

STATE OF MONTANA

Public Employees' Retirement Board

A Component Unit of the State of Montana

Comprehensive Annual Financial Report



**For the Fiscal Year Ended
June 30, 2002**

Public Employees' Retirement System - Defined Benefit Retirement Plan

Municipal Police Officers' Retirement System

Game Wardens' and Peace Officers' Retirement System

Sheriffs' Retirement System

Judges' Retirement System

Highway Patrol Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Public Employees' Retirement System - Defined Contribution Retirement Plan

Deferred Compensation (457) Plan

**Prepared By:
The Fiscal Services Bureau
Public Employee Retirement Administration
100 North Park, Suite 100 ~ P O Box 200131
Helena, MT 59620-0131
(406) 444-3154**

INTRODUCTORY SECTION

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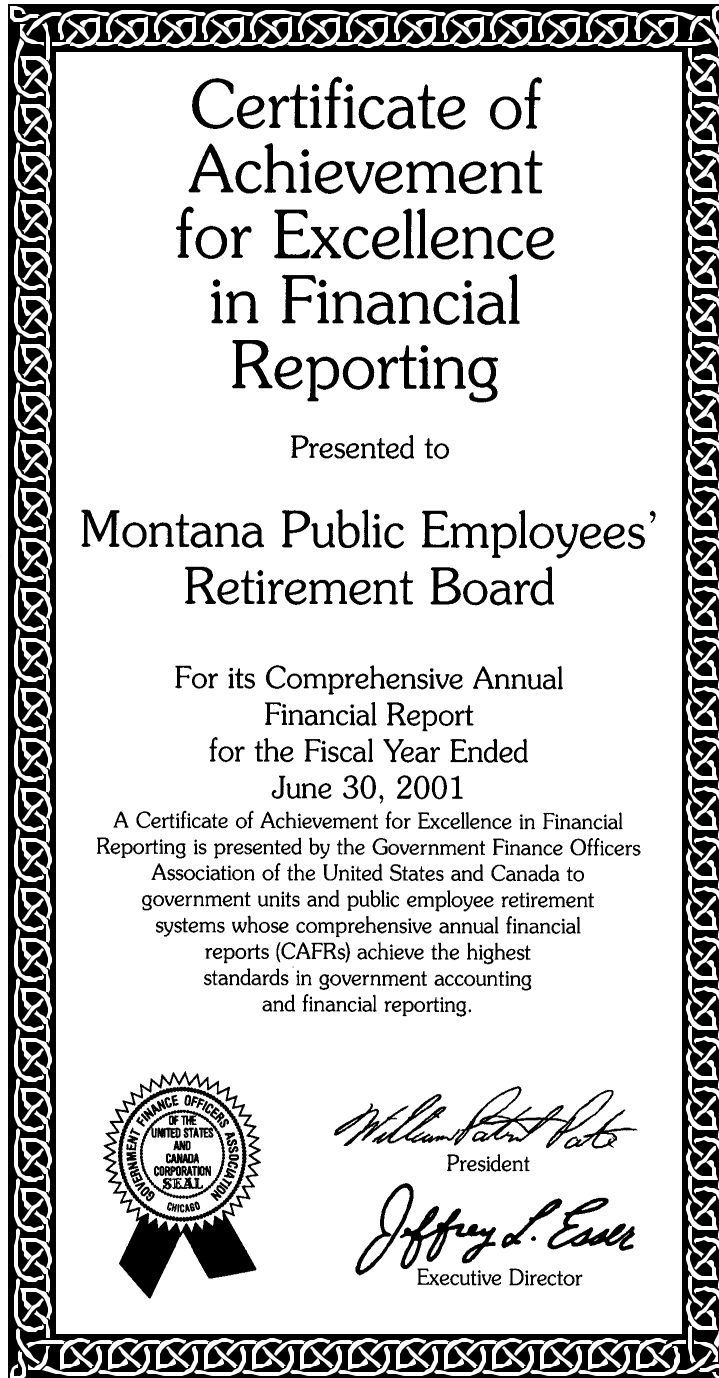
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The Montana Public Employee Retirement Administration will efficiently provide quality benefits, education and service to help our plan members and beneficiaries achieve a quality retirement. The Montana Public Employee Retirement Administration will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



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PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



JUDY MARTZ
GOVERNOR

STATE OF MONTANA

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PO BOX 200131
HELENA, MONTANA 59620-0131

November 29, 2002

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 its staff, the Montana Public Employee Retirement Administration (MPERA), are pleased to submit this *Comprehensive Annual Financial Report* (CAFR) for the fiscal year ended June 30, 2002, in accordance with 19-2-407, Montana Code Annotated. The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. For this reason, the financial statements contained in this report are also included in the State of Montana Comprehensive Annual Financial Report.

The Public Employees' Retirement Board administers ten separate retirement plans, each reported in this CAFR. They include the *Public Employees' Retirement System-Defined Benefit Retirement Plan* (in its 58th year of operation) and *Public Employees' Retirement System-Defined Contribution Retirement Plan* (implemented in July 2002), *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* and the *Deferred Compensation (457) Plan*.

The CAFR is divided into five sections:

- an *Introductory Section*, which contains the table of contents, letter of transmittal and administrative organization;
- a *Financial Section*, which contains the report of the Independent Auditors, the Management Discussion and Analysis, 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 for the systems rests with the PERB, which consists of seven members, appointed by the Governor. The members are assigned five-year, staggered terms. Responsibility

INTRODUCTORY SECTION

for both the accuracy of the data, and the completeness and fairness of the presentation rests with the MPERA. This CAFR was prepared in conformance 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. 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

The pension trust collections of employer, employee and state contributions, as well as income from investments, provide the reserves needed to finance retirement benefits. Below is a table presenting a comparison of the fiscal year 2002 and 2001 financial data for the defined benefit plans.

<i>Defined Benefit Plans Additions to Plan Net Assets</i>				
	FY2002	FY2001	Inc/(Dec) Amount	Inc/(Dec) Percentage
Member Contributions	\$ 69,126,435	\$ 65,247,561	\$ 3,878,874	6 %
Employer Contributions	69,228,566	65,774,583	3,453,983	5 %
State Contributions	13,800,938	12,902,049	898,889	7 %
Education Contributions	812,277	768,130	44,147	6 %
Registration Fees	308,973	335,107	(26,134)	(8) %
Retirement Incentive Contr.	188,962	228,442	(39,480)	(17) %
Interest Reserve Buyback	163,778	68,304	95,474	140 %
Membership Fees	167	393	(226)	(58) %
Miscellaneous Revenues	596	2,192	(1,596)	(73) %
Operating Income	-	25,500	(25,500)	(100) %
Investment Income	(240,373,885)	(174,908,876)	(65,465,009)	(37) %
Totals	\$ (86,743,193)	\$ (29,556,615)	\$ (57,186,578)	(193) %

Contributions and investment income for the defined benefit pension trust funds for fiscal year 2002 totaled \$(86,743,193) due primarily to the decline in investment income in fiscal year 2002. The defined benefit plans are managed on a long-range basis that allows for recovery of years when the market trends decrease. By looking at the rates of return for a 5-year period, it is found that the return for every plan is still recording better than a 4% return. This information is available in the *Investment Section* of this annual report.

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License Fees have been categorized as employer contributions in fiscal year 2002 and retroactively as such in fiscal year 2001. Interest reserve buybacks have increased because there have been more mandatory retroactive payments with interest in fiscal year 2002. Retirement incentive contributions have decreased due to a fewer number of employees taking advantage of the Employee Protection Act. Miscellaneous revenues decreased because there was not a need for employees to volunteer as in the 2001 fire season. Operating Income was zero this year because the building at 1712 Ninth Avenue in Helena was transferred to the Board of Investments in fiscal year 2001. Investment income decreased because of the continuing downward trend in the market in fiscal year 2002.

Below is a table presenting a comparison of the fiscal year 2002 and 2001 financial data for the defined contribution plans.

<i>Defined Contribution Plans Additions to Plan Net Assets</i>				
	FY2002	FY2001	Inc/(Dec) Amount	Inc/(Dec) Percentage
Member Contributions	\$ 13,313,925	\$ 12,010,172	\$ 1,303,753	11 %
Employer Contributions	46,412	21,351	25,061	117 %
Miscellaneous Revenues	222,793	232,487	(9,694)	(4) %
Investment Income	<u>(4,430,904)</u>	<u>(2,957,687)</u>	(1,473,217)	(50) %
Totals	<u>\$ 9,152,226</u>	<u>\$ 9,306,323</u>	\$ (154,097)	(2) %

The defined contribution plans include the PERS-DCRP and the Deferred Compensation Plan. Contributions into the PERS-DCRP will not begin until fiscal year 2003. In fiscal year 2002, the contributions and investment income totaled \$9,152,226. Member contributions increased because participants decided to join and/or decided to make additional contributions and because of the changes in the federal laws. Employer contributions increased because the one employer that contributes on the employees' behalf joined the deferred compensation plan in January 2001. This means the employer made contributions for 6 months of fiscal year 2001 and for 12 months in fiscal year 2002. Investment income decreased because of the continuing downward trend in the market in fiscal year 2002.

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. On the following page is a table presenting a comparison of the defined benefit fiscal year 2002 and 2001 financial data.

INTRODUCTORY SECTION

<i>Defined Benefit Plans Deductions to Plan Net Assets</i>				
	FY2002	FY2001	Inc/(Dec) Amount	Inc/(Dec) Percentage
Benefit Payments	\$ 145,783,245	\$ 130,154,139	\$ 15,629,106	12 %
Member Refunds	11,964,539	12,973,827	(1,009,288)	(8) %
Refunds to Other Plans	438,608	243,710	194,898	80 %
Supplemental Insurance	12,675	11,775	900	8 %
Administrative Expenses	3,531,088	2,514,021	1,017,067	40 %
Other Expenses	-	6,643	(6,643)	(100) %
Totals	<u>\$ 161,730,155</u>	<u>\$ 145,904,115</u>	<u>\$ 15,826,040</u>	11 %

For the defined benefit plans, expenses for fiscal year 2002 totaled \$161,730,155, an increase of 11 percent over fiscal year 2001 expenses. The increase in benefit payments is due to additional retired members and benefit enhancements given by the 2001 Legislature. The refunds to other plans increased due to federal law changes permitting greater mobility between retirement plans. The increase in administrative expenses is related to the education campaign, increase in staff, systems support and communication efforts. The PERB contracted with outside consultants to assist with the education of PERS-DBRP members concerning their choice beginning July 1, 2002. The MPERA is also taking advantage of technological advances supporting our goal to provide the best service possible to members. In fiscal year 2002, expenses of \$161,730,155 exceeded revenues of \$(86,743,193) by \$248,473,348.

Below is a table presenting a comparison of the fiscal year 2002 and 2001 financial data for the defined contribution plans.

<i>Defined Contribution Plans Deductions to Plan Net Assets</i>				
	FY2002	FY2001	Inc/(Dec) Amount	Inc/(Dec) Percentage
Benefit Payments	\$ 11,459,674	\$ 7,101,578	\$ 4,358,096	61 %
Administrative Expenses	687,309	445,469	241,840	54 %
Miscellaneous Expenses	810,882	829,418	(18,536)	(2) %
Totals	<u>\$ 12,957,865</u>	<u>\$ 8,376,465</u>	<u>\$ 4,581,400</u>	55 %

For the defined contribution plans, total expenses for fiscal year 2002 totaled \$12,957,865, an increase of 55 percent over fiscal year 2001 expenses. The increase in benefit payments is attributable to the Deferred Compensation Plan since the PERS-DCRP had no members in fiscal year 2002. Most of the increase in administrative costs are associated with the implementation of the PERS-DCRP. To implement the plan, it was necessary to staff the required positions and contract with outside vendors to ensure that the plan qualifies under federal regulations. Miscellaneous expenses include charges from Allianz, Aegon and Great West Life & Annuity Insurance Co. The decrease in miscellaneous expenses are primarily due to the reduction in charges by Aegon and Great West because of the reduced charges included in the new contract. In fiscal year 2002, expenses of \$12,957,865 exceeded revenues of \$9,152,226 by \$3,805,639.

INTRODUCTORY SECTION

INVESTMENTS

The investments of the plans are governed, primarily, by an investment standard known as the “prudent expert principle.” The prudent expert principle is constitutionally and statutorily mandated and establishes a standard for all fiduciaries, which includes 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 following the prudent expert principle and permitting further diversification of investments within a fund, the fund may be enabled to reduce overall risk and increase returns. 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 2002, the Public Employees’ Retirement System’s (PERS’) total rate of return on investments was (7.23) percent. The PERS’ rate of return over the last three years has averaged (1.66) percent per year, over the last five years the rate of return has averaged 4.46 percent.

FUNDING

Pension funds are well-funded when there is enough money in reserve to meet all expected future obligations to participants. The PERB’s funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can 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 beginning on page 99.

ECONOMIC CONDITION AND OUTLOOK

The economic outlook of the plans is based primarily upon investment earnings. For 2002, the PERS experienced a (7.23) percent fair value rate of return, for the last three years an average annualized rate of return of (1.66) percent and for the last five years an average annualized rate of return of 4.46 percent. The plans are required to be maintained on an actuarially sound basis as certified in this report by our actuary, thus protecting participants’ future benefits. For the GWPORS, based on current actuarial assumptions the current normal cost is more than the statutory contribution rate. Due to the membership increase, the accurate normal cost will need to be determined. 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, two of the eight defined benefit plans had surplus funding as of June 30, 2002.

INTRODUCTORY SECTION

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

The DCRP option requires the education coordinator to inform members and employers of the PERS about the options and benefits of the DCRP and the DBRP. Education has been funded by one-tenth of one percent of employer contributions from the PERS-DBRP. Beginning July 1, 2002, the funding is reduced to 0.04% of employer contributions.

The MPERA has implemented a web reporting system. The advantage of using advanced technologies results in more accurate reporting and more timely deposits to participants' accounts.

PROFESSIONAL SERVICES

The PERB contracts with consultants for 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 FY2002 valuation was performed by the PERB's actuary, Milliman U.S.A.

Some outside consultants contracted by the PERB are: Educational Technologies, Inc., Bearing-Point (formerly KPMG Consulting), Computer Consulting Corporation, Arnerich Massena & Assoc., Inc., William M. Mercer, Inc., Milliman U.S.A., Ice Miller, Communications & Management Service, Lawrence R. McEvoy, M.D., and Comsev, Inc. Others include the Legislative Audit Division, the Legal Services Division and the Professional Development Center. A schedule of consultants appears on page 76.

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, 2001. This was the fourth 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.

INTRODUCTORY SECTION

ACKNOWLEDGEMENTS

The compilation of this report reflects the efforts of the staff of the Montana 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
Montana 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

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

Carole Carey, Vice Pres.
Ekalaka
Active Member
Clerk of District Court
Carter County
Term exp. 3/31/2007

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

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

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

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

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



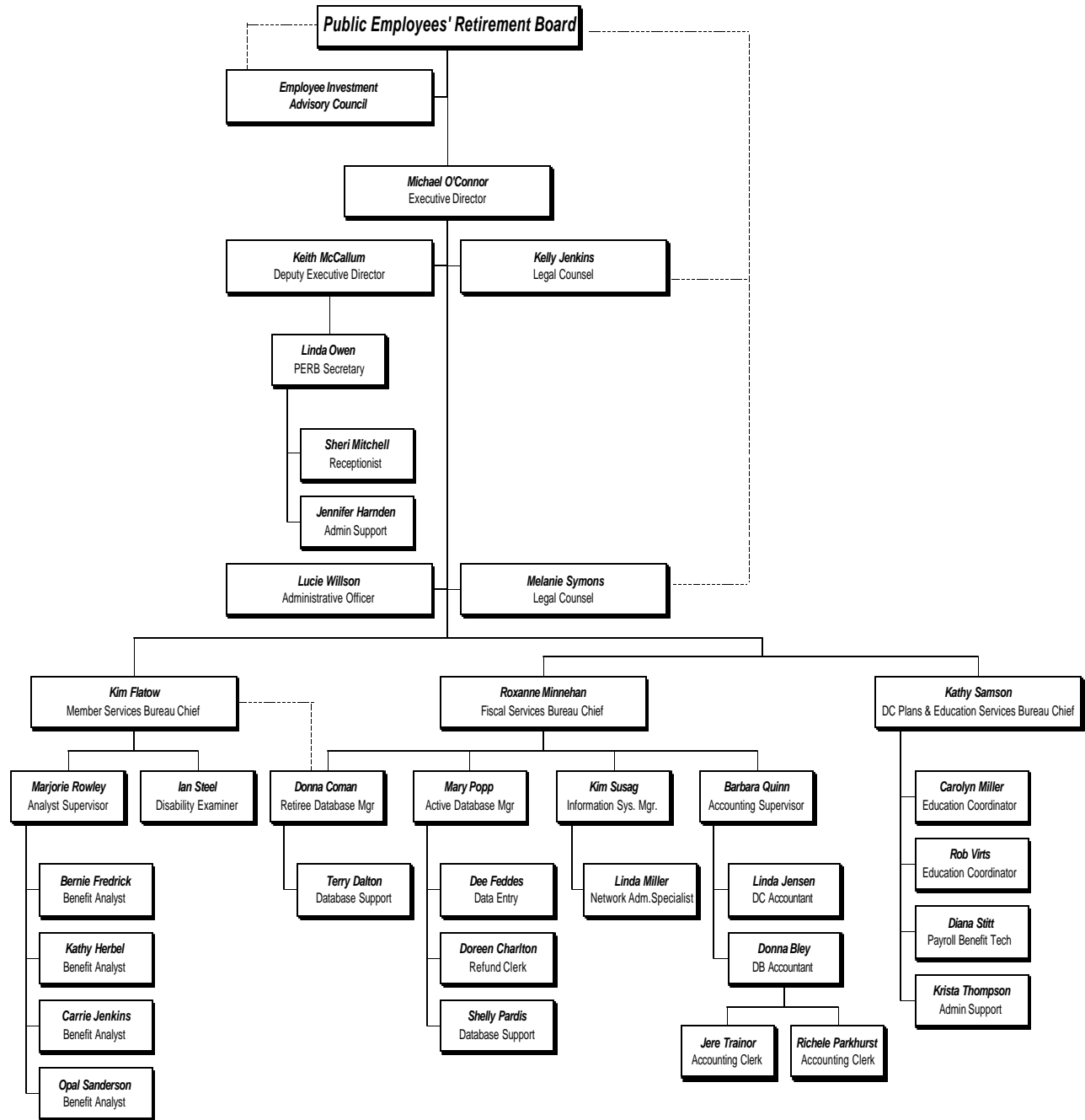
The Public Employees' Retirement Board as pictured from left to right are: (sitting) Carole Carey, Carol Lambert and Jean Thompson; (standing) Jay Klawon, Robert Griffith, Troy McGee and Terry Teichrow

Mission Statement of the MPERA

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

INTRODUCTORY SECTION

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



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 Public Employees' Retirement Board:

We have audited the accompanying Combined Statement of Fiduciary Net Assets-Pension Trust Funds of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2002, and the related Combined Statement of Changes in Fiduciary Net Assets-Pension Trust Funds for the fiscal year 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, 2002, and the changes in fiduciary net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note D, the Game Wardens' and Peace Officers' Retirement System is not considered actuarially sound as required by Article VIII, Section 15, of the Montana Constitution and state law.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants 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.

Management's Discussion and Analysis and 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 accounting principles generally accepted in the United States of America. 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

November 13, 2002

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

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's financial presentation and performance of the plans administered by the Board for the year ending June 30, 2002. It is presented as a narrative overview and analysis and should be read in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements and other information which are presented in the Financial Section of this Component Unit Financial Report.

Financial Highlights

- ◆ *The Montana Public Employees' Retirement Board's combined total net assets of the defined benefit plans decreased by \$248 million or 7.5 percent in fiscal year 2002. The decrease was primarily due to the downturn in equity markets and increasing benefit payments.*
- ◆ *The Montana Public Employees' Retirement Board's defined benefit plans were actuarially funded at an average of 93.6 percent as of July 1, 2002, a decrease over the comparative of 114.5 percent as of July 1, 2000. The decrease in funding is primarily due to the downturn in the equity markets and an increase in retirees and benefit enhancements.*
- ◆ *The Montana Public Employees' Retirement Board's defined contribution plans combined total net assets decreased by \$4.3 million or 2.2 percent in fiscal year 2002. The total decrease in Net Assets was partially offset by increased contributions from participants.*

Overview of the Financial Statements

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

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

Collectively, this information presents the combined net assets held in trust for pension benefits for each of the plans administered by the Public Employees' Retirement Board as of June 30, 2002. This financial information also summarizes the combined changes in net assets held in trust for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

- (1) Financial Statements. For the fiscal year ended June 30, 2002, financial statements are presented for the fiduciary funds administered by the PERB. Fiduciary funds

are used to account for resources held for the benefit of parties outside of the PERB. The fiduciary fund is comprised of eight defined benefit plans and two defined contribution plans.

- The Statement of Fiduciary Net Assets is presented for the pension trust funds at June 30, 2002. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
 - The Combined Statement of Changes in Fiduciary Net Assets is presented for the pension trust funds for the year ended June 30, 2002. These financial statements reflect the changes in the resources available to pay benefits to retirees and beneficiaries, for the fiscal year 2002.
- (2) Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. Information in the Notes to the Financial Statements is described below:
- Note A provides a summary of significant accounting policies, including the basis of accounting, property and equipment used in operations, methods used to value investments, summaries of our investment vendors and other significant accounting policies or explanations.
 - Note B provides information about litigation.
 - Note C describes the debt obligation of the PERS-DCRP. This is the implementation loan for the PERS-DCRP that is to be paid back over ten years.
 - Note D describes the plans' membership and descriptions of the plans administered by the Public Employees' Retirement Board. Summaries of benefits and contribution information are also provided.
- (3) Required Supplementary Information. The required supplementary information consists of the schedules of funding status and required contributions and related notes concerning actuarial information of the defined benefit pension plans administered by the PERB.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

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

Defined Benefit Plans Total Investments

At June 30, 2002, the PERB's defined benefit plans held total investments of \$3.0 billion, a decrease of \$199.9 million from fiscal year 2001 investment totals. On the following pages are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans.

FINANCIAL SECTION

Net Assets - Defined Benefit Plans

As of June 30, 2002 - and comparative totals for June 30, 2001

(dollars in thousands)

	PERS		MPORS		GWPORS		SRS	
	2002	2001	2002	2001	2002	2001	2002	2001
Assets:								
Cash and Receivables	85,220	115,381	9,032	9,544	2,033	1,446	4,349	6,600
Securities Lending Collateral	127,173	113,424	6,460	5,639	1,757	1,492	6,417	5,587
Investments	2,494,337	2,664,519	110,998	117,984	30,490	31,766	111,550	117,330
Property and Equipment	2	3						
Total Assets	2,706,732	2,893,327	126,490	133,167	34,280	34,704	122,316	129,517
Liabilities:								
Security Lending Collateral	127,173	113,424	6,460	5,639	1,757	1,492	6,417	5,587
Other Payables	14,291	1,158	50	59	67	42	431	53
Total Liabilities	141,464	114,582	6,510	5,698	1,824	1,534	6,848	5,640
Total Net Assets	2,565,268	2,778,745	119,980	127,469	32,456	33,170	115,468	123,877

Changes In Net Assets - Defined Benefit Plans

For the year ended June 30, 2002 - and comparative totals for June 30, 2001

(dollars in thousands)

	PERS		MPORS		GWPORS		SRS	
	2002	2001	2002	2001	2002	2001	2002	2001
Additions:								
Contributions	116,910	111,708	11,973	11,077	3,441	2,672	4,928	4,489
Operating Income		26						
Investment Income (Loss)	(201,365)	(148,518)	(9,220)	(6,165)	(2,564)	(1,598)	(9,152)	(6,379)
Total Additions	(84,455)	(36,784)	2,753	4,912	877	1,074	(4,224)	(1,890)
Deductions:								
Benefits	114,663	101,546	9,845	9,125	1,230	1,235	3,700	3,294
Refunds	11,048	12,063	348	430	331	217	446	377
Administrative Expenses	3,310	2,275	49	55	30	30	40	43
Miscellaneous Expenses		7						
Prior Period Adjustment		12						
Total Deductions	129,021	115,903	10,242	9,610	1,591	1,482	4,186	3,714
Increase (decrease) in net assets	(213,476)	(152,687)	(7,489)	(4,698)	(714)	(408)	(8,410)	(5,604)

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JRS		HPORS		FURS		VFCA		TOTAL		Total %
2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	Change
1,214	1,318	1,217	2,944	7,930	9,355	1,897	1,260	112,892	147,848	-23.6%
2,067	1,855	3,800	3,411	6,163	5,353	1,012	1,009	154,849	137,770	12.4%
36,139	39,340	66,580	71,710	105,987	111,885	15,021	16,486	2,971,102	3,171,020	-6.3%
								2	3	-33.3%
39,420	42,513	71,597	78,065	120,080	126,593	17,930	18,755	3,238,845	3,456,641	-6.3%
2,067	1,855	3,800	3,411	6,163	5,353	1,012	1,009	154,849	137,770	12.4%
4	5	20	29	43	53	133	42	15,039	1,441	943.7%
2,071	1,860	3,820	3,440	6,206	5,406	1,145	1,051	169,888	139,211	22.0%
37,349	40,653	67,777	74,625	113,874	121,187	16,785	17,704	3,068,957	3,317,430	-7.5%

JRS		HPORS		FURS		VFCA		TOTAL		Total %
2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	Change
1,312	1,199	3,772	3,693	10,160	9,483	1,134	1,003	153,630	145,324	5.7%
								26		-100.0%
(3,047)	(2,162)	(5,590)	(3,828)	(8,845)	(5,997)	(591)	(260)	(240,374)	(174,907)	37.4%
(1,735)	(963)	(1,818)	(135)	1,315	3,486	543	743	(86,744)	(29,557)	193.5%
1,566	1,431	4,861	4,624	8,507	8,018	1,411	882	145,783	130,155	12.0%
		149	86	81	44			12,403	13,217	-6.2%
4	4	20	22	39	43	38	42	3,530	2,514	40.4%
						13	12	13	19	-31.6%
								0	12	-100.0%
1,570	1,435	5,030	4,732	8,627	8,105	1,462	936	161,729	145,917	10.8%
(3,305)	(2,398)	(6,848)	(4,867)	(7,312)	(4,619)	(919)	(193)	(248,473)	(175,474)	41.6%

Analysis of Individual Systems

PERS - DBRP and Education

The PERS-DBRP provides retirement, disability, and death benefits to covered employees of State, university system and local governments and certain employees of the school districts. Member and employer

contributions and earnings on investments fund the benefits of the plan. The PERS-DBRP and the Education Fund have been combined in these comparisons. The PERS-DBRP net assets held in trust for benefits at June 30, 2002 amounted to \$2.6 billion, a decrease of \$213.5 (7.7 percent) from 2.8 billion at June 30, 2001.

