

STATE OF MONTANA

Public Employees' Retirement Board

A Component Unit of the State of Montana

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
June 30, 2005**

Public Employees' Retirement System - Defined Benefit Retirement Plan

Judges' Retirement System

Highway Patrol Officers' Retirement System

Sheriffs' Retirement System

Game Wardens' and Peace Officers' Retirement System

Municipal Police Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Public Employees' Retirement System - Defined Contribution Retirement Plan

Deferred Compensation (457) Plan

**Prepared By:
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Mission Statement of the PERB

The Montana Public Employees' Retirement Board will fiduciarily administer its retirement plans and trust funds, acting in the best interest of the members and beneficiaries.

Mission Statement of the MPERA

The Montana Public Employee Retirement Administration will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement.

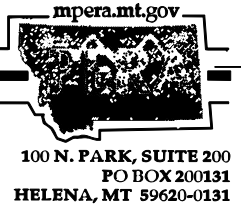
PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



BRIAN SCHWEITZER
GOVERNOR

STATE OF MONTANA

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November 28, 2005

The Honorable Brian Schweitzer
Governor of Montana
Room 204, State Capitol
PO Box 200801
Helena, MT 59620-0801

Dear Governor Schweitzer:

The Public Employees' Retirement Board (PERB) and its staff, the Montana Public Employee Retirement Administration (MPERA), are pleased to submit this *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2005, in accordance with 19-2-407, Montana Code Annotated. The purpose of this letter is to introduce the basic financial statements and provide an analytical overview of the government's financial activities.

The financial information presented in this report is the responsibility of the management of Montana Public Employee Retirement Administration and sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. This CAFR was prepared in conformance with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board, including the Management's Discussion and Analysis (MD&A). Defined benefit and defined contribution transactions are reported on the accrual basis of accounting. The Management Discussion & Analysis (MD&A) beginning on page 17, is a discussion, by management, of the financial position of the retirement plans. It provides an overview and analysis of the Plans' Basic Financial Statements. This letter of transmittal is intended to complement the MD&A and the two should be read in conjunction.

ORGANIZATIONAL STRUCTURE AND REPORT CONTENTS

The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. For this reason, the financial statements contained in this report are also included in the State of Montana's *Comprehensive Annual Financial Report*. Fiduciary responsibility for the systems rests with the PERB, which consists of seven members, appointed by the Governor. The members are assigned five-year, staggered terms. The Board is required to approve a final budget before the beginning of the fiscal year. The management of MPERA develops the budget for all plans administered and presents it to the Board. As governed by statute, the Board's defined benefit administrative expenses may not exceed 1.5% of

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the total defined benefit plan retirement benefits paid. Costs for the Board to administer the defined contribution plans are included as part of the administrative expenses of the plans. The budget is monitored throughout the year and quarterly updates are provided.

The Public Employees' Retirement Board administers ten separate retirement plans, each reported in this CAFR. They include the *Public Employees' Retirement System-Defined Benefit Retirement Plan* (in its 61st year of operation) and *Public Employees' Retirement System-Defined Contribution Retirement Plan*, *Judges' Retirement System*, *Highway Patrol Officers' Retirement System*, *Sheriffs' Retirement System*, *Game Wardens' and Peace Officers' Retirement System*, *Municipal Police Officers' Retirement System*, *Firefighters' Unified Retirement System*, *Volunteer Firefighters' Compensation Act* and the *Deferred Compensation (457) Plan*. The CAFR is divided into the following five sections:

- an *Introductory Section*, which contains the table of contents, this letter of transmittal, administrative organization and legislative highlights;
- a *Financial Section*, which contains the report of the Independent Auditors, the Management's Discussion and Analysis, the financial statements of the PERB, the notes to the financial statements, certain required supplementary information and supporting schedules of administrative expenses, investment expenses and payments to consultants;
- an *Investment Section*, which contains a report on investment activity, investment policies, investment results and various investment schedules;
- an *Actuarial Section*, which contains the Actuary's Certification Letter and the results of the latest actuarial valuation; and,
- a *Statistical Section*, which includes significant data pertaining to the plans.

The pages that follow report the facts and figures that are the result of dedicated work, new initiatives, improved processes and continuing efforts made to meet the needs of our customers. We trust that you and the members of the plans will find this CAFR helpful in understanding the retirement plans.

ECONOMIC CONDITION AND OUTLOOK

The economic outlook of the plans is based primarily upon investment earnings. For 2005, the PERS-DBRP experienced a 8.13 percent fair value rate of return, for the last three years an average annualized rate of return of a 9.35 percent and for the last five years an average annualized rate of return of 2.87 percent. The plans are required by law to be maintained on an actuarially sound basis thus protecting participants' future benefits.

The PERB contracts with consultants for professional services, which are essential to the effective and efficient operation of the plans. A listing of consultants that the PERB has contracted with can be found on page 85.

The investments of the pension trust funds are governed, primarily, by an investment standard known as the "prudent expert principle." The prudent expert principle is constitutionally and statutorily mandated and establishes a standard for all fiduciaries, which includes

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anyone having authority with respect to the pension trust. The prudent expert principle states that fiduciaries will discharge their duties solely in the interest of the trust fund participants and beneficiaries and with the degree of diligence, care and skill which prudent experts would ordinarily exercise under similar circumstances in a like position. By following the prudent expert principle and permitting further diversification of investments within a fund, the fund may be enabled to reduce overall risk and increase returns. The prudent expert principle permits the PERB to establish an investment policy based upon certain investment criteria and allows for the delegation of investment authority to the Board of Investments (BOI), Department of Commerce. The statement of investment policy outlines the responsibility for the investment of the funds and the degree of risk that is deemed appropriate for the trust funds. Investment officers are to execute the investment policy in accordance with statutory authority, the PERB's policy and their respective guidelines, but are to use full discretion within the policy and guidelines. A summary of the asset allocations can be found in the *Investment Section* of this annual report.

Pension trust funds are well-funded when there is enough money in reserve to meet all expected future obligations to participants. The PERB's funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can see assets that are committed to the payment of benefits. A detailed discussion of funding is provided in the *Actuarial Section* of this annual report beginning on page 109.

The previous bear market had a negative affect on earnings and although recovery has been slow, we anticipate that over the long-term the earning rates will continue to meet the actuarial assumed rate of 8 percent. Current member benefits will not be changed, although the legislature will review the funding and assure the plans are funded on an actuarially sound basis. Based on the report of our actuary for July 1, 2005, one of the eight defined benefit plans had surplus funding and three of the eight defined benefit plans (PERS, GWPORS AND SRS) have an actuarial liability that does not amortize over the required 30 years. Legislation seeking to increase employer contributions in those three systems was not approved by the 2005 Legislature and MPERA is hopeful that a Special Session will address the plans' funding needs.

The PERS-DCRP was implemented July 1, 2002. New hires of the PERS have the option of choosing participation in either the defined benefit retirement plan (DBRP) or the defined contribution retirement plan (DCRP). University employees also have the option of joining the Optional Retirement Program (ORP) administered by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF New York, NY).

All new hires are offered Plan Choice Educational workshops funded by a percentage of employer contributions. Education to our members and employers is a top priority. We continue to add workshop tools and member services through our website.

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The web reporting systems take advantage of advanced technology and result in more accurate reporting and more timely deposits to participants' accounts. All payrolls must be reported within five working days of each payday. In fiscal year 2004 the MPERA implemented a 457 web reporting system in conjunction with the web reporting system for the other plans. These web reporting systems continue to be enhanced as we receive comments recommending improvements from employers and staff.

The MPERA web page was recently redesigned to comply with the state standard for web pages. The new look will make it easier for users to find desired topics and extract necessary information from the web site. Our web site includes descriptions and information on all plans administered by the PERB; the organization of the PERB along with the goals, objectives and how to contact the PERB; meeting dates and times; administrative rules; access to the employer reporting system; frequently asked questions; and publications including newsletters, member and employer handbooks, actuary valuations, and this *Comprehensive Annual Financial Report* (CAFR).

2005 Legislative Session

According to the PERB's Actuarial Valuations as of July 1, 2004 and July 1, 2005 the actuarial soundness of the PERS-DBRP, SRS and GWPORS needs to be addressed by the legislature. Based on the 2004 valuation, Montana's Constitution and the PERB's Benefit and Funding Policy the PERB introduced legislation that addressed this recommendation in the 2005 Legislative Session; however, no legislation was passed to correct the funding problem. There was a joint resolution of the Senate and the House of Representatives requesting a legislative study on how public employee retirement funds are invested and how investment performance, retirement plan benefits, and legislative policy decisions interact to affect the actuarial soundness of the public employee retirement plans and employer's funding obligations. This study was effective April 27, 2005 and assigned to the State Administration and Veteran's Affairs Interim Committee (SAVA). The PERB has worked with the SAVA Committee to develop legislation addressing the funding issue. There has been discussion of combining an infusion of money and phasing in an increase in employer rates beginning July 1, 2006.

The 2005 Legislature enacted into law a number of other bills affecting the PERB. The changes include: the timing of decisions on contested cases, the inclusion of detention officers in the Sheriffs' Retirement System and other provisions for sheriffs, requirements when a trust is used for a minor, a change in the benefit formula for the Firefighters' Unified Retirement System, revised eligibility requirements for both departments and individuals in the Volunteer Firefighters' Compensation Act and other retirement-related bills. For a more detailed description of the legislation enacted into law by the 2005 Legislature, see the *2005 Legislative Highlights* on page 13.

Successful Legislative Sessions require a good working relationship with the Legislative Interim Committee. It also requires the retirement group associations and their representatives to bring forth ideas to the MPERA and the Board in a timely fashion. This allows for well prepared bills and the ability to prepare and present the proposed bills.

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CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Montana Public Employees' Retirement Board for its comprehensive annual financial report for the fiscal year ended June 30, 2004. This was the seventh consecutive year that the Montana Public Employees' Retirement Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized *Comprehensive Annual Financial Report*. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current *Comprehensive Annual Financial Report* continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The compilation of this report reflects the efforts of the fiscal services bureau accounting staff of the Montana Public Employee Retirement Administration. This report is intended to provide complete and reliable information to facilitate the management decision process, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of the plans. As in the past, MPERA received an unqualified opinion from our independent auditors on the financial statements included in this report. This opinion provides assurance that the financial statements can be relied upon. The independent auditor's opinion letter can be found on page 15.

The reporting employers of each retirement system form the link between the plans and the members. Their cooperation contributes significantly to the success of the plans. We hope the employers and their employees find this report informative.

We would like to take this opportunity to express our gratitude to the staff, the advisors and the many people who have worked so diligently to assure the successful operation of the plans.

Respectfully submitted,

Signature on file

Michael O'Connor, Executive Director
Montana Public Employee Retirement Administration

Signature on file

Carole Carey, President
Public Employees' Retirement Board



Public Employees' Retirement Board

A Component Unit of the State of Montana



Photo taken by Kim Flatow

Back Row: Robert Griffith, Troy McGee, John Paull, Jay Klawon and Terrence Smith. Front Row: Carole Carey and Betty Lou Kasten.

Carole Carey, President
Ekalaka
Active Public Employee
Clerk of District Court
Carter County
Term Expires 3/31/2007

Betty Lou Kasten, Vice Pres.
Brockway
Member at Large
Rancher
Term Expires 3/31/2006

Troy McGee
Helena
PERS Retired Member
Term Expires 3/31/2008

Robert Griffith
Helena
Member at Large
Term Expires 3/31/2008

N. Jay Klawon
Hamilton
Investment Experience
Investment Representative,
Edward Jones
Term Expires 3/31/2009

Terrence Smith
Big Sky
PERS-DCRP Active Public
Employee
Financial Officer
Big Sky Water & Sewer
District
Term Expires 3/31/2009

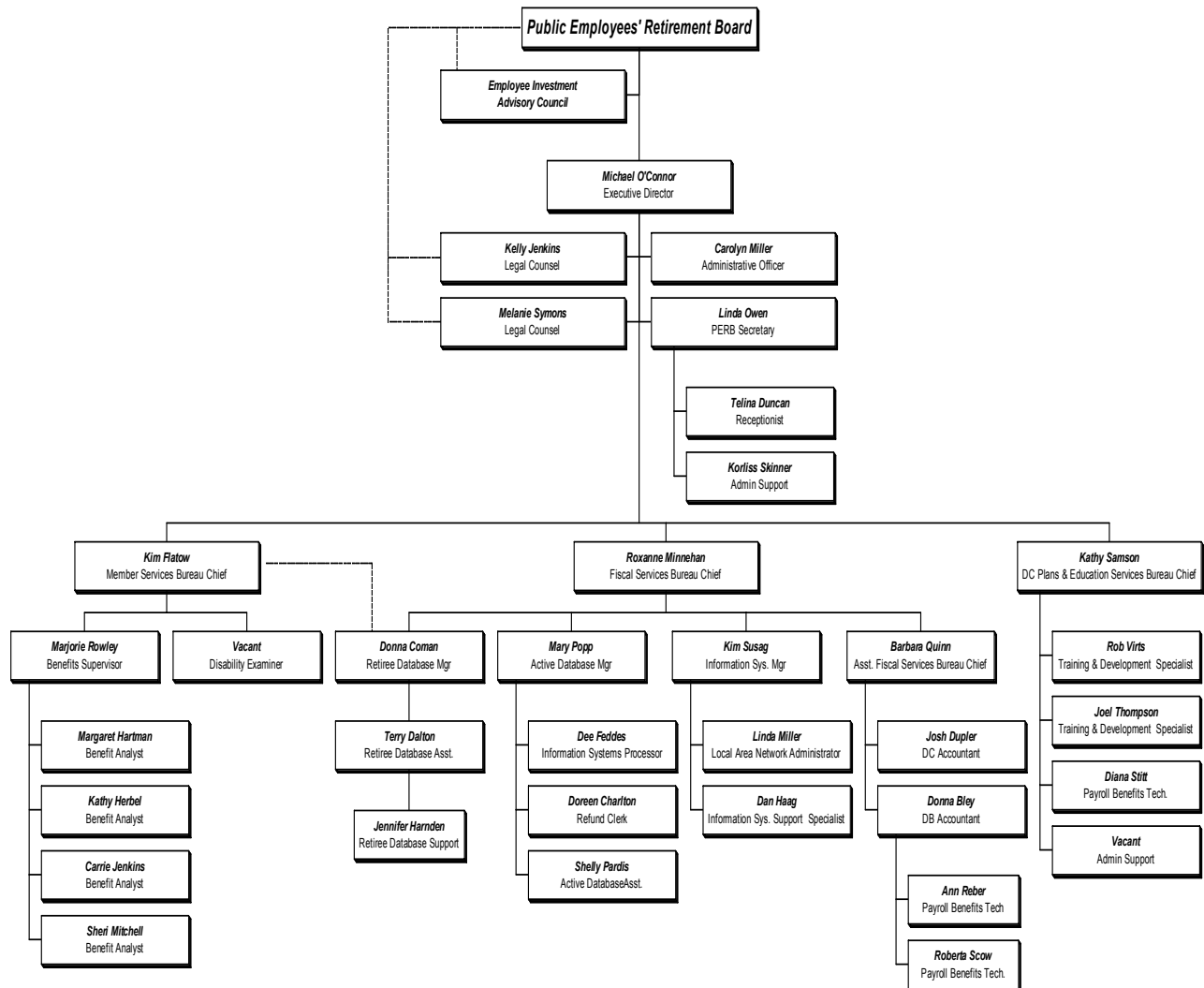
John Paull
Butte
Active Public Employee
Fireman
Term Expires 3/31/2010

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Public Employees' Retirement Board

A Component Unit of the State of Montana

MPERA Organizational Chart



2005 LEGISLATIVE HIGHLIGHTS

Generally Revise Public Retirement Laws for all Systems – House Bill 213

Each legislative session, the PERB submits proposed amendments to revise the statutes for the public retirement systems it administers. Interpretation of state and federal law and court decisions require constant changes in the public retirement systems. The legislation refines the retirement systems, improves member benefits and makes the law easier to understand. Most of the amendments in this legislation are minor revisions that are needed to make the law more clear or to say what was intended. The 2005 housekeeping and general revisions bill was effective July 1, 2005.

Study Investment of Pension Funds for all systems – House Joint Resolution 42

A joint resolution of the Senate and the House of Representatives requested a legislative study on how public employee retirement funds are invested and how investment performance, retirement plan benefits, and legislative policy decisions interact to affect the actuarial soundness of the public employee retirement plans and employer's funding obligations. This study was effective April 27, 2005 and assigned to the State Administration and Veteran's Affairs Interim Committee (SAVA).

Confirmation of Written Decision to Oral Pronouncement–Contested Cases for all systems – Senate Bill 260

Effective May 2, 2005, this act provides that a final decision in a contested case proceeding must be issued within 90 days unless good cause is shown. It also provides a procedure for issuing a final written decision that differs from an oral pronouncement of a decision and requires mail notification of a decision in a timely manner.

Revise Employment-Related Protection for National Guard for PERS – Senate Bill 118

Effective April 25, 2005, this legislation established the Montana Military Service Employment Rights Act. The act treats state active duty like federal USERRA. It addresses contributions, benefits and service credit for state active military duty.

Include Detention Officers in Sheriffs' Retirement System for PERS and SRS – Senate Bill 370

Effective July 1, 2005, this legislation provides membership for county detention officers in the SRS. All detention officers hired after July 1, 2005 will be in the SRS. Existing detention officers may elect to remain in the PERS or elect to become a member of the SRS.

Statutory Appropriation for Highway Patrol Officers' Contributions for HPORS – House Bill 102

Effective July 1, 2005, this legislation provides a statutory appropriation for payment of specific contributions to the HPORS. This legislation applies to the funding of a portion of the employer's contribution (10.18%) and the supplemental benefit. The source for the employer's contribution is a portion of drivers' license fees and the source for the supplemental benefit which is paid to certain retired highway patrol officers is based on a portion of vehicle registration fees.

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Provide Provisions for Injured Deputy Sheriff for SRS – House Bill 105

Effective October 1, 2005, if a deputy sheriff is injured in the line of duty and out on workers' compensation the employer will continue to report to the retirement system as if deputy was in active service. There are similar provisions in the MPORS and FURS.

Require Certain Retirement Benefits for a Minor to be Paid to a Trust for HPORS, MPORS and FURS – House Bill 587

Effective April 21, 2005, if any benefit payable from the HPORS, the MPORS, or the FURS is payable to a statutory beneficiary who is a dependent child, as defined under the provisions of that system, and the member has established a trust for the dependent child, then the benefit must be paid to the trustee of that trust.

Revise Benefits Definitions in Firefighters' Unified Retirement System for FURS – Senate Bill 491

Effective July 1, 2005, the retirement benefit formula changes from "final average compensation" where monthly compensation is averaged over the last 36 months to "highest average compensation" where monthly compensation is averaged over highest consecutive 36 months.

Revise Pension Benefits for Volunteer Firefighters for VFCA – Senate Bill 197

Effective April 25, 2005, this legislation allows a volunteer firefighter who is receiving a full pension benefit to return to service with the volunteer fire department without loss of benefits. A returning member may not be considered an active member. This legislation also allows a member to obtain additional years of service credit after 20 years of service regardless of age. The maximum years of service allowed is 30 years. For each additional year of service the member's monthly benefit is increased by \$7.50.

Revise Eligibility Requirements for Volunteer Firefighters for VFCA – Senate Bill 254

Effective October 1, 2005, this legislation eliminates an obsolete fire rating qualification to determine eligibility for fire companies. It also changes the requirement from owning a building to allowing volunteer fire companies to use or rent buildings for equipment storage without affecting the fire company's qualified status.

LEGISLATIVE AUDIT DIVISION

Scott A. Seacat, Legislative Auditor
John W. Northey, Legal Counsel



Deputy Legislative Auditors:
Jim Pellegrini, Performance Audit
Tori Hunthausen, IS Audit & Operations
James Gillett, Financial-Compliance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Fiduciary Net Assets – Pension Trust Funds of the Public Employees' Retirement Board, A Component Unit of the State of Montana, as of June 30, 2005 - with comparative totals for June 30, 2004, and the related Statement of Changes in Fiduciary Net Assets - Pension Trust Funds for the year ended June 30, 2005 - with comparative totals for June 30, 2004. These financial statements are the responsibility of the Public Employees' Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Public Employees' Retirement Board's financial statements for the fiscal year ended June 30, 2004, and, in our report dated November 15, 2004, we expressed an unqualified opinion on the respective financial statements of the fiduciary fund activities.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees' Retirement Board as of June 30, 2005, and the changes in fiduciary net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress, and the Schedule of Employer Contributions & Other Contributing Entities are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards

Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants; the Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) as of June 30, 2005; and the related Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) for the fiscal year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

At July 1, 2005, three systems, Public Employees' (PERS-DBRP), Game Warden's Peace Officer's (GWPORS) and, Sheriff's (SRS) retirement systems were not actuarially sound with an Unfunded Actuarially Accrued Liability (UAAL) totaling \$522.6 million, \$5.5 million and \$10.9 million, respectively. The maximum UAAL to comply with the amortization period of 30 years at January 1, 2006, is \$266.4 million for PERS-DBRP, \$4.3 million for GWPORS, and \$(3.6) million for SRS. The negative \$3.6 million for SRS indicates that the current employer and employee contributions do not cover the current costs of the system.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Public Employees' Retirement Board's financial statements for the year ended June 30, 2004, from which such summarized information was derived.

The Introductory Section, Investment Section, Actuarial Section, and Statistical Section listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. Such additional information has not been subject to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

Respectfully submitted,

Signature on file

James Gillett, CPA
Deputy Legislative Auditor

October 25, 2005

Public Employees' Retirement Board

A Component Unit of the State of Montana

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's financial presentation and performance of the plans administered by the Board for the year ending June 30, 2005. It is presented as a narrative overview and analysis and should be read in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements and other information which are presented in the Financial Section of this Component Unit Financial Report.

Financial Highlights

- ◆ *The Montana Public Employees' Retirement Board's combined total net assets of the defined benefit plans increased by \$266.5 million or 7.3 percent in fiscal year 2005. The increase was primarily due to the investment income in each of the retirement plans.*
- ◆ *The Montana Public Employees' Retirement Board's defined contribution plans combined total net assets increased by \$19.5 million or 8.0 percent in fiscal year 2005. The total increase in Net Assets was due to investment income and contributions in both the DCRP and the 457 plan.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined benefit plans for fiscal year 2005 was \$467 million, which includes member and employer contributions of \$172.6 million and net investment income of \$294.4 million.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined contribution plans for fiscal year 2005 was \$38.2 million, which includes member and employer contributions of \$21.1 million and net investment income of \$17 million.*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined benefit plans increased from \$185.7 million in fiscal year 2004 to \$200.5 million in fiscal year 2005 or about 8 percent. The increase in 2005 is primarily due to minimal distributions for all plans, MPORS DROP distributions and an increase in total benefit recipients.*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined contribution plans increased from \$18 million in fiscal year 2004 to \$18.9 million in fiscal year 2005 or about 4.7 percent. The increase in expenses is primarily due to an increase in distributions to terminating participants.*
- ◆ *The Montana Public Employees' Retirement Board's defined benefit plans funding objective is to meet long-term benefit obligations. As of July 1, 2005, the date of the latest actuarial valuation, three of the defined benefit plans were not able to pay off the unfunded liabilities over 30 years or less. As a whole the plans were actuarially funded at an average of 83.7 percent. It is important to understand this measure reflects the actuarial value of the defined benefit plans' net assets, which exceeds the actual fair value published in the financial statements. Investment earnings are critical to the defined benefit plans and the market*

FINANCIAL SECTION

decline and associated investment losses in fiscal years 2001 and 2002 have had major impacts on the plans due to the smoothing of market value gains and losses over four years. The 2005 Actuarial Valuation recognizes the last part of the 2002 investments loss. The PERB introduced legislation in the 2005 Legislative Session; however, no legislation was passed to correct the funding problem. The Public Employees' Retirement Board is committed to work with the Montana Legislature to resolve the funding issues of the PERS, GWPORS and SRS.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Public Employees' Retirement Board's (PERB) financial reporting which is comprised of the following components:

- (1) Financial Statements
- (2) Notes to the Financial Statements
- (3) Required Supplementary Information

Collectively, this information presents the combined net assets held in trust for pension benefits for each of the plans administered by the Public Employees' Retirement Board as of June 30, 2005. This financial information also summarizes the combined changes in net assets held in trust for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

- (1) Financial Statements. For the fiscal year ended June 30, 2005, financial statements are presented for the fiduciary funds administered by the PERB. Fiduciary funds are used to account for resources held for the benefit of parties

outside of the PERB. The fiduciary funds are held for participants in eight defined benefit plans and two defined contribution plans.

- The Statement of Fiduciary Net Assets is presented for the pension trust funds at June 30, 2005. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
- The Statement of Changes in Fiduciary Net Assets is presented for the pension trust funds for the year ended June 30, 2005. These financial statements reflect the changes in the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.

- (2) Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. The information in the Notes to the Financial Statements is described as follows:

- Note A provides a summary of significant accounting policies, including the basis of accounting, capital assets and equipment used in operations, operating lease, GASB 40 Disclosures, methods used to value investments, summaries of investment vendors and other significant accounting policies or explanations.
- Note B provides information about litigation.
- Note C describes the debt obligation of the PERS-DCRP. The INTERCAP implementation loan for the PERS-DCRP is to be paid back over fifteen

years. The inter-entity loan from the DB Education Fund was paid off ahead of schedule in December 2004.

- Note D describes the plans' membership and descriptions of the plans administered by the Public Employees' Retirement Board. Summaries of benefits and contribution information are also provided.
- (3) Required Supplementary Information. The required supplementary information consists of the schedules of funding progress and required contributions and related notes concerning actuarial information of the defined benefit pension plans administered by the PERB.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

The Montana Board of Investments (BOI), as authorized by state law, invests the defined benefit plans' assets in investment pools. Each plan owns an equity position in the pools and receives proportionate investment income from the pool in accordance with respective ownership. The investment pools are: Montana Short Term Investment Pool, Montana Domestic Equity Pool, Retirement Fund Bond Pool, Montana International Pool and Montana Private Equity Pool. Each plan's allocated share of the investment in the pools is shown in the Statement of Fiduciary Net Assets of the plan. Investment gains and losses are reported in the Statement of Changes in Fiduciary Net Assets.

Defined Benefit Plans Total Investments

At June 30, 2005, the PERB's defined benefit plans held total investments of \$3.8 billion,

an increase of \$317 million from fiscal year 2004 investment totals. On the next page are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans.

Analysis of Individual Systems

PERS - DBRP and Education

The PERS-DBRP provides retirement, disability, and death benefits for covered employees of the State, local governments and certain employees of the university systems and school districts. Member and employer contributions and earnings on investments fund the benefits of the plan. The PERS-DBRP and the Education Fund have been combined in these comparisons. The PERS-DBRP net assets held in trust for benefits at June 30, 2005 amounted to \$3.2 billion, an increase of \$213 million (7 percent) from \$3.0 billion at June 30, 2004.

Additions to the PERS-DBRP net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to \$127.8 million in fiscal year 2005 from \$121.3 million in fiscal year 2004, for an increase of \$6.5 million (5.4 percent). Contributions increased due to increased salaries being reported to PERS and an increased number of participating employers. The plan recognized net investment income of \$244.9 million for the fiscal year ended June 30, 2005 compared with net investment income of \$360.2 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds/distributions, administrative expenses and miscellaneous expenses. For fiscal year 2005, benefits

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amounted to \$142.8 million, an increase of \$10.1 million (7.6 percent) from fiscal year 2004. The increase in benefit payments was due to the increase in benefit recipients, the average recipient's benefit and distributions to participants. For fiscal year 2005, refunds/distributions amounted to \$13.7 million, an increase of \$2.4 million (20.9 percent) from fiscal year 2004. The increase in refunds/distributions was due to minimal distributions. For fiscal year 2005, the costs of administering the plan's benefits amounted to \$2.5 million, a decrease of \$256 thousand (9

percent) from fiscal year 2004. The decrease in administrative expenses for the fiscal year 2005 was due to communications with members.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan decreased to 85.46

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2005 - and comparative totals for June 30, 2004

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2005	2004	2005	2004	2005	2004	2005	2004
Assets:								
Cash and Receivables	69,284	116,329	1,399	1,894	2,191	2,747	3,953	5,713
Securities Lending Collateral	140,880	141,311	2,191	2,237	3,779	3,952	6,858	6,997
Investments	3,174,677	2,914,680	47,140	43,062	81,601	75,881	147,565	134,855
Property and Equipment	1	1						
Intangible Assets	319	535	3	6	3	6	4	6
Total Assets	3,385,161	3,172,855	50,733	47,199	87,574	82,586	158,380	147,571
Liabilities:								
Securities Lending Collateral	140,880	141,311	2,191	2,237	3,779	3,952	6,858	6,997
Other Payables	862	866	7	7	28	25	52	70
Total Liabilities	141,742	142,177	2,198	2,244	3,807	3,977	6,910	7,067
Total Net Assets	3,243,419	3,030,678	48,535	44,955	83,767	78,609	151,470	140,504

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2005 - and comparative totals for June 30, 2004

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2005	2004	2005	2004	2005	2004	2005	2004
Additions:								
Contributions	127,861	121,298	1,574	1,579	4,855	3,950	5,801	5,369
Investment Income (Loss)	244,976	360,266	3,640	5,248	6,353	9,322	11,381	16,404
Total Additions	372,837	481,564	5,214	6,827	11,208	13,272	17,182	21,773
Deductions:								
Benefits	142,789	132,683	1,624	1,670	5,790	5,493	5,527	4,903
Refunds/Distributions	13,678	11,311			230	296	634	318
Administrative Expenses	2,569	2,825	9	14	29	31	57	55
Miscellaneous Expenses	1,073	1,484						
Total Deductions	160,109	148,303	1,633	1,684	6,049	5,820	6,218	5,276
Prior Period Adjustments	13	1,056	-1	20		26	1	12
Incr/(Decr) in Net Assets	212,741	334,316	3,580	5,163	5,159	7,478	10,965	16,509

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percent from 86.72 percent at July 1, 2004. The PERS-DBRP actuarial value of assets is less than actuarial liabilities by \$540.9 million at July 1, 2005, compared with \$466.8 million at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance and the time value of money associated with not actuarially funding the system.

JRS

The JRS provides retirement, disability and death benefits for all Montana judges of the district courts, justices of the Supreme Court and the Chief Water Judge. Member and employer contributions and earnings on investments fund the benefits of the plan. The JRS net assets held in trust for benefits at June 30, 2005 amounted to \$48.5 million, an increase of \$3.5 million (8.0 percent) from \$45.0 million at June 30, 2004.

GWPORS		MPORS		FURS		VFCA		TOTAL	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
3,415	2,695	10,396	11,155	9,760	10,467	2,086	1,705	102,484	152,705
2,296	2,209	7,083	7,143	6,725	6,801	922	963	170,734	171,613
48,458	42,584	151,478	137,323	144,044	130,726	19,552	18,433	3,814,515	3,497,544
								1	1
4	6	4	6	4	6	5		346	571
54,173	47,494	168,961	155,627	160,533	148,000	22,565	21,101	4,088,080	3,822,434
2,296	2,209	7,083	7,143	6,725	6,801	922	963	170,734	171,613
51	39	64	73	53	53	43	43	1,160	1,176
2,347	2,248	7,147	7,216	6,778	6,854	965	1,006	171,894	172,789
51,826	45,246	161,814	148,411	153,755	141,146	21,600	20,095	3,916,186	3,649,645

GWPORS		MPORS		FURS		VFCA		TOTAL	
2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
5,077	4,735	13,920	13,133	12,008	11,542	1,527	1,434	172,623	163,040
3,696	5,073	11,708	16,392	11,141	15,692	1,550	2,271	294,445	430,668
8,773	9,808	25,628	29,525	23,149	27,234	3,077	3,705	467,068	593,708
1,539	1,460	11,363	10,885	10,386	9,674	1,517	1,479	180,535	168,247
613	504	798	388	101	79			16,053	12,896
42	42	65	70	53	53	47	40	2,871	3,130
						11	12	1,084	1,496
2,194	2,006	12,226	11,343	10,540	9,806	1,575	1,531	200,543	185,769
1	15	1	4	1	22	3	21	19	1,176
6,580	7,818	13,403	18,186	12,610	17,450	1,505	2,195	266,544	409,115

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Additions to the JRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2005, contributions remained stable at \$1.6 million. The plan recognized net investment income of \$3.6 million for the fiscal year ended June 30, 2005 compared with net investment income of \$5.2 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits and administrative expenses. For fiscal year 2005, benefits remained stable at \$1.6 million. The decrease in administrative expenses for the fiscal year 2005 was mostly due to communications with members.

An actuarial valuation of the JRS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan increased to 137.73 percent from 129.98 percent at July 1, 2004. The JRS actuarial assets were more than actuarial liabilities by \$13 million at July 1, 2005, compared with \$10.4 million actuarial surplus at July 1, 2004. The increase in funded status as of the last actuarial valuation is a result of the experience of the system.

HPORS

The HPORS provides retirement, disability and death benefits for members of the Montana Highway Patrol. Member and employer contributions, registration fees and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2005 amounted to

\$83.7 million, an increase of \$5.1 million (6.6 percent) from \$78.6 million at June 30, 2004.

Additions to the HPORS net assets held in trust for benefits include employer, and member contributions, registration fees and investment income. For the fiscal year ended June 30, contributions increased to \$4.8 million in fiscal year 2005 from \$3.9 million in fiscal year 2004, an increase of \$905 thousand (22.9 percent). Contributions increased because the number of participating members contributing to the plan and payments received from a lawsuit settlement. The plan recognized net investment income of \$6.4 million for the fiscal year ended June 30, 2005 compared with net investment income of \$9.3 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2005, benefits amounted to \$5.8 million, an increase of \$297 thousand (5.4 percent) from fiscal year 2004. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. For fiscal year 2005, refunds/distributions amounted to \$230 thousand, a decrease of \$66 thousand (22.2 percent) from fiscal year 2004. The decrease in refunds/distributions was due to distributions to fewer members.

An actuarial valuation of the HPORS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan decreased to 72.65 percent from

76.01 percent at July 1, 2004. The HPORS actuarial assets were less than actuarial liabilities by \$31.0 million at July 1, 2005, compared with \$25.0 million at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance and the experience of the system.

SRS

The SRS provides retirement, disability and death benefits for all Department of Justice criminal investigators hired after July 1, 1993 and all Montana sheriffs. Member and employer contributions and earnings on investments fund the benefits of the plan. The SRS net assets held in trust for benefits at June 30, 2005 amounted to \$151.5 million, an increase of \$10.9 million (7.8 percent) from \$140.5 million at June 30, 2004.

Additions to the SRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, contributions increased to \$5.8 million in fiscal year 2005 from \$5.4 million in fiscal year 2004, for an increase of \$432 thousand (8.0 percent). Contributions increased because the number of participating members contributing to the plan increased and the total compensation reported for active members increased. The plan recognized net investment income of \$11.4 million for the fiscal year ended June 30, 2005 compared with net investment income of \$16.4 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2005, bene-

fits amounted to \$5.5 million, an increase of \$624 thousand (12.7 percent) from fiscal year 2004. The increase in benefit payments was mainly due to an increase in benefit recipients. For fiscal year 2005, refunds/distributions amounted to \$633 thousand, an increase of \$315 thousand (99.1 percent) from fiscal year 2004. The increase in refunds/distributions was due to minimal distributions.

An actuarial valuation of the SRS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan decreased to 93.17 percent from 94.90 percent at July 1, 2004. The SRS actuarial assets were less than actuarial liabilities by \$7.6 million at July 1, 2004, compared with \$10.9 million at July 1, 2005. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance and the time value of money associated with not actuarially funding the system.

GWPORS

The GWPORS provides retirement, disability and death benefits for game wardens, warden supervisory personnel and state peace officers. Member and employer contributions and earnings on investments fund the benefits of the plan. The GWPORS net assets held in trust for benefits at June 30, 2005 amounted to \$51.8 million, an increase of \$6.6 million (14.5 percent) from \$45.2 million at June 30, 2004.

Additions to the GWPORS net assets held in trust for benefits include member and employer contributions and investment income.

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For the fiscal year ended June 30, contributions increased to \$5.1 million in fiscal year 2005 from \$4.7 million in fiscal year 2004, for an increase of \$342 thousand (7.2 percent). Contributions increased because the number of members contributing to the plan increased. The plan recognized net investment income of \$3.7 million for the fiscal year ended June 30, 2005 compared with net investment income of \$5.1 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2005, benefits amounted to \$1.5 million, an increase of \$79 thousand (5.4 percent) from fiscal year 2004. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. For fiscal year 2005, refunds/distributions amounted to \$613 thousand, an increase of \$109 thousand (21.7 percent) from fiscal year 2004. The increase in refunds/distributions was largely due to the turnover rate of corrections officers.

An actuarial valuation of the GWPORS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan increased slightly to 90.33 percent from 89.86 percent at July 1, 2004. The GWPORS actuarial assets were less than actuarial liabilities by \$5.4 million at July 1, 2005, compared with \$5.1 million at July 1, 2004. The change in unfunded liability as of the last actuarial valuation is a result of the valuation recognizing the previ-

ous four-year investment performance and the time value of money associated with not actuarially funding the system.

MPORS

The MPORS provides retirement, disability and death benefits for municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Member, employer and state contributions and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2005 amounted to \$161.8 million, an increase of \$13.4 million (9.0 percent) from \$148.4 million at June 30, 2004.

Additions to the MPORS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to \$13.9 million in fiscal year 2005 from \$13.1 million in fiscal year 2004, for an increase of \$787 thousand (6.0 percent). Contributions increased because the total compensation reported for active members increased. The plan recognized net investment income of \$11.7 million for the fiscal year ended June 30, 2005 compared with net investment income of \$16.4 million for fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2005, benefits amounted to \$11.4 million, an increase of \$478 thousand (4.4 percent) from fiscal year 2004. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. For fiscal year 2005, refunds/distributions amounted to \$798 thousand, an increase of

\$410 thousand (105.6 percent) from fiscal year 2004. The increase in refunds/distributions was largely due to DROP account distributions received by members completing their DROP period.

An actuarial valuation of the MPORS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan increased to 57.68 percent from 57.48 percent at July 1, 2004. The MPORS actuarial assets were less than actuarial liabilities by \$116.9 million at July 1, 2005, compared with \$110.6 million actuarial liabilities at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance.

