32	17.38	22.26	27.11	35.15	19.00
2000							
Number of Retirees	764	907	833	606	493	683	4,286
Average Monthly Benefit	$ 199	$ 304	$ 438	$ 641	$ 1,014	$ 1,538	$ 637
Average Years of Service	6.46	12.30	17.37	22.27	27.15	35.08	18.99

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2000

Judges

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Service *
Total	9	5	2	0	2
Less than $200	-	-	-	-	-
$200 - $ 399	-	-	-	-	-
400 - 599	-	-	-	-	-
600 - 799	-	-	-	-	-
800 - 999	-	-	-	-	-
1,000 - 1,199	1	-	-	-	1
1,200 - 1,399	1	1	-	-	-
1,400 - 1,599	1	-	1	-	-
1,600 - 1,799	2	2	-	-	-
1,800 - 1,999	-	-	-	-	-
2,000 - 2,199	-	-	-	-	-
2,200 - 2,399	-	-	-	-	-
2,400 - 2,599	-	-	-	-	-
2,600 - 2,799	1	1	-	-	-
2,800 - 2,999	1	-	-	-	1
3,000 & Over	2	1	1	-	-
Life	1	1	-	-	-
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	6	4	1	-	1
Joint & 50% Survivor	2	-	1	-	1
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	9	5	2	0	2

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

Schedule of Average Benefit Payments – PERS
As of June 30, 2000

Judges

	Years of Credited Service						
	<10	10-14	15-19	20-24	25-29	>=30	Total
1996							
Number of Retirees	1	5	1	1	0	0	8
Average Monthly Benefit	$1,120	$1,417	$2,823	$3,022	$0	$0	$1,757
Average Years of Service	8.50	10.60	17.33	20.33	0.00	0.00	12.39
1997							
Number of Retirees	1	4	1	1	0	0	7
Average Monthly Benefit	$1,120	$1,450	$2,823	$3,022	$0	$0	$1,824
Average Years of Service	8.50	10.71	17.33	20.33	0.00	0.00	12.71
1998							
Number of Retirees	1	4	1	2	0	0	8
Average Monthly Benefit	$1,143	$1,479	$2,879	$3,522	$0	$0	$2,123
Average Years of Service	8.50	10.71	17.33	21.79	0.00	0.00	14.03
1999							
Number of Retirees	1	5	3	1	0	0	10
Average Monthly Benefit	$ 1,166	$1,722	$2,789	$4,040	$0	$0	$2,218
Average Years of Service	8.50	11.30	18.61	23.25	0.00	0.00	14.41
2000							
Number of Retirees	1	5	2	1	0	0	9
Average Monthly Benefit	$ 1,189	$ 1,756	$ 3,069	$ 4,121	$ 0	$ 0	$ 2,248
Average Years of Service	8.50	11.30	18.29	23.25	0.00	0.00	13.87

Schedule of Retired Members by Type of Benefit – PERS
As of June 30, 2000

National Guard

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

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

Schedule of Average Benefit Payment – PERS
As of June 30, 2000

National Guard

	Years of Credited Service: <10	10-14	15-19	20-24	25-29	>=30	Total
1996							
Number of Retirees	0	0	1	0	0	0	1
Average Monthly Benefit	$0	$0	$619	$0	$0	$0	$619
Average Years of Service	0.00	0.00	19.16	0.00	0.00	0.00	19.16
1997							
Number of Retirees	0	0	1	0	0	0	1
Average Monthly Benefit	$0	$0	$631	$0	$0	$0	$631
Average Years of Service	0.00	0.00	19.16	0.00	0.00	0.00	19.16
1998							
Number of Retirees	0	0	1	1	0	0	2
Average Monthly Benefit	$0	$0	$631	$1,514	$0	$0	$1,073
Average Years of Service	0.00	0.00	19.17	22.17	0.00	0.00	20.67
1999							
Number of Retirees	0	0	1	1	0	0	2
Average Monthly Benefit	$0	$0	$682	$1,635	$0	$0	$1,159
Average Years of Service	0.00	0.00	19.17	22.17	0.00	0.00	20.67
2000							
Number of Retirees	0	0	1	1	0	0	2
Average Monthly Benefit	$ 0	$ 0	$ 682	$ 1,635	$ 0	$ 0	$ 1,159
Average Years of Service	0.00	0.00	19.17	22.17	0.00	0.00	20.67

