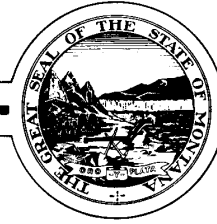


PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



JUDY MARTZ
GOVERNOR

STATE OF MONTANA

(406) 444-3154

TELEFAX (406) 444-5428
TOLL FREE (877) 275-7372

100 N. PARK, SUITE 220
PO BOX 200131
HELENA, MONTANA 59620-0131

November 5, 2001

The Honorable Judy Martz
Governor of Montana
Room 204, State Capitol
PO Box 200801
Helena, MT 59620

Dear Governor Martz:

The Public Employees' Retirement Board (PERB) and 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, 2001, in accordance with 19-2-407, MCA. The PERB is a discretely presented component unit Pension Trust Fund and Expendable 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 Comprehensive Annual Financial Report.

The Public Employees' Retirement Board administers eight separate retirement plans and a deferred compensation plan, each reported in this CAFR. They include the *Public Employees' Retirement System* (in its 56th year of operation), *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*, and *Volunteer Firefighters' Compensation Act*. Beginning fiscal year 2000, the PERB began administering the *Deferred Compensation (457)* plan.

The CAFR is divided into five sections:

- an *Introductory Section*, which contains the table of contents, letter of transmittal, administrative organization and legislative highlights;
- a *Financial Section*, which contains the report of the Independent Auditors, the financial statements of the PERB, 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 biennial actuarial valuation; and,
- a *Statistical Section*, which includes significant data pertaining to the plans.

Fiduciary responsibility of the systems rests with the PERB, which consists of seven members, appointed by the Governor. The members are assigned five-year, staggered terms. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation rests with

INTRODUCTORY SECTION

the MPERA. This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Defined benefit and defined contribution transactions are reported on the accrual basis of accounting. Deferred compensation transactions are reported on the modified accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the fair presentation of the financial statements, supporting schedules and the safekeeping of assets.

The pages that follow report the facts and figures that are the result of hard work, new initiatives, improved processes and continuing efforts we have 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.

Additions to Plan Net Assets				
	FY2001	FY2000	Inc/(Dec) Amount	Inc/(Dec) Percentage
Member Contributions	\$ 65,247,561	\$ 60,819,423	\$ 4,428,138	7 %
Employer Contributions	65,825,645	60,861,531	4,964,114	8 %
State Contributions	12,902,049	12,495,771	406,278	3 %
Retirement Incentive Contr.	228,442	335,961	(107,519)	(32) %
Membership Fees	393	312	81	26 %
Interest Reserve Buyback	68,304	74,617	(6,313)	(8) %
Registration & License Fees	1,052,175	881,142	171,033	19 %
Miscellaneous Revenues	2,197	0	2,197	100 %
Operating Income	25,500	61,200	(35,700)	(58) %
Investment Income	<u>(174,904,855)</u>	<u>250,231,411</u>	<u>(425,136,266)</u>	(170) %
Totals	\$ (29,552,589)	\$ 385,761,368	\$ (415,313,957)	(108) %

ADDITIONS TO PLAN NET ASSETS

The pension trust collections of employer, employee and state contributions, as well as income from investments, provide the reserves needed to finance retirement benefits. Contributions and investment income for the pension trust funds for fiscal year 2001 totaled \$(29,552,589) due to the decline in investment income in fiscal year 2001. The plans are managed on a long-range basis that allows for the recovery of years when the market trends decrease. By looking at the rates of return for a 3 and 5 year period, it is found that the return for every plan is still recording better than a 4%

INTRODUCTORY SECTION

and 9% return, respectively. This information is available in the *Investment Section* of this annual report.

Retirement incentive contributions have decreased due to a fewer number of employees taking advantage of the Employee Protection Act. Miscellaneous revenues increased because last year all miscellaneous revenues were reports under State contributions. Operating income decreased because of the transfer of the PERS building to the Board of Investments on December 1, 2000. Investment income decreased because of the turn in the market in fiscal year 2001.

Deductions to Plan Net Assets					
	FY2001	FY2000	Inc/(Dec) Amount	Inc/(Dec) Percentage	
Benefit Payments	\$ 130,154,139	\$ 122,946,366	\$ 7,207,773	6	%
Member Refunds	12,973,827	12,979,102	(5,275)	(0)	%
Employer Refunds	243,710	386,285	(142,575)	(37)	%
Supplemental Insurance Benefits	11,775	11,250	525	5	%
Administrative Expenses	2,784,479	1,965,542	818,937	42	%
Other Expenses	<u>6,643</u>	<u>14,992</u>	<u>(8,349)</u>	(56)	%
Totals	\$ 146,174,573	\$ 138,303,537	\$ 7,871,036	6	%

DEDUCTIONS TO PLAN NET ASSETS

The principle purpose for which the pension trust plans were created was to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. The cost of such programs include recurring benefit payments as designated by the plan, refund of contributions to terminated employees, and the cost of administering the plans.

Expenses for fiscal year 2001 totaled \$146,174,573, an increase of 6 percent over fiscal year 2000 expenses. The increase in expenses resulted, partially, from increases in benefit payments and administrative expenses. The increase in administrative expenses is related to additional plans administered by the PERB and the corresponding increase in staff, systems support and communication efforts. Also, the PERB has contracted with outside consultants to assist with plan implementation of the DCRP. We are also taking advantage of technological advances supporting our goal to provide the best service possible to our members. Other expenses decreased in fiscal year 2001. This decrease is associated with the transfer of the PERS building to the BOI on December 1, 2000. Expenses of \$146,174,573 exceeded revenues of \$(29,552,589) by \$175,727,162 during fiscal year 2001.

INTRODUCTORY SECTION

INVESTMENTS

The investments of the plans are governed, primarily, by an investment authority known as the “prudent expert principle.” The prudent expert principle is constitutionally and statutorily mandated and establishes a standard for all fiduciaries, which includes anyone that has authority with respect to the fund. The prudent expert principle states that fiduciaries will discharge their duties solely in the interest of the 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 permitting further diversification of investments within a fund, following the prudent expert principle may enable a fund to reduce overall risk and increase returns. A summary of the asset allocation can be found in the *Investment Section* of this annual report.

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 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 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. For fiscal year 2001, the Public Employees’ Retirement System’s (PERS’) total rate of return on investments was (5.04) percent. The PERS’ rate of return over the last three years has averaged 4.75 percent per year, over the last five years the rate of return has averaged 9.91 percent.

FUNDING

Pension funds are well-funded when there is enough money in reserves to meet all expected future obligations to participants. The systems’ 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 look at assets that are committed to the payment of benefits. A detailed discussion of funding is provided in the *Actuarial Section* of this annual report.

ECONOMIC CONDITION AND OUTLOOK

The economic outlook of the plans is based primarily upon investment earnings. For 2001, the PERS experienced a (5.04) percent fair value rate of return, for the last three years an average annualized rate of return of 4.75 percent and for the last five years an average annualized rate of return of 9.91 percent. The plans are maintained on an actuarially sound basis as certified in this report by our actuary, thus protecting participants’ future benefits. At this time the bear market has affected earnings but we anticipate that over the long-term, our earning rates will continue to meet our actuarial assumed earning rates. Based on the report of our actuary, six of the eight defined benefit plans had surplus funding as of June 30, 2000.

The 1999 Legislature passed Ch 471 Session Laws of Montana, which establishes a defined contribution plan within the PERS. The defined contribution plan must be operational no later than July 1, 2002. Each active PERS member will have the opportunity to choose membership between

INTRODUCTORY SECTION

the defined benefit retirement plan (DBRP) or the defined contribution retirement plan (DCRP). Management is currently addressing the concern of funds being transferred from the DB plan to the DC plan and the possible impact. The legislation contains a provision to provide for paying the unfunded liability obligation which maintains the actuarial soundness of the DBRP when members have the option to transfer to the DCRP.

The DCRP option requires the addition of an education coordinator to inform members and employers of the PERS about the options and benefits of the DCRP and the DBRP. Education is currently funded by one-tenth of one percent of employer contributions from the PERS-DBRP.

Effective July 1, 1999, the MPERA took over the administration of the deferred compensation (457) plan. This plan was transferred from the Department of Administration. In fiscal year 2001, revenues of \$9,302,297 exceeded expenses of \$8,247,750 by \$1,054,547.

The MPERA is continuing to take advantage of advanced technologies by working with consultants to design a web reporting system. Web reporting should result in more accurate reporting and more timely deposits to participants' accounts.

PROFESSIONAL SERVICES

Consultants contract with the PERB to perform professional services that are essential to the effective and efficient operation of the systems. An opinion from the Independent Auditors and the actuary are included in this report. The actuary that performed the FY2000 valuation is Milliman U.S.A. (formerly Milliman & Robertson, Inc.)

Outside consultants contracted by the PERB are: KPMG Consulting, Milliman U.S.A., Computer Consulting Corporation, William M. Mercer, Inc., Educational Technologies, Inc., Ice Miller, Arnerich Massena & Assoc., Inc., Lawrence R. McEvoy, Communications & Management Service, Comsev, Inc. and Robert J. Bateen. Others include the Legislative Audit Division, the Legal Services Division and the Professional Development Center. A schedule of consultants appears on page 64.

2001 LEGISLATIVE SESSION

The 2001 Legislature enacted into law a number of bills affecting the PERB. There were benefit enhancements such as: an increase in the GABA and a decrease in the wait period for all systems; purchase power adjustments for PERS and MPORS; GWPORS 20-year retirement; HPORS age adjustment; VFCA benefit increase, and numerous other retirement-related bills. The reason for the number of benefit enhancements was a good working relationship with the Legislative Interim Committee. Also, the retirement group associations and their representatives brought ideas to the MPERA and the Board in a timely fashion. They were well prepared and assisted in the preparation and presentation of the proposed bills. Lastly, the Board's MPERA staff and the Legislative Lobby Team performed seemingly endless tasks of preparing, teaching and testifying. All of these factors played a part in the success of this year's legislative session. For a more detailed description of the legislation enacted into law by the 2001 Legislature, see the *2001 Legislative Highlights* on page 13.

INTRODUCTORY SECTION

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, 2000. This was the third 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 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 staff of the Public Employee Retirement Administration. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of the plans.

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.

On behalf of the PERB, 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
Public Employee Retirement Administration

SIGNATURE ON FILE

Terry Teichrow, President
Public Employees' Retirement Board

Public Employees' Retirement Board

A Component Unit of the State of Montana



The Public Employees' Retirement Board as pictured from left to right are: (Standing) Troy McGee, Jay Klawon, Terry Teichrow, Robert Griffith, (sitting) Carole Carey, Carol Lambert, and Jean Thompson.

Terry Teichrow, President
Helena
Active Member
Education Specialist
Office of Public Instruction
Term exp. 3/31/2005

Troy McGee
Helena
Retired Public Employee
Term exp. 3/31/2003

Robert Griffith
Helena
Private Citizen
Term exp. 3/31/2003

Carole Carey, Vice Pres.
Ekalaka
Active Member
Clerk of District Court
Carter County
Term exp. 3/31/2002

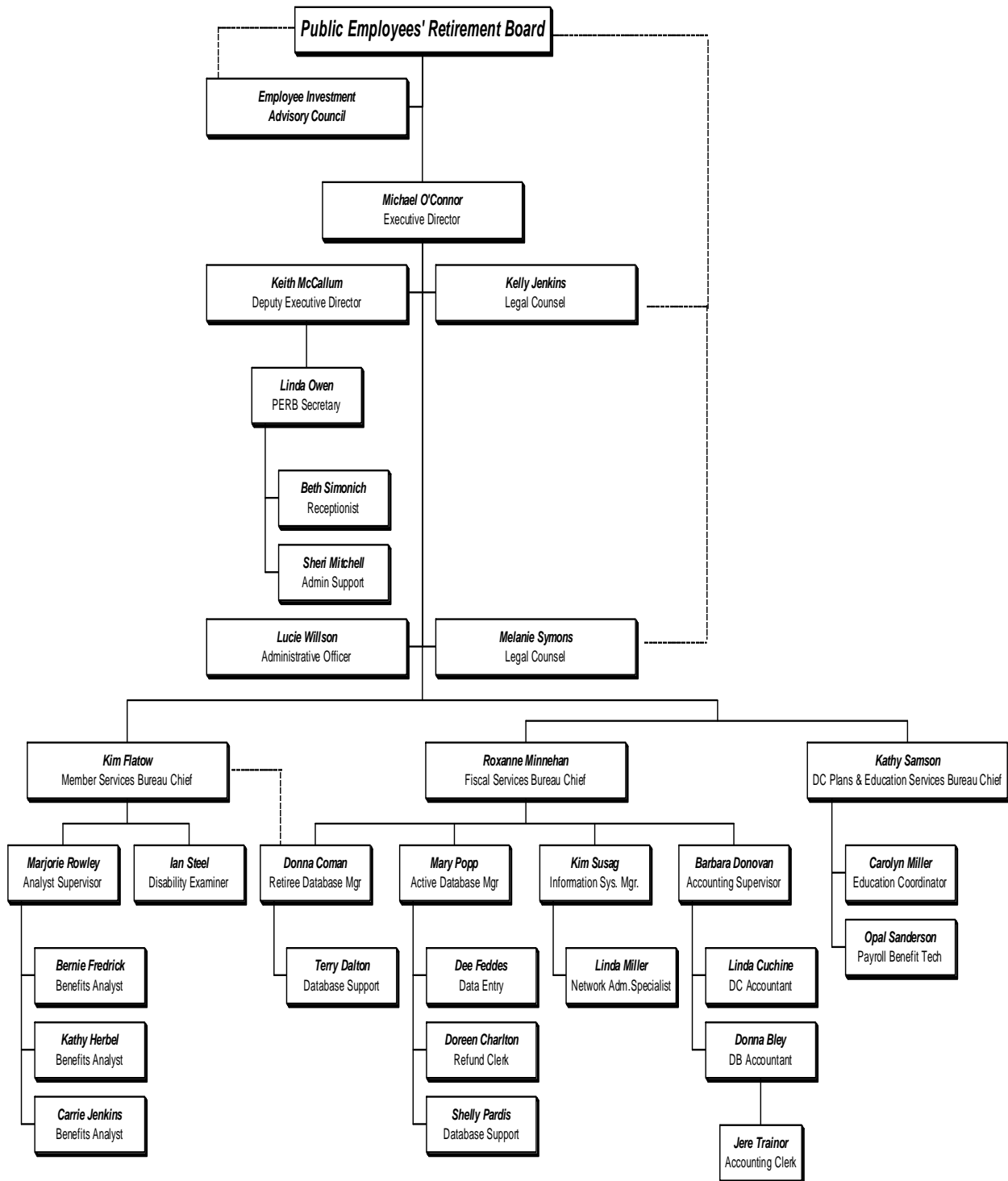
N. Jay Klawon
Hamilton
Investment Management
Experience
Investment Representative,
Edward Jones
Term exp. 3/31/2004

Jean Thompson
Billings
Active Member
Clerk of District Court
Yellowstone County
Term exp. 3/31/2004

Carol Lambert
Hammond
Private Citizen
Rancher
Term exp. 3/31/2006

INTRODUCTORY SECTION

Public Employees' Retirement Board
A Component Unit of the State of Montana
MPERA Organizational Chart



Public Employees' Retirement Board

A Component Unit of the State of Montana

2001 Legislative Highlights

Legislation for all systems

HB 152

Generally Revise Public Retirement Law - for All Systems - Each legislative session, the Board submits proposed amendments to revise the statutes for the public retirement systems it administers. The legislation refines the retirement systems, and makes the law easier to understand. Most of the amendments in this legislation change the language and terminology, clarify definitions, use terms with more precision and consistency, and simplify administration of the retirement systems. Some of the changes for specific systems are summarized below:

- **PERS** members who accept positions in SRS may remain in PERS or elect SRS at any time prior to retirement.
- **MPORS** members who, following a city-county consolidation, fill a position in the SRS can remain in the MPORS or elect to join SRS within 30 days.
- Eliminates the limitation on the benefit for **GWPORS** members who die in the line of duty with more than 25 years of service. The benefit is 2% of the highest average compensation for each year of service. It is no longer capped at 50%.
- Part-paid firefighters must elect to join the **FURS** within 6 months of employment. A part-paid firefighter currently employed in a FURS-covered position had to make this election by September 21, 2001, which is six months from the effective date of this section of the legislation.
- Permits payment of a lump sum of survivor benefits, at the request of a **VFCA** member beneficiary, rather than 40 monthly survivor benefits.

HB 294

Increases the Guaranteed Annual Benefit Adjustment (GABA) - *for all systems except VFCA* - Effective March 29, 2001, House Bill 294 increased the GABA from 1.5 percent to 3 percent. Other events which may increase a retiree's benefit will reduce the increase from the GABA. If other increases exceed 3 percent, then there will be no increase from the GABA. The 3 percent increase will be received at the end of January, 2002, if the member has been retired for 12 months or more prior to January 1, 2002.

Purchasing Power Adjustment - House Bill 294 also provides for a purchasing power adjustment for **some** retirees of the **PERS**. It grants an adjustment to provide PERS retirees an estimated 75% of their benefit's original purchasing power. This legislation will affect only those who retired prior to 1982 and the increase was included in the benefit payment at the end of July.

INTRODUCTORY SECTION

GABA Election

When the GABA became effective in 1997, all members of the **PERS**, **SRS**, and **GWPORS** automatically received the GABA. Members of these systems continue to automatically receive the GABA and will enjoy the enhancements passed by the 2001 Legislature. With the 1997 legislation, members of the **JRS**, **HPORS**, **MPORS**, and **FURS** could make a choice to elect GABA or not, depending on which benefit increase they felt would be most effective for them. HB 294 allows members of these four systems, who are not presently covered under the GABA, to file an irrevocable election. The form indicating the member's choice to elect the GABA or not to elect the GABA must be completed and filed with the MPERA by December 1, 2001.

SB 89

Reduces the GABA Waiting Period - *for all systems except VFCA* - Effective April 21, 2001, the amount of time that the member must wait before receiving the GABA, after retirement, was reduced from 36 months to 12 months. The GABA increase for the calendar year begins with the January benefit after the member has been retired for 12 months.

SB 235

Eliminates Title 19 Restrictions - Effective March 16, 2001, Senate Bill 235 allows retired members to continue receiving the GABA increase for their retirement benefit from one system while an active member of another public retirement system. For example, if the member retires from the SRS, then returns to work and becomes an active member of the GWPORS, the member will continue to receive the yearly GABA on the SRS retirement benefit.

Legislation for PERS

SB 37

Increase Hours for Working Retiree - Effective March 16, 2001, PERS retirees may return to work in a PERS-covered position for less than 960 hours in a calendar year without a reduction in their retirement benefit. The benefit reduction of \$1.00 for each \$1.00 earned, when the following limits are exceeded, remains the same:

Under age 65 - up to 960 hours PERS-employment without a reduction in retirement benefit.

Age 65 to 70 1/2 - either the 960-hour limit or an earning limit, whichever is higher. The earning limit is equal to the member's highest average compensation adjusted for inflation.

Over age 70 1/2 - no limit.

Limitations for RIF and RIP Retirees:

Retirees who waived termination benefits under the State Employee Protection Act due to a Reduction in Force (RIF) or retired under the Retirement Incentive Program (RIP) are subject to special restrictions in addition to those discussed above for working retirees. These retirees may return to work in the same jurisdiction (state agencies and units of the university system) without forfeiting the incentive if they do not exceed 959 hours in a PERS-covered position or 599 hours in a position covered under any of the other public retirement systems administered by the PERB.

SB 210

Optional Membership Election - Effective October 1, 2001, Senate Bill 210 expanded the Optional Membership Election in PERS for new employees of county hospitals or rest homes who are not current PERS members.

When a county hospital or rest home hires a new employee who is not already a member of PERS, the eligible employee is provided an irrevocable option for joining PERS or declining PERS membership. If this employee elects to decline, this employee cannot become a member of PERS while still employed in that position. Only after a break in service of 30 days or more will the employee be allowed another election to affirmatively elect PERS coverage at that time.

This legislation does not allow current PERS members employed with a county hospital or rest home to terminate their PERS membership. They must continue to be contributing members of PERS as long as they remain employed.

SB 236

Modify Optional PERS Service Membership for Legislators - Effective April 23, 2001, Senate Bill 236 allows legislators a window during which they may become members of the PERS. New legislators have 180 days to elect. If no election is filed then PERS membership is waived.

SB 306

Revise Public Retirement After 25 Years of Membership Service - Effective July 1, 2001, Senate Bill 306 increased the retirement factor from 1/56 to 1/50 of highest average compensation for members who have at least 25 years of membership service. One for Five is the only service purchase that doesn't count as membership service. Retirement eligibility requirements do not change.

Legislation for MPORS

HB 452

DROP Plan Established - House Bill 452 establishes a Deferred Retirement Option Plan (DROP) for members of the MPORS. When implemented, the DROP plan will provide a lump sum payment to a member after retirement. Essentially, a member chooses to participate in the DROP, but continues to work, and contribute to the MPORS. However, the member's retirement benefit accumulates during the DROP period. Upon retirement, the member is paid the money in the DROP. The plan must comply with IRS regulations and the Board must receive a favorable ruling from the IRS before implementing the DROP.

Participation in the DROP is voluntary, but once a member chooses to participate, the choice is irrevocable. A member may only participate in the DROP once. The DROP period can range from one month to five years. While participating in the DROP, a member will not receive membership or service credit. All regular employee, employer, and state contributions must still be paid to the MPORS.

INTRODUCTORY SECTION

HB 491

Purchasing Power Adjustment - Effective April 28, 2001, House Bill 491 benefits the retired members of the MPORS who did not elect the Guaranteed Annual Benefit Adjustment (GABA) provision. The benefit increase will bring individuals up to 75% of the “purchasing power” of their initial retirement benefit. The increase was included in the May retirement benefit that was disbursed May 31, 2001.

Legislation for GWPORS

HB 74

Increase in Benefit Factor - Effective October 1, 2001, House Bill 74 increases the factor used to calculate the service retirement benefit for the GWPORS system from 2 percent to 2.5 percent. This legislation also changes the member’s contribution to the pension trust fund from 8.5 percent to 10.56 percent, effective October 1, 2001. The increase in the contribution rate will pay for the increased retirement benefit and enhancements to the Guaranteed Annual Benefit Adjustment (GABA).

HB 472

Election to Transfer from PERS to GWPORS - Effective October 1, 2001, House Bill 472 allows employees who are statutorily eligible to complete a new election form, selecting to become a member of the GWPORS, rather than remaining a member of the PERS. All eligible members must make an election prior to December 31, 2001. This election is irrevocable.

Legislation for JRS

HB 176

Call of a Retired Judge - Effective March 16, 2001, House Bill 176 changed the law for the call of a retired judge. Prior to the passage of this legislation, retired judges and justices receiving a monthly retirement benefit, who voluntarily retired with 8 or more years of service, could be called to duty. With the change to this section of the law, such judges need not be receiving a retirement benefit to be called for duty. The law specifies that these judges and justices may be called for duty by the chief justice to serve any district court or water court.

The new legislation provides that an inactive vested judge or justice called to duty, who is not eligible to receive a monthly retirement benefit because of age, will receive the daily salary of the position being filled. They will receive this compensation regardless of the number of days served in a calendar year. Retired judges or justices receiving a monthly retirement benefit, will receive the daily salary of the position being filled for the first 180 days in a calendar year. For each day of duty, after 180 days in a calendar year, they are paid one-twentieth of the monthly salary for the position being filled minus an amount equal to one-twentieth of the monthly retirement benefit being received.

SB 370

Normal Retirement Age - Effective March 30, 2001, Senate Bill 370 modifies the eligibility for service retirement. Normal retirement age for judges and justices is changed from 65 years of age to age 60. This means an active member, if vested (five years of membership service), and at least age 60 years of age, may terminate and apply for monthly retirement benefits.

Legislation for HPORS

SB 228

Eligibility for Service Retirement - Effective April 3, 2001, Senate Bill 228 revised the eligibility for full service retirement for HPORS members. All members of the HPORS are eligible to retire after completing 20 years or more of membership service, regardless of age.

Legislation for FURS

SB 289

Allows Transfers of Certain Firefighters Between Retirement Systems - Senate Bill 289 is effective on the date of agreement between MPERA and the Department of Military Affairs. Firefighters newly hired by the Montana Air National Guard must become members of the FURS. Current firefighters remain in PERS.

Legislation for VFCA

HB 515

Return to Active Service - Effective March 29, 2001, House Bill 515 allows a retiree to return to active service in the event of a declared emergency. In the past, retirees could not return to active service, under any circumstances, without the loss of retirement benefits. This bill states that in the event of a declared national, state, or local emergency affecting Montana, a retired volunteer firefighter who is not receiving a disability benefit under the VFCA may return to active service with a fire company for the duration of the declared emergency. Retirees can return to service without becoming an active member of the Volunteer Firefighters' Compensation Act and without loss of benefits. The fire chief has the sole responsibility of deciding who may return to active service after an emergency has been declared.

HB 523

Retirement Benefit Increase - Effective July 1, 2001, House Bill 523 increased the pension benefit from \$100 to \$150 a month for retirees of the VFCA. A partial benefit is calculated by multiplying the full pension benefit by a fraction consisting of a member's years of service as the numerator and 20 as the denominator.

INTRODUCTORY SECTION

Legislation for the Defined Contribution Retirement Plan

On July 1, 2002, a new retirement plan option, the PERS Defined Contribution Retirement Plan (DCRP) will be available for all *active* PERS members. Extensive education for all PERS members will be conducted prior to that date. The following legislation pertains to the DCRP.

HB 63

Disability Benefit - House Bill 63 creates a long-term disability benefit for PERS members who become disabled after electing to participate in the DCRP. The member must be found by the Public Employees' Retirement Board to be disabled, and must have at least five years membership service. The disability benefit will be equal to the benefit calculated in the Defined Benefit Retirement Plan (DBRP).

Upon reaching the age of 60, the DCRP member's disability benefit will cease and the disabled member will become entitled to the member's DCRP account. If the member dies before reaching 60 years of age, the member's disability benefit ceases and the member's beneficiary is entitled to the member's DCRP account.

HB 116

General Revisions - House Bill 116 clarifies the DCRP statutes and ensures compliance with IRS regulations. Most of the changes will not be apparent to members because the changes affect the internal management of the plan. Many of the changes were designed to conform DCRP statutes with DBRP statutes. Some examples include the distribution of members' accounts after they quit, and defining "member" the same in both plans. Other changes are specific to the DCRP such as allocating employer contributions, allowing the Board to select investments without competitive bid, and requiring members to follow a similar election process to join either the DCRP plan or the University Optional Retirement Program. A couple of the changes will be more apparent. The Family Law Order and Support Order statutes were amended to allow the Board to implement these orders in the DCRP. The quorum for the Board was changed from three to four. The last legislature had added a seventh Board member for the DCRP, but didn't change the quorum.

