A Report
to the
Montana
Legislature

Financial-Compliance Audit

Public Employees' Retirement Board

For the Two Fiscal Years Ended June 30, 2010

December 2010

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Division

10-08A

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LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Monica Huyg, Legal Counsel

Deputy Legislative Auditors
James Gillett
Angie Grove

December 2010

The Legislative Audit Committee
of the Montana State Legislature:

This report, along with the financial report (08-08B), constitute the financial-compliance report on the Public Employees' Retirement Board (PERB), a component unit of the state of Montana, for the two fiscal years ended June 30, 2010.

We issued an unqualified opinion on the PERB's financial statements for the fiscal year ended June 30, 2010. Our audit opinion on the financial statements is also contained in the PERB's Comprehensive Annual Financial Report (CAFR). Copies of the PERB's CAFR for fiscal year 2009-10 can be obtained from the Montana Public Employees' Retirement Administration (MPERA). The CAFR contains background, statistical, and actuarial information, which may be of interest to legislators or the public, that is not included in this audit report.

The written response 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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Appointed and Administrative Officials

			Term Expires
Public Employees' Retirement Board	John Nielsen, President	Glendive	3/31/12
	Terrence Smith, Vice President	Bozeman	3/31/14
	Darcy Halpin	Belgrade	3/31/13
	Patrick McKittrick	Great Falls	3/31/14
	Scott Moore	Miles City	3/31/15
	Dianna Porter	Butte	3/31/13
	Timm Twardoski	Helena	3/31/11

Administrative Officials

Roxanne Minnehan, Executive Director

Patricia Davis, Member Services Bureau Chief

Barbara Quinn, Fiscal Services 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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MONTANA LEGISLATIVE AUDIT DIVISION

FINANCIAL-COMPLIANCE AUDIT

Public Employees' Retirement Board

For the Two Fiscal Years Ended June 30, 2010

DECEMBER 2010 10-08A REPORT SUMMARY

The eight defined benefit retirement plans and the defined contribution plan had 20,782 active retirees or their beneficiaries receiving benefits and 36,892 active members not receiving benefits as of July 1, 2010. The Deferred Compensation (457) Plan had 4,760 participating plan members that were actively contributing to their accounts. The total benefits/distributions paid during fiscal year 2010 were $264,941,960 and $15,345,381 for the defined benefit plans and the defined contribution plans, respectively. The contributions and investment income of three of the Defined Benefit Retirement Plans administered by PERB are not sufficient to fund benefits earned by members of the plans.

Context

The PERB is a component unit of the state of Montana. It is an independent, seven-member board, appointed by the Governor to administer eight defined benefit plans and two defined contribution plans. The defined benefit pension trust funds include the Public Employees' Retirement System-Defined Benefit Retirement Plan, the Judges' Retirement System, the Highway Patrol Officers' Retirement System, the Sheriffs' Retirement System, the Game Wardens' and Peace Officers' Retirement System, the Municipal Police Officers' Retirement System, the Firefighters' Unified Retirement System, and the Volunteer Firefighters' Compensation Act. The defined contribution pension trust funds include the Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP) and the Deferred Compensation (457) Plan.

The defined benefit plans 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. The PERS-DCRP holds the 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. PERB's revenues consist of employee contributions, employer contributions, and investment income. The expenses consist mainly of distributions to retirees or their beneficiaries.

Results

The Public Employees' Retirement System – Defined Benefit Retirement Plan (PERS-DBRP), Sheriffs' Retirement System (SRS), and Game Wardens' and Peace Officers' Retirement System (GWPORS), do not have sufficient resources to fund benefits earned by members of these systems as required by the Montana Constitution and state law.

Recommendation Concurrence	
Concur	0
Partially Concur	0
Do Not Concur	0
Source: Agency audit response included in final report.	

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Chapter I – Introduction

Introduction

We performed a financial-compliance audit of the Public Employees' Retirement Board (PERB) for the two fiscal years ended June 30, 2010. The objectives of our audit were to:

1. Obtain an understanding of the PERB's internal control systems to the extent necessary to support our audit of the PERB's financial statements and, if appropriate, make recommendations for improvement in the management and internal controls.
2. Determine whether the PERB's financial statements present fairly the results of its operations for the fiscal year ended June 30, 2010.
3. Determine the PERB's compliance with selected state laws and regulations.
4. Determine the status of prior audit recommendations.

Our financial audit of the PERB's financial statements for the fiscal year ended June 30, 2009, was issued in a separate report in January 2010 (08-08B).

Montana Public Employees' Retirement Administration (MPERA) prepares the 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 no recommendations. Other areas, if any, of concern deemed not to have a significant effect on the successful operation of the PERB are not specifically included in the report, but have been discussed with management.

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 has exclusive control of the funds of eight retirement systems, including the Volunteer Firefighters' Compensation Act, as well as the Deferred Compensation (457) Plan. 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

The 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

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

- Public Employees' Retirement System-Defined Contribution Retirement Plan (PERS-DCRP)
- Deferred Compensation (457) 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 (accumulated contributions) and a pre-established quarterly rate of earnings; or
- the variable option, which consists of numerous mutual 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 Recommendations

The financial-compliance audit report for the two fiscal years ended June 30, 2008, contained one recommendation related to testing internal controls. This recommendation has been implemented. The financial audit for the fiscal year ended June 30, 2009, contained one recommendation for the PERB to seek legislation to restore the actuarial soundness of the PERS-DBRP, SRS, and GWPORS as required by the Montana Constitution and state law. A defined benefit retirement system is defined as being actuarially sound when its contributions are sufficient to pay the full actuarial cost of the plan over a period not exceeding 30 years. Based on the actuarial valuation dated June 30, 2010, the PERS-DBRP, SRS, and GWPORS have Unfunded Actuarial Accrued Liabilities (UAAL) that cannot be amortized. The following table shows the UAAL and years to amortize the UAAL for the last three years.