Schedule of Retired Members by Type of Benefit – HPRS
As of June 30, 2000

		Type of Pension			
Monthly Amount	Total	Normal	Early	Disability	Rule of 80
Total	59	36	1	1	21
Less than $200	-	-	-	-	-
$200 - $ 399	4	4	-	-	-
400 - 599	3	3	-	-	-
600 - 799	-	-	-	-	-
800 - 999	1	-	-	-	1
1,000 - 1,199	1	1	-	-	-
1,200 - 1,399	3	2	-	1	-
1,400 - 1,599	1	1	-	-	-
1,600 - 1,799	3	2	-	-	1
1,800 - 1,999	2	2	-	-	-
2,000 - 2,199	8	5	1	-	2
2,200 - 2,399	11	6	-	-	5
2,400 - 2,599	7	3	-	-	4
2,600 - 2,799	6	2	-	-	4
2,800 - 2,999	3	2	-	-	1
3,000 & Over	6	3	-	-	3
Life	8	2	-	1	5
Level Social Security Payment	-	-	-	-	-
Joint & 100% Survivor	7	3	-	-	4
Joint & 50% Survivor	44	31	1	-	12
10 Year C & L	-	-	-	-	-
5 Year C & L	-	-	-	-	-
Total	59	36	1	1	21

Schedule of Average Benefit Payment – HPRS
As of June 30, 2000

	Years of Credited Service						
	<10	10-14	15-19	20-24	25-29	>=30	Total
1996							
Number of Retirees	0	0	5	5	27	11	48
Average Monthly Benefit	$0	$0	$309	$1,073	$2,066	$2,253	$1,823
Average Years of Service	0.00	0.00	16.30	22.11	28.32	31.14	27.06
1997							
Number of Retirees	0	0	5	5	28	12	50
Average Monthly Benefit	$0	$0	$332	$1,151	$2,213	$2,456	$1,977
Average Years of Service	0.00	0.00	16.30	22.11	28.33	31.21	27.19
1998							
Number of Retirees	1	1	5	4	29	13	53
Average Monthly Benefit	$1,374	$1,023	$339	$1,283	$2,224	$2,393	$1,978
Average Years of Service	2.25	13.50	16.30	21.88	28.35	31.15	26.63
1999							
Number of Retirees	1	1	5	4	34	13	58
Average Monthly Benefit	$ 1,374	$1,070	$354	$1,342	$2,390	$2,491	$2,125
Average Years of Service	2.25	13.50	16.30	21.88	28.17	31.15	26.68
2000							
Number of Retirees	1	1	5	4	35	13	59
Average Monthly Benefits	$ 1,374	$ 1,070	$ 354	$ 1,342	$ 2,353	$ 2,491	$ 2,107
Aveage Years of Service	2.25	13.50	16.30	21.88	28.13	31.15	26.69

