

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, 2004**

Public Employees' Retirement System - Defined Benefit Retirement Plan

Judges' Retirement System

Highway Patrol Officers' Retirement System

Sheriffs' Retirement System

Game Wardens' and Peace Officers' Retirement System

Municipal Police Officers' Retirement System

Firefighters' Unified Retirement System

Volunteer Firefighters' Compensation Act

Public Employees' Retirement System - Defined Contribution Retirement Plan

Deferred Compensation (457) Plan

**Prepared By:
The Fiscal Services Bureau
Public Employee Retirement Administration
100 North Park, Suite 200 ~ P O Box 200131
Helena, MT 59620-0131
(406) 444-3154**

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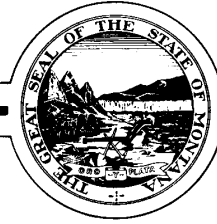
Mission Statement of the PERB

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

Mission Statement of the MPERA

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

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION



JUDY MARTZ
GOVERNOR

STATE OF MONTANA

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

November 24, 2004

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, 2004, 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 60th year of operation) and *Public Employees' Retirement System-Defined Contribution Retirement Plan, Judges' Retirement System, Highway Patrol Officers' Retirement System, Sheriffs' Retirement System, Game Wardens' and Peace Officers' Retirement System, Municipal Police Officers' Retirement System, Firefighters' Unified Retirement System, Volunteer Firefighters' Compensation Act* and the *Deferred Compensation (457) Plan*.

The CAFR is divided into five sections:

- an *Introductory Section*, which contains the table of contents, letter of transmittal and administrative organization;
- a *Financial Section*, which contains the report of the Independent Auditors, the Management'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.

INTRODUCTORY SECTION

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 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). 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 dedicated work, new initiatives, improved processes and continuing efforts made to meet the needs of our customers. We trust that you and the members of the plans will find this CAFR helpful in understanding the retirement plans.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion & Analysis (MD&A) beginning on page 18, is a discussion, by management, of the financial position of the retirement plans. It provides an overview and analysis of the Plans' Basic Financial Statements. This letter of transmittal is intended to complement the MD&A and the two should be read in conjunction.

INVESTMENTS

The investments of the pension trust funds are governed, primarily, by an investment standard known as the "prudent expert principle." The prudent expert principle is constitutionally and statutorily mandated and establishes a standard for all fiduciaries, which includes anyone having authority with respect to the pension trust. The prudent expert principle states that fiduciaries will discharge their duties solely in the interest of the trust fund participants and beneficiaries and with the degree of diligence, care and skill which prudent experts would ordinarily exercise under similar circumstances in a like position. By following the prudent expert principle and permitting further diversification of investments within a fund, the fund may be enabled to reduce overall risk and increase returns. 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 trust funds. Investment officers are to execute the investment policy in accordance with statutory authority, the PERB's policy and their respective guidelines, but are to use full discretion within the policy and guidelines. For fiscal year 2004, the Public Employees' Retirement System Defined Benefit Retirement Plan's (PERS-DBRP) total rate of return on investments was 13.43 percent. The PERS-DBRP rate of return over the last

three years has averaged a 3.91 percent per year and 2.84 percent over the last five years.

FUNDING

Pension trust funds are well-funded when there is enough money in reserve to meet all expected future obligations to participants. The PERB's funding objective is to meet long-term benefit promises through contributions that remain approximately level as a percent of member payroll. The greater the level of funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential. The advantage of a well-funded plan is that the participants can see assets that are committed to the payment of benefits. A detailed discussion of funding is provided in the *Actuarial Section* of this annual report beginning on page 105.

ECONOMIC CONDITION AND OUTLOOK

The economic outlook of the plans is based primarily upon investment earnings. For 2004, the PERS-DBRP experienced a 13.43 percent fair value rate of return, for the last three years an average annualized rate of return of a 3.91 percent and for the last five years an average annualized rate of return of 2.84 percent. The plans are required by law to be maintained on an actuarially sound basis 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 for July 1, 2004, one of the eight defined benefit plans had surplus funding and three of the eight defined benefit plans have an actuarial liability that does not amortize over the required 30 years. We will be seeking legislation to increase employer contributions in those three systems.

The PERS-DCRP was implemented July 1, 2002. PERS members had the opportunity to choose participation 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. 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 web reporting systems take advantage of using advanced technology and result in more accurate reporting and more timely deposits to participants' accounts. As of July 1, 2003, all payrolls had to be reported within five working days of each payday. In fiscal year 2004 the

INTRODUCTORY SECTION

MPERA implemented a 457 web reporting system in conjunction with the web reporting system for the other plans. The MPERA web page was recently redesigned to comply with the state standard for web pages. The new look will make it easier for users to find desired topics and extract necessary information from the web site. Our web site includes descriptions and information on all plans administered by the PERB; the organization of the PERB along with the goals, objectives and how to contact the PERB; meeting dates and times; administrative rules; access to the employer reporting system; frequently asked questions; and publications including newsletters, member and employer handbooks, actuary valuations, and this annual report.

PROFESSIONAL SERVICES

The PERB contracts with consultants for professional services, which 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 FY2004 valuation was performed by the PERB's actuary, Milliman U.S.A.

Some outside consultants contracted by the PERB are: Ice Miller; Wisetek; Computer Consulting Corporation; Milliman; Arnerich Massena & Assoc., Inc.; Goetz, Gallik, Baldwin & Dolan; Lawrence R. McEvoy, M.D; and Robert Bateen, Ph.D. 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 81.

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, 2003. This was the sixth consecutive year that the Montana Public Employees' Retirement Board has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

PPCC AWARD

The Public Employees' Retirement Board received its second Public Pension Coordinating Council (PPCC) Award in 2004. This award recognizes that the PERB has met the professional standards for plan design and administration as set forth in the Public Pension Standards. The PPCC is a coalition of the National Association of State Retirement Administrators (NASRA),

INTRODUCTORY SECTION

National Conference on Public Employee Retirement Systems (NCPERS), and National Council on Teacher Retirement (NCTR). The major PPCC goal is to promote excellence in plan design and administration among state and local public retirement systems. The Public Pension Standards are intended to serve as a benchmark by which all defined benefit public plans should be measured. Public Pension Standards include: comprehensive benefit programs, funding adequacy, receipt of GFOA award in current year, independent actuarial valuation, independent audit review resulting in an unqualified opinion from the auditor, independent investment performance evaluation, adoption of written fiduciary standards by Board and Investment committee, and communications with membership.

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

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Montana Public Employees'
Retirement Board

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2003

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 Haney

President

Jeffrey R. Enos

Executive Director



Public Pension Coordinating Council
Public Pension Standards
2004 Award

Presented to

Montana Public Employee Retirement Board

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is fluid and cursive.

Alan H. Winkle
Program Administrator

INTRODUCTORY SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana



Front Row: Jim Pierce, Troy McGee, Robert Griffith. Standing: Carole Carey, Terry Teichrow, Betty Lou Kasten and Jay Klawon.

Photo taken by Kim Flatow

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

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

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

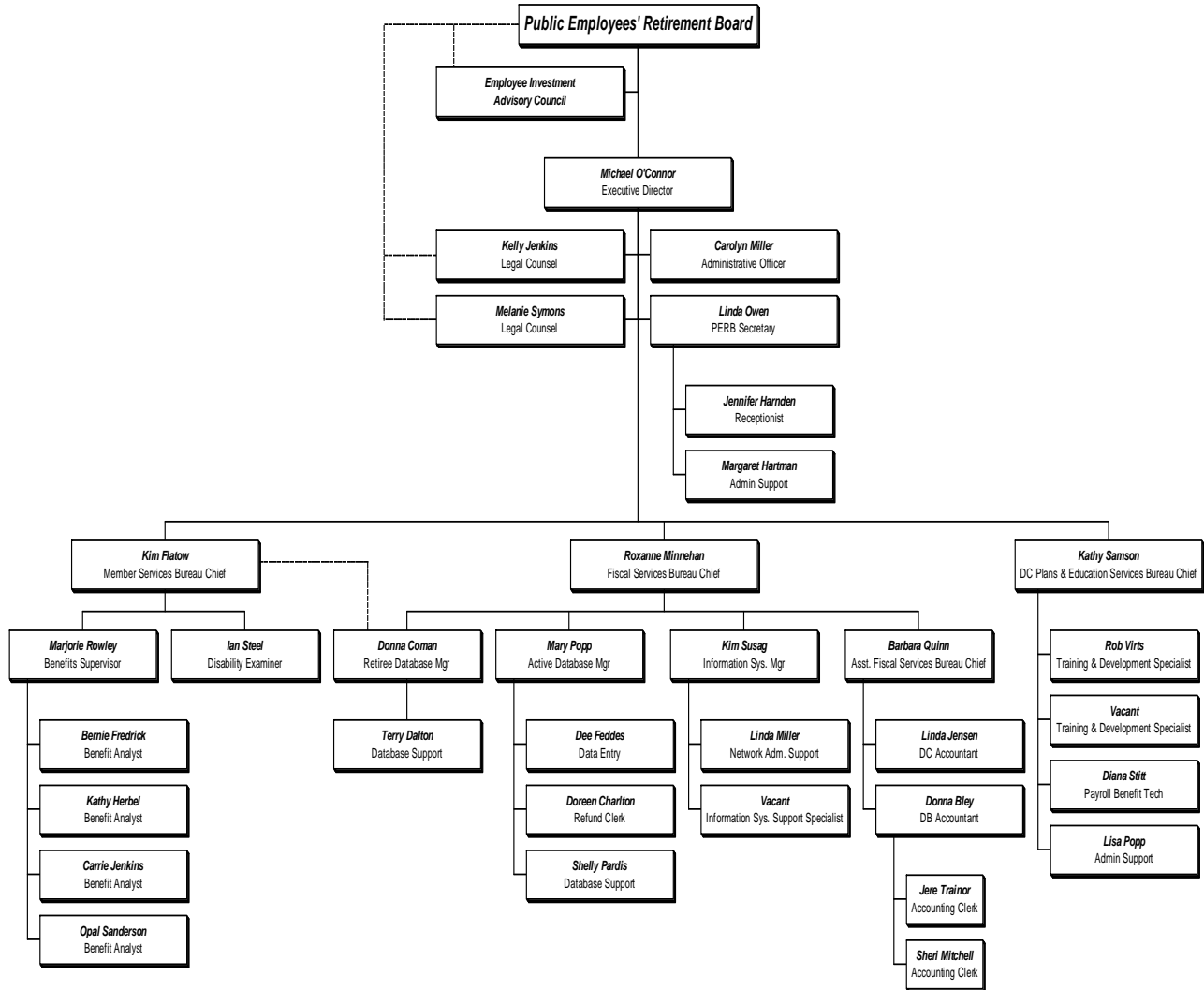
Robert Griffith
Helena
Private Citizen
Term Expires 3/31/2008

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

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

Jim Pierce
Livingston
PERS DCRP Member
Computer Technician/
Employment Consultant
Bozeman Job Service
Term Expires 3/31/2009

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



INTRODUCTORY SECTION

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LEGISLATIVE AUDIT DIVISION

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



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

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Fiduciary Net Assets – Pension Trust Funds of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2004 – with comparative totals for June 30, 2003, and the related Statement of Changes in Fiduciary Net Assets – Pension Trust Funds for the year ended June 30, 2004 – with comparative totals for June 30, 2003. These financial statements are the responsibility of the Public Employees' Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Public Employees' Retirement Board's financial statements for the fiscal year ended June 30, 2003, and, in our report dated November 6, 2003, we expressed an unqualified opinion on the respective financial statements of the fiduciary fund activities.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees' Retirement Board as of June 30, 2004, and the changes in fiduciary net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants; the Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) as of June 30, 2004; and the related Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) for the fiscal year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The financial statements include summarized prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Public Employees' Retirement Board's financial statements for the year ended June 30, 2003, from which such summarized information was derived.

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

Respectfully submitted,

(Signature on File)

James Gillett, CPA
Deputy Legislative Auditor

November 15, 2004

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's financial presentation and performance of the plans administered by the Board for the year ending June 30, 2004. 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 \$409 million or 12.6 percent in fiscal year 2004. The increase was primarily due to the investment income in each of the retirement plans.*
- ◆ *The Montana Public Employees' Retirement Board's defined contribution plans combined total net assets increased by \$20.8 million or 9.3 percent in fiscal year 2004. 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 both the DCRP and the 457 plan.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined benefit plans for fiscal year 2004 was \$595 million, which includes member and employer contributions of \$163 million, net investment income of \$431 million and prior period adjustments of \$1.2 million.*
- ◆ *Revenues (additions to plan net assets) for the Board's defined contribution plans for fiscal year 2004 was \$38.9 million, which includes member and employer contributions of \$19.6 million, net investment income of \$18.5 million and prior period adjustments of \$741 thousand.*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined benefit plans decreased from \$192 million in fiscal year 2003 to \$186 million in fiscal year 2004 or about 3.1% decrease. The decrease in 2004 is primarily due to the one time expense in 2003 of existing members' contributions transferring to the DCRP and the Optional Retirement Plan (ORP).*
- ◆ *Expenses (deductions to plan net assets) for the Board's defined contribution plans increased from \$12.8 million in fiscal year 2003 to \$18 million in fiscal year 2004 or about 40.8%. The increase in expenses is primarily due to the increase in participant refunds/distributions.*
- ◆ *The Montana Public Employees' Retirement Board's defined benefit plans funding objective is to meet long-term benefit obligations. As of July 1, 2004, the date of the latest actuarial valuation, three of the defined benefit plans were not able to pay off the unfunded liabilities over 30 years or less. As a whole the plans were actuarially*

funded at an average of 83.4 percent. It is important to understand this measure reflects the actuarial value of the defined benefit plans' net assets, which exceeds the actual fair value published in the financial statements. Investment earnings are critical to the defined benefit plans and the market decline and associated investment losses in fiscal years 2001 and 2002 have had major impacts on the plans due to the smoothing of market value gains and losses over four years.

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, 2004. 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, 2004, 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, 2004. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
 - The Statement of Changes in Fiduciary Net Assets is presented for the pension trust funds for the year ended June 30, 2004. These financial statements reflect the changes in the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.
- (2) Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. Information in the Notes to the Financial Statements is described as follows:
 - Note A provides a summary of significant accounting policies, including the basis of accounting, capital assets and equipment used in operations, operating lease, derivatives, methods used to value investments, summaries of investment vendors and other significant accounting policies or explanations.
 - Note B provides information about litigation.
 - Note C describes the debt obligation of the PERS-DCRP. The INTERCAP implementation loan for the PERS-DCRP is to be paid back over fifteen years. The inter-entity loan from the DB Education Fund was used to help pay the DCRP administrative expenses due to

FINANCIAL SECTION

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 infor-

mation 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

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2004 - and comparative totals for June 30, 2003

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2004	2003	2004	2003	2004	2003	2004	2003
Assets:								
Cash and Receivables	116,329	96,310	1,894	1,051	2,747	1,961	5,713	4,183
Securities Lending Collateral	141,311	90,289	2,237	1,436	3,952	2,570	6,997	4,462
Investments	2,914,680	2,608,986	43,062	38,745	75,881	69,185	134,855	119,854
Property and Equipment	1	2						
Intangible Assets	535		6		6		6	
Total Assets	3,172,856	2,795,587	47,199	41,232	82,586	73,716	147,571	128,499
Liabilities:								
Securities Lending Collateral	141,311	90,289	2,237	1,437	3,952	2,570	6,997	4,462
Other Payables	866	8,936	7	3	25	15	70	42
Total Liabilities	142,177	99,225	2,244	1,440	3,977	2,585	7,067	4,504
Total Net Assets	3,030,679	2,696,362	44,955	39,792	78,609	71,131	140,504	123,995

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2004 - and comparative totals for June 30, 2003

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2004	2003	2004	2003	2004	2003	2004	2003
Additions:								
Contributions	121,298	120,615	1,579	1,338	3,950	4,025	5,369	5,177
Investment Income (Loss)	360,266	167,331	5,248	2,661	9,322	4,611	16,404	8,164
Prior Period Adjustments	1,056		20		26		12	
Total Additions	482,620	287,946	6,847	3,999	13,298	8,636	21,785	13,341
Deductions:								
Benefits	132,683	122,204	1,670	1,552	5,493	5,160	4,903	4,307
Refunds/Distributions	11,311	10,446			296	108	318	475
Administrative Expenses	2,825	2,254	14	3	31	15	55	32
Miscellaneous Expenses	1,484	21,948						
Total Deductions	148,303	156,852	1,684	1,555	5,820	5,283	5,276	4,814
Incr/(Decr) in Net Assets	334,316	131,094	5,163	2,444	7,478	3,353	16,509	8,527

FINANCIAL SECTION

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, 2004, the PERB's defined benefit plans held total investments of \$3.5 billion, an increase of \$373 million from fiscal year 2003 investment totals. Below are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans.

GWPORS		MPORS		FURS		VFCA		TOTAL		Total % Change
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	
2,695	2,030	11,155	9,232	10,467	8,552	1,705	1,484	152,705	124,803	22.4%
2,209	1,314	7,143	4,579	6,801	4,346	963	606	171,613	109,602	56.6%
42,584	35,451	137,323	121,111	130,726	115,176	18,433	16,446	3,497,544	3,124,954	11.9%
6		6		6				1	2	-50.0%
47,494	38,795	155,627	134,922	148,000	128,074	21,101	18,536	3,822,434	3,359,361	13.8%
2,209	1,314	7,143	4,579	6,801	4,346	963	606	171,613	109,603	56.6%
39	53	73	117	53	31	43	30	1,176	9,227	-87.3%
2,248	1,367	7,216	4,696	6,854	4,377	1,006	636	172,789	118,830	45.4%
45,246	37,428	148,411	130,226	141,146	123,697	20,095	17,900	3,649,645	3,240,531	12.6%

GWPORS		MPORS		FURS		VFCA		TOTAL		Total % Change
2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	
4,735	4,128	13,133	12,554	11,542	10,949	1,434	1,310	163,040	160,096	1.8%
5,073	2,541	16,392	8,530	15,692	8,066	2,271	1,259	430,668	203,163	112.0%
15		4		22		21		1,176		100.0%
9,823	6,669	29,529	21,084	27,256	19,015	3,726	2,569	594,884	363,259	63.8%
1,460	1,316	10,885	10,426	9,674	9,081	1,479	1,412	168,247	155,458	8.2%
504	355	388	373	79	83			12,896	11,840	8.9%
42	25	70	40	53	30	40	30	3,130	2,429	28.9%
						12	12	1,496	21,960	-93.2%
2,006	1,696	11,343	10,839	9,806	9,194	1,531	1,454	185,769	191,687	-3.1%
7,818	4,973	18,186	10,245	17,450	9,821	2,195	1,115	409,115	171,572	-138.5%

FINANCIAL SECTION

Analysis of Individual Systems

PERS - DBRP and Education

The PERS-DBRP provides retirement, disability, and death benefits for covered employees of the State, local governments and certain employees of the university systems and school districts. Member and employer contributions and earnings on investments fund the benefits of the plan. The PERS-DBRP and the Education Fund have been combined in these comparisons. The PERS-DBRP net assets held in trust for benefits at June 30, 2004 amounted to \$3.0 billion, an increase of \$334 million (12.4 percent) from \$2.7 billion at June 30, 2003.

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 \$120.6 million in fiscal year 2003 to \$121.3 million in fiscal year 2004, for an increase of \$683 thousand (0.57 percent). Contributions increased due to increased salaries being reported to PERS and an increased number of participating employers. The plan recognized net investment income of \$360.2 million for the fiscal year ended June 30, 2004 compared with net investment income of \$167.3 million for the fiscal year ended June 30, 2003. 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/distributions, administrative expenses and miscellaneous expenses. For fiscal year 2004, benefits amounted to \$132.7 million, an increase of \$10.5 million (8.5 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in benefit recipients and the average recipient's benefit. For fiscal

year 2004, the costs of administering the plan's benefits amounted to \$2.8 million, an increase of \$571 thousand (25.3 percent) from fiscal year 2003. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization. The decrease in miscellaneous expenses was due to the conclusion of the initial transfers from the DBRP to the DCRP and the ORP, which occurred in fiscal year 2003.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 86.72 percent from 99.97 percent at July 1, 2002. The PERS-DBRP actuarial value of assets is less than actuarial liabilities by \$466.8 million at July 1, 2004, compared with \$983 thousand at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing 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, 2004 amounted to \$45.0 million, an increase of \$5.2 million (13.0 percent) from \$39.8 million at June 30, 2003.

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, 2004, contributions increased from \$1.3 million in fiscal year 2003 to \$1.6 million in fiscal year 2004, for an increase of \$241 thousand (18.0 percent).

Contributions increased because the total compensation reported for active members increased. The plan recognized net investment income of \$5.2 million for the fiscal year ended June 30, 2004 compared with net investment income of \$2.7 million for the fiscal year ended June 30, 2003. 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 2004, benefits amounted to \$1.7 million, a increase of \$118 thousand (7.6 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in the average recipient's benefit. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the JRS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 129.98 percent from 145.60 percent at July 1, 2002. The JRS actuarial assets were more than actuarial liabilities by \$10.4 million at July 1, 2004, compared with \$14.1 million actuarial surplus at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the 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, 2004 amounted to

\$78.6 million, an increase of \$7.5 million (10.5 percent) from \$71.1 million at June 30, 2003.

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 decreased from \$4.0 million in fiscal year 2003 to \$3.9 million in fiscal year 2004, a decrease of \$75 thousand (1.9 percent). Contributions decreased because the number of participating members contributing to the plan decreased. The plan recognized net investment income of \$9.3 million for the fiscal year ended June 30, 2004 compared with net investment income of \$4.6 million for the fiscal year ended June 30, 2003. 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/distributions and administrative expenses. For fiscal year 2004, benefits amounted to \$5.5 million, an increase of \$333 thousand (6.5 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the HPORS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 76.01 percent from 86.17 percent at July 1, 2002. The HPORS actuarial assets were less than actuarial liabilities by \$25.0 million at July 1, 2004, compared with \$13.1 million at July 1,

FINANCIAL SECTION

2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing 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, 2004 amounted to \$140.5 million, an increase of \$16.5 million (13.3 percent) from 124.0 million at June 30, 2003.

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 \$5.2 million in fiscal year 2003 to \$5.4 million in fiscal year 2004, for an increase of \$192 thousand (3.7 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 \$16.4 million for the fiscal year ended June 30, 2004 compared with net investment income of \$8.2 million for the fiscal year ended June 30, 2003. 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/distributions and administrative expenses. For fiscal year 2004, benefits amounted to \$4.9 million, an increase of \$595 thousand (13.8 percent) from fiscal year 2003. The increase in benefit payments was mainly due to an increase in benefit recipients. The increase in administrative expenses

for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the SRS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 94.90 percent from 113.95 percent at July 1, 2002. The SRS actuarial assets were more than actuarial liabilities by \$17.0 million at July 1, 2002, compared with \$7.6 million actuarial surplus at July 1, 2004. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance.

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, 2004 amounted to \$45.2 million, an increase of \$7.8 million (20.9 percent) from 37.4 million at June 30, 2003.

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 \$4.1 million in fiscal year 2003 to \$4.7 million in fiscal year 2004, for an increase of \$607 thousand (14.7 percent). Contributions increased because the number of members contributing to the plan increased. The plan recognized net investment income of \$5.1 million for the fiscal year ended June 30, 2004 compared with net investment income of \$2.5 million for the fiscal year ended June 30, 2003. The increase in investment income is mainly due to the turn-

around of the equity market.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds/distributions and administrative expenses. For fiscal year 2004, benefits amounted to \$1.4 million, an increase of \$144 thousand (10.9 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the GWPORS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 89.86 percent from 99.03 percent at July 1, 2002. The GWPORS actuarial assets were less than actuarial liabilities by \$5.1 million at July 1, 2004, compared with \$379 thousand at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing 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 and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2004 amounted to \$148.4 million, an increase of \$18.1 million (14.0 percent) from 130.2 million at June 30, 2003.

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 \$12.6 million in fiscal year 2003 to \$13.1 million in fiscal year 2004, for an increase of \$579 thousand (4.6 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 \$16.4 million for the fiscal year ended June 30, 2004 compared with net investment income of \$8.5 million for fiscal year ended June 30, 2003. 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/distributions and administrative expenses. For fiscal year 2004, benefits amounted to \$10.9 million, an increase of \$459 thousand (4.4 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the MPORS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 57.48 percent from 63.27 percent at July 1, 2002. The MPORS actuarial assets were less than actuarial liabilities by \$110.6 million at July 1, 2004, compared with \$83.3 million actuarial liabilities at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance.

FINANCIAL SECTION

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, 2004 amounted to \$141.1 million, an increase of \$17.4 million (14.1 percent) from \$123.7 million at June 30, 2003.

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 \$10.9 million in fiscal year 2003 to \$11.5 million in fiscal year 2004, an increase of \$593 thousand (5.4 percent). Contributions increased because total compensation reported for active members increased. The plan recognized net investment income of \$15.7 million for the fiscal year ended June 30, 2004 compared with net investment income of \$8.1 million for the fiscal year ended June 30, 2003. 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/distributions and administrative expenses. For fiscal year 2004, benefits amounted to \$9.7 million, an increase of \$593 thousand (6.5 percent) from fiscal year 2003. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit. The increase in administrative expenses for the fiscal year 2004 was mostly due to the WEB System expenditures and the corresponding amortization.

An actuarial valuation of the FURS assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 62.44 percent from 68.9 percent at July 1, 2002. The FURS actuarial assets were less than actuarial liabilities by \$85.5 million at July 1, 2004, compared with \$61.6 million actuarial liability at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing the previous four-year investment performance.

VFCA

The VFCA provides retirement, disability and death benefits for volunteer firefighters who 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, 2004 amounted to \$20.1 million, an increase of \$2.2 million (12.3 percent) from \$17.9 million at June 30, 2003.

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 \$1.3 million in fiscal year 2003 to \$1.4 million in fiscal year 2004, an increase of \$124 thousand (9.5 percent). Contributions increased because there was an increase in the fire insurance premium taxes collected. The plan recognized net investment income of \$2.3 million for the fiscal year ended June 30, 2004 compared with net investment income of \$1.3 million for the fiscal year ended June 30, 2003. 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 2004, benefits amounted to \$1.5 million, an increase of \$67 thousand (4.7 percent) from fiscal year 2003.

An actuarial valuation of the VFCA assets and benefit obligations is performed every two years. At July 1, 2004, the date of the most recent actuarial valuation, the funded status of the plan decreased to 69.94 percent from 71.82 percent at July 1, 2002. The VFCA actuarial assets were less than actuarial liabilities by \$8.6 million at July 1, 2004, compared with \$7.6 million at July 1, 2002. The decrease in funded status as of the last actuarial valuation is a result of the valuation recognizing 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 years. At the date of the most recent actuarial valuation, July 1, 2004, the funded status of each of the plans is shown in the Schedule of Funding Progress on page 72.