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 Combined Statement of Plan Net Assets-Defined Benefit and Defined Contribution and Balance Sheet-Expendable Trust Fund of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2001, and 2000, and the related Combined Statement of Changes in Plan Net Assets-Defined Benefit and Defined Contribution, and Statement of Revenues, Expenditures, and Changes in Fund Balance-Expendable Trust Fund for the fiscal years then ended. 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.

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, 2001, and 2000, and its changes in plan net assets and fund balances for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedules of Administrative Expenses, Investment Expenses, and Consultants are presented for purposes of additional analysis and are not a required part of the basic 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.

The Schedules of Funding Progress and 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 supplementary information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

October 16, 2001

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FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Combined Statement of Plan Net Assets - Defined Benefit and Defined Contribution and Balance Sheet - Expendable Trust Fund

for the Year Ended June 30, 2001 - with Comparative Totals for June 30, 2000

	PERS			MPORS	GWORS
	Defined Benefit	Defined Contribution	Education Fund	Defined Benefit	Defined Benefit
Assets					
Cash and Short-term Investments	\$ 99,647,472	146,313	1,396,522	2,715,475	1,337,524
Securities Lending Collateral (Note A3)	113,423,556			5,639,014	1,492,385
Receivables					
Interest	8,391,830			356,054	92,889
Accounts Receivable	5,877,776	1,013	67,432	6,473,208	15,049
<i>Total Receivables</i>	14,269,606	1,013	67,432	6,829,262	107,938
Investments, at fair value (Note A3)					
Montana Stock Pool (MTCP)	1,167,553,937			53,866,561	14,689,403
Retirement Fund Bond Pool (RFBP)	920,352,038			47,732,234	12,366,496
Montana International Pool (MTIP)	196,691,572			8,299,294	2,395,647
Venture Capital	153,615,718				
Leveraged Buy-Outs	67,249,663			8,085,554	2,314,593
Real Estate Investments	7,034,918				
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	152,020,796				
Deferred Comp Fixed Investments					
Deferred Comp Variable Investments					
Deferred Comp Life Insurance					
<i>Total Investments</i>	2,664,518,642			117,983,643	31,766,139
Property and Equipment, at cost, net of accumulated depreciation (Note A2)					
	2,821				
<i>Total Assets</i>	2,891,862,097	147,326	1,463,954	133,167,394	34,703,986
Liabilities					
Securities Lending Collateral Liability	113,423,556			5,639,014	1,492,385
Accounts Payable	808,045	721,919	52,073	55,256	38,927
Deferred Revenue	89,700			3,806	3,070
Compensated Absences	203,176	10,414	5,266		
<i>Total Liabilities</i>	114,524,477	732,333	57,339	5,698,076	1,534,382
Total Fund Balance					
<i>Liabilities and Fund Balance</i>					
Net Assets Held in Trust for Pension Benefits					
(see schedule of funding progress, page 54)	\$ 2,777,337,620	(585,007)	1,406,615	127,469,318	33,169,604

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

FINANCIAL SECTION

Pension Trust Funds						Expendable Trust Fund	TOTALS	
SRS Defined Benefit	JRS Defined Benefit	HPORS Defined Benefit	FURS Defined Benefit	VFCA Defined Benefit	Total Pension Trust Funds	457 Plan	2001	2000
5,897,316	1,201,375	2,639,868	3,375,276	1,196,258	119,553,399	3,441,766	122,995,165	90,997,158
5,586,992	1,855,420	3,411,204	5,353,268	1,008,831	137,770,670	7,228,552	144,999,222	252,535,601
352,351	117,305	215,376	337,468	63,770	9,927,043	453,738	10,380,781	8,912,851
350,557	16	88,135	5,642,162	7	18,515,355	526,359	19,041,714	18,012,703
702,908	117,321	303,511	5,979,630	63,777	28,442,398	980,097	29,422,495	26,925,554
53,610,697	17,711,841	32,490,187	51,461,851	5,097,368	1,396,481,845		1,396,481,845	1,671,447,699
47,202,924	15,733,363	28,877,768	45,197,303	8,804,871	1,126,266,997		1,126,266,997	1,092,508,276
8,289,347	2,709,849	5,018,127	7,965,755	1,285,944	232,655,535		232,655,535	244,091,767
					153,615,718		153,615,718	61,621,146
8,227,312	3,184,640	5,324,350	7,260,333	1,298,134	102,944,579		102,944,579	90,148,791
					7,034,918		7,034,918	85,900,887
					152,020,796		152,020,796	134,390,346
						114,386,415	114,386,415	103,540,618
						82,044,219	82,044,219	94,863,624
						12,316	12,316	12,316
117,330,280	39,339,693	71,710,432	111,885,242	16,486,317	3,171,020,388	196,442,950	3,367,463,338	3,578,525,470
					2,821		2,821	120,630
129,517,496	42,513,809	78,065,015	126,593,416	18,755,183	3,456,789,676	208,093,365	3,664,883,041	3,949,104,413
5,586,992	1,855,420	3,411,204	5,353,268	1,008,831	137,770,670	7,228,552	144,999,222	252,535,600
50,109	4,928	22,128	43,848	41,781	1,839,014	584,700	2,423,714	4,290,032
2,794		6,475	9,010		114,855		114,855	215,409
					218,856		218,856	191,964
5,639,895	1,860,348	3,439,807	5,406,126	1,050,612	139,943,395	7,813,252	147,756,647	257,233,005
						200,280,113	200,280,113	199,301,580
						208,093,365	208,093,365	211,031,045
123,877,601	40,653,461	74,625,208	121,187,290	17,704,571	3,316,846,281		3,316,846,281	3,492,569,828

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Combined Statement of Changes in Plan Net Assets - Defined Benefit and Defined Contribution

for the Year Ended June 30, 2001 - with Comparative Totals for June 30, 2000

	PERS			MPORS	GWPORS
	Defined Benefit	Defined Contribution	Education Fund	Defined Benefit	Defined Benefit
Additions					
Contributions (Note B)					
Employer	\$ 53,208,202		768,130	3,015,027	1,365,869
Plan Member	57,098,410			1,912,876	1,303,463
Membership Fees	393				
Interest Reserve Buyback	20,398			1,241	2,909
Retirement Incentive Program	228,442				
Registration Fees					
License Fee Collections					
Miscellaneous Revenue	2,177	5	15		
State Contribution	382,481			6,147,915	
<i>Total Contributions</i>	110,940,503	5	768,145	11,077,059	2,672,241
Operating Income					
Operating Income	25,500				
<i>Total Operating Income</i>	25,500				
Investment Income (Note A3)					
Net Appreciation (Depreciation) in Fair Value of Investments	(319,487,695)			(12,144,750)	(3,323,661)
Interest	158,860,226	4,020	51,791	5,384,744	1,569,432
Dividends	14,548,639			664,423	174,025
Securities Lending Income	10,197,159	29	368	494,038	130,062
	(135,881,671)	4,049	52,159	(5,601,545)	(1,450,142)
Less:					
Investment Expense	2,899,379			88,213	23,437
Securities Lending Rebates and Fees	9,788,409	28	357	475,478	125,100
	12,687,788	28	357	563,691	148,537
<i>Net Investment Income</i>	(148,569,459)	4,021	51,802	(6,165,236)	(1,598,679)
<i>Total Additions</i>	(37,603,456)	4,026	819,947	4,911,823	1,073,562
Deductions (Note B)					
Benefits	101,546,131			9,124,506	1,235,308
Refund of Member Contributions	11,873,515			385,694	212,136
Employer Refund	189,933			44,450	4,400
Supplemental Insurance Payments					
Administrative Expense	2,142,108	270,458	132,556	54,744	30,097
Other Expenses	6,643				
<i>Total Deductions</i>	115,758,330	270,458	132,556	9,609,394	1,481,941
<i>Net Increase (Decrease)</i>	(153,361,786)	(266,432)	687,391	(4,697,571)	(408,379)
Net Assets Held in Trust for Pension Benefits					
Beginning of Year	2,930,711,478	(334,262)	719,224	132,166,889	33,577,983
Prior Period Adjustment	(12,072)	15,687			
End of Year	\$ 2,777,337,620	(585,007)	1,406,615	127,469,318	33,169,604

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

FINANCIAL SECTION

Pension Trust Funds					TOTALS	
SRS Defined Benefit	JRS Defined Benefit	HPORS Defined Benefit	FURS Defined Benefit	VFCA Defined Benefit	2001	2000
2,227,284	943,533	1,924,842	2,372,758		65,825,645	60,861,531
2,223,306	255,896	711,536	1,742,074		65,247,561	60,819,423
					393	312
38,813		4,943			68,304	74,617
					228,442	335,961
		335,107			335,107	279,577
		717,068			717,068	601,565
					2,197	
			5,368,661	1,002,992	12,902,049	12,495,771
4,489,403	1,199,429	3,693,496	9,483,493	1,002,992	145,326,766	135,468,757
					25,500	61,200
					25,500	61,200
(12,615,723)	(4,290,588)	(7,983,070)	(11,855,160)	(1,148,785)	(372,849,432)	102,912,408
5,634,872	1,943,091	3,798,540	5,268,216	841,326	183,356,258	129,729,205
671,263	214,523	402,933	649,394	60,136	17,385,336	20,108,576
490,361	167,488	304,652	464,358	85,599	12,334,114	13,123,029
(5,819,227)	(1,965,486)	(3,476,945)	(5,473,192)	(161,724)	(159,773,724)	265,873,218
88,287	35,401	58,333	76,855	16,205	3,286,110	3,046,856
471,905	161,059	293,186	447,033	82,466	11,845,021	12,594,951
560,192	196,460	351,519	523,888	98,671	15,131,131	15,641,807
(6,379,419)	(2,161,946)	(3,828,464)	(5,997,080)	(260,395)	(174,904,855)	250,231,411
(1,890,016)	(962,517)	(134,968)	3,486,413	742,597	(29,552,589)	385,761,368
3,293,535	1,430,623	4,624,420	8,017,761	881,855	130,154,139	122,946,366
372,665		85,568	44,249		12,973,827	12,979,102
4,927					243,710	386,285
				11,775	11,775	11,250
42,895	4,740	21,803	43,368	41,710	2,784,479	1,965,542
					6,643	14,992
3,714,022	1,435,363	4,731,791	8,105,378	935,340	146,174,573	138,303,537
(5,604,038)	(2,397,880)	(4,866,759)	(4,618,965)	(192,743)	(175,727,162)	247,457,831
129,481,639	43,051,341	79,491,967	125,806,255	17,897,314	3,492,569,828	3,245,111,997
					3,615	
123,877,601	40,653,461	74,625,208	121,187,290	17,704,571	3,316,846,281	3,492,569,828

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

457 Plan

Statement of Revenues, Expenditures and Changes in Fund Balance - Expendable Trust Fund

for the Year Ended June 30, 2001 - with Comparative Totals for June 30, 2000

	Total Expendable Trust Fund	
	2001	2000
Revenues		
Contributions		
Member Contributions	\$ 12,010,172	\$ 12,294,192
Employer Contributions	21,351	
<i>Total Contributions</i>	12,031,523	12,294,192
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	(17,462,233)	3,048,966
Investment Contracts (Earnings)	14,488,105	11,694,061
Securities Lending Income	487,613	552,602
<i>Total Investment Income</i>	(2,486,515)	15,295,629
Less:		
Securities Lending Rebates and Fees	475,193	535,578
	(2,961,708)	14,760,051
Other Financing Sources	232,482	370,533
<i>Total Revenues</i>	9,302,297	27,424,776
Expenditures		
Refunds	7,101,578	6,943,620
Administrative Expense	175,011	71,338
Miscellaneous Expense	162,046	157,193
<i>Total Expenditures</i>	7,438,635	7,172,151
<i>Revenues in Excess of Expenditures</i>	1,863,662	20,252,625
Other Financing Uses	809,115	894,712
<i>Net Increase (Decrease)</i>	1,054,547	19,357,913
Fund Balance Beginning of Year	199,301,580	179,924,242
Prior Period Adjustment	(76,014)	19,425
Fund Balance End of Year	\$ 200,280,113	\$ 199,301,580

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

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Years Ended June 30, 2001 and 2000

The Public Employees' Retirement Board (PERB) administers eight defined benefit retirement plans and a deferred compensation plan. The PERB is also in the process of developing a defined contribution retirement plan and the related member education. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS), Municipal Police Officers' Retirement System (MPORS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Sheriffs' Retirement System (SRS), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Firefighters' Unified Retirement System (FURS), and the Volunteer Firefighters' Compensation Act (VFCA). The *deferred compensation* plan (IRC § 457) is available to employees of state and local subdivisions. The *defined contribution* retirement plan will be available beginning July 1, 2002, to the members of the PERS. The member education is the means by which the PERS members will be given the necessary tools to decide between participating in the defined benefit retirement plan (PERS-DBRP) or defined contribution retirement plan (PERS-DCRP). The assets of each plan are maintained separately, including member education, and may be used only for the payment of benefits to the members of that plan and to pay administrative expenses of that plan, in accordance with the terms of each plan as prescribed in Title 19, of the Montana Code Annotated (MCA).

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The PERB is a discretely presented component unit Pension Trust Fund and Expendable Trust Fund of the State of Montana financial reporting entity. The accounting records and financial statements are prepared by the Montana Public Employee Retirement Administration (MPERA), staff of the PERB, using the accrual basis of accounting for the Pension Trust Funds and the modified accrual basis of accounting for the Expendable Trust Fund.

For the defined benefit plans, reported as pension trusts, 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. Expenses are recognized in the period incurred, if measurable. Administrative expenses are financed through the investment earnings on the pension trust fund in each plan.

The 457 plan is reported as an expendable trust. Under the modified accrual basis of accounting, revenues are recog-

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nized when they are measurable and available and expenditures are recognized when they occur. Participants are charged fees based on individual account balances. The vendor withholds fees and after payment of the vendor's contractual expenses the excess fees are submitted to the PERB. The excess fees are used to pay the Board's deferred compensation related administrative expenses. The administration of the 457 plan was transferred from Department of Administration (DOA) to the PERB effective July 1, 1999.

The presentation of the expendable trust is changed for fiscal year 2001. The pension trust funds are presented in the *Combined Statement of Changes in Plan Net Assets* and the expendable trust fund is presented separately in the *Statement of Revenues, Expenditures and Changes in Fund Balance*. For this reason, the sum of the two statements in this report will match the comparative totals presented in the *Combined Statement of Changes in Plan Net Assets and Changes in Fund Balance* found in the fiscal year 2000 report. The prior period adjustments for the PERS-DBRP and PERS-DCRP include administrative expenses that were inadvertently deducted from the PERS-DBRP financial statements in fiscal year 2000. The expenses were correctly paid, but result in the presentation of a prior period adjustments due to fiscal year 2000 presentation. One of the above expenses also impacted the 457 plan. The 457 plan also includes the correction of 457 fixed investment expenses paid to the vendors in fiscal year 2000.

In the *Statement of Plan Net Assets/Balance Sheet* for the Expendable Trust

Fund, the MPERA recorded a receivable and corresponding payable. This amount represents a receivable from Great West and a payable to the general fund for an amount of money discovered not on deposit with the State of Montana, Treasury Unit in fiscal year 2000. The money was recovered from Great West in September 2001.

2. PROPERTY AND EQUIPMENT USED IN OPERATIONS

The PERB building was a fixed asset used in operations but was transferred to the Montana Board of Investments (BOI), Department of Commerce, on December 1, 2000, to be included as a PERS trust investment asset. Equipment, valued at \$5,000 or more, is recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment under \$5,000 is expensed in the year purchased.

3. METHOD USED TO VALUE INVESTMENTS

Retirement plan assets are invested and the investments are managed on behalf of the plans by the Montana Board of Investments (BOI), Department of Commerce. Investments are purchased in accordance with the statutorily and constitutionally mandated "prudent expert principle." Investments are reported at fair value. As of June 30, 2001, there were four major diversified pools, one less than in fiscal year 2000, Montana Short Term Investment Pool (STIP), Montana Stock Pool (MTCP), Retirement Funds Bond Pool (RFBP) and Montana International Pool (MTIP). The Montana Real Estate Pool (MTRP) was liquidated between March 1 and June 1, 2001. At June 30, 2001, the MTRP had a balance of zero.

The deferred compensation plan assets are invested and managed on the plans' behalf by the BOI, State Street Research/Wells Fargo and selected mutual funds. Investments are reported at fair value. As of June 30, 2001, the BOI managed the Montana Short Term Investment Pool (STIP) and Trust Fund Bond Pool (TFBP). A separate account is managed by State Street Research and the custodial bank, Wells Fargo (SSR/WF). The combination of these investments total the fixed investment. Great West Life & Annuity Insurance Co., the third party record keeper, tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies.

The following are PERB summaries of the BOI's fiscal year end statements, the SSR/WF contract and a statement about the variable investment.

STIP portfolio includes asset-backed securities, variable-rate (floating-rate) instruments and covered options. 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 various pricing services. 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 investments are required to have the highest rating in the short term category by any Nationally Recognized Statistical Rating Organization. STIP is considered an external investment pool per the Governmental 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. *Disclosure about Derivatives:* STIP holds two types of securities that are required to be disclosed per the GASB. 1) Asset-backed securities are collateralized by a pool of mortgage and non-mortgage assets pledged by the issuer. 2) Variable-rate (floating rate) securities are sensitive to interest rate changes. There are no legal risks that the BOI is aware of regarding any STIP investments.

MTCP portfolio includes common stock, convertible equity securities and equity derivatives. In June 2000, the BOI approved a staff recommendation to securitize cash by investing in an equity derivative, the State Street Stock Performance Index Futures Fund (SPIFF). Effective July 19, 2000, Montcomp sold all STIP holdings and invested those proceeds in SPIFF. Portfolio cash is swept daily into SPIFF maintaining 100% equity exposure through holdings of stock index futures. MTCP is carried at fair value for financial reporting purposes. The value of units purchased increased from zero in fiscal year 2000 to \$75 million in fiscal year 2001. The fiscal year 2001 increase is at-

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tributed, primarily, to the investment of cash proceeds from participants' sale of Montana Real Estate Pool (MTRP) units. On August 17, 2000, shareholders received one MTCP share for each MTCP share held as the result of a 2:1 split. Equity investments, traded on a national security exchange, are stated at the last-reported sales price on valuation day. Security transactions are recorded as of trade date rather than settlement date; therefore, the MTCP 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. Effective April 1, 2000, the unit values are calculated daily. MTCP income available for distribution is distributed on the first business day of each month. Units are bought/sold upon the decision of the BOI's Investment Officer.

RFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, U.S. government and Yankee securities. RFBP investments are presented at fair value. Fair values are determined, primarily, by reference to fair prices supplied to the BOI by its custodial bank, State Street Bank and Trust. Premiums and discounts are amortized/accreted using the straight-line or interest 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 Investment Officer. The June 30, 2001 unit value of \$102.04 increased from the June 30, 2000 unit value of \$97.51. Interest rates declined during the fiscal year, which has the effect of increasing bond prices and the pool unit

value. Accumulated income is distributed monthly on the first calendar day of the month. Realized portfolio gains/losses are distributed at least annually. *Disclosure about Derivatives:* The RFBP portfolio includes structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). These securities are required to be disclosed per the GASB. REMICs are pass-through vehicles for multiclass mortgage-backed securities. Some REMICs are principal-only strips (POs) and interest-only strips (IOs). As of June 30, 2001 and June 30, 2000, the Rite Aid Corporation presented a credit risk to the BOI. The BOI owns a \$7,000,000 par, 7.13% bond maturing January 15, 2007. In May 2000, the BOI was subordinated to a secured bank line of credit on this issue and the bond ratings were downgraded by the Moody's and the Standard & Poor's bond ratings agencies. Based on this subordination and ratings downgrade, the BOI reduced the book value to \$5,600,000 as of June 30, 2000. During fiscal year 2001, the book value was further reduced to \$4,200,000. Due to an improving credit trend, amortization was resumed in June 2001. The book value of this security at June 30, 2001 is \$5,220,172. As of June 30, 2001, Asarco Inc., Burlington Industries Inc. and Service Corp. presented credit risks to the BOI. The RFBP holds a \$7,000,000 par, 7.875% Asarco Inc. bond maturing April 15, 2013. Due to bond rating downgrades, high leverage and increased production costs, the book value of this security was reduced to \$5,600,000 as of June 30, 2001. The BOI owns a Burlington Industries, Inc., \$6,000,000 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 and Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced to \$2,400,000. The RFBP holds two issues of Service Corp. These issues include a \$5,000,000 par, 6.875% bond maturing October 1, 2007, and a \$5,000,000 par 6% bond maturing December 15, 2005. In January 2001, the bond ratings for these two issues were downgraded by the Moody's and Standard and Poor's rating agencies. The book value of these two issues was reduced to \$4,000,000 each as of June 30, 2001.

MTIP portfolio includes equity investments in four funds – BOI's Internal International, and three externally managed funds: Pyrford International, Schroder Investment Management NA (formerly Schroder Capital Management International), and SG Pacific Asset Management Inc. The four funds invest in securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. Investments are presented at current U.S. dollar 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 on fair value of MTIP equity holding, other assets and liabilities. Realized gains/losses from the sale of securities and related foreign exchange transactions are retained by the fund. MTIP income is distributed at least quarterly to the retirement fund, net of external manager fees and administrative expenses, on the first business day of the following month. As of June 30, 2001 and 2000, the

BOI was unaware of any legal, market or credit risks regarding the MTIP.

MTRP portfolio included common or preferred stocks or securities, securities convertible into common stock and preferred stocks. MTRP common stock represented ownership units (shares) of a corporation investing in real estate. MTRP was created by the BOI to allow retirement funds the opportunity to participate in the Real Estate Investment Trust (REIT) equity market and other real estate investments via a diversified pool. On March 1, 2001, the BOI approved liquidation of the MTRP to benefit future pension fund investment performance. A REIT is a corporation that combines the capital of many investors to acquire or provide financing for all forms of real estate. Investments are presented at fair value. REIT investments, on valuation day, are stated at the closing price of the security's primary exchange. Amortized cost represented the REIT security purchase price plus a fixed commission where applicable. The MTRP, as an internal investment pool, invested its excess cash, by law, in the BOI's STIP, an external investment pool. Unit values are calculated weekly and at the close of the last business day of the month, based on the fair value of REIT holdings. Based on the BOI Investment Officer's decision, participants were allowed to buy or sell units on the first business day of each month. Income available for distribution was distributed on the first business day of each month. The BOI approved liquidation of the MTRP resulted in the sale of all REIT securities. Proceeds from the sale of securities were invested in the STIP. On May 2, 2001, the STIP investment was liquidated and the related STIP earnings were distributed to the MTRP participants as of

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June 1, 2001. All units outstanding were sold in March, April and May 2001 at unit prices of \$496, \$487 and \$477, respectively. As of June 30, 2001, all accounts related to the Montana Real Estate Pool reported a zero balance.

Other Investments include venture capital, leveraged buy-outs, real estate, mortgages and loans for the pension trust funds. Venture capital represents private equity investments in early-stage financing of rapidly growing companies with an innovative product or service. Leveraged buy-outs permit investment groups to acquire a company by leveraging debt, as a financing technique, to establish a significant ownership position on behalf of the company's current management team. The Other Investments portfolio holds real estate investments for the pension trust funds. Investments held, in part, for the PERS include the IBM building at 100 North Park in Helena, MT; a three story building at 2401 Colonial Drive in Helena, MT; property located on California Street in Helena, MT; and an office building to be constructed in Bozeman, MT. The BOI also holds the building located at 1712 Ninth Avenue in Helena, MT for the sole benefit of the PERS. This building was transferred December 1, 2000 to the BOI. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. Premiums and discounts are amortized/accreted using the straight-line or interest method to the call, average life or maturity date of the securities. All other investments are presented at fair value. Fair values are determined, primarily, by reference to fair value prices sup-

plied to the BOI by its custodial bank, State Street Bank and Trust. As of June 30, 2001, the BOI was unaware of any legal risks regarding the other investments. The sale of pool units in fiscal year 2001 from the MTCP, MTRP, RFBP and TFBP resulted in a net gain of \$127.8 million to participants. Of this gain \$66 million is attributed to the closure of the MTRP and \$60 million relates to an asset allocation investment decision to sell MTCP units.

SSR/WF portfolio includes publicly traded, dollar denominated fixed income securities including U.S. Governments, mortgages, corporates, asset-backed securities, Yankees, and cash equivalents. Private placements issued under rule 144a are permissible. Investments are reported at fair value. State Street Research values the investment as of the settlement date. Wells Fargo, the custodial bank, values the investment as of the trade date. The objective is to outperform the total return of the benchmark over a full market cycle, thus providing attractive credited rates to plan participants. Lehman Brothers Intermediate Government/Corporate Index is the benchmark. No more than 5% of the portfolio may be invested in any issuer at the time of purchase. Each permitted investment category shall be limited as a percentage of market value of the account in accordance with the investment guidelines. There is no limit on the U.S. Government securities.

TFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, U.S. government, Yankee securities and cash investments. The State of Montana section

457 deferred compensation plan investments became a pool participant on April 1, 1997. TFBP investments are presented at fair value. Fair values for securities are determined primarily by reference to market prices supplied to the BOI by its custodial bank, State Street Bank and Trust. Premiums and discounts are amortized/accreted using the straight-line or interest 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 Investment Officer. The June 30, 2001 unit value of \$97.18 increased from a June 30, 2000 unit value of \$92.86. Security transactions are recorded as of trade date rather than settlement date; therefore, the TFBP 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 each month. Realized portfolio gains/losses are distributed at least annually to the participants. *Disclosure about Derivatives:* The TFBP includes structured financial instruments known as REMICs (Real Estate Mortgage Investment Conduits). The GASB requires these securities to be disclosed. REMICs are pass-through vehicles for multiclass mortgage-backed securities. Some REMICs are principal-only strips (POs). The Rite Aid Corporation presented a credit risk to the BOI as of June 30, 2001 and June 30, 2000. The BOI owns a \$3,000,000 par, 7.13% bond maturing January 15, 2007. In May 2000, the BOI was subordinated to a secured bank line of credit on this is-

sue and the bond ratings were downgraded by the Moody's and Standard & Poor's bond ratings agencies. Based on this subordination and ratings downgrade, the book value was reduced to \$2,400,000 as of June 30, 2000. During fiscal year 2001, the book value was further reduced to \$1,800,000. Due to an improving credit trend, amortization was resumed in June 2001. The book value of this security at June 30, 2001 is \$2,236,706. As of June 30, 2001, Asarco Inc., Burlington Industries Inc. and Service Corp. presented credit risks to the BOI. The TFBP holds a \$5,000,000 par, 7.875% Asarco Inc. bond maturing April 15, 2013. Due to bond rating downgrades, high leverage and increased production costs, the book value of this security was reduced to \$4,000,000 as of June 30, 2001. The BOI owns a Burlington Industries, Inc., \$4,000,000 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 and Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced to \$1,600,000. The TFBP holds a \$5,000,000 par 6% bond maturing December 15, 2005. In January 2001, the bond ratings for this issue was downgraded by the Moody's bond rating agency. The book value of this issue was reduced to \$4,000,000 each as of June 30, 2001.

