

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, 2003**

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 200 ~ P O Box 200131
Helena, MT 59620-0131
(406) 444-3154**

INTRODUCTORY SECTION

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Mission Statement of the PERB

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

*Mission Statement of the
MPERA*

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Montana Public
Employees' Retirement Board,
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



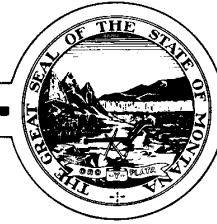
Edward Henry

President

Jeffrey R. Emmer

Executive Director

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



JUDY MARTZ
GOVERNOR

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November 24, 2003

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, 2003, 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 59th year of operation) and *Public Employees' Retirement System-Defined Contribution 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* 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, administrative organization and legislative highlights;
- a *Financial Section*, which contains the report of the Independent Auditors, the Management's Discussion and Analysis, the financial statements of the PERB, the notes to the financial statements, certain required supplementary information and supporting schedules of administrative expenses, investment expenses and payments to consultants;
- an *Investment Section*, which contains a report on investment activity, investment policies, investment results and various investment schedules;
- an *Actuarial Section*, which contains the Actuary's Certification Letter and the results of the 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 for both the accuracy of the data, and the completeness and fairness of the presentation rests with

INTRODUCTORY SECTION

the MPERA. This CAFR was prepared in conformance with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board, including the Management's Discussion and Analysis (MD&A) located in the front of the Financial Section. The MD&A is a discussion, by management, of the financial position of the retirement plans. 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 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 2003 and 2002 financial data for the defined benefit plans.

<i>Defined Benefit Plans Additions to Plan Net Assets</i>				
	FY2003	FY2002	Inc/(Dec) Amount	Inc/(Dec) Percentage
Member Contributions	\$ 71,758,079	\$ 69,126,435	\$ 2,631,644	4 %
Employer Contributions	72,141,727	69,228,566	2,913,161	4 %
State Contributions	14,503,752	13,800,938	702,814	5 %
Registration Fees	353,589	308,973	44,616	14 %
Retirement Incentive Contr.	404,473	188,962	215,511	114 %
Interest Reserve Buybacks	932,995	163,778	769,217	470 %
Membership Fees	161	167	(6)	(4) %
Miscellaneous Revenue	860	596	264	44 %
Investment Income	<u>203,162,525</u>	<u>(240,373,885)</u>	443,536,410	185 %
Totals	<u>\$ 363,258,161</u>	<u>\$ (87,555,470)</u>	\$ 450,813,631	515 %

Contributions and investment income for the defined benefit pension trust funds for fiscal year 2003 totaled \$363,258,161. The defined benefit plans are managed on a long-range basis that allows for recovery in years when the market trends decrease. The rates of return for the last 5-years for each plan is still more than a 2.39 percent. This information is available in the *Investment Section* of this annual report.

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License Fees and education contributions have been categorized as employer contributions. Interest reserve buybacks have increased because there have been more mandatory retroactive payments with interest in fiscal year 2003 and due to the interest calculated when members transferred to the DCRP and ORP plans. Retirement incentive contributions have increased due to more employees taking advantage of the Employee Protection Act. Investment income increased in fiscal year 2003 because of the turnaround of the equity market.

Below is a table presenting a comparison of the fiscal year 2003 and 2002 financial data for the defined contribution plans.

<i>Defined Contribution Plans Additions to Plan Net Assets</i>					
	FY2003	FY2002	Inc/(Dec) Amount	Inc/(Dec) Percentage	
Member Contributions	\$ 25,114,561	\$ 13,313,925	\$ 11,800,636	89 %	
Employer Contributions	6,174,127	46,412	6,127,715	13,203 %	
Miscellaneous Revenue	257,067	222,793	34,274	15 %	
Nonvested Member Forfeitures	31,188	-	31,188	100 %	
Investment Income	9,091,718	(4,430,904)	13,522,622	305 %	
Totals	\$ 40,668,661	\$ 9,152,226	\$ 31,516,435	344 %	

The defined contribution plans include the PERS-DCRP and the Deferred Compensation (457) Plan. Member contributions increased because of the startup of the PERS-DCRP in 2003 and changes in the federal laws; participants could decide to join and/or decide to transfer other employee retirement plan funds. Employer contributions increased significantly because of the startup of the PERS-DCRP and the transfer of funds to the new DCRP plan. The 457 plan only has one employer that contributes to the plan. For those participants that filed elections at or near the June 30th cutoff date, MPERA has also included in the financial statements adjustments of \$3.5 million to member contributions and \$2 million to employer contributions to reflect the DCRP contributions that actually moved in early fiscal year 2004. Forfeitures are new this year and are associated with the PERS-DCRP plan. Any member that is not vested at the time of withdrawal, forfeits the employer portion of contributions. The forfeited contributions are returned to the MPERA and used to pay administrative expenses of the plan. Investment income increased in fiscal year 2003 because of the turnaround of the equity market. In fiscal year 2003, the contributions and investment income totaled \$40,668,661.

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 plans' fiscal year 2003 and 2002 financial data.

INTRODUCTORY SECTION

For the defined benefit plans, total expenses for fiscal year 2003 totaled \$191,685,477, an increase of 19 percent over fiscal year 2002 expenses. Two new categories, Transfers to the DCRP and Transfers to the ORP, were added this fiscal year. This is because members of the PERS-DBRP could choose membership in the PERS-DCRP (or Optional Retirement Plan if they were employees of the university system) and have their contributions transferred accordingly. For those participants that filed elections at or near the June 30th cutoff date, MPERA has also included in the financial statements \$5.5 million to Transfers to DCRP and \$2 million to Transfers to ORP to reflect the DCRP and ORP contributions that actually moved in early fiscal year 2004. Administrative expenses decreased in fiscal year 2003. In fiscal year 2003, revenues of \$363,258,161 exceeded expenses of \$191,685,477 by \$171,572,684.

<i>Defined Benefit Plans Deductions to Plan Net Assets</i>				
	FY2003	FY2002	Inc/(Dec) Amount	Inc/(Dec) Percentage
Benefit Payments	\$ 155,456,469	\$ 145,783,245	\$ 9,673,224	7 %
Member Refunds	11,498,705	11,964,539	(465,834)	(4) %
Refunds to Other Plans	340,797	438,608	(97,811)	(22) %
Transfers to DCRP	15,990,427	-	15,990,427	100 %
Transfers to ORP	5,957,197	-	5,957,197	100 %
Supplemental Insurance	12,000	12,675	(675)	(5) %
Administrative Expenses	<u>2,429,882</u>	<u>3,531,088</u>	(1,101,206)	(31) %
Totals	<u>\$ 191,685,477</u>	<u>\$ 161,730,155</u>	\$ 29,955,322	19 %

Below is a table presenting a comparison of the fiscal year 2003 and 2002 financial data for the defined contribution plans.

<i>Defined Contribution Plans Deductions to Plan Net Assets</i>				
	FY2003	FY2002	Inc/(Dec) Amount	Inc/(Dec) Percentage
Refunds to Members	\$ 11,277,057	\$ 11,459,674	\$ (182,617)	(2) %
Administrative Expenses	769,559	687,309	82,250	12 %
Miscellaneous Expenses	<u>793,948</u>	<u>810,882</u>	(16,934)	(2) %
Totals	<u>\$ 12,840,564</u>	<u>\$ 12,957,865</u>	\$ (117,301)	(1) %

For the defined contribution plans, total expenses for fiscal year 2003 totaled \$12,840,564, a decrease of 1 percent over fiscal year 2002 expenses. Most of the increase in administrative costs are associated with the implementation of the PERS-DCRP. To implement the plan, it was necessary 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 contract. In fiscal year 2003, revenues of \$40,668,661 exceeded expenses of \$12,840,564 by \$27,828,097.

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 Board of Investments (BOI), Department of Commerce. The statement of investment policy outlines the responsibility for the investment of the funds and the degree of risk that is deemed appropriate for the 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 2003, the Public Employees’ Retirement System’s (PERS) total rate of return on investments was 6.61 percent. The PERS rate of return over the last three years has averaged a negative 2.07 percent per year and 2.60 percent over the last five years.

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 see assets that are committed to the payment of benefits. A detailed discussion of funding is provided in the *Actuarial Section* of this annual report beginning on page 103.

ECONOMIC CONDITION AND OUTLOOK

The economic outlook of the plans is based primarily upon investment earnings. For 2003, the PERS experienced a 6.61 percent fair value rate of return, for the last three years an average annualized rate of return of a negative 2.07 percent and for the last five years an average annualized rate of return of 2.60 percent. The plans are required by law to be maintained on an actuarially sound basis as certified in this report by our actuary, thus protecting participants’ future benefits. The previous bear market has negatively affected earnings, but we anticipate that over the long-term and as the market continues to recover, our earning rates will continue to meet our actuarial assumed earning rates. Current member benefits will not be changed, although the legislature will review the funding and assure the plans are funded on an actuarially sound basis. Based on the report of our actuary, two of the

INTRODUCTORY SECTION

eight defined benefit plans had surplus funding as of June 30, 2002.

The PERS-DCRP was implemented July 1, 2002. Members had the opportunity to choose membership in either the defined benefit retirement plan (DBRP) or the defined contribution retirement plan (DCRP). University employees also had the option of joining the Optional Retirement Program (ORP) administered by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF New York, NY). New hires of the PERS are now exercising their option of choosing the retirement plan in which they wish to belong.

Education is funded by a percentage of employer contributions from the PERS-DBRP. The Board is required to educate members and employers of the PERS about the options and benefits of the DCRP and the DBRP. The education campaign is also to prepare new members to make an informed decision about choosing the most appropriate plan for their personal situation.

The MPERA has implemented a web reporting system. The advantage of using advanced technology results in more accurate reporting and more timely deposits to participants' accounts. As of July 1, 2003, all payrolls must be reported within five working days of each payday.

PROFESSIONAL SERVICES

The PERB contracts with consultants for professional services that are essential to the effective and efficient operation of the plans. Opinions 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., Computer Consulting Corporation, Milliman U.S.A., Arnerich Massena & Assoc., Inc., BearingPoint, Communications & Management Service, Lawrence R. McEvoy, M.D., and William M. Mercer, Inc. Others include the Legislative Audit Division, the Department of Justice Legal Services Division and the Professional Development Center. A schedule of consultants appears on page 78.

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, 2002. This was the fifth consecutive year that the Montana Public Employees' Retirement Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

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

INTRODUCTORY SECTION

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



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



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



Jim Pierce
Livingston
PERS DCRP Member
Computer Technician/
Employment Consultant
Bozeman Job Service
Term Expires 3/31/2008



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



Betty Lou Kasten
Brockway
Private Citizen
Rancher
Term Expires 3/31/2006

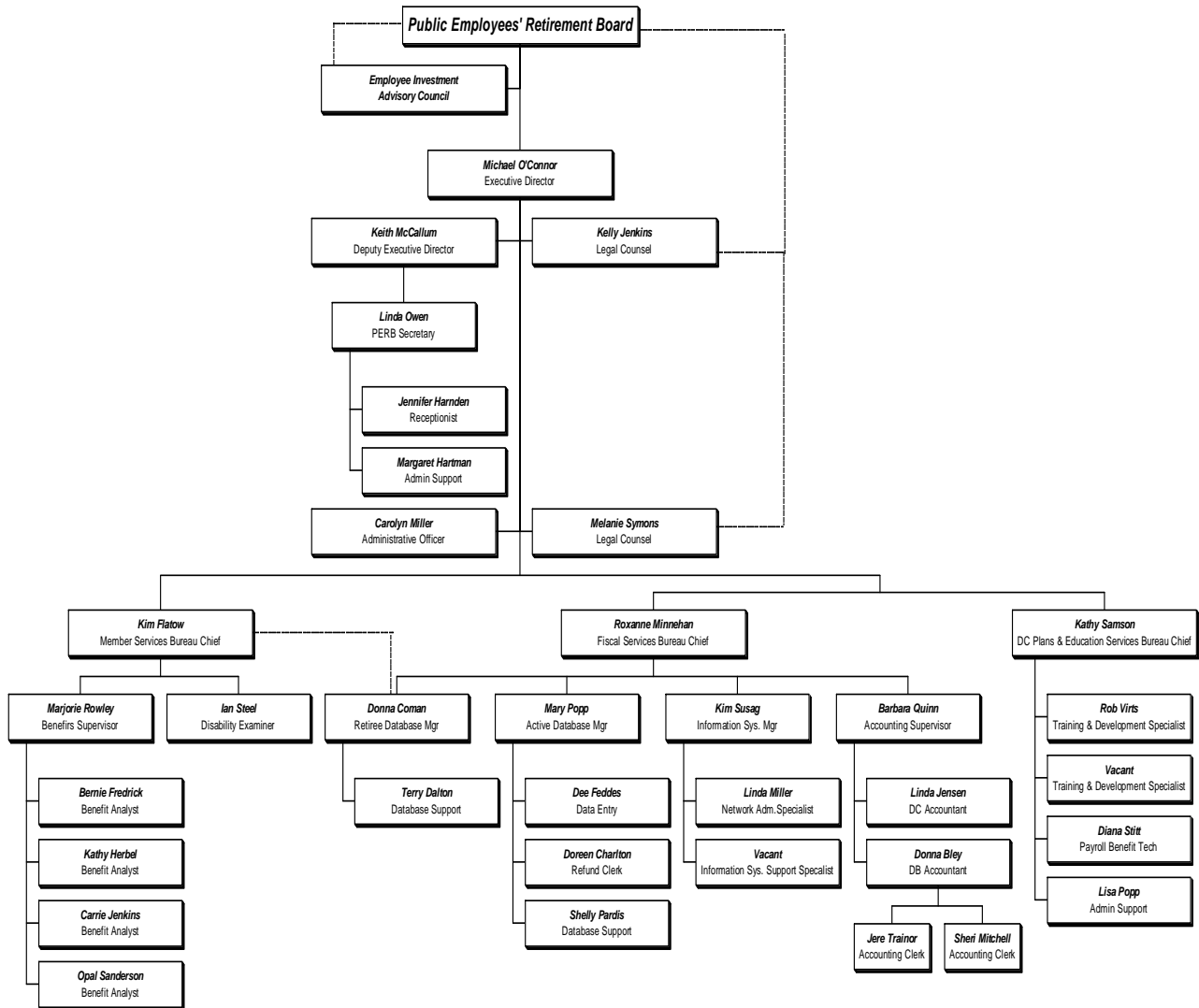


Troy McGee
Helena
Retired Public Employee
Term Expires 3/31/2008



Robert Griffith
Helena
Private Citizen
Term Expires 3/31/2008

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



INTRODUCTORY SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

2003 Legislative Highlights

Purchase of Service as a Volunteer in a U.S. Service Program for PERS - Senate Bill 145

Effective October 1, 2003, PERS members with at least five years of membership service may now purchase up to five years of the member's service as a volunteer in various United States service programs. The years of service which may be purchased is limited to five years in combination with certain other service purchases.

Optional Retirement Membership for PERS - Senate Bill 110

Effective April 17, 2003, this legislation revises and clarifies options for state and local elected officials to choose or decline membership in a PERS-covered elected position. This legislation provides for:

- Active PERS members who are also serving in a local elected position on the effective date of this legislation have a retirement membership option. They may, by January 1, 2004, decline their PERS membership in the elected position if they will work less than 960 hours in that position in a calendar year.
- A PERS member who is elected to a local government position after the effective date of this legislation may, within 180 days of being elected, decline optional membership in their elected position. Membership may be declined only if they will work less than 960 hours in the elected position in a calendar year.
- Retired PERS members elected to a local or state PERS-covered position may choose to become an active member or decline the membership for the elected position. This applies to members receiving a retirement benefit under the defined benefit retirement plan or a distribution under the defined contribution retirement plan.
- Retired PERS members in a local or state elected position who decline the optional membership are not subject to the hour or earning limitations for working retirees.

Deferred Retirement Option Plan for MPORS - House Bill 686

The MPORS Deferred Retirement Option Plan (DROP) was implemented July 1, 2002. The DROP revisions are effective April 9, 2003. This legislation allows MPORS members who complete at least 20 years of membership service, at any age, to participate in the DROP. Members may also retroactively elect the DROP if they attained their 20 years of membership service between July 1, 2002 and June 30, 2003. To receive credit retroactively to the date between

July 1, 2002, and June 30, 2003, when they would have been eligible to participate in the DROP, the member must have made this election on or before October 1, 2003.

Potential Increase Retirement Benefit for Volunteer Firefighters Compensation Act (VFCA) – House Bill 731

Effective July 1, 2003, this legislation increases pension benefits for VFCA members who continue to work after the date they would qualify for a full pension benefit. An **active** VFCA member who is at least 55 years of age and has at least 20 years of service will be able to increase their future pension benefit by \$7.50 for each additional year of service earned after July 1, 2003. Any service earned over a total of 30 years does not apply. Also, service earned prior to the effective date of this legislation, July 1, 2003, may not be used to increase the pension benefit.

Purchase of Military Service for All Systems - House Bill 44 and Senate Bill 66

Effective July 1, 2003, these enactments allow defined benefit retirement system members with at least **five years of membership service** to purchase military service. By law, the amount of service that may be purchased is limited to five years in combination with certain other service purchases.

Generally Revise Public Retirement Law for All Systems – House Bill 213

Each legislative session, the Board submits proposed amendments to revise the statutes for the public retirement systems it administers. The 2003 housekeeping and general revisions bill, HB 213 is effective July 1, 2003. Interpretation of state and federal law and court decisions require constant changes in the public retirement systems. The legislation refines the retirement systems, improves member benefits, and makes the law easier to understand. Most of the amendments in this legislation change the language and terminology, clarify definitions, use terms with more precision and consistency, and simplify administration of the retirement systems. A summary follows:

Purchase of Reserve Military Service

Eligible members of the PERS, HPORS, SRS, GWPORS, MPORS, and FURS, with at least **five years of membership service** may now purchase up to five years of the member's reserve military service. The years of reserve military service that may be purchased is limited to five years in combination with certain other service purchases.

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Disability Benefit Cap Increased

The disability retirement benefit cap for members who became disabled in the line of duty for HPORS, SRS, GWPORS, and MPORS was limited to one-half the member's highest average compensation regardless of the member's length of service. This cap is now lifted for members of these retirement systems with 20 years or more of membership service who become disabled in the line of duty after July 1, 2003. These members will receive a disability retirement benefit equal to 2.5% of their highest or final average compensation (depending on the system) for each year of service credit.

Beneficiary Designation Changes for all systems

Members of all retirement systems may now designate their estate as a beneficiary, in addition to natural persons, charitable organizations, or trusts for the benefit of natural living persons.

Clarification is also made regarding payments if either statutory or designated beneficiaries predecease the member or payment recipient. The predeceased beneficiary's share will be paid to the remaining beneficiaries in amounts proportional to their original share.

Note: None of the above changes affect the required statutory beneficiary designations in MPORS, HPORS, and FURS.

Changes to Options for Retired PERS Members

PERS members retiring after October 1, 1999, and choosing Option 2 or 3 have, under limited circumstances, been allowed to revert to the retirement benefit available to them at retirement. Now these members may either revert to their original retirement benefit or elect a different option and name a different contingent annuitant. Changes to options may be made under two circumstances:

- ◆ The original contingent annuitant dies.
- ◆ The member and the contingent annuitant divorce and an approved Family Law Order does not restrict the member's right to make the change.

Note: Any retirement benefit option change must be filed with the MPERA, **in writing, within 18 months** of the death of or divorce from the contingent annuitant.

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 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, 2003 and 2002, and the related 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, 2003 and 2002, and the changes in fiduciary net assets for the fiscal years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis, the Schedule of Funding Progress, and the Schedule of Employer Contributions & Other Contributing Entities are not a required part of the financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants; the Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) as of June 30, 2003; and the related Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Changes in Fiduciary Net Assets (PERS-DCRP,

FINANCIAL SECTION

PERS-DCEd and PERS-DC Disability) for the fiscal year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

The eight retirement systems administered by the Public Employees' Retirement Board have actuarial gains and losses smoothed over four years and only one fourth of each previous year's actuarial loss has been recognized in the amortization period as of July 1, 2002. The amortization period as of July 1, 2004, will include all the losses for fiscal year 2001, most of the losses for fiscal year 2002 and the investment income in fiscal year 2003. Because of this issue, there is uncertainty with respect to the adequacy of funding for the Public Employees' Retirement System – Defined Benefit Retirement Plan, the Game Wardens' and Peace Officers' Retirement System and the Sheriffs' Retirement System.

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 6, 2003

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, 2003. It is presented as a narrative overview and analysis and should be read in conjunction with the Letter of Transmittal included in the Introductory Section, the financial statements and other information which are presented in the Financial Section of this Component Unit Financial Report.

Financial Highlights

- ◆ *The Montana Public Employees' Retirement Board's combined total net assets of the defined benefit plans increased by \$172 million or 5.6 percent in fiscal year 2003. The increase was primarily due to the investment return in each of the retirement plans.*
- ◆ *The Montana Public Employees' Retirement Board's defined contribution plans combined total net assets increased by \$27.8 million or 14.2 percent in fiscal year 2003. The total increase in Net Assets was due to the PERS-Defined Contribution Retirement Plan (DCRP) opening in fiscal year 2003 and an increase in investment income in the 457 plan.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined benefit plans for fiscal year 2003 was \$363 million, which includes member and employer contributions of \$160 million and net investment income of \$203 million.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined contribution plans for fiscal year 2003 was \$40 million, which includes member and employer contribu-*
- tions of \$31 million and net investment income of \$9 million.*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined benefit plans increased from \$162 million in fiscal year 2002 to \$192 million in fiscal year 2003 or about 18.5%. The increase is primarily due to pension benefits and the contributions transferring to the DCRP and the Optional Retirement Plan (ORP).*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined contribution plans decreased from \$13.5 million in fiscal year 2002 to \$12.8 million in fiscal year 2003 or about 4.6% less.*
- ◆ *The Montana Public Employees' Retirement Board's defined benefit plans funding objective is to meet long-term benefit obligations. As of July 1, 2002, the date of the latest actuarial valuation, the defined benefit plans were actuarially funded at an average of 93.6 percent. It is important to understand this measure reflects the actuarial value of the defined benefit plans' net assets, which exceeds the actual fair value published in the financial statements, due to smoothing market value gains and losses over four years.*

FINANCIAL SECTION

Management's Discussion and Analysis (cont)

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, 2003. 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, 2003, financial statements are presented for the fiduciary funds administered by the PERB. Fiduciary funds are used to account for resources held for the benefit of parties outside of the PERB. The fiduciary funds are held for participants in eight defined benefit plans and two defined contribution plans.
 - The Statement of Fiduciary Net Assets is presented for the pension trust funds at June 30, 2003. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
- (2) Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. Information in the Notes to the Financial Statements is described following:
 - 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 and the inter-entity loan from the DB Education Fund that was used to pay the first principle and interest payment due to the cash position of the DCRP.
 - 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 (BOI), as authorized by state law, invests the defined benefit plans' assets in investment pools. Each plan owns an equity position in the pools and receives proportionate investment income from the pool in accordance with respective ownership. The investment pools are: Montana Domestic Equity Pool, Retirement Fund Bond Pool, Montana International Pool, Montana Short Term Investment Pool and Montana Private Equity Pool. Each plan's allocated share of the investment in the pools is shown in the Statement of Fiduciary Net Assets of the plan. Investment gains and losses are reported in the Statement of Changes in Fiduciary Net Assets.

Defined Benefit Plans Total Investments

At June 30, 2003, the PERB's defined benefit plans held total investments of \$3.2 billion, an increase of \$171.5 million from fiscal year 2002 investment totals. On the following pages are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans.

Analysis of Individual Systems

PERS - DBRP and Education

The PERS-DBRP provides retirement, disability, and death benefits for covered em-

ployees of the 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, 2003 amounted to \$2.7 billion, an increase of \$131 million (5.1 percent) from 2.6 billion at June 30, 2002.

Additions to the PERS-DBRP net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased from \$116.9 million in fiscal year 2002 to \$120.6 million in fiscal year 2003, for an increase of \$3.7 million (3.2 percent). Contributions increased because the number of participating employers increased. The plan recognized net investment income of \$167.3 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$201.4 million for the fiscal year ended June 30, 2002. The increases in investment income are mainly due to the turnaround of the equity market.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds, administrative expenses and miscellaneous expenses. For fiscal year 2003, benefits amounted to \$122.2 million, an increase of \$7.5 million (6.6 percent) from fiscal year 2002. The increase in benefit payments was due to the increase in benefit recipients and the guaranteed annual benefit adjustment. For fiscal year 2003, the costs of administering the plan's benefits amounted to \$2.3 million, a decrease of \$1.0 million (31.9 percent) from fiscal year 2002. The decrease in administrative expenses for the fiscal year 2003 was due to the conclusion of the initial education program to edu-

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Management's Discussion and Analysis (cont)

cate current PERS-DB members regarding the choice of the PERS-DBRP or the PERS-DCRP. The increase in miscellaneous expenses was due to the transfers from the DBRP to the DCRP and the ORP, which began in fiscal year 2003.

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 four-year investment performance.