Table 1
Unfunded Actuarial Accrued Liability

Valuation Date	PERS-DBRP UAAL	Amortization Period	SRS UAAL	Amortization Period	GWPORS UAAL	Amortization Period
06/30/2008	$421,936	24.8	$5,096	16.3	$5,938	13.0
06/30/2009	$790,607	*	$23,203	*	$10,978	*
06/30/2010	$1,351,929	*	$45,995	*	$28,704	*

*Does not amortize.

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

The recommendation has not been implemented; however, the PERB intends to present legislation to address the recommendation. Therefore, we have no further recommendation at this time.

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, 2010, and the related Statement of Changes in Fiduciary Net Assets – Pension Trust Funds for the year ended June 30, 2010. 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, 2010, 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

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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, 2010; 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

At July 1, 2010, three retirement systems (Public Employees' Retirement System – Defined Benefit 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 5, 2010

Public Employees' Retirement Board
Management's Discussion and Analysis, Financial Statements, Notes, Required Supplementary Information and Supplementary Information

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, 2010.

Financial Highlights

- *The PERB's combined total net assets of the defined benefit plans increased by $417.7 million or 11.4 percent in fiscal year 2010. The increase was primarily due to the positive investment income in each of the plans.*

- *The PERB's defined contribution plans combined total net assets increased by $55.7 million or 17.1 percent in fiscal year 2010. The total increase in net assets was due to the positive 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 2010 was $703.9 million, which includes member and employer contributions of $230.8 million and a net investment gain of $473.1 million.*

- *Revenues (additions to plan net assets) for the PERB's defined contribution plans for fiscal year 2010 was $73.0 million, which includes member and employer contributions of $29.7 million and a net investment gain of $43.3 million.*

- *Expenses (deductions to plan net assets) for the PERB's defined benefit plans increased from $265.5 million in fiscal year 2009 to $284.3 million in fiscal year 2010 or about 7.1 percent. The increase in 2010 is primarily due to an increase in total benefit recipients.*

- *Expenses (deductions to plan net assets) for the PERB's defined contribution plans increased from $14.7 million in fiscal year 2009 to $17.3 million in fiscal year 2010 or about 17.2 percent. The increase in expenses is due to an increase in distributions.*

- *The PERB's defined benefit plans' funding objectives are to meet long-term benefit obligations. As of June 30, 2010, 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 73 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 reduce the impact of drastic ups and downs in 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 that are now being reflected in the Actuarial Value of Assets.

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, 2010. 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, 2010, are presented for the fiduciary funds administered by the PERB. Fiduciary funds are used to account for resources held for the benefit of outside parties. 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, 2010. 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, 2010. 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 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 on funding, GASB 45 Disclosures regarding Other Post Employment Benefits (OPEB), summaries of the method to value investments and other significant accounting policies or explanations.

- Note B provides information about litigation.

- Note C describes the membership and descriptions of each 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

According to the Board of Investments Chief Investment Officer, Clifford Sheets, "The fiscal year just ended witnessed a dramatic recovery in the economy and capital market conditions. It was just officially declared that the end of the recession occurred as of June, 2009. Assuming we are now in an official economic recovery, it is shaping up as a relatively weak recovery considering the severity of the downturn. Even if the last year marked the end of the 'Great Recession,' it still feels like we are in it due to the millions of unemployed whose prospects for finding a job remain limited given the slow pace of the recovery.

Fiscal year 2010 was marked by capital market recovery in reaction to the approaching and hopeful end of the recession. The recovery in asset values was reflected in plan performance that turned strongly positive, although the weak stock market during the last quarter of the fiscal year dampened returns. The 2010 fiscal year return for PERS was 12.87%, as compared to the fiscal year 2009 return of negative 20.69%. The 2010 return was a vast improvement certainly, yet the prior two years of negative returns created a big hole. As a result, the longer term plan returns remained weak with the annualized three year return at negative 5.21%, five years at 1.85%, and ten years at 2.35%.

The financial crisis that began in earnest during the fall of 2008 was arguably the worst seen in the U.S. and the rest of the world since the Great Depression. Lessons learned in that era sparked a concerted response by the fiscal and monetary authorities in this country, and to varying degrees across the globe, which eventually succeeded in restoring confidence in the financial system. In this long term context, current market jitters notwithstanding, we are likely to see less volatility in the capital markets in fiscal year 2011 than that experienced during the past two years. The investment portfolio is well-positioned for this more stable economic environment."

Defined Benefit Plans Total Investments

At June 30, 2010, the PERB's defined benefit plans held total investments of $3.9 billion, an increase of $377 million from fiscal year 2009 investment totals. Below are the schedules of Fiduciary Net Assets and Changes in Fiduciary Net Assets for the defined benefit plans including comparative totals from fiscal year 2009.

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, certain employees of the Montana University System, and school districts. Member and employer contributions and earnings on investments fund the benefits of the plan. All

Fiduciary Net Assets - Defined Benefit Plans

As of June 30, 2010 *- and comparative totals for June 30, 2009*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2010	2009	2010	2009	2010	2009	2010	2009
Assets:								
Cash and Receivables	$69,198	37,874	1,554	1,015	1,824	935	5,048	2,965
Securities Lending Collateral	215,178	276,933	3,440	4,390	5,446	7,023	11,302	14,255
Investments	3,247,641	2,961,222	51,009	45,631	81,065	73,641	167,616	148,581
Property and Equipment	1	1						
Intangible Assets	211	331	2	3	2	3	2	4
Total Assets	3,532,229	3,276,361	56,005	51,039	88,337	81,602	183,968	165,805
Liabilities:								
Securities Lending Collateral	215,178	276,933	3,440	4,390	5,446	7,023	11,302	14,255
Other Payables	1,145	1,068		8	2	30	31	103
Total Liabilities	216,323	278,001	3,440	4,398	5,448	7,053	11,333	14,358
Total Net Assets	$3,315,906	2,998,360	52,565	46,641	82,889	74,549	172,635	151,447