Variable assets are held and managed by a selection of retail and institutional

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mutual funds which covers all asset classes and categories. This selection is designed to provide plan participants with the ability to diversify and meet their individual investment goals and strategies. These funds are reviewed annually by the PERB with the advice of the Employee Investment Advisory Council (EIAC) created by 19-3-2133, MCA. The PERB along with the assistance of this Council and an independent contracted third party consultant, chooses and retains funds. The goal of this selection process is to meet the performance standards established in the Investment Policy Statement adopted by the PERB. A listing of the mutual funds can be obtained by contacting the MPERA.

Securities Lending, 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 year 2001, 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 2001 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 year 2001 resulting from default of the borrowers or State Street Bank and Trust. During fiscal year 2001, the BOI and the borrowers maintained the right to terminate all securities lending transactions on 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. On June 30, 2001, the BOI had no credit risk exposure to borrowers.

B. 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 with-

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drawn 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, 2001 is detailed in the following charts:

PERS Membership	
Number of participating employers	510
Active plan members	29,641
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	2,015
Non-vested	10,706
	12,721
Retirees and beneficiaries receiving benefits	
Service Retirements	13,195
Disability Retirements	332
Survivor Benefits	271
	13,798

GWPORS Membership	
Number of participating employers	8
Active plan members	521
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	9
Non-vested	81
	90
Retirees and beneficiaries receiving benefits	
Service Retirements	74
Disability Retirements	2
Survivor Benefits	3
	79

MPORS Membership	
Number of participating employers	21
Active plan members	580
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	14
Non-vested	65
	79
Retirees and beneficiaries receiving benefits	
Service Retirements	506
Disability Retirements	17
Survivor Benefits	30
	553

SRS Membership	
Number of participating employers	56
Active plan members	623
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	26
Non-vested	147
	173
Retirees and beneficiaries receiving benefits	
Service Retirements	218
Disability Retirements	30
Survivor Benefits	14
	262

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JRS Membership	
Number of participating employers	1
Active plan members	48
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	2
Non-vested	0
	2
Retirees and beneficiaries receiving benefits	
Service Retirements	49
Disability Retirements	0
Survivor Benefits	2
	51

FURS Membership	
Number of participating employers	14
Active plan members	425
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	4
Non-vested	57
	61
Retirees and beneficiaries receiving benefits	
Service Retirements	439
Disability Retirements	7
Survivor Benefits	28
	474

HPORS Membership	
Number of participating employers	1
Active plan members	190
Terminated plan members entitled to but not yet receiving benefits or a refund	
Vested	8
Non-vested	12
	20
Retirees and beneficiaries receiving benefits	
Service Retirements	240
Disability Retirements	10
Survivor Benefits	10
	260

VFCA Membership	
Active plan members	2,524
Terminated plan members entitled to but not yet receiving benefits	
Vested	691
Retirees and beneficiaries receiving benefits	
Service Retirements	859
Survivor Benefits	3
	862

Deferred Compensation (457) Membership	
Number of participating employers	8
Active plan members	7,356
Inactive plan members	69

Public Employees' Retirement System-DBRP

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

only be amended by the Legislature. The PERS-DBRP provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility and/or 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 Summary of Benefits	
Members' highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
Years of service required and/or age eligible for benefit	Service retirement: 30 years, any age; Age 65, regardless of service; or Age 60, 5 years of service. Early retirement, actuarially reduced: Age 50, 5 years of service; or Any age, 25 years of service.
Vesting	5 years
Monthly benefit formula	1.785% * of HAC per year of service.
<small>* effective July 1, 2001, the retirement factor increases to 2% for members who have 25 or more years of service.</small>	

At June 30, 2001 PERS had 510 participating employers consisting of:

PERS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
State Agencies	34	34
Counties	55	55
Cities and Towns	90	90
Colleges and Universities	5	5
School Districts	240	238
Other	<u>86</u>	<u>84</u>
Total	510	506

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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 2001 was 6.9% of PERS-covered payroll, the same as in fiscal year 2000. 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 system employer contributed 6.9% of PERS-covered payroll during fiscal year 2001, the same as in fiscal year 2000. Participating local governments and school district employers contributed 6.8% of PERS-covered payroll, the same as in fiscal year 2000. The State contributed the remaining 0.1% for local governments and school employers from the state general fund in fiscal years 2001 and 2000. (Reference *Schedule of Contribution Rates* on page 53).

Retirement Incentive: The Legislature enacted a provision under the Employee Protection Act (EPA) [19-2-706, MCA] allowing state employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer assist in the purchase of up to three years of "1-for-5" additional service. As of fiscal year 2001, two hundred thirty-eight employees had taken advantage of this provision since its inception, up from two hundred fifteen in fiscal year 2000. The em-

ployer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. The total retirement incentive contributions received (including interest) during fiscal years 2001 and 2000 totaled \$228,442.15 and \$335,960.84, respectively. The outstanding balance at June 30, 2001, totaled \$445,814.36.

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

Chapter 149, Laws of 2001, benefits some PERS retirees. The benefit increase brings retirees, who retired prior to 1982, up to 75% of the purchasing power of their initial retirement benefit. This benefit was effective with the July 2001 retirement benefit.

Public Employees' Retirement System-DCRP

Plan Description: The 1999 Legislature, Chapter 471, Laws of 1999, created a defined contribution retirement plan (DCRP) within the Public Employees' Retirement

System (PERS). The defined contribution retirement plan will be available to all active PERS members starting July 1, 2002. The defined contribution retirement plan

will not have contributions or revenues until after the July 1, 2002 start date. Implementation of the plan is currently underway. The defined contribution retirement plan is governed by MCA Title 19, Chapter 2 and Chapter 3, Part 21.

The PERB has received a long-term loan from 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, 2001, the MPERA has taken three draws for a total of \$670,000 on this loan.

All active PERS members will have a 12-month window during which they can choose to join the defined contribution retirement plan (PERS-DCRP) or remain in the current defined benefit retirement plan

(PERS-DBRP). Members may **not** be active members of both the defined contribution and defined benefit retirement plans. The choice will be irrevocable. A diverse and broad range of investment options, selected by the PERB, will be available to members of the defined contribution retirement plan. Members of the defined contribution retirement plan will decide how to invest their contributions and a portion of their employers' contributions in the selected investment options. They will be able to invest in any number of the selected investment options and transfer between options daily, if desired. The remaining portion of employers' contributions will be used to maintain funding of the defined benefit plan, to provide disability benefits and to fund an employee education program.

Public Employees' Retirement System-Education Fund

Chapter 471, Laws of 1999, established an education fund and program intended to provide PERS members with impartial and balanced information about plan choices. This is governed by MCA, Title 19, chapter 3, section 112. The education program will consist of three primary components:

- 1) initial transfer education – for all active members prior to the July 1, 2002, plan start date;
- 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 transfer education service provider, Educational Technologies Inc., is prohibited from providing other services for the defined contribution retirement plan.

The education program is funded by 0.1% of PERS-covered payroll for fiscal years 2000, 2001 and 2002. Beginning with fiscal year 2003, 0.04% of PERS-covered payroll will fund education.

Municipal Police Officers' Retirement System

Plan Description: The MPORS is a multiple-employer, cost-sharing defined benefit plan that was 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 electing to adopt the plan. Benefits are established by state law and can only be amended by the Legisla-

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ture. The MPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility and/or years of service and final average 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	
Members' final average compensation (FAC)	Hired prior to July 1, 1977 - average monthly compensation of final year of service; Hired after June 30, 1977 - average of regular monthly compensation for last consecutive 36 months.
Years of service required and/or age eligible for benefit	20 years, regardless of age; Age 50, 5 years of service
Vesting	5 years
Monthly benefit formula	2.5% of FAC per year of service

At June 30, 2001 MPORS had 21 participating employers consisting of:

MPORS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Cities and Towns	<u>21</u>	<u>21</u>
Total	21	21

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. Effective January 1, 2000 and continuing for fiscal year 2001, 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. City contributions to the retirement plan are 14.41% of total MPORS-covered payroll on a monthly basis. The State contributions are requested at the beginning of the fiscal year based on

the previous fiscal year salary and are due no later than November 1. The State's contribution rate for 2000 and 2001 was 29.37% and is funded from the general fund. (Reference *Schedule of Contribution Rates* on page 53).

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

Game Wardens' and Peace Officers' Retirement System

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

For non-GABA members, a retired member or survivor will receive a benefit not less than one-half the compensation paid to a newly confirmed police officer in the city or town that last employed the retired member. This is based on the current fiscal year and is applicable to the city or town from which the member retired. If a benefit falls below that minimum, an increase is paid to the benefit recipient. If a member or retiree elected the GABA, the minimum benefit is not available.

Chapter 391, Laws of 2001, benefits the MPORS retiree who did not elect the GABA provision. The benefit increase brings individuals up to 75% of the purchasing power of their initial retirement benefit. This benefit was effective with the May 2001 retirement benefit.

members and their beneficiaries. Benefits are based on eligibility and/or 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

Members' highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
Years of service required and/or age eligible for benefit	Age 50, 20 years of service; Age 55, 5 years of service
Vesting	5 years
Monthly benefit formula	2% * of HAC per year of service

*effective October 1, 2001, the retirement factor increases to 2.5%

At June 30, 2001 GWPORS had 8 participating employers consisting of:

GWPORS Employers

<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</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 2001 and 2000 was 8.5%. Effective October 1, 2001 the contribution rate increased to 10.56%. 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 on a monthly basis, during fiscal years 2001 and 2000. (Reference *Schedule of Contribution Rates* on page 53).

Retirement Incentive: The Legislature enacted a provision under the Employee Protection Act (EPA) [19-2-706, MCA] allowing state employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer assist in the purchase of 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.

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other

benefit increases that exceed 1.5%. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

Sheriffs' Retirement System

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 Legisla-

ture. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility and/or 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	
Members' highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
Years of service required and/or age eligible for benefit	20 years, regardless of age; Age 50, 5 years of service, actuarially reduced.
Vesting	5 years
Monthly benefit formula	2.5% of HAC per year of service

At June 30, 2001 SRS had 56 participating employers consisting of:

SRS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
State Agencies	1	1
Counties	<u>55</u>	<u>55</u>
Total	56	56

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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 2001 and 2000 was 9.245%. 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 on a monthly basis, during fiscal years 2001 and 2000. (Reference *Schedule of Contribution Rates* on page 53).

Retirement Incentive: The Legislature enacted a provision under the Employee Protection Act (EPA) [19-2-706, MCA] allowing State employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer assist in the purchase of 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.

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

Judges' Retirement System

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 pro-

vides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility and/or 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:

JRS Summary of Benefits

Members' current salary ¹ or highest average compensation (HAC) ²	¹ Hired prior to July 1, 1997 and non-GABA - monthly compensation at time of retirement; ² Hired after June 30, 1997 or electing GABA - highest average compensation during any consecutive 36 months.
Years of service required and/or age eligible for benefit	Age 60, 5 years of service; Any age with 5 years of service-involuntary termination, actuarially reduced.
Vesting	5 years
Monthly benefit formula	1) non-GABA 3 1/3% of current salary ¹ per year of service for the first 15 years, plus 1.785% per year for each year after 15 years; or 2) GABA same as above only using HAC ² to calculate the benefit.

At June 30, 2001 JRS had 1 participating employer consisting of:

JRS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
State Agencies	<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 2001 and 2000 was 7% of the member's monthly 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 re-

quest is processed. As the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan on a monthly basis, during fiscal years 2001 and 2000. (Reference *Schedule of Contribution Rates* on page 53).

Benefit Enhancement: Each time the Legislature increases the salaries for active judges, benefits for retired judges increase (or eligible contingent annuitants). For

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members hired prior to July 1, 1997, current salary is used in the calculation of the monthly benefit.

For those hired after July 1, 1997 or those electing a Guaranteed Annual Benefit Adjustment (GABA) an increase of 1.5% was provided in January 2001 if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%. If other changes increased benefits by more than

1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

Highway Patrol Officers' Retirement System

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 and/or 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	
Members' highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
Years of service required and/or age eligible for benefit	20 years of service, regardless of age. 5 years of service, actuarially reduced from age 60.
Vesting	5 years
Monthly benefit formula	2.5% of HAC per year of service

At June 30, 2001 HPORS had 1 participating employer consisting of:

HPORS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
State Agencies	<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 2001 and 2000 are 9.05% of the member's total monthly 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. 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. As the employer, the State contributed 36.33% of the total HPORS-covered payroll during fiscal years 2001 and 2000. 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' licenses and duplicate drivers' license applications. (Reference *Schedule of Contribution Rates* on page 53).

Twenty-five cents of each motor vehicle registration fee must be deposited in the HPORS trust fund by the end of each fiscal year. This additional contribution funds the supplemental lump-sum benefit for eligible recipients.

Retirement Incentive: The Legislature enacted a provision under the Employee Protection Act (EPA) [19-2-706, MCA] allowing State employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer assist in the purchase of 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.

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

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. This enhancement is limited to non-GABA members.

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 supple-

FINANCIAL SECTION

mental payment in fiscal year 2001 was \$2,162. In fiscal year 2000, the average annual supplemental payment was \$2,099.

This enhancement is available to only non-GABA recipients.

Firefighters' Unified Retirement System

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 wish to adopt the plan. 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 and/or years of service and final average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

FURS Summary of Benefits

Members' 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.

Years of service required and/or age eligible for benefit

20 years, regardless of age;
Age 50, 5 years of service.

Vesting

5 years

Monthly benefit formula

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

1. 2.5% of FAC per year of service, or
2. i) if less than 20 years of service
2% x FMC for each year of service.
ii) if more than 20 years of service
50% of the members 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.

At June 30, 2001 FURS had 14 participating employers consisting of:

FURS Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
Cities and Towns	14	14
Total	14	14

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 2001 and 2000 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 2001 and 2000 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 2001 and 2000. 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 53).

Benefit Enhancement: January 2001, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was provided if the recipient had been receiving a benefit for at least 36 months *and* had not received any other benefit increases that exceed 1.5%, had elected GABA or if the member was hired on or after July 1, 1997. If other changes increased benefits by more than 1.5%, then the GABA provided no increase. However, if the change was less than 1.5%, then the

GABA would make the increase a total of 1.5%.

The GABA was modified by legislation during the 2001 session becoming effective March 2001 for the January 2002 benefit payment. The revised provisions increase the January benefit adjustment from 1.5% after 36 months to 3% after 12 months of retirement.

For non-GABA members, the monthly retirement, disability or survivor's benefit must be at least one-half the salary of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of service credit). If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient. If a member or retiree elected GABA, the minimum benefit is not available.

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Volunteer Firefighters' Compensation Act

Plan Description: The VFCA is a state-wide retirement and disability plan. This compensation plan, established in 1965, is governed by Title 19, chapters 2 & 17, MCA. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability and death benefits for all volunteer firefighters who are members of eligible volun-

teer fire companies in unincorporated areas, towns or villages under the laws of the State of Montana. VFCA also provides limited medical expenses for injuries incurred in the line of duty. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited membership service. A brief summary of eligibility and benefits follows:

VFCA Summary of Benefits

Years of service required and/or age eligible for benefit

Age 55, 20 years of credited service;
Age 60, 10 years of service (partial benefit)

Vesting

10 years

Monthly benefit formula

\$5.00 per year of credited service, maximum \$100*

*effective July 1, 2001, the maximum benefit increased to \$150

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 to the Volunteer Firefighters' Pension Fund from the fire insurance premium tax fund. (Reference *Schedule of Contribution Rates* on page 53).

Group Insurance Payments: Supplemental payments are available to those volunteer fire companies providing 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.

Deferred Compensation Plan (457)

Plan Description: The State of Montana has offered the deferred compensation (457) plan to employees since 1976. All employees of the State, including the Montana University System and contracting agencies, are eligible to participate. The 457 plan is governed by MCA, Title 19, chapter 50, in accordance with Internal Revenue Service Code (IRC) §457. The administration of the

457 plan was transferred to the PERB effective July 1, 1999. As of June 30, 2001, the net assets of the 457 plan were \$200,280,113.

The 457 plan is a voluntary, tax-deferred retirement plan designed to supplement state service retirement, Social Security and other retirement plans and savings. Assets

of the 457 plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. Under the plan, eligible employees elect to defer a portion of their salary until future time periods. The compensation deferred is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency when still employed and meeting IRS specified criteria.

Employees direct their deferrals into two primary investment options: (1) the “fixed” investment which guarantees both principal (the payroll deferrals) and a quarterly rate of earnings through a guaranteed investment contract (GIC) with Aegon, a third party insurance provider; and (2) the “variable” investment which includes twenty-three mutual funds and five lifestyle/profile funds. Contributing employees are allowed to participate in both investments, and as many of the offered funds as desired under the variable investment. Member rights are vested immediately.

Aegon provides market and cash flow risk protection to the plan by guaranteeing the rate of return on the fixed investment. The investment managers in the fixed investment GIC are the Board of Investments and State Street Research/Wells Fargo.

The administrative expenses and the revenues that fund them are accounted for within the plan. The fees charged by Aegon, and the fees paid to the life insurance provider, Allianz, are classified as miscellaneous expenses rather than other financing uses. This is due to the nature of the fees and because they are applicable to only the fixed investment.

Mutual fund administrative costs are not presented on the financial statements. The vendors supply the mutual fund earnings net of costs. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports. A brief summary of eligibility and benefits follows:

Deferred Compensation Plan Summary	
Contribution	Voluntary, tax-deferred until future years
Eligibility for Benefit	Not available to participant until separation from service; retirement; death; or upon an unforeseeable emergency, when still employed and meeting IRS specified criteria.
Vesting	Account balances are fully vested to the participants 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.

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At June 30, 2001 the 457 plan had 8 participating employers consisting of:

Deferred Compensation (457) Employers		
<u>Employers</u>	<u>June 30, 2001</u>	<u>June 30, 2000</u>
State of Montana*	1	1
Colleges and Universities	6	6
Other	<u>1</u>	<u>0</u>
Total	8	7

* The state of Montana includes 34 agencies; however, due to the nature of the reporting for the 457 plan we are unable to specifically determine which agencies participate.

Contributions: The 457 plan is optional and members designate the amount to contribute within IRS limitations. Contributions are deducted from each member's salary prior to withholding of federal and state taxes and remitted by their employer. The contributions are either directed to the fixed or the variable investment. The money designated as fixed is invested by the BOI and

State Street Research/Wells Fargo. The money designated as mutual is remitted to the third party record keeper who in turn invests the contributions in selected mutual funds as directed by the participant.

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FY 2001 Schedule of Contribution Rates			
System	Member	Employer	State
PERS	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 General Fund [19-3-319, MCA]
MPORS	5.8% - hired prior 07-01-75 & not electing GABA [19-9-710(a), MCA] 7.0% - hired between 07-01-75 & 06-30-79 & not electing GABA [19-9-710(b), MCA] 8.5% - hired between 07-01-79 & 06-30-97 & not electing GABA [19-9-710(c), MCA] 9.0% - hired after 06-30-97 & members electing GABA [19-9-710(d), MCA]	14.41% [19-9-703, MCA]	29.37% of salaries - paid from insurance Premium Tax Fund [19-9-702, MCA]
GWPORS	8.5% [19-8-502, MCA]	9.0% [19-8-504, MCA]	
SRS	9.245% [19-7-403, MCA]	9.535% [19-7-404, MCA]	
JRS	7.0% [19-5-402, MCA]	25.81% [19-5-404, MCA]	
HPORS	9.0% - hired prior to 07-01-97 & not electing GABA 9.05% - electing GABA & hired after 06-30-97 [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]
FURS	9.5% - hired prior to 07-01-97 & not electing GABA [19-13-601(2)(a), MCA] 10.7% - electing GABA & new hires after 06-30-97 [19-13-601(2)(b)]	14.36% [19-13-605, MCA]	32.61% of salaries - paid from insurance Premium Tax Fund [19-13-604, MCA]
VFCA			5.0% - of fire insurance premiums received by the State [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 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	06/30/96	\$ 1,629,707	\$ 1,826,207	\$ 196,500	89.24%	\$608,592	32.29%
	² 06/30/98	2,128,065	2,300,328	172,263	92.51%	660,579	26.08%
	06/30/00	2,843,347	2,273,407	(569,940)	125.07%	725,692	-78.54%
MPORS	06/30/96	70,068	105,664	35,596	66.31%	15,828	224.89%
	06/30/98	94,908	173,642	78,734	54.66%	17,873	440.52%
	06/30/00	129,826	181,109	51,283	71.68%	20,252	253.22%
GWPORS	06/30/96	18,160	17,325	(835)	104.82%	2,762	-30.23%
	06/30/98	23,190	22,412	(778)	103.47%	7,839	-9.92%
	06/30/00	32,966	23,922	(9,044)	137.81%	11,875	-76.16%
SRS	06/30/96	68,646	52,751	(15,895)	130.13%	17,890	-88.85%
	06/30/98	92,160	81,077	(11,083)	113.67%	20,127	-55.07%
	06/30/00	126,338	87,836	(38,502)	143.83%	21,559	-178.59%

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

¹ Refer to the "Notes to the Required Supplementary Information" for the Actuarial Asset Valuation Method (Page 60)

² PERS Actuarial Valuation revised per audit recommendation.

³ Covered payroll is not applicable to VFCA because members are unpaid volunteers.

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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 ³ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
JRS	06/30/96	\$ 24,944	\$ 27,723	\$ 2,779	89.98%	\$ 2,907	95.61%
	06/30/98	31,646	29,017	(2,629)	109.06%	3,144	-83.62%
	06/30/00	42,043	27,365	(14,678)	153.64%	3,483	-421.42%
HPORS	06/30/96	47,325	67,709	20,384	69.90%	6,242	326.57%
	06/30/98	59,531	78,722	19,191	75.62%	6,201	309.48%
	06/30/00	77,810	76,397	(1,413)	101.85%	6,952	-20.33%
FURS	06/30/96	67,745	131,111	63,366	51.67%	13,783	459.75%
	06/30/98	89,988	169,006	79,017	53.25%	15,104	523.15%
	06/30/00	123,492	162,329	38,837	76.08%	16,549	234.67%
VFCA	06/30/00	11,504	16,636	5,132	69.15%	N/A	N/A
	06/30/98	13,941	18,354	4,412	75.96%	N/A	N/A
	06/30/00	17,769	16,752	(1,017)	106.07%	N/A	N/A

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

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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 Contribution	Percentage Contributed	Annual Required State Contribution ¹	Percentage Contributed
PERS	1996	\$ 40,775,671	101.26%		
	1997	43,182,090	101.26%		
	² 1998	45,690,886	99.26%	\$ 303,840	100.00%
	1999	46,783,993	101.62%	341,099	100.00%
	2000	49,347,082	98.74%	347,560	100.00%
	2001	52,460,464	101.43%	382,481	100.00%
MPORS	1996	2,272,843	98.93%	2,496,912	100.00%
	1997	2,415,188	100.27%	4,939,713	100.00%
	1998	2,575,528	102.33%	5,264,852	100.00%
	1999	2,731,079	99.01%	5,566,398	100.18%
	2000	2,918,274	100.57%	5,947,932	99.35%
	2001	3,011,475	100.12%	6,137,893	100.16%
GWPORS	1996	225,083	102.21%		
	1997	242,379	103.16%		
	² 1998	734,502	111.40%		
	1999	891,602	104.42%		
	2000	1,068,745	102.92%		
	2001	1,339,308	101.98%		
SRS	1996	1,526,895	102.05%		
	1997	1,617,568	104.01%		
	² 1998	1,923,069	102.41%		
	1999	1,994,769	104.36%		
	2000	2,055,688	106.84%		
	2001	2,159,464	103.14%		

Refer to the "Notes to the Required Supplementary Information" (Page 60)

¹ PERS State Contribution of 0.1% for local governments is based on actual receipts for the fiscal year. MPORS-covered payroll is based on calendar year payroll for the State Contribution for FY 1996 and fiscal year payroll for FY 1997 through FY 2001.

² A change was made to FY 1998 for PERS, GWPORS and SRS to correct contributions erroneously reported in FY 1998.

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer Contributions & Other Contributing

(continued)

System	Year Ended June 30	Annual Required Contribution	Percentage Contributed	Annual Required State Contribution ¹	Percentage Contributed
JRS	1996	\$ 174,396	100.05%		
	1997	177,181	100.00%		
	² 1998	843,065	100.00%		
	1999	822,795	100.00%		
	2000	899,056	100.00%		
	2001	943,532	100.00%		
<hr/>					
HPORS	1996	1,629,088	100.16%		
	1997	1,642,087	100.00%		
	² 1998	1,681,444	101.50%		
	1999	1,650,957	100.03%		
	2000	1,817,926	107.58%		
	2001	1,922,489	100.12%		
<hr/>					
FURS	1996	1,979,190	99.02%	2,453,397	126.03%
	1997	2,082,389	99.72%	4,728,879	98.18%
	1998	2,168,902	98.77%	4,925,341	97.37%
	1999	2,262,645	100.94%	5,138,222	98.77%
	2000	2,376,392	97.86%	5,396,528	97.80%
	2001	2,401,328	98.81%	5,453,155	98.45%
<hr/>					
VFCA	1996			862,010	100%
	1997			910,692	100%
	1998			928,484	100%
	1999			944,434	100%
	2000			961,306	100%
	2001			1,002,992	100%

Refer to the "Notes to the Required Supplementary Information" (Page 60)

¹ FURS-covered payroll is based on calendar year payroll for the State Contribution for FY 1996 and fiscal year payroll for FY 1997 through FY 2001.

² A change was made to FY 1998 for JRS and HPORS to correct contributions erroneously reported in FY 1998.

