

**NORTH DAKOTA PUBLIC EMPLOYEES
RETIREMENT SYSTEM
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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

Governor Doug Burgum
The Legislative Assembly

Rebecca Fricke, Interim Executive Director
North Dakota Public Employees' Retirement System
Bismarck, North Dakota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the proprietary fund and each of the individual fiduciary funds of the North Dakota Public Employees' Retirement System (the System), a department of the State of North Dakota, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary fund and the fiduciary net position of each of the individual fiduciary funds of the System as of June 30, 2023 and 2022, and the respective changes in financial and net position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America..

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1, the financial statements of the System are intended to present the financial position, the changes in financial position, and cash flows of only that portion of the State of North Dakota that is attributable to the transactions of the System. They do not purport to, and do not, present fairly the financial position, changes in financial position, and, where applicable, the cash flows of the State of North Dakota as of June 30, 2023 and 2022, and for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Governor Doug Burgum
The Legislative Assembly
Rebecca Fricke, Interim Executive Director
North Dakota Public Employees' Retirement System

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Governor Doug Burgum
The Legislative Assembly
Rebecca Fricke, Interim Executive Director
North Dakota Public Employees' Retirement System

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The schedules of investment expenses, administrative expenses and consultant expenses, and appropriations (collectively, "the supplementary information"), as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2023 on our consideration of the internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Baltimore, Maryland
December 1, 2023

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

Management's Discussion and Analysis (MD&A) of the North Dakota Public Employees Retirement System's (NDPERS) financial performance provides an overview of the system's financial activities for the fiscal years ended June 30, 2023 and 2022. 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, 2023, and 2022, 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>2023</u>	<u>2022</u>
Public Employees Retirement System	66.0%	55.0%
Highway Patrolmen Retirement System	56.4%	54.1%
Retirement Plan for Employees of Job Service of ND	115.7%	122.3%
Retiree Health Insurance Credit Fund	62.7%	56.3%

The increases in the FNP as a percentage of the TPL for the Public Employees Retirement System and the Highway Patrol System were mainly due to increases in the discount rate and investment returns from June 30, 2022 to June 30, 2023. The decrease in the FNP as a percentage of the TPL Job Service of ND was primarily the result of plan experience compared to actuarial assumption (mainly COLA increases). The increases in the FNP as a percentage of the TPL for the Retiree Health Insurance Credit plan was primarily the result of investment earnings, as well as contributions received over statutory requirements.

- The fiduciary net position for all trust funds administered by NDPERS increased \$254.0 million during the fiscal year ended June 30, 2023. This increase is primarily due to increased investment earnings.

<i>(in thousands)</i>	Change in <u>Net Position 2023</u>	Change in <u>Net Position 2022</u>
Public Employees Retirement System	\$ 208,169	\$ (313,951)
Highway Patrolmen Retirement System	5,711	(7,751)
Retiree Health Insurance Credit Fund	13,835	(27,851)
Defined Contribution Retirement Fund	2,910	(2,819)
Pretax Benefits Fund	151	(324)
Deferred Compensation Plan	25,934	(19,006)
Retirement Plan for Employees of Job Service ND	(2,692)	(10,426)
Total Change in Plan Fiduciary Net Position	<u>\$ 254,018</u>	<u>\$ (382,128)</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

Financial Highlights – Uniform Group Insurance Program

- Net position increased by \$0.026 million or 0.04% in fiscal year 2023. The increase is primarily a result of investment earnings for the year ended June 30, 2023. Net position increased by \$23.5 million or 64.9% for the year ended June 30, 2022. The increase is primarily a result of the realization of a gain share on the health insurance plan for the year ended June 30, 2022.

Overview of the Financial Statements

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

Financial Statements

There are two financial statements presented for the fiduciary funds. The Statements of Fiduciary Net Position as of June 30, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022 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 18-54 of this report.

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

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

Financial Analysis

The financial results for fiscal years 2023, 2022 and 2021 are summarized on page 6. 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, 2023 AND 2022**

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

	June 30, 2023	% Change	June 30, 2022	% Change	June 30, 2021
Assets					
Cash	\$ 22,443	5.1%	\$ 21,361	17.7%	\$ 18,154
Receivables	25,628	11.6%	22,972	-3.8%	23,871
Investments	4,366,046	6.1%	4,113,847	-8.6%	4,500,167
Invested Securities Lending Collateral	27,467	16.3%	23,612	44.9%	16,290
Software & Equipment, Net of Accumulated Depreciation	286	-19.4%	355	55.0%	229
Total Assets	4,441,870	6.2%	4,182,147	-8.3%	4,558,711
Liabilities					
Long-Term Liabilities	132	-6.4%	141	-24.2%	186
Other Liabilities	32,595	21.3%	26,881	26.4%	21,272
Total Liabilities	32,727	21.1%	27,022	25.9%	21,458
Fiduciary Net Position	\$ 4,409,143	6.1%	\$ 4,155,125	-8.4%	\$ 4,537,253

The total assets for all fiduciary funds as of June 30, 2023 were \$4.44 billion and were comprised mostly of investments. For the fiscal year ended June 30, 2023 net position increased \$254.0 million. The increase was primarily due to financial market gains during the fiscal year. For the fiscal year ended June 30, 2022 net position decreased \$382.1 million. The decrease was primarily due to financial market loses during the fiscal year.

Total liabilities as of June 30, 2023 increased \$5.7 million due to an increase in securities lending collateral. Total liabilities as of June 30, 2022 increased \$5.6 million due to an increase in securities lending collateral.

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

	June 30, 2023	% Change	June 30, 2022	% Change	June 30, 2021
Additions					
Contributions	\$ 235,058	3.8%	\$ 226,465	5.3%	\$ 214,981
Transfers In	2,075	-20.6%	2,613	-2.9%	2,690
Net Investment Income/(Loss)	328,787	201.0%	(325,627)	-134.3%	950,393
Other	6,908	-41.3%	11,777	32.9%	8,859
Total Additions	572,828	775.7%	(84,772)	-107.2%	1,176,923
Deductions					
Benefit Payments	295,696	6.9%	276,697	7.9%	256,388
Transfers Out	531	-25.6%	714	12.8%	633
Refunds	18,194	15.4%	15,769	21.6%	12,970
Administrative Expenses	4,388	5.1%	4,177	-3.2%	4,316
Total Deductions	318,809	7.2%	297,357	8.4%	274,307
Change in Fiduciary Net Position	\$ 254,019	166.5%	\$ (382,129)	-142.3%	\$ 902,616

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

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 \$8.1 million for the year ended June 30, 2023 and increased \$11.4 million for the year ended June 30, 2022. The increases reflect an increase in contributions as a result of membership and payroll growth. Investment earnings increased \$654.4 million in 2023. Investment earnings decreased by \$1.276 billion in 2022 from the previous year. The change in Other Additions for June 30, 2023 and June 30, 2022 is primarily due to fluctuations in service purchase payments received during the year.

Deductions. Total deductions increased by \$21.4 million or 7.2% for the fiscal year ended June 30, 2023. Total deductions increased by \$23.1 million or 8.4% for the fiscal year ended June 30, 2022. 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, 2023	% Change	June 30, 2022	% Change	June 30, 2021
Assets					
Cash & Investments	\$ 60,191	79.9%	\$ 33,457	-7.4%	\$ 36,136
Receivables	409	-98.4%	26,371	14389.6%	182
Capital Assets	97	-21.8%	124	33.3%	93
Total Assets	60,697	1.2%	59,952	64.7%	36,411
Liabilities					
Long-Term Liabilities	78	2.6%	76	2.7%	74
Other Liabilities	1,000	253.4%	283	43.7%	197
Total Liabilities	1,078	200.3%	359	32.5%	271
Net Position	\$ 59,619	0.0%	\$ 59,593	64.9%	\$ 36,140

The net position for the proprietary fund increased by \$0.026 million during the fiscal year ended June 30, 2023. The increase is mostly due investment earnings. The net position for the proprietary fund increased by \$23.5 million during the fiscal year ended June 30, 2022. The increase is mostly due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims. The net position for the proprietary fund increased by \$0.3 million during the fiscal year ended June 30, 2021 primarily due to positive investment earnings.

Total assets, as of June 30, 2023, were \$60.7 million and were comprised mainly of cash and investments. Total assets increased by \$0.7 million from the prior fiscal year primarily due to a investment earnings. Total assets, as of June 30, 2022, were \$60.0 million and were comprised mainly of cash and investments as well as a \$26.0 million receivable from Sanford Health Plan. Total assets increased by \$23.5 million from the prior fiscal year primarily due to a moratorium of PPACA fees, as well as a gain share on the health plan where premiums exceeded claims.

Total liabilities, as of June 30, 2023, were \$1.1 million, \$0.4 million as of June 30, 2022 and \$0.3 million as of June 30, 2021, and were comprised mostly of unearned premiums, which represent premiums received before they are due as well as a liability to Sanford Health Plan as further explained in Note 14.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023 AND 2022**

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, 2023	% Change	June 30, 2022	% Change	June 30, 2021
Operating Revenues					
Premium Revenues	\$ 355,842	-0.3%	\$ 356,896	-2.7%	\$ 366,941
Administrative Fee	952	-0.1%	953	-2.9%	981
Miscellaneous	(728)	-102.8%	26,113	652925.0%	(4)
Total Operating Revenues	<u>356,066</u>	-7.3%	<u>383,962</u>	4.4%	<u>367,918</u>
Non-Operating Revenues					
Net Investment Income	<u>2,275</u>	234.6%	<u>(1,690)</u>	-232.3%	<u>1,277</u>
Total Revenues	<u>358,341</u>	-6.3%	<u>382,272</u>	3.5%	<u>369,195</u>
Operating Expenses					
Premium Expenses	355,924	-0.3%	356,984	-2.7%	366,959
Administrative Expenses	<u>2,110</u>	26.2%	<u>1,672</u>	-8.7%	<u>1,832</u>
Total Operating Expenses	<u>358,034</u>	-0.2%	<u>358,656</u>	-2.7%	<u>368,791</u>
Non-Operating Expense					
Transfer Out	<u>280</u>	71.8%	<u>163</u>	85.2%	<u>88</u>
Change in Net Position	<u><u>\$ 27</u></u>	-99.9%	<u><u>\$ 23,453</u></u>	7321.8%	<u><u>\$ 316</u></u>
Total Net Position	\$ 59,619	0.0%	\$ 59,593	64.9%	\$ 36,140