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Additions to the PERS-DBRP net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$111.7 million in fiscal year 2001 to \$116.9 million for an increase of \$5.2 million (4.7 percent). Contributions increased because the number of participating employers increased and the number of members contributing to the plan increased. The plan recognized a net investment loss of \$201.4 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$148.5 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds and administrative expenses. For fiscal year 2002, benefits amounted to \$114.7, an increase of \$13.1 million (12.9 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$3.3 million, an increase of \$1.1 million (54.5 percent) from fiscal year 2001. The increase in administrative expenses for the fiscal year 2002 was due to the beginning of the education program to educate PERS-DB members regarding the choice of the PERS-DBRP or the PERS-DCRP.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 99.97 percent from 125.07 percent at July 1, 2000. The PERS-DBRP actuarial assets were less

than actuarial liabilities by \$983 thousand at July 1, 2002, compared with \$569.9 million surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature and the previous 4-year investment performance.

MPORS

The MPORS provides retirement, disability and death benefits to municipal police officers employed by first and second-class cities and other cities that adopt the plan. Member, employer and state contributions and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2002 amounted to \$120.0 million, a decrease of \$7.5 million (5.9 percent) from 127.5 million at June 30, 2001.

Additions to the MPORS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$11.1 million in fiscal year 2001 to \$12.0 million, for an increase of \$896 thousand (8.1 percent). Contributions increased because the number of participating employers increased and the number of members contributing to the plan increased. Contributions also increased because the total compensation reported for active members increased. The plan recognized a net investment loss of \$9.2 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$6.2 million for fiscal year ended June 30, 2001. The decreases in investment income are primarily due to the downturn in equity markets.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative

expenses. For fiscal year 2002, benefits amounted to \$9.8 million, an increase of \$720 thousand (7.9 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For the fiscal year 2002, the costs of administering the plan's benefits amounted to \$49 thousand, a decrease of \$6 thousand (10.9 percent) from fiscal year 2001.

An actuarial valuation of MPORS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 63.27 percent from 71.68 percent at July 1, 2000. The MPORS actuarial assets were less than actuarial liabilities by \$83.3 million at July 1, 2002, compared with \$51.3 million actuarial liabilities at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature and the previous 4-year investment performance.

GWPORS

T*he GWPORS provides retirement, disability and death benefits to game wardens, warden supervisory personnel and state peace officers. Member and employer contributions and earnings on investments fund the benefits of the plan.* The GWPORS net assets held in trust for benefits at June 30, 2002 amounted to \$32.5 million, a decrease of \$714 thousand (2.1 percent) from 33.2 million at June 30, 2001.

Additions to the GWPORS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$2.7 million in fiscal year 2001 to \$3.4 million, for an increase

of \$769 thousand (28.8 percent). Contributions increased because contribution rates for members increased and the number of currently employed members for whom contributions are paid increased due to the expansion of membership to include all state peace officers. The plan recognized a net investment loss of \$2.6 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$1.6 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2002, benefits amounted to \$1.2 million, a decrease of \$5 thousand (0.4 percent) from fiscal year 2001. For fiscal year 2002, the cost of administering plan benefits amounted to \$30 thousand, the same as for fiscal year 2001.

An actuarial valuation of GWPORS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 99.03 percent from 137.81 percent at July 1, 2000. The GWPORS actuarial assets were less than actuarial liabilities by \$379 thousand at July 1, 2002, compared with \$9.0 million actuarial surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature, the expansion of the plan to all state peace officers and the previous 4-year investment performance.

SRS

T*he SRS provides retirement, disability and death benefits to all Department of Justice criminal investigators hired after July 1, 1993 and all Montana sheriffs.*

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Member and employer contributions and earnings on investments fund the benefits of the plan. The SRS net assets held in trust for benefits at June 30, 2002 amounted to \$115.5 million, a decrease of \$8.4 million (6.8 percent) from 123.9 million at June 30, 2001.

Additions to the SRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$4.5 million in fiscal year 2001 to \$4.9 million, for an increase of \$439 thousand (9.8 percent). Contributions increased because the number of participating members contributing to the plan increased and the total compensation reported for active members increased. The plan recognized a net investment loss of \$9.2 million for fiscal year ended June 30, 2002 compared with a net investment loss of \$6.4 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2002, benefits amounted to \$3.7 million, an increase of \$406 thousand (12.3 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$40 thousand, a decrease of \$3 thousand (7.0 percent) from fiscal year 2001.

An actuarial valuation of SRS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status

of the plan decreased to 113.95 percent from 143.83 percent at July 1, 2000. The SRS actuarial assets were more than actuarial liabilities by \$17.0 million at July 1, 2002, compared with \$38.5 million actuarial surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements and member expansion enacted by the 2001 Legislature and the previous 4-year investment performance.

JRS

The JRS provides retirement, disability and death benefits to all Montana judges of the district courts, justices of the Supreme Court and the Chief Water Judge. Member and employer contributions and earnings on investments fund the benefits of the plan. The JRS net assets held in trust for benefits at June 30, 2002 amounted to \$37.3 million, a decrease of \$3.3 million (8.1 percent) from 40.7 million at June 30, 2001.

Additions to the JRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$1.2 million in fiscal year 2001 to \$1.3 million in fiscal year 2002, for an increase of \$113 thousand (9.4 percent). Contributions increased because the total compensation reported for active members increased. The plan recognized a net investment loss of \$3.0 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$2.2 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits and administrative expenses. For fiscal year 2002, benefits amounted to \$1.6

million, an increase of \$135 thousand (9.4 percent) from fiscal year 2001. The increase in benefit payments was due to post retirement benefit increases for benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$4 thousand, the same as for fiscal year 2001.

An actuarial valuation of JRS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 145.60 percent from 153.64 percent at July 1, 2000. The JRS actuarial assets were more than actuarial liabilities by \$14.1 million at July 1, 2002, compared with \$14.7 million actuarial surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the previous 4-year investment performance.

HPORS

The HPORS provides retirement, disability and death benefits to members of the Montana Highway Patrol. Member and employer contributions, registration fees and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2002 amounted to \$67.8 million, a decrease of \$6.8 million (9.2 percent) from 74.6 million at June 30, 2001.

Additions to the HPORS net assets held in trust for benefits include employer, and member contributions, registration fees and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$3.7 million in fiscal year 2001 to \$3.8 million, an increase of \$79 thousand (2.1 percent). Contributions increased because the number of participating members contributing to the plan increased. Contributions also increased because total compensation reported for active members increased. The

plan recognized a net investment loss of \$5.6 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$3.8 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2002, benefits amounted to \$4.9 million, an increase of \$237 thousand (5.1 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$20 thousand, a decrease of \$2 thousand (9.1 percent) from fiscal year 2001.

An actuarial valuation of HPORS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 86.17 percent from 101.85 percent at July 1, 2000. The HPORS actuarial assets were less than actuarial liabilities by \$13.1 million at July 1, 2002, compared with \$1.4 million actuarial surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature and the previous 4-year investment performance.

FURS

The FURS provides retirement, disability and death benefits to firefighters employed by first and second-class cities and other cities that adopt the plan and firefighters hired by the Montana Air National Guard on or after October 1, 2001. Member, employer, and state

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contributions and earnings on investments fund the benefits of the plan. The FURS net assets held in trust for benefits at June 30, 2002 amounted to \$113.9 million, a decrease of \$7.3 million (6.0 percent) from 121.2 million at June 30, 2001.

Additions to the FURS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$9.5 million in fiscal year 2001 to \$10.2 million, an increase of \$677 thousand (7.1 percent). Contributions increased because the number of participating members contributing to the plan increased. Contributions also increased because total compensation reported for active members increased. The plan recognized a net investment loss of \$8.8 million for the fiscal year ended June 30, 2002 compared with a net investment loss of \$6.0 million for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2002, benefits amounted to \$8.5 million, an increase of \$489 thousand (6.1 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$39 thousand, a decrease of \$4 thousand (9.3 percent) from fiscal year 2001.

An actuarial valuation of FURS assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 68.9 percent from

76.08 percent at July 1, 2000. The FURS actuarial assets were less than actuarial liabilities by \$61.6 million at July 1, 2002, compared with \$38.8 million actuarial liability at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature and the previous 4-year investment performance.

VFCA

The VFCA provides retirement, disability and death benefits to all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas. State contributions and earnings on investments fund the benefits of the plan. The VFCA net assets held in trust for benefits at June 30, 2002 amounted to \$16.8 million, a decrease of \$919 thousand (5.2 percent) from 17.7 million at June 30, 2001.

Additions to the VFCA net assets held in trust for benefits include state contributions and investment income. For the fiscal year ended June 30, 2002, contributions increased from \$1.0 million in fiscal year 2001 to \$1.1 million, an increase of \$131 thousand (13.1 percent). Contributions increased because there was an increase in the fire insurance premium taxes collected. The plan recognized a net investment loss of \$591 thousand for the fiscal year ended June 30, 2002 compared with a net investment loss of \$260 thousand for the fiscal year ended June 30, 2001. The decreases in investment income are mainly due to the downturn in equity markets.

Deductions from the VFCA net assets held in trust for benefits mainly include retirement benefits, supplemental insurance payments and administrative expenses. For fiscal year 2002, benefits amounted to \$1.4

million, an increase of \$529 thousand (60.0 percent) from fiscal year 2001. The increase in benefit payments was due to benefit enhancements enacted by the 2001 Legislature and an increase in benefit recipients. For fiscal year 2002, the costs of administering the plan's benefits amounted to \$38 thousand, a decrease of \$4 thousand (9.5 percent) from fiscal year 2001.

An actuarial valuation of VFCA assets and benefit obligations is performed every two years. At July 1, 2002, the date of the most recent actuarial valuation, the funded status of the plan decreased to 71.82 percent from 106.07 percent at July 1, 2000. The VFCA actuarial assets were less than actuarial liabilities by \$7.6 million at July 1, 2002, compared with \$1.0 million actuarial surplus at July 1, 2000. The decrease in funded status as of the last actuarial valuation is a result of the benefit enhancements enacted by the 2001 Legislature and the previous 4-year investment performance.

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the PERB's defined benefit plans is performed every two years. At the date of the most recent actuarial valuation, July 1, 2002, the funded status of each of the plans is shown in the Schedule of Funding Progress on pages 66 and 67.

Funding ratios range from a high of 145.60 percent to a low of 63.27 percent. The table shows the July 1, 2002 funding ratios compared with the ratios at July 1, 2000 and July 1, 1998. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The funding ratio decline is a result of the overall investment performance of prior years and

the benefit enhancements granted by the 2001 Legislature. The full impact of investment market downturn during 2000, 2001 and 2002 is not yet reflected in the funding status. At July 1, 2002, the actuarial value of assets exceeded the market value of assets by \$611 million compared with a market value of assets exceeding the actuarial value of assets by \$489 million at July 1, 2000.

Defined Contribution Plans

The MPERA administers two defined contribution plans; The Public Employees' Retirement System - defined contribution retirement plan (PERS-DCRP) and the Deferred Compensation (457) Plan. On the following page are schedules of Net Assets and Changes in Net Assets for the two defined contribution plans.

PERS-DCRP

The PERS-DCRP is established under Section 401(a) of the Internal Revenue Code. This plan provides retirement benefits for plan members. This plan was available to all active PERS members effective July 1, 2002. The plan member and employer contributions and earnings on investments fund the benefits of the plan.

The PERB has received a long-term loan from the Montana Department of Administration to fund the plan start-up and implementation costs. As of June 30, 2002, the loan balance is \$1.5 million. The term of the loan is ten years with interest payments beginning August 15, 2000 and principle payments beginning August 15, 2003. A schedule of the available investment options is available on page 27.

Deferred Compensation (457) Plan

The Deferred Compensation Plan is established under Section 457 of the In-

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ternal Revenue Code. This plan provides supplemental retirement benefits for plan participants. The Deferred Compensation Plan is funded by contributions and by investment earnings. The plan net assets held in trust for benefits at June 30, 2002 amounted to \$196.4 million, a decrease of \$3.9 million (1.9 percent) under net assets at June 30, 2001.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2002, contributions increased from those of fiscal year 2001 from \$12.3 million to \$13.6 million, an increase of \$1.3 million (10.8 percent). Contributions increased because of increased participation. The plan recognized a net investment loss of \$4.4 million for fiscal year 2002 compared with a net in-

Net Assets - Defined Contribution Plans

As of June 30, 2002 - and comparative totals for June 30, 2001

	(dollars in thousands)						Total % Change
	PERS-DCRP		457-PLAN		TOTAL		
	2002	2001	2002	2001	2002	2001	
Assets:							
Cash and Receivables	535	147	2,358	4,421	2,893	4,568	-36.7%
Securities Lending Collateral				7,229	0	7,229	-100.0%
Investments			194,201	196,443	194,201	196,443	-1.1%
Total Assets	535	147	196,559	208,093	197,094	208,240	-5.4%
Liabilities:							
Security Lending Collateral				7,229	0	7,229	-100.0%
Other Payables	1,562	732	139	584	1,701	1,316	29.3%
Total Liabilities	1,562	732	139	7,813	1,701	8,545	-80.1%
Total Net Assets	(1,027)	(585)	196,420	200,280	195,393	199,695	-2.2%

Changes In Net Assets - Defined Contribution Plans

For the year ended June 30, 2002 - and comparative totals for June 30, 2001

	(dollars in thousands)						Total % Change
	PERS-DCRP		457-PLAN		TOTAL		
	2002	2001	2002	2001	2002	2001	
Additions:							
Contributions			13,583	12,264	13,583	12,264	10.8%
Investment Income (Loss)	3	4	(4,434)	(2,962)	(4,431)	(2,958)	49.8%
Total Additions	3	4	9,149	9,302	9,152	9,306	-1.7%
Deductions:							
Refunds			11,460	7,102	11,460	7,102	61.4%
Administrative Expenses	445	270	242	175	687	445	54.4%
Miscellaneous Expenses			811	971	811	971	-16.5%
Prior Period Adjustment		(15)	496	76	496	61	713.1%
Total Deductions	445	255	13,009	8,324	13,454	8,579	56.8%
Increase(decrease) in net assets	(442)	(251)	(3,860)	978	(4,302)	727	-691.7%

**Defined Contribution Plans
Investment Options**

PERS-DCRP

International Stock Funds

American Funds New Perspective
SSGA International Growth Opportunities

Small Company Stock Funds

Brown Capital Small Co Instl
SEI Instl Mgd Small Cap Value A
Vanguard Small Cap Index Adm

Mid-Sized Company Stock Funds

Artisan Mid Cap
MSIF Trust Mid Cap Value - Inst

Large Company Stock Funds

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

Balanced Funds

Vanguard Balanced Index

Bond Funds

N/A

Fixed Investment Options

DCRP Fixed Fund

Profile Funds

N/A

Deferred Compensation (457) Plan

International Stock Funds

Artisan International
Janus Worldwide
Mutual Discovery Z
Templeton Foreign A

Small Company Stock Funds

Neuberger Berman Genesis
RS Diversified Growth

Mid-Sized Company Stock Funds

Franklin Small-Mid Cap Growth
Janus Enterprise
Strong Opportunity Inv

Large Company Stock Funds

Davis NY Venture A
Dreyfus Premier Third Cent Z
Fidelity Contrafund
Fidelity Equity-Income
Fidelity Growth & Income
Fidelity Magellan
Putnam Investors
TCW Galileo Select Equities N
Vanguard 500 Index

Balanced Funds

Dodge & Cox Balanced
Janus Balanced

Bond Funds

Columbia High-Yield
PIMCO Total Return Admin

Fixed Investment Options

Montana Fixed Fund

Profile Funds

Aggressive
Moderately Aggressive
Moderate
Moderately Conservative
Conservative

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Combined Statement of Fiduciary Net Assets - Pension Trust Funds as of June 30, 2002

	PERS					
	DBRP	EDUCATION	MPORS	GWPORS	SRS	JRS
Assets						
Cash and Short-term Investments	\$ 65,704,766	727,780	1,569,616	1,876,430	3,371,454	1,036,819
Securities Lending Collateral (Note A3)	127,172,568		6,460,433	1,757,068	6,416,946	2,067,494
Receivables						
Interest	12,405,440		548,954	149,019	547,093	177,578
Accounts Receivable	5,146,304		384,105		371,650	
Due from other funds	696,772	68,146		8,035		
Due from Primary Gov't	32,401		6,529,108			
Notes Receivable	438,528				58,445	
<i>Total Receivables</i>	18,719,445	68,146	7,462,167	157,054	977,188	177,578
Investments, at fair value (Note A3)						
Montana Stock Pool (MTCP)	946,374,506		42,820,488	11,576,493	43,177,900	14,012,217
Retirement Fund Bond Pool (RFBP)	858,466,949		46,044,780	12,657,553	45,736,435	14,877,545
Montana International Pool (MTIP)	215,598,191		9,694,650	2,555,052	9,593,057	2,995,415
Montana Private Equity Pool (MPEP)	95,926,866		4,167,039	1,114,798	4,167,040	1,353,151
Equity Index Fund	192,492,844		8,271,457	2,585,689	8,875,473	2,900,315
Real Estate Investments	7,035,303					
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	178,441,866					
Deferred Comp Fixed Investments						
Deferred Comp Variable Investments						
Deferred Comp Life Insurance						
<i>Total Investments</i>	2,494,336,525		110,998,414	30,489,585	111,549,905	36,138,643
Property and Equipment, at cost, net of accumulated depreciation (Note A2)						
	2,359					
Total Assets	2,705,935,663	795,926	126,490,630	34,280,137	122,315,493	39,420,534
Liabilities						
Securities Lending Collateral Liability	127,172,568		6,460,433	1,757,068	6,416,946	2,067,494
Accounts Payable	13,908,785	18,101	290	35,098	390,676	
Due to other funds	69,117	3,718	49,307	29,883	39,915	4,268
Due to Primary Gov't	45,887					
Notes Payable (Note C)						
Deferred Revenue	13,537		570	2,458	78	
Compensated Absences	226,296	5,411				
Total Liabilities	141,436,190	27,230	6,510,600	1,824,507	6,847,615	2,071,762
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress, page 60)	\$ 2,564,499,473	768,696	119,980,030	32,455,630	115,467,878	37,348,772

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

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Defined Benefit Pension Plans				Defined Contribution Plans			Total Pension Trust Funds
HPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS		Total Defined Contribution Plans	
				DCRP	457 Plan		2002
833,376	1,351,136	1,811,717	78,283,094	534,537	2,305,251	2,839,788	81,122,882
3,800,253	6,162,703	1,011,614	154,849,079				154,849,079
324,730	520,678	86,159	14,759,651				14,759,651
	293,815		6,195,874				6,195,874
631			773,584	1,186	51,955	53,141	826,725
58,100	5,764,368		12,383,977				12,383,977
			496,973				496,973
383,461	6,578,861	86,159	34,610,059	1,186	51,955	53,141	34,663,200
25,562,750	40,946,051	4,099,639	1,128,570,044				1,128,570,044
27,229,863	43,774,563	7,837,559	1,056,625,247				1,056,625,247
5,590,386	9,336,569	1,262,163	256,625,483				256,625,483
2,467,949	3,928,688	627,885	113,753,416				113,753,416
5,729,295	8,001,836	1,193,676	230,050,585				230,050,585
			7,035,303				7,035,303
			178,441,866				178,441,866
					122,729,210	122,729,210	122,729,210
					71,459,943	71,459,943	71,459,943
					12,316	12,316	12,316
66,580,243	105,987,707	15,020,922	2,971,101,944		194,201,469	194,201,469	3,165,303,413
			2,359				2,359
71,597,333	120,080,407	17,930,412	3,238,846,535	535,723	196,558,675	197,094,398	3,435,940,933
3,800,253	6,162,703	1,011,614	154,849,079				154,849,079
			14,352,950	41,326	111,973	153,299	14,506,249
19,851	39,488	38,208	293,755	14,552	5,801	20,353	314,108
		95,170	141,057				141,057
				1,498,000		1,498,000	1,498,000
	3,404		20,047				20,047
			231,707	8,593	20,793	29,386	261,093
3,820,104	6,205,595	1,144,992	169,888,595	1,562,471	138,567	1,701,038	171,589,633
67,777,229	113,874,812	16,785,420	3,068,957,940	(1,026,748)	196,420,108	195,393,360	3,264,351,300

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Combined Statement of Changes in Fiduciary Net Assets- Pension Trust Funds for the Fiscal Year Ended June 30, 2002

	PERS					
	DBRP	EDUCATION	MPORS	GWORS	SRS	JRS
Additions						
Contributions (Note D)						
Employer	\$ 55,548,285		3,272,651	1,594,926	2,387,118	1,032,319
Plan Member	59,938,131		2,164,076	1,825,262	2,456,283	279,977
Membership Fees	167					
Interest Reserve Buyback	92,341		7,214	21,292	40,463	
Retirement Incentive Program	144,782				44,180	
Registration Fee Collections						
Miscellaneous Revenue	459	137				
Education Contributions		812,277				
State Contribution	373,721		6,529,108			
Total Contributions	116,097,886	812,414	11,973,049	3,441,480	4,928,044	1,312,296
Investment Income (Note A3)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	(309,265,747)		(13,821,700)	(3,791,568)	(13,758,381)	(4,649,969)
Interest	96,913,351	34,831	4,058,221	1,078,637	4,056,264	1,431,296
Dividends	14,248,194		642,956	174,572	650,178	212,578
Securities Gain (Loss)						
Securities Lending Income	3,515,060	628	177,805	47,587	177,028	57,014
	(194,589,142)	35,459	(8,942,718)	(2,490,772)	(8,874,911)	(2,949,081)
Less:						
Investment Expense	3,784,820		123,484	32,431	123,497	48,184
Securities Lending Rebate and Fees	3,026,454	562	153,826	41,170	153,151	49,341
	6,811,274	562	277,310	73,601	276,648	97,525
Net Investment Income	(201,400,416)	34,897	(9,220,028)	(2,564,373)	(9,151,559)	(3,046,606)
Total Additions	(85,302,530)	847,311	2,753,021	877,107	(4,223,515)	(1,734,310)
Deductions (Note D)						
Benefits	114,662,817		9,844,541	1,230,427	3,699,727	1,566,110
Refund of Member Contributions	10,683,442		344,854	316,677	409,065	
Refunds to Other Plans	364,421		3,607	14,094	37,501	
Supplemental Insurance Payments						
Administrative Expense	1,824,937	1,485,230	49,307	29,883	39,915	4,269
Miscellaneous Expenses						
Total Deductions	127,535,617	1,485,230	10,242,309	1,591,081	4,186,208	1,570,379
Net Increase (Decrease)	(212,838,147)	(637,919)	(7,489,288)	(713,974)	(8,409,723)	(3,304,689)
Net Assets Held in Trust for Pension Benefits						
Beginning of Year (restated for 457)	2,777,337,620	1,406,615	127,469,318	33,169,604	123,877,601	40,653,461
Prior Period Adjustment						
End of Year	2,564,499,473	768,696	119,980,030	32,455,630	115,467,878	37,348,772

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

FINANCIAL SECTION

Defined Benefit Pension Plans				Defined Contribution Plans			Total Pension Trust Funds
HPORS	FURS	VFCA	Total Defined Benefit Pension Plans	PERS	457 Plan	Total Defined Contribution Plans	
				DCRP			
			69,126,435		46,412	46,412	69,172,847
2,769,841	2,521,295		69,228,566		13,313,925	13,313,925	82,542,491
693,000	1,871,837		167				167
	2,468		163,778				163,778
			188,962				188,962
308,973			308,973				308,973
			596	178	222,615	222,793	223,389
			812,277				812,277
	5,764,368	1,133,741	13,800,938				13,800,938
3,771,814	10,159,968	1,133,741	153,630,692	178	13,582,952	13,583,130	167,213,822
(8,618,003)	(13,207,870)	(1,341,064)	(368,454,302)		(13,905,751)	(13,905,751)	(382,360,053)
2,706,223	3,834,101	706,673	114,819,597	3,173	9,035,503	9,038,676	123,858,273
388,777	614,502	61,076	16,992,833				16,992,833
					676,639	676,639	676,639
104,630	169,581	28,969	4,278,302	57	106,837	106,894	4,385,196
(5,418,373)	(8,589,686)	(544,346)	(232,363,570)	3,230	(4,086,772)	(4,083,542)	(236,447,112)
80,681	108,640	21,637	4,323,374		252,435	252,435	4,575,809
90,527	146,652	25,258	3,686,941	51	94,876	94,927	3,781,868
171,208	255,292	46,895	8,010,315	51	347,311	347,362	8,357,677
(5,589,581)	(8,844,978)	(591,241)	(240,373,885)	3,179	(4,434,083)	(4,430,904)	(244,804,789)
(1,817,767)	1,314,990	542,500	(86,743,193)	3,357	9,148,869	9,152,226	(77,590,967)
4,861,329	8,507,526	1,410,768	145,783,245				145,783,245
130,047	80,454		11,964,539		11,459,674	11,459,674	23,424,213
18,985			438,608				438,608
		12,675	12,675				12,675
19,851	39,488	38,208	3,531,088	445,098	242,211	687,309	4,218,397
					810,882	810,882	810,882
5,030,212	8,627,468	1,461,651	161,730,155	445,098	12,512,767	12,957,865	174,688,020
(6,847,979)	(7,312,478)	(919,151)	(248,473,348)	(441,741)	(3,363,898)	(3,805,639)	(252,278,987)
74,625,208	121,187,290	17,704,571	3,317,431,288	(585,007)	200,280,113	199,695,106	3,517,126,394
					(496,107)	(496,107)	(496,107)
67,777,229	113,874,812	16,785,420	3,068,957,940	(1,026,748)	196,420,108	195,393,360	3,264,351,300

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Years Ended June 30, 2002 and 2001

The Public Employees' Retirement Board (PERB) administers ten retirement plans and the related member education. The retirement plans are eight defined benefit plans and two defined contribution plans. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS-DBRP), 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 *defined contribution* retirement plans are the Public Employees' Retirement System (PERS-DCRP) and the Deferred Compensation (IRC § 457) Plan. The PERS-DCRP was implemented as of July 1, 2002, and available only to eligible members of the PERS. The Deferred Compensation Plan is available to employees of the state, university and local subdivisions that contract with the plan.