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. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. Montana's constitution requires that public retirement plans be funded on an actuarially sound basis.

The PERB has been concerned with the funding of three of the eight defined benefit retirement plans administered. The three plans are the PERS - Defined Benefit Retirement Plan (PERS-DBRP), the Game Wardens' and Peace Officers' Retirement System (GWORS) and the Sheriffs' Retirement System (SRS). These plans' statutory contribution rates are able to pay the normal cost of the plan, but are insufficient to pay off unfunded liability. Based on the PERB's June 30, 2004 Actuarial Valuations the unfunded liability in these three plans will not be amortized in 30 years. As of June 30, 2004, the estimated shortfalls in statutory contributions rates were 1.19% in PERS-DBRP, 0.23% in GWORS, and 2.15% in SRS. The Board has drafted legislation for the 2005 Legislative Session to address these insufficiencies.

Funding ratios range from a high of 129.98 percent to a low of 57.48 percent. The Schedule of Funding Progress on page 72 shows the July 1, 2004 funding ratios compared with the ratios at July 1, 2002 and July 1, 2000. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The funding ratio decline is a result of the overall investment performance of the past four years. At July 1, 2004, the actuarial value of assets exceeded the market value of assets by \$21 million compared with \$611 million at July 1, 2000.

FINANCIAL SECTION

Fiduciary Net Assets - Defined Contribution Plans

As of June 30, 2004 - and comparative totals for June 30, 2003

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total % Change
	2004	2003	2004	2003	2004	2003	
Assets:							
Cash and Receivables	365	7,246	408	3,479	773	10,725	-92.8%
Investments	20,480	9,239	224,376	205,028	244,856	214,267	14.3%
Intangible Assets	6		157		163		100.0%
Total Assets	20,851	16,485	224,941	208,507	245,792	224,992	9.2%
Liabilities:							
Other Payables	1,553	1,604	192	167	1,745	1,771	-1.5%
Total Liabilities	1,553	1,604	192	167	1,745	1,771	-1.5%
Total Net Assets	19,298	14,881	224,749	208,340	244,047	223,221	9.3%

Changes In Fiduciary Net Assets - Defined Contribution Plans

For the year ended June 30, 2004 - and comparative totals for June 30, 2003

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL		Total % Change
	2004	2003	2004	2003	2004	2003	
Additions:							
Contributions	4,704	16,551	14,931	15,026	19,635	31,577	-37.8%
Investment Income (Loss)	2,381	551	16,152	8,541	18,533	9,092	103.8%
Prior Period Adjustment			741		741		100.0%
Total Additions	7,085	17,102	31,824	23,567	38,909	40,669	-4.3%
Deductions:							
Refunds/Distributions	2,240	629	14,446	10,648	16,686	11,277	48.0%
Administrative Expenses	214	552	170	218	384	770	-50.1%
Miscellaneous Expenses	214	14	800	780	1,014	794	27.8%
Total Deductions	2,668	1,195	15,416	11,646	18,084	12,841	40.8%
Incr/(Decr) in Net Assets	4,417	15,907	16,408	11,921	20,825	27,828	-25.2%

Defined Contribution Plans

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

PERS-DCRP

The PERS-DCRP is established under Section 401(a) of the Internal Revenue Code.

This plan provides retirement benefits for plan members. This plan was available to all active PERS members effective July 1, 2002. The plan member and employer contributions and earnings on investments fund the benefits of the plan.

The PERB has received a long-term INTER-CAP loan through the Montana Department of Administration from the BOI to fund the plan start-up and implementation costs. As of June 30, 2004, the loan balance is \$1.4 million. The loan was renegotiated in 2004 and the term extended to 2018.

The plan net assets held in trust for benefits at June 30, 2004 amounted to \$19.3 million, an increase of \$4.4 million (29.7 percent) from \$14.9 at June 30, 2003.

Additions to the Defined Contribution Retirement Plan net assets held in trust for benefits include contributions and investment income. Contributions decreased \$11.8 million (71 percent) from \$16.5 million in fiscal year 2003 to \$4.7 million in fiscal year 2004. Contributions decreased because the initial window for the majority of participants closed at the end of fiscal year 2003. The plan recognized net investment income of \$2.4 million fiscal year 2004, up from \$551 thousand in fiscal year 2003.

Deductions from the Defined Contribution Retirement Plan net assets mainly include member refunds/distributions, administrative expenses and miscellaneous expenses. Refunds/distributions increased from \$629 thousand in fiscal year 2003 to \$2.2 million in fiscal year 2004. The \$1.6 million increase in refunds/distributions from 2003 to 2004 was due to the majority of the existing members not transferring to the DCRP until the end of 2003 and any refunds/distributions from those members did not occur until 2004. The costs of administering the plan decreased from \$552 thousand in fiscal year 2003 to \$214 thousand in fiscal year 2004, a decrease of \$337.7 thousand (61.0 percent) from fiscal year 2003. The decrease in administrative costs was mainly due to a reduction in initial plan implementation costs experienced in the first year of operation.

Deferred Compensation (457) Plan

The Deferred Compensation Plan is established under Section 457 of the Internal Revenue Code. This plan is voluntary and provides supplemental retirement benefits for plan participants. The Deferred Compensa-

tion Plan is funded by contributions and by investment earnings. The plan net assets held in trust for benefits at June 30, 2004 amounted to \$224.8 million, an increase of \$16.4 million (8.0 percent) from \$208 million at June 30, 2003.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2004, contributions decreased from those of fiscal year 2003 from \$15.0 million to \$14.9 million, a decrease of \$95 thousand (0.6 percent). Contributions decreased because of decreased contributions by current participants. The majority of participants are state employees and there has been a pay freeze on state wages. The plan recognized net investment income of \$16.1 million for fiscal year 2004 compared with net investment income of \$8.5 million for fiscal year 2003. 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/distributions, administrative expenses and miscellaneous expenses. For fiscal year 2004, refunds/distributions amounted to \$14.4 million, an increase of \$3.8 million (35.6 percent) from \$10.6 at June 30, 2003.

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, 2004 - with comparative totals for June 30, 2003

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Assets						
Cash and Short-term Investments	\$ 103,722,614	1,733,947	2,462,269	5,102,247	2,536,482	3,405,349
Securities Lending Collateral (Note A5)	141,310,880	2,237,046	3,951,832	6,996,907	2,209,162	7,143,243
Receivables						
Interest	10,400,288	152,929	270,165	477,732	150,522	488,416
Accounts Receivable	1,431,549		3	131,299	3,138	53,300
Due from Other Funds	287,637	7,020	14,165	1,521	4,544	
Due from Primary Government	73,933					7,208,135
Advances to Other Funds	85,500					
Notes Receivable	326,441					
Total Receivables	12,605,348	159,949	284,333	610,552	158,204	7,749,851
Investments, at fair value (Note A5)						
Montana Domestic Equity Pool (MDEP)	1,469,962,550	21,738,817	38,192,152	68,112,284	21,520,575	69,175,438
Retirement Fund Bond Pool (RFBP)	805,839,505	13,023,958	23,017,674	40,680,215	12,836,952	41,583,960
Montana International Pool (MTIP)	434,916,502	6,393,440	11,296,308	20,126,747	6,371,537	20,458,213
Montana Private Equity Pool (MPEP)	128,797,001	1,906,253	3,375,008	5,935,958	1,856,063	6,104,783
Equity Index Fund	23					
Real Estate Investments	8,409,210					
Mortgages & Commercial Loans						
net of Accumulated Mortgage Discount	66,755,267					
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
Total Investments	2,914,680,058	43,062,468	75,881,142	134,855,204	42,585,127	137,322,394
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	1,436					
Intangible Assets, at cost,						
net of Amortization Expense (Note A2)	535,229	5,755	5,755	5,755	5,755	5,755
Total Capital Assets	536,665	5,755	5,755	5,755	5,755	5,755
Total Assets	3,172,855,565	47,199,165	82,585,331	147,570,665	47,494,730	155,626,592
Liabilities						
Securities Lending Collateral Liability	141,310,880	2,237,046	3,951,832	6,996,907	2,209,162	7,143,243
Accounts Payable	438,778			18,376	2,540	5,546
Due to Other Funds	72,790	6,704	24,788	50,970	36,580	65,051
Due to Primary Government	56,579					
Advances from Primary Government (Note C)						
Advances from Other Funds						
Deferred Revenue	51,408			392	198	1,987
Compensated Absences	246,317					45
Total Liabilities	142,176,752	2,243,750	3,976,620	7,066,645	2,248,480	7,215,872
Net Assets Held in Trust for Pension Benefits						
(see schedule of funding progress, page 72)	\$ 3,030,678,813	44,955,415	78,608,711	140,504,020	45,246,250	148,410,720

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	2004	2003
3,415,488	181,368	122,559,764	337,000	407,043	744,043	123,303,807	97,053,434
6,800,570	963,152	171,612,792				171,612,792	109,604,210
465,022	66,230	12,471,304				12,471,304	13,533,006
42,469		1,661,758	102	698	800	1,662,558	5,834,443
11,411	24,170	350,468	27,741		27,741	378,209	5,740,939
6,532,708	1,434,068	15,248,844				15,248,844	12,913,925
		85,500				85,500	
		326,441				326,441	451,741
7,051,610	1,524,468	30,144,315	27,843	698	28,541	30,172,856	38,474,054
65,850,978	9,220,831	1,763,773,625				1,763,773,625	1,562,972,388
39,592,465	5,617,221	982,191,950				982,191,950	991,847,438
19,468,794	2,746,116	521,777,657				521,777,657	270,217,811
5,813,454	848,351	154,636,871				154,636,871	180,590,596
		23				23	17
		8,409,210				8,409,210	7,246,333
		66,755,267				66,755,267	112,078,541
			914,437	143,162,113	144,076,550	144,076,550	138,094,775
			19,565,685	81,201,755	100,767,440	100,767,440	76,160,188
				12,316	12,316	12,316	12,316
130,725,691	18,432,519	3,497,544,603	20,480,122	224,376,184	244,856,306	3,742,400,909	3,339,220,403
		1,436				1,436	1,898
5,755		569,759	5,756	157,039	162,795	732,554	
5,755	-	571,195	5,756	157,039	162,795	733,990	
147,999,114	21,101,507	3,822,432,669	20,850,721	224,940,964	245,791,685	4,068,224,354	3,584,353,999
6,800,570	963,152	171,612,792				171,612,792	109,604,210
		465,240	4,612	168,910	173,522	638,762	3,132,956
48,773	43,032	348,688	27,222	2,299	29,521	378,209	5,740,939
		56,579	25,210	778	25,988	82,567	160,859
			1,390,195		1,390,195	1,390,195	1,400,195
			85,500		85,500	85,500	
3,564		57,549				57,549	254,339
		246,362	19,937	20,014	39,951	286,313	308,420
6,852,907	1,006,184	172,787,210	1,552,676	192,001	1,744,677	174,531,887	120,601,918
141,146,207	20,095,323	3,649,645,459	19,298,045	224,748,963	244,047,008	3,893,692,467	3,463,752,081

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, 2004 - with comparative totals for June 30, 2003

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Additions						
Contributions (Note D)						
Employer	\$ 57,802,323	1,136,528	2,858,523	2,679,465	2,021,084	3,611,571
Plan Member	61,910,738	442,700	742,719	2,656,216	2,688,934	2,263,424
Membership Fees	130					
Interest Reserve Buyback	753,647		186	29,298	25,468	50,163
Retirement Incentive Program	427,579			4,180		
Registration Fee Collections			348,137			
Miscellaneous Revenue	1,252			20		
State Contributions	402,566					7,208,135
Nonvested Member Forfeitures						
<i>Total Contributions</i>	121,298,235	1,579,228	3,949,565	5,369,179	4,735,486	13,133,293
Investments (Note A5)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	203,084,283	2,935,065	4,983,370	9,565,490	3,228,534	9,671,766
Interest	143,499,965	2,107,014	3,973,360	6,196,140	1,646,335	6,076,103
Dividends	17,166,404	253,216	449,232	790,260	244,270	793,393
Investment Expense	(3,761,001)	(51,440)	(91,148)	(160,968)	(50,623)	(163,075)
<i>Net Investment Income</i>	359,989,651	5,243,855	9,314,814	16,390,922	5,068,516	16,378,187
Securities Lending Income						
Securities Lending Income	1,487,479	23,708	42,236	74,189	23,012	75,446
Securities Lending Rebate and Fees	(1,211,320)	(19,467)	(34,688)	(60,872)	(18,825)	(61,990)
<i>Net Securities Lending Income</i>	276,159	4,241	7,548	13,317	4,187	13,456
Total Net Investment Income	360,265,810	5,248,096	9,322,362	16,404,239	5,072,703	16,391,643
Total Additions	481,564,045	6,827,324	13,271,927	21,773,418	9,808,189	29,524,936
Deductions (Note D)						
Benefits	132,683,144	1,670,457	5,492,910	4,902,832	1,459,817	10,885,372
Refunds/Distributions	10,913,131		143,713	305,914	500,746	336,546
Refunds to Other Plans	398,049		152,213	12,108	3,728	51,662
Transfers to DCRP	1,295,269					
Transfers to ORP	188,331					
Supplemental Insurance Payments						
Administrative Expenses	2,825,205	13,965	30,888	55,448	41,759	70,173
Miscellaneous Expenses						
<i>Total Deductions</i>	148,303,129	1,684,422	5,819,724	5,276,302	2,006,050	11,343,753
Net Increase (Decrease)	333,260,916	5,142,902	7,452,203	16,497,116	7,802,139	18,181,183
Net Assets Held in Trust for Pension Benefits						
Beginning of Year	2,696,362,315	39,792,477	71,130,488	123,995,150	37,428,633	130,225,151
Prior Period Adjustment	1,055,582	20,036	26,020	11,754	15,478	4,386
End of Year	\$ 3,030,678,813	44,955,415	78,608,711	140,504,020	45,246,250	148,410,720

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	2004	2003
2,795,612		72,905,106	1,780,778	39,956	1,820,734	74,725,840	77,932,206
2,212,117		72,916,848	2,661,190	14,623,403	17,284,593	90,201,441	97,256,288
		130				130	161
1,978		860,740				860,740	932,995
		431,759				431,759	404,473
		348,137				348,137	353,589
		1,272	127,255	267,353	394,608	395,880	257,927
6,532,708	1,434,068	15,577,477				15,577,477	14,503,752
			135,246		135,246	135,246	31,188
11,542,415	1,434,068	163,041,469	4,704,469	14,930,712	19,635,181	182,676,650	191,672,579
9,289,172	1,290,810	244,048,490	1,953,417	9,511,599	11,465,016	255,513,506	68,646,772
5,787,217	891,528	170,177,662	427,911	7,091,810	7,519,721	177,697,383	129,670,177
757,844	108,773	20,563,392				20,563,392	17,982,465
(155,476)	(21,976)	(4,455,707)		(451,198)	(451,198)	(4,906,905)	(4,419,721)
15,678,757	2,269,135	430,333,837	2,381,328	16,152,211	18,533,539	448,867,376	211,879,693
71,963	10,117	1,808,150				1,808,150	1,981,501
(59,112)	(8,336)	(1,474,610)				(1,474,610)	(1,606,951)
12,851	1,781	333,540	-	-	-	333,540	374,550
15,691,608	2,270,916	430,667,377	2,381,328	16,152,211	18,533,539	449,200,916	212,254,243
27,234,023	3,704,984	593,708,846	7,085,797	31,082,923	38,168,720	631,877,566	403,926,822
9,674,137	1,478,648	168,247,317				168,247,317	155,456,469
76,678		12,276,728	2,239,701	14,445,666	16,685,367	28,962,095	22,775,762
1,955		619,715				619,715	340,797
		1,295,269				1,295,269	15,990,427
		188,331				188,331	5,957,197
	12,000	12,000				12,000	12,000
53,419	40,097	3,130,954	213,998	169,673	383,671	3,514,625	3,199,441
			214,218	800,218	1,014,436	1,014,436	793,948
9,806,189	1,530,745	185,770,314	2,667,917	15,415,557	18,083,474	203,853,788	204,526,041
17,427,834	2,174,239	407,938,532	4,417,880	15,667,366	20,085,246	428,023,778	199,400,781
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
21,812	21,235	1,176,303	(253)	740,558	740,305	1,916,608	
141,146,207	20,095,323	3,649,645,459	19,298,045	224,748,963	244,047,008	3,893,692,467	3,463,752,081

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Years Ended June 30, 2004 and 2003

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

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

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

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. BASIS OF ACCOUNTING

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

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

Adjustments to the fiscal year 2004 financial statements consist of prior period adjustments to all plans recording the web based employer reporting software and the applicable depreciation and adjustments to the 457 plan based on more accurate information on the fixed asset account received from State Street Kansas City, the custodial bank.

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

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

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

2. CAPITAL ASSETS AND EQUIPMENT USED IN OPERATIONS

Assets under \$5,000 are expensed in the year purchased. Assets valued at \$5,000 or more, are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment for MPERA consists of a microfiche reader/printer and capital assets include the web based employer reporting software. The accumulated depreciation on our web based reporting system is \$625,560 and \$325,291, respectively as of June 30, 2004 and 2003. The carrying value as of June 30, 2004 and 2003 is \$575,515 and \$875,784, respectively. For the 457 web based employer reporting system the accumulated depreciation is \$3,341 and the carrying value is \$157,039.

3. OPERATING LEASE

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

4. DERIVATIVES

The defined benefit and defined contribution retirement plans invest in derivatives as authorized by PERB policy. Derivatives are contracts for which the value depends on, or is "derived" from, the value

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of an underlying asset, reference rate, or index. Derivative reporting in previous years was directed by a Technical Bulletin issued in 1994 by the Governmental Accounting Standards Board (GASB). In 2003 GASB adopted a new standard that is applicable as of June 30, 2003, which superseded the prior standard. The new standard provides disclosure requirements for governmental units holding derivatives that are not reported at fair value in the statement of net assets. If applicable, derivatives are disclosed within the investment summaries that begin on this page.

5. 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, 2004, there were five major diversified pools, the same number as in fiscal year 2003, 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 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 Bank Kansas City (SSKC). The third party record keeper, Great West Retirement Services, tracks and reports the daily trading and valuations of all investment options in-

cluding the assets held by the individual mutual fund companies. Investments are reported at fair value as of June 30, 2004. The following are the PERB summaries of the BOI's fiscal year end statements, the PIMCO/SSKC contract and a statement about the variable investments.

STIP portfolio may include asset-backed securities, commercial paper, corporate and government securities, repurchase agreements and variable-rate (floating-rate) instruments. These securities provide a diversified portfolio earning a competitive total rate of return. Funds may be invested for relatively short periods. State agencies are legally required to invest in STIP and the PERB elects to have all STIP income automatically reinvested. Investments are reported at fair value based on market prices supplied to the BOI by the BOI's custodial bank. The unit value is fixed at \$1.00. A purchased unit earns income on the purchase date and ceases to earn income on the day before the unit is sold. STIP income reflects the monthly earnings of the STIP portfolio and is distributed on the first calendar day of the month, with the exception of the June distribution. Income for June is distributed on the last calendar day of the month. Administrative expenses incurred by the BOI are charged daily to STIP based on their expenses applicable to STIP. STIP did not participate in any securities lending transactions in fiscal year 2004. STIP investments are required to have the highest rating in the short term category by any Nationally Recognized Statistical Rating Organization. STIP is considered an external investment pool per the Governmental Accounting Standards Board (GASB) Statement No. 31 and is classified as a "2a7-like" pool. STIP is not registered with the Securities

and Exchange Commission (SEC) but does operate in a manner consistent with SEC rules. *Disclosure about Derivatives:* STIP holds two types of securities that are required to be disclosed per the GASB: 1) Asset-backed securities are collateralized by a pool of mortgage and non-mortgage assets pledged by the issuer. 2) Variable-rate (floating-rate) securities are sensitive to interest rate changes. STIP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the STIP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. There are no legal risks that the BOI is aware of regarding any STIP investments.

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

The value of MDEP units purchased by participants increased \$37 million in fiscal year 2004 while the value of MDEP units sold increased by \$86 million based on changes in the market. The fiscal year 2004 and 2003 changes are the result of an asset allocation decision and do not reflect a change from the stated investment policy to increase retirement fund exposure to equity investments. In fiscal year 2004, MDEP participants bought and sold units at a price ranging from \$108 to \$125 per unit. The increase of \$407 million in the change in fair value reflects the equity market appreciation since fiscal year 2003. Investments are presented at fair value. Equity investments, on valuation date, are stated at the closing price of the security's primary exchange. Depending on stock market conditions and the investment officer's decision, MDEP participants may then buy or sell units on the first calendar day of each month. MDEP security transactions are recorded as of trade date rather than settlement date. Because of this generally accepted practice, the MDEP portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received.

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.

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RFBP portfolio includes corporate asset-backed, other corporate, U.S. government mortgage-backed, U.S. government, Yankee securities and cash investments. RFBP investments are presented at fair value. Fair values are determined, primarily, by reference to fair prices supplied to the BOI by its custodial bank, State Street Bank and Trust. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Unit values are calculated weekly and at month end, based on portfolio pricing, to allow for participant transactions to occur as determined by the BOI's Investment Officer. The June 30, 2004 unit value of \$104.32 decreased from the June 30, 2003 unit value of \$110.84. The yield on bonds increased during the fiscal year, which has the effect of decreasing bond prices and the pool unit value. The pension funds were rebalanced in fiscal year 2004 to adjust the portfolios towards the stated equity/fixed income allocation. RFBP security transactions are recorded as of the trade date rather than the settlement date. Because of this generally accepted practice, the RFBP portfolio at June 30 may include receivables from brokers for securities sold, but not delivered, and payables to brokers for securities purchased, but not received. Accumulated income is distributed monthly on the first calendar day of the month. Realized portfolio gains/losses are distributed at least annually. Administrative expenses incurred by the BOI are charged daily to RFBP based on 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 interest-only strips (IOs).

As of June 30, 2004 and June 30, 2003, Burlington Industries, Inc. presented legal and higher credit risks to the BOI. The BOI owns a Burlington Industries, Inc., \$6 million par, 7.25% bond maturing September 15, 2005. In September 2000, the company announced a reduction of stockholders equity. Due to an increasing senior bank line and declining credit trend, the bond ratings for this issue were downgraded, in May 2001, by the Moody's and Standard & Poor's rating agencies. During fiscal year 2001, the book value of Burlington Industries Inc. was reduced from the August 31, 2000 book value of \$5.6 million to \$2.4 million. Due to the company's filing for Chapter 11 bankruptcy protection on November 11, 2001, the book value was reduced to \$1.2 million. In October 2003, Burlington Industries, Inc. received court approval to sell its assets. Under the company's recovery plan, the BOI received \$1.5 million in August 2004 for its unsecured claim. This transaction reduced the book value to \$0 and generated a gain of \$255 thousand. The BOI is expected to receive additional proceeds for its claim.

As of June 30, 2003, Enron Corp. 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 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 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 holdings on October 8, 2002 at a price of \$113.099. The tender was accepted with a settlement date of November 1, 2002. On November 4, 2002, the BOI received \$5.7 million in principal and interest plus \$150,000 as a consent fee. As of September 10, 2004, this matter is still pending.

MTIP portfolio includes equities in four externally managed funds at June 30, 2004: Pyrford International, Schroder Investment Management NA, Barclays Global Investors and Nomura Asset Management U.S.A., Inc. from December 2003. During fiscal year 2004, the MTIP portfolio included investments in six funds. The remaining funds which were discontinued in fiscal year 2004 were: the internally managed fund, BOI Internal International, closed in January 2004 and on October 30, 2003, the BOI voted to replace SG Yamaichi Asset Management,

Co. as an active manager with Nomura Asset Management U.S.A., Inc. The change was effective December 1, 2003. The four 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 four 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 monthly to the retirement funds, net of external manager fees and administrative expenses, on the first business day of the following month.

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

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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 seven private equity managers. The private equity managers include Adams Street Partners (formerly Brinson Partners); Kohlberg, Kravis, Roberts and Company (KKR); Welsh Carson Anderson and Stowe; Madison Dearborn Partners; Lexington Partners; Oaktree Capital Management and Arc Light Energy Partners. Investments are presented at fair value and because no recognized market exists for private equity investment, the investments, on valuation date, are stated at the fair value reported in the most recent external managers' valuation reports. Carrying value represents the private equity security purchase price. MPEP security transactions are recorded as of trade date rather than settlement date; therefore, the MPEP portfolio at June 30 may include receivables from brokers for securities sold but not delivered, and payables to brokers for securities purchased but not received. Unit values are calculated at month end and participant transactions will most likely occur on a quarterly basis. 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. Private equity investments are recognized as investments with a higher degree of risk with a higher return potential. Portfolio diversification of risk is to be achieved through multiple partnership relationships and investments

diversified by time, financing stage, industry sector, investment size and geographical region. Private equity investments typically have a low correlation relative to other investment asset classes and should contribute to reduction of portfolio risk. 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 receiving a Notice of Liability. On September 5, 2003, legal counsel filed a petition on the Montana BOI's behalf in U.S. Tax Court to perfect the right to contest this matter. On February 9, 2004, all partners of O'Donnell & Masur L.P. were informed that the Internal Revenue Service Appeals Officer had completed his review of the Gardiner Communications, Inc. matter. The Officer concluded "no additional taxes are due from Gardiner Communications, Inc. and thus, no transferee liability to the partners of O'Donnell & Masur, L.P." MPEP does not participate in securities lending.

All Other Investments for the pension plans include equity index, real estate, mortgages and commercial loans. Fair values are determined, primarily, by reference to fair value prices supplied to the BOI by its custodial bank, State Street Bank and Trust. Effective May 1, 2003, all the Barclays Global Investors S&P 500 Equity Index Fund A and the Dimensional Fund Advisors U.S. Small Cap

Trust investments totaling \$740 million were transferred to the new MDEP. The real estate investments and residential and multifamily mortgages are valued based on a discounted cash flow. Premiums and discounts are amortized/accreted using the straight-line or scientific method to the call, average life or maturity date of the securities. Amortized cost may also be referred to as book value. The Mortgages and Commercial loans receivable consist of residential mortgages and multifamily commercial loans. As of June 30, 2004 and 2003, there were no uncollectible account balances for Mortgages and Commercial loans. The sale of pool units in fiscal year 2004 from the MDEP, MPEP and RFBP resulted in a net gain to participants of \$73 million. 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. Real estate investments held, in part, for the PERS include buildings at 100 North Park Avenue in Helena, MT; a newly constructed building at 2273 Boot Hill Court in Bozeman, MT; a building at 2401 Colonial Drive in Helena, MT; and property located on California Street in Helena, MT. The BOI also holds the building located at 1712 Ninth Avenue in Helena, MT for the sole benefit of the PERS.