MPORS

The MPORS provides retirement, disability and death benefits for municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Member, employer and state contributions

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2003 - and comparative totals for June 30, 2002

(dollars in thousands)

	PERS		MPORS		GWPORS		SRS	
	2003	2002	2003	2002	2003	2002	2003	2002
Assets:								
Cash and Receivables	96,310	85,220	9,232	9,032	2,030	2,033	4,183	4,349
Securities Lending Collateral	90,289	127,173	4,579	6,460	1,314	1,757	4,462	6,417
Investments	2,608,986	2,494,337	121,111	110,998	35,451	30,490	119,854	111,550
Property and Equipment	2	2						
Total Assets	2,795,587	2,706,732	134,922	126,490	38,795	34,280	128,499	122,316
Liabilities:								
Securities Lending Collateral	90,289	127,173	4,579	6,460	1,314	1,757	4,462	6,417
Other Payables	8,936	14,291	117	50	53	67	42	431
Total Liabilities	99,225	141,464	4,696	6,510	1,367	1,824	4,504	6,848
Total Net Assets	2,696,362	2,565,268	130,226	119,980	37,428	32,456	123,995	115,468

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2003 - and comparative totals for June 30, 2002

(dollars in thousands)

	PERS		MPORS		GWPORS		SRS	
	2003	2002	2003	2002	2003	2002	2003	2002
Additions:								
Contributions	120,615	116,910	12,554	11,973	4,128	3,441	5,177	4,928
Investment Income (Loss)	167,331	-201,365	8,530	-9,220	2,541	-2,564	8,164	-9,152
Total Additions	287,946	-84,455	21,084	2,753	6,669	877	13,341	-4,224
Deductions:								
Benefits	122,204	114,663	10,426	9,845	1,316	1,230	4,307	3,700
Refunds	10,446	11,048	373	348	355	331	475	446
Administrative Expenses	2,254	3,310	40	49	25	30	32	40
Miscellaneous Expenses	21,948							
Total Deductions	156,852	129,021	10,839	10,242	1,696	1,591	4,814	4,186
Incr/(Decr) in net assets	131,094	-213,476	10,245	-7,489	4,973	-714	8,527	-8,410

FINANCIAL SECTION

and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2003 amounted to \$130.2 million, an increase of \$10.2 million (8.5 percent) from 120.0 million at June 30, 2002.

Additions to the MPORS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased from \$12.0 million in fiscal year 2002 to \$12.6 million in fiscal year 2003, for an increase of \$581 thousand (4.9 percent). Contributions increased because the number of members contributing to the plan increased and the total compensation

reported for active members increased. The plan recognized net investment income of \$8.5 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$9.2 million for fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround of the equity market.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2003, benefits amounted to \$10.4 million, an increase of \$581 thousand (5.9 percent) from fiscal year 2002. The increase in benefit payments was due to the increase in benefit recipients and

JRS		HPORS		FURS		VFCA		TOTAL		Total % Change
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
1,051	1,214	1,961	1,217	8,552	7,930	1,484	1,897	124,803	112,892	10.6%
1,436	2,067	2,570	3,800	4,346	6,163	606	1,012	109,602	154,849	-29.2%
38,745	36,139	69,185	66,580	115,176	105,987	16,446	15,021	3,124,954	2,971,102	5.2%
								2	2	0%
41,232	39,420	73,716	71,597	128,074	120,080	18,536	17,930	3,359,361	3,238,845	3.7%
1,437	2,067	2,570	3,800	4,346	6,163	606	1,012	109,603	154,849	-29.2%
3	4	15	20	31	43	30	133	9,227	15,039	-38.6%
1,440	2,071	2,585	3,820	4,377	6,206	636	1,145	118,830	169,888	-30.1%
39,792	37,349	71,131	67,777	123,697	113,874	17,900	16,785	3,240,531	3,068,957	5.6%

JRS		HPORS		FURS		VFCA		TOTAL		Total % Change
2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
1,338	1,312	4,025	3,772	10,949	10,160	1,310	1,134	160,096	153,630	4.2%
2,661	-3,047	4,611	-5,590	8,066	-8,845	1,259	-591	203,163	-240,374	184.5%
3,999	-1,735	8,636	-1,818	19,015	1,315	2,569	543	363,259	-86,744	318.8%
1,552	1,566	5,160	4,861	9,081	8,507	1,412	1,411	155,458	145,783	6.6%
		108	149	83	81			11,840	12,403	-4.5%
3	4	15	20	30	39	30	38	2,429	3,530	-31.2%
						12	13	21,960	13	168820.2%
1,555	1,570	5,283	5,030	9,194	8,627	1,454	1,462	191,687	161,729	18.5%
2,444	-3,305	3,353	-6,848	9,821	-7,312	1,115	-919	171,572	-248,473	169.1%

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Management's Discussion and Analysis (cont)

the guaranteed annual benefit adjustment.

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 four-year investment performance.

GWPORS

The GWPORS provides retirement, disability and death benefits for game wardens, warden supervisory personnel and state peace officers. Member and employer contributions and earnings on investments fund the benefits of the plan. The GWPORS net assets held in trust for benefits at June 30, 2003 amounted to \$37.4 million, an increase of \$5.0 million (15.3 percent) from 32.5 million at June 30, 2002.

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, contributions increased from \$3.4 million in fiscal year 2002 to \$4.1 million in fiscal year 2003, for an increase of \$687 thousand (20.0 percent). Contributions increased because 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 net investment income of \$2.5 million for the fiscal year ended June 30, 2003 compared

with a net investment loss of \$2.6 million for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround of the equity market.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. The increase in benefit payments was due to the increase in benefit recipients and the guaranteed annual benefit adjustment.

An actuarial valuation of the 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 four-year investment performance.

SRS

The SRS provides retirement, disability and death benefits for all Department of Justice criminal investigators hired after July 1, 1993 and all Montana sheriffs. Member and employer contributions and earnings on investments fund the benefits of the plan. The SRS net assets held in trust for benefits at June 30, 2003 amounted to \$124.0 million, an increase of \$8.5 million (7.4 percent) from 115.5 million at June 30, 2002.

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

fiscal year ended June 30, contributions increased from \$4.9 million in fiscal year 2002 to \$5.2 million in fiscal year 2003, for an increase of \$249 thousand (5.0 percent). Contributions increased because the number of participating members contributing to the plan increased and the total compensation reported for active members increased. The plan recognized net investment income of \$8.2 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$9.2 million for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround of the equity market.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2003, benefits amounted to \$4.3 million, an increase of \$607 thousand (16.4 percent) from fiscal year 2002. The increase in benefit payments was mainly due to an increase in benefit recipients.

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 four-year investment performance.

JRS

The JRS provides retirement, disability and death benefits for all Montana judges of the district courts, justices of the Supreme Court

and the Chief Water Judge. Member and employer contributions and earnings on investments fund the benefits of the plan. The JRS net assets held in trust for benefits at June 30, 2003 amounted to \$39.8 million, an increase of \$2.4 million (6.5 percent) from \$37.3 million at June 30, 2002.

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, 2003, contributions increased from \$1.312 million in fiscal year 2002 to \$1.338 million in fiscal year 2003, for an increase of \$26 thousand (2.0 percent). Contributions increased because the total compensation reported for active members increased. The plan recognized net investment income of \$2.7 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$3.0 million for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround of the equity market.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits and administrative expenses. For fiscal year 2003, benefits amounted to \$1.552 million, a decrease of \$14 thousand (1.0 percent) from fiscal year 2002. The decrease in benefit payments was due to the decrease in total number of benefit recipients.

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

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Management's Discussion and Analysis (cont)

previous four-year investment performance.

HPORS

The HPORS provides retirement, disability and death benefits for members of the Montana Highway Patrol. Member and employer contributions, registration fees and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2003 amounted to \$71.1 million, an increase of \$3.4 million (4.9 percent) from 67.8 million at June 30, 2002.

Additions to the HPORS net assets held in trust for benefits include employer, and member contributions, registration fees and investment income. For the fiscal year ended June 30, contributions increased from \$3.8 million in fiscal year 2002 to \$4.0 million in fiscal year 2003, an increase of \$253 thousand (6.7 percent). Contributions increased because the number of participating members contributing to the plan increased and because total compensation reported for active members increased. The plan recognized net investment income of \$4.6 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$5.6 million for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround in the equity market.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2003, benefits amounted to \$5.2 million, an increase of \$299 thousand (6.2 percent) from fiscal year 2002. The increase in benefit payments was due to the increase in benefit recipients and the guaranteed annual benefit adjustment.

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 four-year investment performance.

FURS

The FURS provides retirement, disability and death benefits for firefighters employed by first- and second-class cities and other cities that adopt the plan, and firefighters hired by the Montana Air National Guard on or after October 1, 2001. Member, employer, and state contributions and earnings on investments fund the benefits of the plan. The FURS net assets held in trust for benefits at June 30, 2003 amounted to \$123.7 million, an increase of \$9.8 million (8.6 percent) from 113.9 million at June 30, 2002.

Additions to the FURS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased from \$10.2 million in fiscal year 2002 to \$10.9 million in fiscal year 2003, an increase of \$789 thousand (7.8 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 net investment income of \$8.1 million for the fiscal year ended June 30, 2003 compared with a net investment loss of

\$8.8 million for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround in the equity market.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2003, benefits amounted to \$9.1 million, an increase of \$574 thousand (6.7 percent) from fiscal year 2002. The increase in benefit payments was due to the increase in benefit recipients and the guaranteed annual benefit adjustment.

An actuarial valuation of the 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 four-year investment performance.

VFCA

The VFCA provides retirement, disability and death benefits for 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, 2003 amounted to \$17.9 million, an increase of \$1.1 million (6.6 percent) from \$16.8 million at June 30, 2002.

Additions to the VFCA net assets held in trust for benefits include state contributions

and investment income. For the fiscal year ended June 30, contributions increased from \$1.1 million in fiscal year 2002 to \$1.3 million in fiscal year 2003, an increase of \$176 thousand (15.5 percent). Contributions increased because there was an increase in the fire insurance premium taxes collected. The plan recognized net investment income of \$1.3 million for the fiscal year ended June 30, 2003 compared with a net investment loss of \$591 thousand for the fiscal year ended June 30, 2002. The increase in investment income is mainly due to the turnaround in the equity market.

Deductions from the VFCA net assets held in trust for benefits mainly include retirement benefits, supplemental insurance payments and administrative expenses. For fiscal year 2003, benefits remained the same as 2002 at \$1.4 million; the benefit remaining the same is mainly due to no change in the average annual benefit.

An actuarial valuation of the 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 four-year investment performance.

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the PERB's defined benefit plans is performed every two

FINANCIAL SECTION

Management's Discussion and Analysis (cont)

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 page 70.

The PERB funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions, and the income from investments provide the reserves needed to finance future retirement benefits. Since investment earnings are critical to the defined benefit plans' funding, the market decline and associated investment losses in fiscal year 2001 and fiscal year 2002 have deteriorated the plans' funding. The investment losses have reduced the assets available to pay previously incurred benefit obligations. The investment losses have increased the unfunded liability of the plans. The increased unfunded liability needs to be paid off within 30 years according to 19-2-409, MCA. The next valuation will be performed on July 1, 2004. That valuation will take into account the losses for fiscal year 2001 and most of the losses for fiscal year 2002. It will also take into account the investment income of \$203 million for fiscal year 2003 and any differences between the actuarial assumptions and actual experience.

The PERB is concerned with the funding of three of the eight defined benefit retirement plans administered. The PERB is closely watching the PERS – Defined Benefit Retirement Plan (PERS-DBRP), the Game Wardens' and Peace Officers' Retirement System (GWPORS) and the Sheriffs' Retirement System (SRS). The PERB believes the unfunded liability of the PERS-DBRP will be amortized in 30 years, as required by statute. The GWPORS and the SRS statutory contri-

bution rates are roughly the rate necessary to pay benefits, but appear insufficient to pay off unfunded liability. The parameters of these funding issues will be resolved with the July 1, 2004 valuation.

Funding ratios range from a high of 145.60 percent to a low of 63.27 percent. The Schedule of Funding Progress on page 70 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 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. The schedules of Net Assets and Changes in Net Assets for the two defined contribution plans are on the following page.

PERS-DCRP

The PERS-DCRP is established under Section 401(a) of the Internal Revenue Code. This plan provides retirement benefits for plan members. This plan was available to all

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Fiduciary Net Assets - Defined Contribution Plans

As of June 30, 2003 - and comparative totals for June 30, 2002

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total % Change
	2003	2002	2003	2002	2003	2002	
Assets:							
Cash and Receivables	7,246	535	3,479	2,358	10,725	2,893	270.7%
Securities Lending Collateral							
Investments	9,239		205,028	194,201	214,267	194,201	10.3%
Total Assets	16,485	535	208,507	196,559	224,992	197,094	14.2%
Liabilities:							
Securities Lending Collateral							
Other Payables	1,604	1,562	167	139	1,771	1,701	4.1%
Total Liabilities	1,604	1,562	167	139	1,771	1,701	4.1%
Total Net Assets	14,881	-1,027	208,340	196,420	223,221	195,393	14.2%

Changes In Fiduciary Net Assets - Defined Contribution Plans

For the year ended June 30, 2003 - and comparative totals for June 30, 2002

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total % Change
	2003	2002	2003	2002	2003	2002	
Additions:							
Contributions	16,551		15,026	13,583	31,577	13,583	132.5%
Investment Income (Loss)	551	3	8,541	-4,434	9,092	-4,431	305.2%
Total Additions	17,102	3	23,567	9,149	40,669	9,152	344.4%
Deductions:							
Refunds	629		10,648	11,460	11,277	11,460	-1.6%
Administrative Expenses	552	445	218	242	770	687	12.0%
Miscellaneous Expenses	14		780	811	794	811	-2.1%
Prior Period Adjustment				496		496	-100.0%
Total Deductions	1,195	445	11,646	13,009	12,841	13,454	-4.6%
Incr/(Decr) in net assets	15,907	-442	11,921	-3,860	27,828	-4,302	746.9%

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 Intercap loan through the Montana Department of Administration with the BOI to fund the plan start-up and implementation costs. As of June 30, 2003, the loan balance is \$1.5 million. The term of the loan is ten years with interest payments beginning August 15, 2000, and principal payments beginning August 15,

2003.

The plan net assets held in trust for benefits at June 30, 2003 amounted to \$14.8 million, an increase of \$15.9 million from net assets at June 30, 2002.

Additions to the Defined Contribution Retirement Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2003, contributions were \$16.6 million. This was the first year of the plan for contributions. The plan recognized

FINANCIAL SECTION

Management's Discussion and Analysis (cont)

net investment income of \$551 thousand for fiscal year 2003.

Deductions from the Defined Contribution Retirement Plan net assets mainly include member refunds, miscellaneous expenses and administrative expenses. For fiscal year 2003, refunds amounted to \$629 thousand. For fiscal year 2003, the costs of administering the plan amounted to \$552 thousand, an increase of \$107 thousand (24.0 percent) from fiscal year 2002. The increase in administrative costs was mainly due to start up costs of getting the plan initiated and running properly in its first year of operation.

Deferred Compensation (457) Plan

The Deferred Compensation Plan is established under Section 457 of the Internal 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, 2003 amounted to \$208.5 million, an increase of \$11.9 million (6.0 percent) from net assets at June 30, 2002.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2003, contributions increased from those of fiscal year 2002 from \$13.6 million to \$15.0 million, an increase of \$1.4 million (10.6 percent). Contributions increased because of increased contributions by current participants. The plan recognized net investment income of \$8.5 million for fiscal year 2003 compared with a net investment loss of \$4.4 million for fiscal year 2002. The increase in investment income is mainly due to the turnaround in the equity market.

Deductions from the Deferred Compensation Plan net assets mainly include member and beneficiary refunds, miscellaneous expenses and administrative expenses. For fiscal year 2003, refunds amounted to \$10.6 million, a decrease of \$812 thousand (7.0 percent) under fiscal year 2002.

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FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Fiduciary Net Assets - Pension Trust Funds

as of June 30, 2003 - with comparative totals for June 30, 2002

	PERS-DBRP	MPORS	GWPORS	SRS	JRS	HPORS
Assets						
Cash and Short-term Investments	\$ 80,051,069	1,551,066	1,877,272	3,298,255	889,422	1,610,613
Securities Lending Collateral (Note A3)	90,288,753	4,579,494	1,314,401	4,462,375	1,436,602	2,570,118
Receivables						
Interest	11,388,163	503,611	148,074	499,239	161,294	286,802
Accounts Receivable	4,229,597	378,391	5,015	288,204		3
Due from Other Funds	215,048			25,891		
Due from Primary Government	45,959	6,798,457				63,092
Notes Receivable	380,315			71,426		
<i>Total Receivables</i>	16,259,082	7,680,459	153,089	884,760	161,294	349,897
Investments, at fair value (Note A3)						
Montana Domestic Equity Pool (MDEP)	1,308,883,763	59,429,624	17,475,616	59,058,472	19,161,851	34,191,470
Montana Stock Pool (MTCP)						
Retirement Fund Bond Pool (RFBP)	804,470,236	43,872,923	12,920,683	43,639,134	14,045,793	25,177,487
Montana International Pool (MTIP)	225,346,965	10,832,775	2,996,381	10,249,759	3,294,445	5,883,354
Montana Private Equity Pool (MPEP)	150,960,074	6,975,233	2,058,250	6,906,435	2,242,927	3,932,967
Equity Index Fund	17					
Real Estate Investments	7,246,333					
Mortgages & Commercial Loans						
net of Accumulated Mortgage Discount	112,078,541					
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
<i>Total Investments</i>	2,608,985,929	121,110,555	35,450,930	119,853,800	38,745,016	69,185,278
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	1,898					
Total Assets	2,795,586,731	134,921,574	38,795,692	128,499,190	41,232,334	73,715,906
Liabilities						
Securities Lending Collateral Liability	90,288,753	4,579,494	1,314,401	4,462,375	1,436,602	2,570,118
Accounts Payable	2,890,264	51,575	19,639	8,995		
Due to Other Funds	5,512,947	63,978	24,740	32,065	3,255	15,300
Due to Primary Government	49,577					
Notes Payable (Note C)						
Deferred Revenue	243,323	1,111	8,279	605		
Compensated Absences	239,552	265				
<i>Total Liabilities</i>	99,224,416	4,696,423	1,367,059	4,504,040	1,439,857	2,585,418
Net Assets Held in Trust for Pension Benefits						
(see schedule of funding progress, page 70)	\$ 2,696,362,315	130,225,151	37,428,633	123,995,150	39,792,477	71,130,488

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

FINANCIAL SECTION

Defined Benefit Pension Plans			Defined Contribution Plans			Total Pension Trust Funds	Total Pension Trust Funds
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	2003	2002
1,733,591	1,415,234	92,426,522	1,745,349	2,881,563	4,626,912	97,053,434	81,122,882
4,345,996	606,471	109,604,210				109,604,210	154,849,079
476,963	68,860	13,533,006				13,533,006	14,759,651
335,462		5,236,672	170	597,601	597,771	5,834,443	6,195,874
		240,939	5,500,000		5,500,000	5,740,939	826,725
6,006,253		12,913,761	95	69	164	12,913,925	12,383,977
		451,741				451,741	496,973
6,818,678	68,860	32,376,119	5,500,265	597,670	6,097,935	38,474,054	34,663,200
56,637,464	8,134,128	1,562,972,388				1,562,972,388	
							1,128,570,044
41,756,860	5,964,322	991,847,438				991,847,438	1,056,625,247
10,235,341	1,378,791	270,217,811				270,217,811	256,625,483
6,545,922	968,788	180,590,596				180,590,596	113,753,416
		17				17	230,050,585
		7,246,333				7,246,333	7,035,303
		112,078,541				112,078,541	178,441,866
			407,489	137,687,286	138,094,775	138,094,775	122,729,210
			8,831,476	67,328,712	76,160,188	76,160,188	71,459,943
				12,316	12,316	12,316	12,316
115,175,587	16,446,029	3,124,953,124	9,238,965	205,028,314	214,267,279	3,339,220,403	3,165,303,413
		1,898				1,898	2,359
128,073,852	18,536,594	3,359,361,873	16,484,579	208,507,547	224,992,126	3,584,353,999	3,435,940,933
4,345,996	606,471	109,604,210				109,604,210	154,849,079
		2,970,473	33,309	129,174	162,483	3,132,956	14,506,249
30,274	30,274	5,712,833	19,675	8,431	28,106	5,740,939	314,108
		49,577	6,609	6,868	13,477	63,054	141,057
			1,498,000		1,498,000	1,498,000	1,498,000
1,021		254,339				254,339	20,047
		239,817	46,568	22,035	68,603	308,420	261,093
4,377,291	636,745	118,831,249	1,604,161	166,508	1,770,669	120,601,918	171,589,633
123,696,561	17,899,849	3,240,530,624	14,880,418	208,341,039	223,221,457	3,463,752,081	3,264,351,300

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Changes in Fiduciary Net Assets- Pension Trust Funds

for the year ended June 30, 2003 - with comparative totals for June 30, 2002

	PERS-DBRP	MPORS	GWPORS	SRS	JRS	HPORS
Additions						
Contributions (Note D)						
Employer	\$ 57,225,013	3,502,000	1,835,140	2,475,394	1,052,361	2,866,015
Plan Member	61,749,963	2,234,667	2,288,765	2,646,794	285,413	797,344
Membership Fees	161					
Interest Reserve Buyback	878,256	18,638	4,283	21,898		7,699
Retirement Incentive Program	371,473			33,000		
Registration Fee Collections						353,589
Miscellaneous Revenue	860					
State Contributions	388,954	6,798,457				
Nonvested Member Forfeitures						
<i>Total Contributions</i>	120,614,680	12,553,762	4,128,188	5,177,086	1,337,774	4,024,647
Investment Income (Note A3)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	53,192,946	3,316,246	1,179,075	2,957,927	897,078	1,251,729
Interest	102,179,450	4,655,351	1,202,724	4,654,519	1,585,672	3,038,556
Dividends	15,050,658	689,895	196,044	680,025	219,132	395,063
Securities Gain (Loss)						
Securities Lending Income	1,628,745	83,359	23,371	81,582	26,217	47,361
	172,051,799	8,744,851	2,601,214	8,374,053	2,728,099	4,732,709
Less:						
Investment Expense	3,402,205	146,988	41,394	143,070	45,872	82,494
Securities Lending Rebate and Fees	1,318,407	68,067	19,149	66,795	21,484	38,801
	4,720,612	215,055	60,543	209,865	67,356	121,295
<i>Net Investment Income</i>	167,331,187	8,529,796	2,540,671	8,164,188	2,660,743	4,611,414
Total Additions	287,945,867	21,083,558	6,668,859	13,341,274	3,998,517	8,636,061
Deductions (Note D)						
Benefits	122,203,686	10,425,561	1,316,309	4,307,060	1,551,557	5,159,762
Refunds to Members	10,218,257	325,966	354,807	456,666		60,244
Refunds to Other Plans	228,340	46,750		18,211		47,496
Transfers to DCRP	15,990,427					
Transfers to ORP	5,957,197					
Supplemental Insurance Payments						
Administrative Expenses	2,253,814	40,160	24,740	32,065	3,255	15,300
Miscellaneous Expenses						
<i>Total Deductions</i>	156,851,721	10,838,437	1,695,856	4,814,002	1,554,812	5,282,802
<i>Net Increase (Decrease)</i>	131,094,146	10,245,121	4,973,003	8,527,272	2,443,705	3,353,259
Net Assets Held in Trust for Pension Benefits						
Beginning of Year	2,565,268,169	119,980,030	32,455,630	115,467,878	37,348,772	67,777,229
Prior Period Adjustment						
End of Year	\$ 2,696,362,315	130,225,151	37,428,633	123,995,150	39,792,477	71,130,488

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

FINANCIAL SECTION

Defined Benefit Pension Plans			Defined Contribution Plans			Total Pension Trust Funds	Total Pension Trust Funds
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	2003	2002
2,802,156		71,758,079	6,129,909	44,218	6,174,127	77,932,206	69,985,124
2,138,781		72,141,727	10,389,320	14,725,241	25,114,561	97,256,288	82,542,491
		161				161	167
2,221		932,995				932,995	163,778
		404,473				404,473	188,962
		353,589				353,589	308,973
		860	661	256,406	257,067	257,927	223,389
6,006,253	1,310,088	14,503,752				14,503,752	13,800,938
			31,188		31,188	31,188	
10,949,411	1,310,088	160,095,636	16,551,078	15,025,865	31,576,943	191,672,579	167,213,822
3,135,586	564,887	66,495,474	439,327	1,711,971	2,151,298	68,646,772	(382,360,053)
4,397,325	617,831	122,331,428	111,535	7,227,214	7,338,749	129,670,177	123,858,273
657,600	94,048	17,982,465				17,982,465	16,992,833
							676,639
79,321	11,545	1,981,501				1,981,501	4,385,196
8,269,832	1,288,311	208,790,868	550,862	8,939,185	9,490,047	218,280,915	(236,447,112)
139,066	20,303	4,021,392		398,329	398,329	4,419,721	4,575,809
64,791	9,457	1,606,951				1,606,951	3,781,868
203,857	29,760	5,628,343		398,329	398,329	6,026,672	8,357,677
8,065,975	1,258,551	203,162,525	550,862	8,540,856	9,091,718	212,254,243	(244,804,789)
19,015,386	2,568,639	363,258,161	17,101,940	23,566,721	40,668,661	403,926,822	(77,590,967)
9,080,598	1,411,936	155,456,469				155,456,469	145,783,245
82,765		11,498,705	628,884	10,648,173	11,277,057	22,775,762	23,424,213
		340,797				340,797	438,608
		15,990,427				15,990,427	
		5,957,197				5,957,197	
	12,000	12,000				12,000	12,675
30,274	30,274	2,429,882	551,734	217,825	769,559	3,199,441	4,218,397
			14,156	779,792	793,948	793,948	810,882
9,193,637	1,454,210	191,685,477	1,194,774	11,645,790	12,840,564	204,526,041	174,688,020
9,821,749	1,114,429	171,572,684	15,907,166	11,920,931	27,828,097	199,400,781	(252,278,987)
113,874,812	16,785,420	3,068,957,940	(1,026,748)	196,420,108	195,393,360	3,264,351,300	3,517,126,394
							(496,107)
123,696,561	17,899,849	3,240,530,624	14,880,418	208,341,039	223,221,457	3,463,752,081	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, 2003 and 2002

The Public Employees' Retirement Board (PERB) administers ten retirement plans and the related member education plans. The retirement plans are eight defined benefit plans and two defined contribution plans. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS-DBRP), 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. Eligible active members of the PERS, as of this date, could elect to join this plan and for those members the window closed June 30, 2003. All new hires to the PERS after July 1, 2002 have a twelve-month window from their date of hire to file an election. The Deferred Compensation Plan is available to employees of the state, university and local subdivisions that contract with the plan.

PERS members are provided member education as a tool to help them decide between participation in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). If members are employees of the university system they have a third choice, the Optional

Retirement Program (ORP). The plan choice is a one-time irrevocable election. Education is also available for the members who choose the PERS-DCRP. This education includes information on investment choices. A defined contribution education fund was established as of July 1, 2002 to fund this education.