Changes In Fiduciary Net Assets - Defined Benefit Plans

For the year ended June 30, 2010 *- and comparative totals for June 30, 2009*

(dollars in thousands)

	PERS		JRS		HPORS		SRS	
	2010	2009	2010	2009	2010	2009	2010	2009
Additions:								
Contributions	$159,534	152,309	2,063	1,931	6,311	5,471	10,973	10,400
Investment Income (Loss)	387,861	(796,242)	6,013	(12,103)	9,714	(19,978)	19,471	(38,824)
Total Additions	547,395	(643,933)	8,076	(10,172)	16,025	(14,507)	30,444	(28,424)
Deductions:								
Benefits	212,186	196,402	2,118	1,972	7,557	7,127	8,277	7,858
Refunds	11,848	11,316			58	43	799	996
OPEB Expenses	66	70			1	1	2	2
Administrative Expenses	3,191	2,878	10	17	33	49	95	113
Miscellaneous Expenses	1,036	1,218						
Total Deductions	228,327	211,884	2,128	1,989	7,649	7,220	9,173	8,969
Incr/(Decr) in Net Assets	$319,068	(855,817)	5,948	(12,161)	8,376	(21,727)	21,271	(37,393)
Prior Period Adjustments	-1,522		-24		-37		-82	

new members are initially members of the PERS-DBRP and have a 12 month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. 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, 2010 amounted to $3.3 billion, an increase of $318 million (10.6 percent) from $3 billion at June 30, 2009.

Additions to the PERS-DBRP net assets held in trust for benefits include employer, member and state contributions, and investment income. For the fiscal year ended June 30, contributions increased to $159.5 million in fiscal year 2010 from $152.3 million in fiscal year 2009, an increase of $7.2 million (4.7 percent). Contributions increased due to an increase in the total compensation and an increase in the employer contribution rate. The plan recognized net investment income of

GWPORS		MPORS		FURS		VFCA		TOTAL	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
2,946	1,647	13,665	11,548	13,943	11,542	1,428	1,615	109,606	69,141
4,806	5,816	11,631	14,324	11,432	14,085	1,470	1,893	264,705	338,719
71,226	60,307	173,510	150,646	170,543	147,818	21,210	18,875	3,983,820	3,606,721
								1	1
2	4	2	3	2	3	1	1	224	352
78,980	67,774	198,808	176,521	195,920	173,448	24,109	22,384	4,358,356	4,014,934
4,806	5,816	11,631	14,324	11,432	14,085	1,470	1,893	264,705	338,719
38	78	36	155	9	68	4	55	1,265	1,565
4,844	5,894	11,667	14,479	11,441	14,153	1,474	1,948	265,970	340,284
74,136	61,880	187,141	162,042	184,479	159,295	22,635	20,436	4,092,386	3,674,650

GWPORS		MPORS		FURS		VFCA		TOTAL	
2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
7,952	7,203	21,933	18,428	20,419	18,064	1,575	1,580	230,760	215,386
7,924	(15,133)	19,972	(40,907)	19,606	(39,421)	2,566	(5,304)	473,127	(967,912)
15,876	(7,930)	41,905	(22,479)	40,025	(21,357)	4,141	(3,724)	703,887	(752,526)
2,622	2,521	15,728	15,008	14,598	13,987	1,857	1,780	264,943	246,655
900	840	913	857	86	69			14,604	14,121
1	1	2	2	1	1	1	1	74	78
60	77	78	96	71	97	57	58	3,595	3,385
						17	17	1,053	1,235
3,583	3,439	16,721	15,963	14,756	14,154	1,932	1,856	284,269	265,474
12,293	(11,369)	25,184	(38,442)	25,269	(35,511)	2,209	(5,580)	419,618	(1,018,000)
-38		-85		-85		-9		-1,881	

$388 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $796 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the PERS-DBRP net assets held in trust for benefits primarily include retirement benefits, refunds, and administrative expenses. For fiscal year 2010, benefits amounted to $212.2 million, an increase of $15.8 million (8.0 percent) from fiscal year 2009. 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 2010, refunds amounted to $11.8 million, an increase of $532 thousand (4.7 percent) from fiscal year 2009. Although fewer people are refunding their accounts, those that are refunding are refunding higher dollar amounts. For fiscal year 2010, the costs of administering the plan's benefits amounted to $3.2 million, an increase of $313 thousand (10.9 percent) from fiscal year 2009. The increase in administrative expenses for fiscal year 2010 was mainly due to the continued technological development and automation in areas pertaining to and impacting primarily PERS-DBRP.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the PERS-DBRP assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 74 percent from 84 percent at June 30, 2009.

The PERS-DBRP actuarial value of assets is less than actuarial liabilities by $1,352 million at June 30, 2010, compared with $790.6 million at June 30, 2009. The increase in the unfunded actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $364.4 million, a liability gain of $2.1 million resulting from salary increases different than assumed, a liability loss of $5.2 million resulting from new entrants, and a liability loss of $6.9 million from other sources different from the actuarial assumptions. There was a $156.5 million liability loss based on the changes in the actuarial assumptions from previous years' actuarial valuations.

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, 2010 amounted to $52.6 million, an increase of $5.9 million (12.7 percent) from $46.6 million at June 30, 2009.