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, 2023 AND 2022

	Uniform Group Insurance Program	
	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,656,216	\$ 1,452,713
Invested Cash	2,858,504	1,635,593
Commingled Domestic Fixed Income Investments	55,676,252	30,368,921
Due from Fiduciary Funds	-	92,105
Unearned Premiums	108,845	20,668
Accounts Receivable	300,339	26,258,022
Total Current Assets	60,600,156	59,828,022
NONCURRENT ASSETS		
Capital Assets (Net of Depreciation/Amortization)	96,925	123,759
Total Assets	60,697,081	59,951,781
LIABILITIES		
CURRENT LIABILITIES		
Salaries Payable	109,241	90,779
Accounts Payable	874,790	159,293
Due to Other State Agencies	8,905	25,473
Accrued Compensated Absences	7,137	7,370
Total Current Liabilities	1,000,073	282,915
NONCURRENT LIABILITIES		
Accrued Compensated Absences	78,027	76,284
Total Liabilities	1,078,100	359,199
NET POSITION		
Net Investment in Capital Assets	96,925	123,759
Unrestricted Net Position	59,522,056	59,468,823
Total Net Position	\$ 59,618,981	\$ 59,592,582

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2023 AND 2022**

	Uniform Group Insurance Program	
	2023	2022
OPERATING REVENUES		
Premium Revenues	\$ 355,841,878	\$ 356,896,044
Administrative Fee	951,165	952,004
Underwriting Gain (Loss)	(734,296)	26,111,259
Miscellaneous	6,215	1,977
Total Operating Revenues	356,064,962	383,961,284
OPERATING EXPENSES		
Premium Expenses	355,923,733	356,984,101
Salaries and Wages	1,174,951	1,078,063
Operating Expenses	367,404	353,597
Professional Fees	452,333	118,910
Data Processing	88,184	92,734
Amortization	26,834	28,632
Total Operating Expenses	358,033,439	358,656,037
Operating Gain (Loss)	(1,968,477)	25,305,247
NON-OPERATING REVENUES AND EXPENSES		
Investment Income (Loss)	2,351,664	(1,648,090)
Investment Expenses	(76,788)	(42,064)
Total Non-Operating Revenues and Expenses	2,274,876	(1,690,154)
INCOME BEFORE TRANSFERS	306,399	23,615,093
TRANSFERS OUT	280,000	162,500
Change in Net Position	26,399	23,452,593
Total Net Position - Beginning of Year	59,592,582	36,139,989
TOTAL NET POSITION - END OF YEAR	\$ 59,618,981	\$ 59,592,582

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENTS OF CASH FLOWS
PROPRIETARY FUND
YEARS ENDED JUNE 30, 2023 AND 2022**

	Uniform Group Insurance Program	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Premiums Collected	\$ 355,841,877	\$ 356,896,044
Administrative Fees Collected	26,912,776	940,542
Payments to Suppliers	(208,992)	(590,150)
Premiums Paid	(355,923,732)	(356,984,101)
Payments to Employees	(1,154,979)	(1,069,811)
Underwriting Gain (Loss)	(734,296)	39,738
Miscellaneous Income	6,215	1,977
Net Cash Provided (Used) by Operating Activities	<u>24,738,869</u>	<u>(765,761)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Purchase of Investments	(25,307,331)	2,347,419
Investment Income/(Loss)	2,351,664	(1,648,090)
Investment Expense	(76,788)	(42,064)
Net Cash Provided (Used) by Investing Activities	<u>(23,032,455)</u>	<u>657,265</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Purchase of Software	-	(59,550)
Transfers Out	(280,000)	(162,500)
Net Cash Used by Financing Activities	<u>(280,000)</u>	<u>(222,050)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,426,414	(330,546)
Cash and Cash Equivalents - Beginning of Year	<u>3,088,306</u>	<u>3,418,852</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 4,514,720</u>	<u>\$ 3,088,306</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ (1,968,477)	\$ 25,305,247
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Amortization	26,834	28,632
Effect of Changes in Assets and Liabilities:		
Accounts Receivable	25,957,683	(26,075,610)
Due from Other State Agencies	-	-
Unearned Premium	(88,177)	84,732
Due from Other Fiduciary Funds	92,105	(92,105)
Salaries Payable	18,462	4,981
Accrued Compensated Absences	1,510	3,271
Accounts Payable	715,497	(36,902)
Amounts held in custody of others	-	-
Due to Other State Agencies	(16,568)	11,993
Net Cash Provided (Used) by Operating Activities	<u>\$ 24,738,869</u>	<u>\$ (765,761)</u>

NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ASSETS								
Cash	\$ 20,135,526	\$ -	\$ 1,627,141	\$ 141,830	\$ 153,440	\$ 310,449	\$ 74,529	\$ 22,442,915
Receivables:								
Contribution Receivable	13,078,615	730,304	1,351,210	188,162	540,907	1,124,519	716	17,014,433
Interest Receivable	7,983,009	205,075	901	-	-	-	592	8,189,577
Due from Other Fiduciary Funds	-	-	422,817	-	-	-	-	422,817
Due from Other State Agencies	-	-	190	-	-	-	-	190
Total Receivables	21,061,624	935,379	1,775,118	188,162	540,907	1,124,519	1,308	25,627,017
Investments:								
External Investment Pool	3,807,263,994	97,098,136	-	-	-	-	-	3,904,362,130
Equities	-	-	109,976,710	-	-	-	16,756,911	126,733,621
Fixed Income	-	-	55,046,287	144,806	-	3,794,656	66,225,503	125,211,252
Mutual Funds	-	-	-	19,044,485	-	186,329,521	-	205,374,006
Invested Cash	-	-	96,387	474,570	-	3,229,142	565,354	4,365,453
Total Investments	3,807,263,994	97,098,136	165,119,384	19,663,861	-	193,353,319	83,547,768	4,366,046,462
Invested Securities Lending Collateral	26,778,457	688,698	-	-	-	-	-	27,467,155
Machinery & Equipment	4,459	-	-	-	-	-	-	4,459
Capital Assets (Net of Depreciation/Amortization)	137,387	1,607	60,478	378	20,861	60,799	488	281,998
Total Assets	3,875,381,447	98,723,820	168,582,121	19,994,231	715,208	194,849,086	83,624,093	4,441,870,006

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
LIABILITIES								
Salaries Payable	\$ 159,382	\$ -	\$ -	\$ -	\$ 24,755	\$ 40,198	\$ -	\$ 224,335
Accounts Payable	3,973,724	-	263,984	99	22,973	41,199	138,773	4,440,752
Due to Other State Agencies	15,084	-	85	159	2,206	4,106	-	21,640
Due to Proprietary Funds	422,817	-	-	-	-	-	-	422,817
Amounts Held in Custody for Others	-	-	-	-	-	18,755	-	18,755
Securities Lending Collateral	26,778,457	688,698	-	-	-	-	-	27,467,155
Accrued Compensated Absences	91,241	-	-	-	15,366	25,766	-	132,373
Total Liabilities	31,440,705	688,698	264,069	258	65,300	130,024	138,773	32,727,827
FIDUCIARY NET POSITION								
Restricted for Pensions	3,843,940,742	98,035,122	-	19,993,973	-	194,719,062	83,485,320	4,240,174,219
Restricted for Postemployment Healthcare Benefits	-	-	168,318,052	-	-	-	-	168,318,052
Restricted for Pretax Benefits	-	-	-	-	649,908	-	-	649,908
Total Fiduciary Net Position Held in Trust	\$ 3,843,940,742	\$ 98,035,122	\$ 168,318,052	\$ 19,993,973	\$ 649,908	\$ 194,719,062	\$ 83,485,320	\$ 4,409,142,179

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

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

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

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Plan	Retirement Plan for Employees of Job Service North Dakota	Total
ADDITIONS								
Contributions:								
From Employer	\$ 101,933,327	\$ 2,573,696	\$ 12,137,476	\$ 552,043	\$ -	\$ -	\$ -	\$ 117,196,542
From Employee	93,407,915	1,769,864	10,741	535,002	5,570,672	16,562,670	4,298	117,861,162
Transfers from Other Plans	-	-	-	36,367	-	495,000	-	531,367
Transfer from Proprietary Fund	-	-	-	-	-	280,000	-	280,000
From External Plans	-	-	-	-	-	1,264,001	-	1,264,001
Total Contributions	<u>195,341,242</u>	<u>4,343,560</u>	<u>12,148,217</u>	<u>1,123,412</u>	<u>5,570,672</u>	<u>18,601,671</u>	<u>4,298</u>	<u>237,133,072</u>
Investment Income:								
Net Change in Fair Value of Investments	235,395,847	6,007,729	12,315,155	1,129,361	-	19,096,661	(556,475)	273,388,278
Interest and Dividends	56,987,131	1,452,182	4,144,674	922,360	1,196	130,675	3,323,785	66,962,003
Less Investment Expense	(10,704,698)	(268,922)	(484,757)	(326)	-	-	(280,428)	(11,739,131)
Net Investment Income/(Loss)	<u>281,678,280</u>	<u>7,190,989</u>	<u>15,975,072</u>	<u>2,051,395</u>	<u>1,196</u>	<u>19,227,336</u>	<u>2,486,882</u>	<u>328,611,150</u>
Securities Lending Income	171,284	4,363	-	-	-	-	-	175,647
Repurchase Service Credit	5,151,247	592,870	282,185	-	-	-	-	6,026,302
FICA Tax Savings	-	-	-	-	868,513	-	-	868,513
Miscellaneous Income (Expense)	10,885	65	1	1,776	-	-	-	12,727
Total Additions	<u>482,352,938</u>	<u>12,131,847</u>	<u>28,405,475</u>	<u>3,176,583</u>	<u>6,440,381</u>	<u>37,829,007</u>	<u>2,491,180</u>	<u>572,827,411</u>
DEDUCTIONS								
Benefits Paid to Participants	253,174,353	6,226,332	-	256,679	5,576,619	11,084,431	5,168,647	281,487,061
Refunds	18,023,294	164,784	6,234	-	-	-	-	18,194,312
Prefunded Credit Applied	-	-	14,208,566	-	-	-	-	14,208,566
Transfers to Other Plans	316,367	-	-	-	215,000	-	-	531,367
	<u>271,514,014</u>	<u>6,391,116</u>	<u>14,214,800</u>	<u>256,679</u>	<u>5,791,619</u>	<u>11,084,431</u>	<u>5,168,647</u>	<u>314,421,306</u>
Administrative Expenses	2,670,084	30,106	355,695	9,690	497,445	810,593	14,683	4,388,296
Total Deductions	<u>274,184,098</u>	<u>6,421,222</u>	<u>14,570,495</u>	<u>266,369</u>	<u>6,289,064</u>	<u>11,895,024</u>	<u>5,183,330</u>	<u>318,809,602</u>
CHANGE IN FIDUCIARY NET POSITION	<u>208,168,840</u>	<u>5,710,625</u>	<u>13,834,980</u>	<u>2,910,214</u>	<u>151,317</u>	<u>25,933,983</u>	<u>(2,692,150)</u>	<u>254,017,809</u>
Net Position - Beginning of Year	<u>3,635,771,902</u>	<u>92,324,497</u>	<u>154,483,072</u>	<u>17,083,759</u>	<u>498,591</u>	<u>168,785,079</u>	<u>86,177,470</u>	<u>4,155,124,370</u>
FIDUCIARY NET POSITION - END OF YEAR	<u>\$ 3,843,940,742</u>	<u>\$ 98,035,122</u>	<u>\$ 168,318,052</u>	<u>\$ 19,993,973</u>	<u>\$ 649,908</u>	<u>\$ 194,719,062</u>	<u>\$ 83,485,320</u>	<u>\$ 4,409,142,179</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, 2022**

