

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
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INDEPENDENT AUDITORS' REPORT

Governor Doug Burgum
The Legislative Assembly

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the fiduciary net position of each of the individual fiduciary funds of the System as of June 30, 2020 and 2019, and the respective changes in financial and net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the State of North Dakota that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position, changes in financial position, and, where applicable, the cash flows of the State of North Dakota as of June 30, 2020 and 2019, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2020, with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

Management's Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System's (NDPERS) financial performance provides an overview of the agency's financial activities for the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the basic financial statements, which follow this discussion.

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

Financial Highlights – Pension and Other Employee Benefit Plans

- As of June 30, 2020, and 2019, the Plan Fiduciary Net Position (FNP) as a percentage of the Total Pension Liability (TPL) and Total OPEB Liability (TOL) for each pension and OPEB fund is shown below:

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

The decreases in the FNP as a percentage of the TPL for the Public Employees Retirement System and the Highway Patrol System were mainly due to decreases in the discount rate from June 30, 2019 to June 30, 2020. The increase in the FNP as a percentage of the TPL for the Retiree Health Insurance Credit Fund and Job Service of ND was the result of positive investment earnings in the current year.

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

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

Financial Highlights – Uniform Group Insurance Program

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented for the fiduciary funds. The Statements of Fiduciary Net Position as of June 30, 2020 and 2019 indicate the net position available to pay future benefits and gives a snapshot at a particular point in time. The Statements of Changes in Fiduciary Net Position for the years ended June 30, 2020 and 2019 provide a view of the current year's additions and deductions to the individual trust funds.

There are three financial statements presented for the proprietary fund. The Statements of Net Position as of June 30, 2020 and 2019 provide a snapshot at a particular point in time of the net position available for use by this program. The Statements of Revenues, Expenses, and Changes in Fund Net Position for the years ended June 30, 2020 and 2019, provide a view of the current year's operating and non-operating revenues and expenses for the enterprise fund. The Statements of Cash Flows for the years ended June 30, 2020 and 2019 show the cash used and provided by operating activities as well as the net increase or decrease in cash due to operating and investing activities for the years presented.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 17-54 of this report.

Required supplementary information. The required supplementary information consists of a Schedule of Employer Contributions, Schedule of Changes to the Net Pension Liability and Related Ratios, and Schedule of Investment Returns for the defined benefit pension trust funds and a Schedule of Net OPEB Liability and related ratios, Schedule of Employer Contributions and Schedule of Investment Returns for the Retiree Health Insurance Credit advance funded plan.

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

Financial Analysis

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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

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

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

Additions. Contributions, transfers in and earnings on invested funds are the primary additions that are accumulated and used to pay benefits for each of the plans. Contributions and transfers in, combined, increased by \$9.4 million for the year ended June 30, 2020 and increased \$0.9 million for the year ended June 30, 2019. The increases reflect an increase in contributions as a result of membership and payroll growth. Investment earnings, while positive in 2020 and 2019, decreased by \$67.0 million and \$91.2 million from the prior years, respectively. The change in Other Additions for June 30, 2020 and June 30, 2019 is primarily due to fluctuations in service purchase payments received during the year.

Deductions. Total deductions increased by \$22.1 million or 9.4% for the fiscal year ended June 30, 2020. Total deductions increased by \$15.4 million or 7.0% for the fiscal year ended June 30, 2019. The increase each year was due to an increase in benefit payments, which reflects the increase in the total number of retirees who are receiving pension payments, as well as the significant increase in refunds/transfers.

Statement of Proprietary Fund Net Position (in thousands)

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

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

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

Total liabilities, as of June 30, 2020, were \$7.9 million, \$6.3 million as of June 30, 2019 and \$5.7 million as of June 30, 2018, and were comprised mostly of unearned premiums, which represent premiums received before they are due as well as a liability to Sanford Health Plan as further explained in Note 15.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020 AND 2019**

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

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

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

The net position for the proprietary fund increased by \$6.8 million during the fiscal year ended June 30, 2020 primarily due to a refund of PPACA fees for the year as a result of a federal moratorium. The net position for the proprietary fund decreased by \$6.7 million during the fiscal year ended June 30, 2019 primarily due to the buydown of insurance premiums for the year. The net position for the proprietary fund decreased by \$8.1 million during the fiscal year ended June 30, 2018 primarily due to the buydown of insurance premiums for the year.

Contacting NDPERS Financial Management

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020 AND 2019**

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

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

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

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

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

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020**

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

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2019**

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

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The System is governed by a nine-member board, five of the members are appointed and the remaining four are elected by the participants of the retirement plans.

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

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

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

Fund Financial Statements

The System's only non-fiduciary activity is the administration and management of the uniform group insurance program. This program is an enterprise fund that relies to a significant extent on fees and charges for support and is shown in the separate proprietary fund financial statements.

The Statement of Net Position presents the reporting entity's non-fiduciary assets and liabilities with the difference reported as net position. Net position is reported as restricted for benefits which result when constraints on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fiduciary funds are accounted for on the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each system.

Budgetary Process

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

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

There were no supplemental appropriations during the fiscal years ending June 30, 2020 and 2019. The legal level of budgetary control is at the appropriation and expenditure line item level, with administrative controls established at lower levels of detail in certain instances.

Investment Valuation and Income Recognition

The fair value of investments is discussed in further detail in Note 2 to the financial statements.