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Annual Required District Court Fees	Percentage Contributed	Annual Required Supreme Court Fees	Percentage Contributed	Annual Required License Fees	Percentage Contributed	Annual Required Registration Fees	Percentage Contributed
\$ 1,008,881	60.79%	\$ 8,958	100.00%				
1,024,995	57.84%	9,869	100.00%				
N/A	N/A	N/A	N/A				
N/A	N/A	N/A	N/A				
N/A	N/A	N/A	N/A				
N/A	N/A	N/A	N/A				
				\$ 635,407	100.54%	\$ 270,833	100.00%
				640,477	100.60%	287,284	100.00%
				631,312	109.01%	281,874	100.00%
				665,967	98.67%	285,095	100.00%
				707,705	85.00%	279,577	100.00%
				748,411	95.81%	335,107	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 fol-

	PERS	MPORS	GWPORS
Valuation date	June 30, 2000	June 30, 2000	June 30, 2000
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		9.9	
Unfunded Credit ¹	30		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			
Inflation	4.50%	4.50%	4.50%
Merit	0% - 6%	0% - 7.3%	0% - 7.3%
Benefit Adjustments			
GABA ²	1.5% after 3 yrs	1.5% after 3 yrs	1.5% after 3 yrs
Non-GABA	None	50% newly confirmed officer	None
Estimated Increase in Actuarial Liability ³ (in millions)	\$318.4	\$22.5	\$3.5

¹Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs.

²The GABA increases to 3% after 12 months effective March 2001 for the January 2002 benefit payment.

³Based on the 2000 Actuarial Valuation and the effect of the GABA legislation from the 2001 Legislative Session.

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SRS	JRS	HPORS	FURS	VFCA
June 30, 2000	June 30, 2000	June 30, 2000	June 30, 2000	June 30, 2000
Entry Age	Entry Age	Entry Age	Entry Age	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 payroll, open
30	30	30	7.71	23
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%
4.50% 0% - 7.3%	4.50% None	4.50% 0% - 7.3%	4.50% 0% - 7.3%	None None
1.5% after 3 yrs None	1.5% after 3 yrs 4.50% increase current judges	1.5% after 3 yrs 2% per yr service for newly con- firmed officer	1.5% after 3 yrs 50% newly con- firmed officer	None None
\$12.5	\$0.1	\$9.7	\$20.8	None

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Administrative Expenses

Year Ended June 30, 2001

	Defined Benefit Plans	Defined Contribution Plan	Education Fund	457 Plan
<i>Personal Services</i>				
Salaries	\$ 728,672	\$ 108,148	\$ 50,993	\$ 97,880
Board Members' Per Diem	10,400	75	100	375
Employee Benefits	187,122	26,429	13,037	25,204
Total Personal Services	926,194	134,652	64,130	123,459
<i>Other Services</i>				
Consulting Services	883,177	85,923	43,987	20,260
Janitorial Services	1,139	42	42	53
Legal Fees and Court Costs	18,430	700		
Payroll Fees	472	22	22	27
Audit Fees	29,695			1,596
Medical Services	12,759			
Microfilming	7,975			
Records Storage	3,573			
Pre-Retirement Seminars	2,000			
Computer Processing	96,772	428	428	522
Printing and Photocopy Charges	27,740	450	706	1,672
Warrant Writing Services	24,281			
Other	7,828	357	362	446
Total Other Services	1,115,841	87,922	45,547	24,576
<i>Communications</i>				
Postage and Mailing	71,522	301	492	816
Telephone	17,520	359	565	733
Total Communications	89,042	660	1,057	1,549
<i>Other Expenses</i>				
Supplies and Materials	73,302	2,928	5,922	6,777
Travel	35,975	2,385	4,235	8,153
Rent	74,649	3,581	3,611	4,282
Utilities	2,256	105	105	133
Repairs and Maintenance	23,193	1,163	1,163	1,374
Depreciation/Amortization	3,202			
Compensated Absences	11,212	10,414	5,266	
Interest Payments		25,191		
Miscellaneous	26,599	1,457	1,520	4,708
Total Other Expenses	250,388	47,224	21,822	25,427
Total Administrative Expenses	\$ 2,381,465	\$ 270,458	\$ 132,556	\$ 175,011

Public Employees' Retirement Board

*A Component Unit of the State of Montana***Supporting Schedule****Schedule of Investment Expenses**

Year Ended June 30, 2001

Plan	Fees
PERS	
Board of Investments	\$ 2,899,379
MPORS	
Board of Investments	88,213
GWPORS	
Board of Investments	23,437
SRS	
Board of Investments	88,287
JRS	
Board of Investments	35,401
HPORS	
Board of Investments	58,333
FURS	
Board of Investments	76,855
VFCA	
Board of Investments	16,205
457	
Aegon	161,657
Wells Fargo	9,543
State Street Research	<u>132,710</u>
	\$ <u>3,590,020</u>

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Consultants

Year Ended June 30, 2001

Individual or Firm	Nature of Service	Amount Paid
KPMG Consulting	Web Reporting Systems Development	\$ 694,488
Milliman USA	Actuarial Consultant	85,172
Computer Consulting Corporation	Data Processing Services	83,720
William M. Mercer, Inc.	DC Implementation Consultants	46,675
Educational Technologies, Inc.	Education Consultants	43,875
Ice Miller	Tax Law Consultant	41,326
Legislative Audit Division, Legislative Branch	Independent Auditors	31,291
Legal Services Division, Department of Justice	Legal Services	18,430
Arnerich Massena & Associates, Inc	Mutual Funds Performance Review	10,333
Lawrence R. McEvoy, MD	Medical Consultant	5,800
Communications & Management Service	Personnel Classification	2,787
Professional Development Center, Department of Administration	Retirement Planning Seminars	2,000
Comserv, Inc	Death Information System Services	935
Robert J. Bateen, PHD	Medical Consultant	750

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investing 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 aims.

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 may enable a fund to reduce volatility and increase returns.

The BOI prepares and provides the information related to the 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 investments of the PERB is realization of compound rates of return sufficient to fund promised benefits 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 outperforming the market indices for each asset class over any current five-year rolling period.

State Street Bank and Trust, BOI's custodial bank and an independent third party, uses the industry standard times weighted total rate of return method to calculate PERB's investment returns.

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

Each plan's funds 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 Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2001 are reported for each fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

RATES OF RETURN BY INDEX

For Periods Ending June 30, 2001

	<u>12-Month</u>	<u>Three-Year</u>	<u>Five-Year</u>
S&P 500	-14.82%	3.89%	14.47%
91 day T-Bill	5.64%	5.22%	5.23%
LB Aggregate Bond	11.23%	6.25%	7.48%

TOTAL RATES OF RETURN BY ASSET CLASS

12-Month Period ending June 30, 2001

<u>Asset Class</u>	<u>PERS</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP	6.43%	6.44%	6.43%	6.43%	6.43%	6.43%	6.43%	6.44%
Equities ¹	-15.11%	-15.13%	-15.16%	-15.14%	-15.15%	-15.18%	-15.10%	-15.26%
Fixed Income	12.78%	12.72%	12.72%	12.72%	12.72%	12.73%	12.73%	12.73%
Misc ²	12.8%							
All Assets	-5.04%	-4.65%	-4.64%	-4.89%	-4.99%	-4.83%	-4.75%	-1.47%
Composite ³	-4.41%	-4.34%	-4.35%	-4.61%	-4.54%	-4.46%	-4.52%	-1.37%

¹Includes MTCP, MTIP, Real Estate Investments and Alternative Equities

²Montana Mortgages

³An Index Composite Paralleling the Fund's Asset Allocation at Market Value

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS

Three-Year Period ending June 30, 2001

Asset Class	<u>PERS</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP	5.96%	5.96%	5.95%	5.95%	5.94%	5.94%	5.96%	5.94%
Equities ¹	4.29%	3.74%	3.76%	3.77%	3.85%	3.78%	3.72%	4.10%
Fixed Income	5.90%	5.83%	5.83%	5.83%	5.83%	5.83%	5.83%	5.83%
Misc ²	6.38%							
All Assets	4.75%	4.43%	4.57%	4.50%	4.42%	4.39%	4.44%	4.92%
Composite ³	4.72%	4.58%	4.72%	4.65%	4.62%	4.56%	4.57%	5.12%

¹Includes MTCP, MTIP, Real Estate Investments and Alternative Equities

²Montana Mortgages

³An Index Composite Paralleling the Fund's Asset Allocation at Market Value

TOTAL RATES OF RETURN BY ASSET CLASS

Five-Year Period ending June 30, 2001

Asset Class	<u>PERS</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP	5.88%	5.87%	5.87%	5.87%	5.86%	5.86%	5.87%	5.86%
Equities ¹	13.07%	12.93%	12.96%	12.95%	12.88%	12.92%	12.99%	12.56%
Fixed Income	7.84%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%	7.80%
All Assets	9.91%	9.64%	9.82%	9.68%	9.65%	9.64%	9.64%	8.58%
Composite ²	9.97%	9.82%	10.02%	9.87%	9.80%	9.83%	9.83%	8.42%

¹Includes MTCP, MTIP, Real Estate Investments and Alternative Equities

²An Index Composite Paralleling the Fund's Asset Allocation at Market Value

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 2001 is listed in the following table for both fixed income investments and equity investments.

FY2001 ASSET ALLOCATION

		Investment Objective	Actual Investment			Investment Objective	Actual Investment
PERS				JRS			
	Fixed	32% to 50%	42.36%		Fixed	24% to 43%	41.77%
	Equity	50% to 68%	57.64%		Equity	57% to 76%	58.23%
MPORS				HPORS			
	Fixed	24% to 43%	41.78%		Fixed	24% to 43%	42.38%
	Equity	57% to 76%	58.22%		Equity	57% to 76%	57.62%
GWPORS				FURS			
	Fixed	24% to 43%	41.40%		Fixed	24% to 43%	42.12%
	Equity	57% to 76%	58.60%		Equity	57% to 76%	57.88%
SRS				VFCA			
	Fixed	24% to 43%	43.08%		Fixed	50% to 68%	53.95%
	Equity	57% to 76%	56.92%		Equity	32% to 50%	46.05%

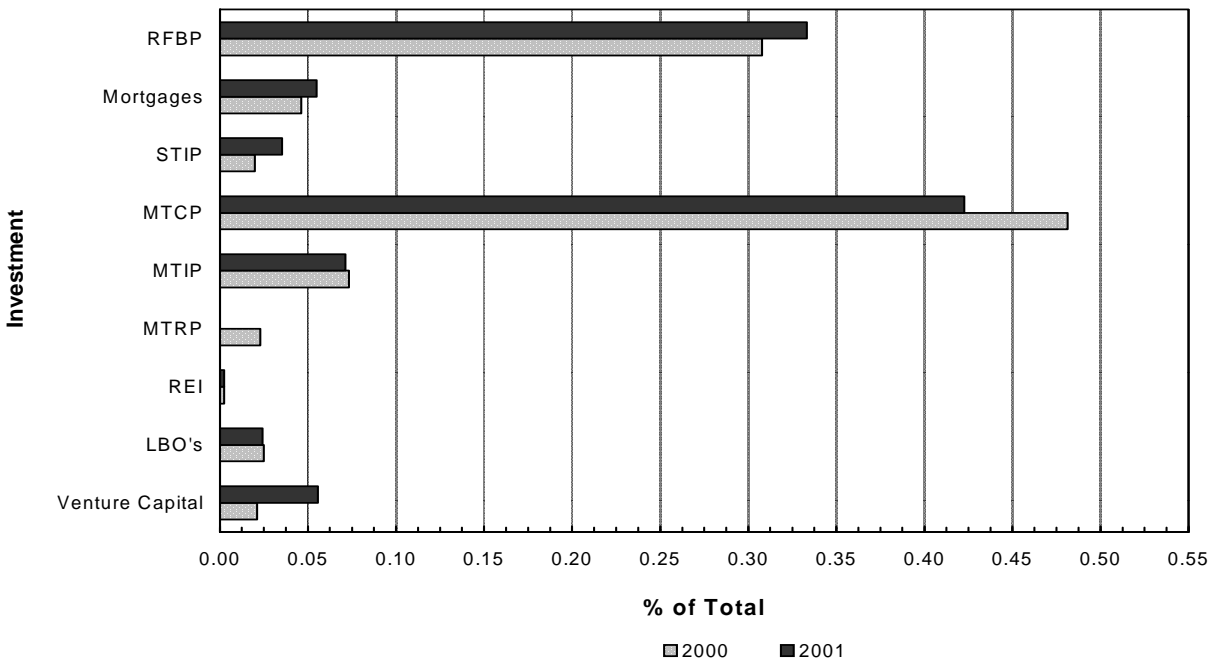
INVESTMENT SECTION

PERS

Asset Mix (market value) as of June 30, 2001 and 2000 (in thousands)

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool-RFBP	\$920,352	33.32%	\$895,919	30.78%	\$24,433	2.73%
Montana Mortgages	152,021	5.50%	134,396	4.62%	17,625	13.11%
STIP	97,637	3.53%	57,752	1.98%	39,885	69.06%
Total Fixed Income	\$1,170,010	42.36%	\$1,088,067	37.38%	\$81,943	7.53%
Equities:						
Montana Stock Pool (MTCP)	\$1,167,554	42.27%	\$1,401,362	48.14%	(\$233,808)	-16.68%
Montana International Pool (MTIP)	196,692	7.12%	213,360	7.33%	(16,668)	-7.81%
Montana Real Estate Pool (MTRP) ¹	0	0.00%	66,935	2.30%	(66,935)	-100.00%
Real Estate Investments (REI) ²	7,035	0.25%	6,601	0.23%	434	6.57%
Leveraged Buy-Outs (LBO's)	67,250	2.43%	72,930	2.51%	(5,680)	-7.79%
Venture Capital	153,616	5.56%	61,621	2.12%	91,995	149.29%
Total Equities	\$1,592,147	57.64%	\$1,822,809	62.62%	(\$230,662)	-12.65%
Total	\$2,762,157	100.00%	\$2,910,876	100.00%	(\$148,719)	-5.11%

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

² REI was included in MTRP in FY00. Because of the MTRP liquidation the investments were separated in FY01.

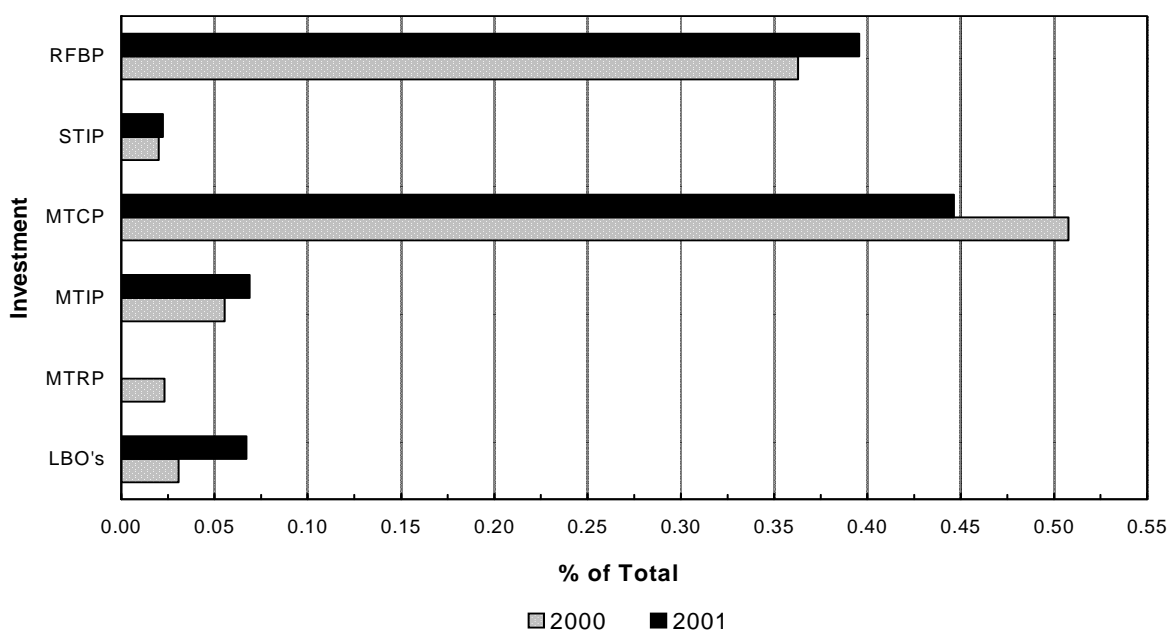
INVESTMENT SECTION

MPORS

**Asset Mix (market value)
as of June 30, 2001 and 2000
(in thousands)**

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$47,732	39.55%	\$45,073	36.28%	\$2,659	5.90%
STIP	2,689	2.23%	2,492	2.01%	197	7.91%
<i>Total Fixed Income</i>	<u>\$50,421</u>	<u>41.78%</u>	<u>\$47,565</u>	<u>38.29%</u>	<u>\$2,856</u>	<u>6.00%</u>
<i>Equities:</i>						
Montana Stock Pool (MTCP)	\$53,867	44.64%	\$63,073	50.77%	(\$9,206)	-14.60%
Montana International Pool (MTIP)	8,299	6.88%	6,897	5.55%	1,402	20.33%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	2,874	2.31%	(2,874)	-100.00%
Leveraged Buy-Outs (LBO's)	8,086	6.70%	3,826	3.08%	4,260	111.34%
<i>Total Equities</i>	<u>\$70,252</u>	<u>58.22%</u>	<u>\$76,670</u>	<u>61.71%</u>	<u>(\$6,418)</u>	<u>-8.37%</u>
Total	\$120,673	100.00%	\$124,235	100.00%	(\$3,562)	-2.87%

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

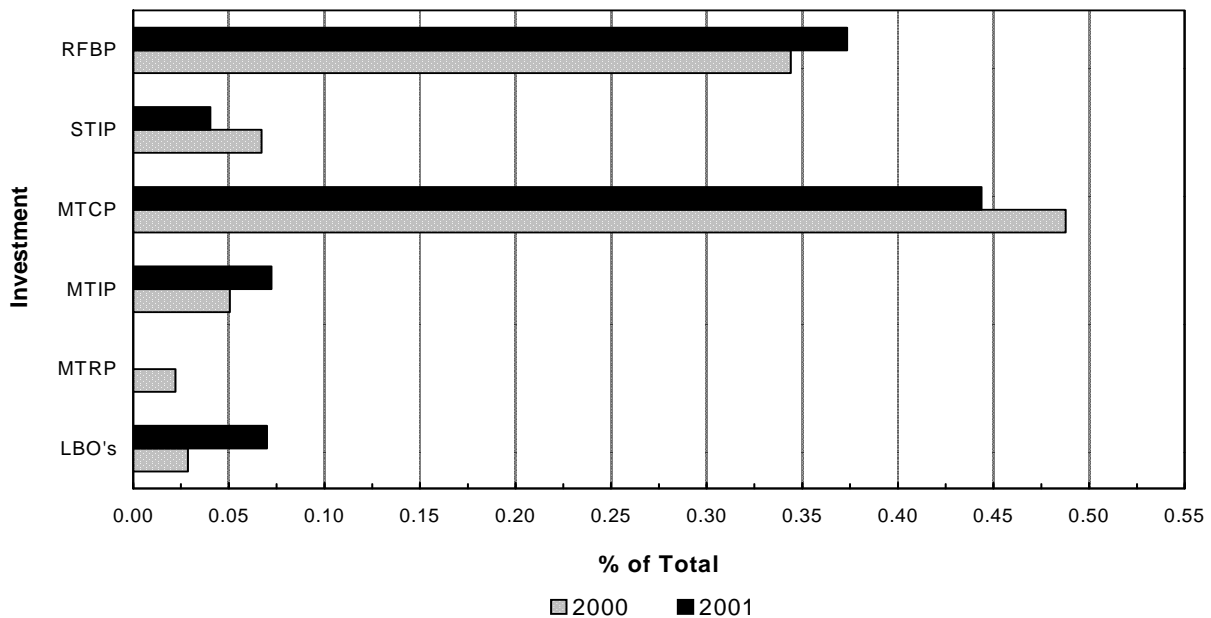
INVESTMENT SECTION

GWPORS

Asset Mix (market value) as of June 30, 2001 and 2000 (in thousands)

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$12,366	37.36%	\$11,508	34.39%	\$858	7.46%
STIP	1,337	4.04%	2,248	6.72%	(911)	-40.52%
<i>Total Fixed Income</i>	<u>\$13,703</u>	<u>41.40%</u>	<u>\$13,756</u>	<u>41.10%</u>	<u>(\$53)</u>	<u>-0.39%</u>
<i>Equities:</i>						
Montana Stock Pool (MTCP)	\$14,689	44.37%	\$16,323	48.77%	(\$1,634)	-10.01%
Montana International Pool (MTIP)	2,396	7.24%	1,694	5.06%	702	41.44%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	736	2.20%	(736)	-100.00%
Leveraged Buy-Outs (LBO's)	2,315	6.99%	957	2.86%	1,358	141.90%
<i>Total Equities</i>	<u>\$19,400</u>	<u>58.60%</u>	<u>\$19,710</u>	<u>58.90%</u>	<u>(\$310)</u>	<u>-1.57%</u>
Total	<u>\$33,103</u>	<u>100.00%</u>	<u>\$33,466</u>	<u>100.00%</u>	<u>(\$363)</u>	<u>-1.08%</u>

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

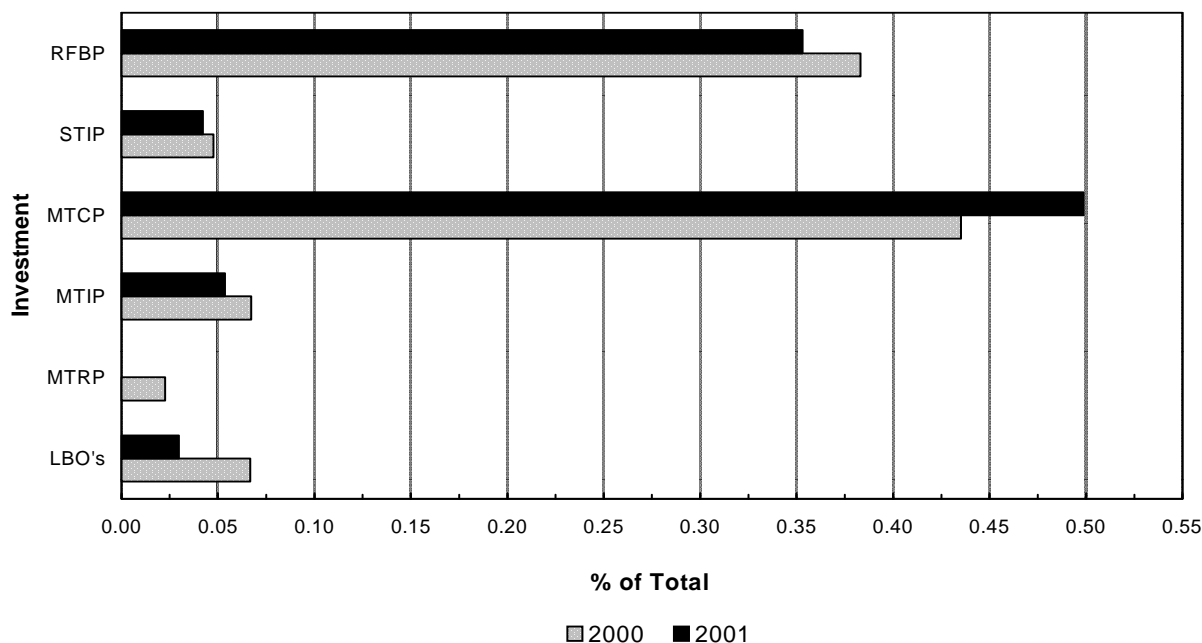
INVESTMENT SECTION

SRS

Asset Mix (market value) as of June 30, 2001 and 2000 (in thousands)

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$47,203	38.31%	\$45,386	35.30%	\$1,817	4.00%
STIP	5,872	4.77%	5,414	4.21%	458	8.46%
<i>Total Fixed Income</i>	<u>\$53,075</u>	<u>43.08%</u>	<u>\$50,800</u>	<u>39.52%</u>	<u>\$2,275</u>	<u>4.48%</u>
Equities:						
Montana Stock Pool (MTCP)	\$53,611	43.51%	\$64,125	49.88%	(\$10,514)	-16.40%
Montana International Pool (MTIP)	8,289	6.73%	6,897	5.36%	1,392	20.18%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	2,910	2.26%	(2,910)	-100.00%
Leveraged Buy-Outs (LBO's)	8,227	6.68%	3,826	2.98%	4,401	115.03%
<i>Total Equities</i>	<u>\$70,127</u>	<u>56.92%</u>	<u>\$77,758</u>	<u>60.48%</u>	<u>(\$7,631)</u>	<u>-9.81%</u>
Total	\$123,202	100.00%	\$128,558	100.00%	(\$5,356)	-4.17%

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

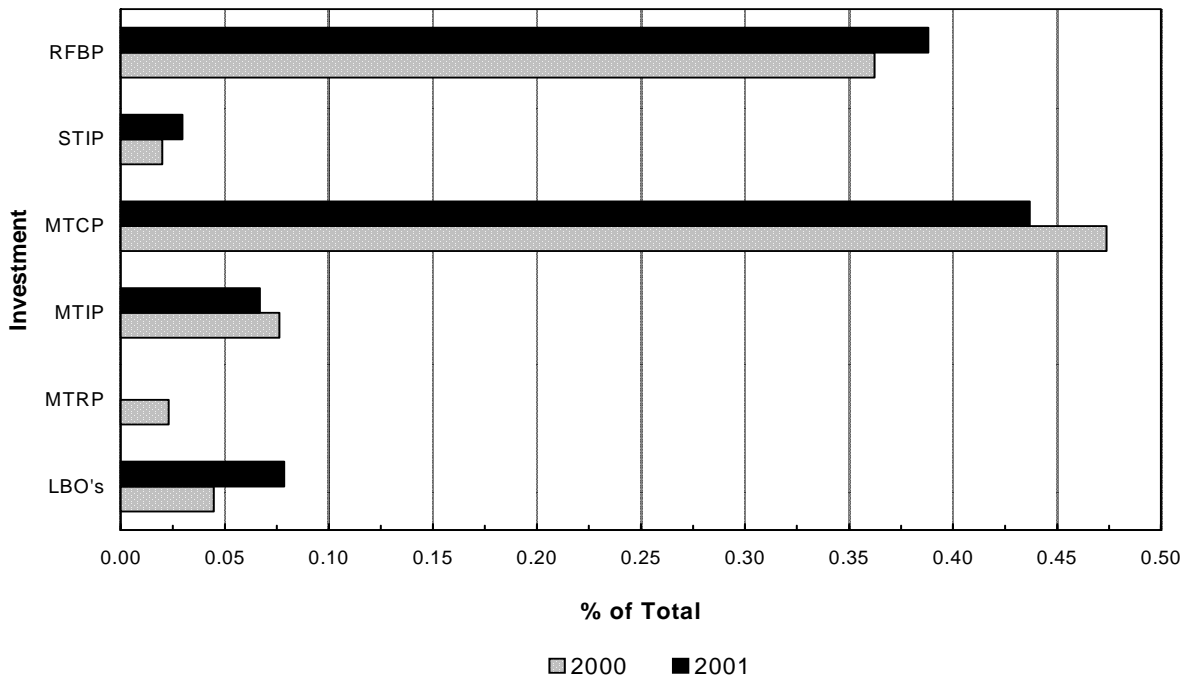
INVESTMENT SECTION

JRS

Asset Mix (market value) as of June 30, 2001 and 2000 (in thousands)