FURS

The FURS provides retirement, disability and death benefits for firefighters employed by first- and second-class cities and other cities that adopt the plan, and firefighters hired by the Montana Air National Guard on or after October 1, 2001. Member, employer, and state contributions and earnings on investments fund the benefits of the plan. The FURS net assets held in trust for benefits at June 30, 2005 amounted to \$153.8 million, an increase of \$12.6 million (8.9 percent) from \$141.1 million at June 30, 2004.

Additions to the FURS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to \$12.0 million in fiscal year 2005 from \$11.5 million in fiscal year 2004, an increase of \$466 thousand (4.0 percent). Contributions increased because the number

of members contributing to the plan increased and the total compensation reported for active members increased. The plan recognized net investment income of \$11.1 million for the fiscal year ended June 30, 2005 compared with net investment income of \$15.7 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2005, benefits amounted to \$10.4 million, an increase of \$712 thousand (7.4 percent) from fiscal year 2004. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. For fiscal year 2005, refunds/distributions amounted to \$101 thousand, an increase of \$22 thousand (28.1 percent) from fiscal year 2004. The increase in refunds/distributions was largely due to minimal distributions.

An actuarial valuation of the FURS assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan increased to 63.57 percent from 62.44 percent at July 1, 2004. The FURS actuarial assets were less than actuarial liabilities by \$86.8 million at July 1, 2005, compared with \$85.5 million actuarial liability at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance.

VFCA

The VFCA provides retirement, disability and death benefits for volunteer firefighters who

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are members of eligible volunteer fire companies in unincorporated areas. State contributions and earnings on investments fund the benefits of the plan. The VFCA net assets held in trust for benefits at June 30, 2005 amounted to \$21.6 million, an increase of \$1.5 million (7.5 percent) from \$20.1 million at June 30, 2004.

Additions to the VFCA net assets held in trust for benefits include state contributions and investment income. For the fiscal year ended June 30, contributions increased to \$1.5 million in fiscal year 2005 from \$1.4 million in fiscal year 2004, an increase of \$93 thousand (6.5 percent). Contributions increased because there was an increase in the fire insurance premium taxes collected. The plan recognized net investment income of \$1.6 million for the fiscal year ended June 30, 2005 compared with net investment income of \$2.3 million for the fiscal year ended June 30, 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the VFCA net assets held in trust for benefits mainly include retirement benefits, supplemental insurance payments and administrative expenses. For fiscal year 2005, benefits amounted to \$1.5 million, an increase of \$38 thousand (2.6 percent) from fiscal year 2004.

An actuarial valuation of the VFCA assets and benefit obligations is usually performed every two years. An additional valuation was performed July 2005 to provide the Legislature with updated information on the funding issues. At July 1, 2005, the date of the most recent actuarial valuation, the funded status of the plan decreased to 69.25 percent from 69.94 percent at July 1, 2004. The VFCA actuarial assets were less than actuarial liabilities by \$9.5 million at July 1, 2005, compared

with \$8.6 million at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance and a new benefit provision that allows certain members to obtain a benefit based on more than 20 years of service.

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the PERB's defined benefit plans is usually performed every two years. An additional valuation was performed as of June 30, 2005 to provide the Legislature with updated information on the funding issues. At the date of the most recent actuarial valuation, June 30, 2005, the funded status of each of the plans is shown in the Schedule of Funding Progress on page 76.

The PERB funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions, and the income from investments provide the reserves needed to finance future retirement benefits. Since investment earnings are critical to the defined benefit plans' funding, the market decline and associated investment losses in fiscal year 2000 through fiscal year 2003 have deteriorated the plans' funding. The investment losses have reduced the assets available to pay previously incurred benefit obligations. The investment losses have increased the unfunded liability of the plans. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. Montana's constitution requires that public retirement plans be funded on an actuarially sound basis.

The PERB has been concerned with the funding of three of the eight defined benefit retire-

ment plans administered. The three plans are the PERS - Defined Benefit Retirement Plan (PERS-DBRP), the Game Wardens' and Peace Officers' Retirement System (GWPORS) and the Sheriffs' Retirement System (SRS). The PERS and GWPORS statutory contribution rates are able to pay the normal cost of the plan, but are insufficient to pay off unfunded liability. The SRS statutory contribution rate is not sufficient to pay the normal cost of the plan or the unfunded liability. Based on the PERB's June 30, 2005 Actuarial Valuations the unfunded liability in these three plans will not be amortized in 30 years. As of June 30, 2005, the estimated shortfalls in statutory contributions rates were 1.58% in PERS-DBRP, 0.26% in GWPORS, and 2.69% in SRS. The Board submitted legislation for the 2005 Legislative Session to address these insufficiencies. The legislation was not enacted.

Funding ratios range from a high of 137.73 percent to a low of 57.68 percent. The Schedule of Funding Progress on page 76 shows the July 1, 2005 funding ratios compared with the ratios at July 1, 2004, July 1, 2002 and July 1, 2000. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The funding ratio decline is a result of the overall investment performance of past years. The actuary performs a smoothing of investment gains/losses over a period of four years. At July 1, 2005, the actuarial value of assets was less than the market value of assets by \$76 million compared with the actuarial value of assets exceeding the market value of assets by \$21 million at July 1, 2004.

Defined Contribution Plans

The MPERA administers two defined contribution plans: The Public Employees' Retirement System - Defined Contribution Retirement

Plan (PERS-DCRP) and the Deferred Compensation (457) Plan. The schedules of Net Assets and Changes in Net Assets for the two defined contribution plans are on the following page.

PERS-DCRP

The PERS-DCRP is established under Section 401(a) of the Internal Revenue Code. This plan provides retirement benefits for plan members. This plan was available to all active PERS members effective July 1, 2002. All new hires to PERS have a 12-month window to file an irrevocable election to join the plan. The plan member and employer contributions and earnings on investments fund the benefits of the plan.

The PERB has received a long-term INTERCAP loan through the Montana Department of Administration from the BOI to fund the plan start-up and implementation costs. The loan was renegotiated in 2005 and the term extended to 2018. As of June 30, 2005, the loan balance is \$1.39 million, which is reported in the financial statements as a long-term payable of \$1.38 million plus a current payable of \$10 thousand.

The plan net assets held in trust for benefits at June 30, 2005 amounted to \$24.1 million, an increase of \$4.8 million (24.9 percent) from \$19.3 at June 30, 2004.

Additions to the Defined Contribution Retirement Plan net assets held in trust for benefits include contributions and investment income. Contributions increased \$707 thousand (15.0 percent) from \$4.7 million in fiscal year 2004 to \$5.4 million in fiscal year 2005. Contributions increased because of the number of members contributing to the plan increased. The plan recognized net investment income of \$1.8 million fiscal year 2005, down from \$2.4 million in fiscal year 2004. The decrease

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Fiduciary Net Assets - Defined Contribution Plans

As of June 30, 2005 - and comparative totals for June 30, 2004

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2005	2004	2005	2004	2005	2004
Assets:						
Cash and Receivables	605	365	303	408	908	773
Investments	24,948	20,480	239,143	224,376	264,091	244,856
Intangible Assets	4	6	145	157	149	163
Total Assets	25,557	20,851	239,591	224,941	265,148	245,792
Liabilities:						
Other Payables	1,448	1,553	186	192	1,634	1,745
Total Liabilities	1,448	1,553	186	192	1,634	1,745
Total Net Assets	24,109	19,298	239,405	224,749	263,514	244,047

Changes In Fiduciary Net Assets - Defined Contribution Plans

For the year ended June 30, 2005 - and comparative totals for June 30, 2004

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2005	2004	2005	2004	2005	2004
Additions:						
Contributions	5,411	4,704	15,723	14,931	21,134	19,635
Investment Income (Loss)	1,768	2,381	15,267	16,152	17,035	18,533
Total Additions	7,179	7,085	30,990	31,083	38,169	38,168
Deductions:						
Refunds/Distributions	1,873	2,240	15,591	14,446	17,464	16,686
Administrative Expenses	231	214	289	170	520	384
Miscellaneous Expenses	256	214	698	800	954	1,014
Total Deductions	2,360	2,668	16,578	15,416	18,938	18,084
Prior Period Adjustments	-8		246	741	238	741
Incr/(Decr) in Net Assets	4,811	4,417	14,658	16,408	19,469	20,825

in investment income is mainly due to the slowing of the equity market.

Deductions from the Defined Contribution Retirement Plan net assets mainly include member refunds/distributions, administrative expenses and miscellaneous expenses. Refunds/distributions decreased from \$2.2 million in fiscal year 2004 to \$1.9 million in fiscal year 2005. The \$367 thousand decrease in refunds/distributions from 2004 to 2005 was due to members electing the plan and staying rather than taking a distribution. The costs of

administering the plan increased from \$214 thousand in fiscal year 2004 to \$231 thousand in fiscal year 2005, an increase of \$17 thousand (7.8 percent) from fiscal year 2004. The increase in administrative costs was mainly due to communications with members. Miscellaneous expenses increased from \$214 thousand in fiscal year 2004 to \$256 thousand in fiscal year 2005, an increase of \$42 thousand (19.5 percent) from fiscal year 2004. The increase in miscellaneous expenses was mainly due to an increase in membership.

Deferred Compensation (457) Plan

The Deferred Compensation Plan is established under Section 457 of the Internal Revenue Code. This plan is voluntary and provides supplemental retirement benefits for plan participants. The Deferred Compensation Plan is funded by contributions and by investment earnings. The plan net assets held in trust for benefits at June 30, 2005 amounted to \$239.4 million, an increase of \$14.7 million (6.5 percent) from \$224.8 million at June 30, 2004.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2005, contributions increased from those of fiscal year 2004 from \$14.9 million to \$15.7 million, an increase of \$792 thousand (5.3 percent). Contributions increased because of the number of members participating in the plan increased largely due to an additional employer. The plan recognized net investment income of \$15.2 million for fiscal year 2005 compared with net investment income of \$16.2 million for fiscal year 2004. The decrease in investment income is mainly due to the slowing of the equity market.

Deductions from the Deferred Compensation Plan net assets mainly include member and beneficiary refunds/distributions, administrative expenses and miscellaneous expenses. For fiscal year 2005, refunds/distributions amounted to \$15.6 million, an increase of \$1.1 million (7.9 percent) from \$14.4 million at June 30, 2004. The costs of administering the plan increased from \$170 thousand in fiscal year 2004 to \$289 thousand in fiscal year 2005, an increase of \$119 thousand (70.1 percent) from fiscal year 2004. The increase in administrative costs was mainly due to 457 web system development and communications with members. Miscellaneous expenses decreased from \$800 thousand in fiscal year 2004 to \$698 thousand in fiscal year 2005, a decrease of \$102 thousand (12.7 percent) from fiscal year 2004. The decrease in miscellaneous expenses was mainly due the Board decreasing fees for the 457 plan participants.

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Fiduciary Net Assets - Pension Trust Funds

as of June 30, 2005 - with comparative totals for June 30, 2004

	PERS-DBRP	JRS	HPORS	SRS	GWORS	MPORS
Assets						
Cash and Short-term Investments	\$ 59,798,843	1,289,157	1,983,058	3,446,471	3,298,651	2,250,937
Securities Lending Collateral (Note A5)	140,879,522	2,190,613	3,778,801	6,858,241	2,296,311	7,082,770
Receivables						
Interest	7,466,205	110,020	189,862	344,440	115,108	355,380
Accounts Receivable	1,423,543		3	162,023		84,947
Due from Other Funds	293,126					
Due from Primary Government	135,867		17,953		672	7,704,884
Advances to Other Funds						
Notes Receivable	166,912					
<i>Total Receivables</i>	<i>9,485,653</i>	<i>110,020</i>	<i>207,818</i>	<i>506,463</i>	<i>115,780</i>	<i>8,145,211</i>
Investments, at fair value (Note A5)						
Montana Domestic Equity Pool (MDEP)	1,529,417,961	22,749,120	39,376,418	71,277,772	23,111,430	72,390,335
Retirement Fund Bond Pool (RFBP)	930,369,190	14,655,060	25,243,575	45,890,070	15,471,422	47,394,936
Montana International Pool (MTIP)	505,111,709	7,506,898	13,034,581	23,456,641	7,705,293	24,555,374
Montana Private Equity Pool (MPEP)	150,594,503	2,228,865	3,946,191	6,940,554	2,170,181	7,137,953
Equity Index Fund	140					
Real Estate Investments	8,525,400					
Mortgages & Commercial Loans						
net of Accumulated Mortgage Discount	50,658,046					
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
<i>Total Investments</i>	<i>3,174,676,949</i>	<i>47,139,943</i>	<i>81,600,765</i>	<i>147,565,037</i>	<i>48,458,326</i>	<i>151,478,598</i>
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	975					
Intangible Assets, at cost,						
net of Amortization Expense (Note A2)	318,975	3,000	3,247	4,043	4,083	3,942
<i>Total Capital Assets</i>	<i>319,950</i>	<i>3,000</i>	<i>3,247</i>	<i>4,043</i>	<i>4,083</i>	<i>3,942</i>
<i>Total Assets</i>	<i>3,385,160,917</i>	<i>50,732,733</i>	<i>87,573,689</i>	<i>158,380,255</i>	<i>54,173,151</i>	<i>168,961,458</i>
Liabilities						
Securities Lending Collateral Liability	140,879,522	2,190,613	3,778,801	6,858,241	2,296,311	7,082,770
Accounts Payable	439,554	87	1,593	93	12,444	4,275
Due to Other Funds	56,688	6,626	25,923	52,236	37,606	59,282
Due to Primary Government	46,334					
Advances from Primary Government (Note C)						
Advances from Other Funds						
Deferred Revenue	55,488			14	809	570
Compensated Absences	264,458					10
<i>Total Liabilities</i>	<i>141,742,044</i>	<i>2,197,326</i>	<i>3,806,317</i>	<i>6,910,584</i>	<i>2,347,170</i>	<i>7,146,907</i>
Net Assets Held in Trust for Pension Benefits						
(see schedule of funding progress, page 76)	\$ 3,243,418,873	48,535,407	83,767,372	151,469,671	51,825,981	161,814,551

The notes to the financial statements are an integral part of this statement.

FINANCIAL SECTION

Defined Benefit Pension Plans			Defined Contribution Plans			Total Pension Trust Funds	Total Pension Trust Funds
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	2005	2004
2,647,168	2,040,899	76,755,184	548,285	303,105	851,390	77,606,574	123,303,807
6,725,272	922,258	170,733,788				170,733,788	171,612,792
337,479	46,232	8,964,726				8,964,726	12,471,304
56,228		1,726,744	14	11	25	1,726,769	1,662,558
		293,126	56,688		56,688	349,814	378,209
6,718,625		14,578,001				14,578,001	15,248,844
		-				-	85,500
		166,912				166,912	326,441
7,112,332	46,232	25,729,509	56,702	11	56,713	25,786,222	30,172,856
68,911,373	9,096,014	1,836,330,423				1,836,330,423	1,763,773,625
44,974,935	6,169,906	1,130,169,094				1,130,169,094	982,191,950
23,360,926	3,293,974	608,025,396				608,025,396	521,777,657
6,797,319	991,926	180,807,492				180,807,492	154,636,871
		140				140	23
		8,525,400				8,525,400	8,409,210
		50,658,046				50,658,046	66,755,267
			1,545,772	149,791,530	151,337,302	151,337,302	144,076,550
			23,401,771	89,338,924	112,740,695	112,740,695	100,767,440
				12,316	12,316	12,316	12,316
144,044,553	19,551,820	3,814,515,991	24,947,543	239,142,770	264,090,313	4,078,606,304	3,742,400,909
		975				975	1,436
3,661	4,580	345,531	4,464	145,305	149,769	495,300	732,554
3,661	4,580	346,506	4,464	145,305	149,769	496,275	733,990
160,532,986	22,565,789	4,088,080,978	25,556,994	239,591,191	265,148,185	4,353,229,163	4,068,224,354
6,725,272	922,258	170,733,788				170,733,788	171,612,792
91	27	458,164	13,308	165,723	179,031	637,195	638,762
48,785	43,142	330,288	14,647	4,878	19,525	349,813	378,209
		46,334	30,697	4,021	34,718	81,052	82,567
		-	1,380,195		1,380,195	1,380,195	1,390,195
		-			-	-	85,500
3,756		60,637				60,637	57,549
		264,468	8,801	11,291	20,092	284,560	286,313
6,777,904	965,427	171,893,679	1,447,648	185,913	1,633,561	173,527,240	174,531,887
153,755,082	21,600,362	3,916,187,299	24,109,346	239,405,278	263,514,624	4,179,701,923	3,893,692,467

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

for the year ended June 30, 2005 - with comparative totals for June 30, 2004

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Additions						
Contributions (Note D)						
Employer	\$ 60,297,089	1,162,148	3,323,903	2,812,818	2,053,538	3,790,841
Plan Member	66,913,560	394,157	862,268	2,975,171	3,014,857	2,424,336
Membership Fees	140					
Interest Reserve Buyback	72,550	17,211	4	12,532	8,499	273
Retirement Incentive Program	154,058					
Registration Fee Collections			668,748			
Miscellaneous Revenue	2,811			131		
State Contributions	420,658					7,704,884
Nonvested Member Forfeitures						
Total Contributions	127,860,866	1,573,516	4,854,923	5,800,652	5,076,894	13,920,334
Investments (Note A5)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	151,817,678	2,317,474	3,790,457	7,250,833	2,310,199	7,438,204
Interest	77,935,054	1,094,574	2,164,409	3,415,053	1,157,389	3,546,287
Dividends	19,775,193	293,114	511,964	918,388	293,169	932,723
Investment Expense	(4,778,075)	(68,429)	(119,992)	(213,745)	(68,381)	(219,939)
Net Investment Income	244,749,850	3,636,733	6,346,838	11,370,529	3,692,376	11,697,275
Securities Lending Income						
Securities Lending Income	3,224,315	50,206	87,125	156,866	51,619	162,399
Securities Lending Rebate and Fees	(2,998,456)	(46,747)	(81,113)	(146,052)	(48,072)	(151,186)
Net Securities Lending Income	225,859	3,459	6,012	10,814	3,547	11,213
Total Net Investment Income	244,975,709	3,640,192	6,352,850	11,381,343	3,695,923	11,708,488
Total Additions	372,836,575	5,213,708	11,207,773	17,181,995	8,772,817	25,628,822
Deductions (Note D)						
Benefits	142,789,016	1,623,746	5,789,603	5,527,472	1,538,595	11,362,959
Refunds/Distributions	13,236,058		180,822	611,528	607,022	785,660
Refunds to Other Plans	441,716		49,401	21,629	6,378	12,323
Transfers to DCRP	914,334					
Transfers to ORP	158,616					
Supplemental Insurance Payments						
Administrative Expenses	2,569,385	9,122	29,222	56,743	41,642	65,469
Miscellaneous Expenses						
Total Deductions	160,109,125	1,632,868	6,049,048	6,217,372	2,193,637	12,226,411
Net Increase (Decrease)	212,727,450	3,580,840	5,158,725	10,964,623	6,579,180	13,402,411
Net Assets Held in Trust for Pension Benefits						
Beginning of Year	3,030,678,813	44,955,415	78,608,711	140,504,020	45,246,250	148,410,720
Prior Period Adjustment	12,610	(848)	(64)	1,028	551	1,420
End of Year	\$ 3,243,418,873	48,535,407	83,767,372	151,469,671	51,825,981	161,814,551

The notes to the financial statements are an integral part of this statement.

FINANCIAL SECTION

Defined Benefit Pension Plans			Defined Contribution Plans			Total Pension Trust Funds	Total Pension Trust Funds
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	2005	2004
2,959,095		76,399,432	1,856,440	54,999	1,911,439	78,310,871	74,725,840
2,329,777		78,914,126	3,183,893	15,500,874	18,684,767	97,598,893	90,201,441
		140				140	130
		111,069				111,069	860,740
		154,058				154,058	431,759
		668,748				668,748	348,137
3		2,945	178,431	167,142	345,573	348,518	395,880
6,718,625	1,527,264	16,371,431				16,371,431	15,577,477
			192,257		192,257	192,257	135,246
12,007,500	1,527,264	172,621,949	5,411,021	15,723,015	21,134,036	193,755,985	182,676,650
7,070,862	838,907	182,834,614	1,112,489	8,989,779	10,102,268	192,936,882	255,513,506
3,380,873	615,819	93,309,458	655,661	6,737,702	7,393,363	100,702,821	177,697,383
887,898	123,321	23,735,770				23,735,770	20,563,392
(209,361)	(29,820)	(5,707,742)		(460,883)	(460,883)	(6,168,625)	(4,906,905)
11,130,272	1,548,227	294,172,100	1,768,150	15,266,598	17,034,748	311,206,848	448,867,376
154,878	21,741	3,909,149				3,909,149	1,808,150
(144,193)	(20,239)	(3,636,058)				(3,636,058)	(1,474,610)
10,685	1,502	273,091	-	-	-	273,091	333,540
11,140,957	1,549,729	294,445,191	1,768,150	15,266,598	17,034,748	311,479,939	449,200,916
23,148,457	3,076,993	467,067,140	7,179,171	30,989,613	38,168,784	505,235,924	631,877,566
10,385,891	1,517,098	180,534,380				180,534,380	168,247,317
101,235		15,522,325	1,873,378	15,591,355	17,464,733	32,987,058	28,962,095
		531,447				531,447	619,715
		914,334				914,334	1,295,269
		158,616				158,616	188,331
	11,100	11,100				11,100	12,000
53,367	46,594	2,871,544	230,682	289,215	519,897	3,391,441	3,514,625
			255,844	698,238	954,082	954,082	1,014,436
10,540,493	1,574,792	200,543,746	2,359,904	16,578,808	18,938,712	219,482,458	203,853,788
12,607,964	1,502,201	266,523,394	4,819,267	14,410,805	19,230,072	285,753,466	428,023,778
141,146,207	20,095,323	3,649,645,459	19,298,045	224,748,963	244,047,008	3,893,692,467	3,463,752,081
911	2,838	18,446	(7,966)	245,510	237,544	255,990	1,916,608
153,755,082	21,600,362	3,916,187,299	24,109,346	239,405,278	263,514,624	4,179,701,923	3,893,692,467

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Years Ended June 30, 2005 and 2004

The Public Employees' Retirement Board (PERB) administers ten retirement plans and the related member education plans. The retirement plans are eight defined benefit plans and two defined contribution plans. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS-DBRP), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and the Volunteer Firefighters' Compensation Act (VFCA). The *defined contribution* retirement plans are the Public Employees' Retirement System (PERS-DCRP) and the Deferred Compensation (IRC §457) Plan. The PERS-DCRP was implemented July 1, 2002. All PERS new hires after July 1, 2002 have a twelve-month window from their date of hire to file an election. The Deferred Compensation Plan is available to employees of the state, university and local political subdivisions that contract with the plan.

PERS members are provided member education as a tool to help them decide between participation in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). If members are employees of the university system they have a third choice, the Optional Retirement Program (ORP). The plan choice is a one-time irrevocable election. Education is also available for the members who choose

the PERS-DCRP. This education includes information on investment choices.

The assets of each plan are maintained separately, including member education funds, and may be used only for the payment of benefits to the members and administrative expenses of the appropriate plan, in accordance with the terms of each plan as prescribed in Title 19, of the Montana Code Annotated (MCA). The financial statements are presented by combining the PERS-DBRP and the DBRP Education Fund and by combining the PERS-DCRP, the DCRP Education Fund and the DCRP Disability Fund. A presentation of each individual fund is shown at the end of the financial section.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, prepares the accounting records and financial statements for the fiduciary/pension trust funds using the accrual basis of accounting. For the pension trust funds, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period in which

they are earned and become measurable. Benefits and refunds/distributions are recognized in the accounting period in which they are due and payable. Expenses are recognized in the period incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end because all defined benefit administrative expenses are accounted for within PERS-DBRP and then allocated to the other defined benefit plans at year-end.

Adjustments to the fiscal year 2005 financial statements consist of prior period adjustments to all defined benefit plans and the DCRP for a reallocation of administrative expenses for all years since the implementation of the DCRP. Adjustments to the 457 plan include an entry made to balance the variable annuity based on the reconciliation process.

Participants of the PERS-DCRP are charged, on a quarterly basis, a flat fee plus a basis point fee on their account balance. The flat fee covers the recordkeeping provided by Great West Retirement Services (Great West). The basis point fee is returned to the PERB to cover the PERB's administrative expenses of the plan. The fees returned to the PERB are recorded as *Miscellaneous Revenue* in the financial statements.

Participants of the deferred compensation (457) plan are charged fees, quarterly, based on individual account balances. The record keeper, Great West, withholds fees and after payment of the Great West's contractual expenses, the excess fees are remitted to the PERB. The excess fees, recorded as *Miscellaneous Revenue*

in the financial statements, are used to pay the PERB's related administrative expenses.

2. CAPITAL ASSETS AND EQUIPMENT USED IN OPERATIONS

Assets under \$5,000 are expensed in the year purchased. Assets valued at \$5,000 or more, are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment for the MPERA consists of a microfiche reader/printer, capital assets include the web-based employer reporting software and the MPERA Website.

The accumulated depreciation on our web based reporting system is \$926,170 and \$625,560, respectively as of June 30, 2005 and 2004. The carrying value as of June 30, 2005 and 2004 is \$291,768 and \$575,515, respectively. For the 457 web based employer-reporting system the accumulated depreciation is \$43,867 and \$3,341, respectively as of June 30, 2005 and 2004. The carrying value as of June 30, 2005 and 2004 is \$137,175 and \$3,341, respectively. The accumulated depreciation on our MPERA website is \$1,422 and the carrying value is \$66,856.

3. OPERATING LEASE

Operating leases are rental agreements where the payments are chargeable as rent and recorded as administrative expenses. The MPERA entered into a 10-year lease for office space in November 2003 at the location of 100 North Park. The lease is payable monthly and includes inflationary adjustments over the period of the lease.

FINANCIAL SECTION

4. GASB 40 DISCLOSURES

Effective June 30, 2005, the Montana Board of Investments (BOI), Department of Commerce, implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 40 – Deposit and Investment Risk Disclosures. The definition of the investment risk disclosures are as follows:

Credit Risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. government are excluded from the concentration of credit risk requirement.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment.

If applicable, investment risks are disclosed within the investment summaries that begin on this page.

5. METHOD USED TO VALUE INVESTMENTS

The BOI invests the defined benefit retirement plan assets on behalf of the defined benefit plans. According to Article VIII, Section 13 of the Montana Constitution and 19-2-504, MCA the PERB has fiduciary responsibility for the pension funds. Investments are purchased in accordance with the statutorily and constitutionally mandated "prudent expert principle." Investments are reported at fair value. As of June 30, 2005, there were five major diversified pools, the same number as in fiscal year 2004, Montana Short Term Investment Pool (STIP), Montana Domestic Equity Pool (MDEP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP), and Montana Private Equity Pool (MPEP).

The PERS-DCRP and the deferred compensation plan's fixed assets were invested and managed on behalf of the plans by Pacific Investment Management Company (PIMCO)/State Street Bank Kansas City (SSKC). The third party record keeper, Great West Retirement Services, tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies. In addition to the laws cited above, the PERS-DCRP is also governed by 19-3-2122, MCA and there are separate investment policies for the 401(a) defined contribution and 457 deferred compensation plans. The investment policies are reviewed on an annual basis and the investment options are reviewed at least annually by a third party. In the review, each investment alternative is compared to its peers and the appropriate benchmark. In addition, each investment alternative is reviewed for other in-

dicators including, but not limited to, style drift, duplication, fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. Investments are reported at fair value as of June 30, 2005.

The following are the PERB summaries of the BOI's fiscal year end statements, the PIMCO/SSKC contract and a statement about the variable investments.

STIP portfolio may include asset-backed securities, commercial paper, corporate and government securities, repurchase agreements and variable-rate (floating-rate) instruments. These securities provide a diversified portfolio earning a competitive total rate of return. Funds may be invested for relatively short periods. State agencies are legally required to invest in STIP and the PERB elects to have all STIP income automatically reinvested. Investments are reported at fair value based on market prices supplied to the BOI by the BOI's custodial bank. The unit value is fixed at \$1.00. A purchased unit earns income on the purchase date and ceases to earn income on the day before the unit is sold. STIP income reflects the monthly earnings of the STIP portfolio and is distributed on the first calendar day of the month, with the exception of the June distribution. Income for June is distributed on the last calendar day of the month. Administrative expenses incurred by the BOI are charged daily to STIP based on their expenses applicable to STIP. STIP did not participate in any securities lending transactions in fiscal years 2005 and 2004. STIP is considered an external investment pool per the Gov-

ernmental Accounting Standards Board (GASB) Statement No. 31 and is classified as a "2a7-like" pool. STIP is not registered with the Securities and Exchange Commission (SEC) but does operate in a manner consistent with SEC rules. *Credit Risk* is that the issuer of a STIP security may default in making timely principal and interest payments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. STIP securities have credit risk as measured by major credit rating services. STIP investments are required to have the highest rating in the short-term category by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The table below displays all STIP investments for the State of Montana. The PERB portion of STIP is 4 percent. Investments are categorized to disclose credit rate risk as of June 30, 2005. If a security investment type is unrated, the quality type is indicated by NR (not rated). As an external investment pool, STIP has not been rated by the NRSRO. For *Custodial Credit Risk* as of June 30, 2005 and 2004, all the investments were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. According to the STIP Investment Policy "repurchase agreements

Security Investment Type (in thousands)	Fair Value 2005	Credit Quality Rating
Commercial Paper	\$ 1,249,527	A1
Corporate Fixed	49,821	A1+
Corporate Variable-Rate	414,952	A1+
Municipal Variable-Rate	6,000	NR
Repurchase Agreement	22,000	A3
Total Investments	\$ <u>1,742,300</u>	A1+
Securities Lending Collateral Investment Pool	\$ <u>0</u>	NR

FINANCIAL SECTION

require electronic delivery of U.S. Government Treasury collateral, priced at 102 percent market value, to the designated State of Montana Federal Reserve Bank account.” *Concentration of Credit Risk* as of June 30, 2005, - there were no single issuer investments that exceeded 5% of the STIP portfolio. The STIP Investment Policy Statement does not specifically address concentration of credit risk. The policy does provide for “minimum 3 percent or \$15 million, whichever is higher, to be invested in Repurchase Agreements.” *Interest Rate Risk* disclosures are not required for “2a7-like” pool. Corporate asset-backed securities are based on cash flows from principal and interest payments on underlying auto loan receivables, credit card receivables and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets. While variable-rate (floating-rate) securities have credit risk identical to similar fixed-rate securities, their interest rate risk is more sensitive to interest rate changes. However, their fair value may be less volatile than fixed-rate securities because their value will usually remain at or near par as a result of their interest rates being periodically reset to maintain a current market yield. STIP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the STIP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. There are no legal risks that the BOI is aware of regarding any STIP investments.

MDEP portfolio may include common stock, equity index, preferred stock, convertible equity securities, American Depositary Receipts and equity derivatives. The MDEP was established in April 2003. Effective May 1, 2003, the Public Employees’, Judges’, Highway Patrol Officers’, Sheriffs’, Game Wardens’ and Peace Officers’, Municipal Police Officers’, Firefighters’ Unified and Volunteer Firefighters’ retirement funds transferred all the Barclays Global Investors (BGI) S&P 500 Equity Index Fund A and the Dimensional Fund Advisors (DFA) Small Cap Subtrust investments totaling \$740 million, at cost, from the All Other Funds portfolio to the new pool. The pensions also exchanged their investment in the Montana Stock Pool (MTCP) for units in the new MDEP. In July 2003, the BOI closed the STIP account and a Stock Performance Index Futures Fund (SPIFF) account was opened to securitize MDEP cash by investing in an equity derivative. The value of MDEP units purchased and sold by participants is the result of an asset allocation decision and pool participant’s cash needs. Investments are presented at fair value. Unit values are calculated weekly and at the close of the last business day of the month. Equity investments, on valuation date, are stated at the closing price of the security’s primary exchange. Depending on stock market conditions and the investment officer’s decision, MDEP participants may then buy or sell units on the first calendar day of each month. MDEP security transactions are recorded as of trade date rather than settlement date. Because of this generally accepted practice, the MDEP portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received. For *Cus-*

todial Credit Risk as of June 30, 2005 and 2004, all the MDEP securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The BGI, S&P 500 Equity Index Fund A, S&P 400 MidCap Equity Index Fund and the DFA Small Cap Subtrust are registered in the name of the Montana BOI. *Concentration of Credit Risk* as of June 30, 2005 and 2004, - there were no single issuer investments that exceeded 5% of the MDEP portfolio.

On October 11, 2002, the BOI received a summons and complaint regarding the bankruptcy of Owens-Corning. The company seeks a determination that the dividend payments paid from October 1996 through July 2000 represent "fraudulent transfers under Chapter 11 Bankruptcy provisions and applicable state law, and are, therefore, voidable". The complaint states the BOI was the "recipient of dividends in the amount of \$357,099 for the relevant period". The BOI has prepared a response to the complaint.

RFBP portfolio includes corporate securities, foreign government bonds, U.S. government direct-backed, U.S. government indirect-backed and cash equivalents. RFBP investments are presented at fair value. Fair values are determined, primarily, by reference to fair market prices supplied to the BOI by its custodial bank, State Street Bank. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Unit values are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the BOI's staff. The June 30, 2005 unit value

of \$105.31 increased from the June 30, 2004 unit value of \$104.32. The yield on bonds decreased during the fiscal year, which has the effect of increasing bond prices and the pool unit value. The pension funds were rebalanced in fiscal year 2005 to adjust the portfolios towards the stated equity/fixed income allocation. RFBP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the RFBP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. Accumulated income is distributed monthly on the first calendar day of the month. Realized portfolio gains/losses are distributed at least annually. Administrative expenses incurred by the BOI are charged daily to RFBP based on applicable BOI expenses. *Credit Risk* is that the issuer of a fixed income security may default in making timely principal and interest payments. RFBP fixed income investments are required to be rated an investment grade as defined by Moody's or by S&P rating services. Refer to the table on the following page. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. For *Custodial Credit Risk* as of June 30, 2005 and 2004, all the investments were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The State Street repurchase agreement was purchased in the State of Montana BOI name. As of June 30, 2005 the RFBP had *Concentration of Credit Risk* exposure to the Federal Home Loan Mortgage Corp of 6.21%. As of June 30, 2004, there were no single issuer

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investments that exceeded 5% of the RFBP portfolio. According to the RFBP Investment Policy, "with the exception of the U.S. government indirect-backed securities, additional RFBP portfolio purchases will not be made if the credit risk exceeds 2 percent of the portfolio at the time of purchase". The RFBP investment policy does not formally address *Interest Rate Risk*. In accordance with GASB Statement No. 40, the BOI has selected the effective duration method to disclose interest rate risk. The table below displays RFBP investments for the State of Montana. The PERB portion of RFBP is 61 percent. If a bond investment type is unrated, the quality type is indicated by NR (not rated). Both the credit quality ratings and duration have been calculated excluding cash equivalents. If duration has not been calculated, duration is indicated by NA (not applicable).

Corporate asset-backed securities are based on cash flows from principal and

interest payments on underlying auto loan receivables, credit card receivables and other assets. These securities, while sensitive to prepayments due to interest rate changes, have less credit risk than securities not backed by pledged assets. The RFBP portfolio holds REMICs (Real Estate Mortgage Investment Conduits) totaling \$554,309 and \$1,034,466 in amortized cost, respectively, as of June 30, 2005 and June 30, 2004. These securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages. The interest-only (IO) are more sensitive to prepayments by mortgagees resulting from interest rate changes than other REMIC securities. The IO REMIC securities purchased in August and September 1992 are being reduced periodically towards zero according to the expected average life of the underlying mortgages. The IO securities amortized cost is \$3 as of June 30, 2005 and \$250,000 as of June 30, 2004.

As of June 30, 2005, Delta Airlines Corp. presented a higher credit risk to the BOI. The RFBP holds \$3 million par 10.0% Delta Airlines Corp. bond maturing June 5, 2013, a \$1.971 million par 10.0% Delta Airlines Corp. bond maturing June 5, 2011 and a \$6 million par 10.14% Delta Airlines Corp. bond maturing August 14, 2012. Due to a weak credit outlook and potential bankruptcy, the Board stopped the interest income accruals after the December 2004 and February 2005 pay dates. Although the interest accruals were stopped, the Board received the interest due in June 2005 and August 2005. The combined book value of these securities was \$11 million as of June 30, 2005. Due to the company's filing for Chapter 11 bankruptcy protection on September 14, 2005, the book values were reduced to

Security Investment Type (in thousands)	Fair Value 2005	Credit Quality Rating	Effective Duration
Corporate Bonds (Rated)	\$ 894,556	A-	5.75
Corporate Bonds (Unrated)	19,538	NR	4.07
Foreign Government Bonds	5,218	BBB	6.67
U.S. Government Direct-Backed	188,790	AAA	4.50
U.S. Government Indirect-Backed	605,801	AAA	3.91
State Street Repurchase Agrmt Short Term	9,924	AA-	NA
Investment Pool	<u>112,478</u>	<u>NR</u>	<u>NA</u>
Total Fixed Income Investments	\$ <u>1,836,305</u>	<u>AA-</u>	<u>4.95</u>
Securities Lending Collateral Investment Pool	\$ <u>214,243</u>	NR	NA

\$1.5 million, \$985,500 and \$3 million, respectively.

As of June 30, 2005, Northwest Airlines Inc. presented a higher credit risk to the BOI. The RFBP held a \$9.9 million par 6.81% Northwest Airlines Inc. bond maturing February 1, 2020, a \$7.8 million par 7.935% Northwest Airlines Inc. MBIA Insurance Corp. insured bond maturing April 1, 2019 and a \$5.7 million par 4.64% Northwest Airlines Inc. real estate backed bond maturing July 7, 2010. The combined book value of these securities was \$22.9 million as of June 30, 2005. On September 14, 2005, the company filed for Chapter 11 bankruptcy protection. Due to this action, the BOI stopped the interest income accruals for the 6.81% bond maturing February 1, 2020 after the August 2005 pay date. This issue was sold on September 20, 2005 generating a loss of \$642,183. The sale included accrued interest from August 1, 2005 to September 20, 2005. Since the 7.935 bond maturing April 1, 2019 is insured by MBIA Insurance Corp. to support the payment of any interest due and outstanding principal balance, the BOI did not stop the interest income accrual or reduce book value. The 4.64% bond maturing July 7, 2010 is secured by Northwest Airlines Inc.'s corporate headquarters' building and land.