The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current fiscal year were included as a change in the fair value of investments reported in the prior year(s) and the current year. Unrealized gains and losses are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derivative Securities

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

Accounts Receivable and Credit Policy

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

Capital Assets and Depreciation

Capital assets, which include equipment and intangibles (software) greater than \$5,000, are presented in the accompanying financial statements at cost or estimated historical cost. Donated capital assets are stated at acquisition value at the time of donation. Capital assets acquired via lease agreements are capitalized at the inception of the agreement. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. For the years ending June 30, 2020 and 2019, the System capitalized equipment and software in accordance with Section 54-27-21 of the North Dakota Century Code.

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

Accrued Compensated Absences

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

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

Amounts Held in Custody for Others

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

Unearned Premiums

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Transfers to/from Other Plans

Transfers to/from other plans consist of monies transferred from the Public Employees Retirement System Defined Benefit Plan to the Defined Contribution Retirement Plan pursuant to Section 54-52.6 Subsection 3 of the North Dakota Century Code. Each eligible employee who elects to terminate membership in the Defined Benefit Plan has a lump sum amount transferred to the participating member's account under the Defined Contribution Retirement Plan. For new employees electing to transfer to the Defined Contribution Retirement Plan, the lump sum transferred is the actual employee and employer contributions plus interest. In 2020 and 2019, transfers to other plans also includes operating transfers from the pretax benefits program, retirement plan, and insurance plan to the deferred compensation plan to cover general administrative expenses.

Restricted Net Position

Net position restricted for benefits consists of funds on deposit with Sanford Health Plan to pay health care benefits in the event total claims incurred during the biennium exceed total premiums. This amount was \$0 as of June 30, 2020 and June 30, 2019. See Note 14 for additional discussion on the status of open contracts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the statement of net position.

Fair Value Measurement

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS

Defined Contribution Retirement Fund

June 30, 2020				
	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Mutual Funds	\$ 14,974,555	<u>\$ 14,974,555</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	285,606			
Investments at Amortized Cost				
Invested Cash	<u>224,680</u>			
Total Investments	<u>\$ 15,484,841</u>			
June 30, 2019				
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Mutual Funds	\$ 14,368,134	<u>\$ 14,368,134</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	234,950			
Investments at Amortized Cost				
Invested Cash	<u>193,159</u>			
Total Investments	<u>\$ 14,796,243</u>			

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deferred Compensation Plan

June 30, 2020				
	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Mutual Funds	\$ 133,971,266	\$ 133,971,266	\$ -	\$ -
Investments at Contract Value				
Fixed Income	2,262,844			
Investments at Amortized Cost				
Invested Cash	3,048,553			
Total Investments	\$ 139,282,663			

June 30, 2019				
	June 30, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at Fair Value				
Mutual Funds	\$ 121,999,475	\$ 121,999,475	\$ -	\$ -
Investments at Contract Value				
Fixed Income	2,066,180			
Investments at Amortized Cost				
Invested Cash	2,327,401			
Total Investments	\$ 126,393,056			

Investments Measured at the Net Asset Value – Proprietary Fund

	June 30, 2020
Commingled Domestic Fixed Income	\$ 28,651,685
	June 30, 2019
Commingled Domestic Fixed Income	\$ 28,207,330

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at the Net Asset Value – Fiduciary Funds

	June 30, 2020			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled External Investment Pools	\$ 3,120,007,872	\$ 81,897,326	\$ -	\$ -
Commingled Equities	-	-	88,768,471	18,153,248
Commingled Fixed Income	-	-	54,676,415	76,766,803
Total Investments Measured at the Net Asset Value	<u>\$ 3,120,007,872</u>	<u>\$ 81,897,326</u>	<u>\$ 143,444,886</u>	<u>\$ 94,920,051</u>
	June 30, 2019			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled External Investment Pools	\$ 3,061,908,623	\$ 81,155,769	\$ -	\$ -
Commingled Equities	-	-	84,480,446	19,094,960
Commingled Fixed Income	-	-	51,472,649	77,780,193
Total Investments Measured at the Net Asset Value	<u>\$ 3,061,908,623</u>	<u>\$ 81,155,769</u>	<u>\$ 135,953,095</u>	<u>\$ 96,875,153</u>

Net Asset Value Measurement

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

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

The System's investments in the Retiree Health Insurance Credit Fund are directly managed and held in an individual investment account with the North Dakota Retirement and Investment Office and are valued at NAV as of June 30, 2020 and 2019. There are no unfunded commitments and the plan may redeem investments daily with a one day redemption notice period. For the years ended June 30, 2020 and 2019, the Retirement Plan for Employees of Job Service of North Dakota's investments were held in an individual investment pool with the North Dakota Retirement and Investment Office and were valued at Net Asset Value (NAV). There were no unfunded commitments and the plan may redeem investments daily with a one day redemption notice period.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

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

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

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

Custodial Risk

For deposits, custodial risk is the risk that in the event of the failure of a depository financial institution, the System will not be able to recover the deposits. The System does not have a formal policy that limits custodial risk for deposits. Deposits at the Bank of North Dakota and the State Treasury are uncollateralized but are guaranteed by the State of North Dakota (NDCC Section 6-09-10).

