A Report
to the
Montana
Legislature

Financial Audit

Public Employees' Retirement Board

For the Fiscal Year Ended June 30, 2009

January 2010

Legislative Audit Division

08-08B

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Office of Budget and Program Planning
Room 277, State Capitol
P.O. Box 200802
Helena, MT 59620-0802

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel

Deputy Legislative Auditors
James Gillett
Angie Grove

January 2010

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial audit report on the Public Employees' Retirement Board (PERB), a component unit of the state of Montana, for the fiscal year ended June 30, 2009. Included in this report is one recommendation related to the actuarial soundness of three retirement systems.

We issued an unqualified opinion on PERB's financial statements for the fiscal year ended June 30, 2009. Our audit opinion on the financial statements is also contained in PERB's Comprehensive Annual Financial Report. Copies of the PERB's annual report for fiscal year 2008-09 can be obtained from the Montana Public Employee Retirement Administration (MPERA). The annual report contains background, statistical, and actuarial information that is not included in this audit report which may be of interest to legislators or the public.

The written response to the audit recommendation is included at the end of the audit report. We thank the executive director and her staff for their assistance and cooperation throughout the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

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Table of Contents

Appointed and Administrative Officials

			Term Expires
Public Employees' Retirement Board	John Paull, President	Butte	3/31/10
	John Nielsen, Vice President	Glendive	3/31/12
	Darcy Halpin	Belgrade	3/31/13
	Patrick McKittrick	Great Falls	3/31/14
	Dianna Porter	Butte	3/31/13
	Terence Smith	Big Sky	3/31/14
	Timm Twardoski	Helena	3/31/11

Administrative Officials

Roxanne Minnehan, Executive Director

Kim Flatow, Member Services Bureau Chief

Barbara Quinn, Fiscal Services Bureau Chief

Kathy Samson, Defined Contribution Plans and Educational Service Bureau Chief

Melanie Symons, Legal Counsel

Renae Justice, Internal Auditor

For additional information concerning the Montana Public Employees' Retirement Board, contact:

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Report Summary

Public Employees' Retirement Board

This report contains the results of our financial audit of the Public Employees' Retirement Board (PERB) for the fiscal year ended June 30, 2009. It includes one recommendation addressing the actuarial soundness of three retirement systems. We issued an unqualified opinion on the financial statements for the fiscal year ended June 30, 2009. This means the reader can rely on the financial information presented.

The financial-compliance audit of the PERB for the two fiscal years ended June 30, 2008, was issued in a separate report (08-08A) and had one recommendation that was partially implemented.

Montana Public Employee Retirement Administration (MPERA) personnel prepared PERB financial statements from the Statewide Accounting, Budgeting, and Human Resources System with adjustment. Adjustments are made to accurately present financial activity.

The listing below serves as a means of summarizing the recommendation contained in the report, the board's response thereto, and a reference to the supporting comments.

We recommend the Public Employees' Retirement Board seek legislation to restore the actuarial soundness of the Public Employees' Retirement System-Defined Benefit Retirement Plan, Sheriffs' Retirement System, and Game Wardens' and Peace Officers' Retirement System as required by the Montana Constitution and state law.

Chapter I – Introduction

Introduction

We performed a financial audit of the Public Employees' Retirement Board (PERB) for the fiscal year ended June 30, 2009. The objectives of our audit were to:

1. Determine if PERB complied with selected laws and regulations during the audit period.
2. Obtain an understanding of PERB's control systems to the extent necessary to support our audit of PERB's financial statements and, if appropriate, make recommendations for improvements in management and internal controls of PERB.
3. Determine if PERB's financial statements present fairly the results of operations for the fiscal year ended June 30, 2009.

Our financial-compliance audit of the PERB's financial statements for the two fiscal years ended June 30, 2008, was issued in a separate report in December 2008 (08-08A). Montana Public Employees' Retirement Administration (MPERA) prepares PERB's financial statements from the Statewide Accounting, Budgeting, and Human Resources System with adjustment. Adjustments are made to accurately present financial activity to the readers of the statements.

This report contains one recommendation. Other areas of concern, if any, deemed not to have a significant effect on the successful operation of PERB are not specifically included in the report, but have been discussed with management. In accordance with §5-13-307, MCA, we analyzed and disclosed the cost, if significant, of implementing the recommendation in this report.

Background

The PERB is a component unit of the state of Montana. A component unit is a legally separate organization for which the state of Montana is financially accountable. The PERB administers ten retirement systems; eight defined benefit plans, and two defined contribution plans. The PERB governs MPERA, which is responsible for daily administration of the retirement systems. The governor appoints the seven board members to five-year terms.

Defined Benefit Pension Trust Funds

PERB manages the activities of the following defined benefit pension trust funds:

- Public Employees' Retirement System-Defined Benefit Retirement Plan (PERS-DBRP)

- Judges' Retirement System (JRS)
- Highway Patrol Officers' Retirement System (HPORS)
- Sheriffs' Retirement System (SRS)
- Game Wardens' and Peace Officers' Retirement System (GWPORS)
- Municipal Police Officers' Retirement System (MPORS)
- Firefighters' Unified Retirement System (FURS)
- Volunteer Firefighters' Compensation Act (VFCA)

These funds provide pension, disability, and death benefits to eligible members. The monthly benefits are based on years of service and salary levels while still employed. The Volunteer Firefighters' Compensation Act provides pension, disability, and death benefits to volunteer firefighters who are members of eligible Montana volunteer fire companies, fire districts and fire service areas. Monthly benefits are based on years of service.

Defined Contribution Pension Trust Funds

PERB manages the activities of the following defined contribution pension trust funds:

- Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP)
- Section 457 Deferred Compensation Plan (457 Plan)

The PERS-DCRP holds the PERS contributions attributable to the employee and allows the employee to invest the contributions at his or her discretion, within approved investments. The 457 Plan allows employees to set aside a portion of their salary each payday toward retirement while deferring state and federal income taxes until future years. Employees participating in these two plans have two investment options:

- the fixed option, which guarantees both principal (contributions) and a pre-established quarterly rate of earnings;
- the variable option, which consists of mutual funds, bond funds, and asset allocation funds

Participating employees are allowed to invest in both the fixed and variable options. Those participating in the variable option may invest in as many offered funds as desired.

Withdrawal of deferred compensation funds is only an option for employees upon separation from service, retirement, death, or upon an unforeseeable emergency meeting IRS-specified criteria while still employed. Withdrawals from PERS-DCRP are available upon termination of a PERS covered position.

Prior Audit Recommendation

The financial-compliance audit report for the two fiscal years ended June 30, 2008, contained one recommendation to the PERB related to testing internal controls. During our financial audit for the fiscal year ended June 30, 2009, we reviewed the prior audit recommendation and determined the recommendation was partially implemented. Since PERB has tested some controls and has plans to test the significant accounting controls in fiscal year 2010, we make no further recommendation at this time. We will inquire about the completeness of the internal control testing during our financial-compliance audit for the fiscal year ended June 30, 2010.

Chapter II – Findings and Recommendations

Three Retirement Systems Actuarially Unsound

The Public Employees' Retirement System – Defined Benefit Retirement Plan (PERS-DBRP), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), are actuarially unsound, based on the June 30, 2009, actuarial valuations.

Article VIII, Section 15 of the Montana Constitution states that the Public retirement systems shall be funded on an actuarially sound basis. To be actuarially sound, the maximum amortization period for an unfunded actuarially accrued liability (UAAL) is 30 years.

A defined benefit retirement system is defined in state law as being actuarially sound when its contributions are sufficient to pay full actuarial cost of the plan over a period of up to 30 years. Based on the actuarial valuation dated June 30, 2009, the Public Employees' Retirement System – Defined Benefit Retirement Plan (PERS-DBRP), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), have an Unfunded Actuarial Accrued Liability that will not be amortized over a 30-year period. The following table shows the UAAL and years to amortize the UAAL for the last six years.

Table 1

Unfunded Actuarial Accrued Liability–Expressed in Thousands

Valuation Date	PERS-DBRP UAAL	Amortization Period	SRS UAAL	Amortization Period	GWPORS UAAL	Amortization Period
07/01/2004	$466,798	*	$7,586	*	$5,100	45.9
07/01/2005	$540,988	*	$10,889	*	$5,453	49.5
06/30/2006	$460,229	*	$8,838	*	$5,370	32.5
06/30/2007	$376,017	21.9	$5,142	19.6	$4,237	11.3
06/30/2008	$421,936	24.8	$5,096	16.3	$5,938	13.0
06/30/2009	$790,607	*	$23,203	*	$10,978	*

*Does not amortize.

Source: Compiled by the Legislative Audit Division from actuarial reports.

In the 2007 Legislative Session, House Bill 131 addressed the funding of these three plans. House Bill 131, effective July 1, 2007, either increased employer contribution rates or decreased the guaranteed annual benefit adjustment (GABA) for new members or both. The GABA for new members was decreased to a 1.5 percent from 3 percent for all three plans. The last employer contribution increase for House Bill 131 occurred July 1, 2009.

- Effective July 1, 2009 for PERS-DBRP, state and university employers shall contribute an additional employer contribution equal to 0.27 percent making a total contribution of 7.17 percent. Local government (except school districts) employer rates increased 0.27 percent, making a total contribution rate of 7.07 percent. State contribution rates for School District employers increased by 0.27 percent, making a total contribution of 0.37 percent.
- Effective July 1, 2009, for SRS, each employer shall contribute to the system an additional employer contribution equal to 0.58 percent, making a total contribution of 10.115 percent.

The actuary attributes the unfunded liability of the systems primarily to investment returns below the actuarial assumptions of eight percent for the three systems and to insufficient contribution rates.

During the year ended June 30, 2009, the Systems' assets lost 20.9 percent on the market value basis. However, due to the Systems' asset-smoothing technique which recognizes the gains or losses over a four-year period, the return on actuarial asset value was a negative 0.2 percent. This return was below the assumed rate of return of 8.0 percent and resulted in an actual loss on investments of $329 million in the PERS-DBRP, $16 million loss in the SRS, and $7 million loss in GWPORS.

PERB should continue to work with the legislature to adopt and implement funding and/or benefit changes to ensure the systems are funded on an actuarially sound basis, in order to comply with the Montana Constitution and state law.

Recommendation #1

We recommend the Public Employees' Retirement Board seek legislation to restore the actuarial soundness of the Public Employees' Retirement System-Defined Benefit Retirement Plan, Sheriffs' Retirement System, and Game Wardens' and Peace Officers' Retirement System as required by the Montana Constitution and state law.

Independent Auditor's Report

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel

Deputy Legislative Auditors
James Gillett
Angie Grove

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying Statement of Fiduciary Net Assets – Pension Trust Funds of the Public Employees' Retirement Board, a component unit of the state of Montana, as of June 30, 2009, and the related Statement of Changes in Fiduciary Net Assets – Pension Trust Funds for the year ended June 30, 2009. These financial statements are the responsibility of the Public Employees' Retirement Board. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Employees' Retirement Board as of June 30, 2009, and the changes in fiduciary net assets for the fiscal year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Public Employees' Retirement Board. The Schedules of Administrative Expenses, Investment Expenses, and Consultants; the Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) as of June 30, 2009; and the related Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd) and the Detail of Changes in Fiduciary Net Assets (PERS-DCRP, PERS-DCEd and PERS-DC Disability) for the fiscal year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

At July 1, 2009, three retirement systems, Public Employees' Retirement System-Defined Benefits Retirement Plan, Game Wardens' and Peace Officers', and Sheriffs' were not actuarially sound. The amortization period for the unfunded actuarial accrued liability is infinite. The maximum allowable amortization period is 30 years.

Respectfully submitted,

/s/ James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 10, 2009

Public Employees' Retirement Board

A Component Unit of the State of Montana

Management's Discussion and Analysis

This section presents management's discussion and analysis of the Montana Public Employees' Retirement Board's (PERB) financial presentation and performance of the plans administered by the PERB for the year ending June 30, 2009.

Financial Highlights

- *The PERB's combined total net assets of the defined benefit plans decreased by $1.0 billion or 21.7 percent in fiscal year 2009. The decrease was primarily due to the negative investment income in each of the plans.*

- *The PERB's defined contribution plans combined total net assets decreased by $17.5 million or 5.1 percent in fiscal year 2009. The total decrease in net assets was due to the negative investment income in both the PERS-defined contribution plan and the deferred compensation plan.*

- *Revenues (additions to plan net assets) for the PERB's defined benefit plans for fiscal year 2009 was ($752.5) million, which includes member and employer contributions of $215.4 million and a net investment loss of $967.9 million.*

- *Revenues (additions to plan net assets) for the PERB's defined contribution plans for fiscal year 2009 was ($3.3) million, which includes member and employer contributions of $29.9 million and a net investment loss of $33.2 million.*

- *Expenses (deductions to plan net assets) for the PERB's defined benefit plans increased from $250.9 million in fiscal year 2008 to $265.5 million in fiscal year 2009 or about 5.8 percent. The increase in 2009 is primarily due to an increase in total benefit recipients.*

- *Expenses (deductions to plan net assets) for the PERB's defined contribution plans decreased from $17.3 million in fiscal year 2008 to $14.7 million in fiscal year 2009 or about negative 15.0 percent. The decrease in expenses is due to a decrease in distributions.*

- *The PERB's defined benefit plans' funding objectives are to meet long-term benefit obligations. As of June 30, 2009, the date of the latest actuarial valuation, four of the plans can pay off the Unfunded Actuarial Liability within 30 years or less. They are the Highway Patrol Officers' Retirement System (HPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and the Volunteer Firefighters' Compensation Act (VFCA). The plans that are not able to pay off the Unfunded Actuarial Liability within 30 years are the Public Employees' Retirement System (PERS), Sheriffs' Retirement System (SRS) and the Game Wardens' and Peace Officers' Retirement System (GWPORS). The Judges' Retirement System has a surplus. This* *means there are more assets than liabilities in the plan. As a whole the plans were actuarially funded at an average of 87 percent. It is important to understand that this measure reflects the Actuarial Value of Assets for the defined benefit plans, which are currently more than the actual fair value published in the financial statements. Investment earnings are critical to the defined benefit plans. The actuary uses a four-year smoothing method for determining the Actuarial Value of Assets. This method is used to diminish the impact of the drastic ups and downs of the market. It is important to note that with smoothing, the losses experienced in the 2007-2008 and 2008-2009 plan years exceed the gains yet to be reflected from previous years.*

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the PERB's financial reporting which is comprised of the following components:

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

Collectively, this information presents the combined net assets held in trust for pension benefits for each of the plans administered by the PERB as of June 30, 2009. This financial information also summarizes the combined changes in net assets held in trust for pension benefits for the year then ended. The information in each of these components is briefly summarized as follows:

(1) Financial Statements for the fiscal year ended June 30, 2009, are presented for the fiduciary funds administered by the PERB. Fiduciary funds are used to account for resources held for the benefit of parties outside of the PERB. The fiduciary funds are held for participants in eight defined benefit plans and two defined contribution plans.

- The Statement of Fiduciary Net Assets is presented for the pension trust funds at June 30, 2009. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries, at the end of the year reported.

- The Statement of Changes in Fiduciary Net Assets is presented for the pension trust funds for the year ended June 30, 2009. These financial statements reflect the changes in the resources available to pay benefits to retirees and beneficiaries at the end of the year reported.

(2) The Notes to the Financial Statements provide additional information that is essential for a full understanding of the data provided in the financial statements. The information in the Notes to the Financial Statements is described as follows:

- Note A provides a summary of significant accounting policies, including the basis of accounting, capital assets and equipment used in operations, operating lease, GASB 50 Disclosures, GASB 45 Disclosures, summaries of investment vendors and other significant accounting policies or explanations.

- Note B provides information about litigation.

- Note C describes the plans' membership and descriptions of the plans administered by the PERB. Summaries of benefits and contribution information are also provided.

(3) The required supplementary information consists of the schedules of funding progress and required contributions and related notes concerning actuarial information of the defined benefit pension plans administered by the PERB.

Financial Analysis of the Systems – Defined Benefit Plans

Investments

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

Economic condition

Over the most recent fiscal year we saw a dramatic decline in economic and capital market conditions. This led to extreme declines in valuations for all types of risk assets held in the investment portfolio, including public and private equity, corporate and other non-government bonds, and real estate. Investment performance for the fiscal year was –20.69% on a total return basis, as compared to –4.86% during fiscal year 2008, and 17.96% during fiscal year 2007. As a result of the recent bull market the longer term returns fell to levels that were slightly positive, with annualized returns of 0.98% for five years and 1.89% for ten years. These longer term returns are significantly below the annual actuarial return assumption of 8.0%and act to erode the funded status of the plan.

The origins of the recent financial crisis and economic recession can be traced back to events in the fall of 2007 when a subprime residential mortgage finance problem began to spread. An overleveraged household and financial sector, lack of transparency regarding many complex financial instruments, and a sudden lack of confidence in the solvency of many of the world's largest financial institutions led to the market crisis.

The past fiscal year was a very difficult period for virtually all but the most conservative of investments. Since the spring of this year the public securities markets have begun to heal and have recovered many of the unrealized losses incurred during the worst of the storm. The private asset markets also now appear to be stabilizing. Given these developments there is reason to be more optimistic about the economy and investment returns going forward. Absent any negative surprises, there is a strong likelihood we will enjoy a positive investment return this fiscal year and begin to get back on track towards long term return expectations.