As of June 30, 2005 and June 30, 2004, Burlington Industries, Inc. presented legal and higher credit risks to the BOI. The BOI owns a Burlington Industries, Inc., \$6 million par, 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were

downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5.6 million to \$2.4 million. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to \$1.2 million. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. Under the company's recovery plan, the BOI received \$1.5 million in August 2004 for its unsecured claim. This transaction reduced the book value to \$0 and generated a gain of \$255,000. In February 2005 and May 2005, the BOI received an additional \$209,000 and \$194,000, respectively for this unsecured claim. The BOI is expected to receive additional proceeds for over the next two to three years.

As of June 30, 2004, Winn Dixie presented a higher credit risk to the BOI. The RFBP held a Winn Dixie Trust, \$70 million par, zero coupon bond maturing September 2, 2024. Due to a weak credit outlook and collateral uncertainty, the BOI stopped accruing income and reduced the book value to \$5.2 million in February 2004. On February 21, 2005, Winn Dixie declared bankruptcy. On February 28, 2005, the Board sold the bonds and recorded a \$4.6 million gain.

The BOI received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$5 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages

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of \$538,632 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The BOI tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the BOI received \$5.7 million in principal and interest plus \$150,000 as a consent fee. As of September 23, 2005, this matter is still pending.

MTIP portfolio includes equities with five externally managed funds at June 30, 2005: Pyrford International, Schroder Investment Management NA, Nomura Asset Management U.S.A. Inc., Barclays Global Investors, and Dimensional Fund Advisor Inc. (DFA). The BOI discontinued the internally managed fund, BOI Internal International, in January 2004 and on October 30, 2003, the BOI voted to replace SG Yamaichi Asset Management, Co. as an active manager with Nomura Asset Management U.S.A., Inc. The change was effective December 1, 2003. On October 21, 2004, the BOI authorized the investment in DFA. The funds invest in securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. Because transactions are recorded as of the trade date rather than settlement date, the MTIP portfolio may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. Investments are presented at current U.S. dollar value after conversion from foreign currency by the custodial bank, State Street Bank and Trust. Unit values are

calculated weekly and once a month at the close of the last business day of the month, based upon the fair value of the MTIP equity holdings, other assets and liabilities. Based on the BOI Investment Officer's decision, participants are allowed to buy or sell units on the first business day of each month. Realized gains/losses from the sale of securities and related foreign exchange transactions are retained by each fund. MTIP income is distributed at least monthly to the retirement funds, net of external manager fees and administrative expenses, on the first business day of the following month. For *Custodial Credit Risk* as of June 30, 2005 and 2004, all MTIP securities were registered in the nominee name for the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. The BGI MSCI Europe and Pacific Index and the DFA Small Company Portfolio are registered in the name of the Montana BOI. *Foreign Currency Risk* is that changes in exchange rates will adversely affect the fair value of an investment. The MTIP has significant investments in 19 foreign countries. Future economic and political developments in these countries could adversely affect the liquidity or value or both of the securities in which MTIP is invested. The table on the following page discloses the investments by currency and investment type in U.S. dollars. The PERB portion of MTIP is 61 percent.

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MTIP Cash by Currency	
Cash (in thousands)	Fair Value 2005
Australian Dollar	\$ 130
Hong Kong Dollar	125
France Euro	-
Japanese Yen	1,438
South Korean Won	4
Malaysian Ringgit	7
New Zeland Dollar	68
Philippine Peso	3
Singapore Dollar	1
Swiss Franc	-
New Taiwan Dollar	193
Total Cash	\$ 1,969

MTIP Investment by Security Type	
Security Investment Type (in thousands)	Fair Value 2005
BGI MSCI Europe Index	\$ 466,247
BGI MSCI Pacific Index	50,628
BGI Cash and Money Market	-
DFA International Small Co.	76,554
SPIFF	2,111
Schroder Investment Mgmt	137,134
Pyford International	149,790
Nomura Asset Mgmt U.S.A., Inc	111,054
Total Investments	\$ 993,518
Securities Lending Collateral Investment Pool	\$ 34,537

MPEP portfolio includes venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. The MPEP was established in April 2002 to allow retirement funds the opportunity to participate in the venture capital and leveraged buyout markets and other private equity investments via a diversified pool. MPEP cash is invested in an equity derivative, the State Street Stock Performance Index Futures Fund (SPIFF). Given the complexity and specialization of private equity investment,

the BOI contracts with ten private equity managers. The private equity managers include Adams Street Partners (formerly Brinson Partners); Kohlberg, Kravis, Roberts and Company (KKR); Welsh Carson Anderson and Stowe; Madison Dearborn Partners; Lexington Partners; Oaktree Capital Management; Arc Light Energy Partners; Inter Mountain Private Equity Partners; Odyssey Investment Partners and Carlyle Partners. Investments are presented at fair value and because no recognized market exists for private equity investment, the investments, on valuation date, are stated at the fair value reported in the most recent external managers' valuation reports. The pool portfolio will be priced quarterly. Unit values are calculated at month end and participant transactions will most likely occur on a quarterly basis. Based on the BOI Investment Officer's decision, participants are allowed to buy, reinvest or sell units on the first business day of each month. Administrative expenses incurred by the BOI are charged daily to the MPEP based on the BOI's expenses applicable to MPEP. Private equity investments are recognized as investments with a higher degree of risk with a higher return potential. Portfolio diversification of risk is to be achieved through multiple partnership relationships and investments diversified by time, financing stage, industry sector, investment size and geographical region. Private equity investments typically have a low correlation relative to other investment asset classes and should contribute to reduction of portfolio risk. For *Custodial Credit Risk* as of June 30, 2005 and 2004, all MPEP investments were recorded in the name of the Montana BOI. The State Street Bank and Trust repurchase agreement for \$447,174, as of June 30, 2005 was pur-

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chased in the BOI's name. This repurchase agreement was collateralized at \$458,263 by a AAA rated Federal Home Loan Mortgage Corporation note maturing February 15, 2006. *Foreign Currency Risk* includes several MPEP investments that represent limited partnership investments in various foreign countries. Per GASB Statement No. 40, no foreign currency risk disclosure is required for these limited partnership investments. The Montana BOI is a limited partner in the private equity partnership of O'Donnell & Masur L.P., which invested in Gardiner Communications, Inc. All partners received a Notice of Liability from the Internal Revenue Service claiming unpaid federal corporate taxes for Gardiner Communications, Inc. As a recipient of the distributions on the sale and dissolution of Gardiner Communications, Inc., the BOI faced potential liability. O'Donnell & Masur L.P. retained legal counsel to represent all partners receiving a Notice of Liability. On September 5, 2003, legal counsel filed a petition on the Montana BOI's behalf in U.S. Tax Court to perfect the right to contest this matter. On February 9, 2004, all partners of O'Donnell & Masur L.P. were informed that the Internal Revenue Service Appeals Officer had completed his review of the Gardiner Communications, Inc. matter. The Officer concluded "no additional taxes are due from Gardiner Communications, Inc. and thus, no transferee liability to the partners of O'Donnell & Masur, L.P." MPEP does not participate in securities lending.

All Other Funds (AOF) Investments are owned by various State of Montana agencies and managed on their behalf by the BOI. The portfolio for the pension plans include equity index, real estate, mortgages and commercial loans. Fair values

are determined, primarily, by reference to market prices supplied to the BOI by its custodial bank, State Street Bank and Trust. The real estate investments and residential and multifamily mortgages are valued based on a discounted cash flow. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value. The mortgages and commercial loans receivable consist of residential mortgages and multifamily commercial loans. In November and December 2004, the multifamily commercial loans were sold to the Coal Severance Tax Trust Fund. As of June 30, 2005, Positive Systems, Inc. had an outstanding loan balance of \$546,074. With the exception of this loan, there were no other uncollectible account balances for Montana mortgages and loans receivable. As of June 30, 2004, there were no uncollectible account balances for mortgages and commercial loans funded by the retirement systems. Real estate investments held, in part, for the PERS include buildings at 100 North Park Avenue in Helena, MT; a newly constructed building at 2273 Boot Hill Court in Bozeman, MT; a building at 2401 Colonial Drive in Helena, MT; and property located on California Street in Helena, MT. The BOI also holds the building located at 1712 Ninth Avenue in Helena, MT for the sole benefit of the PERS.

Credit Risk is that the issuer of a fixed income security may default in making timely principal and interest payments. The BOI's policy requires AOF fixed income investments to be rated an investment grade as defined by Moody's and/or S&P's rating services. The U.S. govern-

ment securities are guaranteed directly or indirectly by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The credit ratings provided are by S&P's rating services or if not available, by Moody's. For Montana mortgages, there is a lien on the real estate property. In the event of default, the property can be sold. *Custodial Credit Risk* as of June 30, 2005 has all Equity Index, Real Estate, Mortgage and Loan investments registered in the name of the Montana BOI. *Concentration of Credit Risk* is not addressed in the investment policy statements. The single issuer for residential mortgages would be the residential borrower and there are no single issuers that have a principal balances in excess of 5 percent. Investments issued or explicitly guaranteed by the U. S. government and investments by various state agencies, in the AOF portfolio, are excluded from the concentration of credit risk requirement. *Interest Rate Risk* is not formally addressed in the AOF investment policies. In accordance with GASB Statement No. 40, the BOI has selected the effective duration method to disclose interest rate risk. As of June 30, 2005, the AOF portfolio did not hold any structured financial instruments know as REMICs. As of June 30, 2004, the AOF portfolio held a REMIC with an amortized cost of \$15,585,949 as reported in the U.S. government mortgage-backed category. These securities are pass-through vehicles for multiclass mortgage-backed securities. The REMIC securities are based on separate or combined cash flows from principal and interest payments on underlying mortgages. When underlying mortgages are prepaid, the interest cash flows are reduced while principal cash flows are increased. If homeowners pay on mortgages longer than an-

ticipated, the cash flow effect would be the opposite.

Securities Lending Collateral, governed under the provisions of state statutes, authorizes the custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. This is accomplished by the BOI via a Securities Lending Authorization Agreement. During the period the securities are on loan, the BOI receives a fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned security and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The BOI retains all rights and risks of ownership during the loan period. During fiscal years 2005 and 2004, State Street Bank and Trust loaned, on behalf of the BOI, certain securities held by State Street Bank and Trust, as custodian, and received U.S. dollar currency cash, U.S. government securities, and irrevocable bank letters of credit. State Street Bank and Trust does not have the ability to pledge or sell collateral securities unless the borrower defaults. The BOI did not impose any restrictions during fiscal year 2005 and 2004 on the amount of the loans that State Street Bank and Trust made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during fiscal years 2005 and 2004. Moreover, there were no losses during fiscal years 2005 and 2004 resulting from a default of the borrowers or State Street. During fiscal years 2005 and 2004, the BOI and the borrowers maintained the right to terminate all securities lending transactions on

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demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified plan lenders, in a collective investment pool, the Securities Lending Quality Trust. The relationship between the average maturities of the investment pool and the BOI's loans was affected by the maturities of the loans made by other plan entities that invested cash collateral in the collective investment pool, which the BOI could not determine. At year-end, the BOI has no *Credit Risk* exposure to borrowers because the amounts the BOI owes the borrowers exceed the amounts the borrowers owe the system. For MDEP as of June 30, 2005, the carrying and fair values of the underlying securities on loan were \$28.7 million and \$28.4 million, respectively. The cash collateral provided for the securities on loan totaled \$29 million. For RFBP as of June 30, 2005, the carrying and fair values of the underlying securities on loan were \$199.1 million and \$208 million, respectively. The cash collateral provided for the securities on loan totaled \$214.2 million. For MTIP as of June 30, 2005, the carrying and fair values of the underlying securities on loan were \$34.5 million. The cash collateral provided for the securities on loan totaled \$34.5 million. For All Other Funds as of June 30, 2005, the carrying and fair values of the underlying securities on loan were \$213.8 million and \$217 million, respectively. The collateral provided for the securities on loan totaled \$200 million in cash and \$23.6 million in collateral.

Fixed Investments are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank State Street Bank Kansas City (SSKC). When participants

invest in the fixed investment they are guaranteed a rate of return. The fixed investment employs a synthetic stable value strategy where the investment manager manages a diversified bond portfolio and the third party insurer guarantees the participants principal investments and earnings. The third party insurer resets the rate of return each quarter.

The PERS-DCRP fixed money is invested in a PIMCO mutual fund. The deferred compensation fixed investment is a separately managed fund that is benchmarked against the Lehman Intermediate Government/Credit/Yankee index with a duration not to exceed four years. The minimum average portfolio quality must be an A-rating; the minimum issue quality must be a BB-rating and the minimum commercial paper quality must be A2/P2. The quality ratings applied are the higher of Moody's, Standard & Poor or Fitch. PIMCO has the discretion to invest in a broad array of public and private asset classes and investment vehicles including: money market instruments; U.S. Treasury and Agency notes and bonds; municipal bonds; corporate securities; Yankee and Euro bonds; mortgage-backed securities; mortgage derivatives; asset-backed securities; convertible securities; non-U.S. dollar denominated securities; non-leveraged structured notes; futures; options; swaps; credit default swaps and PIMCO pooled funds. All investments including those with derivative characteristics are reported at fair value. PIMCO may not invest in: caps and floors; preferred stock; emerging market securities; event-linked bonds and bank loans. *Concentration of Credit Risk* is not addressed in the investment policy; however, principal and rate of return are guaranteed for participants.

Variable Investments are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. The selection of offered mutual funds is designed to provide plan participants with the ability to diversify and meet their individual investment goals and strategies. The PERB, with the advice of the statutorily created Employee Investment Advisory Council and the assistance of an independent contracted third-party consultant and investment analyst, conducts an annual review of the offered mutual funds. The goal of the annual review is to ensure the offered mutual funds meet standards established in the Investment Policy Statement adopted by the PERB. The investment policy states that "Participants make individual investment decisions, subject to the investments offered under the plan and, ultimately, bear the risks and rewards of investment returns." In the annual review, each investment alternative is compared to its peers and the appropriate benchmark. In addition, each investment alternative is reviewed for other indicators including, but not limited to, style drift, duplication, fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. During the annual review, the PERB may decide to retain, replace or place in a watch status, any of the offered mutual funds. *Concentration of Credit Risk* is not addressed in the investment policy and investments in mutual funds are not required to be disclosed.

Investments are reported at fair value as of June 30, 2005. Available mutual funds are listed on pages 68 and 71 or a listing

can be obtained by contacting the MPERA.

B. LITIGATION

Each of the plans administered by the PERB may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management and legal counsel, the disposition of most of the matters will not have a material, adverse affect on any plan's financial position as a whole. The potential effects of the cases discussed below have not been determined.

A lawsuit, *Baumgardner v. PER Board* (Cause No. ADV-2002-450, First Judicial District), has been filed challenging the constitutionality of that portion of Chapter 149, L. of 2001 which, in the definition of "actuarial equivalent", substituted "the mortality table and interest rate assumptions adopted by the Board" for "the 1971 Group Annuity Mortality Table, with ages set back 4 years and an interest rate of 8% compounded annually". This amendment was effective March 29, 2001. Subsequent to the legislation, effective July 1, 2001, the Public Employees' Retirement Board adopted new actuarial assumptions, including new mortality tables, resulting in new actuarial equivalent option factors. The legal challenge is the use of these new actuarial equivalent option factors in determining the actuarial equivalent benefit payout when a single life benefit is converted to an alternate form of benefit payment. The plaintiff seeks recalculation of benefit payments and attorney's fees. The action was filed by a PERS member, but could affect other systems where members have the option to choose a benefit payment other than for the member's life only.

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Three constitutional claims have been made: 1) that the legislation contained more than one subject matter, not properly reflected in the title; 2) that the legislation was an unconstitutional delegation of legislative authority; and 3) that the legislation constituted an unconstitutional impairment of contract. The district court dismissed the first claim; found in favor of the plaintiff on the second claim; and has not ruled on the third claim. The district court's ruling on the second issue was reversed by the Montana Supreme Court (Cause No. 04-861) and the case has been returned to the district court on remittitur. Requested amendments allowing two additional claims (violation of equal protection and noncompliance with the Montana Administrative Procedure Act in the adoption of the new option factors) also have not been ruled on by the district court.

An adverse decision would have different actuarial consequences depending on the claim and the breadth of the court's holding. If the holding is only that the new mortality table is an unconstitutional impairment of contract, then use of the mortality table specified in statute prior to March 29, 2001 would probably have a minimal actuarial impact on the system.

Accurately assessing the chances of ultimately prevailing on the remaining claim and all possible amendments is very difficult due to the complexity of the issues presented and status of the case.

Bean, et al v. Montana and MPERA (Cause No. ADV-2004-707, First Judicial District) challenges the constitutionality of Chapter 290, L. of 2001 which allowed firefighters hired by the Montana Air National Guard on or after October 1, 2001

to join the Firefighters Unified Retirement System (FURS) rather than the Public Employees' Retirement System (PERS). Plaintiffs, hired before October 1, 2001, claim the law is a violation of equal protection and seek coverage under FURS. A counterclaim seeks proper FURS employee contributions from plaintiffs if they are determined to be covered by FURS. A motion for summary judgment has been filed by the state and MPERA. The chance of plaintiffs prevailing is remote. The actuarial impact on the PERS and FURS has not been determined, however, a material actuarial impact of an adverse decision is remote.

Hall v. State of Montana and the Public Employees' Retirement Board (Cause No. 05-124, Montana Supreme Court) is on appeal from a district court decision dismissing a FURS equal protection claim on a statute of limitation basis. A plaintiff's chance of prevailing on the statute of limitations issue is reasonably possible. However, any plaintiff's chance of prevailing on the equal protection claim is remote. Consequently, a material actuarial impact is remote.

Internal Revenue Service Voluntary Correction Program Filing (September 7, 2005). MPERA has identified an employer who has claimed as compensation the amounts paid for group insurance that were not paid by employees through a properly administered IRC Section 125 plan. This procedure was used for the employer's PERS, MPORS, and FURS contributions for a number of years. MPERA has identified other employers who may have recently made similar insurance payments and is investigating to determine if the payments were reported as compensation and if the employers have properly

administered Section 125 plans.

The compensation would be appropriately reportable if proper indicia were met, primarily if the premiums were paid through an appropriately established and administered IRC Section 125 plan and treated as compensation for all purposes. The identified employer is proposing a self-correction plan for its Section 125 plan, which, if acceptable to the IRS and applied to all affected employers, would settle the issue without unanticipated financial consequence to the pension funds. The Board has filed a Voluntary Correction Program Filing with the IRS, to seek approval of the Board's acceptance of the employer's self-correction plan. The precise actuarial consequences of contribution overpayment (if that is determined to have occurred), as offset by consequent unfunded liability, have not been calculated. The probability of a net material, adverse affect on any plan's financial position as a whole is remote.

C. DEBT OBLIGATIONS

The PERS defined contribution retirement plan has an implementation loan through the Department of Administra-

tion, with the BOI. Authorization for the INTERCAP loan was provided by the Legislature, Chapter 471, Laws of 1999. Five draws were taken in the total amount of \$1,498,000. Interest repayments began immediately following the draws. Principal repayments began August 15, 2003, the year following the DCRP implementation date. The loan was renegotiated as a single sum in fiscal year 2004 to be repaid over a period of 15 years. The interest rate is variable and changes every February, impacting the interest due on the outstanding principal balance. The financial statements report the long-term payable in Advances from Primary Government for the amount \$1,380,195. The additional \$10,000 is reported in Due to Primary Government as a current payable.

The PERS-DCRP previously reported an inter-entity loan in the amount of \$114,000 that was originated on August 18, 2003. The loan was paid off ahead of schedule in December 2004.

Debt service requirements (principal and interest) for the defined contribution plan are explained in this chart:

Schedule of Debt Repayment				
INTERCAP Loan				
Fiscal Year Ended	Rate*	Principal	Interest	Total
2006	3.80%	\$ 10,000	\$ 52,732	\$ 62,732
2007	3.80%	20,000	52,256	72,256
2008	3.80%	30,000	51,260	81,260
2009	3.80%	40,000	50,303	90,303
2010	3.80%	50,000	48,548	98,548
2011-2018	3.80%	1,240,195	244,566	1,484,761
		<u>\$ 1,390,195</u>		<u>\$ 1,889,860</u>

* Interest rate is variable. As of June 30, 2005 the interest rate was 3.8 %.

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D. PLAN MEMBERSHIP, DESCRIPTIONS AND CONTRIBUTION INFORMATION

The plans are established and amended statutorily by the Legislature. In all defined benefit plans (except VFCA), if a member leaves covered employment before retirement, the member contributions plus accrued interest may be refunded to the member. If a member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

Membership of each plan as of June 30, 2005 and June 30, 2004 is detailed in the following charts:

PERS-DBRP Membership				
	<u>2005</u>	<u>2004</u>		
Number of participating employers	530	526		
Active plan members	28,213	28,201	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	14,579 14,205
Vested	2,418	2,362	Disability Retirements	338 336
Non-vested	8,153	9,132	Survivor Benefits	303 293
	<u>10,571</u>	<u>11,494</u>		<u>15,220 14,834</u>

JRS Membership				
	<u>2005</u>	<u>2004</u>		
Number of participating employers	1	1		
Active plan members	50	50	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	47 48
Vested	4	4	Disability Retirements	- -
Non-vested	-	-	Survivor Benefits	2 2
	<u>4</u>	<u>4</u>		<u>49 50</u>

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HPORS Membership				
	<u>2005</u>	<u>2004</u>		<u>2005</u> <u>2004</u>
Number of participating employers	1	1		
Active plan members	201	194	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	258 258
Vested	10	8	Disability Retirements	8 7
Non-vested	9	11	Survivor Benefits	10 9
	<u>19</u>	<u>19</u>		<u>276</u> <u>274</u>

SRS Membership				
	<u>2005</u>	<u>2004</u>		<u>2005</u> <u>2004</u>
Number of participating employers	56	56		
Active plan members	680	662	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	291 275
Vested	42	41	Disability Retirements	34 34
Non-vested	81	73	Survivor Benefits	15 14
	<u>123</u>	<u>114</u>		<u>340</u> <u>323</u>

GWPORS Membership				
	<u>2005</u>	<u>2004</u>		<u>2005</u> <u>2004</u>
Number of participating employers	8	8		
Active plan members	711	685	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	91 82
Vested	22	18	Disability Retirements	- -
Non-vested	81	95	Survivor Benefits	3 3
	<u>103</u>	<u>113</u>		<u>94</u> <u>85</u>

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MPORS Membership					
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Number of participating employers	22	22			
Active plan members	605	603	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	532	531
Vested	26	20	Disability Retirements	15	13
Non-vested	35	38	Survivor Benefits	28	27
	<u>61</u>	<u>58</u>		<u>575</u>	<u>571</u>

FURS Membership					
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Number of participating employers	15	15			
Active plan members	444	438	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	477	468
Vested	13	10	Disability Retirements	3	5
Non-vested	50	48	Survivor Benefits	24	25
	<u>63</u>	<u>58</u>		<u>504</u>	<u>498</u>

VFCA Membership					
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Active plan members	2,754	2,687	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	959	940
Vested	687	671	Disability Retirements	-	-
			Survivor Benefits	7	4
				<u>966</u>	<u>944</u>

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PERS-DCRP Membership					
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Number of participating employers	230	229			
Active plan members	1136	915	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Benefit Payments	10	2
Vested	61	61	Disability Payments	-	-
Non-vested	93	57	Survivor Payments	3	-
	<u>154</u>	<u>118</u>		<u>13</u>	<u>2</u>

Deferred Compensation (457) Membership					
	<u>2005</u>	<u>2004</u>		<u>2005</u>	<u>2004</u>
Number of participating employers	10	9	Number of participating plan members	7,759	8,069
Number of participating employers that provide contributions on members' behalf	1	1	Number of participating plan members that are actively contributing to their deferred compensation accounts	5,281	5,316

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Public Employees' Retirement System-DBRP (PERS-DBRP)_____

Plan Description: The PERS-defined benefit retirement plan (DBRP) is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments and certain employees of the university system and school districts.

All new hires are initially members of the PERS-DBRP. New hires have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. The choice is irrevocable. All new hires of the universities also

have a third option to join the university system's Optional Retirement Program (ORP). For members that choose to join the PERS-DCRP or the ORP, a percentage of the employer contribution will be used to maintain the funding of the PERS-DBRP.

The PERS-DBRP provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

PERS-DBRP Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Eligible for benefit

Service retirement:

- 30 years of membership service, any age;
- Age 60, 5 years of membership service; or
- Age 65, regardless of service

Early retirement, actuarially reduced:

- Age 50, 5 years of membership service; or
- Any age, 25 years of membership service

Vesting 5 years of membership service

Monthly benefit formula

Less than 25 years of membership service: 1.785% of HAC per year of service credit;
25 years of membership service or more: 2% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of other adjustments to the member's benefit

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At June 30, 2005 PERS had 530 participating employers, an increase of 4 from FY2004. The participating employers consist of:

PERS-DBRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies	35	35
Counties	55	55
Cities and Towns	95	94
Colleges and Universities	5	5
School Districts	238	237
High Schools	5	5
Other Agencies	<u>97</u>	<u>95</u>
Total	530	526

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2005 was 6.9% of PERS-covered payroll, the same as in fiscal year 2004. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a request for retirement or refund is processed. Each state agency and university system employer contributed 6.9% of PERS-covered payroll during fiscal years 2005 and 2004. Participating local governments and school district employers contributed 6.8% of PERS-covered payroll during fiscal years 2005 and 2004. The State contributed the remaining 0.1% for local governments and school district employers from the state general fund in fiscal years 2005 and 2004. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page 75).

Plan Membership Elections: MPERA has also included in the financial statements transfers of \$914,000 to Transfers to DCRP and \$159,000 to Transfers to ORP. These transfers reflect the DCRP and ORP contributions of participants that filed elections at or near the June 30th cutoff date but the contributions were moved in early fiscal year 2006.

PERS-DBRP Membership by Employer Type		
<u>Employer Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies	10,549	10,528
Counties	5,526	5,470
Cities	3,002	3,012
Universities	2,642	2,561
High Schools	56	60
School Districts	5,312	5,404
Other Agencies	<u>1,126</u>	<u>1,166</u>
Total	28,213	28,201

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and university system employees, who are eligible

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for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of “1-for-5” additional service. As of fiscal year 2005, 323 employees had taken advantage of this provision since its inception, up from 308 in fiscal year 2004. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. The retirement incentive contributions received (including interest) during fiscal years 2005 and 2004 totaled \$154,058 and \$419,789, respectively. The outstanding balance at June 30, 2005, totaled \$68,549.

Public Employees’ Retirement System-DBRP Education Fund: Education is provided to all members of the PERS regardless of plan choice as governed by section 19-3-112, MCA. The education must be presented with impartial and balanced information about plan choices, investments and retirement planning. The education program consists of three primary components:

1) initial transfer education - complete as of July 1, 2003;

2) ongoing transfer education - for new hire members after the July 1, 2002 plan start date; and

3) ongoing investment/retirement planning education - for all active members.

The education program was funded by 0.04% of PERS-covered payroll in fiscal year 2005 the same as fiscal year 2004.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2005, an additional funding rate of 1.58% of payroll would be required to fund the current and projected benefits from the DB plan in accordance with GASB standards and state law.

Judges’ Retirement System (JRS)

Plan Description: The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5 of the MCA. This system provides benefits for all Montana judges of the district courts, justices of the Supreme Court, and the Chief Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibil-

ity, years of service and compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits is on the following page:

JRS Summary of Benefits

Member's current salary¹ or highest average compensation (HAC)²

¹Hired prior to July 1, 1997 and non-GABA — monthly compensation at time of retirement;

²Hired after June 30, 1997 or electing GABA — HAC during any consecutive 36 months

Eligibility for benefit

Age 60, 5 years of membership service;

Any age with 5 years of membership service - involuntary termination, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula

3 1/3% of current salary¹ (non-GABA) OR HAC² (GABA) per year of service credit for the first 15 years, plus 1.785% per year for each year after 15 years

Guaranteed Annual Benefit Adjustment (GABA)

Hired after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

Minimum benefit adjustment (non-GABA)

Hired prior to July 1, 1997 - current salary is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges.

At June 30, 2005 JRS had one participating employer, the same as FY2004. The participating employer consists of:

JRS EMPLOYERS		
<u>Employer</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agency - Supreme Court	<u>1</u>	<u>1</u>
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2005 and 2004 was 7.0% of the member's monthly compensation. Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. As

the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan during fiscal years 2005 and 2004. (Reference Schedule of Contribution Rates on page 75).

JRS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GABA	25	15
Non-GABA	25	35
Total	50	50

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Highway Patrol Officers' Retirement System (HPORS)

Plan Description: The HPORS is a single-employer, defined benefit plan established July 1, 1971, and governed by Title 19, chapters 2 & 6 of the MCA. This system provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the

Legislature. The HPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

HPORS Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Eligibility for benefit

20 years of membership service, regardless of age;

Early Retirement

5 years of membership service, actuarially reduced from age 60

Vesting 5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)

Hired after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

Minimum benefit adjustment (non-GABA)

Hired prior to July 1, 1997 - monthly benefits for non-GABA members are increased each July when they fall below a statutorily guaranteed minimum. Any annual increase is limited to 5% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

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At June 30, 2005 HPORS had one participating employer, the same as FY2004. The participating employer consists of:

HPORS EMPLOYERS		
<u>Employer</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agency - Dept. of Justice	<u>1</u>	<u>1</u>
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rates for fiscal years 2005 and 2004 are 9.05% of the member's total compensation if hired after June 30, 1997 or for members electing GABA and 9.0% for those members hired prior to July 1, 1997 and not electing GABA (All members hired prior to July 1, 1997 have elected the GABA). Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. As the employer, the State contributed 36.33% of the total HPORS-covered payroll during fiscal years 2005 and 2004. The first 26.15% is payable from the same source used to pay members' compensation. The remaining amount, equal to 10.18%, is payable from a portion of the fees collected from drivers' license and duplicate drivers' license applications. (Reference Schedule of Contribution Rates on page 75).

HPORS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GABA	201	194
Non-GABA	<u>0</u>	<u>0</u>
Total	201	194

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and university system employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Supplemental Benefit: Montana highway patrol officers retired prior to July 1, 1991, or their survivors, may be eligible for an annual supplemental lump-sum payment distributed each September. A portion of each motor vehicle registration fee funds this supplemental benefit. Many factors must be considered for eligibility, including the number of years the recipient has received a benefit and the recipient's age. The average annual supplemental payment in September 2005 was \$2,369. In September 2004, the average annual supplemental payment was \$2,310. This enhancement is available to non-GABA recipients only.

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Sheriffs' Retirement System (SRS)

Plan Description: The SRS is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal investigators hired after July 1, 1993, and to all Montana sheriffs. Benefits are established by state law and can only be

amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

SRS Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Eligibility for benefit

20 years of membership service, regardless of age;

Early Retirement

Age 50, 5 years of membership service, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

At June 30, 2005 SRS had 56 participating employers, the same as FY2004. The participating employers consist of:

SRS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies - Dept. of Justice	1	1
Counties	<u>55</u>	<u>55</u>
Total	56	56

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2005 and 2004 was 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Each employer contributed 9.535% of total SRS-covered payroll to the retirement plan during fiscal years 2005 and 2004. (Reference Schedule of Contribution Rates on page 75).

SRS Membership by Employer Type		
Employer Type	June 30, 2005	June 30, 2004
Dept of Justice	40	37
Counties	640	625
Total	680	662

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-

5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. As of fiscal year 2005, three employees have taken advantage of this provision since it's inception, the same as in fiscal year 2004. The retirement incentive contributions received (including interest) during fiscal years 2005 and 2004 totaled \$0 and \$4,180, respectively. The outstanding balance at June 30, 2005, totaled \$0.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2005, an additional funding rate of 2.69% of payroll would be sufficient to fund the current and projected benefits from the plan in accordance with GASB standards and state law.

Game Wardens' and Peace Officers' Retirement System (GWPORS)__

Plan Description: The GWPORS is a multiple-employer, cost-sharing defined benefit plan established in 1963 and is governed by Title 19, chapters 2 & 8, MCA. This system provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The

GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits is on the following page:

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GWPORS Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Eligibility for benefit

Age 50, 20 years of membership service;

Early Retirement

Age 55, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula

2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

At June 30, 2005 GWPORS had eight participating employers, the same as FY2004. The participating employers consist of:

GWPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies	5	5
Colleges and Universities	<u>3</u>	<u>3</u>
Total	8	8

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2005 and 2004 was 10.56% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Each state agency and university employer contributed 9.0% of total GWPORS-covered payroll

to the retirement plan during fiscal years 2005 and 2004. (Reference Schedule of Contribution Rates on page 75).

GWPORS Membership by Employer		
<u>Employer</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Dept of Corrections	496	471
Dept FW&P	94	94
Dept of Justice	5	6
Dept of Livestock	28	30
Dept of Trans.	61	58
Universities	<u>27</u>	<u>26</u>
Total	711	685

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and university system employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of “1-for-5” additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it

is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2005, an additional funding rate of 0.26% of payroll is required to fund the current and projected benefits from the plan in accordance with GASB standards and state law.

Municipal Police Officers’ Retirement System (MPORS)

Plan Description: The MPORS is a multiple employer, cost-sharing defined benefit retirement plan established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability and

death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits follows:

MPORS Summary of Benefits

Member’s final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;

Hired after June 30, 1977 - average monthly compensation for last consecutive 36 months

Eligibility for benefit

20 years of membership service, regardless of age;

Early Retirement

Age 50, 5 years of membership service

Vesting 5 years of membership service

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Monthly benefit formula

2.5% of FAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.

At June 30, 2005 MPORS had 22 participating employers, the same as in FY2004. The participating employers consist of:

MPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Cities and Towns	<u>22</u>	<u>22</u>
Total	22	22

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. Member contribution rates are dependent upon date of hire as a police officer. For fiscal years 2005 and 2004, member contributions as a percentage of salary were 5.8% (if employed on or before June 30, 1975); 7.0% (if employed after June 30, 1975 and prior to July 1, 1979); 8.5% (if employed after June 30, 1979 and prior to July 1, 1997); and, 9.0% (if employed on or after July 1, 1997 and for members electing GABA). Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Employer contributions to the retirement plan are 14.41% of total MPORS-covered payroll. The State contributions are requested at the beginning of the fiscal year based on the previous fiscal year compensa-

tion and are due no later than November 1. The State's contribution rate for 2005 and 2004 was 29.37%. (Reference Schedule of Contribution Rates on page 75).

MPORS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GABA	593	591
Non-GABA	<u>12</u>	<u>12</u>
Total	605	603

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 9, part 12, MCA. An eligible member must have completed at least twenty years of membership service. They may elect to participate in the DROP for a minimum of one month and a maximum of

60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the DROP account until the end of the DROP participation period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends they will again accrue membership service

DROP Participation		
	6/30/2005	6/30/2004
Participants Beginning of Year	32	27
Participants Added	9	7
Completed DROP	6	2
Participants End of Year	35	32
DROP Distributions	\$510,348	\$17,663

and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2005, 43 members have participated in the DROP.

Firefighters' Unified Retirement System (FURS)

Plan Description: The FURS is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities and other cities that adopt the plan and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits

are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

FURS Summary of Benefits

Member's compensation

Hired prior to July 1, 1981 and not electing GABA – final monthly compensation (FMC);
Hired after June 30, 1981 and those electing GABA - final average compensation (FAC) for last consecutive 36 months

Eligibility for benefit

20 years of membership service, regardless of age;

Early Retirement

Age 50, 5 years of membership service

Vesting 5 years of membership service

FINANCIAL SECTION

Monthly benefit formula

Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:

2.5% of FAC per year of service, OR

i) if less than 20 years of service,

2% of FMC for each year of service

ii) if more than 20 years of service,

50% of the member's FMC plus 2% of the member's FMC for each year of service over 20 years

Members hired after June 30, 1981 and those electing GABA:

2.5% of FAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least ten years of service credit).

At June 30, 2005 FURS had 15 participating employers, the same as FY2004. The participating employers consist of:

FURS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies - Dept. of Military Affairs	1	1
Cities and Towns	<u>14</u>	<u>14</u>
Total	15	15

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rates for fiscal years 2005 and 2004 are 9.5% for members hired prior to July 1, 1997, and 10.7% for members hired after June 30, 1997 and members electing GABA coverage. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Employer contribution rates for fiscal years 2005 and 2004 were 14.36% of the total

FURS-covered payroll. The State contribution was 32.61% of total compensation for all covered firefighters in fiscal years 2005 and 2004. State contributions are requested at the beginning of each fiscal year based on previous fiscal year salary and are due no later than November 1. (Reference Schedule of Contribution Rates on page 75).

FURS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
GABA	436	429
Non-GABA	<u>8</u>	<u>9</u>
Total	444	438

Volunteer Firefighters' Compensation Act (VFCA)

Plan Description: The VFCA is a state-wide retirement and disability plan. This compensation plan was established in 1965 and is governed by Title 19, chapters 2 & 17, MCA. All members are unpaid volunteers and the State of Montana is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability and survivorship benefits for all volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages under the laws of the State of Montana. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited membership service. VFCA also

provides limited benefits for injuries incurred in the line of duty.

A member can obtain greater than 20 years of service (without being age 55) and when the member retires, a benefit can be drawn on the increased years of service. The maximum years of service allowed is 30 years. For each additional year of service the member's monthly benefit is increased by \$7.50.

A member that chooses to retire and draw a pension benefit may return to service with the volunteer fire department without loss of benefits. A returning member may not be considered an active member. A brief summary of eligibility and benefits follows:

VFCA Summary of Benefits

Eligibility for benefit

Age 55, 20 years of service credit;

Age 60, 10 years of service credit

Additional Benefit

After April 25, 2005, members that have greater than 20 years of service credit (with a maximum of 30 years) may receive additional benefits (maximum benefit \$225).

Vesting 10 years of service credit

Monthly benefit formula

\$7.50 per year of service credit, maximum \$150

If greater than 20 years of service credit (but not more than 30 years), maximum \$225

Contributions: The State is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. The State Auditor makes annual payments from the general fund to the Volunteer Firefighters' Pension Fund from fire insurance premiums. (Reference Schedule of Contribution Rates on page 75).

Group Insurance Payments: Supplemental payments are available to qualified volunteer fire companies that provide additional group medical insurance for their members in case of death or injury incurred while in the line of duty. The payment is made to the volunteer fire companies and is equal to \$75 per year for each mobile firefighting unit owned by the volunteer fire company, up to a maximum of two units.