The member education is the means by which the PERS members will be provided the necessary tools to decide between participation in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). Since eligible defined benefit members have the option of joining the defined contribution plan, the education of the defined benefit plan members has been ongoing since the fall of 2001. The choice is a one-time irrevocable election. With the implementation of the defined con-

tribution plan, education must also begin for the members that choose the defined contribution plan. This education will include information on investment choices and will begin when members transfer into the plan. For this reason, the MPERA established a defined contribution education fund as of July 1, 2002.

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 the respective plan and to pay administrative expenses of the respective 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 of the State of Montana financial reporting entity. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, prepares the accounting records and financial statements for the fiduciary/pension trust funds using the accrual basis of accounting. For the pension trust funds, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are rec-

ognized in the accounting period in which they are earned and become measurable. Benefits and refunds are recognized in the accounting period in which they are due and payable. Expenses are recognized in the period incurred. Administrative expenses are financed through investment earnings on the pension trust fund in each plan. Interfund receivables and payables exist at year-end because all administrative expenses are accounted for within PERS and then distributed to the other plans at year-end. Participants of the deferred compensation (457) plan 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, recorded as *Miscellaneous Revenue* in the financial statements, are used to pay the Board's deferred compensation related administrative expenses.

Due to the implementation of GASB 34, a fiscal year 2001 comparative total column is not included in the fiscal year 2002 financial statements. Also, the deferred compensation plan was changed from an expendable trust fund (modified accrual) to a pension trust fund (full accrual) in fiscal year 2002. The change in the basis of accounting resulted in a restatement of the fiscal year 2001 *Total Fund Balance* for the deferred compensation plan. In the current fiscal year it is restated as *Net Assets Held In Trust for Pension Benefits Beginning of Year*.

The prior period adjustment for the deferred compensation plan is an adjustment to the fixed investment in the amount of \$496,107. This adjustment is regarding an amount listed on the vendor statements as Total Accruals. Initially, the MPERA was

informed that Total Accruals were assets that the vendor held on behalf of the plan. Ongoing discussions with the vendor's representatives provided information that Total Accruals, as listed on the statement, was not a valid receivable. The new information required an adjustment to the prior year balance.

2. PROPERTY AND EQUIPMENT USED IN OPERATIONS

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

Defined benefit retirement plan assets are invested on behalf of the plans and managed 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, 2002, there were five major diversified pools, one more than in fiscal year 2001, Montana Short Term Investment Pool (STIP), Montana Stock Pool (MTCP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP) and Montana Private Equity Pool (MPEP). The MPEP, effective May 1, 2002, allows retirement funds to participate in the venture capital and leveraged buyout markets and other private equity investments via a diversified pool.

The deferred compensation plan's fixed assets were invested and managed on behalf of the plan by State Street Research/Wells Fargo (SSR/WF) through Decem-

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ber 28, 2001 and the BOI through January 7, 2002. The assets managed by the BOI for the deferred compensation plan were invested in STIP and the Trust Fund Bond Pool (TFBP). As of the previous dates, the fixed investments were transferred to the plans new fixed asset manager, Pacific Investment Management Company (PIMCO). The third party record keeper, Great West Life & Annuity Insurance Co., tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies. Investments are reported at fair value as of June 30, 2002.

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

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). 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 by participants increased \$7,200,000 in fiscal year 2002. The \$82,000,000 in participant purchases in fiscal year 2002 reflect investment opportunities given the market conditions. 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. 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.

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

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 scientific method to the call, average life or maturity date of the securities. Unit values are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the BOI's Investment Officer. The June 30, 2002 unit value of \$103.56 increased from the June 30, 2001 unit value of \$102.04. 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, 2002, Burlington Industries, Inc., Enron Corp. and WorldCom Inc. presented legal and higher credit risks to the BOI. The RFBP holds 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. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to \$1,200,000. The company is expected to emerge from bankruptcy in 2003. The RFBP holds a \$7,000,000 par 6.40% Enron bond maturing July 15, 2006 and a \$7,000,000 par 6.95% Enron bond maturing July 15, 2028. The combined book value of these securities was \$13,582,030 as of November 30, 2001. Enron Corp. filed for Chapter 11 bankruptcy protection on December 12, 2001.

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Accordingly, the book value was reduced for the two issues from \$14,000,000 to \$5,600,000 as of June 30, 2002. In October 2002, the book value was reduced to \$2,800,000 for both issues. The BOI, currently, anticipates receiving up to \$2,800,000 from bankruptcy claims. The RFBP portfolio includes a \$6,000,000 par 6.95% WorldCom Inc. bond maturing August 15, 2028. The book value of this bond, originally purchased at a discount, was \$5,477,400 on June 30, 2002. On July 21, 2002 WorldCom Inc. filed for Chapter 11 bankruptcy protection. As of July 31, 2002, the reduced book value is \$2,400,000. At this time, the BOI expects bankruptcy recovery up to \$2,400,000. On November 7, 2002, the Attorney General for the State of Montana filed a lawsuit against certain Worldcom executives, directors and financial institutions associated with Worldcom such as Arthur Andersen and CitiGroup. The lawsuit, filed in Lewis and Clark County, Montana, alleges that the defendants filed "false and misleading registration statements" relating to the purchase of the bonds by the Montana Board of Investments.

As of June 30, 2001, the Rite Aid Corporation, Asarco Inc. and Service Corp. presented a higher credit risk to the BOI. The RFBP holds a \$7,000,000 par, 7.13% Rite Aid 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 \$5,220,172. Due to an improving credit trend, amortization was

resumed in June 2001. The book value of the Rite Aid security at June 30, 2002 is \$5,541,139. As of June 30, 2002, Rite Aid does not represent a credit risk. The RFBP held 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. In February 2002, the book value of this security was further reduced to \$4,200,000. In May 2002, this bond was sold, on the market, for \$3,474,250 including interest. 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 rating agency. The book value of these two issues is \$4,000,000 each as of June 30, 2002 and 2001. Due to an improved credit outlook, Service Corp. is not considered a credit risk as of June 30, 2002.

The BOI received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$5,000,000 par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages of \$538,632 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The BOI tendered the Pennzoil Quaker State hold-

ings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received \$5,683,075 in principal and interest plus \$150,000 as a consent fee.

MTIP portfolio includes equity investments in four funds – BOI’s Internal International, and three externally managed funds: Pyrford International, Schroder Investment Management NA, 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. Based on the BOI Investment Officer’s decision, participants are allowed to buy or sell units on the first business day of each month. Realized gains/losses from the sale of securities and related foreign exchange transactions are retained by 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, 2002 and 2001, the BOI was unaware of any legal, market or credit risks regarding the MTIP investments.

MPEP portfolio includes venture capital, leveraged buyout, mezzanine, special situation and secondary investments. The MPEP was established in April 2002 to allow retirement funds the opportunity to participate in the venture capital and lev-

eraged buyout markets and other private equity investments via a diversified pool. The BOI chose to securitize MPEP cash by investing in an equity derivative, the State Street Stock Performance Index Futures Fund (SPIFF). Given the complexity and specialization of private equity investment, the BOI contracts with five private equity managers. The private equity managers include Adams Street Partners (formerly Brinson Partners); Kohlberg, Kravis, Roberts and Company (KKR); Welsh Carson Anderson and Stowe; Madison Dearborn Partners; and Lexington Partners. Investments are presented at fair value and because no recognized market exists for private equity investment, the investments, on valuation date, are stated at the fair value reported in the most recent external managers’ valuation reports. Carrying value represents the private equity security purchase price. MPEP security transactions are recorded as of trade date rather than settlement date; therefore, the MPEP 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. Unit values are calculated at month end and participant transactions will most likely occur on a quarterly basis. Based on the BOI Investment Officer’s decision, participants are allowed to buy, reinvest or sell units on the first business day of each month. MPEP does not participate in security lending. Portfolio diversification of risk is to be achieved through multiple partnership relationships and investments. Private equity investments are recognized as investments with a higher degree of risk with a higher return potential, whereas, private equity investments typically have a low correlation and should contribute to reduction of portfolio risk.

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Other Investments include venture capital, leveraged buy-outs, equity index, real estate, mortgages and loans. Effective May 1, 2002, all the venture capital and leveraged buyout investments totaling \$159,799,310, at cost, were transferred to the new Montana Private Equity Pool (MPEP) along with \$15 million in cash. 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. Equity index investments are investments in selected mutual funds whose equity portfolios match a broad based index or composite. Real estate investments held, in part, for the PERS include the IBM building at 100 North Park Avenue 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. 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 supplied to the BOI by its custodial bank, State Street Bank and Trust. As of June 30, 2002 and 2001, there were no uncollectible account balances for Montana mortgages and loans receivable; however,

during fiscal year 2002, the BOI staff wrote off loan principal balances in the total amount of \$1,794,968. In fiscal year 2002, the sale of pool units from the MTCP, TFBP, and RFBP generated a net gain to participants of \$14 million.

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 years 2002 and 2001, State Street Bank and Trust lent, 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 2002 and 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 years 2002 and 2001. Moreover, there were no losses during fiscal years 2002 and 2001 resulting from a default of the borrowers or State Street. During fiscal

years 2002 and 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, 2002 and June 30, 2001, the BOI had no credit risk exposure to borrowers.

TFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, U.S. government, Yankee securities and cash investments. In January 2002, the State of Montana Section 457 Deferred Compensation Plan withdrew all funds from the TFBP due to a new contract with another investment manager. 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 scientific method to the call, average life or maturity date of the securities. Unit values are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the BOI Investment Officer. The June 30, 2002 unit value of \$98.61 increased from a June 30, 2001 unit value of \$97.18. Security transactions are recorded as of trade date rather than settlement date; therefore, the TFBP port-

folio 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).

As of June 30, 2002, Enron Corp., Burlington Industries, Inc. and WorldCom Inc. presented legal and higher credit risks to the BOI. The TFBP holds a \$2,000,000 par, 6.75% Enron bond maturing August 1, 2009, a \$3,000,000 par 6.40% Enron bond maturing July 15, 2006 and a \$3,000,000 par 6.95% Enron bond maturing July 15, 2028. The combined book value of these securities was \$7,560,870 as of November 30, 2001. Enron Corp. filed for Chapter 11 bankruptcy protection on December 12, 2001. Accordingly, the BOI reduced the book value for the three issues to \$3,200,000 as of June 30, 2002. In October 2002, the book value was reduced to \$1,600,000 for the three issues. The BOI, currently, anticipates receiving up to \$1,600,000 from bankruptcy claims. The TFBP holds 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

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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. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to \$800,000. The company is expected to emerge from bankruptcy in 2003. The TFBP portfolio also includes a \$9,000,000 par 6.95% WorldCom Inc. bond maturing August 15, 2028. The book value of this bond, originally purchased at a discount, was \$8,216,000 on June 30, 2002. On July 21, 2002 WorldCom Inc. filed for Chapter 11 bankruptcy protection. As of July 31, 2002, the reduced book value is \$3,600,000. At this time, the BOI expects bankruptcy recovery up to \$3,600,000. On November 7, 2002, the Attorney General for the State of Montana filed a lawsuit against certain Worldcom executives, directors and financial institutions associated with Worldcom such as Arthur Andersen and CitiGroup. The lawsuit, filed in Lewis and Clark County, Montana, alleges that the defendants filed "false and misleading registration statements" relating to the purchase of the bonds by the Montana Board of Investments.

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. In February 2002, the book value of this security was further reduced to \$3,000,000. In May 2002, this bond was sold, on the market, for \$2,478,719 including interest. The BOI owns a Rite Aid \$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 issue 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, 2002 is \$2,374,356. As of June 30, 2002, Rite Aid does not represent a credit risk. The TFBP holds a Service Corp. \$5,000,000 par 6% bond maturing December 15, 2005. In January 2001, the bond rating for this issue was downgraded by the Moody's bond rating agency. As of June 30, 2002 and 2001, the book value of this issue is \$4,000,000. Due to improved credit outlook, Service Corp. is not considered a credit risk as of June 30, 2002.

The BOI received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$8,000,000 par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages of \$861,811 for the additional costs incurred to acquire the bond from third parties, plus any statutory interest, costs and expenses. On October 1, 2002, Shell Oil Company acquired Pennzoil and subsequently announced a public tender of Pennzoil Quaker State debt. The BOI tendered the Pennzoil Quaker State holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the Board received

\$9,092,920 in principal and interest plus \$240,000 as a consent fee.

Fixed investments are administered through outside vendors. State Street Research and custodial bank Wells Fargo (SSR/WF) managed the fixed assets through December 2001. In December 2001, the State of Montana Section Deferred Compensation Plan transferred all assets from SSR/WF due to a new contract with another investment manager, Pacific Investment Management Company and custodial bank State Street Bank (PIMCO/SSB). The SSR/WF portfolio included 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 were permissible. Investments were reported at fair value. State Street Research valued the investment as of the settlement date. Wells Fargo, the custodial bank, valued the investment as of the trade date. The objective was 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 was the benchmark. No more than 5% of the portfolio was allowed to be invested in any issuer at the time of purchase. Each permitted investment category was limited as a percentage of market value of the account in accordance with the investment guidelines. There was no limit on the U.S. Government securities. The fixed investments were transferred to **PIMCO/SSB** under a new contract awarded by the State's competitive bidding process. The PIMCO/State Street Bank fixed investment portfolio is benchmarked against the Lehman Intermediate Government/Credit/Yankee

index with a duration not to exceed four years. The minimum average portfolio quality must be an A-rating; the minimum issue quality must be a BB-rating and the minimum commercial paper quality must be A2/P2. The quality ratings applied are the higher of Moody's, Standard and Poor or Fitch. PIMCO has the discretion to invest in a broad array of public and private asset classes and investment vehicles including: money market instruments; U.S. Treasury and Agency notes and bonds; municipal bonds; corporate securities; Yankee and Euro bonds; mortgage-backed securities; mortgage derivatives; asset-backed securities; convertible securities; non-U.S. dollar denominated securities; non-leveraged structured notes; futures; options; swaps; credit default swaps and PIMCO pooled funds. PIMCO may not invest in: caps and floors; preferred stock; emerging market securities; event-linked bonds and bank loans.

Variable investments are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. The selection of offered mutual funds is designed to provide plan participants with the ability to diversify and meet their individual investment goals and strategies. The PERB, with the advice of the statutorily created Employee Investment Advisory Council and the assistance of an independent contracted third-party consultant and investment analyst, conducts an annual review of the offered mutual funds. During the annual review, the PERB may decide to retain, replace or place in a watch status any of the offered mutual funds. The goal of the annual review is to ensure the offered mutual funds meet standards established in the Investment Policy Statement adopted by the PERB. This, in turn,

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ensures plan participants have access to diversified investment options with consistent performance and strategies. A listing of the mutual funds can be obtained by contacting the MPERA.

B. LITIGATION

Each of the plans administered by the PERB may be involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management and legal counsel, the disposition of the matters will not have a material, adverse effect on any plan's financial position as a whole.

C. DEBT OBLIGATIONS

The defined contribution plan has an implementation loan through the Depart-

ment of Administration that is scheduled to be repaid over a period of 10 years. Five draws were taken in the total amount of \$1,498,000. The balance as of June 30, 2001 was \$670,000. Draws of \$240,000 and \$588,000 were taken on November 2, 2001 and June 28, 2002, respectively, and increased the balance of the note payable. Interest repayments began immediately following the draws. Principal repayments begin August 15, 2003, the year following the defined contribution implementation date. The interest rate is variable and changes every February, impacting the interest due on the outstanding principal balance. The MPERA has no other long-term debt. Debt service requirements (principal & interest) for the defined contribution plan is as follows:

Fiscal Year				
Ended	Rate*	Principal	Interest	Total
2003	3.150%	\$ -	\$ 40,590.12	\$ 40,590.12
2004	3.150%	181,450.48	45,757.92	227,208.40
2005	3.150%	189,551.35	40,094.01	229,645.36
2006	3.150%	198,050.89	33,942.16	231,993.05
2007	3.150%	206,946.00	27,634.32	234,580.32
2008-2010	3.150%	<u>722,001.28</u>	42,197.26	<u>764,198.54</u>
		<u>\$ 1,498,000.00</u>		<u>\$ 1,728,215.79</u>

* Interest rate is variable. As of June 30, 2002 the interest rate was 3.150%

D. PLAN MEMBERSHIP, DESCRIPTIONS AND CONTRIBUTION INFORMATION

The plans are established and amended statutorily by the Legislature. In all defined benefit plans (except VFCA), if a member leaves covered employment before retirement, the member contributions plus accrued interest may be refunded to the member. If a member returns to ser-

vice and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is fully restored.

Membership of each plan as of June 30, 2002 and June 30, 2001 is detailed in the charts on the following pages:

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PERS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	515	510			
Active plan members	29,808	29,641	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	13,498	13,195
Vested	2,150	2,015	Disability Retirements	344	332
Non-vested	10,944	10,706	Survivor Benefits	274	271
	<u>13,094</u>	<u>12,721</u>		<u>14,116</u>	<u>13,798</u>

MPORS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	22	21			
Active plan members	585	580	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	510	506
Vested	18	14	Disability Retirements	15	17
Non-vested	71	65	Survivor Benefits	29	30
	<u>89</u>	<u>79</u>		<u>554</u>	<u>553</u>

GWPORS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	8	8			
Active plan members	609	521	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	75	74
Vested	9	9	Disability Retirements	1	2
Non-vested	83	81	Survivor Benefits	3	3
	<u>92</u>	<u>90</u>		<u>79</u>	<u>79</u>

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SRS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	56	56			
Active plan members	642	623	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	235	218
Vested	35	26	Disability Retirements	31	30
Non-vested	153	147	Survivor Benefits	14	14
	<u>188</u>	<u>173</u>		<u>280</u>	<u>262</u>

JRS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	1	1			
Active plan members	48	48	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	49	49
Vested	2	2	Disability Retirements	0	0
Non-vested	0	0	Survivor Benefits	2	2
	<u>50</u>	<u>50</u>		<u>51</u>	<u>51</u>

HPORS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	1	1			
Active plan members	194	190	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	246	240
Vested	7	8	Disability Retirements	9	10
Non-vested	13	12	Survivor Benefits	10	10
	<u>20</u>	<u>20</u>		<u>265</u>	<u>260</u>

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FURS Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	16	14			
Active plan members	437	425	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	448	439
Vested	6	4	Disability Retirements	6	7
Non-vested	59	57	Survivor Benefits	27	28
	<u>65</u>	<u>61</u>		<u>481</u>	<u>474</u>

VFCA Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Active plan members	2,609	2,524	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	880	859
Vested	693	691	Disability Retirements	0	0
			Survivor Benefits	4	3
				<u>884</u>	<u>862</u>

Deferred Compensation (457) Membership					
	<u>2002</u>	<u>2001</u>		<u>2002</u>	<u>2001</u>
Number of participating employers	8	8	Number of participating plan members	7,872	7,671
Number of participating employers that provide contributions on members' behalf	1	1	Number of participating plan members that are actively contributing to their deferred compensation accounts	5,319	5,178

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Public Employees' Retirement System-DBRP

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

Eligible PERS members who are active on July 1, 2002 and all new hires will have a 12-month window during which they may choose to remain in the current PERS-DBRP or join the PERS-DCRP. Members may not be active members of both the defined contribution and defined benefit retirement plans. The choice is irrevocable. Members of the universities also

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

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

PERS Summary of Benefits

Member's highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
Years of service required and/or eligible age for benefit	Service retirement: 30 years, any age; Age 60, 5 years of service; or Age 65, regardless 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 membership service; for members with 25 years of service or more the factor increases to 2%
Guaranteed Annual Benefit Adjustment (GABA)	After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of other adjustments to the member's benefit

At June 30, 2002 PERS had 515 participating employers, an increase of 5 from FY2001. The participating employers consist of:

PERS Employers		
<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
State Agencies	34	34
Counties	55	55
Cities and Towns	92	90
Colleges and Universities	5	5
School Districts	241	240
Other	<u>88</u>	<u>86</u>
Total	515	510

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 2002 was 6.9% of PERS-covered payroll, the same as in fiscal year 2001. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a request for retirement or refund is processed. Each state agency and university system employer contributed 6.9% of PERS-covered payroll during fiscal years 2002 and 2001. Participating local governments and school district employers contributed 6.8% of PERS-covered payroll during fiscal years 2002 and 2001. The State contributed the remaining 0.1% for local governments and school employers from the state general fund in fiscal years 2002 and 2001. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page 65).

Additional Retirement Benefit: The Legislature enacted a provision (19-2-706, MCA) in relation to the Employee Protection Act (EPA)

which allows state and university system employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. As of fiscal year 2002, two hundred forty-seven employees had taken advantage of this provision since its inception, up from two hundred thirty-eight in fiscal year 2001. The employer 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 2002 and 2001 totaled \$144,782.00 and \$228,442.15, respectively. The outstanding balance at June 30, 2002, totaled \$342,094.94.

Effective with the July 2001 retirement benefit, some PERS retirees received a purchasing power increase. This increase brings retirees who retired prior to 1982 up to 75% of the purchasing power of their initial retirement benefit. This benefit is in accordance with MCA 19-3-1606.

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Public Employees' Retirement System-Education Fund

Education will be provided to the members of PERS-DBRP and PERS-DCRP as governed by section 19-3-112, MCA. The education will be presented with impartial and balanced information about plan choices, investments and retirement planning. The education program will consist of three primary components:

- 1) initial transfer education – for all active members on 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 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 be used to 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 that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS pro-

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

Member's final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;
Hired after June 30, 1977 - average monthly compensation for last consecutive 36 months

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

MPORS Summary of Benefits (cont.)

Guaranteed Annual Benefit Adjustment (GABA)

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

Guaranteed Minimum Benefit

If hired before July 1, 1997 and member did not elect GABA, the benefit increases to 1/2 the compensation of a newly confirmed officer in the city that the member was last employed

At June 30, 2002 MPORS had 22 participating employers, an increase of 1 from FY2001. The participating employers consist of:

MPORS Employers

<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Cities and Towns	<u>22</u>	<u>21</u>
Total	22	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. For fiscal years 2002 and 2001, member contributions as a percentage of salary were 5.8% (if employed on or before June 30, 1975); 7.0% (if employed after June 30, 1975 and prior to July 1, 1979); 8.5% (if employed after June 30, 1979 and prior to July 1, 1997); and, 9.0% (if employed on or after July 1, 1997 and for members electing GABA). Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. City contributions to the retirement plan are 14.41% of total MPORS-covered payroll on a monthly basis. The State contributions are re-

quested 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 2002 and 2001 was 29.37%. (Reference Schedule of Contribution Rates on page 65).

For the MPORS retiree who did not elect the GABA provision, MCA 19-9-1020 provides a one-time benefit increase. This benefit was effective with the May 2001 retirement benefit. The benefit increase is estimated to bring individuals up to 75% of the purchasing power of their initial retirement benefit.

Deferred Retirement Option Plan (DROP): Beginning July 2002, certain members of MPORS who are eligible to retire have the opportunity to participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19,

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Chapter 9, Part 12, MCA. The eligible member must have completed at least 5 years of membership service and reached age 50. The eligible member may participate for a minimum of one month and a maximum of five years. A member may participate in the DROP only once. A participant remains a member of the retirement system, but may not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the

DROP, all contributions continue to be made to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit accumulates in a DROP account until the end of the DROP period. At the end of the DROP period, the participant receives the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan as allowed by the IRS.

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 members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

GWPORS Summary of Benefits

Member's 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	2.5% of HAC per year of service
Guaranteed Annual Benefit Adjustment (GABA)	After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

At June 30, 2002 GWPORS had 8 participating employers, the same as FY2001. The participating employers consist of:

GWPORS Employers		
<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</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 the first quarter of fiscal year 2002 and all of fiscal year 2001 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 2002 and 2001. (Reference Schedule of Contribution Rates on page 65).

Additional Retirement Benefit: The Legislature enacted a provision (19-2-706, MCA) in relation to the Employee Protection Act (EPA) which allows state and university system em-

ployees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Actuarial Status: Based on current actuarial assumptions the current normal cost is more than the statutory contribution rate; therefore, the system is not actuarially sound. Enacted legislation opened the GWPORS to all state peace officers. The active membership increased from 494 in fiscal year 2000 to 609 in fiscal year 2002. The increase in membership causes the need to reevaluate the actuarial assumptions. Changes to the actuarial assumptions will change the normal cost of the plan. Further research is needed to determine the change in normal cost.

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

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SRS Summary of Benefits

Member's 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
Guaranteed Annual Benefit Adjustment (GABA)	After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit

At June 30, 2002 SRS had 56 participating employers, the same as FY2001. The participating employers consist of:

SRS Employers

<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
State Agencies	1	1
Counties	<u>55</u>	<u>55</u>
Total	56	56

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2002 and 2001 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 2002 and 2001. (Reference Schedule of Contribution Rates on page 65).

Additional Retirement Benefit: The Legislature enacted a provision (19-2-706, MCA) in relation to the Employee Protection Act (EPA) which allows state employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" addi-

tional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. In fiscal year 2002, two employees took advantage of this provision. The total retirement incentive contributions received

(including interest) during fiscal year 2002 totaled \$44,180. There were no participants or contributions in fiscal year 2001. The outstanding balance at June 30, 2002, totaled \$38,083.50.

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 Legisla-

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

JRS Summary of Benefits	
Member’s 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	3 1/3% of current salary ¹ (non-GABA) OR HAC ² (GABA) per year of service for the first 15 years, plus 1.785% per year for each year after 15 years

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JRS Summary of Benefits (cont.)

Guaranteed Annual Benefit Adjustment (GABA)

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

Hired prior to July 1, 1997, current salary is used in the calculation of the monthly benefit each time the Legislature increases salaries for active judges. This benefit is awarded only to non-GABA members or eligible contingent annuitants

At June 30, 2002 JRS had one participating employer, the same as FY2001. The participating employer consists of:

JRS Employers		
<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</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 2002 and 2001 was 7.0% of the member's monthly compensation. Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contri-

butions and interest allocations until a retirement or refund request is processed. As the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan on a monthly basis, during fiscal years 2002 and 2001. (Reference Schedule of Contribution Rates on page 65).