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$15,733	38.81%	\$15,506	36.22%	\$227	1.46%
STIP	1,200	2.96%	850	1.99%	350	41.18%
<i>Total Fixed Income:</i>	<u>\$16,933</u>	<u>41.77%</u>	<u>\$16,356</u>	<u>38.21%</u>	<u>\$577</u>	<u>3.53%</u>
<i>Equities:</i>						
Montana Stock Pool (MTCP)	\$17,712	43.69%	\$20,283	47.38%	(\$2,571)	-12.68%
Montana International Pool (MTIP)	2,710	6.68%	3,266	7.63%	(556)	-17.02%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	987	2.31%	(987)	-100.00%
Leveraged Buy-Outs (LBO's)	3,185	7.86%	1,913	4.47%	1,272	66.49%
<i>Total Equities</i>	<u>\$23,607</u>	<u>58.23%</u>	<u>\$26,449</u>	<u>61.79%</u>	<u>(\$2,842)</u>	<u>-10.75%</u>
Total	<u>\$40,540</u>	<u>100.00%</u>	<u>\$42,805</u>	<u>100.00%</u>	<u>(\$2,265)</u>	<u>-5.29%</u>

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

INVESTMENT SECTION

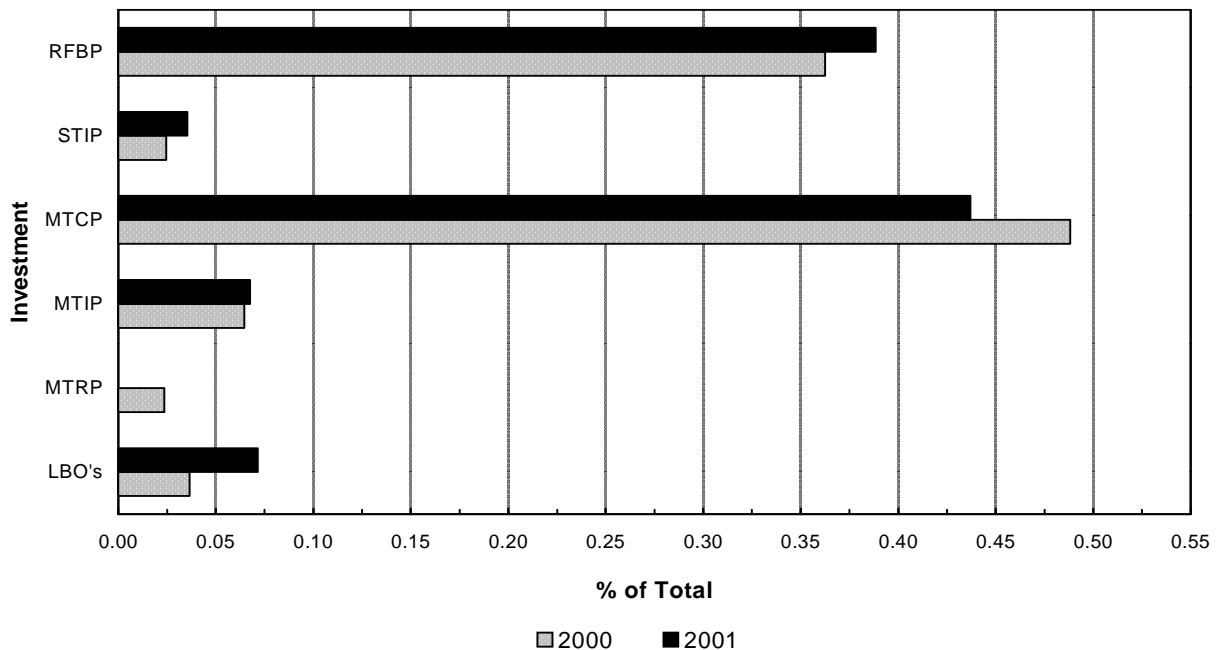
HPORS

**Asset Mix (market value)
as of June 30, 2001 and 2000
(in thousands)**

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$28,878	38.85%	\$28,538	36.25%	\$340	1.19%
STIP	2,625	3.53%	1,931	2.45%	694	35.94%
<i>Total Fixed Income</i>	<u>\$31,503</u>	<u>42.38%</u>	<u>\$30,469</u>	<u>38.71%</u>	<u>\$1,034</u>	<u>3.39%</u>
Equities:						
Montana Stock Pool (MTCP)	\$32,490	43.71%	\$38,435	48.83%	(\$5,945)	-15.47%
Montana International Pool (MTIP)	5,018	6.75%	5,081	6.45%	(63)	-1.24%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	1,860	2.36%	(1,860)	-100.00%
Leveraged Buy-Outs (LBO's)	5,324	7.16%	2,870	3.65%	2,454	85.51%
<i>Total Equities</i>	<u>\$42,832</u>	<u>57.62%</u>	<u>\$48,246</u>	<u>61.29%</u>	<u>(\$5,414)</u>	<u>-11.22%</u>
Total	\$74,335	100.00%	\$78,715	100.00%	(\$4,380)	-5.56%

Asset Allocation

2001 vs 2000



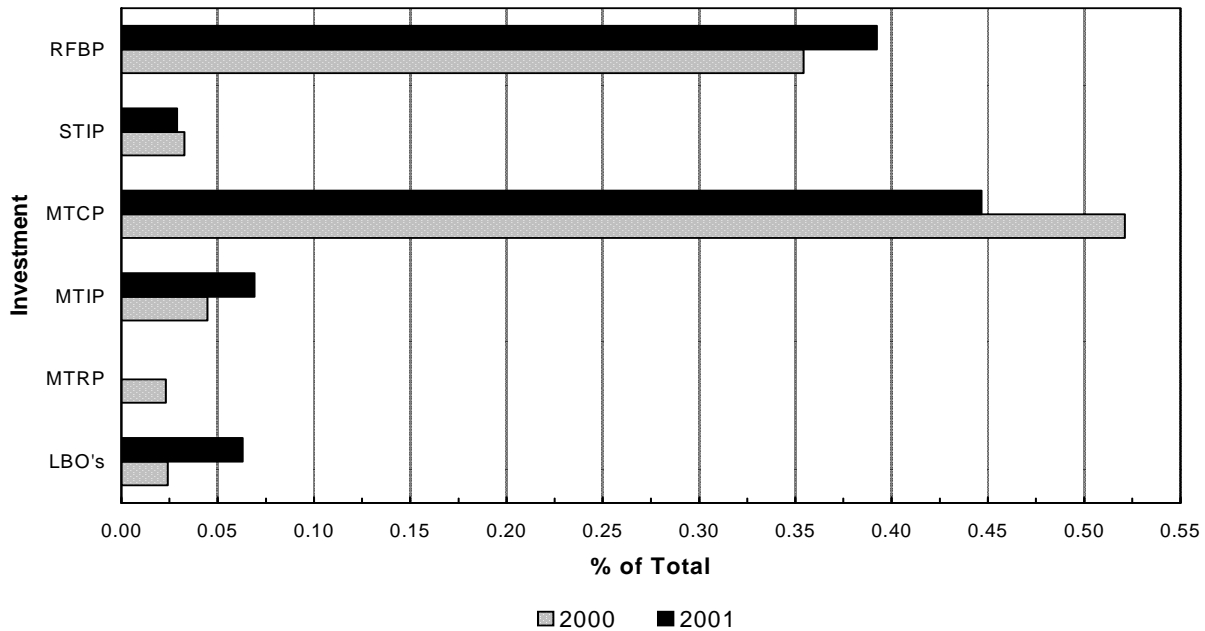
¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

FURS

**Asset Mix (market value)
as of June 30, 2001 and 2000
(in thousands)**

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$45,197	39.23%	\$42,273	35.44%	\$2,924	6.92%
STIP	3,335	2.89%	3,899	3.27%	(564)	-14.47%
<i>Total Fixed Income</i>	<i>\$48,532</i>	<i>42.12%</i>	<i>\$46,172</i>	<i>38.70%</i>	<i>\$2,360</i>	<i>5.11%</i>
<i>Equities:</i>						
Montana Stock Pool (MTCP)	\$51,462	44.66%	\$62,177	52.12%	(\$10,715)	-17.23%
Montana International Pool (MTIP)	7,966	6.91%	5,325	4.46%	2,641	49.60%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	2,750	2.31%	(2,750)	-100.00%
Leveraged Buy-Outs (LBO's)	7,260	6.30%	2,870	2.41%	4,390	152.96%
<i>Total Equities</i>	<i>\$66,688</i>	<i>57.88%</i>	<i>\$73,122</i>	<i>61.30%</i>	<i>(\$6,434)</i>	<i>-8.80%</i>
Total	\$115,220	100.00%	\$119,294	100.00%	(\$4,074)	-3.42%

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

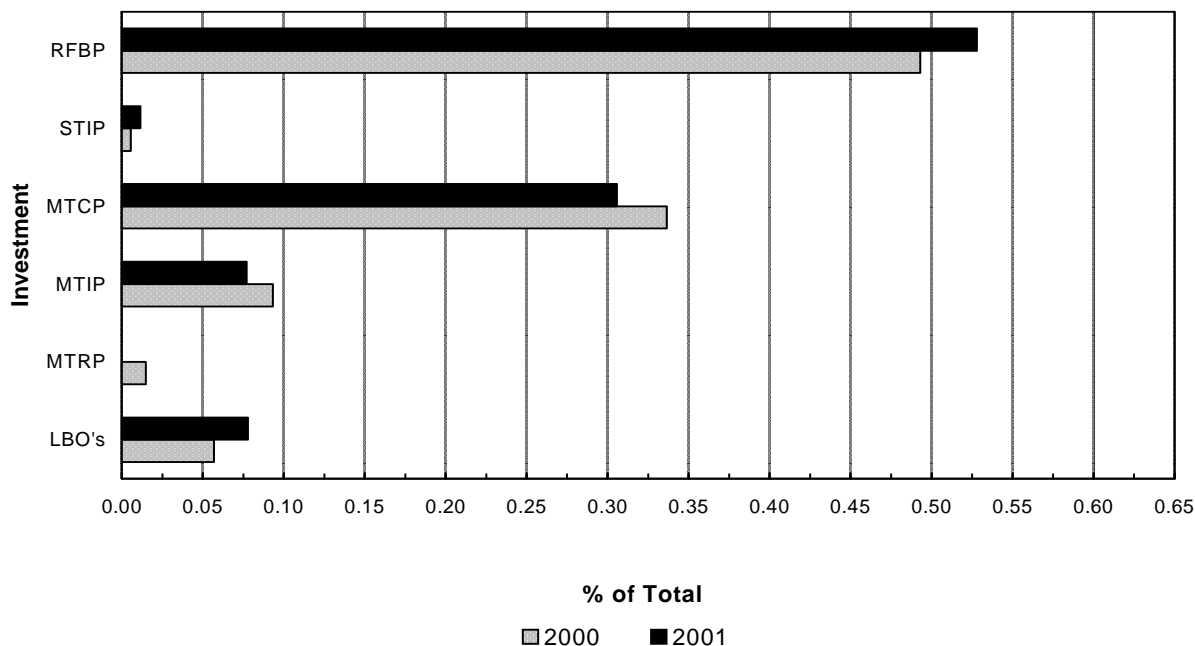
INVESTMENT SECTION

VFCA

Asset Mix (market value) as of June 30, 2001 and 2000 (in thousands)

Investment Type	2001 Fair Value	% of Total	2000 Fair Value	% of Total	Dollar Change	% Change
<i>Fixed Income:</i>						
Retirement Funds Bond Pool (RFBP)	\$8,805	52.79%	\$8,304	49.30%	\$501	6.03%
STIP	192	1.15%	93	0.55%	99	106.45%
<i>Total Fixed Income</i>	<u>\$8,997</u>	<u>53.95%</u>	<u>\$8,397</u>	<u>49.85%</u>	<u>\$600</u>	<u>7.15%</u>
<i>Equities:</i>						
Montana Stock Pool (MTCP)	\$5,097	30.56%	\$5,669	33.66%	(\$572)	-10.09%
Montana International Pool (MTIP)	1,286	7.71%	1,572	9.33%	(286)	-18.19%
Real Estate Investment Pool (MTRP) ¹	0	0.00%	248	1.47%	(248)	-100.00%
Leveraged Buy-Outs (LBO's)	1,298	7.78%	957	5.68%	341	35.63%
<i>Total Equities</i>	<u>\$7,681</u>	<u>46.05%</u>	<u>\$8,446</u>	<u>50.15%</u>	<u>(\$765)</u>	<u>-9.06%</u>
Total	\$16,678	100.00%	\$16,843	100.00%	(\$165)	-0.98%

Asset Allocation 2001 vs 2000



¹ MTRP was approved for liquidation on March 1, 2001 to benefit future pension fund investment performance.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio market value) as of June 30, 2001

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
266,403,735	Montana Mortgages	\$266,694,168
14,803,164	Multi-family Mortgages	14,810,557

PERS' 152,020,796 shares represent 32.5% of the total Mortgages portfolio at market.

Shares/Par	Venture Capital Portfolio	Fair Value
22,064,265	Brinson Trust	\$36,548,264
6,758,333	Brinson Venture Capital FD IV	6,658,506
2,704,771	Brinson Venture Partner FD III	6,453,868
3,191,728	Brin Ven Part III Secondary	6,453,866
2,279,810	Brinson Venture Capital FD III	3,807,175
2,606,411	Brin Ven Cap III Secondary	3,807,173
312,799	Venture Partnership Acquist	943,067
408,332	Capital Partners Holdings II A	682,059
211,633	Alta Sub Debt Partners III	522,232
298,489	Sprout Capital VI	514,075

PERS' 31,042,178 shares represent 54.6% of the total Venture Capital portfolio at market.

Shares/Par	Leveraged Buy-Outs Portfolio	Fair Value
67,123,332	KKR 1996	\$95,598,190
17,050,690	KKR 1986 1987	25,354,393
9,295,565	KKR 1993	8,926,131

PERS' 49,219,897 shares represent 48.6% of the total Leveraged Buyouts portfolio at market.
 MPORS' 1,869,389 shares represent 1.8% of the total Leveraged Buyouts portfolio at market.
 GWPORS' 467,349 shares represent .45% of the total Leveraged Buyouts portfolio at market.
 SRS' 1,869,390 shares represent 1.81% of the total Leveraged Buyouts portfolio at market.
 JRS' 934,696 shares represent .90% of the total Leveraged Buyouts portfolio at market.
 HPORS' 1,402,044 shares represent 1.35% of the total Leveraged Buyouts portfolio at market.
 FURS' 1,402,044 shares represent 1.35% of the total Leveraged Buyouts portfolio at market.
 VFCA's 467,349 shares represent .45% of the total Leveraged Buyouts portfolio at market.

INVESTMENT SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana* **Largest Holdings (by portfolio market value) as of June 30, 2001**

Shares/Par	MTCP Portfolio	Fair Value
2,068,866	Citigroup Inc	\$109,318,879
2,192,300	General Electric Co	106,874,625
1,450,000	Microsoft Corp	105,850,000
730,000	International Business Machines	82,490,000
1,222,000	Johnson + Johnson	61,100,000
1,100,000	Tyco International LTD	59,950,000
693,750	American International Group Inc	59,662,500
909,000	Merck + Co Inc	58,094,190
1,140,000	Abbott Labs	54,731,400
1,840,000	Intel Corp	53,820,000

PERS' 2,874,811 shares represent 50.03% of the total MTCP portfolio at market.
MPORS' 132,633 shares represent 2.31% of the total MTCP portfolio at market.
GWPORS' 36,169 shares represent 0.63% of the total MTCP portfolio at market.
SRS' 132,003 shares represent 2.30% of the total MTCP portfolio at market.
JRS' 43,611 shares represent 0.76% of the total MTCP portfolio at market.
HPORS' 79,999 shares represent 1.39% of the total MTCP portfolio at market.
FURS' 126,712 shares represent 2.21% of the total MTCP portfolio at market.
VFCA's 12,551 shares represent 0.22% of the total MTCP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
150,000,000	Student Loan Marketing Association	\$52,123,500
32,000,000	United States Treasury Bonds	42,689,920
36,000,000	United States Treasury Bonds	41,006,160
34,000,000	United States Treasury Bonds	39,610,000
30,976,948	Short Term Investment Pool	30,976,948
30,000,000	Federal National MTG Assn	30,196,800
25,000,000	Federal National MTG Assn Mtn Prin	23,730,500
20,000,000	PPL Mont LLC	21,526,400
150,000,000	Chase Manhattan Corp Mtn	20,080,500
375,723,766	General Refunding Corp	19,687,925

PERS' 9,019,175 shares represent 49.74% of the total RFBP portfolio at market.
MPORS' 467,762 shares represent 2.58% of the total RFBP portfolio at market.
GWPORS' 121,188 shares represent 0.67% of the total RFBP portfolio at market.
SRS' 462,574 shares represent 2.55% of the total RFBP portfolio at market.
JRS' 154,182 shares represent 0.85% of the total RFBP portfolio at market.
HPORS' 282,994 shares represent 1.56% of the total RFBP portfolio at market.
FURS' 442,920 shares represent 2.44% of the total RFBP portfolio at market.
VFCA's 86,285 shares represent 0.48% of the total RFBP portfolio at market.

Public Employees' Retirement Board
A Component Unit of the State of Montana
Largest Holdings (by portfolio market value)
as of June 30, 2001

Shares/Par	MTIP Portfolio	Fair Value
170,779	Glaxosmithkline PLC	\$9,597,780
140,200	Astrazeneca PLC	6,554,350
206,900	Ahold (Kon) NV	6,480,716
112,384	BP PLC	5,602,342
38,000	UBS AG	5,444,111
200,000	Koninklijke Philips Electrs NV	5,286,000
96,000	Nestle SA	5,088,000
84,000	Soc Generale	4,974,252
2,125,692	Vodafone Group	4,708,580
162,000	Axa SA	4,563,540

PERS' 1,982,404 shares represent 50.51% of the total MTIP portfolio at market.
MPORS' 83,646 shares represent 2.13% of the total MTIP portfolio at market.
GWPORS' 24,145 shares represent .62% of the total MTIP portfolio at market.
SRS' 83,546 shares represent 2.13% of the total MTIP portfolio at market.
JRS' 27,312 shares represent .70% of the total MTIP portfolio at market.
HPORS' 50,576 shares represent 1.29% of the total MTIP portfolio at market.
FURS' 80,285 shares represent 2.05% of the total MTIP portfolio at market.
VFCA's 12,961 shares represent .33% of the total MTIP portfolio at market.

Shares/Par	TFBP Portfolio	Fair Value
18,000,000	United States Treasury Bonds	\$23,357,880
21,000,000	United States Treasury Notes	21,761,250
17,500,000	United States Treasury Bonds	19,025,825
16,000,000	United States Treasury Bonds	18,069,920
19,200,000	Vessel Management SVCS Inc U.S.G.G.	16,395,840
50,000,000	Student Loan Marketing Assn	15,612,000
14,000,000	United States Treasury Bonds	15,430,660
15,000,000	Federal National Mtg Assn	15,151,050
15,000,000	Federal National Mtg Assn	13,988,550
14,598,000	Bender Shipbuilding + Repair U.S.G.G.	13,741,973

Deferred Compensations' 680,398 shares represent 5.83% of the total TFBP portfolio at market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2001

(in thousands)

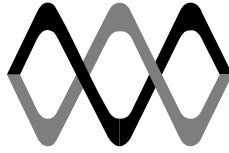
Type of Investment	PERS		MPORS		GWPORS	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$920,352	33.32%	\$47,732	39.55%	\$12,366	37.36%
<i>Equities</i>						
Montana Stock Pool	1,167,554	42.27%	53,867	44.64%	14,689	44.37%
Montana International Pool	196,692	7.12%	8,299	6.88%	2,396	7.24%
<i>Alternative Equities</i>						
Venture Capital	153,616	5.56%	N/A	0.00%	N/A	0.00%
Leveraged Buy-Outs	67,250	2.43%	8,086	6.70%	2,315	6.99%
Real Estate Investments	7,035	0.25%	N/A	0.00%	N/A	0.00%
<i>Montana Mortgages & Loans</i>						
Mortgages	152,021	5.50%	N/A	0.00%	N/A	0.00%
<i>Short-term Investments</i>						
Short-term Investment Pool	97,637	3.53%	2,689	2.23%	1,337	4.04%
Total	\$2,762,157	100.00%	\$120,673	100.00%	\$33,103	100.00%

INVESTMENT SECTION

SRS		JRS		HPORS		FURS		VFCA	
% of Total		% of Total		% of Total		% of Total		% of Total	
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
\$47,203	38.31%	\$15,733	38.81%	\$28,878	38.85%	\$45,197	39.23%	\$8,805	52.79%
53,611	43.51%	17,712	43.69%	32,490	43.71%	51,462	44.66%	5,097	30.56%
8,289	6.73%	2,710	6.68%	5,018	6.75%	7,966	6.91%	1,286	7.71%
N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%
8,227	6.68%	3,185	7.86%	5,324	7.16%	7,260	6.30%	1,298	7.78%
N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%
N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%	N/A	0.00%
5,872	4.77%	1,200	2.96%	2,625	3.53%	3,335	2.89%	192	1.15%
\$123,202	100.00%	\$40,540	100.00%	\$74,335	100.00%	\$115,220	100.00%	\$16,678	100.00%

INVESTMENT SECTION

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MILLIMAN & ROBERTSON, INC.
Actuaries & Consultants

Internationally WOODROW MILLIMAN

Suite 2900, 111 S.W. Fifth Avenue, Portland, Oregon 97204-3690
Telephone: 503/227-0634
Fax: 503/227-7956

November 15, 2000

Public Employees' Retirement Board
State of Montana

Dear Members of the Board:

Actuarial valuations are normally performed every two years, as of July 1st of each even-numbered year. We have performed actuarial valuations of the following retirement systems as of July 1, 2000:

- Public Employees' Retirement System
- 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

In our opinion, each retirement system is being funded on an actuarially sound basis. The member, employer, and state contributions are set forth in statute. Our findings indicate the projected income stream from the contributions set forth in statute will be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability, if any, as a level percentage of future payroll. The amortization periods for the systems with an Unfunded Actuarial Liability are 10 years for Municipal Police Officers' Retirement System, and 8 years for Firefighters' Unified Retirement System.

In preparing the valuations, we relied upon the financial and membership data furnished by the System, and the Independent Auditor's Report prepared by the Legislative Audit Division. 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.

Albany, Atlanta, Boise, Boston, Chicago, Columbus, Dallas, Denver, Hartford, Houston, Indianapolis, Irvine, Los Angeles, Milwaukee, Minneapolis, New York, Omaha, Philadelphia, Phoenix, Portland, ME, Portland, OR, Salt Lake City, San Diego, San Francisco, Seattle, Washington, D.C., Bermuda, Tokyo

WOODROW MILLIMAN Member Firms in Principal Cities Worldwide

Public Employees' Retirement Board

November 15, 2000

Page 2

Information as of June 30, 2000, presented in this Actuarial Section, including the following supporting tables, is based on information found in our actuarial valuation reports:

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

In addition, data for the fiscal year ending June 30, 2000, 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 2000 valuations.

The findings have been determined according to actuarial assumptions and methods that were chosen on the basis of recent experience of the system 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.

The actuarial valuation was 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 Governmental Accounting Standards Board Statement No. 25.

The undersigned is an independent actuary, 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

MILLIMAN & ROBERTSON, INC.

Public Employees' Retirement Board

A Component Unit of the State of Montana

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

BACKGROUND

An experience study was completed in 2000 by the actuary, Milliman U.S.A. (formerly known as Milliman & Robertson, Inc.). This experience study investigates the actuarial experience of each plan administered by the PERB. Based on that study, the actuary recommended changes to the actuarial assumptions that were adopted by the PERB on September 28, 2000. These assumptions were used in the valuations as of June 30, 2000.

The major economic assumption changes implemented for the actuarial valuation were the explicit statement of rate for consumer price inflation, and a change in the calculation of wage growth (excluding merit). A change in the asset valuation smoothing method was recommended and almost all demographic assumptions were changed based on the experience of the membership.

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 Costs 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.

ASSET VALUATION METHOD

Asset values were supplied by the System (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.

ACTUARIAL SECTION

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 is assumed to accrue at a net annual rate of 5.00%.

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 4.50% per year for all plans. The merit scale is based on years of service and 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	0	-1
MPORS	+1	0
GWPORS	+1	0
SRS	+1	0
JRS	0	-1
HPORS	+1	0
FURS	+1	0
VFCA	0	-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	-1	+3
MPORS	+3	+2
GWPORS	+3	+2
SRS	+3	+2
JRS	-1	+3
HPORS	+3	+2
FURS	+3	+2
VFCA	-1	+3

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 2000 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. The disability rates in the following table apply to PERS and JRS:

<u>Age</u>	<u>Male</u>	<u>Female</u>
22	-	-
27	0.01%	0.01%
32	0.01	0.01
37	0.06	0.03
42	0.09	0.15
47	0.17	0.15
52	0.36	0.30
57	0.62	0.36
62	-	-

The following disability rates apply to MPORS, GWPORS, SRS, HPORS, and FURS:

<u>Age</u>	<u>Male</u>	<u>Female</u>
22	-	-
27	0.10%	0.10%
32	0.10	0.10
37	0.10	0.10
42	0.40	0.40
47	0.40	0.40
52	0.40	0.40
57	-	-
62	-	-

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. The rates

for the VFCA are based on a published table referred to as T-8, which reasonably represents the expected turnover rate of the volunteer firefighters.

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 account 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.

IMPACT OF THE CHANGE IN ASSUMPTIONS

The change in assumptions impacts the overall valuation of the plans. The table on the following page shows the funding of the plans in 1998 as determined by the previous actuary. The 2000 valuations reflect what the valuation would have been under the previous assumptions and the actual funding of the plans using the assumptions as recommended by the current actuary. The table illustrates that under the previous assumptions, many of the plans would have recorded an actuarial surplus in the 2000 valuation. The current actuary, using the revised assumptions, has determined that all plans are in a better funding situation and all but two of the plans have an actuarial surplus.