Defined Benefit Plans Total Investments

At June 30, 2009, the PERB's defined benefit plans held total investments of $3.6 billion, a decrease of $999 million from fiscal year 2008 investment totals. On the next page are the schedules of Net Assets and Changes in Net Assets for the defined benefit plans including comparative totals from fiscal year 2008.

Analysis of Individual Systems

PERS-DBRP and Education

The PERS-DBRP provides retirement, disability and death benefits for covered employees of the State, local governments and certain employees of the university systems and school districts. Member and employer contributions and earnings on investments fund the benefits of the plan. The PERS-DBRP and the DB Education Fund have been combined in these comparisons. The PERS-DBRP net assets held in trust for benefits at June 30, 2009 amounted to $2.9 billion, a decrease of $856 million (22.2 percent) from $3.8 billion at June 30, 2008.

Additions to the PERS-DBRP net assets held in trust for benefits include employer, member and state contributions and investment

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2009 *- and comparative totals for June 30, 2008*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2009	2008	2009	2008	2009	2008	2009	2008
Assets:								
Cash and Receivables	37,874	55,627	1,015	1,114	935	1,313	2,965	4,069
Securities Lending Collateral	276,933	234,521	4,390	3,610	7,023	5,915	14,255	11,583
Investments	2,961,222	3,799,302	45,631	57,692	73,641	94,986	148,581	184,861
Property and Equipment	1	1						
Intangible Assets	331	281	3	3	3	3	4	4
Total Assets	3,276,361	4,089,732	51,039	62,419	81,602	102,217	165,805	200,517
Liabilities:								
Securities Lending Collateral	276,933	234,521	4,390	3,610	7,023	5,915	14,255	11,583
Other Payables	1,068	1,035	8	7	30	27	103	95
Total Liabilities	278,001	235,556	4,398	3,617	7,053	5,942	14,358	11,678
Total Net Assets	2,998,360	3,854,176	46,641	58,802	74,549	96,275	151,447	188,839

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2009 *- and comparative totals for June 30, 2008*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2009	2008	2009	2008	2009	2008	2009	2008
Additions:								
Contributions	152,309	145,521	1,931	1,700	5,471	5,320	10,400	9,647
Investment Income (Loss)	(796,242)	(197,030)	(12,103)	(2,991)	(19,978)	(4,929)	(38,824)	(9,598)
Total Additions	(643,933)	(51,509)	(10,172)	(1,291)	(14,507)	391	(28,424)	49
Deductions:								
Benefits	196,402	180,815	1,972	1,829	7,127	6,814	7,858	7,243
Refunds	11,316	12,783			43	75	996	733
OPEB Expenses	70	72			1	1	2	2
Administrative Expenses	2,878	2,760	17	8	49	27	113	78
Miscellaneous Expenses	1,218	1,326						
Total Deductions	211,884	197,756	1,989	1,837	7,220	6,917	8,969	8,056
Incr/(Decr) in Net Assets	(855,817)	(249,265)	(12,161)	(3,128)	(21,727)	(6,526)	(37,393)	(8,007)
Prior Period Adjustments		5						

income. For the fiscal year ended June 30, contributions increased to $152.3 million in fiscal year 2009 from $145.5 million in fiscal year 2008, an increase of $6.8 million (4.7 percent). Contributions increased due to the employer rate increase on July 1, 2007 and an increase in active members. The plan had a net investment loss of $796 million for the fiscal year ended June 30, 2009 compared with net investment loss of $197 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds and administrative expenses. For fiscal year 2009, benefits

GWPORS		MPORS		FURS		VFCA		TOTAL	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
1,647	1,951	11,548	10,132	11,542	11,699	1,615	1,470	69,141	87,375
5,816	4,497	14,324	11,785	14,085	11,404	1,893	1,581	338,719	284,896
60,307	71,364	150,646	190,505	147,818	183,164	18,875	24,588	3,606,721	4,606,462
								1	1
4	3	3	3	3	3	1	2	352	302
67,774	77,815	176,521	212,425	173,448	206,270	22,384	27,641	4,014,934	4,979,036
5,816	4,497	14,324	11,785	14,085	11,404	1,893	1,581	338,719	284,896
78	70	155	156	68	59	55	45	1,565	1,494
5,894	4,567	14,479	11,941	14,153	11,463	1,948	1,626	340,284	286,390
61,880	73,248	162,042	200,484	159,295	194,807	20,436	26,015	3,674,650	4,692,646

GWPORS		MPORS		FURS		VFCA		TOTAL	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
7,203	6,591	18,428	17,581	18,064	17,187	1,580	1,562	215,386	205,109
(15,133)	(3,653)	(40,907)	(10,262)	(39,421)	(9,733)	(5,304)	(1,275)	(967,912)	(239,471)
(7,930)	2,938	(22,479)	7,319	(21,357)	7,454	(3,724)	287	(752,526)	(34,362)
2,521	2,271	15,008	13,707	13,987	13,353	1,780	1,717	246,655	227,749
840	672	857	4,293	69	116			14,121	18,672
1	1	2	2	1	1	1	1	78	80
77	51	96	76	97	56	58	45	3,385	3,101
						17	14	1,235	1,340
3,439	2,995	15,963	18,078	14,154	13,526	1,856	1,777	265,474	250,942
(11,369)	(57)	(38,442)	(10,759)	(35,511)	(6,072)	(5,580)	(1,490)	(1,018,000)	(285,304)
									5

amounted to $196.4 million, an increase of $15.6 million (8.6 percent) from fiscal year 2008. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2009, refunds amounted to $11.3 million, a decrease of $1.5 million (11.5 percent) from fiscal year 2008. The decrease in refunds was due to fewer refunds being processed resulting from the economy and people choosing to leave their money on account. For fiscal year 2009, the costs of administering the plan's benefits amounted to $2.9 million, an increase of $118 thousand (4.3 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs related to the implementation of new programs, legal tax council fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 84 percent from 90 percent at June 30, 2008.

The PERS-DBRP actuarial value of assets is less than actuarial liabilities by $790.6 million at June 30, 2009, compared with $439.4 million at June 30, 2008. The increase in the unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $329.5 million, liability losses of $16.0 million resulting from salary increases different than assumed, $6.3 million liability loss resulting from new entrants and a gain of $7.6 million in other liability gains greater than the actuarial assumptions.

JRS

The JRS provides retirement, disability and death benefits for all Montana judges of the district courts, justices of the Supreme Court and the Chief Water Judge. Member and employer contributions and earnings on investments fund the benefits of the plan. The JRS net assets held in trust for benefits at June 30, 2009 amounted to $46.6 million, a decrease of $12.2 million (20.7 percent) from $58.8 million at June 30, 2008.

Additions to the JRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, 2009, contributions amounted to $1.9 million, an increase of $231 thousand (13.6 percent) from fiscal year 2008. Contributions increased due to the total compensation reported for active members increasing. The plan recognized a net investment loss of $12.1 million for the fiscal year ended June 30, 2009 compared with a net investment loss of $3.0 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits and administrative expenses. For fiscal year 2009, benefits amounted to $2.0 million, an increase of $142.9 thousand (7.8 percent) from fiscal year 2008. The increase in benefits was due to an increase in the number of retirees and in the average recipient's benefit due the to guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA retirees. For fiscal year 2009, administrative expenses amounted to $17 thousand, an increase of $8.5 thousand (106.5 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs related to the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the JRS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 148 percent from 157 percent at June 30, 2008. The JRS actuarial assets were more than actuarial liabilities by $20.1 million at June 30, 2009, compared with a $22.6 million actuarial surplus at June 30, 2008. The decrease in the actuarial surplus as of the last actuarial valuation is due to investment losses of $5.0 million, a liability gain of $591.9 thousand resulting from salary increases different than assumed and a $489.8 thousand loss from other sources greater than the actuarial assumptions.

HPORS

The HPORS provides retirement, disability and death benefits for members of the Montana Highway Patrol. Member and employer contributions, registration fees, and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2009 amounted to $74.5 million, a decrease of $21.7 million (22.6 percent) from $96.3 million at June 30, 2008.

Additions to the HPORS net assets held in trust for benefits include employer and member contributions, registration fees and investment income. For the fiscal year ended June 30, contributions increased to $5.5 million in fiscal year 2009 from $5.3 million in fiscal year 2008, an increase of $151 thousand (2.8 percent). Contributions increased due to a slight increase in the number of participating members and an increase in the total compensation reported for active members. The plan recognized a net investment loss of $20.0 million for the fiscal year ended June 30, 2009, compared with a net investment loss of $4.9 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2009, benefits amounted to $7.1 million, an increase of $313.4 thousand (4.6 percent) from fiscal year 2008. The increase in benefit payments was primarily due to the increases in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA retirees. For fiscal year 2009, refunds amounted to $43 thousand, a decrease of $32 thousand (42.6 percent) from fiscal year 2008. The decrease in refunds was due to fewer refunds being processed resulting from the economy and people choosing to leave their money on account. For fiscal year 2009, administrative expenses were $49 thousand, an increase of $22.5 thousand (83.2 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs related to the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the HPORS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 72 percent from 75 percent at June 30, 2008. The HPORS actuarial assets were less than actuarial liabilities by $38.2 million at June 30, 2009, compared with $33.2 million at June 30, 2008. The increase in the unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $8.2 million, a liability gain of $840 thousand resulting from salary increases different than assumed, a $140 thousand loss resulting from new entrants and $2.1 million in other gains greater than the actuarial assumptions.

SRS

The SRS provides retirement, disability and death benefits for all Department of Justice criminal investigators hired after July 1, 1993, detention officers, and all Montana sheriffs. Member and employer contributions and earnings on investments fund the benefits of the plan. The SRS net assets held in trust for benefits at June 30, 2009 amounted to $151.4 million, a decrease of $37.4 million (19.8 percent) from $188.8 million at June 30, 2008.

Additions to the SRS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, contributions increased to $10.4 million in fiscal year 2009 from $9.6 million in fiscal year 2008, for an increase of $753 thousand (7.8 percent). Contributions increased due to an increase in the total compensation reported for active members, the increase in the employer contribution rate and increased membership. The plan recognized a net investment loss of $38.8 million for the fiscal year ended June 30, 2009 compared with a net investment loss of $9.6 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2009, benefits amounted to $7.9 million, an increase of $615 thousand (8.5 percent) from fiscal year 2008. The increase in benefit payments was due to an increase in benefit recipients and an increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2009, refunds amounted to $996 thousand, an increase of $263 thousand (35.9 percent) from fiscal year 2008. The increase in refunds was due to larger refund amounts being processed. For fiscal year 2009, administrative expenses amounted to $113 thousand, an increase of $34.7 thousand (44.5 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs related to the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the SRS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 90 percent from 98 percent at June 30, 2008. The SRS actuarial assets were less than actuarial liabilities by $23.2 million at June 30, 2009, compared with $5.1 million at June 30, 2008. The decrease in the actuarial liability as of the last actuarial valuation is a result of investment losses of $16.3 million, a liability loss of $625 thousand resulting from salary increases different than assumed, a liability loss of $587 thousand resulting from new entrants and $1.2 million in other losses.

GWPORS

The GWPORS provides retirement, disability and death benefits for game wardens, warden supervisory personnel and state peace officers. Member and employer contributions *and earnings on investments fund the benefits of the plan.* The GWPORS net assets held in trust for benefits at June 30, 2009, amounted to $61.9 million, a decrease of $11.4 million (15.5 percent) from $73.2 million at June 30, 2008.

Additions to the GWPORS net assets held in trust for benefits include member and employer contributions and investment income. For the fiscal year ended June 30, contributions increased to $7.2 million in fiscal year 2009 from $6.6 million in fiscal year 2008, for an increase of $612 thousand (9.3 percent). Contributions increased due to an increased number of participating members and an increase in the total compensation reported for active members. The plan recognized a net investment loss of $15.1 million for the fiscal year ended June 30, 2009 compared with a net investment loss of $3.7 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2009, benefits amounted to $2.5 million, an increase of $250 thousand (11.0 percent) from fiscal year 2008. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA). For fiscal year 2009, refunds amounted to $840 thousand, an increase of $168 thousand (24.9 percent) from fiscal year 2008. The increase in refunds was due to larger refund amounts being processed. For fiscal year 2009, administrative expenses amounted to $77 thousand, an increase of $26 thousand (51.3 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs related to the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the GWPORS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 88 percent from 93 percent at June 30, 2008. The GWPORS actuarial assets were less than actuarial liabilities by $10.9 million at June 30, 2009, compared with $5.9 million at June 30, 2008. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $6.5 million, a liability loss of $48.5 thousand resulting from salary increases different than assumed, a loss of $458 thousand due to new entrants and $1.8 million in other gains greater than the actuarial assumptions.

MPORS

The MPORS provides retirement, disability and death benefits for municipal police officers employed by first- and second-class cities, and other cities that adopt the plan. MPORS also has an option for members to participate in a Deferred Retirement Option Plan (DROP). Member, employer and state contributions and earnings on investments fund the benefits of the plan. The MPORS net assets held in trust for benefits at June 30, 2009 amounted to $162.0 million, a decrease of $38.4 million (19.2 percent) from $200.5 million at June 30, 2008.

Additions to the MPORS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to $18.4 million in fiscal year 2009 from $17.6 million in fiscal year 2008, for an increase of $847 thousand (4.8 percent). Contributions increased because the total compensation reported for active members increased, and membership increased due to two new employers participating in the retirement system. The plan recognized a net investment loss of $40.9 million for the fiscal year ended June 30, 2009 compared with a net investment loss of $10.3 million for fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds and administrative expenses. For fiscal year 2009, benefits amounted to $15.0 million, an increase of $1.3 million (9.5 percent) from fiscal year 2008. The increase in benefit payments was due to the increase in benefit recipients and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA retirees. For fiscal year 2009, refunds amounted to $857 thousand, a decrease of $3.4 million (80.1 percent) from fiscal year 2008. The decrease in refunds was due to the significant drop in the interest rate for DROP, resulting in fewer refunds at a lower dollar amount. For fiscal year 2009, administrative expenses were $96 thousand, an increase of $20 thousand (26.3 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs resulting from the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing and a major administrative rules revision project.

An actuarial valuation of the MPORS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 62 percent from 65 percent at June 30, 2008. The MPORS actuarial assets were less than actuarial liabilities by $130.9 million at June 30, 2009, compared with $115.2 million at June 30, 2008. The increase in the actuarial liability as of the last actuarial valuation is a result of investment losses of $17.6 million, a liability loss of $2.9 million resulting from salary increases different than assumed, a loss of $430 thousand due to new entrants and $4.7 million of other gains greater than the actuarial assumptions.

FURS

The FURS provides retirement, disability and death benefits for firefighters employed by first- and second-class cities, other cities and rural fire departments that adopt the plan, and firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001. Member, employer, and state contributions, and earnings on investments fund the benefits of the plan. The FURS net assets held in trust for benefits at June 30, 2009, amounted to $159.3 million, a decrease of $35.5 million (18.2 percent) from $194.8 million at June 30, 2008.

Additions to the FURS net assets held in trust for benefits include employer, member, and state contributions and investment income. For the fiscal year ended June 30, contributions increased to $18.1 million in fiscal year 2009 from $17.2 million in fiscal year 2008, an increase of $877 thousand (5.1 percent). Contributions increased because the total compensation reported for active members increased, and membership increased due to two new employers participating in the retirement system. The plan recognized a net investment loss of $39.4 million for the fiscal year ended June 30, 2009, compared with a net investment loss of $9.7 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds, and administrative expenses. For fiscal year 2009, benefits amounted to $14.0 million, an increase of $634 thousand (4.7 percent) from fiscal year 2008. The increase in benefit payments was due to the increase in benefit recipients, and the increase in the average recipient's benefit due to the guaranteed annual benefit adjustment (GABA) or the minimum benefit adjustment for non-GABA retirees. For fiscal year 2009, refunds amounted to $69 thousand, a decrease of $47 thousand (40.1 percent) from fiscal year 2008. The decrease in refunds was due to fewer refunds being processed because of the economy and people choosing to leave their money on account. For fiscal year 2009, administrative expenses were $97 thousand, an increase of $41 thousand (73.1 percent). The increase in administrative expenses for fiscal year 2009 was mainly due to increased computer processing costs for the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing, and a major administrative rules revision project.

An actuarial valuation of the FURS assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 69 percent from 72 percent at June 30, 2008. The FURS actuarial assets were less than actuarial liabilities by $96.5 million at June 30, 2009, compared with $81.1 million at June 30, 2008. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $17 million, a liability loss of $3.2 million resulting from salary increases different from the actuarial assumptions, a loss of $260 thousand due to new entrants, a loss of $302 thousand representing the liability of prior service at the valuation date for the addition of new employers and $881 thousand of other gains greater than the actuarial assumptions.

VFCA

The VFCA provides retirement, disability and death benefits for volunteer firefighters who are members of eligible volunteer fire companies in unincorporated areas. State contributions and earnings on investments fund the benefits of the plan. The VFCA net assets held in trust for benefits at June 30, 2009 amounted to $20.4 million, a decrease of $5.6 million (21.4 percent) from $26.0 million at June 30, 2008.