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

Investments

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

The System's Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans' performance objectives, benefit projections, and capital market expectations when determining the asset allocation. The SIB is responsible for managing the System's investments in accordance with the investment policy. The following were the System's asset allocation policies for the Public Employees Retirement System, Highway Patrolmen's Retirement System, Retirement Plan for Employees of Job Service of North Dakota, and Retiree Health Insurance Credit Fund as of June 30, 2020 and 2019:

Asset Class	Target Allocation		
	PERS & HPRS	JSND	RHIC
Domestic Equities	30.00%	6.00%	39.00%
International Equities	21.00%	14.00%	21.00%
Private Equity	7.00%	6.00%	0.00%
Domestic Fixed Income	23.00%	74.00%	40.00%
International Fixed Income	0.00%	0.00%	0.00%
Global Real Assets	19.00%	0.00%	0.00%
Cash and Equivalents	0.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Rate of return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense for the years ended June 30, 2020 and 2019 are:

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Credit Risk

All investments of the Public Employees Retirement System, Highway Patrolmen's Retirement System, and Uniform Group Insurance Program are invested in an external investment pool managed by SIB. The pool is not rated. The System does not have a formal credit risk policy that limits the credit risk of the investments.

All investments of the Retirement Plan for Employees of Job Service of North Dakota and Retiree Health Insurance Credit Fund are managed and invested by the SIB in institutional equity and fixed income mutual funds. The fixed income funds are rated AA. The System does not have a formal credit risk policy that limits the credit risk of the investments.

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. The SIB has chosen to use the Segmented Time Distribution disclosure method. Tables detailing the System's portion of the investment pool are reported on the next page. Readers may refer to the North Dakota Retirement and Investment Office financial statements regarding highly sensitive securities that are disclosed at the SIB level.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

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

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

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

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

Job Service Retirement Plan

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Retiree Health Insurance Credit Fund

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

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

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

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

Securities Lending

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

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

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

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

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

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

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and Northern Trust has failed to live up to its contractual responsibilities relating to the lending of those securities. Northern Trust's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

For securities loaned at fiscal year end, the SIB has no credit risk exposure to borrowers because the amounts the SIB owes the borrowers exceeds the amounts the borrowers owe the SIB

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

The June 30, 2020 due from/to fiduciary and proprietary funds are summarized as follows:

Fund	Due From Fiduciary and Proprietary Funds	Due to Fiduciary and Proprietary Funds
Fiduciary		
Public Employees Retirement System	\$ 9,250	\$ -
Highway Patrolmen's Retirement System	-	-
Retiree Health Insurance Credit Fund	-	-
Retirement Plan for Employees of Job Service North Dakota	-	9,250
Pretax Benefits Program	-	-
Deferred Compensation Plan	-	-
Defined Contribution Plan	-	-
Proprietary		
Uniform Group Insurance Program	-	-
	<u>\$ 9,250</u>	<u>\$ 9,250</u>

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

June 30, 2020 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due to State Agencies
Fiduciary		
Public Employees Retirement System		
Information Technology Department	\$ -	\$ 12,832
Attorney General	-	783
Central Duplicating	-	17
Office of Administrative Hearings	-	192
Total	<u>\$ -</u>	<u>\$ 13,824</u>
Retiree Health Insurance Credit Fund		
Job Service	\$ 291	\$ -
Total	<u>\$ 291</u>	<u>\$ -</u>
Defined Contribution Plan		
Information Technology Department	\$ -	\$ 98
Total	<u>\$ -</u>	<u>\$ 98</u>
Pretax Benefits Program		
Information Technology Department	\$ -	\$ 2,424
Attorney General	-	156
Total	<u>\$ -</u>	<u>\$ 2,580</u>
Deferred Compensation Plan		
Information Technology Department	\$ -	\$ 4,198
Attorney General	-	339
Total	<u>\$ -</u>	<u>\$ 4,537</u>
Proprietary		
Uniform Group Insurance Program		
Information Technology Department	\$ -	\$ 8,383
Central Duplicating	-	17
Attorney General	-	520
Total	<u>\$ -</u>	<u>\$ 8,920</u>

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

The June 30, 2019 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due to State Agencies
Fiduciary		
Public Employees Retirement System		
Information Technology Department	\$ -	\$ 11,047
Attorney General	-	648
Central Duplicating	-	42
Department of Transportation	-	171
Central Supply	-	40
Total	<u>\$ -</u>	<u>\$ 11,948</u>
Retiree Health Insurance Credit Fund		
Job Service	<u>\$ 294</u>	<u>\$ -</u>
Total	<u>\$ 294</u>	<u>\$ -</u>
Defined Contribution Plan		
Information Technology Department	<u>\$ -</u>	<u>\$ 94</u>
Total	<u>\$ -</u>	<u>\$ 94</u>
Pretax Benefits Program		
Information Technology Department	\$ -	\$ 2,148
Attorney General	-	607
ND State Board of Accountancy	-	8
Central Duplicating	-	5
Central Supply	-	33
Total	<u>\$ -</u>	<u>\$ 2,801</u>
Deferred Compensation Plan		
Information Technology Department	\$ -	\$ 4,082
Attorney General	-	157
Department of Human Services	-	600
Central Supply	-	20
Total	<u>\$ -</u>	<u>\$ 4,859</u>
Proprietary		
Uniform Group Insurance Program		
Information Technology Department	\$ -	\$ 8,168
Central Supply	-	30
Attorney General	-	1,581
Total	<u>\$ -</u>	<u>\$ 9,779</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

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

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

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

The transfer to the Defined Contribution Retirement Fund is for those employees electing to transfer from the PERS plan. The transfers to the Deferred Compensation Plan are to cover administrative expenses pursuant to NDCC 54-52-04 subsection 11.