FINANCIAL SECTION

Public Employees' Retirement System-DCRP (PERS-DCRP)

Plan Description: The defined contribution retirement plan (DCRP) is a multiple employer plan established July 1, 2002 and governed by Title 19, chapters 2 & 3, MCA. This plan covers eligible employees of the State, university system, local government and certain employees of the school districts that elect the defined contribution retirement plan. All new hires, initially, are members of the PERS-DBRP. New hires have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the PERS-DBRP. The choice is irrevocable. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. The PERS-DCRP provides retirement, disability and death benefits to plan members and their beneficiaries. Contribution rates can only be amended by the Legislature. Benefits are based on eligibility and account balance.

The PERB has received a long-term INTERCAP loan from the Montana Board of Investments through the Montana Department of Administration to fund the plan start-up/implementation costs. Authorization for the loan was provided by the Legislature, Chapter 471, Laws of 1999. As of June 30, 2004, all of the draws have been combined into one loan and the maturity date extended to February 2018. The loan is discussed in Note C of the Financial Section.

The investment options offered within the PERS-DCRP are selected by the PERB with the assistance of the statutorily created Employee Investment Advisory Council and with the advice of a third-party investment analyst. Members of the DCRP decide how to invest their contributions and a portion of their employer's contributions among the of-

fered investment options. The remaining portion of employer's contributions is used to maintain funding of the defined benefit plan, to provide disability benefits and to fund an employee education program. Members are able to invest in any number of the offered investment options and transfer between options. The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options cover all standard asset classes and categories and range from aggressive to conservative. The investment options as of June 30, 2005 are as follows:

PERS-DCRP Investment Options

International Stock Funds

American Funds New Perspective
SSGA International Growth Opportunities
Oakmark International
Barclay's Global Equity Index

Small Company Stock Funds

Brown Capital Small Co Instl
Vanguard Small Cap Index Adm
Hotchkis & Wiley Small Cap Value

Mid-Sized Company Stock Funds

Artisan Mid Cap
Janus Mid Cap Value Investors

Large Company Stock Funds

American Funds Growth Fund A
Vanguard Equity-Income Adm
Vanguard Growth & Income Adm

Balanced Funds

Vanguard Balanced Index

Bond Funds

Vanguard Total Bond Market Index

Fixed Investment Options

DCRP Fixed Fund

Mutual fund administrative costs are not presented on the financial statements. Mutual fund earnings are generally declared net of expenses in accordance with the Securities Exchange Commission and other regulatory authorities. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports.

The fixed investment option requires the services of two external providers who were selected through the State's competitive bidding process. The external providers are: Aegon and Pacific Investment Management Company (PIMCO). Aegon provides a guarantee of principal for the fixed assets and sets a quarterly rate of return based upon the investment manager's portfolio yield and duration. PIMCO, the investment manager, directs the investment of fixed assets. Fixed assets are invested in the mutual market in accordance with established guidelines for credit quality, duration and issue concentration.

Fees on the fixed investments are charged by each of the providers. The fees are defined per each contract for specific services rendered. The record keeper, Great West, charges a fixed administrative fee for all plan participants plus a basis point (or percent) fee based on account balances. On a quarterly basis, the contracted record keeper withholds the fees from each plan participant's account. The basis point fees withheld are submitted to the PERB to pay administrative expenses. These amounts are recorded as *Miscellaneous Revenue* in the financial statements.

Administrative expenses and the revenues that fund them are accounted for within the plan. For the PERS-DCRP, the fixed investment is invested in a PIMCO mutual fund and all fees for investment expense are netted from the mutual fund earnings; therefore, the fees are not presented on our financial statements. The fees charged by Great West and Aegon are classified as *Miscellaneous Expense*.

A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit

Termination of service

Vesting

Immediate for member's contributions and attributable income;
5 years for employer's contributions and attributable income

Benefit

Dependent upon individual account balance;
IRS permitted rollovers are also possible

FINANCIAL SECTION

At June 30, 2005 PERS-DCRP had 230 reporting employers, one more than in FY2004. The participating employers consist of:

PERS-DCRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies	27	28
Counties	46	44
Cities and Towns	40	37
Universities	5	5
School Districts	79	88
Other Agencies	<u>33</u>	<u>27</u>
Total	230	229

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2005 was 6.9% of PERS-covered payroll, the same as in fiscal year 2004. Contributions are deducted from each member's salary and remitted by participating employers. The entire amount of the member's contribution is credited to the member's retirement account. An individual account is maintained by the third-party record keeper. Each state agency and university system employer contributed 6.9% of PERS-covered payroll during fiscal years 2005 and 2004. Participating local governments and school district employers contribute 6.8% of PERS-covered payroll during fiscal years 2005 and 2004. The State contributes the remaining 0.1% for local governments and school employers from the state general fund in fiscal years 2005 and 2004. The employer rate of 6.9% is allocated as follows: 4.19% allocated to the member's retirement account, 2.37% allocated to the defined benefit plan choice rate, 0.04% allocated to defined contribution education fund and 0.3% allocated to the long-term disability plan. (Reference Schedule of Contribution Rates on page 75).

Plan Membership Elections: Included in the financial statements are employer contribution transfers of \$10,000 and member contribution transfers of \$16,000. These transfers reflect the contribution transfers of DCRP participants that filed elections at or near the June 30th cutoff date but the contributions were moved in early fiscal year 2006.

PERS-DCRP Membership by Employer Type		
<u>Employer Type</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State Agencies	467	345
Counties	230	193
Cities	156	130
Universities	44	39
High Schools	0	1
School Districts	158	144
Other Agencies	<u>81</u>	<u>63</u>
Total	1,136	915

DCRP Education Fund: Implemented July 1, 2002, the DCRP Education Fund (DCEd), as governed by section 19-3-112, MCA, provides education to the members that have joined the PERS-DCRP. The DCEd is funded by 0.04% of the employers' contributions.

DCRP Disability Fund: Implemented July 1, 2002, the DCRP Disability Fund (DC Disability), as governed by section 19-3-2117, MCA, will provide disability benefits to eligi-

ble members of the PERS-DCRP. The DC Disability is funded by 0.3% of the employees' contribution.

Deferred Compensation Plan (457)

Plan Description: The deferred compensation (457) plan is a voluntary supplemental retirement savings plan established in 1976. The deferred compensation plan is governed by Title 19, chapter 50, MCA, in accordance with Internal Revenue Service Code (IRC) §457. All employees of the State, the Montana University System and contracting political subdivisions, are eligible to participate.

Assets of the deferred compensation plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Great West is the third-party record keeper for the deferred compensation plan. Participants elect to defer a portion of their salary, within Internal Revenue Code limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

Plan participants direct their deferred salary into investment options offered within the plan. The investment options offered are selected by the PERB with the assistance of the statutorily-created Employee Investment Advisory Council and with the advice of a third-party investment analyst. Plan participants may invest in as many of the offered investment options as desired. The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options

include mutual funds and profile funds. All options range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The profile funds are preset funds that invest in underlying mutual funds to achieve a set objective such as time horizon or investment style. The investment options as of June 30, 2005 are as follows:

Deferred Compensation (457) Plan Investment Options

International Stock Funds

Artisan International
Mutual Discovery Z
Templeton Foreign A
American Funds New Perspective

Small Company Stock Funds

Neuberger Berman Genesis
RS Diversified Growth

Mid-Sized Company Stock Funds

Artisan Mid Cap Investors
Hotchkis & Wiley Mid-cap Value

Large Company Stock Funds

Davis NY Venture A
Fidelity Contrafund
TCW Galileo Select Equities N
Vanguard 500 Index
Calvert Social Investors

Balanced Funds

Dodge & Cox Balanced

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Bond Funds

Columbia High-Yield
PIMCO Total Return Admin

Fixed Investment Options

Montana Fixed Fund

Profile Funds

Aggressive
Moderately Aggressive
Moderate
Moderately Conservative
Conservative

Mutual fund administrative costs are not presented on the financial statements. Mutual fund earnings are generally declared net of expenses in accordance with the Securities Exchange Commission and other regulatory authorities. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports.

The fixed investment option guarantees both principal (the deferred salary) and a quarterly rate of return. The fixed investment option requires the services of three external providers who were selected through the State's competitive bidding process. The external providers are: Aegon, Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC). Aegon provides a guarantee of principal and sets a quarterly rate of return based upon the investment manager's portfolio yield and duration. PIMCO, the investment manager, directs the investment of fixed assets. Fixed assets are invested in the bond market in accordance with established guidelines for credit quality, duration and issue concentration. SSKC is PIMCO's custodial bank and holder of the fixed assets. SSKC exchanges the assets as directed by PIMCO.

In addition to the above investment options, plan participants previously had the option to direct a portion of their deferrals to a term life insurance policy provided through Allianz Life Insurance. The ability to invest in life insurance is allowed under the IRC and was offered to plan participants prior to life insurance being offered as a standard component of health insurance benefit packages. This investment option has been discontinued; however, plan participants who had previously or originally elected this option may continue.

Fees on the fixed investments are charged by each of the three providers. The fees are defined per each contract for specific services rendered. The record keeper, Great West, charges a fixed administrative fee for all plan participants. The fixed record-keeping fee, by contract, is a flat dollar amount. On a quarterly basis, the contracted record keeper withholds the basis point fee from each plan participant's account. The basis point fees collected are reconciled to the contractual flat dollar amount and any fees withheld in excess of the contractual flat dollar fee are submitted to the PERB. Also submitted to the PERB are 12(b)(1) or re-allotment fees from certain mutual fund companies. These fees are normally charged by the mutual funds for the purpose of individual record keeping. Because the mutual fund companies involved in the deferred compensation plan do not need to keep records of participants' accounts, the fees are returned to the PERB. The PERB uses the excess and 12(b)(1) fees to pay administrative expenses associated with the deferred compensation plan. These amounts are recorded as *Miscellaneous Revenue*.

Administrative expenses and the revenues that fund them are accounted for within the plan. The fees charged by PIMCO and SSKC for the externally managed fixed investments are classified as *Investment Expense*. The fees

charged by Great West and Aegon are classified as *Miscellaneous Expense*. A brief summary of eligibility and benefits follows:

mary of eligibility and benefits follows:

Deferred Compensation Plan Summary

Contribution

Voluntary, tax-deferred

Eligibility for Benefit

Not available to participant until separation from service; retirement; death; or upon an unforeseeable emergency, while still employed, provided IRS-specified criteria are met

Vesting

Participants are fully vested in their accounts at the time of deposit

Benefit

Lump sum or periodic benefit payment, at the option of the participant. Based on individual account balances and plan provisions. IRS permitted rollovers are also possible.

At June 30, 2005 the deferred compensation plan had ten participating employers, an increase of one from FY2004. The participating employers consist of:

DEFERRED COMPENSATION EMPLOYERS		
<u>Employers</u>	<u>June 30, 2005</u>	<u>June 30, 2004</u>
State of Montana *	1	1
Colleges and Universities	6	6
School Districts	1	0
Other	<u>2</u>	<u>2</u>
Total	10	9
*The State of Montana includes 35 agencies; however, due to the nature of the reporting for the 457 plan we are unable to specifically determine which agencies participate.		

Contributions: The deferred compensation plan is a voluntary, tax-deferred retirement plan designed to supplement retirement, Social Security and other retirement plans and savings. Participants designate the amount to contribute within IRC limitations. The deferred salary is withheld through payroll deduction prior to federal and state taxes. Social Security and Medicare taxes are withheld on the deferred

salary. The contributions are either directed to the fixed investment or to any number of the available variable investments. The money designated as fixed is invested by PIMCO. The money designated as variable is remitted to the third-party record keeper who in turn invests the contributions in selected investments as directed by the participant.

FINANCIAL SECTION

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FINANCIAL SECTION

FY 2005 Schedule of Contribution Rates			
System	Member	Employer	State
PERS-DBRP	6.9% [19-3-315, MCA]	6.9% State & University 6.8% Local Governments [19-3-316, MCA]	0.1% of local government payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP	6.9% [19-3-315, MCA]	6.9% State & University 6.8% Local Governments [19-3-316, MCA]	0.1% of local government payroll – paid from the General Fund [19-3-319, MCA]
JRS	7.0% [19-5-402, MCA]	25.81% [19-5-404, MCA]	
HPORS	9.0% - hired prior to 7-01-97 & not electing GABA 9.05% - hired after 6-30-97 & members electing GABA [19-6-402, MCA]	26.15% [19-6-404(1), MCA] 10.18% of salaries – paid from drivers' license fees [19-6-404(2), MCA]	
SRS	9.245% [19-7-403, MCA]	9.535% [19-7-404, MCA]	
GWPORS	10.56% [19-8-502, MCA]	9.0% [19-8-504, MCA]	
MPORS	5.8% - hired on or before 6-30-75 & not electing GABA [19-9-710(a), MCA] 7.0% - hired after 6-30-75 & prior to 7-1-79 & not electing GABA [19-9-710(b), MCA] 8.5% - hired after 6-30-79 and prior to 7-1-97 & not electing GABA [19-9-710(c), MCA] 9.0% - hired after 6-30-97 & members electing GABA [19-9-710(d), MCA]	14.41% [19-9-703, MCA]	29.37% of salaries – paid from the General Fund [19-9-702, MCA]
FURS	9.5% - hired prior to 7-01-97 & not electing GABA [19-13-601(2)(a), MCA] 10.7% - hired after 06-30-97 & members electing GABA [19-13-601(2)(b), MCA]	14.36% [19-13-605, MCA]	32.61% of salaries – paid from the General Fund [19-13-604, MCA]
VFCA			5.0% of fire insurance premiums, paid from the General Fund [19-17-301, MCA]

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	06/30/00	\$ 2,843,347	\$ 2,273,407	\$ (569,940)	125.07%	\$ 725,692	-78.54%
	06/30/02	3,076,781	3,077,764	983	99.97	808,747	0.12
	06/30/04	3,047,287	3,514,085	466,798	86.72	832,847	56.05
	06/30/05	3,179,010	3,719,998	540,988	85.46	847,431	63.84
JRS	06/30/00	42,043	27,365	(14,678)	153.64	3,483	-421.42
	06/30/02	44,963	30,882	(14,081)	145.60	4,000	-352.03
	06/30/04	45,134	34,724	(10,410)	129.98	4,403	-236.43
	06/30/05	47,552	34,525	(13,027)	137.73	4,462	-291.95
HPORS	06/30/00	77,810	76,397	(1,413)	101.85	6,952	-20.33
	06/30/02	81,734	94,850	13,116	86.17	7,536	174.04
	06/30/04	79,104	104,069	24,965	76.01	7,844	318.27
	06/30/05	82,050	112,938	30,888	72.65	9,104	339.28
SRS	06/30/00	126,338	87,836	(38,502)	143.83	21,559	-178.59
	06/30/02	138,590	121,625	(16,965)	113.95	24,521	-69.19
	06/30/04	141,022	148,608	7,586	94.90	27,373	27.71
	06/30/05	148,458	159,347	10,889	93.17	28,423	38.31

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage percentage, the stronger the plan. Trends in the unfunded actuarial accrued liability and annual covered covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress stronger the plan.

¹Refer to the "Notes to the Required Supplementary Information" for the Actuarial Asset Valuation Method (Page 80).

²This schedule reflects a subsequent letter from Milliman, MPERA's actuary, dated January 20, 2003. If the actual rates of termination were used for the corrections officers that transferred into the GWPORS the Funded Status of the system would have been a slight Actuarial Surplus rather than a slight Unfunded Actuarial Liability.

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System	Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GWPORS	06/30/00	\$ 32,966	\$ 23,922	\$ (9,044)	137.81%	11,875	-76.16%
	06/30/02 ²	38,730	38,340	(390)	101.02	17,151	-2.27
	06/30/04	45,210	50,310	5,100	89.86	21,442	23.79
	06/30/05	50,961	56,414	5,453	90.33	22,496	24.24
MPORS	06/30/00	129,826	181,109	51,283	71.68	20,252	253.22
	06/30/02	143,516	226,827	83,311	63.27	22,229	374.79
	06/30/04	149,510	260,094	110,584	57.48	24,531	450.79
	06/30/05	159,417	276,379	116,962	57.68	26,198	446.45
FURS	06/30/00	123,492	162,329	38,837	76.08	16,549	234.68
	06/30/02	136,392	197,946	61,554	68.90	17,953	342.86
	06/30/04	142,109	227,599	85,490	62.44	20,248	422.21
	06/30/05	151,393	238,157	86,764	63.57	20,474	423.78
VFCA	06/30/00	17,769	16,752	(1,017)	106.07	N/A	N/A
	06/30/02	19,254	26,808	7,554	71.82	N/A	N/A
	06/30/04	20,058	28,680	8,622	69.94	N/A	N/A
	06/30/05	21,311	30,773	9,462	69.25	N/A	N/A

Covered payroll is not applicable to VFCA because members are unpaid volunteers.

liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer Contributions & Other Contributing Entities

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate ¹	Percentage Contributed	Annual Required State Contribution ²	Percentage Contributed
PERS-DBRP	2000	\$ 27,503,741	3.79%	177.16%	\$ 347,560	100.00%
	2001	29,238,994	3.79	181.98	382,481	100.00
	2002	55,803,545	6.90	99.54	373,721	100.00
	2003	58,573,696	6.90	98.16	388,954	100.00
	2004	67,044,215	8.05	86.20	402,566	100.00
	2005	71,523,156	8.44	82.06	420,658	100.00
JRS	2000	608,195	17.46	147.82		
	2001	638,282	17.46	147.82		
	2002	801,137	20.03	128.86		
	2003	816,691	20.03	128.86		
	2004	304,277	6.91	373.52		
	2005	143,222	3.21	811.43		
HPORS	2000	602,731	8.67	424.30	279,577	100.00%
	2001	637,399	8.67	414.48	335,107	100.00
	2002	2,737,999	36.33	101.16	308,973	100.00
	2003	2,836,992	36.33	101.02	353,589	100.00
	2004	2,849,545	36.33	100.32	348,137	100.00
	2005	3,307,439	36.33	100.50	668,748	100.00
SRS	2000	1,592,161	7.39	137.95		
	2001	1,672,537	7.39	133.17		
	2002	2,338,104	9.54	102.10		
	2003	2,435,269	9.54	102.70		
	2004	3,198,485	11.69	84.57		
	2005	3,474,750	12.23	80.95		

Refer to the "Notes to the Required Supplementary Information" (Page 80).

This schedule was revised in FY2005 to reflect the actuarially calculated ARC rather than the statutory rate that was previously used.

¹ The Annual Required Contribution for FY01 and FY03 is based on prior year-end actuarial study.

² The Annual Required Contribution for HPORS includes the required registration fees and for MPORS and FURS is based on covered payroll, which includes payroll adjustments.

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System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate	Percentage Contributed	Annual Required State Contribution ²	Percentage Contributed
GWPORS	2000	\$ 642,434	5.41%	171.22%		
	2001	805,073	5.41	169.66		
	2002	1,759,644	10.26	90.64		
	2003	2,055,590	10.26	89.28		
	2004	1,979,117	9.23	102.12		
	2005	2,083,154	9.26	98.58		
MPORS	2000	2,918,274	14.41	100.57	\$ 5,947,932	99.35%
	2001	3,011,475	14.41	100.12	6,137,893	100.16
	2002	3,203,173	14.41	102.15	6,528,604	100.02
	2003	3,355,991	14.41	104.89	6,840,073	99.39
	2004	3,534,920	14.41	102.68	7,204,760	100.05
	2005	3,775,191	14.41	100.41	7,694,474	100.14
FURS	2000	2,376,392	14.36	97.86	5,396,528	97.80
	2001	2,401,328	14.36	98.81	5,453,155	98.45
	2002	2,578,021	14.36	97.80	5,854,406	98.46
	2003	2,672,133	14.36	106.04	6,068,123	98.98
	2004	2,876,584	14.36	100.09	6,532,410	100.00
	2005	2,940,092	14.36	100.65	6,676,629	100.63
VFCA	2000				961,306	100.00
	2001				1,002,992	100.00
	2002				1,133,741	100.00
	2003				1,310,088	100.00
	2004				1,434,068	100.00
	2005				1,527,264	100.00

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of latest actuarial valuation follows:

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2005	June 30, 2005	June 30, 2005
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability	does not amortize ¹		21.1
Unfunded Credit ²		30	
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
<i>Actuarial assumptions:</i>			
Investment rate of return compounded annually	8%	8%	8%
Projected salary increases			
General Wage Growth*	4.25%	4.25%	4.25%
Merit	0% - 6%	None	0% - 7.3%
* includes inflation rate at	3.25%	3.25%	3.25%
Benefit Adjustments			
GABA	3% after 1 yr	3% after 1 yr	3% after 1 yr
Non-GABA	N/A	Annual increase to salary of active member in like position	2% per yr service for newly confirmed officer

¹ The amortization period for the unfunded actuarial liability in the PERS, SRS and GWPORS exceeds 40 years. Based on actuarial assumptions as of June 30, 2005, additional funding is required at a rate of 1.58% for PERS, 2.69% for SRS and 0.26% for GWPORS. The PERB anticipates legislation to be enacted within fiscal year 2006 to actuarially fund the systems.

² Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs.

FINANCIAL SECTION

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2005 Entry Age	June 30, 2005 Entry Age	June 30, 2005 Entry Age	June 30, 2005 Entry Age	June 30, 2005 Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of revenue, open
does not amortize ¹	does not amortize ¹	23.9	17.6	20
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
8%	8%	8%	8%	8%
4.25%	4.25%	4.25%	4.25%	N/A
0% - 7.3%	0% - 7.3%	0% - 7.3%	0% - 7.3%	N/A
3.25%	3.25%	3.25%	3.25%	N/A
3% after 1 yr	3% after 1 yr	3% after 1 yr	3% after 1 yr	N/A
N/A	N/A	50% newly confirmed officer	50% newly confirmed officer	N/A

FINANCIAL SECTION

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Administrative Expenses

Year Ended June 30, 2005

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation 457 Plan
Personal Services				
Salaries	\$ 1,022,675	\$ 66,681	\$ 86,767	\$ 91,643
Board Members' Per Diem	5,546		527	527
Employee Benefits	301,671	17,921	25,451	24,966
Total Personal Services	1,329,892	84,602	112,745	117,136
Other Services				
Consulting Services	291,180	129	23,177	84,717
Legal Fees and Court Costs	37,640		29	29
Payroll Fees	871	34	77	65
Audit Fees	13,839		442	442
Medical Services	20,921			
Microfilming				
Records Storage	10,617	27	10	8
Pre-Retirement Seminars		2,000		
Computer Processing	254,797	1,172	6,408	2,513
Printing and Photocopy Charges	26,287	10,908	1,097	3,437
Warrant Writing Services	30,348		969	969
Other	15,031	584	4,609	4,396
Total Other Services	701,531	14,854	36,818	96,576
Communications				
Recruitment Costs	7			
Postage and Mailing	90,954	13,366	1,417	14,154
Telephone	22,274	1,109	1,938	1,630
Total Communications	113,235	14,475	3,355	15,783
Other Expenses				
Supplies and Materials	40,315	1,901	5,468	5,027
Travel	21,567	7,914	4,128	4,678
Rent	185,794	9,383	16,407	13,782
Repairs and Maintenance	1,840	64	139	117
Depreciation/Amortization	299,281		3,039	40,698
Compensated Absences	16,240	1,866	(11,136)	(8,723)
Interest Payments			43,743	
Miscellaneous	36,542	(9,752)	15,976	4,141
Total Other Expenses	601,579	11,376	77,764	59,720
Total Administrative Expenses	\$ 2,746,237	\$ 125,307	\$ 230,682	\$ 289,215

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Investment Expenses

Year Ended June 30, 2005

<u>Plan</u>	<u>Investment Manager</u>	<u>Fees</u>
PERS-DBRP	Board of Investments	\$ 4,778,075
JRS	Board of Investments	68,429
HPORS	Board of Investments	119,992
SRS	Board of Investments	213,745
GWPORS	Board of Investments	68,381
MPORS	Board of Investments	219,939
FURS	Board of Investments	209,361
VFCA	Board of Investments	29,820
457	PIMCO	415,575
	State Street Bank	<u>45,308</u>
<i>Total Investment Expense</i>		<u><u>\$ 6,168,625</u></u>

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Consultants

Year Ended June 30, 2005

<u>Individual or Firm</u>	<u>Nature of Service</u>	<u>Amount Paid</u>
Wisetek Provider Inc	Web Reporting Systems Development	\$ 173,862
Milliman Inc	Actuarial Consultant	110,569
Amdec Software	Computer Programming Services	78,855
Ice Miller	Tax Consultant	43,003
Mellon Consultants Inc	Actuarial Consultant	37,000
Arnerich Massena & Associates, Inc.	Mutual Funds Performance Review	34,838
Goetz, Gallik, Baldwin & Dolan	Legal Services	26,990
Legislative Audit Division, Legislative Branch	Independent Auditors	14,723
Lawrence R. McEvoy, MD	Medical Consultant	9,574
Legal Services Division, Department of Justice	Legal Services	7,517
Professional Development Center, Department of Administration	Retirement Planning Seminars	2,000

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)
as of June 30, 2005

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	\$ 58,804,818	\$ 994,025	\$ 59,798,843
Securities Lending Collateral	140,879,522		140,879,522
Receivables			
Interest	7,466,205		7,466,205
Accounts Receivable	1,423,537	6	1,423,543
Due from Other Funds	281,669	11,457	293,126
Due from Primary Government	135,867		135,867
Advances to Other Funds			
Notes Receivable	166,912		166,912
<i>Total Receivables</i>	9,474,190	11,463	9,485,653
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,529,417,961		1,529,417,961
Retirement Fund Bond Pool (RFBP)	930,369,190		930,369,190
Montana International Pool (MTIP)	505,111,709		505,111,709
Montana Private Equity Pool (MPEP)	150,594,503		150,594,503
Equity Index Fund	140		140
Real Estate Investments	8,525,400		8,525,400
Mortgages & Commercial Loans			
net of Accumulated Mortgage Discount	50,658,046		50,658,046
<i>Total Investments</i>	3,174,676,949		3,174,676,949
Capital Assets			
Property and Equipment, at cost,			
net of Accumulated Depreciation	975		975
Intangible Assets, at cost,			
net of Amortization Expense	318,975		318,975
<i>Total Capital Assets</i>	319,950		319,950
Total Assets	3,384,155,429	1,005,488	3,385,160,917
Liabilities			
Securities Lending Collateral Liability	140,879,522		140,879,522
Accounts Payable	434,688	4,866	439,554
Due to Other Funds	56,493	195	56,688
Due to Primary Government	44,352	1,982	46,334
Deferred Revenue	55,488		55,488
Compensated Absences	253,478	10,980	264,458
Total Liabilities	141,724,021	18,023	141,742,044
Net Assets Held in Trust for Pension Benefits*	\$ 3,242,431,408	\$ 987,465	\$ 3,243,418,873

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)
for the Fiscal Year Ended June 30, 2005

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	\$ 59,971,094	\$ 325,995	\$ 60,297,089
Plan Member	66,913,560		66,913,560
Membership Fees	140		140
Interest Reserve Buyback	72,550		72,550
Retirement Incentive Program	154,058		154,058
Miscellaneous Revenue	2,716	95	2,811
State Contributions	420,658		420,658
Total Contributions	127,534,776	326,090	127,860,866
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	151,817,678		151,817,678
Interest	77,914,976	20,078	77,935,054
Dividends	19,775,193		19,775,193
Investment Expense	(4,778,075)		(4,778,075)
Net Investment Income	244,729,772	20,078	244,749,850
Securities Lending Income			
Securities Lending Income	3,224,315		3,224,315
Securities Lending Rebate and Fees	(2,998,456)		(2,998,456)
Net Securities Lending Income	225,859		225,859
Total Net Investment Income	244,955,631	20,078	244,975,709
Total Additions	372,490,407	346,168	372,836,575
Deductions			
Benefits	142,789,016		142,789,016
Refunds/Distributions	13,236,058		13,236,058
Refunds to Other Plans	441,716		441,716
Transfers to DCRP	914,334		914,334
Transfers to ORP	158,616		158,616
Administrative Expenses	2,444,078	125,307	2,569,385
Total Deductions	159,983,818	125,307	160,109,125
Net Increase (Decrease)	212,506,589	220,861	212,727,450
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	3,029,909,610	769,203	3,030,678,813
Prior Period Adjustment	12,610		12,610
End of Year	\$ 3,242,428,809	\$ 990,064	\$ 3,243,418,873

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)
as of June 30, 2005

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	\$ 208,131	\$ 52,859	\$ 287,295	\$ 548,285
Receivables				
Accounts Receivable	14			14
Due from Other Funds	55,030	196	1,462	56,688
Total Receivables	55,044	196	1,462	56,702
Investments, at fair value				
Defined Contributions Fixed Investments	1,545,772			1,545,772
Defined Contributions Variable Investments	23,401,771			23,401,771
Total Investments	24,947,543			24,947,543
Intangible Assets, at cost, net of Amortization Expense	4,464			4,464
Total Assets	25,215,182	53,055	288,757	25,556,994
Liabilities				
Accounts Payable	13,308			13,308
Due to Other Funds	2,697	11,950		14,647
Due to Primary Government	30,697			30,697
Advances from Primary Government	1,380,195			1,380,195
Advances from Other Funds				
Compensated Absences	8,697	104		8,801
Total Liabilities	1,435,594	12,054		1,447,648
Net Assets Held in Trust for Pension Benefits	\$ 23,779,588	\$ 41,001	\$ 288,757	\$ 24,109,346

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)
for the Fiscal Year Ended June 30, 2005

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	\$ 1,702,996	\$ 34,935	\$ 118,509	\$ 1,856,440
Plan Member	3,183,893			3,183,893
Miscellaneous Revenue	178,431			178,431
Forfeiture of Nonvested Member	192,257			192,257
Total Contributions	5,257,577	34,935	118,509	5,411,021
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	1,112,489			1,112,489
Interest	649,481	968	5,212	655,661
Net Investment Income	1,761,970	968	5,212	1,768,150
Total Additions	7,019,547	35,903	123,721	7,179,171
Deductions				
Refunds to Members	1,873,378			1,873,378
Administrative Expenses	218,079	12,603		230,682
Miscellaneous Expenses	255,844			255,844
Total Deductions	2,347,301	12,603		2,359,904
Net Increase (Decrease)	4,672,246	23,300	123,721	4,819,267
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	19,115,270	17,701	165,074	19,298,045
Prior Period Adjustment	(7,928)		(38)	(7,966)
End of Year	\$ 23,779,588	\$ 41,001	\$ 288,757	\$ 24,109,346

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

The Montana Constitution and Montana statutes govern the investment activity of the retirement funds administered by the Public Employees' Retirement Board (PERB). The "prudent expert principle," contained in the Montana Constitution and Montana statute, requires the fiduciaries of the funds, including the Montana Board of Investments (BOI), to discharge their duties in the same manner that a prudent expert acting in a fiduciary capacity and under the same circumstances, exercises in the conduct of an enterprise of a similar character with similar objectives.

The prudent expert principle permits further diversification of the holdings of the fund to minimize the risk of loss and maximize the rate of return. The opportunity to diversify among various asset classes does enable a fund to reduce volatility and increase returns.

The BOI prepares and provides information related to the defined benefit investments for the PERB. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, is responsible for the presentation of the report of investment activity.

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity for the PERB is two-fold. First is to realize compound rates of return sufficient to fund promised benefits; and the second is to provide benefit services at the lowest possible cost to employers and members.

The basic investment objective of the BOI is achievement of a total rate of return which exceeds the rate of inflation as measured by the Consumer Price Index by 3% over any five-year rolling period, while out-performing the market indices for each asset class over the current five-year rolling period.

To calculate the PERB's defined benefit investment returns, State Street Bank and Trust, BOI's custodial bank and an independent third party, uses the industry performance presentation standards times weighted total rate of return method.

RISK TOLERANCE

In view of the long time horizon of the pension plans and adequacy of cash flow to meet retiree payments, all funds have an above average ability to assume risk. For Montana loans, maximum loan size is \$5 million.

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2005 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
12-Month Period ending June 30, 2005					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		2.30%	2.30%	2.30%	2.30%
91 day T-Bill	2.04%				
Equities ¹		8.39%	8.38%	8.39%	8.38%
S&P 500	7.23%				
Fixed Income		7.99%	8.02%	8.02%	8.02%
LB Aggregate Bond	6.80%				
Miscellaneous ²		7.60%			
All Assets		8.13%	8.11%	8.19%	8.11%
Index Composite³		7.89%	7.85%	7.93%	7.86%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.30%	2.30%	2.30%	2.30%
91 day T-Bill	2.04%				
Equities ¹		8.38%	8.40%	8.40%	8.44%
S&P 500	7.23%				
Fixed Income		8.02%	8.02%	8.02%	8.02%
LB Aggregate Bond	6.80%				
All Assets		7.87%	7.99%	7.99%	7.88%
Index Composite³		7.64%	7.74%	7.74%	7.62%
¹ Includes MDEP, MTIP and Real Estate Investments					
² Montana Mortgages					
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value					
The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

TOTAL RATES OF RETURN BY ASSET CLASS					
Three-Year Period ending June 30, 2005					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		1.65%	1.65%	1.65%	1.65%
91 day T-Bill	1.47%				
Equities ¹		9.44%	9.41%	9.39%	9.40%
S&P 500	8.90%				
Fixed Income		7.76%	8.15%	8.15%	8.15%
LB Aggregate Bond	5.76%				
Miscellaneous ²		5.97%			
All Assets		9.35%	9.47%	9.45%	9.44%
Index Composite³		8.69%	8.60%	8.59%	8.57%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		1.65%	1.65%	1.65%	1.65%
91 day T-Bill	1.47%				
Equities ¹		9.40%	9.39%	9.40%	9.44%
S&P 500	8.90%				
Fixed Income		8.15%	8.15%	8.15%	8.15%
LB Aggregate Bond	5.76%				
All Assets		9.39%	9.37%	9.37%	9.74%
Index Composite³		8.55%	8.49%	8.49%	8.88%
¹ Includes MDEP, MTIP and Real Estate Investments ² Montana Mortgages ³ An Index Composite paralleling the Fund's Asset Allocation at Market Value The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Five-Year Period ending June 30, 2005					
Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		2.85%	2.86%	2.86%	2.85%
91 day T-Bill	2.49%				
Equities ¹		-1.69%	-1.76%	-1.79%	-1.78%
S&P 500	-1.22%				
Fixed Income		9.01%	9.23%	9.23%	9.23%
LB Aggregate Bond	7.40%				
Miscellaneous ²		7.89%			
All Assets		2.87%	2.89%	2.91%	2.93%
Index Composite³		3.01%	2.89%	2.86%	2.84%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.85%	2.86%	2.86%	2.85%
91 day T-Bill	2.49%				
Equities ¹		-1.82%	-1.80%	-1.80%	-1.51%
S&P 500	-1.22%				
Fixed Income		9.23%	9.23%	9.23%	9.23%
LB Aggregate Bond	7.40%				
All Assets		2.92%	2.90%	2.87%	4.68%
Index Composite³		2.86%	2.82%	2.76%	4.53%
¹ Includes MDEP, MTIP and Real Estate Investments ² Montana Mortgages ³ An Index Composite paralleling the Fund's Asset Allocation at Market Value The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)					

INVESTMENT SECTION

ASSET ALLOCATION

Correct asset allocation is the main determinant of the BOI's success in meeting long-term investment objectives. The asset mix

with the highest probability of achieving the basic investment objective and the actual asset mix for fiscal year 2004 is listed in the following table for both fixed income investments and equity investments.

FY2005 ASSET ALLOCATION

		Investment Objective	Actual Investment			Investment Objective	Actual Investment
PERS-DBRP				GWPORS			
Fixed	30% to 40%	32.15%		Fixed	30% to 40%	36.26%	
Equity	60% to 70%	67.85%		Equity	60% to 70%	63.74%	
JRS				MPORS			
Fixed	30% to 40%	32.91%		Fixed	30% to 40%	32.29%	
Equity	60% to 70%	67.03%		Equity	60% to 70%	67.71%	
HPORS				FURS			
Fixed	30% to 40%	32.57%		Fixed	30% to 40%	32.45%	
Equity	60% to 70%	67.43%		Equity	60% to 70%	67.55%	
SRS				VFCA			
Fixed	30% to 40%	32.67%		Fixed	30% to 40%	33.30%	
Equity	60% to 70%	67.33%		Equity	60% to 70%	66.70%	

INVESTMENT FEES AND COMMISSIONS

Throughout the fiscal year, the investment expense for certain investments (pools, real estate) are netted against the investment earnings. At year end, investment earnings

are "grossed" up to report the investment expense for the external manager, custodial bank fees and the BOI administrative cost. This process was implemented July 1, 1995, in compliance with GASB Statement 25.