Additions to the VFCA net assets held in trust for benefits include state contributions and investment income. For the fiscal year ended June 30, contributions increased to $1.58 million in fiscal year 2009 from $1.56 million in fiscal year 2008, an increase of $18 thousand (1.1 percent). Contributions increased because there was a increase in the fire insurance premium taxes distributed to the VFCA. The plan recognized a net investment loss of $5.3 million for the fiscal year ended June 30, 2009 compared with a net investment loss of $1.3 million for the fiscal year ended June 30, 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the VFCA net assets held in trust for benefits include retirement benefits, administrative expenses and supplemental insurance payments. For fiscal year 2009, benefits amounted to $1.8 million, an increase of $63 thousand (3.7 percent) from fiscal year 2008. The increase in benefit payments was due to an increase in benefit recipients. For fiscal year 2009, administrative expenses amounted to $58 thousand, an increase of $12.7 thousand (28.2 percent) from fiscal year 2008. The increase in administrative expenses for fiscal year 2009, was mainly due to increased costs related to the implementation of new computer programs, legal tax counsel fees for the IRS Cycle C filing, and a major administrative rules revision project. For fiscal year 2009, supplemental insurance payments amounted to $17.0 thousand, an increase of $2,700 from fiscal year 2008.

An actuarial valuation of the VFCA assets and benefit obligations is performed annually. At June 30, 2009, the date of the most recent actuarial valuation, the funded status of the plan decreased to 81 percent from 84 percent at June 30, 2008. The VFCA actuarial assets were less than actuarial liabilities by $6.3 million at June 30, 2009, compared with $5.2 million at June 30, 2008. The decrease in unfunded actuarial liability as of the last actuarial valuation is a result of investment losses of $2.3 million, and a net liability loss of $1.9 million comprised of a loss of $449 thousand from new volunteers and a gain of $845 thousand due to other experiences different from the actuarial assumptions.

Actuarial Valuations and Funding Progress

An actuarial valuation of each of the PERB's defined benefit plans is performed annually. At the date of the most recent actuarial valuation, June 30, 2009, the funded status of each of the plans is shown in the Schedule of Funding Progress on pages A-62 and A-63.

The PERB funding objective is to meet long-term benefit obligations through investment income and contributions. Accordingly, the collection of employer and member contributions and the income from investments provide the reserves needed to finance future retirement benefits. Since investment earnings are critical to the defined benefit plans' funding, market decline and investment losses deteriorate the plans' funding. Market losses were experienced in fiscal years 2001 through 2003 and fiscal years 2008 and 2009. Positive returns were experienced in fiscal years 2004 through 2007. The funding status decreased for all defined benefit plans in the latest valuation. Public pension plans are considered actuarially sound if the unfunded accrued actuarial liability amortization period is less than 30 years. Montana's constitution requires that public retirement plans be funded on an actuarially sound basis.

All systems were actuarially funded within the required 30 years in 2007 and 2008. This was due to positive investment returns, recognition of all losses experienced in 2001 to 2003, and the cash infusion of $25 million in the PERS-DBRP. For three of the systems, PERS-Defined Benefit Retirement Plan (PERS-DBRP), the Game Wardens' and Peace Officers' Retirement System (GWPORS), and the Sheriffs' Retirement System (SRS), the impact either increased employer contribution rates or decreased guaranteed annual benefit adjustment (GABA) for new hires or both effective July 1, 2007. Effective July 1, 2009, PERS-DBRP and SRS will receive the last employer contribution increase under the 2007 Legislative Session House Bill 131. Based on economic conditions of the past year and according to the PERB's June 30, 2009 Actuarial Valuations, the unfunded liability in PERS-DBRP, GWPORS and SRS will not amortize within 30 years.

Funding ratios range from a high of 148 percent (JRS) to a low of 62 percent (MPORS). The Schedule of Funding Progress on pages A-62 and A-63 shows the funding for the last six fiscal years. The table also shows the amount by which actuarial assets exceeded or fell short of actuarial liabilities. The actuary performs a smoothing of investment gains or losses over a period of four years. At June 30, 2009, the actuarial value of assets of all plans was more than the market value of assets by $1.2 billion due to a negative 20.69 percent market return in fiscal year 2009. The current smoothing reserve has a negative balance which will gradually be reflected in the Actuarial Value of Assets in future valuations.

Defined Contribution Plans

The PERB administers two defined contribution plans: The Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation (457) Plan. The schedules of Net Assets and Changes in Net Assets for the two defined contribution plans are on page A-17.

PERS-DCRP

The PERS-DCRP is established under section 401(a) of the Internal Revenue Code. This plan provides retirement, disability and death benefits for plan members. This plan was available to all active PERS members effective July 1, 2002. All new hires to PERS have a 12-month window to file an irrevocable election to join the plan. The plan member and employer contributions and earnings on investments fund the benefits of the plan.

The plan net assets held in trust for benefits at June 30, 2009 amounted to $45.5 million, an increase of $584 thousand (1.3 percent) from $44.9 million at June 30, 2008.

Additions to the PERS-DCRP net assets held in trust for benefits include contributions and investment income. Contributions increased $994 thousand (11.1 percent) from $8.9 million in fiscal year 2008 to $9.9 million in fiscal year 2009. The increase in contributions is due to increased membership and participating employers. The plan recognized a net investment loss of $6.8 million for fiscal year ended 2009, compared with a net investment loss of $3.0 million in fiscal year 2008. The decrease in investment income is a result of negative investment returns due to the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the PERS-DCRP net assets include retirement benefits, member distributions, administrative expenses and miscellaneous expenses. Benefits were $7 thousand in fiscal year 2009. This is the first year that the system has experienced a disability retirement. Distributions decreased from $2.5 million in fiscal year 2008 to $1.9 million in fiscal year 2009. The $623 thousand (24.8 percent) decrease in distributions from 2008 to 2009 was due to fewer defined contribution members taking a distribution. The costs of administering the plan increased from $246 thousand in fiscal year 2008 to $402 thousand in fiscal year 2009, an increase of $156 thousand (63.3 percent) from fiscal year 2008. The increase in administrative costs was mainly due to increased computer processing costs for the implementation of new programs, legal tax counsel fees for the IRS Cycle C filing, and a major administrative rules revision project. The miscellaneous expenses, the fees charged by the vendors to administer the plan, increased from $216 thousand in fiscal year 2008 to $222 thousand in fiscal year 2009, an increase of $6 thousand (3.0 percent) from fiscal year 2008. The increase in miscellaneous expenses was due to the increase in plan participant accounts and an increase in the average account balance.

Deferred Compensation (457) Plan

The Deferred Compensation Plan is established under section 457 of the Internal Revenue Code. This plan is a voluntary supplemental retirement savings plan for those who choose to participate. The Deferred Compensation Plan is funded by contributions and by investment earnings. The plan's net assets held in trust for benefits at June 30, 2009 amounted to $279.3 million, a decrease of $18.1 million (6.1 percent) from $297.4 million at June 30, 2008.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2009, contributions increased to $20.1 million from $19.6 million in fiscal year 2008, an increase of $468 thousand (2.4 percent). Contributions increased because of an increased number of members participating in the plan due to new employers joining the plan and an increase in deferrals. The plan recognized a net investment loss of $26.4 million for fiscal year 2009 compared with net investment income of $3.3 million for fiscal year 2008. The decreased investment income is a result of the volatility of the stock market earlier in the fiscal year and slow economic recovery.

Deductions from the Deferred Compensation Plan net assets mainly include member and beneficiary distributions, administrative expenses and miscellaneous expenses. For fiscal year 2009, distributions amounted to $11.0 million, a decrease of $2.3 million (17.1 percent) from $13.3 million at June 30, 2008. The decrease in distributions was due to fewer deferred compensation members taking a distribution. The costs of administering the plan increased from $240 thousand in fiscal year 2008 to $311 thousand in fiscal year 2009, an increase of $71 thousand (29.4 percent) from fiscal year 2008. The increase in administrative costs was due to time spent on development and maintenance of the Deferred Compensation Plan web payroll reporting system. Miscellaneous expenses, the fees charged by the vendors to administer the plan, increased from $813 thousand in fiscal year 2008 to $865 thousand in fiscal year 2009, an increase of $52 thousand (6.4 percent) from fiscal year 2008. The increase in miscellaneous expenses was due to increased membership and an increase in the average account balance.

Fiduciary Net Assets - Defined Contribution Plans

***As of June 30, 2009** - and comparative totals for June 30, 2008*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2009	2008	2009	2008	2009	2008
Assets:						
Cash and Receivables	2,667	2,220	714	657	3,380	2,877
Securities Lending Collateral	162	88	50	31	212	119
Investments	43,223	42,939	278,885	296,968	322,109	339,907
Intangible Assets	8	4	5	14	13	18
Total Assets	46,060	45,251	279,654	297,670	325,714	342,921
Liabilities:						
Securities Lending Collateral	162	88	50	31	212	119
Other Payables	374	223	274	230	648	453
Total Liabilities	536	311	324	261	860	572
Total Net Assets	45,524	44,940	279,330	297,409	324,854	342,349

Changes In Fiduciary Net Assets - Defined Contribution Plans

***For the year ended June 30, 2009** - and comparative totals for June 30, 2008*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2009	2008	2009	2008	2009	2008
Additions:						
Contributions	9,921	8,927	20,061	19,593	29,982	28,520
Investment Income (Loss)	(6,801)	(2,988)	(26,444)	3,287	(33,244)	299
Total Additions	3,120	5,939	(6,383)	22,880	(3,262)	28,819
Deductions:						
Benefits	7				7	
Distributions	1,896	2,519	11,024	13,302	12,920	15,821
OPEB Expenses	9	7	7	5	16	12
Administrative Expenses	402	246	311	240	712	486
Miscellaneous Expenses	222	216	865	813	1,088	1,029
Total Deductions	2,536	2,988	12,207	14,360	14,744	17,348
Incr/(Decr) in Net Assets	584	2,951	(18,590)	8,520	(18,006)	11,471
Prior Period Adjustments			510		510	

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Fiduciary Net Assets - Pension Trust Funds

as of June 30, 2009

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Assets						
Cash and Short-term Investments	$ 29,891,907	917,955	778,745	2,438,488	1,518,991	928,243
Securities Lending Collateral (Note A6)	276,932,948	4,389,950	7,023,169	14,255,375	5,816,085	14,323,803
Receivables						
Interest	6,360,516	97,134	155,986	316,248	128,385	318,885
Accounts Receivable	1,185,408			210,552		114,762
Due from Other Funds	361,108					
Due from Primary Government	24,141					10,185,974
Notes Receivable	51,315					
Total Receivables	7,982,488	97,134	155,986	526,800	128,385	10,619,621
Investments, at fair value (Note A6)						
Montana Domestic Equity Pool (MDEP)	1,070,435,421	16,507,206	26,679,973	53,629,795	21,722,419	54,681,205
Retirement Fund Bond Pool (RFBP)	876,389,757	14,018,860	22,471,295	45,692,533	18,518,446	45,994,651
Montana International Pool (MTIP)	494,790,123	7,551,017	12,387,487	24,673,042	9,999,504	25,206,793
Montana Private Equity Pool (MPEP)	338,517,001	5,224,289	8,419,126	17,059,569	6,948,639	17,242,238
Montana Real Estate Pool (MTRP)	145,478,002	2,246,796	3,612,804	7,311,423	2,980,788	7,437,423
Real Estate Investments	8,936,962					
Mortgages & Commercial Loans						
net of Accumulated Mortgage Discount	24,055,497					
Structured Investment Vehicles (SIV)	2,618,581	82,847	70,215	215,060	137,389	83,483
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
Total Investments	2,961,221,344	45,631,015	73,640,900	148,581,422	60,307,185	150,645,793
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	513					
Intangible Assets, at cost,						
net of Amortization Expense (Note A2)	331,391	3,090	3,155	3,522	3,414	3,338
Total Capital Assets	331,904	3,090	3,155	3,522	3,414	3,338
Total Assets	3,276,360,591	51,039,144	81,601,955	165,805,607	67,774,060	176,520,798
Liabilities						
Securities Lending Collateral Liability	276,932,948	4,389,950	7,023,169	14,255,375	5,816,085	14,323,803
Accounts Payable	364,278	30	30	15,272	21,131	20,378
Due to Other Funds	123,424	7,798	28,536	83,495	53,730	70,884
Due to Primary Government	65,908					
Deferred Revenue	103,927		141	335		59,951
Compensated Absences	268,723					
OPEB Implicit Rate Subsidy LT	141,866	267	1,334	4,221	2,879	3,592
Total Liabilities	278,001,074	4,398,045	7,053,210	14,358,698	5,893,825	14,478,608
Net Assets Held in Trust for Pension Benefits (see schedule of funding progress, page A-62)	$ 2,998,359,517	46,641,099	74,548,745	151,446,909	61,880,235	162,042,190

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

Defined Benefit Pension Plans			Defined Contribution Plans			
FURS	VFCA	Total Defined Benefit Pension Plans	PERS-DCRP	457 Plan	Total Defined Contribution Plans	Total Pension Trust Funds 2009
1,273,238	1,575,117	39,322,684	2,516,099	713,101	3,229,200	42,551,884
14,084,699	1,892,710	338,718,739	161,664	50,050	211,714	338,930,453
313,304	40,149	7,730,607	1,506	477	1,983	7,732,590
123,578		1,634,300	25,813	21	25,834	1,660,134
		361,108	123,424		123,424	484,532
9,831,417		20,041,532				20,041,532
		51,315				51,315
10,268,299	40,149	29,818,862	150,743	498	151,241	29,970,103
53,531,678	6,836,212	1,304,023,909				1,304,023,909
45,159,503	5,742,231	1,073,987,276				1,073,987,276
24,861,806	3,140,390	602,610,162				602,610,162
16,889,923	2,115,483	412,416,268				412,416,268
7,259,766	897,961	177,224,963				177,224,963
		8,936,962				8,936,962
		24,055,497				24,055,497
115,065	142,478	3,465,118	204,976	63,459	268,435	3,733,553
			4,819,892	189,421,495	194,241,387	194,241,387
			38,198,489	89,388,165	127,586,654	127,586,654
				12,316	12,316	12,316
147,817,741	18,874,755	3,606,720,155	43,223,357	278,885,435	322,108,792	3,928,828,947
		513				513
3,271	929	352,110	7,736	4,852	12,588	364,698
3,271	929	352,623	7,736	4,852	12,588	365,211
173,447,248	22,383,660	4,014,933,063	46,059,599	279,653,936	325,713,535	4,340,646,598
14,084,699	1,892,710	338,718,739	161,664	50,050	211,714	338,930,453
30		421,149	328,435	237,785	566,220	987,369
60,987	52,316	481,170	2,341	1,021	3,362	484,532
		65,908	3,112	1,102	4,214	70,122
3,758		168,112		3,567	3,567	171,679
		268,723	24,153	18,688	42,841	311,564
2,862	2,817	159,838	15,778	11,869	27,647	187,485
14,152,336	1,947,843	340,283,639	535,483	324,082	859,565	341,143,204
159,294,912	20,435,817	3,674,649,424	45,524,116	279,329,854	324,853,970	3,999,503,394

Public Employees' Retirement Board

A Component Unit of the State of Montana

Statement of Changes in Fiduciary Net Assets - Pension Trust Funds

for the year ended June 30, 2009

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Additions						
Contributions (Note C)						
Employer	$ 75,826,940	1,346,595	4,150,666	5,193,134	3,291,996	5,056,037
Plan Member	75,867,558	569,894	1,034,600	5,176,327	3,900,558	3,183,784
Membership Fees	196					
Interest Reserve Buyback	135,548	14,346		31,035	11,421	2,675
Retirement Incentive Program	120,782					
Miscellaneous Revenue	560					
State Contributions	357,260		285,517			10,185,974
Nonvested Member Forfeitures						
Total Contributions	152,308,844	1,930,835	5,470,783	10,400,496	7,203,975	18,428,470
Investments (Note A6)						
Net Appreciation (Depreciation)						
in Fair Value of Investments	(865,333,751)	(13,120,459)	(21,662,179)	(42,230,847)	(16,550,905)	(44,864,916)
Interest	67,243,671	986,667	1,633,033	3,307,589	1,377,378	3,845,277
Dividends	16,442,729	251,458	411,162	807,340	318,641	844,235
Investment Expense	(17,758,038)	(270,531)	(440,340)	(869,693)	(343,297)	(897,048)
Net Investment Income	(799,405,389)	(12,152,865)	(20,058,324)	(38,985,611)	(15,198,183)	(41,072,452)
Securities Lending Income						
Securities Lending Income	5,640,661	88,854	143,506	287,738	115,456	293,559
Securities Lending Rebate and Fees	(2,477,348)	(38,913)	(62,954)	(125,808)	(50,257)	(128,797)
Net Securities Lending Income	3,163,313	49,941	80,552	161,930	65,199	164,762
Total Net Investment Income	(796,242,076)	(12,102,924)	(19,977,772)	(38,823,681)	(15,132,984)	(40,907,690)
Total Additions	(643,933,232)	(10,172,089)	(14,506,989)	(28,423,185)	(7,929,009)	(22,479,220)
Deductions (Note C)						
Benefits	196,401,589	1,971,931	7,127,383	7,858,026	2,520,735	15,008,432
Refunds/Distributions	10,821,072		26,240	967,520	839,813	794,211
Refunds to Other Plans	495,040		16,822	28,732		62,344
Transfers to DCRP	1,043,374					
Transfers to ORP	174,259					
Supplemental Insurance Payments						
OPEB Expenses	70,206	143	691	2,142	1,450	1,762
Administrative Expenses	2,877,899	16,519	48,465	112,687	77,180	96,017
Miscellaneous Expenses						
Total Deductions	211,883,439	1,988,593	7,219,601	8,969,107	3,439,178	15,962,766
Net Increase (Decrease)	(855,816,671)	(12,160,682)	(21,726,590)	(37,392,292)	(11,368,187)	(38,441,986)
Net Assets Held in Trust for Pension Benefits						
Beginning of Year	3,854,176,079	58,801,781	96,275,335	188,839,201	73,248,422	200,484,176
Prior Period Adjustment	109					
End of Year	$ 2,998,359,517	46,641,099	74,548,745	151,446,909	61,880,235	162,042,190