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 4 CAPITAL ASSETS

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

	Balance 7/1/2019	Additions	Deletions	Balance 6/30/2020
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 2,921,416	\$ 54,863	\$ -	\$ 2,976,279
Less Accumulated Amortization for:				
Software	(2,527,877)	(297,190)	-	(2,825,067)
Total Capital Assets Being Depreciated, Net	<u>393,539</u>	<u>(242,327)</u>	<u>-</u>	<u>151,212</u>
Proprietary Funds Capital Assets, Net	<u>\$ 393,539</u>	<u>\$ (242,327)</u>	<u>\$ -</u>	<u>\$ 151,212</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 7,244,785	\$ 135,136	\$ -	\$ 7,379,921
Total Capital Assets Being Depreciated	7,244,785	135,136	-	7,379,921
Less Accumulated Depreciation for:				
Software	(6,268,433)	(736,978)	-	(7,005,411)
Total Capital Assets Being Depreciated, Net	<u>976,352</u>	<u>(601,842)</u>	<u>-</u>	<u>374,510</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 976,352</u>	<u>\$ (601,842)</u>	<u>\$ -</u>	<u>\$ 374,510</u>
	Balance 7/1/2018	Additions	Deletions	Balance 6/30/2019
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 2,921,416	\$ -	\$ -	\$ 2,921,416
Less Accumulated Amortization for:				
Software	(2,233,300)	(294,577)	-	(2,527,877)
Total Capital Assets Being Depreciated, Net	<u>688,116</u>	<u>(294,577)</u>	<u>-</u>	<u>393,539</u>
Proprietary Funds Capital Assets, Net	<u>\$ 688,116</u>	<u>\$ (294,577)</u>	<u>\$ -</u>	<u>\$ 393,539</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 7,244,785	\$ -	\$ -	\$ 7,244,785
Total Capital Assets Being Depreciated	7,244,785	-	-	7,244,785
Less Accumulated Depreciation for:				
Software	(5,537,890)	(730,543)	-	(6,268,433)
Total Capital Assets Being Depreciated, Net	<u>1,706,895</u>	<u>(730,543)</u>	<u>-</u>	<u>976,352</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 1,706,895</u>	<u>\$ (730,543)</u>	<u>\$ -</u>	<u>\$ 976,352</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 5 LEASE OBLIGATIONS

Operating Lease

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

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

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

NOTE 6 CHANGE IN LONG-TERM LIABILITIES

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

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

NOTE 7 NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

The System is required to contribute to PERS at a statutorily determined rate for permanent employees. The System's contributions to PERS for the years ended June 30, 2020 and 2019, were \$201,316 and \$204,340 which were equal to the required contributions for each year.

The System is required to contribute to the North Dakota Defined Contribution Retirement Plan at a statutorily determined rate for permanent employees who have elected to participate in this plan. The System's contributions to this plan for the years ended June 30, 2020 and 2019, were \$16,682 and \$13,965.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS

General

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

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

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

The PERS covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions (Main System). It also covers Supreme and District Court Judges, the National Guard Security Officers and Firefighters, peace officers and correctional officers employed by political subdivisions, and as of August 1, 2017, firefighters employed by participating political subdivisions. Effective August 1, 2015, current and newly eligible members of the National Guard System were transferred to the Law Enforcement System. The HPRS covers substantially all sworn officers of the North Dakota Highway Patrol. An optional Defined Contribution Retirement Plan (DC Plan) was established effective January 1, 2000. The DC plan was available to state employees who are in positions not classified by the Human Resource Management Services division of the State of North Dakota. Employees under the judicial branch or the Board of Higher Education and State Institutions under the jurisdiction of the Board of Higher Education are not eligible to participate in the Plan. The 2013 Legislative Assembly passed legislation to expand eligibility to the Plan to include all new state employees hired on or after October 1, 2013 through July 31, 2017. The Retirement Plan for Employees of Job Service North Dakota is limited to employees participating in the plan as of September 30, 1980.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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

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

Employee membership data is as follows:

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

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

BENEFITS

PERS

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the main system are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016, the Rule of 85 is replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the annual pension benefit is equal to 1.75% of their average monthly salary, using the three highest periods of twelve consecutive months employed during the last one hundred eighty months of employment. The Plan permits early retirement at ages 55-64 with three or more years of service.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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

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

HPRS

Benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members are entitled to unreduced pension benefits upon attainment of age 55 and 10 years of eligible employment or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 180 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The Plan permits early retirement at ages 50-54, with ten or more years of service.

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

Defined Contribution Plan

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

Retirement Plan for Employees of Job Service North Dakota

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

- 1.5% times years of credited service up to five plus
- 1.75% times years of credited service between six and ten plus
- 2.0% times years of credited service in excess of ten years

Death and Disability Benefits

PERS

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

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

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

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

HPRS

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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

Defined Contribution Plan

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

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

Retirement Plan for Employees of Job Service North Dakota

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

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

Refunds of Member Contributions

Upon termination, if a member of PERS or HPRS is not vested (is not 65 or does not have three years of service for the Main System and National Guard/Law Enforcement, or five years of service for the Supreme and District Court Judges, credited for the PERS, or is not 60 or does not have ten years of service credited for the HPRS), they will receive the accumulated member contributions plus interest, or may elect to receive this amount at a later date. If a member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Contributions

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

Members that made a qualifying election under Senate Bill 2015 to move from the Defined Contribution Plan back to the Defined Benefit Plan have a 2% increase on employee contributions. The 2019 Legislative Assembly passed legislation that ended the RHIC plan for new hires after January 1, 2020 and redirected the 1.14% RHIC employer contribution to the retirement account for both the PERS plan as well as the defined contribution plan.