Securities Lending Collateral, governed under the provisions of state statutes, authorizes the custodial bank, State Street Bank and Trust, to lend the BOI's securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. This is accomplished by the BOI via a Securities Lending Authorization Agreement. During the period the securities are on loan, the BOI receives a

fee and the custodial bank must initially receive collateral equal to 102 percent of the fair value of the loaned security and maintain collateral equal to not less than 100 percent of the fair value of the loaned security. The BOI retains all rights and risks of ownership during the loan period. During fiscal years 2004 and 2003, 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 2004 and 2003 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 2004 and 2003. Moreover, there were no losses during fiscal years 2004 and 2003 resulting from a default of the borrowers or State Street. During fiscal years 2004 and 2003, 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. For MDEP as of June 30, 2004, the carrying and fair values of the underlying securities on

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loan were \$18.8 million and \$20.3 million, respectively. The cash collateral provided for the securities on loan totaled \$20.6 million. For RFBP as of June 30, 2004, the carrying and fair values of the underlying securities on loan were \$198.6 million and \$210 million, respectively. The cash collateral provided for the securities on loan totaled \$215.7 million. For MTIP as of June 30, 2004, the carrying and fair values of the underlying securities on loan were \$33.1 million and \$41.7 million, respectively. The cash collateral provided for the securities on loan totaled \$43.8 million. For All Other Funds as of June 30, 2004, the carrying and fair values of the underlying securities on loan were \$219 million and \$222.2 million, respectively. The collateral provided for the securities on loan totaled \$226.7 million in cash and \$1.4 million in collateral.

Fixed investments are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank State Street Bank Kansas City (SSKC). The PERS-DCRP fixed money is invested in a PIMCO mutual fund. The deferred compensation fixed investment is a separately managed fund that is benchmarked against the Lehman Intermediate Government/Credit/Yankee index with a duration not to exceed four years. The minimum average portfolio quality must be an A-rating; the minimum issue quality must be a BB-rating and the minimum commercial paper quality must be A2/P2. The quality ratings applied are the higher of Moody's, Standard & Poor or Fitch. PIMCO has the discretion to invest in a broad array of public and private asset classes and investment vehicles including: money market instruments; U.S. Treasury and

Agency notes and bonds; municipal bonds; corporate securities; Yankee and Euro bonds; mortgage-backed securities; mortgage derivatives; asset-backed securities; convertible securities; non-U.S. dollar denominated securities; non-leveraged structured notes; futures; options; swaps; credit default swaps and PIMCO pooled funds. All investments including those with derivative characteristics are reported at fair value; therefore, no additional disclosures are required. 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 63 and 66 or a listing can be obtained by contacting the MPERA.

B. LITIGATION

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

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

Three constitutional claims have been

made: 1) that the legislation contained more than one subject matter, not properly reflected in the title; 2) that the legislation was an unconstitutional delegation of legislative authority; and 3) that the legislation constituted an unconstitutional impairment of contract. The district court has dismissed the first claim; found in favor of the plaintiff on the second claim; and found the third claim moot. The PERB's request for supervisory control by the Montana Supreme Court was denied. Appeal of the district court's holding on the second claim is now being pursued. Requested amendments allowing two additional claims (violation of equal protection and noncompliance with the Montana Administrative Procedure Act in the adoption of the new option factors) were not ruled on by the district court, which has implied they are moot.

An adverse decision would have different actuarial consequences depending on the claim and the breadth of the court's holding. If, as the district court has implied, the legislature cannot delegate any benefit-related actuarial function to the Board, the actuarial consequence of such a ruling would be immaterial, as all members would be required to take a single-life benefit (which all actuarial equivalent forms currently are presumed to equal). If, as the district court has held, only the new mortality table is unconstitutional, then use of the mortality table specified in statute prior to March 29, 2001 would have a minimal actuarial impact on the system.

The likelihood of prevailing on appeal regarding the second claim, delegation of legislative authority, is believed to be very probable. Accurately assessing the chances of ultimately prevailing on all

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claims and possible amendments is very difficult due to the complexity of the issues presented and status of the case.

C. DEBT OBLIGATIONS

The PERS defined contribution retirement plan has an implementation loan through the Department of Administration, with the BOI. Authorization for the INTERCAP loan was provided by the Legislature, Chapter 471, Laws of 1999. Five draws were taken in the total amount of \$1,498,000. Interest repayments began immediately following the draws. Principal repayments began August 15, 2003, the year following the DCRP implementation date. The loan was renegotiated as a single sum in fiscal year 2004 to be repaid over a period of 15 years. The interest rate is variable and changes every

February, impacting the interest due on the outstanding principal balance.

An inter-entity loan in the amount of \$114,000 was made to the PERS-DCRP from the DB Education Fund on August 18, 2003 to help cover the costs of the DCRP expenses. The term of this loan is for two years and the interest rate to be repaid to the defined benefit education fund is the same as STIP. The first repayment of \$28,500 plus interest was made in June 2004, in advance of the actual due date. The remaining principal balance of the inter-entity loan is \$85,500 and is due in August 2005.

Debt service requirements (principal & interest) for the defined contribution plan are explained in the following two charts:

Schedule of Debt Repayment				
INTERCAP Loan				
Fiscal Year Ended	Rate*	Principal	Interest	Total
2005	2.70%	\$ 10,000	\$ 37,737	\$ 47,737
2006	2.70%	10,000	37,467	47,467
2007	2.70%	20,000	37,129	57,129
2008	2.70%	30,000	36,521	66,521
2009	2.70%	40,000	35,644	75,644
2010-2018	2.70%	<u>1,290,195</u>	208,286	<u>1,498,480</u>
		\$ 1,400,195		\$ 1,792,979

* Interest rate is variable. As of June 30, 2004 the interest rate was 2.7 %

Schedule of Debt Repayment				
Inter-Entity Loan				
Fiscal Year Ended	Rate*	Principal	Interest	Total
2006	1.10%	<u>\$ 85,500</u>	\$941	<u>\$ 86,441</u>
		\$ 85,500		\$ 86,441

*Interest rate is variable. As of June 30, 2004 the interest rate was 1.10%

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D. PLAN MEMBERSHIP, DESCRIPTIONS AND CONTRIBUTION INFORMATION

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

interest the contributions would have earned had they remained on deposit, membership service is fully restored.

Membership of each plan as of June 30, 2004 and June 30, 2003 is detailed in the following charts:

PERS-DBRP Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	526	521			
Active plan members	28,201	28,604	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	14,205	13,782
Vested	2,362	2,231	Disability Retirements	336	335
Non-vested	9,132	9,070	Survivor Benefits	293	284
	<u>11,494</u>	<u>11,301</u>		<u>14,834</u>	<u>14,401</u>

JRS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	1	1			
Active plan members	50	49	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	48	48
Vested	4	4	Disability Retirements	-	-
Non-vested	-	-	Survivor Benefits	2	2
	<u>4</u>	<u>4</u>		<u>50</u>	<u>50</u>

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HPORS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	1	1			
Active plan members	194	201	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	258	250
Vested	8	7	Disability Retirements	7	8
Non-vested	11	9	Survivor Benefits	9	9
	<u>19</u>	<u>16</u>		<u>274</u>	<u>267</u>

SRS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	56	56			
Active plan members	662	661	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	275	260
Vested	41	39	Disability Retirements	34	33
Non-vested	73	94	Survivor Benefits	14	13
	<u>114</u>	<u>133</u>		<u>323</u>	<u>306</u>

GWPORS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	8	8			
Active plan members	685	664	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	82	78
Vested	18	11	Disability Retirements	-	1
Non-vested	95	90	Survivor Benefits	3	3
	<u>113</u>	<u>101</u>		<u>85</u>	<u>82</u>

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MPORS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	22	22			
Active plan members	603	601	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	531	524
Vested	20	17	Disability Retirements	13	13
Non-vested	38	42	Survivor Benefits	27	28
	<u>58</u>	<u>59</u>		<u>571</u>	<u>565</u>

FURS Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	15	16			
Active plan members	438	441	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	468	451
Vested	10	10	Disability Retirements	5	4
Non-vested	48	50	Survivor Benefits	25	25
	<u>58</u>	<u>60</u>		<u>498</u>	<u>480</u>

VFCA Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Active plan members	2,687	2,629	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	940	917
Vested	671	679	Disability Retirements	-	-
			Survivor Benefits	4	4
				<u>944</u>	<u>921</u>

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PERS-DCRP Membership*					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	229	189			
Active plan members	915	823	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Benefit Payments	2	-
Vested	61	24	Disability Payments	-	-
Non-vested	57	19	Survivor Payments	-	-
	<u>118</u>	<u>43</u>		<u>2</u>	<u>-</u>

*implemented July 1, 2002

Deferred Compensation (457) Membership					
	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
Number of participating employers	9	9	Number of participating plan members	8,069	7,750
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	5,316	5,305

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, local governments and certain employees of the university system and school districts.

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

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

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

PERS-DBRP Summary of Benefits

Member’s highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Years of service required and/or age eligible 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, 2004 PERS had 526 participating employers, an increase of five from FY2003. The participating employers consist of:

PERS-DBRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies	35	34
Counties	55	55
Cities and Towns	94	93
Colleges and Universities	5	5
School Districts	237	237
High Schools	5	5
Other Agencies	<u>95</u>	<u>92</u>
Total	526	521

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 2004 was 6.9% of PERS-covered payroll, the same as in fiscal year 2003. 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 2004 and 2003. Participating local governments and school district employers contributed 6.8% of PERS-covered payroll during fiscal years 2004 and 2003. The State contributed the remaining 0.1% for local governments and school district employers from the state general fund in fiscal years 2004 and 2003. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page 71).

PERS-DBRP Membership by Employer		
<u>Employer Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies	10,528	10,757
Counties	5,470	5,504
Cities	3,012	3,020
Universities	2,561	2,499
High Schools	60	59
School Districts	5,404	5,619
Other Agencies	<u>1,166</u>	<u>1,146</u>
Total	28,201	28,604

Plan Membership Elections: MPERA has also included in the financial statements transfers of \$27 thousand to Transfers to DCRP and \$5 thousand 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 2005.

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 2004, three hundred eight employees had taken advantage of this provision since its inception, up from two hundred seventy-seven in fiscal year 2003. 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 2004 and 2003 totaled \$419,789 and \$371,473, respectively. The outstanding balance at June 30, 2004, totaled \$215,459.

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

- 1) initial transfer education - complete as of July 1, 2003;
- 2) ongoing transfer education - for new hire members after the July 1, 2002 plan start date; and

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

- 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 2004 the same as fiscal year 2003.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2004, an additional funding rate of 1.19% of payroll would be required to fund the current and projected benefits from the System in accordance with GASB standards and state law.

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 is on the following page:

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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, inclusive of all other adjustments to the member's benefit

Minimum benefit adjustment (non-GABA)

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

At June 30, 2004 JRS had one participating employer, the same as FY2003. The participating employer consists of:

JRS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies - Supreme Court	<u>1</u>	<u>1</u>
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2004 and 2003 was 7.0% of the member's monthly compensation. Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. As

the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan during fiscal years 2004 and 2003. (Reference Schedule of Contribution Rates on page 71).

JRS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
GABA	15	15
Non-GABA	<u>35</u>	<u>34</u>
Total	50	49

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

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)

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, 2004 HPORS had one participating employer, the same as FY2003. The participating employer consists of:

HPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies - Dept. of Justice	<u>1</u>	<u>1</u>
Total	1	1

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Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rates for fiscal years 2004 and 2003 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 contributed 36.33% of the total HPORS-covered payroll during fiscal years 2004 and 2003. 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 71).

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

Supplemental Benefit: Montana highway patrol officers retired prior to July 1, 1991, or their survivors, may be eligible for an annual supplemental lump-sum payment distributed each September. A portion of each motor vehicle registration fee funds this supplemental benefit. Many factors must be considered for eligibility, including the number of years the recipient has received a benefit and the recipient's age. The average annual supplemental payment in September 2004 was \$2,310. In September 2003, the average annual supplemental payment was \$2,292. This enhancement is available to non-GABA recipients only.

HPORS Membership by Employee Type		
Employee Type	June 30, 2004	June 30, 2003
GABA	194	200
Non-GABA	0	1
Total	194	201

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

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 follows:

SRS Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Years of service required and/or age eligible for benefit

20 years, regardless of age;
Age 50, 5 years of service, actuarially reduced

Vesting 5 years

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

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

At June 30, 2004 SRS had 56 participating employers, the same as FY2003. The participating employers consist of:

SRS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies - Dept. of Justice	1	1
Counties	<u>55</u>	<u>55</u>
Total	56	56

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2004 and 2003 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 proc-

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essed. Each employer contributed 9.535% of total SRS-covered payroll to the retirement plan during fiscal years 2004 and 2003. (Reference Schedule of Contribution Rates on page 71).

SRS Membership by Employer Type		
Employer Type	June 30, 2004	June 30, 2003
Dept of Justice	37	34
Counties	625	627
Total	662	661

Additional Service Purchase: A provision (19-2-706, MCA) related to the Employee Protection Act allows state employees, who are eligible for a service retirement and whose positions have been eliminated, to have their employer pay a portion of the total cost of purchasing up to three years of “1-for-5” additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. In fiscal year 2004, three employees took advantage of this provision since it’s inception, the same as in fiscal year 2003. The retirement incentive contributions received (including interest) during fiscal years 2004 and 2003 totaled \$4,180 and \$33,000, respectively. The outstanding balance at June 30, 2004, totaled \$0.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2004, an additional funding rate of 2.15% of payroll would be sufficient to fund the current and projected benefits from the System in accordance with GASB standards and state law.

Game Wardens’ and Peace Officers’ Retirement System

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

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

GWPORS Summary of Benefits

Member's highest average compensation (HAC)

Highest average compensation during any consecutive 36 months

Years of service required and/or age eligible for benefit

Age 50, 20 years of service;

Age 55, 5 years of service

Vesting 5 years

Monthly benefit formula

2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

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

At June 30, 2004 GWPORS had eight participating employers, the same as FY2003. The participating employers consist of:

GWPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies	5	5
Colleges and Universities	<u>3</u>	<u>3</u>
Total	8	8

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal years 2004 and 2003 was 10.56%. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed. Each state agency and university employer contributed 9.0% of total GWPORS-covered payroll to the retirement plan during fiscal years 2004 and 2003. (Reference Schedule of Contribution Rates on page 71).

GWPORS Membership by Employer		
<u>Employer</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Dept of Corrections	471	464
Dept FW&P	94	89
Dept of Justice	6	4
Dept of Livestock	30	28
Dept of Trans.	58	54
Universities	<u>26</u>	<u>25</u>
Total	685	664

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

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pay a portion of the total cost of purchasing up to three years of “1-for-5” additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. No employees have taken advantage of this provision to date.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. Based on the current Actuarial Value of Assets and all future experience emerging as assumed, the

Unfunded Actuarial Liability will not be amortized over the next 30 years. In general, the deterioration of the funded status is primarily due to recognizing prior investment losses due to returns less than the long-term assumed rate of 8% per year. Based on the actuarial assumptions as of June 30, 2004, an additional funding rate of 0.23% of payroll is required to fund the current and projected benefits from the System in accordance with GASB standards and state law.

Municipal Police Officers’ Retirement System

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

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

MPORS Summary of Benefits

Member’s final average compensation (FAC)

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

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

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 the city that the member was last employed.

At June 30, 2004 MPORS had 22 participating employers, the same as in FY2003. The participating employers consist of:

MPORS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Cities and Towns	<u>22</u>	<u>22</u>
Total	<u>22</u>	<u>22</u>

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 2004 and 2003, 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 2004 and

2003 was 29.37%. (Reference Schedule of Contribution Rates on page 71).

MPORS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
GABA	591	589
Non-GABA	<u>12</u>	<u>12</u>
Total	603	601

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

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ing 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. As of June 30, 2004, 33 members have participated in the DROP.

DROP Participation		
	6/30/2004	6/30/2003
Participants Beginning of Year	27	0
Participants Added	6	27
Completed DROP	2	0
Participants End of Year	31	27
DROP Distributions	\$17,663	\$ 0

Firefighters' Unified Retirement System

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

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

FURS Summary of Benefits

Member's compensation

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

Years of service required and/or age eligible for benefit

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

Vesting 5 years

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Monthly benefit formula

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

2.5% of FAC per year of service, OR

i) if less than 20 years of service,

2% of FMC for each year of service

ii) if more than 20 years of service,

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

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

2.5% of FAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

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

At June 30, 2004 FURS had 15 participating employers, one less than FY2003. The participating employers consist of:

FURS EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies - Dept. of Military Affairs	1	1
Cities and Towns	<u>14</u>	<u>15</u>
Total	15	16

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 2004 and 2003 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 2004 and 2003 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 2004 and 2003. 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 71).

FURS Membership by Employee Type		
<u>Employee Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
GABA	429	432
Non-GABA	<u>9</u>	<u>9</u>
Total	438	441

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Volunteer Firefighters' Compensation Act

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

Member rights are vested after ten years of credited membership service. VFCA also provides limited benefits for injuries incurred in the line of duty.

Members of the VFCA can accumulate more than 20 years of service if they meet the required criteria. On or after July 1, 2003, when the member is both age 55 and already has 20 years of service, the member can accumulate years of service beyond 20 with a maximum of 30 years allowed if the member continues service. A brief summary of eligibility and benefits follows:

VFCA Summary of Benefits

Years of service required and/or age eligible for benefit

Age 55, 20 years of credited service (full benefit);

Age 60, 10 years of service (partial benefit)

Additional Retirement

After July 1, 2003, active volunteers that are both age 55 and have at least 20 years of service may receive credit for additional years of service.

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

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 71).

teer 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.

Group Insurance Payments: Supplemental payments are available to qualified volun-

Public Employees' Retirement System-DCRP

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

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

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

the offered investment options. The remaining portion of employer's contributions is used to maintain funding of the defined benefit plan, to provide disability benefits and to fund an employee education program. Members are able to invest in any number of the offered investment options and transfer between options, daily, if desired. The variable investment options cover all standard asset classes and categories and range from aggressive to conservative. The investment options as of June 30, 2004 are as follows:

PERS-DCRP Investment Options

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

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

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

Fees on the fixed investments are charged by each of the three providers. The fees are defined per each contract for specific services rendered. The record keeper, Great West,

charges a fixed administrative fee for all plan participants plus a basis point (or percent) fee based on account balances. On a quarterly basis, the contracted record keeper withholds the fees from each plan participant's account. The basis point fees withheld are submitted to the PERB to pay administrative expenses. These amounts are recorded as *Miscellaneous Revenue* in the financial statements.

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

A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit

Termination of service

Vesting

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

Benefit

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

At June 30, 2004 PERS-DCRP had 229 reporting employers, an increase of 40 from FY2003. The participating employers consist of:

PERS-DCRP EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies	28	25
Counties	44	42
Cities and Towns	37	29
Universities	5	4
School Districts	88	68
Other Agencies	<u>27</u>	<u>21</u>
Total	229	189

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 2004 is 6.9% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The entire amount of the member's contribution is credited to the member's retirement account. An individual account is maintained by the third-party record keeper. Each state agency and university system employer 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 71).

PERS-DCRP Membership by Employer		
<u>Employer Type</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State Agencies	345	331
Counties	193	167
Cities	130	114
Universities	39	29
High Schools	1	0
School Districts	144	123
Other Agencies	<u>63</u>	<u>59</u>
Total	915	823

Plan Membership Elections: Included in the financial statements are employer contribution transfers of \$10 thousand and member contribution transfers of \$17 thousand. These transfers reflect the contribution transfers of DCRP participants that filed elections at or near the June 30th cutoff date but the contributions were moved in early fiscal year 2005.

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 and the

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ORP. 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,

Deferred Compensation Plan (457)

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

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

MCA, will provide disability benefits to eligible members of the PERS-DCRP. The DC Disability is funded by 0.3% of the employers' contribution.

the variable investment options. The investment options as of June 30, 2004 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 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.

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

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

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

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

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

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

A brief summary of eligibility and benefits follows:

Deferred Compensation Plan Summary

Contribution

Voluntary, tax-deferred

Eligibility for Benefit

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

Vesting

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

Benefit

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

At June 30, 2004 the deferred compensation plan had nine participating employers, the same as FY2003. The participating employers consist of:

DEFERRED COMPENSATION EMPLOYERS		
<u>Employers</u>	<u>June 30, 2004</u>	<u>June 30, 2003</u>
State of Montana *	1	1
Colleges and Universities	6	6
Other	<u>2</u>	<u>2</u>
Total	9	9

*The State of Montana includes 35 agencies; however, due to the nature of the reporting for the 457 plan we are unable to specifically determine which agencies participate.

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

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

FINANCIAL SECTION

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FINANCIAL SECTION

FY 2004 Schedule of Contribution Rates

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

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

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

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 76).

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)
GWPORS	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%
	06/30/04	45,210	50,310	5,100	89.86	21,442	23.79%
MPORS	06/30/00	129,826	181,109	51,283	71.68	20,252	253.22%
	06/30/02	143,516	226,827	83,311	63.27	22,229	374.79%
	06/30/04	149,510	260,094	110,584	57.48	24,531	450.79%
FURS	06/30/00	123,492	162,329	38,837	76.08	16,549	234.68%
	06/30/02	136,392	197,946	61,554	68.90	17,953	342.86%
	06/30/04	142,109	227,599	85,490	62.44	20,248	422.21%
VFCA	06/30/00	17,769	16,752	(1,017)	106.07	N/A	N/A
	06/30/02	19,254	26,808	7,554	71.82	N/A	N/A
	06/30/04	20,058	28,680	8,622	69.94	N/A	N/A

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	Percentage Contributed	Annual Required Registration Fees	Percentage Contributed
PERS-DBRP	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%		
	2004	56,633,623	102.04%	402,566	100.00%		
JRS	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%				
	2004	1,136,526	100.00%				
HPORS ¹	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%
	2004	2,849,545	100.32%			348,137	100.00%
SRS	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%				
	2004	2,609,975	103.64%				

Refer to the "Notes to the Required Supplementary Information" (Page 76).

¹A change was made for HPORS to correct contributions erroneously reported in FY1999 that should have been FY1998.

²The 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 ²	Percentage Contributed	Annual Required Registration Fees	Percentage Contributed
GWPORS	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%				
	2004	1,929,800	104.73%				
MPORS	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%		
	2004	3,534,920	102.68%	7,204,760	100.05%		
FURS	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%		
	2004	2,876,584	100.09%	6,532,410	100.00%		
VFCA	1999			944,434	100.00%		
	2000			961,306	100.00%		
	2001			1,002,992	100.00%		
	2002			1,133,741	100.00%		
	2003			1,310,088	100.00%		
	2004			1,434,068	100.00%		

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

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

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2004	June 30, 2004	June 30, 2004
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability	does not amortize ¹		19.1
Unfunded Credit ²		30	
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			
General Wage Growth	4.25%	4.25%	4.25%
Merit	0% - 6%	None	0% - 7.3%
Benefit Adjustments			
GABA	3% after 1 yr	3% after 1 yr	3% after 1 yr
Non-GABA	N/A	Annual increase to salary of active member in like position	2% per yr service for newly confirmed officer

¹ The unfunded actuarial liability will not amortize over the next 30 years. Based on actuarial assumptions as of June 30, 2004, additional funding is required at a rate of 1.19% for PERS, 2.15% for SRS and 0.23% for GWPORS. The PERB will be requesting to increase the employer contribution rates during the next Legislative Session.