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

		Defined Benefit Pension Plans		Defined Contribution Plans		
		Total Defined Benefit			Total Defined Contribution	Total Pension Trust Funds
FURS	VFCA	Pension Plans	PERS-DCRP	457 Plan	Plans	2009
4,531,243		99,396,611	3,730,213	65,226	3,795,439	103,192,050
3,642,020		93,374,741	5,723,408	19,660,721	25,384,129	118,758,870
		196				196
59,213		254,238				254,238
		120,782				120,782
		560	201,453	335,067	536,520	537,080
9,831,417	1,579,887	22,240,055				22,240,055
			265,972		265,972	265,972
18,063,893	1,579,887	215,387,183	9,921,046	20,061,014	29,982,060	245,369,243
			(8,396,771)	(38,199,415)	(46,596,186)	(46,596,186)
(42,998,296)	(5,679,187)	(1,052,440,540)				(1,052,440,540)
3,473,552	359,893	82,227,060	33,615	11,470	45,085	82,272,145
820,045	108,005	20,003,615	1,559,707	12,309,769	13,869,476	33,873,091
(877,807)	(114,101)	(21,570,855)		(566,608)	(566,608)	(22,137,463)
(39,582,506)	(5,325,390)	(971,780,720)	(6,803,449)	(26,444,784)	(33,248,233)	(1,005,028,953)
286,964	38,461	6,895,199	4,285	1,462	5,747	6,900,946
(125,706)	(16,803)	(3,026,586)	(1,440)	(491)	(1,931)	(3,028,517)
161,258	21,658	3,868,613	2,845	971	3,816	3,872,429
(39,421,248)	(5,303,732)	(967,912,107)	(6,800,604)	(26,443,813)	(33,244,417)	(1,001,156,524)
(21,357,355)	(3,723,845)	(752,524,924)	3,120,442	(6,382,799)	(3,262,357)	(755,787,281)
13,986,547	1,779,708	246,654,351	7,310		7,310	246,661,661
69,477		13,518,333	1,895,616	11,024,360	12,919,976	26,438,309
		602,938				602,938
		1,043,374				1,043,374
		174,259				174,259
	16,725	16,725				16,725
1,481	1,485	79,360	9,241	7,092	16,333	95,693
96,919	57,694	3,383,380	401,736	310,635	712,371	4,095,751
			222,396	864,738	1,087,134	1,087,134
14,154,424	1,855,612	265,472,720	2,536,299	12,206,825	14,743,124	280,215,844
(35,511,779)	(5,579,457)	(1,017,997,644)	584,143	(18,589,624)	(18,005,481)	(1,036,003,125)
194,806,691	26,015,274	4,692,646,959	44,939,973	297,409,260	342,349,233	5,034,996,192
		109		510,218	510,218	510,327
159,294,912	20,435,817	3,674,649,424	45,524,116	279,329,854	324,853,970	3,999,503,394

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Year Ended June 30, 2009

The Public Employees' Retirement Board (PERB) administers ten retirement plans and the related member education funds. The retirement plans are eight defined benefit plans and two defined contribution plans. The *defined benefit* retirement plans are the Public Employees' Retirement System (PERS-DBRP), Judges' Retirement System (JRS), Highway Patrol Officers' Retirement System (HPORS), Sheriffs' Retirement System (SRS), Game Wardens' and Peace Officers' Retirement System (GWPORS), Municipal Police Officers' Retirement System (MPORS), Firefighters' Unified Retirement System (FURS), and the Volunteer Firefighters' Compensation Act (VFCA). The *defined contribution* retirement plans are the Public Employees' Retirement System (PERS-DCRP) and the Deferred Compensation (IRC §457) Plan. The PERS-DCRP was implemented July 1, 2002. All new PERS members, after July 1, 2002, have a 12-month window to file an irrevocable plan choice election. The Deferred Compensation Plan is available to employees of the state and university system and to local political subdivisions that contract with the PERB.

PERS members are provided member education as a tool to help them decide between participation in the Defined Benefit Retirement Plan (PERS-DBRP) or the Defined Contribution Retirement Plan (PERS-DCRP). If members are employees of the university system they have a third choice, the Optional Retirement Program (ORP). The plan choice is a one-time irrevocable election. Further education is provided for the members who choose the PERS-DCRP, including information on investment choices. The Montana Public Employee Retirement Administration (MPERA) participates as an employer in the PERS-DBRP, PERS-DCRP and the Deferred Compensation plan.

The assets of each plan are maintained separately, including member education funds. The assets may be used only for the payment of benefits to the members and administrative expenses of the appropriate plan, in accordance with the terms of each plan as prescribed in Title 19 of the Montana Code Annotated (MCA). The financial statements are presented by combining the PERS-DBRP and the DBRP Education Fund and by combining the PERS-DCRP, the DCRP Education Fund and the DCRP Disability Fund. A presentation of each individual fund is shown at the end of the financial section on pages A-74 to A-76.

A. Summary of Significant Accounting Policies

1. Basis of Accounting

The PERB is a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity. The MPERA, staff of the PERB, prepares the accounting records and financial statements for the fiduciary pension trust funds using the accrual basis of accounting. For the pension trust funds, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period in which they are earned and become measurable. Benefits and refunds/distributions are recognized in the accounting period in which they are due and payable. Expenses are recognized in the period incurred. Administrative expenses are financed through investment earnings on the pension trust fund for the defined benefit plans. Interfund receivables and payables exist at year-end because all defined benefit administrative expenses are accounted for within PERS-DBRP and allocated to the other defined benefit plans at year-end.

Adjustments to the fiscal year 2009 financial statements consist of a prior period adjustment to the PERS-DBRP plan for prior years' employer reporting errors of lump sum vacation payouts without termination. A prior period adjustment to the fiscal year 2009 financial statements for the Deferred Compensation (457) Plan was for prior years' reserved interest earnings calculation errors.

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

Participants of the Deferred Compensation plan are charged quarterly basis point fees based on individual account balances. The record keeper, Great West, withholds the fees from participants' accounts and after payment of Great West's contractual expenses, the remaining fees are remitted to the PERB. The remaining fees, recorded as *Miscellaneous Revenue* in the financial statements, are used to pay the PERB's related administrative expenses.

2. Capital Assets and Equipment Used in Operations

Assets under $5,000 are expensed in the year purchased. Assets valued at $5,000 or more are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Equipment consists of a server. Capital assets include the web-based employer reporting software and the MPERA website.

A new server was purchased in September 2005. The accumulated depreciation of the server as of June 30, 2009 is $7,632 and the carrying value is $332. The accumulated depreciation on the web-based employer reporting system is $1,378,934 as of June 30, 2009 and the carrying value as of June 30, 2009 is $322,676. During fiscal year 2009, another stage of this process was implemented, thus increasing the cost of the web-based employer reporting system by $143,658. For the Deferred Compensation web-based employer reporting system the accumulated depreciation as of June 30, 2009 is $186,087 and the carrying value is $1,500. The accumulated depreciation on the MPERA website as of June 30, 2009 is $75,460 and the carrying value is $40,191. During fiscal year 2009, another stage of this process was implemented, thus increasing the cost of the website by $22,593.

3. Operating Lease

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

4. Funded Status And Funding Progress

Effective June 30, 2007, MPERA implemented the provision of the Governmental Accounting Standards Board (GASB) Statement No. 50 - Pension Disclosures. The disclosures are amendments to GASB Statement No. 25 and present the disclosures of the actuarial methods, assumptions and funded status of the plan in the financial notes.

The funded status of the eight defined benefit retirement plans, as of the most recent actuarial valuation date, appear in the table at the bottom of the page.

Funded Ratio as of June 30, 2009	
PERS-DBRP	84%
JRS	148%
HPORS	72%
SRS	90%
GWPORS	88%
MPORS	62%
FURS	69%
VFCA	81%

The net Funded Ratio decreased in fiscal year 2009 for all retirement plans.

The required supplementary information (RSI), following the notes to the financial statements, presents similar information but uses a multi-year format to show trend information. These trends indicate whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities.

The information on the next page is gen-

Funded Status as of June 30, 2009

(dollar amounts are in thousands)

System	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	$4,002,212	$4,792,819	$790,607	83.50%	$1,003,215	78.81%
JRS	61,929	41,848	(20,081)	147.98%	5,110	-392.99%
HPORS	99,652	137,815	38,163	72.31%	11,425	334.03%
SRS	200,690	223,893	23,203	89.64%	51,457	45.09%
GWPORS	81,177	92,155	10,978	88.09%	36,023	30.48%
MPORS	214,345	345,261	130,916	62.08%	34,687	377.42%
FURS	209,775	306,236	96,460	68.50%	30,160	319.83%
VFCA	27,226	33,548	6,322	81.16%	N/A*	N/A*

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

eral and applicable to each defined benefit plan, except the VFCA's amortization method is a level dollar amount instead of a level percent of payroll like the other plans.

General to each DB Retirement System	
Valuation date	June 30, 2009
Actuarial cost method	Entry Age
Amortization method	Level percent payroll, open
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8%
Projected salary increases:	
General Wage Growth*	4.25%
*includes inflation rate at	3.25%
Guaranteed annual benefit adjustment (GABA), except VFCA	3% after 1 year. Effective July, 1, 2007, 1.5% GABA for new hires of PERS, SRS and GWPORS.

Remaining Amortization Period	
PERS-DBRP	Does not amortize
JRS	N/A*
HPORS	21.5 years
SRS	Does not amortize
GWPORS	Does not amortize
MPORS	22.1 years
FURS	12.7 years
VFCA	6.9 years

* Currently the surplus is not expected to be exhausted.

Merit Projected Salary Increases	
PERS-DBRP	0% - 6%
JRS	0%
HPORS	0% - 7.3%
SRS	0% - 7.3%
GWPORS	0% - 7.3%
MPORS	0% - 7.3%
FURS	0% - 7.3%
VFCA	N/A

The minimum benefit adjustment (non-GABA) for PERB's retirement systems only affects four systems: JRS, HPORS, MPORS and FURS. A table showing the non-GABA adjustment for these systems follows.

Minimum Benefit Adjustment (non-GABA)	
Retiree benefit adjustment uses:	
JRS	Biennial increase to salary of active member in like position
HPORS	2% per year of service, not to exceed 5%, for probationary officer's base pay
MPORS	50% of newly confirmed officer's pay
FURS	50% of newly confirmed officer's pay

5. Other Post-Employment Benefits (OPEB)

Beginning with the fiscal year ending June 30, 2008, the State of Montana implemented Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions. This statement requires the disclosure of employer liability for retiree medical subsidies and other post-employment benefits. The OPEB liability at June 30, 2008 and June 30, 2009 are $91,792 and $187,485, respectively.

Plan Description: MPERA employees and dependents are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration. In accordance with section 2-18-704, MCA, the State provides optional post-employment medical, vision and dental health care benefits to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees who retire under applicable retirement provisions, and their dependents; and (2) surviving dependents of deceased employees. For GASB Statement No. 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and MPERA is considered to be a separate employer participating in the plan.

In addition to the retirement plans, the following post-employment benefits are provided. Montana Department of Administration established retiree medical premiums that vary between $182 and $836 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums that vary between $34.10 and $58.00; vision premiums vary between $7.64 and $22.26; both premiums vary depending on the coverage selected. Basic life insurance in the amount of $14,000 is provided until age 65 at a cost of $1.90 per month to the retiree. The State Benefit Plan reimburses all validated medical claims net of member obligations (annual deductibles and coinsurance of the members' selected medical plan). Dental claims are reimbursed at 50 percent to 100 percent of the allowable charges, depending on the services provided. The State acts as secondary payer for retired Medicare-eligible claimants.

Benefits Not Included in the Valuation: Retirees pay 100 percent of dental premiums. Thus, there is no liability for dental valued in this valuation. The vision benefit is fully-insured and retirees pay 100 percent of the cost. Thus, there is no liability for vision valued in this valuation. The life insurance benefit is a fully-insured benefit that is payable until age 65 with the retiree required to pay the full premium. There is no liability value reported in this valuation for the retirees, though the required premium is an active/retiree blended premium. This liability would be insignificant to the overall results of this valuation.

Funding Policy: The following estimates were prepared based on an actuarial valuation prepared as of January 1, 2007 for the Department of Administration and the resulting State of Montana Actuarial Valuation of Other Post-Employment Benefits Plan (plan) contains the MPERA data and is available through:

Montana Department of Administration
State Accounting Division
RM 255, Mitchell Building
125 N Roberts Street
PO Box 200102
Helena, MT 59620-0102.

GASB Statement No. 45 requires the plan's participants, including MPERA, to report each year the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year of retiree health care costs and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The 2008 ARC is calculated for all the State plan's participants and then individually allocated to individual participants. The MPERA 2008 ARC is estimated at $91,792 and is based on the plan's current ARC rate of 7.99 percent of participants' annual covered payroll. The MPERA 2008 ARC is equal to an annual amount required each year to fully fund the liability over thirty years.

The amount of the estimated OPEB actuarial accrued liability at transition was determined in accordance with the GASB Statement No. 45, and liability is estimated at $1,047,666 for MPERA. (The actuarial accrued liability is the present value of future retiree and active employees who will retire and be eligible for benefits and expenses.)

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress for OPEB, presented as required supplementary information following the notes to the financial statements, presents information that shows the actuarial value of plan assets and liabilities. In the December 31, 2007, actuarial valuation, the projected unit credit funding method is used. The actuarial assumptions did not include an investment rate of return since no assets meet the definition of plan assets under GASB Statements No. 43 or No. 45. Annual healthcare cost trend rates of 8 percent for medical and 15 percent for prescription claims are used. The unfunded actuarial accrued liability is amortized following a 30-year level percentage of payroll amortization schedule on an open basis beginning January 1, 2007.

The State finances claims on a pay-as-you-go basis and does not advance-fund the OPEB liability. While this liability is disclosed for financial statement purposes it does not represent a legal liability of the State of Montana or MPERA. Therefore, the following cost information shows no cost contributions or plan assets made by MPERA.

Annual OPEB Cost: PERB's allocated annual OPEB cost (expense) for year ending June 30, 2009 was $187,485. The interest on the net OPEB obligation for year ending June 30, 2009 was $3,901. For 2008, PERB's allocated annual OPEB cost (expense) of $91,792 was equal to the ARC. The cost that was allocated to the PERB for the years ended June 30, 2008 and June 30, 2009 was $91,792 and $95,693, respectively.

The PERB annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and 2008 are as follows on the top of the next page:

Annual OPEB Cost			
Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	91,792	0.00%	91,792
6/30/2009	95,693	0.00%	187,485

Funded Status and Funding Progress: As of June 30, 2009, the most recent actuarial valuation available was completed by the State of Montana for the calendar year ending December 31, 2007, the MPERA allocation of the plan was as follows: Actuarial Accrued Liability (AAL) is $1,047,666; Actuarial Value of Plan Assets is $0; Unfunded Actuarial Accrued Liability (UAAL) is $1,047,666; Funded Ratio (Actuarial Value of Plan Assets/AAL) is 0 percent; Covered Payroll (Active Plan Members) is $1,326,012; and the UAAL as a Percentage of Covered Payroll is 79.03 percent.

6. Method Used to Value Investments

According to Article VIII, section 13,of the Montana Constitution and section 19-2-504, MCA, the BOI has a fiduciary responsibility for investing the defined benefit retirement plan assets on behalf of the defined benefit plans. Investments are determined in accordance with the statutorily and constitutionally mandated "prudent expert principle." Pursuant to Article VIII, Section 15 of the Montana Constitution and sections 19-2-502 and 19-2-503, MCA, the PERB has a fiduciary responsibility for the administration of the pension trust funds. Investments are reported at fair value. As of June 30, 2009, there were six major diversified pools, Montana Short Term Investment Pool (STIP), Montana Domestic Equity Pool (MDEP), Retirement Funds Bond Pool (RFBP), Montana International equity Pool (MTIP), Montana Private Equity Pool (MPEP) and Montana Real Estate Investment Pool (MTRP).