ACTUARIAL SECTION

UNFUNDED ACTUARIAL LIABILITY OR (ACTUARIAL SURPLUS) ¹				
	2000 Actuarial Valuation			1998
	Revised		Previous	Actuarial
	Assumptions		Assumptions	Valuation
PERS	\$ (569,940)		\$ (175,819)	\$ 185,388 ²
MPORS	51,283		78,986	78,735
GWPORS	(9,044)		(3,220)	(778)
SRS	(38,502)		(19,334)	(11,083)
JRS	(14,678)		(7,657)	(2,629)
HPORS	(1,413)		8,570	19,191
FURS	38,837		66,547	79,017
VFCA	(1,017)		(129)	4,412
¹ In Thousands				
² Per a FY99 audit recommendation, the 1998 UAL for PERS was restated to \$172,263.				

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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	Annual Average Pay	% Pay Increase
PERS	June 30, 1996	27,895	492	608,592,099	22,703	3.54%
	June 30, 1997	28,126	496	644,508,808	22,915	0.93%
	June 30, 1998	28,091	499	660,579,464	23,516	2.62%
	June 30, 1999	28,662	504	687,999,902	24,004	2.08%
	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%
MPORS	June 30, 1996	527	19	15,827,596	30,011	6.91%
	June 30, 1997	538	19	16,818,859	31,262	4.17%
	June 30, 1998	545	20	17,873,196	32,795	4.90%
	June 30, 1999	554	21	18,952,664	34,211	4.32%
	June 30, 2000	571	21	20,251,728	35,467	3.67%
	June 30, 2001	580	21	20,898,510	36,032	1.59%
GWPORS	June 30, 1996	92	1	2,761,752	29,688	1.36%
	June 30, 1997	92	1	2,973,979	32,326	8.89%
	June 30, 1998	327	8	7,839,084	23,973	-25.84%
	June 30, 1999	388	8	9,906,688	25,533	6.51%
	June 30, 2000	494	8	11,874,942	24,038	-5.85%
	June 30, 2001	521	8	14,881,202	28,563	18.82%
SRS	June 30, 1996	582	55	17,889,806	30,797	7.13%
	June 30, 1997	595	55	18,952,173	31,852	3.43%
	June 30, 1998	611	56	20,126,942	32,941	3.42%
	June 30, 1999	617	56	20,920,496	33,907	2.93%
	June 30, 2000	611	56	21,559,395	35,285	4.07%
	June 30, 2001	623	56	22,647,766	36,353	3.02%

The last actuarial valuation was performed as of June 30, 2000.

ACTUARIAL SECTION

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Annual Average Pay	% Pay Increase
JRS	June 30, 1996	44	1	2,906,601	66,141	5.47%
	June 30, 1997	44	1	2,953,024	67,114	1.47%
	June 30, 1998	44	1	3,143,815	71,450	6.46%
	June 30, 1999	44	1	3,187,891	72,452	1.40%
	June 30, 2000	46	1	3,483,363	75,725	4.52%
	June 30, 2001	48	1	3,655,682	76,160	0.57%
HPORS	June 30, 1996	211	1	6,241,716	29,377	4.85%
	June 30, 1997	208	1	6,291,520	30,248	2.96%
	June 30, 1998	185	1	6,201,494	33,522	10.82%
	June 30, 1999	186	1	6,313,412	33,943	1.26%
	June 30, 2000	190	1	6,951,916	36,589	7.80%
	June 30, 2001	190	1	7,351,774	38,694	5.75%
FURS	June 30, 1996	418	14	13,782,660	32,136	4.05%
	June 30, 1997	420	14	14,501,317	34,527	7.44%
	June 30, 1998	426	14	15,103,774	35,455	2.69%
	June 30, 1999	426	14	15,756,583	36,987	4.32%
	June 30, 2000	419	14	16,548,691	39,496	6.78%
	June 30, 2001	425	14	16,722,339	39,347	-0.38%
VFCA	June 30, 1996	2,474				
	June 30, 1997	2,573				
	June 30, 1998	2,537				
	June 30, 1999	2,564				
	June 30, 2000	2,502				
	June 30, 2001	2,524				

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 Retirants and Beneficiaries Added to and Removed from Rolls

System	Year Ended	Number Added	Number Removed	End of Year Total	Average Annual Benefit	% Benefit Increase
PERS	June 30, 1996	526	326	12,344	6,444	0.37%
	June 30, 1997	595	353	12,586	6,534	1.40%
	June 30, 1998	701	363	12,924	6,742	3.18%
	June 30, 1999	680	366	13,238	7,103	5.35%
	June 30, 2000	742	408	13,572	7,159	0.79%
	June 30, 2001	649	423	13,798	7,505	4.83%
MPORS	June 30, 1996	21	4	507	13,872	3.12%
	June 30, 1997	11	8	510	14,423	3.97%
	June 30, 1998	27	7	530	14,945	3.62%
	June 30, 1999	20	10	540	15,603	4.40%
	June 30, 2000	14	13	541	16,093	3.14%
	June 30, 2001	22	10	553	17,414	8.21%
GWPORS	June 30, 1996	2	1	75	14,664	1.33%
	June 30, 1997	2	0	77	14,384	1.91%
	June 30, 1998	2	1	78	14,360	-0.17%
	June 30, 1999	2	0	80	14,777	2.90%
	June 30, 2000	2	0	82	15,097	2.17%
	June 30, 2001	0	3	79	15,566	3.11%
SRS	June 30, 1996	26	2	142	9,624	4.02%
	June 30, 1997	10	2	150	9,644	0.21%
	June 30, 1998	25	0	175	10,799	11.98%
	June 30, 1999	41	3	213	12,318	14.07%
	June 30, 2000	31	2	242	12,733	3.37%
	June 30, 2001	21	1	262	13,305	4.49%

The last actuarial valuation was performed as of June 30, 2000.

ACTUARIAL SECTION

System	Year Ended	Number Added	Number Removed	End of Year Total	Average Annual Benefit	% Benefit Increase
JRS	June 30, 1996	1	0	47	25,560	7.09%
	June 30, 1997	0	0	47	25,433	-0.50%
	June 30, 1998	4	1	50	26,361	3.65%
	June 30, 1999	1	3	48	31,934	21.14%
	June 30, 2000	0	1	47	29,153	-8.71%
	June 30, 2001	8	4	51	28,771	-1.31%
HPORS	June 30, 1996	9	2	236	13,788	3.79%
	June 30, 1997	4	4	236	14,104	3.79%
	June 30, 1998	9	1	244	14,680	4.09%
	June 30, 1999	13	3	254	15,444	5.20%
	June 30, 2000	11	4	261	16,227	5.07%
	June 30, 2001	5	6	260	16,920	4.27%
FURS	June 30, 1996	31	10	435	13,488	4.27%
	June 30, 1997	9	12	432	13,955	0.70%
	June 30, 1998	30	12	450	14,759	5.76%
	June 30, 1999	20	13	457	15,680	6.24%
	June 30, 2000	23	12	468	16,402	4.60%
	June 30, 2001	21	15	474	17,072	4.09%
VFCA	June 30, 1996	87	35	724	1,020	-17.80%
	June 30, 1997	42	27	739	1,021	0.06%
	June 30, 1998	52	30	761	1,022	0.11%
	June 30, 1999	49	18	792	1,025	0.30%
	June 30, 2000	72	25	839	1,029	0.41%
	June 30, 2001	54	31	862	1,032	0.26%

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) Active Member Contr	(2) Retirants and Beneficiaries	(3) Active Members (ER Financed portion)		(1)	(2)	(3)
PERS	06/30/96	\$307,368	\$ 768,949	\$ 749,888	\$ 1,629,706	100%	100%	73.80%
	06/30/98	360,422	949,365	988,915	2,113,314	100%	100%	81.25%
	06/30/00	572,536	1,049,012	651,859	2,843,347	100%	100%	100.00%
MPORS	06/30/96	9,333	57,474	38,856	70,068	100%	100%	8.39%
	06/30/98	11,397	110,650	51,595	94,908	100%	76%	0.00%
	06/30/00	18,465	118,855	43,789	129,826	100%	94%	0.00%
GWPORS	06/30/96	1,917	10,299	5,109	189,160	100%	100%	100.00%
	06/30/98	2,770	11,727	11,387	23,190	100%	100%	76.34%
	06/30/00	5,851	12,313	5,758	32,966	100%	100%	100.00%
SRS	06/30/96	9,449	14,848	28,454	68,646	100%	100%	100.00%
	06/30/98	11,686	23,521	45,860	92,160	100%	100%	100.00%
	06/30/00	17,261	37,124	33,451	126,338	100%	100%	100.00%

The last actuarial valuation was performed as of June 30, 2000.

ACTUARIAL SECTION

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1) Active Member Contr	(2) Retirants and Beneficiaries	(3) Active Members (ER financed portion)		(1)	(2)	(3)
JRS	06/30/96	\$ 1,172	\$ 19,317	\$ 7,234	\$ 24,944	100%	100%	61.58%
	06/30/98	1,464	19,855	9,435	31,646	100%	100%	100.00%
	06/30/00	2,573	17,204	7,588	42,043	100%	100%	100.00%
HPORS	06/30/96	4,078	44,558	19,074	47,325	100%	97.06%	0.00%
	06/30/98	4,481	57,095	17,146	59,531	100%	96.42%	0.00%
	06/30/00	6,174	57,422	12,801	77,810	100%	100.00%	100.00%
FURS	06/30/96	7,876	60,835	62,399	67,745	100%	98.41%	0.00%
	06/30/98	9,364	96,924	62,718	89,988	100%	83.18%	0.00%
	06/30/00	16,083	100,260	45,986	123,492	100%	100.00%	16.00%
VFCA	06/30/96		N/A	N/A	11,504		100%	36.47%
	06/30/98		N/A	N/A	13,941		100%	52.10%
	06/30/00		9,614	7,138	17,769		100%	100.00%

Active member contributions 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	
Investment (Gain) or Loss	\$ (264,637)
Demographic (Gain) or Loss	(88,982)
Change in Asset Valuation Method	(124,074)
Changes to Actuarial Assumptions	<u>(270,047)</u>
Total Actuarial (Gain) or Loss	\$ (747,740)

MPORS	
Investment (Gain) or Loss	\$ (8,946)
Demographic (Gain) or Loss	7,546
Change in Asset Valuation Method	(6,259)
Changes to Actuarial Assumptions	<u>(21,444)</u>
Total Actuarial (Gain) or Loss	\$ (29,103)

GWPORS	
Investment (Gain) or Loss	\$ (2,660)
Demographic (Gain) or Loss	977
Change in Asset Valuation Method	(1,500)
Changes to Actuarial Assumptions	<u>(4,324)</u>
Total Actuarial (Gain) or Loss	\$ (7,507)

ACTUARIAL SECTION

SRS	
Investment (Gain) or Loss	\$ (10,043)
Demographic (Gain) or Loss	3,518
Change in Asset Valuation Method	(5,832)
Changes to Actuarial Assumptions	<u>(13,336)</u>
Total Actuarial (Gain) or Loss	\$ (25,693)

JRS	
Investment (Gain) or Loss	\$ (3,655)
Demographic (Gain) or Loss	(1,177)
Change in Asset Valuation Method	(1,908)
Changes to Actuarial Assumptions	<u>(5,113)</u>
Total Actuarial (Gain) or Loss	\$ (11,853)

HPORS	
Investment (Gain) or Loss	\$ (6,741)
Demographic (Gain) or Loss	(3,066)
Change in Asset Valuation Method	(3,634)
Changes to Actuarial Assumptions	<u>(6,349)</u>
Total Actuarial (Gain) or Loss	\$ (19,790)

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Actuarial (Gain) or Loss by Source

(in thousands) - **continued**

FURS	
Investment (Gain) or Loss	\$ (8,473)
Demographic (Gain) or Loss	(6,257)
Change in Asset Valuation Method	(6,035)
Changes to Actuarial Assumptions	<u>(21,675)</u>
Total Actuarial (Gain) or Loss	\$ (42,440)

VFCA	
Investment (Gain) or Loss	\$ (682)
Demographic (Gain) or Loss	(3,579)
Change in Asset Valuation Method	(635)
Changes to Actuarial Assumptions	<u>(253)</u>
Total Actuarial (Gain) or Loss	\$ (5,149)

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Plan Provisions

The summary of plan provisions as of June 30, 2000, is presented separately for each plan.

Public Employees' Retirement System

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 1/56 th .
	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.
Disability Retirement	Eligibility:	5 years of membership service.
	Benefit:	If hired on or before February 24, 1991, the greater of (a) or (b) below: (a) Years of service credit, multiplied by highest average compensation, multiplied by 90% of 1/56 th , or (b) Highest average compensation multiplied by 25%. If hired after February 24, 1991: (a) Years of service credit, multiplied by highest average compensation, multiplied by 1/56 th .

ACTUARIAL SECTION

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, with interest.
	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 with interest, 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 retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries beginning three years after retirement.
	Benefit:	An annual adjustment (GABA) of 1.5%.
Contributions	Members:	6.90% of member's 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

Municipal Police Officers' Retirement System

Service Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit multiplied by 2.5% multiplied by (a) if hired before July 1, 1977: average monthly compensation of final year of service, or (b) if hired on or after July 1, 1977: average of 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.

ACTUARIAL SECTION

	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: (a) An annual adjustment (GABA) of 1.5%, 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), or (d) below: (a) If hired on or before 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 after June 30, 1997 and for members electing the GABA, 9.00% .
	Employers:	14.41% of members' compensation.
	State:	29.37% of members' compensation.

ACTUARIAL SECTION

Game Wardens' and Peace Officers' Retirement System

Service Retirement	Eligibility:	Age 50 and 20 years of membership service.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.00%.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the present value of the benefit at retirement, less the sum of all payments made to the date of death.
Disability Retirement	Eligibility:	5 years of membership service, and service disablement.
	Benefit:	50% of highest average compensation.
	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.
	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

ACTUARIAL SECTION

(b) Actuarial equivalent of the accrued benefit based on a retirement age of 55.

Benefit Adjustments	Eligibility:	Retired members and beneficiaries beginning three years after retirement.
	Benefit:	An annual adjustment (GABA) of 1.5%.
Contributions	Members:	8.50% of members' compensation.
	Employers:	9.00% 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 based on a retirement age of 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:	50% of highest average compensation.
	Eligibility:	Non-service disablement.
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age after completing 20 years of service credit.
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 service credit.
Termination Benefit	Eligibility:	Prior to 5 years of membership service.

ACTUARIAL SECTION

	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 beginning three years after retirement.
	Benefit:	An annual adjustment (GABA) of 1.5%.
Contributions	Members:	9.245% of members' compensation.
	Employers:	9.535% of members' compensation.

ACTUARIAL SECTION

Judges' Retirement System

Normal Retirement	Eligibility:	Age 65 and 5 years of membership service.
	Benefit:	(1) If hired before July 1, 1997, 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: (a) Same formula as above, substituting highest average compensation (HAC) for current salary.
	Normal Form:	Monthly benefit for the life of the member, with a death benefit equal to the present value of the benefit at retirement, less the sum of all payments made to the date of death.
Disability Retirement	Eligibility:	Service disablement.
	Benefit:	For non-GABA members - 50% of current salary; For GABA members - 50% of highest average compensation.
	Eligibility:	Non-service disablement.
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 65.
Death before Retirement	Eligibility:	Service death.
	Benefit:	Accrued benefit commencing at time of death.

ACTUARIAL SECTION

	Eligibility:	Non-service death.
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 65.
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 65.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below: (a) An annual adjustment (GABA) of 1.5%, commencing three years after retirement for members hired on or after July 1, 1997, if elected by the member, or (b) 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:	If hired on or before July 1, 1985, 20 years of membership service regardless of age, or If hired after July 1, 1985, 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 full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Eligibility:	Service disablement.
	Benefit:	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 50.
Termination Benefit	Eligibility:	Prior to 5 years of membership service.
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service.

ACTUARIAL SECTION

	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: (a) An annual adjustment (GABA) of 1.5%, commencing three years 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 CPI.
Contributions	Members:	9.00% of members' compensation without GABA, and 9.05% if member elects GABA.
	Employers:	36.33% of members' compensation.

ACTUARIAL SECTION

Firefighters' Unified Retirement System

Normal Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	<p>If hired on or after June 30, 1981 and those electing GABA - years of service credit, multiplied by final average compensation, multiplied by 2.50%.</p> <p>If hired before July 1, 1981 and those not electing GABA - the greater of:</p> <p>(a) 2.5% of FMC, or</p> <p>(b) i. If less than 20 years of service credit, 2% of FAC,</p> <p>ii. If greater than 20 years of service credit, 50% of final monthly compensation, plus years of service credit in excess of 20, multiplied by final monthly compensation, multiplied by 2.00%.</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:	<p>(a) If less than 20 years of membership service 50% of final average compensation.</p> <p>(b) If greater than 20 years of membership service 2.5 % of FAC for each year of service credit.</p>
Death before Retirement	Benefit:	<p>(a) If less than 20 years of membership service 50% of FAC.</p> <p>(b) If greater than 20 years of membership service 2.5% of FAC for each year of service credit.</p>

ACTUARIAL SECTION

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 retirement age of 50, with a minimum of 10 years membership service.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below: (a) An annual adjustment (GABA) of 1.5%, or (b) 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, or (b) 10.70% for members electing the GABA.
	Employers:	14.36% of members' compensation.
	State:	32.61% of members' compensation.

ACTUARIAL SECTION

Volunteer Firefighters' Compensation Act

Service Retirement	Eligibility:	Age 55 and 20 years of service credit, or Age 60 and 10 years of service credit.
	Benefit:	\$5 per year of service credit, with a maximum benefit of \$100 per month.
	Normal Form:	Monthly benefit for the life of the member, with no survivorship benefits.
Disability Retirement	Eligibility:	Service disability.
	Benefit:	\$5 per year of service credit, with a minimum of \$50 and a maximum of \$100 per month.
Death before Retirement	Eligibility:	10 years of service credit.
	Benefit:	\$5 per year of service credit.
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60.
Contributions	Members:	None.
	State:	5% of premium taxes collected.

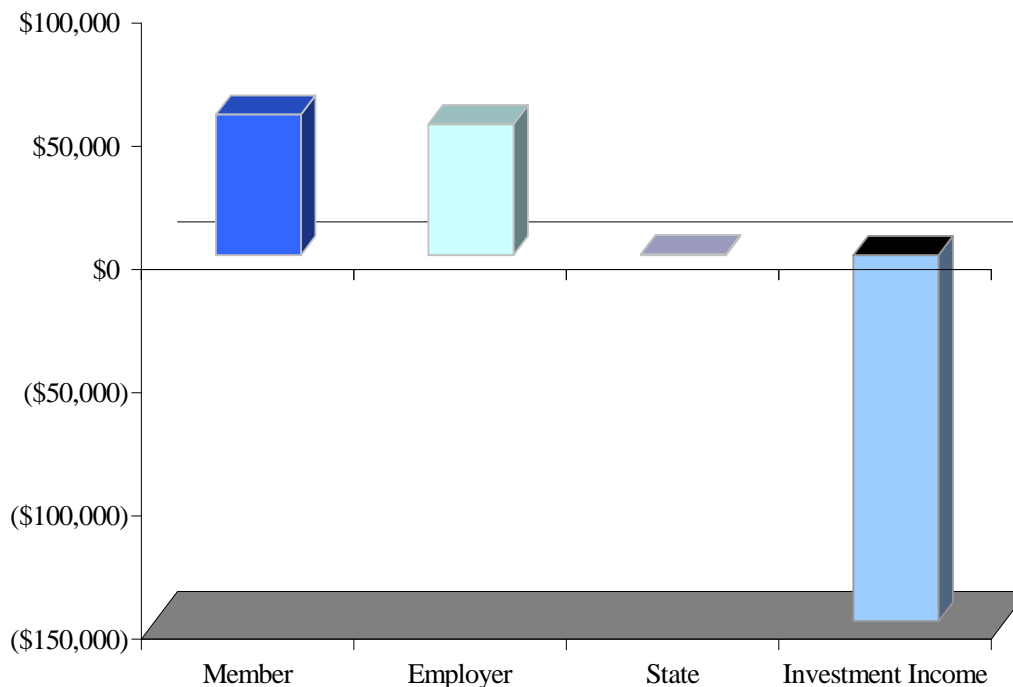
PERS

Schedule of Revenue by Source

(in thousands)

Fiscal Year	Contributions			Operating Income	Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer	State ²				
1996	\$ 43,696	\$ 41,900	\$ 0	\$ 10	\$ 193,947	\$ 279,553	6.88%
1997	52,728	45,332	0	56	341,989	440,105	7.03%
1998	48,547	45,274	304	61	347,248	441,434	6.85%
1999	49,304	47,739	341	110	293,403	390,897	6.83%
2000	53,100	49,060	348	61	215,193	317,762	6.76%
2001	57,119	53,208	383	26	(148,569)	(37,833)	6.90%

Revenue for Fiscal Year 2001



¹ Includes Interest Reserve Buyback.

² State Contribution 0.1% of salaries for local government entities is paid from state general fund.

³ Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

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

STATISTICAL SECTION

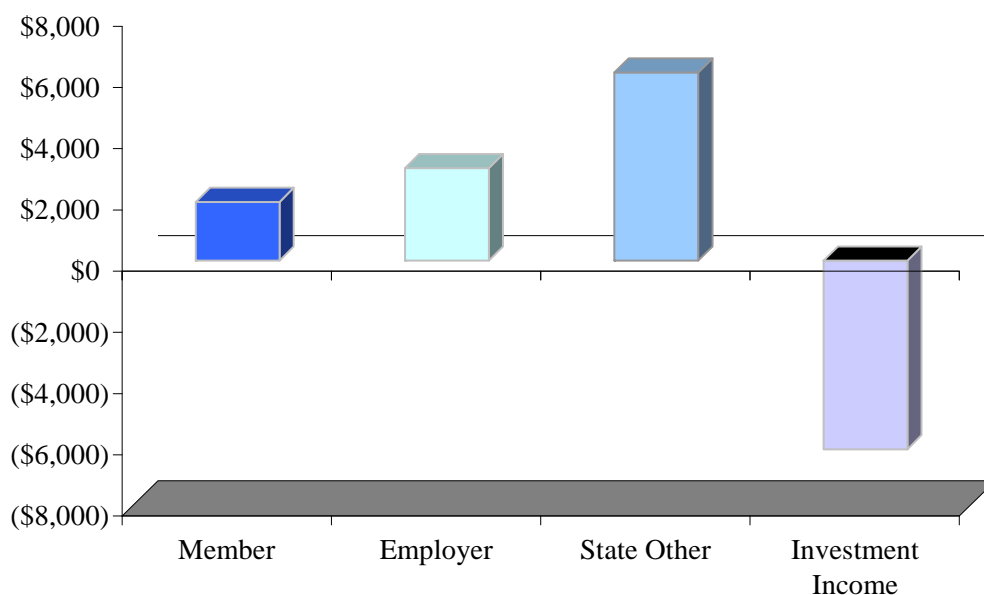
MPORS

Schedule of Revenue by Source

(in thousands)

Fiscal Year	Contributions		State		Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer	Supplement	Other ²			
1996	\$ 1,643	\$ 2,248	\$ 1,880	\$ 2,522	\$ 7,165	\$ 15,458	14.20%
1997	1,693	2,422	0	6,879	13,800	24,794	14.40%
1998	1,961	2,635	0	5,265	14,890	24,751	14.74%
1999	2,154	2,704	0	5,576	12,434	22,868	14.27%
2000	1,938	2,935	0	5,909	8,074	18,856	14.49%
2001	1,914	3,015	0	6,148	(6,165)	4,912	14.43%

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

²Includes percent of salary.