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

FINANCIAL SECTION

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2004 Entry Age	June 30, 2004 Entry Age	June 30, 2004 Entry Age	June 30, 2004 Entry Age	June 30, 2004 Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of revenue, open
does not amortize ¹	does not amortize ¹	24.4	18.7	20
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
8%	8%	8%	8%	8%
4.25% 0% - 7.3%	4.25% 0% - 7.3%	4.25% 0% - 7.3%	4.25% 0% - 7.3%	N/A N/A
3% after 1 yr N/A	3% after 1 yr N/A	3% after 1 yr 50% newly confirmed officer	3% after 1 yr 50% newly confirmed officer	N/A N/A

FINANCIAL SECTION

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FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Administrative Expenses

Year Ended June 30, 2004

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation 457 Plan
Personal Services				
Salaries	\$ 1,075,547	\$ 56,228	\$ 93,827	\$ 90,010
Board Members' Per Diem	6,405		224	222
Employee Benefits	314,017	15,060	26,679	24,130
Total Personal Services	1,395,969	71,288	120,730	114,362
Other Services				
Consulting Services	171,521	3	29,887	16,275
Legal Fees and Court Costs	18,790		63	63
Payroll Fees	814	59	69	53
Audit Fees	40,525		1,293	1,293
Medical Services	18,461			
Microfilming				
Records Storage	8,902	29	29	22
Pre-Retirement Seminars		2,000		
Computer Processing	239,780	4,194	5,887	2,078
Printing and Photocopy Charges	45,959	10,936	755	1,658
Warrant Writing Services	33,751		1,077	1,077
Other	15,426	1,250	4,481	4,178
Total Other Services	593,929	18,471	43,541	26,697
Communications				
Recruitment Costs	6		98	
Postage and Mailing	106,618	17,609	1,667	4,434
Telephone	27,290	1,462	2,072	1,637
Total Communications	133,914	19,071	3,837	6,071
Other Expenses				
Supplies and Materials	39,028	1,757	1,996	1,183
Travel	26,224	5,413	5,099	5,338
Rent	172,355	12,393	14,625	11,232
Repairs and Maintenance	1,953	106	162	125
Depreciation/Amortization	594,995		6,006	3,341
Compensated Absences	11,557	(5,012)	(26,631)	(2,021)
Interest Payments			40,703	
Miscellaneous	35,129	2,414	3,930	3,345
Total Other Expenses	881,241	17,071	45,890	22,543
Total Administrative Expenses	\$ 3,005,053	\$ 125,901	\$ 213,998	\$ 169,673

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Investment Expenses

Year Ended June 30, 2004

<u>Plan</u>	<u>Investment Manager</u>	<u>Fees</u>
PERS-DBRP	Board of Investments	\$ 3,761,001
JRS	Board of Investments	51,440
HPORS	Board of Investments	91,148
SRS	Board of Investments	160,968
GWPORS	Board of Investments	50,623
MPORS	Board of Investments	163,075
FURS	Board of Investments	155,476
VFCA	Board of Investments	21,976
457	PIMCO State Street Bank	405,879 45,319
		<hr/>
	Total Investment Expense	\$ 4,906,905

Public Employees' Retirement Board

A Component Unit of the State of Montana

Supporting Schedule

Schedule of Consultants

Year Ended June 30, 2004

<u>Individual or Firm</u>	<u>Nature of Service</u>	<u>Amount Paid</u>
Wisetek	Web Reporting Systems Development	\$ 211,356
Computer Consulting Corporation	Computer Programming Services	123,284
Legislative Audit Division, Legislative Branch	Independent Auditors	43,111
Arnerich Massena & Associates, Inc.	Mutual Funds Performance Review	30,250
Legal Services Division, Department of Justice	Legal Services	12,409
Milliman	Actuarial Consultant	10,438
Lawrence R. McEvoy, MD	Medical Consultant	8,040
Goetz, Gallik, Baldwin & Dolan	Legal Services	4,412
Professional Development Center, Department of Administration	Retirement Planning Seminars	2,000

FINANCIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) as of June 30, 2004

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	\$ 103,036,190	\$ 686,424	\$ 103,722,614
Securities Lending Collateral	141,310,880		141,310,880
Receivables			
Interest	10,400,288		10,400,288
Accounts Receivable	1,431,540	9	1,431,549
Due from Other Funds	274,218	13,419	287,637
Due from Primary Government	73,854	79	73,933
Advances to Other Funds		85,500	85,500
Notes Receivable	326,441		326,441
<i>Total Receivables</i>	12,506,341	99,007	12,605,348
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,469,962,550		1,469,962,550
Retirement Fund Bond Pool (RFBP)	805,839,505		805,839,505
Montana International Pool (MTIP)	434,916,502		434,916,502
Montana Private Equity Pool (MPEP)	128,797,001		128,797,001
Equity Index Fund	23		23
Real Estate Investments	8,409,210		8,409,210
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	66,755,267		66,755,267
<i>Total Investments</i>	2,914,680,058		2,914,680,058
Capital Assets			
Property and Equipment, at cost, net of Accumulated Depreciation	1,436		1,436
Intangible Assets, at cost, net of Amortization Expense	535,229		535,229
<i>Total Capital Assets</i>	536,665		536,665
Total Assets	3,172,070,134	785,431	3,172,855,565
Liabilities			
Securities Lending Collateral Liability	141,310,880		141,310,880
Accounts Payable	434,860	3,918	438,778
Due to Other Funds	72,790		72,790
Due to Primary Government	53,383	3,196	56,579
Deferred Revenue	51,408		51,408
Compensated Absences	237,203	9,114	246,317
Total Liabilities	142,160,524	16,228	142,176,752
Net Assets Held in Trust for Pension Benefits*	\$ 3,029,909,610	\$ 769,203	\$ 3,030,678,813

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, 2004**

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	\$ 57,452,903	\$ 349,420	\$ 57,802,323
Plan Member	61,910,738		61,910,738
Membership Fees	130		130
Interest Reserve Buyback	753,647		753,647
Retirement Incentive Program	427,579		427,579
Miscellaneous Revenue	1,182	70	1,252
State Contributions	402,566		402,566
<i>Total Contributions</i>	120,948,745	349,490	121,298,235
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	203,084,283		203,084,283
Interest	143,492,701	7,264	143,499,965
Dividends	17,166,404		17,166,404
Investment Expense	(3,761,001)		(3,761,001)
<i>Net Investment Income</i>	359,982,387	7,264	359,989,651
Securities Lending Income			
Securities Lending Income	1,487,479		1,487,479
Securities Lending Rebate and Fees	(1,211,320)		(1,211,320)
<i>Net Securities Lending Income</i>	276,159		276,159
Total Net Investment Income	360,258,546	7,264	360,265,810
Total Additions	481,207,291	356,754	481,564,045
Deductions			
Benefits	132,683,144		132,683,144
Refunds to Members	10,913,131		10,913,131
Refunds to Other Plans	398,049		398,049
Transfers to DCRP	1,295,269		1,295,269
Transfers to ORP	188,331		188,331
Administrative Expenses	2,699,304	125,901	2,825,205
Total Deductions	148,177,228	125,901	148,303,129
Net Increase (Decrease)	333,030,063	230,853	333,260,916
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	2,695,823,965	538,350	2,696,362,315
Prior Period Adjustment	1,055,582		1,055,582
End of Year	\$ 3,029,909,610	\$ 769,203	\$ 3,030,678,813

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, 2004

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	\$ 141,705	\$ 30,923	\$ 164,372	\$ 337,000
Receivables				
Accounts Receivable	11	91		102
Due from Other Funds	26,932	107	702	27,741
<i>Total Receivables</i>	26,943	198	702	27,843
Investments, at fair value				
Defined Contributions Fixed Investments	914,437			914,437
Defined Contributions Variable Investments	19,565,685			19,565,685
<i>Total Investments</i>	20,480,122			20,480,122
Intangible Assets, at cost, net of Amortization Expense	5,756			5,756
Total Assets	20,654,526	31,121	165,074	20,850,721
Liabilities				
Accounts Payable	4,612			4,612
Due to Other Funds	13,802	13,420		27,222
Due to Primary Government	25,210			25,210
Advances from Primary Government	1,390,195			1,390,195
Advances from Other Funds	85,500			85,500
Compensated Absences	19,937			19,937
Total Liabilities	1,539,256	13,420		1,552,676
Net Assets Held in Trust for Pension Benefits	\$ 19,115,270	\$ 17,701	\$ 165,074	\$ 19,298,045

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, 2004

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	\$ 1,650,635	\$ 9,782	\$ 120,361	\$ 1,780,778
Plan Member	2,661,190			2,661,190
Miscellaneous Revenue	127,255			127,255
Forfeiture of Nonvested Member	135,246			135,246
<i>Total Contributions</i>	4,574,326	9,782	120,361	4,704,469
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	1,953,417			1,953,417
Interest	426,421	235	1,255	427,911
<i>Net Investment Income</i>	2,379,838	235	1,255	2,381,328
Total Additions	6,954,164	10,017	121,616	7,085,797
Deductions				
Refunds to Members	2,239,701			2,239,701
Administrative Expenses	217,205	(3,207)		213,998
Miscellaneous Expenses	214,218			214,218
<i>Total Deductions</i>	2,671,124	(3,207)		2,667,917
Net Increase (Decrease)	4,283,040	13,224	121,616	4,417,880
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	14,832,483	4,477	43,458	14,880,418
Prior Period Adjustment	(253)			(253)
End of Year	\$ 19,115,270	\$ 17,701	\$ 165,074	\$ 19,298,045

Public Employees' Retirement Board

A Component Unit of the State of Montana

Report on Investment Activity

INTRODUCTION

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

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

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

INVESTMENT GOALS AND OBJECTIVES

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

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

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

RISK TOLERANCE

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

INVESTMENT MANAGEMENT AND RESULTS

The funds of each defined benefit plan are invested by the BOI as part of the unified investment program. The portfolio is broadly diversified between the various asset classes (stocks, bonds, real estate, venture capital, etc.). A complete list of portfolio information is available through the BOI. State Street Bank and Trust compiles the rates of return for the investments using the Association for Investment Management and Research (AIMR) Performance Presentation Standards. The total rates of return for fiscal year 2004 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, 2004					
Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		1.11%	1.11%	1.11%	1.11%
<i>91 day T-Bill</i>	<i>0.96%</i>				
Equities ¹		20.14%	20.12%	20.13%	20.14%
<i>S&P 500</i>	<i>19.10%</i>				
Fixed Income		1.56%	1.05%	1.05%	1.05%
<i>LB Aggregate Bond</i>	<i>0.32%</i>				
Miscellaneous ²		5.41%			
All Assets		13.43%	13.21%	13.25%	13.24%
<i>Index Composite</i> ³		13.39%	13.14%	13.18%	13.18%
	<u>INDEX</u>	<u>GWPORS</u>	<u>MPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		1.11%	1.11%	1.11%	1.11%
<i>91 day T-Bill</i>	<i>0.96%</i>				
Equities ¹		20.23%	20.11%	20.13%	20.02%
<i>S&P 500</i>	<i>19.10%</i>				
Fixed Income		1.05%	1.05%	1.05%	1.05%
<i>LB Aggregate Bond</i>	<i>0.32%</i>				
All Assets		13.22%	12.85%	12.93%	13.12%
<i>Index Composite</i> ³		13.18%	12.81%	12.88%	13.05%

¹ Includes MDEP, MTIP and REI

² Montana Mortgages

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

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

TOTAL RATES OF RETURN BY ASSET CLASS					
Three-Year Period ending June 30, 2004					
Asset Class	<u>INDEX</u>	<u>PERS-DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		1.87%	1.87%	1.87%	1.87%
<i>91 day T-Bill</i>	1.61%				
Equities ¹		-0.07%	-0.17%	-0.20%	-0.20%
<i>S&P 500</i>	-0.69%				
Fixed Income		8.13%	8.49%	8.49%	8.49%
<i>LB Aggregate Bond</i>	6.36%				
Miscellaneous ²		6.40%			
All Assets		3.91%	3.94%	3.87%	3.96%
<i>Index Composite</i> ³		3.99%	3.84%	3.75%	3.80%
	<u>INDEX</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		1.87%	1.87%	1.87%	1.87%
<i>91 day T-Bill</i>	1.61%				
Equities ¹		-0.25%	-0.27%	-0.27%	-0.27%
<i>S&P 500</i>	-0.69%				
Fixed Income		8.49%	8.49%	8.49%	8.49%
<i>LB Aggregate Bond</i>	6.36%				
All Assets		3.86%	3.94%	3.84%	5.75%
<i>Index Composite</i> ³		3.70%	3.80%	3.66%	5.54%

¹ Includes MDEP, MTIP and REI
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, 2004					
Asset Class	<u>INDEX</u>	<u>PERS- DBRP</u>	<u>JRS</u>	<u>HPORS</u>	<u>SRS</u>
STIP		3.58%	3.57%	3.57%	3.57%
<i>91 day T-Bill</i>	3.14%				
Equities ¹		-1.17%	-1.45%	-1.54%	-1.57%
<i>S&P 500</i>	-2.20%				
Fixed Income		8.03%	8.19%	8.19%	8.19%
<i>LB Aggregate Bond</i>	6.95%				
Miscellaneous ²		7.31%			
All Assets		2.84%	2.70%	2.66%	2.68%
<i>Index Composite</i> ³		2.77%	2.65%	2.59%	2.57%
	<u>INDEX</u>	<u>MPORS</u>	<u>GWPORS</u>	<u>FURS</u>	<u>VFCA</u>
STIP		3.57%	3.57%	3.58%	4.44%
<i>91 day T-Bill</i>	3.14%				
Equities ¹		-1.59%	-1.61%	-1.64%	-1.03%
<i>S&P 500</i>	-2.20%				
Fixed Income		8.20%	8.20%	8.20%	8.19%
<i>LB Aggregate Bond</i>	6.95%				
All Assets		2.67%	2.72%	2.62%	4.44%
<i>Index Composite</i> ³		2.56%	2.62%	2.49%	4.29%

¹ Includes MDEP, MTIP and REI

² Montana Mortgages

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

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

INVESTMENT SECTION

ASSET ALLOCATION

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

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

FY2004 ASSET ALLOCATION

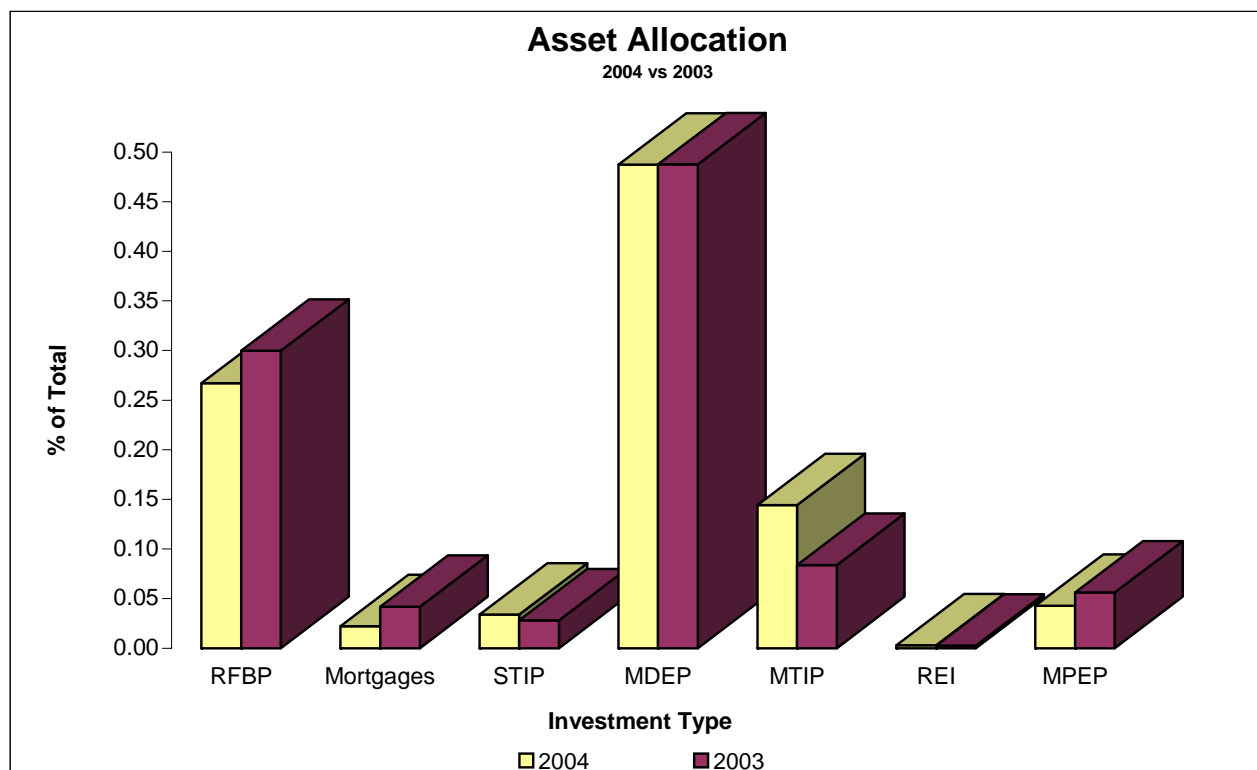
	Investment Objective	Actual Investment		Investment Objective	Actual Investment
PERS-DBRP			GWPORS		
Fixed	30% to 40%	32.31%	Fixed	30% to 40%	33.98%
Equity	60% to 70%	67.69%	Equity	60% to 70%	66.02%
JRS			MPORS		
Fixed	30% to 40%	32.94%	Fixed	30% to 40%	31.97%
Equity	60% to 70%	67.06%	Equity	60% to 70%	68.03%
HPORS			FURS		
Fixed	30% to 40%	32.49%	Fixed	30% to 40%	32.06%
Equity	60% to 70%	67.51%	Equity	60% to 70%	67.94%
SRS			VFCA		
Fixed	30% to 40%	32.69%	Fixed	30% to 40%	31.15%
Equity	60% to 70%	67.31%	Equity	60% to 70%	68.85%

INVESTMENT SECTION

PERS-DBRP

**Asset Mix (fair value)
as of June 30, 2004 and 2003
(in thousands)**

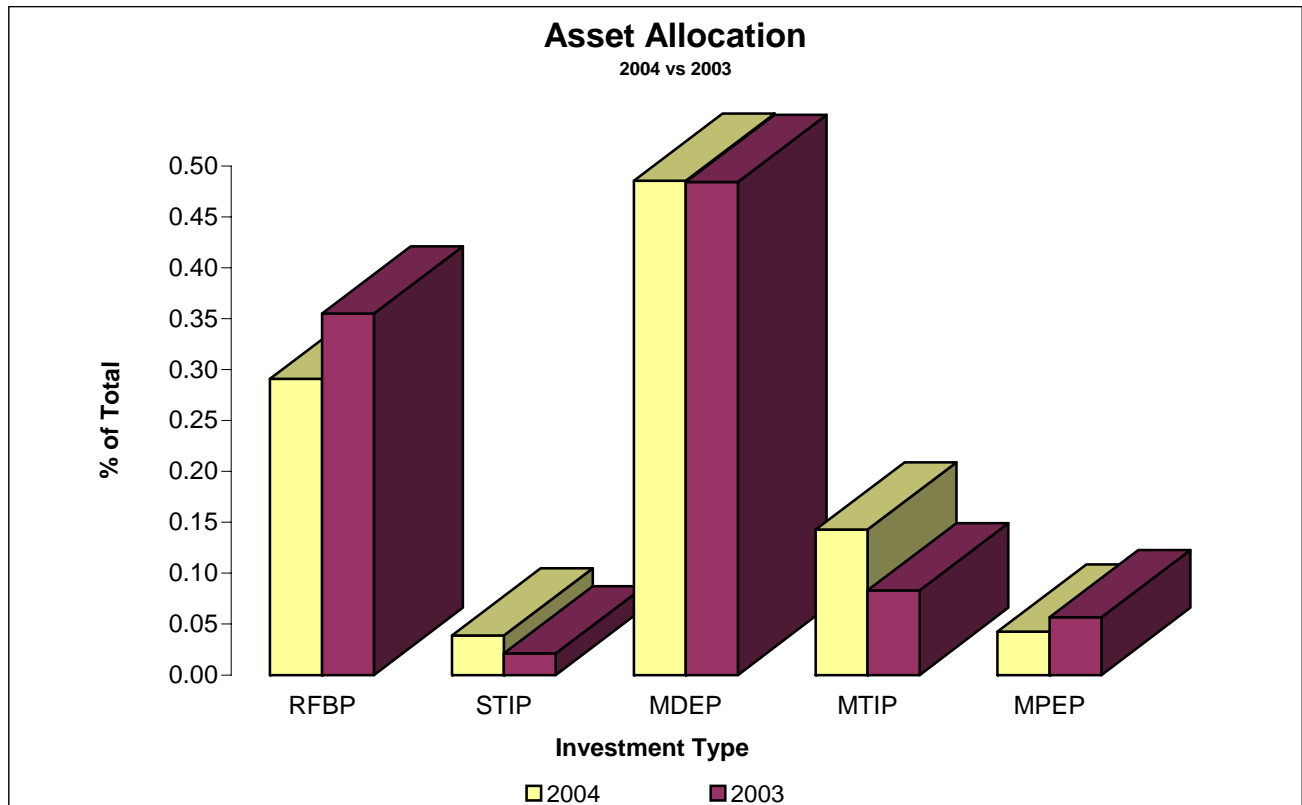
Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 805,840	26.71%	\$ 804,470	29.97%	\$ 1,370	0.17%
Montana Mortgages	66,755	2.21%	112,079	4.18%	(45,324)	-40.44%
STIP	102,343	3.39%	75,120	2.80%	27,223	36.24%
Total Fixed Income	\$ 974,938	32.31%	\$ 991,669	36.95%	\$ (16,731)	-1.69%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 1,469,963	48.72%	\$ 1,308,884	48.76%	\$161,079	12.31%
Montana International Pool (MTIP)	434,917	14.42%	225,347	8.40%	209,570	93.00%
Real Estate Investments (REI)	8,409	0.28%	7,246	0.27%	1,163	16.05%
Montana Private Equity Pool (MPEP)	128,797	4.27%	150,960	5.62%	(22,163)	-14.68%
Total Equities	\$ 2,042,086	67.69%	\$ 1,692,437	63.05%	\$349,649	20.66%
Total	\$ 3,017,024	100.00%	\$ 2,684,106	100.00%	\$332,918	12.40%



JRS

**Asset Mix (fair value)
as of June 30, 2004 and 2003
(in thousands)**

Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 13,024	29.07%	\$ 14,046	35.49%	\$(1,022)	-7.28%
STIP	1,733	3.87%	837	2.11%	896	107.05%
<i>Total Fixed Income</i>	<u>\$ 14,757</u>	<u>32.94%</u>	<u>\$ 14,883</u>	<u>37.60%</u>	<u>\$ (126)</u>	<u>-0.85%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 21,739	48.54%	\$ 19,162	48.41%	\$ 2,577	13.45%
Montana International Pool (MTIP)	6,393	14.27%	3,294	8.32%	3,099	94.08%
Montana Private Equity Pool (MPEP)	1,906	4.25%	2,243	5.67%	(337)	-15.02%
<i>Total Equities</i>	<u>\$ 30,038</u>	<u>67.06%</u>	<u>\$ 24,699</u>	<u>62.40%</u>	<u>\$ 5,339</u>	<u>21.62%</u>
Total	\$ 44,795	100.00%	\$ 39,582	100.00%	\$ 5,213	13.17%



INVESTMENT SECTION

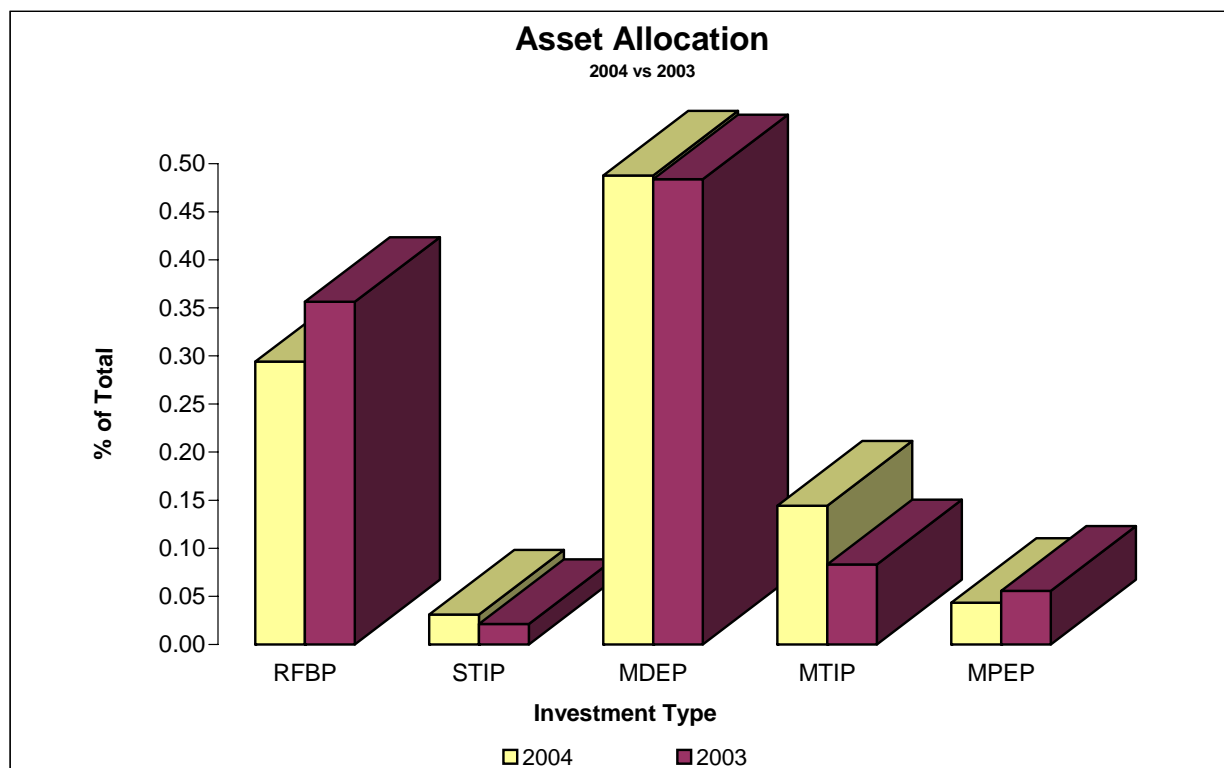
HPORS

Asset Mix (fair value)

as of June 30, 2004 and 2003

(in thousands)

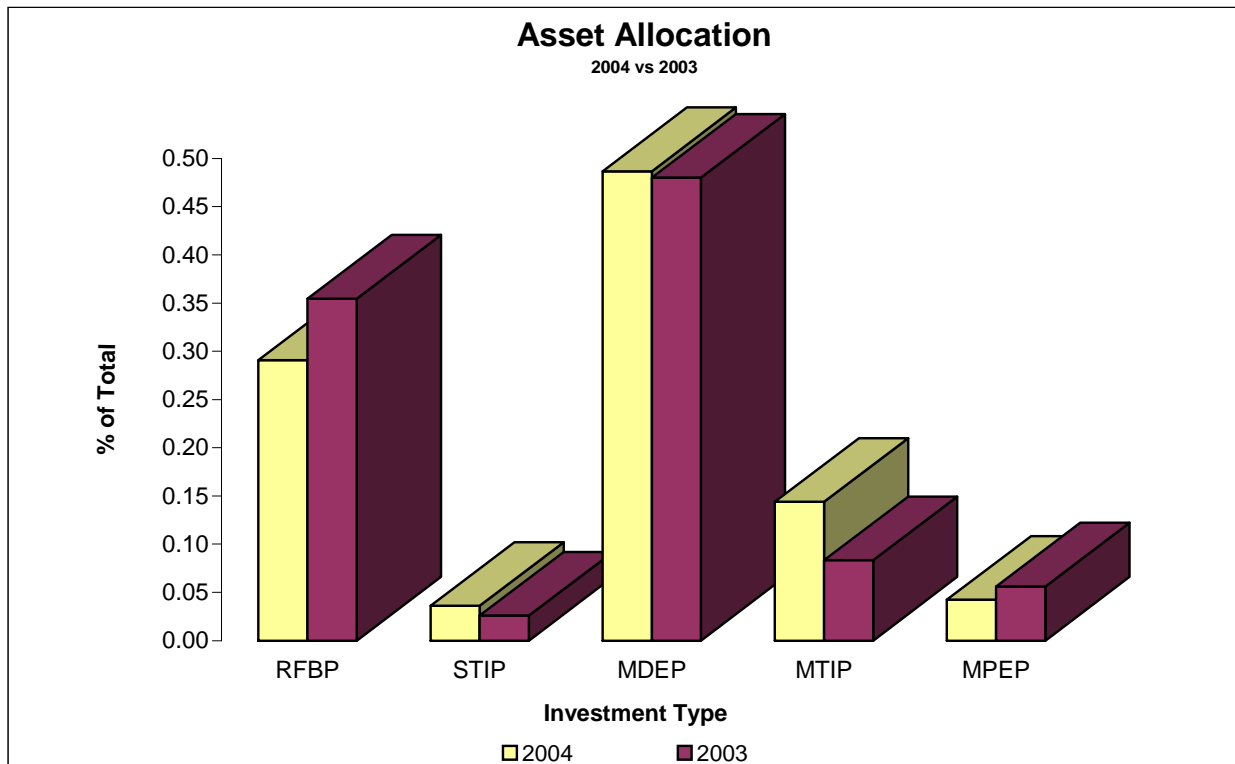
Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 23,018	29.39%	\$ 25,178	35.63%	\$(2,160)	-8.58%
STIP	2,430	3.10%	1,501	2.12%	929	61.89%
<i>Total Fixed Income</i>	<u>\$ 25,448</u>	<u>32.49%</u>	<u>\$ 26,679</u>	<u>37.74%</u>	<u>\$(1,231)</u>	<u>-4.61%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 38,192	48.77%	\$ 34,191	48.37%	\$ 4,001	11.70%
Montana International Pool (MTIP)	11,296	14.42%	5,883	8.32%	5,413	92.01%
Montana Private Equity Pool (MPEP)	3,375	4.32%	3,933	5.57%	(558)	-14.19%
<i>Total Equities</i>	<u>\$ 52,863</u>	<u>67.51%</u>	<u>\$ 44,007</u>	<u>62.26%</u>	<u>\$ 8,856</u>	<u>20.12%</u>
Total	\$ 78,311	100.00%	\$ 70,686	100.00%	\$ 7,625	10.79%