PERS

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

The minimum monthly member contribution to the deferred compensation plan is \$25 and the maximum vesting in the employer contributions may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

HPRS

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4.0% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

Defined Contribution Plan

Member and employer contributions are set by statute as a percent of covered compensation. The state is paying 4% of the member contribution. The member contribution rate is 7.00% and the employer rate is 7.12% for members first enrolled prior to January 1, 2020. For members first enrolled after January 1, 2020 the member contribution rate is 7.00% and the employer rate is 8.26%.

Retirement Plan for Employees of Job Service North Dakota

Employees' contributions are established at 7.0% of total compensation. The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. For the fiscal years ended June 30, 2020 and June 30, 2019 there were no employer contributions necessary into the plan.

Effective July 1, 1999, the "scheduled contribution" will be zero as long as the plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the Employer.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS

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

2020	PERS	HPRS	JSND
Total Pension Liability	\$ 6,379,800,316	\$ 178,229,354	\$ 64,128,637
Plan Fiduciary Net Position	3,154,351,139	82,184,463	95,250,637
Net Pension Liability (Asset)	<u>\$ 3,225,449,177</u>	<u>\$ 96,044,891</u>	<u>\$ (31,122,000)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	49.44%	46.11%	148.53%
2019	PERS	HPRS	JSND
Total Pension Liability	\$ 4,269,339,965	\$ 106,315,030	\$ 66,196,940
Plan Fiduciary Net Position	3,096,731,081	81,415,519	97,203,246
Net Pension Liability (Asset)	<u>\$ 1,172,608,884</u>	<u>\$ 24,899,511</u>	<u>\$ (31,006,306)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	72.53%	76.58%	146.84%

The plan provisions used in the measurement of the total pension liability are the same as those used in the PERS, HPRS and JSND Actuarial Valuation and Reviews as of July 1, 2020 and 2019.

Actuarial Assumptions

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

PERS:

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Mortality Rates For June 30, 2020 Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members.

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

Other Notes The interest rate on member contributions will decrease from 7.00% to 6.50% effective January 1, 2021.

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

The investment return assumption was updated from 7.50% to 7.00% beginning with the actuarial valuation as of July 1, 2020. Other updates to actuarial assumptions since the July 1, 2019 valuation include changes to mortality tables used for the valuation as well as changes to rates of annual salary increases, separation for active membership, disability, and retirement. The actuarial assumptions were based on an experience review for the period from July 1, 2014 to July 1, 2019

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

Highway Patrol

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

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no assets smoothing)
Inflation	For June 30, 2020, 2.25%. For June 30, 2019, 2.5%.
Salary Increases	Service-based table for members with less than five years of service and age-based table for members with more than five years of service
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality Rates	For June 30, 2020 Pub 2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using MP-2019 scale.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

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

Other Notes

There were no benefit changes during the year

The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period of July 1, 2014 through July 1, 2019.

The employer rate to the System is the statutory contribution rate of 19.70% of payroll

JSND

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

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no assets smoothing)
COLA	As of June 30, 2020, 2.25%. As of June 30, 2019, 2.5%.
Inflation	As of June 30, 2020, 2.25%. As of June 30, 2019, 2.5%.
Salary Increases	3.50%
Investment Rate of Return	As of June 30, 2020, 4.25%. As of June 30, 2019, 4.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality Rates	For June 30, 2020, Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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

Other Notes

There were no benefit changes during the year

The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Investment Rate of Return

The long-term expected investment rate of return assumption for PERS, HPRS, and JSND was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the pension plan's target asset allocation as of July 1, 2020 are summarized in the following tables:

PERS and HPRS

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

JSND

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

Discount Rate

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

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

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

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

For JSND, the discount rate was 4.25% as of June 30, 2020 and 4.75% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2020 and July 1, 2019 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions (for JSND it is assumed no future contribution will be made), the pension plans' fiduciary net position were projected to be available to make all projected future benefit payments for current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2020 and 2019.

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Plans as of June 30, 2020, calculated using the discount rate of 4.64% for PERS (7.50% as of June 30, 2019), 4.09% for HPRS (7.50% as of June 30, 2019) and 4.25% for JSND (4.75% as of June 30, 2019), as well as what the Plan's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

<u>as of June 30, 2020</u>	<u>(3.64%)</u>	<u>(4.64%)</u>	<u>(5.64%)</u>
PERS	\$ 4,199,073,080	\$ 3,225,449,177	\$ 2,429,510,424
	1% Decrease (3.09%)	Current Discount (4.09%)	1% Increase (5.09%)
HPRS	127,280,387	96,044,891	71,396,917
	1% Decrease (3.25%)	Current Discount (4.25%)	1% Increase (5.25%)
JSND	\$ (24,661,696)	\$ (31,122,000)	\$ (36,644,730)
Net Pension Liability (Asset) as of June 30, 2019	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
PERS	\$ 1,697,748,658	\$ 1,172,608,884	\$ 731,651,266
	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
HPRS	38,662,943	24,899,511	13,491,914
	1% Decrease (3.75%)	Current Discount (4.75%)	1% Increase (5.75%)
JSND	\$ (24,292,823)	\$ (31,006,306)	\$ (36,982,989)

NOTE 10 RETIREE HEALTH INSURANCE CREDIT (RHIC) FUND

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer other post-employment benefit (OPEB) plan, is administered by the System to provide members that were first enrolled in the plan prior to January 1, 2020 and are receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. Effective August 1, 2019 the credit is expanded to also include any dental, vision, and long term care plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership data is as follows:

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

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

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

NOTE 11 NET OPEB LIABILITY OF THE RHIC FUND

The components of the net OPEB liability of the RHIC Plan at June 30, 2020 and June 30, 2019 are as follows:

2020	RHIC
Total OPEB Liability	\$ 229,740,674
RHIC Fiduciary Net Position	145,620,917
Net OPEB Liability (Asset)	\$ 84,119,757
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.38%
2019	RHIC
Total OPEB Liability	\$ 217,831,024
RHIC Fiduciary Net Position	137,512,286
Net OPEB Liability (Asset)	\$ 80,318,738
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.13%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no asset smoothing)
Inflation	For June 30, 2020, 2.25%. For June 30, 2019, 2.50%
Salary Increases	Not applicable
Investment Rate of Return	For June 30, 2020, 6.50%. For June 30, 2019, 7.25%.
Mortality Rates	For June 30, 2020, Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale. For June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

Other Notes: RHIC is for the most part a closed plan. There were no benefit changes during the year. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

Investment Rate of Return

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2020 are summarized in the following table:

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

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

Discount Rate

The discount rate used to measure the total OPEB liability was 6.50% as of June 30, 2020 and 7.25% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2020, and July 1, 2019, PERS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Net OPEB Liability (Asset)

The following presents the net OPEB liability of the Plans as of June 30, 2020 (using a single discount rate of 6.50%) and June 30, 2019 (using a 7.25% single discount rate), as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Net OPEB Liability (Asset) as of June 30, 2020	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
RHIC	\$ 110,324,972	\$ 84,119,757	\$ 61,959,773
Net OPEB Liability (Asset) as of June 30, 2019	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
RHIC	\$ 102,516,136	\$ 80,318,738	\$ 61,317,668

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

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES

The System was given the authority by Chapter 54-52.2 to administer an employee deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan allows employees of the State of North Dakota or any of its political subdivisions, institutions, departments, or agencies to participate, providing that the employee has signed a participant agreement, which permits them to defer a portion of their salary until future years. Each participant may defer the lesser of \$19,500 for calendar year 2020 (\$19,000 for 2019) or 100% of gross annual compensation. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES (CONTINUED)

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

The related investments are reported at fair value as follows:

	2020		2019	
Investment Balance by:				
State of North Dakota	\$ 121,097,251	87%	\$ 108,758,247	86%
Other Jurisdictions	18,185,412	13%	17,634,809	14%
Total Investments	\$ 139,282,663	100%	\$ 126,393,056	100%

NOTE 13 FEDERAL INCOME TAX STATUS

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

NOTE 14 UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The Uniform Group Insurance Program, a proprietary fund, contracted with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract for the 2017-2019 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2017-2019 biennium will occur in 2021 with an initial settlement occurring in 2020. In the event of a loss, the system does not have any risk. For this period premiums exceeded claims, therefore, a gain of \$6.8 million will be returned to the system and is included as a receivable in the fiscal year 2020 financial statements.

The System again entered into a similar contract with Sanford Health Plan for the 2019-2021 biennium. The contract for the 2019-2021 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2019-2021 biennium will occur in 2023. In the event of a loss, the system does not have any risk. No other insurance contracts have a gain sharing provision.

The accumulated surplus and other invested funds in the amounts of \$36.3 million and \$34.7 million are shown as cash, invested cash and commingled domestic fixed income investments on the Statement of Net Position as of June 30, 2020 and 2019, respectively.

NOTE 15 RISK MANAGEMENT

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

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15 RISK MANAGEMENT (CONTINUED)

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

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

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

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

NOTE 16 RELATED PARTIES

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

NOTE 17 SUBSEQUENT EVENTS

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

NOTE 18 CONTINGENCY

The State Investment Board has been named as a defendant in a case arising out of the Tribune bankruptcy proceedings, relating to securities that were purchased by external investment managers in one or more portfolios held by the SIB on behalf of its investment client funds. Outside counsel has been retained, in addition to assistance received from the ND Office of Attorney General. On July 15, 2019, the Litigation Trustee filed a Notice of Appeal to the Second Circuit, appealing the various judgments of the U.S. District Court that dismissed his claims against defendants in the Action and denying leave to amend his complaint to add a constructive fraudulent transfer claim. The Second Circuit held oral argument on August 24, 2020, and took the matter under advisement. No liability has been recorded for this case.