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

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and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested

after five years of service. A brief summary of eligibility and benefits follows:

HPORS Summary of Benefits	
Member's highest average compensation (HAC)	Highest average compensation during any consecutive 36 months
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
Guaranteed Annual Benefit Adjustment (GABA)	<p>Hired after July 1, 1997, or those electing GABA, after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit</p> <p>Hired prior to July 1, 1997, monthly benefits for non-GABA members are increased each July when they fall below a statutorily guaranteed minimum. Any annual increase is limited to 5% over the current benefit and may not exceed 60% of the current base salary of a probationary officer</p>

At June 30, 2002 HPORS had one participating employer, the same as FY2001. The participating employer consists of:

HPORS Employers		
<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
State Agencies	1	1
Total	1	1

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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 rates for fiscal years 2002 and 2001 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 the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. As the employer, the State contributed 36.33% of the total HPORS-covered payroll during fiscal years 2002 and 2001. The first 26.15% is payable from the same source used to pay members' compensation. The remaining amount, equal to 10.18%, is payable from a portion of the fees collected from drivers' license and duplicate drivers' license applications. (Reference Schedule of Contribution Rates on page 65).

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.

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 adopt the plan and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement,

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

Montana highway patrol officers retired prior to July 1, 1991, or their survivors, may be eligible for an annual supplemental lump-sum payment distributed each September. A portion of each motor vehicle registration fee funds this supplemental benefit. Many factors must be considered for eligibility, including the number of years the recipient has received a benefit and the recipient's age. The average annual supplemental payment in fiscal year 2002 was \$2,231. In fiscal year 2001, the average annual supplemental payment was \$2,162. This enhancement is available to non-GABA recipients only .

disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and either final monthly compensation or final 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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FURS Summary of Benefits

Member's compensation	Hired prior to July 1, 1981 and not electing GABA - final monthly compensation (FMC); Hired after June 30, 1981 and those electing GABA - final average compensation (FAC) for last consecutive 36 months
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: 2.5% of FAC per year of service, OR i) if less than 20 years of service, 2% of FMC for each year of service ii) if more than 20 years of service, 50% of the member's FMC plus 2% of the member's FMC for each year of service over 20 years Members hired after June 30, 1981 and those electing GABA: 2.5% of FAC per year of service
Guaranteed Annual Benefit Adjustment (GABA)	After the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit 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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At June 30, 2002 FURS had 16 participating employers, an increase of 2 from FY2001. The participating employers consist of:

FURS Employers		
<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
State Agencies	1	0
Cities and Towns	<u>15</u>	<u>14</u>
Total	16	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 2002 and 2001 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 2002 and 2001 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 2002 and 2001. 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 65).

Volunteer Firefighters' Compensation Act

Plan Description: The VFCA is a statewide 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 volunteer fire companies in unincor-

porated 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 is on the following page:

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	\$7.50 per year of credited service, maximum \$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 from the general fund to the Volunteer Firefighters' Pension Fund from fire insurance premiums. (Reference Schedule of Contribution Rates on page 65).

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.

Public Employees' Retirement System-DCRP

Plan Description: The PERS-defined contribution retirement plan (DCRP) created by the 1999 Legislature and governed by Title 19, chapters 2 & 3, MCA. The PERS-DCRP was available to all active PERS members effective July 1, 2002. The plan began receiving contributions or revenues after the July 1, 2002 implementation date.

Eligible PERS members who were active on July 1, 2002 and all new hires will have a 12-month window during which they may choose to transfer to the PERS-DCRP or remain in the current PERS-DBRP. Members may not be active members of both the defined contribution and defined benefit retirement plans. The choice is irrevocable.

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, 2002, the balance of the five draws taken by the MPERA totals \$1,498,000 on this loan. This loan accounts for the negative balance presented on the financial statements. The loan will be paid back over a period of ten years as discussed in Note C of the Financial Section.

A diverse and broad range of investment options are available to members of the DCRP. The investment options offered within the plan are selected by the PERB with the advice of the statutorily created Employee Investment Advisory Council (EIAC) and with the assistance of a third party consultant and investment analyst. Members of the defined contribution retirement plan will decide how to invest their contributions and a portion of their employer's contributions in the selected investment options. They will be able to invest

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in any number of the selected investment options and transfer between options, daily, if desired. The variable investment options cover all standard asset classes and categories. All options range from aggressive to conservative.

The fixed investment option requires the services of three external providers who were selected through the State's competitive bidding process. The external providers are: Aegon, Pacific Investment Management Company (PIMCO) and State Street Bank (SSB). Aegon has a guaranteed investment contract (GIC) that provides a guarantee of principal and sets a quarterly rate of return based upon the investment manager's portfolio yield and

duration. PIMCO, the investment manager, directs the investment of fixed assets. Fixed assets are invested in the bond market in accordance with established guidelines for credit quality, duration and issue concentration. SSB is PIMCO's custodial bank and holder of the fixed assets. SSB exchanges the assets as directed by PIMCO.

The remaining portion of employer's contributions will be used to maintain funding of the defined benefit plan, to provide disability benefits and to fund an employee education program. A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit

Termination of service

Vesting

Immediate for member's contributions and interest;
5 years for employer's contributions and interest

Benefit

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

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 2003 is 6.9% of member's compensation. The entire amount of the member's contribution is allocated to the member's retirement account. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is maintained by the third-party record keeper. Each state agency and university system employer contributes 6.9% of PERS-covered payroll beginning with fiscal year 2003. Participating local

governments and school district employers contribute 6.8% of PERS-covered payroll. The State contributes the remaining 0.1% for local governments and school employers from the state general fund. The employer rate of 6.9% is allocated as follows: 4.19% allocated to the member's retirement account, 2.37% allocated to the defined benefit plan choice rate, 0.04% allocated to defined contribution education fund and 0.3% allocated to the long-term disability plan. (Reference Schedule of Contribution Rates on page 65).

Deferred Compensation Plan (457)

Plan Description: The State of Montana has offered the deferred compensation plan to employees since 1976. All employees of the State, the Montana University System and contracting political subdivisions, are eligible to participate. The deferred compensation plan is governed by Title 19, chapter 50, MCA in accordance with Internal Revenue Service Code (IRC) §457. As of June 30, 2002 and 2001, the net assets of the deferred compensation plan were \$196,420,108 and \$200,280,113, respectively.

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

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

The fixed investment option guarantees both principal (the deferred salary) and a quarterly

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

The variable investment options include twenty-three mutual funds and five lifestyle/profile funds. All options range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The lifestyle or profile funds are preset funds that invest in underlying mutual funds to achieve a set objective such as time horizon or investment style.

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

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Prior to December 28, 2001, the investment managers for the fixed investments were the Montana Board of Investments (BOI) with custodial bank, State Street Bank (SSB); and State Street Research and Management (SSRM) with custodial bank, Wells Fargo. On December 28, 2001, the investments managed by SSRM were transferred to PIMCO and on January 7, 2002, the investments managed by the BOI were transferred to PIMCO.

Administrative expenses and the revenues that fund them are accounted for within the plan. The record keeper charges a fixed administrative fee for all plan participants. The fixed record keeping fee, by contract, is a flat dollar amount. In the interest of equity among varying account balances the flat dollar amount fee is converted to a basis point (or percent) fee based on account balances. This ensures smaller accounts or new plan participants are not incurring more fees than larger accounts or long term plan participants. On a quarterly basis, the contracted record keeper withholds the basis point fee from each plan participant's account. The basis point fees collected are reconciled to the contractual flat dollar amount and any fees withheld in excess of the contractual flat dollar fee are submitted to the PERB. Also submitted to the PERB are 12(b)(1) fees from certain mutual fund companies. 12(b)(1) fees are normally charged by the mutual funds for the purpose of advertising. Because the mutual fund companies involved in the deferred comp plan do not need to advertise to obtain the participants' business the fees are returned to the PERB. The PERB uses the excess and 12(b)(1) fees to pay administrative expenses associated with the deferred compensation plan. These amounts are recorded as Miscellaneous Revenue.

Fees on the fixed investments are charged by each of the three providers. The fees are defined per each contract for specific services

rendered. These fees are classified as Investment Expense.

Mutual fund administrative costs are not presented on the financial statements. Mutual fund earnings are generally declared net of expenses in accordance with the SEC and other regulatory authorities. 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 is on the following page:

Deferred Compensation Plan Summary

Contribution	Voluntary, tax-deferred
Eligibility for Benefit	Not available to participant until separation from service; retirement; death; or upon an unforeseeable emergency, while still employed and must meet IRS-specified criteria
Vesting	Participants are fully vested in their accounts at the time of deposit
Benefit	Lump sum or periodic benefit payment, at the option of the participant. Based on individual account balances and plan provisions. IRS permitted rollovers are also possible

At June 30, 2002 the deferred compensation plan had 8 participating employers, the same as FY2001. The participating employers consist of:

Deferred Compensation Employers

<u>Employers</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
State of Montana*	1	1
Colleges and Universities	6	6
Other	<u>1</u>	<u>1</u>
Total	8	8

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

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

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<i>FY 2002 Schedule of Contribution Rates</i>			
System	Member	Employer	State
PERS-DBRP	6.9% [19-3-315,MCA]	6.9% State & University 6.8% Local Governments [19-3-316, MCA]	0.1% of local government payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP¹	6.9% [19-3-315,MCA]	6.9% State & University 6.8% Local Governments [19-3-316, MCA]	0.1% of local government payroll – paid from the General Fund [19-3-319, MCA]
MPORS	5.8% - hired prior to 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 the General Fund [19-9-702, MCA]
GWPORS	10.56% [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 & new hires 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), MCA]	14.36% [19-13-605, MCA]	32.61% of salaries – paid from the General Fund [19-13-604, MCA]
VFCA			5.0% of fire insurance premiums, paid by the General Fund [19-17-301, MCA]

¹ Contributions do not begin until after July 1, 2002, the plan implementation date.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS 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
	06/30/02	3,076,781	3,077,764	983	99.97	808,747	0.12
MPORS	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
	06/30/02	143,516	226,827	83,311	63.27	22,229	374.79
GWPORS	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
	06/30/02	38,730	39,109	379	99.03	17,151	2.21
SRS	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
	06/30/02	138,590	121,625	(16,965)	113.95	24,521	-69.19

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

¹Refer to the "Notes to the Required Supplementary Information" for the Actuarial Assesst Valuation Method (Page 72).

²PERS Actuarial Valuation revised per audit recommendation.

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System	Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
JRS	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
	06/30/02	44,963	30,882	(14,081)	145.60	4,000	-352.03
HPORS	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
	06/30/02	81,734	94,850	13,116	86.17	7,536	174.04
FURS	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	234.68
	06/30/02	136,392	197,946	61,554	68.90	17,953	342.86
VFCA	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
	06/30/02	19,254	26,808	7,554	71.82	N/A	N/A

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

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

FINANCIAL SECTION

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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	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%
	2002	54,994,798	101.01%	373,721	100.00%
MPORS	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%
	2002	3,203,173	102.15%	6,528,604	100.02%
GWPORS	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%		
	2002	1,543,547	103.33%		
SRS	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%		
	2002	2,338,104	102.10%		

Refer to the "Notes to the Required Supplementary Information" (Page 72).

¹ PERS State Contribution of 0.1% for local governments is based on actual receipts for the fiscal year.

² A change was made to FY1998 for PERS, GWPORS and SRS to correct contributions erroneously reported in FY1998.

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Employer Contributions & Other Contributing Entities

(Continued)

System	Year Ended June 30	Annual Required Contribution ³	Percentage Contributed	Annual Required State Contribution	Percentage Contributed
JRS	1997	\$ 177,181	100.00%		
	¹ 1998	843,065	100.00%		
	1999	822,795	100.00%		
	2000	899,056	100.00%		
	2001	943,532	100.00%		
	2002	1,032,319	100.00%		
HPORS	1997	2,282,564	100.17%		
	¹ 1998	2,336,018	102.52%		
	² 1999	2,293,662	100.65%		
	2000	2,525,631	101.26%		
	2001	2,670,900	98.91%		
	2002	2,737,999	101.16%		
FURS	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%
	2002	2,578,021	97.80%	5,854,406	98.46%
VFCA	1997			910,692	100.00%
	1998			928,484	100.00%
	1999			944,434	100.00%
	2000			961,306	100.00%
	2001			1,002,992	100.00%
	2002			1,133,741	100.00%

Refer to the "Notes to the Required Supplementary Information" (Page 72).

¹ A change was made for JRS and HPORS to correct contributions erroneously reported in FY1998.

² A change was made for HPORS to correct contributions erroneously reported in FY1999 that should have been FY1998.

³ For HPORS, the License Fee was moved to Annual Required Contribution for all years presented.

FINANCIAL SECTION

Annual Required District Court Fees	Percentage Contributed	Annual Required Supreme Court Fees	Percentage Contributed	Annual Required Registration Fees	Percentage Contributed
\$ 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		
N/A	N/A	N/A	N/A		
				\$ 287,284	100.00%
				281,874	100.00%
				285,095	100.00%
				279,577	100.00%
				335,107	100.00%
				308,973	100.00%

FINANCIAL SECTION

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

Notes to the Required Supplementary Information

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

	PERS	MPORS	GWPORS
Valuation date	June 30, 2002	June 30, 2002	June 30, 2002
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 ¹	0.1	19.6	30
Unfunded Credit ²			
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	3% after 1 yr	3% after 1 yr	3% after 1 yr
Non-GABA	None	50% newly confirmed officer	None

¹ The unfunded liability for GWPORS is being amortized over 30 years. The current statutory rate is not sufficient to cover normal cost plus amortize the current unfunded liability.

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

FINANCIAL SECTION

SRS	JRS	HPORS	FURS	VFCA
June 30, 2002	June 30, 2002	June 30, 2002	June 30, 2002	June 30, 2002
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 revenue, open
30	30	8.7	13.8	21
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
3% after 1 yr None	3% after 1 yr Annual increase to salary of active member in like position	3% after 1 yr 2% per yr service for newly confirmed officer	3% after 1 yr 50% newly confirmed officer	None 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, 2002

	Defined Benefit Plans	Defined Benefit Education Fund	Defined Contribution PERS-DCRP	Defined Contribution 457 Plan
Personal Services				
Salaries	\$ 731,762	\$ 90,552	\$ 119,002	\$ 102,276
Board Members' Per Diem	4,941	899	3,498	1,112
Employee Benefits	191,629	22,994	29,649	26,899
Total Personal Services	928,332	114,445	152,149	130,287
Other Services				
Consulting Services	534,273	1,305,185	185,043	33,890
Legal Fees and Court Costs	10,528	5	1,366	406
Payroll Fees	4,590	558	472	389
Audit Fees	16,700	271	229	203
Medical Services	9,653			
Microfilming	2,356			
Records Storage	3,616	14	17	17
Pre Retirement Seminars	2,500			
Computer Processing	126,474	4,170	18,615	4,929
Printing and Photocopy Charges	48,636	15,364	2,131	8,069
Warrant Writing Services	39,048			
Other	10,639	1,280	1,088	903
Total Other Services	809,013	1,326,847	208,961	48,806
Communications				
Recruitment Costs	305	24	24	24
Postage and Mailing	83,321	6,826	6,686	6,457
Telephone	18,377	1,274	1,200	1,277
Total Communications	102,003	8,124	7,910	7,758
Other Expenses				
Supplies and Materials	58,968	7,491	7,913	5,276
Travel	19,066	14,092	16,300	11,526
Rent	81,606	10,178	9,920	9,095
Repairs and Maintenance	546	190	186	183
Depreciation/Amortization	462			
Compensated Absences	23,120	145	(1,821)	20,793
Interest Payments			33,936	
Miscellaneous	22,742	3,718	9,644	8,487
Total Other Expenses	206,510	35,814	76,078	55,360
Total Administrative Expenses	\$ 2,045,858	\$ 1,485,230	\$ 445,098	\$ 242,211

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Investment Expenses

Year Ended June 30, 2002

<u>Plan</u>	<u>Investment Manager</u>	<u>Fees</u>
PERS-DBRP	Board of Investments	\$ 3,784,820
MPORS	Board of Investments	123,484
GWPORS	Board of Investments	32,431
SRS	Board of Investments	123,497
JRS	Board of Investments	48,184
HPORS	Board of Investments	80,681
FURS	Board of Investments	108,640
VFCA	Board of Investments	21,637
457	State Street Research	68,801
	Wells Fargo	4,962
	PIMCO	165,978
	State Street Bank	<u>12,694</u>
	Total Investment Expense	<u><u>\$ 4,575,809</u></u>

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Consultants

Year Ended June 30, 2002

<u>Individual or Firm</u>	<u>Nature of Service</u>	<u>Amount Paid</u>
Educational Technologies, Inc.	Education Consultants	\$ 1,303,089
BearingPoint (formerly KPMG Consulting)	Web Reporting Systems Development	470,272
Computer Consulting Corporation	Computer Programming Services	83,108
Arnerich Massena & Associates, Inc.	Mutual Funds Performance Review	55,543
William M. Mercer, Inc.	DC Implementation Consultants	42,666
Milliman USA	Actuarial Consultant	35,959
Ice Miller	Tax Law Consultant	25,164
Legislative Audit Division, Legislative Branch	Independent Auditors	17,403
Communications & Management Service	Human Resources Consulting	12,925
Lawrence R. McEvoy, MD	Medical Consultant	7,068
Legal Services Division, Department of Justice	Legal Services	3,565
Professional Development Center, Department of Administration	Retirement Planning Seminars	2,500
Comserv, Inc.	Death Information System Services	935

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 objectives.

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

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

INVESTMENT GOALS AND OBJECTIVES

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

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

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

RISK TOLERANCE

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

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.) A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2002 are reported for each defined benefit fund by the BOI. The following tables are a summary of the information received from the BOI.

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
12-Month Period ending June 30, 2002					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		2.97%	2.97%	2.97%	2.98%
<i>91 day T-Bill</i>	2.46%				
Equities ¹		-17.49%	-17.80%	-17.89%	-17.72%
<i>S&P 500</i>	-17.97%				
Fixed Income		9.09%	9.04%	9.04%	9.04%
<i>LB Aggregate Bond</i>	8.63%				
Miscellaneous ²		-1.34%			
All Assets		-7.23%	-7.53%	-7.46%	-7.33%
Composite³		-5.50%	-5.89%	-5.88%	-5.75%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		2.98%	2.98%	2.97%	2.97%
<i>91 day T-Bill</i>	2.46%				
Equities ¹		-17.65%	-17.69%	-17.86%	-16.59%
<i>S&P 500</i>	-17.97%				
Fixed Income		9.04%	9.04%	9.04%	9.04%
<i>LB Aggregate Bond</i>	8.63%				
All Assets		-7.48%	-7.53%	-7.58%	-3.46%
Composite³		-5.72%	-5.85%	-6.00%	-1.98%
¹ Includes MTCP, MTIP, REI and Alternative Equities					
² Montana Mortgages					
³ An 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, 2002					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		5.11%	5.10%	5.10%	5.10%
<i>91 day T-Bill</i>	4.46%				
Equities ¹		-7.96%	-8.57%	-8.62%	-8.55%
<i>S&P 500</i>	-9.17%				
Fixed Income		8.28%	8.18%	8.18%	8.18%
<i>LB Aggregate Bond</i>	8.11%				
Miscellaneous ²		8.58%			
All Assets		-1.66%	-1.98%	-1.96%	-1.99%
Composite³		-1.23%	-1.43%	-1.43%	-1.47%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		5.09%	5.09%	5.10%	5.09%
<i>91 day T-Bill</i>	4.46%				
Equities ¹		-8.37%	-8.48%	-8.65%	-7.73%
<i>S&P 500</i>	-9.17%				
Fixed Income		8.18%	8.18%	8.18%	8.18%
<i>LB Aggregate Bond</i>	8.11%				
All Assets		-1.98%	-2.01%	-2.06%	0.47%
Composite³		-1.37%	-1.43%	-1.56%	0.95%

¹ Includes MTCP, MTIP, REI and Alternative Equities
² Montana Mortgages
³ An Index Composite paralleling the Fund's Asset Allocation at Market Value

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Five-Year Period ending June 30, 2002					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		5.34%	5.33%	5.33%	5.33%
<i>91 day T-Bill</i>	4.66%				
Equities ¹		2.56%	2.35%	2.34%	2.39%
<i>S&P 500</i>	3.66%				
Fixed Income		7.78%	7.79%	7.79%	7.79%
<i>LB Aggregate Bond</i>	7.57%				
Miscellaneous ²		7.06%			
All Assets		4.46%	4.25%	4.40%	4.35%
Composite²		5.08%	4.94%	5.10%	5.04%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		5.33%	5.33%	5.33%	5.33%
<i>91 day T-Bill</i>	4.66%				
Equities ¹		2.39%	2.38%	2.35%	2.57%
<i>S&P 500</i>	3.66%				
Fixed Income		7.79%	7.79%	7.79%	7.79%
<i>LB Aggregate Bond</i>	7.57%				
All Assets		4.27%	4.25%	4.25%	5.03%
Composite³		4.98%	4.97%	4.94%	5.39%
¹ Includes MTCP, MTIP, REI and Alternative Equities					
² Montana Mortgages					
³ An 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 2002 is listed in the following table for both fixed income investments and equity investments.

FY2002 ASSET ALLOCATION

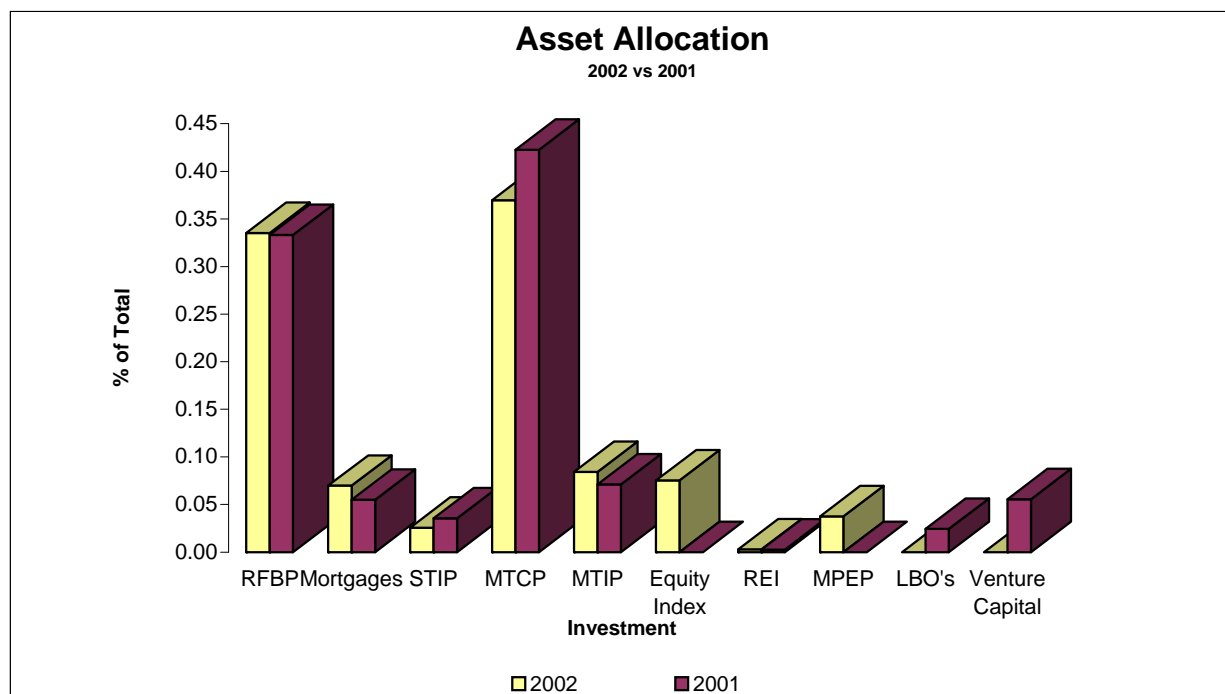
	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			JRS		
Fixed	32% to 50%	43.06%	Fixed	24% to 43%	42.81%
Equity	50% to 68%	56.94%	Equity	57% to 76%	57.19%
MPORS			HPORS		
Fixed	24% to 43%	42.30%	Fixed	24% to 43%	41.63%
Equity	57% to 76%	57.70%	Equity	57% to 76%	58.37%
GWPORS			FURS		
Fixed	24% to 43%	44.90%	Fixed	24% to 43%	42.04%
Equity	57% to 76%	55.10%	Equity	57% to 76%	57.96%
SRS			VFCA		
Fixed	24% to 43%	42.72%	Fixed	50% to 68%	57.32%
Equity	57% to 76%	57.28%	Equity	32% to 50%	42.68%

INVESTMENT SECTION

PERS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

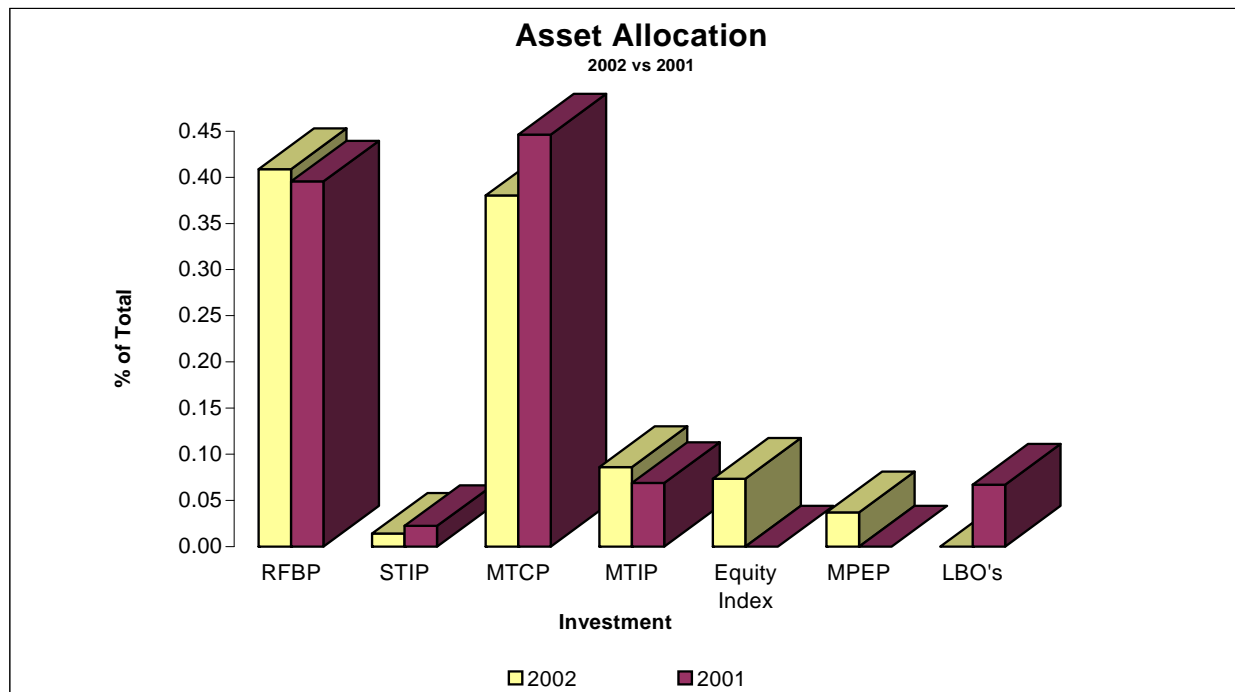
Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 858,467	33.54%	\$ 920,352	33.32%	\$ (61,885)	-6.72%
Montana Mortgages	178,442	6.97%	152,021	5.50%	26,421	17.38%
STIP	65,339	2.55%	97,637	3.53%	(32,298)	-33.08%
<i>Total Fixed Income</i>	<u>\$ 1,102,248</u>	<u>43.06%</u>	<u>\$ 1,170,010</u>	<u>42.36%</u>	<u>\$ (67,762)</u>	<u>-5.79%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 946,375	36.97%	\$ 1,167,554	42.27%	\$(221,179)	-18.94%
Montana International Pool (MTIP)	215,598	8.42%	196,692	7.12%	18,906	9.61%
Equity Index	192,493	7.52%	-	0.00%	192,493	100.00%
Real Estate Investments (REI)	7,035	0.27%	7,035	0.25%	-	0.00%
Montana Private Equity Pool (MPEP)	95,927	3.75%	-	0.00%	95,927	100.00%
Leveraged Buyouts (LBO)	-	0.00%	67,250	2.43%	(67,250)	-100.00%
Venture Capital	-	0.00%	153,616	5.56%	(153,616)	-100.00%
<i>Total Equities</i>	<u>\$ 1,457,428</u>	<u>56.94%</u>	<u>\$ 1,592,147</u>	<u>57.64%</u>	<u>\$(134,719)</u>	<u>-8.46%</u>
Total	\$ 2,559,676	100.00%	\$ 2,762,157	100.00%	\$(202,481)	-7.33%



