DEFERRED COMPENSATION (457) PLAN
INVESTMENT OPTIONS ANNUAL REVIEW AND UPDATES

INVESTMENT OPTIONS ANNUAL REVIEW

The Public Employees' Retirement Board (PERB) and the Employee Investment Advisory Council (EIAC) recently completed their annual review of the investment options funds offered in your 457 Deferred Compensation Plan.

Detailed information regarding the review process may be found at www.mpera.mt.gov, including:

- the PERB's Investment Policy Statement;
- fund data sheets;
- EIAC recommendations.

Based upon the review, the PERB decided to:

1. Discontinue the following investment option **on November 2, 2005**:
   - ✓ Columbia High Yield (bond fund)

   This investment option was placed on a watch/probation status in 2004 because it failed to meet PERB's performance benchmarks. Over the last year, it continued to fail to meet the established benchmarks.

2. Place the following investment options on a watch/probation status:
   - ✓ RS Diversified Growth (small cap growth fund)
   - ✓ Neuberger Berman Genesis Trust (small-mid cap value fund)

   The RS Diversified Growth fund only recently failed to meet PERB's performance benchmarks. The Neuberger Berman Genesis Trust was originally placed in a watch/probation status in 2004. Both funds will be monitored for improvement or possible discontinuation.

3. Add the following new investment options **on August 2, 2005:**
   - ✓ Neuberger Berman High Income Bond (replaces the Columbia High Yield fund)
   - ✓ Munder Small Cap Value Y

   These investment options meet all performance benchmarks and ensure sufficient diversity and selection among asset classes.

Transfer from the Discontinued Investment Option and Transaction Freeze Period

Participants have until **2:00 p.m. MST, Wednesday, November 2, 2005,** to transfer assets from the discontinued investment option to other available investment options. Assets remaining in Columbia High Yield fund on November 2, 2005 will automatically be transferred to the Neuberger Berman High Income Bond fund.

To transfer assets, participants may contact the Plan's recordkeeper, Great West Retirement Services[sm] (GWRS), by:
✓ calling KeyTalk®, the toll free 1-877-699-4015 and either using the voice response system or talking to a customer service representative during normal business hours or
✓ accessing the GWRS website: www.mperadcplans.com.

A **transaction freeze period** must occur any time investment options are discontinued or changed. The transaction freeze period allows for the transfer and reconciliation of assets remaining in the discontinued investment option. This year's transaction freeze period will begin at 2:00 p.m. MST, Wednesday, November 2, 2005, and end the morning of Thursday, November 3, 2005. GWRS will close the two affected investment options, Columbia High Yield and Neuberger Berman High Income Bond (including KeyTalk® and the website) to all inquiries and transactions during this period.

Artisan International Investor Fund is imposing a 2% redemption fee, beginning July 1, 2005, on withdrawals or transfers of any assets not held in the Fund for more than 90 calendar days.

This redemption fee is provided for in the Artisan International Investor Fund prospectus. Generally, funds impose such redemption fees to manage their cash flow and achieve better returns. The redemption fee is NOT imposed by the PERB or subject to its' discretion. Although the current trend is for certain funds, including international funds, to impose redemption fees, the PERB may consider conducting a search for an international fund that does not.

State and University System Employees - Maximize Your 457 Plan!

Deferring all or a portion of your upcoming pay increase is a great way to maximize your savings. For example:

- A participant, who increases contributions by $50 every two weeks, may have an additional $59,295* in 20 years
- A participant, who increases contributions by $100 every two weeks, may have an additional $88, 943* in 20 years

  *assumes an 8% average annual return

If you wish to make a deferral change, contact Great West Retirement Services[sm] at 444-2408 in Helena or toll-free at 800-981-2786.