The PERS-DCRP's fixed investments were invested and managed on behalf of the plan by Pacific Investment Management Company (PIMCO), the investment manager.

The Deferred Compensation plan's fixed investments were invested and managed on behalf of the plans by PIMCO and the custodial bank State Street Bank Kansas City (SSKC).

For both the PERS-DCRP and Deferred Compensation plan the third party record keeper, Great West Retirement Services, tracks and reports the daily trading and valuations of all investment options including the assets held by the individual mutual fund companies.

In addition to the laws cited above, the PERS-DCRP investments are also governed by section 19-3-2122, MCA. There are separate investment policies for the Deferred Compensation and PERS-DCRP plans. The investment policies are reviewed by the PERB on an annual basis and the investment options are reviewed quarterly by an independent third party consultant and investment analyst. In the review, each investment alternative is compared to its peers and the appropriate benchmark and the relevant Investment Policy Statement. In addition, each investment alternative is reviewed for other indicators including, but not limited to: style drift, duplication, and fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. Investments are reported at fair value as of June 30, 2009.

The following are the summaries of the BOI's fiscal year end statements, the PIMCO/SSKC contracts and a statement about the variable investments. The BOI had investment losses in fiscal year 2009. The BOI fiscal year statements and information on these losses can be obtained by contacting BOI.

STIP portfolio may include asset-backed securities, commercial paper, corporate and U.S. government direct obligations, U.S. government agency securities, repurchase agreements, institutional money market funds, certificates of deposit and variable-rate (floating-rate) instruments. The purpose of STIP is the preservation of principal, while obtaining money market type returns and 24-hour liquidity. The BOI has as policy that STIP will, and does, operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. In meeting certain conditions, STIP, as a 2a7-like pool, is allowed to use amortized cost rather than fair value to report net assets to compute unit values. The portfolio is carried at amortized cost or book value with a constant unit value of $1.00. State agencies with accounts that retain interest earnings are legally required to invest in STIP and the PERB elects to have all STIP income automatically reinvested. For fiscal year 2009 income was distributed on the first calendar day of each month. *Credit Risk* is that the issuer of a STIP security may default in making timely principal and interest payments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. For *Custodial Credit Risk* as of June 30, 2009, all the STIP securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The PERB portion of STIP is 1.73 percent.

At June 30, 2009, the STIP balance included Structure Investment Vehicles (SIVs) that were no longer liquid. As a result these are no longer considered cash equivalents and are reclassified from cash to investments based on a pro rata share of the pension funds' investment in the pool.

MDEP may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR's), equity derivatives and commingled funds. The MDEP portfolio is limited to domestic stock or ADR investments. ADR investments are receipts issued by a U.S. depositary bank representing shares of a foreign stock or bonds held abroad by the foreign subcustodian of the American depositary bank. For *Custodial Credit Risk* as of June 30, 2009, all the MDEP securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The PERB portion of MDEP is 61.50 percent.

RFBP portfolio includes corporate and foreign government bonds; U.S. government direct obligations and U.S. government agency securities; and cash equivalents. U.S. government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. government. U.S. government agency securities include U.S. government agency and mortgage-backed securities. U.S. government mortgage-backed securities reflect participation in a pool of residential mortgages. The bond pools also include structured financial instruments known as Real Estate Mortgage Investment Conduits (REMIC) securities. These investments are pass-through vehicles for multi class mortgage-backed securities and some may be interest-only strips. These investments represent the separate purchase of the principal and interest cash flows of a mortgage security and receive cash flows from the interest payment component on underlying mortgage loans. *Credit Risk* is that the issuer of a fixed income security may default in making timely principal and interest payments. With the exception of the U.S. government securities, the RFBP fixed income instruments have credit risk as measured by major credit rating services. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. For *Custodial Credit Risk* as of June 30, 2009, all the fixed income securities were registered in the nominee name for the BOI and held in the possession of the BOI's custodial bank, State Street Bank. The State Street repurchase agreement was purchased in the State of Montana BOI name. The RFBP investment policy does not formally address *Interest Rate Risk*. In accordance with GASB Statement No. 40, the BOI has selected the effective duration method to disclose interest rate risk. The fair value of total fixed income investments is $1,707,369,797 with an effective duration of 4.08. The PERB portion of RFBP is 61.85 percent.

MTIP may include common stock, equity index shares, preferred stock, convertible equity securities, American Depositary Receipts (ADR's), equity derivatives and commingled funds. ADR investments are receipts issued by a U.S. depositary bank representing shares of a foreign stock or bonds held abroad by the foreign sub-custodian of the American depositary bank. The MTIP portfolio may include holdings of securities of foreign-based corporations listed on legal and recognized foreign exchanges as well as domestic exchanges. The MTIP portfolio invests in both developed and emerging markets. For *Custodial Credit Risk* as of June 30, 2009, all MTIP securities were registered in the nominee name for the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency Risk* is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MTIP has significant investments in multiple foreign countries. Future economic and political developments in these countries could adversely affect the liquidity or value, or both, of the securities in which MTIP is invested. The PERB portion of MTIP is 61.56 percent.

MPEP portfolio may include venture capital, leveraged buyout, mezzanine, distressed debt, special situation and secondary investments. These investments are made via Limited Partnership Agreements in which the BOI and other institutional investors invest as Limited Partners in funds managed by a General Partner. These investments are riskier with higher potential return than public equity investments and are less liquid because the funds are usually committed for at least ten years. Realized capital gains are not distributed unless the gains are needed to pay management fees. Income due participants is distributed monthly on the first calendar day of each month. For *Custodial Credit Risk* as of June 30, 2009, all MPEP investments were recorded in the name of the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency* Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MPEP includes securities subject to foreign currency risk. The PERB portion of MPEP is 61.52 percent.

MTRP portfolio includes investments in private core, value-added, and opportunistic real estate. Core investments are the least risky with the lowest return and are usually managed in commingled accounts in which the investor purchases shares. Value-added and opportunistic real estate investments provide more risk and return and are less liquid than core investments. These investments are usually made through Limited Partnership Agreements. The MTRP invests its cash in STIP. Realized capital gains are not distributed unless the gains are needed to pay management fees. Income due participants is distributed monthly on the first calendar day of each month. *Custodial Credit Risk* as of June 30, 2009, all MTRP investments were recorded in the name of the Montana BOI and held in the possession of the BOI's custodial bank, State Street Bank. *Foreign Currency* Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The MTRP includes securities subject to foreign currency risk. The PERB portion of MTRP is 61.56 percent.

All Other Funds (AOF) Investments portfolio for the pension plans includes an equity index fund, real estate buildings, residential mortgages and commercial loans. Fair values are determined, primarily, by reference to market prices supplied to the BOI by its custodial bank, State Street Bank. The real estate investments and residential and multi-family mortgages are valued based on a discounted cash flow. The mortgages receivable funded by the retirement systems consist of residential mortgages. As of June 30, 2009, there were no uncollectible account balances for mortgages. Real estate investments held, in part, for the PERS include a building at 100 North Park Avenue in Helena, MT; a building at 2273 Boot Hill Court in Bozeman, MT; a building at 2401 Colonial Drive in Helena, MT; and property located on California Street in Helena, MT. The BOI also holds the building located at 1712 Ninth Avenue in Helena, MT for the sole benefit of the PERS. *Credit Risk:* As of June 30, 2009, the PERB had a credit quality rating for the total fixed income investments of AA. *Custodial Credit Risk* as of June 30, 2009, has real estate and mortgage investments registered in the name of the Montana BOI. There is no *Concentration of Credit Risk* for the PERB.

Securities Lending Collateral, governed under the provisions of state statutes, BOI authorized the custodial bank, State Street Bank, to lend the BOI securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The custodial bank is required to maintain collateral equal to 102 percent of the fair value of domestic securities and 105 percent of the fair value of international securities while the securities are on loan. The BOI and the custodial bank split the earnings on security lending activities. The securities lending collateral, securities lending collateral liability, securities lending income and securities lending expense consist of allocations to PERB on a pro rate basis of its ownership share of each pool with securities lending activity. At June 30, 2009, the BOI had no credit risk exposure to borrowers because the collateral pledged by the borrowers exceeded the value of the securities borrowed. The private equity and real estate pools do not participate in securities lending.

Fixed Investments for the PERS-DCRP and the Deferred Compensation Plan, a guarantee of principal is provided by Aegon, the insurance wrapper. Aegon sets a fixed quarterly rate of return based on the investment manager's portfolio yield and duration. For the PERS-DCRP, fixed investments are administered by Pacific Investment Management Company (PIMCO), the investment manager. For the Deferred Compensation Plan the fixed investments are administered and directed through PIMCO, the investment manager, and State Street Bank Kansas City (SSKC), the custodial bank.

The PERS-DCRP fixed investments are invested in a PIMCO Moderate Duration mutual fund. The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65 percent of its total assets in a diversified portfolio of Fixed Income instruments of varying maturities, which may be represented by forwards or derivatives such as options, futures contracts or swap agreements. The average portfolio duration of this Fund normally varies within two years (plus or minus) of the Barclays Capital Intermediate Government/Credit Index which as of June 30, 2009 was 4.2 years. The Fund invests primarily in investment grade debt securities but may invest up to 10 percent of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's, or equivalently rated by S&P or Fitch, or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest up to 30 percent of its total assets in securities denominated in foreign currencies, and may invest beyond this limit in U.S. dollar-denominated securities of foreign issuers. The Fund may invest up to 15 percent of its total assets in securities and instruments that are economically tied to emerging market countries. The Fund will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20 percent of its total assets. The Fund may invest all of its assets in derivative instruments, such as options, futures contracts or swap agreements, or in mortgage-backed or asset-backed securities. The Fund may, without limitation, seek to obtain market exposure to the securities in which it primarily invests by entering into a series of purchase and sale contracts or by using other investment techniques (such as buy backs or dollar rolls). The "total return" sought by the Fund consists of income earned on the Fund's investments, plus capital appreciation, if any, which generally arises from decreases in interest rates, foreign currency appreciation, or improving credit fundamentals for a particular sector or security. The Fund may also invest up to 10 percent of its total assets in preferred stocks. *Concentration of Credit Risk* is not addressed in the investment policy and investments in mutual funds are not required to be disclosed.

Variable Investments for the PERS-

DCRP and Deferred Compensation Plan are held and managed by a selection of retail and institutional mutual funds, which cover all standard asset classes and categories. The selection of offered mutual funds is designed to provide participants with the ability to diversify and meet their individual investment goals and strategies. The PERB, with the advice of the statutorily created Employee Investment Advisory Council and the assistance of an independent third-party consultant and investment analyst, conducts quarterly reviews of the offered mutual funds. The goal of the reviews is to ensure that the offered mutual funds meet standards established in the Investment Policy Statement adopted by the PERB. The investment policy states that "Participants make individual investment decisions, subject to the investments offered under the plan and, ultimately, bear the risks and rewards of investment returns." In the reviews, each investment alternative is compared to its peers and the appropriate benchmark. In addition, each investment alternative is reviewed for other indicators including, but not limited to: style drift, duplication, and fund manager or other organizational changes. Investment alternatives that are determined to have a sub-standard performance rating or other negative indicators may be recommended for probation or termination. During the reviews, the PERB may decide to retain, replace or place in a probation status any of the offered mutual funds. *Concentration of Credit Risk* is not addressed in the investment policy and investments in mutual funds are not required to be disclosed.

Investments are reported at fair value as of June 30, 2009. Available mutual funds are listed on pages A-54 and A-58 or a listing can be obtained by contacting MPERA.

B. Litigation

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

John Crossman, et al. v. MPERA The claimants are former volunteer firefighters who are contesting MPERA's refusal to increase their retirement benefits based on changes to section 19-17-404, MCA. In both 2003 and 2005 the Legislature amended section 19-17-404, MCA to increase retirement benefits to members who continued as volunteer firefighters for more than twenty years. The claimants, who allege they all served as volunteer firefighters for more than twenty years, demand that their retirement benefits be recalculated according to the new benefit structure provided in the amended version of section 19-17-404, MCA. Because the claimants all retired prior to the effective date of the amendments, MPERA determined that they are not eligible to have their retirement benefits recalculated. Cross motions for summary judgment were filed in a contested case proceeding, following which the hearings examiner issued a proposed order as its Final Order on December 12, 2008. The claimants filed a petition for judicial review in the First Judicial District, Judge Dorothy McCarter presiding. Briefing concludes October 30, 2009. The probability of the claimants prevailing is remote, although there could be a material actuarial impact on the VFCA fund if the claimants prevail and the matter is considered as a class action. The total potential actuarial impact has not yet been determined.

C. v. State ex rel. PERB and the State of Montana In June 2009, claimants filed a complaint with the Human Rights Bureau alleging age discrimination against PERB and the State of Montana. The complaint is based on §19-13-104(5), (6) and (9), MCA, which through reference to §7-33-4107, MCA, limits participation in the Firefighters' Unified Retirement System (FURS) to individuals who are no more than 34 years of age at the time of original appointment as a firefighter. Claimants are firefighters with a rural fire district, which did not resolve to join FURS until September 2009. While the Human Rights Bureau was investigating the complaint of discrimination, the Montana Supreme Court issued *Jakasha v. Butte-Silver Bow County,* 2009 MT 263. That Court found §7-33-4107, MCA to be unconstitutional. Thereafter, the investigator for the Human Rights Bureau asked for statement regarding the impact of *Jaksha* on C. matter. PERB determined and stated that because of *Jaksha*, we will no longer enforce the age 34 requirement for FURS members. Claimants agreed and have requested retroactive damages. As of October 19, 2009, *C.* remained before the Human Rights Bureau. If retroactive damages are ultimately awarded, claimants and the matter are considered as a class action, *C.*, could result in a material actuarial impact to FURS. *C.*, coupled with *Jaksha*, could also result in a material actuarial impact on the FURS fund in the event disability claims significantly increase. FURS members are entitled to a 50% disability from their first day of covered employment, regardless whether the disability is work-related or not. The total cost to the FURS will depend upon the actual numbers of older firefighters hired, as well as their ages. The percentage varies by the age at hire. The normal cost of each individual is a percentage of payrolls increasing from about 25% at ages 25 and 30 to over 30% at age 45, and over 35% at age 50.

C. Plan membership, descriptions and contribution information

The plans are established and amended statutorily by the Legislature. In all defined benefit plans (except VFCA), if a member leaves covered employment before retirement, the member contributions plus accrued interest may be refunded to the member. If a member returns to service and repays the withdrawn contributions plus the interest the contributions would have earned had they remained on deposit, membership service is restored. Membership of each plan as of June 30, 2009 and June 30, 2008 is detailed in the following charts at the top of the next page:

PERS-DBRP Membership

	2009	2008		2009	2008
Number of participating employers	529	528			
Active plan members	28,983	28,293	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a re-fund			Service Retirements	16,437	15,991
Vested	2,476	2,579	Disability Retirements	279	290
Non-vested	5,670	6,268	Survivor Benefits	359	346
	8,146	8,847		17,075	16,627

JRS Membership

	2009	2008		2009	2008
Number of participating employers	1	1			
Active plan members	51	51	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	53	48
Vested	1	5	Disability Retirements	-	-
Non-vested	-	-	Survivor Benefits	2	2
	1	5		55	50

HPORS Membership

	2009	2008		2009	2008
Number of participating employers	1	1			
Active plan members	222	212	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	273	271
Vested	14	13	Disability Retirements	6	8
Non-vested	8	7	Survivor Benefits	12	11
	22	20		291	290

SRS Membership

	2009	2008		2009	2008
Number of participating employers	57	57			
Active plan members	1,185	1,109	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	353	344
Vested	41	46	Disability Retirements	35	34
Non-vested	155	139	Survivor Benefits	18	16
	196	185		406	394

GWPORS Membership

	2009	2008		2009	2008
Number of participating employers	7	7			
Active plan members	950	885	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	122	116
Vested	40	40	Disability Retirements	-	-
Non-vested	103	115	Survivor Benefits	5	4
	143	155		127	120

MPORS Membership

	2009	2008		2009	2008
Number of participating employers	29	27			
Active plan members	692	673	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	600	592
Vested	48	34	Disability Retirements	17	15
Non-vested	59	58	Survivor Benefits	29	29
	107	92		646	636

FURS Membership

	2009	2008		2009	2008
Number of participating employers	21	19			
Active plan members	558	525	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	516	508
Vested	9	9	Disability Retirements	5	5
Non-vested	49	52	Survivor Benefits	21	22
	58	61		542	535

VFCA Membership

	2009	2008		2009	2008
Number of participating companies	215	210			
Active plan members	2,253	2,301	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	1,103	1,081
Vested	840	793	Disability Retirements	-	-
			Survivor Benefits	0	1
				1,103	1,082

PERS-DCRP Membership

	2009	2008		2009	2008
Number of participating employers	271	233			
Active plan members	1,979	1,769	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Benefit Payments	3	6
Vested	108	131	Disability Payments	1	-
Non-vested	255	350	Survivor Payments	-	-
	363	481		4	6

Deferred Compensation (457) Membership

	2009	2008		2009	2008
Number of participating employers	19*	17*	Number of participating plan members	8,053	8,001
Number of participating employers that provide contributions on members' behalf	2	2	Number of participating plan members that are actively contributing to their deferred compensation accounts	5,243	5,346

*State is one employer.