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, 2010, contributions amounted to $2.1 million, an increase of $132 thousand (6.8 percent) from fiscal year 2009. Contributions increased due to the total compensation reported for active members increasing. The plan recognized net investment income of $6.0 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $12.1 million for the fiscal year ended June 30, 2009. The increase in

investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the JRS net assets held in trust for benefits mainly include retirement benefits, and administrative expenses. For fiscal year 2010, benefits amounted to $2.1 million, an increase of $146 thousand (7.4 percent) from fiscal year 2009. The increase in benefits was due to an 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 2010, administrative expenses amounted to $10 thousand, a decrease of $6.9 thousand (41.0 percent) from fiscal year 2009. The decrease in administrative expenses for fiscal year 2010 was because of the consistency of the membership in the plan, and the plan was not impacted by technological development that focused primarily on areas other than those related to JRS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the JRS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 144 percent from 148 percent at June 30, 2009.

The JRS actuarial value of assets were more than actuarial liabilities by $18.8 million at June 30, 2010, compared with a $20.1 million actuarial surplus at June 30, 2009. The decrease in the actuarial surplus as of the last actuarial valuation is due to recognizing past investment losses of $5.5 million, a liability loss of $1.1 million resulting from salary increases different than assumed, a liability loss of $77 thousand resulting from new entrants, and a liability loss of $415 thousand from other sources different from the actuarial assumptions. There was a liability gain of $3.2 million based on the changes in the actuarial assumptions from previous years' actuarial valuations.

HPORS

The HPORS provides retirement, disability, and death benefits for members of the Montana Highway Patrol. Member and employer contributions, druver registration fees, and earnings on investments fund the benefits of the plan. The HPORS net assets held in trust for benefits at June 30, 2010 amounted to $82.9 million, an increase of $8.3 million (11.2 percent) from $74.5 million at June 30, 2009.

Additions to the HPORS net assets held in trust for benefits include employer and member contributions, driver registration fees, and investment income. For the fiscal year ended June 30, contributions increased to $6.3 million in fiscal year 2010 from $5.5 million in fiscal year 2009, an increase of $840 thousand (15.4 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 net investment income of $9.7 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $20.0 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the HPORS net assets held in trust for benefits mainly include retirement

benefits, refunds, and administrative expenses. For fiscal year 2010, benefits amounted to $7.6 million, an increase of $429.7 thousand (6.0 percent) from fiscal year 2009. 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 2010, refunds amounted to $58 thousand, an increase of $15 thousand (33.9 percent) from fiscal year 2009. The increase in refunds was due to more refunds being processed at larger dollar amounts. For fiscal year 2010, administrative expenses were $34 thousand, a decrease of $14.8 thousand (30.3 percent) from fiscal year 2009. The decrease in administrative expenses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas other than those related to HPORS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the HPORS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 64 percent from 72 percent at June 30, 2009.

The HPORS actuarial value of assets were less than actuarial liabilities by $54.0 million at June 30, 2010, compared with $38.2 million at June 30, 2009. The increase in the unfunded actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $9.1 million, a liability loss of $2.9 million resulting from salary increases different than assumed, a liability loss of $276 thousand resulting from new entrants, and a liability loss of $1.6 million from other sources different from the actuarial assumptions. Due to the experience study there was a liability loss of $2.7 million based on the changes in the actuarial assumptions from previous years' actuarial valuations.

SRS

The SRS provides retirement, disability, and death benefits for all Department of Justice criminal investigators hired after July 1, 1993, detention officers hired after July 1, 2005, and to 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, 2010 amounted to $172.6 million, an increase of $21.2 million (14.0 percent) from $151.4 million at June 30, 2009.

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 $10.9 million in fiscal year 2010 from $10.4 million in fiscal year 2009, for an increase of $573 thousand (5.5 percent). Contributions increased due to an increase in the total compensation and an increase in the employer contribution rate. The plan recognized net investment income of $19.5 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $38.8 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the SRS net assets held in trust for benefits mainly include retirement benefits, refunds, and administrative expenses. For fiscal year 2010, benefits

amounted to $8.3 million, an increase of $419 thousand (5.3 percent) from fiscal year 2009. 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 2010, refunds amounted to $799 thousand, a decrease of $197 thousand (19.8 percent) from fiscal year 2009. The decrease in refunds was due to fewer refunds being processed at smaller dollar amounts. For fiscal year 2010, administrative expenses amounted to $95 thousand, a decrease of $18 thousand (16.0 percent) from fiscal year 2009. The decrease in administrative expenses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas with minimal impact to SRS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the SRS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 81 percent from 90 percent at June 30, 2009.

The SRS actuarial value of assets were less than actuarial liabilities by $46.0 million at June 30, 2010, compared with $23.2 million at June 30, 2009. The increase in the actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $17.9 million, a liability gain of $348 thousand resulting from salary increases different than assumed, a liability loss of $452 thousand resulting from new entrants, and a liability gain of $2.1 million from other sources different from the actuarial assumptions. There was a liability loss of $5.5 million based on the changes in the actuarial assumptions from previous years' actuarial valuations.

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, 2010, amounted to $74.1 million, an increase of $12.3 million (19.8 percent) from $61.9 million at June 30, 2009.

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 $7.9 million in fiscal year 2010 from $7.2 million in fiscal year 2009, for an increase of $749 thousand (10.4 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 net investment income of $7.9 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $15.1 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the GWPORS net assets held in trust for benefits mainly include retirement benefits, refunds, and administrative expenses. For fiscal year 2010, benefits amounted to $2.6 million, an increase of $101 thousand (4.0 percent) from fiscal year 2009. 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 2010, refunds amounted to $900 thousand, an increase of $60 thousand (7.1 percent) from fiscal year 2009. The increase in refunds was due to an increase in the number of refunds being processed. For fiscal year 2010, administrative expenses amounted to $60 thousand, a decrease of $17 thousand (22.2 percent) from fiscal year 2009. The decrease in administrative expenses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas other than those related to GWPORS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the GWPORS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 75 percent from 88 percent at June 30, 2009. The GWPORS actuarial value of assets were less than actuarial liabilities by $28.7 million at June 30, 2010, compared with $10.9 million at June 30, 2009. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $7.1 million, a liability loss of $252 thousand resulting from salary increases different than assumed, a loss of $450 thousand due to new entrants, and a liability gain of $119 thousand from other sources different from the actuarial assumptions. Due to the experience study there was a liability loss of $10.1 million based on the changes in the actuarial assumptions from previous years' actuarial valuations.