SRS

**Asset Mix (fair value)
as of June 30, 2004 and 2003
(in thousands)**

Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 40,680	29.08%	\$ 43,639	35.47%	\$ (2,959)	-6.78%
STIP	5,055	3.61%	3,186	2.59%	1,869	58.66%
<i>Total Fixed Income</i>	<u>\$ 45,735</u>	<u>32.69%</u>	<u>\$ 46,825</u>	<u>38.06%</u>	<u>\$ (1,090)</u>	<u>-2.33%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 68,112	48.68%	\$ 59,059	48.00%	\$ 9,053	15.33%
Montana International Pool (MTIP)	20,127	14.39%	10,250	8.33%	9,877	96.36%
Montana Private Equity Pool (MPEP)	5,936	4.24%	6,906	5.61%	(970)	-14.05%
<i>Total Equities</i>	<u>\$ 94,175</u>	<u>67.31%</u>	<u>\$ 76,215</u>	<u>61.94%</u>	<u>\$17,960</u>	<u>23.56%</u>
Total	\$ 139,910	100.00%	\$ 123,040	100.00%	\$16,870	13.71%

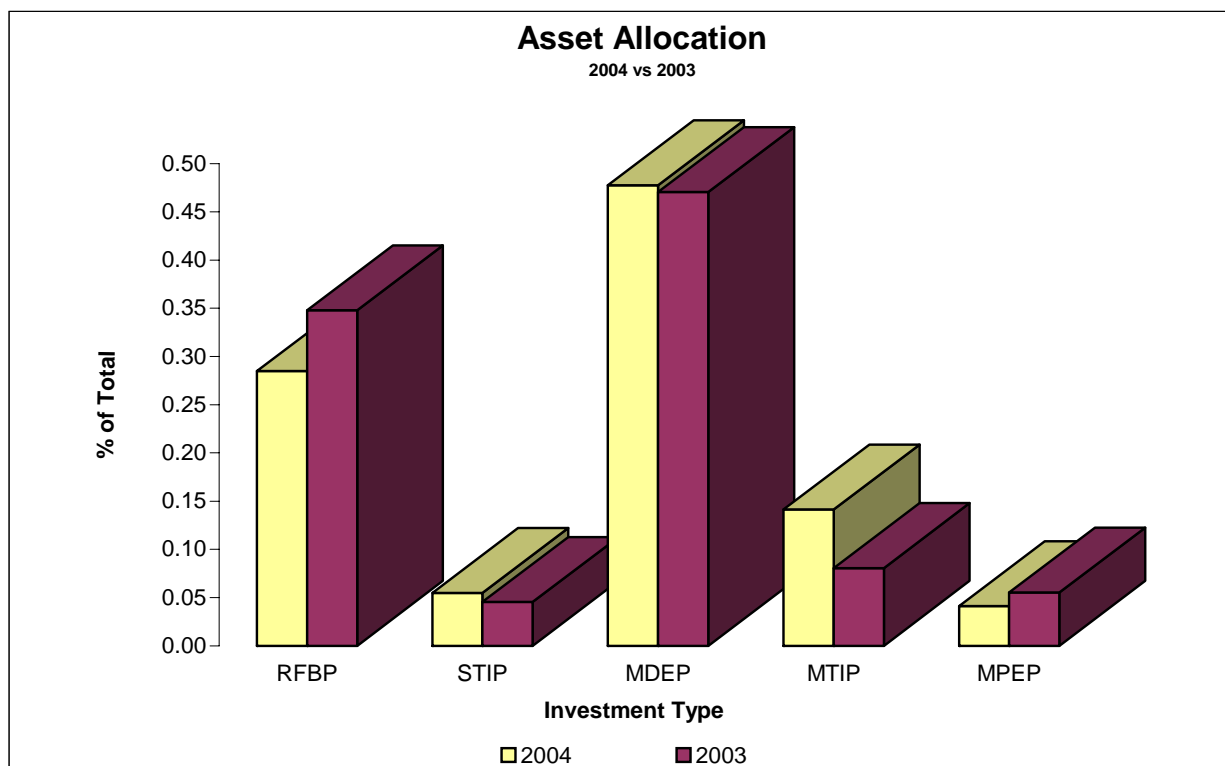


INVESTMENT SECTION

GWPORS

Asset Mix (fair value)
as of June 30, 2004 and 2003
 (in thousands)

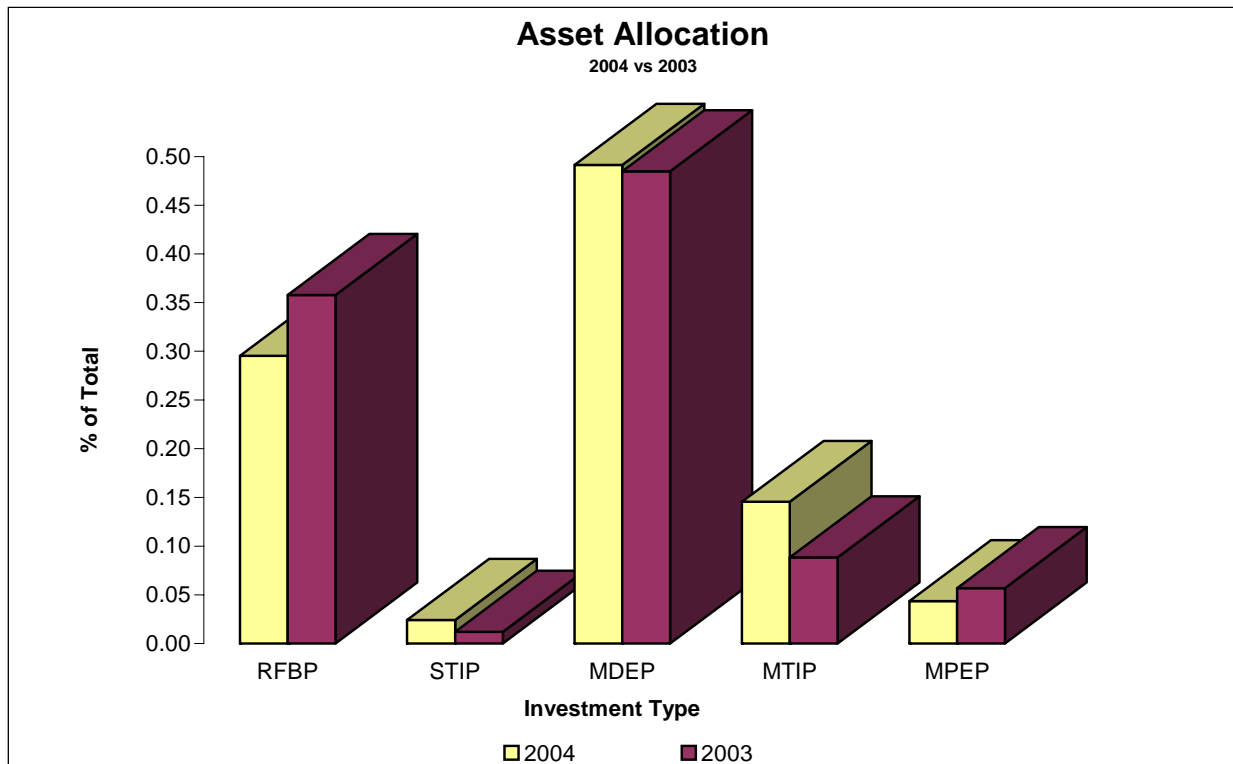
Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 12,837	28.49%	\$ 12,921	34.79%	\$ (84)	-0.65%
STIP	2,472	5.49%	1,691	4.55%	781	46.19%
Total Fixed Income	\$ 15,309	33.98%	\$ 14,612	39.34%	\$ 697	4.77%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 21,521	47.76%	\$ 17,476	47.05%	\$ 4,045	23.15%
Montana International Pool (MTIP)	6,372	14.14%	2,996	8.07%	3,376	112.68%
Montana Private Equity Pool (MPEP)	1,856	4.12%	2,058	5.54%	(202)	-9.82%
Total Equities	\$ 29,749	66.02%	\$ 22,530	60.66%	\$ 7,219	32.04%
Total	\$ 45,058	100.00%	\$ 37,142	100.00%	\$ 7,916	21.31%



MPORS

**Asset Mix (fair value)
as of June 30, 2004 and 2003
(in thousands)**

Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 41,584	29.55%	\$ 43,873	35.80%	\$ (2,289)	-5.22%
STIP	3,403	2.42%	1,446	1.19%	1,957	135.34%
<i>Total Fixed Income</i>	<u>\$ 44,987</u>	<u>31.97%</u>	<u>\$ 45,319</u>	<u>36.98%</u>	<u>\$ (332)</u>	<u>-0.73%</u>
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 69,175	49.15%	\$ 59,430	48.49%	\$ 9,745	16.40%
Montana International Pool (MTIP)	20,458	14.54%	10,833	8.84%	9,625	88.85%
Montana Private Equity Pool (MPEP)	6,105	4.34%	6,975	5.69%	(870)	-12.47%
<i>Total Equities</i>	<u>\$ 95,738</u>	<u>68.03%</u>	<u>\$ 77,238</u>	<u>63.02%</u>	<u>\$ 18,500</u>	<u>23.95%</u>
Total	\$ 140,725	100.00%	\$ 122,557	100.00%	\$ 18,168	14.82%

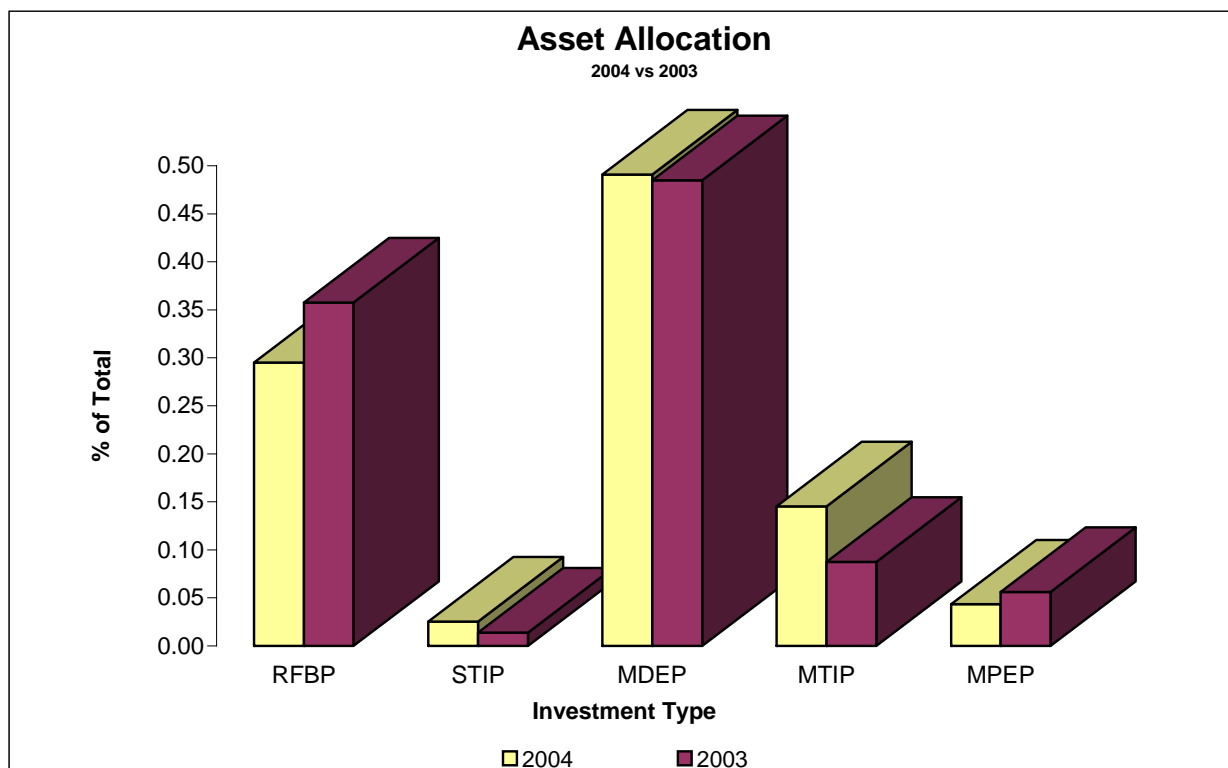


INVESTMENT SECTION

FURS

Asset Mix (fair value) as of June 30, 2004 and 2003 (in thousands)

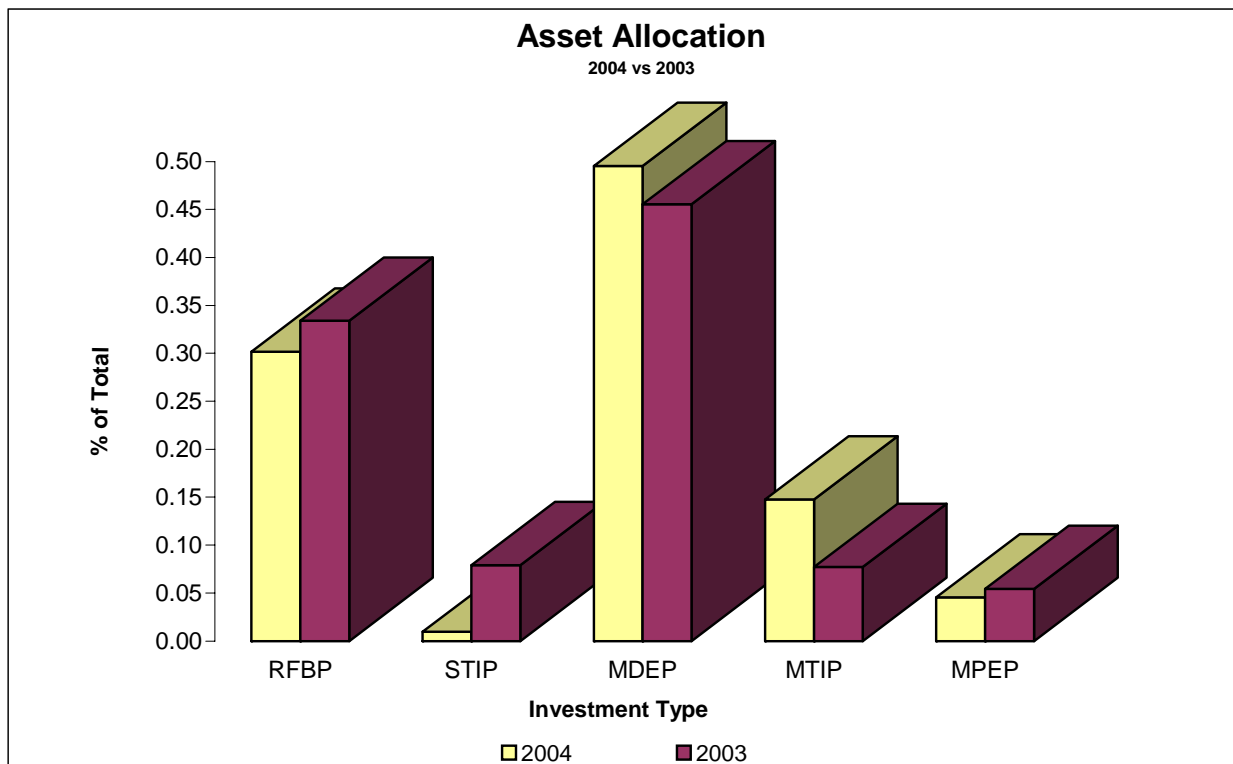
Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 39,592	29.51%	\$ 41,757	35.75%	\$ (2,165)	-5.18%
STIP	3,414	2.55%	1,641	1.40%	1,773	108.04%
<i>Total Fixed Income</i>	\$ 43,006	32.06%	\$ 43,398	37.15%	\$ (392)	-0.90%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 65,851	49.09%	\$ 56,638	48.48%	\$ 9,213	16.27%
Montana International Pool (MTIP)	19,469	14.52%	10,235	8.77%	9,234	90.22%
Montana Private Equity Pool (MPEP)	5,813	4.33%	6,546	5.60%	(733)	-11.20%
<i>Total Equities</i>	\$ 91,133	67.94%	\$ 73,419	62.85%	\$17,714	24.13%
Total	\$ 134,139	100.00%	\$ 116,817	100.00%	\$17,322	14.83%



VFCA

**Asset Mix (fair value)
as of June 30, 2004 and 2003
(in thousands)**

Investment Type	2004 Fair Value	% of Total	2003 Fair Value	% of Total	Dollar Change	% Change
Fixed Income:						
Retirement Funds Bond Pool (RFBP)	\$ 5,617	30.18%	\$ 5,964	33.39%	\$ (347)	-5.82%
STIP	180	0.97%	1,414	7.92%	(1,234)	-87.27%
Total Fixed Income	\$ 5,797	31.15%	\$ 7,378	41.31%	\$(1,581)	-21.43%
Equities:						
Montana Domestic Equity Pool (MDEP)	\$ 9,221	49.54%	\$ 8,134	45.54%	\$ 1,087	13.36%
Montana International Pool (MTIP)	2,746	14.75%	1,379	7.72%	1,367	99.13%
Montana Private Equity Pool (MPEP)	848	4.56%	969	5.43%	(121)	-12.49%
Total Equities	\$ 12,815	68.85%	\$ 10,482	58.69%	\$ 2,333	22.26%
Total	\$ 18,612	100.00%	\$ 17,860	100.00%	\$ 752	4.21%



INVESTMENT SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value) as of June 30, 2004

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
221,861,642	Montana Permanent Coal Trust Loans	\$ 221,861,642
119,513,572	Montana Residential Mortgages	119,513,572

PERS' 66,754,461 shares represent 19.3% of the total Mortgages portfolio at market.

Shares/Par	MPEP Portfolio	Fair Value
50,311,901	KKR 1996	\$ 88,540,666
48,680,492	Brinson Partnership Fund Trust	43,212,407
1	Oaktree Capital Opportunities Fund IVB LP	32,498,809
164,951	State Street SPIFF	24,229,851
12,855,368	Lexington Capital Partnership V LP	17,820,972
16,893,417	KKR European Fund	15,776,593
10,107,970	Welsh Carson Anderson Stowe IX	12,717,565
14,108,333	Brinson Venture Capital Fund IV	9,500,241
7,552,000	Adams Street Partnership Fund	7,577,518
8,000,000	Adams Street Fund V	7,421,640

PERS' 1,297,661 shares represent 49.83% of the total MPEP portfolio at market.

JRS' 19,204 shares represent .74% of the total MPEP portfolio at market.

HPORS' 34,001 shares represent 1.31% of the total MPEP portfolio at market.

SRS' 59,802 shares represent 2.30% of the total MPEP portfolio at market.

GWPORS' 18,699 shares represent .72% of the total MPEP portfolio at market.

MPORS' 61,502 shares represent 2.36% of the total MPEP portfolio at market.

FURS' 58,567 shares represent 2.25% of the total MPEP portfolio at market.

VFCA's 8,547 shares represent .33% of the total MPEP portfolio at market.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Largest Holdings (by portfolio fair value)

as of June 30, 2004

Shares/Par	MDEP Portfolio	Fair Value
2,576,200	General Electric Co	\$ 83,468,880
2,721,000	Microsoft Corp	77,711,760
2,078,260	Pfizer Inc	71,242,753
1,461,866	Citigroup Inc	67,976,769
1,439,912	Exxon Mobil Corp	63,946,492
804,000	Johnson & Johnson	44,782,800
599,750	American International Group Inc	42,750,180
1,544,000	Intel Corp	42,614,400
750,000	Wal Mart Stores Inc	39,570,000
1,605,000	Cisco Systems Inc	38,038,500

PERS' 11,955,431 shares represent 50.65% of the total MDEP portfolio at market.

JRS' 176,805 shares represent .75% of the total MDEP portfolio at market.

HPORS' 310,623 shares represent 1.32% of the total MDEP portfolio at market.

SRS' 553,968 shares represent 2.35% of the total MDEP portfolio at market.

GWPORS' 175,030 shares represent .74% of the total MDEP portfolio at market.

MPORS' 562,614 shares represent 2.38% of the total MDEP portfolio at market.

FURS' 535,576 shares represent 2.27% of the total MDEP portfolio at market.

VFCA's 74,994 shares represent .32% of the total MDEP portfolio at market.

Shares/Par	RFBP Portfolio	Fair Value
150,000,000	Student Loan Marketing Assn	\$ 68,702,550
35,000,000	Federal Home Loan Mortgage Corp	33,592,370
30,000,000	Federal National Mortgage Assn	32,299,824
150,000,000	Federal Home Loan Mortgage Corp	29,910,000
29,251,285	FNMA Pool	27,912,161
29,193,982	Federal Home Loan Pool B13150	27,865,175
27,667,779	Federal Home Loan Pool E01425	27,097,582
27,498,408	Federal Home Loan Pool E01418	26,246,777
21,835,873	PPL Montana LLC	25,629,766
26,822,963	Federal Home Loan Pool E01376	25,571,924

PERS' 772,494,880 shares represent 49.74% of the total RFBP portfolio at market.

JRS' 12,485,043 shares represent .80% of the total RFBP portfolio at market.

HPORS' 22,065,231 shares represent 1.42% of the total RFBP portfolio market.

SRS' 38,996,919 shares represent 2.51% of the total RFBP portfolio at market.

GWPORS' 12,305,775 shares represent .79% of the total RFBP portfolio at market.

MPORS' 39,863,268 shares represent 2.57% of the total RFBP portfolio at market.

FURS' 37,954,178 shares represent 2.44% of the total RFBP portfolio market.

VFCA's 5,384,788 shares represent .35% 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, 2004

Shares/Par	MTIP Portfolio	Fair Value
44,873,947	BGI MSCI Index Fund Europe	\$ 389,187,569
3,578,423	BGI Pacific Index Strategy Fund	46,167,852
215,706	State Street SPIFF	31,685,217
185,600	Novartis AG	8,187,799
476,259	Telefonica SA	7,040,203
173,500	Toyota Motor Corp	7,028,090
24,330	Nestle S A	6,488,518
15,533	Samsung Electronic	6,412,151
96,600	Swiss Reinsurance	6,274,681
1,054	East Japan Railway	5,910,183

PERS' 4,038,393 shares represent 50.93% of the total MTIP portfolio at market.

JRS' 59,366 shares represent .75% of the total MTIP portfolio at market.

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

SRS' 186,886 shares represent 2.36% of the total MTIP portfolio at market.

GWPORS' 59,163 shares represent .75% of the total MTIP portfolio at market.

MPORS' 189,964 shares represent 2.40% of the total MTIP portfolio at market.

FURS' 180,776 shares represent 2.28% of the total MTIP portfolio at market.

VFCA's 25,499 shares represent .32% 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, 2004

(in thousands)

Type of Investment	PERS-DBRP		JRS		HPORS	
	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
<i>Fixed Income</i>						
Retirement Funds Bond Pool	\$ 805,840	26.71%	\$ 13,024	29.07%	\$ 23,018	29.39%
<i>Equities</i>						
Montana Domestic Equity Pool	1,469,963	48.72%	21,739	48.54%	38,192	48.77%
Montana International Pool	434,917	14.42%	6,393	14.27%	11,296	14.42%
<i>Alternative Equities</i>						
Montana Private Equity Pool	128,797	4.27%	1,906	4.25%	3,375	4.32%
Real Estate Investments	8,409	0.28%	N/A		N/A	
<i>Montana Mortgages & Loans</i>						
Mortgages	66,755	2.21%	N/A		N/A	
<i>Short Term Investments</i>						
Short Term Investment Pool	102,343	3.39%	1,733	3.87%	2,430	3.10%
Total	\$ 3,017,024	100.00%	\$ 44,795	100.00%	\$ 78,311	100.00%

INVESTMENT SECTION

SRS		GWPORS		MPORS		FURS		VFCA	
Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value	Fair Value	% of Total Fair Value
\$ 40,680	29.08%	\$ 12,837	28.49%	\$ 41,584	29.55%	\$ 39,592	29.51%	\$ 5,617	30.18%
68,112	48.68%	21,521	47.76%	69,175	49.15%	65,851	49.09%	9,221	49.54%
20,127	14.39%	6,372	14.14%	20,458	14.54%	19,469	14.52%	2,746	14.75%
5,936	4.24%	1,856	4.12%	6,105	4.34%	5,813	4.33%	848	4.56%
N/A		N/A		N/A		N/A		N/A	
N/A		N/A		N/A		N/A		N/A	
5,055	3.61%	2,472	5.49%	3,403	2.42%	3,414	2.55%	180	0.97%
\$ 139,910	100.00%	\$ 45,058	100.00%	\$ 140,725	100.00%	\$ 134,139	100.00%	\$ 18,612	100.00%

INVESTMENT SECTION

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November 18, 2004

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. The previous valuations were performed as of July 1, 2002. We have now completed actuarial valuations as of July 1, 2004 for the following retirement systems:

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

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

- | | |
|--|------------|
| - Municipal Police Officers' Retirement System | 24.4 years |
| - Highway Patrol Officers' Retirement System | 19.1 years |
| - Firefighters' Unified Retirement System | 18.7 years |

Based on the assumed level of future revenue, the Unfunded Actuarial Liability for the Volunteer Firefighters' Compensation Act is expected to be amortized over less than 20 years. The Judges' Retirement System had an Actuarial Surplus as of July 1, 2004.

Our findings indicate the projected income stream from the expected contributions will not be sufficient to pay the Normal Costs and amortize the Unfunded Actuarial Liability for the following systems. The additional contributions necessary as of July 1, 2004 to amortize the Unfunded Actuarial Liabilities over 30 years are shown below.

- | | |
|---|------------------|
| - Public Employees' Retirement System | 1.19% of payroll |
| - Game Wardens' and Peace Officers' Retirement System | 0.23% of payroll |
| - Sheriffs' Retirement System | 2.15% of payroll |

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

In preparing the 2004 valuations, we relied upon the financial and membership data furnished by the Public Employees' Retirement Administration. Although we did not audit this



data, we compared the data for this and the prior valuation and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations. It should be noted that if any data or other information is inaccurate or incomplete, our calculations might need to be revised.