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

See accompanying notes to financial statements.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

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

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

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

Fund Financial Statements

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

Defined Contribution Retirement Plan – an optional defined contribution retirement plan available to state employees in accordance with Section 401(a) of the Internal Revenue Code.

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, 2023 AND 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Budgetary Process

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

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

There were no supplemental appropriations during the fiscal years ending June 30, 2023 and 2022. The legal level of budgetary control is at the appropriation and expenditure line item level, with administrative controls established at lower levels of detail in certain instances.

Investment Valuation and Income Recognition

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2023 and 2022, 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, 2023.

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, 2023 AND 2022**

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 2023 and 2022, transfers to other plans also includes transfers from the pretax benefits program, retirement plan, and insurance plan to the deferred compensation plan to cover general administrative expenses.

Restricted Net Position

Net position restricted for benefits consists of funds on deposit with Sanford Health Plan to pay health care benefits in the event total claims incurred during the biennium exceed total premiums. This amount was \$- as of June 30, 2023 and June 30, 2022. See Note 14 for additional discussion on the status of open contracts.

Use of Estimates

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

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

Fair Value Measurement

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

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS

Defined Contribution Retirement Fund

		June 30, 2023		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Investments at Fair Value				
Mutual Funds	\$ 19,044,485	<u>\$ 19,044,485</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	144,806			
Investments at Amortized Cost				
Invested Cash	<u>474,570</u>			
Total Investments	<u>\$ 19,663,861</u>			
		June 30, 2022		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments at Fair Value				
Mutual Funds	\$ 16,279,378	<u>\$ 16,279,378</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	149,804			
Investments at Amortized Cost				
Invested Cash	<u>342,385</u>			
Total Investments	<u>\$ 16,771,567</u>			

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deferred Compensation Plan

		June 30, 2023		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2023				
Investments at Fair Value				
Mutual Funds	\$186,329,521	<u>\$ 186,329,521</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	3,794,656			
Investments at Amortized Cost				
Invested Cash	<u>3,229,142</u>			
Total Investments	<u>\$193,353,319</u>			
		June 30, 2022		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2022				
Investments at Fair Value				
Mutual Funds	\$160,978,323	<u>\$ 160,978,323</u>	<u>\$ -</u>	<u>\$ -</u>
Investments at Contract Value				
Fixed Income	3,045,746			
Investments at Amortized Cost				
Invested Cash	<u>3,293,943</u>			
Total Investments	<u>\$167,318,012</u>			

Investments Measured at the Net Asset Value – Proprietary Fund

	June 30, 2023
Commingled Domestic Fixed Income	<u>\$ 55,676,252</u>
	June 30, 2022
Commingled Domestic Fixed Income	<u>\$ 30,368,921</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments Measured at the Net Asset Value – Fiduciary Funds

	June 30, 2023			
	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	\$ 3,807,263,994	\$ 97,098,136	\$ -	\$ -
Commingled Equities	-	-	109,976,710	16,756,911
Commingled Fixed Income	-	-	55,046,287	66,225,503
Total Investments Measured at the Net Asset Value	<u>\$ 3,807,263,994</u>	<u>\$ 97,098,136</u>	<u>\$ 165,022,997</u>	<u>\$ 82,982,414</u>
	June 30, 2022			
	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Retirement Plan for Employees of Job Services North Dakota
Commingled External Investment Pools	\$ 3,599,792,150	\$ 91,378,024	\$ -	\$ -
Commingled Equities	-	-	96,887,675	17,152,361
Commingled Fixed Income	-	-	54,944,364	68,585,665
Total Investments Measured at the Net Asset Value	<u>\$ 3,599,792,150</u>	<u>\$ 91,378,024</u>	<u>\$ 151,832,039</u>	<u>\$ 85,738,026</u>

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, 2023 and 2022. 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, 2023 and 2022, 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, 2023 AND 2022**

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.

	2023	2022
Cash Deposits at the Bank of North Dakota Recorded as Cash and Cash Equivalents	\$ 21,728,325	\$ 20,797,790
Cash Deposits at State Treasury Recorded as Cash and Cash Equivalents	2,292,331	2,007,216
Cash Held by the North Dakota Retirement and Investment Office Recorded as Cash and Cash Equivalents	2,858,504	1,635,593
Guaranteed Investment Contract with Health Plan Provider Recorded as Cash and Cash Equivalents	78,474	9,077
Total Cash and Cash Equivalents	\$ 26,957,634	\$ 24,449,676

Custodial Credit Risk

For deposits, custodial credit 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, 2023 and 2022, the carrying amount of the System's cash deposits were \$82,633,887 and \$54,818,596 and the bank balances were \$81,399,045 and \$53,993,984. All of the System's deposits are uncollateralized and uninsured at June 30, 2023 and 2022.

Investments

Total investments of the fiduciary funds of the System as of June 30, 2023 and 2022, consisted of the following:

	2023	2022
Equity Securities	\$ 2,436,654,494	\$ 2,158,621,201
Fixed Income Securities	968,729,351	995,463,837
Real Assets	746,170,848	757,923,432
Mutual Funds	205,374,006	177,257,701
Invested Cash	9,117,763	24,580,667
	\$ 4,366,046,462	\$ 4,113,846,838

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2023.

Asset Class	Target Allocation		
	PERS & HPRS	JSND	RHIC
Domestic Equities	30.90%	2.00%	39.00%
International Equities	20.10%	18.00%	26.00%
Private Equity	7.00%	6.00%	0.00%
Domestic Fixed Income	23.00%	74.00%	35.00%
Global Real Assets	19.00%	0.00%	0.00%
Total	100.00%	100.00%	100.00%

Rate of return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested. The annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense for the years ended June 30, 2023 and 2022 are:

	2023	2022
Public Employees Retirement System	8.13%	-6.32%
Highway Patrolman's Retirement System	7.86%	-6.50%
Job Service Plan	3.30%	-5.55%
Retiree Health Insurance Credit Fund	10.82%	-14.48%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

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, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

PERS and HPRS Plan

Type (in thousands)	2023				
	Fair Value	Less Than 1			Over 10
		Year	1-6 Years	6-10 Years	Years
Domestic Fixed Income Pool	\$ 607,167	\$ 14,447	\$ 176,012	\$ 140,609	\$ 276,099
Below Investment Grade FI Pool	51,544	2,729	30,163	13,999	4,653
Large Cap Domestic Equity Pool	101,467	7,927	66,144	1,336	26,060
Total Debt Securities	<u>\$ 760,178</u>	<u>\$ 25,103</u>	<u>\$ 272,319</u>	<u>\$ 155,944</u>	<u>\$ 306,812</u>

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

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

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

Job Service Retirement Plan

Type (in thousands)	2023				
	Fair Value	Less Than 1			Over 10
		Year	1-6 Years	6-10 Years	Years
Pooled Investments	\$ 66,226	\$ -	\$ 32,329	\$ 33,897	\$ -

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

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

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, 2023 AND 2022**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Retiree Health Insurance Credit Fund

Type (in thousands)	2023				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Pooled Investments	\$ 55,047	\$ -	\$ 4,879	\$ 50,168	\$ -

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

Type (in thousands)	2022				
	Fair Value	Less Than 1 Year	1-6 Years	6-10 Years	Over 10 Years
Pooled Investments	54,944	-	4,705	50,239	7,152

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

Securities Lending

Securities are loaned versus collateral that may include cash; U.S. government and select OECD government debt securities; and domestic and international equities from major indices as defined specifically in the non-cash collateral guidelines within the Securities Lending Authorization Agreement. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

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

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of North Dakota State Investment Board loans was approximately 74 days as of June 30, 2023.