MPORS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 46,045	40.90%	\$ 47,732	39.55%	(1,687)	-3.53%
STIP	1,568	1.39%	2,689	2.23%	(1,121)	-41.69%
Total Fixed Income	\$ 47,613	42.30%	\$ 50,421	41.78%	(2,808)	-5.57%
Equities:						
Montana Stock Pool (MTCP)	42,820	38.04%	53,867	44.64%	(11,047)	-20.51%
Montana International Pool (MTIP)	9,695	8.61%	8,299	6.88%	1,396	16.82%
Equity Index	8,271	7.35%	-	0.00%	8,271	100.00%
Montana Private Equity Pool (MPEP)	4,167	3.70%	-	0.00%	4,167	100.00%
Leveraged Buyouts (LBO)	-	0.00%	8,086	6.70%	(8,086)	-100.00%
Total Equities	64,953	57.70%	70,252	58.22%	(5,299)	-7.54%
Total	\$ 112,566	100.00%	\$ 120,673	100.00%	\$ (8,107)	-6.72%

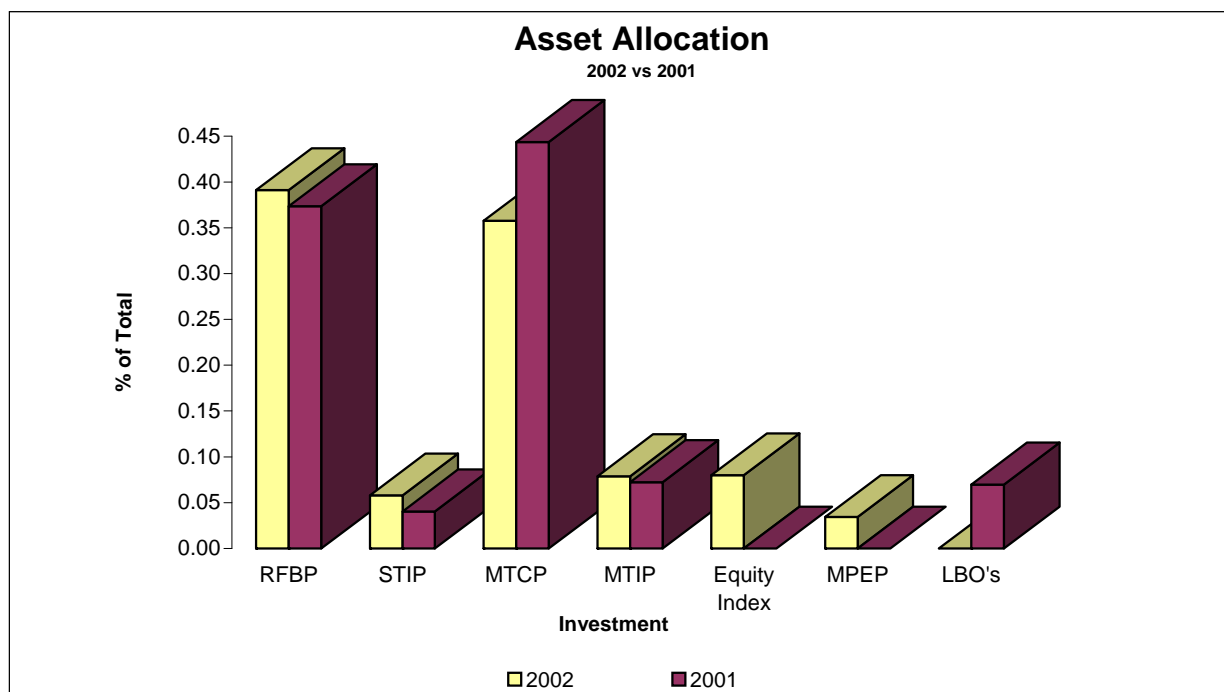


INVESTMENT SECTION

GWPORS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 12,658	39.11%	\$ 12,366	37.36%	\$ 292	2.36%
STIP	1,875	5.79%	1,337	4.04%	538	40.24%
<i>Total Fixed Income</i>	<i>\$ 14,533</i>	<i>44.90%</i>	<i>\$ 13,703</i>	<i>41.40%</i>	<i>\$ 830</i>	<i>6.06%</i>
Equities:						
Montana Stock Pool (MTCP)	\$ 11,576	35.77%	\$ 14,689	44.37%	\$ (3,113)	-21.19%
Montana International Pool (MTIP)	2,555	7.89%	2,396	7.24%	159	6.64%
Equity Index	2,586	7.99%	-	0.00%	2,586	100.00%
Montana Private Equity Pool (MPEP)	1,115	3.45%	-	0.00%	1,115	100.00%
Leveraged Buyouts (LBO)	-	0.00%	2,315	6.99%	271	11.71%
<i>Total Equities</i>	<i>\$ 17,832</i>	<i>55.10%</i>	<i>\$ 19,400</i>	<i>58.60%</i>	<i>\$ (1,568)</i>	<i>-8.08%</i>
Total	\$ 32,365	100.00%	\$ 33,103	100.00%	\$ (738)	-2.23%

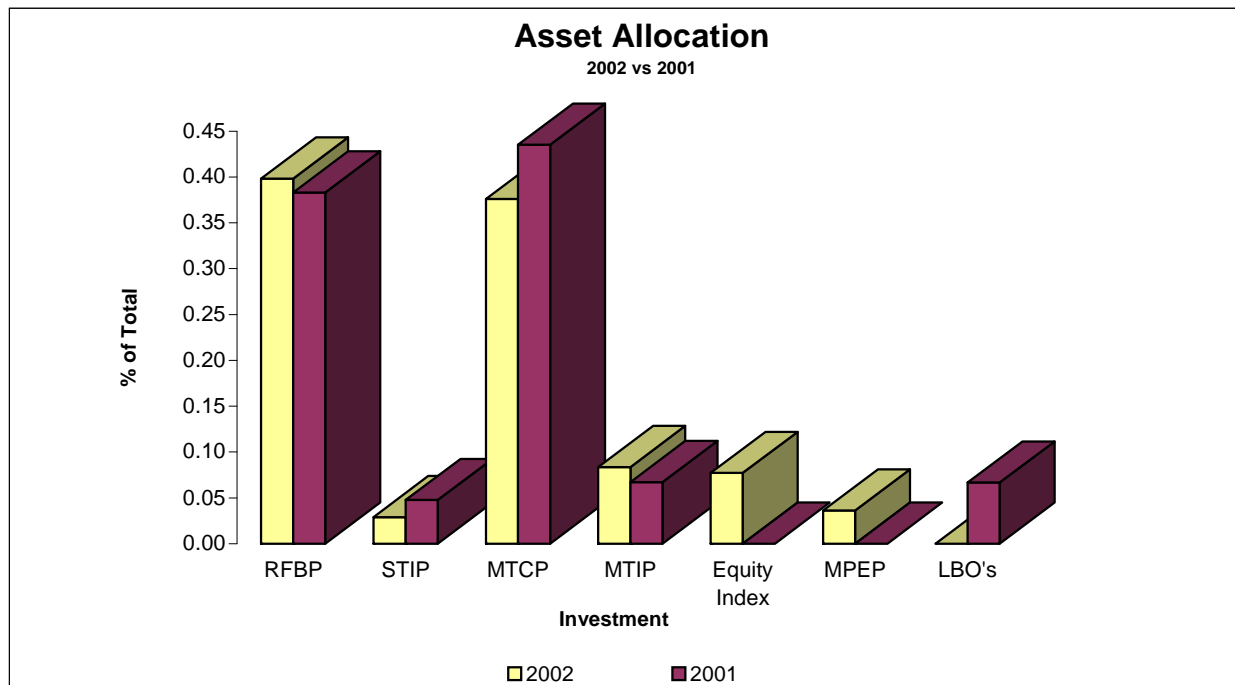


INVESTMENT SECTION

SRS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 45,736	39.81%	\$ 47,203	38.31%	\$ (1,467)	-3.11%
STIP	3,338	2.91%	5,872	4.77%	(2,534)	-43.15%
<i>Total Fixed Income</i>	<u>\$ 49,074</u>	<u>42.72%</u>	<u>\$ 53,075</u>	<u>43.08%</u>	<u>\$ (4,001)</u>	<u>-7.54%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 43,178	37.58%	\$ 53,611	43.51%	\$ (10,433)	-19.46%
Montana International Pool (MTIP)	9,593	8.35%	8,289	6.73%	1,304	15.73%
Equity Index	8,875	7.72%	-	0.00%	8,875	100.00%
Montana Private Equity Pool (MPEP)	4,167	3.63%	-	0.00%	4,167	100.00%
Leveraged Buyouts (LBO)	-	0.00%	8,227	6.68%	(8,227)	-100.00%
<i>Total Equities</i>	<u>\$ 65,813</u>	<u>57.28%</u>	<u>\$ 70,127</u>	<u>56.92%</u>	<u>\$ (4,314)</u>	<u>-6.15%</u>
Total	\$ 114,887	100.00%	\$ 123,202	100.00%	\$ (8,315)	-6.75%

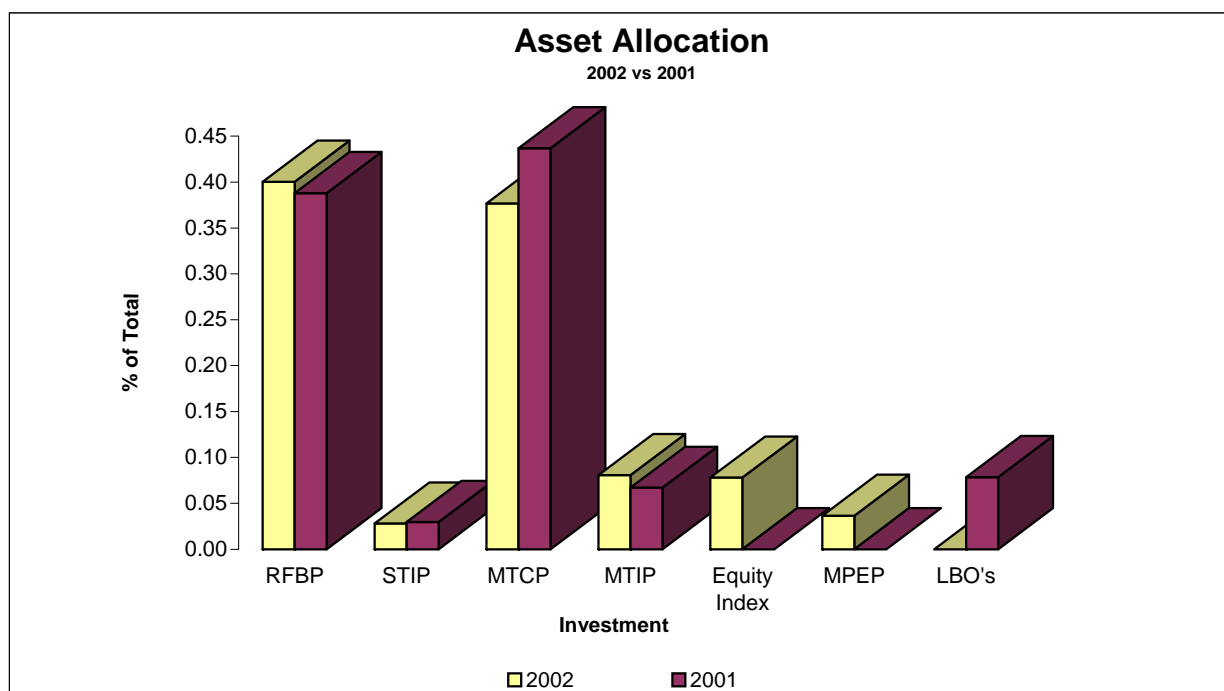


INVESTMENT SECTION

JRS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,878	40.02%	\$ 15,733	38.81%	\$ (855)	-5.43%
STIP	1,036	2.79%	1,200	2.96%	(164)	-13.67%
<i>Total Fixed Income</i>	<u>\$ 15,914</u>	<u>42.81%</u>	<u>\$ 16,933</u>	<u>41.77%</u>	<u>\$ (1,019)</u>	<u>-6.02%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 14,012	37.69%	\$ 17,712	43.69%	\$ (3,700)	-20.89%
Montana International Pool (MTIP)	2,995	8.06%	2,710	6.68%	285	10.52%
Equity Index	2,900	7.80%	-	0.00%	2,900	100.00%
Montana Private Equity Pool (MPEP)	1,353	3.64%	-	0.00%	1,353	100.00%
Leveraged Buyouts (LBO)	-	0.00%	3,185	7.86%	(3,185)	-100.00%
<i>Total Equities</i>	<u>\$ 21,260</u>	<u>57.19%</u>	<u>\$ 23,607</u>	<u>58.23%</u>	<u>\$ (2,347)</u>	<u>-9.94%</u>
Total	\$ 37,174	100.00%	\$ 40,540	100.00%	\$ (3,366)	-8.30%

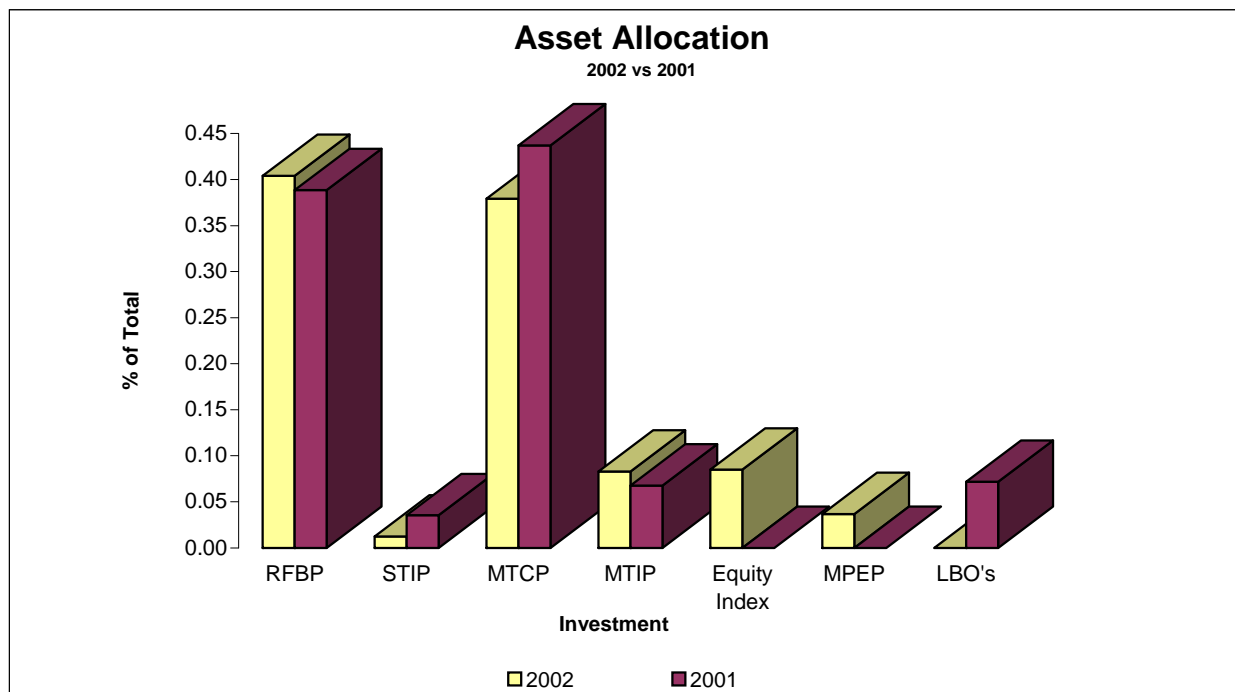


INVESTMENT SECTION

HPORS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 27,230	40.39%	\$ 28,878	38.85%	\$ (1,648)	-5.71%
STIP	832	1.23%	2,625	3.53%	(1,793)	-68.30%
<i>Total Fixed Income</i>	<u>\$ 28,062</u>	<u>41.63%</u>	<u>\$ 31,503</u>	<u>42.38%</u>	<u>\$ (3,441)</u>	<u>-10.92%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 25,563	37.92%	\$ 32,490	43.71%	\$ (6,927)	-21.32%
Montana International Pool (MTIP)	5,590	8.29%	5,018	6.75%	572	11.40%
Equity Index	5,729	8.50%	-	0.00%	5,729	100.00%
Montana Private Equity Pool (MPEP)	2,468	3.66%	-	0.00%	2,468	100.00%
Leveraged Buyouts (LBO)	-	0.00%	5,324	7.16%	405	7.61%
<i>Total Equities</i>	<u>\$ 39,350</u>	<u>58.37%</u>	<u>\$ 42,832</u>	<u>57.62%</u>	<u>\$ (3,482)</u>	<u>-8.13%</u>
Total	\$ 67,412	100.00%	\$ 74,335	100.00%	\$ (6,923)	-9.31%

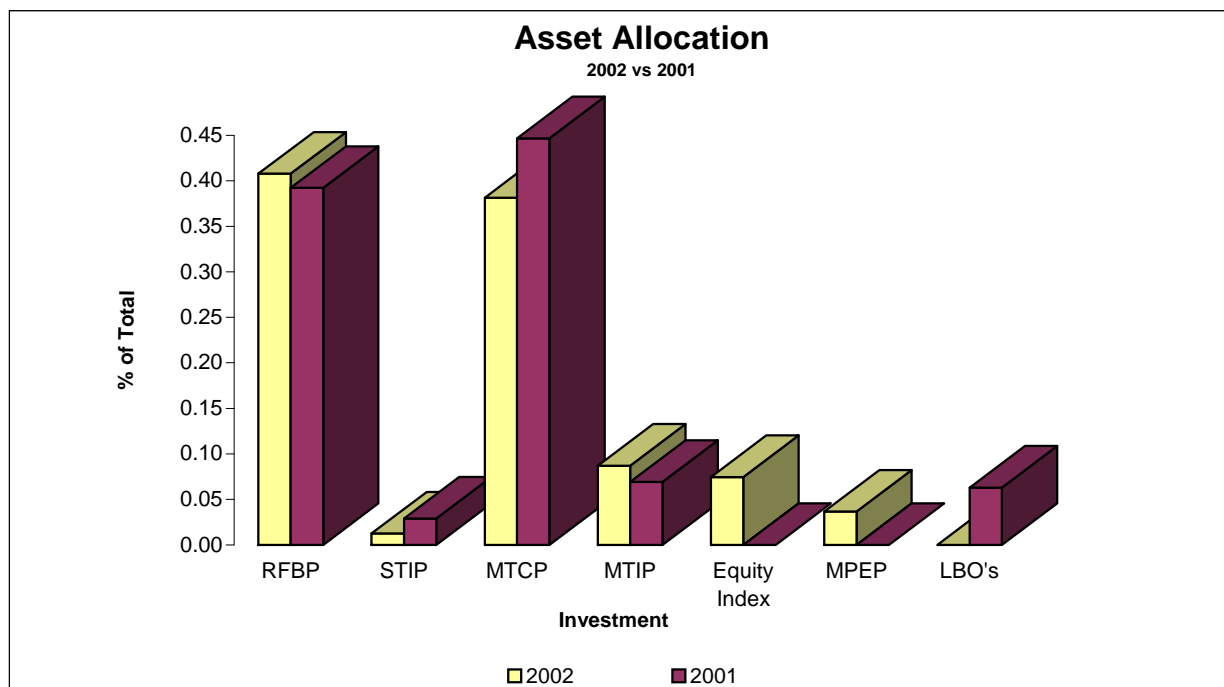


INVESTMENT SECTION

FURS

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 43,775	40.78%	\$ 45,197	39.23%	\$ (1,422)	-3.15%
STIP	1,349	1.26%	3,335	2.89%	(1,986)	-59.55%
<i>Total Fixed Income</i>	<u>\$ 45,124</u>	<u>42.04%</u>	<u>\$ 48,532</u>	<u>42.12%</u>	<u>\$ (3,408)</u>	<u>-7.02%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 40,946	38.15%	\$ 51,462	44.66%	\$ (10,516)	-20.43%
Montana International Pool (MTIP)	9,337	8.70%	7,966	6.91%	1,371	17.21%
Equity Index	8,002	7.45%	-	0.00%	8,002	100.00%
Montana Private Equity Pool (MPEP)	3,929	3.66%	-	0.00%	3,929	100.00%
Leveraged Buyouts (LBO)	-	0.00%	7,260	6.30%	(7,260)	-100.00%
<i>Total Equities</i>	<u>\$ 62,214</u>	<u>57.96%</u>	<u>\$ 66,688</u>	<u>57.88%</u>	<u>\$ (4,474)</u>	<u>-6.71%</u>
Total	\$ 107,338	100.00%	\$ 115,220	100.00%	\$ (7,882)	-6.84%

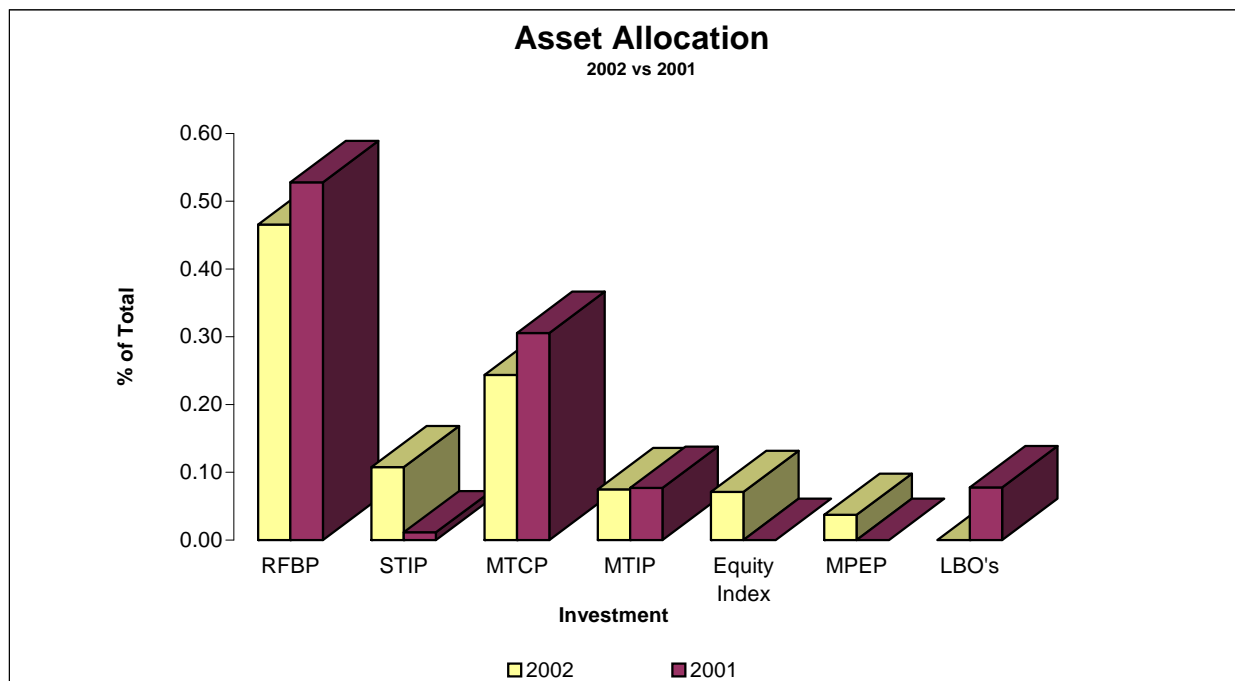


INVESTMENT SECTION

VFCA

Asset Mix (Fair Value) as of June 30, 2002 and 2001 (in thousands)

Investment Type	2002 Fair Value	% of Total	2001 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 7,838	46.56%	\$ 8,805	52.79%	\$ (967)	-10.98%
STIP	1,811	10.76%	192	1.15%	1,619	843.23%
<i>Total Fixed Income</i>	<u>\$ 9,649</u>	<u>57.32%</u>	<u>\$ 8,997</u>	<u>53.95%</u>	<u>\$ 652</u>	<u>7.25%</u>
Equities:						
Montana Stock Pool (MTCP)	\$ 4,100	24.36%	\$ 5,097	30.56%	\$ (997)	-19.56%
Montana International Pool (MTIP)	1,262	7.50%	1,286	7.71%	(24)	-1.87%
Equity Index	1,194	7.09%	-	0.00%	1,194	100.00%
Montana Private Equity Pool (MPEP)	628	3.73%	-	0.00%	628	100.00%
Leveraged Buyouts (LBO)	-	0.00%	1,298	7.78%	(1,298)	-100.00%
<i>Total Equities</i>	<u>\$ 7,184</u>	<u>42.68%</u>	<u>\$ 7,681</u>	<u>46.05%</u>	<u>\$ (497)</u>	<u>-6.47%</u>
Total	\$ 16,833	100.00%	\$ 16,678	100.00%	\$ 155	0.93%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2002

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
309,482,740	Montana Residential Mortgages	\$316,187,064
232,474,931	Montana Permanent Coal Trust Loans	232,474,931

PERS' 174,985,989 shares represent 31.7% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
60,953,250	KKR 1996	\$90,211,663
34,187,599	Brinson Partnership Trust	30,654,739
32,016,327	Brinson Partnership Fund Trust	28,701,773
16,171,794	KKR 1986, 1987	15,454,138
11,708,333	Brinson Venture Capital Fund IV	7,294,315
11,708,333	Brinson Venture Capital Fund IV	7,294,315
8,101,502	Institutional Venture Capital Fund	6,907,167
9,295,565	KKR 1993	6,475,523
4,541,654	KKR European Fund	3,663,907
3,071,519	Separate Account Partnerships	2,173,446

PERS' 985,051 shares represent 48.61% of the total MPEP portfolio at market.