SCHEDULE OF PARTICIPATING EMPLOYERS

STATE AGENCIES:
ADJUTANT GENERAL ARMY NATL GRD
AERONAUTICS COMMISSION
AGRICULTURAL PROD UTIL COMM
ATTORNEY GENERAL'S OFFICE
BANK OF NORTH DAKOTA
BEEF COMMISSION
BISMARCK STATE COLLEGE
BOARD OF NURSING
CENTRAL DUPLICATING - OMB
CHILDREN'S SERV COOR COMMITTEE
DAIRY PROMOTION COMMISSION
DEPT OF AGRICULTURE
DEPT OF BANKING & FINANCE
DEPT OF HUMAN SERVICES
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF TRANSPORTATION
DEVELOPMENTAL CENTER
DICKINSON STATE UNIVERSITY
ECONOMIC DEVELOPMENT & FINANCE
EDUCATION STANDARDS & PRACTICE
GAME & FISH DEPT
GOVERNOR'S OFFICE
HIGHWAY PATROL
HISTORICAL SOCIETY
HOUSING FINANCE AGENCY
INDIAN AFFAIRS COMMISSION
INDUSTIAL COMMISSION
INFORMATION TECHNOLOGY DEPARTMENT
INSURANCE DEPARTMENT
JAMES RIVER CORRECTIONAL CENTER
JAMESTOWN STATE HOSPITAL
JOB SERVICE NORTH DAKOTA
LAND DEPARTMENT
LEGISLATIVE COUNCIL
MAYVILLE STATE UNIVERSITY
MILK MARKETING BOARD
MILL & ELEVATOR ASSOCIATION
MINOT STATE UNIVERSITY
MUNICIPAL BOND BANK
ND BARLEY COUNCIL
ND COUNCIL ON THE ARTS
ND DEPARTMENT OF HEALTH
ND DEPARTMENT OF LABOR
ND DIV OF EMERGENCY MANAGEMENT
ND OILSEED COUNCIL
ND SOYBEAN COUNCIL
ND ST BOARD OF COSMETOLOGY
ND ST COLLEGE OF SCIENCE
ND STATE LIBRARY
ND SUPREME COURT
ND TOURISM DEPARTMENT
ND UNIVERSITY SYSTEM
ND VETERANS HOME
ND WHEAT COMMISION
ND YOUTH CORRECTIONAL CENTER
NORTH DAKOTA STATE UNIVERSITY
OFFICE OF ADM HEARING
OFFICE OF MANAGEMENT & BUDGET
PARKS & RECREATION DEPARTMENT
PROTECTION & ADVOCACY PROJECT
PUBLIC EMPLOYEES RETIREMENT
PUBLIC INSTRUCTION
PUBLIC SERVICE COMMISSION
RADIO COMMUNICATIONS
RETIREMENT & INVESTMENT OFFICE
ROUGH RIDER INDUSTRIES
SCHOOL FOR THE BLIND
SCHOOL FOR THE DEAF
SECRETARY OF STATE
SECURITIES COMMISSIONER
SOIL CONSERVATION COMMITTEE
STATE AUDITOR'S OFFICE
STATE BAR BOARD
STATE FAIR ASSN
STATE PAROLE BOARD
STATE PENITENTIARY
STATE SEED DEPARTMENT
STATE TREASURER'S OFFICE
TAX DEPARTMENT
TECHNOLOGY TRANSFER, INC
UND - LAKE REGION
UNIVERSITY OF NORTH DAKOTA
VALLEY CITY STATE UNIVERSITY
VETERANS AFFAIRS DEPARTMENT
VOCATIONAL & TECHNICAL ED
WATER COMMISSION
WORKER'S COMPENSATION BUREAU
Total = 87

COUNTIES:
ADAMS 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
GRIGGS COUNTY
HETTINGER COUNTY
LAMOURE COUNTY
LOGAN COUNTY
MCHENRY COUNTY
MCINTOSH COUNTY
MCKENZIE COUNTY
MCLEAN COUNTY
MOUNTRAIL COUNTY
NELSON COUNTY
PEMBINA COUNTY
PIERCE COUNTY
RAMSEY COUNTY
RANSOM COUNTY
RENVILLE COUNTY
RICHLAND COUNTY
SLOPE COUNTY
STARK COUNTY
STEELE COUNTY
STUTSMAN COUNTY
TRAILL COUNTY
WALSH COUNTY
WARD COUNTY
WELLS COUNTY
WILLIAMS COUNTY
Total = 41

SCHOOLS:
APPLE CREEK ELEMENTARY SCHOOL
BELCOURT SCHOOL DIST #7
BELFIELD PUBLIC SCHOOL #13
BERTHOLD PUBLIC SCHOOL DIST
BEULAH PUBLIC SCHOOL #27
BISMARCK PUBLIC SCHOOLS
BOTTINEAU PUBLIC SCHOOL
BOWMAN PUBLIC SCHOOL DIST #1
CENTRAL CASS PUBLIC SCHOOL #7
DEVILS LAKE PUBLIC SCHOOL
DICKINSON PUBLIC SCHOOLS
DIVIDE COUNTY SCHOOL DIST #1
DRAYTON PUBLIC SCHOOL #19
DUNSEITH SCHOOL DISTRICT #1
ELLENDALE PUBLIC SCHOOL #40
ENDERLIN PUBLIC SCHOOL
FARGO PUBLIC SCHOOLS
GLENBURN PUBLIC SCHOOL
GLEN ULLIN PUBLIC SCHOOL #48
GRAFTON PUBLIC SCHOOL DIST #3
GRANVILLE PUBLIC SCHOOL
HALLIDAY PUBLIC SCHOOL
HARVEY PUBLIC SCHOOL DIST #38
HAZEN PUBLIC SCHOOL DIST #3
HILLSBORO PUBLIC SCHOOL
JAMESTOWN PUBLIC SCHOOL #1
KILLDEER PUBLIC SCHOOL #16