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, 2010 amounted to $187.1 million, an increase of $25.1 million (15.5 percent) from $162.0 million at June 30, 2009.

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 $21.9 million in fiscal year 2010 from $18.4 million in fiscal year 2009, for an increase of $3.5 million (19.0 percent). Contributions increased because the total compensation reported for active members increased and membership increased due to one new employer participating in the retirement system. The plan recognized net investment income of $20.0 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $40.9 million for fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the MPORS net assets held in trust for benefits mainly include retirement benefits, refunds, and administrative expenses. For fiscal year 2010, benefits amounted to $15.7 million, an increase of $720 thousand (4.8 percent) from fiscal year 2009. 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 2010, refunds amounted to $913 thousand, an increase of $56 thousand (6.6 percent) from fiscal year 2009. The increase in refunds was due to fewer refunds at a higher dollar amount. For fiscal year 2010, administrative expenses were $78 thousand, a decrease of $18 thousand (18.3 percent) from fiscal year 2009. The decrease in administrative expenses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas other than those related to MPORS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the MPORS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 57 percent from 62 percent at June 30, 2009. The MPORS actuarial value of assets were less than actuarial liabilities by $162.8 million at June 30, 2010, compared with $130.9 million at June 30, 2009. The increase in the actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $19.4 million, a liability loss of $1.2 million resulting from salary increases different than assumed, a liability loss of $5.6 million due to new entrants, and a liability gain of $2.2 million from other sources different from the actuarial assumptions. There was a liability loss of $10.5 million based on changes in the actuarial assumptions from previous years' actuarial valuations.

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, 2010, amounted to $184.5 million, an increase of $25.2 million (15.8 percent) from $159.3 million at June 30, 2009.

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 $20.4 million in fiscal year 2010 from $18.1 million in fiscal year 2009, an increase of $2.4 thousand (13.0 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 net investment income of $19.6 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $39.4 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the FURS net assets held in trust for benefits mainly include retirement benefits, refunds, and administrative expenses. For fiscal year 2010, benefits amounted to $14.6 million, an increase of $611 thousand (4.4 percent) from fiscal year 2009. 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 2010, refunds amounted to $86 thousand, an increase of $17 thousand (24.6 percent) from fiscal year 2009. The increase in refunds was due to fewer refunds at larger dollar amounts being processed. For fiscal year 2010, administrative expenses were $71 thousand, a decrease of $26 thousand (26.7 percent). The decrease in administrative expenses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas with minimal impact to FURS.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation and changes in the actuarial factors.

An actuarial valuation of the FURS assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 64 percent from 69 percent at June 30, 2009. The FURS actuarial value of assets were less than actuarial liabilities by $121.7 million at June 30, 2010, compared with $96.5 million at June 30, 2009. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $18.8 million, a liability loss of $1.2 million resulting from salary increases different from the actuarial assumptions, a liability loss of $113 thousand due to new entrants, a liability loss of $677 thousand due to rural fire districts, a liability gain of $637 thousand from other sources different from the actuarial assumptions. There was a liability loss of $9.9 million based on changes in the actuarial assumptions from previous years' actuarial valuations.

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, 2010 amounted to $22.6 million, an increase of $2.2 million (10.8 percent) from $20.4 million at June 30, 2009.

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 decreased to $1.575 million in fiscal year 2010 from $1.580 million in fiscal year 2009, a decrease of $5 thousand (0.3 percent). Contributions decreased because there was a decrease in the fire insurance premium taxes distributed to the VFCA. The plan recognized net investment income of $2.6 million for the fiscal year ended June 30, 2010, compared with a net investment loss of $5.3 million for the fiscal year ended June 30, 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the VFCA net assets held in trust for benefits include retirement benefits, administrative expenses, and supplemental insurance payments. For fiscal year 2010, benefits amounted to $1.9 million, an increase of $77 thousand (4.3 percent) from fiscal year 2009. The increase in benefit payments was due to an increase in benefit recipients. For fiscal year 2010, administrative expenses amounted to $57 thousand, a decrease of $891 (1.5 percent) from fiscal year 2009. The decrease in administrative ex-

penses for fiscal year 2010 was mainly due to the plan not being impacted by technological development that focused primarily on areas other than those related to VFCA. For fiscal year 2010, supplemental insurance payments amounted to $17.0 thousand, an increase of $375 from fiscal year 2009.

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience of the plan resulted in several changes to the actuarial assumptions that were used in this year's valuation.

An actuarial valuation of the VFCA assets and benefit obligations is performed annually. At June 30, 2010, the date of the most recent actuarial valuation, the funded status of the plan decreased to 77 percent from 81 percent at June 30, 2009. The VFCA actuarial value of assets were less than actuarial liabilities by $7.9 million at June 30, 2010, compared with $6.3 million at June 30, 2009. The increase in unfunded actuarial liability as of the last actuarial valuation is a result of recognizing past investment losses of $2.5 million, a loss of $457 thousand from new volunteers, and a liability gain of $483 thousand from other sources different from the actuarial assumptions. There was a liability gain of $170 thousand based on changes in the actuarial assumptions from previous years' actuarial valuations.

Actuarial Valuations and Funding Progress

An experience study was performed during fiscal year 2010 for the six year period July 1, 2003 to June 30, 2009. The experience study resulted in several changes to the actuarial assumptions and implementation of new actuarial factors. An actuarial valuation of each of the defined benefit plans is performed annually. The most recent actuarial valuation was performed for fiscal year ended June 30, 2010.