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. The Montana Public Employee Retirement Administration (MPERA), staff of the PERB, prepares the accounting records and financial statements for the fiduciary/pension trust funds using the accrual basis of accounting. For the pension trust funds, member contributions are recognized in the period in which contribu-

tions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period in which they are earned and become measurable. Benefits and refunds 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 defined benefit administrative expenses are accounted for within PERS-DBRP and then allocated to the other defined benefit plans at year-end. Receivables and payables were also recorded this year for the transfer of participant accounts from the PERS-DBRP to the PERS-DCRP and ORP in the amounts of \$5.5 million and \$2 million, respectively. Elections received at the end of June 2003 were valid for fiscal year 2003 but because of requirements of processing an election form, the account balances could not be transferred until July 2003. MPERA presented these receivables and payables because this is a major point of interest this fiscal year with the start up of the PERS-DCRP, and because this will give the financial statement user a more accurate picture of the DC plan financial status and its impact. 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.

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 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, 2003, there were five major diversified pools, the same number as in fiscal year 2002, Montana Short Term Investment Pool (STIP), Retirement Funds Bond Pool (RFBP), Montana International Pool (MTIP), Montana Private Equity Pool (MPEP) and the Montana Domestic Equity Pool (MDEP). The Montana Stock Pool (MTCP) was closed in fiscal year 2003 and the MDEP became effective May 1, 2003. It is similar to other pools currently managed by the BOI. The MDEP affords investors a more diversified exposure to the U.S. equity market by including small and mid-cap companies and reduces volatility by incorporating an index component to the domestic equity portfolio. Participants in MTCP were automatically transferred into the new pool.

The PERS-DCRP and the deferred compensation plan's fixed assets were invested and managed on behalf of the plan by Pacific Investment Management Company (PIMCO)/State Street Kansas City

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(SSKC). 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, 2003.

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

STIP portfolio may include asset-backed securities, commercial paper, corporate and government securities, repurchase agreements and variable-rate (floating-rate) instruments. These securities provide a diversified portfolio earning a competitive total rate of return. Funds may be invested for relatively short periods. State agencies are legally required to invest in STIP and the PERB elects to have all STIP income automatically reinvested. Investments are reported at fair value based on market prices supplied to the BOI by 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 Stan-

dards 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.

MDEP portfolio may include common stock, equity index, preferred stock, convertible equity securities and equity derivatives. The MDEP was established in April 2003. Effective May 1, 2003, the Public Employees', Municipal Police Officers', Game Wardens' and Peace Officers', Sheriffs', Judges', Highway Patrol Officers', Volunteer Firefighters' and Firefighters' Unified retirement funds transferred all the Barclays Global Investors (BGI) S&P 500 Equity Index Fund A and the Dimensional Fund Advisors (DFA) U.S. Small Cap Trust investments totaling \$740 million, at cost, from the All Other Funds portfolio to the new pool. The pension and endowment funds also exchanged their investment in the Montana Stock Pool (MTCP) for units in the new MDEP. The MDEP, as an internal investment pool, invested its excess cash, on creation, in STIP, an external investment pool. In July 2003, the STIP account was closed and a Stock Performance Index Futures Fund (SPIFF) account was opened to securitize MDEP cash by investing in an equity derivative. Investments are presented at fair value. Equity investments, on valuation date, are stated

at the closing price of the security's primary exchange. The increase in the fair and carrying values of the MDEP portfolio as of June 30, 2003 as compared to fair and carrying values of the MTCP portfolio as of June 30, 2002 is attributed, primarily, to the \$740 million transfer, at cost, of the BGI and DFA investments to the MDEP on May 1, 2003. Since January 2003, MTCP unit values are calculated weekly and at the close of the last business day of the month. Depending on stock market conditions and the investment officer's decision, MDEP participants may then buy or sell units on the first calendar day of each month. MDEP/MTCP security transactions are recorded as of trade date rather than settlement date. Because of this generally accepted practice, the MDEP/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.

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

RFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, U.S. government and Yankee securities and cash investments. RFBP investments are presented at fair value. Fair values are determined, primar-

ily, 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, 2003 unit value of \$110.84 increased from the June 30, 2002 unit value of \$103.56. 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. Administrative expenses incurred by the BOI are charged daily to RFBP based on the BOI's expenses applicable to RFBP. *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, 2003 and June 30, 2002, Enron Corp., and Burlington Industries, Inc. presented legal and higher credit risks to the BOI. The RFBP holds a \$7 million par 6.40% Enron bond maturing July 15, 2006 and a \$7 million par 6.95% Enron bond maturing July 15, 2028. The combined book value of these securities was \$13.5 million as of November 30, 2001. On December 12, 2001, the Enron Corp. filed for Chapter 11 bankruptcy protection. Accordingly, the November

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2001 book value for the two issues was reduced to \$5.6 million as of June 30, 2002. In October 2002, the book value was reduced to \$2.8 million for both issues. In July 2003, both issues were sold, on the market, for a total of \$2.36 million. The BOI owns a Burlington Industries, Inc., \$6 million par, 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5.6 million to \$2.4 million. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to \$1.2 million. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. This sale is expected to close in November 2003. Under the company's recovery plan, the BOI will receive cash for its unsecured claim.

As of June 30, 2002, Rite Aid and WorldCom Inc. presented a higher credit risk to the BOI. The RFBP owned a Rite Aid \$7 million 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 \$5.6 million as of June 30, 2000. During fiscal year 2001, the book value was further reduced to \$5.2 million. Due to an improving credit trend, amortization was resumed in June 2001. The book

value of this security at June 30, 2002 was \$5.5 million. As of June 30, 2002, Rite Aid did not represent a credit risk. In December 2002, this bond was sold, on the market, for \$5 million principal plus interest of \$206,427. The RFBP portfolio included a \$6 million par, 6.95% WorldCom Inc. bond maturing August 15, 2028. The book value of this bond, originally purchased at a discount, was \$5.5 million 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 was \$2.4 million. 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. In December 2002, this bond was sold, on the market, for \$1.5 million.

The BOI received a summons and complaint, dated September 3, 2002, regarding the sale of a Pennzoil Quaker State, \$5 million par, 6.75% corporate bond maturing April 1, 2009. Deutsche Bank Securities claims a "breach of contract" for the March 25, 2002 sale of the bond at a price of \$94.669 plus accrued interest. Deutsche Bank Securities seeks damages 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 BOI received \$5.7 million in principal and interest plus \$150,000 as a consent fee.

MTIP portfolio includes equities in five funds - an internally managed fund, BOI Internal International; and four externally managed funds: Pyrford International, Schroder Investment Management NA, SG Yamaichi Asset Management Co., formerly SG Pacific Asset Management Inc. and Barclays Global Investors. The five funds invest in securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. Because transactions are recorded as of the trade date rather than settlement date, the MTIP portfolio may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. Investments are presented at current U.S. dollar value after conversion from foreign currency by the custodial bank, State Street Bank and Trust. The five funds' cash, receivables, fair value of investment securities, other assets and liabilities are translated into U. S. dollars at the Interactive Data Control 11:00 am EST exchange rate as of the balance sheet date. Unit values are calculated weekly and once a month at the close of the last business day of the month, based upon the fair value of the MTIP equity holdings, other assets and liabilities. Based on the BOI Investment Officer's decision, participants are allowed to buy or sell units on the first business day of each month. Realized gains/losses from the sale of securities and related foreign exchange transactions are retained by each fund. MTIP income

is distributed at least quarterly to the retirement funds, net of external manager fees and administrative expenses, on the first business day of the following month. On July 1, 2003, the BOI funded MTIP with a \$35 million purchase in the State Street Stock Performance Index Futures Fund (SPIFF). SPIFF shares were subsequently sold to fund \$25 million to the BGI-MSCI Europe Index Fund on July 3, 2003. On October 30, 2003, the BOI voted to replace SG Yamaichi Asset Management, Co. as an active manager with Nomura Asset Management U.S.A., Inc. The change is effective December 1, 2003.

MPEP portfolio includes venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. The MPEP was established in April 2002 to allow retirement funds the opportunity to participate in the venture capital and leveraged buyout markets and other private equity investments via a diversified pool. 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 six private equity managers. The private equity managers include Adams Street Partners (formerly Brinson Partners); Kohlberg, Kravis, Roberts and Company (KKR); Welsh Carson Anderson and Stowe; Madison Dearborn Partners; Lexington Partners; and Oaktree Capital Management. 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

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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. Administrative expenses incurred by the BOI are charged daily to the MPEP based on the BOI's expenses applicable to MPEP. 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 diversified by time, financing stage, industry sector, investment size and geographical region. Private equity investments are recognized as investments with a higher degree of risk with a higher return potential. Private equity investments are long-term, by design, and extremely illiquid. Private equity investments typically have a low correlation relative to other investment asset classes and should contribute to reduction of portfolio risk. The Montana BOI is a limited partner in the private equity partnership of O'Donnell & Masur L.P., which invested in Gardiner Communications, Inc. All partners received a Notice of Liability from the Internal Revenue Service claiming unpaid federal corporate taxes for Gardiner Communications, Inc. As a recipient of the distributions on the sale and dissolution of Gardiner Communications, Inc., the BOI faces potential liability. O'Donnell & Masur L.P. has retained legal counsel to represent all partners re-

ceiving a Notice of Liability. On September 5, 2003, legal counsel filed a petition on the Montana BOI's behalf in U.S. Tax Court to perfect the right to contest this matter.

Other Investments for the pension plans include equity index, real estate, mortgages and loans. Effective May 1, 2002, all the venture capital and leveraged buy-out investments totaling \$159.8 million, at cost, were transferred to the new MPEP. Effective May 1, 2003, all the equity index investments totaling \$740 million, at cost, were transferred to the new MDEP. The Montana mortgages and loans receivable, included in the Net Investments Managed at Fair Value, represent residential mortgages and multifamily commercial loans. Real estate investments held, in part, for the PERS include buildings at 100 North Park Avenue in Helena, MT and 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, 2003 and 2002, there were no uncollectible account balances for Montana mortgages and loans receivable; however, during fiscal year 2002, the BOI staff wrote off loan princi-

pal balances in the total amount of \$1,794,968. In fiscal year 2003, the sale of pool units from the MPEP, TFBP, RFBP and MTCP generated a net gain to participants of \$41 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 2003 and 2002, State Street Bank and Trust loaned, on behalf of the BOI, certain securities held by State Street Bank and Trust, as custodian, and received U.S. dollar currency cash, U.S. government securities, and irrevocable bank letters of credit. State Street Bank and Trust does not have the ability to pledge or sell collateral securities unless the borrower defaults. The BOI did not impose any restrictions during fiscal year 2003 and 2002 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 2003 and 2002. Moreover, there were no losses during fiscal years 2003 and 2002 resulting from a default of the borrowers or State Street. During fiscal years 2003

and 2002, 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, 2003 and June 30, 2002, the BOI had no credit risk exposure to borrowers.

Fixed investments are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank State Street Bank Kansas City (SSKC). The PIMCO/SSKC 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 & 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

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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. Mutual Funds are listed on pages 62 and 65 or a listing can be obtained by contacting the Montana Public Employee Retirement Administration.

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.

Fiscal Year Ended	Rate*	Principal	Interest	Total
2004	2.850%	\$ 181,450.48	\$ 41,400.02	\$ 222,850.50
2005	2.850%	189,551.35	36,275.53	225,826.88
2006	2.850%	198,050.89	30,709.57	228,760.46
2007	2.850%	206,946.00	25,002.48	231,948.48
2008	2.850%	216,266.57	19,038.90	235,305.47
2009-2010	2.850%	505,734.72	19,139.57	524,874.29
		\$ 1,498,000.00		\$ 1,669,566.08

* Interest rate is variable. As of June 30, 2003 the interest rate was 2.850%

Schedule of Debt Repayment				
Inter-Entity Loan				
Fiscal Year				
Ended	Rate*	Principal	Interest	Total
2005	2.85%	\$ 28,500.00	\$ 3,249.00	\$ 31,749.00
2006	2.85%	85,500.00	2,436.75	87,936.75
		<u>\$ 114,000.00</u>		<u>\$ 119,685.75</u>

*Interest rate is variable. As of June 30, 2003 the interest rate was 2.850%

C. DEBT OBLIGATIONS

The PERS defined contribution retirement plan has an implementation loan through the Department of Administration, with the BOI, that is scheduled to be repaid over a period of ten years. Five draws were taken in the total amount of \$1,498,000. Interest repayments began immediately following the draws. Princi-

pal repayments began August 15, 2003, the year following the DCRP implementation date. The interest rate is variable and changes every February, impacting the interest due on the outstanding principal balance. An inter-entity loan was taken from the DB Education Fund on August 18, 2003 to help cover the costs of the DCRP expenses. The inter-entity loan is due in two years and interest will be

PERS-DBRP Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	521	515			
Active plan members	28,604	29,808	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	13,782	13,498
Vested	2,231	2,150	Disability Retirements	335	344
Non-vested	9,070	10,944	Survivor Benefits	284	274
	<u>11,301</u>	<u>13,094</u>		<u>14,401</u>	<u>14,116</u>

MPORS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	22	22			
Active plan members	601	585	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	524	510
Vested	17	18	Disability Retirements	13	15
Non-vested	42	71	Survivor Benefits	28	29
	<u>59</u>	<u>89</u>		<u>565</u>	<u>554</u>

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GWPORS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	8	8			
Active plan members	664	609	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	78	75
Vested	11	9	Disability Retirements	1	1
Non-vested	90	83	Survivor Benefits	3	3
	<u>101</u>	<u>92</u>		<u>82</u>	<u>79</u>

SRS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	56	56			
Active plan members	661	642	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	260	235
Vested	39	35	Disability Retirements	33	31
Non-vested	94	153	Survivor Benefits	13	14
	<u>133</u>	<u>188</u>		<u>306</u>	<u>280</u>

JRS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	1	1			
Active plan members	49	48	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	48	49
Vested	4	2	Disability Retirements	0	0
Non-vested	0	0	Survivor Benefits	2	2
	<u>4</u>	<u>2</u>		<u>50</u>	<u>51</u>

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HPORS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	1	1			
Active plan members	201	194	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	250	246
Vested	7	7	Disability Retirements	8	9
Non-vested	9	13	Survivor Benefits	9	10
	<u>16</u>	<u>20</u>		<u>267</u>	<u>265</u>

FURS Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	16	16			
Active plan members	441	437	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	451	448
Vested	10	6	Disability Retirements	4	6
Non-vested	50	59	Survivor Benefits	25	27
	<u>60</u>	<u>65</u>		<u>480</u>	<u>481</u>

VFCA Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Active plan members	2,629	2,609	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	917	880
Vested	679	693	Disability Retirements	0	0
			Survivor Benefits	4	4
				<u>921</u>	<u>884</u>

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PERS-DCRP Membership*			
	<u>2003</u>		<u>2003</u>
Number of participating employers	189		
Active plan members	823	Retirees and beneficiaries receiving benefits	
Terminated plan members entitled to but not yet receiving benefits or a refund		Service Retirements	0
Vested	24	Disability Retirements	0
Non-vested	19	Survivor Benefits	0
	<hr/>		<hr/>
*implemented July 1, 2002	43		0

Deferred Compensation (457) Membership					
	<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
Number of participating employers	9	8	Number of participating plan members	7,750	7,872
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	5,305	5,319

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.

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

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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At June 30, 2003 PERS had 521 participating employers, an increase of six from FY2002. The participating employers consist of:

PERS-DBRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	34	34
Counties	55	55
Cities and Towns	93	92
Colleges and Universities	5	5
School Districts	242	241
Other	<u>92</u>	<u>88</u>
Total	521	515

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 was 6.9% of PERS-covered payroll, the same as in fiscal year 2002. 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 2003 and 2002. Participating local governments and school district employers contributed 6.8% of PERS-covered payroll during fiscal years 2003 and 2002. The State contributed the remaining 0.1% for local governments and school employers from the state general fund in fiscal years 2003 and 2002. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page 69).

Plan Membership Elections: MPERA has also included in the financial statements transfers of \$5.5 million to Transfers to DCRP and

\$2 million to Transfers to ORP. These transfers reflect the DCRP and ORP contributions of participants that filed elections at or near the June 30th cutoff date but the contributions were moved in early fiscal year 2004.

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and university system employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. As of fiscal year 2003, two hundred seventy-seven employees had taken advantage of this provision since its inception, up from two hundred forty-seven in fiscal year 2002. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. The retirement incentive contributions received (including interest) during fiscal years 2003 and 2002 totaled \$371,473.40 and \$144,782.00, respectively. The outstanding balance at June 30, 2003, totaled \$380,314.60.

Public Employees' Retirement System-DBRP Education Fund: Education is provided to the members of PERS-DBRP and PERS-DCRP as governed by section 19-3-112, MCA. The education must be presented with impartial and balanced information about plan choices, investments and retirement planning. The education program consists of three primary components:
1) initial transfer education – complete as of

- July 1, 2003;
- 2) ongoing transfer education – for new hire members after the July 1, 2002 plan start date; and
- 3) ongoing investment/retirement planning education – for all active members.

The education program was funded by 0.04% of PERS-covered payroll in fiscal year 2003 and continues in fiscal year 2004.

Municipal Police Officers' Retirement System

Plan Description: The MPORS is a multiple-employer, cost-sharing defined benefit plan that *Plan Description:* The MPORS-defined benefit retirement plan 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 provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights for death and

disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits follows:

MPORS Summary of Benefits

Member's final average compensation (FAC)

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

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

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

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the city that the member was last employed. If a member or retiree elected GABA, the minimum benefit is not available.

MPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Cities and Towns	<u>22</u>	<u>22</u>
Total	<u>22</u>	<u>22</u>

At June 30, 2003 MPORS had 22 participating employers, the same as in FY2002. The participating employers consist of:

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 2003 and 2002, member contributions as a percentage of salary were 5.8% (if employed on or before June 30, 1975); 7.0% (if employed after June 30, 1975 and prior to July 1, 1979); 8.5% (if employed after June 30, 1979 and prior to July 1, 1997); and, 9.0% (if employed on or after July 1, 1997 and for members electing GABA). Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Employer contributions to the retirement plan are 14.41% of total MPORS-covered payroll. The State contributions are requested at the beginning of the fiscal year based on the previous fiscal year compensation and are due no later than November 1. The State's contribution rate for 2003 and 2002 was 29.37%. (Reference Schedule of Contribution Rates on page 69).

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable elec-

tion with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. An eligible member must have completed at least five years of membership service and reached age 50 (amended by legislation in 2003 as stated below). They may elect to participate in the DROP for a minimum of one month and a maximum of five years and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the DROP account until the end of the DROP participation period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

Legislation in 2003 amended the previous DROP provisions so that a DROP participant must have 20 years of service to participate in the DROP. This legislative change became effective April 9, 2003. Members with 20 years of service and previously ineligible to

participate in the DROP became eligible to retroactively apply for DROP benefits.

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. Bene-

fits 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)

GWPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	5	5
Colleges and Universities	<u>3</u>	<u>3</u>
Total	8	8

FINANCIAL SECTION

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, 2003 GWPORS had eight participating employers, the same as FY2002. The participating employers consist of:

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 was 8.5%. Effective the second quarter of fiscal year 2002 the contribution rate increased to 10.56% and continued throughout FY2003. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Each state agency and university employer contributed 9.0% of total GWPORS-covered payroll to the retirement plan during fiscal years 2003 and 2002. (Reference Schedule of Contribution Rates on page 69).

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and uni-

age turnover rate of employees of the Department of Corrections. If the 2002 GWPORS actuar-

ial valuation had been performed using the revised employee turnover assumptions described in the actuarial letter to the MPERA dated January 20, 2003, GWPORS would likely have had a small Actuarial Surplus.

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:

Actuarial Status: Legislation enacted in 2001 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. Subsequent to the actuarial valuation of the Game Wardens' and Peace Officers' Retirement System (GWPORS), the actuary analyzed the impact of the transfer of employees of the Department of Corrections from the Public Employees' Retirement System to the GWPORS. The employee turnover assumptions for the 2002 actuarial valuation of GWPORS were set prior to the completion of the transfers. MPERA provided information to the actuary on the aver-

age turnover rate of employees of the Department of Corrections. If the 2002 GWPORS actuar-

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

SRS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	1	1
Counties	<u>55</u>	<u>55</u>
Total	56	56

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, 2003 SRS had 56 participating employers, the same as FY2002. The participating employers consist of:

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 2003 and 2002 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 during fiscal years 2003 and 2002. (Reference Schedule of Contribution Rates on page 69).

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state employ-

FINANCIAL SECTION

ees, 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. In fiscal year 2003, three em-

ployees took advantage of this provision since it’s inception, up from two employees in fiscal

year 2002. The retirement incentive contributions received (including interest) during fiscal years 2003 and 2002 totaled \$32,999.79 and \$44,180, respectively. The outstanding balance at June 30, 2003, totaled \$71,426.13.

Judges’ Retirement System

Plan Description: The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5 of the MCA. This system provides benefits for all Montana judges of the district courts,

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

JRS Summary of Benefits

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

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

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

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

Guaranteed Annual Benefit Adjustment (GABA)

Hired after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member’s benefit increases by a maximum of 3% each January, inclu-

sive of all other adjustments to the member's benefit

JRS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	<u>1</u>	<u>1</u>
Total	1	1

Minimum benefit adjustment (non-GABA)

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

At June 30, 2003 JRS had one participating

employer, the same as FY2002. The participating employer consists of:

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 2003 and 2002 was 7.0% of the member's monthly compensation. Contributions are de-

ducted from each member's salary and remitted by the participating employer. An individual

account is established for each member's contributions and interest allocations until a retirement or refund request is processed. As the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan during fiscal years 2003 and 2002. (Reference Schedule of Contribution Rates on page 69).

Highway Patrol Officers' Retirement System

Plan Description: The HPORS is a single-employer, defined benefit plan established July 1, 1971, and governed by Title 19, chapters 2 & 6 of the MCA. This system provides retirement benefits to all members of the

Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, 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

FINANCIAL SECTION

Vesting 5 years

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

HPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	<u>1</u>	<u>1</u>
Total	1	1

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

At June 30, 2003 HPORS had one participating employer, the same as FY2002. The participating employer consists of:

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 2003 and 2002 are 9.05% of the member's total compensation if hired after June 30, 1997 or for members electing GABA and 9.0% for those members hired prior to July 1, 1997 and not electing GABA. 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 con-

tributed 36.33% of the total HPORS-covered payroll during fiscal years 2003 and 2002. 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 69).

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.

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state and university system employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to

complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Montana highway patrol officers retired prior to July 1, 1991, or their survivors, may be eligible for an annual supplemental lump-sum payment distributed each September. A portion of each motor vehicle registration fee

funds this supplemental benefit. Many factors must be considered for eligibility, including the

number of years the recipient has received a benefit and the recipient's age. The average annual supplemental payment in September 2003 was \$2,292. In September 2002, the average annual supplemental payment was \$2,231. This enhancement is available to non-GABA recipients only.

employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities and other cities that adopt the plan and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability and death benefits to plan members and their beneficiaries.

Firefighters' Unified Retirement System

Plan Description: The FURS is a multiple-

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

FURS Summary of Benefits

Member's compensation

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

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

FINANCIAL SECTION

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

FURS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	1	1
Cities and Towns	<u>15</u>	<u>15</u>
Total	16	16

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 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. At June 30, 2003 FURS had 16 participating employers, the same as FY2002. The participating employers consist of:

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 2003 and 2002 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 2003 and 2002 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 2003 and 2002. 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 69).

Volunteer Firefighters' Compensation Act

Plan Description: The VFCA is a state-wide retirement and disability plan. This compensation plan, established in 1965, is governed by Title 19, chapters 2 & 17, MCA. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability and death benefits for all volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas, towns or villages under the laws of the State of Montana. VFCA also provides limited medical expenses for injuries incurred in the line of duty. Benefits are based on eligibility and years of service. The 2003 legislature amended the law so that members of the VFCA can accumulate more than 20 years of

service beginning when they are age 55, if they already have 20 years of service (effective 7/1/2003). Member rights are vested after ten years of credited membership service. A brief summary of eligibility and benefits follows:

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

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

VFCA Summary of Benefits

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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 69).

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

Public Employees' Retirement System-DCRP

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

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. The loan will be paid back over a period of ten years as discussed in Note C of the Financial Section.

There was an inter-entity loan on August 16, 2003 from the defined benefit education fund. This loan in the amount of \$114,000 will be paid back over a period of two years and is also discussed in Note C of the Financial Section.

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

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 assistance of the statutorily created Employee Investment Advisory Council (EIAC) and with the advice of a third-party investment analyst. Members of the DCRP will decide how to invest their contributions and a portion of their employer's contributions among the offered investment options. 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. They will be able to invest in any number of the offered investment options and transfer between options, daily, if desired. The variable investment options cover all standard asset classes and categories and range from aggressive to conservative. The investment options are as follows:

PERS-DCRP Investment Options

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International Stock Funds

American Funds New Perspective
 SSGA International Growth Opportunities
 Oakmark International

Small Company Stock Funds

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

Mid-Sized Company Stock Funds

Artisan Mid Cap
 Janus Mid Cap Value Investors

Large Company Stock Funds

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

Balanced Funds

Vanguard Balanced Index

Bond Funds

Vanguard Total Bond Market Index

Fixed Investment Options

DCRP Fixed Fund

The fixed investment option requires the services of three external providers who were selected through the State’s competitive bidding process. The external providers are: Aegon, Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC). Aegon 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. The fees charged by

Great West and Aegon are classified as *Miscellaneous Expense*. Fixed assets are invested in the bond market in accordance with established guidelines for credit quality, duration and issue

PERS-DCRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State Agencies	25	0
Counties	42	0
Cities and Towns	29	0
Colleges & Universities	4	0
School Districts	68	0
Other Agencies	<u>21</u>	<u>0</u>
Total	189	0

concentration. A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit

Termination of service

Vesting

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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
At June 30, 2003 PERS-DCRP had 189 participating employers. There were no employers as of June 30, 2002 because the plan was implemented July 1, 2002.

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 credited 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 em-

ployer 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 69).