Fiscal 2005 Administrative Expense									
	STIP	MDEP	MPEP	MTIP	RFBP	AOF	Real Estate	AOF Pension Admin	Total
PERS	11,831.13	1,247,866.74	1,890,911.30	1,338,931.63	118,076.95	141,507.51	28,950.00	170,457.51	4,778,075.26
JRS	216.33	18,496.27	27,986.33	19,854.33	1,875.41			-	68,428.67
HPORS	289.48	32,306.30	49,549.62	34,598.12	3,248.30			-	119,991.82
SRS	656.12	57,952.68	87,147.70	62,133.39	5,855.13			-	213,745.02
GWPORS	435.99	18,499.71	27,249.49	20,257.62	1,938.34			-	68,381.15
MPORS	734.40	58,857.26	89,626.29	64,654.89	6,066.62			-	219,939.46
FURS	678.50	56,028.68	85,349.32	61,513.52	5,790.67			-	209,360.69
VFCA	96.64	7,781.87	12,454.91	8,674.22	812.83			-	29,820.47
Totals	14,938.59	1,497,789.51	2,270,274.96	1,610,617.72	143,664.25	141,507.51	28,950.00	170,457.51	5,707,742.54

INVESTMENT SECTION

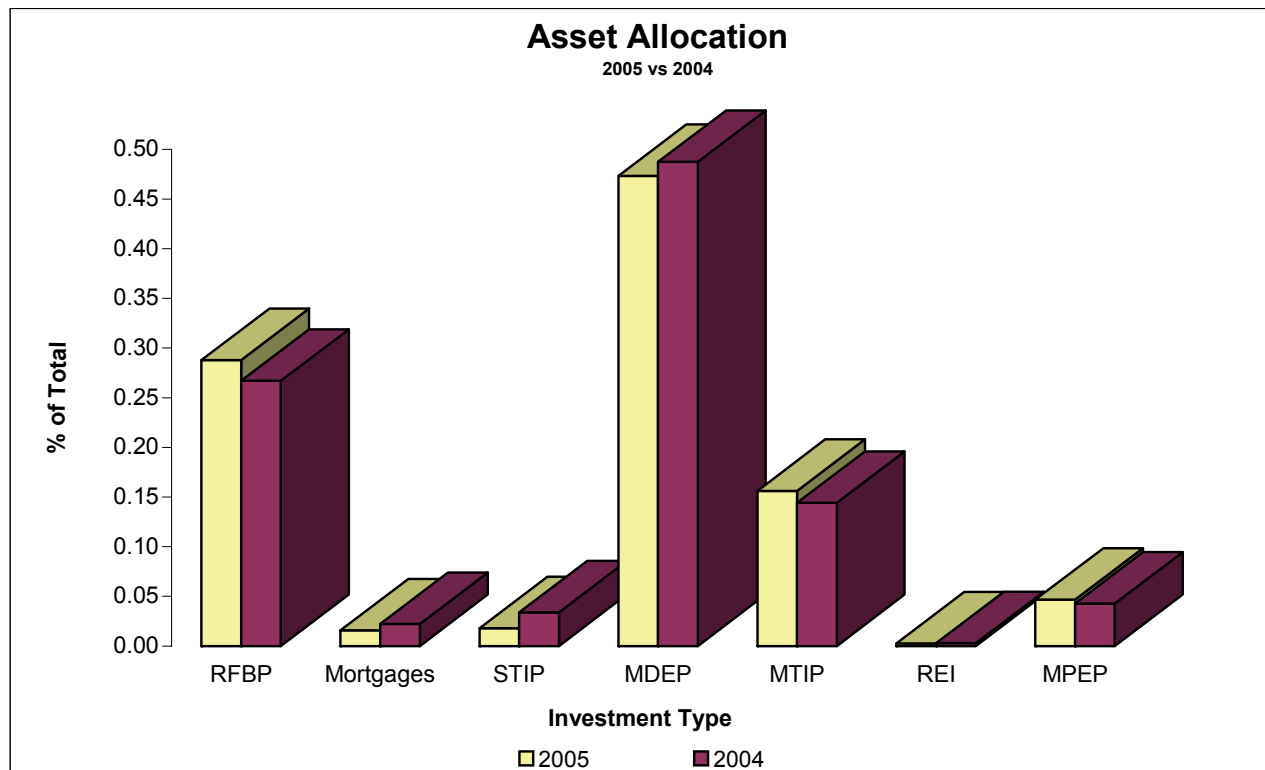
PERS-DBRP

Asset Mix (fair value)

as of June 30, 2005 and 2004

(in thousands)

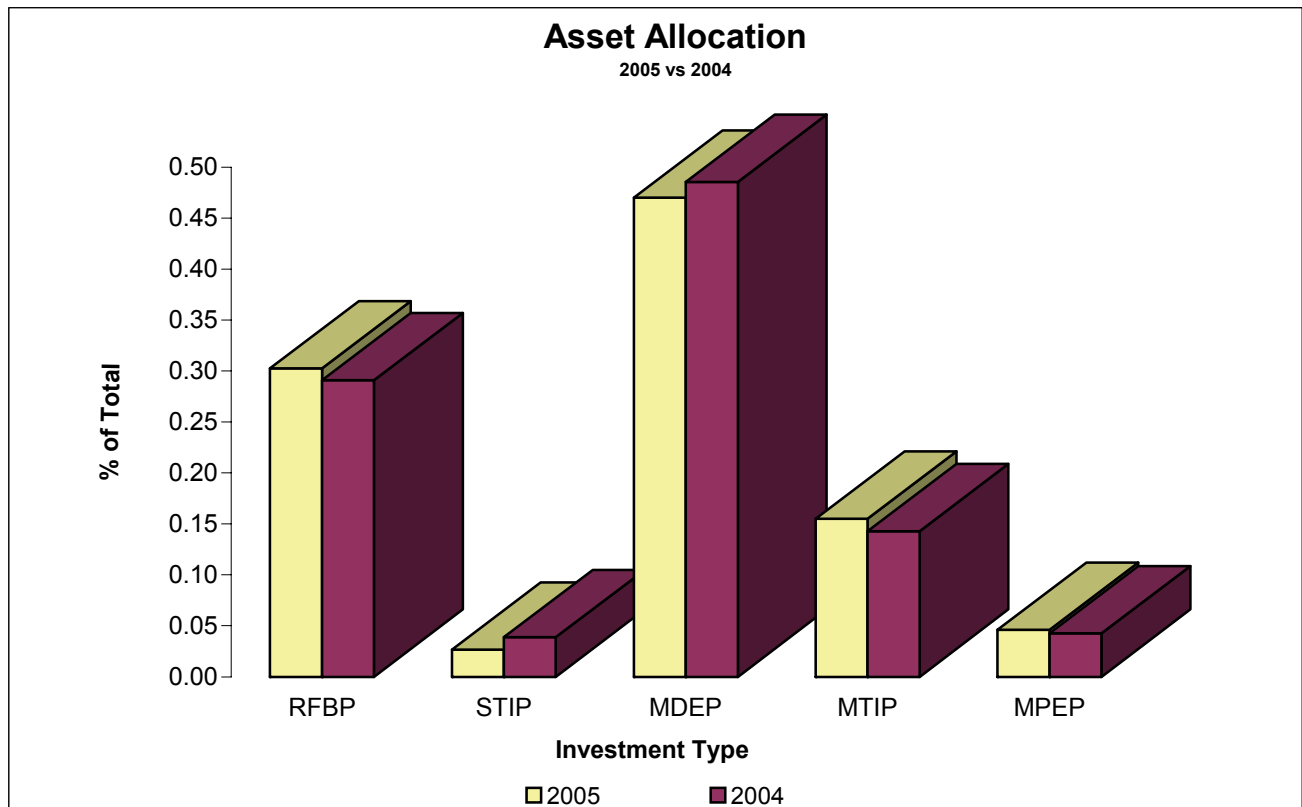
Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 930,369	28.78%	\$ 805,840	26.71%	\$124,529	15.45%
Montana Mortgages	50,658	1.57%	66,755	2.21%	(16,097)	-24.11%
STIP	58,112	1.80%	102,343	3.39%	(44,231)	-43.22%
Total Fixed Income	\$ 1,039,139	32.15%	\$ 974,938	32.31%	\$ 64,201	6.59%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,529,418	47.31%	\$ 1,469,963	48.72%	\$ 59,455	4.04%
Montana International Pool (MTIP)	505,112	15.62%	434,917	14.42%	70,195	16.14%
Real Estate Investments (REI)	8,525	0.26%	8,409	0.28%	116	1.38%
Montana Private Equity Pool (MPEP)	150,595	4.66%	128,797	4.27%	21,798	16.92%
Total Equities	\$ 2,193,650	67.85%	\$ 2,042,086	67.69%	\$151,564	7.42%
Total	\$ 3,232,789	100.00%	\$ 3,017,024	100.00%	\$215,765	7.15%



JRS

Asset Mix (fair value) as of June 30, 2005 and 2004 (in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,655	30.26%	\$ 13,024	29.07%	\$ 1,631	12.52%
STIP	1,284	2.65%	1,733	3.87%	(449)	-25.91%
<i>Total Fixed Income</i>	<u>\$ 15,939</u>	<u>32.91%</u>	<u>\$ 14,757</u>	<u>32.94%</u>	<u>\$ 1,182</u>	<u>8.01%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 22,749	46.99%	\$ 21,739	48.54%	\$ 1,010	4.65%
Montana International Pool (MTIP)	7,507	15.50%	6,393	14.27%	1,114	17.43%
Montana Private Equity Pool (MPEP)	2,229	4.60%	1,906	4.25%	323	16.95%
<i>Total Equities</i>	<u>\$ 32,485</u>	<u>67.09%</u>	<u>\$ 30,038</u>	<u>67.06%</u>	<u>\$ 2,447</u>	<u>8.15%</u>
Total	\$ 48,424	100.00%	\$ 44,795	100.00%	\$ 3,629	8.10%

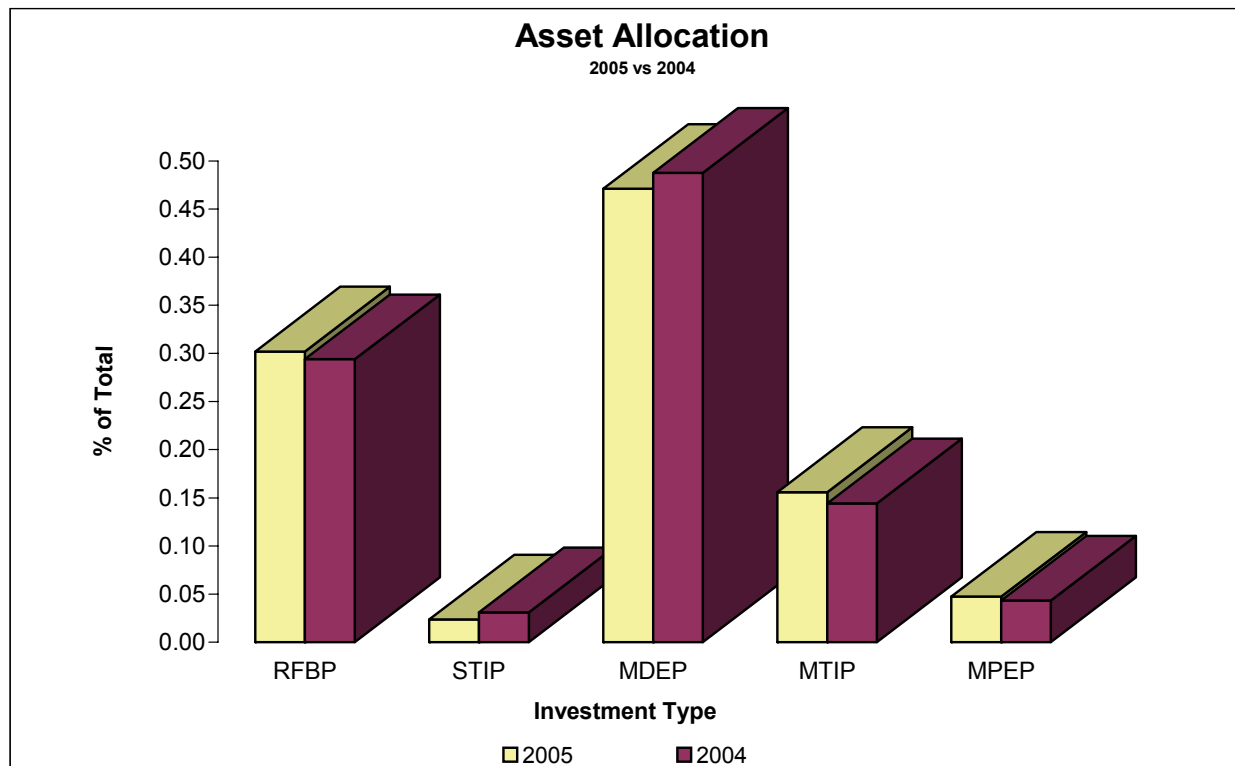


INVESTMENT SECTION

HPORS

Asset Mix (fair value)
as of June 30, 2005 and 2004
(in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,244	30.20%	\$ 23,018	29.39%	\$ 2,226	9.67%
STIP	1,978	2.37%	2,430	3.10%	(452)	-18.60%
Total Fixed Income	\$ 27,222	32.57%	\$ 25,448	32.49%	\$ 1,774	6.97%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 39,376	47.10%	\$ 38,192	48.77%	\$ 1,184	3.10%
Montana International Pool (MTIP)	13,035	15.60%	11,296	14.42%	1,739	15.39%
Montana Private Equity Pool (MPEP)	3,946	4.73%	3,375	4.32%	571	16.92%
Total Equities	\$ 56,357	67.43%	\$ 52,863	67.51%	\$ 3,494	6.61%
Total	\$ 83,579	100.00%	\$ 78,311	100.00%	\$ 5,268	6.73%



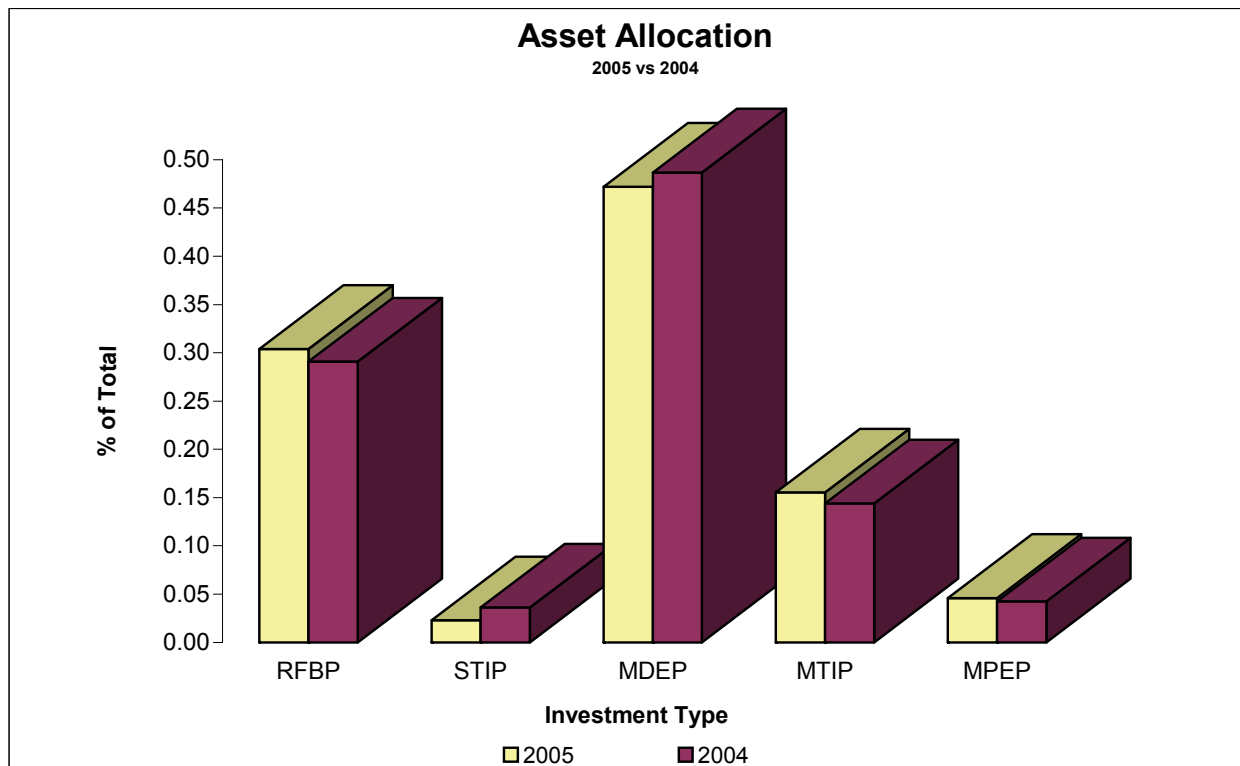
SRS

Asset Mix (fair value)

as of June 30, 2005 and 2004

(in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 45,890	30.39%	\$ 40,680	29.08%	\$ 5,210	12.81%
STIP	3,441	2.28%	5,055	3.61%	(1,614)	-31.93%
Total Fixed Income	\$ 49,331	32.67%	\$ 45,735	32.69%	\$ 3,596	7.86%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 71,278	47.20%	\$ 68,112	48.68%	\$ 3,166	4.65%
Montana International Pool (MTIP)	23,457	15.53%	20,127	14.39%	3,330	16.54%
Montana Private Equity Pool (MPEP)	6,941	4.60%	5,936	4.24%	1,005	16.93%
Total Equities	\$ 101,676	67.33%	\$ 94,175	67.31%	\$ 7,501	7.96%
Total	\$ 151,007	100.00%	\$ 139,910	100.00%	\$11,097	7.93%



INVESTMENT SECTION

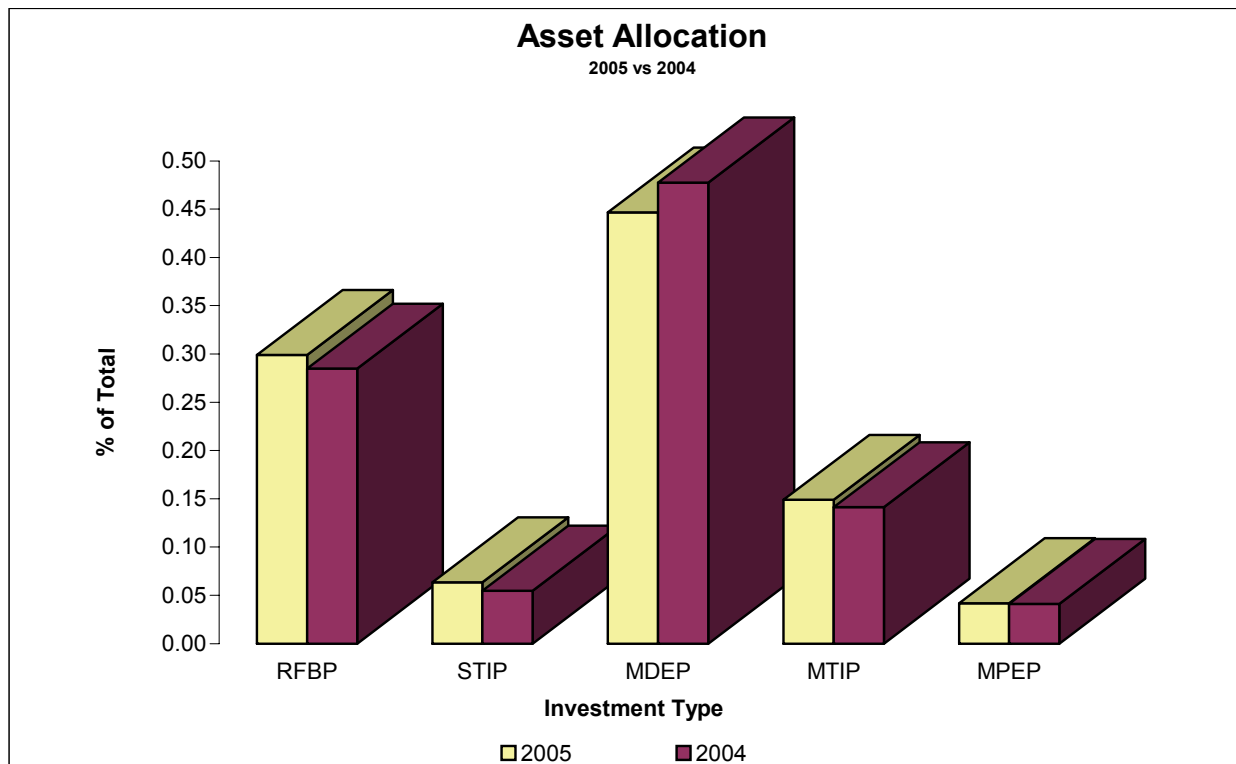
GWPORS

Asset Mix (fair value)

as of June 30, 2005 and 2004

(in thousands)

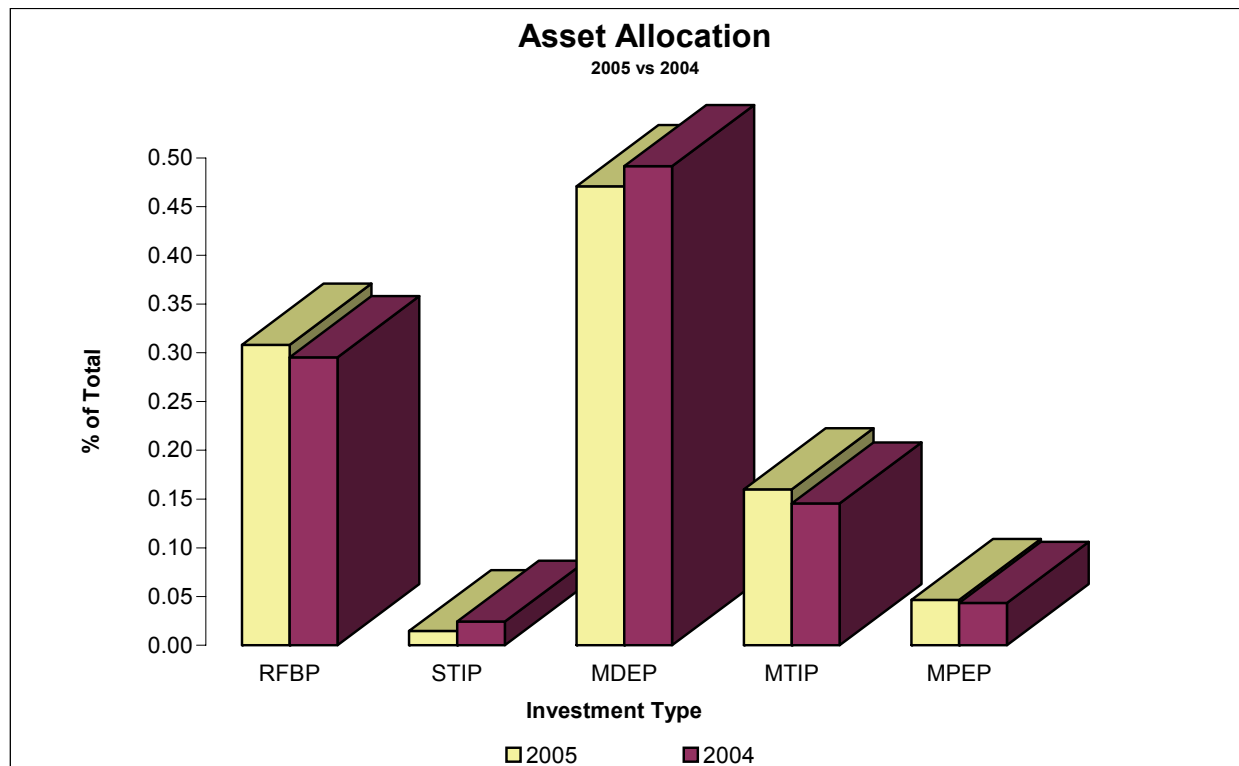
Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 15,471	29.90%	\$ 12,837	28.49%	\$ 2,634	20.52%
STIP	3,292	6.36%	2,472	5.49%	820	33.17%
Total Fixed Income	\$ 18,763	36.26%	\$ 15,309	33.98%	\$ 3,454	22.56%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 23,111	44.66%	\$ 21,521	47.76%	\$ 1,590	7.39%
Montana International Pool (MTIP)	7,705	14.89%	6,372	14.14%	1,333	20.92%
Montana Private Equity Pool (MPEP)	2,170	4.19%	1,856	4.12%	314	16.92%
Total Equities	\$ 32,986	63.74%	\$ 29,749	66.02%	\$ 3,237	10.88%
Total	\$ 51,749	100.00%	\$ 45,058	100.00%	\$ 6,691	14.85%



MPORS

Asset Mix (fair value)
as of June 30, 2005 and 2004
(in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 47,395	30.83%	\$ 41,584	29.55%	\$ 5,811	13.97%
STIP	2,246	1.46%	3,403	2.43%	(1,157)	-34.00%
Total Fixed Income	\$ 49,641	32.29%	\$ 44,987	31.97%	\$ 4,654	10.35%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 72,390	47.09%	\$ 69,175	49.15%	\$ 3,215	4.65%
Montana International Pool (MTIP)	24,555	15.98%	20,458	14.54%	4,097	20.03%
Montana Private Equity Pool (MPEP)	7,138	4.64%	6,105	4.34%	1,033	16.92%
Total Equities	\$ 104,083	67.71%	\$ 95,738	68.03%	\$ 8,345	8.72%
Total	\$ 153,724	100.00%	\$ 140,725	100.00%	\$ 12,999	9.24%



INVESTMENT SECTION

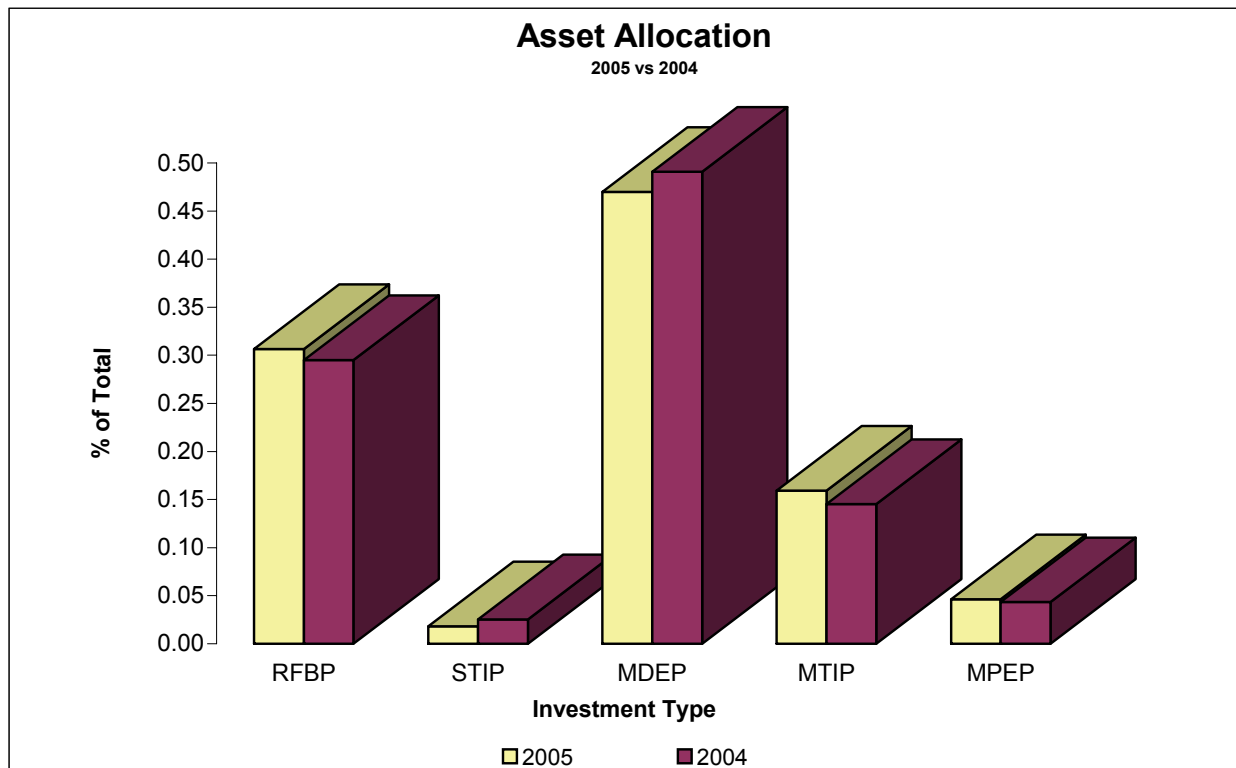
FURS

Asset Mix (fair value)

as of June 30, 2005 and 2004

(in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 44,975	30.65%	\$ 39,592	29.51%	\$ 5,383	13.60%
STIP	2,641	1.80%	3,414	2.55%	(773)	-22.64%
Total Fixed Income	\$ 47,616	32.45%	\$ 43,006	32.06%	\$ 4,610	10.72%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 68,911	46.98%	\$ 65,851	49.09%	\$ 3,060	4.65%
Montana International Pool (MTIP)	23,361	15.94%	19,469	14.52%	3,892	19.99%
Montana Private Equity Pool (MPEP)	6,797	4.63%	5,813	4.33%	984	16.93%
Total Equities	\$ 99,069	67.55%	\$ 91,133	67.94%	\$ 7,936	8.71%
Total	\$ 146,685	100.00%	\$ 134,139	100.00%	\$12,546	9.35%



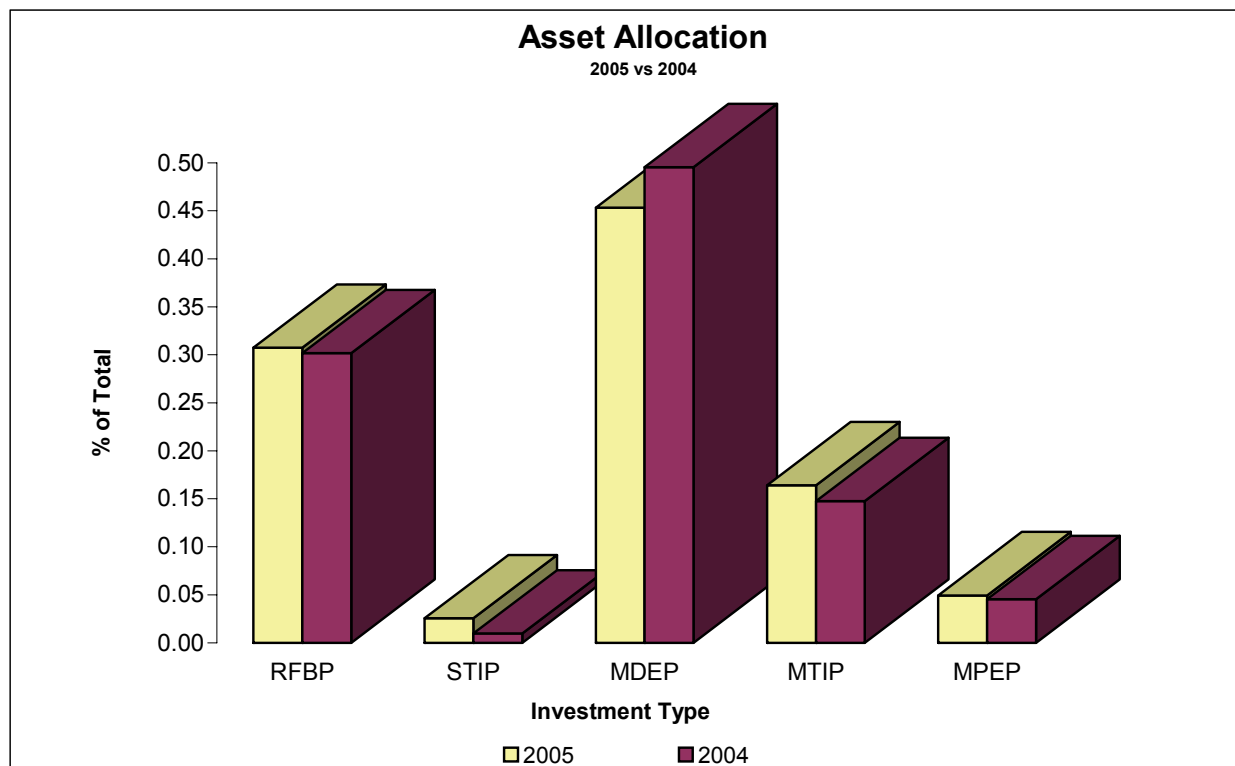
VFCA

Asset Mix (fair value)

as of June 30, 2005 and 2004

(in thousands)

Investment Type	2005 Fair Value	% of Total	2004 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 6,170	30.75%	\$ 5,617	30.18%	\$ 553	9.85%
STIP	512	2.55%	180	0.97%	332	184.44%
Total Fixed Income	\$ 6,682	33.30%	\$ 5,797	31.15%	\$ 885	15.27%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 9,096	45.34%	\$ 9,221	49.54%	\$ (125)	-1.36%
Montana International Pool (MTIP)	3,294	16.42%	2,746	14.75%	548	19.96%
Montana Private Equity Pool (MPEP)	992	4.94%	848	4.56%	144	16.98%
Total Equities	\$ 13,382	66.70%	\$ 12,815	68.85%	\$ 567	4.42%
Total	\$ 20,064	100.00%	\$ 18,612	100.00%	\$ 1,452	7.80%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2005

A complete list of the portfolio holdings can be obtained by contacting the Montana Board of Investments.
The information below is MPERA's presentation of the largest holdings.

Shares/Par	Mortgages Portfolio	Fair Value
212,353,581	Montana Permanent Coal Trust Loans	\$ 212,353,581
92,939,453	Montana Residential Mortgages	93,811,197

PERS' 50,187,304 shares represent 16.4% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
61,044,091	Brinson Partnership Fund Trust	\$ 57,048,755
38,720,252	KKR 1996	40,821,058
21,520,090	Lexington Capital Partnership V LP	32,388,833
206,943	State Street SPIFF	32,180,151
16,260,936	KKR European Fund	18,864,832
17,325,831	Adams Steet Partnership Fund	17,773,738
1	OCM Opportunities Fund IVB LP	16,896,984
12,954,898	WCAS IX	16,634,646
15,200,000	Adams Street Fund V	13,289,360
12,844,288	Brinson Venture Capital Fund IV	9,174,546

PERS' 1,297,560 shares represent 50.56% of the total MPEP portfolio at market.

JRS' 19,204 shares represent 0.75% of the total MPEP portfolio at market.

HPORS' 34,001 shares represent 1.32% of the total MPEP portfolio at market.

SRS' 59,802 shares represent 2.33% of the total MPEP portfolio at market.

GWPORS' 18,699 shares represent 0.73% of the total MPEP portfolio at market.

MPORS' 61,502 shares represent 2.40% of the total MPEP portfolio at market.

FURS' 58,567 shares represent 2.28% of the total MPEP portfolio at market.

VFCA's 8,547 shares represent 0.33% of the total MPEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2005

Shares/Par	MDEP Portfolio	Fair Value
2,138,200	General Electric Co	\$ 74,088,630
1,136,612	Exxon Mobil Corp	65,321,092
1,063,366	Citigroup Inc	49,159,410
667,300	Johnson & Johnson	43,374,500
1,680,000	Microsoft Corp	41,731,200
1,475,960	Pfizer Inc	40,706,977
809,100	Bank American Corp	36,903,051
1,281,500	Intel Corp	33,395,890
594,500	Chevron Corp	33,244,440
626,000	Wal Mart Stores Inc	30,173,200

PERS' 11,886,568 shares represent 50.78% of the total MDEP portfolio at market.

JRS' 176,805 shares represent 0.76% of the total MDEP portfolio at market.

HPORS' 306,032 shares represent 1.31% of the total MDEP portfolio at market.

SRS' 553,968 shares represent 2.37% of the total MDEP portfolio at market.

GWPORS' 179,621 shares represent 0.77% of the total MDEP portfolio at market.

MPORS' 562,614 shares represent 2.40% of the total MDEP portfolio at market.

FURS' 535,576 shares represent 2.29% of the total MDEP portfolio at market.

VFCA's 70,694 shares represent 0.30% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
35,000,000	Federal Home Loan Mortgage Corp	\$ 34,911,065
150,000,000	Federal Home Loan Mortgage Corp	33,199,650
33,306,281	Federal Home Loan Pool G11670	32,615,075
30,000,000	Federal National Mortgage Assn	31,706,103
30,000,000	Bishopsgate CDO Ltd	30,000,000
30,000,000	United States Treasury Notes	29,769,150
30,000,000	United States Treasury Notes	29,724,600
21,000,000	United States Treasury Bonds	26,906,250
30,000,000	DOT Headquarters II Lease Mtg	26,706,900
26,250,466	FNMA Pool 725346	25,750,076

PERS' 883,496,318 shares represent 50.67% of the total RFBP portfolio at market.

JRS' 13,916,725 shares represent 0.80% of the total RFBP portfolio at market.

HPORS' 23,971,780 shares represent 1.37% of the total RFBP portfolio market.

SRS' 43,578,085 shares represent 2.50% of the total RFBP portfolio at market.

GWPORS' 14,961,957 shares represent 0.84% of the total RFBP portfolio at market.

MPORS' 45,007,135 shares represent 2.58% of the total RFBP portfolio at market.

FURS' 42,709,056 shares represent 2.45% of the total RFBP portfolio market.

VFCA's 5,859,061 shares represent 0.34% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2005

Shares/Par	MTIP Portfolio	Fair Value
45,849,990	BGI Equity Index Fund Europe	\$ 466,246,669
5,218,408	DFA International Small Co	76,554,040
3,578,423	BGI Pacific Index Strategy Fund	50,628,249
182,600	Novartis AG	8,844,649
28,130	Nestle S A	7,202,123
105,900	Royal Dutch Petrol	6,923,219
422,093	Telefonica SA	6,919,030
24,900	Total SA	5,857,206
12,235	Samsung Electronic	5,848,176
5,660,782	State Street Bank & Trust Co	5,660,782

PERS' 4,152,606 shares represent 50.84% of the total MTIP portfolio at market.

JRS' 61,715 shares represent 0.76% of the total MTIP portfolio at market.

HPORS' 107,159 shares represent 1.31% of the total MTIP portfolio at market.

SRS' 192,841 shares represent 2.36% of the total MTIP portfolio at market.

GWPORS' 63,346 shares represent 0.78% of the total MTIP portfolio at market.

MPORS' 201,874 shares represent 2.47% of the total MTIP portfolio at market.

FURS' 192,054 shares represent 2.35% of the total MTIP portfolio at market.

VFCA's 27,080 shares represent 0.33% of the total MTIP portfolio at market.

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2005

(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 930,369	28.78%	\$ 14,655	30.26%	\$ 25,244	30.20%
<i>Equities</i>						
Montana Domestic Equity Pool	1,529,418	47.31%	22,749	46.99%	39,376	47.10%
Montana International Pool	505,112	15.62%	7,507	15.50%	13,035	15.60%
<i>Alternative Equities</i>						
Montana Private Equity Pool	150,595	4.66%	2,229	4.60%	3,946	4.73%
Real Estate Investments	8,525	0.26%	N/A		N/A	
<i>Montana Mortgages & Loans</i>						
Mortgages	50,658	1.57%	N/A		N/A	
<i>Short Term Investments</i>						
Short Term Investment Pool	58,112	1.80%	1,284	2.65%	1,978	2.37%
Total	\$ 3,232,789	100.00%	\$ 48,424	100.00%	\$ 83,579	100.00%

INVESTMENT SECTION

SRS		GWPORS		MPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 45,890	30.39%	\$ 15,471	29.90%	\$ 47,395	30.83%	\$ 44,975	30.65%	\$ 6,170	30.75%
71,278	47.20%	23,111	44.66%	72,390	47.09%	68,911	46.98%	9,096	45.34%
23,457	15.53%	7,705	14.89%	24,555	15.98%	23,361	15.94%	3,294	16.42%
6,941	4.60%	2,170	4.19%	7,138	4.64%	6,797	4.63%	992	4.94%
N/A		N/A		N/A		N/A		N/A	
N/A		N/A		N/A		N/A		N/A	
3,441	2.28%	3,292	6.36%	2,246	1.46%	2,641	1.80%	512	2.55%
\$ 151,007	100.00%	\$ 51,749	100.00%	\$ 153,724	100.00%	\$ 146,685	100.00%	\$ 20,064	100.00%

INVESTMENT SECTION

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November 4, 2005

Public Employees' Retirement Board
 State of Montana

Dear Members of the Board:

Actuarial valuations are normally performed every two years, as of June 30 of each even-numbered year. The previous valuations were performed as of June 30, 2004. At the Board's request, we have now completed special interim actuarial valuations as of June 30, 2005 for the following retirement systems:

- Public Employees' Retirement System – Defined Benefit Retirement Plan
- Municipal Police Officers' Retirement System
- Game Wardens' and Peace Officers' Retirement System
- Sheriffs' Retirement System
- Judges' Retirement System
- Highway Patrol Officers' Retirement System
- Firefighters' Unified Retirement System
- Volunteer Firefighters' Compensation Act

The member, employer, and state contributions are set forth in statute. Our findings indicate the projected income stream from the expected contributions will be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability as a level percentage of future payroll, for the following systems. The amortization periods are shown below.