Public Employees' Retirement System-DBRP (PERS-DBRP)

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

All new hires are initially members of the PERS-DBRP. New members have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be members of both the *defined benefit* and *defined contribution* retirement plans. The choice is irrevocable. All new members from the universities also have a third option to join the university system's Optional Retirement Program (ORP). For members that choose to join the PERS-DCRP or the ORP, a percentage of the employer contribution will be used to maintain the funding of the PERS-DBRP.

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

PERS-DBRP Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligible for benefit
Service retirement:
30 years of membership service, any age;
Age 60, 5 years of membership service; or
Age 65, regardless of membership service
Early retirement, actuarially reduced:
Age 50, 5 years of membership service; or
Any age, 25 years of membership service

Vesting 5 years of membership service

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

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5% for members hired on or after July 1, 2007

At June 30, 2009 PERS had 529 participating employers, one more than FY2008. The participating employers consist of:

PERS-DBRP EMPLOYERS		
Employers	June 30, 2009	June 30, 2008
State Agencies	34	34
Counties	55	55
Cities and Towns	96	96
Colleges and Universities	5	5
School Districts	232	233
High Schools	5	6
Other Agencies	102	99
Total	529	528

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 was 6.9% of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a request for retirement or refund is processed.

Each state agency and university system employer contributed 7.035% of PERS-covered payroll during fiscal year 2009. Participating local governments contributed 6.935% of PERS-covered payroll during fiscal year 2009. The State contributed the remaining 0.1% for local governments. Participating school districts contribute 6.8% of PERS-covered payroll during fiscal year 2009. The state contributed the remaining 0.235% from the general fund. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates on page A-61).

Under section 19-3-316 (3), MCA and effective July 1, 2009, State and University employers shall contribute an additional employer contribution equal to 0.27% making a total contribution of 7.17%. Local government (except school districts) employer rates increased 0.27%, making a total contribution rate of 7.07%. State contribution rates for School District employers increased by 0.27%, making a total contribution of 0.37%.

PERS-DBRP Active Membership by Employer Type		
Employer Type	June 30, 2009	June 30, 2008
State Agencies	11,074	10,878
Counties	5,370	5,297
Cities	3,196	3,201
Universities	2,666	2,576
High Schools	57	52
School Districts	5,459	5,182
Other Agencies	1,161	1,107
Total	28,983	28,293

Plan Membership Elections: MPERA has included in the financial statements transfers of $1,043,374 in Transfers to DCRP and

$174,259 in Transfers to ORP. These transfers reflect the DCRP and ORP contributions of participants that filed elections at or near the June 30 cutoff date. The contributions were transferred in early fiscal year 2010.

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employees participating under section 19-2-706, MCA increased from 183 in fiscal year 2008 to 192 in fiscal year 2009. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. The retirement incentive contributions received (including interest) during fiscal year 2009 totaled $120,782. The outstanding balance at June 30, 2009, totaled $23,787.

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

1) initial transfer education — complete as of July 1, 2003.
2) ongoing transfer education — for new members after the July 1, 2002 plan start date; and
3) ongoing investment/retirement planning education — for all active members.

The education program was funded by 0.04% of PERS-covered payroll in fiscal year 2009.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. As of June 30, 2009, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liablity. During the year ended June 30, 2009, the PERS experienced a loss of 20.9% on assets. However, due to the asset-smoothing technique which recognizes only a portion of the gains and losses, the return on the actuarial asset value was a negative 0.2%. This return was below the actuarial assumed rate of return of 8.0% and resulted in an actuarial loss on investments of $329 million.

Judges' Retirement System (JRS)

Plan Description: The JRS is a single-employer defined benefit plan established in 1967, and governed by Title 19, chapters 2 & 5 of the MCA. This system provides benefits for all Montana judges of the district courts, justices of the Supreme Court, and the Chief Water Judge. Benefits are established by state law and can only be amended by the Legislature. The JRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits is on the following page:

JRS Summary of Benefits

Member's current salary[1] or highest average compensation (HAC)[2]

[1]Hired prior to July 1, 1997 and non-GABA prior to January 1, 1988 or December 1, 2005 — monthly compensation at time of retirement;

[2]Hired after June 30, 1997 or electing GABA prior to January 1, 1988 or December 1, 2005 — HAC during any consecutive 36 months

Eligibility for benefit

Age 60, 5 years of membership service;

Any age with 5 years of membership service — involuntary termination, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula

3-1/3% of current salary[1] (non-GABA) OR HAC[2] (GABA) per year of service credit for the first 15 years, plus 1.785% per year for each year after 15 years.

Guaranteed Annual Benefit Adjustment (GABA)

Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)

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

At June 30, 2009 JRS had one participating employer, the same as FY2008. The participating employer consists of:

JRS EMPLOYERS

Employer	June 30, 2009	June 30, 2008
State Agency — Supreme Court	1	1
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 was 7.0% of the member's monthly compensation. Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

As the employer, the State contributed 25.81% of the total JRS-covered payroll to the retirement plan during fiscal year 2009. (Reference Schedule of Contribution Rates on page A-61).

JRS Active Membership by Employee Type		
Employee Type	June 30, 2009	June 30, 2008
GABA	37	37
Non-GABA	14	14
Total	51	51

Highway Patrol Officers' Retirement System (HPORS)

Plan Description: The HPORS is a single-employer, defined benefit plan established July 1, 1971, and governed by Title 19, chapters 2 & 6 of the MCA. This system provides retirement benefits to all members of the Montana Highway Patrol, including supervisory personnel. Benefits are established by state law and can only be amended by the Legislature. The HPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits follows:

HPORS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
5 years of membership service, actuarially reduced from age 60

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
Hired prior to July 1, 1997 — monthly benefits for non-GABA members are increased each July when they fall below a statutorily guaranteed minimum. Any annual increase is limited to 5% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

At June 30, 2009 HPORS had one participating employer, the same as FY2008. The participating employer consists of:

HPORS EMPLOYERS

Employer	June 30, 2009	June 30, 2008
State Agency — Department of Justice	1	1
Total	1	1

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 is 9.05% of the member's total compensation if hired after June 30, 1997 or for members electing GABA, and 9.0% for those members hired prior to July 1, 1997 and not electing GABA (all active members hired prior to July 1, 1997 have elected GABA). Contributions are deducted from each member's salary and remitted by the participating employer. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

As the employer, the State contributed 36.33% of the total HPORS-covered payroll during fiscal year 2009. The first 26.15% is payable from the same source used to pay members' compensation. The remaining amount, equal to 10.18%, is payable from a portion of the fees collected from drivers' license and duplicate drivers' license applications. (Reference Schedule of Contribution Rates on page A-61).

HPORS Active Membership by Employee Type

Employee Type	June 30, 2009	June 30, 2008
GABA	222	212
Non-GABA	0	0
Total	222	212

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

Supplemental Benefit for Retirees: Section 19-6-709, MCA provides eligible Montana highway patrol officers retired prior to July 1, 1991, or their survivors, an annual supplemental lump-sum payment distributed each September. This lump-sum payment is funded by registration fees requested by the PERB from the general fund. Factors impacting eligibility include the number of years the recipient has received a service retirement benefit or disability benefit, the recipient's age, and whether the recipient is employed in a position covered by a retirement system under Title 19.

Sheriffs' Retirement System (SRS)

Plan Description: The SRS is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows:

SRS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service, actuarially reduced

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5% for members hired on or after July 1, 2007

At June 30, 2009 SRS had 57 participating employers, the same as FY2008. The participating employers consist of:

SRS EMPLOYERS

Employers	June 30, 2009	June 30, 2008
State Agencies — Department of Justice	1	1
Counties	56	56
Total	57	57

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 was 9.245% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

The employer contribution for fiscal year 2009 was 9.825%. Under section 19-7-404 (3), MCA and effective July 1, 2009, each employer shall contribute to the system an additional employer contribution equal to 0.58%, making a total contribution of 10.115%. (Reference Schedule of Contribution Rates on page A-61).

SRS Active Membership by Employer Type

Employer Type	June 30, 2009	June 30, 2008
Dept of Justice	46	46
Counties	1,139	1,063
Total	1,185	1,109

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA related to the Employee Protection Act allows state employees who are eligible for a service retirement and whose positions have been eliminated to have their employer pay a portion of the total cost of purchasing up to three years of "1-for-5" additional service. The employer has up to ten years to complete payment for the service purchases and is charged 8% interest on the unpaid balance. Three employees have taken advantage of this provision to date.

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. As of June 30, 2009 the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability. During the year ending June 30, 2009, SRS experienced a loss of 20.5% on assets. However, due to the asset-smoothing technique which recognizes only a portion of the gains and losses, the return on the actuarial asset value was a negative 0.2%. This return was below the actuarial assumed rate of 8.0% and resulted in an actuarial loss on investments of $16 million.

Game Wardens' and Peace Officers' Retirement System (GWPORS)

Plan Description: The GWPORS is a multiple-employer, cost-sharing defined benefit plan established in 1963 and governed by Title 19, chapters 2 & 8, MCA. This system provides retirement benefits to all persons employed as a game warden, warden supervisory personnel, or state peace officer. Benefits are established by state law and can only be amended by the Legislature. The GWPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. A brief summary of eligibility and benefits follows on top of the next page:

GWPORS Summary of Benefits

Member's highest average compensation (HAC)
Highest average compensation during any consecutive 36 months

Eligibility for benefit
Age 50, 20 years of membership service

Early Retirement
Age 55, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
2.5% of HAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit

- 3.0% for members hired before July 1, 2007
- 1.5% for members hired on or after July 1, 2007

At June 30, 2009 GWPORS had seven participating employers, the same as FY2008. The participating employers consist of:

GWPORS EMPLOYERS

Employers	June 30, 2009	June 30, 2008
State Agencies	4	4
Colleges and Universities	3	3
Total	7	7

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 was 10.56% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Each state agency and university employer contributed 9.0% of total GWPORS-covered payroll to the retirement plan during fiscal year 2009. (Reference Schedule of Contribution Rates on page A-61).

GWPORS Active Membership by Employer		
Employer	June 30, 2009	June 30, 2008
Dept of Corrections	692	634
Dept FW&P	103	104
Dept of Livestock	33	30
Dept of Trans.	88	89
Universities	34	28
Total	950	885

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

Actuarial Status: The statutory funding rate is tested in the valuation to determine if it is sufficient to cover the Normal Cost Rate plus an amortization payment of the Unfunded Actuarial Liability, if any, over no more than 30 years. As of June 30, 2009, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability. During the year ending June 30, 2009, GWPORS' experienced a loss of 20.2% on assets. However, due to the asset-smoothing technique which recognizes only a portion of the gains and losses, the return on the actuarial asset value was a negative 0.2%. This return was below the actuarial assumed rate of 8.0% and resulted in an actuarial loss on investments of $7 million.

Municipal Police Officers' Retirement System (MPORS)

Plan Description: The MPORS is a multiple employer, cost-sharing defined benefit plan established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service. A brief summary of eligibility and benefits follows:

MPORS Summary of Benefits

Member's final average compensation (FAC)
Hired prior to July 1, 1977 — average monthly compensation of final year of service;
Hired after June 30, 1977 — final average compensation (FAC) for last consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service

MPORS Summary of Benefits (continued)

Vesting 5 years of membership service

Monthly benefit formula
2.5% of FAC per year of service credit

Guaranteed Annual Benefit Adjustment (GABA)
Hired after June 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

Minimum benefit adjustment (non-GABA)
If hired before July 1, 1997 and member did not elect GABA, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city where the member was last employed.

At June 30, 2009 MPORS had 29 participating employers, two more than FY2008. The participating employers consist of:

MPORS EMPLOYERS

Employers	June 30, 2009	June 30, 2008
Cities	29	27
Total	29	27

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. Member contribution rates are dependent upon date of hire as a police officer. For fiscal year 2009, member contributions as a percentage of salary were 5.8% if employed on or before June 30, 1975; 7.0% if employed after June 30, 1975 and prior to July 1, 1979; 8.5% if employed after June 30, 1979 and prior to July 1, 1997; and, 9.0% if employed on or after July 1, 1997 and for members electing GABA. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Employer contributions to the retirement plan are 14.41% of total MPORS-covered payroll. The State contributions are requested at the beginning of the fiscal year based on the previous fiscal year compensation and are due no later than November 1. The State's contribution rate for fiscal year 2009 was 29.37%. (Reference Schedule of Contribution Rates on page A-61).

MPORS Active Membership by Employee Type

Employee Type	June 30, 2009	June 30, 2008
GABA	683	664
Non-GABA	9	9
Total	692	673

Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the PERB. The DROP is governed by Title 19, chapter 9, part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to date of the beginning of the DROP period. The monthly benefit is paid into the members' DROP account until the end of the DROP period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated. As of June 30, 2009, a total of 70 members have participated in the DROP.

DROP Participation

	6/30/2009	6/30/2008
Participants Beginning of Year	30	45
Participants Added	4	5
Completed DROP	5	20
Participants End of Year	29	30
DROP Distributions	$408,121	$3,777,214

Firefighters' Unified Retirement System (FURS)

Plan Description: The FURS is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard (MANG) on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service. A brief summary of eligibility and benefits follows on top of the next page:

FURS Summary of Benefits

Member's compensation
Hired prior to July 1, 1981 and not electing GABA — highest monthly compensation (HMC); Hired after June 30, 1981 and those electing GABA — highest average compensation (HAC) during any consecutive 36 months

Eligibility for benefit
20 years of membership service, regardless of age

Early Retirement
Age 50, 5 years of membership service

Vesting 5 years of membership service

Monthly benefit formula
1. Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:
   2.5% of HAC per year of service; OR
   i) if less than 20 years of service —
      2% of HMC for each year of service;
   ii) if more than 20 years of service —
      50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years
2. Members hired after June 30, 1981 and those electing GABA:
   2.5% of HAC per year of service

Guaranteed Annual Benefit Adjustment (GABA)
Hired after July 1, 1997, or those electing GABA — after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3.0% each January, inclusive of all other adjustments to the member's benefit.

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

At June 30, 2009 FURS had 21 participating employers, two more than in FY2008. The participating employers consist of:

FURS EMPLOYERS

Employers	June 30, 2009	June 30, 2008
State Agencies - Department of Military Affairs	1	1
Cities	16	16
Rural Fire Districts	4	2
Total	21	19

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rates for fiscal year 2009 are 9.5% for members hired prior to July 1, 1997 and not electing GABA coverage, and 10.7% for members hired after June 30, 1997 and members electing GABA coverage. Contributions are deducted from each member's salary and remitted by participating employers. An individual account is established for each member's contributions and interest allocations until a retirement or refund request is processed.

Employer contribution rates for fiscal year 2009 were 14.36% of the total FURS-covered payroll.

The State contribution was 32.61% of total compensation for all covered firefighters in fiscal year 2009. State contributions are requested at the beginning of each fiscal year based on previous fiscal year salary and are due no later than November 1. (Reference Schedule of Contribution Rates on page A-61).

Additional Service Purchase Due to a

FURS Active Membership by Employee Type

Employee Type	June 30, 2009	June 30, 2008
GABA	552	519
Non-GABA	6	6
Total	558	525

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

Volunteer Firefighters' Compensation Act (VFCA)

Plan Description: The VFCA is a statewide retirement and disability plan. This compensation plan was established in 1965 and is governed by Title 19, chapter 17, MCA. All members are unpaid volunteers and the State of Montana is the only contributor to the plan. Benefits are established by state law and can only be amended by the Legislature. The VFCA provides pension, disability and survivorship benefits for all volunteer firefighters who are members of qualified volunteer fire companies in unincorporated areas, towns or villages and includes volunteer fire departments, fire districts, and fire service areas under the laws of the State of Montana. Benefits are based on eligibility and years of service. Member rights are vested after ten years of credited service. VFCA also provides limited benefits for death or injuries incurred in the line of duty.

A member that chooses to retire and draw a pension benefit may return to service with the volunteer fire department without loss of benefits. A returning retired member may not be considered an active member accruing service credit.

A brief summary of eligibility and benefits follows:

VFCA Summary of Benefits

Eligibility for benefit
Age 55, 20 years of service credit;
Age 60, 10 years of service credit.

Additional Benefit
Members who retire after April 25, 2005 and have greater than 20 years of service credit (with a maximum of 30 years) may receive additional benefits (maximum benefit $225).

Vesting 10 years of service credit

Monthly benefit formula
$7.50 per year of service credit, maximum benefit $225 (no more than 30 years).

Contributions: The State is the only contributor to the VFCA. Contributions are 5% of fire insurance premium taxes collected on certain fire risks. The State Auditor makes annual payments to the Volunteer Firefighters' Compensation Act fund. (Reference Schedule of Contribution Rates on page A-61).