Cash open collateral is invested in a short term investment pool, the NDSIB USD Cash fund, which had an interest sensitivity of 3 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, 2023 AND 2022**

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

The June 30, 2023 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	\$ -	\$ 422,817
Highway Patrolmen's Retirement System	-	-
Retiree Health Insurance Credit Fund	422,817	-
Retirement Plan for Employees of Job Service North Dakota	-	-
Pretax Benefits Program	-	-
Deferred Compensation Plan	-	-
Defined Contribution Plan	-	-
Proprietary		
Uniform Group Insurance Program	-	-
	<u>\$ -</u>	<u>\$ -</u>

The June 30, 2022 due from/to fiduciary and proprietary funds are summarized as follows:

Fund	Due From Fiduciary and Proprietary Funds	Due to Fiduciary and Proprietary Funds
Fiduciary		
Public Employees Retirement System	\$ -	\$ -
Highway Patrolmen's Retirement System	-	-
Retiree Health Insurance Credit Fund	-	-
Retirement Plan for Employees of Job Service North Dakota	-	-
Pretax Benefits Program	-	92,105
Deferred Compensation Plan	-	-
Defined Contribution Plan	-	-
Proprietary		
Uniform Group Insurance Program	92,105	-
	<u>\$ -</u>	<u>\$ -</u>

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, 2023 AND 2022**

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

June 30, 2023 due from/to state agencies are summarized as follows:

Fund	Due From State Agencies	Due to State Agencies
Fiduciary		
Public Employees Retirement System		
NDIT	\$ -	\$ 11,126
Attorney General	-	2,394
Central Duplicating	-	34
RIO	-	1,531
Total	<u>\$ -</u>	<u>\$ 15,085</u>
Retiree Health Insurance Credit Fund		
Job Service	\$ 190	\$ -
Attorney General	-	85
Total	<u>\$ 190</u>	<u>\$ 85</u>
Defined Contribution Plan		
NDIT	\$ -	\$ 158
Attorney General	-	1
Total	<u>\$ -</u>	<u>\$ 159</u>
Pretax Benefits Program		
NDIT	\$ -	\$ 2,051
Attorney General	-	155
Total	<u>\$ -</u>	<u>\$ 2,206</u>
Deferred Compensation Plan		
NDIT	\$ -	\$ 3,853
Attorney General	-	253
Total	<u>\$ -</u>	<u>\$ 4,106</u>
Proprietary		
Uniform Group Insurance Program		
NDIT	\$ -	\$ 8,072
Central Duplicating	-	2
Attorney General	-	831
Total	<u>\$ -</u>	<u>\$ 8,905</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, 2023 AND 2022**

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

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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

The June 30, 2023 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	\$ 36,367	\$ -
Deferred Compensation Plan	775,000	-
Pretax Benefit Program	-	215,000
Public Employee Retirement System	-	316,367
Proprietary Funds		
Uniform Group Insurance Program	-	280,000

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

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

The 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, 2023 AND 2022

NOTE 4 CAPITAL ASSETS

A statement of changes in equipment and accumulated depreciation for the System for the year ended June 30, 2023 and 2022 is as follows:

	Balance 7/1/2022	Additions	Deletions	Balance 6/30/2023
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 3,078,679	\$ -	\$ -	\$ 3,078,679
Less Accumulated Amortization for:				
Software	(2,954,920)	(26,834)	-	(2,981,754)
Total Capital Assets Being Depreciated, Net	<u>123,759</u>	<u>(26,834)</u>	<u>-</u>	<u>96,925</u>
Proprietary Funds Capital Assets, Net	<u>\$ 123,759</u>	<u>\$ (26,834)</u>	<u>\$ -</u>	<u>\$ 96,925</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Hardware	-	\$ 5,195		5,195
Software	7,683,124	-	-	7,683,124
Total Capital Assets Being Depreciated	<u>7,683,124</u>	<u>5,195</u>	<u>-</u>	<u>7,688,319</u>
Less Accumulated Depreciation for:				
Hardware	-	(733)		(733)
Software	(7,327,710)	(73,419)	-	(7,401,129)
Total Capital Assets Being Depreciated, Net	<u>355,414</u>	<u>(68,957)</u>	<u>-</u>	<u>286,457</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 355,414</u>	<u>\$ (68,957)</u>	<u>\$ -</u>	<u>\$ 286,457</u>
	Balance 7/1/2021	Additions	Deletions	Balance 6/30/2022
Proprietary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 3,019,129	\$ 59,550	\$ -	\$ 3,078,679
Less Accumulated Amortization for:				
Software	(2,926,288)	(28,632)	-	(2,954,920)
Total Capital Assets Being Depreciated, Net	<u>92,841</u>	<u>30,918</u>	<u>-</u>	<u>123,759</u>
Proprietary Funds Capital Assets, Net	<u>\$ 92,841</u>	<u>\$ 30,918</u>	<u>\$ -</u>	<u>\$ 123,759</u>
Fiduciary Funds:				
Capital Assets Being Depreciated:				
Software	\$ 7,485,072	\$ 198,052	\$ -	\$ 7,683,124
Total Capital Assets Being Depreciated	<u>7,485,072</u>	<u>198,052</u>	<u>-</u>	<u>7,683,124</u>
Less Accumulated Depreciation for:				
Software	(7,256,273)	(71,437)	-	(7,327,710)
Total Capital Assets Being Depreciated, Net	<u>228,799</u>	<u>126,615</u>	<u>-</u>	<u>355,414</u>
Fiduciary Funds Capital Assets, Net	<u>\$ 228,799</u>	<u>\$ 126,615</u>	<u>\$ -</u>	<u>\$ 355,414</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 5 LEASE OBLIGATIONS

Intra-Agency Lease

The system entered into an intra-agency lease for office space until June 30, 2025. Expenditures for this lease were \$99,843 for the year ended June 30, 2023 and June 30, 2022, respectively. The future minimum lease payment for the fiscal year ending June 30, 2023 is \$99,843.

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

NOTE 6 CHANGE IN LONG-TERM LIABILITIES

	Proprietary Fund	Fiduciary Fund
	Accrued Compensated Absences	Accrued Compensated Absences
Balance - June 30, 2021	\$ 80,383	\$ 185,798
Increases	64,618	108,704
Decreases	(61,347)	(153,774)
Balance - June 30, 2022	83,654	140,728
Increases	66,487	103,342
Decreases	(64,977)	(111,698)
Balance - June 30, 2023	<u>\$ 85,164</u>	<u>\$ 132,372</u>
Balance - Due Within One Year	\$ 7,137	\$ 11,093

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, 2023 and 2022, were \$236,232 and \$235,972 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, 2023 and 2022, were \$20,807 and \$17,857.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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, and as of January 1, 2025 will be the retirement plan offered to new public employees who are not peace officers, judges, or Highway Patrol. 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, 2023 AND 2022**

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:

	2023	2022
Cities	98	97
Counties	51	51
School Districts	131	131
Other	93	94
Total Participating Political Subdivisions	373	373

Employee membership data is as follows:

	PERS		HPRS		Job Service	
	2023	2022	2023	2022	2023	2022
Retirees, Beneficiaries, and Disability						
Currently Receiving Benefits	14,997	14,204	143	135	169	176
Terminated Vested Participants	9,585	8,673	39	35	-	-
Inactive Participants	8,017	7,610	20	20	-	-
Active Plan Participants						
Vested	17,256	17,247	72	70	1	1
Nonvested	7,763	7,532	72	81	-	-
Total Plan Membership	57,618	55,266	346	341	170	177

The defined contribution plan had 86 and 88 active participants as of June 30, 2023 and June 30, 2022, 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, 2023 AND 2022**

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, 2023 AND 2022**

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, 2023 AND 2022**

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, 2023 AND 2022**

NOTE 8 DESCRIPTION OF PLANS (CONTINUED)

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. 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. 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:

Rates Set by Statute

	Member	Employer			
		Before 2024	2024-2025	2026 and Later	
				State	Political Subdivision
Main System Permanent Employees					
- Hired before 2020	7.00%	7.12%	8.12%	ADEC*	8.12%
- Hired after 2019	7.00%	8.26%	9.26%	ADEC*	9.26%
Main System Temporary Employees					
- Hired before 2020	14.12%	0.00%	0.00%	0.00%	0.00%
- Hired after 2019	15.26%	0.00%	0.00%	0.00%	0.00%
Judges	8.00%	17.52%	17.52%	17.52%	17.52%

**Actuarially Determined Employer Contribution. The 2026 and 2027 contribution will be based on the ADEC from the July 1, 2024 valuation.*

Rates Determined by the Board of Retirement

	Member	Employer				
		Before 2024	2024 and Later	Before 8/1/2023	8/1/2023 to 12/31/2023	2024 and Later
Public Safety with prior Main System service	5.50%	9.81%	11.40%			
- National Guard Members	5.50%	9.81%	11.40%			
Public Safety without prior Main System service	5.50%	7.93%	9.16%			
Public Safety with prior Main System service						
- BCI Employees	6.00%	7.00%	8.00%	9.81%	20.67%	22.26%
- State Public Safety Employees	6.00%	6.00%	6.00%	9.81%	12.75%	14.34%

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, 2023 AND 2022**

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 14.3% and the employer rate is 20.7%. Both the member and the employer contribution rate will increase by 0.5% in January 2024 and 2025.

Defined Contribution Plan

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

The defined contribution plan will become the primary retirement plan for new hires after January 1, 2025 for new hires that would currently be eligible for the Main plan.

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, 2023 and June 30, 2022 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, 2023 AND 2022**

NOTE 9 NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability (asset) of the Plans at June 30, 2023 and 2022, are as follows:

<u>2023</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total Pension Liability	\$ 5,828,125,577	\$ 173,909,732	\$ 72,138,555
Plan Fiduciary Net Position	3,843,940,742	98,035,122	83,485,320
Net Pension Liability (Asset)	<u>\$ 1,984,184,835</u>	<u>\$ 75,874,610</u>	<u>\$ (11,346,765)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	65.96%	56.37%	115.73%
<u>2022</u>	<u>PERS</u>	<u>HPRS</u>	<u>JSND</u>
Total Pension Liability	\$ 6,607,469,220	\$ 170,663,177	\$ 70,492,767
Plan Fiduciary Net Position	3,635,771,902	92,324,497	86,177,470
Net Pension Liability (Asset)	<u>\$ 2,971,697,318</u>	<u>\$ 78,338,680</u>	<u>\$ (15,684,703)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	55.03%	54.10%	122.25%

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, 2023 and 2022.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2023 and June 30, 2022 valuations were based on the results of an actuarial experience study for the period July 1, 2014 – June 30, 2019 as adopted by the Board.

PERS:

The total pension liability as of June 30, 2023 and 2022, was determined by actuarial valuations as of July 1, 2023 and 2022, respectively, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

Actuarial Cost

Method Entry Age Normal

Inflation 2.25%

Salary Increases 3.50% to 17.75% including inflation.