- | | |
|--|------------|
| - Municipal Police Officers' Retirement System | 23.9 years |
| - Highway Patrol Officers' Retirement System | 21.1 years |
| - Firefighters' Unified Retirement System | 17.6 years |

Based on the assumed level of future revenue, the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years. The Judges' Retirement System had an Actuarial Surplus as of June 30, 2005.

Our findings indicate the projected income stream from the expected contributions will not be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability for the following systems. The additional contributions necessary as of June 30, 2005 to amortize the Unfunded Actuarial Liabilities over 30 years are shown below.

- | | |
|---|------------------|
| - Public Employees' Retirement System - DBRP | 1.58% of payroll |
| - Game Wardens' and Peace Officers' Retirement System | 0.26% of payroll |
| - Sheriffs' Retirement System | 2.69% of payroll |

The general decline in the funded status for each system over the last several years is primarily due to the fact that recent investment returns have been less than the long-term actuarial assumption of 8% per year.



In preparing the 2005 valuations, we relied upon the financial and membership data furnished by the Public Employees' Retirement Administration. Although we did not audit this data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations might need to be revised.

Information presented in this Actuarial Section as of June 30, 2005, including the following supporting tables, is based on information found in our actuarial valuation reports:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Composition
- Solvency Test
- Summary of Actuarial (Gain) or Loss by Source
- Summary of Defined Benefit Plan Provisions

In addition, data for the fiscal year ending June 30, 2005, contained in the Schedule of Funding Progress in the Financial Section, are based on information in our valuation reports.

The Retirement Board has sole authority to determine the actuarial assumptions and methods used for the actuarial valuations. The Board adopted all of the actuarial methods and assumptions used in the 2005 valuations.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the systems and of current expectations concerning future economic conditions. In our opinion, the assumptions used in the actuarial valuations are appropriate for purposes of the valuations, are internally consistent, and reflect reasonable expectations. The assumptions represent our best estimate of future conditions affecting the systems. Nevertheless, the emerging costs will vary from those presented in the reports to the extent that actual experience differs from that projected by the assumptions.

I certify that the information included in this report is complete and accurate to the best of my knowledge and belief. The actuarial valuations were prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries. In addition, the assumptions and methods used meet the parameters set for disclosures by Statement No. 25 of the Governmental Accounting Standards Board.

Milliman has been engaged by the Retirement Board as an independent actuary. The undersigned is a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries, an Enrolled Actuary, and experienced in performing valuations for large public employee retirement systems.

Respectfully submitted,

Signature on file

Mark O. Johnson, F.S.A., M.A.A.A., E.A.
Consulting Actuary

Public Employees' Retirement Board

A Component Unit of the State of Montana

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

BACKGROUND

An actuarial valuation of the plans was completed in 2005 by the actuary, Milliman. The most recent experience study was completed in 2004. This experience study investigates the actual experience of each plan administered by the PERB. The actuarial methods and assumptions are described in this section. The methods and assumptions have been chosen by the PERB, based on the actuary's recommendation. The actuarial assumptions were adopted by the PERB on September 23, 2004. The recommendations were formed on the basis of recent experience of the plans and on current expectations as to future economic conditions. Economic assumptions are based on inflation and include general wage increases, investment return and interest on member accounts. Demographic assumptions include general salary increases (including promotions and longevity), retirement, disability, mortality for the specific groups (active members, retired members, disabled members and beneficiaries), other terminations and probability of retaining membership.

The assumptions are intended to estimate the future experience of the plans and the members of the plans in areas which affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated cost of the plan's benefits.

RECORDS AND DATA

The data used in the valuation consists of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All data supplied to the actuary by the MPERA was accepted for valuation purposes without audit.

ACTUARIAL COST METHOD

A fundamental principle in financing the liabilities of a retirement program is that the cost of benefits should be related to when they are earned, rather than when they are paid. There are a number of methods in use for making the determination.

The funding method used in the valuations is the Entry Age Cost Method. Under this method, the actuarial present value of projected benefits for each individual member included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future Normal Cost is called the Actuarial Liability.

The excess of the Actuarial Liability over the Actuarial Value of Assets is called the Unfunded Actuarial Liability. If the Actuarial Value of Assets exceeds the Actuarial Liability, the difference is called the Actuarial Surplus.

ACTUARIAL SECTION

ASSET VALUATION METHOD

Asset values were supplied by the PERB and were accepted without audit by the actuary. The Actuarial Value of Assets is the market value, adjusted by a four-year recognition of gains and losses.

INVESTMENT RETURN

The future investment earnings of the assets of the plans are assumed to accrue at a net annual rate of 8.00%, net of all administrative and investment-related expenses.

INTEREST ON MEMBER CONTRIBUTIONS

With the exception of VFCA, interest on member contributions at the time of the valuation was assumed to accrue at a net annual rate of 5%.

FUTURE SALARIES

Estimates of future salaries are based on two types of assumptions. Rates of increase in the general wage level of the membership are directly related to inflation, while individual salary changes due to promotion and longevity, referred to as the merit scale, occur even in the absence of inflation. The assumed increase in future salaries due to general wage growth is 4.25% per year for all plans. The merit scale is based on years of service and is in addition to the wage growth. The merit scale is calculated independently for each plan based on the factors applicable to the plan. VFCA is excluded from this calculation because members are unpaid volunteers.

MORTALITY

The probabilities of mortality for Healthy Retirees, Beneficiaries and Non-Retired

Members are based on 1994 Uninsured Pensioner Tables for males and females and adjusted for each plan as stated in the following table:

Healthy Retirees, Beneficiaries and Non-Retired Members		
	<u>Males</u>	<u>Females</u>
PERS	-1	-1
JRS	-1	-1
HPORS	-1	0
SRS	-1	0
GWPORS	-1	0
MPORS	-1	0
FURS	-1	0
VFCA	-1	-1

The probabilities of mortality for Disabled Retirees are based on the IRS Revenue Ruling 96-7 Males/Females Table and adjusted for each plan as stated below:

Disabled Retirees		
	<u>Males</u>	<u>Females</u>
PERS	-3	+1
JRS	-3	+1
HPORS	+3	+2
SRS	+3	+2
GWPORS	+3	+2
MPORS	+3	+2
FURS	+3	+2
VFCA	-3	+1

SERVICE RETIREMENT

The assumed rates of service retirement used in the valuations are dependent upon age and years of service and differ between plans. The rates are based on the actual experience of the individual plans as determined in the 2004 experience study. Under all plans, vested, terminated members are assumed to retire when first eligible for an unreduced benefit.

DISABLEMENT

The assumed rates of disablement are dependent upon ages and differ between plans. It is further assumed that 10% of all disabilities are duty-related, that all disabilities are permanent and that no disabled member will recover and return to work.

OTHER TERMINATIONS OF MEMBERSHIP

The assumed rates of termination, other than for retirement, death, or disability, are calculated individually for each plan. The JRS does not assume termination for any other reason than retirement, death or disability.

TERMINATING MEMBERS ELECTING A REFUND

It is assumed that all terminating members that are non-vested will receive an immediate withdrawal of their member contributions with interest. The probability of a terminating member electing a refund of the member ac-

count balance is based on age and different for each plan as described in the actuary valuation. These assumptions do not apply to the JRS or VFCA.

ACTUARIAL AUDIT

An actuarial audit was performed during the 2004 actuarial valuation by Mellon. The audit was performed in conjunction with the valuation by MPERA's actuary, Milliman. The audit was performed to express an opinion regarding the reasonableness and accuracy of the valuation data, actuarial assumptions, actuarial cost methods and valuation results. The scope of the audit included both a technical review of the valuation results and a professional peer review of the actuarial assumptions and methods used by Milliman. Mellon determined from their full scope review that the actuarial valuation of PERS prepared by Milliman, fairly represents the actuarial position and funding requirements of the retirement system. Mellon offered suggestions for enhancement but finds Milliman's actuarial results to be reasonable.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Valuation Data

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
PERS-DBRP	June 30, 2000	29,500	506	\$ 725,692,382	\$ 24,600	2.48%
	June 30, 2001	29,641	510	771,477,410	26,027	5.80%
	June 30, 2002	29,808	515	808,747,026	27,132	4.24%
	June 30, 2003	28,604	521	848,894,150	29,677	9.38%
	June 30, 2004	28,201	526	832,847,393	29,533	-0.49%
	June 30, 2005	28,213	530	847,430,761	30,037	1.71%
JRS	June 30, 2000	46	1	3,483,363	75,725	4.52%
	June 30, 2001	48	1	3,655,682	76,160	0.57%
	June 30, 2002	48	1	3,999,689	83,327	9.41%
	June 30, 2003	49	1	4,077,339	83,211	-0.14%
	June 30, 2004	50	1	4,403,432	88,069	5.84%
	June 30, 2005	50	1	4,461,757	89,235	1.32%
HPORS	June 30, 2000	190	1	6,951,916	36,589	7.80%
	June 30, 2001	190	1	7,351,774	38,694	5.75%
	June 30, 2002	194	1	7,536,469	38,848	0.40%
	June 30, 2003	201	1	7,808,953	38,851	0.01%
	June 30, 2004	194	1	7,843,505	40,430	4.07%
	June 30, 2005	201	1	9,103,879	45,293	12.03%
SRS	June 30, 2000	611	56	21,559,395	35,285	4.07%
	June 30, 2001	623	56	22,647,766	36,353	3.02%
	June 30, 2002	642	56	24,521,275	38,195	5.07%
	June 30, 2003	661	56	25,540,317	38,639	1.16%
	June 30, 2004	662	56	27,372,575	41,348	7.01%
	June 30, 2005	680	56	28,423,312	41,799	1.09%

The last actuarial valuation was performed as of June 30, 2005.

ACTUARIAL SECTION

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
GWPORS	June 30, 2000	494	8	\$ 11,874,942	\$ 24,038	-5.85%
	June 30, 2001	521	8	14,881,202	28,563	18.82%
	June 30, 2002	609	8	17,150,523	28,162	-1.40%
	June 30, 2003	664	8	20,034,988	30,173	7.14%
	June 30, 2004	685	8	21,442,218	31,303	3.74%
	June 30, 2005	711	8	22,496,263	31,640	1.08%
MPORS	June 30, 2000	571	21	20,251,728	35,467	3.67%
	June 30, 2001	580	21	20,898,510	36,032	1.59%
	June 30, 2002	585	22	22,228,818	37,998	5.46%
	June 30, 2003	601	22	23,289,318	38,751	1.98%
	June 30, 2004	603	22	24,531,018	40,682	4.98%
	June 30, 2005	605	22	26,198,414	43,303	6.44%
FURS	June 30, 2000	419	14	16,548,691	39,496	6.78%
	June 30, 2001	425	14	16,722,339	39,347	-0.38%
	June 30, 2002	437	16	17,952,794	41,082	4.41%
	June 30, 2003	441	16	18,608,166	42,195	2.71%
	June 30, 2004	438	15	20,031,923	45,735	8.39%
	June 30, 2005	444	15	20,474,175	46,113	0.83%
VFCA	June 30, 2000	2,502				
	June 30, 2001	2,524				
	June 30, 2002	2,609				
	June 30, 2003	2,629				
	June 30, 2004	2,687				
	June 30, 2005	2,754				

Covered payroll is not applicable. Members are unpaid volunteers and do not contribute to the fund.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Composition

as of June 30, 2005

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS	FURS	VFCA ¹
Average Age	47.6	55.4	39.1	41.3	40.2	38.8	40.3	43.9
Average Service	9.9	10.3	9.3	8.8	5.7	10.2	12.4	8.5
Average Salary	\$ 30,290	\$ 89,301	\$ 43,223	\$ 41,658	\$ 31,711	\$ 42,815	\$ 45,744	N/A
Under Age 25								
Number Members	554	-	4	12	37	11	14	151
Average Salary	\$ 20,844	-	\$ 28,309	\$ 31,000	\$ 25,541	\$ 35,665	\$ 30,558	N/A
Ages 25-29								
Number Members	1,318	-	24	64	70	62	44	192
Average Salary	\$ 26,116	-	\$ 31,328	\$ 37,953	\$ 28,142	\$ 35,377	\$ 37,886	N/A
Ages 30-34								
Number Members	1,740	-	32	114	120	119	78	261
Average Salary	\$ 28,568	-	\$ 36,130	\$ 40,157	\$ 30,187	\$ 38,457	\$ 41,499	N/A
Ages 35-39								
Number Members	2,554	1	45	127	123	159	80	376
Average Salary	\$ 29,141	\$ 88,164	\$ 42,826	\$ 40,243	\$ 30,981	\$ 41,281	\$ 42,466	N/A
Ages 40-44								
Number Members	3,555	3	49	113	123	109	73	421
Average Salary	\$ 30,032	\$ 91,957	\$ 50,081	\$ 41,008	\$ 32,827	\$ 44,600	\$ 48,217	N/A
Ages 45-49								
Number Members	5,033	7	25	90	98	71	68	432
Average Salary	\$ 31,129	\$ 89,212	\$ 45,681	\$ 44,169	\$ 34,253	\$ 48,263	\$ 49,848	N/A
Ages 50-54								
Number Members	5,714	9	13	81	69	24	56	400
Average Salary	\$ 32,343	\$ 88,164	\$ 52,640	\$ 47,275	\$ 35,569	\$ 46,500	\$ 52,408	N/A
Ages 55-59								
Number Members	4,539	17	9	57	57	15	27	301
Average Salary	\$ 31,965	\$ 89,546	\$ 50,997	\$ 43,341	\$ 32,267	\$ 52,719	\$ 56,599	N/A
Ages 60-64								
Number Members	2,355	9	-	19	11	-	4	114
Average Salary	\$ 30,083	\$ 89,793	-	\$ 44,865	\$ 36,484	-	\$ 52,246	N/A
Ages 65-69								
Number Members	591	3	-	3	2	-	-	64
Average Salary	\$ 25,303	\$ 88,164	-	\$ 25,562	\$ 41,398	-	-	N/A
Age 70 & Over								
Number Members	260	1	-	-	1	-	-	42
Average Salary	\$ 20,525	\$ 88,164	-	-	\$ 26,417	-	-	N/A

¹Average Salary is not applicable to VFCA, members are unpaid volunteers.

The last actuarial valuation was performed as of June 30, 2005.

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added		Removed		End of Year	Benefits ²	Average Annual Benefit ³	% Benefit Increase
	No.	Annual Benefits ¹	No.	Annual Benefits ¹				
PERS-DBRP								
June 30, 2000	742	\$ 657,440	408	\$ 250,041	13,572	\$ 96,015,987	\$ 7,159	0.79%
June 30, 2001	649	561,963	423	194,728	13,798	101,546,131	7,505	4.83%
June 30, 2002	777	1,352,552	459	211,484	14,116	114,662,817	8,453	12.63%
June 30, 2003	735	952,550	450	278,056	14,401	122,203,686	8,672	2.59%
June 30, 2004	861	1,216,589	428	931,433	14,834	132,683,144	9,246	6.62%
June 30, 2005	859	7,364,190	473	1,620,042	15,220	142,789,016	9,606	3.89%
JRS								
June 30, 2000	0	8,412	1	-	47	1,379,363	29,153	-8.71%
June 30, 2001	8	17,030	4	8,937	51	1,430,623	28,771	-1.31%
June 30, 2002	0	8,215	0	-	51	1,566,110	30,704	6.72%
June 30, 2003	0	493	1	1,790	50	1,551,557	31,007	0.99%
June 30, 2004	1	12,298	1	2,763	50	1,670,457	33,295	7.38%
June 30, 2005	1	24,369	2	37,736	49	1,623,746	33,126	-0.51%
HPORS								
June 30, 2000	11	29,063	4	3,014	261	4,396,044	16,227	5.07%
June 30, 2001	5	19,358	6	5,709	260	4,624,420	16,920	4.27%
June 30, 2002	7	26,750	2	2,714	265	4,861,329	17,677	4.48%
June 30, 2003	6	26,956	4	3,658	267	5,159,762	18,669	5.61%
June 30, 2004	8	33,952	1	1,342	274	5,492,910	19,583	4.89%
June 30, 2005	6	187,797	4	14,985	276	5,789,603	20,202	3.16%
SRS								
June 30, 2000	31	42,395	2	2,569	242	2,929,550	12,733	3.37%
June 30, 2001	21	31,561	1	2,044	262	3,293,535	13,305	4.49%
June 30, 2002	23	41,777	5	5,462	280	3,699,727	13,959	4.92%
June 30, 2003	29	57,961	3	759	306	4,307,060	15,059	7.89%
June 30, 2004	22	56,415	5	4,447	323	4,902,832	16,250	7.91%
June 30, 2005	21	249,586	4	19,375	340	5,527,472	16,719	2.88%

¹Annual Benefits Added and Removed for fiscal years prior to June 30, 2005 are based the June monthly benefit total.

For fiscal year ended June 30, 2005 these amounts are based on annual benefit totals.

²Includes active death benefit payments.

³Based on June monthly benefit totals.

The last actuarial valuation was performed as of June 30, 2005.

ACTUARIAL SECTION

Year Ended	Added		Removed		End of Year	Benefits ²	Average Annual Benefit ³	% Benefit Increase
	No.	Annual Benefits ¹	No.	Annual Benefits ¹				
GWPORS								
June 30, 2000	2	\$ 4,650	0	\$ -	82	\$ 1,210,991	\$ 15,097	2.17%
June 30, 2001	0	-	3	2,172	79	1,235,308	15,566	3.11%
June 30, 2002	3	4,827	3	3,099	79	1,230,427	15,828	1.69%
June 30, 2003	4	12,749	1	1,094	82	1,316,309	16,955	7.12%
June 30, 2004	4	9,071	1	2,123	85	1,459,817	17,496	3.19%
June 30, 2005	11	66,165	2	11997	94	1,538,595	17,342	-0.88%
MPORS								
June 30, 2000	14	37,041	13	14,831	541	8,653,105	16,093	3.14%
June 30, 2001	22	85,521	10	11,826	553	9,124,506	17,414	8.21%
June 30, 2002	14	49,240	13	18,007	554	9,844,541	18,045	3.62%
June 30, 2003	19	63,743	8	10,705	565	10,425,561	18,866	4.55%
June 30, 2004	17	58,062	11	15,443	571	10,885,372	19,576	3.76%
June 30, 2005	14	304,348	10	62,467	575	11,362,959	20,336	3.88%
FURS								
June 30, 2000	23	58,248	12	16,667	468	7,517,677	16,402	4.60%
June 30, 2001	21	48,753	15	17,543	474	8,017,761	17,072	4.09%
June 30, 2002	17	68,260	10	13,248	481	8,507,526	18,203	6.63%
June 30, 2003	12	50,432	13	14,906	480	9,080,598	19,132	5.10%
June 30, 2004	22	84,167	4	6,632	498	9,674,137	20,384	6.54%
June 30, 2005	15	288,761	9	88,862	504	10,385,891	20,972	2.88%
VFCA								
June 30, 2000	72	6,085	25	2,025	839	843,649	1,029	0.41%
June 30, 2001	54	4,750	31	2,585	862	881,855	1,032	0.26%
June 30, 2002	68	42,780	46	2,510	884	1,410,768	1,542	49.47%
June 30, 2003	62	8,160	25	3,045	921	1,411,936	1,551	0.58%
June 30, 2004	59	11,340	36	3,915	944	1,478,648	1,614	4.07%
June 30, 2005	65	72,105	43	45,038	966	1,517,098	1,557	-3.56%

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Solvency Test

(in thousands)

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed Portion)				
PERS-DBRP	06/30/02	\$ 645,403	\$ 1,366,634	\$ 1,065,727	\$ 3,076,781	100	100	100
	06/30/04	684,607	1,640,145	1,189,333	3,047,287	100	100	61
	06/30/05	701,851	1,756,674	1,261,473	3,179,010	100	100	57
JRS	06/30/02	2,708	18,977	9,197	44,963	100	100	253
	06/30/04	3,271	20,106	11,347	45,134	100	100	192
	06/30/05	3,479	19,411	11,635	47,552	100	100	212
HPORS	06/30/02	6,797	68,800	19,253	81,734	100	100	32
	06/30/04	6,914	76,936	20,219	79,104	100	94	0
	06/30/05	6,981	80,701	25,256	82,050	100	93	0
SRS	06/30/02	20,108	55,458	46,059	138,590	100	100	137
	06/30/04	21,643	75,982	50,983	141,022	100	100	85
	06/30/05	22,810	82,386	54,151	148,458	100	100	80

⁽¹⁾ "Active Member Accounts" includes Regular and Additional Contributions with interest, and excludes all accounts of inactive members.

The last actuarial valuation was performed as of June 30, 2005.

ACTUARIAL SECTION

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed Portion)				
GWPORS	06/30/02	\$ 8,857	\$ 14,005	\$ 16,247	\$ 38,730	100	100	98
	06/30/04	12,371	18,034	19,905	45,210	100	100	74
	06/30/05	14,416	19,599	22,399	50,961	100	100	76
MPORS	06/30/02	20,854	144,055	61,918	143,516	100	85	0
	06/30/04	23,317	159,767	77,010	149,510	100	79	0
	06/30/05	24,368	166,978	85,033	159,417	100	81	0
FURS	06/30/02	18,297	121,922	57,727	136,392	100	97	0
	06/30/04	20,215	142,894	64,490	142,109	100	85	0
	06/30/05	21,587	148,378	68,192	151,393	100	87	0
VFCA	06/30/02	-	15,631	11,177	19,254	100	100	32
	06/30/04	-	16,578	12,102	20,058	100	100	29
	06/30/05	-	16,997	13,776	21,311	100	100	31

Active member accounts are not applicable. Members are unpaid volunteers.

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Actuarial (Gain) or Loss by Source

(in thousands)

PERS-DBRP	
Investment (Gain) or Loss	\$ 80,870
Liability (Gain) or Loss	(18,672)
Total Actuarial (Gain) or Loss	\$ 62,198

JRS	
Investment (Gain) or Loss	\$ 1,141
Liability (Gain) or Loss	(2,480)
Total Actuarial (Gain) or Loss	\$ (1,339)

HPORS	
Investment (Gain) or Loss	\$ 2,171
Liability (Gain) or Loss	4,991
Total Actuarial (Gain) or Loss	\$ 7,162

The last actuarial valuation was performed as of June 30, 2005.

SRS		
Investment (Gain) or Loss	\$	3,471
Liability (Gain) or Loss		(342)
Total Actuarial (Gain) or Loss	\$	3,129

GWPORS		
Investment (Gain) or Loss	\$	908
Liability (Gain) or Loss		171
Total Actuarial (Gain) or Loss	\$	1,079

MPORS		
Investment (Gain) or Loss	\$	3,883
Liability (Gain) or Loss		1,398
Total Actuarial (Gain) or Loss	\$	5,281

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Actuarial (Gain) or Loss by Source (cont.)

(in thousands)

FURS		
Investment (Gain) or Loss	\$	3,666
Liability (Gain) or Loss		(2,337)
Total Actuarial (Gain) or Loss	\$	1,329

VFCA		
Investment (Gain) or Loss	\$	362
Liability (Gain) or Loss		(425)
Plan Amendment		1,310
Total Actuarial (Gain) or Loss	\$	1,247

The last actuarial valuation was performed as of June 30, 2005.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Defined Benefit Retirement Plan Provisions

The summary of plan provisions as of June 30, 2005, is presented separately for each plan.

Public Employees' Retirement System-DBRP

Normal Retirement	Eligibility:	Age 65 regardless of membership service, or Age 60 and 5 years of membership service, or 30 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation (highest 36 consecutive months), multiplied by 1/56th if membership service at retirement is less than 25 years, or multiplied by 1/50th if membership service at retirement is at least 25 years.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	Age 50 and 5 years of membership service or 25 years of membership service regardless of age.
	Benefit:	Actuarial equivalent of the accrued benefit based on retirement at age 60 or 30 years of membership service.
Disability Retirement	Eligibility:	5 years of membership service
	Benefit:	If hired on or before February 24, 1991, the greater of (a) and (b) below: (a) Years of service credit, multiplied by highest average compensation, multiplied by 90% of 1/56th (1/50th if 25 or more years of membership service), or (b) Highest average compensation multiplied by 25%.

ACTUARIAL SECTION

		If hired after February 24, 1991: Years of service credit, multiplied by highest average compensation, multiplied by 1/56th (1/50th if 25 or more years of membership service).
Death before Retirement	Eligibility:	Prior to 5 years of membership service
	Benefit:	The sum of (a) and (b) below: (a) Return of member contributions with interest, (b) Lump sum payment of one month's salary up to a maximum of six months' salary.
	Eligibility:	5 years of membership service
	Benefit:	Either the sum of (a) and (b), or (c) below: (a) Return of member contributions with interest, and (b) Lump sum payment of one month's salary up to a maximum of six months' salary; or (c) Actuarial equivalent of the accrued benefit at the time of death of the member.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement.
Contributions	Members:	6.90% of members' compensation
	Employers:	6.90% of members' compensation (offset by 0.10% of members' compensation paid by the State for local government and school district employers).

ACTUARIAL SECTION

Judges' Retirement System

Normal Retirement	Eligibility:	Age 60 and 5 years of membership service.
	Benefit:	(1) If hired before July 1, 1997 and not electing GABA before January 1, 1998, the sum of (a) and (b) below: (a) Years of service credit (up to 15), multiplied by current salary, multiplied by 3-1/3%, plus (b) Years of service credit (over 15), multiplied by current salary, multiplied by 1.785%. (2) If hired on or after July 1, 1997 or electing GABA prior to January 1, 1998: Same formula as above, substituting highest average compensation for current salary.
	Normal Form:	The monthly benefit for the life of the member, with a final payment equal to the accumulated contributions of the member account at retirement less the sum of all payments made to the date of death. This final payment may be annuitized for non-GABA members or members electing GABA on or after January 1, 1998.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	For non-GABA members or members electing the GABA on or after January 1, 1998 - 50% of current salary. For GABA members hired on or after July 1, 1997 or electing the GABA prior to January 1, 1998 - 50% of highest average compensation.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued service retirement benefit.

Death before Retirement	Eligibility:	Service death
	Benefit:	Accrued service retirement benefit commencing at time of death.
	Eligibility:	Non-service death before age 60
	Benefit:	Accrued service retirement benefit commencing at time of death.
Termination Benefit	Eligibility:	Prior to five years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service and involuntary termination or 12 years of service credit
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) The accrued actuarial equivalent of the service retirement benefit.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3.0%, commencing January 1st, one year after retirement for members hired on or after July 1, 1997 or if elected by the member, or (b) The annual increase proportional to the annual increase in compensation to active members.
Contributions	Members:	7.00% of members' compensation.
	Employers:	25.81% of members' compensation.

ACTUARIAL SECTION

Highway Patrol Officers' Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Early Retirement	Eligibility:	5 years of membership service and discontinued from service
	Benefit:	Actuarial Equivalent of accrued benefit based on a retirement age of 60.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	Minimum of 50% of highest average compensation.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation, less benefits paid from workers' compensation.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	Either (a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3%, com- mencing January 1st, one year after retirement, or (b) 2% per year of service of the base salary of a probation officer, but not to exceed an increase of 5% per year.
	Lump Sum:	For members retired prior to July 1, 1991, a lump sum payment limited to the increase in the Con- sumer Price Index.
Contributions	Members:	Either (a) or (b) below: (a) 9.00% of members' compensation if hired prior to July 1, 1997, or (b) 9.05% for members hired after June 30, 1997 and those electing GABA.
	Employers:	36.33% of members' compensation.

ACTUARIAL SECTION

Sheriffs' Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	5 years of membership service and attainment of age 50
	Benefit:	Actuarial equivalent of the accrued benefit based on retirement at the earlier of completing 20 years of service credit, or age 60.
Disability Retirement	Eligibility:	Service disablement
	Benefit:	Minimum of 50% of highest average compensation. If more than 20 years of service credit, years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age after completing 20 years of membership service or age 60.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 65 or completing 20 years of membership service.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on 20 years of membership service or a re- tirement age 60; commencing no sooner than the first day of the month following the member's 50th birthday.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	An annual adjustment (GABA) of 3.0% commenc- ing January 1st, one year after retirement.
Contributions	Members:	9.245% of members' compensation.
	Employers:	9.535% of members' compensation.

ACTUARIAL SECTION

Game Wardens and Peace Officers' Retirement System

Normal Retirement	Eligibility:	Age 50 and 20 years of membership service.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
Early Retirement	Eligibility:	5 years of membership service and age 55
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
Disability Retirement	Eligibility:	5 years of membership service, and service disablement
	Benefit:	50% of highest average compensation. If the member has more than 20 years of service credit, 2.5% of highest average compensation multiplied by years of service credit.
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 50.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation. If the member has more than 25 years of service credit, 2.0% of highest average compensation multiplied by years of service credit.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 55.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 55.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement.
Contributions	Members:	10.56% of members' compensation.
	Employers:	9.00% of members' compensation.

ACTUARIAL SECTION

Municipal Police Officers' Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age, or 5 years of membership service and age 50.
	Benefit:	Years of service credit, multiplied by 2.5%, multiplied by (a) if hired before July 1, 1977: Average monthly compensation during final year of service, or (b) if hired on or after July 1, 1977: Average regular monthly compensation (for last consecutive 36 months).
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Eligibility:	Immediate
	Benefit:	If hired before July 1, 1977: Minimum of 50% of base salary. If hired on or after July 1, 1977: Minimum of 50% of final average compensation.
Death before Retirement	Eligibility:	Immediate
	Benefit:	If hired before July 1, 1977: Minimum of 50% of base salary. If hired on or after July 1, 1977: Minimum of 50% of final average compensation.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 50.

Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	Either (a) or (b) below, as elected by the member: (a) An annual adjustment (GABA) of 3.0%, commencing one year after retirement for members hired on or after July 1, 1997, or if elected by the member, or (b) 50% of the salary of a newly confirmed police officer in the city in which the member was employed.
Contributions	Members:	Either (a), (b), (c), (d), or (e) below: (a) If hired prior to June 30, 1975: 5.80% of members' compensation, or (b) If hired after June 30, 1975 and prior to July 1, 1979: 7.00% or (c) If hired after June 30, 1979 and prior to July 1, 1997: 8.50%, or (d) If hired on or after July 1, 1997: 9.00%, or (e) For members electing the GABA, 9.00%
	Employers:	14.41% of members' compensation.
	State:	29.37% of members' compensation.

ACTUARIAL SECTION

Municipal Police Officers' Retirement System (cont.)

MPORS DROP	Eligibility:	20 years of membership service.
	Benefits:	<p>Eligible members may elect to participate in the DROP for a period of up to 5 years.</p> <p>A monthly DROP service retirement allowance is calculated based on the member's compensation and service at the beginning of the DROP period. This monthly benefit is deposited into a DROP account. The DROP account also is credited with investment earnings equal to the rate of earnings on the trust fund, but not less than 0% in any fiscal year.</p> <p>The monthly DROP benefit receives GABA or minimum benefit adjustments that would apply if the member was receiving a service retirement benefit during the DROP period.</p> <p>If the member dies or becomes disabled during the DROP period, the accumulated DROP account as of the date of death or disability is payable to the member or the member's beneficiary, plus the DROP annuity with increases as applied through the date of death or disability is payable to the disabled member or to the deceased member's survivors, if any.</p> <p>At the end of the DROP period the DROP account is paid to the member, and the member begins receiving a monthly retirement benefit equal to the monthly DROP benefit with all GABA or minimum benefit adjustments made during the DROP period, and the monthly benefit continues to receive GABA or minimum benefit adjustments thereafter.</p>
	Contributions:	During the DROP period, member, employer, and state contributions continue to be made to the trust fund at the same rates as for any other active plan member.

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ACTUARIAL SECTION

Firefighters' Unified Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	<p>If hired prior to July 1, 1981, and those not electing GABA - the greater of:</p> <p>(a) 2.5% of final average compensation, multiplied by years of service credit or</p> <p>(b) i. If less than 20 years of membership service, 2% of final average compensation, multiplied by years of service credit</p> <p>ii. If greater than 20 years of membership service, 50% of final average compensation, plus years of service in excess of 20, multiplied by final average compensation, multiplied by 2.00%</p> <p>If hired on or after July 1, 1981, and those electing GABA, years of service credit, multiplied by final average compensation, multiplied by 2.50%</p>
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Benefit:	(a) If less than 20 years of membership service, 50% of final average compensation.
		(b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.
Death before Retirement	Benefit:	(a) If less than 20 years of membership service, 50% of final average compensation.
		(b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 50.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Greater of (a) or (b) below: (a) An annual adjustment (GABA) of 3.0% commencing on January 1st, one year after retirement for members hired on or after July 1, 1997, or if elected by the member, or (b) members with at least 10 years of service and who did not elect GABA - 50% of the salary of a newly confirmed firefighter in the city in which the member was employed.
Contributions	Members:	Either (a) or (b) below: (a) 9.50% of members' compensation if hired prior to July 1, 1997, or (b) 10.70% for members hired after June 30, 1997 or electing the GABA.
	Employers:	14.36% of members' compensation.
	State:	32.61 % of members' compensation.

Effective 7/1/2005 Final Average Compensation was replaced by Highest Average Compensation

ACTUARIAL SECTION

Volunteer Firefighters' Compensation Act

Normal Retirement	Eligibility:	Age 55 and 20 (maximum of 30) years of service, or Age 60 and 10 years of service.
	Benefit:	\$7.50 per year of service, up to a maximum of 30 years of service.
	Normal Form:	Monthly benefit for the life of the member. Survivorship benefits are limited to the first 40 months of benefit payment.
Additional Retirement	Eligibility:	Member may draw additional retirement for over 20 years of service (maximum of 30) and continue to be a volunteer not receiving service credit.
	Benefit:	\$7.50 per year of service beyond 20 years, Maximum benefit \$225 per month (30 years).
Disability Retirement	Eligibility:	Service disability
	Benefit:	\$7.50 per year of service, with a minimum of \$75 and a maximum of \$225 per month.
Death before Retirement	Eligibility:	10 years of service
	Benefit:	\$7.50 per year of service for 40 months.
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60.
Contributions	Members:	None.
	State:	5% of insurance premium taxes collected.

SUMMARY OF STATISTICAL DATA

This section contains various statistical and historical data considered useful in evaluating the condition of the plans.

The pensions are accounted for under the accrual basis of accounting. On the following pages are historical financial, actuarial and general data for the last ten years ending June 30, 2005.

The change in net assets is presented in chart format with graphs for the PERS-DBRP that highlight areas of interest. Actuarial funding is presented in graph format for all of the retirement plans and contribution rates are provided for all the retirement plans since inception.

The existence of unfunded actuarial liabilities is not necessarily an indication of financial problems but the fluctuations are important and must be monitored and controlled.

Benefit expenses and distributions are then presented followed by a schedule of retired members showing the number of retirees based on the type of benefit received. A map depicts the location of benefit recipients, showing that the majority remain in the state of Montana after retirement. Next, the average monthly benefit is provided.

This section concludes with a schedule of employers participating in each of the plans.

STATISTICAL SECTION

Public Employees' Retirement Board A Component Unit of the State of Montana Changes in Net Assets, Last Ten Fiscal Years (in thousands)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002
PERS-DBRP							
Additions							
Member Contributions ¹	\$ 43,696	\$ 52,728	\$ 48,547	\$ 49,304	\$ 53,100	\$ 57,119	\$ 60,030
Employer Contributions ²	41,900	45,332	45,274	47,739	49,786	53,976	56,505
State Contributions			304	341	348	383	374
Investment Income ³	193,947	341,989	347,248	293,403	215,193	(148,517)	(201,366)
Other ⁴	10	56	61	110	61	26	
Total additions to Plan Net Assets	279,553	440,105	441,434	390,897	318,488	(37,013)	(84,457)
Deductions							
Benefits	80,241	82,291	87,380	91,521	96,016	101,546	114,663
Refunds	10,112	10,226	11,569	11,294	12,098	11,874	10,683
Administrative Expenses	1,054	1,098	1,205	1,344	1,470	2,275	3,310
Other ⁵	319	239	588	420	348	185	364
Total deductions to Plan Net Assets	91,726	93,854	100,742	104,579	109,932	115,880	129,020
Change in Net Assets	\$ 187,827	\$ 346,251	\$ 340,692	\$ 286,318	\$ 208,556	(152,893)	(213,477)
JRS							
Additions							
Member Contributions ¹	\$ 203	\$ 207	\$ 229	\$ 223	\$ 244	\$ 256	\$ 280
Employer Contributions	174	177	843	823	899	944	1,032
Court Fees	953	951					
Investment Income ³	2,794	5,007	5,285	4,291	2,852	(2,162)	(3,047)
Total additions to Plan Net Assets	4,124	6,342	6,357	5,337	3,995	(962)	(1,735)
Deductions							
Benefits	1,174	1,203	1,304	1,319	1,379	1,431	1,566
Refunds			7				
Administrative Expenses	3	2	3	3	3	5	4
Other ⁶	340	348					
Total deductions to Plan Net Assets	1,517	1,553	1,314	1,322	1,382	1,436	1,570
Change in Net Assets	\$ 2,607	\$ 4,789	\$ 5,043	\$ 4,015	\$ 2,613	(2,398)	(3,305)
HPORS							
Additions							
Member Contributions ¹	\$ 621	\$ 586	\$ 652	\$ 598	\$ 668	\$ 716	\$ 693
Employer Contributions	2,271	2,286	2,395	2,309	2,558	2,642	2,770
Registration Fees	271	287	282	285	279	335	309
Investment Income ³	5,145	9,450	10,013	7,951	5,109	(3,828)	(5,590)
Total additions to Plan Net Assets	8,308	12,609	13,342	11,143	8,614	(135)	(1,818)
Deductions							
Benefits	3,435	3,580	3,771	4,085	4,396	4,624	4,861
Refunds	65	99	158	82	142	86	130
Administrative Expenses	14	12	13	13	15	22	20
Other ⁷	2		21	14	25		19
Total deductions to Plan Net Assets	3,516	3,691	3,963	4,194	4,578	4,732	5,030
Change in Net Assets	\$ 4,792	\$ 8,918	\$ 9,379	\$ 6,949	\$ 4,036	(4,867)	(6,848)

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

¹Includes Interest Reserve Buybacks.