MPORS' 42,790 shares represent 2.11% of the total MPEP portfolio at market.

GWPOORS' 11,448 shares represent .56% of the total MPEP portfolio at market.

SRS' 42,790 shares represent 2.11% of the total MPEP portfolio at market.

JRS' 13,895 shares represent .69% of the total MPEP portfolio at market.

HPORS' 25,343 shares represent 1.25% of the total MPEP portfolio at market.

FURS' 40,343 shares represent 1.99% of the total MPEP portfolio at market.

VFCA's 6,448 shares represent .32% of the total MPEP portfolio at market.

Shares/Par	Equity Index	Fair Value
1,498,900	S&P 500 Index Fund A	\$382,525,083
510,994	S&P 500 Index Fund B	64,180,639

PERS' 754,271 shares represent 43.09% of the total Equity Index portfolio at market.

MPORS' 32,411s represent 1.85% of the total Equity Index portfolio at market.

GWPOORS' 10,132 shares represent .58% of the total Equity Index portfolio at market.

SRS' 34,778 shares represent 1.99% of the total Equity Index portfolio at market.

JRS' 11,365 shares represent .65% of the total Equity Index portfolio at market.

HPORS' 122,450 shares represent 1.28% of the total Equity Index portfolio at market.

FURS' 31,355 shares represent 1.79% of the total Equity Index portfolio at market.

VFCA's 4,677 shares represent .27% of the total Equity Index portfolio at market.

Public Employee' Retirement Board
A Component Unit of the State of Montana
Largest Holdings (by portfolio fair value)
as of June 30, 2002

Shares/Par	MTCP Portfolio	Fair Value
1,680,000	Microsoft Corp	\$91,896,000
1,983,866	Citigroup Inc	76,874,808
2,522,300	General Electric Co	73,272,815
1,409,912	Exxon Mobil Corp	57,693,599
1,635,000	Pfizer Inc	57,225,000
793,750	American International Group Inc	54,157,563
1,022,000	Johnson + Johnson	53,409,720
909,000	Merck + Co Inc	46,031,760
800,000	Wal Mart Stores Inc	44,008,000
450,350	ChevronTexaco Corp	39,855,975

PERS' 2,989,422 shares represent 50.26% of the total MTCP portfolio at market.
 MPORS' 135,262 shares represent 2.27% of the total MTCP portfolio at market.
 GWPORS' 36,568 shares represent .61% of the total MTCP portfolio at market.
 SRS' 136,391 shares represent 2.29% of the total MTCP portfolio at market.
 JRS' 44,262 shares represent .74% of the total MTCP portfolio at market.
 HPORS' 80,748 shares represent 1.36% of the total MTCP portfolio at market.
 FURS' 129,341 shares represent 2.17% of the total MTCP portfolio at market.
 VFCA's 12,950 shares represent .22% of the total MTCP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
150,000,000	Student Loan Marketing Association	\$58,369,500
36,000,000	United States Treasury Bonds	42,427,800
34,000,000	United States Treasury Bonds	40,916,960
30,000,000	Federal National Mortgage Assn	31,966,500
200,000,000	Chase Manhattan Corp	28,090,000
20,000,000	Federal National MTG Assn	22,396,200
375,723,766	General RE Corp	21,502,671
19,745,444	PPL Mont LLC	20,886,336
100,000,000	Federal Home Loan Banks	20,790,000
14,000,000	United States Treasury Bonds	19,239,500

PERS' 8,289,422 shares represent 50.30% of the total RFBP portfolio at market.
 MPORS' 444,612 shares represent 2.70% of the total RFBP portfolio at market.
 GWPORS' 122,222 shares represent .74% of the total RFBP portfolio at market.
 SRS' 441,634 shares represent 2.68% of the total RFBP portfolio at market.
 JRS' 143,659 shares represent .87% of the total RFBP portfolio at market.
 HPORS' 262,934 shares represent 1.60% of the total RFBP portfolio market.
 FURS' 442,690 shares represent 2.56% of the total RFBP portfolio market.
 VFCA's 75,680 shares represent .46% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employee' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2002

Shares/Par	MTIP Portfolio	Fair Value
115,500	Nestle SA	\$6,699,000
132,900	Novartis AG	5,825,007
114,000	UBS AG	5,733,867
129,500	Novartis AG	5,695,481
660,360	Barclays	5,556,358
84,000	Soc Generale	5,533,466
83,503	IHC Caland NV	4,993,538
44,400	Swiss Reinsurance	4,341,071
76,000	Royal Dutch Petroleum Co	4,200,520
150,000	Koninklijke Philips Electrons N V	4,140,000

PERS' 12,366,109 shares represent 50.19% of the total MTIP portfolio at market.

MPORS' 106,395 shares represent 2.26% of the total MTIP portfolio at market.

GWPOORS' 28,041 shares represent .59% of the total MTIP portfolio at market.

SRS' 34,778 shares represent 2.23% of the total MTIP portfolio at market.

JRS' 32,874 shares represent .70% of the total MTIP portfolio at market.

HPORS' 61,352 shares represent 1.30% of the total MTIP portfolio at market.

FURS' 102,465 shares represent 2.17% of the total MTIP portfolio at market.

VFCA's 13,852 shares represent .29% of the total MTIP portfolio at market.

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INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Investment Summary

as of June 30, 2002

(in thousands)

Type of Investment	PERS		MPORS		GWPORS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 858,467	33.54%	\$ 46,045	40.90%	\$ 12,658	39.11%
<i>Equities</i>						
Montana Stock Pool	946,375	36.97%	42,820	38.04%	11,576	35.77%
Montana International Pool	215,598	8.42%	9,695	8.61%	2,555	7.89%
Equity Index	192,493	7.52%	8,271	7.35%	2,586	7.99%
<i>Alternative Equities</i>						
Montana Private Equity Pool	95,927	3.75%	4,167	3.70%	1,115	3.45%
Real Estate Investments	7,035	0.27%	N/A	0.00%	N/A	0.00%
<i>Montana Mortgages & Loans</i>						
Mortgages	178,442	6.97%	N/A	0.00%	N/A	0.00%
<i>Short term Investments</i>						
Short Term Investment Pool	65,339	2.55%	1,568	1.39%	1,875	5.79%
Total	\$ 2,559,676	100.00%	\$ 112,566	100.00%	\$ 32,365	100.00%

INVESTMENT SECTION

SRS		JRS		HPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 45,736	39.81%	\$ 14,878	40.02%	\$ 27,230	40.39%	\$ 43,775	40.78%	\$ 7,838	46.56%
43,178	37.58%	14,012	37.69%	25,563	37.92%	40,946	38.15%	4,100	24.36%
9,593	8.35%	2,995	8.06%	5,590	8.29%	9,337	8.70%	1,262	7.50%
8,875	7.72%	2,900	7.80%	5,729	8.50%	8,002	7.45%	1,194	7.09%
4,167	3.63%	1,353	3.64%	2,468	3.66%	3,929	3.66%	628	3.73%
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%
3,338	2.91%	1,036	2.79%	832	1.23%	1,349	1.26%	1,811	10.76%
\$ 114,887	100.00%	\$ 37,174	100.00%	\$ 67,412	100.00%	\$ 107,338	100.00%	\$ 16,833	100.00%

INVESTMENT SECTION

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November 25, 2002

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, 2002:

- 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

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, for all Systems except the Game Wardens' and Peace Officers' Retirement System (GWPORS). The amortization periods for the systems with an Unfunded Actuarial Liability are as follows:

- Public Employees' Retirement System	0.1 years
- Municipal Police Officers' Retirement System	19.6 years
- Highway Patrol Officers' Retirement System	8.7 years
- Firefighters' Unified Retirement System	13.8 years
- Volunteer Firefighters' Compensation Act	21.0 years

In our opinion, each retirement system is being funded on an actuarially sound basis except for the GWPORS. The Normal Cost plus a 30-year amortization of the Unfunded Actuarial Liability for the GWPORS is estimated to be 20.82% of payroll compared to the current statutory contribution rate of 19.56% of payroll.

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



Information as of June 30, 2002, 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, 2002, 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 2002 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

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. This experience study investigates the actuarial experience of each plan administered by the PERB. The most recent actuarial valuation of the plans was completed in 2002. The actuarial methods and assumptions are described in this section. The methods and assumptions have been chosen by the Board, based on the actuary's recommendation. The recommendations were formed on the basis of recent experience of the plans and on current expectations as to future economic conditions.

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

RECORDS AND DATA

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

ACTUARIAL COST METHOD

A fundamental principle in financing the liabilities of a retirement program is that the cost of benefits should be related to when they

are earned, rather than when they are paid. There are a number of methods in use for making the determination.

The funding method used in the valuations is the Entry Age Cost Method. Under this method, the actuarial present value of projected benefits for each individual member included in the valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called the Normal Cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future Normal 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 PERB and were accepted without audit by the actuary. The Actuarial Value of Assets is the market value, adjusted by a four-year recognition of gains and losses.

INVESTMENT RETURN

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

ACTUARIAL SECTION

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 is in addition to the wage growth. The merit scale is calculated independently for each plan based on the factors applicable to the plan. VFCA is excluded from this calculation because members are unpaid volunteers.

MORTALITY

The probabilities of mortality for Healthy Retirees, Beneficiaries and Non-Retired Members are based on 1994 Uninsured Pensioner Tables for males and females and adjusted for each plan as stated in the following table:

Healthy Retirees, Beneficiaries and Non-Retired Members

	<u>Males</u>	<u>Females</u>
PERS	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.

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

ACTUARIAL SECTION

referred to as T-8, which reasonably represents the expected turnover rate of the volunteer firefighters other than retirement or death.

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 BENEFITS

The 2001 legislative benefit enhancement impacts the overall valuation of the plans. The table below shows the funding of the plans in 2000 as determined by the previous actuarial valuation. The 2002 valuations reflect what the valuation would have been under the previous benefits and the actual funding of the plans using the current benefits.

UNFUNDED ACTUARIAL LIABILITY OR (ACTUARIAL SURPLUS)¹			
	2002 Actuarial Valuation		2000 Actuarial Valuation
	<u>Revised</u> <u>Benefits</u>	<u>Previous</u> <u>Benefits</u>	
PERS	\$ 983	\$ (487,480)	\$ (569,940)
MPORS	83,311	54,635	51,283
GWPORS	379	(9,625)	(9,044)
SRS	(16,965)	(35,870)	(38,502)
JRS	(14,081)	(15,028)	(14,678)
HPORS	13,116	247	(1,413)
FURS	61,554	39,961	38,837
VFCA	7,554	(1,374)	(1,017)

¹ In Thousands

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Valuation Data

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
PERS	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%
	June 30, 2002	29,808	515	808,747,026	27,132	4.24%
MPORS	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%
	June 30, 2002	585	22	22,228,818	37,998	5.46%
GWPORS	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%
	June 30, 2002	609	8	17,150,523	28,162	-1.40%
SRS	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%
	June 30, 2002	642	56	24,521,275	38,195	5.07%

The last actuarial valuation was performed as of June 30, 2002.

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System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
JRS	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%
	June 30, 2002	48	1	3,999,689	83,327	9.41%
HPORS	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%
	June 30, 2002	194	1	7,536,469	38,848	0.40%
FURS	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%
	June 30, 2002	437	16	17,952,794	41,082	4.41%
VFCA	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				
	June 30, 2002	2,609				

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

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Composition

	PERS	MPORS	GWPORS	SRS	JRS	HPORS	FURS	VFCA ¹
Average Age	46.2	37.6	39.0	40.7	53.7	38.9	40.1	43.5
Average Service	9.1	9.4	4.8	8.9	8.6	9.8	12.4	8.6
Under Age 25								
Number Members	656	18	28	17	-	3	9	104
Average Salary	\$ 19,272	28,987	24,536	31,352	-	32,165	29,136	-
Ages 25-29								
Number Members	1,496	77	78	70	-	18	51	181
Average Salary	\$ 23,444	32,469	27,588	34,313	-	31,910	33,652	-
Ages 30-34								
Number Members	2,098	143	105	116	-	44	78	227
Average Salary	\$ 26,517	34,377	27,942	36,099	-	33,738	35,506	-
Ages 35-39								
Number Members	3,184	125	131	106	1	46	72	434
Average Salary	\$ 26,150	35,836	30,264	36,225	82,407	38,748	37,797	-
Ages 40-44								
Number Members	4,699	100	93	110	4	37	85	460
Average Salary	\$ 27,418	41,808	32,190	38,596	82,407	37,887	40,054	-
Ages 45-49								
Number Members	5,700	65	74	86	4	21	74	441
Average Salary	\$ 28,404	44,349	32,808	41,963	84,095	41,791	44,648	-
Ages 50-54								
Number Members	5,538	44	61	76	17	19	46	373
Average Salary	\$ 29,374	45,162	31,155	41,923	83,201	42,491	48,509	-
Ages 55-59								
Number Members	3,808	12	30	40	16	5	18	205
Average Salary	\$ 28,641	53,307	32,750	40,654	84,186	42,055	47,252	-
Ages 60-64								
Number Members	1,938	1	9	17	4	1	4	118
Average Salary	\$ 26,745	46,400	32,269	39,165	81,265	43,785	47,526	-
Ages 66-69								
Number Members	478	-	-	4	1	-	-	47
Average Salary	\$ 21,240	-	-	43,133	82,407	-	-	-
Age 70 & Over								
Number Members	213	-	-	-	1	-	-	19
Average Salary	\$ 16,718	-	-	-	82,407	-	-	-

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

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

System	Year Ended	Number Added	Number Removed	End of Year Total	Average Annual Benefit	% Benefit Increase
PERS	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%
	June 30, 2002	777	459	14,116	8,453	12.63%
MPORS	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%
	June 30, 2002	14	13	554	18,045	3.62%
GWPORS	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%
	June 30, 2002	3	3	79	15,828	1.69%
SRS	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%
	June 30, 2002	23	5	280	13,959	4.92%

The last actuarial valuation was performed as of June 30, 2002.

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System	Year Ended	Number Added	Number Removed	End of Year Total	Average Annual Benefit	% Benefit Increase
JRS	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%
	June 30, 2002	0	0	51	30,704	6.72%
HPORS	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%
	June 30, 2002	7	2	265	17,677	4.48%
FURS	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%
	June 30, 2002	17	10	481	18,203	6.63%
VFCA	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%
	June 30, 2002	68	46	884	1,542	49.47%

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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 Accounts	(2) Retirants and Beneficiaries	(3) Active Members (ER Financed portion)		(1)	(2)	(3)
PERS	06/30/98	\$ 360,422	\$ 949,365	\$ 988,915	\$ 2,113,314	100%	100%	81%
	06/30/00	572,536	1,049,012	651,859	2,843,347	100	100	187
	06/30/02	645,403	1,366,634	1,065,727	3,076,781	100	100	100
MPORS	06/30/98	11,397	110,650	51,595	94,908	100	76	-
	06/30/00	18,465	118,855	43,789	129,826	100	94	-
	06/30/02	20,854	144,055	61,918	143,516	100	85	-
GWPORS	06/30/98	2,770	11,727	11,387	23,190	100	100	76
	06/30/00	5,851	12,313	5,758	32,966	100	100	257
	06/30/02	8,857	14,005	16,247	38,730	100	100	98
SRS	06/30/98	11,686	23,521	45,860	92,160	100	100	124
	06/30/00	17,261	37,124	33,451	126,338	100	100	215
	06/30/02	20,108	55,458	46,059	138,590	100	100	137

⁽¹⁾ Prior to 2000, "Active Member Accounts" included Regular Contributions without interest for active and inactive members. Beginning in 2000, "Active Member Accounts" includes Regular and Additional Contributions with interest, and excludes all accounts of inactive members.

The last actuarial valuation was performed as of June 30, 2002.

ACTUARIAL SECTION

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed portion)				
JRS	06/30/98	\$ 1,464	\$ 19,855	\$ 9,435	\$ 31,646	100%	100%	109%
	06/30/00	2,573	17,204	7,588	42,043	100	100	293
	06/30/02	2,708	18,977	9,197	44,963	100	100	253
HPORS	06/30/98	4,487	57,095	17,146	59,531	100	96	-
	06/30/00	6,174	57,422	12,801	77,810	100	100	111
	06/30/02	6,797	68,800	19,253	81,734	100	100	32
FURS	06/30/98	9,364	96,924	62,718	89,988	100	83	-
	06/30/00	16,083	100,260	45,986	123,492	100	100	16
	06/30/02	18,297	121,922	57,727	136,392	100	97	-
VFCA	06/30/98		9,143	9,210	13,941		100	52
	06/30/00		9,614	7,138	17,769		100	114
	06/30/02		15,631	11,177	19,254		100	32

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

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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	\$ 226,733
Demographic (Gain) or Loss	16,061
2001 Benefit Enhancements	<u>488,462</u>
Total Actuarial (Gain) or Loss	\$ 731,256

MPORS	
Investment (Gain) or Loss	\$ 11,474
Demographic (Gain) or Loss	(2,642)
2001 Benefit Enhancements	<u>28,676</u>
Total Actuarial (Gain) or Loss	\$ 37,508

GWPORS	
Investment (Gain) or Loss	\$ 3,048
Demographic (Gain) or Loss	332
2001 Benefit Enhancements	<u>10,005</u>
Total Actuarial (Gain) or Loss	\$ 13,385

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SRS	
Investment (Gain) or Loss	\$ 10,502
Demographic (Gain) or Loss	670
2001 Benefit Enhancements	<u>18,905</u>
Total Actuarial (Gain) or Loss	\$ 30,077

JRS	
Investment (Gain) or Loss	\$ 3,552
Demographic (Gain) or Loss	(548)
2001 Benefit Enhancements	947
Total Actuarial (Gain) or Loss	\$ 3,951

HPORS	
Investment (Gain) or Loss	\$ 6,593
Demographic (Gain) or Loss	717
2001 Benefit Enhancements	<u>12,869</u>
Total Actuarial (Gain) or Loss	\$ 20,179

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Actuarial (Gain) or Loss by Source

(continued)

FURS	
Investment (Gain) or Loss	\$ 10,879
Demographic (Gain) or Loss	(3,086)
2001 Benefit Enhancements	<u>21,593</u>
Total Actuarial (Gain) or Loss	\$ 29,386

VFCA	
Investment (Gain) or Loss	\$ 1,294
Demographic (Gain) or Loss	208
2001 Benefit Enhancements	<u>8,927</u>
Total Actuarial (Gain) or Loss	\$ 10,429

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Summary of Defined Benefit Plan Provisions

The summary of plan provisions as of June 30, 2002, is presented separately for each plan.

Public Employees' Retirement System

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

Death before Retirement	Eligibility:	Prior to 5 years of membership service
	Benefit:	The sum of (a) and (b) below: (a) Return of member contributions with interest, (b) Lump sum payment of one month's salary up to a maximum of six months' salary.
	Eligibility:	5 years of membership service
	Benefit:	Either the sum of (a) and (b), or (c) below: (a) Return of member contributions with interest, and (b) Lump sum payment of one month's salary up to a maximum of six months' salary, or (c) Actuarial equivalent of the accrued benefit at the time of death of the member.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries beginning one year after retirement.
	Benefit:	An annual adjustment (GABA) of 3.0%.
Contributions	Members:	6.90% of members' compensation
	Employers:	6.90% of members' compensation (offset by 0.10% of members' compensation paid by the State for local government and school district employers).

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Municipal Police Officers' Retirement System

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

Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected by the member: (a) An annual adjustment (GABA) of 3.0%, commencing one year after retirement for members hired on or after July 1, 1997, or (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 prior to June 30, 1975: 5.80% of member's compensation, or (b) If hired after June 30, 1975 and prior to June 30, 1979: 7.00% or (c) If hired after June 30, 1979: 8.50%, or (d) Regardless of hired date, 9.00% for members electing the GABA.
	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 2.50%.
	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.
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. If the member has more than 25 years of service credit, 2.0% of highest average compensation multiplied by years of service credit.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 55.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service

	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 55.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries beginning one year after retirement.
	Benefit:	An annual adjustment (GABA) of 3.0%.
Contributions	Members:	10.56% of members' compensation.
	Employers:	9.00% of members' compensation.

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Sheriffs' Retirement System

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

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

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Judges' Retirement System

Service Retirement	Eligibility:	Age 60 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 for current salary.
	Normal Form:	For non-GABA members - the 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. For GABA members - monthly benefit for the life of the member, with a death benefit equal to the remaining balance of the member's contribution account.
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 60.
Death before Retirement	Eligibility:	Service death
	Benefit:	Accrued benefit commencing at time of death.
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60.

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 a retirement age of 60.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3.0%, commencing one year 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

Service Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%.
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
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 60.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60.

ACTUARIAL SECTION

Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Either (a) or (b) below, as elected: (a) An annual adjustment (GABA) of 3.0%, commencing one year after retirement, or (b) 2% per year of service of the base salary of a probation officer, but not to exceed an increase of 5% per year.
	Lump Sum:	For members retired prior to July 1, 1991, a lump sum payment limited to the increase in the CPI.
Contributions	Members:	Either (a) or (b) below: (a) 9.00% of members' compensation, or (b) 9.05% for members electing the GABA.
	Employers:	36.33% of members' compensation.

ACTUARIAL SECTION

Firefighters' Unified Retirement System

Service Retirement	Eligibility:	20 years of membership service regardless of age.
	Benefit:	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%. If hired before June 30, 1981, and those not electing GABA – the greater of: (a) 2.5% of final average compensation, or (b) i. If less than 20 years of service credit, 2% of final average compensation, ii. If greater than 20 years of service credit, 50% of final average compensation, plus years of service in excess of 20, multiplied by final average compensation, multiplied by 2.00%.
	Normal Form:	Monthly benefit for the life of the member, with full benefits continuing to the surviving spouse or dependent children upon the death of the member.
Disability Retirement	Benefit:	(a) If less than 20 years of membership service, 50% of final average compensation. (b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.
Death before Retirement	Benefit:	(a) If less than 20 years of membership service, 50% of final average compensation. (b) If greater than 20 years of membership service, 2.5% of final average compensation for each year of service credit.
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service

ACTUARIAL SECTION

	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Accrued benefit at age 50.
Benefit Adjustments	Eligibility:	Retired members and beneficiaries.
	Benefit:	Greater of (a) or (b) below: (a) An annual adjustment (GABA) of 3.0% commencing one year after retirement for members hired on or after July 1, 1997, if elected by the member, or (b) members with at least 10 years of service and who did not elect GABA - 50% of the salary of a newly confirmed firefighter in the city in which the member was employed.
Contributions	Members:	Either (a) or (b) below: (a) 9.50% of members' compensation, 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, or Age 60 and 10 years of service.
	Benefit:	\$7.50 per year of service, with a maximum benefit of \$150 per month.
	Normal Form:	Monthly benefit for the life of the member, with no survivorship benefits.
Disability Retirement	Eligibility:	Service disability.
	Benefit:	\$7.50 per year of service, with a minimum of \$75 and a maximum of \$150 per month.
Death before Retirement	Eligibility:	10 years of service.
	Benefit:	\$7.50 per year of service.
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60.
Contributions	Members:	None.
	State:	5% of premium taxes collected.

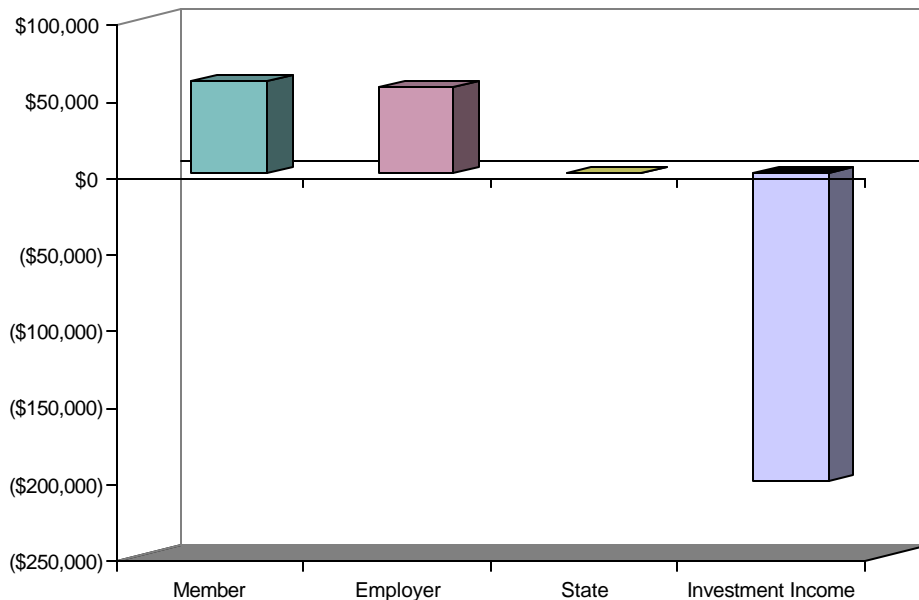
STATISTICAL SECTION

PERS

Schedule of Revenue by Source (in thousands)

Fiscal Year	Contributions		State ³	Operating Income	Investment Income ⁴	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer ²					
1997	\$ 52,728	\$ 45,332	\$ -	\$ 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 ⁵	53,100	49,786	348	61	215,193	318,488	6.76%
2001 ⁵	57,119	53,976	383	26	(148,517)	(37,013)	6.90%
2002⁵	60,030	56,505	374	-	(201,366)	(84,457)	6.99%

Revenue for Fiscal Year 2002



¹Includes Interest Reserve Buyback.

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

³State Contributions 0.1% of salaries for local government entities is paid from state general fund.

⁴Includes Common Stock Dividends.

