BUSINESS & LABOR
EXHIBIT NO. 2
DATE 2-9-15
BILL NO. SB161

MONTANA
BOARD OF INVESTMENTS

Fiscal Year 2014
Annual Report

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The Honorable Steve Bullock, Governor

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MONTANA BOARD OF INVESTMENTS

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- ***Geri Burton***
  Deputy Director
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  Portfolio Manager –
  Montana Investments
- ***Clifford A. Sheets, CFA***
  Chief Investment Officer
- ***Gayle Moon, CPA***
  Financial Manager
- ***Dana Chapman***
  Office Manager – Board Secretary

Staff

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  Associate Financial Manager
- ***Jason Brent, CFA***
  Investment Analyst
- ***Richard Cooley, CFA***
  Portfolio Manager –
  Fixed Income/STIP
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  Associate Financial Manager
- ***Craig Coulter***
  Investment Analyst
- ***Roberta Diaz***
  Investment Accountant
- ***Julie Flynn***
  Bond Program Officer
- ***Tim House***
  Investment Analyst –
  Investment Operations Chief
- ***Ethan Hurley, CAIA***
  Portfolio Manager –
  Alternative Investments
- ***Edward Kelly***
  Investment Analyst
- ***Teri Kolnik, CFA***
  Investment Analyst
- ***Eron Krpan***
  Investment Data Analyst
- ***Tammy Lindgren***
  Investment Accountant
- ***April Madden***
  Investment Accountant
- ***Savannah McCormack***
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- ***Rande Muffick, CFA***
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  Investment Analyst
- ***Nathan Sax, CFA***
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- ***Steve Strong***
  Investment Analyst
- ***Louise Welsh***
  Senior Bond Program Officer
- ***Maria Wise***
  Administrative Assistant
- ***Daniel Zarling, CFA***
  Director of Research

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INTRODUCTION

The Montana Board of Investments (Board) is pleased to submit its Annual Report for the fiscal year ended June 30, 2014. As required by law, this report discloses investment performance for the past fiscal year, summarizes the in-state investment activities of the Board, provides public access to audited financial statements, and Appendix C shows investment performance and costs relative to its peers. Unless otherwise noted, all references to years in this report are state fiscal years beginning July 1 and ending June 30.

General Board Responsibilities

Unified Investment Program - Article VIII, Section 13 of the Montana Constitution requires that the legislature provide for a unified investment program for public funds and that the program be audited annually. Section 17-6-201, MCA established the unified investment program, created the Board, and gave the Board sole authority to invest state funds in accordance with state law and the state Constitution. State law requires that the Board operate under the "prudent expert principle," defined as: 1) discharging its duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity with the same resources and familiar with like matters exercises in the conduct of an enterprise of a like character with like aims; 2) diversifying the holdings of each fund to minimize the risk of loss and maximize the rate of return; and 3) discharging its duties solely in the interest of and for the benefit of the funds managed.

Prior to the Board's assumption of the state's investment program, state funds were invested by individual state agency staff, usually on a part-time basis. The creation of the Board in 1972 permitted a full-time professional investment staff to invest all state and (at the discretion of local governments) local government funds. At its first meeting in August 1971 the Board established four major goals:

- to centralize the state's investments;
- to invest the state's idle cash;
- to increase earnings on the state's investments; and
- to establish a sound system of control over the investment process, including provisions for systematic financial reporting, measurement of investment results, and a regular independent audit.

The unified investment program has grown from a book value of $321 million at year-end 1972 to a book value of $13.8 billion at year-end 2014 - an annual average increase of 9.4 percent. During the same period, the number of accounts invested by the Board increased from 40 accounts to 498 accounts. The Board's financial statements are audited annually by the Legislative Auditor.

Click here to view the financial statements and independent auditor's report (when available)

In-State Investments - In addition to the Board's primary role of managing the state's unified investment program, the Board assists in Montana's economic development. Montana law (17-6-304, MCA) states that the "objectives for investment of the Permanent Coal Tax Trust Fund are to diversify, strengthen, and stabilize the Montana economy and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment." Section 17-6-305, MCA, states that "the Board shall endeavor to invest 25 percent of the Permanent Coal Tax Trust Fund . . . in the Montana economy, with special emphasis on investments in new or expanding locally owned enterprises." In addition to the 25 percent dedicated to this loan program, the Board manages four other loan programs from the Trust; the Infrastructure Loan Program with an $80 million allocation, the

Value-Added Loan Program with an allocation of $70 million, the Intermediary Re-lending Program with an allocation of $5 million, and the Veteran's Home Loan Program with an allocation of $30 million.

Commercial\Infrastructure\Value-Added\Veteran's Home Loans - The Board manages these programs in conformance with the "prudent expert principle" and does not invest solely to improve Montana's economy. Operating the In-State Investment Program under the "prudent expert principle" has not prevented the Board from effectively investing the Trust to spur Montana's economy.

Mortgages - The Board also purchases Montana mortgages with pension funds as a part of the In-State Investment Program. At year-end 2014 the Board held Montana mortgages with total book values of $11.4 million. The Board serves as a secondary market to qualified financial institutions in the In-State Investment Program and does not lend directly to borrowers.

Bond Program - As a part of the Board's in-state investment activities, it also sells bonds for the largest of the several bond programs it administers, INTERCAP, and lends the proceeds to eligible governments for a variety of projects. INTERCAP loan terms range from one to fifteen years, and short-term loans are also available to finance cash flow deficits or interim financing. Since INTERCAP's inception in 1987, $428.3 million has been loaned to eligible governments. Additional information on the Bond Program is shown beginning on Page 45.

Both the In-State Investment Program, funded from the Permanent Coal Tax Trust, and the Bond Program were created in fiscal year 1984 as part of the "Build Montana" program.

Securities Lending - Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. Investment firms borrow securities to cover short positions, failed deliveries, arbitrage trades, and other brokerage activities. The Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program and retains 20 percent of the income generated as compensation for managing the program. The state earned net securities lending income of $3.2 million in 2014, compared to $3.4 million in 2013. Because this program is demand driven by the markets, earnings are volatile.

Board Operations

Board Staff - The Board is comprised of nine members appointed by the Governor to staggered four-year terms. The Board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House. The Board employs an Executive Director and a Chief Investment Officer who hire staff as authorized by the legislature. There are currently 32 full-time equivalents authorized. Board staff also provides administrative support to the Montana Facility Finance Authority.

Board Administrative Costs - The investment portion of Board operations is funded by administrative charges against the funds it invests, while the bond program is primarily funded by the "spread" between the interest paid on bonds issued and interest received on loans made. The total investment fees charged, which includes BOI internal management fees, external manager fees, and custodial bank fees are shown in the financial statements.

Board Policies and Procedures

Investment Policies - The Board adopts an investment policy for each individual fund it invests, except for funds investing in STIP only. The policies are tailored to the specific needs of the fund and are implemented only after consultation with the administrators of the funds. Asset allocations and investment time horizons are established by policy, as are the benchmarks against which investment performance is measured.

Benchmarks – A benchmark represents a generic measure of a specific asset class and is made up of a passively managed representation of the available holdings within a given market. One measure of investment performance is to compare actual returns with the returns of the benchmark to discern whether or not a given manager or strategy is adding relative value. The Board establishes benchmarks for each asset class and the custodial bank develops a composite benchmark for each pension fund that parallels the fund's asset allocation at market value.

Board Meetings – Meeting dates, agendas, and minutes are posted on the Board's web page at www.investmentmt.com. All Board decisions are discussed and voted on in meetings open to the public.

Report Content

This report contains historical data from 1972 (the first fiscal year the Board managed the unified investment program) through 2014. All historical data were extracted from the Board's annual published reports. Statistical data are provided on the Board's investment activity in 2014 and changes in investments from 2013. Links are provided for other pertinent information not included in the report.

Report Terminology

Book Values of fixed-income investments represent the securities' par values, plus or minus amortized premiums or discounts. Book value of equity securities is the average cost of the securities at the time of purchase.

Fair Market Values reflect the value of securities on June 30 as priced by the custodial bank, or other sources.

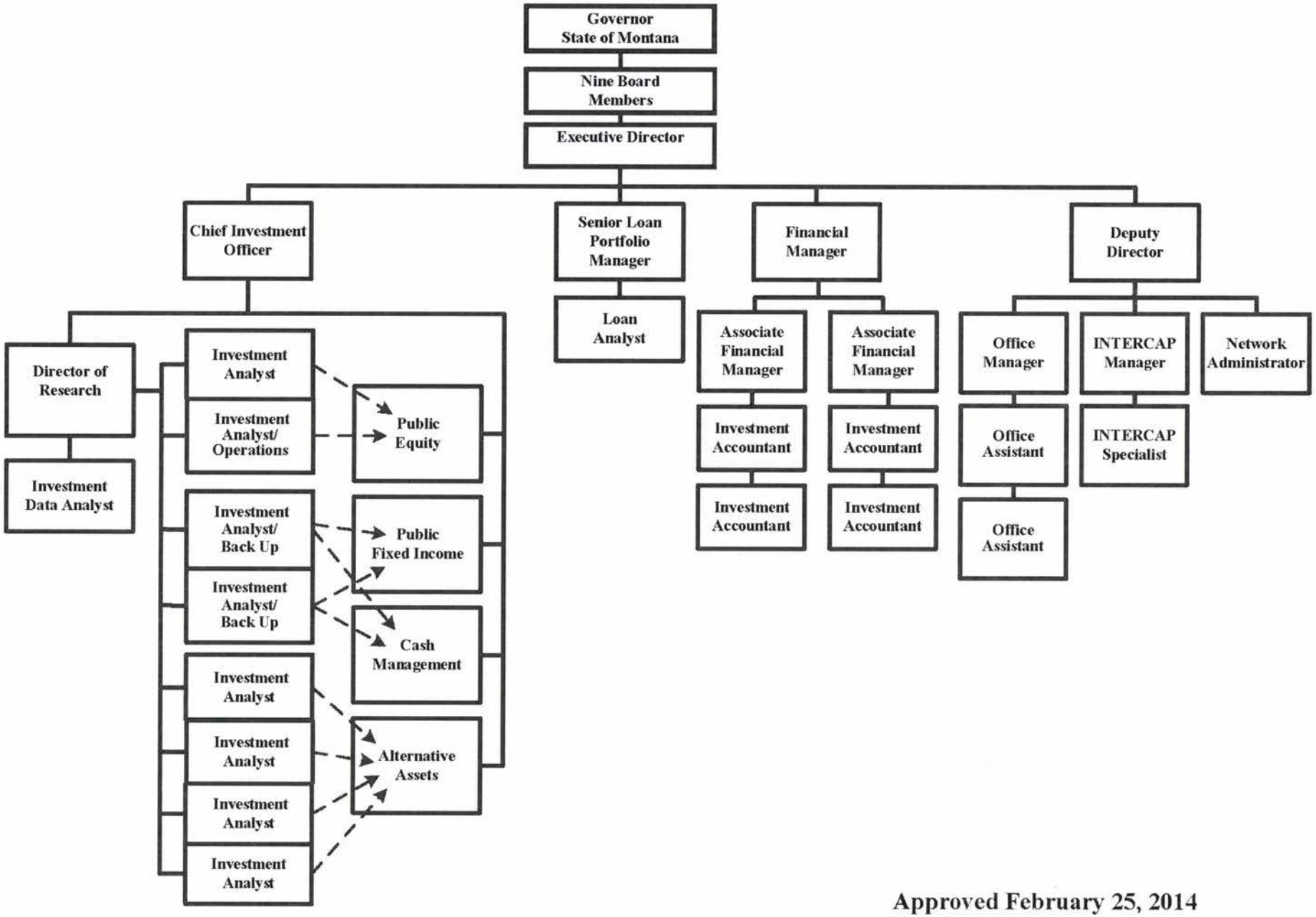
Net Asset Value **(NAV)** as it relates to investment pools reflects the fair value of the pool securities, adjusted for payables, receivables, and cash on hand at year end. The aggregate fair value of the pool units held by pool participants equals the NAV of the pool.

Income Return utilizes actual invested balances and investment income as recorded in the state accounting system. The calculation divides the annual net income by one-half the sum of the beginning and ending invested balances. The income includes interest, dividends, amortization of premiums/discounts, securities lending income, and distributed realized gain/loss. The calculation is performed by Board staff. Income return does not consider any change in the fair market value of the portfolio during the period.

Total Rates of Return, calculated by the custodial bank, includes all investment income and the unrealized gains/losses resulting from annual changes in the market value of investments, after cash flows are netted. For periods longer than one year, the returns are compounded and annualized. The total rate of return is used by the Board to compare investment performance to various benchmarks selected by the Board.

The next page reflects the Board's organizational chart.

Montana Board of Investments Functional Organization Chart



Approved February 25, 2014

PENSION AND FINANCIAL MARKETS REVIEW

Strong positive returns for the nine state pension plans continued during the most recent fiscal year. The fiscal year 2014 average net return of 17.17% represented the fifth consecutive year of positive returns. This comes at a time when the Federal Reserve had begun the unwinding of its controversial expansionary asset purchase program known as quantitative easing, which has contributed to the recent above average stock returns. All asset classes have performed well this fiscal year with U.S. equities posting the strongest returns for the third year in a row. The annualized three year plan return average remains high at 10.70%, while the five year return has jumped to an impressive 13.27% due to this year's strong return and the dropping off of the negative return in fiscal year 2009. The trailing ten year and since inception average returns are close to long-term expectations at 6.94% and 7.93% respectively. Relative to our public fund peer universe as reported by our custodial bank, State Street, the one, two, and five year returns ranked in the second quartile, while the three and four year returns ranked in the first quartile.

The U.S. economy has continued to grow this calendar year, albeit in a choppy pattern with a decline of 2.9% (annualized) in the first quarter due to the effects of an unusually severe winter, followed by a strong bounce back of 4.6% (annualized) in the second quarter. Though still high by historical standards, the unemployment rate has continued its downward trend, going from its high of 10% in October 2009 to 5.8% this October. The improvements in the U.S. economy and labor markets have not been matched in other parts of the world. In the European Union, high unemployment exceeding 10%, very low inflation, and tensions with Russia over the crisis in Ukraine have stalled growth and caused equity markets to lag, prompting the pursuit of a quantitative easing program similar to those pursued in the U.S. and Japan. In China, evidence of overinvestment and weak demand in certain sectors of the economy has led to concerns over the ability to sustain its high growth rate.

The above average return this fiscal year was supported by good performance in all asset classes with fixed income the only asset category not to produce double digit returns. The domestic stock return of 25.18% marks its second best year in the previous fifteen fiscal years and while the international stock return of 21.67% was impressive this year, it marks the seventh consecutive year that international stocks have underperformed domestic stocks. Emerging market stocks lagged developed country stocks throughout calendar 2013 through March, 2014, and were a large contributor to the weaker performance of international stocks. The bond pool return of 5.22% was an improvement over last year's 1.62%, as interest rates fell in the first and second quarter of this year causing price appreciation in the underlying bonds. Private equity posted its fifth straight year of double digit returns with a fiscal year return of 16.51%. This brings the five year annualized return to 15.90% and the ten year to an impressive 11.33%. The real estate pool continues to produce steady returns with this year's return of 11.67%. The five year annualized return for the real estate pool is now 5.41%, up from a five year return of negative 3.44% last fiscal year, due to the dropping off of the very weak fiscal year 2009 return.

Similar to last year, the bull market in public equities led to an increase in their allocation. U.S. stocks crept up by 1% to a 39.2% allocation despite sales made for rebalancing purposes, while international stocks increased by 1.2% to a 17.8% weight given their strong positive return and incremental purchases. However, overall equity exposure did not change materially, as the private equity allocation decreased by 2% to 10.5%, bringing the total equity exposure to 67.5%. The decline in private equity reflected a secondary sale from the portfolio and heavy cash distributions from underlying fund investments. Changes in the allocations to fixed income, real estate and cash were negligible and ended at 21.7%, 8.7%, and 2.1%, respectively, at the end of this fiscal year. The fixed income weight was slightly below its range, despite ongoing purchases over the past year, mostly because of the relative strength of equity assets that acted to dilute the weight in bonds. Allocation ranges were reviewed and slightly amended in November, 2013. In summary, the changes were minor and did not materially change the mid-points of any asset class range. The liquidity posture and

overall risk biases of the portfolio were not changed. It remains equity-centric in character, reflecting the long term return advantage of this asset class, balanced by asset classes providing diversification benefits, specifically fixed income and real estate.