KINDRED PUBLIC SCHOOL DIST #2
KULM PUBLIC SCHOOL DIST #7
LAKE REGION SPECIAL ED UNIT
LAMOURE SCHOOL DISTRICT #8
LARIMORE PUBLIC SCHOOL
LIDGERWOOD PUBLIC SCHOOL
LINTON PUBLIC SCHOOL
LISBON PUBLIC SCHOOL
LITTLE HEART PUBLIC SCHOOL DIST #4
MANDAN PUBLIC SCHOOL DIST #1
MANDAREE PUBLIC SCHOOL #36
MANVEL PUBLIC SCHOOL
MAPLETON PUBLIC SCHOOL
MCKENZIE CTY PUBLIC SCHOOL #1
MIDWAY PUBLIC SCHOOL DIST #128
MINOT PUBLIC SCHOOL DIST #1
MINTO PUBLIC SCHOOL DIST #20
MOHALL PUBLIC SCHOOL
MOTT PUBLIC SCHOOL DIST #6
MT PLEASANT SCHOOL DIST #4
NEW PUBLIC SCHOOL #8
NEW SALEM SCHOOL DIST #7
NEW TOWN PUBLIC SCHOOL #1
NEWBURG UNITED PUBLIC SCHOOL
NORTH SHORE SCHOOL DIST #158
OAKES PUBLIC SCHOOLS
OLIVER-MERCER SPECIAL ED UNIT
PARK RIVER PUBLIC SCHOOLS
PEACE GARDEN SPECIAL SERVICES
PEMBINA PUBLIC SCHOOL
ROLETTE COUNTY AH ED CONSORT
RUGBY PUBLIC SCHOOL DIST #5
SOLEN PUBLIC SCHOOL DIST #3
SOURIS VALLEY SPECIAL SERVICES
ST JOHN SCHOOL DIST #3
SURREY SCHOOLS
SWEET BRIAR SCHOOL DIST #17
TIOGA PUBLIC SCHOOL
TOWNER (NEWPORT) PUBLIC SCHOOL
TURTLE LAKE MERCER SCHOOL DIST
UNDERWOOD SCHOOL DIST #8
UPHAM SCHOOL DIST
VALLEY CITY MULTI-DIST VOC CT
VALLEY CITY PUBLIC SCHOOL
WARWICK PUBLIC SCHOOL
WEST FARGO PUBLIC SCHOOL #6
WESTHOPE PUBLIC SCHOOL #17
WHITE SHIELD SCHOOL DIST #85
WILLISTON PUBLIC SCHOOL #1
Total = 76

CITIES:
CITY OF ASHLEY
CITY OF BELFIELD
CITY OF BOWMAN
CITY OF CARRINGTON
CITY OF CAVALIER
CITY OF COOPERSTOWN
CITY OF CROSBY
CITY OF DRAYTON
CITY OF ELGIN
CITY OF ELLENDALE
CITY OF EMERADO
CITY OF FESSENDEN
CITY OF FINLEY
CITY OF GLENBURN
CITY OF GRAFTON
CITY OF GRANVILLE
CITY OF GWINNER
CITY OF HANKINSON
CITY OF HARVEY
CITY OF HATTON
CITY OF HETTINGER
CITY OF KENMARE
CITY OF LARIMORE
CITY OF LAMOURE
CITY OF LINCOLN
CITY OF LINTON
CITY OF MCVILLE
CITY OF MEDORA
CITY OF MICHIGAN
CITY OF MINTO
CITY OF MOTT
CITY OF NAPOLEON
CITY OF NECHE
CITY OF NEW ENGLAND
CITY OF NEW LEIPZIG
CITY OF NEW ROCKFORD
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 ROLLA
CITY OF RUGBY
CITY OF SCRANTON
CITY OF STANLEY
CITY OF SURREY
CITY OF TIOGA
CITY OF TOWNER
CITY OF UNDERWOOD
CITY OF VELVA
CITY OF WALHALLA
CITY OF WATFORD CITY
CITY OF WEST FARGO
CITY OF WESTHOPE
CITY OF WILTON
CITY OF ZEELAND
Total = 58