Information presented in this Actuarial Section as of June 30, 2004, including the following supporting tables, is based on information found in our actuarial valuation reports:

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

In addition, data for the fiscal year ending June 30, 2004, 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 2004 valuations.

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

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

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

Respectfully submitted,

Signature on File

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

Public Employees' Retirement Board

A Component Unit of the State of Montana

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

BACKGROUND

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

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

RECORDS AND DATA

The data used in the valuation consists of financial information and records of age, ser-

vice 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.

ACTUARIAL SECTION

The Actuarial Value of Assets is the market value, adjusted by a four-year recognition of gains and losses.

INVESTMENT RETURN

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

INTEREST ON MEMBER CONTRIBUTIONS

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

FUTURE SALARIES

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

MORTALITY

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

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

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

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

SERVICE RETIREMENT

The assumed rates of service retirement used in the valuations are dependent upon age and years of service and differ between plans. The rates are based on the actual experience of the individual plans as determined in the 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.

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.

ACTUARIAL AUDIT

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

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Valuation Data

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
PERS-DBRP	June 30, 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%
	June 30, 2004	28,201	526	832,847,393	29,533	-0.49%
JRS	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%
	June 30, 2004	50	1	4,403,432	88,069	5.84%
HPORS	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%
	June 30, 2004	194	1	7,843,505	40,430	4.07%
SRS	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%
	June 30, 2004	662	56	27,372,575	41,348	7.01%

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

System	Valuation Date	Number Members	Nbr ERs	Covered Payroll	Average Annual Pay	% Pay Increase
GWPORS	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%
	June 30, 2004	685	8	21,442,218	31,303	3.74%
MPORS	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%
	June 30, 2004	603	22	24,531,018	40,682	4.98%
FURS	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%
	June 30, 2004	438	15	20,031,923	45,735	8.39%
VFCA	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				
	June 30, 2004	2,687				

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

ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Active Member Composition

as of June 30, 2004

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS	FURS	VFCA ¹
Average Age	47.3	54.8	39.2	41	39.8	38.3	40.3	43.9
Average Service	9.8	9.5	9.7	8.8	5.54	9.9	12.4	8.6
Average Salary	\$ 29,487	\$ 88,770	\$ 38,669	\$ 40,408	\$ 31,023	\$ 40,371	\$ 44,063	N/A
Under Age 25								
Number Members	549	-	2	10	36	13	8	131
Average Salary	\$ 20,271	-	29,189	33,949	25,025	31,185	29,468	-
Ages 25-29								
Number Members	1,363	-	18	61	63	71	43	172
Average Salary	\$ 25,085	-	32,239	37,285	27,628	34,280	36,781	-
Ages 30-34								
Number Members	1,786	-	35	127	132	126	82	258
Average Salary	\$ 27,989	-	33,722	37,595	29,659	36,250	39,530	-
Ages 35-39								
Number Members	2,546	1	45	120	133	150	75	394
Average Salary	\$ 28,074	87,929	38,246	39,493	30,624	38,877	40,265	-
Ages 40-44								
Number Members	3,893	5	49	108	102	114	87	426
Average Salary	\$ 29,490	87,030	40,679	40,948	32,649	42,118	46,066	-
Ages 45-49								
Number Members	5,202	5	24	94	94	57	65	438
Average Salary	\$ 30,481	88,082	42,447	43,815	33,406	45,142	48,437	-
Ages 50-54								
Number Members	5,628	14	12	79	62	26	47	406
Average Salary	\$ 31,757	88,451	45,391	44,058	33,332	44,309	51,785	-
Ages 55-59								
Number Members	4,284	12	8	47	48	15	29	248
Average Salary	\$ 31,002	89,308	43,619	41,825	32,648	53,603	52,472	-
Ages 60-64								
Number Members	2,167	10	1	15	14	-	2	122
Average Salary	\$ 28,615	90,121	56,037	42,018	33,802	-	54,497	-
Ages 66-69								
Number Members	550	2	-	1	1	-	-	53
Average Salary	\$ 24,304	87,929	-	5,104	43,955	-	-	-
Age 70 & Over								
Number Members	233	1	-	-	-	-	-	39
Average Salary	\$ 19,294	87,929	-	-	-	-	-	-

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

The last actuarial valuation was performed as of June 30, 2004.

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ACTUARIAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added		Removed		End of Year	Benefits ¹	Average Annual Benefit ²	% Benefit Increase
	No.	Annual Benefits	No.	Annual Benefits				
PERS-DBRP								
June 30, 1999	680	\$ 602,653	366	\$ 202,566	13,238	\$ 91,521,090	\$ 7,103	5.35%
June 30, 2000	742	657,440	408	250,041	13,572	96,015,987	7,159	0.79%
June 30, 2001	649	561,963	423	194,728	13,798	101,546,131	7,505	4.83%
June 30, 2002	777	1,352,552	459	211,484	14,116	114,662,817	8,453	12.63%
June 30, 2003	735	952,550	450	278,056	14,401	122,203,686	8,672	2.59%
June 30, 2004	861	1,216,589	428	931,433	14,834	132,683,144	9,246	6.62%
JRS								
June 30, 1999	1	1,933	3	5,998	48	1,319,084	31,934	21.14%
June 30, 2000	0	8,412	1	-	47	1,379,363	29,153	-8.71%
June 30, 2001	8	17,030	4	8,937	51	1,430,623	28,771	-1.31%
June 30, 2002	0	8,215	0	-	51	1,566,110	30,704	6.72%
June 30, 2003	0	493	1	1,790	50	1,551,557	31,007	0.99%
June 30, 2004	1	12,298	1	2,763	50	1,670,457	33,295	7.38%
HPORS								
June 30, 1999	13	30,634	3	2,244	254	4,085,281	15,444	5.20%
June 30, 2000	11	29,063	4	3,014	261	4,396,044	16,227	5.07%
June 30, 2001	5	19,358	6	5,709	260	4,624,420	16,920	4.27%
June 30, 2002	7	26,750	2	2,714	265	4,861,329	17,677	4.48%
June 30, 2003	6	26,956	4	3,658	267	5,159,762	18,669	5.61%
June 30, 2004	8	33,952	1	1,342	274	5,492,910	19,583	4.89%
SRS								
June 30, 1999	41	61,593	3	313	213	2,364,489	12,318	14.07%
June 30, 2000	31	42,395	2	2,569	242	2,929,550	12,733	3.37%
June 30, 2001	21	31,561	1	2,044	262	3,293,535	13,305	4.49%
June 30, 2002	23	41,777	5	5,462	280	3,699,727	13,959	4.92%
June 30, 2003	29	57,961	3	759	306	4,307,060	15,059	7.89%
June 30, 2004	22	56,415	5	4,447	323	4,902,832	16,250	7.91%

¹Includes active death benefit payments.

²Based on June monthly benefit totals.

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

Year Ended	Added		Removed		End of Year	Benefits ¹	Average Annual Benefit ²	% Benefit Increase
	No.	Annual Benefits	No.	Annual Benefits				
GWPORS								
June 30, 1999	2	\$ 5,238	0	\$ -	80	\$ 1,153,214	\$ 14,777	2.90%
June 30, 2000	2	4,650	0	-	82	1,210,991	15,097	2.17%
June 30, 2001	0	-	3	2,172	79	1,235,308	15,566	3.11%
June 30, 2002	3	4,827	3	3,099	79	1,230,427	15,828	1.69%
June 30, 2003	4	12,749	1	1,094	82	1,316,309	16,955	7.12%
June 30, 2004	4	9,071	1	2,123	85	1,459,817	17,496	3.19%
MPORS								
June 30, 1999	20	51,963	10	9,011	540	8,278,547	15,603	4.40%
June 30, 2000	14	37,041	13	14,831	541	8,653,105	16,093	3.14%
June 30, 2001	22	85,521	10	11,826	553	9,124,506	17,414	8.21%
June 30, 2002	14	49,240	13	18,007	554	9,844,541	18,045	3.62%
June 30, 2003	19	63,743	8	10,705	565	10,425,561	18,866	4.55%
June 30, 2004	17	58,062	11	15,443	571	10,885,372	19,576	3.76%
FURS								
June 30, 1999	20	56,624	13	41,695	457	6,995,439	15,680	6.24%
June 30, 2000	23	58,248	12	16,667	468	7,517,677	16,402	4.60%
June 30, 2001	21	48,753	15	17,543	474	8,017,761	17,072	4.09%
June 30, 2002	17	68,260	10	13,248	481	8,507,526	18,203	6.63%
June 30, 2003	12	50,432	13	14,906	480	9,080,598	19,132	5.10%
June 30, 2004	22	84,167	4	6,632	498	9,674,137	20,384	6.54%
VFCA								
June 30, 1999	49	4,255	18	1,325	792	813,527	1,025	0.30%
June 30, 2000	72	6,085	25	2,025	839	843,649	1,029	0.41%
June 30, 2001	54	4,750	31	2,585	862	881,855	1,032	0.26%
June 30, 2002	68	42,780	46	2,510	884	1,410,768	1,542	49.47%
June 30, 2003	62	8,160	25	3,045	921	1,411,936	1,551	0.58%
June 30, 2004	59	11,340	36	3,915	944	1,478,648	1,614	4.07%

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	06/30/00	\$ 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
	06/30/04	684,607	1,640,145	1,189,333	3,047,287	100	100	61
JRS	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
	06/30/04	3,271	20,106	11,347	45,134	100	100	192
HPORS	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
	06/30/04	6,914	76,936	20,219	79,104	100	94	0
SRS	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
	06/30/04	21,643	75,982	50,983	141,022	100	100	85

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

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

System	Valuation Date	Aggregate Accrued Liabilities for			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
		(1)	(2)	(3)		(1)	(2)	(3)
		Active Member Accounts	Retirants and Beneficiaries	Active Members (ER Financed portion)				
GWPORS	06/30/00	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
	06/30/04	12,371	18,034	19,905	45,210	100	100	74
MPORS	06/30/00	18,465	111,855	43,789	129,826	100	94	0
	06/30/02	20,854	144,055	61,918	143,516	100	85	0
	06/30/04	23,317	159,767	77,010	149,510	100	79	0
FURS	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	0
	06/30/04	20,215	142,894	64,490	142,109	100	85	0
VFCA	06/30/00	-	9,614	7,138	17,769	100	100	114
	06/30/02	-	15,631	11,177	19,254	100	100	32
	06/30/04	-	16,578	12,102	20,058	100	100	29

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	\$ 477,405
Demographic (Gain) or Loss	4,867
Changes in Assumptions	18,075
Total Actuarial (Gain) or Loss	\$ 500,347

JRS	
Investment (Gain) or Loss	\$ 6,976
Demographic (Gain) or Loss	(161)
Changes in Assumptions	3
Total Actuarial (Gain) or Loss	\$ 6,818

HPORS	
Investment (Gain) or Loss	\$ 12,922
Demographic (Gain) or Loss	1,241
Changes in Assumptions	252
Total Actuarial (Gain) or Loss	\$ 14,415

The last actuarial valuation was performed as of June 30, 2004.

ACTUARIAL SECTION

SRS	
Investment (Gain) or Loss	\$ 21,227
Demographic (Gain) or Loss	3,137
Changes in Assumptions	3,616
Total Actuarial (Gain) or Loss	\$ 27,980

GWPORS	
Investment (Gain) or Loss	\$ 5,607
Demographic (Gain) or Loss	208
Changes in Assumptions	(162)
Total Actuarial (Gain) or Loss	\$ 5,653

MPORS	
Investment (Gain) or Loss	\$ 21,793
Demographic (Gain) or Loss	1,722
Changes in Assumptions	3,075
DROP Benefit	603
Total Actuarial (Gain) or Loss	\$ 27,193

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	\$ 20,845
Demographic (Gain) or Loss	5,796
Changes in Assumptions	803
Total Actuarial (Gain) or Loss	\$ 27,444

VFCA	
Investment (Gain) or Loss	\$ 2,238
Demographic (Gain) or Loss	(1,058)
Changes in Assumptions	592
Plan Amendment	36
Total Actuarial (Gain) or Loss	\$ 1,808

The last actuarial valuation was performed as of June 30, 2004.

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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, 2004, is presented separately for each plan.

Public Employees' Retirement System-DBRP

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

If hired after February 24, 1991:

(a) Years of service credit, multiplied by highest average compensation, multiplied by 1/56th (1/50th if 25 or more years of membership service).

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

ACTUARIAL SECTION

Judges' Retirement System

Normal Retirement	Eligibility:	Age 60 and 5 years of membership service.
	Benefit:	(1) If hired before July 1, 1997, 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 final payment equal to the accumulated contributions of the member account at retirement less the sum of all payments made to the date of death. This final payment may be annuitized. For GABA members - monthly benefit for the life of the member, with a final payment 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.

ACTUARIAL SECTION

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.
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 January 1st, one year after retirement for members hired on or after July 1, 1997, if elected by the member, or (b) The annual increase in compensation to active members.
Contributions	Members:	7.00% of members' compensation.
	Employers:	25.81 % of members' compensation.

ACTUARIAL SECTION

Highway Patrol Officers' Retirement System

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

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

ACTUARIAL SECTION

Sheriffs' Retirement System

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

Termination Benefit	Eligibility:	Prior to 5 years of membership service
	Benefit:	Return of member contributions with interest.
	Eligibility:	5 years of membership service
	Benefit:	Either (a) or (b) below: (a) Return of member contributions with interest, or (b) Actuarial equivalent of the accrued benefit based on 20 years of membership service or a 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
	Benefit:	An annual adjustment (GABA) of 3.0% commencing January 1st, one year after retirement
Contributions	Members:	9.245% of members' compensation.
	Employers:	9.535% of members' compensation.

ACTUARIAL SECTION

Game Wardens and Peace Officers' Retirement System

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.
Early Retirement	Eligibility:	5 years of membership service and age 55
	Benefit:	Years of service credit, multiplied by highest average compensation, multiplied by 2.50%
Disability Retirement	Eligibility:	5 years of membership service, and service disablement
	Benefit:	50% of highest average compensation. If the member has more than 20 years of service credit, 2.5% of highest average compensation multiplied by years of service credit
	Eligibility:	Non-service disablement
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 50.
Death before Retirement	Eligibility:	Service death
	Benefit:	50% of highest average compensation. If the member has more than 25 years of service credit, 2.0% of highest average compensation multiplied by years of service credit
	Eligibility:	Non-service death
	Benefit:	Actuarial equivalent of accrued benefit based on a retirement age of 55.

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

ACTUARIAL SECTION

Municipal Police Officers' Retirement System

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

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

ACTUARIAL SECTION

Municipal Police Officers' Retirement System (cont.)

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

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ACTUARIAL SECTION

Firefighters' Unified Retirement System

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

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

ACTUARIAL SECTION

Volunteer Firefighters' Compensation Act

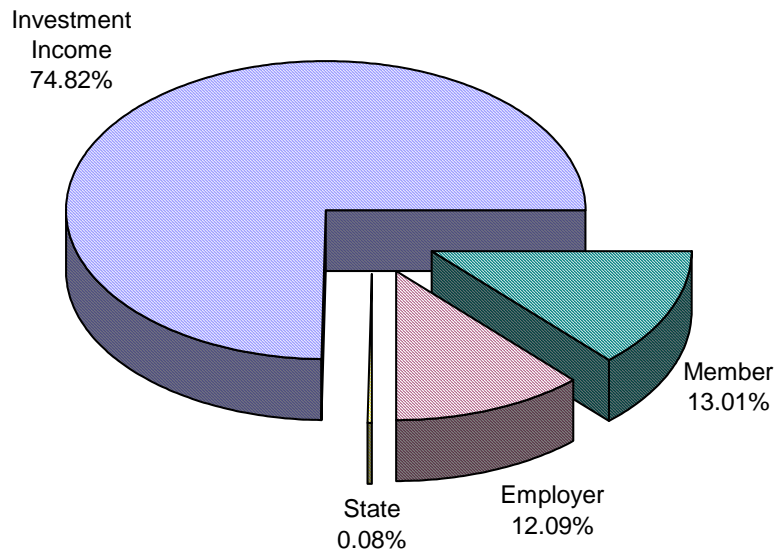
Service Retirement	Eligibility:	Age 55 and 20 years of service, or Age 60 and 10 years of service.
	Benefit:	\$7.50 per year of service, up to a maximum of 20 years of service.
Additional Retirement	Eligibility:	After July 1, 2003, member must be age 55 and have 20 years of service and continue to be an active volunteer.
	Benefit:	\$7.50 per year of service beyond 20 years, Maximum benefit \$225 per month (30 years)
	Normal Form:	Monthly benefit for the life of the member, with no survivorship benefits.
Disability Retirement	Eligibility:	Service disability.
	Benefit:	\$7.50 per year of service, with a minimum of \$75 and a maximum of \$150 per month.
Death before Retirement	Eligibility:	10 years of service.
	Benefit:	\$7.50 per year of service.
Termination Benefit	Eligibility:	Accrued benefit at retirement age of 60.
Contributions	Members:	None.
	State:	5% of premium taxes collected.

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					
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%
2003 ⁵	62,628	57,597	389	-	167,331	287,945	6.78%
2004⁵	62,664	58,231	403	-	360,266	481,564	6.99%

Revenue for Fiscal Year 2004



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.

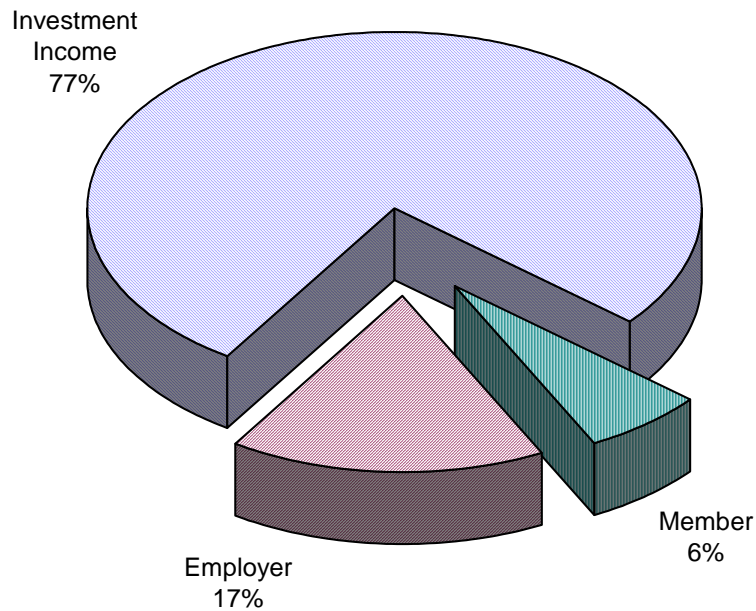
STATISTICAL SECTION

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			
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%
2004	443	1,136	5,248	6,827	25.80%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

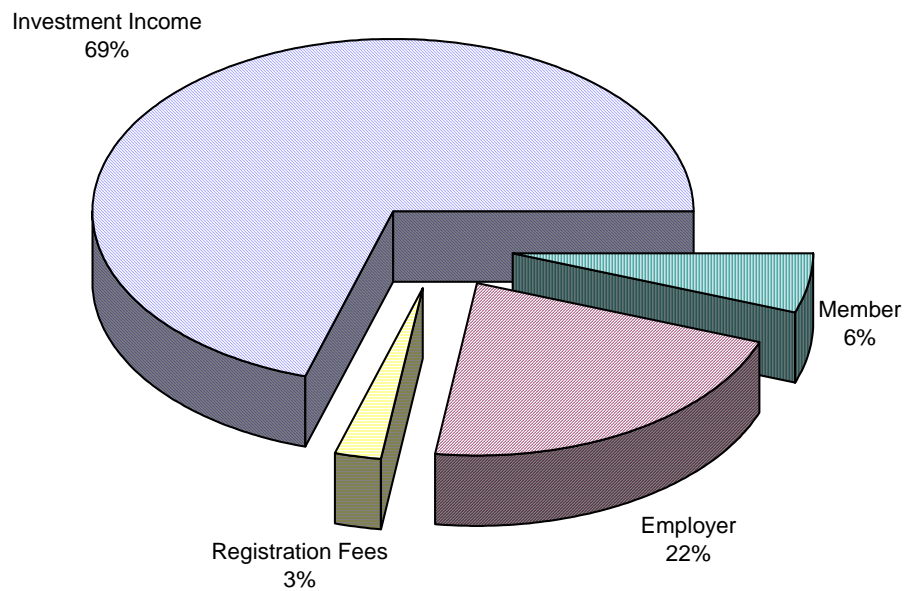
STATISTICAL SECTION

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				
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%
2004	743	2,859	348	9,322	13,272	36.45%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

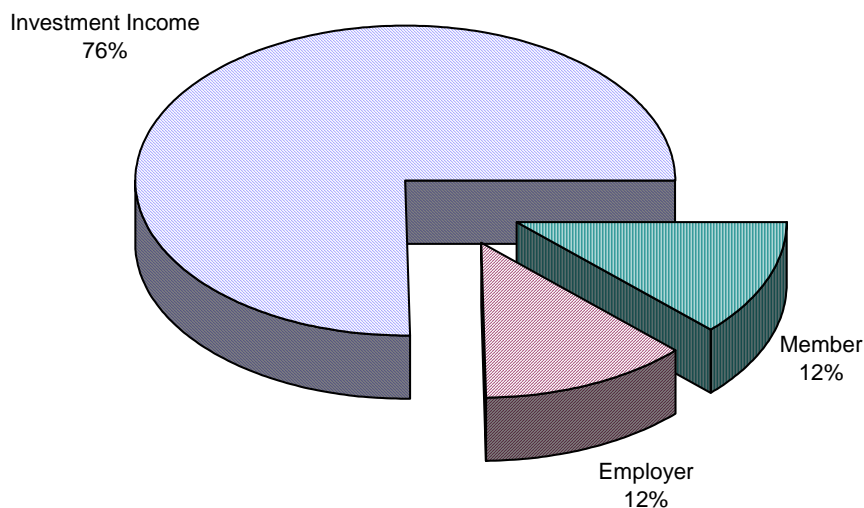
STATISTICAL SECTION

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			
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%
2004	2,685	2,684	16,404	21,773	9.81%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Retirement Incentive and Miscellaneous Revenue.

³Includes Common Stock Dividends.

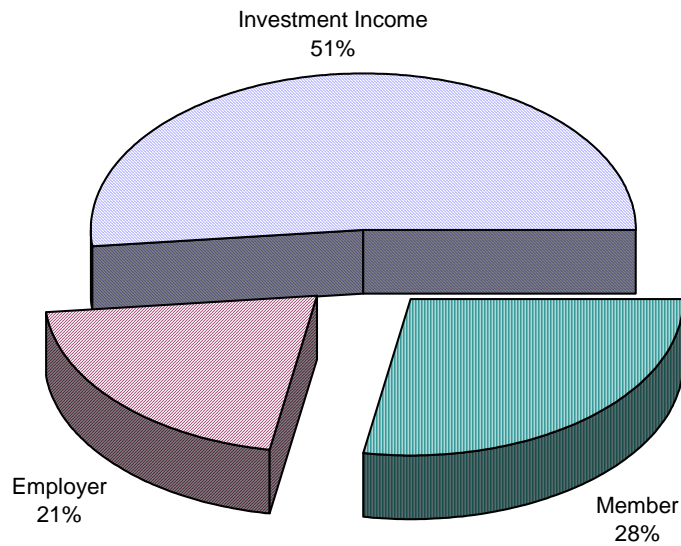
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

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			
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%
2004	2,714	2,021	5,073	9,808	9.43%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Common Stock Dividends.

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

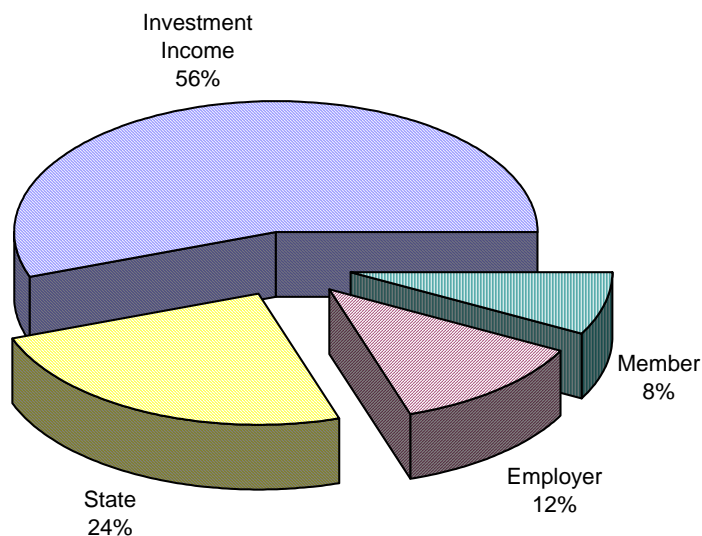
STATISTICAL SECTION

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				
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%
2004	2,313	3,612	7,208	16,392	29,525	14.72%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Percent of Salary.

³Includes Common Stock Dividends.

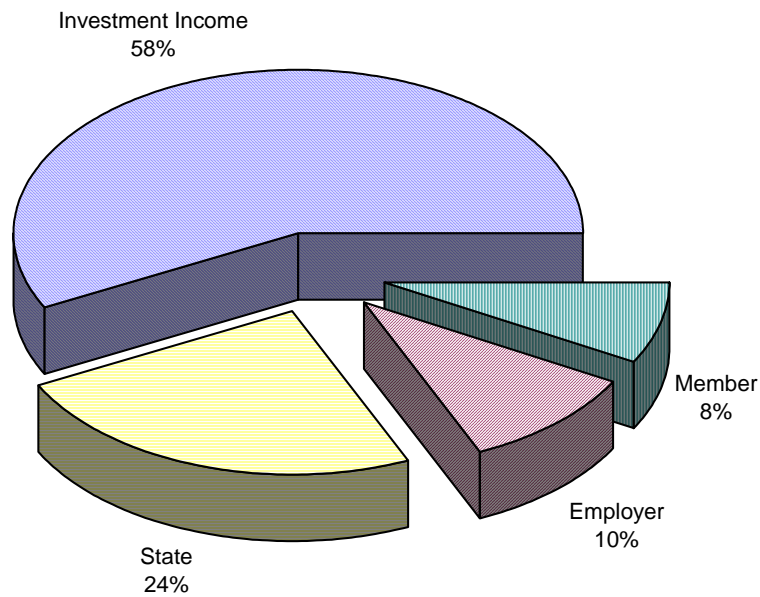
Contributions were made in accordance with actuarially determined and statutory contribution requirements.

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				
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%
2004	2,213	2,796	6,533	15,692	27,234	13.81%

Revenue for Fiscal Year 2004



¹Includes Interest Reserve Buyback.

²Includes Percent of Salary.

³Includes Common Stock Dividends.