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

Public Employees' Retirement System-DCRP (PERS-DCRP)

Plan Description: The PERS Defined Contribution Retirement Plan (DCRP) is a multiple employer plan established July 1, 2002 and governed by Title 19, chapters 2 & 3, MCA. This plan is available to eligible employees of the State, university system, local governments and school districts. All new PERS members are members of the PERS-DBRP. They have a 12-month window during which they may choose to transfer to the

PERS-DCRP or remain in the PERS-DBRP. The choice is irrevocable. Members may not be members of both the PERS-DCRP and PERS-DBRP retirement plans. The PERS-DCRP provides retirement, disability and death benefits to participants and their beneficiaries. Contribution rates can only be amended by the Legislature. Benefits are based on eligibility and account balance.

The investment options offered are selected by the PERB in compliance with their Investment Policy Statement and with the assistance of the statutorily-created Employee Investment Advisory Council and the advice of a third-party consultant. Participants of the PERS-DCRP direct their contributions and a portion of their employer's contributions among the offered investment options. The remaining portion of their employer's contributions is used to reduce the Plan Choice Rate unfunded actuarial liability, to fund the long-term disability benefits to participants of the DCRP and to fund an employee education program. Participants may invest in any or all of the offered options and transfer between options on a daily basis, if desired.

The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options include mutual funds and bond funds and range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The investment options as of June 30, 2009 are as follows:

PERS-DCRP Investment Options

International Stock Funds
American Funds New Perspective
Oakmark International
SSGA International

Small Company Stock Funds
Manager AMG Essex
Vanguard Small Cap Index Signal
Target Small Cap Value
Hotchkis and Wiley Small Cap

Mid-Sized Company Stock Funds
Munder Mid-Cap Select
Janus Mid Cap Value Investors

Large Company Stock Funds
American Funds Growth Fund A
Vanguard Equity-Income Adm
Vanguard Growth & Income Adm
BGI Equity Index - Collective F

Balanced Funds
Vanguard Balanced Index

Bond Funds
Vanguard Total Bond Market Index

Fixed Investment Options
DCRP Fixed Fund

Fixed investment: The fixed investment option guarantees both principal (the deferred salary) and a quarterly rate of return. The fixed investment option requires the services of two external providers who were selected through the State's competitive bidding process. The external providers are Aegon and Pacific Investment Management Company (PIMCO). Aegon, the insurance wrapper, provides a guarantee of principal and sets a quarterly rate of return based upon the investment manager's portfolio yield and duration. PIMCO, the investment manager, invests the assets in a PIMCO mutual fund.

Administrative expenses and revenues that fund them are accounted for within the plan. Expenses for the DCRP can generally be classified as 1) administrative and 2) miscellaneous. Following is a summary of revenues and expenses:

Administrative funding: PERB's administrative fee is a basis point (or percent) fee based on account balances. On a quarterly basis, the record keeper, Great West Retirement Services (Great West), withholds the basis point fee from each plan participant's account and submits the remainder to the PERB after paying Great West fees. They are recorded as *Miscellaneous Revenue.*

Record keeping fees: The record keeper, Great West, charges a set administrative fee to all plan participants. On a quarterly basis, the fees are withheld from each plan participant's account. They are recorded as *Miscellaneous Expense.*

Fixed investment fees: Fees on the fixed investments are charged by each of the providers, PIMCO and Aegon. The fees are defined per each contract for specific services. The fixed investment credited rate is declared net of expenses. The fees charged by PIMCO are held in a mutual fund and the income is net of fees; therefore, are not presented in the financial statements. Because the fees charged by Aegon are explicit and not net from assets, they are classified as *Administrative Expense.*

Mutual fund/variable investments: All of the variable investments have investment management fees; some may have additional administrative fees. These fees are not presented on the financial statements. Mutual fund earnings are declared net of all expenses, both investment management and administrative, in accordance with the Securities and Exchange Commission and other regulatory authorities. Current reporting standards for mutual fund companies do not require costs to be made available in the detailed cost reports.

A brief summary of eligibility and benefits follows:

PERS-DCRP Summary of Benefits

Eligibility for Benefit
Termination of service

Vesting
Immediate for participant's contributions and attributable income;
5 years of membership service for the employer's contributions to individual accounts and attributable income.

Benefit
Dependent upon individual account balance;
Various payout options available, including: taxable lump sums, periodic payments per participant direction and IRS permitted rollovers.

Contributions: Member and employer contribution rates are established by state law and may be amended only by the Legislature. The member contribution rate for fiscal year 2009 was 6.9% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The entire amount of the member's contribution is credited to the individual account which is maintained by the record keeper.

Each state agency and university system employer contributed 7.035% of PERS-covered payroll during fiscal year 2009. Participating local governments employers contribute 6.935% of PERS-covered payroll during fiscal year 2009. The State contributes the remaining 0.1% for local governments from the state general fund. School district employers contribute 6.8%, while the State contributes the remaining 0.235%. (Reference Schedule of Contribution Rates on page A-61).

The employer rate of 7.035% is allocated as follows: 4.19% allocated to the member's retirement account, 2.505% allocated to the defined benefit plan choice rate, 0.04% allocated to the defined contribution education fund and 0.3% allocated to the long-term disability plan.

Under section 19-3-316 (3), MCA and effective July 1, 2009, State and University employers shall contribute an additional employer contribution equal to 0.27% making a total contribution of 7.17%. Local government (except school districts) employer rates increased 0.27%, making a total contribution rate of 7.07%. State contribution rates for School District employers increased by 0.27%, making a total contribution of 0.37%.

Plan Membership Elections: Included in the financial statements are employer contribution transfers of $11,316 and member contribution transfers of $18,365. These transfers reflect the contribution transfers of DCRP participants that filed elections at or near the June 30 cutoff date but the contributions were moved in early fiscal year 2010.

DCRP Education Fund: Implemented July 1, 2002, the DCRP Education Fund (DCEd), as governed by section 19-3-112, MCA, was established to provide funding for the required education programs for the members who have joined the PERS-DCRP. The DCEd was funded by 0.04% of the employers' contributions in fiscal year 2009.

DCRP Disability Fund: Implemented July 1, 2002, the DCRP Disability Fund (DC Disability), as governed by section 19-3-2117, MCA, will provide disability benefits to eligible members who have joined the PERS-DCRP. The DC Disability was funded by 0.3% of the employers' contribution.

PERS-DCRP Active Membership
by Employer Type

Employer Type	June 30, 2009	June 30, 2008
State Agencies	919	809
Counties	356	322
Cities	246	236
Universities	99	77
High Schools	2	2
School Districts	225	202
Other Agencies	132	121
Total	1,979	1,769

The reporting employers for the DCRP are listed on the top of the next page.

At June 30, 2009 PERS-DCRP had 271 reporting employers, 38 more than in FY2008. The participating employers consist of:

PERS-DCRP EMPLOYERS

Employers	June 30, 2009	June 30, 2008
State Agencies	31	28
Counties	45	42
Cities and Towns	46	42
Universities	5	4
School Districts	103	84
High Schools	3	2
Other Agencies	38	31
Total	271	233

Deferred Compensation Plan (457)

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

Assets of the Deferred Compensation Plan are required to be held in trusts, custodial accounts or insurance company contracts for the exclusive benefit of participants and their beneficiaries. The record keeper for the plan is Great West Retirement Services (Great West). Participants elect to defer a portion of their salary, within Internal Revenue Code limits. The deferred salary is not available to employees until separation from service, retirement, death, or upon an unforeseeable emergency while still employed, provided IRS-specified criteria are met.

Plan participants direct their deferred salary among the offered investment options. The investment options offered are selected by the PERB in compliance with their Investment Policy Statement and with the assistance of the statutorily-created Employee Investment Advisory Council and the advice of a third-party consultant. Participants may invest in all of the offered options and transfer between options on a daily basis, if desired.

The offered investment options fall into two primary types: (1) the fixed investment option and (2) the variable investment options. The variable investment options include mutual funds, bond funds and asset allocation funds. All options range from aggressive to conservative. The mutual funds cover all standard asset classes and categories. The asset allocation funds are preset funds that invest in underlying mutual funds to achieve a set investment objective. The investment options as of June 30, 2009 are as follows:

Deferred Compensation (457) Plan
Investment Options

International Stock Funds
Artisan International
Mutual Discovery Z
Dodge & Cox International
American Funds New Perspective

Small Company Stock Funds
Neuberger Berman Genesis
Manager AMG Essex
Vanguard Small Cap Index
Munder Small Cap Value

Mid-Sized Company Stock Funds
Munder Mid-cap Select
Columbia Mid-cap Value Fund

Large Company Stock Funds
Davis NY Venture A
Fidelity Contrafund
Vanguard 500 Index
Calvert Social Investors

Balanced Funds
Dodge & Cox Balanced

Bond Funds
Neuberger Berman High Income
PIMCO Total Return Admin

Fixed Investment Options
Montana Fixed Fund

Asset Allocation Funds
Moderately Aggressive
Moderate
Conservative

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

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

Administrative expenses and the revenues that fund them are accounted for within the plan. Expenses for the Deferred Compensation Plan can generally be classified as 1) administrative (including miscellaneous) or 2) investment management. Following is a summary of all expenses:

Administrative funding: The PERB receives 12(b)(1) or re-allotment fees from certain mutual fund companies. These fees are normally charged by the mutual funds for the purpose of individual record keeping or marketing. Because the mutual fund companies involved in the Deferred Compensation Plan do not need to keep records of participants' accounts and do not market the plan, the fees are returned to the PERB. The PERB uses 12 (b)(1) fees to pay administrative expenses associated with the Deferred Compensation Plan. These amounts are recorded as *Miscellaneous Revenue*.

Record keeping fees: The record keeper, Great West Retirement Services (Great West), charges a set administrative fee to all plan participants. On a quarterly basis, the fees are withheld from each plan participant's account. These amounts are recorded as *Miscellaneous Expense.*

Fixed investment fees: Fees on the fixed investments are charged by each of the three providers, PIMCO, SSKC and Aegon. The fees are defined per each contract for specific services. The fixed investment credited rate is declared net of expenses.

The fees charged by PIMCO and SSKC for the externally managed fixed investments are classified as *Investment Expense*. Because the fees charged by Aegon are explicit and not net from assets, they are classified as *Miscellaneous Expense.*

Mutual fund/variable investments fees: All of the variable investments have investment management fees; some may have additional administrative fees. These fees are not presented on the financial statements. Mutual fund earnings are declared net of expenses, both investment management and administrative, in accordance with the Securities Exchange Commission and other regulatory authorities. Current reporting standards for mutual companies do not require costs to be made available in the detailed cost reports.

A brief summary of eligibility and benefits follows:

Deferred Compensation Plan Summary

Contribution
Voluntary, tax-deferred

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

Vesting
Participants are fully vested in their accounts at the time of crediting

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

At June 30, 2009 the Deferred Compensation Plan had 19 participating employers, an increase of two from FY 2008. The participating employers consist of:

DEFERRED COMPENSATION EMPLOYERS

Employers	June 30, 2009	June 30, 2008
State of Montana *	1	1
Counties	2	2
Colleges and Universities	6	6
School Districts	3	2
Cities	4	3
Other	3	3
Total	19	17

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

Contributions: The Deferred Compensation Plan is a voluntary, tax-deferred retirement plan designed to supplement retirement, Social Security and other retirement plans and savings. Participants designate the amount to contribute within IRC limitations.

FY 2009 Schedule of Contribution Rates

System	Member	Employer*	State
PERS-DBRP*	**6.9%** [19-3-315, MCA]	**7.035%** State & University **6.935%** Local Governments **6.8%** School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.235%** School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP*	**6.9%** [19-3-315, MCA]	**7.035%** State & University **6.935%** Local Governments **6.8**% School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.235**% School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
JRS	**7.0%** [19-5-402, MCA]	**25.81%** [19-5-404, MCA]	
HPORS	**9.0%** - hired prior to 7-01-97 & not electing GABA **9.05%** - hired after 6-30-97 & members electing GABA [19-6-402, MCA]	**26.15%** [19-6-404(1), MCA] **10.18%** of salaries – paid from the General Fund [19-6-404(2), MCA]	
SRS*	**9.245%** [19-7-403, MCA]	**9.825%** [19-7-404, MCA]	
GWPORS	**10.56%** [19-8-502, MCA]	**9.0%** [19-8-504, MCA]	
MPORS	**5.8%** - hired on or before 6-30-75 & not electing GABA [19-9-710(a), MCA] **7.0%** - hired after 6-30-75 & prior to 7-1-79 & not electing GABA [19-9-710(b), MCA] **8.5%** - hired after 6-30-79 and prior to 7-1-97 & not electing GABA [19-9-710(c), MCA] **9.0%** - hired after 6-30-97 & members electing GABA [19-9-710(d), MCA & 19-9-710 (2), MCA]	**14.41%** [19-9-703, MCA]	**29.37%** of salaries – paid from the General Fund [19-9-702, MCA]
FURS	**9.5%** - hired prior to 7-1-97 & not electing GABA [19-13-601(2)(a), MCA] **10.7%** - hired after 06-30-97 & members electing GABA [19-13-601(2)(b), MCA]	**14.36%** [19-13-605, MCA]	**32.61%** of salaries – paid from the General Fund [19-13-604, MCA]
VFCA			**5.0%** of fire insurance premiums, paid from the General Fund [19-17-301, MCA}

*The employer contribution rate increases on July 1, 2009 for PERS-DBRP, PERS-DCRP and SRS.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	06/30/04	$ 3,047,287	$ 3,514,085	$ 466,798	86.72	$ 832,847	56.05
	06/30/05	3,179,010	3,719,998	540,988	85.46	847,431	63.84
	06/30/06	3,459,084	3,919,313	460,229	88.26	880,708	52.26
	06/30/07	3,825,234	4,201,251	376,017	91.05	907,424	41.44
	06/30/08	4,065,307	4,504,743	439,436	90.25	955,113	46.01
	06/30/09	**4,002,212**	**4,792,819**	**790,607**	**83.50**	**1,003,215**	**78.81**
JRS	06/30/04	45,134	34,724	(10,410)	129.98	4,403	-236.43
	06/30/05	47,552	34,525	(13,027)	137.73	4,462	-291.95
	06/30/06	51,808	37,159	(14,649)	139.42	4,762	-307.62
	06/30/07	57,778	36,863	(20,915)	156.74	4,841	-432.04
	06/30/08	62,040	39,435	(22,605)	157.32	5,096	-443.58
	06/30/09	**61,929**	**41,848**	**(20,081)**	**147.98**	**5,110**	**-392.99**
HPORS	06/30/04	79,104	104,069	24,965	76.01	7,844	318.27
	06/30/05	82,050	112,938	30,888	72.65	9,104	339.28
	06/30/06	87,189	112,002	24,813	77.85	7,878	314.97
	06/30/07	95,758	128,306	32,548	74.63	9,858	330.17
	06/30/08	101,500	134,683	33,183	75.36	10,866	305.38
	06/30/09	**99,652**	**137,815**	**38,163**	**72.31**	**11,425**	**334.03**
SRS	06/30/04	141,022	148,608	7,586	94.90	27,373	27.71
	06/30/05	148,458	159,347	10,889	93.17	28,423	38.31
	06/30/06	163,003	171,841	8,838	94.86	34,242	25.81
	06/30/07	183,894	189,036	5,142	97.28	43,611	11.79
	06/30/08	199,453	204,549	5,096	97.51	47,196	10.80
	06/30/09	**200,690**	**223,893**	**23,203**	**89.64**	**51,457**	**45.09**

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing plan net assets as a percentage of the actuarial accrued liability provides one indication of the plan's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan.

*Refer to the "Notes to the Required Supplementary Information" for the Actuarial Asset Valuation Method (Page A-68).

System	Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GWPORS	06/30/04	$ 45,210	$ 50,310	$ 5,100	89.86	$ 21,442	23.79
	06/30/05	50,961	56,414	5,453	90.33	22,496	24.24
	06/30/06	58,813	64,183	5,370	91.63	25,846	20.78
	06/30/07	68,755	72,992	4,237	94.20	28,799	14.71
	06/30/08	77,511	83,449	5,938	92.88	32,365	18.35
	06/30/09	**81,177**	**92,155**	**10,978**	**88.09**	**36,023**	**30.48**
MPORS	06/30/04	149,510	260,094	110,584	57.48	24,531	450.79
	06/30/05	159,417	276,379	116,962	57.68	26,198	446.45
	06/30/06	175,919	291,099	115,180	60.43	27,644	416.65
	06/30/07	198,310	310,423	112,113	63.88	29,547	379.44
	06/30/08	212,312	327,556	115,244	64.82	32,181	358.11
	06/30/09	**214,345**	**345,261**	**130,916**	**62.08**	**34,687**	**377.42**
FURS	06/30/04	142,109	227,599	85,490	62.44	20,248	422.21
	06/30/05	151,393	238,157	86,764	63.57	20,474	423.78
	06/30/06	167,343	255,513	88,170	65.49	22,917	384.74
	06/30/07	188,545	269,399	80,854	69.99	24,250	333.42
	06/30/08	206,127	287,218	81,091	71.77	29,158	278.11
	06/30/09	**209,775**	**306,236**	**96,460**	**68.50**	**30,160**	**319.83**
VFCA	06/30/04	20,058	28,680	8,622	69.94	N/A	N/A
	06/30/05	21,311	30,773	9,462	69.25	N/A	N/A
	06/30/06	23,238	31,883	8,645	72.89	N/A	N/A
	06/30/07	25,862	31,599	5,737	81.84	N/A	N/A
	06/30/08	27,544	32,735	5,191	84.14	N/A	N/A
	06/30/09	**27,226**	**33,548**	**6,322**	**81.16**	**N/A**	**N/A**

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

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the plan's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress for OPEB

(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2007	$ -	$ 1,048	$ 1,048	0.00	$ 1,326	79.03%

Projected unit credit funding method

As of June 30, 2009, the most recent actuarial valuation available was completed by the State of Montana for the calendar year ending December 31, 2007. Since 2008 was the OPEB reporting implementation year and the year of transition, there is no previous years' information available to report as required by Governmental Accounting Standards Board Statement 45. The State of Montana finances claims on a pay-as-you-go basis and does not advance fund the OPEB liability. Therefore, the funded ratio remains at 0% at June 30, 2009.