OTHER POLITICAL SUBDIVISIONS:
BARNES COUNTY SOIL CONSERVATION DIST
BOARD OF MEDICAL EXAMINERS
BOARD OF PHARMACY
BOWMAN CITY PARK BOARD
BURLEIGH CO SOIL CONSERVATION
CARNEGIE REGIONAL LIBRARY
CASS COUNTY SOIL CONSERVATION DIST
CASS CTY WATER RESOURCE DIST
CAVALIER CNTY JOB DEVELOPMENT
CAVALIER COUNTY HEALTH DIST
CENTRAL VALLEY HEALTH UNIT
CITY-COUNTY HEALTH DISTRICT
CONSOLIDATED WASTE LTD
CUSTER DIST HEALTH UNIT
DEVILS LAKE BASIN JOINT WATER
ELECTRICAL BOARD
EMMONS DISTRICT HEALTH UNIT
FIRST DISTRICT HEALTH UNIT
GARRISON DIVERSION CONSERVATION DIST
GRAFTON PARK DISTRICT
GRAND FORKS CTY WATER RESOURCE
GRIGGS COUNTY LIBRARY
KIDDER COUNTY DIST HEALTH UNIT
LAKE METIGOSHE REC SERV DIST
LAKE REGION DIST HEALTH UNIT
MCINTOSH DISTRICT HEALTH UNIT
MERCER CTY SOIL CONSERVATION DIST
ND ST BOARD OF ACCOUNTANCY
NELSON COUNTY SOIL CONSERVATION
NELSON-GRIGGS DIST HEALTH UNIT
PLUMBING BOARD
R & T WATER SUPPLY ASSOCIATION
RAMSEY COUNTY SOIL CONSERVATION DIST
REAL ESTATE COMMISSION
RICHLAND COUNTY AREA VOC TECH
RURAL UTILITIES OF RAMSEY CTY
SARGENT CTY DIST HEALTH UNIT
S W DISTRICT HEALTH UNIT
SOUTHWEST WATER AUTHORITY
STUTSMAN CO HOUSING AUTHORITY
TRAILL CTY WATER RESOURCE DIST
TRAILL DISTRICT HEALTH UNIT
UPPER MISSOURI HEALTH UNIT
WALSH CITY WATER RESOURCE DIST
WALSH COUNTY HOUSING AUTHORITY
WARD COUNTY WATER RESOURCE DIST
WATFORD CITY PARK DIST
WELLS COUNTY DIST HEALTH UNIT
Total = 48