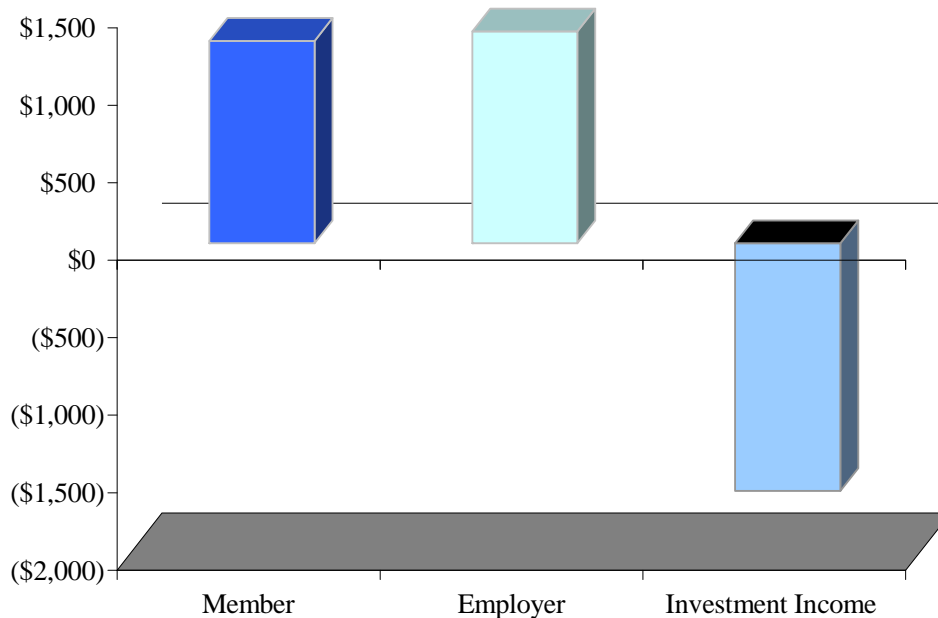
³Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

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

GWPORS
Schedule of Revenue by Source
(in thousands)

Fiscal Year	Contributions		Investment Income ²	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer			
1996	\$ 227	\$ 230	\$ 2,109	\$ 2,566	8.33%
1997	244	250	3,654	4,148	8.41%
1998	790	818	3,848	5,456	10.44%
1999	941	931	3,328	5,200	9.10%
2000	1,079	1,100	2,105	4,284	9.26%
2001	1,306	1,366	(1,599)	1,073	9.18%

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

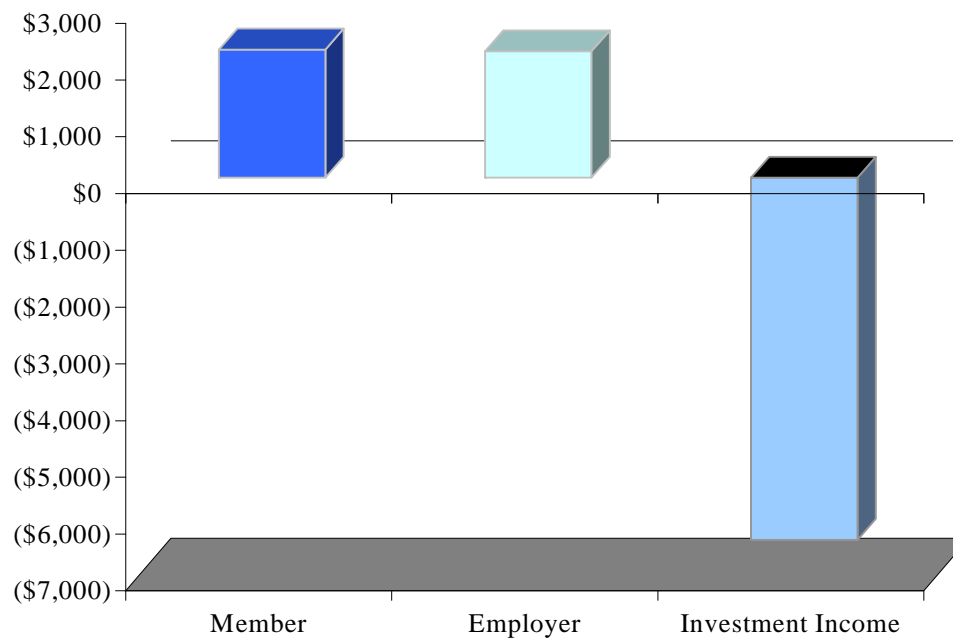
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATISTICAL SECTION

SRS Schedule of Revenue by Source (in thousands)

Fiscal Year	Contributions		Investment Income ²	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer			
1996	\$ 1,542	\$ 1,558	\$ 7,282	\$ 10,382	8.71%
1997	1,827	1,682	13,853	17,362	8.88%
1998	2,162	1,969	15,081	19,212	9.78%
1999	2,160	2,082	13,115	17,357	9.93%
2000	2,169	2,196	8,223	12,588	10.19%
2001	2,262	2,227	(6,379)	(1,890)	9.83%

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

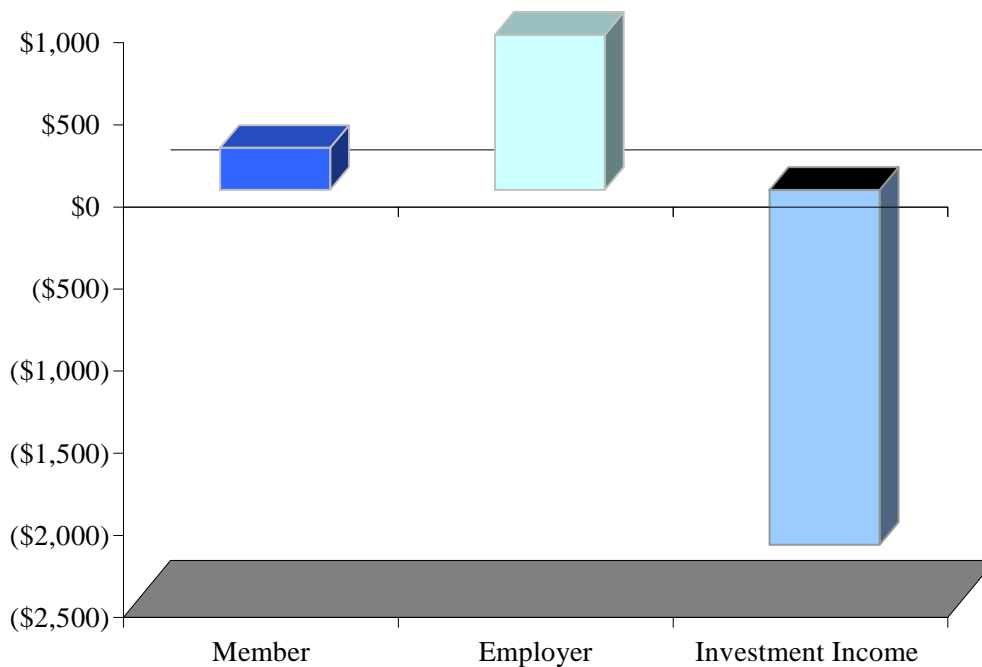
²Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

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

JRS
Schedule of Revenue by Source
 (in thousands)

Fiscal Year	Contributions			Court Fees	Investment Income ²	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer					
1996	\$ 203	\$ 174	\$ 953	\$ 2,794	\$ 4,124	5.99%	
1997	207	177	951	5,007	6,342	5.99%	
1998	229	843	0	5,285	6,357	26.81%	
1999	223	823	0	4,291	5,337	24.86%	
2000	244	899	0	2,852	3,995	25.81%	
2001	256	944	0	(2,162)	(962)	25.82%	

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

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

STATISTICAL SECTION

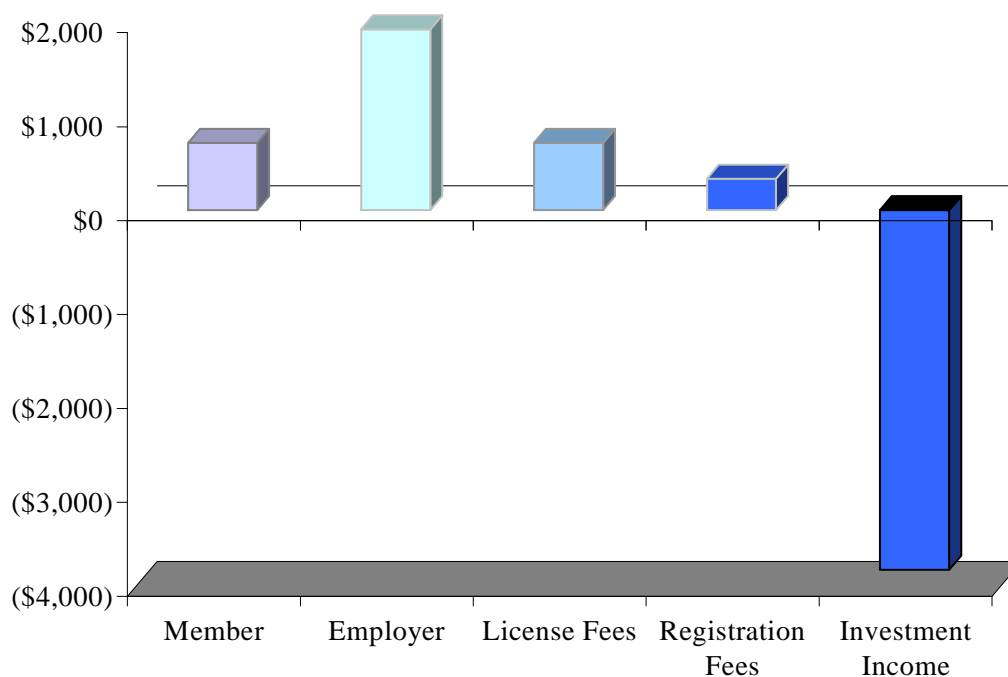
HPORS

Schedule of Revenue by Source

(in thousands)

Fiscal Year	Contributions		License Fees	Registration Fees	Investment Income ²	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer					
1996	\$ 621	\$ 1,632	\$ 639	\$ 271	\$ 5,145	\$ 8,308	26.15%
1997	586	1,642	644	287	9,450	12,609	26.10%
1998	652	1,707	688	282	10,013	13,342	27.53%
1999	598	1,652	657	285	7,951	11,143	25.25%
2000	668	1,956	602	279	5,109	8,614	28.14%
2001	716	1,925	717	335	(3,828)	(135)	26.18%

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

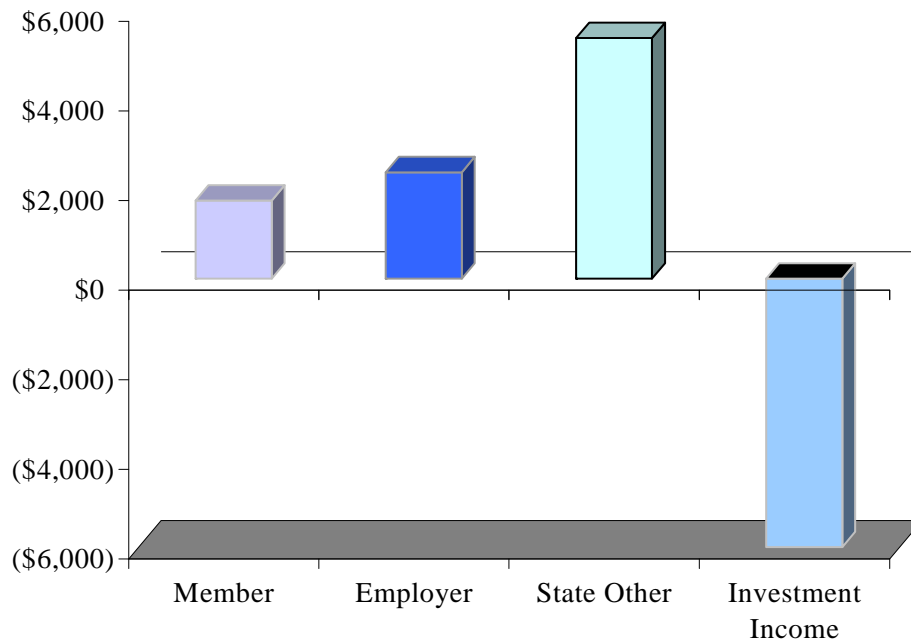
²Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

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

FURS
Schedule of Revenue by Source
 (in thousands)

Fiscal Year	Contributions		State		Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer	Supplement	Other ²			
1996	\$ 1,066	\$ 1,960	\$ 1,059	\$ 3,092	\$ 6,631	\$ 13,808	14.22%
1997	1,147	2,077	0	4,773	12,960	20,957	14.32%
1998	1,560	2,142	0	4,796	14,144	22,642	14.18%
1999	1,679	2,284	0	5,075	12,108	21,146	14.50%
2000	1,697	2,326	0	5,277	7,597	16,897	14.06%
2001	1,742	2,373	0	5,369	(5,997)	3,487	14.19%

Revenue for Fiscal Year 2001



¹Includes Interest Reserve Buyback.

²Includes percent of salary.

³Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

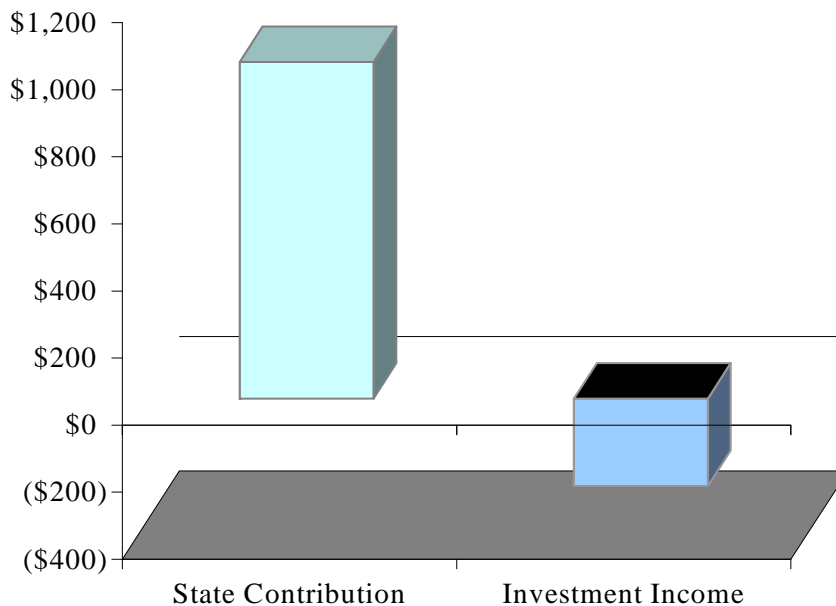
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

STATISTICAL SECTION

VFCA Schedule of Revenue by Source (in thousands)

Fiscal Year	State Contribution	Investment Income ¹	Total
1996	\$ 862	\$ 895	\$ 1,757
1997	911	1,559	2,470
1998	928	1,875	2,803
1999	944	1,463	2,407
2000	961	1,078	2,039
2001	1,003	(260)	743

Revenue for Fiscal Year 2001



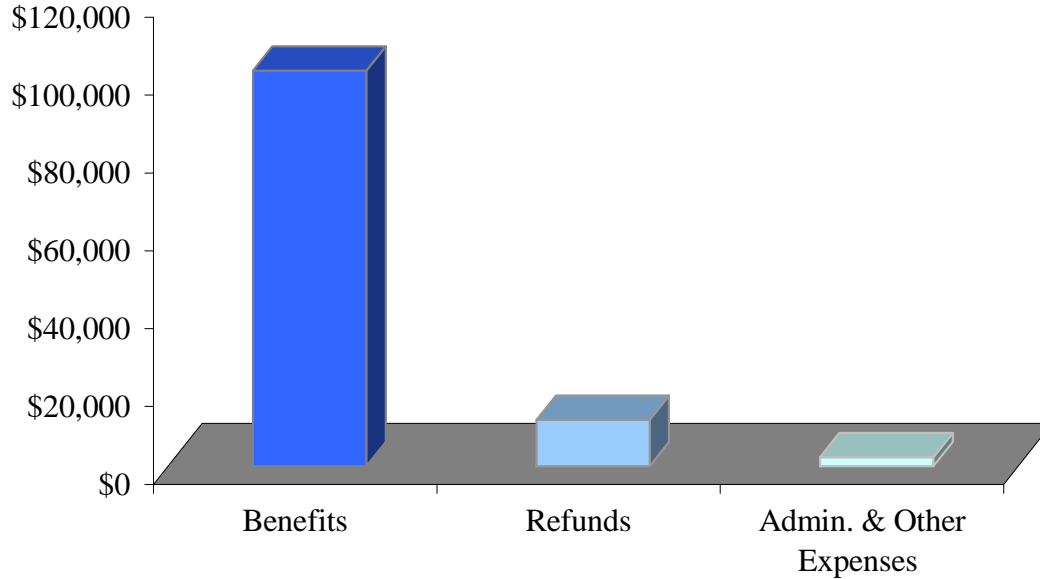
¹Includes Common Stock Dividends. FY96 restated in accordance with GASB 25, net of investment expense.

Member contributions are not applicable. Members were not paid and do not contribute to the fund. Contributions were made in accordance with actuarially determined and statutory contribution requirements.

PERS
Schedule of Expenses by Type
 (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other¹	Total
1996	\$ 80,241	\$ 10,112	\$ 1,054	\$ 319	\$ 91,726
1997	82,291	10,226	1,098	239	93,854
1998	87,380	11,569	1,205	588	100,742
1999	91,521	11,294	1,344	420	104,579
2000	96,016	12,098	1,464	348	109,926
2001	101,546	11,874	2,142	185	115,747

Expenses for Fiscal Year 2001



¹Includes Prior Year Adjustments for FY98, FY99 and FY01.

STATISTICAL SECTION

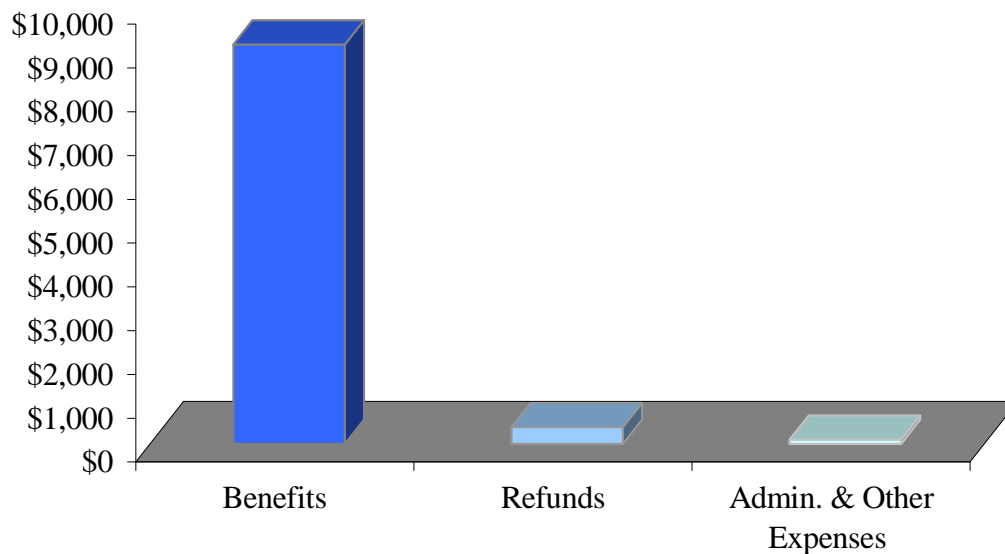
MPORS

Schedule of Expenses by Type

(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1996	\$ 6,840	\$ 107	\$ 31	\$ 7	\$ 6,985
1997	7,211	203	28	25	7,467
1998	7,697	282	33	37	8,049
1999	8,279	299	33	31	8,642
2000	8,653	298	37	16	9,004
2001	9,125	386	55	44	9,610

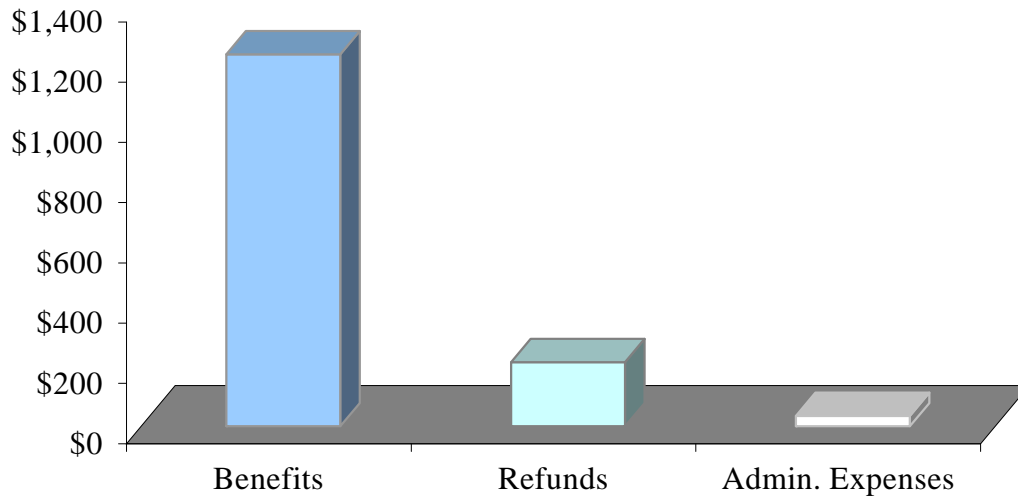
Expenses for Fiscal Year 2001



GWPORS
Schedule of Expenses by Type
 (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1996	\$ 1,093	\$ 0	\$ 5	\$ 0	\$ 1,098
1997	1,099	0	5	0	1,104
1998	1,123	34	12	0	1,169
1999	1,153	73	14	0	1,240
2000	1,211	125	19	7	1,362
2001	1,235	212	30	4	1,481

Expenses for Fiscal Year 2001

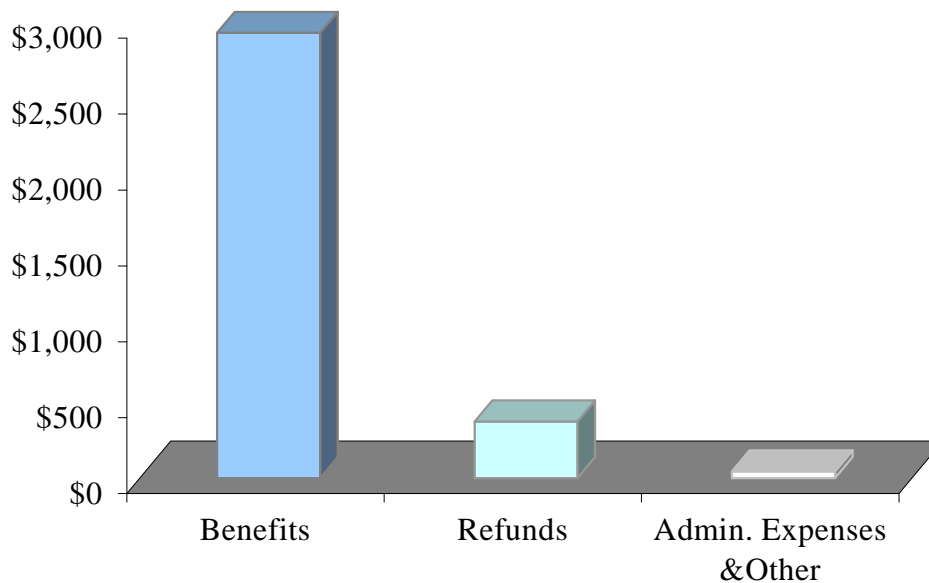


STATISTICAL SECTION

SRS Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1996	\$ 1,295	\$ 303	\$ 22	\$ 19	\$ 1,639
1997	1,502	325	20	20	1,867
1998	1,743	201	24	2	1,970
1999	2,364	315	22	12	2,713
2000	2,930	270	29	5	3,234
2001	3,294	373	43	5	3,715

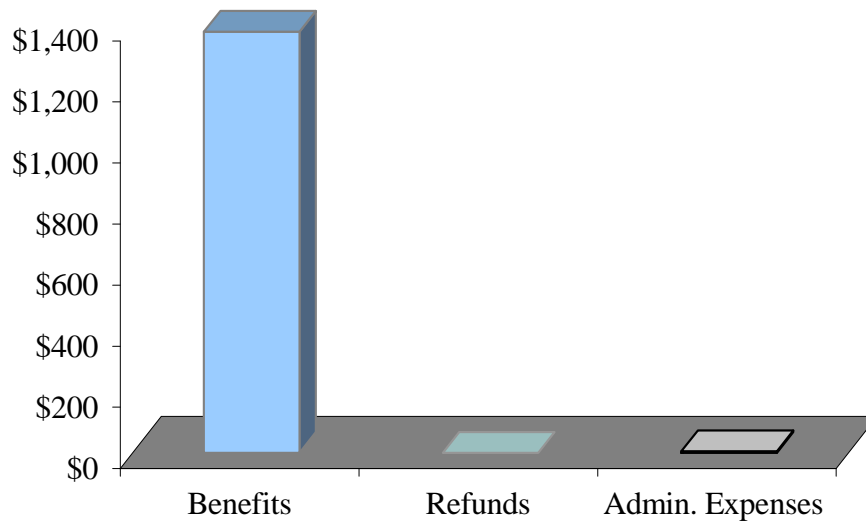
Expenses for Fiscal Year 2001



JRS
Schedule of Expenses by Type
 (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other¹	Total
1996	\$ 1,174	\$ 0	\$ 3	\$ 340	\$ 1,517
1997	1,203	0	2	348	1,553
1998	1,304	7	3	0	1,314
1999	1,319	0	3	0	1,322
2000	1,379	0	3	0	1,382
2001	1,431	0	5	0	1,436

Expenses for Fiscal Year 2001



¹Includes Bad Debt Expenses for FY96 and FY97.

