

PARTICIPATOR

December 2009

Conferment of Benefits Update



It probably comes as no surprise to you that, among our members, the NDIRF's conferment of benefits is about the most popular initiative we have ever undertaken, aside from our core mission of providing reliable and cost effective coverage. In the past fifteen years, approximately \$50 million has been distributed to Fund members under the conferment program.

Over this time, we have encouraged Fund members to bear in mind that conferment payments are based on the NDIRF's annual financial performance and are thus susceptible to significant changes from year to year. Unfortunately, 2009 was a year that brought this advice into sharper focus as the \$1.6 million conferment amounted to approximately one-half of the average amount of several preceding years. We expect, however, absent a disastrous December, a return to a more substantial conferment of benefits payment again in 2010 and also want to call your attention to a change in the manner in which the conferment of benefits will be calculated.

For the past decade, the total amount of a conferment of benefits for any particular year has been determined by a simple formula, as follows: If the NDIRF concludes a year with at least \$15 million in surplus, 50% of the amount of surplus in excess of \$15 million will be distributed to NDIRF members in the following year. For example, if NDIRF concluded a year with \$20 million in surplus, the conferment of benefits paid in the following year would be \$2.5 million (50% of the \$5 million difference between \$15 million and \$20 million).

This formula has served us well but a minor change, effective for the 2010 conferment and succeeding years, has been made to ensure that it continues to do so for the foreseeable future. The \$15 million baseline for the formula will now be adjusted annually by the same percentage as any increase in earned contributions for the previous year. As an example, if earned contributions were to increase by 2%, so would the \$15 million conferment baseline. The net effect of this would

typically be to reduce the conferment of benefits payment a bit, while gradually strengthening the NDIRF's surplus position.

The primary reason for the change is that, with the passage of more than 10 years, the buffer afforded by a \$15 million baseline has been eroded by inflation and additional risk. In other words, if we were comfortable with \$15 million 10 years ago, and we were because it was a conservative level, we should be less comfortable with it now, as the combination of inflation and added risk (new members) have reduced its significance by approximately 40%. Earned contributions were selected as the multiplier because they are an accurate reflection of inflation plus new risk.

NDIRF feels this change will help ensure the continuity and integrity of our most visible benefits to members – the financial strength to handle our core business of providing coverage and the ability to share the Fund's success with the membership. ■

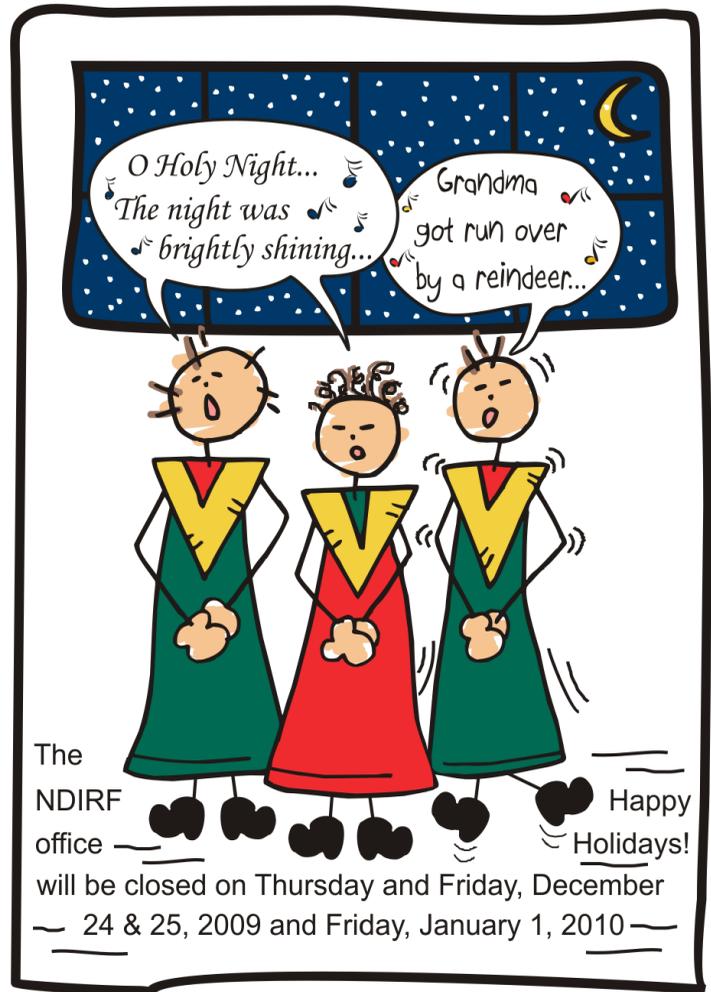
NDIRF BOARD OF DIRECTORS ELECTION

Annually, at least two seats on the nine-member NDIRF Board of Directors are up for election. The election is held by member voting through solicitation of proxies by mail or voting in person at the NDIRF Annual Meeting.

In 2010, directorships representing the member categories of "Cities" and "Counties" are up for election. The incumbent board members are Shawn Kessel, City Administrator of Dickinson ("Cities") and Scott Wagner, Cass County Commissioner ("Counties").

Elected officers or employees of NDIRF members, from among the respective categories electing a director in a given year (for example, "Cities" and "Counties" in 2010), are eligible to serve as directors.

Any eligible person wishing to be considered by the NDIRF Nominating Committee as a director candidate must complete and submit a Candidate Application Form by January 31, 2010. To obtain a copy of the form, please contact the NDIRF office by phone at 1-800-421-1988; by mail at P.O. Box 2258, Bismarck, ND 58502; or via e-mail at steve.spilde@ndirf.com; and direct your request to the attention of the CEO. ■



North Dakota Insurance Reserve Fund Board of Directors

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