Plan Membership Elections: MPERA has also included in the financial statements transfers of \$3.5 million to member contributions and \$2 million to employer contributions. These transfers reflect the DCRP contributions of participants that filed elections at or near the June 30th cutoff date but the contributions were moved in early fiscal year 2004.

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

DCRP Disability Fund: Implemented July 1, 2002, the DCRP Disability Fund (DC Disability), as governed by section 19-3-2117, MCA, will provide disability benefits to eligible members of the PERS-DCRP. The DC Disability is funded by 0.03% of the employers' contribution.

Deferred Compensation Plan (457)

Plan Description: The deferred compensation (457) plan is a voluntary supplemental defined contribution plan established in 1976. The deferred compensation plan is governed by Title 19, chapter 50, MCA, in accordance with Internal Revenue Service Code (IRC) §457. All employees of the State, the Montana University System and contracting political subdivisions, are eligible to participate. As of June 30, 2003 and 2002, the net assets of the deferred compensation plan were \$208,341,039 and \$196,420,108, 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 Company is the third-party record keeper for the deferred compensation plan. Participants elect to defer a portion of their salary, within Internal Revenue Code limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed and must meet IRS-specified criteria.

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

Deferred Compensation (457) Plan
Investment Options

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

Artisan Mid Cap Investors

Strong Opportunity Inv

Large Company Stock Funds

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

Balanced Funds

Dodge & Cox Balanced
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

The fixed investment option guarantees both principal (the deferred salary) and a quarterly rate of return. The fixed investment option requires the services of three external providers who were selected through the State's competitive bidding process. The external providers are: Aegon, Pacific Investment Management Company (PIMCO) and State Street Bank Kansas City (SSKC). Aegon 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,

FINANCIAL SECTION

duration and issue concentration. SSKC is PIMCO's custodial bank and holder of the fixed assets. SSKC exchanges the assets as directed by PIMCO.

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

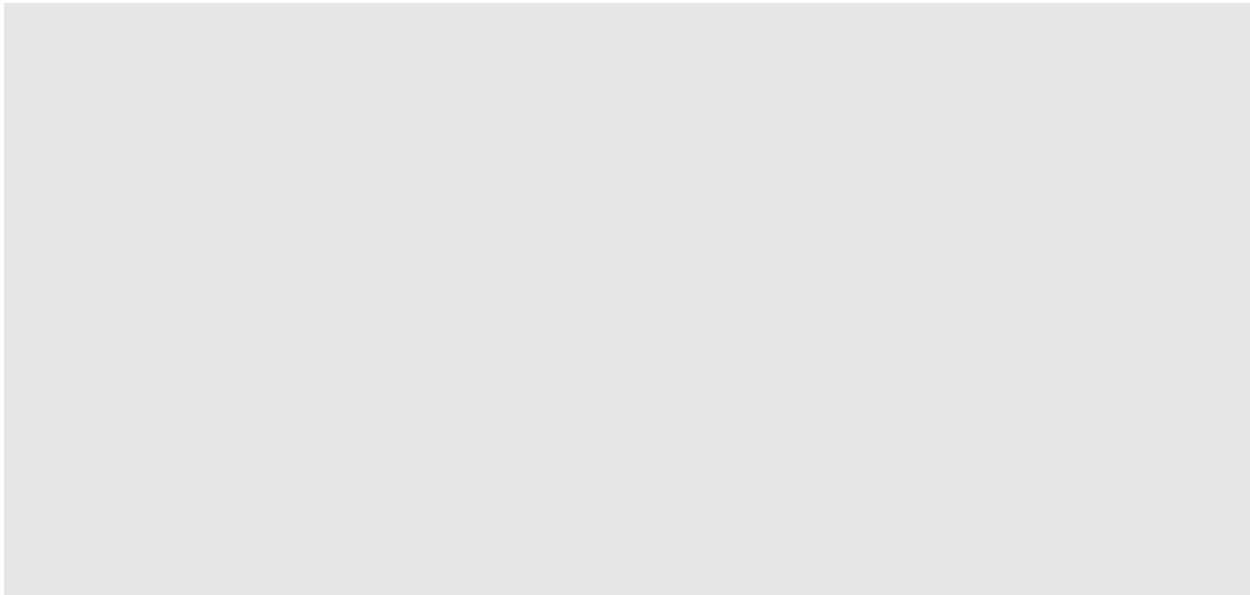
In addition to the above investment options, plan participants previously had the option to direct a portion of their deferrals to a term life insurance policy provided through Allianz Life Insurance. The ability to invest in life insurance is allowed under the IRC and was offered to plan participants 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.

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) or allotment fees from certain mutual fund companies. These fees are normally charged by the mutual funds for the purpose of individual record keeping. Because the mutual fund companies involved in the deferred compensation plan do not need to keep records of participants accounts, the fees are returned to the PERB. The PERB uses the excess and 12(b)(1) fees to pay administrative expenses associated with the deferred compensation plan. These amounts are recorded as *Miscellaneous Revenue*.

Fees on the fixed investments are charged by each of the three providers. The fees are defined per each contract for specific services rendered. The fees charged by PIMCO and SSKC are classified as *Investment Expense*. The fees charged by Great West, Aegon and Allianz are classified as *Miscellaneous 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 Securities Exchange Commission and other regulatory authorities. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports. A brief summary of eligibility and benefits is on the following page:



DEFERRED COMPENSATION EMPLOYERS		
<u>Employers</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
State of Montana *	1	1
Colleges and Universities	6	6
Other	<u>2</u>	<u>1</u>
Total	9	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.

unforeseeable emergency, while still employed, provided IRS-specified criteria are met

Deferred Compensation Plan Summary

Contribution

Voluntary, tax-deferred

Eligibility for Benefit

Not available to participant until separation from service; retirement; death; or upon an

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

FINANCIAL SECTION

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<i>FY 2003 Schedule of Contribution Rates</i>			
System	Member	Employer	State
PERS-DBRP and PERS-DCRP	6.9% [19-3-315,MCA]	6.9% State & University 6.8% Local Governments [19-3-316, MCA]	0.1% of local government payroll – paid from the General Fund [19-3-319, MCA]
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]

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP 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 Asset Valuation Method (Page 74).

²PERS-DBRP Actuarial Valuation revised per audit recommendation.

FINANCIAL SECTION

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

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 ³	Percentage Contributed
PERS-DBRP ¹	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%
	2003	57,724,802	99.13%	388,954	100.00%
MPORS	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%
	2003	3,355,991	104.35%	6,840,073	99.39%
GWPORS ¹	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%		
	2003	1,803,149	101.77%		
SRS ¹	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%		
	2003	2,435,269	101.65%		

Refer to the "Notes to the Required Supplementary Information" (Page 74).

¹ A change was made to FY1998 for PERS, GWPORS, SRS, 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 The Annual Required Contribution for MPORS and FURS is based on covered payroll, which includes payroll adjustments.

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System	Year Ended June 30	Annual Required Contribution	Percentage Contributed	Annual Required State Contribution ³	Percentage Contributed	Annual Required Registration Fees	Percentage Contributed
JRS 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%				
	2003	1,052,361	100.00%				
HPORS ¹ ²	1998	2,336,018	102.52%			281,874	100.00%
	1999	2,293,662	100.65%			285,095	100.00%
	2000	2,525,631	101.26%			279,577	100.00%
	2001	2,670,900	98.91%			335,107	100.00%
	2002	2,737,999	101.16%			308,973	100.00%
	2003	2,836,992	101.02%			353,589	100.00%
FURS	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%		
	2003	2,672,133	104.87%	6,068,123	98.98%		
VFCA	1998			928,484	100%		
	1999			944,434	100%		
	2000			961,306	100%		
	2001			1,002,992	100%		
	2002			1,133,741	100%		
	2003			1,310,088	100%		

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

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

	PERS-DBRP ¹	MPORS	GWPORS ¹
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	0.1	19.6	30
Unfunded Credit ²			
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
Actuarial assumptions:			
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	N/A	50% newly confirmed officer	N/A

¹ The ongoing funding of the PERS-DBRP, GWPORS and SRS is being watched closely. The anticipated unfunded liability of the PERS-DBRP will likely be amortized in 30 years; the GWPORS and SRS are funded at the rates necessary to pay benefits but appear insufficient to pay off 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 ¹	JRS	HPORS	FURS	VFCA
June 30, 2002 Entry Age	June 30, 2002 Entry Age	June 30, 2002 Entry Age	June 30, 2002 Entry Age	June 30, 2002 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%	N/A N/A
3% after 1 yr N/A	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	N/A N/A

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Administrative Expenses

Year Ended June 30, 2003

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Defined Contribution 457 Plan
Personal Services				
Salaries	\$ 816,267	\$ 122,236	\$ 207,295	\$ 99,603
Board Members' Per Diem	5,893		2,350	758
Employee Benefits	216,533	31,950	53,244	26,950
Total Personal Services	1,038,693	154,186	262,889	127,311
Other Services				
Consulting Services	218,288	354,577	76,399	24,032
Legal Fees and Court Costs	10,857		605	262
Payroll Fees	560		121	56
Audit Fees	28,047		1,075	3,778
Medical Services	14,272			
Microfilming	5,137			
Records Storage	3,270		54	68
Pre-Retirement Seminars		1,500		
Computer Processing	123,944	936	34,209	4,579
Printing and Photocopy Charges	28,151	4,265	4,683	4,475
Warrant Writing Services	35,289		1,114	743
Other	10,535		3,156	1,420
Total Other Services	478,350	361,278	121,416	39,413
Communications				
Recruitment Costs	2,424	252	1,280	143
Postage and Mailing	84,115	40,153	2,847	9,378
Telephone	23,317	994	7,279	3,194
Total Communications	109,856	41,399	11,406	12,715
Other Expenses				
Supplies and Materials	35,943	524	8,992	3,620
Travel	20,205	17,332	11,643	8,182
Rent	131,846	2	39,504	17,774
Repairs and Maintenance	3,250		944	461
Depreciation/Amortization	462			
Compensated Absences	(605)	8,715	37,975	1,242
Interest Payments			45,779	
Miscellaneous	28,388	58	11,186	7,107
Total Other Expenses	219,489	26,631	156,023	38,386
Total Administrative Expenses	\$ 1,846,388	\$ 583,494	\$ 551,734	\$ 217,825

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Investment Expenses

Year Ended June 30, 2003

<u>Plan</u>	<u>Investment Manager</u>	<u>Fees</u>
PERS-DBRP	Board of Investments	\$ 3,402,205
MPORS	Board of Investments	146,988
GWPORS	Board of Investments	41,394
SRS	Board of Investments	143,070
JRS	Board of Investments	45,872
HPORS	Board of Investments	82,494
FURS	Board of Investments	139,066
VFCA	Board of Investments	20,303
457	PIMCO	364,549
	State Street Bank	<u>33,780</u>
 Total Investment Expense		 <u><u>\$ 4,419,721</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, 2003

<u>Individual or Firm</u>	<u>Nature of Service</u>	<u>Amount Paid</u>
Educational Technologies, Inc.	Education Consultants	\$ 354,257
Computer Consulting Corporation	Computer Programming Services	183,189
Milliman USA	Actuarial Consultant	68,388
Arnerich Massena & Associates, Inc.	Mutual Funds Performance Review	32,950
Legislative Audit Division, Legislative Branch	Independent Auditors	32,900
BearingPoint	Web Reporting Systems Development	15,210
Communications & Management Service	Human Resources Consulting	11,075
Lawrence R. McEvoy, MD	Medical Consultant	6,903
William M. Mercer, Inc.	PERS-DCRP Implementation Consultants	3,980
Legal Services Division, Department of Justice	Legal Services	2,725
Professional Development Center, Department of Administration	Retirement Planning Seminars	1,500

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FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) as of June 30, 2003

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	\$ 79,499,147	\$ 551,922	\$ 80,051,069
Securities Lending Collateral	90,288,753		90,288,753
Receivables			
Interest	11,388,163		11,388,163
Accounts Receivable	4,229,597		4,229,597
Due from Other Funds	215,048		215,048
Due from Primary Government	45,748	211	45,959
Notes Receivable	380,315		380,315
<i>Total Receivables</i>	16,258,871	211	16,259,082
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,308,883,763		1,308,883,763
Retirement Fund Bond Pool (RFBP)	804,470,236		804,470,236
Montana International Pool (MTIP)	225,346,965		225,346,965
Montana Private Equity Pool (MPEP)	150,960,074		150,960,074
Equity Index Fund	17		17
Real Estate Investments	7,246,333		7,246,333
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	112,078,541		112,078,541
<i>Total Investments</i>	2,608,985,929		2,608,985,929
Property and Equipment, at cost, net of Accumulated Depreciation	1,898		1,898
Total Assets	2,795,034,598	552,133	2,795,586,731
Liabilities			
Securities Lending Collateral Liability	90,288,753		90,288,753
Accounts Payable	2,884,640	5,624	2,890,264
Due to Other Funds	5,500,000	12,947	5,512,947
Due to Primary Government	46,190	3,387	49,577
Deferred Revenue	243,323		243,323
Compensated Absences	225,426	14,126	239,552
Total Liabilities	99,188,332	36,084	99,224,416
Net Assets Held in Trust for Pension Benefits	\$ 2,695,846,266	\$ 516,049	\$ 2,696,362,315

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

**Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)
for the Fiscal Year Ended June 30, 2003**

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	\$ 56,882,450	\$ 342,563	\$ 57,225,013
Plan Member	61,749,963		61,749,963
Membership Fees	161		161
Interest Reserve Buyback	878,256		878,256
Retirement Incentive Program	371,473		371,473
Miscellaneous Revenue	649	211	860
State Contributions	388,954		388,954
Total Contributions	120,271,906	342,774	120,614,680
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	53,192,946		53,192,946
Interest	102,169,076	10,374	102,179,450
Dividends	15,050,658		15,050,658
Securities Lending Income	1,628,745		1,628,745
	172,041,425	10,374	172,051,799
Less:			
Investment Expense	3,402,205		3,402,205
Securities Lending Rebate and Fees	1,318,407		1,318,407
	4,720,612		4,720,612
Net Investment Income	167,320,813	10,374	167,331,187
Total Additions	287,592,719	353,148	287,945,867
Deductions			
Benefits	122,203,686		122,203,686
Refunds to Members	10,218,257		10,218,257
Refunds to Other Plans	228,340		228,340
Transfers to DCRP	15,990,427		15,990,427
Transfers to ORP	5,957,197		5,957,197
Administrative Expenses	1,670,320	583,494	2,253,814
Total Deductions	156,268,227	583,494	156,851,721
Net Increase (Decrease)	131,324,492	(230,346)	131,094,146
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	2,564,499,473	768,696	2,565,268,169
End of Year	\$ 2,695,823,965	\$ 538,350	\$ 2,696,362,315

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)

as of June 30, 2003

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	\$ 1,693,843	\$ 8,048	\$ 43,458	\$ 1,745,349
Receivables				
Accounts Receivable	48	122		170
Due from Other Funds	5,500,000			5,500,000
Due from Primary Government	95			95
Total Receivables	5,500,143	122		5,500,265
Investments, at fair value				
Defined Contributions Fixed Investments	407,489			407,489
Defined Contributions Variable Investments	8,831,476			8,831,476
Total Investments	9,238,965			9,238,965
Total Assets	16,432,951	8,170	43,458	16,484,579
Liabilities				
Accounts Payable	33,309			33,309
Due to Other Funds	19,267	408		19,675
Due to Primary Government	6,609			6,609
Notes Payable	1,498,000			1,498,000
Compensated Absences	43,283	3,285		46,568
Total Liabilities	1,600,468	3,693		1,604,161
Net Assets Held in Trust for Pension Benefits	\$ 14,832,483	\$ 4,477	\$ 43,458	\$ 14,880,418

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability)

for the Fiscal Year Ended June 30, 2003

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	\$ 6,077,014	\$ 9,541	\$ 43,354	\$ 6,129,909
Plan Member	10,389,320			10,389,320
Miscellaneous Revenue	661			661
Forfeiture of Nonvested Member	31,188			31,188
Total Contributions	16,498,183	9,541	43,354	16,551,078
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	439,327			439,327
Interest	111,418	13	104	111,535
Net Investment Income	550,745	13	104	550,862
Total Additions	17,048,928	9,554	43,458	17,101,940
Deductions				
Refunds to Members	628,884			628,884
Administrative Expenses	546,657	5,077		551,734
Miscellaneous Expenses	14,156			14,156
Total Deductions	1,189,697	5,077		1,194,774
Net Increase (Decrease)	15,859,231	4,477	43,458	15,907,166
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	(1,026,748)			(1,026,748)
End of Year	\$ 14,832,483	\$ 4,477	\$ 43,458	\$ 14,880,418

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

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

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

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

INVESTMENT GOALS AND OBJECTIVES

The basic goal influencing the investment activity 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 the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2003 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, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		1.54%	1.54%	1.54%	1.54%
<i>91 day T-Bill</i>	<i>1.41%</i>				
Equities ¹		0.67%	0.53%	0.49%	0.57%
<i>S&P 500</i>	<i>0.25%</i>				
Fixed Income		14.11%	15.88%	15.88%	15.88%
<i>LB Aggregate Bond</i>	<i>10.41%</i>				
Miscellaneous ²		4.93%			
All Assets		6.61%	7.34%	7.17%	7.07%
Composite³		4.95%	5.05%	4.99%	4.84%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		1.54%	1.54%	1.54%	1.54%
<i>91 day T-Bill</i>	<i>1.41%</i>				
Equities ¹		0.60%	0.51%	0.54%	0.72%
<i>S&P 500</i>	<i>0.25%</i>				
Fixed Income		15.87%	15.88%	15.88%	15.87%
<i>LB Aggregate Bond</i>	<i>10.41%</i>				
All Assets		7.19%	7.01%	7.28%	8.28%
Composite³		4.97%	4.82%	4.98%	6.10%

¹ Includes MDEP, MTIP, REI and Alternative Equities

² Montana Mortgages

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

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Three-Year Period ending June 30, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		3.63%	3.63%	3.63%	3.63%
91 day T-Bill	3.15%				
Equities ¹		-11.00%	-11.15%	-11.21%	-11.12%
S&P 500	-11.19%				
Fixed Income		11.97%	12.51%	12.51%	12.51%
LB Aggregate Bond	10.08%				
Miscellaneous ²		8.84%			
All Assets		-2.07%	-1.82%	-1.84%	-1.91%
Composite³		-1.76%	-1.84%	-1.86%	-1.95%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		3.63%	3.63%	3.63%	3.63%
91 day T-Bill	3.15%				
Equities ¹		-11.09%	-11.14%	-11.16%	-10.71%
S&P 500	-11.19%				
Fixed Income		12.51%	12.51%	12.51%	12.51%
LB Aggregate Bond	10.08%				
All Assets		-1.96%	-1.98%	-1.89%	0.99%
Composite³		-1.88%	-1.94%	-1.97%	0.85%

¹ Includes MDEP, MTIP, REI and Alternative Equities

² Montana Mortgages

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

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

TOTAL RATES OF RETURN BY ASSET CLASS					
Five-Year Period ending June 30, 2003					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>SRS</u>
STIP		4.46%	4.46%	4.46%	4.46%
91 day T-Bill	3.89%				
Equities ¹		-1.19%	-1.60%	-1.62%	-1.56%
S&P 500	-1.61%				
Fixed Income		8.13%	8.41%	8.41%	8.41%
LB Aggregate Bond	7.54%				
Miscellaneous ²		6.59%			
All Assets		2.60%	2.48%	2.55%	2.52%
Composite³		2.63%	2.49%	2.56%	2.52%
	<u>INDEX</u>	<u>JRS</u>	<u>HPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		4.45%	4.45%	4.46%	4.45%
91 day T-Bill	3.89%				
Equities ¹		-1.49%	-1.55%	-1.62%	-1.07%
S&P 500	-1.61%				
Fixed Income		8.41%	8.41%	8.41%	8.41%
LB Aggregate Bond	7.54%				
All Assets		2.46%	2.39%	2.47%	3.84%
Composite³		2.53%	2.44%	2.44%	3.85%

¹ Includes MDEP, MTIP, REI and Alternative Equities

² Montana Mortgages

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

The rates of return are based on the industry performance presentation standards times weighted total rate of return method (AIMR Performance Presentation Standards)

INVESTMENT SECTION

ASSET ALLOCATION

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

with the highest probability of achieving the basic investment objective and the actual asset mix for fiscal year 2003 is listed in the following table for both fixed income investments and equity investments.

FY2003 ASSET ALLOCATION

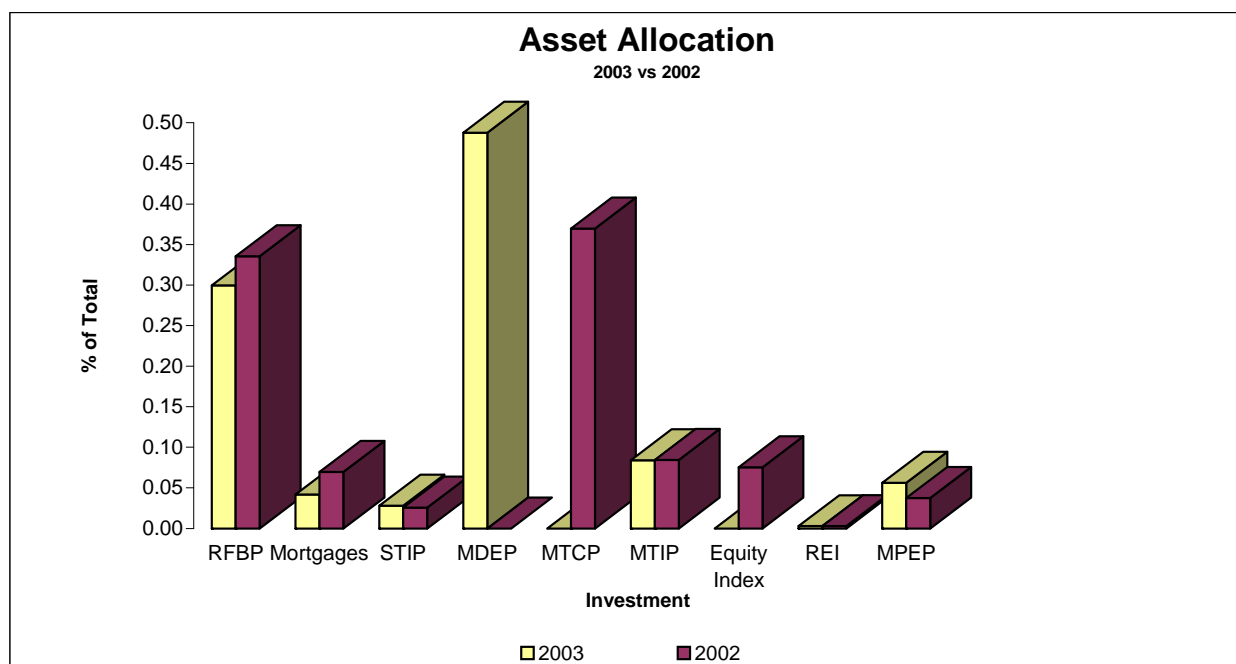
	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			JRS		
Fixed	30% to 40%	36.95%	Fixed	30% to 40%	37.60%
Equity	60% to 70%	63.05%	Equity	60% to 70%	62.40%
MPORS			HPORS		
Fixed	30% to 40%	36.98%	Fixed	30% to 40%	37.74%
Equity	60% to 70%	63.02%	Equity	60% to 70%	62.26%
GWPORS			FURS		
Fixed	30% to 40%	39.34%	Fixed	30% to 40%	37.15%
Equity	60% to 70%	60.66%	Equity	60% to 70%	62.85%
SRS			VFCA		
Fixed	30% to 40%	38.06%	Fixed	30% to 40%	41.31%
Equity	60% to 70%	61.94%	Equity	60% to 70%	58.69%

INVESTMENT SECTION

PERS-DBRP

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 804,470	29.97%	\$ 858,467	33.54%	\$ (53,997)	-6.29%
Montana Mortgages	112,079	4.18%	178,442	6.97%	(66,363)	-37.19%
STIP	75,120	2.80%	65,339	2.55%	9,781	14.97%
Total Fixed Income	\$ 991,669	36.95%	\$ 1,102,248	43.06%	\$ (110,579)	-10.03%
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 1,308,884	48.76%		0.00%	\$ 1,308,884	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 946,375	36.98%	(946,375)	-100.00%
Montana International Pool (MTIP)	225,347	8.40%	215,598	8.42%	9,749	4.52%
Equity Index		0.00%	192,493	7.52%	(192,493)	-100.00%
Real Estate Investments (REI)	7,246	0.27%	7,035	0.27%	211	3.00%
Montana Private Equity Pool (MPEP)	150,960	5.62%	95,927	3.75%	55,033	57.37%
Total Equities	\$ 1,692,437	63.05%	\$ 1,457,428	56.94%	\$ 235,009	16.12%
Total	\$ 2,684,106	100.00%	\$ 2,559,676	100.00%	\$ 124,430	4.86%