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information
Schedule of Employer Contributions & Other Contributing Entities

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate	Percentage Contributed	Annual Required State Contribution [1]	Percentage Contributed
PERS-DBRP	2004	67,044,215	8.05	86.20	402,566	100.00
	2005	71,523,156	8.44	82.06	420,658	100.00
	2006	69,311,689	7.87	91.54	442,994	100.00
	2007	60,252,960	6.64	110.41	445,798	100.00
	2008	65,425,225	6.85	110.42	377,713	100.00
	2009	**95,506,044**	**9.52**	**79.39**	**357,260**	**100.00**
JRS	2004	304,277	6.91	373.52		
	2005	143,222	3.21	811.43		
	2006	112,854	2.37	1,089.03		
	2007	(230,425)	(4.76)	(542.23)		
	2008	(274,152)	(5.38)	(479.74)		
	2009	**(380,675)**	**(7.45)**	**(353.74)**		
HPORS	2004	2,849,545	36.33	100.32	348,137	100.00
	2005	3,307,439	36.33	100.50	668,748	100.00
	2006	2,862,188	36.33	101.50	277,178	100.00
	2007	3,581,499	36.33	101.48	284,631	100.00
	2008	3,947,723	36.33	100.03	289,515	100.00
	2009	**2,500,911**	**21.89**	**165.97**	**285,517**	**100.00**
SRS	2004	3,198,485	11.69	84.57		
	2005	3,474,750	12.23	80.95		
	2006	3,896,731	11.38	90.42		
	2007	4,175,763	9.58	105.04		
	2008	4,443,543	9.42	108.78		
	2009	**6,506,675**	**12.65**	**79.81**		

Refer to the "Notes to the Required Supplementary Information" (Page A-68).

This schedule was revised in FY2005 to reflect the actuarially calculated ARC rather than the statutory rate that was previously used.

[1]The Annual Required State Contribution for HPORS includes the required registration fees. For MPORS and FURS it is based on covered payroll, which includes payroll adjustments.

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate[1]	Percentage Contributed	Annual Required State Contribution [2]	Percentage Contributed
GWPORS	2004	1,979,117	9.23	102.12		
	2005	2,083,154	9.26	98.58		
	2006	2,336,515	9.04	102.34		
	2007	2,217,558	7.70	118.94		
	2008	2,540,673	7.85	117.23		
	2009	**3,490,652**	**9.69**	**94.31**		
MPORS	2004	3,534,920	14.41	102.68	7,204,760	100.05
	2005	3,775,191	14.41	100.41	7,694,474	100.14
	2006	3,983,471	14.41	101.30	8,118,982	100.77
	2007	4,258,134	14.41	100.58	8,678,793	100.00
	2008	4,637,223	14.41	111.19	9,451,808	100.00
	2009	**3,454,837**	**9.96**	**146.35**	**10,185,974**	**100.00**
FURS	2004	2,876,584	14.36	100.09	6,532,410	100.00
	2005	2,940,092	14.36	100.65	6,676,629	100.63
	2006	3,290,840	14.36	101.14	7,473,141	100.80
	2007	3,482,288	14.36	101.09	7,907,898	100.63
	2008	4,187,118	14.36	106.68	9,568,388	100.63
	2009	**117,622**	**0.39**	**3852.37**	**9,831,417**	**100.00**
VFCA	2004				1,434,068	100.00
	2005				1,527,264	100.00
	2006				1,610,462	100.00
	2007				1,660,695	100.00
	2008				1,562,019	100.00
	2009				**1,579,887**	**100.00**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Required Supplementary Information

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

	PERS-DBRP	JRS	HPORS
Valuation date	June 30, 2009	June 30, 2009	June 30, 2009
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability	Does not amortize[2]		21.5
Unfunded Credit [1]		30	
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
Actuarial assumptions:			
Investment rate of return compounded annually	8%	8%	8%
Projected salary increases			
General Wage Growth*	4.25%	4.25%	4.25%
Merit	0% - 6%	None	0% - 7.3%
*Includes inflation at	3.25%	3.25%	3.25%
Benefit Adjustments			
GABA	3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 yr	3% after 1 yr
Non-GABA	N/A	Biennial increase to salary of active member in like position	2% per yr service, not to exceed 5%, for probationary officer's base pay

[1] Assets are larger than the past service liability – creating an unfunded credit; the credit is amortized over future costs and the amortization period may not exceed 30 years.

[2] The amortization period for the unfunded actuarial liability in the PERS, SRS and GWPORS exceeds 30 years.

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open	Level dollar amount, open
Does not amortize[2]	Does not amortize[2]	22.1	12.7	6.9 Based on Current Revenue
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
8%	8%	8%	8%	8%
4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	4.25% 0% - 7.3% 3.25%	N/A N/A
3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% or 1.5% for new hires on or after July 1, 2007, after 1 year	3% after 1 yr	3% after 1 yr	N/A
N/A	N/A	50% newly confirmed officer	50% newly confirmed officer	N/A

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Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Administrative Expenses

Year Ended June 30, 2009

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation (457) Plan
Personal Services				
Salaries	$ 1,195,987	$ 109,576	$ 140,421	$ 110,624
Board Members' Per Diem	6,437		910	753
Employee Benefits	375,419	38,743	45,975	35,767
Total Personal Services	1,577,843	148,319	187,306	147,144
Other Services				
Consulting Services	403,672	157	92,541	68,670
Legal Fees and Court Costs	29,088		3,130	12,301
Payroll Fees	9,654	889	1,270	889
Audit Fees	21,612		2,636	2,109
Medical Services	9,798			
Records Storage	16,266		20,519	3
Pre-Retirement Seminars		1,500		
Computer Processing	320,825	2,901	16,520	16,845
Printing and Photocopy Charges	65,347	22,603	5,205	1,080
Warrant Writing Services	46,670		5,691	4,554
Other	7,312	673		
Total Other Services	930,244	28,723	147,512	106,451
Communications				
Recruitment Costs	2,214		221	140
Postage and Mailing	135,630	13,684	1,880	1,484
Telephone	21,491	2,438	2,834	1,982
Total Communications	159,335	16,122	4,935	3,606
Other Expenses				
Supplies and Materials	60,652	6,591	6,702	4,668
Travel	20,473	15,123	6,588	6,190
Rent	185,181	18,319	24,366	17,056
Repairs and Maintenance	972	86	122	86
Depreciation/Amortization	111,171	137		9,525
Compensated Absences	17,530	(2,371)	9,147	7,160
Miscellaneous	82,426	6,504	15,058	8,749
Total Other Expenses	478,405	44,389	61,983	53,434
Total Administrative Expenses	**$ 3,145,827**	**$ 237,553**	**$ 401,736**	**$ 310,635**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Investment Expenses

Year Ended June 30, 2009

Plan	Investment Manager	Fees
PERS-DBRP	Board of Investments	$ 17,758,038
JRS	Board of Investments	270,531
HPORS	Board of Investments	440,340
SRS	Board of Investments	869,693
GWPORS	Board of Investments	343,297
MPORS	Board of Investments	897,048
FURS	Board of Investments	877,807
VFCA	Board of Investments	114,101
457	PIMCO	492,746
	State Street Bank	73,862
Total Investment Expense		**$ 22,137,463**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Consultants

Year Ended June 30, 2009

Individual or Firm	Nature of Service	Amount Paid
AMDEC Software	Computer Programming Services	$ 382,848
Milliman	Actuarial Consultant	169,117
Wilshire Associates Inc	Mutual Funds Performance Review	96,710
Ice Miller	Tax Consultant	73,372
Legislative Audit Division, Legislative Branch	Independent Auditors	26,357
Legal Services Division, Department of Justice	Legal Services	14,280
Robert N. Mitgang, MD	Medical Consultant	6,718
Professional Development Center, Department of Administration	Retirement Planning Seminars	1,500

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)

as of June 30, 2009

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	$ 28,173,148	$ 1,718,759	$ 29,891,907
Securities Lending Collateral	276,810,160	122,788	276,932,948
Receivables			
Interest	6,359,372	1,144	6,360,516
Accounts Receivable	1,185,387	21	1,185,408
Due from Other Funds	359,720	1,388	361,108
Due from Primary Government	24,141		24,141
Notes Receivable	51,315		51,315
Total Receivables	7,979,935	2,553	7,982,488
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,070,435,421		1,070,435,421
Retirement Fund Bond Pool (RFBP)	876,389,757		876,389,757
Montana International Pool (MTIP)	494,790,123		494,790,123
Montana Private Equity Pool (MPEP)	338,517,001		338,517,001
Montana Real Estate Pool (MTRP)	145,478,002		145,478,002
Real Estate Investments	8,936,962		8,936,962
Mortgages & Commercial Loans net of Accumulated Mortgage Discount	24,055,497		24,055,497
Structured Investment Vehicles (SIV)	2,462,896	155,685	2,618,581
Total Investments	2,961,065,659	155,685	2,961,221,344
Capital Assets			
Property and Equipment, at cost, net of Accumulated Depreciation	513		513
Intangible Assets, at cost, net of Amortization Expense	331,368	23	331,391
Total Capital Assets	331,881	23	331,904
Total Assets	3,274,360,783	1,999,808	3,276,360,591
Liabilities			
Securities Lending Collateral Liability	276,810,160	122,788	276,932,948
Accounts Payable	354,467	9,811	364,278
Due to Other Funds	122,291	1,133	123,424
Due to Primary Government	63,284	2,624	65,908
Deferred Revenue	103,927		103,927
OPEB Implicit Rate Subsidy LT	128,220	13,646	141,866
Compensated Absences	258,177	10,546	268,723
Total Liabilities	277,840,526	160,548	278,001,074
Net Assets Held in Trust for Pension Benefits	**$ 2,996,520,257**	**$ 1,839,260**	**$ 2,998,359,517**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Detail of Changes in Fiduciary Net Assets (PERS-DBRP and PERS-DBEd)

for the Fiscal Year Ended June 30, 2009

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	$ 75,414,617	$ 412,323	$ 75,826,940
Plan Member	75,867,558		75,867,558
Membership Fees	196		196
Interest Reserve Buyback	135,548		135,548
Retirement Incentive Program	120,782		120,782
Miscellaneous Revenue	384	176	560
State Contributions	357,260		357,260
Total Contributions	151,896,345	412,499	152,308,844
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	(865,333,751)		(865,333,751)
Interest	67,217,220	26,451	67,243,671
Dividends	16,442,729		16,442,729
Investment Expense	(17,758,038)		(17,758,038)
Net Investment Income	(799,431,840)	26,451	(799,405,389)
Securities Lending Income			
Securities Lending Income	5,637,289	3,372	5,640,661
Securities Lending Rebate and Fees	(2,476,215)	(1,133)	(2,477,348)
Net Securities Lending Income	3,161,074	2,239	3,163,313
Total Net Investment Income	(796,270,766)	28,690	(796,242,076)
Total Additions	(644,374,421)	441,189	(643,933,232)
Deductions			
Benefits	196,401,589		196,401,589
Refunds/Distributions	10,821,072		10,821,072
Refunds to Other Plans	495,040		495,040
Transfers to DCRP	1,043,374		1,043,374
Transfers to ORP	174,259		174,259
OPEB Expenses	62,010	8,196	70,206
Administrative Expenses	2,640,347	237,552	2,877,899
Total Deductions	211,637,691	245,748	211,883,439
Net Increase (Decrease)	(856,012,112)	195,441	(855,816,671)
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	**3,852,532,260**	**1,643,819**	**3,854,176,079**
Prior Period Adjusment	**109**		**109**
End of Year	**$ 2,996,520,257**	**$ 1,839,260**	**$ 2,998,359,517**

Public Employees' Retirement Board

A Component Unit of the State of Montana

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

as of June 30, 2009

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	$ 1,321,570	$ 127,934	$ 1,066,595	$ 2,516,099
Cash Collateral - SI	76,323	9,076	76,265	161,664
Receivables				
Interest	715	85	706	1,506
Accounts Receivables	25,810	3		25,813
Due from Other Funds	119,703	1,133	2,588	123,424
Total Receivables	146,228	1,221	3,294	150,743
Investments, at fair value				
Defined Contributions Fixed Investments	4,819,892			4,819,892
Defined Contributions Variable Investments	38,198,489			38,198,489
Structured Investment Vehicles (SIV)	96,769	11,520	96,687	204,976
Total Investments	43,115,150	11,520	96,687	43,223,357
Intangible Assets, at cost, net of Amortization Expense	7,736			7,736
Total Assets	44,667,007	149,751	1,242,841	46,059,599
Liabilities				
Accounts Payable	327,818	617		328,435
Due to Other Funds	872	1,469		2,341
Due to Primary Government	3,047	65		3,112
Compensated Absences	23,444	709		24,153
Securities Lending Collateral Liability	76,323	9,076	76,265	161,664
OPEB Implicit Rate Subisidy LT	15,089	689		15,778
Total Liabilities	446,593	12,625	76,265	535,483
Net Assets Held in Trust for Pension Benefits	**$ 44,220,414**	**$ 137,126**	**$ 1,166,576**	**$ 45,524,116**

Public Employees' Retirement Board

A Component Unit of the State of Montana

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

for the Fiscal Year Ended June 30, 2009

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	$ 3,445,070	$ 40,606	$ 244,537	$ 3,730,213
Plan Member	5,723,408			5,723,408
Miscellaneous Revenue	201,453			201,453
Forfeiture of Nonvested Member	265,972			265,972
Total Contributions	9,635,903	40,606	244,537	9,921,046
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	(8,396,771)			(8,396,771)
Interest	1,576,206	1,877	15,239	1,593,322
Net Investment Income	(6,820,565)	1,877	15,239	(6,803,449)
Securities Lending Income				
Securities Lending Income	2,103	239	1,943	4,285
Securities Lending Rebate and Fees	(707)	(80)	(653)	(1,440)
Net Securities Lending Income	1,396	159	1,290	2,845
Total Net Investment Income	(6,819,169)	2,036	16,529	(6,800,604)
Total Additions	2,816,734	42,642	261,066	3,120,443
Deductions				
Distributions	1,895,616			1,895,616
Benefits			7,310	7,310
OPEB Expensee	9,241			9,241
Administrative Expenses	382,812	18,924		401,736
Miscellaneous Expenses	222,396			222,396
Total Deductions	2,510,065	18,924	7,310	2,536,299
Net Increase (Decrease)	306,669	23,718	253,756	584,143
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	**43,913,746**	**113,407**	**912,820**	**44,939,973**
Prior Period Adjustment				-
End of Year	**$ 44,220,415**	**$ 137,125**	**$ 1,166,576**	**$ 45,524,116**

Public Employees' Retirement Board

Board Response

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

B-1

BRIAN SCHWEITZER
GOVERNOR

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January 5, 2010

Tori Hunthausen, CPA, Legislative Auditor
Legislative Audit Division
Room 160, State Capitol
PO Box 201705
Helena, MT 59620-1705

RECEIVED
JAN 06 2010
LEGISLATIVE AUDIT DIV.

Dear Ms. Hunthausen,

We appreciate the opportunity to respond to the recommendation in the Financial Audit of the Public Employees' Retirement Board (PERB) for fiscal year ended June 30, 2009. We understand there is one recommendation regarding the restoration of the actuarial soundness to the Public Employees' Retirement System-Defined Benefit Retirement Plan, Sheriffs' Retirement System, and the Game Wardens' and Peace Officers' Retirement System.

Recommendation #1

We recommend the Public Employees' Retirement Board seek legislation to restore the actuarial soundness of the Public Employees' Retirement System-Defined Benefit Retirement Plan, Sheriffs' Retirement System, and Game Wardens' and Peace Officers' Retirement System as required by the Montana Constitution and state law.

Response

We concur. The PERB is actively working with the Legislative interim committee in preparation for the 2011 Legislative session. The PERB is considering plan design options to address long-term plan sustainability and has directed its actuary to prepare studies of some possible changes. Changes in benefit eligibility and benefit structure would be proposed for new hires only. With this information the PERB will make recommendations to the Legislature to restore the actuarial soundness of the three retirement systems.

We appreciate the professionalism demonstrated by the audit staff and would like to extend our appreciation to you for the courtesy and consideration that they extended to MPERA during the audit. Once again, thank you for the opportunity to work with your staff.

Thank you for your assistance.

Sincerely,

Roxanne M. Minnehan

Roxanne M. Minnehan
Executive Director