⁵Effective July 1, 1999, the PERS Defined Benefit includes the associated Education Fund.

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

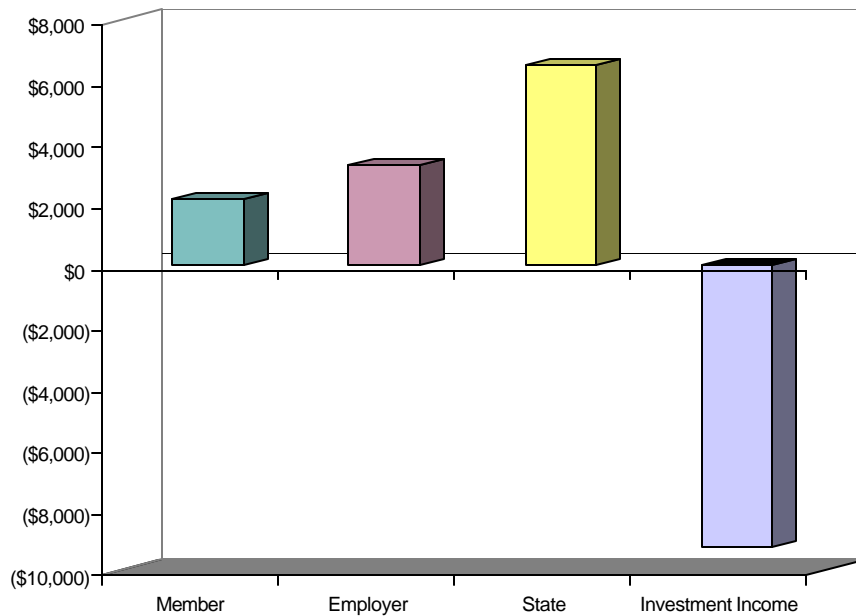
STATISTICAL SECTION

MPORS

Schedule of Revenue by Source (in thousands)

Fiscal Year	Contributions		State ²	Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer				
1997	\$ 1,693	\$ 2,422	\$ 6,879	\$ 13,800	\$ 24,794	14.40%
1998	1,961	2,635	5,265	14,890	24,751	14.74%
1999	2,154	2,704	5,576	12,434	22,868	14.27%
2000	1,938	2,935	5,909	8,074	18,856	14.49%
2001	1,914	3,015	6,148	(6,165)	4,912	14.43%
2002	2,171	3,273	6,529	(9,220)	2,753	14.72%

Revenue for Fiscal Year 2002



¹ Includes Interest Reserve Buyback.

² Includes Percent of Salary.

³ Includes Common Stock Dividends.

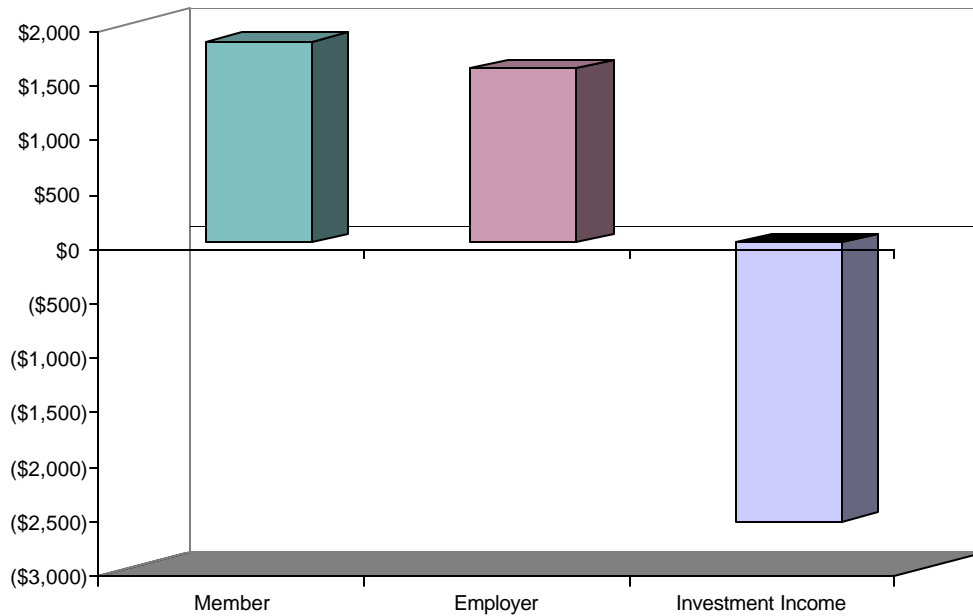
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

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			
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%
2002	1,846	1,595	(2,564)	877	9.30%

Revenue for Fiscal Year 2002



¹ Includes Interest Reserve Buyback.

² Includes Common Stock Dividends.

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

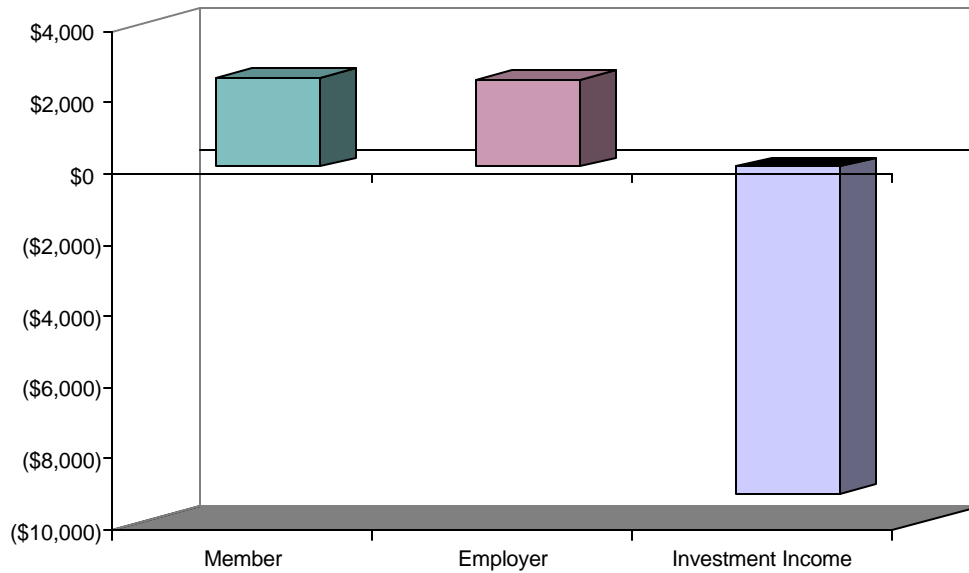
STATISTICAL SECTION

SRS

Schedule of Revenue by Source (in thousands)

Fiscal Year	Contributions		Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer ²			
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%
2002	2,496	2,431	(9,152)	(4,225)	9.91%

Revenue for Fiscal Year 2002



¹ Includes Interest Reserve Buyback.

² Includes Retirement Incentive.

³ Includes Common Stock Dividends.

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

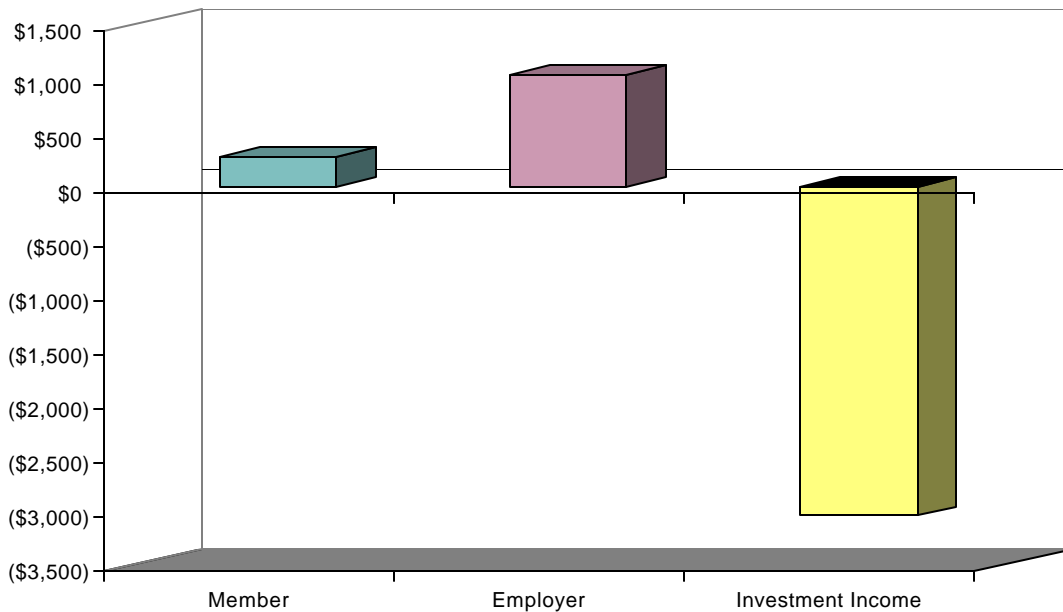
STATISTICAL SECTION

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				
1997	\$ 207	\$ 177	\$ 951	\$ 5,007	\$ 6,342	5.99%
1998	229	843	-	5,285	6,357	26.81%
1999	223	823	-	4,291	5,337	24.86%
2000	244	899	-	2,852	3,995	25.81%
2001	256	944	-	(2,162)	(962)	25.82%
2002	280	1,032	-	(3,047)	(1,735)	30.35%

Revenue for Fiscal Year 2002



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

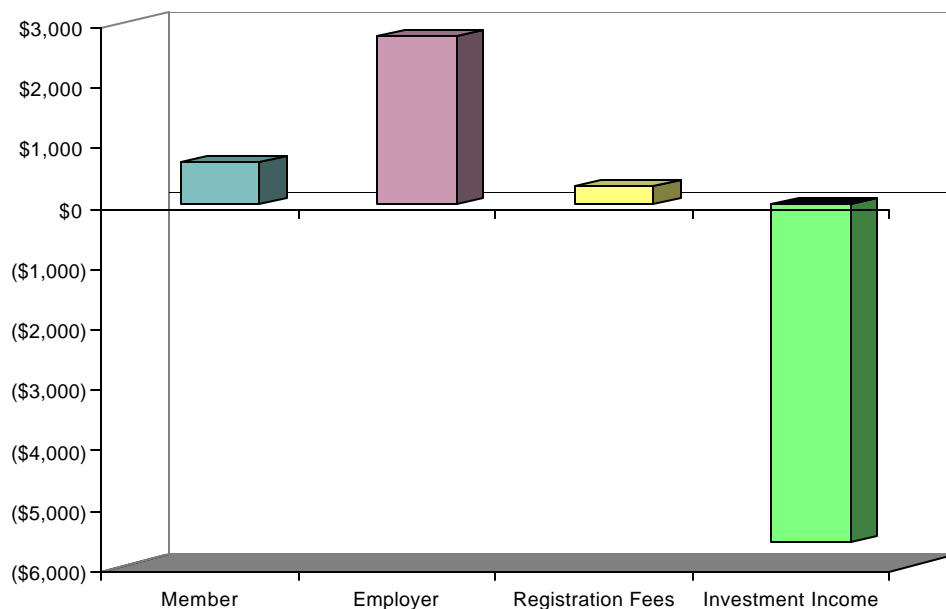
STATISTICAL SECTION

HPORS

Schedule of Revenue by Source (in thousands)

Fiscal Year	Contributions		Registration Fees	Investment Income ²	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer				
1997	\$ 586	\$ 2,286	\$ 287	\$ 9,450	\$ 12,609	26.10%
1998	652	2,395	282	10,013	13,342	27.53%
1999	598	2,309	285	7,951	11,143	25.25%
2000	668	2,558	279	5,109	8,614	28.14%
2001	716	2,642	335	(3,828)	(135)	26.18%
2002	693	2,770	309	(5,590)	(1,818)	36.76%

Revenue for Fiscal Year 2002



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

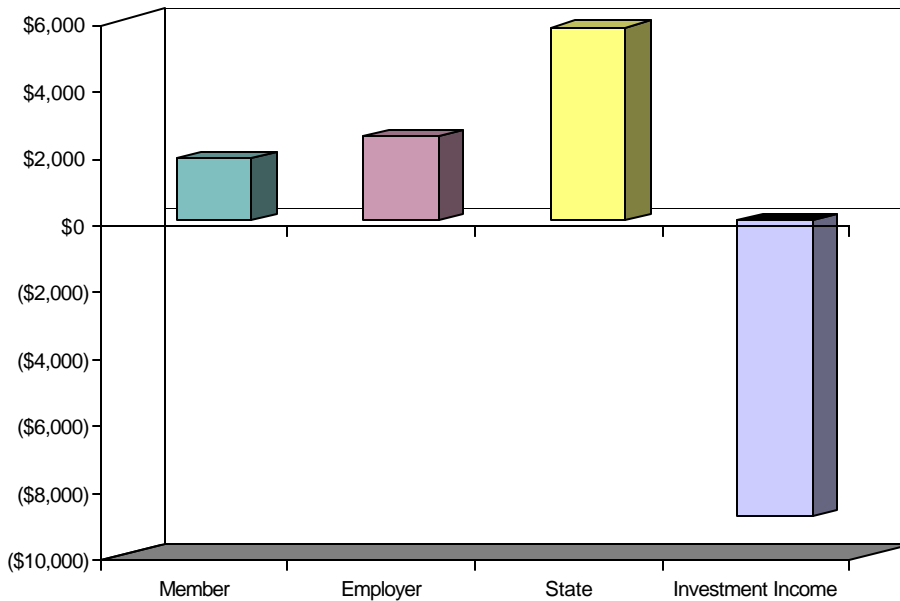
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

FURS

Schedule of Revenue by Source
(in thousands)

Fiscal Year	Contributions		State ²	Investment Income ³	Total	Employer Contribution as a Percent of Covered Payroll
	Member ¹	Employer				
1997	\$ 1,147	\$ 2,077	\$ 4,773	\$ 12,960	\$ 20,957	14.32%
1998	1,560	2,142	4,796	14,144	22,642	14.18%
1999	1,679	2,284	5,075	12,108	21,146	14.50%
2000	1,697	2,326	5,277	7,597	16,897	14.06%
2001	1,742	2,373	5,369	(5,997)	3,487	14.19%
2002	1,874	2,521	5,764	(8,845)	1,314	14.04%

Revenue for Fiscal Year 2002



¹ Includes Interest Reserve Buyback.

² Includes Percent of Salary.

³ Includes Common Stock Dividends.

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

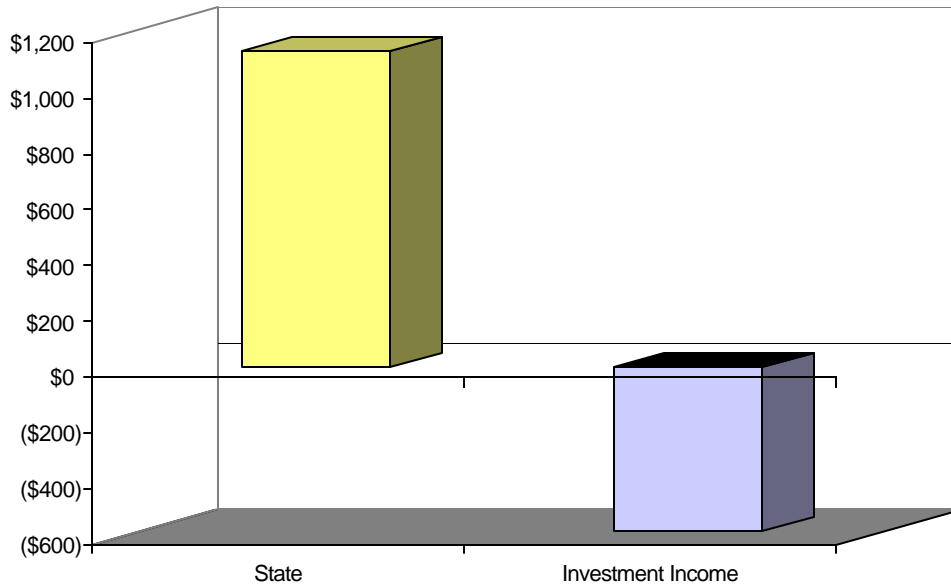
STATISTICAL SECTION

VFCA

Schedule of Revenue by Source (in thousands)

Fiscal Year	State	Investment Income ¹	Total
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
2002	1,134	(591)	543

Revenue for Fiscal Year 2002



¹Includes Common Stock Dividends.

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

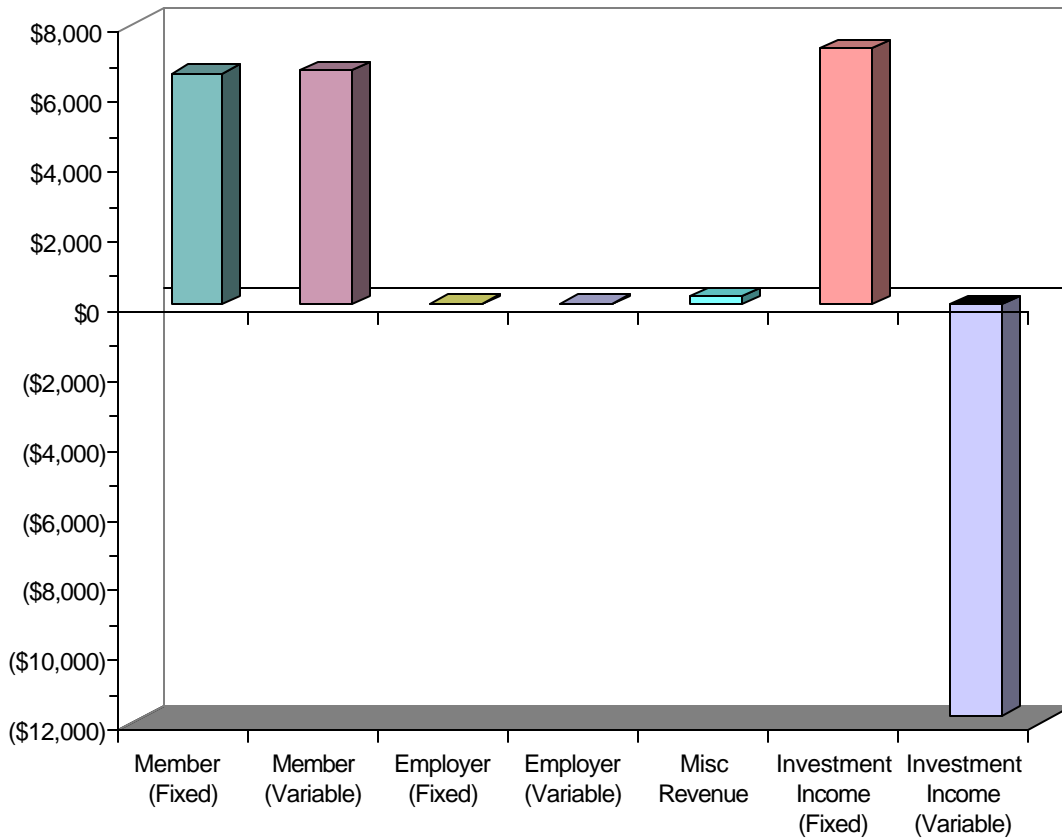
Deferred Compensation Plan

Schedule of Revenue by Source

(in thousands)

Fiscal Year ¹	Member Contributions		Employer Contributions		Miscellaneous Revenue	Investment Income		Total
	Fixed	Variable	Fixed	Variable		Fixed	Variable	
2000	\$5,022	\$7,272	-	-	\$371	\$3,609	\$11,151	\$27,425
2001	5,010	7,000	\$7	\$14	233	12,505	(15,467)	9,302
2002	6,613	6,701	22	24	223	7,333	(11,767)	9,149

Revenue for Fiscal Year 2002



¹ The Montana PERB began administering the Deferred Compensation Plan on July 1, 1999.

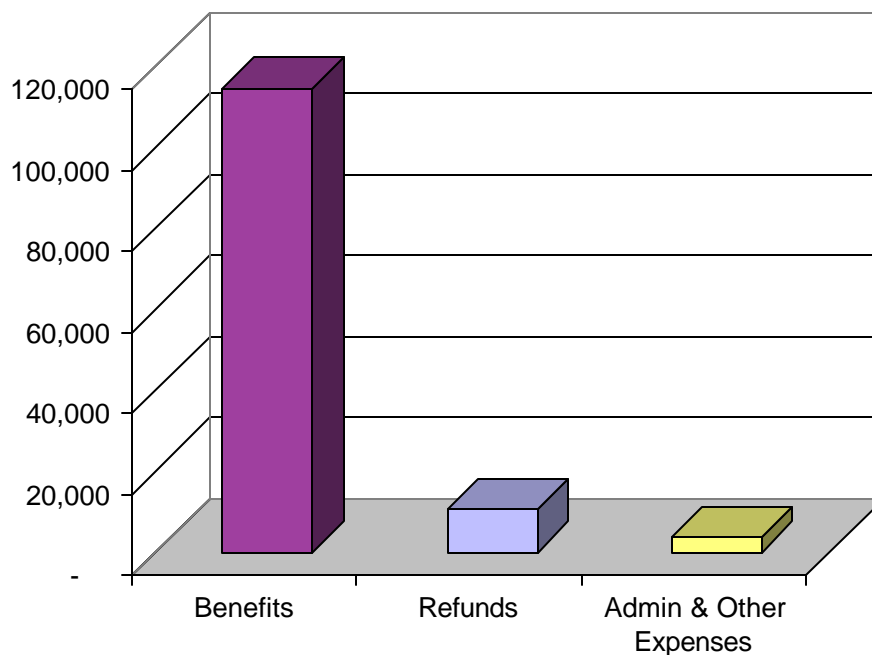
STATISTICAL SECTION

PERS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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 ²	96,016	12,098	1,470	348	109,932
2001 ²	101,546	11,874	2,275	185	115,880
2002 ²	114,663	10,683	3,310	364	129,020

Expenses for Fiscal Year 2002



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

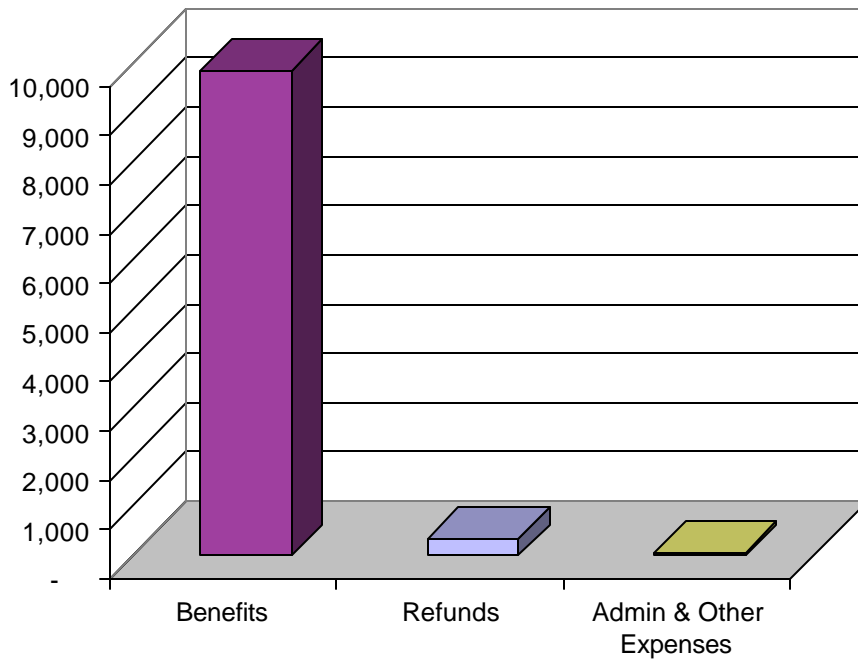
²Effective July 1, 1999, the PERS Defined Benefit includes the associated Education Fund.