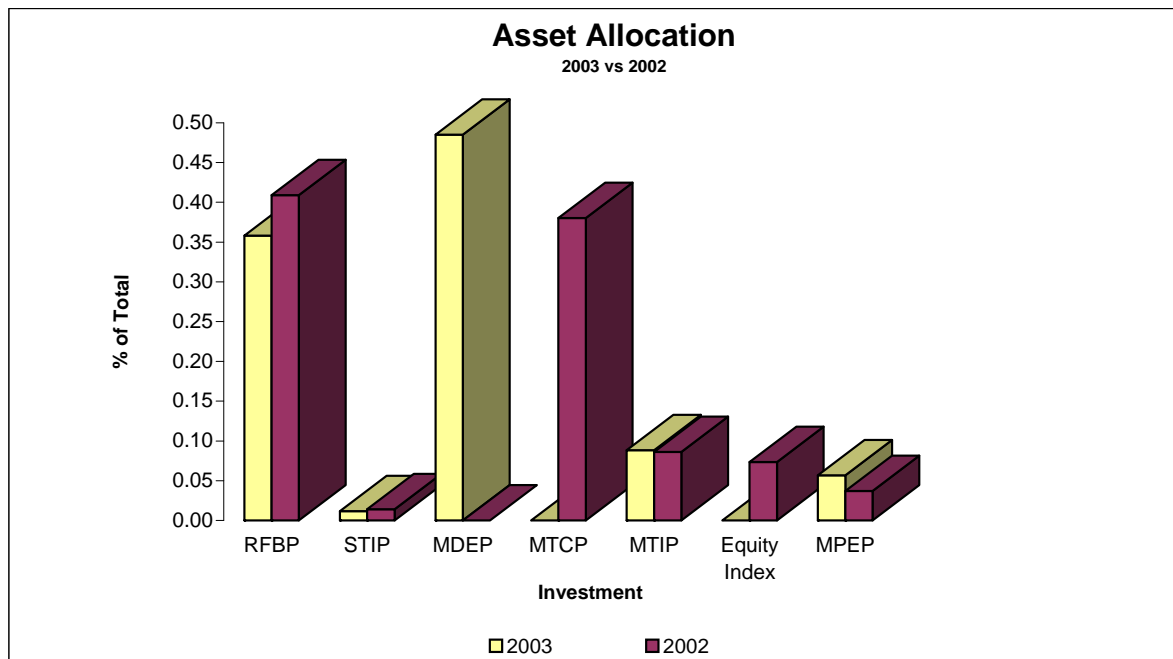


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

MPORS

**Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)**

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 43,873	35.80%	\$ 46,045	40.90%	\$ (2,172)	-4.72%
STIP	1,446	1.18%	1,568	1.40%	(122)	-7.78%
<i>Total Fixed Income</i>	\$ 45,319	36.98%	\$ 47,613	42.30%	\$ (2,294)	-4.82%
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 59,430	48.49%		0.00%	\$ 59,430	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 42,820	38.04%	(42,820)	-100.00%
Montana International Pool (MTIP)	10,833	8.84%	9,695	8.61%	1,138	11.74%
Equity Index		0.00%	8,271	7.35%	(8,271)	100.00%
Montana Private Equity Pool (MPEP)	6,975	5.69%	4,167	3.70%	2,808	100.00%
<i>Total Equities</i>	\$ 77,238	63.02%	\$ 64,953	57.70%	\$ 12,285	18.91%
Total	\$ 122,557	100.00%	\$ 112,566	100.00%	\$ 9,991	8.88%



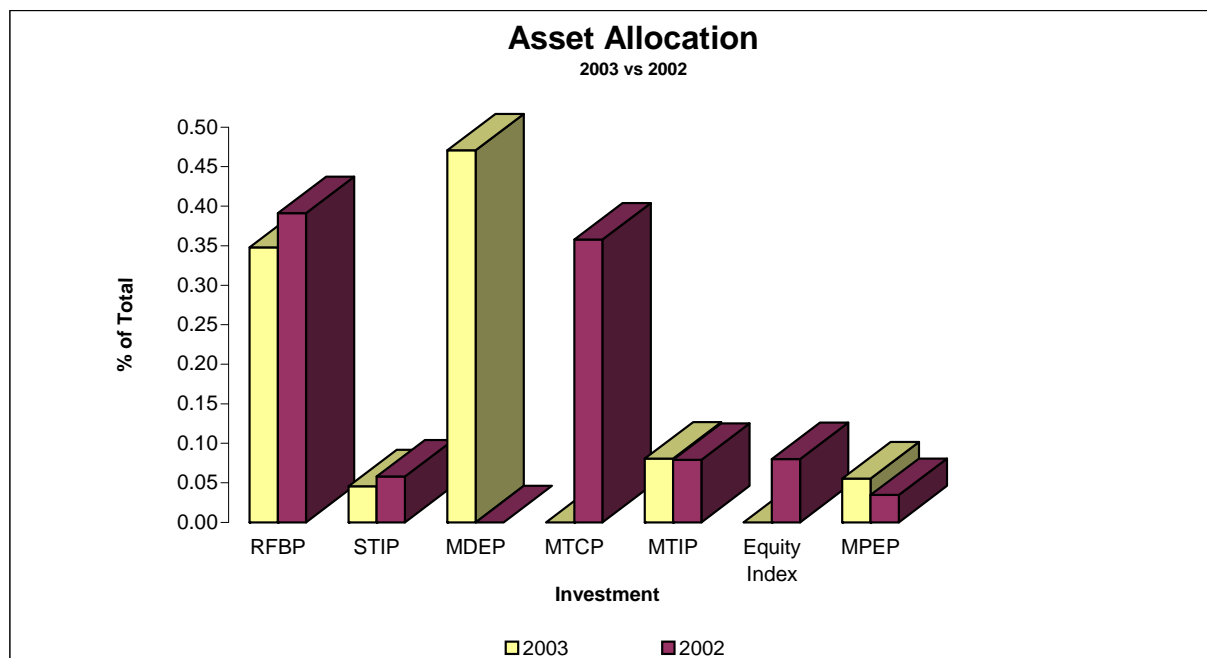
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

GWPORS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 12,921	34.79%	\$ 12,658	39.11%	\$ 263	2.08%
STIP	1,691	4.55%	1,875	5.79%	(184)	-9.81%
<i>Total Fixed Income</i>	<u>\$ 14,612</u>	<u>39.34%</u>	<u>\$ 14,533</u>	<u>44.90%</u>	<u>\$ 79</u>	<u>0.54%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 17,476	47.05%		0.00%	\$ 17,476	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 11,576	35.77%	(11,576)	-100.00%
Montana International Pool (MTIP)	2,996	8.07%	2,555	7.89%	441	17.26%
Equity Index		0.00%	2,586	7.99%	(2,586)	100.00%
Montana Private Equity Pool (MPEP)	2,058	5.54%	1,115	3.45%	943	100.00%
<i>Total Equities</i>	<u>\$ 22,530</u>	<u>60.66%</u>	<u>\$ 17,832</u>	<u>55.10%</u>	<u>\$ 4,698</u>	<u>26.35%</u>
Total	\$ 37,142	100.00%	\$ 32,365	100.00%	\$ 4,777	14.76%

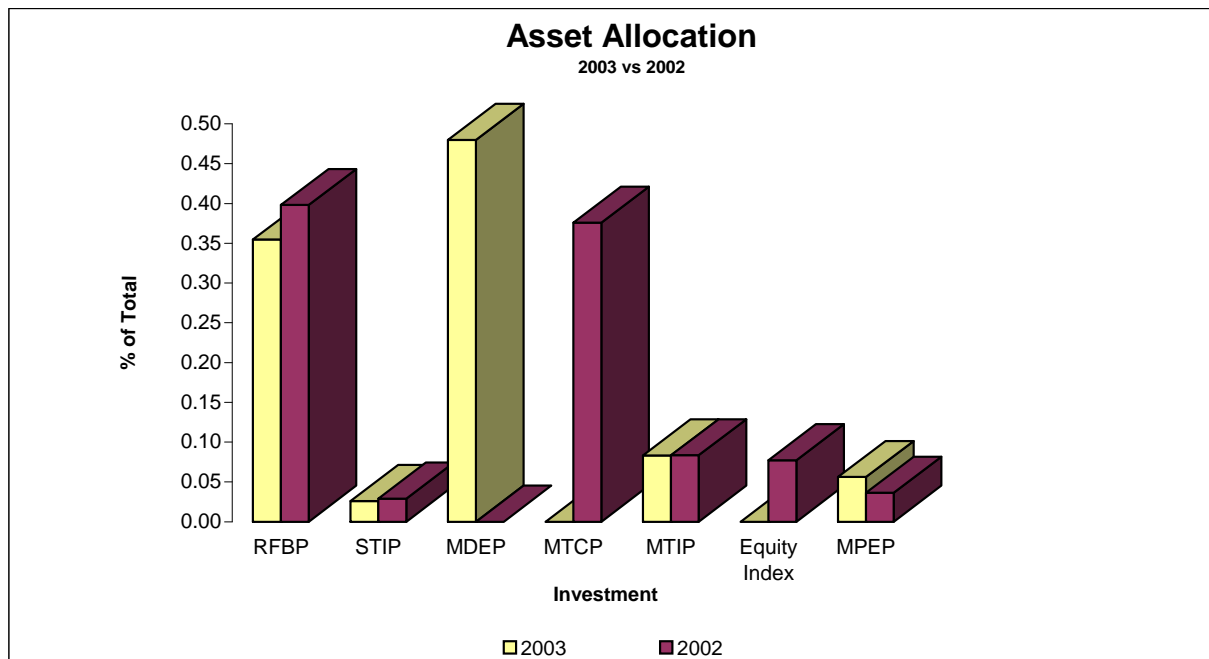


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

SRS

**Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)**

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 43,639	35.47%	\$ 45,736	39.81%	\$ (2,097)	-4.59%
STIP	3,186	2.59%	3,338	2.91%	(152)	-4.55%
<i>Total Fixed Income</i>	<u>\$ 46,825</u>	<u>38.06%</u>	<u>\$ 49,074</u>	<u>42.72%</u>	<u>\$ (2,249)</u>	<u>-4.58%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 59,059	48.00%		0.00%	\$ 59,059	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 43,178	37.58%	(43,178)	-100.00%
Montana International Pool (MTIP)	10,250	8.33%	9,593	8.35%	657	6.85%
Equity Index		0.00%	8,875	7.72%	(8,875)	100.00%
Montana Private Equity Pool (MPEP)	6,906	5.61%	4,167	3.63%	2,739	100.00%
<i>Total Equities</i>	<u>\$ 76,215</u>	<u>61.94%</u>	<u>\$ 65,813</u>	<u>57.28%</u>	<u>\$ 10,402</u>	<u>15.81%</u>
Total	\$ 123,040	100.00%	\$ 114,887	100.00%	\$ 8,153	7.10%



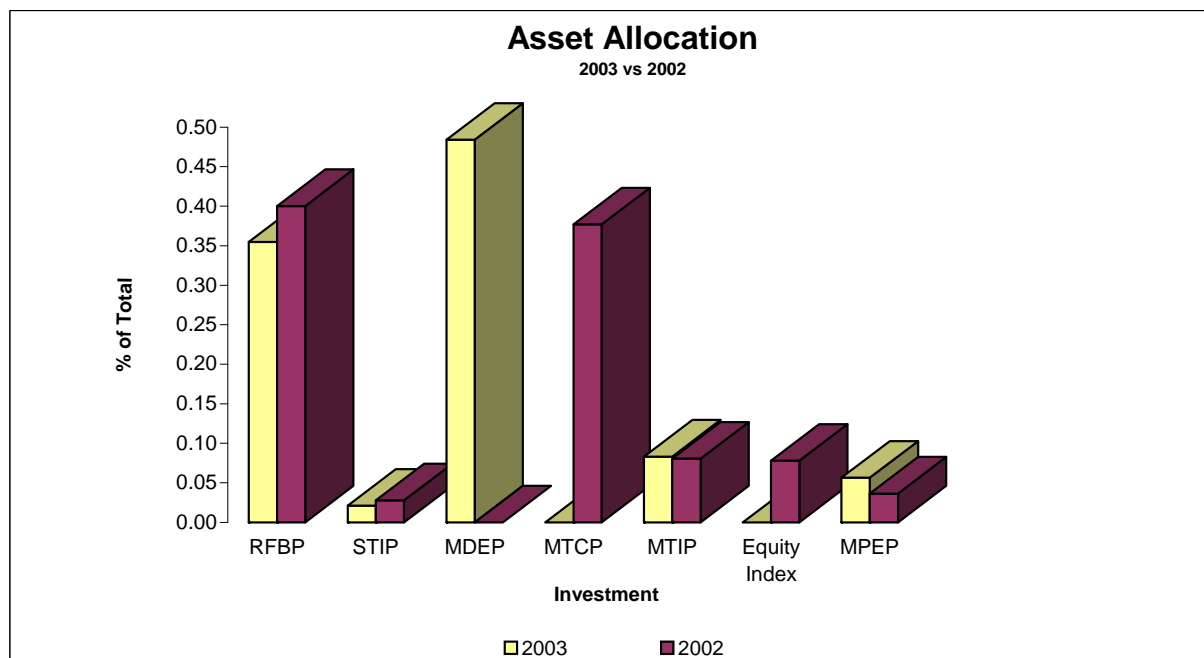
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

JRS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 14,046	35.49%	\$ 14,878	40.02%	\$ (832)	-5.59%
STIP	837	2.11%	1,036	2.79%	(199)	-19.21%
<i>Total Fixed Income</i>	<u>\$ 14,883</u>	<u>37.60%</u>	<u>\$ 15,914</u>	<u>42.81%</u>	<u>\$ (1,031)</u>	<u>-6.48%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 19,162	48.41%		0.00%	\$ 19,162	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 14,012	37.69%	(14,012)	-100.00%
Montana International Pool (MTIP)	3,294	8.32%	2,995	8.06%	299	9.98%
Equity Index		0.00%	2,900	7.80%	(2,900)	100.00%
Montana Private Equity Pool (MPEP)	2,243	5.67%	1,353	3.64%	890	100.00%
<i>Total Equities</i>	<u>\$ 24,699</u>	<u>62.40%</u>	<u>\$ 21,260</u>	<u>57.19%</u>	<u>\$ 3,439</u>	<u>16.18%</u>
Total	\$ 39,582	100.00%	\$ 37,174	100.00%	\$ 2,408	6.48%

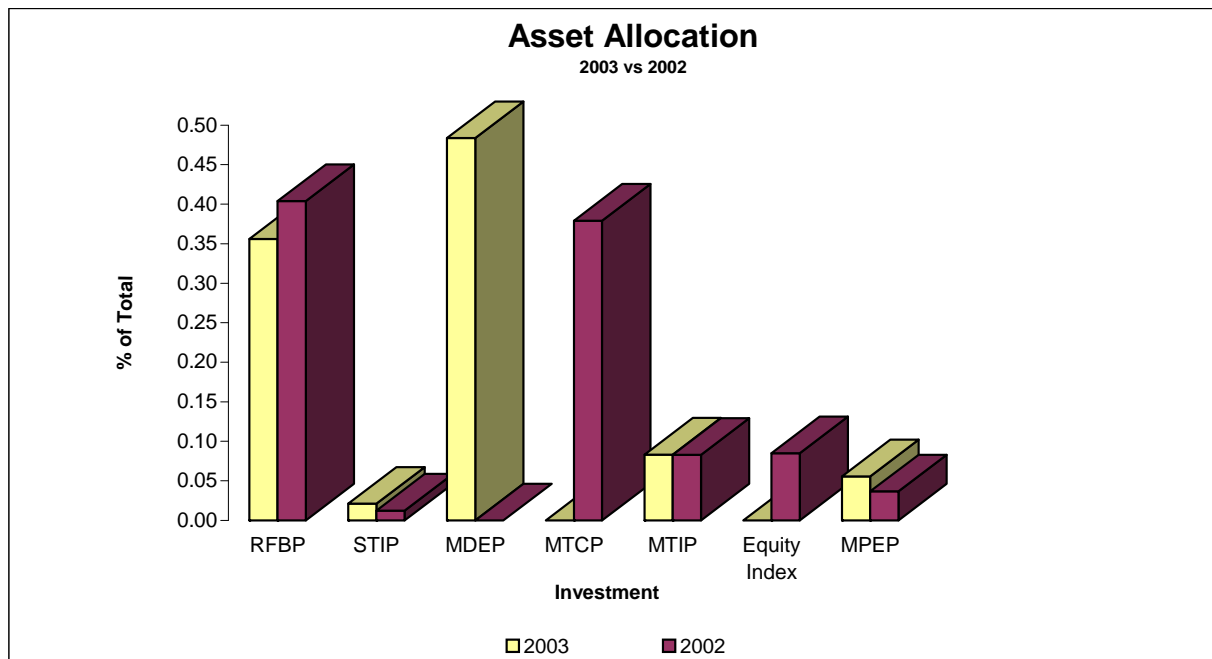


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

HPORS

**Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)**

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 25,178	35.62%	\$ 27,230	40.40%	\$ (2,052)	-7.54%
STIP	1,501	2.12%	832	1.23%	669	80.41%
<i>Total Fixed Income</i>	<u>\$ 26,679</u>	<u>37.74%</u>	<u>\$ 28,062</u>	<u>41.63%</u>	<u>\$ (1,383)</u>	<u>-4.93%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 34,191	48.37%		0.00%	\$ 34,191	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 25,563	37.92%	(25,563)	-100.00%
Montana International Pool (MTIP)	5,883	8.32%	5,590	8.29%	293	5.24%
Equity Index		0.00%	5,729	8.50%	(5,729)	-100.00%
Montana Private Equity Pool (MPEP)	3,933	5.57%	2,468	3.66%	1,465	59.36%
<i>Total Equities</i>	<u>\$ 44,007</u>	<u>62.26%</u>	<u>\$ 39,350</u>	<u>58.37%</u>	<u>\$ 4,657</u>	<u>11.83%</u>
Total	\$ 70,686	100.00%	\$ 67,412	100.00%	\$ 3,274	4.86%



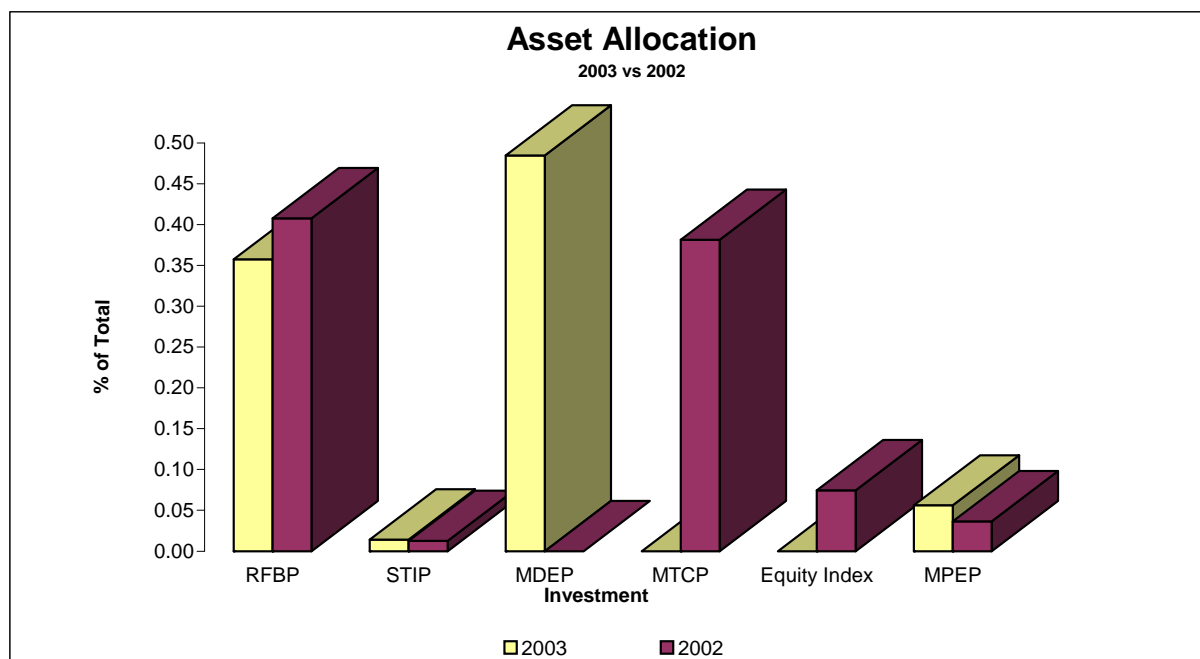
¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

FURS

Asset Mix (fair value) as of June 30, 2003 and 2002 (in thousands)

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 41,757	35.75%	\$ 43,775	40.78%	\$ (2,018)	-4.61%
STIP	1,641	1.40%	1,349	1.26%	292	21.65%
<i>Total Fixed Income</i>	<u>\$ 43,398</u>	<u>37.15%</u>	<u>\$ 45,124</u>	<u>42.04%</u>	<u>\$ (1,726)</u>	<u>-3.83%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 56,638	48.48%		0.00%	\$ 56,638	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 40,946	38.15%	(40,946)	-100.00%
Montana International Pool (MTIP)	10,235	8.77%	9,337	8.70%	898	9.62%
Equity Index		0.00%	8,002	7.45%	(8,002)	-100.00%
Montana Private Equity Pool (MPEP)	6,546	5.60%	3,929	3.66%	2,617	66.61%
<i>Total Equities</i>	<u>\$ 73,419</u>	<u>62.85%</u>	<u>\$ 62,214</u>	<u>57.96%</u>	<u>\$ 11,205</u>	<u>18.01%</u>
Total	\$ 116,817	100.00%	\$ 107,338	100.00%	\$ 9,479	8.83%

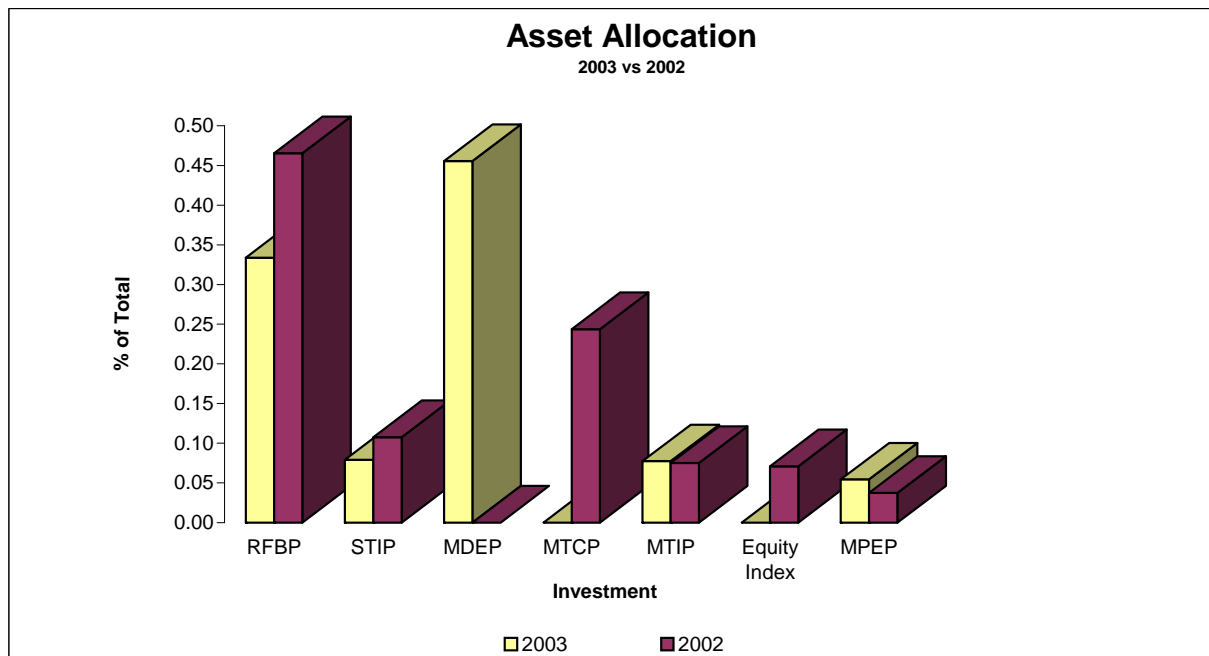


¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

VFCA

**Asset Mix (fair value)
as of June 30, 2003 and 2002
(in thousands)**

Investment Type	2003 Fair Value	% of Total	2002 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 5,964	33.39%	\$ 7,838	46.56%	\$ (1,874)	-23.91%
STIP	1,414	7.92%	1,811	10.76%	(397)	-21.92%
<i>Total Fixed Income</i>	<u>\$ 7,378</u>	<u>41.31%</u>	<u>\$ 9,649</u>	<u>57.32%</u>	<u>\$ (2,271)</u>	<u>-23.54%</u>
Equities:						
Montana Domestic Equity Pool (MDEP) ¹	\$ 8,134	45.54%		0.00%	\$ 8,134	100.00%
Montana Stock Pool (MTCP) ¹		0.00%	\$ 4,100	24.36%	(4,100)	-100.00%
Montana International Pool (MTIP)	1,379	7.72%	1,262	7.50%	117	9.27%
Equity Index		0.00%	1,194	7.09%	(1,194)	-100.00%
Montana Private Equity Pool (MPEP)	969	5.43%	628	3.73%	341	54.30%
<i>Total Equities</i>	<u>\$ 10,482</u>	<u>58.69%</u>	<u>\$ 7,184</u>	<u>42.68%</u>	<u>\$ 3,298</u>	<u>45.91%</u>
Total	\$ 17,860	100.00%	\$ 16,833	100.00%	\$ 1,027	6.10%



¹ Current participants in the MTCP were automatically transferred to the new MDEP when it was established May 1, 2003.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2003

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
236,820,571	Montana Permanent Coal Trust Loans	\$ 236,820,571
195,687,789	Montana Residential Mortgages	197,411,916

PERS' 111,167,801 shares represent 25.20% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
59,184,066	Oaktree Capital Opportunities Fund IVB LP	\$ 97,022,629
66,575,256	KKR 1996	78,196,100
42,128,356	Brinson Partnership Fund Trust	34,305,668
202,392	State Street SPIFF	25,039,507
10,538,031	Welsh Carson Anderson Stowe IX	11,443,301
16,140,016	KKR 1986, 1987	10,881,550
7,734,562	Lexington Capital Partnership V LP	9,241,177
10,900,654	KKR European Fund	8,846,513
13,508,333	Brinson Venture Capital Fund IV	7,458,694
4,617,565	KKR 1993	5,153,789

PERS' 1,475,918 shares represent 49.44% of the total MPEP portfolio at market.

MPORS' 68,196 shares represent 2.28% of the total MPEP portfolio at market.

GWPORS' 20,123 shares represent .67% of the total MPEP portfolio at market.

SRS' 67,523 shares represent 2.26% of the total MPEP portfolio at market.

JRS' 21,929 shares represent .73% of the total MPEP portfolio at market.

HPORS' 38,452 shares represent 1.29% of the total MPEP portfolio at market.

FURS' 63,999 shares represent 2.14% of the total MPEP portfolio at market.