Retirement Age Age-based table of rates that are specific to the type of eligibility condition

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

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

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

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

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025 and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026 and ending June 30, 2056.

Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

Highway Patrol

The total pension liability as of June 30, 2023 and 2022, was determined by actuarial valuations as of July 1, 2023 and 2022, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Other Notes There were no benefit changes during the year

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

The employer rate to the System is the statutory contribution rate of 20.70% of payroll. The statutory employer and employee contributions will each increase by 0.5% of pay every year from January 1, 2023 to January 1, 2025, ultimately increasing both by 1.5% of pay.

JSND

The total pension liability as of June 30, 2023 and 2022, was determined by actuarial valuations as of July 1, 2023 and 2022, using the following actuarial assumptions, applied to all periods included in the measurement (unless noted otherwise):

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

Other Notes There were no benefit changes during the year

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2023 and 2022 are summarized in the following tables:

PERS and HPRS

<u>Asset Class</u>	<u>FY 2023 Long-Term Expected Real Rate of Return</u>	<u>FY 2022 Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.25%	5.75%
International Equity	6.95%	6.45%
Private Equity	9.45%	9.20%
Domestic Fixed Income	2.51%	0.34%
Global Real Assets	4.33%	4.56%
Cash Equivalents	0.00%	0.00%

JSND*

<u>Asset Class</u>	<u>FY 2023 Long-Term Expected Real Rate of Return</u>	<u>FY 2022 Long-Term Expected Real Rate of Return</u>
Domestic Equity	6.85%	5.37%
Core Fixed Income	3.12%	1.31%
Limited Duration Fixed Income	1.80%	0.59%
Global Equity	7.14%	5.74%
Diversified Short-Term Fixed Income	3.00%	1.86%
Short-Term Corporate Fixed Income	1.63%	0.53%
US High Yield	5.54%	4.22%
Emerging Market Debt	6.47%	4.96%

*The real rate of return used by the actuary is based on the short-term expected rate of return due to the closed plan status of JSND

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, 2023 AND 2022**

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, 2023 valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%. For the June 30, 2022 valuation, the expected rate of return on pension plan investments is 6.50%; the municipal bond rate is 3.69%; and the resulting Single Discount Rate is 5.10%.

For HPRS, the expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.86% and the resulting Single Discount Rate is 5.22% for June 30, 2023. The expected rate of return on pension plan investments is 6.50%, the municipal bond rate is 3.69% and the resulting Single Discount Rate is 5.02% for June 30, 2022.

For JSND, the discount rate was 3.00% as of June 30, 2023 and 3.00% as of June 30, 2022. 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, 2023 and July 1, 2022 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, 2023. 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, 2023 and 2022.

Sensitivity of Net Pension Liability (Asset)

The following presents the net pension liability (asset) of the Plans as of June 30, 2023, calculated using the discount rate of 6.50% for PERS (5.10% as of June 30, 2022), 5.22% for HPRS (5.02% as of June 30, 2022) and 3.00% for JSND (3.00% as of June 30, 2022), 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, 2023 AND 2022**

NOTE 9 NET PENSION LIABILITY OF THE PLANS (CONTINUED)

Net Pension Liability (Asset) as of June 30, 2023	1% Decrease (5.50%)	Current Discount (6.50%)	1% Increase (7.50%)
PERS	\$ 2,757,174,761	\$ 1,984,184,835	\$ 1,345,047,212
	1% Decrease (4.22%)	Current Discount (5.22%)	1% Increase (6.22%)
HPRS	103,458,958	75,874,610	53,762,446
	1% Decrease (2.00%)	Current Discount (3.00%)	1% Increase (4.00%)
JSND	\$ (4,129,713)	\$ (11,346,765)	\$ (17,528,530)
Net Pension Liability (Asset) as of June 30, 2022	1% Decrease (4.10%)	Current Discount (5.10%)	1% Increase (6.10%)
PERS	\$ 3,942,552,866	\$ 2,971,697,318	\$ 2,175,743,390
	1% Decrease (4.02%)	Current Discount (5.02%)	1% Increase (6.02%)
HPRS	40,084,617	23,295,192	9,514,031
	1% Decrease (2.00%)	Current Discount (3.00%)	1% Increase (4.00%)
JSND	\$ (8,404,268)	\$ (15,684,703)	\$ (21,896,493)

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>2023</u>	<u>2022</u>
Retired Participants, Receiving Benefits	14,996	14,290
Active Participants, Not Receiving Benefits	17,283	19,018
	<u>32,279</u>	<u>33,308</u>

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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, 2023 and June 30, 2022 are as follows:

<u>2023</u>	<u>RHIC</u>
Total OPEB Liability	\$ 268,293,176
RHIC Fiduciary Net Position	<u>168,318,052</u>
Net OPEB Liability (Asset)	<u>\$ 99,975,124</u>
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	62.74%
<u>2022</u>	<u>RHIC</u>
Total OPEB Liability	\$ 274,514,031
RHIC Fiduciary Net Position	<u>154,483,072</u>
Net OPEB Liability (Asset)	<u>\$ 120,030,959</u>
RHIC Fiduciary Net Position as a Percentage of the Total OPEB Liability	56.28%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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

Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Plan Fiduciary Net Position (Market value of assets, no asset smoothing)
Inflation	2.25%
Salary Increases	Not applicable
Investment Rate of Return	5.75%
Mortality Rates	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Other Notes: RHIC is for the most part a closed plan. There were no benefit changes during the year. The investment return assumption was decreased from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2015, through June 30, 2019. The employer rate to the System is the statutory contribution rate of 1.14% of payroll.

Investment Rate of Return

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2023 and 2022 are summarized in the following table:

<u>Asset Class</u>	<u>FY 2023 Long-Term Expected Real Rate of Return</u>	<u>FY 2022 Long-Term Expected Real Rate of Return</u>
Large Cap Domestic Equities	6.10%	5.75%
Small Cap Domestic Equities	7.10%	0.00%
International Equities	6.50%	6.00%
Core-Plus Fixed Income	2.59%	0.22%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

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

Discount Rate

For the purpose of the June 30, 2023 valuation, the expected rate of return on OPEB plan investments is 5.75%; the municipal bond rate is 3.86%; and the resulting single discount rate is 5.75%. The expected rate of return on OPEB plan investments is 5.75%; the municipal bond rate is 3.69%; and the resulting single discount rate is 5.39% as of June 30, 2022. 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, 2023, and July 1, 2022, RHIC 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, 2023 (using a single discount rate of 5.75%) and June 30, 2022 (using a 5.39% 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, 2023	1% Decrease (4.75%)	Current Discount (5.75%)	1% Increase (6.75%)
RHIC	\$ 131,391,780	\$ 99,975,124	\$ 73,526,134
Net OPEB Liability (Asset) as of June 30, 2022	1% Decrease (4.39%)	Current Discount (5.39%)	1% Increase (6.39%)
RHIC	\$ 153,212,299	\$ 120,030,959	\$ 92,176,119

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 \$22,500 for calendar year 2023 (\$20,500 for 2022) 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, 2023 AND 2022**

NOTE 12 DEFERRED COMPENSATION PLAN FOR PUBLIC EMPLOYEES (CONTINUED)

The deferred compensation plan had 16,366 and 15,567 active participants as of June 30, 2023 and 2022, respectively.

The related investments of participants are reported at fair value as follows by the participating employer:

	2023		2022	
Investment Balance by:				
State of North Dakota	\$ 177,247,349	92%	\$ 150,768,142	90%
Other Jurisdictions	16,105,970	8%	16,549,870	10%
Total Investments	\$ 193,353,319	100%	\$ 167,318,012	100%

NOTE 13 FEDERAL INCOME TAX STATUS

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

NOTE 14 UNIFORM GROUP INSURANCE PROGRAM SURPLUS

The Uniform Group Insurance Program, a proprietary fund, contracted with Sanford Health Plan to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivisions, institutions, departments or agencies. The contract for the 2019-2021 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2019-2021 biennium will occur in 2023 with an initial settlement occurring in 2022. In the event of a loss, the system does not have any risk. For this period, premiums exceeded claims, therefore, a gain of \$26.1 million was returned to the System as an initial settlement in 2022. The final settlement resulted in a decrease to the initial settlement, and resulted in a payable to Sanford Health Plan of \$625,846 for 2023.

The System again entered into a similar contract with Sanford Health Plan for the 2021-2023 biennium. The contract for the 2021-2023 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2021-2023 biennium will occur in 2025. In the event of a loss, the system does not have any risk. No other insurance contracts have a gain sharing provision.

The accumulated surplus and other invested funds in the amounts of \$60.2 million and \$33.5 million are shown as cash, invested cash and commingled domestic fixed income investments on the Statement of Net Position as of June 30, 2023 and 2022, 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, 2023 AND 2022

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 1, 2023 which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to December 1, 2023 that provided additional evidence about conditions that existed at June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. Events or transactions that provided evidence about conditions that did not exist at June 30, 2023, 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, 2023.