STATISTICAL SECTION

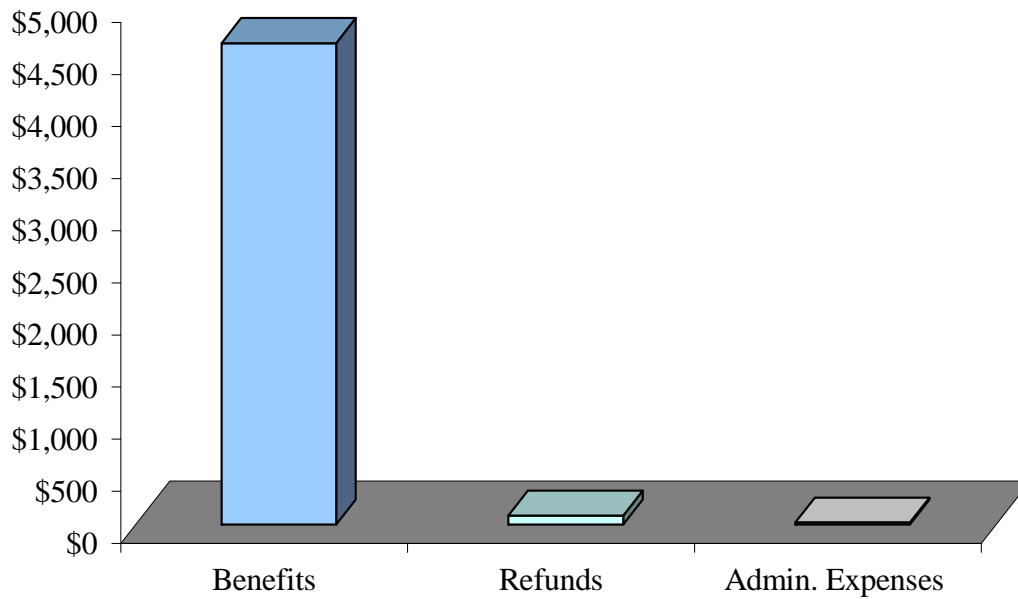
HPORS

Schedule of Expenses by Type

(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1996	\$ 3,435	\$ 65	\$ 14	\$ 2	\$ 3,516
1997	3,580	99	12	0	3,691
1998	3,771	158	13	21	3,963
1999	4,085	82	13	14	4,194
2000	4,396	142	15	25	4,578
2001	4,624	86	22	0	4,732

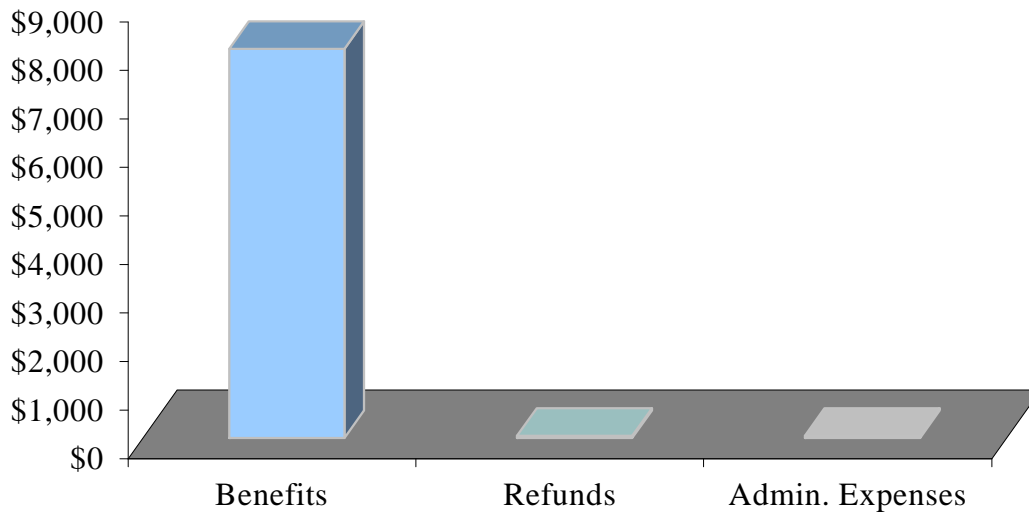
Expenses for Fiscal Year 2001



FURS
Schedule of Expenses by Type
 (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Total
1996	\$ 5,755	\$ 29	\$ 26	\$ 5,810
1997	5,955	22	23	6,000
1998	6,494	24	27	6,545
1999	6,995	61	26	7,082
2000	7,518	46	30	7,594
2001	8,018	44	43	8,105

Expenses for Fiscal Year 2001



STATISTICAL SECTION

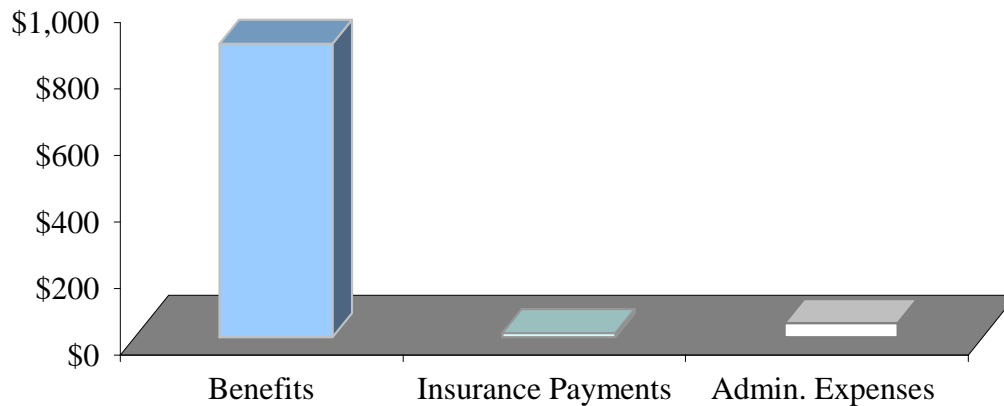
VFCA

Schedule of Expenses by Type

(in thousands)

Fiscal Year	Benefit Payments	Insurance Payments	Administrative Expenses	Total
1996	\$ 737	\$ 15	\$ 22	\$ 774
1997	756	12	20	788
1998	772	13	23	808
1999	814	11	24	849
2000	844	11	28	883
2001	882	12	42	936

Expenses for Fiscal Year 2001



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STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Benefit Expenses by Type

(in thousands)

System	Fiscal Year	Age & Service Benefits		Death In Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
PERS	1996	\$ 75,432	\$ 1,642	\$ 727	\$ 2,439	\$ 10,112	\$ 90,352
	1997	77,950	1,659	887	1,796	10,226	92,518
	1998	82,538	1,727	1,319	1,796	11,569	98,949
	1999	86,617	1,793	1,225	1,886	11,294	102,815
	2000	91,491	1,808	722	1,996	12,098	108,115
	2001	96,472	1,869	1,029	2,176	11,874	113,420
MPORS	1996	5,652	363	0	825	107	6,947
	1997	6,437	385	0	389	203	7,414
	1998	6,936	389	0	372	282	7,979
	1999	7,537	422	0	320	299	8,578
	2000	7,911	448	0	294	298	8,951
	2001	8,416	452	0	257	386	9,511
GWPORS	1996	999	29	0	64	0	1,093
	1997	1,058	29	0	12	0	1,099
	1998	1,066	29	0	28	34	1,157
	1999	1,093	30	0	31	73	1,226
	2000	1,150	30	0	31	125	1,336
	2001	1,174	30	0	31	212	1,447
SRS	1996	910	106	0	279	303	1,598
	1997	1,106	108	0	288	325	1,827
	1998	1,330	121	0	292	201	1,944
	1999	1,901	124	53	286	315	2,679
	2000	2,469	124	2	334	270	3,199
	2001	2,809	126	0	357	373	3,665

STATISTICAL SECTION

System	Fiscal Year	Age & Service Benefits		Death in Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
JRS	1996	\$ 1,076	\$ 13	\$ 0	\$ 84	\$ 0	\$ 1,174
	1997	1,148	14	7	34	0	1,203
	1998	1,270	34	0	0	7	1,311
	1999	1,286	33	0	0	0	1,319
	2000	1,344	36	0	0	0	1,380
	2001	1,395	36	0	0	0	1,431
HPORS	1996	3,151	166		118	65	3,500
	1997	3,352	165		63	99	3,679
	1998	3,519	171		82	158	3,929
	1999	3,835	161		89	82	4,167
	2000	4,133	146		118	142	4,539
	2001	4,343	150		131	86	4,710
FURS	1996	4,466	454		835	29	5,784
	1997	5,257	438		259	22	5,976
	1998	5,874	410		209	24	6,518
	1999	6,409	381		206	61	7,057
	2000	6,987	370		160	46	7,563
	2001	7,514	386		118	44	8,062
VFCA	1996	735	2				737
	1997	748	0				748
	1998	771	2				773
	1999	801	1				802
	2000	842	1				843
	2001	879	3				882

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Retired Members by Type of Benefit

System	Fiscal Year	Retired	Disabled	Survivors	Total
PERS	1996	11,790	310	244	12,344
	1997	12,053	286	247	12,586
	1998	12,363	303	258	12,924
	1999	12,659	314	265	13,238
	2000	12,982	324	266	13,572
	2001	13,195	332	271	13,798
MPORS	1996	448	30	29	507
	1997	454	27	29	510
	1998	476	25	29	530
	1999	488	22	30	540
	2000	492	18	31	541
	2001	506	17	30	553
GWPORS	1996	70	1	4	75
	1997	72	1	4	77
	1998	72	2	4	78
	1999	74	2	4	80
	2000	76	2	4	82
	2001	74	2	3	79
SRS	1996	107	22	13	142
	1997	113	24	13	150
	1998	136	25	14	175
	1999	173	27	13	213
	2000	199	30	13	242
	2001	218	30	14	262

STATISTICAL SECTION

System	Fiscal Year	Retired	Disabled	Survivors	Total
JRS	1996	45	1	1	47
	1997	46	0	1	47
	1998	48	0	2	50
	1999	46	0	2	48
	2000	45	0	2	47
	2001	49	0	2	51
HPORS	1996	216	6	14	236
	1997	217	5	14	236
	1998	223	7	14	244
	1999	236	7	11	254
	2000	241	9	11	261
	2001	240	10	10	260
FURS	1996	382	19	34	435
	1997	382	17	33	432
	1998	408	14	28	450
	1999	418	12	27	457
	2000	433	9	26	468
	2001	439	7	28	474
VFCA	1996	722		2	724
	1997	738		1	739
	1998	759		2	761
	1999	791		1	792
	2000	836		3	839
	2001	859		3	862

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Average Benefit Payment Amounts

System	Years of Service	Recipients's Age									Average
		< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	
PERS	0-4	\$0	\$161	\$262	\$216	\$221	\$242	\$100	\$222	\$140	\$173
	5-9	367	352	255	239	232	225	190	200	175	208
	10-14	403	436	392	335	348	345	322	313	281	318
	15-19	505	537	511	475	525	548	509	467	402	482
	20-24	481	915	669	665	749	736	708	673	535	669
	25-29	858	1,051	1,202	1,160	1,047	1,040	953	870	666	943
	30-34	0	1,569	1,617	1,637	1,485	1,366	1,193	1,034	859	1,315
	35-39	0	0	1,589	1,959	1,829	1,786	1,566	1,369	1,011	1,485
	40-UP	0	0	0	0	2,409	2,023	1,958	1,592	1,325	1,729
	Average		\$412	\$687	\$888	\$848	\$762	\$687	\$603	\$529	\$436
MPORS	0-4	\$1,175	\$1,178	\$1,171	\$1,229	\$1,121	\$0	\$1,146	\$0	\$0	\$1,165
	5-9	1,216	1,276	938	1,303	1,261	1,090	1,204	0	1,255	1,171
	10-14	1,282	1,248	1,171	1,138	1,202	1,254	1,104	1,138	1,136	1,185
	15-19	0	0	1,323	1,315	1,186	1,419	1,304	1,253	1,230	1,269
	20-24	1,790	1,635	1,622	1,541	1,334	1,342	1,416	1,349	1,266	1,449
	25-29	0	0	3,141	2,530	1,923	1,928	1,098	1,450	1,170	2,016
	30-34	0	0	3,380	2,859	0	1,785	1,968	1,181	1,532	1,957
	35-39	0	0	0	0	0	0	0	1,893	0	1,893
	40-UP	0	0	0	0	0	0	0	0	0	0
	Average		\$1,395	\$1,544	\$1,591	\$1,657	\$1,343	\$1,440	\$1,370	\$1,340	\$1,259
GWPORS	0-4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	5-9	0	0	0	0	0	0	0	0	0	0
	10-14	0	1,071	0	0	1,106	0	0	0	0	1,089
	15-19	0	1,560	449	0	0	0	599	0	669	735
	20-24	0	0	0	963	1,206	1,140	1,241	872	729	1,031
	25-29	0	0	1,577	1,809	1,461	1,471	1,464	1,014	984	1,330
	30-34	0	0	0	1,827	2,092	1,847	1,986	1,388	938	1,581
	35-39	0	0	0	0	0	2,647	0	1,630	0	1,833
	40-UP	0	0	0	0	0	0	0	0	0	0
	Average		\$0	\$1,316	\$1,013	\$1,437	\$1,501	\$1,658	\$1,242	\$1,257	\$886
SRS	0-4	\$476	\$802	\$598	\$778	\$700	\$393	\$284	\$0	\$177	\$561
	5-9	1,394	816	761	480	529	442	379	0	0	661
	10-14	1,173	0	1,066	698	621	936	639	556	284	625
	15-19	0	1,696	876	916	1,107	803	784	657	371	788
	20-24	1,377	1,523	1,667	1,320	1,130	700	833	526	650	1,308
	25-29	0	2,152	2,314	2,162	1,629	1,131	437	979	743	1,614
	30-34	0	0	0	1,934	2,839	0	998	1,583	1,185	1,538
	35-39	0	0	0	0	0	2,375	0	0	0	2,375
	40-UP	0	0	0	0	0	0	0	1,843	0	1,843
	Average		\$1,213	\$1,422	\$1,352	\$1,257	\$1,169	\$896	\$633	\$848	\$553

STATISTICAL SECTION

System	Years of Service	Recipients's Age									Average
		< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	
JRS	0-4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	5-9	0	0	459	0	0	1,541	1,297	1,515	896	1,207
	10-14	0	0	0	1,291	0	2,032	2,359	2,111	2,756	2,208
	15-19	0	0	0	0	3,081	3,217	3,230	3,093	1,934	2,478
	20-24	0	0	0	0	0	0	3,077	0	2,930	2,979
	25-29	0	0	0	0	0	0	3,803	4,101	2,898	3,726
	30-34	0	0	0	0	0	4,368	0	0	4,481	4,424
	35-39	0	0	0	0	0	0	0	0	0	0
	40-UP	0	0	0	0	0	0	0	0	0	0
	Average	\$0	\$0	\$459	\$1,291	\$3,081	\$2,653	\$2,578	\$2,684	\$2,216	\$2,398
HPORS	0-4	\$1,032	\$509	\$491	\$0	\$0	\$0	\$0	\$0	\$0	\$765
	5-9	1,256	1,304	788	1,096	0	804	0	0	0	1,048
	10-14	1,258	0	411	0	340	195	502	411	997	480
	15-19	0	1,287	0	0	1,250	600	382	0	637	803
	20-24	0	1,424	1,516	1,216	1,163	1,086	1,063	977	767	1,174
	25-29	0	0	2,268	1,900	1,819	1,298	1,228	1,211	1,076	1,577
	30-34	0	0	2,433	2,720	2,579	1,767	1,783	1,406	1,250	2,095
	35-39	0	0	0	3,296	3,005	0	2,251	0	0	2,611
	40-UP	0	0	0	0	0	0	4,279	1,966	0	3,122
	Average	\$1,122	\$1,265	\$1,608	\$1,742	\$1,645	\$1,191	\$1,353	\$1,134	\$931	\$1,409
FURS	0-4	\$1,125	\$1,315	\$1,302	\$0	\$0	\$0	\$0	\$0	\$144	\$1,023
	5-9	165	165	1,106	0	1,272	0	1,147	0	1,062	983
	10-14	609	1,174	1,122	548	1,180	1,238	1,304	1,311	1,289	1,074
	15-19	0	1,442	1,193	1,140	790	1,275	1,138	1,229	1,064	1,153
	20-24	1,525	1,447	1,465	1,272	1,245	1,146	1,051	1,273	1,192	1,249
	25-29	0	0	2,314	2,169	1,754	1,343	1,111	1,100	1,249	1,610
	30-34	0	0	2,497	2,935	2,582	1,347	1,670	1,427	1,262	2,028
	35-39	0	0	0	0	3,664	2,828	2,163	1,508	1,277	2,532
	40-UP	0	0	0	0	0	0	165	164	0	165
	Average	\$959	\$1,297	\$1,584	\$1,779	\$1,663	\$1,373	\$1,153	\$1,231	\$1,191	\$1,422
VFCA	0-4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	5-9	0	0	0	0	0	0	0	0	0	0
	10-14	0	0	0	70	56	58	56	58	56	57
	15-19	85	0	75	0	85	83	85	83	81	83
	20-24	0	0	100	100	100	100	100	100	100	100
	25-29	0	0	0	0	0	0	0	0	0	0
	30-34	0	0	0	0	0	0	0	0	0	0
	35-39	0	0	0	0	0	0	0	0	0	0
	40-UP	0	0	0	0	0	0	0	0	0	0
	Average	\$85	\$0	\$88	\$100	\$88	\$87	\$83	\$83	\$77	\$86

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Participating Employers as of June 30, 2001

PERS (510)

State Agencies (34)

Appellant 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 Services Division
Montana Arts Council
Montana Historical
Society
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
State Compensation
Insurance Fund
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

STATISTICAL SECTION

Prairie
Ravalli
Richland
Roosevelt
Rosebud
Sanders
Sheridan
Stillwater
Sweet Grass
Teton
Toole
Treasure
Valley
Wheatland
Wibaux
Yellowstone

Cities & Towns (90)

Belgrade
Belt
Big Sandy
Big Timber
Billings
Boulder
Bozeman
Bridger
Broadus
Browning
Butte-Silver Bow
Cascade
Chester
Chinook
Choteau
Circle
Colstrip
Columbia Falls
Columbus
Conrad
Culbertson
Cut Bank
Deer Lodge
Dillon
Drummond
East Helena
Ekalaka
Ennis
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
Nashua
Philipsburg
Plains
Plentywood
Polson
Poplar
Red Lodge
Richey
Ronan
Roundup
Ryegate
Saco
Scobey
Shelby
Sheridan
Sidney
St Ignatius
Stanford
Stevensville
Sunburst
Superior
Terry
Thompson Falls
Townsend
Troy
Twin Bridges
Valier
Westby
White Sulphur Springs
Whitefish
Wibaux
Winnett
Wolf Point

STATISTICAL SECTION

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 (7)

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

School Districts (233)

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, Philipsburg
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, Fair Mont 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
SD 4, Canyon Creek
SD 4, Forsyth
SD 4, Hellgate
SD 4, Libby
SD 4, Livingston
SD 4, Swan River
SD 4 & 28, Highwood
SD 4 & 47, Whitehall
SD 5, Basin
SD 5, Kalispell
SD 5, Melrose
SD 5, Park City
SD 5, Sand Coulee
SD 5, Sheridan
SD 5, Sidney
SD 5, Terry
SD 6, Columbia Falls
SD 6, Columbus
SD 6, Lame Deer
SD 6, Ryegate
SD 6, Trout Creek
SD 6, Wibaux
SD 6 & 1, St Regis
SD 7, Boulder
SD 7, Bozeman
SD 7, Charlo
SD 7, Gardiner
SD 7, Grant
SD 7, Hinsdale
SD 7, Joliet
SD 7, Lolo
SD 7, Medicine Lake
SD 7, Twin Bridges
SD 7, Victor
SD 7 & 2, Savage
SD 7 & 70, Laurel
SD 8, Arlee
SD 8, Elder Grove
SD 8, White Sulphur
SD 9, Browning
SD 9, Darby
SD 9, Dixon
SD 9, East Helena
SD 9, Musselshell
SD 9, Opheim
SD 9, Poplar

STATISTICAL SECTION

SD 9 & 9, Reed Point	SD 21, Broadview	SD 45, Golden Ridge
SD 10, Anaconda	SD 21, Fairfield	SD 45, Wolf Point
SD 10, Cayuse	SD 21, Galata	SD 49, Raynesford
SD 10, Chinook	SD 23, Billings	SD 50, East Glacier
SD 10, Conrad	SD 23, Harrison	SD 50, Evergreen
SD 10, Dillon	SD 23, Lustre	SD 50, Hays
SD 10, Noxon	SD 23, Missoula	SD 52, Absarokee
SD 11, Brorson	SD 23, Polson	SD 52, Billings
SD 11, Potomac	SD 23, Roberts	SD 52, Ennis
SD 11 & 2, Drummond	SD 24, Three Forks	SD 55, Brockton
SD 12, Baker	SD 24, Worden	SD 55, Plevna
SD 12, Harlem	SD 25, Hobson	SD 55, Roundup
SD 12, Lima	SD 26, Lockwood	SD 55F, Sun River Valley
SD 12, Rosebud	SD 26, Reichle	SD 57, Havre
SD 12, Saco	SD 27, Grass Range	SD 58, Geyser
SD 12, Stanford	SD 27, Monforton	SD 58, Whitefish
SD 12-12, Molt	SD 27, Montana City	SD 58, Yellowstone
SD J12-5, Shields Valley	SD 28, Dutton	SD 64, Bainville
SD 13, Box Elder	SD 28, St Ignatius	SD 64, Cutbank
SD 13, Eureka	SD 29, Belt	SD 64J, Melstone
SD 13, Fishtail	SD 29, Outlook	SD 65, Froid
SD 13, Lone Rock	SD 29, Somers	SD 69, West Yellowstone
SD 13, Nashua	SD 29, Wyola	SD 72, Ophir
SD 14, Bonner	SD 29-28J, Joplin	SD 73, Swan Lake
SD 14, Fortine	SD 30, Power	SD 74, Roy
SD 14, Hot Springs	SD 30, Ronan	SD 74, Vaughn
SD 14, Malta	SD 30 & 6, Fromberg	SD 75, Arrowhead
SD 14, Shelby	SD 32, Clinton	SD 75, Fairfield
SD 15, Custer	SD 32, Rapelje	SD 78J & 2, Richey
SD 15, Cut Bank	SD 32J, Ashland	SD 84, Denton
SD 15, Ekalaka	SD 33, Chester	SD 85, Ulm
SD 15, Kalispell	SD 33, Condon	SD 86 & 4, Lambert
SD 15 & 6, Florence- Carlton	SD 33, Gold Creek	SD 87, Box Elder
SD 15 & 17, Willow	SD 34, Seeley Lake	SD 88H, Kremlin
SD 16, Hardin	SD 35, Gallatin Gateway	SD 104, Spring Creek
SD 16, Harlowton	SD 37, Shepherd	SD 115, Winifred
SD 16, Havre	SD 38, Big Fork	SD 159, Winnett
SD 17, Culbertson	SD 38, Lincoln	SD K, Rudyard
SD 17, Morin	SD 40, Frenchtown	Judith Gap Schools
SD 17H, Hardin	SD 41, Bozeman	
SD 18, Valier	SD 41, Lavina	
SD 19, Brady	SD 41, Pioneer	
SD 19, Colstrip	SD 43, Lamotte	
SD 20, Garrison	SD 43, Turner	
SD 20, Kila	SD 44, Belgrade	
SD 20, Plentywood	SD 44, Geraldine	
SD 20, Shawmut	SD 44, Moore	
SD 20, Whitewater	SD 44, Whitefish	
	SD 45, Augusta	

STATISTICAL SECTION

Other Agencies (86)

Anaconda Housing Authority	Fort Shaw Irrigation District	Malta Irrigation District
Bear Paw Cooperative	Gallatin Airport Authority	Miles Community College
Belgrade RFD	Gallatin Canyon Consolidated RFD	Missoula Area SEC
Bert Mooney Airport Authority	Gallatin Conservation District	Missoula County Airport
Big Country Educational Cooperative	Gallatin-Madison SEC	Missoula RFD
Big Fork Water & Sewer	Gardiner-Park Co Water District	Northern Montana Joint Refuse Disposal District
Big Sky Co Water & Sewer District	Glasgow Housing Authority	North Central Learning SEC
Big Sky Economic Development Authority	Glasgow Irrigation District	Pondera Co Canal & Reservoir
Big Sky Special Education Coop	Golden Triangle Hlth Ctr	Pondera County Cemetery District 2
Billings Housing Authority	Granite Co Hospital & Nursing Home	Pondera County Council on Aging
Bitterroot Conservation District	Granite Conservation District	Port of Montana – Port Authority
Bitterroot Valley SEC	Great Divide Education Services	Prairie Co Hospital District
Buffalo Rapids Irrigation District	Great Falls Int’l Airport	Prairie View Special Services Coop
Butte Housing Authority	Greenfields Irrigation District	Prickley Pear Special Services Coop
Cascade County Conservation District	Helena Business Improvement District	Richland Co Housing Authority
Central Montana SEC	Helena Housing Authority	Roundup Community Library
Chouteau County Conservation District	Helena Regional Airport Authority	Sanders SEC
Crown Hill Cemetery District	Helena Valley Irrigation District	Teton County Cemetery District
Dawson Co Urban Trans District	Hill Co Public Cemetery District	Teton County Conservation District
Dawson College	Hinsdale Water and Sewer	Thompson Falls RFD
Deer Lodge Co Head Start Program	Human Resources Council District XII	Twin Bridges Public Library
Eastern Yellowstone County SEC	Human Resources Council District XI	Upper Musselshell Conservation District
Fallon Medical Complex	Judith Basin Conservation District	Victor Water & Sewer
Fergus County Conservation Dist	Lakeside County Sewer District	Whitefish Housing Authority
Flathead Conservation District	Larchmont Golf Course	Yellowstone City-County Health Dept
Flathead Joint Board of Control	Lewis & Clark Conservation District	Yellowstone Irrigation District
Flathead Municipal Airport Authority	Lewis & Clark Library	Yellowstone West Carbon SEC
Flathead Valley Community College	Liberty County Conservation District	
	Lincoln County Rural Fire District	
	Lockwood Rural Fire District #8	
	Malta Cemetery District	

STATISTICAL SECTION

MPORS (21)

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

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

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

JRS (1)

Supreme Court

HPORS (1)

Dept of Justice

FURS (14)

Anaconda-Deer Lodge
Billings
Bozeman
Butte-Silver Bow
Glendive
Great Falls
Havre
Helena
Kalispell
Lewistown
Livingston
Miles City
Missoula
Red Lodge

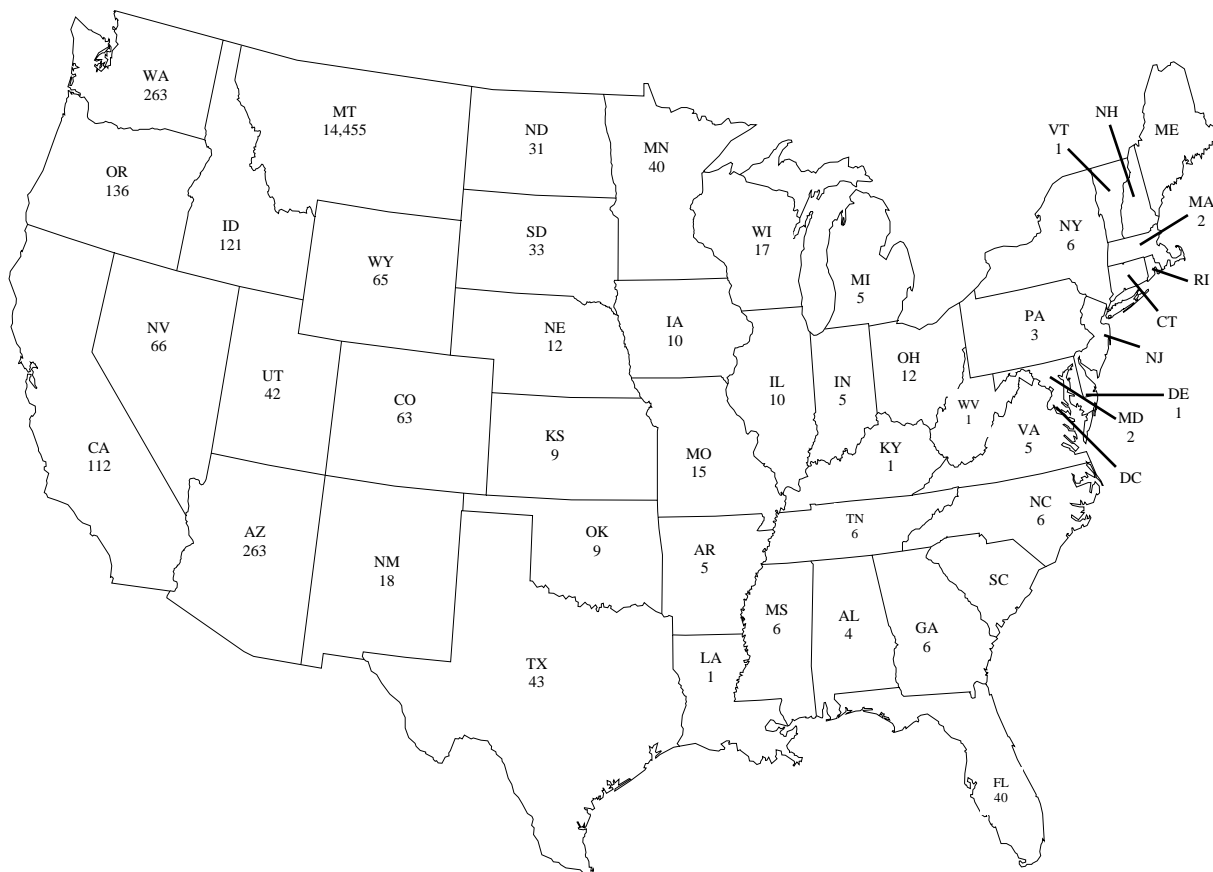
Deferred Comp. (8)

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

STATISTICAL SECTION

Public Employees' Retirement Board *A Component Unit of the State of Montana*

Distribution of Benefit Recipients by Location as of June 30, 2001



Recipients outside the Continental U.S. include:
Alaska - 13 Hawaii - 2 APO AE - 1 Canada - 9 Central America - 1
England - 1 Israel - 1 Mexico - 1 West Indies - 1