VFCA's 9,472 shares represent .32% of the total MPEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

**Largest Holdings (by portfolio fair value)
as of June 30, 2003**

Shares/Par	MDEP Portfolio	Fair Value
2,780,000	Microsoft Corp	\$ 71,195,800
2,272,300	General Electric Co	65,169,564
1,483,866	Citigroup Inc	63,509,465
1,462,912	Exxon Mobil Corp	52,533,170
800,000	WalMart Stores Inc	42,936,000
822,000	Johnson & Johnson	42,497,400
693,750	American International Group Inc	38,281,125
953,308	Verizon Communications	37,608,001
700,000	Wells Fargo & Co	35,280,000
539,000	Merck & Co Inc	32,636,450

PERS' 12,346,451 shares represent 50.78% of the total MDEP portfolio at market.

MPORS' 560,588 shares represent 2.31% of the total MDEP portfolio at market.

GWPORS' 164,844 shares represent .68% of the total MDEP portfolio at market.

SRS' 557,087 shares represent 2.29% of the total MDEP portfolio at market.

JRS' 180,750 shares represent .74% of the total MDEP portfolio at market.

HPORS' 322,522 shares represent 1.33% of the total MDEP portfolio at market.

FURS' 534,250 shares represent 2.20% of the total MDEP portfolio at market.

VFCA's 76,728 shares represent .32% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
150,000,000	Student Loan Marketing Assn	\$ 72,090,900
30,000,000	Federal National Mortgage Assn	34,589,556
150,000,000	Federal Home Loan Mortgage Corp	32,268,150
29,585,712	Federal Home Loan Pool E01376	29,860,921
21,000,000	United States Treasury Bonds	27,936,563
20,000,000	Federal National Mortgage Assn	25,967,004
19,000,000	United States Treasury Bonds	25,807,343
375,723,766	General RE Corp	23,264,816
17,000,000	Federal National Mortgage Assn	21,023,961
18,591,834	PPL Montana LLC	20,884,024

PERS' 725,784,524 shares represent 50.63% of the total RFBP portfolio at market.

MPORS' 39,581,687 shares represent 2.76% of the total RFBP portfolio at market.

GWPORS' 11,656,903 shares represent .81% of the total RFBP portfolio at market.

SRS' 39,370,764 shares represent 2.75% of the total RFBP portfolio at market.

JRS' 12,671,966 shares represent .88% of the total RFBP portfolio at market.

HPORS' 22,714,862 shares represent 1.58% of the total RFBP portfolio market.

FURS' 37,672,597 shares represent 2.63% of the total RFBP portfolio market.

VFCA's 5,380,948 shares represent .38% of the total RFBP portfolio market.

INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2003

Shares/Par	MTIP Portfolio	Fair Value
6,119,194	BGI MSCI Index Fund Europe	\$ 41,094,723
4,716,236	Vodafone Group	9,222,251
109,510	Roche Holdings AG	8,589,891
23,291	Samsung Electronic	6,921,980
162,384	BP PLC	6,823,376
121,500	UBS AG	6,758,721
115,500	Nestle S A	5,971,350
5,887,216	State Street Bank & Trust	5,887,216
144,779	Glaxosmithkline PLC	5,869,341
224,800	Toyota Motor Corp	5,822,428

PERS' 2,702,177 shares represent 47.87% of the total MTIP portfolio at market.

MPORS' 129,898 shares represent 2.30% of the total MTIP portfolio at market.

GWPOORS' 35,930 shares represent .64% of the total MTIP portfolio at market.

SRS' 122,907 shares represent 2.18% of the total MTIP portfolio at market.

JRS' 39,504 shares represent .70% of the total MTIP portfolio at market.

HPORS' 70,548 shares represent 1.25% of the total MTIP portfolio at market.

FURS' 122,734 shares represent 2.17% of the total MTIP portfolio at market.

VFCA's 16,533 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, 2003

(in thousands)

Type of Investment	PERS-DBRP		MPORS		GWPORS	
	Fair Value	% of Total	Fair Value	% of Total	Fair Value	% of Total
		Fair Value		Fair Value		Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 804,470	29.97%	\$ 43,873	35.80%	\$ 12,921	34.79%
<i>Equities</i>						
Montana Domestic Equity Pool	1,308,884	48.76%	59,430	48.49%	17,476	47.05%
Montana International Pool	225,347	8.40%	10,833	8.84%	2,996	8.07%
<i>Alternative Equities</i>						
Montana Private Equity Pool	150,960	5.62%	6,975	5.69%	2,058	5.54%
Real Estate Investments	7,246	0.27%	N/A	0.00%	N/A	0.00%
<i>Montana Mortgages & Loans</i>						
Mortgages	112,079	4.18%	N/A	0.00%	N/A	0.00%
<i>Short term Investments</i>						
Short Term Investment Pool	75,120	2.80%	1,446	1.18%	1,691	4.55%
Total	\$ 2,684,106	100.00%	\$ 122,557	100.00%	\$ 37,142	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
\$ 43,639	35.47%	\$ 14,046	35.49%	\$ 25,178	35.62%	\$ 41,757	35.75%	\$ 5,964	33.39%
59,059	48.00%	19,162	48.41%	34,191	48.37%	56,638	48.48%	8,134	45.54%
10,250	8.33%	3,294	8.32%	5,883	8.32%	10,235	8.77%	1,379	7.72%
6,906	5.61%	2,243	5.67%	3,933	5.57%	6,546	5.60%	969	5.43%
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%
3,186	2.59%	837	2.11%	1,501	2.12%	1,641	1.40%	1,414	7.92%
\$ 123,040	100.00%	\$ 39,582	100.00%	\$ 70,686	100.00%	\$ 116,817	100.00%	\$ 17,860	100.00%

INVESTMENT SECTION

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October 13, 2003

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

Subsequent to the actuarial valuation of the Game Wardens' and Peace Officers' Retirement System (GWPORS), we analyzed the impact of the transfer of employees of the Department of Corrections from the Public Employees' Retirement System to the GWPORS. The employee turnover assumptions for the 2002 actuarial valuation of GWPORS were set prior to the completion of the transfers. PERA provided information to us on the average turnover rate of employees of the Department of Corrections. If the 2002 GWPORS actuarial valuation had been performed using the revised employee turnover assumptions described in our letter to PERA dated January 20, 2003, GWPORS would likely have had a small Actuarial Surplus.

The member, employer, and state contributions are set forth in statute. Our findings as described above 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. 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 was being funded on an actuarially sound basis as of July 1, 2002, the date of the last actuarial valuations.



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 actuarial valuation of the plans was completed in 2002 by the actuary, Milliman U. S. A. The most recent experience study was completed in 2000. This experience study investigates the actuarial experience of each plan administered by the PERB. The actuarial methods and assumptions are described in this section. The methods and assumptions have been chosen by the 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 cost of the plan's benefits.

RECORDS AND DATA

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

ACTUARIAL COST METHOD

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

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

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

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

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 at the time of the valuation was assumed to accrue at a net annual rate of 5.00%. The net annual rate was changed to 1.2% as of June 2003.

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		
	Males	Females
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		
	Males	Females
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 for 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 enhancements impact 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
	Revised Benefits	Previous Benefits		
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-DBRP	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%
	June 30, 2003	28,604	521	848,894,150	29,677	9.38%
MPORS	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%
	June 30, 2003	601	22	23,289,318	38,751	1.98%
GWPORS	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%
	June 30, 2003	664	8	20,034,988	30,173	7.14%
SRS	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%
	June 30, 2003	661	56	25,540,317	38,639	1.16%

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

ACTUARIAL SECTION

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
JRS	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%
	June 30, 2003	49	1	4,077,339	83,211	-0.14%
HPORS	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%
	June 30, 2003	201	1	7,808,953	38,851	0.01%
FURS	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%
	June 30, 2003	441	16	18,608,166	42,195	2.71%
VFCA	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				
	June 30, 2003	2,629				

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-DBRP	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
Average Salary	\$ 27,346	\$ 37,870	\$ 30,102	\$ 38,111	\$ 83,327	\$ 37,518	\$ 39,931	-
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	-	-	-

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

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

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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	Benefits ¹	Average Annual Benefit ²	% Benefit Increase
PERS-DBRP	June 30, 1998	701	363	12,924	\$ 87,379,510	\$ 6,742	3.18%
	June 30, 1999	680	366	13,238	91,521,090	7,103	5.35%
	June 30, 2000	742	408	13,572	96,015,987	7,159	0.79%
	June 30, 2001	649	423	13,798	101,546,131	7,505	4.83%
	June 30, 2002	777	459	14,116	114,662,817	8,453	12.63%
	June 30, 2003	735	450	14,401	122,203,686	8,672	2.59%
MPORS	June 30, 1998	27	7	530	7,697,161	14,945	3.62%
	June 30, 1999	20	10	540	8,278,547	15,603	4.40%
	June 30, 2000	14	13	541	8,653,105	16,093	3.14%
	June 30, 2001	22	10	553	9,124,506	17,414	8.21%
	June 30, 2002	14	13	554	9,844,541	18,045	3.62%
	June 30, 2003	19	8	565	10,425,561	18,866	4.55%
GWPORS	June 30, 1998	2	1	78	1,123,020	14,360	-0.17%
	June 30, 1999	2	0	80	1,153,214	14,777	2.90%
	June 30, 2000	2	0	82	1,210,991	15,097	2.17%
	June 30, 2001	0	3	79	1,235,308	15,566	3.11%
	June 30, 2002	3	3	79	1,230,427	15,828	1.69%
	June 30, 2003	4	1	82	1,316,309	16,955	7.12%
SRS	June 30, 1998	25	0	175	1,742,696	10,799	11.98%
	June 30, 1999	41	3	213	2,364,489	12,318	14.07%
	June 30, 2000	31	2	242	2,929,550	12,733	3.37%
	June 30, 2001	21	1	262	3,293,535	13,305	4.49%
	June 30, 2002	23	5	280	3,699,727	13,959	4.92%
	June 30, 2003	29	3	306	4,307,060	15,059	7.89%

¹Includes active death benefit payments.

²Based on June monthly benefit totals.

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

ACTUARIAL SECTION

System	Year Ended	Number Added	Number Removed	End of Year Total	Benefits ¹	Average Annual Benefit ²	% Benefit Increase
JRS	June 30, 1998	4	1	50	\$ 1,304,458	\$ 26,361	3.65%
	June 30, 1999	1	3	48	1,319,084	31,934	21.14%
	June 30, 2000	0	1	47	1,379,363	29,153	-8.71%
	June 30, 2001	8	4	51	1,430,623	28,771	-1.31%
	June 30, 2002	0	0	51	1,566,110	30,704	6.72%
	June 30, 2003	0	1	50	1,551,557	31,007	0.99%
HPORS	June 30, 1998	9	1	244	3,771,004	14,680	4.09%
	June 30, 1999	13	3	254	4,085,281	15,444	5.20%
	June 30, 2000	11	4	261	4,396,044	16,227	5.07%
	June 30, 2001	5	6	260	4,624,420	16,920	4.27%
	June 30, 2002	7	2	265	4,861,329	17,677	4.48%
	June 30, 2003	6	4	267	5,159,762	18,669	5.61%
FURS	June 30, 1998	30	12	450	6,493,959	14,759	5.76%
	June 30, 1999	20	13	457	6,995,439	15,680	6.24%
	June 30, 2000	23	12	468	7,517,677	16,402	4.60%
	June 30, 2001	21	15	474	8,017,761	17,072	4.09%
	June 30, 2002	17	10	481	8,507,526	18,203	6.63%
	June 30, 2003	12	13	480	9,080,598	19,132	5.10%
VFCA	June 30, 1998	52	30	761	772,742	1,022	0.11%
	June 30, 1999	49	18	792	813,527	1,025	0.30%
	June 30, 2000	72	25	839	843,649	1,029	0.41%
	June 30, 2001	54	31	862	881,855	1,032	0.26%
	June 30, 2002	68	46	884	1,410,768	1,542	49.47%
	June 30, 2003	62	25	921	1,411,936	1,551	0.58%

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Solvency Test

(in thousands)

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed portion)				
PERS-DBRP	06/30/98	\$ 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	9,394	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.

ACTUARIAL SECTION

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

Summary of Actuarial (Gain) or Loss by Source (in thousands)

PERS-DBRP	
Investment (Gain) or Loss	\$ 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

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

ACTUARIAL SECTION

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	<u>947</u>
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 (cont) (in thousands)

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

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

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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-DBRP

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 aver- age 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 aver- age compensation, multiplied by 1/56th (1/50th if 25 or more years of membership service)

ACTUARIAL SECTION

Death before Retirement	Eligibility:	Prior to 5 years of membership service
	Benefit:	The sum of (a) and (b) below: (a) Return of member contributions with interest, (b) Lump sum payment of one month's salary up to a maximum of six months' salary
	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 employees' PERS covered-payroll (offset by 0.10% of members' compensation paid by the State for local government and school district employers)

ACTUARIAL SECTION

Municipal Police Officers' Retirement System

Service Retirement	Eligibility:	20 years of membership service regardless of age 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 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

ACTUARIAL SECTION

Benefit Adjustments	Eligibility:	Retired members and beneficiaries
	Benefit:	Either (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, or if elected by the member, or (b) 50% of the salary of a newly confirmed police officer in the city in which the member was employed
Contributions	Members:	Either (a), (b), (c), (d), or (e) below: (a) If hired on or prior to June 30, 1975: 5.80% of member's compensation, or (b) If hired after June 30, 1975 and prior to July 1, 1979: 7.00% or (c) If hired after June 30, 1979 and prior to July 1, 1997: 8.50%, or (d) If hired on or after July 1, 1997: 9%, or (e) For members electing the GABA: 9%
	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:	Minimum of 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

ACTUARIAL SECTION

	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

ACTUARIAL SECTION

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 membership service, or age 60
Disability Retirement	Eligibility:	Service disablement
	Benefit:	Minimum of 50% of highest average compensation
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age after completing 20 years of membership service or age 60
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 65, or completing 20 years of 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) 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

ACTUARIAL SECTION

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, or 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:	Minimum of 50% of highest average compensation
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation, less benefits paid from workers' compensation
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 60
Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on a retirement age of 60

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 Consumer Price Index
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 membership service, 2% of final average compensation, ii. If greater than 20 years of membership service, 50% of final average compensation, plus years of service in excess of 20, multiplied by final average compensation, multiplied by 2.00%
	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, or if elected by the member, or (b) members with at least 10 years of service and who did not elect GABA - 50% of the salary of a newly confirmed firefighter in the city in which the member was employed
Contributions	Members:	Either (a) or (b) below: (a) 9.50% of members' compensation, or (b) 10.70% for members hired after July 1, 1997 or 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 (full benefit), or Age 60 and 10 years of service (partial benefit)
	Benefit:	\$7.50 per year of service, with a maximum benefit of \$225 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 \$225 per month
Death before Retirement	Eligibility:	10 years of service
	Benefit:	\$7.50 per year of service. Recipient may receive a lump sum payment or a monthly benefit until a total of 40 monthly benefits have been paid
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60
Contributions	Members:	None
	State:	5% of premium taxes collected

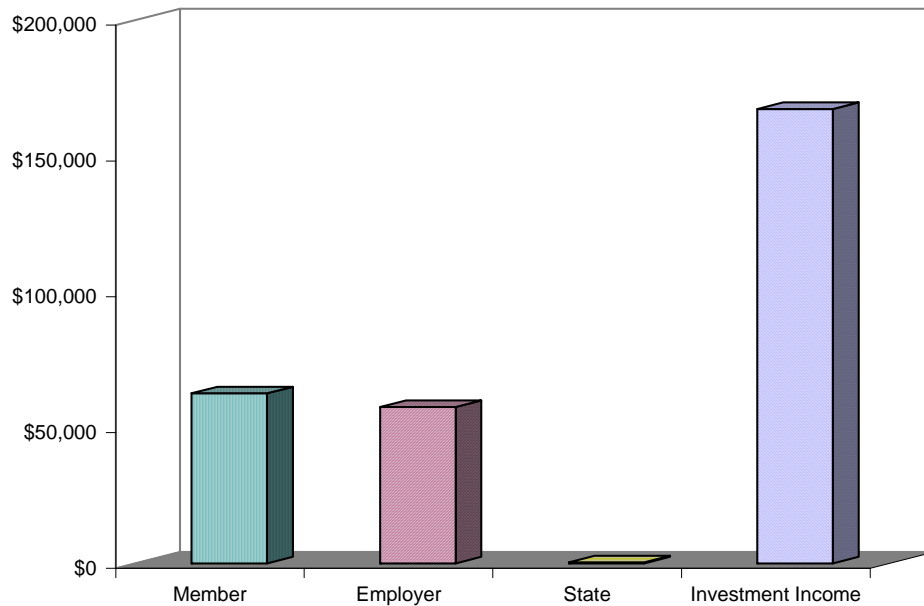
STATISTICAL SECTION

PERS-DBRP

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					
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%
2002 ⁵	60,030	56,505	374	-	(201,366)	(84,457)	6.99%
2003⁵	62,628	57,597	389	-	167,331	287,945	6.78%

Revenue for Fiscal Year 2003



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 Retirement Plan includes the associated Education Fund.

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

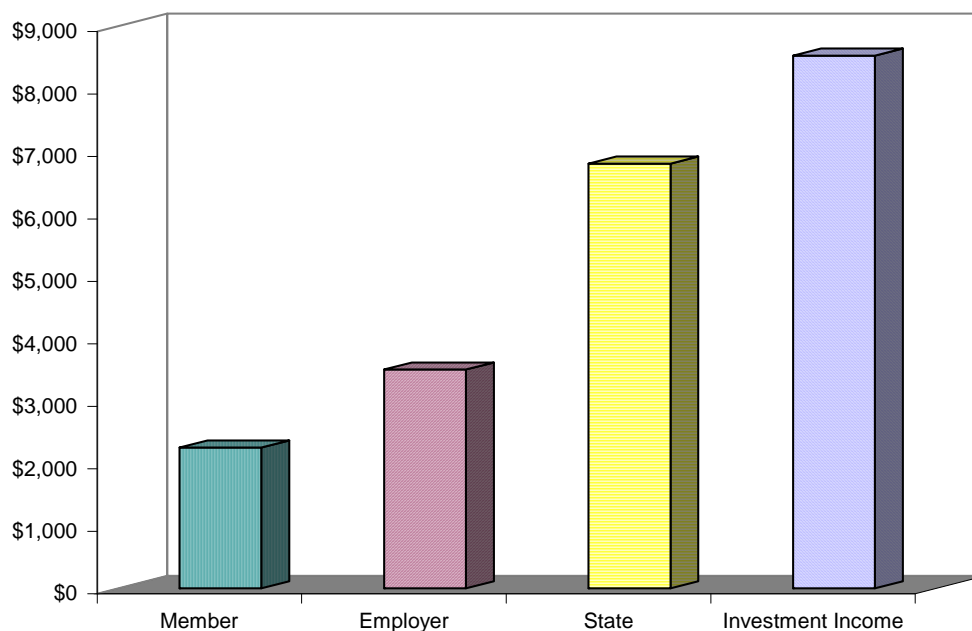
STATISTICAL SECTION

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				
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%
2003	2,254	3,502	6,798	8,530	21,084	15.04%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Percent of Salary.

³Includes Common Stock Dividends.

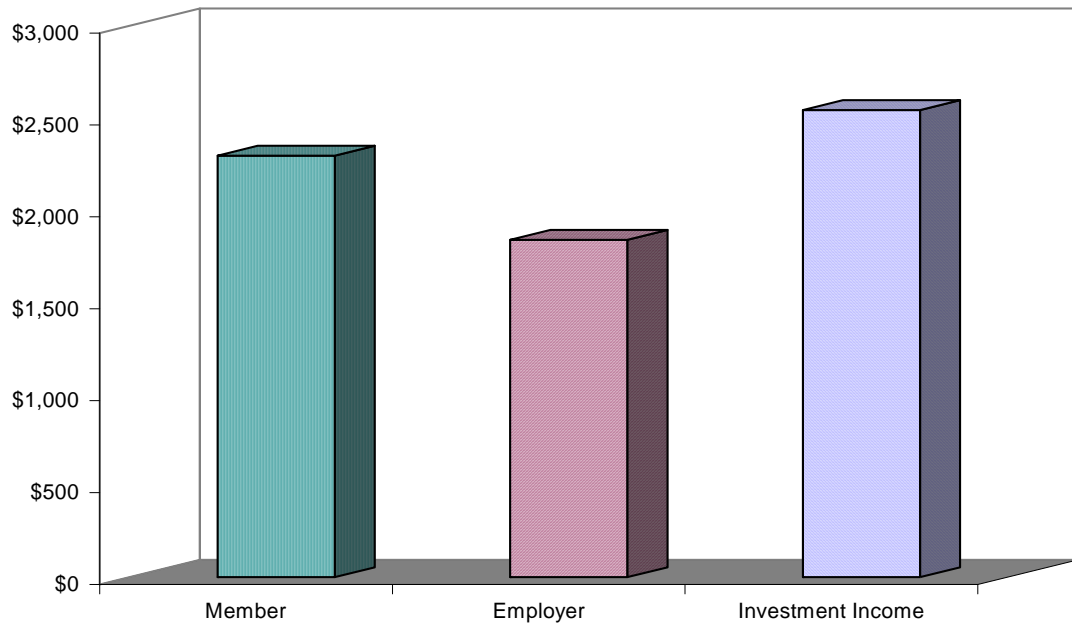
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

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			
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%
2003	2,293	1,835	2,541	6,669	9.16%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

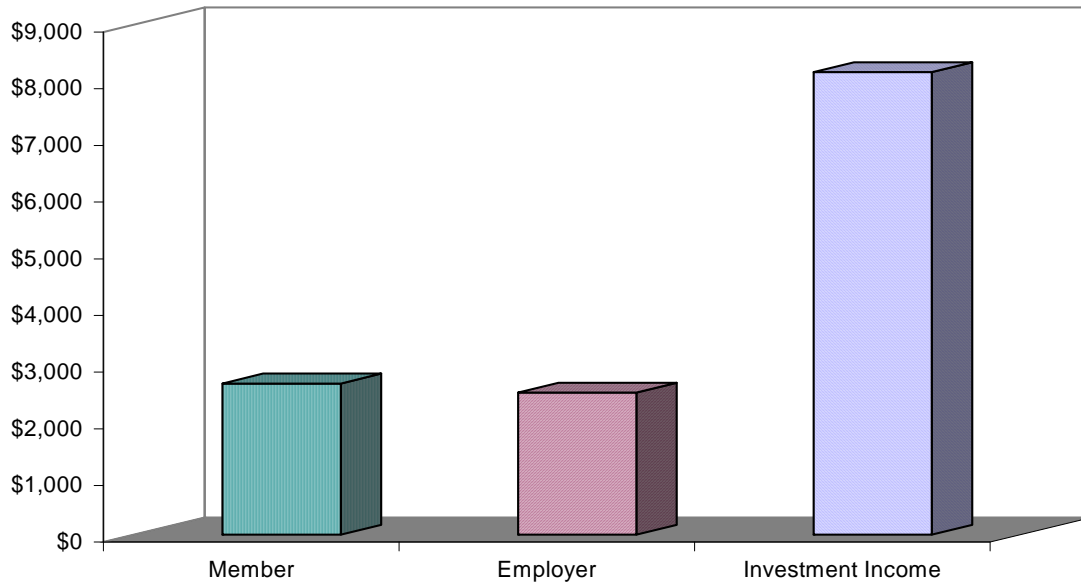
STATISTICAL SECTION

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			
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%
2003	2,669	2,508	8,164	13,341	9.82%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Retirement Incentive.

³Includes Common Stock Dividends.