**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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 224,785,082	\$ 143,197,284	\$ 242,751,143	\$ 135,139,549	\$ 172,183,673	\$ 164,018,071	\$ 113,148,379	\$ 126,443,929	\$ 104,158,320	\$ 94,611,357
Interest	335,804,159	345,662,042	296,285,379	317,129,009	294,701,001	279,835,016	269,769,850	243,284,784	236,419,648	218,719,441
Change of Benefit Terms	(9,138,927)	-	-	-	-	-	-	-	2,615	-
Differences Between Expected and Actual Experience	72,722,916	3,714,515	47,335,729	17,186,877	(210,895,384)	(65,345,796)	(3,612,020)	15,914,938	4,395,805	25,782,859
Changes of Assumptions	(1,132,002,859)	1,375,418,631	(1,743,329,166)	1,859,558,804	(464,473,143)	125,224,437	741,491,982	108,139,418	(76,152,255)	-
Benefit Payments, Including Refund of Employee Contributions	(271,514,014)	(252,066,249)	(231,300,404)	(218,553,888)	(197,757,937)	(182,521,663)	(162,991,968)	(149,664,141)	(134,929,737)	(119,886,324)
Net Change in Total Pension Liability	(779,343,643)	1,615,926,223	(1,388,257,319)	2,110,460,351	(406,241,790)	321,210,065	957,806,223	344,118,928	133,894,396	219,227,334
Total Pension Liability - Beginning	6,607,469,220	4,991,542,997	6,379,800,316	4,269,339,965	4,675,581,755	4,354,371,690	3,396,565,467	3,052,446,539	2,918,552,143	2,699,324,809
Total Pension Liability - Ending (A)	\$ 5,828,125,577	\$ 6,607,469,220	\$ 4,991,542,997	\$ 6,379,800,316	\$ 4,269,339,965	\$ 4,675,581,755	\$ 4,354,371,690	\$ 3,396,565,467	\$ 3,052,446,539	\$ 2,918,552,143
Plan Fiduciary Net Position										
Contributions - Employer	\$ 101,933,327	\$ 96,630,783	\$ 91,265,640	\$ 85,504,033	\$ 81,588,318	\$ 80,727,209	\$ 78,933,571	\$ 77,080,576	\$ 70,842,535	\$ 61,661,050
Contributions - Employee	93,407,915	89,633,939	85,914,756	81,477,666	78,213,580	77,486,189	76,007,456	74,218,276	68,392,061	59,394,200
Service Credit Repurchase	5,151,247	10,249,235	7,129,269	10,818,588	7,219,697	19,984,972	11,805,070	9,179,163	6,651,879	8,325,140
Net Investment Income	281,849,564	(256,072,364)	844,933,209	101,105,998	159,824,092	249,165,181	311,760,863	11,333,836	81,536,565	316,629,563
Transfers and Other Income	10,885	14,125	(1,723)	(2,580)	(5,641)	(24,440)	32,183	23,574,937	-	-
Benefit Payments, Including Refund of Employee Contributions	(271,514,014)	(252,066,249)	(231,300,404)	(218,553,888)	(197,757,937)	(182,521,663)	(162,991,968)	(149,664,141)	(134,929,737)	(119,886,324)
Administrative Expense	(2,670,084)	(2,340,267)	(2,569,186)	(2,729,759)	(2,531,304)	(2,472,761)	(2,607,243)	(2,537,799)	(2,365,357)	(2,210,792)
Net Change in Plan Fiduciary Net Position	208,168,840	(313,950,798)	795,371,561	57,620,058	126,550,805	242,344,687	312,939,932	43,184,848	90,127,946	323,912,837
Plan Fiduciary Net Position - Beginning	3,635,771,902	3,949,722,700	3,154,351,139	3,096,731,081	2,970,180,276	2,727,835,589	2,414,895,657	2,371,710,809	2,281,582,863	1,957,670,026
Plan Fiduciary Net Position - Ending (B)	3,843,940,742	3,635,771,902	3,949,722,700	3,154,351,139	3,096,731,081	2,970,180,276	2,727,835,589	2,414,895,657	2,371,710,809	2,281,582,863
Net Pension Liability - Ending (A)-(B)	\$ 1,984,184,835	\$ 2,971,697,318	\$ 1,041,820,297	\$ 3,225,449,177	\$ 1,172,608,884	\$ 1,705,401,479	\$ 1,626,536,101	\$ 981,669,810	\$ 680,735,730	\$ 636,969,280
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.96%	55.03%	79.13%	49.44%	72.53%	63.53%	62.65%	71.10%	77.70%	78.18%
Covered Payroll	\$ 1,318,276,116	\$ 1,248,307,560	\$ 1,213,675,937	\$ 1,167,767,935	\$ 1,098,416,146	\$ 1,075,957,954	\$ 1,063,371,798	\$ 1,048,548,467	\$ 973,536,402	\$ 888,452,060
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	150.51%	85.84%	85.84%	276.21%	106.75%	158.50%	152.96%	93.62%	69.92%	71.69%

**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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 5,680,665	\$ 3,280,944	\$ 6,693,393	\$ 2,877,493	\$ 2,818,006	\$ 2,738,268	\$ 2,701,326	\$ 2,226,286	\$ 2,038,291	\$ 1,894,183
Interest	8,549,678	8,547,642	7,304,593	7,869,528	7,527,064	7,203,350	6,951,177	6,311,403	6,007,875	5,750,017
Change of Benefit Terms	-	-	(135,457)	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	416,739	1,844,603	(2,196,613)	729,281	(67,748)	(621,359)	21,564	39,748	984,241	(299,964)
Changes of Assumptions	(5,009,411)	39,467,011	(60,572,392)	66,142,608	3,042,863	-	1,257,370	3,945,801	394,419	-
Benefit Payments, Including Refund of Employee Contributions	(6,391,116)	(5,848,024)	(5,951,877)	(5,704,586)	(5,391,115)	(4,981,377)	(4,806,319)	(4,713,495)	(4,745,510)	(3,784,735)
Net Change in Total Pension Liability	3,246,555	47,292,176	(54,858,353)	71,914,324	7,929,070	4,338,882	6,125,118	7,809,743	4,679,316	3,559,501
Total Pension Liability (Asset) - Beginning	170,663,177	123,371,001	178,229,354	106,315,030	98,385,960	94,047,078	87,921,960	80,112,217	75,432,901	71,873,400
Total Pension Liability (Asset) - Ending (A)	\$ 173,909,732	\$ 170,663,177	\$ 123,371,001	\$ 178,229,354	\$ 106,315,030	\$ 98,385,960	\$ 94,047,078	\$ 87,921,960	\$ 80,112,217	\$ 75,432,901
Plan Fiduciary Net Position										
Contributions - Employer	\$ 2,573,696	\$ 2,686,795	\$ 2,293,404	\$ 2,176,902	\$ 2,090,886	\$ 2,152,970	\$ 2,155,944	\$ 2,127,355	\$ 2,002,291	\$ 1,864,632
Contributions - Employee	1,769,864	1,825,729	1,548,335	1,469,682	1,411,619	1,453,533	1,455,540	1,436,236	1,351,798	1,243,520
Service Credit Repurchase	592,870	159,747	400,751	205,461	167,824	281,573	249,436	-	96,429	87,418
Net Investment Income	7,195,352	(6,509,971)	19,637,841	2,667,371	4,250,901	6,716,525	8,500,352	316,963	2,334,780	9,239,929
Transfers and Other Income	65	62	(11)	(16)	(41)	(187)	221	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(6,391,116)	(5,848,024)	(5,951,877)	(5,704,586)	(5,391,115)	(4,981,377)	(4,806,319)	(4,713,495)	(4,745,510)	(3,784,735)
Administrative Expense	(30,106)	(65,650)	(37,097)	(45,870)	(43,555)	(30,353)	(30,195)	(31,450)	(30,925)	(27,983)
Net Change in Plan Fiduciary Net Position	5,710,625	(7,751,312)	17,891,346	768,944	2,486,519	5,592,684	7,524,979	(864,391)	1,008,863	8,622,781
Plan Fiduciary Net Position - Beginning	92,324,497	100,075,809	82,184,463	81,415,519	78,929,000	73,336,316	65,811,337	66,675,728	65,666,865	57,044,084
Plan Fiduciary Net Position - Ending (B)	98,035,122	92,324,497	100,075,809	82,184,463	81,415,519	78,929,000	73,336,316	65,811,337	66,675,728	65,666,865
Net Pension Liability (Asset) - Ending (A)-(B)	\$ 75,874,610	\$ 78,338,680	\$ 23,295,192	\$ 96,044,891	\$ 24,899,511	\$ 19,456,960	\$ 20,710,762	\$ 22,110,623	\$ 13,436,489	\$ 9,766,036
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	56.37%	54.10%	81.12%	46.11%	76.58%	80.22%	77.98%	74.85%	83.23%	87.05%
Covered Payroll	\$ 11,991,087	\$ 12,267,230	\$ 11,516,196	\$ 11,409,711	\$ 10,354,210	\$ 10,737,297	\$ 10,629,403	\$ 10,526,791	\$ 10,145,713	\$ 9,348,386
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	632.76%	638.60%	202.28%	841.78%	240.48%	181.21%	194.84%	210.04%	132.44%	104.47%

**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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost	\$ 15,315	\$ 41,998	\$ 58,356	\$ 57,560	\$ 70,295	\$ 80,344	\$ 55,500	\$ 71,420	\$ 127,734	\$ 87,668
Interest	2,038,054	2,342,037	2,628,514	3,038,156	3,129,175	3,500,344	4,130,232	4,281,440	5,026,167	5,107,459
Change of Benefit Terms	-	-	-	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	4,761,066	3,413,145	(201,346)	(1,122,296)	(504,895)	(310,124)	(1,648,283)	(2,006,791)	(1,806,271)	(1,607,033)
Changes of Assumptions	-	4,717,298	2,898,630	539,852	-	5,811,755	4,421,401	69,885	(309,878)	-
Benefit Payments, Including Refund of Employee Contributions	(5,168,647)	(4,865,682)	(4,668,820)	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Net Change in Total Pension Liability	1,645,788	5,648,796	715,334	(2,068,303)	(1,932,271)	4,499,742	2,424,697	(2,185,242)	(1,656,419)	(1,006,368)
Total Pension Liability (Asset) - Beginning	70,492,767	64,843,971	64,128,637	66,196,940	68,129,211	63,629,469	61,204,772	63,390,014	65,046,433	66,052,801
Total Pension Liability (Asset) - Ending (A)	\$ 72,138,555	\$ 70,492,767	\$ 64,843,971	\$ 64,128,637	\$ 66,196,940	\$ 68,129,211	\$ 63,629,469	\$ 61,204,772	\$ 63,390,014	\$ 65,046,433
Plan Fiduciary Net Position										
Contributions - Employer	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Employee	4,298	9,299	13,979	27,047	29,159	32,987	39,417	44,178	50,142	55,748
Service Credit Repurchase	-	-	-	-	-	-	-	-	-	-
Net Investment Income	2,486,882	(5,551,487)	6,025,272	2,621,067	6,229,630	2,918,585	5,238,877	4,840,333	3,260,507	11,887,840
Transfers and Other Income	-	-	-	-	-	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(5,168,647)	(4,865,682)	(4,668,820)	(4,581,575)	(4,626,846)	(4,582,577)	(4,534,153)	(4,601,196)	(4,694,171)	(4,594,462)
Administrative Expense	(14,683)	(18,357)	(17,371)	(19,148)	(16,808)	(46,295)	(12,684)	(32,253)	(30,214)	(31,455)
Net Change in Plan Fiduciary Net Position	(2,692,150)	(10,426,227)	1,353,060	(1,952,609)	1,615,135	(1,677,300)	731,457	251,062	(1,413,736)	7,317,671
Plan Fiduciary Net Position - Beginning	86,177,470	96,603,697	95,250,637	97,203,246	95,588,111	97,265,411	96,533,954	96,282,892	97,696,628	90,378,957
Plan Fiduciary Net Position - Ending (B)	83,485,320	86,177,470	96,603,697	95,250,637	97,203,246	95,588,111	97,265,411	96,533,954	96,282,892	97,696,628
Net Pension Asset - Ending (A)-(B)	\$ (11,346,765)	\$ (15,684,703)	\$ (31,759,726)	\$ (31,122,000)	\$ (31,006,306)	\$ (27,458,900)	\$ (33,635,942)	\$ (35,329,182)	\$ (32,892,878)	\$ (32,650,195)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	115.73%	122.25%	148.98%	148.53%	146.84%	140.30%	152.86%	157.72%	151.89%	150.20%
Covered Payroll	\$ 61,404	\$ 175,176	\$ 175,176	\$ 314,607	\$ 416,552	\$ 416,652	\$ 498,564	\$ 564,684	\$ 790,649	\$ 842,601
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	(18,478.87)%	(25,573.44)%	(18,130.18)%	(9,892.34)%	(7,443.56)%	(6,590.37)%	(6,746.56)%	(6,256.45)%	(4,160.24)%	(3,874.93)%