The PERB's 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. Investment earnings are critical to the defined benefit plans' funding, if there are investment losses this deteriorates 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 and fiscal year 2010. 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 from the State of Montana of $25 million in the PERS-Defined Benefit Retirement Plan (PERS-DBRP). For three of the systems, the PERS-DBRP, the Game Wardens' and Peace Officers' Retirement System (GWPORS), and the Sheriffs' Retirement System (SRS), the impact of the negative investment returns resulted in the plans not amortizing within 30 years; the legislation 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 received the last

employer contribution increase under the 2007 Legislative Session House Bill 131. Based on economic conditions of the past two years and according to the PERB's June 30, 2010 actuarial valuations, the unfunded liability in PERS-DBRP, GWPORS and SRS will not amortize within 30 years.

Funding ratios range from a high of 144 percent (JRS) to a low of 57 percent (MPORS). The Schedule of Funding Progress 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, 2010, the actuarial value of assets of all plans was more than the market value of assets by $699.8 mllion due to a positive 12.49 percent market return in fiscal year 2010. 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. Reference the schedules of Fiduciary Net Assets and Changes in Fiduciary Net Assets for the two defined contribution plans including comparative totals from fiscal year 2009.

PERS-DCRP

The PERS-DCRP is established under section 401(a) of the Internal Revenue Code and the Montana Code Annotated (MCA). 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 members are initially members of the PERS-DBRP and have a 12 month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. The plan member and employer contributions and earnings on investments fund the benefits of the plan. The PERS-DCRP net assets held in trust for benefits at June 30, 2010 amounted to $59.7 million, an increase of $14.2 million (31.1 percent) from $45.5 million at June 30, 2009.

Additions to the PERS-DCRP net assets held in trust for benefits include contributions and investment income. For the fiscal year ended June 30, contributions increased to $10.7 million in fiscal year 2010 from $9.9 million in fiscal year 2009, an increase of $735 thousand (7.4 percent). Contributions increased due to an increase in the total compensation and an increase in the employer contribution rate. The plan recognized net investment income of $6.1 million for fiscal year ended 2010, compared with a net investment loss of $6.8 million in fiscal year 2009. The increase in investment income is a result of positive investment returns due to a recovery in the economy and capital market conditions.

Deductions from the PERS-DCRP net assets include disability benefits, member distributions, administrative expenses, and miscellaneous expenses. For fiscal year 2010, disability benefits amounted to $14 thousand, compared to $7 thousand in fiscal year 2009. This is the second year the system has experienced a disability retirement. For fiscal year 2010, distributions amounted to $1.93 million, an increase of $37 thousand (1.94 percent). The increase in distributions was due to more defined contribution members taking distributions both for retirement and other reasons. For fiscal year 2010, the costs of administering the plan amounted to $407 thousand, an

increase of $5 thousand (1.28 percent) from fiscal year 2009. The increase in administrative expenses for fiscal year 2010 was mainly due to the continued technological development and automation in areas pertaining to and impacting the PERS-DCRP. The miscellaneous expenses, fees charged by the vendors to administer the plan, increased from $222 thousand in fiscal year 2009 to $250 thousand in fiscal year 2010, an increase of $28 thousand (12.8 percent) from fiscal year 2009. 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 and the Montana Code Annotated (MCA). This plan is a voluntary supplemental retirement savings plan for those who choose and are eligible to participate. The Deferred Compensation Plan is funded by contributions and by investment earnings. The Deferred Compensation net assets held in trust for benefits at June 30, 2010 amounted to $320.9 million, an increase of $41.5 million (14.9 percent) from $279.3 million at June 30, 2009.

Additions to the Deferred Compensation Plan net assets held in trust for benefits include contributions and investment income. For fiscal year 2010, contributions decreased to $19.0 million from $20.1 million in fiscal year 2009, a decrease of $1.1 million (5.3 percent). Contributions decreased because of a decrease in the amount of money deferred to the plan even though two additional employers joined the plan for an overall increase in membership. The plan recognized net investment income of $37.2 million for fiscal year 2010, compared with a net investment loss of $26.4 million for fiscal year 2009. The increased investment income is a result of a recovery in the economy and capital market conditions.

Deductions from the Deferred Compensation Plan net assets mainly include member and beneficiary distributions, administrative expense, and miscellaneous expenses. For fiscal year 2010, distributions amounted to $13.4 million, an increase of $2.4 million (21.5 percent) from $11.0 million at June 30, 2009. The increase in distributions was due to more deferred compensation members taking a distribution. The costs of administering the plan decreased from $311 thousand in fiscal year 2009 to $271 thousand in fiscal year 2010, a decrease of $40 thousand (12.8 percent) from fiscal year 2009. The decrease in administrative costs was mainly due to the plan not being impacted by technological development that focused primarily on areas other than those related to Deferred Compensation. Miscellaneous expenses, the fees charged by the vendors to administer the plan, increased from $865 thousand in fiscal year 2009 to $991 thousand in fiscal year 2010, an increase of $126 thousand (14.6 percent) from fiscal year 2009. The increase in miscellaneous expenses was due to increased membership and an increase in the average account balance.