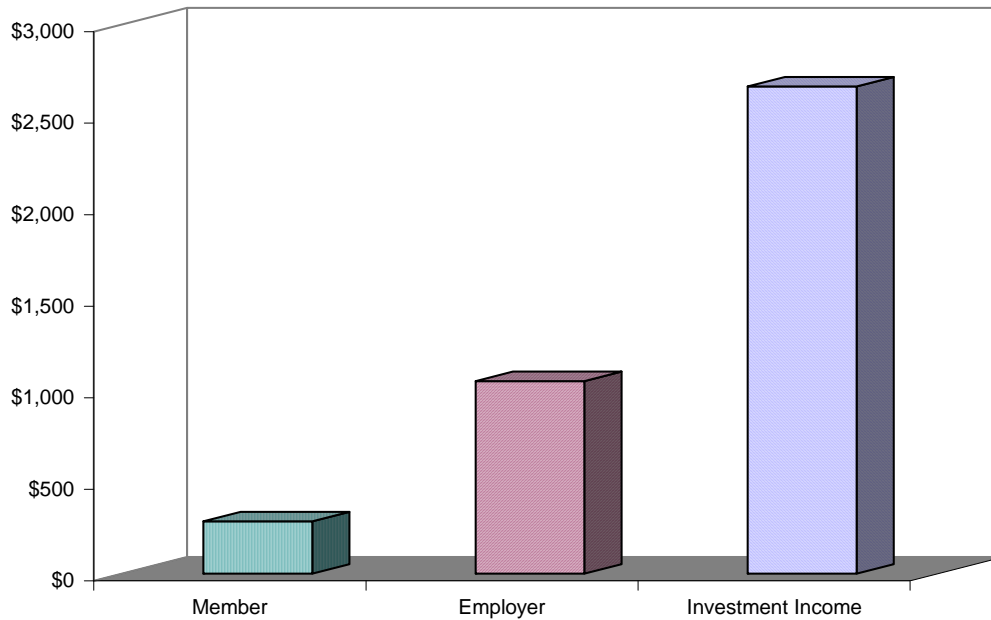
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

JRS

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			
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%
2003	285	1,052	2,661	3,998	25.80%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

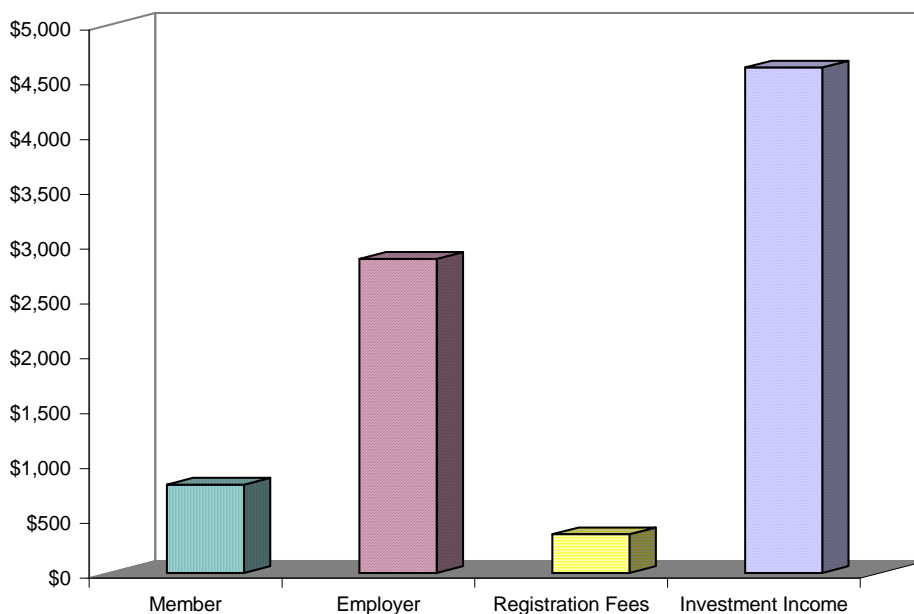
STATISTICAL SECTION

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				
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%
2003	805	2,866	354	4,611	8,636	36.70%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

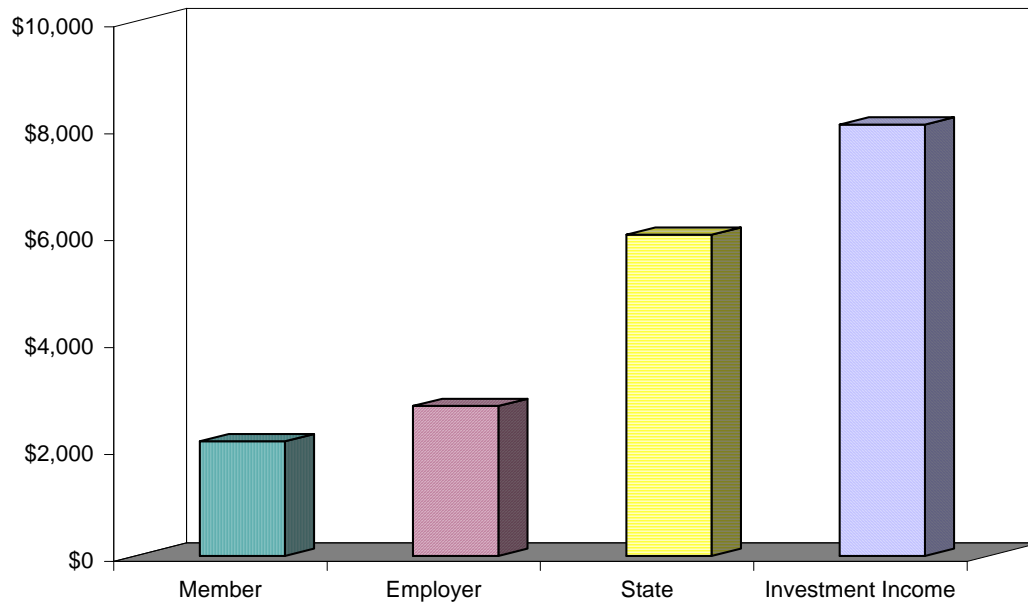
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

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				
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%
2003	2,141	2,802	6,006	8,066	19,015	15.06%

Revenue for Fiscal Year 2003



¹Includes Interest Reserve Buyback.

²Includes Percent of Salary.

³Includes Common Stock Dividends.

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

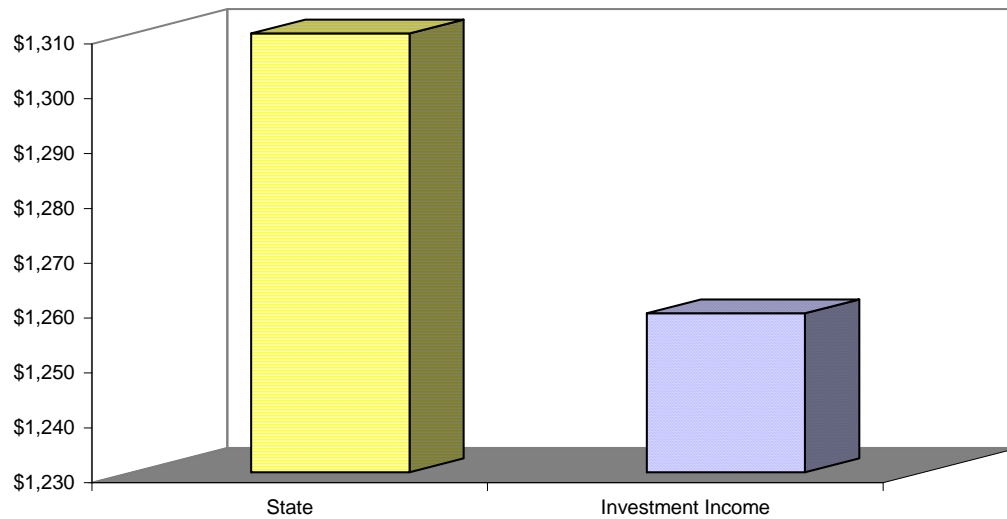
STATISTICAL SECTION

VFCA

Schedule of Revenue by Source (in thousands)

Fiscal Year	State	Investment Income ¹	Total
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
2003	1,310	1,259	2,569

Revenue for Fiscal Year 2003



¹Includes Common Stock Dividends.

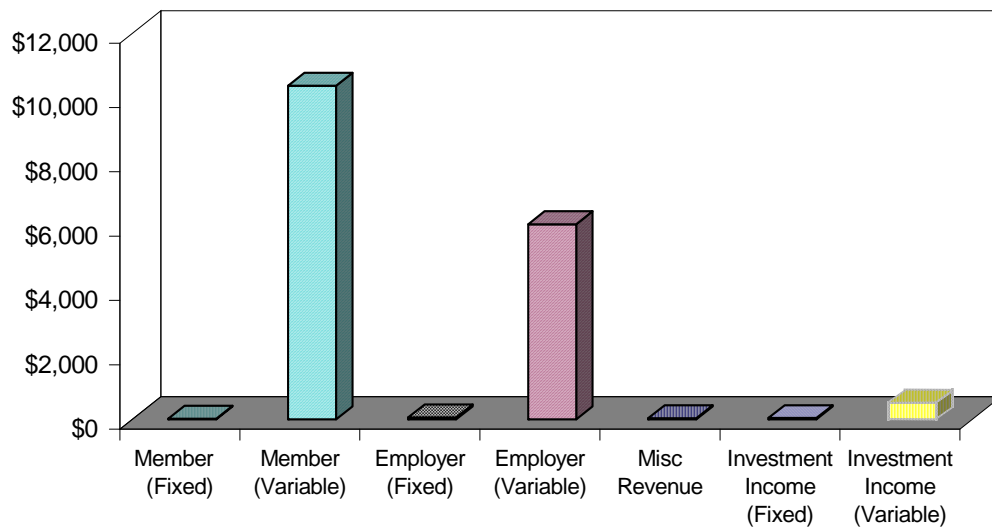
Member contributions are not applicable. Members are unpaid volunteers and do not contribute to the fund. Contributions were made in accordance with actuarially determined and statutory contribution requirements.

PERS-DCRP

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	
2003	\$ 16	\$ 10,373	\$ 62	\$ 6,068	\$ 32	\$ 39	\$ 512	\$ 17,102

Revenue for Fiscal Year 2003



¹ The implementation date of the Defined Contribution Retirement Plan was July 1, 2002.

Revenues include the Defined Contribution Retirement Fund and the associated Education Fund and Disability Fund.

STATISTICAL SECTION

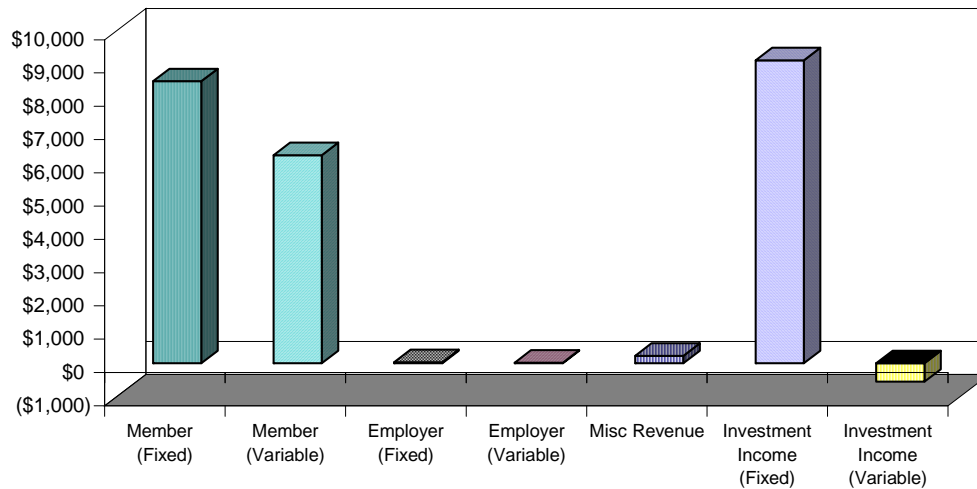
Deferred Compensation Plan

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
2003	8,474	6,251	29	15	256	9,100	(558)	23,567

Revenue for Fiscal Year 2003



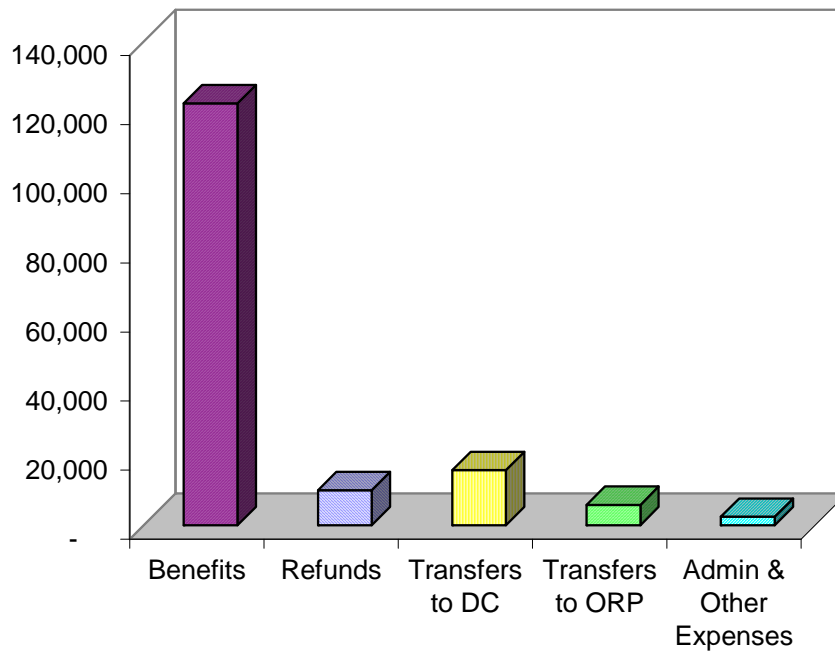
¹ The Montana PERB began administering the Deferred Compensation Plan on July 1, 1999.

PERS-DBRP

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Transfers to Defined Contribution	Transfers to ORP	Administrative Expenses	Other ¹	Total
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
2003²	122,204	10,218	15,990	5,957	2,254	228	156,851

Expenses for Fiscal Year 2003



¹Includes Prior Year Adjustments for FY98, FY99 and FY01 and Refunds to Other Plans.

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

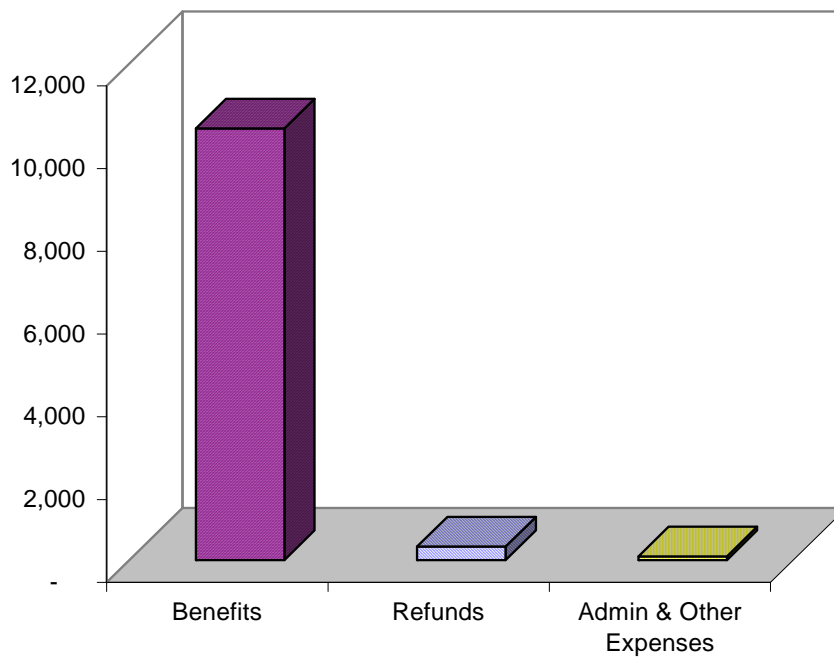
STATISTICAL SECTION

MPORS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2003	10,426	326	40	47	10,839

Expenses for Fiscal Year 2003



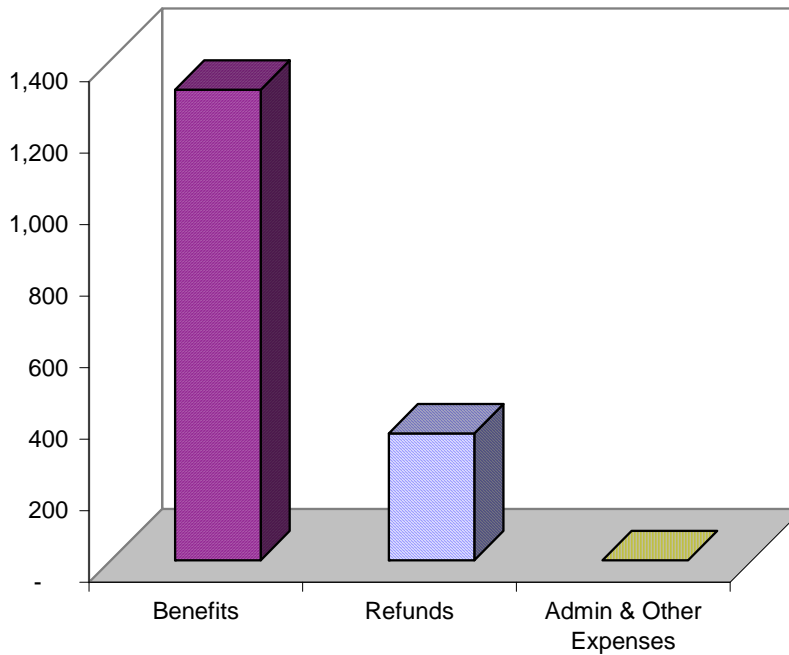
¹ Includes Refunds to Other Plans.

GWPORS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2003	1,316	355	25	-	1,696

Expenses for Fiscal Year 2003



¹ Includes Refunds to Other Plans.

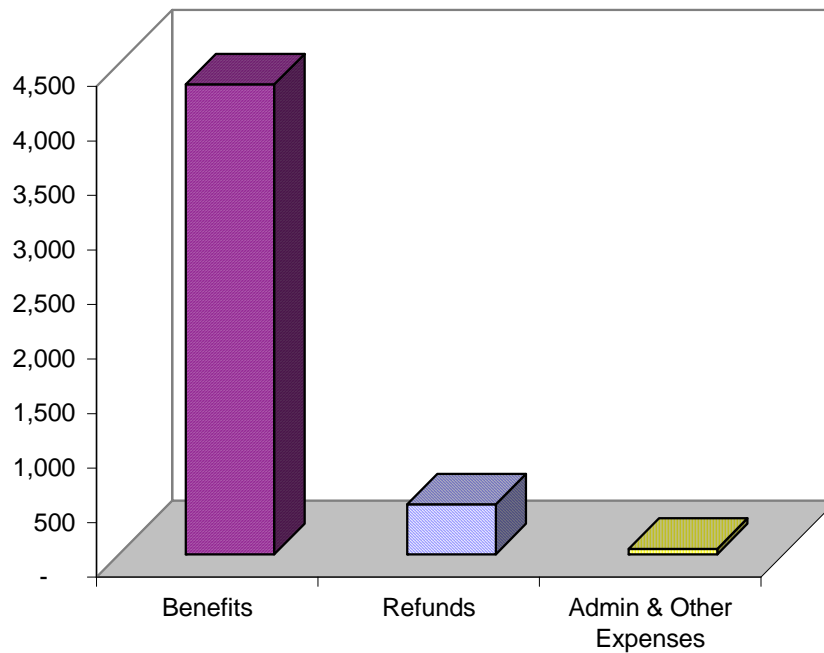
STATISTICAL SECTION

SRS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2003	4,307	457	32	18	4,814

Expenses for Fiscal Year 2003



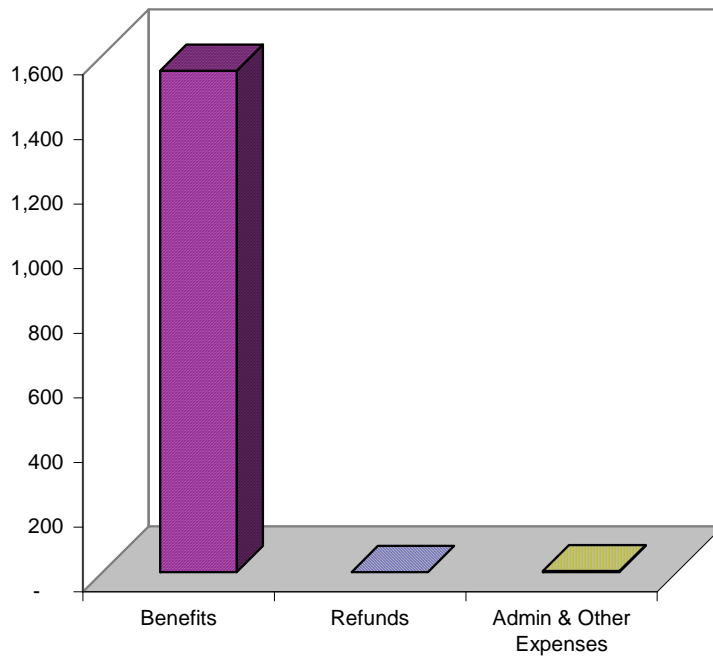
¹ Includes Refunds to Other Plans.

JRS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Total
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
2003	1,552	-	3	1,555

Expenses for Fiscal Year 2003



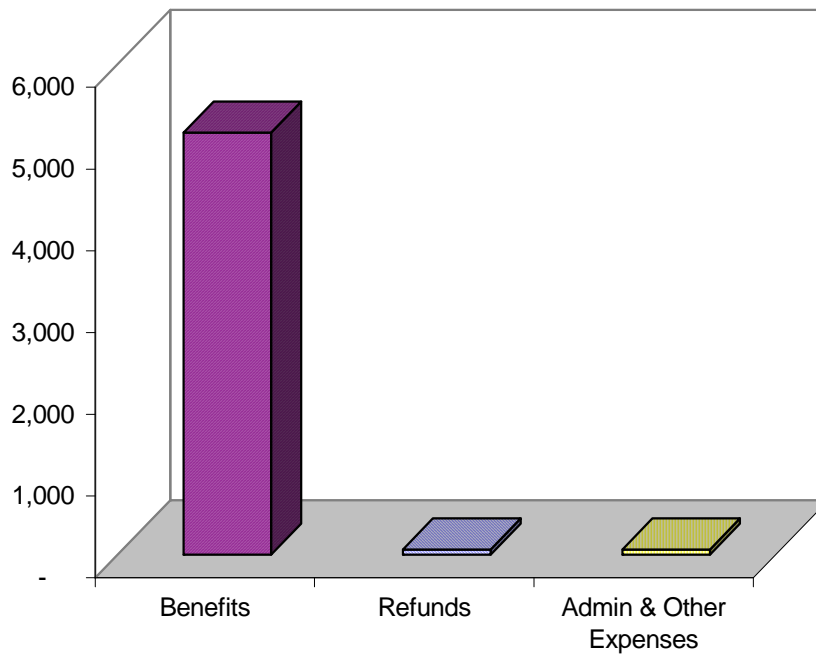
STATISTICAL SECTION

HPORS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2003	5,160	60	15	48	5,283

Expenses for Fiscal Year 2003



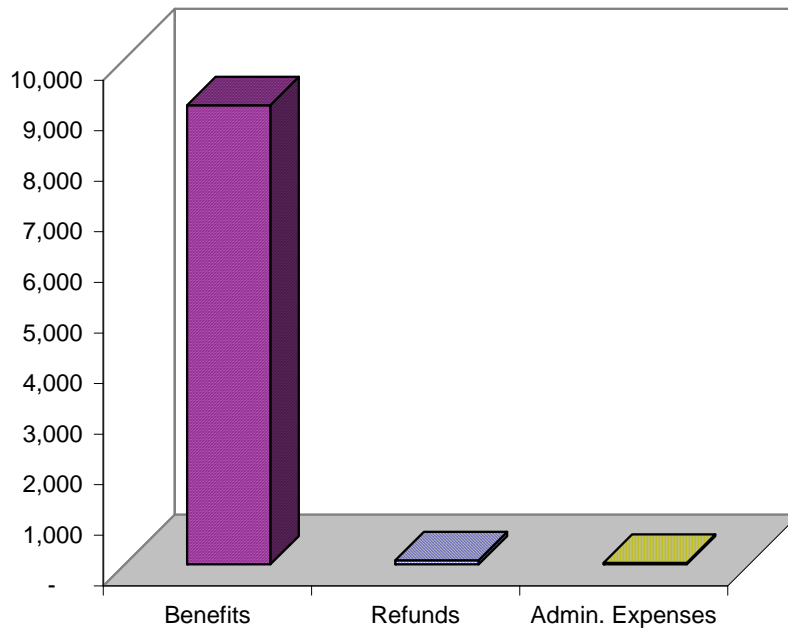
¹ Includes Refunds to Other Plans.

FURS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Total
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
2003	9,081	83	30	9,194

Expenses for Fiscal Year 2003



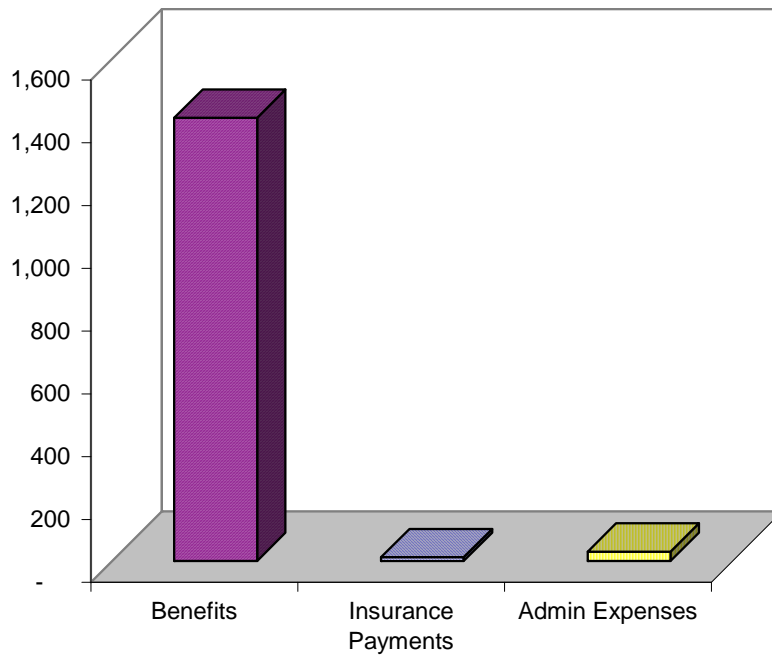
STATISTICAL SECTION

VFCA

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Insurance Payments	Administrative Expenses	Total
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
2003	1,412	12	30	1,454

Expenses for Fiscal Year 2003

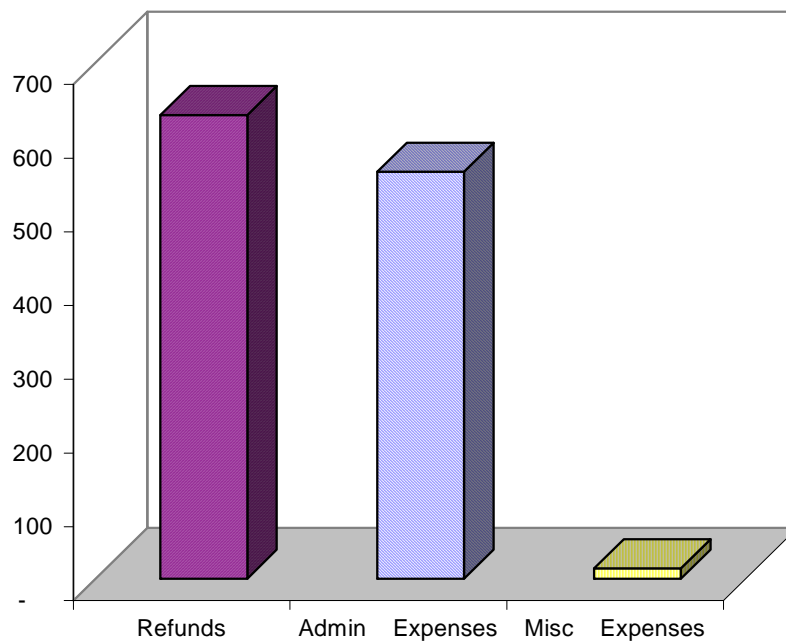


PERS-DCRP

Schedule of Expenses by Type
(in thousands)

Fiscal Year ¹	Refunds	Administrative Expenses	Miscellaneous Expenses ²	Total
2003	\$ 629	\$ 552	\$ 14	\$ 1,195

Expenses for Fiscal Year 2003



¹ The implementation date of the Defined Contribution Plan was July 1, 2002.

² Fees paid to Great West and Aegon for services provided.