The asset allocation changes mentioned above were made after an extensive analysis of the cash flows affecting the pension plans. This type of analysis is important since the liquidity needs of the plans could potentially affect the allocation mix between private and public assets, and those which are more volatile versus stable. Given the maturity of the plans, cash distributions to pay benefits exceed cash contribution inflows. The difference, or net cash needed, requires the use of portfolio cash income, and if that is insufficient, then asset sales are necessary. The cash flow analysis was recently updated and includes a five-year forecast period. The level of implied asset sales over this forecast period remains quite manageable. The increase in contribution rates that became effective in mid-2013 led to a meaningful reduction of net cash needed in fiscal year 2014, as compared to fiscal 2013. These additional contributions slightly reduce the liquidity demands of the plans and allow for an allocation mix designed to provide the long term return needs of the plans, while balancing the tradeoffs of implied risk and lower liquidity of some asset types. In addition, while it cannot be assured over any one or two year period, projected assets over the long term are expected to grow due to positive returns, despite the use of cash income returns or minor sales to meet the expected net cash needs.

The Federal Reserve has recently announced the end of its monthly purchases of Treasury and mortgage-backed securities after five years of using this extraordinary strategy in an effort to help improve the economy. Stocks have hit record highs under this program and its ending comes at a time when elements of weakness still exist in the labor market. The next major decision for the Federal Reserve will be when to begin raising the federal funds target rate and end its current zero interest rate policy. Market consensus now suggests the timing of such a move will fall around mid-2015. In the meantime, the parsing of Federal Reserve communications will remain intense given the importance of this event to global financial markets. In contrast to the expected change from expansionary to contractionary monetary policies in the U.S., in an effort to stimulate its economy, the European Central Bank (ECB) has decided to use similar unconventional monetary policies as the Federal Reserve. The ECB has introduced negative deposit rates for banks storing cash with them, effectively charging them for refusing to take on the risk of making loans, and has initiated a program of buying certain types of securities, or quantitative easing. At this stage there are questions as to the likelihood this effort will be successful in turning around a Eurozone economy that appears to be slowing down, and may even be in recession.

As of mid-November the fiscal year-to-date plan returns are slightly positive. Gains in domestic equity holdings have been largely offset by declines in international stocks, while fixed income returns are positive, but small. Most of the year-to-date return has come from positive performance from the private equity and real estate holdings, in addition to domestic stocks.

With the recently dynamic landscape of monetary policies in the U.S., Europe, and Japan, financial markets have been and will likely continue to be particularly sensitive to the actions and expectations of the world's major central banks. In addition, recent geopolitical risks brought on by the tensions in Ukraine and the Middle East could be a further source of market volatility, due to the uncertainty such situations create. Given these uncertainties and the strong recovery in stocks during the bull market, our portfolio performance outlook is more muted now. Nevertheless, our long-term outlook remains positive for the economy and the majority of asset classes held in the portfolio, given the prospect for an ongoing low inflationary period of positive growth.

TOTAL FUND

The Total Fund is comprised of all state and local government funds invested by the Board. Fund types invested include pensions, trusts, insurance, debt service, state agency and higher education operating accounts, and local government funds. Unless otherwise provided by law, the Board must invest all state funds. Local governments at their discretion may invest funds with the Board. All local government funds are invested in the Short Term Investment Pool (STIP). During the year the Board invested 498 individual accounts, consisting of 330 state agency accounts and 168 local government accounts. The tables below show the June 30, 2014 fair value of invested assets by major fund type and individual funds.

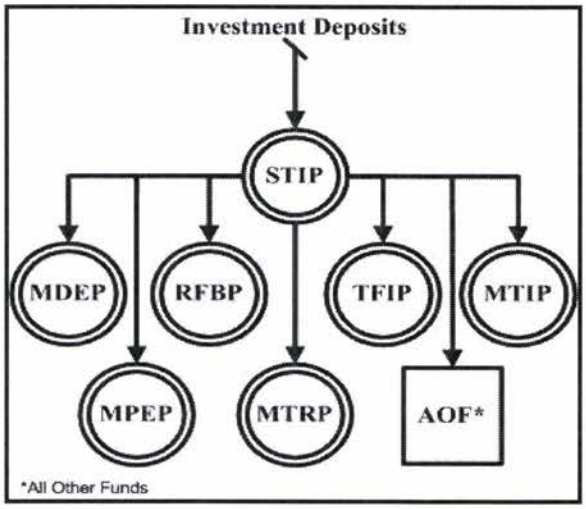
Fund Type	Cash Equivalents	Public Stock	Fixed Income	Loans	Other (1)	6/30/2014 Total
Pensions	210,110,861	5,599,011,876	2,130,976,346		1,880,938,926	9,821,038,010
Trusts	195,360,286		2,221,925,794	137,919,349		2,555,205,429
Insurance	100,302,670	167,515,006	1,215,958,081		74,072,988	1,557,848,746
Treasurer's	1,099,511,652		89,980,407			1,189,492,059
Local Gov.	489,883,980					489,883,980
Agency Cash	220,511,554		8,475,379			228,986,933
Universities	75,051,396	232,860	99,564,085			174,848,341
Debt Service	69,080,420					69,080,420
Total	2,459,812,819	5,766,759,743	5,766,880,092	137,919,349	1,955,011,915	16,086,383,917

(1)Private Equity and Real Estate
Note: Totals may not foot due to rounding differences.

Fund	6/30/2014 Fair Value $	Fund	6/30/2014 Fair Value $
Public Employees Retirement	4,929,131,537	Montana State University	46,754,670
Teachers Retirement	3,613,791,200	Insurance STIP	35,955,858
State Fund Insurance	1,410,854,181	Montana Pole	34,007,626
Treasurers Fund	1,189,492,059	Vol. Firefighters Retirement	33,113,443
Public School Trust	629,085,551	Higher Ed STIP	32,513,650
Permanent Coal Trust	561,399,784	Butte Area One Rest	32,292,570
Local Governments	489,883,980	Clark Fork River Rs	31,812,385
Firefighters Retirement	307,943,947	Blackfoot Response	30,386,477
Police Retirement	305,480,092	Park Acquisition	24,806,235
Sheriffs Retirement	284,001,376	FWP License	20,525,969
Treasure State Endowment	254,082,551	UCFRB Reserve	17,107,459
State Agency STIP	208,460,964	Zortman Water	14,372,683
Tobacco Trust	183,996,959	Zortman Trust	14,320,784
Game Wardens Retirement	138,225,812	Cultural Trust	13,466,058
UCFRB Restoration	131,284,891	Montana Tech UofMontana	12,189,852
Highway Patrol Retirement	125,453,667	FWP Mitigation	11,811,364
Resource Indemnity Trust	112,102,000	Noxious Weeds	10,918,518
Clark Fork Site Resp	102,703,848	Wildlife Habitat	10,752,630
Other Trusts STIP	88,317,190	Smelter Hill Upload	10,313,904
Judges Retirement	83,896,937	Real Property Trust	6,717,333
University Of Montana	83,157,309	Abandoned Mine Trust	6,152,943
Regional Water Fund	83,046,717	East Helena Comp. Fund	5,662,713
Economic Development Trust	78,561,120	Other Trust TFIP	2,804,824
Debt Service STIP	69,080,420	Endowment For Children	1,351,864
Group Benefits	61,952,934	Older Montanans Trust Fund	1,083,272
Streamside Tailings	50,483,177	Higher Ed MDEP	232,860
MT University Sys Group Ins	49,085,745	Subsequent Injury Fund	27
		Total	16,086,383,917

Note: Total may not foot due to rounding differences.

Click here for a listing of all individual investments for the funds



At year-end the Board managed 88.6 percent of the Total Fund in seven investment pools. All cash is initially deposited in STIP, which operates as a money market fund with a $1.00 share value. Participants may invest and withdraw funds with 24 hours notice. Depending upon the investment parameters of individual accounts, some or most of the account balances may be transferred from STIP to other investment pools, which include equity, fixed-income and alternative investments. If accounts may be invested in longer-term investments but their investment parameters do not permit investment in the pools, they are invested in individual portfolios included in the All Other Funds.

Most state agency accounts authorized by law to retain interest earnings and all local government accounts are limited to STIP investments only. State agency accounts that invest in other investment pools or individual investment portfolios may maintain a minimum STIP balance for liquidity. Since the state's trust funds cannot be invested in equities, they are invested in the Trust Funds Investment Pool (TFIP), or individual fixed-income portfolios. Because there are no constitutional or legal restraints on the investment of state pension funds, they are invested in the Retirement Funds Bond Pool (RFBP), the Montana Real Estate Pool (MTRP), and the three equity pools – the Montana Domestic Equity Pool (MDEP), the Montana International Equity Pool (MTIP), and the Montana Private Equity Pool (MPEP). Investment pool information is provided beginning on Page 9. During 2014, $509.8 million in investment income was distributed to the accounts.

Total Fund Annual Change by Major Asset Type

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Domestic Stock	2,557,906,718	18.5	2,545,223,294	19.0	12,683,424	0.5
International Stocks	1,350,099,193	9.8	1,272,268,608	9.5	77,830,585	6.1
Fixed Income (Domestic and Int'l)	5,356,778,143	38.8	4,936,471,911	36.8	420,306,232	8.5
Cash Equivalents	2,545,502,038	18.4	2,655,073,514	19.8	(109,571,476)	(4.1)
Private Equity	877,756,483	6.4	927,348,728	6.9	(49,592,245)	(5.3)
Loans/Mortgages	149,303,566	1.1	151,868,933	1.1	(2,565,367)	(1.7)
Real Estate	966,052,093	7.0	918,241,656	6.8	47,810,437	5.2
Total	**13,803,398,234**	**100.0**	**13,406,496,644**	**100.0**	**396,901,590**	**3.0**

Investment Type	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% of Change
Domestic Stock	3,983,173,350	24.8	3,401,690,264	23.1	581,483,086	17.1
International Stocks	1,768,667,107	11.0	1,433,684,112	9.7	334,982,995	23.4
Fixed Income (Domestic and Int'l)	5,558,260,808	34.5	5,066,384,704	34.4	491,876,104	9.7
Cash Equivalents	2,545,502,038	15.8	2,655,073,514	18.0	(109,571,476)	(4.1)
Private Equity	1,031,447,894	6.4	1,066,828,893	7.3	(35,380,999)	(3.3)
Loans/Mortgages	148,492,140	0.9	151,623,342	1.0	(3,131,201)	(2.1)
Real Estate	1,055,564,180	6.6	935,283,555	6.4	120,280,625	12.9
Total	**16,091,107,518**	**100.0**	**14,710,568,384**	**100.0**	**1,380,539,134**	**9.4**

Note: Totals may not foot due to rounding differences.

Income Distributed	**509,838,835**		**459,938,239**		**49,900,596**	**10.8**

Click here for a complete listing of income by fund

RETIREMENT FUNDS BOND POOL

On April 1, 1995, all fixed-income investments held by the nine pension funds were transferred to the newly-created Retirement Funds Bond Pool (RFBP). Each pension fund received RFBP shares equal to the fair value of its fixed-income portfolio on the date of the transfer. The RFBP participant book value in the table below reports the initial pool investment and subsequent RFBP participant buys and sells as determined by an asset allocation plan. The RFBP participant fair value represents the RFBP participants' shares valued at the RFBP June 30 price. Participant income distributions include interest accruals, discount/premium accretion/amortization and securities lending income. All realized capital gains and losses are retained in the pool.

RFBP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Public Employees	973,399,048	50.1	873,049,048	50.3	100,350,000	11.5
Teachers	712,746,462	36.7	640,701,331	36.9	72,045,131	11.2
Firefighters	61,731,602	3.2	53,429,540	3.1	8,302,062	15.5
Police	61,322,777	3.2	53,358,008	3.1	7,964,770	14.9
Sheriffs	56,244,035	2.9	49,634,035	2.9	6,610,000	13.3
Game Wardens	27,780,392	1.4	23,920,392	1.4	3,860,000	16.1
Highway Patrol	24,954,687	1.3	22,434,687	1.3	2,520,000	11.2
Judges	16,807,887	0.9	14,997,887	0.9	1,810,000	12.1
Volunteer Firefighters	6,324,790	0.3	5,700,261	0.3	624,529	11.0
Total	**1,941,311,680**	**100.0**	**1,737,225,189**	**100.0**	**204,086,492**	**11.7**

Participant	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% Change
Public Employees	1,069,517,475	50.2	950,298,397	50.3	119,219,078	12.5
Teachers	784,722,675	36.8	698,850,177	37.0	85,872,498	12.3
Firefighters	66,856,361	3.1	57,369,261	3.0	9,487,100	16.5
Police	66,376,974	3.1	57,237,466	3.0	9,139,508	16.0
Sheriffs	61,416,932	2.9	53,723,874	2.8	7,693,057	14.3
Game Wardens	29,847,669	1.4	25,465,569	1.3	4,382,101	17.2
Highway Patrol	27,240,251	1.3	24,238,671	1.3	3,001,579	12.4
Judges	18,164,286	0.9	16,033,714	0.8	2,130,572	13.3
Volunteer Firefighters	6,833,723	0.3	6,091,573	0.3	742,150	12.2
Total	**2,130,976,346**	**100.0**	**1,889,308,702**	**100.0**	**241,667,644**	**12.8**

Note: Totals may not foot due to rounding differences.

Income Distributed	**66,455,974**		**68,029,317**		**(1,573,343)**	**(2.3)**

Click here for a complete listing of RFBP securities and cash

In Fall 2008, the RFBP was restructured, for portfolio diversification, by funding the external managers listed below. The book value for these managers represents the original manager funding from the Internal Core Portfolio and subsequent manager subscriptions and redemptions. The Internal Core Portfolio represents the April 1, 1995 book value increased or decreased by subsequent subscriptions or redemptions. The Mortgage book value is the original purchase price of the residential mortgages.

RFBP Annual Change by Manager

Manager	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Internal Core Portfolio	1,468,907,166	76.5	1,239,507,166	72.3	229,400,000	18.5
Reams Asset Management	189,156,059	9.9	189,156,059	11.0	0	0.0
Neuberger Berman	101,635,313	5.3	101,635,313	5.9	0	0.0
Aberdeen Asset Management (Artio Globa	96,981,067	5.1	96,981,067	5.7	0	0.0
Post Advisory Group	50,760,954	2.6	50,760,954	3.0	0	0.0
Montana Mortgages	11,384,217	0.6	14,298,375	0.8	(2,914,159)	(20.4)
Cash Equivalents	554,843	0.0	23,026,506	1.3	(22,471,662)	(97.6)
Total	**1,919,379,619**	**100.0**	**1,715,365,440**	**100.0**	**204,014,179**	**11.9**

Note: Totals may not foot due to rounding differences.

RFBP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	5.22	Barclays Capital Aggregate	4.37	0.85
3 Year Annualized Average	4.94	Barclays Capital Aggregate	3.66	1.28
5 Year Annualized Average	7.14	Barclays Capital Aggregate	4.85	2.29
10 Year Annualized Average	5.91	Barclays Capital Aggregate	4.93	0.98

TRUST FUNDS INVESTMENT POOL

On October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to the newly-created Trust Funds Bond Pool, now known as the Trust Funds Investment Pool (TFIP). Each trust fund received TFIP shares equal to the fair value of their fixed-income portfolio on the date of the transfer. The TFIP participant book value in the table below reports the initial pool investment and subsequent TFIP participant buys and sells. Because current income is important to these participants the pool is managed for income generation, rather than total rate of return. Income distributed includes interest accruals, discount/premium accretion/amortization and securities lending income. All realized capital gains and losses are retained in the pool.