²Includes Membership Fees, Retirement Incentive, Miscellaneous Revenue and Education Contributions.

³Includes Common Stock Dividends.

⁴Includes Operating Income.

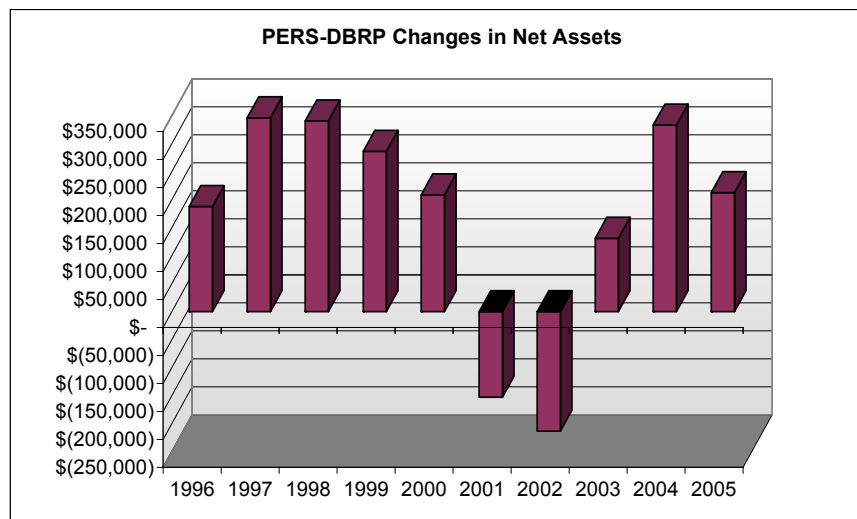
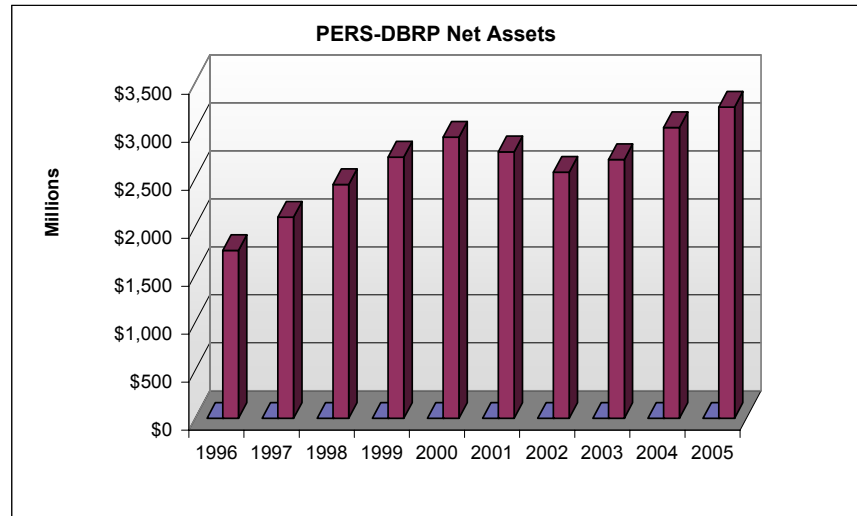
⁵Includes Transfers to the DC, ORP, Prior Year Adjustments and Refunds to Other Plans.

⁶Includes Bad Debt Expense for FY96 and FY97.

⁷Includes Refunds to Other Plans.

STATISTICAL SECTION

2003	2004	2005
\$ 62,628	\$ 62,664	\$ 66,986
57,597	58,231	60,454
389	403	421
167,331	360,266	244,976
287,945	481,564	372,837
122,204	132,683	142,789
10,218	10,913	13,236
2,254	2,825	2,569
22,175	1,882	1,516
156,851	148,303	160,110
\$ 131,094	\$ 333,261	\$ 212,727
\$ 285	\$ 443	\$ 412
1,052	1,136	1,162
2,661	5,248	3,640
3,998	6,827	5,214
1,552	1,670	1,624
3	14	9
1,555	1,684	1,633
\$ 2,443	\$ 5,143	\$ 3,581
\$ 805	\$ 743	\$ 862
2,866	2,859	3,324
354	348	669
4,611	9,322	6,353
8,636	13,272	11,208
5,160	5,493	5,790
60	144	181
15	31	29
48	152	49
5,283	5,820	6,049
\$ 3,353	\$ 7,452	\$ 5,159



STATISTICAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana* **Changes in Net Assets, Last Ten Fiscal Years (cont.)** (in thousands)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002
SRS							
Additions							
Member Contributions ¹	\$ 1,542	\$ 1,827	\$ 2,162	\$ 2,160	\$ 2,169	\$ 2,262	\$ 2,496
Employer Contributions ²	1,558	1,682	1,969	2,082	2,196	2,227	2,431
Investment Income ³	7,282	13,853	15,081	13,115	8,223	(6,379)	(9,152)
Total additions to Plan Net Assets	10,382	17,362	19,212	17,357	12,588	(1,890)	(4,225)
Deductions							
Benefits	1,295	1,502	1,743	2,364	2,930	3,294	3,700
Refunds	303	325	201	315	270	373	409
Administrative Expenses	22	20	24	22	29	43	40
Other ⁵	19	20	2	12	5	5	37
Total deductions to Plan Net Assets	1,639	1,867	1,970	2,713	3,234	3,715	4,186
Change in Net Assets	\$ 8,743	\$ 15,495	\$ 17,242	\$ 14,644	\$ 9,354	\$ (5,605)	\$ (8,411)
GWPORS							
Additions							
Member Contributions ¹	\$ 227	\$ 244	\$ 790	\$ 941	\$ 1,079	\$ 1,306	\$ 1,846
Employer Contributions	230	250	818	931	1,100	1,366	1,595
Investment Income ³	2,109	3,654	3,848	3,328	2,105	(1,599)	(2,564)
Total additions to Plan Net Assets	2,566	4,148	5,456	5,200	4,284	1,073	877
Deductions							
Benefits	1,093	1,099	1,123	1,153	1,211	1,235	1,230
Refunds			34	73	125	212	317
Administrative Expenses	5	5	12	14	19	30	30
Other ⁵					7	4	14
Total deductions to Plan Net Assets	1,098	1,104	1,169	1,240	1,362	1,481	1,591
Change in Net Assets	\$ 1,468	\$ 3,044	\$ 4,287	\$ 3,960	\$ 2,922	\$ (408)	\$ (714)
MPORS							
Additions							
Member Contributions ¹	\$ 1,643	\$ 1,693	\$ 1,961	\$ 2,154	\$ 1,938	\$ 1,914	\$ 2,171
Employer Contributions	2,248	2,422	2,635	2,704	2,935	3,015	3,273
State Contributions ⁴	4,402	6,879	5,265	5,576	5,909	6,148	6,529
Investment Income ³	7,165	13,800	14,890	12,434	8,074	(6,165)	(9,220)
Total additions to Plan Net Assets	15,458	24,794	24,751	22,868	18,856	4,912	2,753
Deductions							
Benefits	6,840	7,211	7,697	8,279	8,653	9,125	9,845
Refunds	107	203	282	299	298	386	345
Administrative Expenses	31	28	33	33	37	55	49
Other ⁵	7	25	37	31	16	44	3
Total deductions to Plan Net Assets	6,985	7,467	8,049	8,642	9,004	9,610	10,242
Change in Net Assets	\$ 8,473	\$ 17,327	\$ 16,702	\$ 14,226	\$ 9,852	\$ (4,698)	\$ (7,489)

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

¹ Includes Interest Reserve Buybacks.

² Includes Retirement Incentive and Miscellaneous Revenue.

³ Includes Common Stock Dividends.

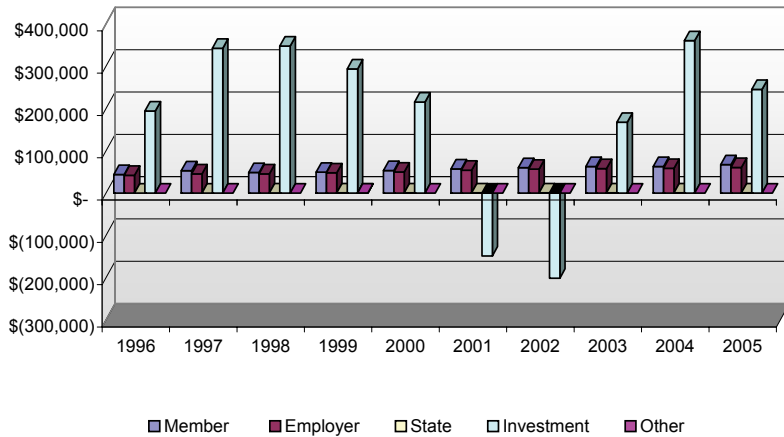
⁴ Includes percent of salary.

⁵ Includes Refunds to Other Plans.

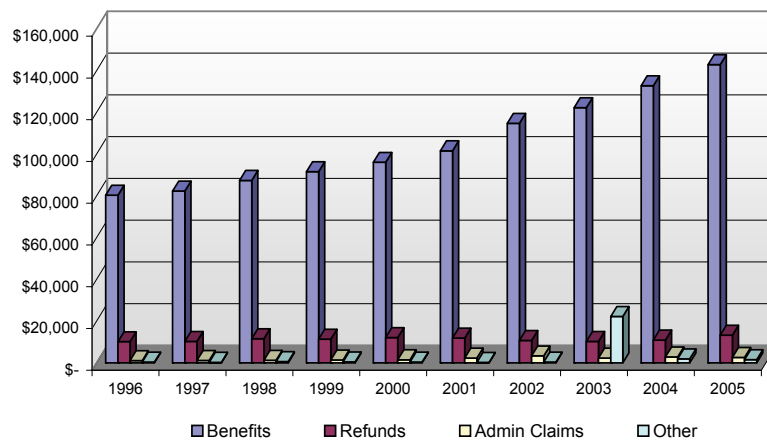
STATISTICAL SECTION

2003	2004	2005
\$ 2,669	\$ 2,685	\$ 2,988
2,508	2,684	2,813
8,164	16,404	11,381
13,341	21,773	17,182
4,307	4,903	5,527
457	306	611
32	55	57
18	12	22
4,814	5,276	6,217
\$ 8,527	\$ 16,497	\$ 10,965
\$ 2,293	\$ 2,714	\$ 3,023
1,835	2,021	2,054
2,541	5,073	3,696
6,669	9,808	8,773
1,316	1,460	1,539
355	500	607
25	42	42
	4	6
1,696	2,006	2,194
\$ 4,973	\$ 7,802	\$ 6,579
\$ 2,254	\$ 2,313	\$ 2,425
3,502	3,612	3,791
6,798	7,208	7,705
8,530	16,392	11,707
21,084	29,525	25,628
10,426	10,885	11,363
326	337	786
40	70	65
47	52	12
10,839	11,344	12,226
\$ 10,245	\$ 18,181	\$ 13,402

PERS-DBRP Total Additions



PERS-DBRP Total Deductions



STATISTICAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana* **Changes in Net Assets, Last Ten Fiscal Years (cont.)** (in thousands)

Fiscal Year	1996	1997	1998	1999	2000	2001	2002
FURS							
Additions							
Member Contributions ¹	\$ 1,066	\$ 1,147	\$ 1,560	\$ 1,679	\$ 1,697	\$ 1,742	\$ 1,874
Employer Contributions	1,960	2,077	2,142	2,284	2,326	2,373	2,521
State ²	4,151	4,773	4,796	5,075	5,277	5,369	5,764
Investment Income ³	6,631	12,960	14,144	12,108	7,597	(5,997)	(8,845)
Total additions to Plan Net Assets	13,808	20,957	22,642	21,146	16,897	3,487	1,314
Deductions							
Benefits	5,755	5,955	6,494	6,995	7,518	8,018	8,508
Refunds	29	22	24	61	46	44	80
Administrative Expenses	26	23	27	26	30	43	40
Other ⁴							
Total deductions to Plan Net Assets	5,810	6,000	6,545	7,082	7,594	8,105	8,628
Change in Net Assets	\$ 7,998	\$ 14,957	\$ 16,097	\$ 14,064	\$ 9,303	\$ (4,618)	\$ (7,314)
VFCA							
Additions							
State	\$ 862	\$ 911	\$ 928	\$ 944	\$ 961	\$ 1,003	\$ 1,134
Investment Income ³	895	1,559	1,875	1,463	1,078	(260)	(591)
Total additions to Plan Net Assets	1,757	2,470	2,803	2,407	2,039	743	543
Deductions							
Benefits	737	756	772	814	844	882	1,411
Insurance Payments	15	12	13	11	11	12	13
Administrative Expenses	22	20	23	24	28	42	38
Total deductions to Plan Net Assets	774	788	808	849	883	936	1,462
Change in Net Assets	\$ 983	\$ 1,682	\$ 1,995	\$ 1,558	\$ 1,156	\$ (193)	\$ (919)

Contributions were made in accordance with actuarially determined and statutory contribution requirements.

¹ Includes Interest Reserve Buybacks.

² Includes percent of salary.

³ Includes Common Stock Dividends.

⁴ Includes Refunds to Other Plans.

STATISTICAL SECTION

2003	2004	2005
\$ 2,141	\$ 2,213	\$ 2,330
2,802	2,796	2,959
6,006	6,533	6,719
8,066	15,692	11,140
19,015	27,234	23,148
9,081	9,674	10,386
83	77	101
30	53	53
	2	
9,194	9,806	10,540
\$ 9,821	\$ 17,428	\$ 12,608
\$ 1,310	\$ 1,434	\$ 1,527
1,259	2,271	1,550
2,569	3,705	3,077
1,412	1,479	1,517
12	12	11
30	40	47
1,454	1,531	1,575
\$ 1,115	\$ 2,174	\$ 1,502

STATISTICAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana* **Changes in Net Assets, Last Ten Fiscal Years** ¹ (cont.) (in thousands)

Fiscal Year	2000	2001	2002	2003	2004	2005
PERS-DCRP						
Additions						
Member Contributions			\$ 10,389	\$ 2,661	\$ 3,184	
Employer Contributions			6,130	1,781	1,856	
Investment Income			551	2,381	1,768	
Other ²			63	262	371	
<i>Total additions to Plan Net Assets</i>	-	-	-	17,133	7,085	7,179
Deductions						
Refunds				629	2,240	1,873
Administrative Expenses				552	214	231
Other ³				14	214	256
<i>Total deductions to Plan Net Assets</i>	-	-	-	1,195	2,668	2,360
<i>Change in Net Assets</i>	\$ -	\$ -	\$ -	\$ 15,938	\$ 4,417	\$ 4,819
DEFERRED COMPENSATION PLAN						
Additions						
Member Contributions	\$ 12,294	\$ 12,010	\$ 13,314	\$ 14,725	\$ 14,623	\$ 15,501
Employer Contributions		21	46	44	40	55
Investment Income	14,760	(2,962)	(4,434)	8,542	16,152	15,267
Other ⁴	371	233	223	256	267	167
<i>Total additions to Plan Net Assets</i>	27,425	9,302	9,149	23,567	31,082	30,990
Deductions						
Refunds	6,944	7,102	11,460	10,648	14,446	15,592
Administrative Expenses	71	175	242	218	170	289
Other ⁵	157	162	811	780	800	698
<i>Total deductions to Plan Net Assets</i>	7,172	7,439	12,513	11,646	15,416	16,579
<i>Change in Net Assets</i>	\$ 20,253	\$ 1,863	\$ (3,364)	\$ 11,921	\$ 15,666	\$ 14,411

¹ The implementation of the Defined Contribution Retirement Plan was July 1, 2002 and MPERA began administering the (457) deferred compensation plan July 1, 1999.

² Includes Miscellaneous Revenues and Forfeitures.

³ Fees paid to Great West and Aegon for services provided.

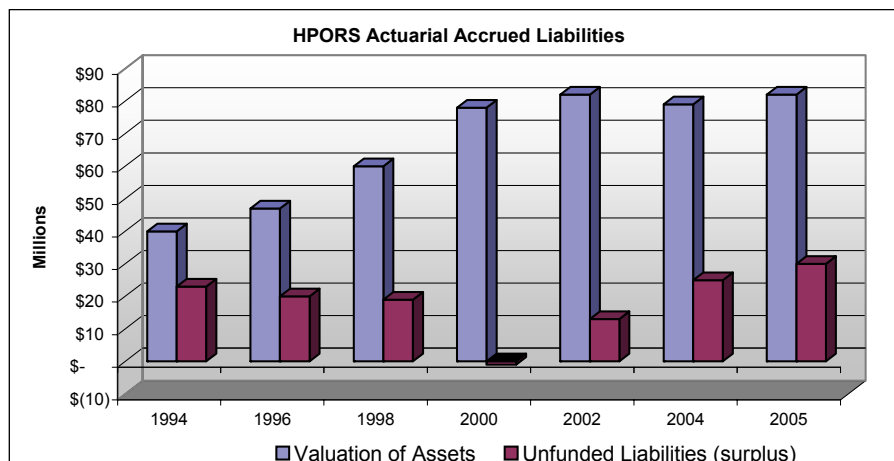
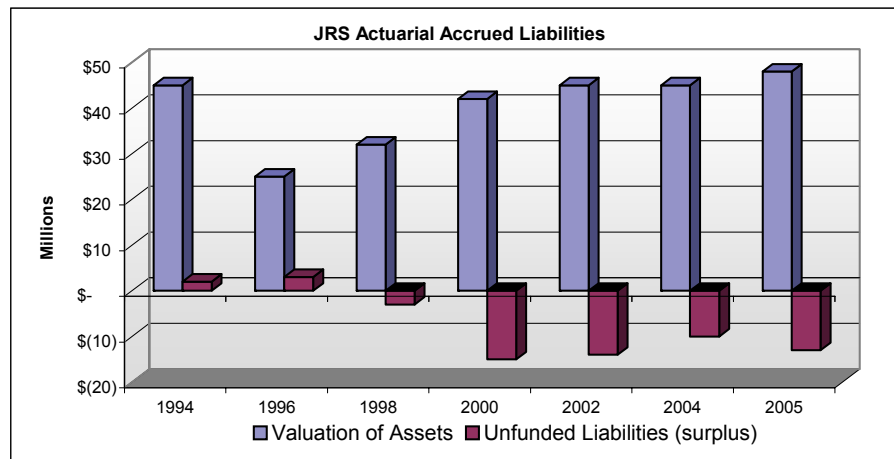
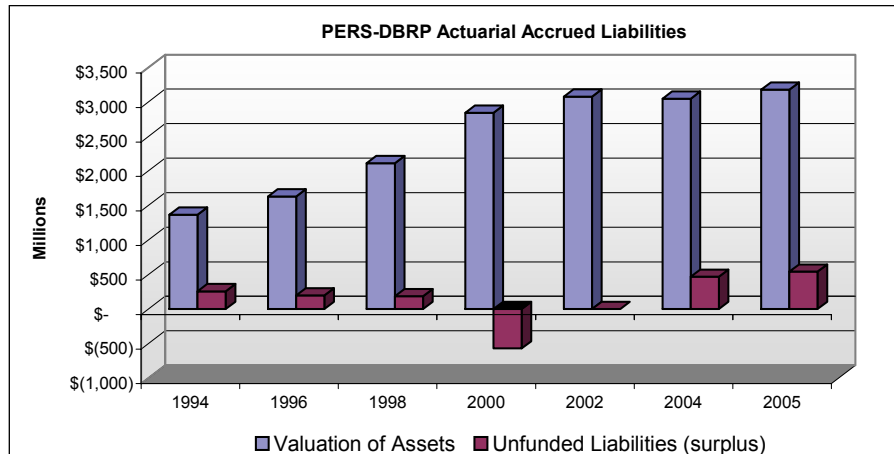
⁴ Miscellaneous revenue remitted to MPERA to pay administrative costs.

⁵ Fees paid to Great West, Aegon and Allianz for services provided.

Public Employees' Retirement Board

A Component Unit of the State of Montana

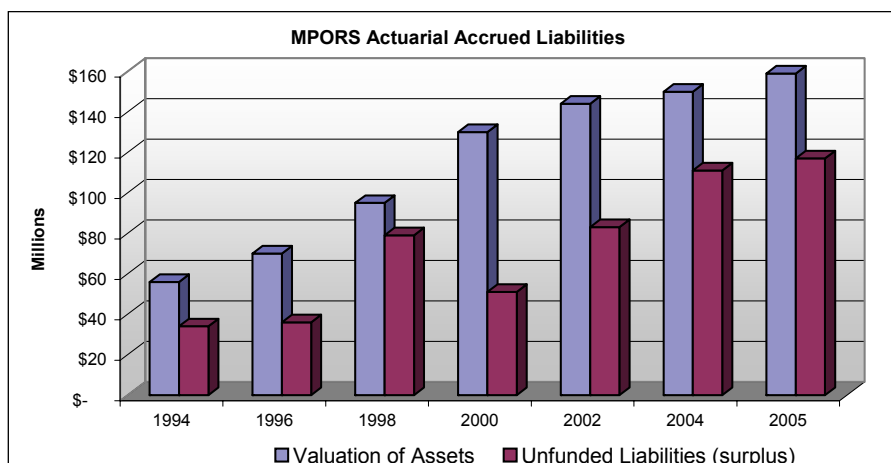
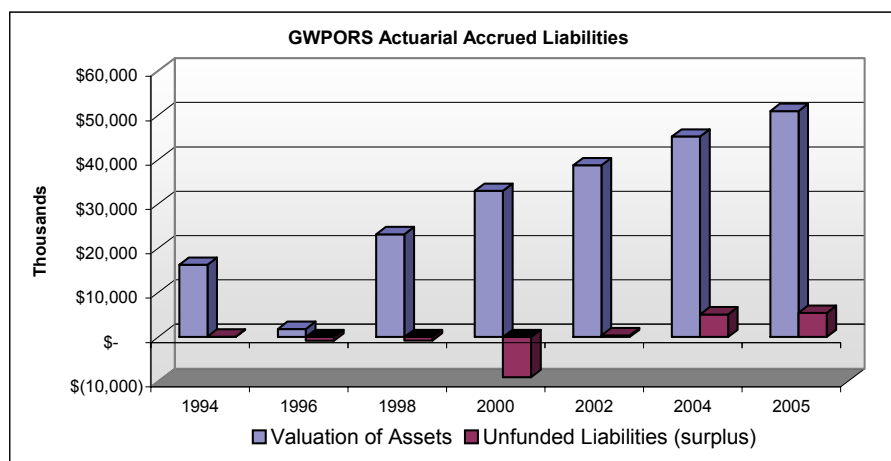
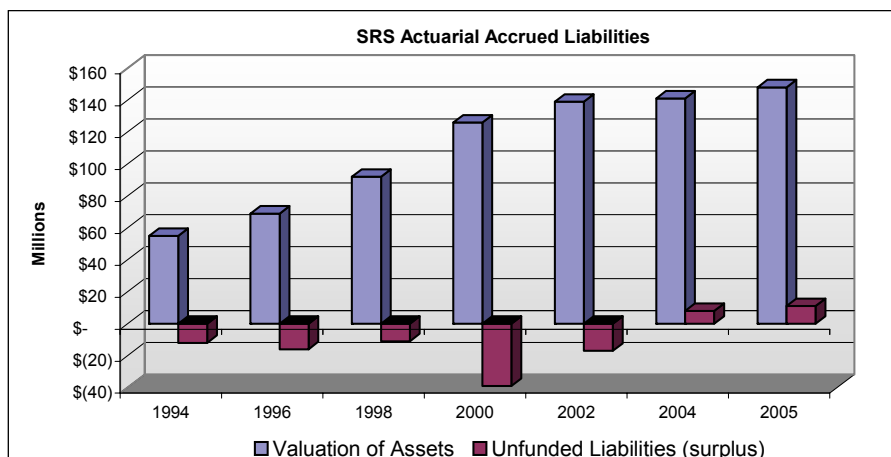
History of Actuarial Accrued Liabilities



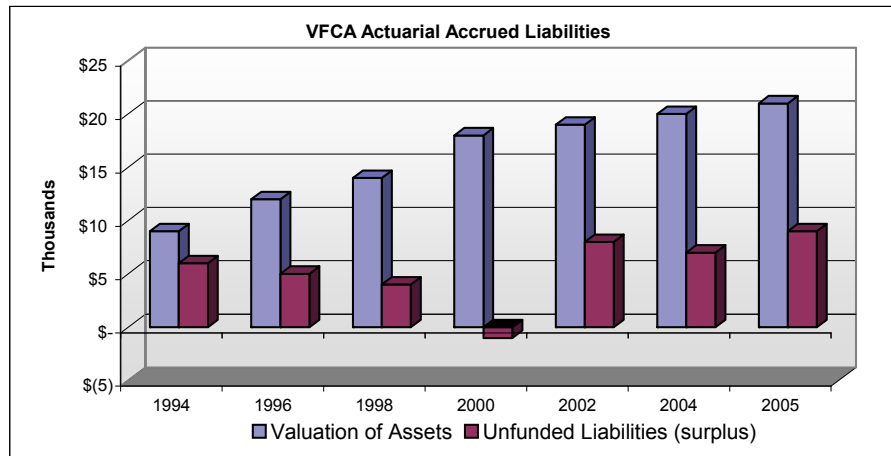
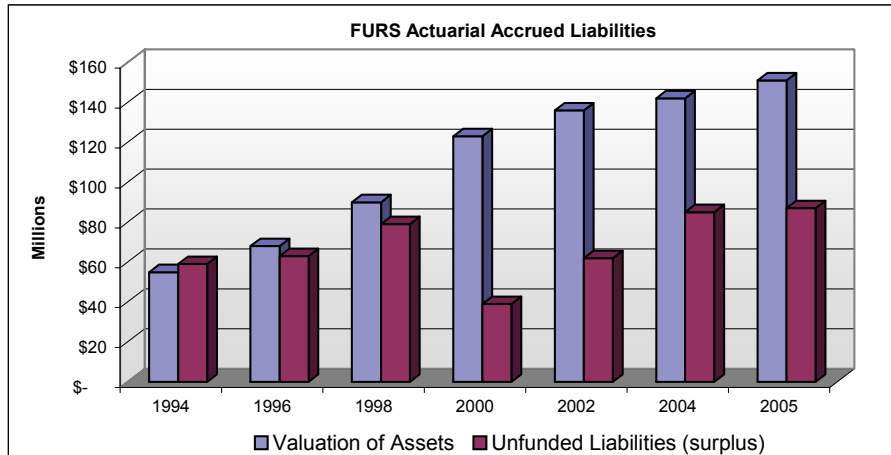
Public Employees' Retirement Board

A Component Unit of the State of Montana

History of Actuarial Accrued Liabilities (cont.)



Public Employees' Retirement Board
A Component Unit of the State of Montana
History of Actuarial Accrued Liabilities (cont.)



STATISTICAL SECTION

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Public Employees' Retirement Board
A Component Unit of the State of Montana
Contribution Rate History

PERS-DBRP

Fiscal Year	Member	Employer	<u>Local Govt & School Districts</u>	
			Employer	State
2000-2005	6.900%	6.900%	6.800%	0.100%
1998-1999	6.800%	6.800%	6.700%	0.100%
1994-1997	6.700%	6.700%	6.700%	
1993	6.550%	6.550%	6.550%	
1992	6.417%	6.417%	6.417%	
1991	6.300%	6.417%	6.417%	
1990	6.150%	6.417%	6.417%	
1984-1989	6.000%	6.417%	6.417%	
1982-1983	6.000%	6.320%	6.320%	
1979-1981	6.000%	6.200%	6.200%	
1978	6.000%	5.950%	5.950%	
1977	6.000%	5.550%	5.550%	
1976	6.000%	5.200%	5.200%	
1974-1975	5.750%	4.900%	4.900%	
1972-1973	5.750%	4.600%	4.600%	
1970-1971	5.750%	4.300%	4.300%	
1968-1969	5.750%	3.800%	3.800%	
1947-1967 *	2.5%-9.6%	3.300%	3.300%	
1945-1947 *	2.5%-9.6%	3.000%	3.000%	

*1945 - 1967 Member Contributions based on age and gender.

JRS

Fiscal Year	Member	Employer
1998-2005	7.000%	25.810%
1993-1997	7.000%	6.000%
1968-1992	6.000%	6.000%

HPORS

Fiscal Year	Member		Employer
	Hired <7/1/75	Hired >6/30/75 GABA	
1998-2005	9.000%	9.050%	36.330%
1992-1997	9.000%		36.280%
1991	7.590%		36.280%
1986-1990	7.590%		26.750%
1982-1985	6.500%		16.570%
1976-1981	6.500%		16.000%
1975	6.500%		15.000%
1971-1974	5.000%		8.000%

Public Employees' Retirement Board
A Component Unit of the State of Montana
Contribution Rate History (cont.)

SRS

Fiscal Year	Member	Employer
1998-2005	9.245%	9.535%
1997	7.865%	8.540%
1996	7.865%	8.535%
1986-1995	7.000%	7.670%
1982-1985	7.000%	7.620%
1975-1981	7.000%	7.550%

GWPORS

Fiscal Year	Member	Employer
2003-2005	10.560%	9.000%
1998-2002	8.500%	9.000%
1996-1997	7.900%	8.150%
1986-1995	7.900%	7.150%
1982-1985	7.000%	7.150%
1964-1981	7.000%	7.000%

Public Employees' Retirement Board
A Component Unit of the State of Montana
Contribution Rate History (cont.)

MPORS

Fiscal Year	Member				Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/97			
			Hired >6/30/79	GABA		
2000-2005	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%
1994-1996	7.800%	9.000%	10.500%		14.360%	15.660%
1993	7.800%	9.000%	10.500%		13.920%	15.660%
1992	6.000%	7.200%	8.700%		13.920%	15.660%
1986-1991	6.000%	6.000%	7.500%		13.020%	15.060%
1982-1985	6.000%	6.000%	7.500%		14.040%	14.040%
1980-1981	6.000%	6.000%	7.500%		14.000%	14.040%
1978-1979	6.000%	6.000%			12.000%	14.040%
1976-1977	6.000%	6.000%			11.000%	14.040%
1974-1975	6.000%				11.000%	14.040%

FURS

Fiscal Year	Member			State
	Hired <7/1/75	Hired >6/30/75		
		GABA	Employer	
1998-2005	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%
1996	7.800%		14.360%	24.210%
1995	6.000%		13.020%	24.210%
1992-1994	6.000%		13.020%	23.270%
1986-1991	6.000%		13.020%	22.980%
1984-1985	6.000%		18.000%	18.000%
1983	6.000%		15.000%	15.000%
1981-1982	6.000%		12.000%	12.000%

PERS-DCRP

Fiscal Year	Member	Employer	Local Govt & School Districts	
			Employer	State
2003-2005	6.900%	6.900%	6.800%	0.100%

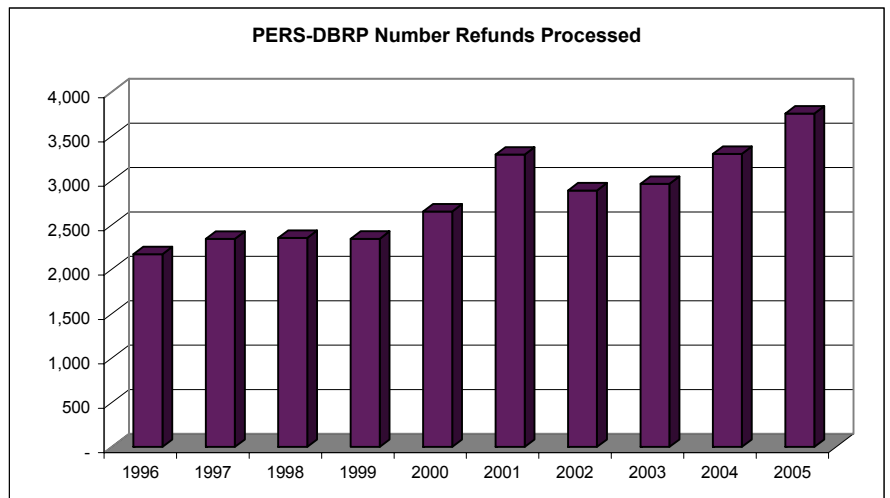
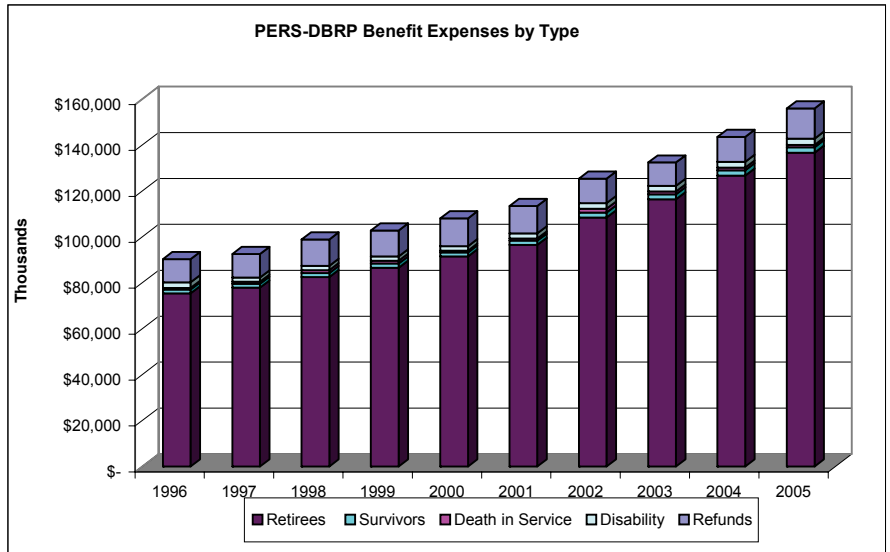
STATISTICAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana* **Schedule of Benefit Expenses by Type, Last Ten Fiscal Years** (in thousands)

System	1996	1997	1998	1999	2000	2001	2002
PERS-DBRP							
Type of Benefit							
Retirees	\$ 75,432	\$ 77,950	\$ 82,538	\$ 86,617	\$ 91,491	\$ 96,472	\$ 108,447
Survivors	1,642	1,659	1,727	1,793	1,808	1,869	2,180
Death In Service	727	887	1,319	1,225	722	1,029	1,710
Disability	2,439	1,796	1,796	1,886	1,996	2,176	2,326
Refunds	10,112	10,226	11,569	11,294	12,098	11,875	10,683
Total	\$ 90,352	\$ 92,518	\$ 98,949	\$ 102,815	\$ 108,115	\$ 113,421	\$ 125,346
Refunds Processed	2,172	2,344	2,355	2,346	2,654	3,294	2,890
JRS							
Type of Benefit							
Retirees	\$ 1,076	\$ 1,148	\$ 1,270	\$ 1,286	\$ 1,344	\$ 1,395	\$ 1,528
Survivors	13	14	34	33	36	36	38
Death In Service	-	7	-	-	-	-	-
Disability	84	34	-	-	-	-	-
Refunds	-	-	7	-	-	-	-
Total	\$ 1,173	\$ 1,203	\$ 1,311	\$ 1,319	\$ 1,380	\$ 1,431	\$ 1,566
Refunds Processed	-	-	1	-	-	-	-
HPORS							
Type of Benefit							
Retirees	\$ 3,151	\$ 3,352	\$ 3,519	\$ 3,835	\$ 4,133	\$ 4,343	\$ 4,586
Survivors	166	165	171	161	146	150	143
Death In Service	-	-	-	-	-	-	-
Disability	118	63	82	89	118	131	132
Refunds	65	99	158	82	142	86	130
Total	\$ 3,500	\$ 3,679	\$ 3,930	\$ 4,167	\$ 4,539	\$ 4,710	\$ 4,991
Refunds Processed	2	9	13	9	16	10	7
SRS							
Type of Benefit							
Retirees	\$ 910	\$ 1,106	\$ 1,330	\$ 1,901	\$ 2,469	\$ 2,809	\$ 3,193
Survivors	106	108	121	124	124	126	129
Death In Service	-	-	-	53	2	-	-
Disability	279	288	292	286	334	357	378
Refunds	303	325	201	315	270	373	409
Total	\$ 1,598	\$ 1,827	\$ 1,944	\$ 2,679	\$ 3,199	\$ 3,665	\$ 4,109
Refunds Processed	30	42	28	34	39	52	39

STATISTICAL SECTION

2003	2004	2005
\$ 116,333	\$ 126,751	\$ 136,632
2,248	2,298	2,436
1,278	1,093	992
2,345	2,541	2,729
10,218	10,913	13,236
\$ 132,422	\$ 143,596	\$ 156,025
2,964	3,302	3,756
\$ 1,513	\$ 1,611	\$ 1,583
38	41	41
-	18	-
-	-	-
-	-	-
\$ 1,551	\$ 1,670	\$ 1,624
-	-	-
\$ 4,900	\$ 5,254	\$ 5,524
134	137	144
126	102	121
60	144	181
\$ 5,220	\$ 5,637	\$ 5,970
7	13	8
\$ 3,761	\$ 4,259	\$ 4,851
127	144	148
-	2	-
419	498	528
457	306	612
\$ 4,764	\$ 5,209	\$ 6,139
59	61	60



STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Benefit Expenses by Type, Last Ten Fiscal Years (cont.) (in thousands)

System	1996	1997	1998	1999	2000	2001	2002
GWPORS							
Type of Benefit							
Retirees	\$ 999	\$ 1,058	\$ 1,066	\$ 1,093	\$ 1,150	\$ 1,174	\$ 1,177
Survivors	29	29	29	30	30	30	25
Death In Service	0	0	0	0	0	0	4
Disability	64	12	28	31	31	31	24
Refunds	0	0	34	73	125	212	317
Total	\$ 1,092	\$ 1,099	\$ 1,157	\$ 1,227	\$ 1,336	\$ 1,447	\$ 1,547
Refunds Processed	-	-	8	30	30	83	85
MPORS							
Type of Benefit							
Retirees	\$ 5,652	\$ 6,437	\$ 6,936	\$ 7,537	\$ 7,911	\$ 8,416	\$ 9,149
Survivors	363	385	389	422	448	452	457
Death In Service							
Disability	825	389	372	320	294	257	239
Refunds	107	203	282	299	298	386	345
Total	\$ 6,947	\$ 7,414	\$ 7,979	\$ 8,578	\$ 8,951	\$ 9,511	\$ 10,190
Refunds Processed	13	18	24	27	27	31	37
FURS							
Type of Benefit							
Retirees	\$ 4,466	\$ 5,257	\$ 5,874	\$ 6,409	\$ 6,987	\$ 7,514	\$ 6,666
Survivors	454	438	410	381	370	386	415
Death In Service							
Disability	835	259	209	206	160	118	98
Refunds	29	22	24	61	46	44	80
Total	\$ 5,784	\$ 5,976	\$ 6,517	\$ 7,057	\$ 7,563	\$ 8,062	\$ 7,259
Refunds Processed	6	6	5	7	8	9	4
VFCA							
Type of Benefit							
Retirees	\$ 735	\$ 748	\$ 771	\$ 801	\$ 842	\$ 879	\$ 1,350
Survivors	2	-	2	1	1	3	61
Death In Service							
Disability							
Refunds							
Total	\$ 737	\$ 748	\$ 773	\$ 802	\$ 843	\$ 882	\$ 1,411

STATISTICAL SECTION

2003		2004		2005	
\$	1,277	\$	1,429	\$	1,509
	26		27		27
	0		-		1
	13		4		2
	355		501		607
\$	1,671	\$	1,961	\$	2,146
	80		124		146
\$	9,733	\$	10,208	\$	10,646
	452		446		473
	241		231		244
	326		337		786
\$	10,752	\$	11,222	\$	12,149
	30		44		29
\$	8,620	\$	9,201	\$	9,903
	389		385		398
	72		88		85
	83		77		101
\$	9,164	\$	9,751	\$	10,487
	9		11		6
\$	1,406	\$	1,455	\$	1,494
	6		24		23
\$	1,412	\$	1,479	\$	1,517

Public Employees' Retirement Board
A Component Unit of the State of Montana
Schedule of Distributions Processed, Last Ten Fiscal Years ¹
(in thousands)

System	2003	2004	2005
PERS-DCRP			
Retirement	-	2	1
Death	-	2	3
Number of Full Refunds	29	96	97
Amount Refunded	\$555,923	\$ 1,789,108	\$ 1,582,125
Number of Partial Refunds	2	19	9
Amount Refunded	\$ 41,772	\$ 234,541	\$ 198,020
Number of Forfeitures	10	53	73
Amount of Contributions Forfeited ²	\$ 31,188	\$ 135,248	\$ 192,257

¹The PERS-DCRP was implemented July 1, 2002.