Deferred Compensation Program
Schedule of Assets

By Provider

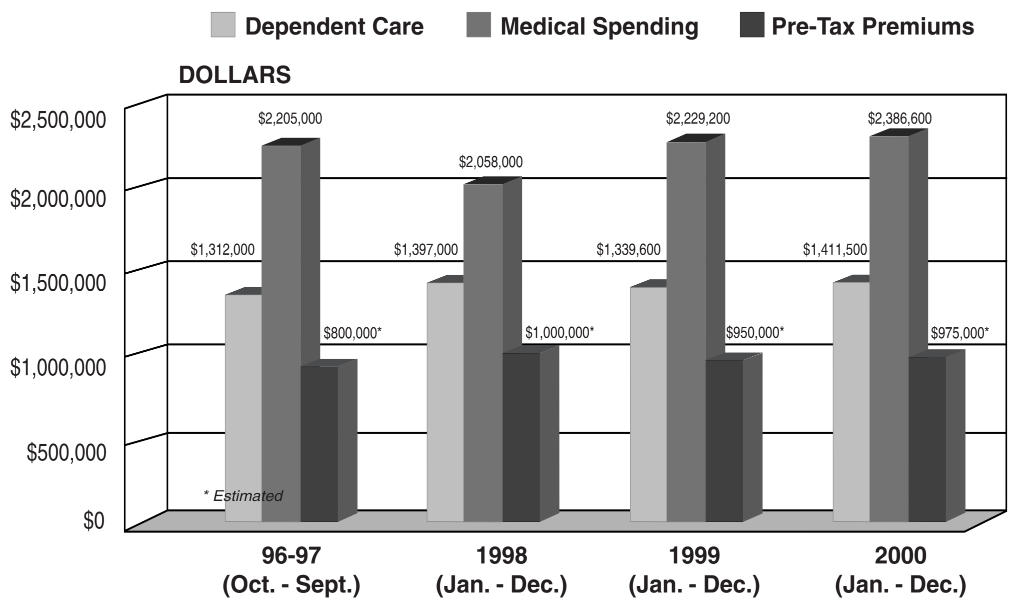
	6/30/96	6/30/97	6/30/98	6/30/99	6/30/00
Aetna	$ 1,659,945	$ 1,829,677	$ 2,052,235	$ 1,580,407	$ 1,631,909
American Express Financial Advisors	10,509,503	11,564,600	15,046,248	----	----
Bank of North Dakota	1,605,820	1,904,583	2,049,985	2,308,615	2,558,319
The Equitable	34,931,457	37,535,458	41,550,448	32,203,884	33,047,681
Great West Life	100,292	162,501	263,776	364,473	----
The Hartford	591,282	1,215,853	1,820,128	3,782,673	5,372,109
Jackson National	1,057,549	1,336,013	1,486,011	1,713,161	1,633,441
John Kinnard[1]	60,223	76,233	110,495	122,067	111,789
Kemper	1,015,757	1,206,863	1,519,864	1,913,566	2,693,930
Lincoln National	1,608,993	2,987,334	4,974,853	6,524,299	8,563,190
Manhattan Life	10,161	9,761	1,788	----	----
Nationwide	----	----	----	10,314,806	12,465,661
New York Life[1]	592,802	1,340,573	1,765,388	1,104,597	1,118,653
NDPERS Companion Plan[1]	----	----	----	4,141,310	5,585,780
Prudential	11,313	9,761	9,025	----	----
ReliaStar	228,066	192,637	101,482	----	----
Safeco Life	382,943	793,274	1,067,536	1,567,773	1,760,140
Sunset Life	405,449	449,494	284,339	294,980	315,374
United Services Life	219,260	237,800	232,942	----	----
VALIC	174,295	245,864	367,134	589,117	1,190,959
Waddell & Reed	745,179	1,126,106	1,720,344	2,632,449	3,828,708
Total[2]	$55,910,289	$64,224,385	$76,424,021	$71,158,177	$81,877,643

[1]As of January 1, 1999, the System is the trustee for these deferred compensation assets and is reporting them as an expandable trust fund in the June 30, 1999 and June 30, 2000 financial statements.

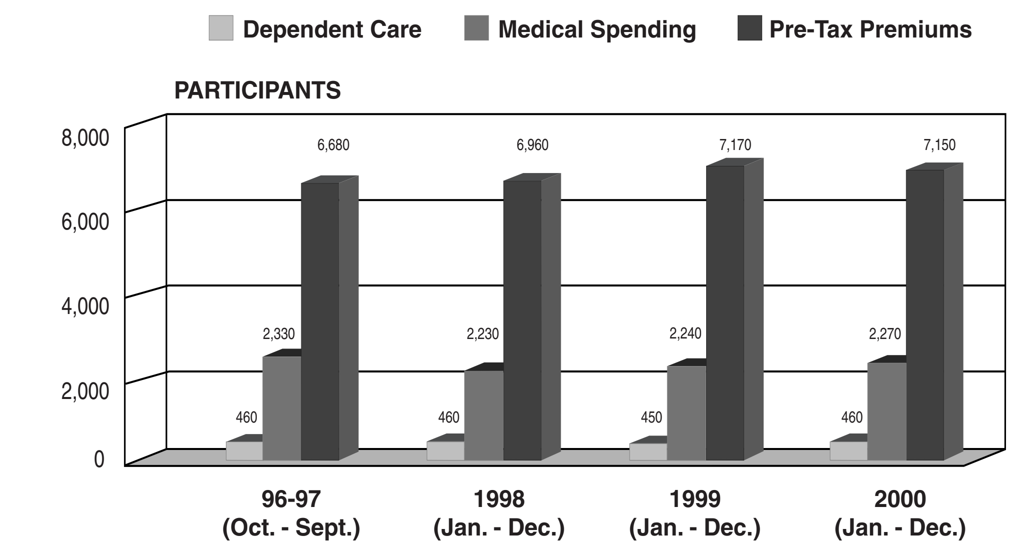
All other assets are being held in trust, by the respective provider company, for the exclusive benefit of participants and their beneficiaries. Accordingly, these assets are not included in the System's financial statements.