TFIP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Trust and Legacy (Schools)	574,053,456	28.4	531,053,456	27.3	43,000,000	8.1
Permanent Coal Trust	380,291,402	18.8	373,828,906	19.2	6,462,497	1.7
Treasure State Endowment	233,933,300	11.6	219,433,300	11.3	14,500,000	6.6
Tobacco Trust	173,209,265	8.6	159,609,265	8.2	13,600,000	8.5
UCFRB Restoration	110,247,325	5.4	114,862,683	5.9	(4,615,358)	(4.0)
Resource Indemnity	99,999,976	4.9	99,999,976	5.1	0	0.0
Treasure State Water	76,541,879	3.8	70,291,879	3.6	6,250,000	8.9
Big Sky Economic Develop	72,749,091	3.6	65,999,091	3.4	6,750,000	10.2
Clark Fork Site	70,557,648	3.5	70,557,648	3.6	0	0.0
Streamside Tailings	41,845,458	2.1	48,799,835	2.5	(6,954,377)	(14.3)
University of Montana	29,552,921	1.5	29,552,921	1.5	0	0.0
MT Pole Superfund	24,972,634	1.2	24,472,634	1.3	500,000	2.0
Coal Tax Park ACQ	22,000,586	1.1	21,650,586	1.1	350,000	1.6
Clark Fork River RS	16,500,000	0.8	16,500,000	0.8	0	0.0
Montana State University	14,999,130	0.7	14,999,130	0.8	0	0.0
Clark Fork River CD (UCFRB Reserve)	14,835,076	0.7	14,835,076	0.8	0	0.0
ButteArea One Rest	13,838,118	0.7	14,062,880	0.7	(224,762)	(1.6)
Cultural Trust	12,230,349	0.6	11,930,349	0.6	300,000	2.5
Noxious Weed Trust	10,001,995	0.5	10,029,783	0.5	(27,788)	(0.3)
Wildlife Habitat	9,974,265	0.5	9,774,265	0.5	200,000	2.0
Real Property Trust	6,119,626	0.3	5,619,626	0.3	500,000	8.9
Blackfoot Response	5,500,000	0.3	5,500,000	0.3	0	0.0
Smelter Hill Upload	3,085,686	0.2	3,085,686	0.2	0	0.0
East Helena Compensation Fund	2,500,000	0.1	2,500,000	0.1	0	0.0
Children Endowment	1,191,553	0.1	1,171,553	0.1	20,000	1.7
Older Montana Trust	968,762	0.0	928,762	0.0	40,000	4.3
Harriet E. Miller Trust	621,955	0.0	476,000	0.0	145,955	30.7
Montana College of Tech	458,450	0.0	458,450	0.0	0	0.0
Bradley Trust	433,456	0.0	414,403	0.0	19,054	4.6
Teakle Trust	406,538	0.0	371,484	0.0	35,054	9.4
Ronald Schmid Trust	400,000	0.0	350,000	0.0	50,000	14.3
Charles Bair Trust	349,616	0.0	349,616	0.0	0	0.0
Merritt Wheeler Trust	115,779	0.0	104,827	0.0	10,952	10.4
Acquisition Trust	114,255	0.0	95,448	0.0	18,807	19.7
Stewart Trust Fund	107,084	0.0	79,912	0.0	27,172	34.0
Sobotka Memorial Trust	99,929	0.0	99,929	0.0	0	0.0
MHS Education Enterprise	25,000	0.0	0	0.0	25,000	N/A
Haynes Coll Trust	23,103	0.0	0	0.0	23,103	N/A
Sobotka Trust	8,000	0.0	0	0.0	8,000	N/A
Senate Art	7,025	0.0	0	0.0	7,025	N/A
Churchill	5,476	0.0	0	0.0	5,476	N/A
Total	**2,024,875,169**	**100.0**	**1,943,849,359**	**100.0**	**81,025,811**	**4.2**
Note: Totals may not foot due to rounding differences.						
Income Distributed	**82,840,589**		**85,150,646**		**(2,310,057)**	**(2.7)**

Click here for a complete listing of TFIP securities and cash

The book value for the managers listed below represents the original manager funding from the Internal Core Portfolio and subsequent manager subscriptions and redemptions. The Internal Core Portfolio represents the October 1, 1995 book value increased or decreased by subsequent subscriptions or redemptions.

TFIP Annual Change by Manager

Manager	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Internal Core Portfolio	1,793,497,505	87.0	1,729,612,098	87.1	63,885,407	3.7
Post Traditional High Yield	96,000,000	4.7	96,000,000	4.8	0	0.0
Cash Equivalents	47,477,763	2.3	56,225,823	2.8	(8,748,060)	(15.6)
American Core Real Estate	73,000,000	3.5	52,750,000	2.7	20,250,000	38.4
TIAACREF Real Estate	52,000,000	2.5	52,000,000	2.6	0	0.0
Total	**2,061,975,268**	**100.0**	**1,986,587,921**	**100.0**	**75,387,348**	**3.8**

Note: Totals may not foot due to rounding differences.

TFIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	5.87	Barclays Capital Aggregate	4.37	1.50
3 Year Annualized Average	5.24	Barclays Capital Aggregate	3.66	1.58
5 Year Annualized Average	6.85	Barclays Capital Aggregate	4.85	2.00
10 Year Annualized Average	6.04	Barclays Capital Aggregate	4.93	1.11

SHORT TERM INVESTMENT POOL

The Short Term Investment Pool (STIP), created in 1973, provides participants access to a short-term money market fund. Shares are fixed at $1.00, fractional shares may be purchased, and participants may buy or sell shares with one business day's notice. Income is distributed on the first day of the month. Pool investments are managed by Board Staff. There were 498 accounts invested in STIP during the year, consisting of 330 state accounts and 168 local government accounts. All investments are made by Board staff and all income is distributed to participants. The table below shows the annual change in the value of shares by major participant type.

STIP Annual Change by Major Participant Type

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Treasurer's Fund	1,089,162,989	43.4	1,243,963,357	47.3	(154,800,368)	(12.4)
Local Governments	489,883,980	19.5	494,836,035	18.8	(4,952,055)	(1.0)
State Agencies Operating	220,511,554	8.8	217,658,964	8.3	2,852,590	1.3
Pension Funds	210,110,861	8.4	111,725,454	4.2	98,385,407	88.1
Trust Funds	195,360,286	7.8	205,389,962	7.8	(10,029,676)	(4.9)
Insurance Funds	100,302,462	4.0	156,814,519	6.0	(56,512,057)	(36.0)
University Funds	75,051,396	3.0	86,974,740	3.3	(11,923,344)	(13.7)
Debt Service Funds	69,080,420	2.8	22,504,572	0.9	46,575,848	207.0
Board Investment Pools	62,047,635	2.5	89,235,720	3.4	(27,188,085)	(30.5)
Total	**2,511,511,583**	**100.0**	**2,629,103,323**	**100.0**	**(117,591,740)**	**(4.5)**
Note: Totals may not foot due to rounding differences.						
Income Distributed	**3,495,453**		**5,973,699**		**(2,478,246)**	**(41.5)**

Click here for a complete listing of STIP securities

The table below shows the historical percentage yield, by year, since 1974 to 2014, to STIP participants net of all fees.

74	8.8	79	8.1	84	10.6	89	8.6	94	3.4	99	5.4	04	1.1	09	1.7	14	0.1
75	9.0	80	10.2	85	10.1	90	8.7	95	5.8	00	6.0	05	2.3	10	0.3		
76	7.0	81	12.0	86	8.3	91	7.9	96	5.8	01	6.6	06	4.2	11	0.3		
77	6.8	82	13.8	87	6.3	92	5.4	97	5.7	02	2.8	07	5.3	12	0.3		
78	7.2	83	11.3	88	7.1	93	3.7	98	5.9	03	1.5	08	4.2	13	0.2		

STIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	0.14	LIBOR 1 Month	0.17	(0.03)
3 Year Annualized Average	0.23	LIBOR 1 Month	0.21	0.02
5 Year Annualized Average	0.27	LIBOR 1 Month	0.23	0.04
10 Year Annualized Average	1.92	LIBOR 1 Month	1.88	0.04

MONTANA DOMESTIC EQUITY POOL

The Montana Domestic Equity Pool (MDEP) was created May 1, 2003, when all investments held in the Montana Common Stock Pool, the Standard and Poor's 500 Index Fund A and the Dimensional Fund Advisors U.S. Small Cap Index were combined to create the pool. The MDEP participant book value in the table below reports the initial pool investment and subsequent MDEP participant buys and sells. The MDEP participant fair value represents the MDEP participants' shares valued at the MDEP June 30 price. Income distributed includes dividends, security lending and miscellaneous income. All realized capital gains and losses are retained in the pool.

MDEP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Public Employees	561,031,679	48.4	593,264,489	48.7	(32,232,810)	(5.4)
Teachers	405,692,561	35.0	430,802,242	35.4	(25,109,681)	(5.8)
Firefighters	50,258,970	4.3	49,570,502	4.1	688,469	1.4
Police	49,429,763	4.3	48,880,196	4.0	549,568	1.1
Sheriffs	38,377,968	3.3	39,704,613	3.3	(1,326,645)	(3.3)
Game Wardens	22,246,241	1.9	22,160,032	1.8	86,209	0.4
Highway Patrol	15,079,535	1.3	15,912,328	1.3	(832,793)	(5.2)
Judges	10,315,944	0.9	10,819,135	0.9	(503,191)	(4.7)
Volunteer Firefighters	5,679,661	0.5	5,833,061	0.5	(153,399)	(2.6)
Potter Trust	19,815	0.0	19,815	0.0	0	0.0
Harold Hamm Endowment	6,438	0.0	6,438	0.0	0	0.0
University of Montana	0	0.0	531,639	0.0	(531,639)	(100.0)
Total	**1,158,138,577**	**100.0**	**1,217,504,490**	**100.0**	**(59,365,913)**	**(4.9)**

Participant	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% Change
Public Employees	1,933,145,416	50.2	1,643,008,768	50.3	290,136,648	17.7
Teachers	1,418,121,811	36.8	1,207,310,806	37.0	210,811,005	17.5
Police	119,960,980	3.1	98,915,958	3.0	21,045,022	21.3
Firefighters	120,837,029	3.1	99,212,609	3.0	21,624,420	21.8
Sheriffs	110,982,408	2.9	92,867,702	2.8	18,114,706	19.5
Highway Patrol	49,217,235	1.3	41,882,905	1.3	7,334,330	17.5
Game Wardens	53,924,613	1.4	44,057,713	1.3	9,866,900	22.4
Judges	32,822,168	0.9	27,759,197	0.8	5,062,971	18.2
Volunteer Firefighters	12,354,213	0.3	10,544,116	0.3	1,810,098	17.2
Potter Trust	192,822	0.0	154,590	0.0	38,232	24.7
Harold Hamm Endowment	40,038	0.0	32,099	0.0	7,939	24.7
University of Montana	0	0.0	1,342,438	0.0	(1,342,438)	(100.0)
Total	**3,851,598,732**	**100.0**	**3,267,088,901**	**100.0**	**584,509,832**	**17.9**

Note: Totals may not foot due to rounding differences.

Income Distributed	**13,036,532**		**14,460,575**		**(1,424,043)**	**(9.8)**

Click here for a complete listing of MDEP securities

The book value for the managers in the table below represents the original manager funding from MDEP and subsequent manager subscriptions and redemptions.

MDEP Annual Change by Manager

Manager	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
BlackRock Equity Index (S&P 500)	1,265,293,999	56.4	1,356,004,315	57.1	(90,710,316)	(6.7)
T Rowe Price Large Cap	207,447,320	9.3	220,104,944	9.3	(12,657,624)	(5.8)
JP Morgan Partial L/S	183,499,314	8.2	198,911,826	8.4	(15,412,512)	(7.7)
Analytic Partial L/S	84,091,326	3.7	84,091,326	3.5	0	0.0
INTECH Large Cap Enh Index	79,804,407	3.6	79,804,407	3.4	0	0.0
Artisan Mid Cap Value	75,667,605	3.4	75,667,605	3.2	(1)	0.0
TimesSquare Mid Cap Growth	74,572,370	3.3	74,572,370	3.1	0	0.0
BlackRock Midcap Index	43,664,930	1.9	46,717,181	2.0	(3,052,251)	(6.5)
Vaughan Nelson Small Cap	41,454,243	1.8	41,454,243	1.7	0	0.0
Nicholas Investment Mid Cap	41,078,407	1.8	41,078,407	1.7	0	0.0
Iridian Mid Cap	40,790,378	1.8	40,790,378	1.7	0	0.0
DFA US Small Cap	27,416,221	1.2	28,963,044	1.2	(1,546,821)	(5.3)
ING Investment Small Cap	25,694,164	1.1	25,694,164	1.1	0	0.0
Alliance Bernstein US Small Cap Growth	25,000,000	1.1	25,000,000	1.1	0	0.0
Met West Small Cap	20,769,688	0.9	20,769,688	0.9	0	0.0
IShares S&P Small Cap Index	3,274,500	0.1	6,454,617	0.3	(3,180,117)	(49.3)
State Street Stock Performance Index Fun	3,083,099	0.1	5,341,406	0.2	(2,258,307)	(42.3)
WAMCO Large Cap	0	0.0	1,894,588	0.1	(1,894,588)	(100.0)
Money Market Fund for EBT	73	0.0	0	0.0	73	N/A
BlackRock Cash	0.8	0.0	0	0.0	0.8	N/A
Total	**2,242,602,045**	**100.0**	**2,373,314,509**	**100.0**	**(130,712,464)**	**(5.5)**

Note: Totals may not foot due to rounding differences.

MDEP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	25.18	S & P 1500	24.70	0.48
3 Year Annualized Average	16.31	S & P 1500	16.48	(0.17)
5 Year Annualized Average	19.19	S & P 1500	19.18	0.01
10 Year Annualized Average	7.63	S & P 1500	8.09	(0.46)

MONTANA INTERNATIONAL EQUITY POOL

The Montana International Equity Pool (MTIP) was created in 1997 when the nine pension funds purchased pool shares to fund investments in international stock. The MTIP participant book value in the table below reports the initial pool investment and subsequent MTIP participant buys and sells as determined by an asset allocation plan. The MTIP participant fair value represents the MTIP participants' shares valued at the MTIP June 30 price. Cash dividends, interest and related income currency gains/losses are distributed monthly. All realized capital gains and losses are retained in the pool.

MTIP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Public Employees	494,890,599	49.7	479,236,090	49.8	15,654,509	3.3
Teachers	359,998,684	36.1	349,681,991	36.4	10,316,693	3.0
Firefighters	34,951,139	3.5	32,315,773	3.4	2,635,366	8.2
Police	34,414,638	3.5	32,033,378	3.3	2,381,260	7.4
Sheriffs	30,676,132	3.1	29,217,000	3.0	1,459,132	5.0
Game Wardens	16,369,729	1.6	15,086,561	1.6	1,283,168	8.5
Highway Patrol	12,667,714	1.3	12,303,059	1.3	364,655	3.0
Judges	8,710,669	0.9	8,384,905	0.9	325,764	3.9
Volunteer Firefighters	3,473,162	0.3	3,353,567	0.3	119,595	3.6
Total	**996,152,467**	**100.0**	**961,612,324**	**100.0**	**34,540,143**	**3.6**

Participant	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% Change
Public Employees	877,318,009	50.2	712,586,855	50.3	164,731,154	23.1
Teachers	643,364,706	36.8	523,437,456	37.0	119,927,250	22.9
Firefighters	54,854,984	3.1	43,017,344	3.0	11,837,640	27.5
Police	54,440,301	3.1	42,936,209	3.0	11,504,091	26.8
Sheriffs	50,345,809	2.9	40,321,173	2.8	10,024,636	24.9
Game Wardens	24,481,722	1.4	19,106,327	1.3	5,375,395	28.1
Highway Patrol	22,336,148	1.3	18,165,192	1.3	4,170,957	23.0
Judges	14,901,247	0.9	12,035,802	0.8	2,865,445	23.8
Volunteer Firefighters	5,603,078	0.3	4,559,193	0.3	1,043,885	22.9
Total	**1,747,646,004**	**100.0**	**1,416,165,551**	**100.0**	**331,480,453**	**23.4**

Note: Totals may not foot due to rounding differences.

Income Distributed	**10,724,683**		**9,826,940**		**897,743**	**9.1**

Click here for a complete listing of MTIP securities and cash

The book value for the managers in the table below represents the original manager funding from MTIP and subsequent manager subscriptions and redemptions.

MTIP Annual Change by Manager

	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
BlackRock ACWI EX US Super Fund A	722,244,223	51.9	747,849,718	55.7	(25,605,494)	(3.4)
AllianceBernstein	125,787,325	9.0	125,787,325	9.4	0	0.0
Acadian	116,360,644	8.4	116,360,644	8.7	0	0.0
Martin Currie	115,980,459	8.3	115,980,459	8.6	0	0.0
Hansburger	102,651,230	7.4	102,651,230	7.6	0	0.0
DFA International Small Company	64,309,272	4.6	62,078,809	4.6	2,230,462	3.6
BlackRock MSCI Emerging Mkt Free	41,163,202	3.0	36,163,202	2.7	5,000,000	13.8
Templeton Investment Counsel	40,678,688	2.9	0	0.0	40,678,688	N/A
American Century Inv Management	30,805,215	2.2	0	0.0	30,805,215	N/A
BlackRock ACWI EX US Small Cap	20,656,720	1.5	20,656,720	1.5	0	0.0
State Street Int'l Stock Perf Index Fund	11,118,625	0.8	15,316,426	1.1	(4,197,801)	(27.4)
Money Market Fund for EBT	272	0.0	155	0.0	117	75.5
BlackRock Cash	0.16	0.0	1	0.0	(0.84)	(84.0)
Total	**1,391,755,875**	**100.0**	**1,342,844,689**	**100.0**	**48,911,187**	**3.6**

Note: Totals may not foot due to rounding differences.

MTIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
2014	21.67	**MTIP Custom Benchmark**	21.99	(0.32)
3 Year Annualized Average	5.58	**MTIP Custom Benchmark**	5.80	(0.22)
5 Year Annualized Average	11.07	**MTIP Custom Benchmark**	11.35	(0.28)
10 Year Annualized Average	6.47	**MTIP Custom Benchmark**	7.47	(1.00)

MONTANA PRIVATE EQUITY POOL

The Montana Private Equity Pool (MPEP) was created on May 1, 2002 when all private equity investments held by the nine pension funds were transferred to the pool. Each pension fund received shares in the pool equal to the fair value of their private equity investments and also transferred cash to the pool to provide liquidity for investments. The MPEP participant book value in the table below reports the initial pool investment and subsequent MPEP participant buys and sells as determined by an asset allocation plan. The MPEP participant fair value represents the MPEP participants' shares valued at the MPEP June 30 price.

MPEP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Public Employees	241,775,169	49.9	287,917,198	50.1	(46,142,028)	(16.0)
Teachers	175,831,117	36.3	209,887,966	36.5	(34,056,849)	(16.2)
Firefighters	16,929,376	3.5	19,084,715	3.3	(2,155,339)	(11.3)
Police	16,615,893	3.4	18,763,818	3.3	(2,147,925)	(11.4)
Sheriffs	14,443,137	3.0	16,952,835	2.9	(2,509,698)	(14.8)
Game Wardens	7,506,312	1.5	8,580,688	1.5	(1,074,376)	(12.5)
Highway Patrol	6,057,993	1.2	7,226,763	1.3	(1,168,770)	(16.2)
Judges	4,145,268	0.9	4,911,764	0.9	(766,496)	(15.6)
Volunteer Firefighters	1,608,893	0.3	1,895,697	0.3	(286,804)	(15.1)
Total	**484,913,159**	**100.0**	**575,221,444**	**100.0**	**(90,308,285)**	**(15.7)**

Participant	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% Change
Public Employees	517,872,903	50.2	536,542,371	50.3	(18,669,468)	(3.5)
Teachers	379,372,922	36.8	394,496,433	37.0	(15,123,512)	(3.8)
Firefighters	32,331,969	3.1	32,422,699	3.0	(90,730)	(0.3)
Police	32,111,372	3.1	32,304,911	3.0	(193,538)	(0.6)
Sheriffs	29,720,257	2.9	30,325,464	2.8	(605,208)	(2.0)
Game Wardens	14,481,381	1.4	14,410,854	1.4	70,527	0.5
Highway Patrol	13,183,996	1.3	13,672,606	1.3	(488,610)	(3.6)
Judges	8,795,905	0.9	9,064,027	0.8	(268,122)	(3.0)
Volunteer Firefighters	3,297,163	0.3	3,436,251	0.3	(139,088)	(4.0)
Total	**1,031,167,868**	**100.0**	**1,066,675,616**	**100.0**	**(35,507,748)**	**(3.3)**

Note: Totals may not foot due to rounding differences.

Income Distributed	**7,794,612**		**16,850,031**		**(9,055,418)**	**(53.7)**

MPEP Annual Change by Manager

Manager	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Adams Street Partners	129,009,488	14.7	144,143,162	15.5	(15,133,674)	(10.5)
Lexington Capital	63,256,439	7.2	63,672,507	6.9	(416,068)	(0.7)
Portfolio Advisors	41,440,176	4.7	45,983,943	5.0	(4,543,766)	(9.9)
Harbour Vest	38,032,581	4.3	35,073,053	3.8	2,959,528	8.4
Centerbridge	31,308,933	3.6	20,907,445	2.3	10,401,488	49.8
State Street	28,350,674	3.2	28,367,175	3.1	(16,501)	(0.1)
Siguler Guff	27,180,072	3.1	25,523,219	2.8	1,656,853	6.5
Welsh Carson Anderson&Stowe	25,970,964	3.0	37,139,303	4.0	(11,168,339)	(30.1)
Oak Hill Capital	24,560,115	2.8	27,102,504	2.9	(2,542,389)	(9.4)
CCMP	23,734,571	2.7	22,579,396	2.4	1,155,175	5.1
Matlin Patterson	23,535,608	2.7	22,503,184	2.4	1,032,424	4.6
Terra Firma	23,481,253	2.7	22,524,732	2.4	956,521	4.2
Arclight Capital	22,954,253	2.6	19,315,257	2.1	3,638,996	18.8
Northgate	21,026,984	2.4	13,830,000	1.5	7,196,984	52.0
NB Coinvest	20,335,803	2.3	18,554,127	2.0	1,781,676	9.6
Axiom Asia	19,397,891	2.2	13,465,294	1.5	5,932,597	44.1
Carlyle Partners	18,673,411	2.1	27,758,245	3.0	(9,084,834)	(32.7)
Odyssey Partners	18,373,595	2.1	23,264,340	2.5	(4,890,745)	(21.0)
HCI Equity	16,599,763	1.9	10,680,786	1.2	5,918,977	55.4
Black Diamond Capital Mgmt	16,498,178	1.9	10,529,491	1.1	5,968,687	56.7
Performance Equity Mgmt	16,328,021	1.9	14,254,285	1.5	2,073,736	14.5
American Securities Partners	16,263,532	1.9	7,734,820	0.8	8,528,712	110.3
Veritas	15,711,535	1.8	13,443,952	1.4	2,267,583	16.9
MHR Institutional	12,868,296	1.5	12,919,020	1.4	(50,724)	(0.4)
Tenaya Capital	11,807,915	1.3	5,265,927	0.6	6,541,988	124.2
CIVC	11,553,142	1.3	9,430,021	1.0	2,123,121	22.5
J.C. Flowers	11,146,507	1.3	11,288,367	1.2	(141,860)	(1.3)
Tenex Capital Partners	10,851,016	1.2	6,282,691	0.7	4,568,325	72.7
Summit Partners	10,194,015	1.2	2,800,000	0.3	7,394,015	264.1
JLL Partners	9,527,702	1.1	13,342,188	1.4	(3,814,486)	(28.6)
MontLake	9,260,408	1.1	9,260,408	1.0	(0)	(0.0)
Audax	8,790,151	1.0	4,097,741	0.4	4,692,410	114.5
EIF	8,647,054	1.0	4,703,437	0.5	3,943,617	83.8
Gridiron Capital	8,529,094	1.0	7,222,150	0.8	1,306,944	18.1
Trilantic Capital Partners	7,887,224	0.9	5,099,664	0.5	2,787,560	54.7
Affinity	7,376,948	0.8	7,234,064	0.8	142,884	2.0
Highway 12 Ventures	7,370,340	0.8	7,621,367	0.8	(251,027)	(3.3)
Quintana Energy	7,332,027	0.8	7,200,634	0.8	131,393	1.8
Cartesian Capital	6,530,814	0.7	4,400,183	0.5	2,130,631	48.4
Sterling Capital Partners	6,392,590	0.7	3,065,377	0.3	3,327,213	108.5
HKW Capital	5,472,913	0.6	0	0.0	5,472,913	N/A
Industry Ventures	5,220,716	0.6	5,475,980	0.6	(255,264)	(4.7)
TA Associates	5,199,014	0.6	4,502,668	0.5	696,346	15.5
Catalyst	4,638,301	0.5	3,750,000	0.4	888,301	23.7
Pine Brook	4,390,851	0.5	0	0.0	4,390,851	N/A
Southern Capital	3,649,973	0.4	0	0.0	3,649,973	N/A
Oaktree Capital	3,413,231	0.4	6,267,266	0.7	(2,854,035)	(45.5)
White Deer Energy	2,817,313	0.3	9,568	0.0	2,807,745	29,345.2
Opus	2,630,760	0.3	2,451,575	0.3	179,185	7.3
Eureka	1,142,285	0.1	0	0.0	1,142,285	N/A
Guardian	1,092,040	0.1	0	0.0	1,092,040	N/A
Kolberg Kravis & Roberts	2	0.0	3,210,001	0.3	(3,209,999)	(100.0)
Avenue Capital	1	0.0	1	0.0	0	0.0
First Reserve	0	0.0	43,504,234	4.7	(43,504,234)	(100.0)
GTCR Partners	0	0.0	15,564,826	1.7	(15,564,826)	(100.0)
Hellman & Friedman	0	0.0	16,080,851	1.7	(16,080,851)	(100.0)
Madison Dearborn Capital	0	0.0	36,948,300	4.0	(36,948,300)	(100.0)
Total	**877,756,483**	**100.0**	**927,348,728**	**100.0**	**(49,592,245)**	**(5.3)**

Note: Totals may not foot due to rounding differences.

MPEP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	16.51	**S&P 1500 + 4.0% ***	26.02	(9.51)
3 Year Annualized Average	13.35	**S&P 1500 + 4.0% ***	18.59	(5.24)
5 Year Annualized Average	15.90	**S&P 1500 + 4.0% ***	25.64	(9.74)
10 Year Annualized Average	11.33	**S&P 1500 + 4.0% ***	11.74	(0.41)

***1 quarter lag**

Private equity investments are participations in non-publicly traded equity ownership of a fund or operating company either directly or more commonly through a partnership. The types of investments made by private equity managers generally fall into the following categories:

- **Venture Capital** – Equity or equity-like investments in companies that have undeveloped or developing products or revenue.

- **Leveraged Buy-Outs** – Equity investments in public or private companies that purchase a significant portion or majority control of the company.

- **Mezzanine** – Investments in the subordinated debt and/or equity of privately owned companies. The debt holder participates in equity appreciation through conversion features, such as rights, warrants, and/or options.

- **Secondary Investments** – Investments in a previously-owned limited partnership or investment in previously owned limited partnership via a secondary fund.

- **Distressed Debt** – Public and private debt of companies that appear unlikely to meet their financial obligations but are attractive to investors, not for repayment of interest and principal which are unlikely to be paid, but for the claim placed on the firm's value by unpaid creditors.

MONTANA REAL ESTATE POOL

The Montana Real Estate Pool (MTRP) was funded June 1, 2006 to allow the nine pension funds to participate in a diversified real estate portfolio. The MTRP participant book value in the table below reports the initial pool investment and subsequent MTRP participant buys and sells as determined by an asset allocation plan. The MTRP participant fair value represents the MTRP participants' shares valued at the MTRP June 30 price.

MTRP Annual Change by Participant

Participant	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Public Employees	387,133,489	50.2	389,209,566	50.4	(2,076,077)	(0.5)
Teachers	284,602,238	36.9	286,502,301	37.1	(1,900,063)	(0.7)
Firefighters	23,880,335	3.1	23,167,277	3.0	713,058	3.1
Police	23,800,215	3.1	23,137,534	3.0	662,681	2.9
Sheriffs	22,016,687	2.9	21,815,885	2.8	200,801	0.9
Game Wardens	10,579,378	1.4	10,255,000	1.3	324,378	3.2
Highway Patrol	9,862,143	1.3	9,934,300	1.3	(72,157)	(0.7)
Judges	6,547,267	0.8	6,538,349	0.8	8,918	0.1
Volunteer Firefighters	2,451,164	0.3	2,439,857	0.3	11,306	0.5
Total	**770,872,916**	**100.0**	**773,000,069**	**100.0**	**(2,127,153)**	**(0.3)**

Participant	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% Change
Public Employees	426,527,659	50.2	393,155,170	50.3	33,372,489	8.5
Teachers	312,839,655	36.8	288,720,756	37.0	24,118,899	8.4
Firefighters	26,667,085	3.1	23,770,814	3.0	2,896,271	12.2
Police	26,516,296	3.1	23,680,813	3.0	2,835,483	12.0
Sheriffs	24,475,124	2.9	22,244,864	2.8	2,230,260	10.0
Game Wardens	11,905,568	1.4	10,600,247	1.4	1,305,321	12.3
Highway Patrol	10,861,912	1.3	10,030,802	1.3	831,110	8.3
Judges	7,251,400	0.9	6,640,736	0.8	610,664	9.2
Volunteer Firefighters	2,726,359	0.3	2,490,630	0.3	235,729	9.5
Total	**849,771,058**	**100.0**	**781,334,832**	**100.0**	**68,436,225**	**8.8**

Note: Totals may not foot due to rounding differences.

Income Distributed	**18,867,560**		**11,228,787**		**7,638,773**	**68.0**

MTRP Annual Change by Manager

Manager	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
JP Morgan Strategic Property Fund	92,733,976	11.8	92,733,975	11.8	1	0.0
Angelo Gordon	50,247,428	6.4	48,845,678	6.2	1,401,750	2.9
UBS Realty Investors LLC	50,000,000	6.4	50,000,000	6.3	0	0.0
DRA Advisors VI	47,272,699	6.0	42,559,000	5.4	4,713,699	11.1
INVESCO Core RE - USA	45,000,000	5.7	45,000,000	5.7	0	0.0
Molpus Woodlands Group	41,903,135	5.3	38,619,686	4.9	3,283,449	8.5
TIAA CREF	40,000,000	5.1	40,000,000	5.1	0	0.0
Clarion Lion Properties Fund	36,179,512	4.6	48,702,275	6.2	(12,522,763)	(25.7)
TA Associates Realty Fund VIII	34,609,398	4.4	42,365,195	5.4	(7,755,797)	(18.3)
ABR Chesapeake Fund III	31,859,678	4.1	28,619,855	3.6	3,239,823	11.3
Morgan Stanley RE Fund VI Intnl	26,996,112	3.4	26,996,112	3.4	0	0.0
CIM Fund III	22,295,930	2.8	22,688,877	2.9	(392,947)	(1.7)
Carlyle Europe RE Partners III	22,215,363	2.8	23,618,402	3.0	(1,403,039)	(5.9)
RMS Timberland	21,029,444	2.7	15,977,469	2.0	5,051,975	31.6
Almanac Realty	20,507,117	2.6	26,671,110	3.4	(6,163,993)	(23.1)
Direct Real Estate	19,129,623	2.4	18,745,617	2.4	384,006	2.0
CBRE Strategic Partners	17,445,541	2.2	9,737,014	1.2	7,708,527	79.2
Beacon Capital Partners Fund V	16,450,495	2.1	18,535,891	2.4	(2,085,396)	(11.3)
Hudson Realty Capital Fund IV	15,748,599	2.0	24,246,156	3.1	(8,497,557)	(35.0)
Stockbridge LP	15,617,025	2.0	14,493,765	1.8	1,123,260	7.7
Cash Equivalents	15,012,213	1.9	10,306,106	1.3	4,706,107	45.7
BPG Investment Partnership	13,411,676	1.7	0	0.0	13,411,676	N/A
Strategic Partners Value	13,289,948	1.7	16,138,498	2.0	(2,848,550)	(17.7)
The Realty Associates	13,000,000	1.7	0	0.0	13,000,000	N/A
Macquarie Global Prop Fund III	11,969,145	1.5	18,196,093	2.3	(6,226,948)	(34.2)
ORM Timber LLC	11,802,000	1.5	7,635,000	1.0	4,167,000	54.6
GEM Realty Fund IV	10,140,868	1.3	9,166,015	1.2	974,853	10.6
O'Connor North Amer Prop	9,555,491	1.2	10,835,729	1.4	(1,280,238)	(11.8)
AREA Property Partners	6,678,767	0.8	11,448,235	1.5	(4,769,468)	(41.7)
Landmark Real Estate	6,274,047	0.8	6,473,072	0.8	(199,025)	(3.1)
Liquid Realty Fund IV	5,264,351	0.7	13,455,259	1.7	(8,190,908)	(60.9)
JER RE Partners Fund IV	2,424,725	0.3	4,937,678	0.6	(2,512,953)	(50.9)
Total	**786,064,306**	**100.0**	**787,747,762**	**100.0**	**(1,683,456)**	**(0.2)**

Note: Totals may not foot due to rounding differences.