²Members terminating with less than 5 years of service forfeit their employer contributions.

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STATISTICAL SECTION

Public Employees' Retirement Board

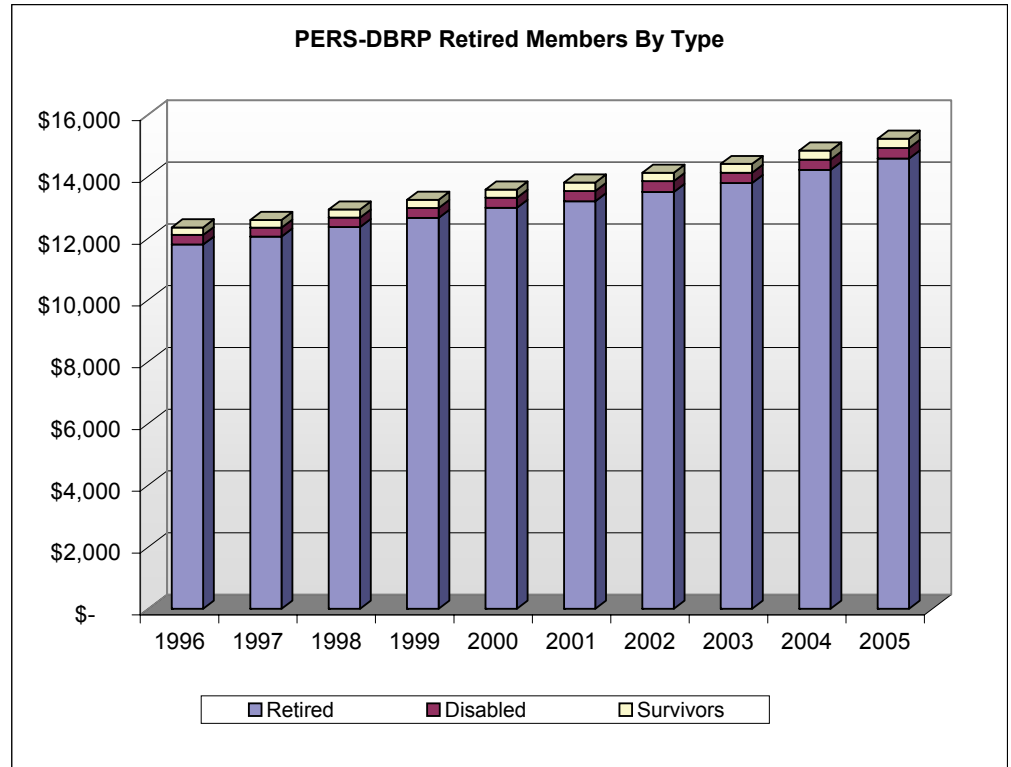
A Component Unit of the State of Montana

Schedule of Retired Members by Type of Benefit, Last Ten Fiscal Years (in thousands)

System	1996	1997	1998	1999	2000	2001	2002	2003
PERS-DBRP								
Retired	11,790	12,053	12,363	12,659	12,982	13,195	13,498	13,782
Disabled	310	286	303	314	324	332	344	335
Survivors	244	247	258	265	266	271	274	284
Total	12,344	12,586	12,924	13,238	13,572	13,798	14,116	14,401
JRS								
Retired	45	46	48	46	45	49	49	48
Disabled	1	-	-	-	-	-	-	-
Survivors	1	1	2	2	2	2	2	2
Total	47	47	50	48	47	51	51	50
HPORS								
Retired	216	217	223	236	241	240	246	250
Disabled	6	5	7	7	9	10	9	8
Survivors	14	14	14	11	11	10	10	9
Total	236	236	244	254	261	260	265	267
SRS								
Retired	107	113	136	173	199	218	235	260
Disabled	22	24	25	27	30	30	31	33
Survivors	13	13	14	13	13	14	14	13
Total	142	150	175	213	242	262	280	306
GWPORS								
Retired	70	72	72	74	76	74	75	78
Disabled	1	1	2	2	2	2	1	1
Survivors	4	4	4	4	4	3	3	3
Total	75	77	78	80	82	79	79	82
MPORS								
Retired	448	454	476	488	492	506	510	524
Disabled	30	27	25	22	18	17	15	13
Survivors	29	29	29	30	31	30	29	28
Total	507	510	530	540	541	553	554	565
FURS								
Retired	382	382	408	418	433	439	448	451
Disabled	19	17	14	12	9	7	6	4
Survivors	34	33	28	27	26	28	27	25
Total	435	432	450	457	468	474	481	480
VFCA								
Retired	722	738	759	791	836	859	880	917
Disabled	-	-	-	-	-	-	-	-
Survivors	2	1	2	1	3	3	4	4
Total	724	739	761	792	839	862	884	921

STATISTICAL SECTION

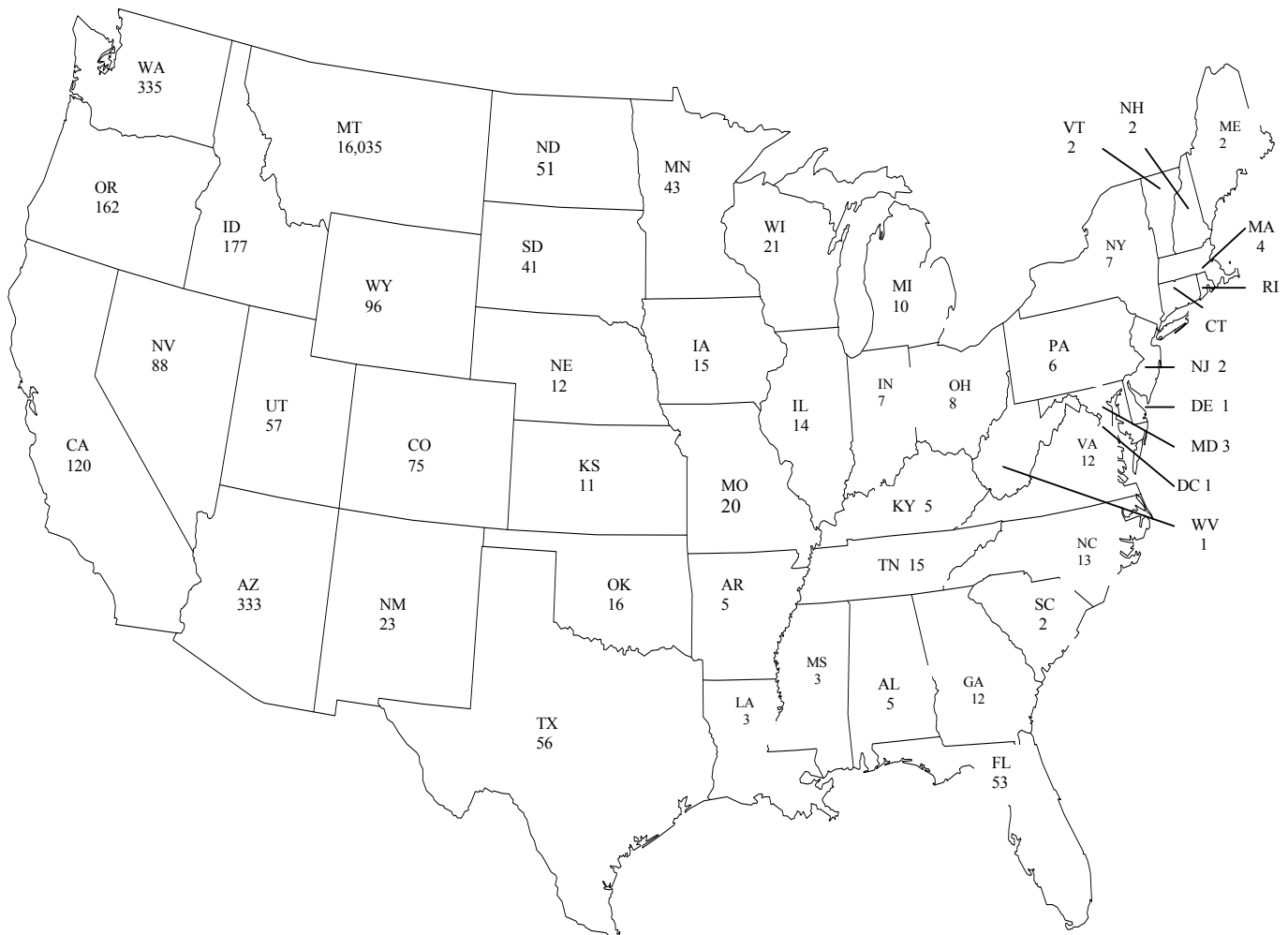
2004	2005
14,205	14,579
336	338
293	303
14,834	15,220
48	47
-	-
2	2
50	49
258	258
7	8
9	10
274	276
275	291
34	34
14	15
323	340
82	91
-	-
3	3
85	94
531	532
13	15
27	28
571	575
468	477
5	3
25	24
498	504
940	959
-	-
4	7
944	966



Public Employees' Retirement Board

A Component Unit of the State of Montana

Distribution of Defined Benefit Recipients by Location as of June 30, 2005



Recipients outside the Continental U.S. include:
Alaska – 14 Hawaii – 6 APO AE – 3 Canada – 9
England – 2 Mexico – 2 Jordan - 1 Norway - 2

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STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Average Monthly Benefit Payment Amounts

For the Fiscal Year Ended 2005

System	Years of Service	Recipients' Age									
		< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	Average
PERS-DBRP	0-4	\$ 97	\$ -	\$ 327	\$ 195	\$ 267	\$ 170	\$ 232	\$ 145	\$ 286	\$ 228
	5-9	402	367	272	261	272	260	238	216	231	246
	10-14	653	609	391	413	434	425	381	358	367	391
	15-19	632	940	518	565	620	648	599	560	533	583
	20-24	1,129	853	848	773	902	874	803	780	733	809
	25-29	-	1,698	1,636	1,499	1,418	1,232	1,154	1,058	926	1,223
	30-34	-	2,223	2,336	2,130	1,920	1,611	1,478	1,356	1,218	1,705
	35-39	-	-	2,877	2,674	2,606	2,068	1,957	1,694	1,474	1,966
	40-UP	-	-	-	-	3,359	2,698	2,180	2,257	1,673	2,251
	Average	\$ 501	\$ 1,082	\$ 1,131	\$ 1,152	\$ 983	\$ 843	\$ 732	\$ 668	\$ 595	\$ 795
JRS	0-4				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
	5-9			522	-	-	-	1,754	1,728	1,170	1,375
	10-14			-	2,129	-	-	2,368	2,720	2,737	2,592
	15-19			-	-	-	3,508	3,986	3,677	2,515	2,876
	20-24			-	4,471	-	-	-	3,503	3,336	3,662
	25-29			-	-	-	-	4,329	-	3,856	4,014
	30-34			-	-	-	-	4,973	-	5,122	5,047
	35-39			-	-	-	-	-	-	-	-
	40-UP			-	-	-	-	-	-	-	-
	Average			\$ 522	\$ 2,715	\$ 3,508	\$ 3,194	\$ 2,775	\$ 2,679	\$ 2,760	
HPORS	0-4	\$ 1,154	\$ -	\$ 509	\$ 597	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 861
	5-9	1,516	1,377	1,529	868	1,233	-	977	-	-	1,218
	10-14	1,617	413	1,610	546	-	313	247	610	499	671
	15-19	-	-	1,448	-	1,342	-	730	464	-	947
	20-24	3,117	2,081	1,884	1,604	1,327	1,290	1,238	1,225	1,021	1,423
	25-29	-	-	3,281	2,492	2,077	2,017	1,377	1,342	1,263	1,845
	30-34	-	-	-	3,196	2,739	2,830	1,755	1,862	1,366	2,473
	35-39	-	-	-	-	4,019	3,382	1,947	2,704	-	3,256
	40-UP	-	-	-	-	-	-	-	4,816	1,966	3,391
	Average	\$ 1,619	\$ 1,569	\$ 1,953	\$ 2,069	\$ 1,980	\$ 1,732	\$ 1,336	\$ 1,580	\$ 1,168	\$ 1,698
SRS	0-4	\$ 696	\$ 1,270	\$ 903	\$ 672	\$ 876	\$ 191	\$ 338	\$ 507	\$ 200	\$ 667
	5-9	952	937	743	726	532	541	422	429	-	700
	10-14	1,842	1,381	879	840	814	780	959	636	405	809
	15-19	0	1,909	1,198	888	1,031	1,153	892	900	611	947
	20-24	1,702	1,746	1,813	1,713	1,636	1,271	863	938	724	1,589
	25-29	-	2,618	2,566	2,748	2,502	1,889	1,273	609	968	2,086
	30-34	-	-	-	3,196	2,942	2,287	1,170	1,077	1,557	2,186
	35-39	-	-	-	-	-	2,529	2,673	-	-	2,601
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	\$ 1,327	\$ 1,710	\$ 1,672	\$ 1,515	\$ 1,623	\$ 1,259	\$ 1,011	\$ 736	\$ 782	\$ 1,393

STATISTICAL SECTION

System	Years of Service	Recipients' Age									Average
		< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	
GWPORS	0-4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	5-9			-	558	378	-	-	-	-	483
	10-14			1,206	-	-	1,244	-	-	-	1,225
	15-19			1,130	-	-	-	-	674	753	827
	20-24			1,499	-	1,144	1,395	1,333	1,055	832	1,202
	25-29			1,521	1,919	1,875	1,660	1,634	1,726	1,114	1,550
	30-34			-	2,768	2,752	2,257	2,159	1,909	1,134	2,049
	35-39			-	2,424	-	-	2,979	2,556	1,113	2,124
	40-UP			-	-	-	-	-	-	-	-
	Average		\$	1,376	1,517	1,249	1,730	1,891	1,479	1,028	1,439
MPORS	0-4	\$ 1,419	\$ 1,283	\$ 1,326	\$ 1,387	\$ -	\$ 1,262	\$ -	\$ 1,290	\$ -	\$ 1,347
	5-9	1,515	1,256	1,017	1,065	1,435	1,322	1,369	1,418	1,435	1,287
	10-14	1,652	1,447	1,329	1,315	1,340	1,419	1,427	1,160	1,336	1,350
	15-19	1,839	-	1,543	1,528	1,344	1,365	1,455	1,573	1,417	1,468
	20-24	2,028	1,801	1,892	1,905	1,658	1,520	1,540	1,522	1,463	1,672
	25-29	-	-	3,851	3,077	2,668	2,281	2,107	1,235	1,446	2,572
	30-34	-	-	-	3,598	3,972	2,074	1,945	2,150	1,720	2,563
	35-39	-	-	-	-	-	-	-	-	2,130	2,130
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	\$ 1,703	\$ 1,654	\$ 1,936	\$ 1,899	\$ 1,823	\$ 1,532	\$ 1,605	\$ 1,485	\$ 1,469	\$ 1,695
FURS	0-4	\$ 1,337	\$ 1,315	\$ 1,505	\$ 1,528	\$ -	\$ -	\$ -	\$ -	\$ 211	\$ 1,221
	5-9	1,638	187	728	1,017	-	1,470	-	1,291	1,438	1,101
	10-14	-	914	1,343	1,367	807	1,371	1,481	1,467	1,464	1,270
	15-19	-	1,343	1,529	1,284	1,243	1,024	1,447	1,253	1,141	1,289
	20-24	1,741	1,719	1,926	1,603	1,440	1,339	1,401	1,199	1,405	1,467
	25-29	-	2,849	2,462	2,672	2,272	1,707	1,534	1,220	1,391	1,916
	30-34	-	-	-	3,255	3,602	2,887	1,052	1,880	1,456	2,801
	35-39	-	-	-	3,790	4,110	4,167	2,674	1,662	1,551	3,203
	40-UP	-	-	-	-	-	-	-	185	-	185
	Average	\$ 1,513	\$ 1,669	\$ 1,785	\$ 2,150	\$ 2,164	\$ 1,861	\$ 1,540	\$ 1,216	\$ 1,386	\$ 1,752
VFCA	0-4		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	5-9			-	-	-	-	-	-	-	-
	10-14			-	90	87	86	87	85	85	86
	15-19			113	0	124	127	124	127	123	125
	20-24			-	150	150	150	150	150	150	150
	25-29			-	170	150	-	-	-	-	165
	30-34			-	-	-	-	-	-	-	-
	35-39			-	-	-	-	-	-	-	-
	40-UP			-	-	-	-	-	-	-	-
	Average		\$	113	150	134	127	130	125	120	130

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Participating Employers

As of June 30, 2005

PERS-DBRP (530)

State Agencies (35)

Appellate Defender
Board of Crime Control
Board of Public Education
Commissioner of Higher
Education
Commissioner of Political
Practices
Consumer Council
Dept of Administration
Dept of Agriculture
Dept of Commerce
Dept of Corrections
Dept of Environmental
Quality
Dept of Fish, Wildlife &
Parks
Dept of Justice
Dept of Labor & Industry
Dept of Livestock
Dept of Military Affairs
Dept of Natural Resources
& Conservation
Dept of Public Health &
Human Services
Dept of Revenue
Dept of Transportation
Governor's Office
Legislative Council
Montana Arts Council
Montana Consensus
Council
Montana Historical
Society
Montana State Fund
Montana State Library
Office of Public
Instruction
Public Employee
Retirement
Administration
Public Service
Commission

School for the Deaf &
Blind
Secretary of State
State Auditor's Office
Supreme Court
Teachers' Retirement
System

Counties (55)

Anaconda-Deer Lodge
Beaverhead
Big Horn
Blaine
Broadwater
Carbon
Carter
Cascade
Chouteau
Custer
Daniels
Dawson
Fallon
Fergus
Flathead
Gallatin
Garfield
Glacier
Golden Valley
Granite
Hill
Jefferson
Judith Basin
Lake
Lewis & Clark
Liberty
Lincoln
Madison
McCone
Meagher
Mineral
Missoula
Musselshell
Park

Petroleum
Phillips
Pondera
Powder River
Powell
Prairie
Ravalli
Richland
Roosevelt
Rosebud
Sanders
Sheridan
Stillwater
Sweet Grass
Teton
Toole
Treasure
Valley
Wheatland
Wibaux
Yellowstone

Cities & Towns (95)

Alberton
Baker
Belgrade
Belt
Big Sandy
Big Timber
Billings
Boulder
Bozeman
Bridger
Broadus
Browning
Butte-Silver Bow
Cascade
Chester
Chinook
Choteau
Circle
Colstrip
Columbia Falls

Cities & Towns (cont.)

Columbus
Conrad
Culbertson
Cut Bank
Deer Lodge
Dillon
Drummond
East Helena
Ekalaka
Ennis
Eureka
Fairfield
Fairview
Forsyth
Fort Benton
Fort Peck
Geraldine
Glasgow
Glendive
Grass Range
Great Falls
Hamilton
Hardin
Harlem
Harlowton
Havre
Helena
Hot Springs
Kalispell
Laurel
Lewistown
Libby
Lima
Livingston
Malta
Manhattan
Medicine Lake
Melstone
Miles City
Missoula
Moore
Nashua
Phillipsburg
Plains
Plentywood
Polson
Poplar
Red Lodge
Richey
Ronan
Roundup
Ryegate

Saco
Scobey
Shelby
Sheridan
Sidney
St Ignatius
Stanford
Stevensville
Sunburst
Superior
Terry
Thompson Falls
Three Forks
Townsend
Troy
Twin Bridges
Valier
Westby
White Sulphur Springs
Whitefish
Wibaux
Winnett
Wolf Point

Colleges & Universities (5)

Montana State University-
Bozeman
Montana State University-
Billings
Montana State University-
Northern
MSU College of
Technology – Great Falls
University of Montana-
Missoula

High Schools (5)

Beaverhead County
Jefferson County
Powder River County
Powell County
Sweet Grass County

School Districts (238)

SD 1, Big Timber
SD 1, Butte
SD 1, Choteau
SD 1, Circle
SD 1, Clancy
SD 1, Corvallis
SD 1, Deer Lodge
SD 1, Fort Benton
SD 1, Glasgow
SD 1, Glendive
SD 1, Great Falls
SD 1, Heart Butte
SD 1, Helena
SD 1, Jordan
SD 1, Kalispell
SD 1, Lewistown
SD 1, Miles City
SD 1, Missoula
SD 1, Phillipsburg
SD 1, Plains
SD 1, Red Lodge
SD 1, Scobey
SD 1, Troy
SD 1 & 7, Hysham
SD 1 & 7, Townsend
SD 2, Alberton
SD 2, Alder
SD 2, Billings
SD 2, Bridger
SD 2, Deer Park
SD 2, Dodson
SD 2, Dupuyer
SD 2, Frazer
SD 2, Peerless
SD 2, Stevensville
SD 2, Sunburst
SD 2, Thompson Falls
SD 2 & 3, Pryor
SD 2 & 11, Big Sandy
SD 2-27, Lodge Grass
SD 3, Belfry
SD 3, Cascade
SD 3, Fairmont Egan
SD 3, Hamilton
SD 3, Manhattan
SD 3, Ramsey
SD 3, Superior
SD 3, Westby
SD 3, Wolf Point
SD 3 & 7, Flaxville
SD 3 & 13, Fairview

STATISTICAL SECTION

School Districts (cont.)

SD 4, Canyon Creek	SD 10, Dillon	SD 23, Roberts
SD 4, Forsyth	SD 10, Noxon	SD 24, Three Forks
SD 4, Hellgate	SD 11, Brorson	SD 24, Worden
SD 4, Libby	SD 11, Potomac	SD 25, Hobson
SD 4, Livingston	SD 11 & 2, Drummond	SD 26, Lockwood
SD 4, Swan River	SD 12, Baker	SD 26, Reichle
SD 4 & 28, Highwood	SD 12, Harlem	SD 27, Elliston
SD 4 & 47, Whitehall	SD 12, Lima	SD 27, Grass Range
SD 4, Silverbow	SD 12, Rosebud	SD 27, Monforton
SD 5, Basin	SD 12, Saco	SD 27, Montana City
SD 5, Kalispell	SD 12, Stanford	SD 28, Dutton
SD 5, Melrose	SD 12-12, Molt	SD 28, St Ignatius
SD 5, Park City	SD J12-5, Shields Valley	SD 29, Belt
SD 5, Sand Coulee	SD 13, Box Elder	SD 29, Outlook
SD 5, Sheridan	SD 13, Eureka	SD 29, Somers
SD 5, Sidney	SD 13, Fishtail	SD 29, Wyola
SD 5, Terry	SD 13, Lone Rock	SD 29-28J, Joplin
SD 6, Columbia Falls	SD 13, Nashua	SD 30, Power
SD 6, Columbus	SD 14, Bonner	SD 30, Ronan
SD 6, Lame Deer	SD 14, Fortine	SD 30 & 6, Fromberg
SD 6, Ryegate	SD 14, Hot Springs	SD 32, Clinton
SD 6, Trout Creek	SD 14, Malta	SD 32, Rapelje
SD 6, Wibaux	SD 14, Shelby	SD 32J, Ashland
SD 6 & 1, St Regis	SD 15, Custer	SD 33, Chester
SD 7, Boulder	SD 15, Cut Bank	SD 33, Condon
SD 7, Bozeman	SD 15, Ekalaka	SD 33, Gold Creek
SD 7, Charlo	SD 15, Kalispell	SD 34, Seeley Lake
SD 7, Gardiner	SD 15 & 6, Florence- Carlton	SD 35, Gallatin Gateway
SD 7, Grant	SD 15 & 17, Willow Creek	SD 37, Shepherd
SD 7, Hinsdale	SD 16, Hardin	SD 38, Big Fork
SD 7, Joliet	SD 16, Harlowton	SD 38, Lincoln
SD 7, Lolo	SD 16, Havre	SD 40, Frenchtown
SD 7, Medicine Lake	SD 17, Culbertson	SD 41, Bozeman
SD 7, Twin Bridges	SD 17, Morin	SD 41, Lavina
SD 7, Victor	SD 17H, Hardin	SD 41, Pioneer
SD 7 & 2, Savage	SD 18, Valier	SD 43, Lamotte
SD 7 & 70, Laurel	SD 18, Woodman	SD 43, Turner
SD 8, Arlee	SD 19, Brady	SD 44, Belgrade
SD 8, Elder Grove	SD 19, Colstrip	SD 44, Geraldine
SD 8, West Glacier	SD 20, Garrison	SD 44, Moore
SD 8, White Sulphur	SD 20, Kila	SD 44, Whitefish
SD 9, Browning	SD 20, Plentywood	SD 45, Augusta
SD 9, Darby	SD 20, Shawmut	SD 45, Golden Ridge
SD 9, Dixon	SD 20, Whitewater	SD 45, Wolf Point
SD 9, East Helena	SD 21, Broadview	SD 49, Raynesford
SD 9, Opheim	SD 21, Fairfield	SD 50, East Glacier
SD 9, Poplar	SD 21, Galata	SD 50, Evergreen
SD 9 & 9, Reed Point	SD 23, Billings	SD 50, Hays
SD 10, Anaconda	SD 23, Harrison	SD 52, Absarokee
SD 10, Cayuse	SD 23, Lustre	SD 52, Billings
SD 10, Chinook	SD 23, Missoula	SD 52, Ennis
SD 10, Conrad	SD 23, Polson	SD 55, Brockton
		SD 55, Plevna

School Districts (cont.)

SD 55, Roundup
SD 55F, Sun River Valley
SD 57, Havre
SD 58, Geyser
SD 58, Whitefish
SD 58, Yellowstone
SD 64, Bainville
SD 64, Mountain View
SD 64J, Melstone
SD 65, Froid
SD 69, West Yellowstone
SD 72, Ophir
SD 73, Swan Lake
SD 74, Roy
SD 74, Vaughn
SD 75, Amsterdam
SD 75, Arrowhead
SD 75, Fairfield
SD 78J & 2, Richey
SD 84, Denton
SD 85, Ulm
SD 86 & 4, Lambert
SD 87, Box Elder
SD 88H, Kremlin
SD 89, Smith Valley
SD 104, Spring Creek
SD 115, Winifred
SD 159, Winnett
SD K, Rudyard
Judith Gap Schools

Other Agencies (97)

Anaconda Housing
Authority
Bear Paw Cooperative
Bert Mooney Airport
Authority
Big Country Educational
Cooperative
Big Fork Water & Sewer
Big Sky County Water &
Sewer District
Big Sky Economic
Development Authority
Big Sky Special Education
Cooperative
Billings Housing Authority
Bitterroot Conservation
District
Bitterroot Valley SEC

Buffalo Rapids Irrigation
District
Butte Housing Authority
Cascade County
Conservation District
Central Montana SEC
Central Valley Fire District
Chouteau County
Conservation District
Crown Hill Cemetery
District
Daly Ditches Irrigation
Dawson County Urban
Transportation District
Dawson College
Deer Lodge County Head
Start Program
Dry Prairie Rural
Water District
Eastern Yellowstone
County SEC
Fallon Medical Complex
Fergus County
Conservation District
Flathead Conservation
District
Flathead Joint Board of
Control
Flathead Municipal
Airport Authority
Flathead Valley
Community College
Fort Shaw Irrigation District
Gallatin Airport Authority
Gallatin Canyon Consolidated
Rural Fire District
Gallatin Conservation District
Gallatin-Madison SEC
Gardiner-Park County
Water District
Glasgow Housing Authority
Glasgow Irrigation District
Golden Triangle Health Center
Granite County Hospital &
Nursing Home
Granite Conservation District
Great Divide Education
Services
Great Falls International Airport
Greenfields Irrigation District
Helena Business
Improvement District
Helena Housing Authority

Helena Regional Airport
Authority
Helena Valley Irrigation
District
Hill County Public
Cemetery District
Hinsdale Water and Sewer
Human Resources Council
District XI
Human Resources Council
District XII
Judith Basin Conservation
District
Lakeside County Sewer
District
Larchmont Golf Course
Lewis & Clark
Conservation District
Lewis & Clark Library
Liberty County
Conservation District
Lincoln Conservation District
Lincoln County Rural Fire
District
Lockwood Rural Fire
District #8
Lockwood Water District
Malta Cemetery District
Malta Irrigation District
Miles City Housing Authority
Miles Community College
Missoula Area SEC
Missoula County Airport
Missoula Rural Fire District
Northern Montana Joint
Refuse Disposal District
North Central Learning
SEC
North Valley Public Library
Pablo-Lake County Water
District
Park County RFD #1
Petroleum Conservation
District
Pondera County Canal &
Reservoir
Pondera County Cemetery
District 2
Pondera County Council
on Aging
Port of Montana – Port
Authority

STATISTICAL SECTION

Other Agencies (cont.)

Prairie County Hospital
District
Prairie View Special
Services Cooperative
Prickley Pear Special
Services Cooperative
Richland County Housing
Authority
Roundup Community
Library
Sanders SEC
Seeley Lake Missoula
County Water District
Sidney-Richland Airport
Authority
Teton County Cemetery
District
Teton County
Conservation District
Thompson Falls RFD
Twin Bridges Public
Library
Upper Musselshell
Conservation District
Valley County
Conservation District
Victor Water & Sewer
Whitefish Housing
Authority
Yellowstone City-County
Health Dept
Yellowstone West Carbon
SEC

JRS (1)

Supreme Court

HPORS (1)

Dept of Justice

SRS (56)

Beaverhead
Big Horn
Blaine
Broadwater

Butte-Silver Bow
Carbon
Carter
Cascade
Chouteau
Custer
Daniels
Dawson
Dept of Justice
Fallon
Fergus
Flathead
Gallatin
Garfield
Glacier
Golden Valley
Granite
Hill
Jefferson
Judith Basin
Lake
Lewis & Clark
Liberty
Lincoln
Madison
McCone
Meagher
Mineral
Missoula
Musselshell
Park
Petroleum
Phillips
Pondera
Powder River
Powell
Prairie
Ravalli
Richland
Roosevelt
Rosebud
Sanders
Sheridan
Stillwater
Sweet Grass
Teton
Toole
Treasure
Valley
Wheatland
Wibaux
Yellowstone

GWPORS (8)

Dept of Corrections
Dept of Fish, Wildlife &
Parks
Dept of Justice
Dept of Livestock
Dept of Transportation
Montana State University-
Billings
Montana State University-
Bozeman
University of Montana -
Missoula

MPORS (22)

Anaconda-Deer Lodge
Baker
Billings
Bozeman
Butte-Silver Bow
Columbia Falls
Fort Peck
Glasgow
Glendive
Great Falls
Havre
Helena
Kalispell
Laurel
Lewistown
Livingston
Miles City
Missoula
Plains
Red Lodge
Whitefish
Wolf Point

FURS (15)

Anaconda-Deer Lodge
Billings
Bozeman
Butte-Silver Bow
Glendive
Great Falls
Havre
Helena

FURS (cont.)

Kalispell
Lewistown
Livingston
Miles City
Dept of Military Affairs
Missoula
Whitefish

PERS-DCRP (230)

State Agencies (27)

Board of Crime Control
Dept of Administration
Dept of Agriculture
Dept of Commerce
Dept of Corrections
Dept of Environmental
Quality
Dept of Fish, Wildlife &
Parks
Dept of Justice
Dept of Labor & Industry
Dept of Livestock
Dept of Military Affairs
Dept of Natural Resources
& Conservation
Dept of Public Health &
Human Services
Dept of Revenue
Dept of Transportation
Governor's Office
Legislative Council
Montana Historical Society
Montana State Library
Montana State Fund
Office of Public Instruction
Public Employee
Retirement Administration
Public Service Commission
School for the Deaf & Blind
Secretary of State
State Auditor's Office
Supreme Court

Counties (46)

Anaconda-Deer Lodge
Beaverhead
Big Horn
Blaine

Broadwater
Carbon
Carter
Cascade
Chouteau
Custer
Daniels
Dawson
Fallon
Fergus
Flathead
Gallatin
Garfield
Glacier
Golden Valley
Hill
Jefferson
Judith Basin
Lake
Lewis & Clark
Liberty
Lincoln
Madison
McCone
Mineral
Missoula
Musselshell
Park
Phillips
Pondera
Powder River
Powell
Ravalli
Richland
Rosebud
Sheridan
Stillwater
Sweet Grass
Toole
Valley
Wibaux
Yellowstone

Cities & Towns (40)

Baker
Belgrade
Belt
Big Timber
Billings
Bozeman
Butte-Silver Bow

Chinook
Choteau
Columbia Falls
Cut Bank
Dillon
East Helena
Ekalaka
Eureka
Glasgow
Glendive
Great Falls
Hamilton
Harlem
Havre
Helena
Kalispell
Laurel
Lewistown
Libby
Livingston
Miles City
Missoula
Moore
Polson
Red Lodge
Roundup
Saco
Shelby
Sidney
Three Forks
Townsend
Troy
Whitefish

Colleges & Universities (5)

Montana State University-
Bozeman
Montana State University-
Billings
Montana State University-
Northern
MSU—College of Technology
Great Falls
University of Montana-
Missoula

STATISTICAL SECTION

School Districts (79)

SD 1, Butte
SD 1, Fort Benton
SD 1, Glasgow
SD 1, Glendive
SD 1, Great Falls
SD 1, Helena
SD 1, Missoula
SD 1, Red Lodge
SD 1, Scobey
SD 2, Alder
SD 2, Billings
SD 2, Stevensville
SD 2, Sunburst
SD 3, Cascade
SD 3, Hamilton
SD 3, Westby
SD 3 & 7, Flaxville
SD 4, Forsyth
SD 4, Hellgate
SD 4, Livingston
SD 4 & 28, Highwood
SD 4 & 47, Whitehall
SD 5, Kalispell
SD 5, Sidney
SD 6, Columbia Falls
SD 6, Columbus
SD 7, Bozeman
SD 7, Charlo
SD 7, Gardiner
SD 7, Lolo
SD 7, Victor
SD 7 & 2, Savage
SD 7 & 70, Laurel
SD 8, Arlee
SD 9, Browning
SD 9, Dixon
SD 9, East Helena
SD 9, Poplar
SD 10, Anaconda
SD 10, Conrad
SD 10, Dillon
SD 12, Saco
SD 13, Eureka
SD 13, Lone Rock
SD 15, Cut Bank
SD 15, Ekalaka
SD 16A, Havre
SD 17H, Hardin
SD 20, Plentywood
SD 21, Broadview
SD 21, Galata

SD 23, Lustre
SD 23, Missoula
SD 23, Polson
SD 24, Three Forks
SD 24, Worden
SD 25, Hobson
SD 26, Lockwood
SD 27, Montana City
SD 29, Wyola
SD 30, Ronan
SD 30 & 6, Fromberg
SD 37, Shepherd
SD 38, Lincoln
SD 40, Frenchtown
SD 43, Turner
SD 44, Belgrade
SD 50, Evergreen
SD 52, Absarokee
SD 52, Ennis
SD 55F, Sun River Valley
SD 64, Bainville
SD 72, Ophir
SD 74, Roy
SD 75 Fairfield
SD 85, Ulm
SD 89, Smith Valley
SD J12-5 Shields Valley
Judith Gap School

Other Agencies (33)

Big Fork Water & Sewer
Big Sky Co Water &
Sewer District
Big Sky Economic
Development Authority
Billings Housing Authority
Bitterroot Valley SEC
Dawson College
Flathead Municipal
Airport Authority
Flathead Valley
Community College
Gallatin Airport Authority
Gallatin Canyon Consolidated
Rural Fire Department
Gallatin Conservation District
Glasgow Irrigation District
Golden Triangle Health Center
Granite County Hospital &
Nursing Home

Great Divide Education
Services
Great Falls International Airport
Helena Business
Improvement District
Human Resources Council
District XI
Human Resources Council
District XII
Lakeside County Sewer
District
Larchmont Golf Course
Lewis & Clark Library
Lincoln Conservation District
Lockwood Water & Sewer
District
Malta Irrigation District
Miles City Community College
Missoula County Airport
Missoula Rural Fire District
Northern Montana Joint
Refuse Disposal District
Prairie County Hospital
District
Seeley Lake Missoula County
Water District
Teton County Cemetery
District
Yellowstone City-County
Health Dept

Deferred Compensation (10)

Big Sky County Water & Sewer
District
Dawson Community College
Great Falls Transit
Montana State University-
Bozeman
Montana State University-
Billings
Montana State University-
Northern
MSU College of Technology-
Great Falls
SD 2, Billings
State of Montana
University of Montana-
Missoula