[2] Prior to January 1, 1999, the System included account balances for deferred compensation accounts that had been annuitized and were in payout status. Due to changes made to IRC Section 457, the System no longer reports these balances. This change resulted in approximately $13.1 million being removed from the assets reported on this schedule.

FLEXCOMP PARTICIPATION



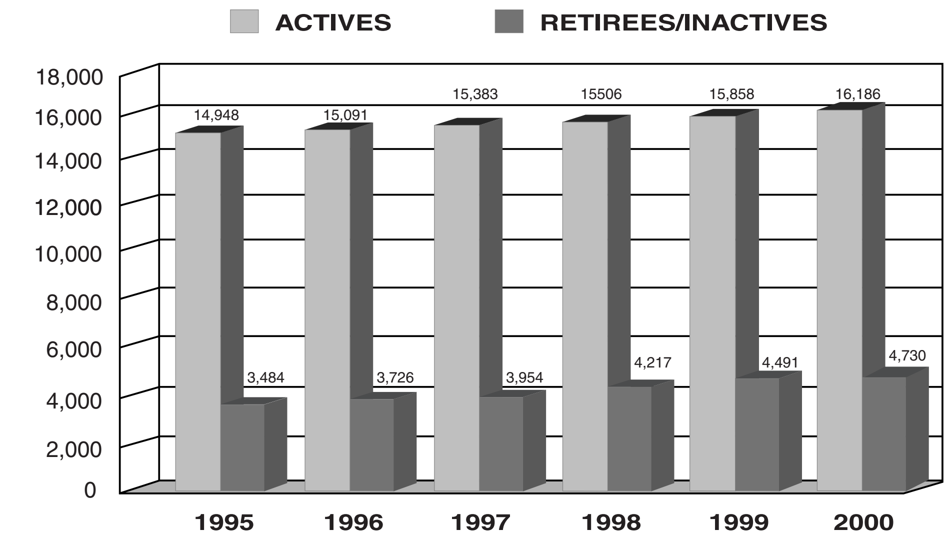
FLEXCOMP PARTICIPATION



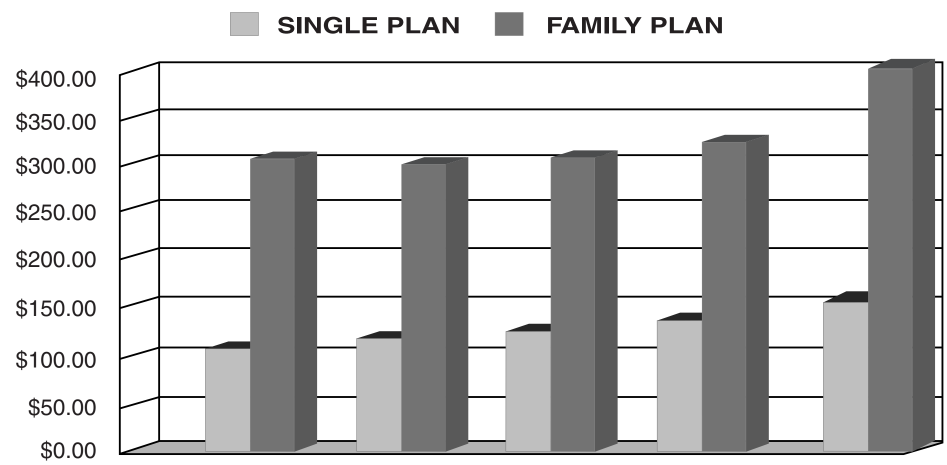
STATISTICS

GROUP HEALTH INSURANCE PROGRAM

Active Number of Contracts in Force



Health Insurance Premium Active State Contracts



	91-93	93-95	95-97	97-99	99-01
Single Plan	$108.00	$120.00	$125.00	$139.69	$162.48
Family Plan	$304.00	$297.00	$309.00	$345.32	$401.67

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