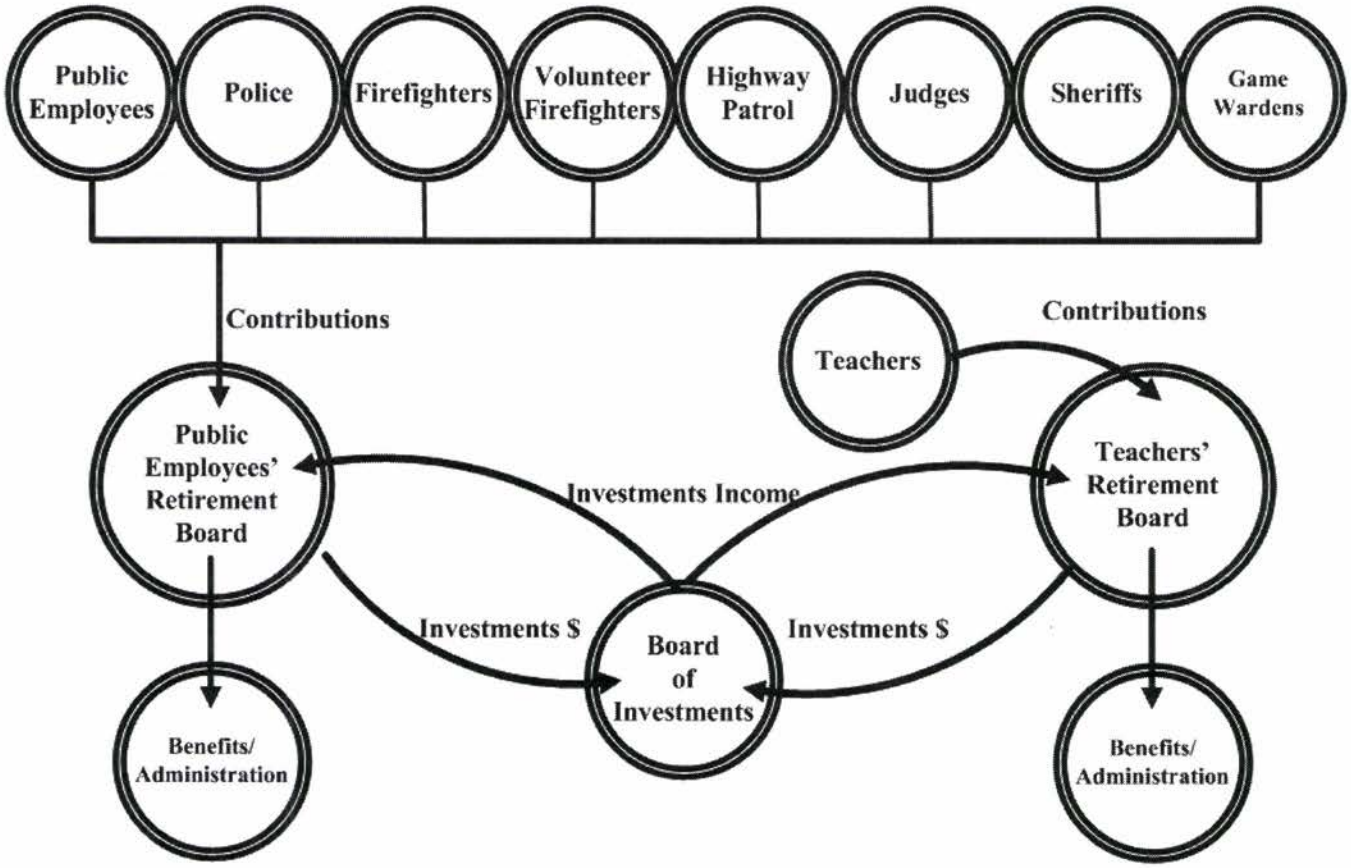
MTRP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2014	11.67	NCREIF-ODCE*	12.74	(1.07)
3 Year Annualized Average	10.57	NCREIF-ODCE*	11.99	(1.42)
5 Year Annualized Average	5.41	NCREIF-ODCE*	6.31	(0.90)

*1 quarter lag

PENSION FUNDS

By law, all public pension funds in the state, including local governments and school districts, are managed by the state. The Board of Investments manages all pension fund investments, while two boards appointed by the Governor manage the benefits. The chart below depicts the relationship of the pension boards and the Board of Investments in managing the state's nine pension fund assets and liabilities.



Employee/employer contribution levels and the formulas for benefits are set by the legislature. The pension boards provide the assumptions used by their contracted actuaries to value the systems. Article VIII, Section 15 of the Montana State Constitution requires that the systems be "actuarially sound" as follows:

> ***(1) Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.***
>
> ***(2) The governing boards of public retirement systems shall administer the system, including actuarial determinations, as fiduciaries of system participants and their beneficiaries.***

State law defines a system as actuarially sound when any unfunded liability can be amortized in 30 years or less with the current level of contributions. As of June 30, 2014, three systems were not actuarially sound as determined by the system's actuary. Those three were the Highway Patrol Officer's Retirement System (HPORS), Game Wardens' and Peace Officers' Retirement System (GWPORS), and the Sheriffs' Retirement System (SRS). According to the June 30, 2014 actuarial valuations, the HPORS made considerable improvements in funding with the 2013 plan changes* and now amortizes in 30.3 years. The unfunded liability in GWPORS and SRS does not amortize.

* http://www.mpera.mt.gov/hporslegislation.shtml

ASSET ALLOCATION

Pension fund investments are managed in six investment pools created by the Board. These pools, which operate similar to mutual funds, simplify investing and accounting, and provide broader diversification for the smaller pension funds. Current income is distributed monthly to pool participants. Because the law imposes no restrictions on the investment of pension funds other than the prudent expert principle, the Board must determine the types of investments to be made and the portion of total assets that each investment type will comprise. This process requires a two-tier allocation structure to ensure that the Board approves the types and levels of investments at the pension fund level as well as within each investment pool. To allow for daily market movements and to provide day-to-day flexibility in the management of assets, the allocations are approved in ranges rather than absolute percentages. The asset allocations are currently identical for all nine pension funds and the Board has set a fund-level maximum of 72.0 percent for public/private equity. The table below shows the Board-approved asset allocations at the fund and investment pool level in effect as of April 8, 2014.

Pension Fund
Asset Allocations
58 -72% Equities Range

Domestic Equity Pool — **28% - 44%**

Investment Type	Range
Large Cap Core (passive)	45% - 70%
Large Cap Enhanced	8% - 12%
Partial Long/Short (130/30)	8% - 12%
Total Large Cap	72% - 91%
Mid Cap	6% - 17%
Small Cap	3% - 11%

Real Estate Pool — **6% - 10%**

Investment Type	Range
Core/Timberland *	35% - 65%
Value Added	20% - 45%
Opportunistic	10% - 30%

* Timberland may not exceed 2% of total pension assets

International Equity Pool — **14% - 22%**

Investment Type	Range
Large Cap Passive	42% - 66%
Large Cap Active	22% - 32%
Small Cap	8% - 16%
Dedicated Emerging Markets	0% - 5%

Private Equity Pool — **9% - 15%**

Investment Type	Range
Buyouts	50% - 80%
Venture Capital	10% - 25%
Debt Related	0% - 25%

Retirement Funds Bond Pool — **22% - 30%**

Investment Type	Range
Domestic High Yield	0% - 15%
International	0% - 10%
Total High Yield/International	0% - 20%
Domestic Core (investment grade)	80% - 100%

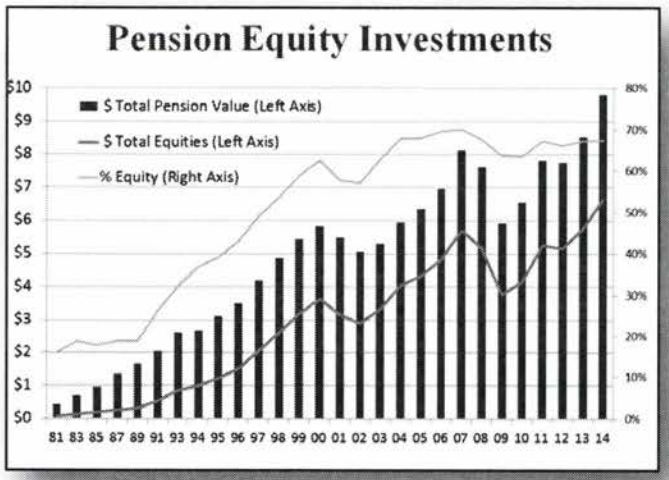
Short Term Investment Pool — **1% - 5%**

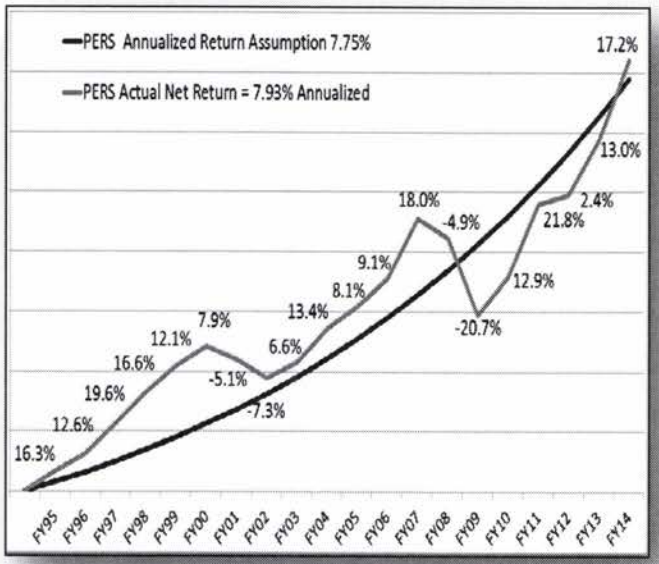
Short-term liquid investments
High-quality Investments
24 Hour Liquidity for Participants

Pension Fund asset allocations in effect as of April 8, 2014.

The Board's asset allocation mix is critical to the return on pension fund investments. The investment returns that pension fund contributions are expected to earn have already been determined when the Board receives the contributions to invest. These pension returns are used in the calculations that drive funding ratios, unfunded liabilities, and the required level of contributions. A small reduction in the return assumptions will reduce the funding ratios and increase unfunded liabilities. Once these return assumptions are used in the actuarial valuations, if investment returns do not meet the return assumptions the funding ratios will go down and unfunded liabilities will grow.

These return assumptions cannot be met without incurring the investment risk and volatility that have been demonstrated during the past 14 years. The asset allocation process must balance risk and return in an attempt to generate the required investment returns while not incurring excessive risk. To meet the actuarial assumptions, a significant portion of pension assets must be invested in equities. The adjacent chart shows the Board's effort to increase equity exposure. Increasing equity exposure maximized growth of the funds during the first 20 years of the period but caused significant volatility since 2001.





The Board has calculated returns on pension fund investments since Fiscal Year 1995 as depicted in the adjacent chart. Through Fiscal Year 2008, the investment return exceeded the 8.0 percent return assumptions of the PERS System despite the equity market's downturn in 2001 and 2002. Positive returns began in 2010 and continued to climb through the most recent fiscal year. The PERS portfolio was up 17.2 percent during the 2014 fiscal year, resulting in a cumulative net annualized return of 7.93 percent, which is above the current 7.75 percent assumption. The returns for the other eight retirement systems have been nearly identical to the PERS.

This has been an exceptionally volatile 20 year period for domestic stocks as represented by the S&P 500 Index. Although bonds and U.S. Treasury Bills were not as volatile as stocks, neither of them generated the 7.75 percent return required to keep the retirement systems actuarially sound. Domestic stocks exceeded the return assumption; however, as the adjacent chart depicts, there is no combination of these asset classes that would have generated the required returns during the period.

The fiscal year change in the systems' book value is shown below.

Fund	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Public Employees	2,762,980,058	49.7	2,677,390,914	49.8	85,589,144	3.2
Teachers	2,014,240,493	36.2	1,958,207,821	36.4	56,032,672	2.9
Firefighters	194,147,942	3.5	180,685,111	3.4	13,462,831	7.5
Police	191,657,454	3.4	179,029,127	3.3	12,628,327	7.1
Sheriffs	168,818,805	3.0	161,362,203	3.0	7,456,602	4.6
Game Wardens	88,066,912	1.6	81,923,371	1.5	6,143,541	7.5
Highway Patrol	71,236,197	1.3	69,184,521	1.3	2,051,676	3.0
Judges	48,488,967	0.9	46,750,707	0.9	1,738,260	3.7
Volunteer Firefighters	21,836,577	0.4	21,197,301	0.4	639,276	3.0
Total	**5,561,473,405**	**100.0**	**5,375,731,076**	**100.0**	**185,742,329**	**3.5**
Investment Type						
Retirement Funds Bond Pool	1,941,311,680	34.9	1,737,225,189	32.3	204,086,492	11.7
Domestic Equity Pool	1,158,112,323	20.8	1,216,946,597	22.6	(58,834,274)	(4.8)
International Equity Pool	996,152,466	17.9	961,612,324	17.9	34,540,142	3.6
Real Estate Pool	770,872,916	13.9	773,000,069	14.4	(2,127,153)	(0.3)
Private Equity Pool	484,913,158	8.7	575,221,444	10.7	(90,308,286)	(15.7)
Short Term Investment Pool	210,110,861	3.8	111,725,454	2.1	98,385,407	88.1
Total	**5,561,473,405**	**100.0**	**5,375,731,076**	**100.0**	**185,742,328**	**3.5**

Note: Totals may not foot due to rounding differences.

The fiscal year change in the systems' fair value is shown below.

Fund	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% of Change
Public Employees	4,929,131,537	50.2	4,290,306,086	50.3	638,825,451	14.9
Teachers	3,613,791,200	36.8	3,153,447,617	37.0	460,343,583	14.6
Firefighters	307,943,947	3.1	258,910,031	3.0	49,033,916	18.9
Police	305,480,092	3.1	257,931,552	3.0	47,548,540	18.4
Sheriffs	284,001,376	2.9	243,520,912	2.9	40,480,464	16.6
Game Wardens	138,225,812	1.4	115,561,406	1.4	22,664,406	19.6
Highway Patrol	125,453,667	1.3	109,363,561	1.3	16,090,106	14.7
Judges	83,896,937	0.9	72,632,146	0.9	11,264,791	15.5
Volunteer Firefighters	33,113,442	0.3	29,096,619	0.3	4,016,823	13.8
Total	**9,821,038,010**	**100.0**	**8,530,769,930**	**100.0**	**1,290,268,080**	**15.1**
Investment Type						
Retirement Funds Bond Pool	2,130,976,346	21.7	1,889,308,703	22.1	241,667,643	12.8
Domestic Equity Pool	3,851,365,872	39.2	3,265,559,774	38.3	585,806,098	17.9
International Equity Pool	1,747,646,004	17.8	1,416,165,551	16.6	331,480,453	23.4
Real Estate Pool	849,771,059	8.7	781,334,832	9.2	68,436,227	8.8
Private Equity Pool	1,031,167,868	10.5	1,066,675,616	12.5	(35,507,748)	(3.3)
Short Term Investment Pool	210,110,861	2.1	111,725,454	1.3	98,385,407	88.1
Total	**9,821,038,010**	**100.0**	**8,530,769,930**	**100.0**	**1,290,268,080**	**15.1**

Note: Totals may not foot due to rounding differences.

Income	**356,473,139**		**302,864,362**		**53,608,777**	**17.7**

MEMBERSHIP

PERS	6/30/2014	6/30/2013
Retirees & Beneficiaries	20,081	19,451
Vested Terminated	2,825	2,686
Non-vested Terminated	7,666	6,712
Active Members	28,229	28,401
Total	**58,801**	**57,250**

Sheriffs	6/30/2014	6/30/2013
Retirees & Beneficiaries	533	503
Vested Terminated	73	67
Non-vested Terminated	288	235
Active Members	1,307	1,276
Total	**2,201**	**2,081**

Firefighters	6/30/2014	6/30/2013
Retirees & Beneficiaries	595	587
Vested Terminated	19	15
Non-vested Terminated	66	63
Active Members	616	610
Total	**1,296**	**1,275**

Highway Patrol	6/30/2014	6/30/2013
Retirees & Beneficiaries	322	310
Vested Terminated	11	14
Non-vested Terminated	14	11
Active Members	229	219
Total	**576**	**554**

Game Wardens	6/30/2014	6/30/2013
Retirees & Beneficiaries	203	180
Vested Terminated	87	69
Non-vested Terminated	175	148
Active Members	955	971
Total	**1,420**	**1,368**

Volunteer Firefighters	6/30/2014	6/30/2013
Retirees & Beneficiaries	1,332	1,285
Vested Terminated	939	884
Active Members	1,935	2,101
Total	**4,206**	**4,270**

Judges	6/30/2014	6/30/2013
Retirees & Beneficiaries	67	65
Vested Terminated	1	-
Active Members	55	54
Total	**123**	**119**

Teachers	7/01/2014	7/01/2013
Retirees & Beneficiaries	14,349	13,868
Vested Terminated	1,654	1,566
Non-vested Terminated	12,308	11,710
Contributing Members	17,714	17,616
Total	**46,025**	**44,760**

Police	6/30/2014	6/30/2013
Retirees & Beneficiaries	716	710
Vested Terminated	55	52
Non-vested Terminated	90	77
Active Members	743	734
Total	**1,604**	**1,573**

Total	6/30/2014	6/30/2013
Retirees & Beneficiaries	38,198	36,959
Vested Terminated	5,664	5,353
Non-vested Terminated	20,607	18,956
Active Members	51,783	51,982
System Total	**116,252**	**113,250**

Source: Pension Systems' Actuarial Valuation as of June 30, 2014 and Teachers' Retirement System Actuarial Valuation as of July 1, 2014.