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

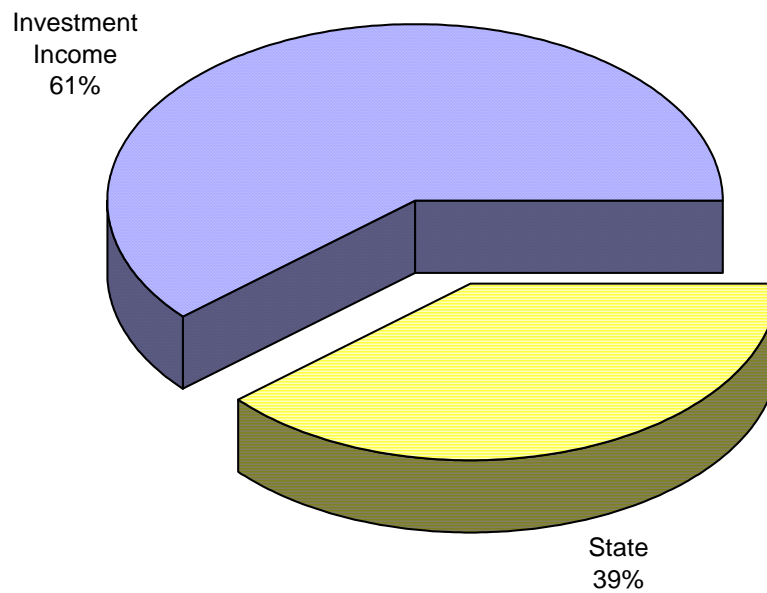
STATISTICAL SECTION

VFCA

Schedule of Revenue by Source (in thousands)

Fiscal Year	State	Investment Income ¹	Total
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
2004	1,434	2,271	3,705

Revenue for Fiscal Year 2004



¹Includes Common Stock Dividends.

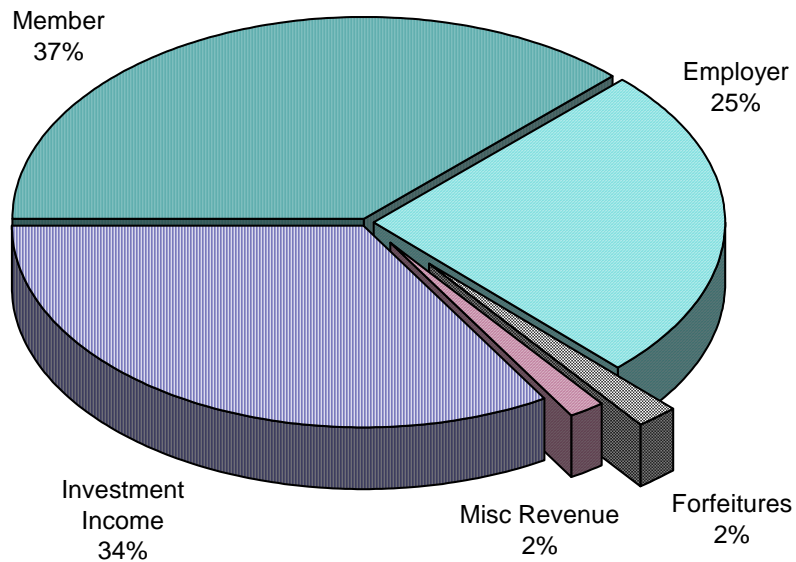
Member contributions are not applicable. Members are unpaid volunteers and do not contribute to the fund. Contributions were made in accordance with actuarially determined and statutory contribution requirements.

PERS-DCRP

Schedule of Revenue by Source
(in thousands)

Fiscal Year ¹	Member Contributions	Employer Contributions	Miscellaneous Revenue	Forfeitures	Investment Income	Total
2003	\$ 10,389	\$ 6,130	\$ 32	\$ 31	\$ 551	\$ 17,133
2004	2,661	1,781	127	135	2,381	7,085

Revenue for Fiscal Year 2004



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

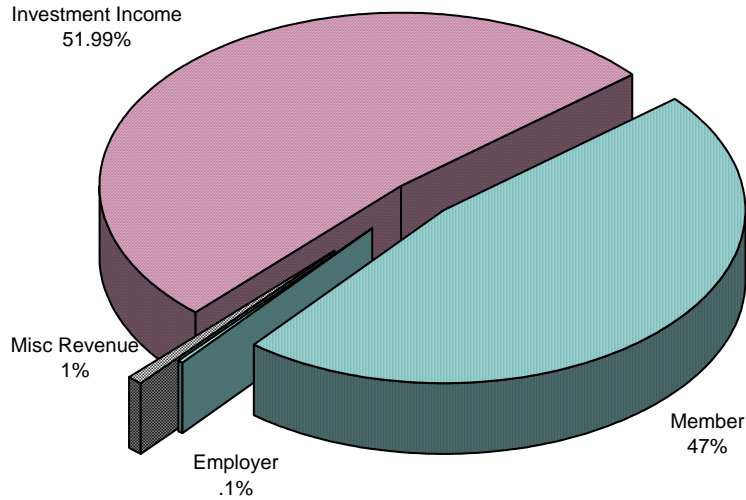
Revenues include the Education Fund and Disability Fund.
Contributions were made in accordance with statutory contribution requirements.

STATISTICAL SECTION

Deferred Compensation Plan Schedule of Revenue by Source (in thousands)

Fiscal Year ¹	Member Contributions	Employer Contributions	Miscellaneous Revenue	Investment Income	Total
2000	\$ 12,294	\$ -	\$ 371	\$ 14,760	\$ 27,425
2001	12,010	21	233	(2,962)	9,302
2002	13,314	46	223	(4,434)	9,149
2003	14,725	44	256	8,542	23,567
2004	14,623	40	267	16,152	31,082

Revenue for Fiscal Year 2004



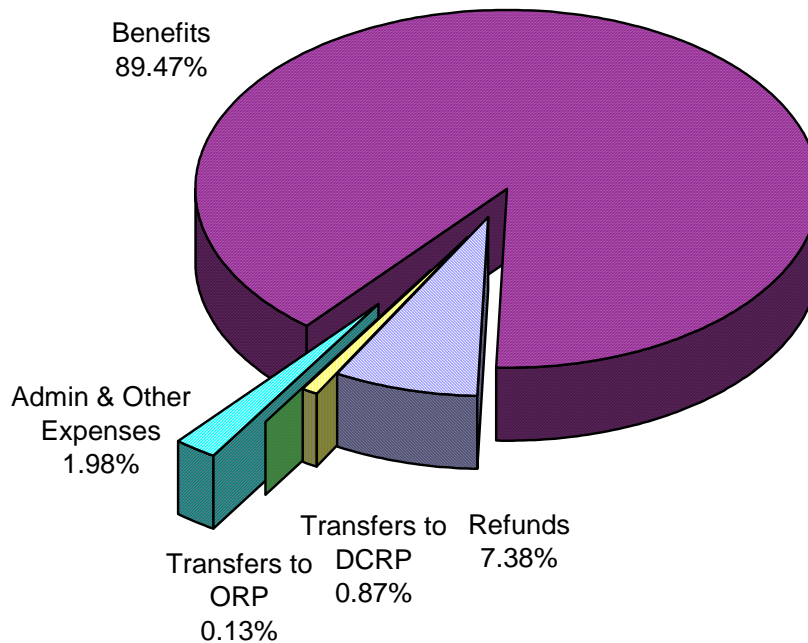
¹ The Montana PERB began administering the Deferred Compensation Plan on July 1, 1999.

PERS-DBRP

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Transfers to DCRP	Transfers to ORP	Administrative Expenses	Other ¹	Total
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
2003 ²	122,204	10,218	15,990	5,957	2,254	228	156,851
2004 ²	132,683	10,913	1,296	188	2,825	398	148,303

Expenses for Fiscal Year 2004



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

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

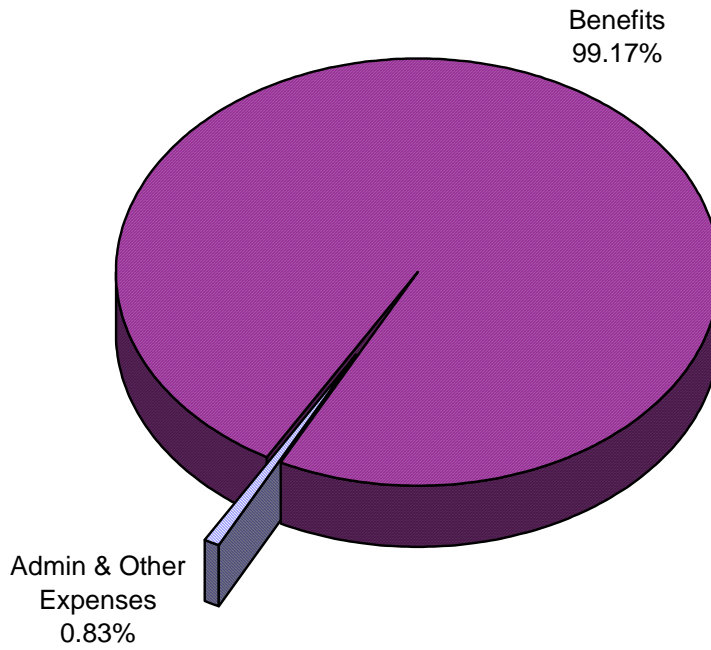
STATISTICAL SECTION

JRS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Administrative Expenses	Total
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
2004	1,670	14	1,684

Expenses for Fiscal Year 2004

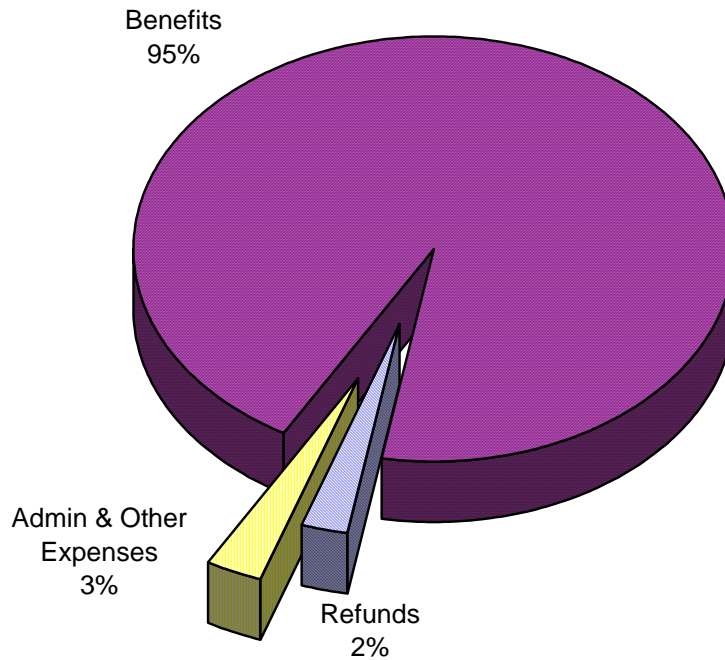


HPORS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2004	5,493	144	31	152	5,820

Expenses for Fiscal Year 2004



¹ Includes Refunds to Other Plans.

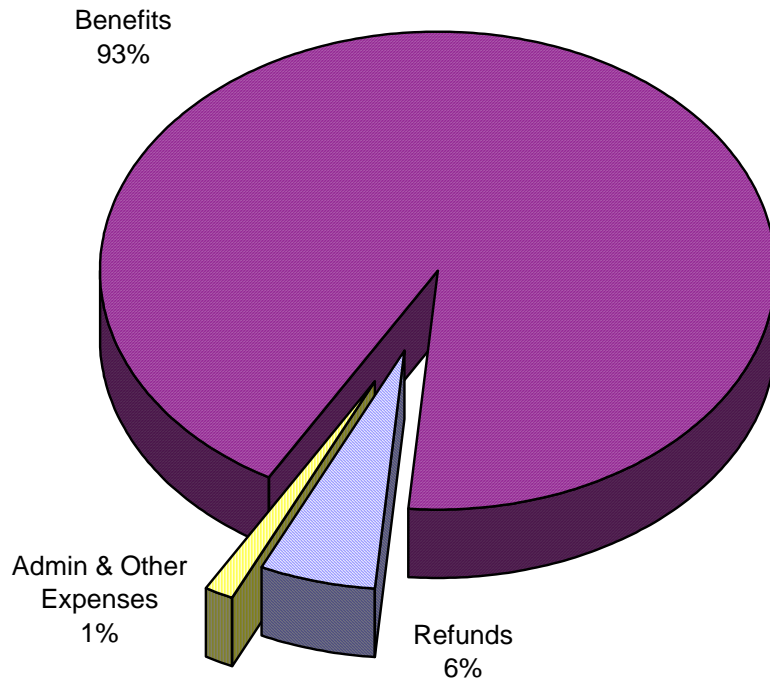
STATISTICAL SECTION

SRS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2004	4,903	306	55	12	5,276

Expenses for Fiscal Year 2004



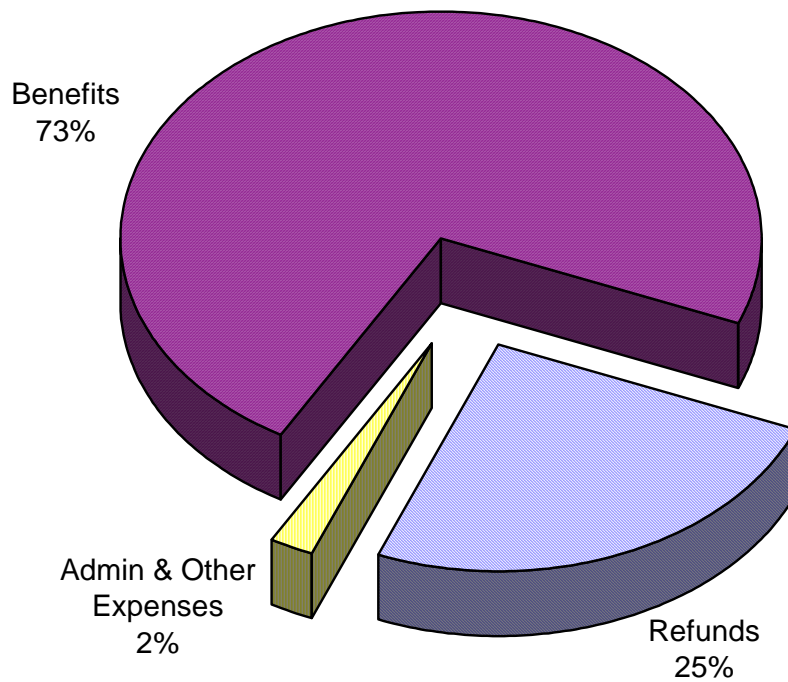
¹ Includes Refunds to Other Plans.

GWPORS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2004	1,460	500	42	4	2,006

Expenses for Fiscal Year 2004



¹ Includes Refunds to Other Plans.

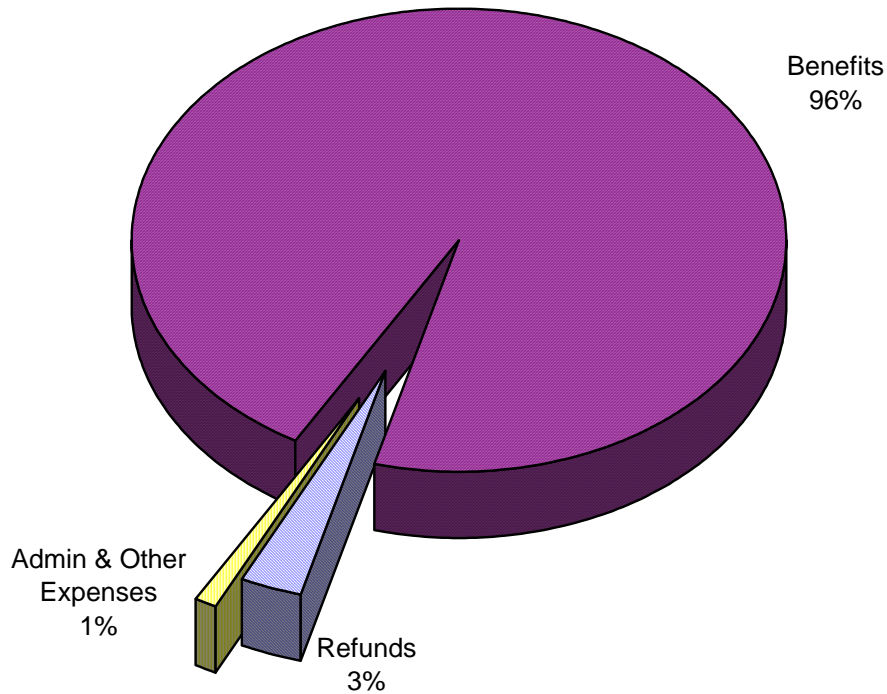
STATISTICAL SECTION

MPORS

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2004	10,885	337	70	52	11,344

Expenses for Fiscal Year 2004



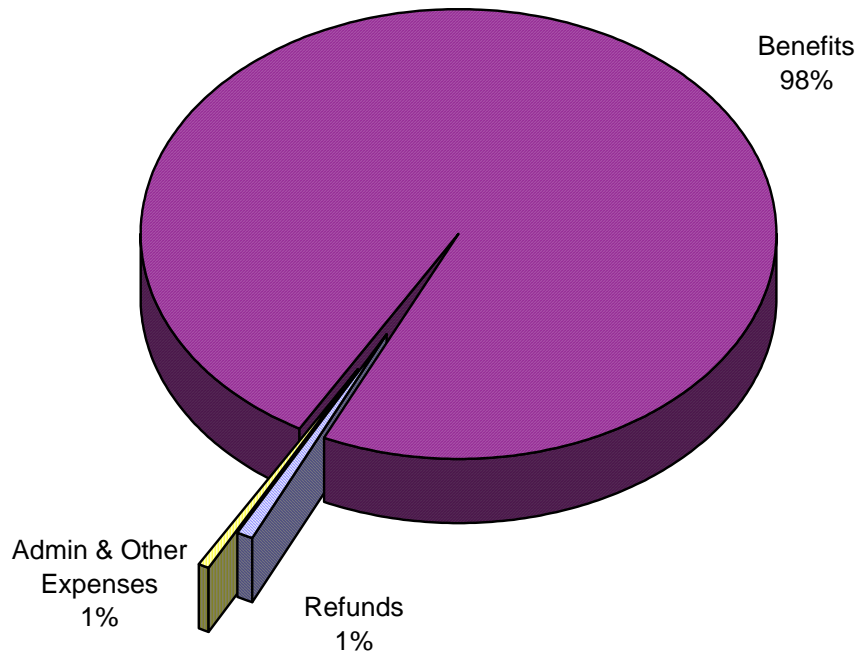
¹ Includes Refunds to Other Plans.

FURS

Schedule of Expenses by Type
(in thousands)

Fiscal Year	Benefit Payments	Refunds	Administrative Expenses	Other ¹	Total
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
2004	9,674	77	53	2	9,806

Expenses for Fiscal Year 2004



¹Includes Refunds to Other Plans.

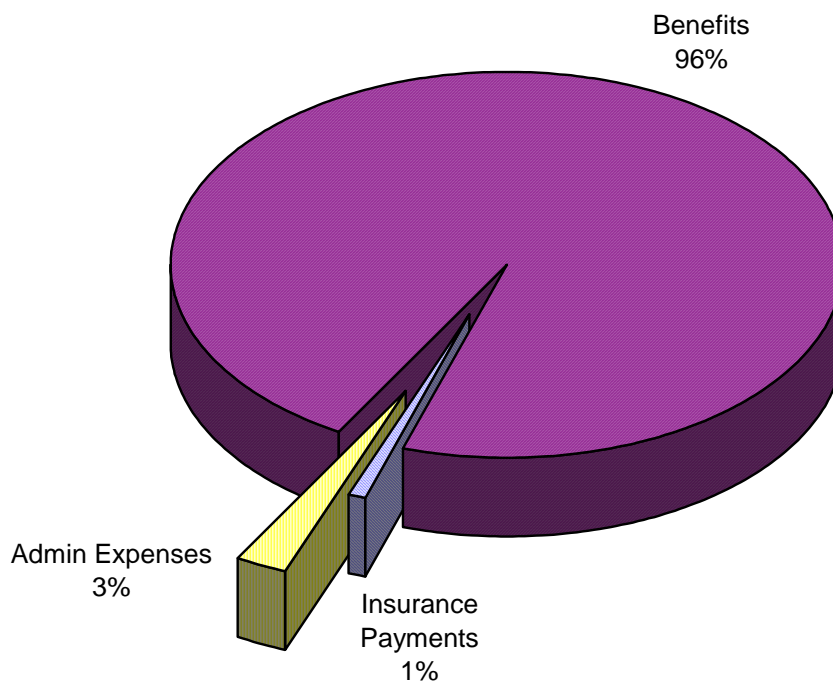
STATISTICAL SECTION

VFCA

Schedule of Expenses by Type (in thousands)

Fiscal Year	Benefit Payments	Insurance Payments	Administrative Expenses	Total
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
2004	1,479	12	40	1,531

Expenses for Fiscal Year 2004

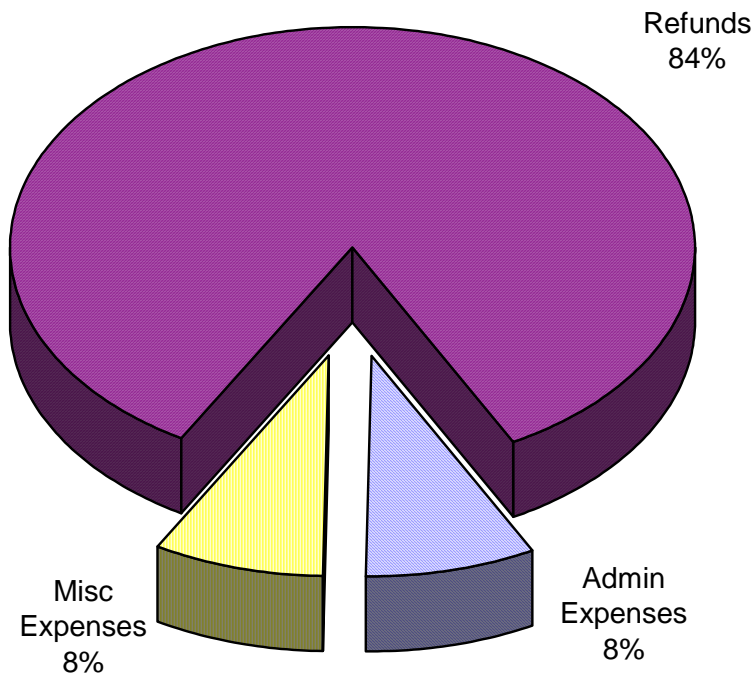


PERS-DCRP

Schedule of Expenses by Type
(in thousands)

Fiscal Year ¹	Refunds	Administrative Expenses	Miscellaneous Expenses ²	Total
2003	\$ 629	\$ 552	\$ 14	\$ 1,195
2004	2,240	214	214	2,668

Expenses for Fiscal Year 2004



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

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

Administrative expenses include the Education Fund and Disability Fund.

STATISTICAL SECTION

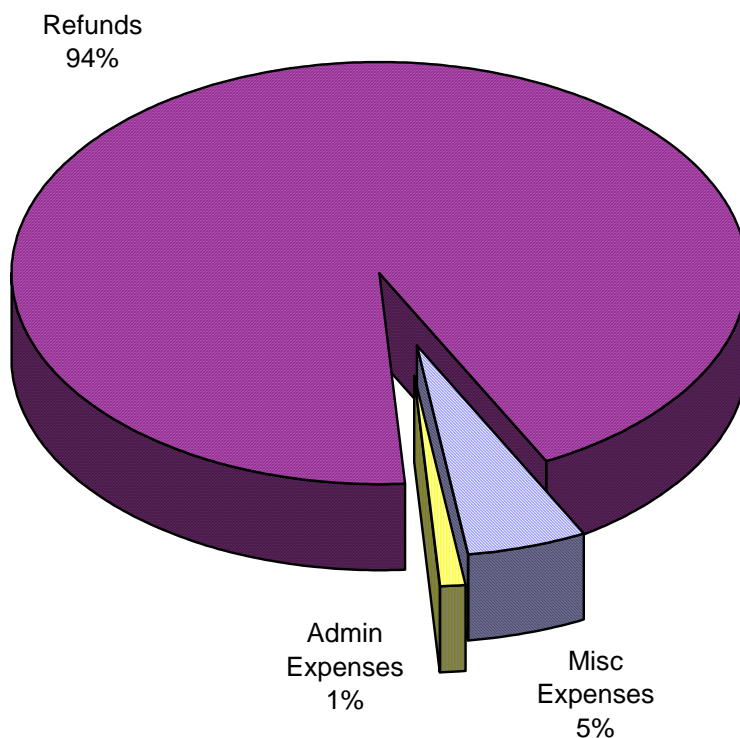
Deferred Compensation Plan

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
2004	14,446	170	800	15,416

Expenses for Fiscal Year 2004



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 & School Districts	
			Employer	State
2000-2004	6.900%	6.900%	6.800%	0.100%
1998-1999	6.800%	6.800%	6.700%	0.100%
1994-1997	6.700%	6.700%	6.700%	
1993	6.550%	6.550%	6.550%	
1992	6.417%	6.417%	6.417%	
1991	6.300%	6.417%	6.417%	
1990	6.150%	6.417%	6.417%	
1984-1989	6.000%	6.417%	6.417%	
1982-1983	6.000%	6.320%	6.320%	
1979-1981	6.000%	6.200%	6.200%	
1978	6.000%	5.950%	5.950%	
1977	6.000%	5.550%	5.550%	
1976	6.000%	5.200%	5.200%	
1974-1975	5.750%	4.900%	4.900%	
1972-1973	5.750%	4.600%	4.600%	
1970-1971	5.750%	4.300%	4.300%	
1968-1969	5.750%	3.800%	3.800%	
1947-1967 *	2.5%-9.6%	3.300%	3.300%	
1945-1947 *	2.5%-9.6%	3.000%	3.000%	

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

JRS

Fiscal Year	Member	Employer
1998-2004	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	
1998-2004	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%

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Contribution Rate History

SRS

Fiscal Year	Member	Employer
1998-2004	9.245%	9.535%
1997	7.865%	8.540%
1996	7.865%	8.535%
1986-1995	7.000%	7.670%
1982-1985	7.000%	7.620%
1975-1981	7.000%	7.550%

GWPORS

Fiscal Year	Member	Employer
2003-2004	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%

STATISTICAL SECTION

MPORS

Fiscal Year	Member			Hired >6/30/97		
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	GABA	Employer	State
2000-2004	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%
1994-1996	7.800%	9.000%	10.500%		14.360%	15.660%
1993	7.800%	9.000%	10.500%		13.920%	15.660%
1992	6.000%	7.200%	8.700%		13.920%	15.660%
1986-1991	6.000%	6.000%	7.500%		13.020%	15.060%
1982-1985	6.000%	6.000%	7.500%		14.040%	14.040%
1980-1981	6.000%	6.000%	7.500%		14.000%	14.040%
1978-1979	6.000%	6.000%			12.000%	14.040%
1976-1977	6.000%	6.000%			11.000%	14.040%
1974-1975	6.000%				11.000%	14.040%

FURS

Fiscal Year	Member			State
	Hired <7/1/75	Hired >6/30/75	Employer	
1998-2004	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%
1996	7.800%		14.360%	24.210%
1995	6.000%		13.020%	24.210%
1992-1994	6.000%		13.020%	23.270%
1986-1991	6.000%		13.020%	22.980%
1984-1985	6.000%		18.000%	18.000%
1983	6.000%		15.000%	15.000%
1981-1982	6.000%		12.000%	12.000%

PERS-DCRP

Fiscal Year	Member	Employer	Local Govt & School Districts	
			Employer	State
2003-2004	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	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
	2004	126,751	2,298	1,093	2,541	10,913	143,596
JRS	1999	1,286	33	-			1,319
	2000	1,344	36	-			1,380
	2001	1,395	36	-			1,431
	2002	1,528	38	-			1,566
	2003	1,513	38	-			1,551
	2004	1,611	41	18			1,670
HPORS	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
	2004	5,254	137		102	144	5,637
SRS	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
	2004	4,259	144	2	498	306	5,209

STATISTICAL SECTION

System	Fiscal Year	Age & Service Benefits		Death In Service Benefits	Disability Benefits	Refunds	Total
		Retirees	Survivors				
GWPORS	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
	2004	1,429	27	-	4	501	1,961
MPORS	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
	2004	10,208	446		231	337	11,222
FURS	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
	2004	9,201	385		88	77	9,751
VFCA	1999	801	1				802
	2000	842	1				843
	2001	879	3				882
	2002	1,350	61				1,411
	2003	1,406	6				1,412
	2004	1,455	24				1,479

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	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
	2004	14,205	336	293	14,834
<hr/>					
JRS	1999	46		2	48
	2000	45		2	47
	2001	49		2	51
	2002	49		2	51
	2003	48		2	50
	2004	48		2	50
<hr/>					
HPORS	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
	2004	258	7	9	274
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SRS	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
	2004	275	34	14	323

STATISTICAL SECTION

System	Fiscal Year	Retired	Disabled	Survivors	Total
GWPORS	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
	2004	82	-	3	85
<hr/>					
MPORS	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
	2004	531	13	27	571
<hr/>					
FURS	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
	2004	468	5	25	498
<hr/>					
VFCA	1999	791		1	792
	2000	836		3	839
	2001	859		3	862
	2002	880		4	884
	2003	917		4	921
	2004	940		4	944

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Refunds Processed

System	Fiscal Year	Number of Refunds	Amount Refunded
PERS-DBRP	1999	2,659	\$ 11,294,071
	2000	2,654	12,097,987
	2001	3,294	11,873,515
	2002	2,890	10,683,442
	2003	2,964	10,218,257
	2004	3,302	10,913,131
<hr/>			
JRS¹	1999		
	2000		
	2001		
	2002		
	2003		
	2004		
<hr/>			
HPORS	1999	11	81,853
	2000	16	142,130
	2001	10	85,568
	2002	7	130,047
	2003	7	60,244
	2004	13	143,713
<hr/>			
SRS	1999	42	314,824
	2000	39	270,480
	2001	52	372,665
	2002	39	409,065
	2003	59	456,666
	2004	61	305,914

¹ There have been no refunds from JRS since FY1998.