MPORS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
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
2002	9,845	345	49	3	10,242

Expenses for Fiscal Year 2002



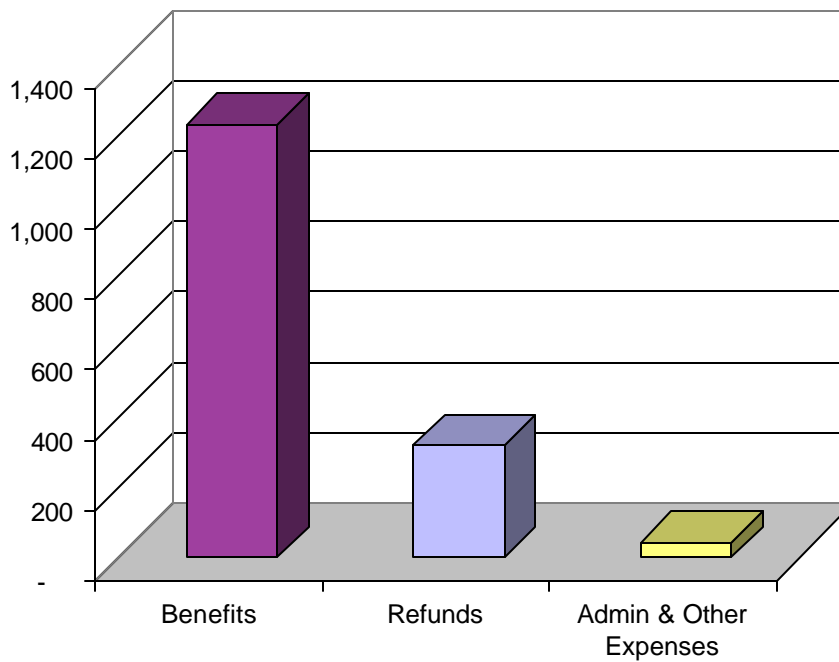
STATISTICAL SECTION

GWPORS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1997	\$ 1,099	\$ -	\$ 5	\$ -	\$ 1,104
1998	1,123	34	12	-	1,169
1999	1,153	73	14	-	1,240
2000	1,211	125	19	-	1,355
2001	1,235	212	30	4	1,481
2002	1,230	317	30	14	1,591

Expenses for Fiscal Year 2002

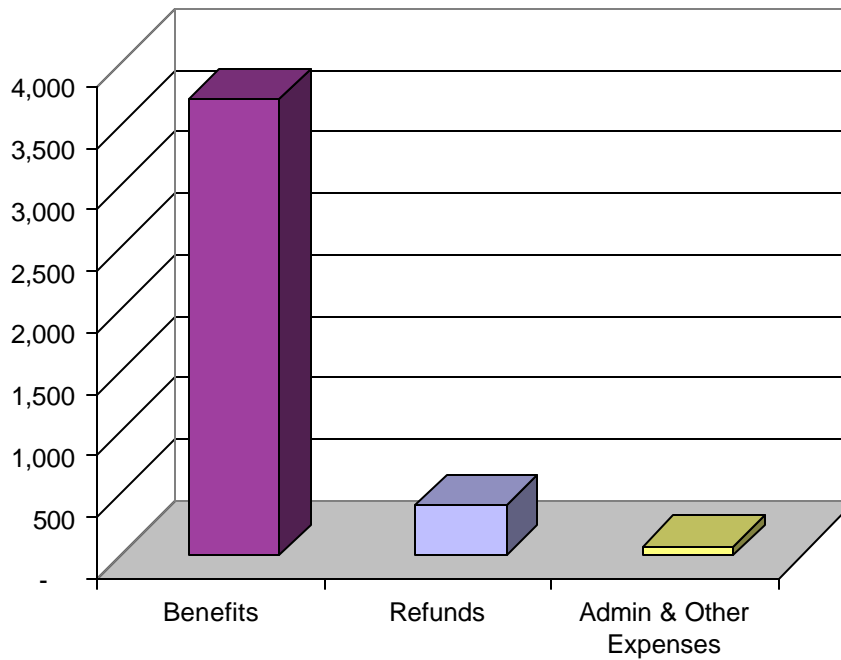


SRS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
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
2002	3,700	409	40	37	4,186

Expenses for Fiscal Year 2002



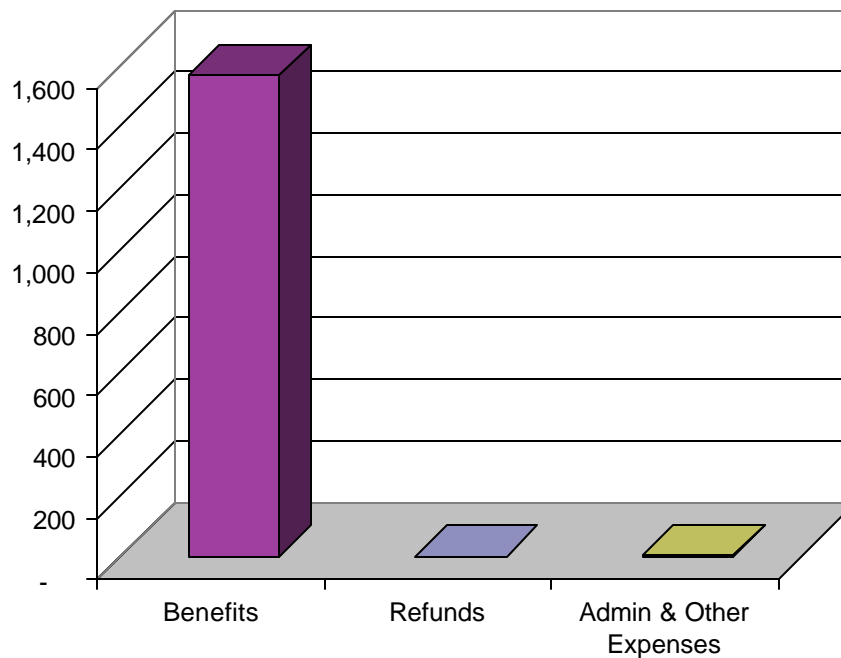
STATISTICAL SECTION

JRS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
1997	\$ 1,203	\$ -	\$ 2	\$ 348	\$ 1,553
1998	1,304	7	3	-	1,314
1999	1,319	-	3	-	1,322
2000	1,379	-	3	-	1,382
2001	1,431	-	5	-	1,436
2002	1,566	-	4	-	1,570

Expenses for Fiscal Year 2002



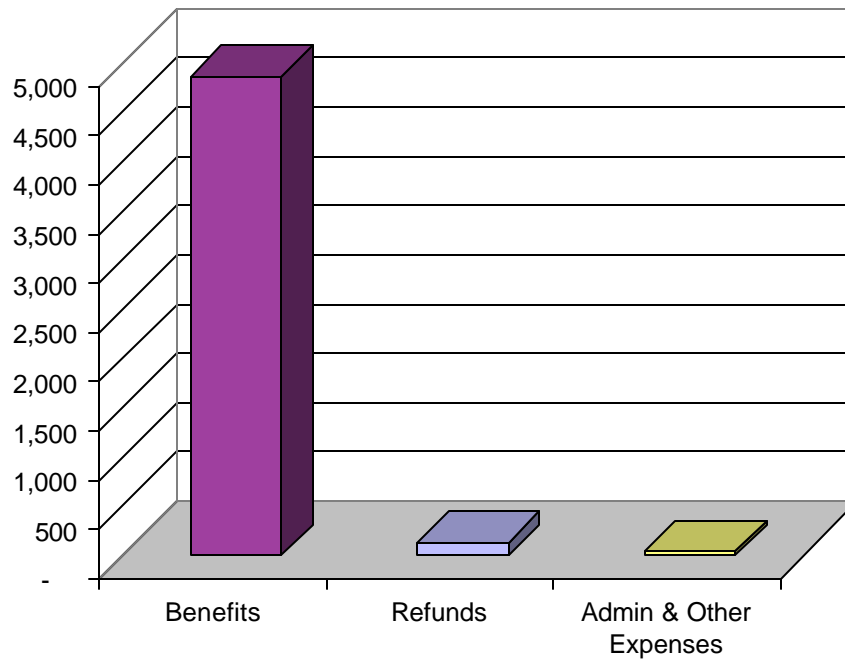
¹Includes Bad Debt Expense for FY97.

HPORS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other	Total
1997	\$ 3,580	\$ 99	\$ 12	\$ -	\$ 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	-	4,732
2002	4,861	130	20	19	5,030

Expenses for Fiscal Year 2002



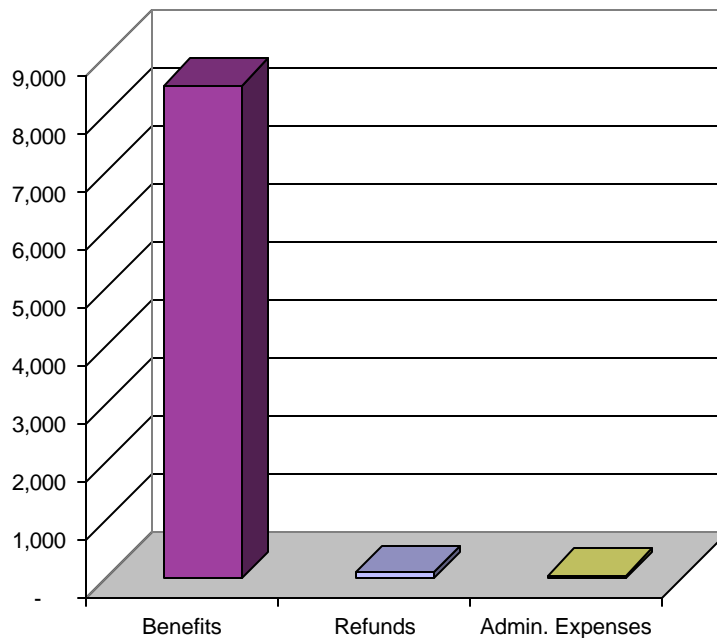
STATISTICAL SECTION

FURS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Total
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
2002	8,508	80	40	8,628

Expenses for Fiscal Year 2002

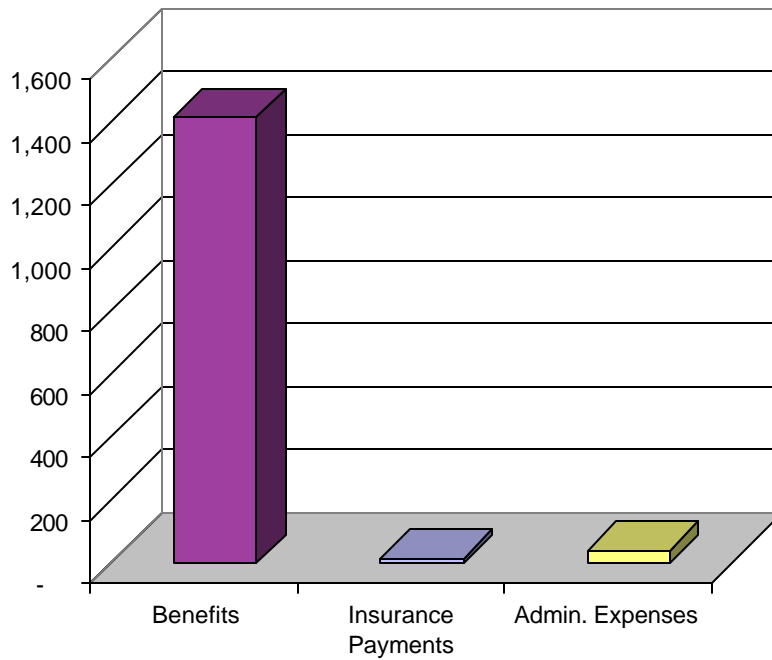


VFCA

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Insurance Payments	Administrative Expenses	Total
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
2002	1,411	13	38	1,462

Expenses for Fiscal Year 2002

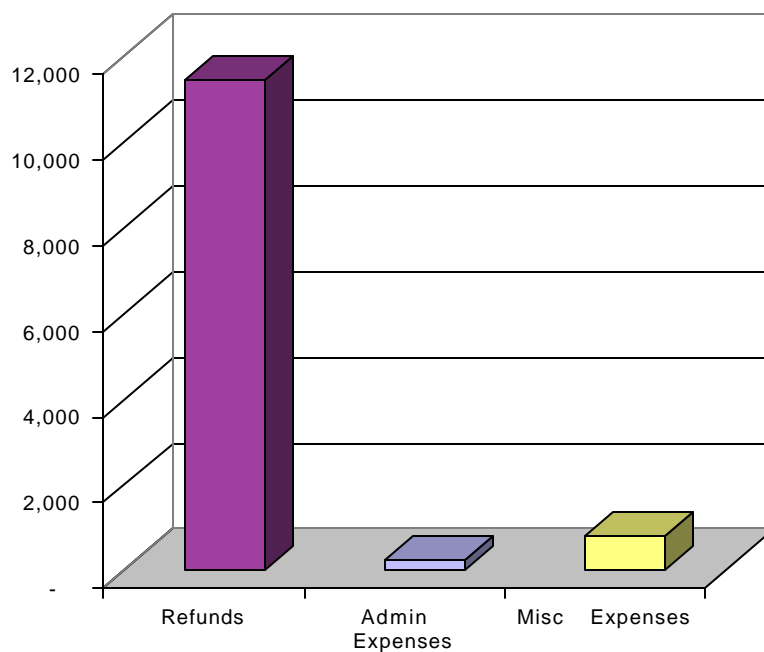


STATISTICAL SECTION

Deferred Compensation Plan Schedule of Expenses by Type (in thousands)

Fiscal Year ¹	Refunds	Administrative Expenses	Miscellaneous Expenses	Total
2000	\$6,944	\$71	\$157	\$7,172
2001	7,102	175	162	7,439
2002	11,460	242	811	12,513

Expenses for Fiscal Year 2002



¹ The Montana PERB began administering the Deferred Compensation Plan on July 1, 1999.

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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	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
	2002	108,447	2,180	1,710	2,326	10,683	125,346
MPORS	1997	6,437	385		389	203	7,414
	1998	6,936	389		372	282	7,979
	1999	7,537	422		320	299	8,578
	2000	7,911	448		294	298	8,951
	2001	8,416	452		257	386	9,511
	2002	9,149	457		239	345	10,190
GWPORS	1997	1,058	29	-	12	-	1,099
	1998	1,066	29	-	28	34	1,157
	1999	1,093	30	-	31	73	1,227
	2000	1,150	30	-	31	125	1,336
	2001	1,174	30	-	31	212	1,447
	2002	1,177	25	4	24	317	1,547
SRS	1997	1,106	108	-	288	325	1,827
	1998	1,330	121	-	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	-	357	373	3,665
	2002	3,193	129	-	378	409	4,109

STATISTICAL SECTION

System	Fiscal Year	Age & Service Benefits		Death In Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
JRS	1997	\$ 1,148	\$ 14	\$ 7	\$ 34	\$ -	\$ 1,203
	1998	1,270	34	-	-	7	1,311
	1999	1,286	33	-	-	-	1,319
	2000	1,344	36	-	-	-	1,380
	2001	1,395	36	-	-	-	1,431
	2002	1,528	38	-	-	-	1,566
HPORS	1997	3,352	165		63	99	3,679
	1998	3,519	171		82	158	3,930
	1999	3,835	161		89	82	4,167
	2000	4,133	146		118	142	4,539
	2001	4,343	150		131	86	4,710
	2002	4,586	143		132	130	4,991
FURS	1997	5,257	438		259	22	5,976
	1998	5,874	410		209	24	6,517
	1999	6,409	381		206	61	7,057
	2000	6,987	370		160	46	7,563
	2001	7,514	386		118	44	8,062
	2002	6,666	415		98	80	7,259
VFCA	1997	748	-				748
	1998	771	2				773
	1999	801	1				802
	2000	842	1				843
	2001	879	3				882
	2002	1,350	61				1,411

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	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
	2002	13,498	344	274	14,116
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MPORS	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
	2002	510	15	29	554
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GWPORS	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
	2002	75	1	3	79
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SRS	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
	2002	235	31	14	280

STATISTICAL SECTION

System	Fiscal Year	Retired	Disabled	Survivors	Total
JRS	1997	46		1	47
	1998	48		2	50
	1999	46		2	48
	2000	45		2	47
	2001	49		2	51
	2002	49		2	51
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HPORS	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
	2002	246	9	10	265
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FURS	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
	2002	448	6	27	481
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VFCA	1997	738		1	739
	1998	759		2	761
	1999	791		1	792
	2000	836		3	839
	2001	859		3	862
	2002	880		4	884

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	-	\$214	\$445	\$209	\$308	\$242	\$118	\$244	\$221	\$228
	5-9	\$ 351	367	288	238	234	242	207	214	213	227
	10-14	483	469	400	353	369	364	332	336	347	350
	15-19	467	514	488	514	527	574	531	506	498	523
	20-24	546	771	759	689	762	765	739	717	672	725
	25-29	496	1,332	1,369	1,344	1,132	1,075	1,027	915	842	1,045
	30-34	-	1,910	1,821	1,765	1,599	1,409	1,288	1,182	1,105	1,453
	35-39	-	1,765	2,418	2,501	1,971	1,884	1,568	1,532	1,317	1,667
	40-UP	-	-	-	-	2,345	2,172	2,054	1,744	1,595	1,878
Average	\$412	\$850	\$1,011	\$949	\$812	\$725	\$636	\$587	\$546	\$682	
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MPORS	0-4	\$1,249	\$1,172	\$1,297	\$1,160	\$1,149	\$1,167	-	\$1,181	-	\$1,202
	5-9	1,252	1,315	951	1,179	1,332	1,123	\$1,237	1,359	\$1,357	1,214
	10-14	1,344	1,345	1,187	1,193	1,209	1,343	1,231	1,015	1,215	1,225
	15-19	1,637	-	1,375	1,354	1,239	1,259	1,364	1,327	1,282	1,321
	20-24	1,923	1,788	1,661	1,660	1,420	1,367	1,419	1,420	1,286	1,501
	25-29	-	4,094	3,455	2,597	2,000	2,012	1,899	1,595	1,188	2,147
	30-34	-	-	3,481	3,104	2,785	1,898	1,874	1,216	1,617	2,064
	35-39	-	-	-	-	-	-	-	1,949	-	1,949
	40-UP	-	-	-	-	-	-	-	-	-	-
Average	\$1,425	\$1,704	\$1,650	\$1,687	\$1,453	\$1,429	\$1,441	\$1,396	\$1,290	\$1,503	
<hr/>											
GWPORS	0-4	-	-	-	-	-	-	-	-	-	-
	5-9	-	-	-	\$ 268	\$ 326	-	-	-	-	\$ 297
	10-14	-	\$1,104	-	-	-	\$1,139	-	-	-	1,121
	15-19	-	-	\$1,034	-	-	-	\$ 617	-	\$ 689	757
	20-24	-	-	1,252	991	1,242	1,174	1,393	\$ 908	751	1,074
	25-29	-	-	1,624	1,763	1,598	1,515	1,437	1,580	1,022	1,385
	30-34	-	-	-	1,882	-	2,033	1,903	1,430	932	1,652
	35-39	-	-	-	-	-	2,727	-	1,679	-	1,888
	40-UP	-	-	-	-	-	-	-	-	-	-
Average	-	\$1,104	\$1,236	\$1,281	\$1,353	\$1,762	\$1,309	\$1,392	\$915	\$1,319	
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SRS	0-4	\$491	\$826	\$580	\$695	\$38	\$517	\$361	-	\$183	\$554
	5-9	983	840	663	601	696	415	378	\$ 415	-	661
	10-14	1,208	1,319	892	635	720	1,018	769	562	293	679
	15-19	-	1,747	1,000	662	1,132	836	868	674	341	843
	20-24	1,610	1,596	1,684	1,314	1,434	836	858	463	677	1,365
	25-29	-	2,451	2,229	2,284	1,921	1,437	834	1,009	765	1,717
	30-34	-	-	3,066	1,992	2,093	-	1,028	1,257	1,481	1,656
	35-39	-	-	-	-	-	-	2,446	-	-	2,446
	40-UP	-	-	-	-	-	-	-	-	1,899	1,899
Average	\$1,199	\$1,489	\$1,451	\$1,241	\$1,306	\$919	\$827	\$716	\$682	\$1,158	

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	-	-	-	-	-	-	-	-	-	-
	5-9	-	-	\$ 489	-	-	\$ 1,643	-	\$ 1,538	\$ 956	\$ 1,288
	10-14	-	-	-	\$ 1,377	-	2,167	\$ 2,644	2,226	2,675	2,357
	15-19	-	-	-	-	\$ 3,286	3,468	3,445	3,228.00	2,270	2,643
	20-24	-	-	-	-	-	-	-	3,282	3,126	3,178
	25-29	-	-	-	-	-	-	4,057	4,129	3,862	3,977
	30-34	-	-	-	-	-	-	4,659	-	4,794	4,727
	35-39	-	-	-	-	-	-	-	-	-	-
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	\$0	\$0	\$489	\$1,377	\$3,286	\$2,478	\$3,147	\$2,416	\$2,543	\$2,559
HPORS	0-4	\$1,053	\$509	\$516	-	-	-	-	-	-	\$783
	5-9	1,293	1,299	1,399	\$ 923	-	\$ 844	-	-	-	1,086
	10-14	1,296	-	508	-	\$ 153	293	\$ 527	\$ 177	\$ 686	463
	15-19	-	1,325	-	-	1,299	-	516	-	662	834
	20-24	-	1,574	1,597	1,345	1,179	1,145	1,151	1,018	841	1,232
	25-29	-	-	2,434	2,059	1,898	1,334	1,273	1,283	1,123	1,641
	30-34	-	-	3,041	2,797	2,772	1,944	1,828	1,483	1,296	2,207
	35-39	-	-	-	-	3,245	-	2,677	1,542	-	2,677
	40-UP	-	-	-	-	-	-	4,407	1,966	-	3,187
	Average	\$1,150	\$1,370	\$1,666	\$1,835	\$1,732	\$1,280	\$1,355	\$1,230	\$987	\$1,476
FURS	0-4	\$1,243	\$1,219	-	\$1,398	-	-	-	-	\$151	\$1,102
	5-9	-	170	\$ 1,252	1,172	\$1,314	\$ 1,315	\$ 1,182	-	1,120	1,035
	10-14	627	1,225	1,253	901	1,042	1,294	1,343	1,340	1,312	1,125
	15-19	-	1,831	1,365	1,079	907	1,341	1,226	1,221	1,089	1,187
	20-24	1,571	1,525	1,588	1,346	1,274	1,200	1,123	1,278	1,234	1,305
	25-29	-	2,484	2,384	2,225	1,992	1,389	1,171	1,115	1,285	1,678
	30-34	-	-	3,134	3,125	2,794	2,005	1,204	1,379	1,327	2,355
	35-39	-	-	-	-	3,770	3,279	2,601	1,521	1,414	2,693
	40-UP	-	-	-	-	-	-	170	169	-	170
	Average	\$1,095	\$1,431	\$1,776	\$1,854	\$1,761	\$1,491	\$1,250	\$1,225	\$1,238	\$1,514
VFCA	0-4	-	-	-	-	-	-	-	-	-	-
	5-9	-	-	-	-	-	-	-	-	-	-
	10-14	-	-	-	\$ 105	\$ 85	\$ 87	\$ 86	\$ 86	\$ 85	\$ 86
	15-19	-	\$ 128	\$ 113	-	127	125	126	126	122	125
	20-24	-	-	-	150	150	150	150	150	150	150
	25-29	-	-	-	-	-	-	-	-	-	-
	30-34	-	-	-	-	-	-	-	-	-	-
	35-39	-	-	-	-	-	-	-	-	-	-
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	-	\$128	\$113	\$150	\$134	\$129	\$126	\$124	\$119	\$129

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Participating Employers

PERS (515)

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 Council
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
Prairie
Ravalli
Richland
Roosevelt
Rosebud
Sanders

STATISTICAL SECTION

Sheridan
Stillwater
Sweet Grass
Teton
Toole
Treasure
Valley
Wheatland
Wibaux
Yellowstone

Cities & Towns (92)

Belgrade
Belt
Big Sandy
Big Timber
Billings
Boulder
Bozeman
Bridger
Broadus
Browning
Butte-Silver Bow
Cascade
Chester
Chinook
Choteau
Circle
Colstip
Columbia Falls
Columbus
Conrad
Culbertson
Cut Bank
Deer Lodge
Dillon
Drummond
East Helena
Ekalaka
Ennis
Eureka
Fairfield
Fairview
Forsyth
Fort Benton
Fort Peck
Gerladine
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
Three Forks
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 (6)

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

School Districts (235)

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
SD 9 & 9, Reed Point
SD 10, Anaconda
SD 10, Cayuse
SD 10, Chinook
SD 10, Conrad
SD 10, Dillon
SD 10, Noxon
SD 11, Brorson
SD 11, Potomac
SD 11 & 2, Drummond

STATISTICAL SECTION

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

STATISTICAL SECTION

Other Agencies (88)

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

STATISTICAL SECTION

MPORS (22)

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

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 (16)

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

Deferred Comp. (8)

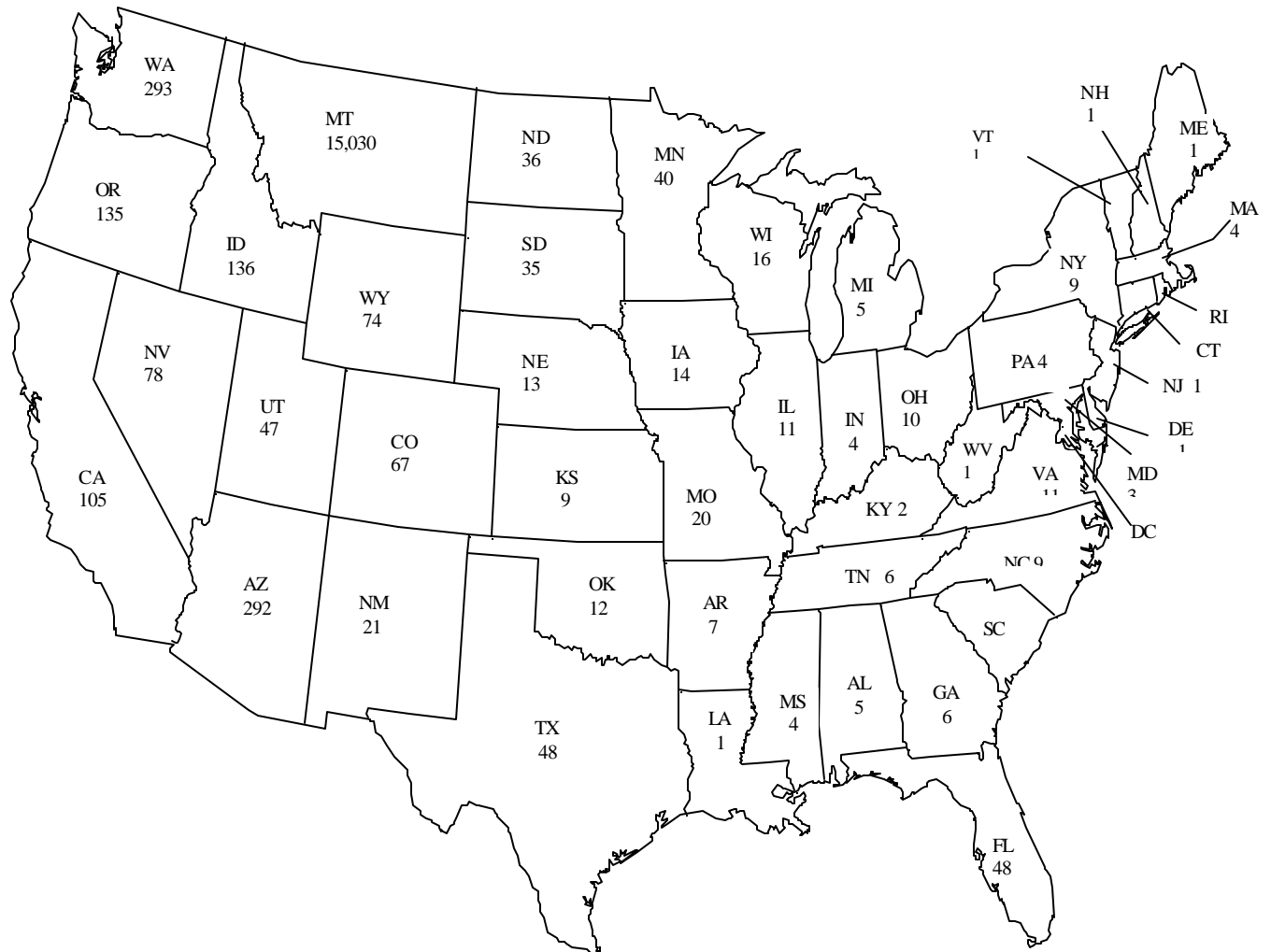
State of Montana
Montana State University-
Bozeman
Montana State University-
Billings
Montana State University-
Northern
MSU College of
Technology – Great Falls
University of Montana-
Missoula
Dawson Community
College
Great Falls Transit Authority

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Distribution of Benefit Recipients by Location as of June 30, 2002



Recipients outside the Continental U.S. include:
Alaska – 16 Hawaii – 1 APO AE – 1 Canada – 8 Central America – 1
England – 2 Germany – 1 Mexico – 1 West Indies – 1 Israel - 1