ASSETS AND LIABILITIES *(In Thousands $)*

PERS	6/30/2014	6/30/2013
Actuarial Liability	6,177,504	5,160,950
Actuarial Assets	4,595,805	4,139,921
Unfunded Actuarial Liabi	**1,581,699**	**1,021,029**
Funded Ratio	**74.40%**	**80.22%**

Sheriffs	6/30/2014	6/30/2013
Actuarial Liability	326,077	304,184
Actuarial Assets	264,945	235,310
Unfunded Actuarial Liabili	**61,132**	**68,874**
Funded Ratio	**81.25%**	**77.36%**

Firefighters	6/30/2014	6/30/2013
Actuarial Liability	419,013	396,769
Actuarial Assets	300,949	263,483
Unfunded Actuarial Liabi	**118,064**	**133,286**
Funded Ratio	**71.82%**	**66.41%**

Highway Patrol	6/30/2014	6/30/2013
Actuarial Liability	183,400	175,593
Actuarial Assets	117,226	105,735
Unfunded Actuarial Liabili	**66,174**	**69,858**
Funded Ratio	**63.92%**	**60.22%**

Game Wardens	6/30/2014	6/30/2013
Actuarial Liability	154,594	139,985
Actuarial Assets	129,428	112,100
Unfunded Actuarial Liabi	**25,166**	**27,885**
Funded Ratio	**83.72%**	**80.08%**

Volunteer Firefighters	6/30/2014	6/30/2013
Actuarial Liability	37,975	37,829
Actuarial Assets	31,280	28,294
Unfunded Actuarial Liabili	**6,695**	**9,535**
Funded Ratio	**82.37%**	**74.79%**

Judges	6/30/2014	6/30/2013
Actuarial Liability	50,600	49,236
Actuarial Assets	78,463	70,322
Unfunded Actuarial Liabi	**(27,863)**	**(21,086)**
Funded Ratio	**155.07%**	**142.83%**

Teachers	7/01/2014	7/01/2013
Actuarial Liability	5,191,069	4,592,658
Actuarial Assets	3,397,436	3,067,878
Unfunded Actuarial Liabili	**1,793,633**	**1,524,780**
Funded Ratio	**65.45%**	**66.80%**

Police	6/30/2014	6/30/2013
Actuarial Liability	474,308	450,043
Actuarial Assets	298,722	262,678
Unfunded Actuarial Liabi	**175,586**	**187,365**
Funded Ratio	**62.98%**	**58.37%**

Total	6/30/2014	6/30/2013
Actuarial Liability	13,014,540	11,307,247
Actuarial Assets	9,214,254	8,285,721
Unfunded Actuarial Liabili	**3,800,286**	**3,021,526**

Source: Pension Systems' Actuarial Valuation as of June 30, 2014 and Teachers' Retirement System Actuarial Valuation as of July 1, 2014.

CASH FLOW *(In Thousands $)*

PERS	6/30/2014	6/30/2013
Employees	92,042	80,769
Employers	95,737	81,337
State	886	532
Contributions	**188,665**	**162,638**
Benefits/Administration	**(311,264)**	**(290,462)**
Cash Flow	**(122,599)**	**(127,824)**

Sheriffs	6/30/2014	6/30/2013
Employees	6,430	5,831
Employers	6,689	6,273
Contributions	**13,119**	**12,104**
Benefits/Administration	**(14,147)**	**(13,054)**
Cash Flow	**(1,028)**	**(950)**

Firefighters	6/30/2014	6/30/2013
Employees	4,692	4,253
Employers	5,767	5,499
State	13,007	12,358
Contributions	**23,466**	**22,110**
Benefits/Administration	**(19,206)**	**(17,972)**
Cash Flow	**4,260**	**4,138**

Highway Patrol	6/30/2014	6/30/2013
Employees	1,456	1,337
Employers	5,474	4,903
State	262	275
Contributions	**7,192**	**6,515**
Benefits/Administration	**(9,552)**	**(8,941)**
Cash Flow	**(2,360)**	**(2,426)**

Game Wardens	6/30/2014	6/30/2013
Employees	4,461	4,206
Employers	3,762	3,576
Contributions	**8,223**	**7,782**
Benefits/Administration	**(5,391)**	**(4,686)**
Cash Flow	**2,832**	**3,096**

Volunteer Firefighters	6/30/2014	6/30/2013
State	1,818	1,711
Contributions	**1,818**	**1,711**
Benefits/Administration	**(2,431)**	**(3,040)**
Cash Flow	**(613)**	**(1,329)**

Judges	6/30/2014	6/30/2013
Employees	469	737
Employers	1,651	1,622
Contributions	**2,120**	**2,359**
Benefits/Administration	**(3,123)**	**(2,738)**
Cash Flow	**(1,003)**	**(379)**

Teachers	7/01/2014	7/01/2013
Employees	70,468	62,850
Employers	83,440	74,113
State	64,923	17,521
Total Contributions	**218,831**	**154,484**
Benefits/Administration	**(292,079)**	**(275,352)**
Cash Flow	**(73,248)**	**(120,868)**

Police	6/30/2014	6/30/2013
Employees	4,125	4,026
Employers	6,459	6,280
State	13,049	12,573
Contributions	**23,633**	**22,879**
Benefits/Administration	**(20,695)**	**(20,546)**
Cash Flow	**2,938**	**2,333**

Total	6/30/2014	6/30/2013
Members	184,143	164,009
Employers	208,979	183,603
State/Other	93,945	44,970
Contributions	**487,067**	**392,582**
Benefits/Administration	**(677,888)**	**(636,791)**
Cash Flow	**(190,821)**	**(244,209)**

Source: Pension Systems' Actuarial Valuation as of June 30, 2014 and Teachers' Retirement System Actuarial Valuation as of July 1, 2014.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND (PERS)

The tables below show the annual change in the PERS book and fair values.

PERS Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	973,399,048	35.2	873,049,048	32.6	100,350,000	11.5
Domestic Equity Pool	561,031,679	20.3	593,264,488	22.2	(32,232,809)	(5.4)
International Equity Pool	494,890,599	17.9	479,236,090	17.9	15,654,509	3.3
Montana Private Equity Pool	241,775,169	8.8	287,917,199	10.8	(46,142,029)	(16.0)
Total Equity	1,297,697,447	47.0	1,360,417,776	50.8	(62,720,329)	(4.6)
Real Estate Pool	387,133,489	14.0	389,209,566	14.5	(2,076,077)	(0.5)
Short Term Investment Pool	104,750,075	3.8	54,714,525	2.0	50,035,550	91.4
Total	**2,762,980,058**	**100.0**	**2,677,390,914**	**100.0**	**85,589,144**	**3.2**

Investment Type	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	1,069,517,475	21.7	950,298,397	22.1	119,219,078	12.5
Domestic Equity Pool	1,933,145,416	39.2	1,643,008,769	38.3	290,136,647	17.7
International Equity Pool	877,318,009	17.8	712,586,855	16.6	164,731,154	23.1
Montana Private Equity Pool	517,872,903	10.5	536,542,371	12.5	(18,669,468)	(3.5)
Total Equity	3,328,336,328	67.5	2,892,137,996	67.4	436,198,332	15.1
Real Estate Pool	426,527,659	8.7	393,155,169	9.2	33,372,490	8.5
Short Term Investment Pool	104,750,075	2.1	54,714,525	1.3	50,035,550	91.4
Total	**4,929,131,537**	**100.0**	**4,290,306,086**	**100.0**	**638,825,450**	**14.9**

Note: Totals may not foot due to rounding differences.

Click here for a history of PERS book values and income

PERS Annual Change in Income

Income Type	2014 $ Income	% Of Total	2013 $ Income	% Of Total	$ Change	% Change
Gain on Sale of Pool Units	120,346,594	58.5	88,222,279	51.5	32,124,315	36.4
Retirement Funds Bond Pool	34,502,166	16.8	35,378,899	20.6	(876,733)	(2.5)
Domestic Stock Pool	13,116,798	6.4	12,405,660	7.2	711,138	5.7
International Stock Pool	7,693,416	3.7	6,965,039	4.1	728,377	10.5
Short Term Investment Pool	327,286	0.2	321,990	0.2	5,296	1.6
Montana Private Equity Pool	15,229,537	7.4	17,552,195	10.2	(2,322,658)	(13.2)
Real Estate Pool	14,664,217	7.1	10,569,986	6.2	4,094,231	38.7
Total Gross Income	205,880,015	100.0	171,416,049	100.0	34,463,966	20.1
Board Management Fees	(1,727,713)		(1,298,177)		(429,537)	33.1
Custodial Bank Fees	(584,848)		(555,681)		(29,167)	5.2
External Manager Fees	(21,301,259)		(18,371,865)		(2,929,394)	15.9
Other Investment Expenses	(3,249,437)		(2,283,281)		(966,157)	42.3
Total Net Income	179,016,757		148,907,045		30,109,712	20.2

Note: Totals may not foot due to rounding differences.

PERS 2014 Total Rates of Returns By Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Short Term Investment Pool	0.14	LIBOR 1 Month	0.17	(0.03)
Domestic Stock Pool	25.14	S&P 1500 Index	24.70	0.44
International Stock Pool	21.65	MTIP Custom Benchmark	21.99	(0.34)
Private Equity Pool	16.48	S&P 1500 Index + 4% (1)	26.02	(9.54)
Fixed Income	5.21	BC Aggregate	4.37	0.84
Real Estate	11.65	NCREIF-Property Index (1)	12.74	(1.09)
Total Net of Fees	17.16	Composite (2)	18.15	(0.99)
Total Gross of Fees	17.76	Peer Universe (3)	17.66	0.10

(1) 1 Quarter Lag

(2) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

(3) Median return of the State Street Bank Public Fund Universe Comprised of Plans between $3 Billion to $20 Billion in Assets

PERS Historical Rates of Returns Versus Benchmark

Year	% Return	Benchmark (1)	Benchmark % Return	Return +/- Benchmark
2014	17.16	PERS Composite	18.15	(0.99)
3 Year Annualized Average	10.70	PERS Composite	11.31	(0.61)
5 Year Annualized Average	13.27	PERS Composite	13.99	(0.72)
10 Year Annualized Average	6.95	PERS Composite	7.06	(0.11)

(1) An Index Composite Parallelling the Fund's Asset Allocation At Fair Value

TEACHERS' RETIREMENT SYSTEM FUND (TRS)

The tables below show the annual change in the TRS book and fair values.

TRS Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	712,746,462	35.4	640,701,331	32.7	72,045,131	11.2
Domestic Equity Pool	405,692,561	20.1	430,802,242	22.0	(25,109,681)	(5.8)
International Equity Pool	359,998,684	17.9	349,681,991	17.9	10,316,693	3.0
Montana Private Equity Pool	175,831,117	8.7	209,887,966	10.7	(34,056,849)	(16.2)
Total Equity	941,522,362	46.7	990,372,200	50.6	(48,849,837)	(4.9)
Real Estate Pool	284,602,238	14.1	286,502,301	14.6	(1,900,063)	(0.7)
Short Term Investment Pool	75,369,430	3.7	40,631,989	2.1	34,737,441	85.5
Total	**2,014,240,493**	**100.0**	**1,958,207,821**	**100.0**	**56,032,672**	**2.9**

Investment Type	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	784,722,676	21.7	698,850,177	22.2	85,872,498	12.3
Domestic Equity Pool	1,418,121,811	39.2	1,207,310,806	38.3	210,811,005	17.5
International Equity Pool	643,364,706	17.8	523,437,455	16.6	119,927,251	22.9
Montana Private Equity Pool	379,372,922	10.5	394,496,433	12.5	(15,123,512)	(3.8)
Total Equity	2,440,859,439	67.5	2,125,244,695	67.4	315,614,745	14.9
Real Estate Pool	312,839,655	8.7	288,720,756	9.2	24,118,899	8.4
Short Term Investment Pool	75,369,430	2.1	40,631,989	1.3	34,737,441	85.5
Total	**3,613,791,200**	**100.0**	**3,153,447,617**	**100.0**	**460,343,583**	**14.6**

Note: Totals may not foot due to rounding differences.

Click here for a history of TRS book values and income

TRS Annual Change in Income

Income Type	2014 $ Income	% Of Total	2013 $ Income	% Of Total	$ Change	% Change
Gain on Sale of Pool Units	92,635,231	59.5	77,644,793	55.8	14,990,438	19.3
Retirement Funds Bond Pool	25,482,343	16.4	26,132,184	18.8	(649,840)	(2.5)
Domestic Stock Pool	9,688,524	6.2	9,172,590	6.6	515,934	5.6
International Stock Pool	5,672,913	3.6	5,140,041	3.7	532,872	10.4
Short Term Investment Pool	234,443	0.2	228,218	0.2	6,225	2.7
Montana Private Equity Pool	11,262,975	7.2	12,964,524	9.3	(1,701,549)	(13.1)
Real Estate Pool	10,836,759	7.0	7,784,738	5.6	3,052,021	39.2
Total Gross Income	155,813,188	100.0	139,067,087	100.0	16,746,101	12.0
Board Management Fees	(1,275,930)		(958,137)		(317,793)	33.2
Custodial Bank Fees	(431,816)		(410,365)		(21,451)	5.2
External Manager Fees	(15,742,275)		(13,561,581)		(2,180,695)	16.1
Other Investment Expenses	(2,396,715)		(1,682,717)		(713,998)	42.4
Total Net Income	135,966,451		122,454,287		13,512,164	11.0

Note: Totals may not foot due to rounding differences.

TRS 2014 Total Rates of Return by Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Short Term Investment Pool	0.15	LIBOR 1 Month	0.17	(0.02)
Domestic Stock Pool	25.17	S&P 1500 Index	24.70	0.47
International Stock Pool	21.66	MTIP Custom Benchmark	21.99	(0.33)
Private Equity Pool	16.48	S&P 1500 Index + 4% (1)	26.02	(9.54)
Fixed Income	5.21	BC Aggregate	4.37	0.84
Real Estate	11.65	NCREIF-Property Index (1)	12.74	(1.09)
Total Net of Fees	17.17	Composite (2)	18.13	(0.96)
Total Gross of Fees	17.71	Peer Universe (3)	17.66	0.05

(1) 1 Quarter Lag

(2) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

(3) Median return of the State Street Bank Public Fund Universe Comprised of Plans between $3 Billion to $20 Billion in Assets

TRS Historical Rates of Returns Versus Benchmark

Year	% Return	Benchmark (1)	Benchmark % Return	Return Benchmark
2014	17.17	TRS Composite	18.13	(0.96)
3 Year Annualized Average	10.70	TRS Composite	11.28	(0.58)
5 Year Annualized Average	13.28	TRS Composite	13.92	(0.64)
10 Year Annualized Average	6.95	TRS Composite	6.99	(0.04)

(1) An Index Composite Parallelling the Fund's Asset Allocation At Fair Value

OTHER RETIREMENT SYSTEMS

The seven other retirement funds are administered by the Public Employees' Retirement Board, the same board that administers the Public Employees' Retirement System. These smaller systems participate with the Public Employees' Retirement Fund and the Teachers' Retirement Fund in all investment pools managed by the Board.