**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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability							
Service Cost	\$ 4,865,725	\$ 4,003,587	\$ 4,273,247	\$ 4,041,849	\$ 3,827,807	\$ 3,766,661	\$ 3,430,578
Interest	14,547,655	15,155,215	14,657,683	15,498,021	15,217,017	14,485,170	14,327,443
Change of Benefit Terms	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(776,702)	616,158	2,164,642	314,726	(1,374,146)	2,732,254	(2,231,206)
Changes of Assumptions	(10,642,733)	30,533,446	-	4,372,129	5,002,621	-	8,860,723
Benefit Payments, Including Refund of Employee Contributions	(14,214,800)	(13,746,110)	(12,884,511)	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Net Change in Total OPEB Liability	<u>(6,220,855)</u>	<u>36,562,296</u>	<u>8,211,061</u>	<u>11,909,650</u>	<u>11,168,229</u>	<u>9,968,025</u>	<u>14,373,168</u>
Total OPEB Liability (Asset) - Beginning	274,514,031	237,951,735	229,740,674	217,831,024	206,662,795	196,694,770	182,321,602
Total OPEB Liability (Asset) - Ending (A)	<u>\$ 268,293,176</u>	<u>\$ 274,514,031</u>	<u>\$ 237,951,735</u>	<u>\$ 229,740,674</u>	<u>\$ 217,831,024</u>	<u>\$ 206,662,795</u>	<u>\$ 196,694,770</u>
Plan Fiduciary Net Position							
Contributions - Employer	\$ 12,137,476	\$ 12,565,573	\$ 13,110,651	\$ 13,392,266	\$ 12,977,460	\$ 12,834,547	\$ 12,575,627
Contributions - Employee	10,741	12,234	15,481	16,319	15,859	15,984	16,173
Service Credit Repurchase	282,185	456,895	375,038	556,585	377,329	746,942	464,323
Net Investment Income	15,975,072	(26,756,507)	36,526,655	6,904,869	8,178,932	8,210,898	12,074,082
Transfers and Other Income	-	-	-	-	-	-	-
Benefit Payments, Including Refund of Employee Contributions	(14,214,800)	(13,746,110)	(12,884,511)	(12,317,075)	(11,505,070)	(11,016,060)	(10,014,370)
Administrative Expense	(355,695)	(383,458)	(430,097)	(453,913)	(437,349)	(480,244)	(443,220)
Other	1	(1)	312	9,580	(857)	225	-
Net Change in Plan Fiduciary Net Position	<u>13,834,980</u>	<u>(27,851,374)</u>	<u>36,713,529</u>	<u>8,108,631</u>	<u>9,606,304</u>	<u>10,312,292</u>	<u>14,672,615</u>
Plan Fiduciary Net Position - Beginning	154,483,072	182,334,446	145,620,917	137,512,286	127,905,982	117,593,690	102,921,075
Plan Fiduciary Net Position - Ending (B)	<u>168,318,052</u>	<u>154,483,072</u>	<u>182,334,446</u>	<u>145,620,917</u>	<u>137,512,286</u>	<u>127,905,982</u>	<u>117,593,690</u>
Net OPEB Liability (Asset) - Ending (A)-(B)	<u>\$ 99,975,124</u>	<u>\$ 120,030,959</u>	<u>\$ 55,617,289</u>	<u>\$ 84,119,757</u>	<u>\$ 80,318,738</u>	<u>\$ 78,756,813</u>	<u>\$ 79,101,080</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	62.74%	56.28%	76.63%	63.38%	63.13%	61.89%	59.78%
Covered Payroll	\$ 1,005,182,784	\$ 1,032,405,030	\$ 1,090,257,793	\$ 1,139,970,530	\$ 1,115,857,588	\$ 1,094,216,775	\$ 1,081,841,008
Plan Net Pension Liability (Asset) as a Percentage of Covered Payroll	9.95%	11.63%	5.10%	7.38%	7.20%	7.20%	7.31%

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

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

Public Employees Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	191,274	157,390	157,543	140,537	127,129	125,714	116,564	124,336	107,514	107,864
Contributions in Relation to the Actuarially Determined Contribution	101,933	96,631	91,266	85,504	81,588	80,727	78,934	77,081	70,843	61,661
Contribution Deficiency (Excess)	89,341	60,759	66,277	55,033	45,541	44,987	37,630	47,255	36,671	46,203
Covered Payroll	1,318,276	1,248,308	1,213,676	1,167,768	1,098,416	1,075,958	1,063,372	1,048,548	973,536	888,452
Contributions as a Percentage of Covered Payroll	7.73%	7.74%	7.52%	7.32%	7.43%	7.50%	7.42%	7.35%	7.28%	6.94%

Highway Patrolmen's Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	5,107	3,921	4,081	3,256	2,936	2,949	3,060	2,307	2,201	2,348
Contributions in Relation to the Actuarially Determined Contribution	2,574	2,687	2,293	2,177	2,091	2,153	2,156	2,127	2,002	1,865
Contribution Deficiency (Excess)	2,533	1,234	1,788	1,079	845	796	904	180	199	483
Covered Payroll	11,991	12,267	11,516	11,410	10,354	10,737	10,629	10,527	10,146	9,348
Contributions as a Percentage of Covered Payroll	21.46%	21.90%	19.91%	19.08%	20.20%	20.05%	20.28%	20.21%	19.73%	19.95%

Retiree Health Insurance Credit Plan

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	14,766	12,414	13,340	12,145	12,707	12,252	11,696	7,544	6,439	7,014
Contributions in Relation to the Actuarially Determined Contribution	12,138	12,566	13,111	13,392	12,977	12,835	12,575	12,350	11,479	10,710
Contribution Deficiency (Excess)	2,628	(152)	229	(1,247)	(270)	(583)	(879)	(4,806)	(5,040)	(3,696)
Covered Payroll	1,005,183	1,032,405	1,090,258	1,139,971	1,115,858	1,094,217	1,081,841	1,142,375	1,052,657	1,001,204
Contributions as a Percentage of Covered Payroll	1.21%	1.22%	1.20%	1.17%	1.16%	1.17%	1.16%	1.08%	1.09%	1.07%

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

PERS

Benefit Changes:

Effective January 1, 2025, the Main System is closed to new members. Employees newly enrolled into the system on January 1, 2025 and later will participate in a new Defined Contribution Plan.

State employees participating in the Main System on January 1, 2025 who are at least age 18 with 5 years or less of participation will be eligible to irrevocably elect to transfer to the existing DC Plan during a three-month election period ending March 31, 2025. For members who elect to transfer to the existing DC Plan, NDPERS will transfer a lump sum from the Main System to the DC Plan based on the actuarial present value of the accrued benefit as of January 1, 2025, plus interest from January 1, 2025 to the date of transfer. The state employer of an employee who elects to transfer to the existing DC Plan shall contribute an additional amount of \$3,333 annually for up to three years, provided the employee continues employment.

Member and/or employer contribution rates were changed for all plans except the Judges Plan.

For BCI members who retire on or after August 1, 2023, the multiplier is 3.00% for the first twenty years and 1.75% for additional years. For BCI members hired on or after August 1, 2023, the vesting requirement is changed from 3 years to 10 years.

Peace Officers employed by the State who were Main System participants transferred to the Public Safety with prior Main System service effective August 1, 2023.

Changes of Assumptions: There were no assumption changes made since the prior valuation.

HPRS

Benefit Changes:

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

Changes of Assumptions: There were no assumption changes made since the prior valuation.

JSND

Benefit Changes:

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

Changes of Assumptions: There were no assumption changes made since the prior valuation.

RHIC

Benefit Changes:

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

Changes of Assumptions: There were no assumption changes made since the prior valuation.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of Employer Contributions – PERS

Valuation date	July 1, 2022
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.50% (3.00% for Judges)
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	3.50% to 17.75% including inflation
Investment Rate of Return	6.50%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Sex-distinct Pub-2010 tables for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	<p>The interest rate on member contributions decreased from 7.00% to 6.50% effective January 1, 2021.</p> <p>The benefit accrual rate for members first enrolled on or after January 1, 2020 in the Main and Public Safety Systems is 1.75% (compared to 2.00% for members enrolled before January 1, 2020).</p> <p>The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022 were based on an experience review for the period from July 1, 2014 to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.</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, 2023**

Schedule of Employer Contributions – HPRS

Valuation date	July 1, 2023
Actuarial cost method	Entry Age Normal Method.
Amortization Method	Level Percentage of Payroll, Open Period Assumed annual payroll growth of 3.50%
Remaining amortization period	20 years
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	Service-based table for members with less than five years of service and age-based table for members with more than five years of service
Investment Rate of Return	6.5%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex- distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex- distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex- distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	There were no benefit changes during the year. The assumptions were updated beginning with the actuarial valuation as of July 1, 2020 based on an experience study covering the period July 1, 2014 through July 1, 2019. The investment return assumption was decreased from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. The employer rate to the System is the statutory contribution rate of 19.70% of payroll. The statutory employer and employee contributions will each increase by 0.5% of pay every year from January 1, 2022 to January 1, 2025 ultimately increasing both by 2.0% of pay.