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Fiduciary Net Assets - Defined Contribution Plans

As of June 30, 2010 *- and comparative totals for June 30, 2009*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2010	2009	2010	2009	2010	2009
Assets:						
Cash and Receivables	$2,983	2,667	807	714	3,790	3,381
Securities Lending Collateral	107	162	31	50	138	212
Investments	56,838	43,223	320,368	278,885	377,206	322,108
Intangible Assets	5	8	2	5	7	13
Total Assets	59,933	46,060	321,208	279,654	381,141	325,714
Liabilities:						
Securities Lending Collateral	107	162	31	50	138	212
Other Payables	137	374	312	274	449	648
Total Liabilities	244	536	343	324	587	860
Total Net Assets	$59,689	45,524	320,865	279,330	380,554	324,854

Changes In Fiduciary Net Assets - Defined Contribution Plans

For the year ended June 30, 2010 *- and comparative totals for June 30, 2009*

(dollars in thousands)

	PERS-DCRP		457-PLAN		TOTAL	
	2010	2009	2010	2009	2010	2009
Additions:						
Contributions	$10,656	9,921	18,999	20,061	29,655	29,982
Investment Income (Loss)	6,122	(6,801)	37,203	(26,444)	43,325	(33,245)
Total Additions	16,778	3,120	56,202	(6,383)	72,980	(3,263)
Deductions:						
Benefits	14	7			14	7
Distributions	1,933	1,896	13,398	11,024	15,331	12,920
OPEB Expenses	8	9	6	7	14	16
Administrative Expenses	407	402	271	311	678	713
Miscellaneous Expenses	250	222	991	865	1,241	1,087
Total Deductions	2,612	2,536	14,666	12,207	17,278	14,743
Incr/(Decr) in Net Assets	$14,166	584	41,536	(18,590)	55,702	(18,006)
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, 2010

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Assets						
Cash and Short-term Investments	$ 62,711,263	1,470,285	1,690,149	4,648,178	2,828,955	2,322,873
Securities Lending Collateral (Note A6)	215,177,502	3,440,433	5,445,597	11,302,420	4,806,194	11,631,003
Receivables						
Interest	5,424,360	83,986	133,905	275,319	116,583	286,870
Accounts Receivable	1,026,657			125,333		123,582
Due from Other Funds	3,204					
Due from Primary Government						10,931,612
Notes Receivable	32,288					
Total Receivables	6,486,509	83,986	133,905	400,652	116,583	11,342,064
Investments, at fair value (Note A6)						
Montana Domestic Equity Pool (MDEP)	1,114,071,635	17,607,951	27,848,267	58,158,788	24,643,489	59,531,718
Retirement Fund Bond Pool (RFBP)	939,430,189	15,034,409	24,091,112	49,172,017	20,690,655	51,741,759
Montana International Pool (MTIP)	552,711,749	8,731,640	13,814,882	28,702,620	12,512,730	29,350,073
Montana Private Equity Pool (MPEP)	430,729,235	6,725,427	10,751,010	22,036,662	9,262,129	23,191,706
Montana Real Estate Pool (MTRP)	178,786,541	2,820,259	4,465,606	9,258,612	3,953,649	9,547,302
Real Estate Investments	8,962,696					
Mortgages						
net of Accumulated Mortgage Discount	19,184,707					
Structured Investment Vehicles (SIV)	3,764,569	89,293	93,755	287,043	163,517	147,836
Defined Contributions Fixed Investments						
Defined Contributions Variable Investments						
Deferred Compensation Life Insurance						
Total Investments	3,247,641,321	51,008,979	81,064,632	167,615,742	71,226,169	173,510,394
Capital Assets						
Property and Equipment, at cost,						
net of Accumulated Depreciation (Note A2)	513					
Intangible Assets, at cost,						
net of Amortization Expense (Note A2)	210,657	1,924	1,967	2,208	2,137	2,087
Total Capital Assets	211,170	1,924	1,967	2,208	2,137	2,087
Total Assets	3,532,227,765	56,005,607	88,336,250	183,969,200	78,980,038	198,808,421
Liabilities						
Securities Lending Collateral Liability	215,177,502	3,440,433	5,445,597	11,302,420	4,806,194	11,631,003
Accounts Payable	321,007	59	59	25,197	33,887	59
Due to Other Funds	293,987					
Deferred Revenue	84,563		142	14	33	31,056
Compensated Absences	237,059					
OPEB Implicit Rate Subsidy LT	208,009	393	1,961	6,145	4,210	5,261
Total Liabilities	216,322,127	3,440,885	5,447,759	11,333,776	4,844,324	11,667,379
Net Assets Held in Trust for Pension Benefits	$ 3,315,905,638	52,564,722	82,888,491	172,635,424	74,135,714	187,141,042

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 2010
2,665,377	1,392,323	79,729,403	2,690,777	803,783	3,494,560	83,223,963
11,432,362	1,469,716	264,705,227	106,899	31,155	138,054	264,843,281
281,518	35,234	6,637,775	788	235	1,023	6,638,798
123,920		1,399,492		2,810	2,810	1,402,302
		3,204	290,782		290,782	293,986
10,871,717		21,803,329				21,803,329
		32,288				32,288
11,277,155	35,234	29,876,088	291,570	3,045	294,615	30,170,703
58,543,318	7,245,440	1,367,650,606				1,367,650,606
50,657,138	6,379,298	1,157,196,577				1,157,196,577
29,067,373	3,567,182	678,458,249				678,458,249
22,702,625	2,805,903	528,204,697				528,204,697
9,402,971	1,123,836	219,358,776				219,358,776
		8,962,696				8,962,696
		19,184,707				19,184,707
169,956	88,872	4,804,841	167,266	48,748	216,014	5,020,855
			6,724,580	213,414,154	220,138,734	220,138,734
			49,946,001	106,892,547	156,838,548	156,838,548
				12,316	12,316	12,316
170,543,381	21,210,531	3,983,821,149	56,837,847	320,367,765	377,205,612	4,361,026,761
		513				513
2,043	610	223,633	5,313	2,191	7,504	231,137
2,043	610	224,146	5,313	2,191	7,504	231,650
195,920,318	24,108,414	4,358,356,013	59,932,406	321,207,939	381,140,345	4,739,496,358
11,432,362	1,469,716	264,705,227	106,899	31,155	138,054	264,843,281
743		381,011	95,749	283,370	379,119	760,130
		293,987				293,987
3,758		119,566				119,566
		237,059	16,689	10,990	27,679	264,738
4,200	4,188	234,367	24,223	17,808	42,031	276,398
11,441,063	1,473,904	265,971,217	243,560	343,323	586,883	266,558,100
184,479,255	22,634,510	4,092,384,796	59,688,846	320,864,616	380,553,462	4,472,938,258