Other Pensions Annual Change by Asset Type

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	255,166,171	32.5	223,474,810	30.2	31,691,361	14.2
Domestic Equity Pool	191,388,084	24.4	192,879,867	26.1	(1,491,783)	(0.8)
International Equity Pool	141,263,183	18.0	132,694,243	17.9	8,568,940	6.5
Montana Private Equity Pool	67,306,872	8.6	77,416,279	10.5	(10,109,407)	(13.1)
Total Equity	399,958,139	51.0	402,990,389	54.4	(3,032,250)	(0.8)
Real Estate Pool	99,137,189	12.6	97,288,203	13.1	1,848,986	1.9
Short Term Investment Pool	29,991,356	3.8	16,378,940	2.2	13,612,416	83.1
Total	**784,252,854**	**100.0**	**740,132,341**	**100.0**	**44,120,513**	**6.0**

Investment Type	6/30/2014 Fair Value	% of Total	6/30/2013 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	276,736,196	21.7	240,160,129	22.1	36,576,067	15.2
Domestic Equity Pool	500,098,645	39.1	415,240,199	38.2	84,858,446	20.4
International Equity Pool	226,963,289	17.8	180,141,241	16.6	46,822,048	26.0
Montana Private Equity Pool	133,922,043	10.5	135,636,811	12.5	(1,714,768)	(1.3)
Total Equity	860,983,977	67.4	731,018,251	67.2	129,965,727	17.8
Real Estate Pool	110,403,744	8.6	99,458,907	9.1	10,944,837	11.0
Short Term Investment Pool	29,991,356	2.3	16,378,940	1.5	13,612,416	83.1
Total	**1,278,115,273**	**100.0**	**1,087,016,227**	**100.0**	**191,099,047**	**17.6**

Note: Totals may not foot due to rounding differences.

Other Retirement Systems 2014 Total Rates of Return

Fund	% Return	Index (1)	% Return	Fund +/- Index
Sheriffs	17.14	Composite	18.13	(0.99)
Police	17.20	Composite	18.14	(0.94)
Firefighters	17.19	Composite	18.13	(0.94)
Highway Patrol	17.17	Composite	18.16	(0.99)
Judges	17.16	Composite	18.14	(0.98)
Game Warden	17.12	Composite	18.11	(0.99)
Vol. Firefighters	17.19	Composite	18.14	(0.95)

(1) An Index Composite Paralleling the Fund's Asset Allocation at Fair Value

TRUST FUNDS

The Board invests several trust funds, some of which were created and protected by the state Constitution. Other trusts have been created statutorily by the legislature or involve federal funds. Several trust funds were established as part of settlements between the state and private corporations to ensure environmental clean-up of polluted sites. The trusts are managed for income, rather than total rate of return. The fiscal year changes in the trusts' book are shown below.

Trust	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Permanent Coal Tax Trust	918,763,408	38.6	895,635,595	38.7	23,127,813	2.6
Trust and Legacy (Schools)	578,053,456	24.3	531,053,456	22.9	47,000,000	8.9
Tobacco Trust	173,818,198	7.3	159,903,436	6.9	13,914,762	8.7
UCFRB Restoration	119,985,561	5.0	125,835,647	5.4	(5,850,086)	(4.6)
Resource Indemnity Trust	100,023,109	4.2	100,023,109	4.3	0	0.0
Clark Fork Site Response	93,493,677	3.9	99,430,909	4.3	(5,937,232)	(6.0)
Other Trusts in STIP	88,317,190	3.7	85,657,329	3.7	2,659,861	3.1
Streamside Tailings	46,549,860	2.0	55,513,917	2.4	(8,964,057)	(16.1)
Montana Pole	31,757,634	1.3	31,772,596	1.4	(14,961)	(0.0)
Butte Area One Restoration	30,455,221	1.3	30,351,556	1.3	103,665	0.3
Blackfoot Response	30,225,595	1.3	33,963,781	1.5	(3,738,186)	(11.0)
Clark Fork River Restoration	29,606,046	1.2	29,851,054	1.3	(245,008)	(0.8)
Parks Trust	22,935,492	1.0	22,193,496	1.0	741,997	3.3
UCFRB Reserve	16,193,411	0.7	15,585,721	0.7	607,690	3.9
Zort/Land LT H20 Trust	13,268,398	0.6	11,845,470	0.5	1,422,928	12.0
Cultural Trust	12,487,371	0.5	12,130,371	0.5	357,000	2.9
Zortman Water	12,377,444	0.5	11,646,788	0.5	730,656	6.3
FWP Mitigation	11,691,729	0.5	11,816,091	0.5	(124,362)	(1.1)
Wildlife Habitat	10,140,890	0.4	10,386,266	0.4	(245,377)	(2.4)
Weed Control	10,001,995	0.4	10,029,783	0.4	(27,788)	(0.3)
Smelter Hill Uplands Restoration	9,943,111	0.4	9,905,605	0.4	37,506	0.4
FWP Real Property	6,364,964	0.3	6,186,661	0.3	178,303	2.9
Abandoned Mines	6,092,011	0.3	5,997,737	0.3	94,274	1.6
East Helena Compensation Fund	5,696,908	0.2	5,637,271	0.2	59,637	1.1
Other Trusts in TFIP	2,717,217	0.1	2,341,619	0.1	375,599	16.0
Endowment for Children	1,249,771	0.1	1,204,467	0.1	45,305	3.8
Older Montanans Trust	1,020,073	0.0	981,305	0.0	38,769	4.0
Total	**2,383,229,740**	**100.0**	**2,316,881,033**	**100.0**	**66,348,707**	**2.9**
Fixed-Income/Real Estate (TFIP)	1,956,984,843	82.1	1,887,057,408	81.4	69,927,434	3.7
Other Fixed Income	92,965,262	3.9	86,863,105	3.7	6,102,157	7.0
Montana Loans	137,919,349	5.8	137,570,558	5.9	348,791	0.3
Cash Equivalents (STIP)	195,360,286	8.2	205,389,962	8.9	(10,029,676)	(4.9)
Total	**2,383,229,740**	**100.0**	**2,316,881,033**	**100.0**	**66,348,707**	**2.9**

Note: Totals may not foot due to rounding differences.

Click here to view individual portfolios for the trust funds

COAL TAX TRUST FUND

Article IX, Section 5 of the state Constitution requires that 50 percent of all coal severance tax revenues be deposited in a permanent trust fund (Trust), in which the principal "shall forever remain inviolate unless appropriated by a three-fourths vote of each house" of the legislature. The Board is encouraged to invest 25 percent of the Trust in Montana economy with emphasis on new or expanding businesses.

The legislature has partitioned the Trust into several sub-funds. The Permanent Fund was initially established when the Trust was created, while the Severance Tax Bond Fund, created later, provides debt service guarantees and is invested solely in STIP. The Treasure State Endowment Fund was created July 1, 1993, with a $10.0 million transfer from the Permanent Fund. From July 1, 1993 through June 30, 1999 one-half of the coal severance tax earmarked for the Trust was deposited in the Permanent Fund and the remaining 50 percent was deposited in the Treasure State Endowment Fund.

Effective July 1, 1999, a new Treasure State Endowment Regional Water Fund sub-fund was created and 25 percent of Trust revenues were dedicated to that account.

Effective July 1, 2005, a new Big Sky Economic Development Fund sub-fund was created and 25 percent of Trust revenues were dedicated to that account. There is currently no new revenue dedicated to the Permanent Fund.

Income from the Permanent Fund and the Bond Fund is deposited in the Permanent Fund Income Fund where it is swept periodically to the state general fund. All sub-funds, except the income fund, are protected by the Constitution and may be appropriated only by a three-fourths vote of each house of the legislature. Income from the Treasure State Endowment Fund is appropriated by the legislature for local government infrastructure projects. Treasure State Endowment Regional Water Fund income is appropriated by the legislature for local government water projects. Big Sky Economic Development Fund income is appropriated by the legislature for economic development projects.

The annual change in the book values of the Coal Tax Trust sub-funds is shown below:

Coal Tax Trust Sub-funds Annual Change

Subfund	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Permanent Fund	525,375,682	57.2	527,750,434	58.9	(2,374,752)	(0.4)
Treasure State Endowment	238,662,069	26.0	224,935,398	25.1	13,726,671	6.1
Treasure State Regional Water	78,497,881	8.5	71,637,576	8.0	6,860,305	9.6
Economic Development Fund	74,705,963	8.1	67,845,658	7.6	6,860,305	10.1
Severance Tax Bond Fund	1,479,726	0.2	1,718,494	0.2	(238,768)	(13.9)
Permanent Fund Income	42,087	0.0	1,748,035	0.2	(1,705,948)	(97.6)
Total Coal Tax Trust	**918,763,408**	**100.0**	**895,635,596**	**100.0**	**23,127,813**	**2.6**

Note: Totals may not foot due to rounding differences.

Click here for a history of the Coal Tax Trust book values and income

The annual change in the Trust's book value by investment is shown below.

Permanent Coal Tax Trust Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	763,515,672	83.1	729,553,175	81.5	33,962,497	4.7
Commercial Loans	74,705,608	8.1	86,751,339	9.7	(12,045,731)	(13.9)
Local Gov. Infrastructure	22,653,261	2.5	18,680,293	2.1	3,972,968	21.3
Value-added Loans	1,072,825	0.1	1,773,751	0.2	(700,926)	(39.5)
Science and Technology	10,181,518	1.1	10,319,206	1.2	(137,688)	(1.3)
Montana Facility Finance	3,150,920	0.3	5,072,194	0.6	(1,921,274)	(37.9)
Intermediary Loan Program	3,275,393	0.4	3,192,327	0.4	83,066	2.6
Veterans Home Loans	22,879,825	2.5	11,781,448	1.3	11,098,377	94.2
Total In-State Investments	137,919,349	15.0	137,570,557	15.4	348,792	0.3
STIP Permanent Fund	7,625,999	0.8	16,952,058	1.9	(9,326,059)	(55.0)
STIP Sev. Tax Bond Fund	1,479,726	0.2	1,718,494	0.2	(238,768)	(13.9)
STIP Permanent Trust Income	42,087	0.0	1,748,035	0.2	(1,705,948)	(97.6)
STIP Tr. St. Endow Trust	4,267,700	0.5	4,901,010	0.5	(633,310)	(12.9)
STIP Tr. St. Regional Water	1,956,002	0.2	1,345,698	0.2	610,305	45.4
STIP Economic Development Fund	1,956,872	0.2	1,846,568	0.2	110,305	6.0
Cash Equivalents (STIP)	17,328,387	1.9	28,511,862	3.2	(11,183,475)	(39.2)
Total	**918,763,408**	**100.0**	**895,635,595**	**100.0**	**23,127,814**	**2.6**
Note: Totals may not foot due to rounding differences.						
Income	**37,163,649**		**39,252,714**		**(2,089,066)**	**(5.3)**

The Coal Tax Trust is also used to fund the In-State Investment Program on Page 43.

TRUST AND LEGACY (SCHOOLS) FUND

Article X, Sections 2 and 3 of the state Constitution requires that all royalties and other proceeds received from school lands granted to the state under federal enabling legislation be deposited in the Trust and Legacy (Schools) Fund, where it shall forever remain inviolate and guaranteed by the state against loss or diversion. The fiscal year changes in the Trust's book and fair value are shown below.

Trust and Legacy (Schools) Fund Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	574,053,456	99.3	531,053,456	100.0	43,000,000	8.1
Cash Equivalents (STIP)	4,000,000	0.7	0	0.0	4,000,000	N/A
Total	**578,053,456**	**100.0**	**531,053,456**	**100.0**	**47,000,000**	**8.9**
Note: Totals may not foot due to rounding differences.						
Income	**23,280,644**		**23,211,806**		**68,838**	**0.3**

Click here for a history of the T & L Fund book values and income

RESOURCE INDEMNITY TRUST FUND

Article IX, Section 2 of the state Constitution requires that revenues from the Resource Indemnity Tax on minerals be deposited in the Resource Indemnity Trust Fund, the principal of which "shall forever remain inviolate" until the principal reaches $100 million. The fund's book value reached $100 million in fiscal year 2002. The fiscal year changes in the Trust's book and fair value are shown below.

Resource Indemnity Trust Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	99,999,976	100.0	99,999,976	100.0	0	0.0
Cash Equivalents (STIP)	23,133	0.0	23,133	0.0	0	0.0
Total	**100,023,109**	**100.0**	**100,023,109**	**100.0**	**0**	**0.0**
Note: Totals may not foot due to rounding differences.						
Income	**4,296,135**		**4,601,612**		**(305,476)**	**(6.6)**

Click here for a history of the RIT book values and income

COAL TAX PARKS/CULTURAL TRUST FUNDS

A portion of the coal severance tax is dedicated to a statutorily created Parks Trust Fund and a Cultural Trust Fund (Trusts). Investment income generated by the Trusts is appropriated by the legislature to acquire/operate state parks and to fund cultural and aesthetics projects. The 1997 legislature appropriated $3.9 million of Cultural Trust principal to purchase historical properties. The fiscal year changes in the Trusts' book and fair value are shown below.

Coal Tax Parks/Cultural Funds Annual Change

Fund Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% Change
Parks Trust	22,935,492	64.7	22,193,496	64.7	741,997	3.3
Cultural Trust	12,487,371	35.3	12,130,371	35.3	357,000	2.9
Total	**35,422,863**	**100.0**	**34,323,867**	**100.0**	**1,098,997**	**3.2**
Investment Type						
Fixed Income (TFIP)	34,230,936	96.6	33,580,936	97.8	650,000	1.9
Cash Equivalents (STIP)	1,191,928	3.4	742,931	2.2	448,997	60.4
Total	**35,422,863**	**100.0**	**34,323,867**	**100.0**	**1,098,997**	**3.2**
Note: Totals may not foot due to rounding differences.						
Income	**1,410,483**		**1,486,335**		**(75,852)**	**(5.1)**

Click here for a history of these trusts book values and income

OTHER TRUST FUNDS

Abandoned Mine - an expendable trust funded by federal grants under the Surface Mining Control and Reclamation Act of 1977, Article IV. Ten percent of Montana's annual grant amount is deposited into this trust to fund programs related to abandoned mine land reclamation.

Butte Area One Restoration - funds derived from the 2008 consent decree between the Montana Department of Justice (DOJ) and Atlantic Richfield Company (ARCO) for projects that restore, replace or acquire the equivalent of injured natural resources or lost services at Butte Area One.

Clark Fork River Restoration - funds derived from the 2008 consent decree between the DOJ and ARCO for restoration of the Clark Fork River and associated riparian areas from Warm Springs Ponds to Milltown Reservoir and related projects.

Clark Fork Site Response Action - funds derived from the 2008 consent decree between the Montana Department of Environmental Quality (DEQ), the U.S. Environmental Protection Agency (EPA), and ARCO to remediate the environmental contamination at the Clark Fork River Operable Unit of a federal Superfund site.

East Helena Compensation - funds derived from the 2008 settlement between the DOJ and the American Smelting and Refining Company (ASARCO) for purposes of the restoration and oversight of environmental cleanup on and around the former site of the ASARCO smelter in East Helena.

Endowment for Children - funds derived from state appropriation, gifts, grants, and donations, or any other source for programs and services related to child abuse and neglect, primarily prevention activities and family resource programs.

Fish, Wildlife, and Parks (FWP) Mitigation - an expendable trust funded by a 1988 agreement between the Montana FWP and the Bonneville Power Administration to provide protection, mitigation, and enhancement of wildlife and wildlife habitat affected by the development of Libby and Hungry Horse Dams.

FWP Real Property - a non-expendable trust funded with proceeds from the sale of real property, oil, gas or mineral deposits, and from leases for the operation, development, and maintenance of real property under management of the Montana FWP.

Montana Post and Pole - funds derived from the 1996 consent decree between the DEQ, EPA, ARCO, Burlington Northern Railroad, Montana Resources, Inc., and other responsible parties for the environmental cleanup of the former Montana Pole and Treatment Plant in Butte.

Noxious Weed Management - a non-expendable $10 million trust that receives funding from state and federal contributions and private donations for programs and services related to noxious weed control.

Older Montanans - funds derived from contributions and gifts to be used towards programs and services that promote dignity, respect, and enable an independent lifestyle in the least restrictive setting for Montana residents 60 years of age or older.

Smelter Hill Uplands Restoration - funds derived from the 2008 consent decree between the DOJ and ARCO for the restoration of the environment, vegetation and soils on lands affected by the Anaconda smelter.

Streamside Tailing - funds derived from a 1998 consent decree between the DEQ, EPA, ARCO, and other responsible parties, for the purpose of remediating the mine waste contamination at the Streamside Tailings Operable Unit of the Silver Bow Creek/Butte Area.

Tobacco - funds derived from a 1999 master settlement agreement between the states and the nation's largest tobacco companies payable over 25 years beginning fiscal year 2000. Forty percent of Montana's share is deposited in this trust and funds programs related to health care benefits, services, or coverage and tobacco disease prevention.