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of Employer Contributions – Job Service

Valuation date	July 1, 2023
Actuarial cost method	Frozen Initial Liability (Aggregate since no initial Liability remains)
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
COLA	2.25%
Salary Increases	3.50%
Investment Rate of Return	3.00%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

Other Notes:

There were no benefit changes during the year.

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2023**

Schedule of Employer Contributions – RHIC

Valuation date	July 1, 2023
Actuarial cost method	Entry Age Normal Method.
Amortization Method	N/A
Asset valuation method	5-Year smoothed marked
Inflation	2.25%
Salary Increases	Not Applicable
Investment Rate of Return	5.75%
Retirement Age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.
Other Notes:	<p>Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.</p> <p>The investment return assumption was decreased from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions were adopted by the Board based on an experience study covering the period July 1, 2015, through June 30, 2019.</p> <p>The determination of the actuarial rate was changed effective July 1, 2019 to equal the rate needed to pay off the unfunded liability and future NC contributions at the end of 20 years as a level percent of closed group (decreasing) payroll.</p> <p>The employer rate to the System is the statutory contribution rate of 1.14% of payroll.</p>

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Public Employees Retirement	8.13%	-6.32%	27.43%	3.57%	5.69%	9.21%	13.01%	0.49%	3.61%	16.29%
Highway Patrolmen's Retirement Retirement Plan for Employees	7.86%	-6.50%	23.90%	3.28%	5.39%	9.16%	12.93%	0.48%	3.66%	16.20%
Job Service North Dakota	3.30%	-5.55%	6.81%	3.09%	7.00%	3.32%	5.85%	5.14%	3.41%	13.46%
Retiree Health Insurance Credit Fund	10.82%	-14.48%	25.58%	5.37%	6.75%	7.01%	11.75%	0.83%	-	-

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF INVESTMENT EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	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	\$ 9,791,357	\$ 249,967	\$ 484,757	\$ -	\$ -	\$ -	\$ 280,428
Administrative Expenses	742,949	18,955	-	-	-	-	-
	<u>10,534,306</u>	<u>268,922</u>	<u>484,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,428</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	326	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>326</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u>\$ 10,534,306</u>	<u>\$ 268,922</u>	<u>\$ 484,757</u>	<u>\$ 326</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,428</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, 2022**

	Public Employees Retirement System*	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Payments to State Investment Board:							
Investment Fees	\$ 8,907,948	\$ 225,924	\$ 537,631	\$ -	\$ -	\$ -	\$ 308,015
Administrative Expenses	706,836	13,086	-	-	-	-	-
	<u>9,614,784</u>	<u>239,010</u>	<u>537,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,015</u>
Payments to Providers:							
Investment Fees (Net of Plan Servicing Credits)	-	-	-	5,720	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,720</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investment Expenses	<u>\$ 9,614,784</u>	<u>\$ 239,010</u>	<u>\$ 537,631</u>	<u>\$ 5,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,015</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, 2023**

	Public Employees Retirement System	Highway Patrolmen's Retirement System	Retiree Health Insurance Credit Fund	Defined Contribution Retirement Fund	Pretax Benefits Program	Deferred Compensation Program	Job Service Retirement Plan
Personnel Services:							
Salaries	\$ 1,092,614	\$ 6,543	\$ 50,209	\$ 3,200	\$ 185,008	\$ 293,550	\$ 2,707
Social Security	81,094	486	3,710	236	13,595	21,783	200
Retirement	123,643	740	5,692	363	21,090	33,904	307
Insurance	274,896	1,654	12,446	793	43,196	74,801	671
Total Personnel Services	1,572,247	9,423	72,057	4,592	262,889	424,038	3,885
Professional Services:							
Actuarial	274,880	15,490	23,150	-	-	-	7,700
Audit	55,176	330	6,540	417	13,877	27,753	353
Data Processing	455,351	2,421	20,622	3,176	97,708	180,242	1,112
Consulting	12,704	76	-	371	-	50,176	-
Legal Counsel	89,828	538	3,899	243	13,927	15,239	205
Misc Outside Services	35,463	214	209,272	76	67,587	32,935	822
Total Professional Services	923,402	19,069	263,483	4,283	193,099	306,345	10,192
Communication:							
Printing	11,647	70	708	37	1,275	1,412	31
Postage	28,764	172	1,258	80	4,293	4,297	68
Telephone	9,799	59	429	27	1,317	2,423	23
Total Communication	50,210	301	2,395	144	6,885	8,132	122
Rentals:							
Equipment Rent	1,711	10	90	6	430	861	5
Office Rent	38,874	233	2,041	130	9,777	19,533	110
Total Rentals	40,585	243	2,131	136	10,207	20,394	115
Miscellaneous:							
Depreciation/Amortization	37,881	499	11,276	107	7,010	17,244	135
Dues & Prof Development	14,185	85	486	40	1,030	2,562	26
Insurance	2,846	9	82	5	179	787	4
Repairs and Maintenance	3,270	20	154	10	184	1,345	8
Supplies	7,880	352	3,100	339	15,390	29,174	167
Travel	17,578	105	531	34	572	572	29
Total Miscellaneous	83,640	1,070	15,629	535	24,365	51,684	369
Total Administrative Expenses	\$ 2,670,084	\$ 30,106	\$ 355,695	\$ 9,690	\$ 497,445	\$ 810,593	\$ 14,683

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTAL INFORMATION
SCHEDULE OF CONSULTING EXPENSES
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023**

	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	\$ 274,880	\$ 15,490	\$ 23,150	\$ -	\$ -	\$ -	\$ 7,700
Audit/Accounting Fees:							
CliftonLarsonAllen LLP	55,176	330	6,540	417	11,252	27,753	353
Disability Consulting Fees:							
Mid Dakota Clinic	3,150	-	-	-	-	-	-
IT Consulting:							
Sagitec Solution LLC	264,171	1,582	13,870	884	66,438	132,877	748
Miscellaneous Consulting Fees:							
Gabriel Roeder Smith & Co	9,554	76	-	-	-	-	-
Investment Consulting							
Callan Associates	-	-	-	371	-	50,176	-
Legal:							
Ice Miller, LLP	24,778	-	-	-	-	616	-
Klausner Kaufman Jensen & Levi	43,153	391	2,769	176	11,039	11,025	149
Elsberry & Shively	5,361	48	336	21	1,340	1,340	18
ND Attorney General	16,536	99	794	45	1,548	2,259	37
Totals	<u>\$ 696,759</u>	<u>\$ 18,016</u>	<u>\$ 47,459</u>	<u>\$ 1,914</u>	<u>\$ 91,617</u>	<u>\$ 226,046</u>	<u>\$ 9,005</u>

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

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

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF APPROPRIATIONS
FOR THE YEAR ENDED JUNE 30, 2023**

	Approved Fiscal Years 2021-2023	Fiscal Year 2022 Expenditures	Fiscal Year 2023 Expenditures	Unexpended
ALL FUND TYPES				
Salaries and Wages	7,226,297	3,470,511	3,534,408	221,378
Operating Expenses	2,500,736	1,170,278	1,171,779	158,679
Capital Assets	257,600	257,600	0	0
Contingency	250,000	0	0	250,000
	10,234,633	4,898,389	4,706,187	630,057

Reconciliation of Administrative Expenses to Appropriated Expenditures

Administrative expenses as reflected in the financial statements	2022	2023
Pension and OPEB trust funds	4,177,980	4,388,296
Enterprise funds - Group Insurance	358,656,037	358,033,439
Total administrative expenses	362,834,017	362,421,735
Adjustments:		
Change in accrued compensated absences	41,800	6,846
Professional Fees, premiums and benefits paid pursuant to NDCC54-52-	(357,877,130)	(357,620,622)
Amortization Expense	(100,067)	(100,985)
Contribution/premium over & short	(231)	(787)
	4,898,389	4,706,187

**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

Rebecca Fricke, Interim 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, 2023, 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 1, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

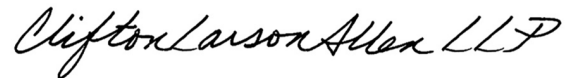
Governor Doug Burgum
The Legislative Assembly
Rebecca Fricke, Interim Executive Director
North Dakota Public Employees Retirement System

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Baltimore, Maryland
December 1, 2023



**Special Comments Requested by the Legislative Audit
and Fiscal Review Committee
Year Ended June 30, 2023**

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, 2023. 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 7.00% for the Public Employees Retirement System (PERS) and Highway Patrolmen's Retirement System (HPRS), 5.75% for the Retiree Health Insurance Credit Fund (RHIC) and 3.75% 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 6.50% and 5.22%, respectively, which were the blended discount rates calculated based on the actuarial expected investment rate of return for each plan and the municipal bond rate of 3.86%. The discount rate used to measure the total pension liability of the JSND plan was its actuarial expected investment rate of return of 3.00%. The discount rate used to measure the total OPEB liability for the RHIC plan was 5.75%, which was the blended discount rate calculated based on the actuarial expected investment rate of return for each plan and the municipal bond rate of 3.86%.

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, 2023. In accordance with GASB 74, the total OPEB liability of the RHIC was calculated with an actuarial valuation and measurement date of June 30, 2023. We evaluated the key factors and assumptions used to develop the estimate of the total pension and OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

3. Identify any significant audit adjustments.

None

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

None

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

None

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

None

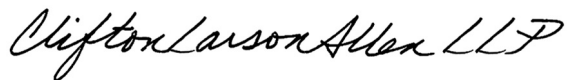
7. Identify any management consultations with other accountants about auditing and accounting matters.

None

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

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

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



CliftonLarsonAllen LLP

Baltimore, Maryland
December 1, 2023