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

Public Employees Retirement System

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

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

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

Highway Patrolmen's Retirement System

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

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

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

Retirement Plan for Employees of Job Service North Dakota

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability							
Service Cost	\$ 57,560	\$ 70,295	\$ 80,344	\$ 55,500	\$ 71,420	\$ 127,734	\$ 87,668
Interest	3,038,156	3,129,175	3,500,344	4,130,232	4,281,440	5,026,167	5,107,459
Change of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(1,122,296)	(504,895)	(310,124)	(1,648,283)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of Assumptions	539,852	-	5,811,755	4,421,401	69,885	(309,878)	-
Benefit Payments, Including Refund of Employee Contributions	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Net Change in Total Pension Liability	<u>(2,068,303)</u>	<u>(1,932,271)</u>	<u>4,499,742</u>	<u>2,424,697</u>	<u>(2,185,242)</u>	<u>(1,656,419)</u>	<u>(1,006,368)</u>
Total Pension Liability (Asset) - Beginning	<u>66,196,940</u>	<u>68,129,211</u>	<u>63,629,469</u>	<u>61,204,772</u>	<u>63,390,014</u>	<u>65,046,433</u>	<u>66,052,801</u>
Total Pension Liability (Asset) - Ending (A)	<u><u>\$ 64,128,637</u></u>	<u><u>\$ 66,196,940</u></u>	<u><u>\$ 68,129,211</u></u>	<u><u>\$ 63,629,469</u></u>	<u><u>\$ 61,204,772</u></u>	<u><u>\$ 63,390,014</u></u>	<u><u>\$ 65,046,433</u></u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	27,047	29,159	32,987	39,417	44,178	50,142	55,748
Service Credit Repurchase	-	-	-	-	-	-	-
Net Investment Income	2,621,067	6,229,630	2,918,585	5,238,877	4,840,333	3,260,507	11,887,840
Transfers and Other Income	-	-	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative Expense	(19,148)	(16,808)	(46,295)	(12,684)	(32,253)	(30,214)	(31,455)
Net Change in Plan Fiduciary Net Position	<u>(1,952,609)</u>	<u>1,615,135</u>	<u>(1,677,300)</u>	<u>731,457</u>	<u>251,062</u>	<u>(1,413,736)</u>	<u>7,317,671</u>
Plan Fiduciary Net Position - Beginning	<u>97,203,246</u>	<u>95,588,111</u>	<u>97,265,411</u>	<u>96,533,954</u>	<u>96,282,892</u>	<u>97,696,628</u>	<u>90,378,957</u>
Plan Fiduciary Net Position - Ending (B)	<u><u>95,250,637</u></u>	<u><u>97,203,246</u></u>	<u><u>95,588,111</u></u>	<u><u>97,265,411</u></u>	<u><u>96,533,954</u></u>	<u><u>96,282,892</u></u>	<u><u>97,696,628</u></u>
Net Pension Liability (Asset) - Ending (A)-(B)	<u><u>\$ (31,122,000)</u></u>	<u><u>\$ (31,006,306)</u></u>	<u><u>\$ (27,458,900)</u></u>	<u><u>\$ (33,635,942)</u></u>	<u><u>\$ (35,329,182)</u></u>	<u><u>\$ (32,892,878)</u></u>	<u><u>\$ (32,650,195)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	148.53%	146.84%	140.30%	152.86%	157.72%	151.89%	150.20%
Covered Payroll	\$ 314,607	\$ 416,552	\$ 416,652	\$ 498,564	\$ 564,684	\$ 790,649	\$ 842,601
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	(9,892.34)%	(7,443.56)%	(6,590.37)%	(6,746.56)%	(6,256.45)%	(4,160.24)%	(3,874.93)%

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

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

Retiree Health Insurance Credit Fund

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability				
Service Cost	\$ 4,041,849	\$ 3,827,807	\$ 3,766,661	\$ 3,430,578
Interest	15,498,021	15,217,017	14,485,170	14,327,443
Change of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	314,726	(1,374,146)	2,732,254	(2,231,206)
Changes of Assumptions	4,372,129	5,002,621	-	8,860,723
Benefit Payments, Including Refund of Employee Contributions	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Net Change in Total OPEB Liability	<u>11,909,650</u>	<u>11,168,229</u>	<u>9,968,025</u>	<u>14,373,168</u>
Total OPEB Liability (Asset) - Beginning	<u>217,831,024</u>	<u>206,662,795</u>	<u>196,694,770</u>	<u>182,321,602</u>
Total OPEB Liability (Asset) - Ending (A)	<u>\$ 229,740,674</u>	<u>\$ 217,831,024</u>	<u>\$ 206,662,795</u>	<u>\$ 196,694,770</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 13,392,266	\$ 12,977,460	\$ 12,834,547	\$ 12,575,627
Contributions - Employee	16,319	15,859	15,984	16,173
Service Credit Repurchase	556,585	377,329	746,942	464,323
Net Investment Income	6,904,869	8,178,932	8,210,898	12,074,082
Transfers and Other Income	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Administrative Expense	(453,913)	(437,349)	(480,244)	(443,220)
Other	9,580	(857)	225	-
Net Change in Plan Fiduciary Net Position	<u>8,108,631</u>	<u>9,606,304</u>	<u>10,312,292</u>	<u>14,672,615</u>
Plan Fiduciary Net Position - Beginning	<u>137,512,286</u>	<u>127,905,982</u>	<u>117,593,690</u>	<u>102,921,075</u>
Plan Fiduciary Net Position - Ending (B)	<u>145,620,917</u>	<u>137,512,286</u>	<u>127,905,982</u>	<u>117,593,690</u>
Net OPEB Liability (Asset) - Ending (A)-(B)	<u>\$ 84,119,757</u>	<u>\$ 80,318,738</u>	<u>\$ 78,756,813</u>	<u>\$ 79,101,080</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	63.38%	63.13%	61.89%	59.78%
Covered Payroll	\$ 1,139,970,530	\$ 1,115,857,588	\$ 1,094,216,775	\$ 1,081,841,008
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	7.38%	7.20%	7.20%	7.31%

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

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

Public Employees Retirement System

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

Highway Patrolmen's Retirement System

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

Retiree Health Insurance Credit Plan

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

PERS

Benefit Changes:

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

Changes of Assumptions:

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

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

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

HPRS

Benefit Changes:

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

Changes of Assumptions:

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

JSND

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

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

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

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

RHIC

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions – PERS

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.75% (3.25% for Judges)
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
Salary Increases	4.00% to 20.00% including inflation
Investment Rate of Return	For June 30, 2020, 7.5%. For June 30, 2019, 7.75%.
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	For June 30, 2020 and June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.
Other Notes:	<p>The calculation of Final Average Salary was changed for members who terminate after December 31, 2019.</p> <p>The interest rate on member contributions will decrease from 7.25% to 7.00% effective January 1, 2020.</p> <p>The benefit accrual rate for members first enrolled on or after January 1, 2020 in the Main and Public Safety Systems is 1.75% (compared to 2.00% for members enrolled before January 1, 2020).</p> <p>The investment return assumption was updated from 7.75% to 7.50% beginning with the actuarial valuation as of July 1, 2019. The economic assumptions (excluding salary increases) were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS.</p> <p>The employer rates to the System are the statutory/Board approved contribution rates of 7.12% of payroll for the Main System (8.26% for members enrolled on or after January 1, 2020), 17.52% for the Judges System, 9.81% for Public Safety with prior Main System service System and 7.93% for Public Safety without prior Main System service System.</p>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions – HPRS