Refunds are not applicable to the VFCA. Members are unpaid volunteers and do not contribute to the fund.

STATISTICAL SECTION

System	Fiscal Year	Number of Refunds	Amount Refunded
GWPORS	1999	32	\$ 72,715
	2000	30	124,605
	2001	83	212,136
	2002	85	316,677
	2003	80	354,807
	2004	124	500,746
MPORS	1999	31	299,069
	2000	27	298,188
	2001	31	385,694
	2002	37	344,854
	2003	30	325,966
	2004	44	336,546
FURS	1999	8	61,230
	2000	8	45,712
	2001	9	44,249
	2002	4	80,454
	2003	9	82,765
	2004	11	76,678

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Average Monthly Benefit Payment Amounts For the Fiscal Year Ended 2004

System	Years of Service	Recipients' Age									Average
		< 45	45-49	50-54	55-59	60-64	65-69	70-74	75-79	Over 80	
PERS-DBRP	0-4	\$ -	\$ -	\$401	\$234	\$271	\$202	\$210	\$202	\$243	\$231
	5-9	397	373	270	243	261	252	230	214	226	239
	10-14	557	496	404	397	420	399	360	352	358	376
	15-19	506	831	499	553	593	620	576	544	521	563
	20-24	-	882	786	714	864	820	788	762	713	779
	25-29	933	1,696	1,574	1,458	1,315	1,184	1,104	1,009	894	1,167
	30-34	-	2,209	2,126	2,055	1,799	1,513	1,424	1,292	1,179	1,628
	35-39	-	-	2,229	2,675	2,363	2,042	1,740	1,711	1,380	1,862
	40-UP	-	-	-	-	3,183	2,462	2,101	2,043	1,651	2,147
	Average		\$481	\$1,012	\$1,123	\$1,127	\$928	\$792	\$697	\$641	\$577
JRS	0-4			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	5-9			522	-	-	1,754	1,642	1,020	1,375	
	10-14			-	1,469	2,299	2,568	2,669	2,857	2,512	
	15-19			-	-	3,508	3,870	3,677	2,507	2,863	
	20-24			-	4,471	-	-	3,503	3,336	3,662	
	25-29			-	-	-	4,329	-	4,218	4,246	
	30-34			-	-	-	4,973	-	5,122	5,047	
	35-39			-	-	-	-	-	-	-	
	40-UP			-	-	-	-	-	-	-	
	Average		-		\$522	\$2,470	\$3,105	\$3,048	\$2,651	\$2,847	\$2,775
HPORS	0-4	\$1,114	\$ -	\$509	\$569	\$ -	\$ -	\$ -	\$ -	\$ -	\$831
	5-9	1,516	1,357	1,484	972	-	-	930	-	-	1,195
	10-14	1,375	-	1,102	411	-	301	240	452	756	580
	15-19	-	-	1,406	-	1,342	-	617	423	-	918
	20-24	2,463	-	1,803	1,545	1,278	1,265	1,152	1,212	927	1,354
	25-29	-	-	2,862	2,286	2,036	1,734	1,355	1,342	1,214	1,793
	30-34	-	-	3,232	3,075	2,656	2,671	1,772	1,550	1,342	2,405
	35-39	-	-	-	-	3,827	3,284	1,947	2,625	-	3,023
	40-UP	-	-	-	-	-	-	-	3,321	-	3,321
	Average	\$1,594	\$1,357	\$2,034	\$1,918	\$1,880	\$1,607	\$1,300	\$1,475	\$1,082	\$1,632
SRS	0-4	\$954	\$819	\$525	\$755	\$ -	\$379	\$383	\$ -	\$194	\$652
	5-9	1,175	895	902	667	836	525	409	417	-	745
	10-14	1,789	1,340	794	544	880	758	907	508	391	767
	15-19	-	1,854	804	935	1,192	1,136	884	731	590	914
	20-24	1,421	1,606	1,745	1,630	1,546	974	1,088	675	736	1,508
	25-29	2,396	2,519	2,540	2,557	2,349	1,594	1,322	778	895	2,002
	30-34	-	-	-	3,126	2,644	-	1,136	1,046	1,512	2,128
	35-39	-	-	-	-	-	2,430	2,595	-	-	2,513
	40-UP	-	-	-	-	-	-	-	-	-	-
	Average	\$1,306	\$1,551	\$1,636	\$1,455	\$1,772	\$1,034	\$991	\$689	\$753	\$1,347

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		
GWPORS	0-4			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	5-9				767	375						571
	10-14			1,171			1,208					1,189
	15-19			1,097				641	661	731		803
	20-24			1,455	958	1,308	1,283	1,637	1,122	808		1,173
	25-29				1,863	1,774	1,547	1,599	1,676	1,081		1,507
	30-34				2,385	2,977	2,147	2,122	1,629	989		1,888
	35-39				2,353			2,893	2,482	1,080		2,062
	40-UP											
	Average			\$1,289	\$1,669	\$1,502	\$1,636	\$1,898	\$1,487	\$963		\$1,458
MPORS	0-4	\$1,393	\$1,245	\$1,369	\$1,265	\$1,235	\$1,220	\$ -	\$1,252	\$ -	\$1,298	
	5-9	1,329	1,395	1,482	1,027	1,402	1,260	1,324	1,382	1,440	1,278	
	10-14	1,425	1,410	1,283	1,273	1,304	1,424	1,369	1,094	1,291	1,299	
	15-19	1,814	-	1,467	1,504	1,319	1,323	1,413	1,525	1,346	1,421	
	20-24	1,825	1,853	1,767	1,810	1,566	1,483	1,489	1,510	1,394	1,613	
	25-29	-	3,422	3,536	2,891	2,535	2,247	2,005	1,836	1,260	2,423	
	30-34	-	-	-	3,493	2,955	2,014	1,988	-	1,682	2,266	
	35-39	-	-	-	-	-	-	-	-	2,068	2,068	
	40-UP	-	-	-	-	-	-	-	-	-	-	
	Average	\$1,584	\$1,786	\$1,804	\$1,811	\$1,658	\$1,522	\$1,536	\$1,474	\$1,394		\$1,626
FURS	0-4	\$1,298	\$1,316	\$ -	\$1,483	\$ -	\$ -	\$ -	\$ -	\$167	\$1,171	
	5-9	1,590	181	\$946	1,212	\$1,394	\$1,396	\$1,106	\$1,402	1,396	1,144	
	10-14	486	1,204	1,330	1,074	969	1,576	1,431	-	1,428	1,198	
	15-19	-	1,275	1,508	1,295	965	1,270	1,348	1,261	1,108	1,246	
	20-24	1,778	1,795	1,718	1,625	1,342	1,248	1,409	1,193	1,363	1,420	
	25-29	-	2,629	2,850	2,522	2,217	1,630	1,393	1,206	1,346	1,862	
	30-34	-	-	3,657	3,176	3,297	2,367	1,105	1,671	1,402	2,674	
	35-39	-	-	-	-	3,863	4,119	2,596	1,613	1,506	3,078	
	40-UP	-	-	-	-	-	-	-	180	-	180	
	Average	\$1,150	\$1,706	\$1,796	\$2,121	\$2,054	\$1,715	\$1,488	\$1,210	\$1,343		\$1,693
VFCA	0-4			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
	5-9											
	10-14				90	85	86	86	85	160	102	
	15-19			113		124	127	271	128	121	156	
	20-24				150	150	150	150	150	150	150	
	25-29				150	150					150	
	30-34											
	35-39											
	40-UP											
	Average			\$113	\$149	\$133	\$127	\$154	\$125	\$148		\$139

STATISTICAL SECTION

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Participating Employers

As of June 30, 2004

PERS-DBRP (526)

State Agencies (35)

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

Secretary of State
State Auditor's Office
State Compensation
Insurance Fund
Supreme Court
Teachers' Retirement
System

Counties (55)

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

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

Cities & Towns (94)

Baker
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
Geraldine
Glasgow
Glendive
Grass Range
Great Falls
Hamilton
Hardin
Harlem
Harlowton
Havre
Helena
Hot Springs
Kalispell
Laurel
Lewistown
Libby

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

Colleges & Universities (5)

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

High Schools (5)

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

STATISTICAL SECTION

School Districts (237)

SD 1, Big Timber	SD 4, Forsyth	SD 11, Brorson
SD 1, Butte	SD 4, Hellgate	SD 11, Potomac
SD 1, Choteau	SD 4, Libby	SD 11 & 2, Drummond
SD 1, Circle	SD 4, Livingston	SD 12, Baker
SD 1, Clancy	SD 4, Swan River	SD 12, Harlem
SD 1, Corvallis	SD 4 & 28, Highwood	SD 12, Lima
SD 1, Deer Lodge	SD 4 & 47, Whitehall	SD 12, Rosebud
SD 1, Fort Benton	SD 4, Silverbow	SD 12, Saco
SD 1, Glasgow	SD 5, Basin	SD 12, Stanford
SD 1, Glendive	SD 5, Kalispell	SD 12-12, Molt
SD 1, Great Falls	SD 5, Melrose	SD J12-5, Shields Valley
SD 1, Heart Butte	SD 5, Park City	SD 13, Box Elder
SD 1, Helena	SD 5, Sand Coulee	SD 13, Eureka
SD 1, Jordan	SD 5, Sheridan	SD 13, Fishtail
SD 1, Kalispell	SD 5, Sidney	SD 13, Lone Rock
SD 1, Lewistown	SD 5, Terry	SD 13, Nashua
SD 1, Miles City	SD 6, Columbia Falls	SD 14, Bonner
SD 1, Missoula	SD 6, Columbus	SD 14, Fortine
SD 1, Phillipsburg	SD 6, Lame Deer	SD 14, Hot Springs
SD 1, Plains	SD 6, Ryegate	SD 14, Malta
SD 1, Red Lodge	SD 6, Trout Creek	SD 14, Shelby
SD 1, Scobey	SD 6, Wibaux	SD 15, Custer
SD 1, Troy	SD 6 & 1, St Regis	SD 15, Cut Bank
SD 1 & 7, Hysham	SD 7, Boulder	SD 15, Ekalaka
SD 1 & 7, Townsend	SD 7, Bozeman	SD 15, Kalispell
SD 2, Alberton	SD 7, Charlo	SD 15 & 6, Florence- Carlton
SD 2, Alder	SD 7, Gardiner	SD 15 & 17, Willow Creek
SD 2, Billings	SD 7, Grant	SD 16, Hardin
SD 2, Bridger	SD 7, Hinsdale	SD 16, Harlowton
SD 2, Deer Park	SD 7, Joliet	SD 16, Havre
SD 2, Dodson	SD 7, Lolo	SD 17, Culbertson
SD 2, Dupuyer	SD 7, Medicine Lake	SD 17, Morin
SD 2, Frazer	SD 7, Twin Bridges	SD 17H, Hardin
SD 2, Peerless	SD 7, Victor	SD 18, Valier
SD 2, Stevensville	SD 7 & 2, Savage	SD 18, Woodman
SD 2, Sunburst	SD 7 & 70, Laurel	SD 19, Brady
SD 2, Thompson Falls	SD 8, Arlee	SD 19, Colstrip
SD 2 & 3, Pryor	SD 8, Elder Grove	SD 20, Garrison
SD 2 & 11, Big Sandy	SD 8, West Glacier	SD 20, Kila
SD 2-27, Lodge Grass	SD 8, White Sulphur	SD 20, Plentywood
SD 3, Belfry	SD 9, Browning	SD 20, Shawmut
SD 3, Cascade	SD 9, Darby	SD 20, Whitewater
SD 3, Fair Mont Egan	SD 9, Dixon	SD 21, Broadview
SD 3, Hamilton	SD 9, East Helena	SD 21, Fairfield
SD 3, Manhattan	SD 9, Opheim	SD 21, Galata
SD 3, Ramsey	SD 9, Poplar	SD 21, Billings
SD 3, Superior	SD 9 & 9, Reed Point	SD 23, Harrison
SD 3, Westby	SD 10, Anaconda	SD 23, Lustre
SD 3, Wolf Point	SD 10, Cayuse	SD 23, Missoula
SD 3, Flaxville	SD 10, Chinook	SD 23, Polson
SD 3 & 13, Fairview	SD 10, Conrad	SD 23, Roberts
SD 4, Canyon Creek	SD 10, Dillon	SD 24, Three Forks
	SD 10, Noxon	

STATISTICAL SECTION

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 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 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
SD 74, Vaughn
SD 75, Amsterdam
SD 75, Arrowhead
SD 75, Fairfield
SD 78J & 2, Richey
SD 84, Denton
SD 85, Ulm
SD 86 & 4, Lambert
SD 87, Box Elder
SD 88H, Kremlin
SD 89, Smith Valley
SD 104, Spring Creek
SD 115, Winifred
SD 159, Winnett
SD K, Rudyard
Judith Gap Schools

Other Agencies (95)

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

STATISTICAL SECTION

Gallatin Airport Authority	Northern Montana Joint Refuse Disposal District	<u>JRS (1)</u>
Gallatin Canyon Consolidated Rural Fire District	North Central Learning SEC	Supreme Court
Gallatin Conservation District	Pablo/Lake County Water District	
Gallatin-Madison SEC	Park County RFD #1	<u>HPORS (1)</u>
Gardiner-Park County Water District	Petroleum Conservation District	Dept of Justice
Glasgow Housing Authority	Pondera County Canal & Reservoir	
Glasgow Irrigation District	Pondera County Cemetery District 2	<u>SRS (56)</u>
Golden Triangle Health Center	Pondera County Council on Aging	Beaverhead
Granite County Hospital & Nursing Home	Port of Montana – Port Authority	Big Horn
Granite Conservation District	Prairie County Hospital District	Blaine
Great Divide Education Services	Prairie View Special Services Cooperative	Broadwater
Great Falls International Airport	Prickley Pear Special Services Cooperative	Butte-Silver Bow
Greenfields Irrigation District	Richland County Housing Authority	Carbon
Helena Business Improvement District	Roundup Community Library	Carter
Helena Housing Authority	Sanders SEC	Cascade
Helena Regional Airport Authority	Seeley Lake Missoula County Water District	Chouteau
Helena Valley Irrigation District	Sidney-Richland Airport Authority	Custer
Hill County Public Cemetery District	Teton County Cemetery District	Daniels
Hinsdale Water and Sewer	Teton County Conservation District	Dawson
Human Resources Council District XI	Thompson Falls RFD	Dept of Justice
Human Resources Council District XII	Twin Bridges Public Library	Fallon
Judith Basin Conservation District	Upper Musselshell Conservation District	Fergus
Lakeside County Sewer District	Valley County Conservation District	Flathead
Larchmont Golf Course	Victor Water & Sewer	Gallatin
Lewis & Clark Conservation District	Whitefish Housing Authority	Garfield
Lewis & Clark Library	Yellowstone City-County Health Dept	Glacier
Liberty County Conservation District	Yellowstone Irrigation District	Golden Valley
Lincoln County Rural Fire District	Yellowstone West Carbon SEC	Granite
Lockwood Rural Fire District #8		Hill
Lockwood Water District		Jefferson
Malta Cemetery District		Judith Basin
Malta Irrigation District		Lake
Miles Community College		Lewis & Clark
Missoula Area SEC		Liberty
Missoula County Airport		Lincoln
Missoula Rural Fire District		Madison
		McCone
		Meagher
		Mineral
		Missoula
		Musselshell
		Park
		Petroleum
		Phillips
		Pondera
		Powder River

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

GWPORS (8)

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

MPORS (22)

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

Lewistown
 Livingston
 Miles City
 Missoula
 Plains
 Red Lodge
 Whitefish
 Wolf Point

FURS (15)

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

PERS-DCRP (229)

State Agencies (28)
 Board of Crime Control
 Dept of Administration
 Dept of Agriculture
 Dept of Commerce
 Dept of Corrections
 Dept of Environmental
 Quality
 Dept of Fish, Wildlife &
 Parks
 Dept of Justice
 Dept of Labor & Industry
 Dept of Livestock
 Dept of Military Affairs
 Dept of Natural Resources
 & Conservation
 Dept of Public Health &
 Human Services
 Dept of Revenue
 Dept of Transportation

Governor's Office
 Legislative Council
 Montana Historical Society
 Montana State Library
 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 (44)

Anaconda-Deer Lodge
 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
 Park
 Phillips
 Pondera
 Powder River
 Powell
 Ravalli

STATISTICAL SECTION

Richland
Rosebud
Sheridan
Stillwater
Sweet Grass
Toole
Valley
Wibaux
Yellowstone

Cities & Towns (37)

Baker
Belgrade
Big Timber
Billings
Bozeman
Butte-Silver Bow
Chinook
Choteau
Columbia Falls
Cut Bank
Dillon
Ekalaka
Eureka
Glasgow
Glendive
Great Falls
Hamilton
Harlem
Helena
Kalispell
Laurel
Lewistown
Libby
Livingston
Miles City
Missoula
Moore
Polson
Red Lodge
Roundup
Saco
Shelby
Sidney
Three Forks
Townsend
Troy
Whitefish

Colleges & Universities (5)

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

School Districts (88)

SD 1, Butte
SD 1, Corvallis
SD 1, Fort Benton
SD 1, Glasgow
SD 1, Glendive
SD 1, Great Falls
SD 1, Helena
SD 1, Missoula
SD 1, Red Lodge
SD 1, Scobey
SD 2, Alder
SD 2, Billings
SD 2, Bridger
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
SD7, Gardiner
SD 7, Lolo
SD 7, Victor
SD 7 & 2, Savage
SD 7 & 70, Laurel
SD 8, Arlee
SD 8, White Sulphur
SD 9, Browning
SD 9, East Helena

SD 10, Anaconda
SD 10, Chinook
SD 10, Conrad
SD 10, Dillon
SD 11, Potomac
SD 12, Saco
SD 13, Eureka
SD 13, Lone Rock
SD 14, Shelby
SD 15, Cut Bank
SD 15, Ekalaka
SD 16A, 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 27, Montana City
SD 29, Wyola
SD 30, Ronan
SD 30 & 6, Fromberg
SD 37, Shepherd
SD 38, Lincoln
SD 40, Frenchtown
SD 43, Turner
SD 44, Belgrade
SD 45, Golden Ridge
SD 45, Missoula
SD 45, Wolf Point
SD 50, Evergreen
SD 52, Absarokee
SD 52, Ennis
SD 55F, Sun River Valley
SD 64, Bainville
SD 72, Ophir
SD 74, Roy
SD 85, Ulm
SD 87, Box Elder
SD 89, Smith Valley
Greenfield School
Judith Gap
Powell County High School
Shields Valley

Other Agencies (27)

Big Fork Water & Sewer
Big Sky Co Water &
Sewer District
Big Sky Economic
Development Authority
Billings Housing Authority
Bitterroot Valley SEC
Crown Hill Cemetery District
Dawson College
Flathead Valley
Community College
Gallatin Airport Authority
Gallatin Conservation District
Golden Triangle Health Center
Granite County Hospital &
Nursing Home
Great Divide Education
Services
Great Falls International Airport
Helena Business
Improvement District
Human Resources Council
District XII
Lakeside County Sewer
District
Larchmont Golf Course
Lewis & Clark Library
Lockwood Water & Sewer
District
Malta Irrigation District
Miles City Community College
Missoula County Airport
Northern Montana Joint
Refuse Disposal District
Prairie County Hospital
District
Teton County Cemetery
District
Yellowstone City-County
Health Dept

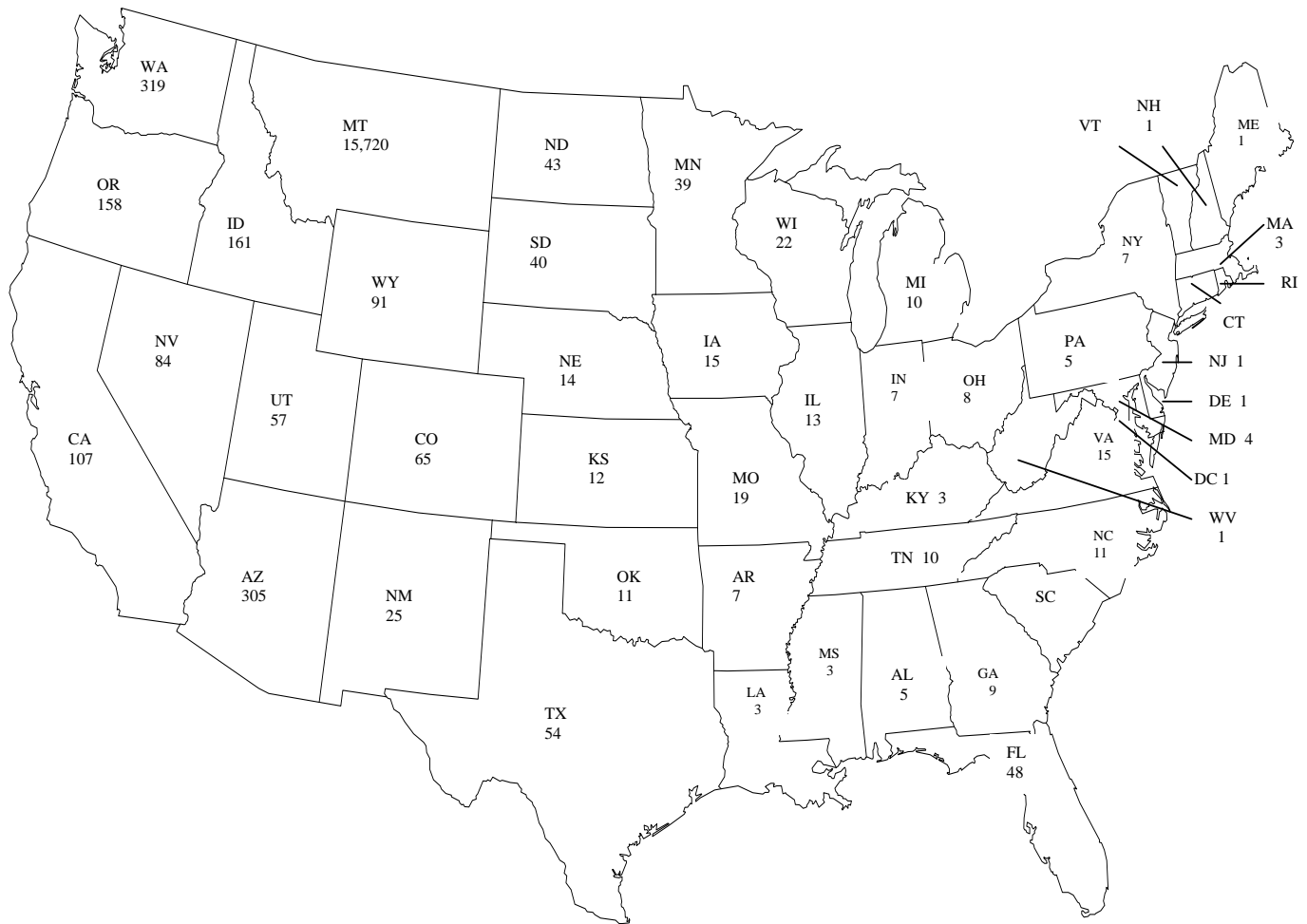
Deferred Compensation (9)

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

STATISTICAL SECTION

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

Distribution of Defined Benefit Recipients by Location *as of June 30, 2004*



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