Expenses include the Defined Contribution Retirement Fund and the associated Education Fund and Disability Fund.

STATISTICAL SECTION

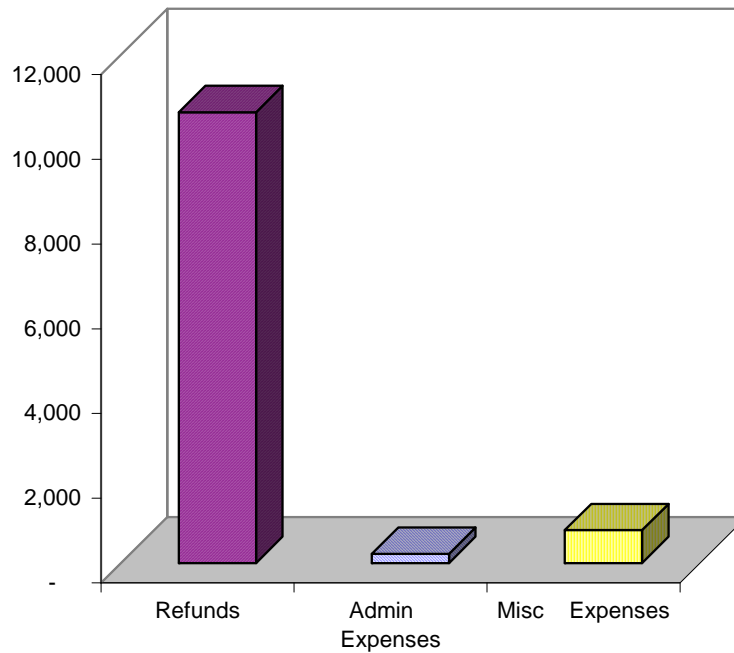
Deferred Compensation Plan

Schedule of Expenses by Type

(in thousands)

Fiscal Year ¹	Refunds	Administrative Expenses	Miscellaneous Expenses ²	Total
2000	\$ 6,944	\$ 71	\$ 157	\$ 7,172
2001	7,102	175	162	7,439
2002	11,460	242	811	12,513
2003	10,648	218	780	11,646

Expenses for Fiscal Year 2003



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

² Fees paid to Great West, Aegon and Allianz for services provided.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Contribution Rate History

PERS-DBRP

Fiscal Year	Member	Employer	Local Govt & SD	
			Employer	State
2000-2003	6.900%	6.900%	6.800%	0.100%
1998-1999	6.800%	6.800%	6.700%	0.100%
1994-1997	6.700%	6.700%	6.700%	
1993	6.550%	6.550%	6.550%	
1992	6.417%	6.417%	6.417%	
1991	6.300%	6.417%	6.417%	
1990	6.150%	6.417%	6.417%	
1984-1989	6.000%	6.417%	6.417%	
1982-1983	6.000%	6.320%	6.320%	
1979-1981	6.000%	6.200%	6.200%	
1978	6.000%	5.950%	5.950%	
1977	6.000%	5.550%	5.550%	
1976	6.000%	5.200%	5.200%	
1974-1975	5.750%	4.900%	4.900%	
1972-1973	5.750%	4.600%	4.600%	
1970-1971	5.750%	4.300%	4.300%	
1968-1969	5.750%	3.800%	3.800%	
1947-1967 *	2.5%-9.6%	3.300%	3.300%	
1945-1947 *	2.5%-9.6%	3.000%	3.000%	

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

MPORS

Fiscal Year	Member			GABA	Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79			
2000-2003	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%
1994-1996	7.800%	9.000%	10.500%		14.360%	15.660%
1993	7.800%	9.000%	10.500%		13.920%	15.660%
1992	6.000%	7.200%	8.700%		13.920%	15.660%
1986-1991	6.000%	6.000%	7.500%		13.020%	15.060%
1982-1985	6.000%	6.000%	7.500%		14.040%	14.040%
1980-1981	6.000%	6.000%	7.500%		14.000%	14.040%
1978-1979	6.000%	6.000%			12.000%	14.040%
1976-1977	6.000%	6.000%			11.000%	14.040%
1974-1975	6.000%				11.000%	14.040%

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Contribution Rate History

GWPORS

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

SRS

Fiscal Year	Member	Employer
1998-2003	9.245%	9.535%
1997	7.865%	8.540%
1996	7.865%	8.535%
1986-1995	7.000%	7.670%
1982-1985	7.000%	7.620%
1975-1981	7.000%	7.550%

JRS

Fiscal Year	Member	Employer
1998-2003	7.000%	25.810%
1993-1997	7.000%	6.000%
1968-1992	6.000%	6.000%

HPORS

Fiscal Year	Member		Employer
	Hired <7/1/75	Hired >6/30/75 GABA	
1998-2003	9.000%	9.050%	36.330%
1992-1997	9.000%		36.280%
1991	7.590%		36.280%
1986-1990	7.590%		26.750%
1982-1985	6.500%		16.570%
1976-1981	6.500%		16.000%
1975	6.500%		15.000%
1971-1974	5.000%		8.000%

FURS

Fiscal Year	Member			State
	Hired <7/1/75	Hired >6/30/75 GABA	Employer	
1998-2003	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%
1996	7.800%		14.360%	24.210%
1995	6.000%		13.020%	24.210%
1992-1994	6.000%		13.020%	23.270%
1986-1991	6.000%		13.020%	22.980%
1984-1985	6.000%		18.000%	18.000%
1983	6.000%		15.000%	15.000%
1981-1982	6.000%		12.000%	12.000%

PERS-DCRP

Fiscal Year	Member	Employer	Local Govt & SD	
			Employer	State
2003	6.900%	6.900%	6.800%	0.100%

STATISTICAL SECTION

Public Employees' Retirement Board
A Component Unit of the State of Montana
Schedule of Benefit Expenses by Type
 (in thousands)

System	Fiscal Year	Age & Service Benefits		Death In Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
PERS-DBRP	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
	2003	116,333	2,248	1,278	2,345	10,218	132,422
MPORS	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
	2003	9,733	452		241	326	10,752
GWPORS	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
	2003	1,277	26	-	13	355	1,671
SRS	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
	2003	3,761	127	-	419	457	4,764

STATISTICAL SECTION

System	Fiscal Year	Age & Service Benefits		Death In Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
JRS	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
	2,003	1,513	38			-	1,551
HPORS	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
	2003	4,900	134		126	60	5,220
FURS	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
	2003	8,620	389		72	83	9,164
VFCA	1998	771	2				773
	1999	801	1				802
	2000	842	1				843
	2001	879	3				882
	2002	1,350	61				1,411
	2003	1,406	6				1,412

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-DBRP	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
	2003	13,782	335	284	14,401
MPORS	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
	2003	524	13	28	565
GWPORS	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
	2003	78	1	3	82
SRS	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
	2003	260	33	13	306

STATISTICAL SECTION

System	Fiscal Year	Retired	Disabled	Survivors	Total
JRS	1998	48		2	50
	1999	46		2	48
	2000	45		2	47
	2001	49		2	51
	2002	49		2	51
	2003	48		2	50
HPORS	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
	2003	250	8	9	267
FURS	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
	2003	451	4	25	480
VFCA	1998	759		2	761
	1999	791		1	792
	2000	836		3	839
	2001	859		3	862
	2002	880		4	884
	2003	917		4	921

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Average Monthly 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-DBRP	0-4	-	\$220	\$610	\$229	\$273	\$202	\$205	\$221	\$222	\$228
	5-9	\$386	334	304	234	249	250	218	213	220	233
	10-14	504	487	406	364	400	377	350	344	351	363
	15-19	491	893	500	516	568	594	546	531	507	542
	20-24	562	878	786	693	810	782	774	731	691	749
	25-29	-	1,392	1,460	1,350	1,241	1,126	1,075	962	863	1,099
	30-34	-	1,967	1,863	1,916	1,700	1,435	1,379	1,222	1,145	1,531
	35-39	-	-	2,322	2,706	2,111	1,968	1,671	1,623	1,338	1,740
	40-UP	-	-	-	-	2,593	2,223	2,181	1,880	1,615	1,978
	Average	\$451	\$869	\$1,064	\$1,004	\$878	\$749	\$673	\$606	\$563	\$716
MPORS	0-4	\$1,303	\$1,219	\$1,375	\$1,208	\$1,183	\$1,202	-	\$1,216	-	\$1,245
	5-9	1,290	1,354	929	1,202	1,350	1,223	\$1,281	1,340	\$1,398	1,255
	10-14	1,384	1,386	1,209	1,244	1,246	1,383	1,310	1,062	1,262	1,258
	15-19	1,637	0	1,441	1,399	1,289	1,283	1,348	1,420	1,316	1,362
	20-24	1,717	1,851	1,742	1,725	1,477	1,407	1,434	1,464	1,352	1,558
	25-29	-	-	3,526	2,887	2,186	2,006	1,940	1,800	1,230	2,350
	30-34	-	-	-	3,391	2,869	1,955	1,930	1,253	1,776	2,205
	35-39	-	-	-	-	-	-	-	2,008	-	2,008
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	\$1,479	\$1,694	\$1,768	\$1,780	\$1,506	\$1,461	\$1,474	\$1,434	\$1,349	\$1,568
GWPORS	0-4	-	-	-	-	-	-	-	-	-	-
	5-9	-	-	-	\$276	\$336	-	-	-	-	\$306
	10-14	-	-	\$1,137	-	-	\$1,173	-	-	-	1,155
	15-19	-	-	1,065	-	-	0	\$590	\$726	\$710	779
	20-24	-	-	1,290	1,021	1,241	1,255	1,435	935	773	1,115
	25-29	-	-	-	1,809	1,652	1,528	1,552	1,627	1,042	1,441
	30-34	-	-	-	2,448	-	2,094	1,987	1,581	960	1,837
	35-39	-	-	-	-	-	2,808	-	2,410	1,049	1,945
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	-	-	\$1,170	\$1,685	\$1,420	\$1,800	\$1,391	\$1,482	\$944	\$1,413
SRS	0-4	\$818	\$851	\$400	\$795	\$39	\$532	\$372	-	\$188	\$607
	5-9	1,013	838	705	647	575	539	398	\$405	-	674
	10-14	1,478	1,301	771	742	798	770	832	496	359	734
	15-19	0	1,800	665	901	1,158	996	894	715	497	871
	20-24	1,472	1,688	1,716	1,526	1,344	945	999	477	697	1,438
	25-29	2,326	2,170	2,408	2,514	2,128	1,429	1,049	1,039	838	1,863
	30-34	-	-	-	3,158	2,567	-	1,103	1,015	1,468	1,885
	35-39	-	-	-	-	-	-	2,520	-	-	2,520
	40-UP	-	-	-	-	-	-	-	-	1,956	1,956
	Average	\$1,247	\$1,537	\$1,510	\$1,416	\$1,447	\$976	\$930	\$685	\$752	\$1,249

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	-	-	\$1,801	\$1,486	\$1,538	\$956	\$1,288
	10-14	-	-	-	-	\$1,377	2,232	2,430	2,531	2,675	2,376
	15-19	-	-	-	-	-	3,287	3,549	-	2,397	2,705
	20-24	-	-	-	-	-	-	-	3,282	3,126	3,178
	25-29	-	-	-	-	-	-	4,057	-	3,951	3,977
	30-34	-	-	-	-	-	-	4,659	-	4,794	4,727
	35-39	-	-	-	-	-	-	-	-	-	-
	40-UP	-	-	-	-	-	-	-	-	-	-
	'Average	-	-	\$489	-	\$1,377	\$2,652	\$3,127	\$2,328	\$2,678	\$2,584
HPORS	0-4	\$1,075	-	\$531	-	-	-	-	-	-	\$803
	5-9	1,332	\$1,342	1,441	\$954	-	-	\$886	-	-	1,123
	10-14	1,335	-	850	-	\$161	\$305	686	\$303	\$720	560
	15-19	0	1,286	1,444	-	1,342	-	541	-	-	891
	20-24	1,757	1,497	1,728	1,439	1,231	1,271	1,109	1,163	902	1,296
	25-29	-	2,787	2,726	2,226	1,966	1,496	1,317	1,337	1,177	1,730
	30-34	-	-	3,132	2,927	2,708	2,387	1,758	1,483	1,342	2,289
	35-39	-	-	-	-	3,497	3,188	1,947	2,549	-	2,746
	40-UP	-	-	-	-	-	-	4,539	1,966	-	3,253
	Average	\$1,275	\$1,651	\$1,714	\$1,918	\$1,770	\$1,485	\$1,334	\$1,378	\$1,052	\$1,553
FURS	0-4	\$1,260	\$1,273	-	\$1,440	-	-	-	-	\$151	\$1,133
	5-9	-	175	\$918	1,184	\$1,353	\$1,339	\$1,217	-	1,356	1,071
	10-14	472	1,124	1,326	1,043	1,067	1,281	1,389	\$1,386	1,387	1,154
	15-19	225	1,886	1,421	1,153	876	1,223	1,302	1,240	1,076	1,197
	20-24	1,596	1,502	1,774	1,499	1,229	1,258	1,231	1,268	1,312	1,359
	25-29	-	2,693	2,418	2,437	2,109	1,474	1,231	1,219	1,339	1,768
	30-34	-	-	3,543	3,179	2,989	2,081	1,422	1,474	1,342	2,505
	35-39	-	-	-	-	3,968	3,875	2,520	1,566	1,456	2,794
	40-UP	-	-	-	-	-	-	175	174	-	175
	Average	\$919	\$1,568	\$1,796	\$1,994	\$1,897	\$1,523	\$1,345	\$1,253	\$1,301	\$1,593
VFCA	0-4	-	-	-	-	-	-	-	-	-	-
	5-9	-	-	-	-	-	-	-	-	-	-
	10-14	-	-	-	\$105	\$83	\$87	\$86	\$86	\$85	\$85
	15-19	-	\$128	\$113	-	126	126	127	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	\$128	\$125	\$126	\$120	\$130

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Participating Employers

As of June 30, 2003

PERS-DBRP (521)

State Agencies (34)

Appellate Defender
Board of Crime Control
Board of Public Education
Commissioner of Higher
Education
Commissioner of Political
Practices
Consumer Council
Dept of Administration
Dept of Agriculture
Dept of Commerce
Dept of Corrections
Dept of Environmental
Quality
Dept of Fish, Wildlife &
Parks
Dept of Justice
Dept of Labor & Industry
Dept of Livestock
Dept of Military Affairs
Dept of Natural Resources
& Conservation
Dept of Public Health &
Human Services
Dept of Revenue
Dept of Transportation
Governors 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

STATISTICAL SECTION

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

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

Malta
Manhattan
Medicine Lake
Melstone
Miles City
Missoula
Nashua
Phillipsburg
Plains
Plentywood
Polson
Poplar
Red Lodge
Richey
Ronan
Roundup
Ryegate
Saco
Scobey
Shelby
Sheridan
Sidney
St Ignatius
Stanford
Stevensville
Sunburst
Superior
Terry
Thompson Falls
Three Forks
Townsend
Troy
Twin Bridges
Valier
Westby
White Sulphur Springs
Whitefish

Rosebud
Sanders
Sheridan
Stillwater
Sweet Grass
Teton
Toole
Treasure
Valley
Wheatland
Wibaux
Yellowstone

Cities & Towns (93)

Baker

Grass Range
Great Falls
Hamilton
Hardin
Harlem
Harlowton
Havre
Helena
Hot Springs
Kalispell
Laurel
Lewistown
Libby
Lima
Livingston

Wibaux
Winnett
Wolf Point

Colleges & Universities (5)

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

STATISTICAL SECTION

High Schools (5)

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

SD 1, Lewistown
SD 1, Miles City
SD 1, Missoula
SD 1, Phillipsburg
SD 1, Plains
SD 1, Red Lodge
SD 1, Scobey
SD 1, Troy
SD 1 & 7, Hysham
SD 1 & 7, Townsend
SD 2, Alberton
SD 2, Alder
SD 2, Billings
SD 2, Bridger
SD 2, Deer Park
SD 2, Dodson
SD 2, Dupuyer
SD 2, Frazer
SD 2, Peerless
SD 2, Stevensville
SD 2, Sunburst
SD 2, Thompson Falls
SD 2 & 3, Pryor
SD 2 & 11, Big Sandy
SD 2-27, Lodge Grass
SD 3, Belfry
SD 3, Cascade
SD 3, Fair Mont Egan
SD 3, Hamilton
SD 3, Manhattan
SD 3, Ramsey
SD 3, Superior
SD 3, Westby
SD 3, Wolf Point
SD 3, Flaxville
SD 3 & 13, Fairview
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, West Glacier
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

School Districts (237)

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 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 4, Silverbow
SD 5, Basin
SD 5, Kalispell
SD 5, Melrose
SD 5, Park City
SD 5, Sand Coulee
SD 5, Sheridan
SD 5, Sidney
SD 10, Conrad
SD 10, Dillon
SD 10, Noxon
SD 11, Brorson
SD 11, Potomac
SD 11 & 2, Drummond
SD 12, Baker
SD 12, Harlem
SD 12, Lima
SD 12, Rosebud
SD 12, Saco
SD 12, Stanford
SD 12-12, Molt
SD J12-5, Shields Valley
SD 13, Box Elder
SD 13, Eureka

STATISTICAL SECTION

SD 13, Fishtail
SD 13, Lone Rock
SD 13, Nashua
SD 14, Bonner
SD 14, Fortine
SD 14, Hot Springs
SD 14, Malta
SD 14, Shelby
SD 15, Custer
SD 15, Cut Bank
SD 15 Ekalaka
SD 15, Kalispell
SD 15 & 6, Florence-
Carlton
SD 15 & 17, Willow
SD 16, Hardin
SD 16, Harlowton
SD 16, Havre
SD 17, Culbertson
SD 17, Morin
SD 17H, Hardin
SD 18, Valier
SD 18, Woodman
SD 19, Brady
SD 19, Colstrip
SD 20, Garrison
SD 20, Kila
SD 20, Plentywood
SD 20, Shawmut
SD 20, Whitewater
SD 21, Broadview
SD 21, Fairfield
SD 21, Galata
SD 23, Billings
SD 23, Harrison
SD 23, Lustre

SD 29, Wyola
SD 29-28J, Joplin
SD 30, Power
SD 30, Ronan
SD 30 & 6, Fromberg
SD 32, Clinton
SD 32, Rapelje
SD 32J, Ashland
SD 33, Chester
SD 33, Condon
SD 33, Gold Creek
SD 34, Seeley Lake
SD 35, Gallatin Gateway
SD 37, Shepherd
SD 38, Big Fork
SD 38, Lincoln
SD 40, Frenchtown
SD 41, Bozeman
SD 41, Lavina
SD 41, Pioneer
SD 43, Lamotte
SD 43, Turner
SD 44, Belgrade
SD 44, Geraldine
SD 44, Moore
SD 44, Whitefish
SD 45, Augusta
SD 45, Golden Ridge
SD 45, Wolf Point
SD 49, Raynesford
SD 50, East Glacier
SD 50, Evergreen
SD 50, Hays
SD 52, Absarokee
SD 52, Billings
SD 52, Ennis

SD 74, Vaughn
SD 75, Amsterdam
SD 75, Arrowhead
SD 75, Fairfield
SD 78J & 2, Richey
SD 84, Denton
SD 85, Ulm
SD 86 & 4, Lambert
SD 87, Box Elder
SD 88H, Kremlin
SD 104, Spring Creek
SD 115, Winifred
SD 159, Winnett
SD K, Rudyard
Judith Gap Schools

SD 23, Missoula
SD 23, Polson
SD 23, Roberts
SD 24, Three Forks
SD 24, Worden
SD 25, Hobson
SD 26, Lockwood
SD 26, Reichle
SD 27, Grass Range
SD 27, Monforton
SD 27, Montana City
SD 28, Dutton
SD 28, St Ignatius
SD 29, Belt
SD 29, Outlook
SD 29, Somers

SD 55, Brockton
SD 55, Plevna
SD 55, Roundup
SD 55F, Sun River Valley
SD 57, Havre
SD 58, Geyser
SD 58, Whitefish
SD 58, Yellowstone
SD 64, Bainville
SD 64, Mountain View
SD 64J, Melstone
SD 65, Froid
SD 69, West Yellowstone
SD 72, Ophir
SD 73, Swan Lake
SD 74, Roy

Other Agencies (92)

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 District
Big Sky Economic
Development Authority
Big Sky Special Education

STATISTICAL SECTION

Cooperative
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 County Urban
 Transportation District
Dawson College
Deer Lodge County Head
 Start Program
Dry Prairie Rural
 Water District
Eastern Yellowstone
 County SEC
Fallon Medical Complex
Fergus County
 Conservation District
Flathead Conservation
 District
Flathead Joint Board of
 Control
Flathead Municipal
 Airport Authority
Flathead Valley
 Community College
Fort Shaw Irrigation District

Services
Great Falls International Airport
Greenfields Irrigation
 District
Helena Business
 Improvement District
Helena Housing Authority
Helena Regional Airport
 Authority
Helena Valley Irrigation
 District
Hill County Public
 Cemetery District
Hinsdale Water and Sewer
Human Resources Council
 District 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 Rural Fire
 District
Lockwood Rural Fire
 District #8
Malta Cemetery District
Malta Irrigation District
Miles Community College
Missoula Area SEC
Missoula County Airport

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

Gallatin Airport Authority
Gallatin Canyon Consolidated
 Rural Fire District
Gallatin Conservation District
Gallatin-Madison SEC
Gardiner-Park County
 Water District
Glasgow Housing
 Authority
Glasgow Irrigation District
Golden Triangle Health Center
Granite County Hospital &
 Nursing Home
Granite Conservation District
Great Divide Education

Missoula Rural Fire District
Northern Montana Joint
 Refuse Disposal District
North Central Learning
 SEC
Park County RFD #1
Petroleum Conservation
 District
Pondera County Canal &
 Reservoir
Pondera County Cemetery
 District 2
Pondera County Council
 on Aging
Port of Montana – Port

MPORS (22)

Anaconda-Deer Lodge
Baker
Billings
Bozeman
Butte-Silver Bow
Columbia Falls
Fort Peck
Glasgow
Glendive
Great Falls
Havre
Helena
Kalispell

STATISTICAL SECTION

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

PERS-DCRP (189)

State Agencies (25)
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

Legislative 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

STATISTICAL SECTION

State Compensation
Insurance Fund
Supreme Court

Counties (42)

Big Horn
Blaine
Broadwater
Carbon
Carter
Cascade
Chouteau
Daniels
Dawson
Fallon
Fergus
Flathead
Gallatin
Garfield
Glacier
Golden Valley
Hill
Jefferson
Judith Basin
Lake
Lewis & Clark
Liberty
Lincoln
Madison
McCone
Mineral
Missoula
Musselshell
Phillips
Pondera
Powder River
Powell
Ravalli

Richland
Rosebud
Sheridan
Stillwater
Sweet Grass
Toole
Valley
Wibaux
Yellowstone

Cities & Towns (29)

Baker

Belgrade
Big Timber
Billings
Bozeman
Butte-Silver Bow
Chinook
Cut Bank
Ekalaka
Eureka
Glasgow
Glendive
Great Falls
Hamilton
Harlem
Helena
Kalispell
Laurel
Lewistown
Libby
Livingston
Miles City
Missoula
Polson
Sidney
Three Forks
Townsend
Troy
Whitefish

Colleges & Universities (4)

Montana State University-
Bozeman
Montana State University-
Billings
Montana State University-
Northern
University of Montana-
Missoula

School Districts (68)

SD 1, Butte
SD 1, Corvallis
SD 1, Glasgow
SD 1, Glendive
SD 1, Great Falls
SD 1, Helena
SD 1, Missoula
SD 1, Red Lodge
SD 1, Scobey
SD 2, Alder
SD 2, Billings
SD 2, Stevensville

SD 2, Sunburst
SD 3, Cascade
SD 3, Flaxville
SD 3, Hamilton
SD 3, Westby
SD 4, Forsyth
SD 4, Hellgate
SD 4, Livingston
SD 4 & 28, Highwood
SD 5, Kalispell
SD 5, Sidney
SD 6, Columbia Falls
SD 6, Columbus
SD 7, Bozeman
SD 7, Charlo
SD 7, Victor
SD 7 & 2, Savage
SD 7 & 70, Laurel
SD 8, White Sulphur
SD 9, Browning
SD 9, East Helena
SD 10, Conrad
SD 10, Dillon
SD 11, Potomac
SD 12, Saco
SD 13, Eureka
SD 13, Lone Rock
SD 14, Shelby
SD 15, Ekalaka
SD 16, Havre
SD 17H, Hardin
SD 20, Plentywood
SD 21, Broadview
SD 21, Galata
SD 23, Billings
SD 23, Lustre
SD 23, Polson
SD 24, Three Forks
SD 24, Worden

SD 25, Hobson
SD 26, Lockwood
SD 27, Monforton
SD 30, Ronan
SD 38, Lincoln
SD 40, Frenchtown
SD 44, Belgrade
SD 50, Evergreen
SD 52, Absarokee
SD 52, Ennis
SD 55F, Sun River Valley
SD 64, Bainville
SD 72, Ophir

SD 74, Roy
SD 87, Box Elder
Greenfield School
Judith Gap

Dawson Community
College
Great Falls Transit
Big Sky County Water & Sewer
District

Other Agencies (21)

Big Fork Water & Sewer
Big Sky Co Water &
Sewer District
Big Sky Economic
Development Authority
Bitterroot Valley SEC
Crown Hill Cemetery
District
Dawson College
Flathead Valley
Community College
Gallatin Airport Authority
Gallatin Conservation District
Golden Triangle Health Ctr
Great Divide Education
Services
Great Falls International Airport
Helena Business
Improvement District
Human Resources Council
District XII
Lakeside County Sewer
District
Larchmont Golf Course
Miles City Community College
Missoula County Airport
Northern Montana Joint
Refuse Disposal District
Teton County Cemetery
District
Yellowstone City-County
Health Dept

Deferred Compensation (9)

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

STATISTICAL SECTION

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

Distribution of Benefit Recipients by Location as of June 30, 2003



Recipients outside the Continental U.S. include:
Alaska – 17 Hawaii – 6 APO AE – 1 Canada – 8
England – 2 Mexico – 1 Jordan - 1 Norway - 1