Upper Blackfoot Mine Complex - funds derived from the 2008 settlement agreement between the DOJ, DEQ, EPA, ASARCO, and ARCO to be used, in consultation with the U.S. Forest Service, for conducting response and restoration activities within the Upper Blackfoot Mining Complex Site.

UCFRB Restoration/Reserve - funds derived from the 1998 consent decree between ARCO and the DOJ for the restoration, replacement, or acquisition of equivalent state natural resources injured in the Upper Clark Fork River Basin.

Wildlife Habitat - a non-expendable trust funded by twenty percent of the non-resident hunting license revenue collected between 1989 and 1994 for the acquisition, development, and maintenance of wildlife habitat.

Zortman/Landusky - funds paid by the Pegasus mining company and its insurer to provide long-term water treatment at the closed Zortman and Landusky mines near Malta.

Zortman/Landusky LT H20 – funds derived from state appropriations of $1.2 million a year until there are sufficient funds to generate $19.3 million by January 1, 2018 for long-term water treatment at the closed Zortman/Landusky mines near Malta.

STATE FUND INSURANCE

The State Compensation Insurance Fund (State Fund) provides workers' compensation and occupational disease insurance for claims arising from injuries including those that occurred prior to July 1, 1990.

State Fund Insurance Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Corporate/Asset-Backed Bonds	649,559,538	51.3	620,244,694	51.4	29,314,845	4.7
International Government	20,969,876	1.7	15,972,595	1.3	4,997,281	31.3
US Govt Direct Obligations	168,423,064	13.3	168,215,603	13.9	207,461	0.1
US Agency Bonds	245,020,549	19.4	226,556,591	18.8	18,463,958	8.1
Total Fixed Income	1,083,973,027	85.7	1,030,989,483	85.4	52,983,544	5.1
Blackrock ACWI EX US Super Fund	14,000,530	1.1	14,000,530	1.2	0	0.0
Blackrock Equity Index (S&P 500)	66,351,555	5.2	77,440,519	6.4	(11,088,964)	(14.3)
American Core Realty	40,000,000	3.2	5,750,000	0.5	34,250,000	595.7
TIAA CREF Asset Management	30,000,000	2.4	30,000,000	2.5	0	0.0
Total Equity	150,352,084	11.9	127,191,049	10.5	23,161,036	18.2
Cash Equivalents (STIP)	30,992,325	2.4	49,043,686	4.1	(18,051,361)	(36.8)
Total	**1,265,317,436**	**100.0**	**1,207,224,217**	**100.0**	**58,093,219**	**4.8**
Note: Totals may not foot due to rounding differences.						
Income	**55,806,695**		**52,826,810**		**2,979,886**	**5.6**

Click here for a full listing of securities in the State Fund portfolio

State Fund Insurance 2014 Total Rates of Return

Asset Type	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
Cash Equivalents (STIP)	0.14	LIBOR 1 Month	0.17	(0.03)
Domestic	24.55	S & P 500 Index	24.61	(0.06)
International	21.83	ACWI EX US	21.75	0.08
Real Estate	11.23	NCREIF-ODCE	12.74	(1.51)
Fixed Income	3.67	BC Gov/Credit Intermediate	2.86	0.81
All Assets	6.17	Composite (1)	5.16	1.01

(1) An Index Composite paralleling the Fund's asset allocation at fair value

OTHER INSURANCE FUNDS INVESTMENTS

Group Insurance - created in 1981, provides health and life insurance to non-university state employees.

Subsequent Injury - provides benefits to workers who are vocationally handicapped and whose Workers' Compensation benefits have expired.

Montana University Group Insurance - reserve account for the Montana University System's self-insured health plan.

Other insurance programs whose investments are held solely in STIP include:

Agency Insurance	**11,340,245**
University Workers Compensation	**16,504,292**
Hail Insurance	**1,251,141**
Uninsured Employees	**2,291,125**
Unemployment Insurance Benefits	**4,569,055**
Total	**$35,955,858**

Other Insurance Annual Change

Fund Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
Group Insurance	61,474,992	55.7	70,647,330	59.8	(9,172,338)	(13.0)
Montana University Group Ins.	48,860,745	44.3	47,460,074	40.2	1,400,671	3.0
Subsequent Injury	27	0.0	0	0.0	27	N/A
Total	110,335,764	100.0	118,107,404	100.0	(7,771,640)	(6.6)
Investment Type						
Corporate/Asset-Backed Bonds	35,192,425	31.9	32,247,323	27.3	2,945,102	9.1
US Government Agency	41,788,852	37.9	30,965,602	26.2	10,823,250	35.0
Cash Equivalents (STIP)	33,354,487	30.2	54,894,480	46.5	(21,539,992)	(39.2)
Total	**110,335,764**	**100.0**	**118,107,404**	**100.0**	**(7,771,640)**	**(6.6)**

Note: Totals may not foot due to rounding differences.

TREASURER'S FUND

The Treasurer's Fund (Fund) is comprised of surplus cash in all state accounts that do not retain their investment earnings. All earnings are deposited in the state general fund. State law authorizes the Board to determine the amount of surplus cash in the Fund to be invested and the type of investments to be made. Invested balances at book value vary widely due to varying levels of excess cash in the state's general fund and other accounts comprising the Fund. The Fund is managed to maximize income, rather than for total rate of return. This Fund has been a major investor in STIP since 1973 when STIP was created.

Treasurer's Fund Annual Change

Investment Type	6/30/2014 Book Value	% of Total	6/30/2013 Book Value	% of Total	$ Change	% of Change
US Bank Sweep Repo	10,348,663	0.9	8,790,049	0.7	1,558,614	17.7
US Govt Direct Obligations	39,958,584	3.4	0	0.0	39,958,584	N/A
US Agency Bonds	49,737,610	4.2	19,891,121	1.6	29,846,490	150.0
Cash Equivalents (STIP)	1,089,162,989	91.6	1,243,963,357	97.7	(154,800,368)	(12.4)
Total	**1,189,207,847**	**100.0**	**1,272,644,527**	**100.0**	**(83,436,681)**	**(6.6)**

Note: Totals may not foot due to rounding differences.

Income	**1,756,226**	**2,464,517**	**(708,291)**	**(28.7)**

Treasurer's Fund 2014 Total Rates of Return

Asset Type	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
Cash Equivalents	0.14	3 Month Treasury	0.04	0.10
All Assets	0.21			

COAL TAX TRUST LOANS

Created in 1984 as part of the "Build Montana" program, this program invests Coal Tax Trust (Trust) funds in Montana to stimulate the state's economy. State law authorizes the Board to invest the Trust to increase employment and business opportunities, while maintaining and improving the state's physical environment.

Loan Types – Four different loan types are available in the In-State Investment Program, some of which offer a job credit interest rate reduction equal to 0.05 percent for each job created, up to a maximum reduction of 2.5 percent.

The Commercial Loan Participation Program purchases from originating financial institutions up to 80 percent of a participation loan. Unencumbered land, buildings, and equipment may be financed with the loan proceeds. The financial institutions charge a fee to service the loan and the Board's loan is collateralized proportionally to the Board's share of the loan. These loans may not exceed 25.0 percent of the Trust and the individual loans may not exceed 10.0 percent of the Trust. Loans exceeding 6.0 percent of the Trust must have lender participation of at least 30.0 percent.

The Infrastructure Loan Program provides loans to eligible local governments for constructing infrastructure required by job creating businesses in their jurisdiction. Total loans outstanding in this Program are limited by law to $80.0 million.

The Value-added Loan Program provides low interest loans to value-added type businesses that create or retain jobs. Total loans outstanding in this Program are limited by law to $70.0 million.

The Intermediary Re-lending Program provides loans to local economic development organizations with revolving loan programs. Individual loans may not exceed $500,000 and total loans outstanding in this Program are limited by law to $5.0 million.

The Veteran's Home Loan Program provides low interest loans for Montana Veterans who are first-time home buyers. By law, the Montana Board of Housing administers the Program; however, the Board of Investments approves and funds all loans. Total loans outstanding in this Program are limited by law to $30.0 million.

Annual Change by Loan and Mortgage Type

Loan Type	6/30/2014 Outstanding	% of Total	6/30/2013 Outstanding	% Of Total	$ Change	% Change
Commercial Loans	74,705,608	60.0	86,751,339	71.0	(12,045,731)	(13.9)
Infrastructure Loans	22,653,261	18.2	18,680,293	15.3	3,972,968	21.3
Veteran's Home Loan Mortgages	22,879,825	18.4	11,781,448	9.6	11,098,377	94.2
Intermediary Program Loans	3,275,393	2.6	3,192,327	2.6	83,066	2.6
Value-added Loans	1,072,825	0.9	1,773,751	1.5	(700,926)	(39.5)
Total	**124,586,911**	**100.0**	**122,179,158**	**100.0**	**2,407,753**	**2.0**

Note: Totals may not foot due to rounding differences.

	6/30/2014	6/30/2013
Commercial & Infrastructure Loan Yield at 6/30 (1)	4.64%	5.00%
Loans 90 Days in Arrears	0.45%	0.52%
Loan Losses	0	0

(1) Excludes Value-added, Intermediary Program, and Veteran's Home Loans With Interest Rates Set By Law

In addition to the Coal Tax Loan Program, the Board also invests other state funds in Montana and guarantees bonds as shown below:

In-State Loans, Other In-State Investments and Bond Guarantees

Loans and Mortgages	6/30/2014 Book Value	6/30/2013 Book Value	$ Change
Coal Tax Trust Loans	101,707,086	110,397,710	(8,690,624)
Veteran's Home Loan Mortgages	22,879,825	11,781,448	11,098,377
Montana Science and Technology	10,181,518	10,319,206	(137,688)
Facility Finance Authority Loans	3,150,920	5,072,194	(1,921,274)
Total AOF Loans and Mortgages	**137,919,349**	**137,570,558**	**348,791**
PPL Montana	0	20,377,714	(20,377,714)
Med Map LLC (St. Vincent's Hospital, Billings)	7,831,794	8,357,897	(526,103)
Board of Housing	825,000	840,000	(15,000)
Total Bonds	**8,656,794**	**29,575,611**	**(20,918,817)**
Total RFBP Residential Mortgages	**11,384,217**	**14,298,374**	**(2,914,157)**
Total MTRP Direct Real Estate	**19,129,623**	**18,745,617**	**384,006**
Bond Guarantees (1)	**222,603,453**	**227,524,677**	**(4,921,224)**
Total In-State Investments	**399,693,437**	**427,714,837**	**(28,021,400)**

(1) Guarantees of INTERCAP and Montana Facility Finance Authority Bonds

Note: Totals may not foot due to rounding differences.

The above table reflects only what the Board of Investments directly manages or directly guarantees. The Montana Legislature has authorized other programs to use coal tax monies from various sub-funds. See page 36 for more information on these sub-funds.

BOND PROGRAMS

The Board administers several bond programs under the Montana Economic Development Bond and the Municipal Finance Consolidation Acts, created as part of the "Build Montana" program in 1984.

INTERCAP - The Board issues bonds and lends the proceeds to eligible Montana governments for a variety of purposes. Since the program's inception, the Board has issued $148.0 million in bonds with $106.5 million outstanding at June 30, 2014. The Board makes firm one-year commitments to fund the loans. Over the past five fiscal years, the program averaged funding $25.4 million of $33.9 million in loan commitments. In fiscal year 2014, the program committed to $36.9 million in loans and funded $27.4 million. For fiscal year 2015, the program estimates the Board will commit to and fund ~$30 million. The table below shows INTERCAP loans from inception by project and borrower type.

INTERCAP Loans From Inception By Project Type

Project Type	6/30/2014 Cumulative	% Of Total	6/30/2013 Cumulative	% Of Total	$ Change	% Change
Revenue Anticipation	102,801,318	24.0	90,409,636	22.5	12,391,682	13.7
Buildings	91,123,267	21.3	85,487,132	21.3	5,636,135	6.6
Vehicles	74,250,303	17.3	68,767,351	17.2	5,482,952	8.0
Computer/Printers	45,381,429	10.6	44,252,606	11.0	1,128,824	2.6
Land/Roads	30,367,276	7.1	29,875,865	7.5	491,412	1.6
Equipment	26,789,942	6.3	25,269,971	6.3	1,519,972	6.0
Energy Retrofit	23,767,867	5.5	20,697,975	5.2	3,069,892	14.8
Water/Wastewater	14,970,818	3.5	15,034,051	3.7	(63,233)	(0.4)
Other	10,396,925	2.4	12,667,769	3.2	(2,270,844)	(17.9)
Solid Waste Equipment	8,471,762	2.0	8,471,762	2.1	0	0.0
Total	**428,320,909**	**100.0**	**400,934,118**	**100.0**	**27,386,792**	**6.8**

INTERCAP Loans From Inception By Borrower Type

Borrower Type	6/30/2014 Cumulative	% Of Total	6/30/2013 Cumulative	% Of Total	$ Change	% Change
State Agency	102,680,005	24.0	94,452,862	23.6	8,227,144	8.7
City/Town	102,542,635	23.9	94,679,005	23.6	7,863,630	8.3
County	85,864,320	20.0	79,442,377	19.8	6,421,943	8.1
University System	44,438,065	10.4	43,793,505	10.9	644,560	1.5
School District	37,254,466	8.7	34,037,403	8.5	3,217,063	9.5
Water/Sewer District	17,615,705	4.1	17,446,459	4.4	169,246	1.0
Fire Jurisdiction	16,067,737	3.8	15,328,431	3.8	739,306	4.8
Other	9,751,399	2.3	12,093,008	3.0	(2,341,609)	(19.4)
Community College	6,638,779	1.5	4,193,270	1.0	2,445,509	58.3
Solid Waste District	5,467,799	1.3	5,467,799	1.4	0	0.0
Total	**428,320,909**	**100.0**	**400,934,118**	**100.0**	**27,386,792**	**6.8**

Note: Totals may not foot due to rounding differences.

INTERCAP interest rates are reset each February 16 based on the interest on the bonds funding the loans. The table below shows the rate history, by year, since 1987 to 2014.

87	5.625	92	4.950	97	4.750	02	3.150	07	4.850	12	1.250
88	6.625	93	4.350	98	4.850	03	2.850	08	4.250	13	1.000
89	7.950	94	4.500	99	4.300	04	2.700	09	3.250	14	1.000
90	7.500	95	6.400	00	5.600	05	3.800	10	1.950		
91	6.350	96	4.850	01	4.750	06	4.750	11	1.950		

Other bond programs managed by the Board are:

- ***Qualified Zone Academy Bond Program (QZAB)***

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified zone academy bonds. The Board acts as a legal funding conduit only and has no pecuniary liability for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2014 Balance
Huntley Project K-12 School	12/01/00	750,000	0
Philipsburg Schools	12/10/03	2,000,000	2,000,000
Cut Bank Elementary	08/18/05	825,000	825,000
Cut Bank High School	08/18/05	625,000	625,000
Bozeman Public Schools	12/21/06	1,459,250	1,459,250
Billings School District	12/29/08	773,250	773,250
Lewistown Elementary	06/16/09	2,087,250	2,087,250
Kalispell Elementary	10/24/13	619,800	619,800
Kalispell High School	10/24/13	1,587,228	1,587,228
Total		**10,726,778**	**9,976,778**

- ***Qualified School Construction Bond Program (QSCB)***

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified school construction bonds. The Board acts as a legal funding conduit only and has no pecuniary liability for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2014 Balance
Great Falls Elementary	04/27/11	6,510,000	5,524,374
Great Falls High School	04/27/11	1,855,000	1,574,150
Total		**8,365,000**	**7,098,524**

Economic Development Bond Act

- ***Stand Alone Economic Development Bond Program***

This program provides qualifying businesses access to tax-exempt funds and the Board has issued bonds to finance several projects. The Board acts as a legal funding conduit only and has no pecuniary liability for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2014 Balance
Stillwater Mining	07/01/00	30,000,000	30,000,000
Total		**30,000,000**	**30,000,000**

- ***Montana Conservation Reserve Payment (CRP) Enhancement Program***

This program provides loans to Montana farmers to refinance outstanding loans and/or to purchase additional land and farm equipment. The borrowers assign their remaining federal CRP contract payments to the Board to repay the debt service on these loans. When the program began, bonds were issued to provide funding for the loans. Currently, the loans are funded from the Trust Funds Investment Pool, formerly known as the Trust Funds Bond Pool, as an investment. Loan interest rates are typically set 0.50 higher than the interest set by the Trust Funds Investment Pool manager. A total of 264 loans, totaling $33.6 million have been funded under this program.