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions – Job Service

Valuation date	July 1, 2019
Actuarial cost method	Frozen Initial Liability (Aggregate since no initial Liability remains)
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
COLA	2.50%
Salary Increases	3.50%
Investment Rate of Return	4.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition

Mortality

For June 30, 2020 and June 30, 2019, mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

Other Notes: There were no benefit changes during the year.

The economic assumptions (excluding salary increases) were updated beginning with the actuarial valuation as of July 1, 2017 based on a review performed by GRS. The Board approved lowering the investment return assumption from 5.70% to 4.75% beginning with the July 1, 2018, actuarial valuation. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2009 through June 30, 2014

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020**

Schedule of Employer Contributions – RHIC

Valuation date	July 1, 2019
Actuarial cost method	Entry Age Normal Method.
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.50%
Salary Increases	Not Applicable
Investment Rate of Return	7.50%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition

Mortality For June 30, 2020 and June 30, 2019 mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

Other Notes:

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

The determination of the actuarial rate was changed effective July 1, 2019 to equal the rate needed to pay off the unfunded liability and future NC contributions at the end of 20 years as a level percent of closed group (decreasing) payroll.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Actuary Fees:							
Gabriel Roeder Smith & Co	\$ 221,643	\$ 28,968	\$ 21,200	\$ -	\$ -	\$ -	\$ 9,250
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	43,052	277	11,097	89	8,768	17,536	128
Disability Consulting Fees:							
Mid Dakota Clinic	4,850	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	201,675	1,297	13,748	470	50,743	101,486	680
Agency MABU	161	-	-	-	40	81	-
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	10,462	98	4,000	-	-	-	-
Ice Miller, LLP	4,730	30	511	17	971	13,131	25
ND Attorney General	19,853	128	1,092	282	1,754	3,579	46
Totals	\$ 506,426	\$ 30,798	\$ 51,648	\$ 858	\$ 62,276	\$ 135,813	\$ 10,129

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

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Actuary Fees:							
Gabriel Roeder Smith & Co	\$ 182,365	\$ 27,345	\$ 20,550	\$ -	\$ -	\$ -	\$ 6,900
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	72,975	476	2,560	86	6,286	12,209	134
Disability Consulting Fees:							
Mid Dakota Clinic	7,000	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	179,519	1,179	9,640	302	45,175	90,349	470
Agency MABU	1,436	-	-	-	359	718	-
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	62,399	452	-	-	5,525	4,569	-
Ice Miller, LLP	2,331	15	691	22	48	2,672	34
ND Attorney General	29,536	193	3,422	574	3,379	8,357	55
Totals	<u>\$ 537,561</u>	<u>\$ 29,660</u>	<u>\$ 36,863</u>	<u>\$ 984</u>	<u>\$ 60,772</u>	<u>\$ 118,874</u>	<u>\$ 7,593</u>

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

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

Reconciliation of Administrative Expenses to Appropriated Expenditures

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



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

Governor Doug Burgum
The Legislative Assembly

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the proprietary fund and each of the individual fiduciary funds of the North Dakota Public Employees Retirement System (the System), a department of the State of North Dakota, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 7, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020



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

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

Audit Report Communications

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

Unmodified

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

Yes

3. Was internal control adequate and functioning effectively?

No material weaknesses noted. See internal controls report.

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

No

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

Yes

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

No

Audit Committee Communications

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

None

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

The fair value of alternative investments, including private equity and real estate investments, are a management estimate which is primarily based upon net asset values reported by the investment managers. The values for these investments are reported based upon the most recent financial data available and are adjusted for cash flows through June 30, 2020. Our audit procedures validated this approach through the use of confirmations sent directly to a sample of investment managers and the review of the most recent audited financial statements for these sampled funds. Furthermore, we reviewed management's estimate and found it to be reasonable in relation to the financial statements taken as a whole.

The actuarial valuations were based on the actuarial assumptions and methods adopted by the Board, including an actuarial expected investment rate of return of 7.0% for the Public Employees Retirement System (PERS) and Highway Patrolmen's Retirement System (HPRS), 6.50% for the Retiree Health Insurance Credit Fund (RHIC) and 4.25% for the Retirement Plan for Employees of Job Services North Dakota (JSND).

The discount rates used to measure the total pension liabilities for the PERS and HPRS plans were 4.64% and 4.09%, respectively, which were the blended discount rates calculated based on the actuarial expected investment rate of return for each plan and the municipal bond rate of 2.45%. The discount rate used to measure the total pension liability of the JSND plan was its actuarial expected investment rate of return of 4.25% and the discount rate used to measure the total OPEB liability for the RHIC plan was its actuarial expected investment rate of return of 6.50%.

In accordance with GASB 67, the total pension liability of the PERS, HPRS and JSND were calculated with an actuarial valuation and measurement date of June 30, 2020. In accordance with GASB 74, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2020. We evaluated the key factors and assumptions used to develop the estimate of the total pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

None

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

None

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

None

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

None

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

None

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
December 7, 2020