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, 2010

	PERS-DBRP	JRS	HPORS	SRS	GWPORS	MPORS
Additions						
Contributions (Note C)						
Employer	$ 80,246,027	1,467,777	4,762,944	5,636,945	3,612,040	6,860,331
Plan Member	78,614,399	595,197	1,260,645	5,324,649	4,333,884	4,045,639
Membership Fees	158					
Interest Reserve Buyback	56,252		838	11,725	6,148	94,935
Retirement Incentive Program	75,418					
Miscellaneous Revenue	4,457					
State Contributions	536,881		286,829			10,931,612
Nonvested Member Forfeitures						
Total Contributions	159,533,592	2,062,974	6,311,256	10,973,319	7,952,072	21,932,517
Investments (Note A6)						
Net Appreciation (Depreciation) in Fair Value of Investments	268,863,901	4,376,115	6,835,944	14,649,222	6,229,968	14,838,605
Interest	122,857,421	1,694,479	2,971,499	5,010,055	1,770,869	5,328,925
Dividends	15,172,019	238,223	379,238	777,523	325,592	803,257
Investment Expense	(20,229,013)	(315,145)	(502,911)	(1,028,752)	(428,732)	(1,063,068)
Net Investment Income	386,664,328	5,993,672	9,683,770	19,408,048	7,897,697	19,907,719
Securities Lending Income						
Securities Lending Income	1,660,908	26,541	42,269	86,769	36,273	89,673
Securities Lending Rebate and Fees	(463,960)	(7,468)	(11,893)	(24,391)	(10,172)	(25,222)
Net Securities Lending Income	1,196,948	19,073	30,376	62,378	26,101	64,451
Total Net Investment Income	387,861,276	6,012,745	9,714,146	19,470,426	7,923,798	19,972,170
Total Additions	547,394,868	8,075,719	16,025,402	30,443,745	15,875,870	41,904,687
Deductions (Note C)						
Benefits	212,186,085	2,118,121	7,556,735	8,276,901	2,621,834	15,727,576
Refunds/Distributions	10,967,292		57,590	765,627	878,915	849,360
Refunds to Other Plans	880,787			33,639	20,730	64,024
Transfers to DCRP	860,060					
Transfers to ORP	175,290					
Supplemental Insurance Payments						
OPEB Expenses	66,143	127	628	1,924	1,331	1,668
Administrative Expenses	3,191,153	10,025	34,170	94,952	59,931	78,429
Miscellaneous Expenses						
Total Deductions	228,326,810	2,128,273	7,649,123	9,173,043	3,582,741	16,721,057
Net Increase (Decrease)	319,068,058	5,947,446	8,376,279	21,270,702	12,293,129	25,183,630
Net Assets Held in Trust for Pension Benefits						
Beginning of Year	2,998,359,517	46,641,099	74,548,745	151,446,909	61,880,235	162,042,190
Prior Period Adjustment	(1,521,937)	(23,823)	(36,533)	(82,187)	(37,650)	(84,778)
End of Year	$ 3,315,905,638	52,564,722	82,888,491	172,635,424	74,135,714	187,141,042

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 2010
5,128,634		107,714,698	4,028,919	61,464	4,090,383	111,805,081
4,362,320		98,536,733	6,139,800	18,607,433	24,747,233	123,283,966
		158				158
56,688		226,586				226,586
		75,418				75,418
		4,457	163,984	330,239	494,223	498,680
10,871,717	1,574,589	24,201,628				24,201,628
			323,172		323,172	323,172
20,419,359	1,574,589	230,759,678	10,655,875	18,999,136	29,655,011	260,414,689
14,644,981	1,947,064	332,385,800	4,840,436	29,727,641	34,568,077	366,953,877
5,153,358	641,657	145,428,263	1,280,591	8,101,366	9,381,957	154,810,220
788,795	100,183	18,584,830				18,584,830
(1,044,107)	(131,435)	(24,743,163)		(626,559)	(626,559)	(25,369,722)
19,543,027	2,557,469	471,655,730	6,121,027	37,202,448	43,323,475	514,979,205
88,144	11,253	2,041,830	1,170	355	1,525	2,043,355
(24,778)	(3,183)	(571,067)	(396)	(120)	(516)	(571,583)
63,366	8,070	1,470,763	774	235	1,009	1,471,772
19,606,393	2,565,539	473,126,493	6,121,801	37,202,683	43,324,484	516,450,977
40,025,752	4,140,128	703,886,171	16,777,676	56,201,819	72,979,495	776,865,666
14,597,875	1,856,833	264,941,960	14,078		14,078	264,956,038
85,951		13,604,735	1,932,830	13,398,473	15,331,303	28,936,038
		999,180				999,180
		860,060				860,060
		175,290				175,290
	17,100	17,100				17,100
1,338	1,371	74,530	8,445	5,939	14,384	88,914
71,145	57,109	3,596,914	407,140	271,269	678,409	4,275,323
			250,453	991,376	1,241,829	1,241,829
14,756,309	1,932,413	284,269,769	2,612,946	14,667,057	17,280,003	301,549,772
25,269,443	2,207,715	419,616,402	14,164,730	41,534,762	55,699,492	475,315,894
159,294,912	20,435,817	3,674,649,424	45,524,116	279,329,854	324,853,970	3,999,503,394
(85,100)	(9,022)	(1,881,030)				(1,881,030)
184,479,255	22,634,510	4,092,384,796	59,688,846	320,864,616	380,553,462	4,472,938,258

Public Employees' Retirement Board

A Component Unit of the State of Montana

Notes to the Financial Statements

for the Fiscal Year Ended June 30, 2010

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. 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). Further education is provided for the members who choose the PERS-DCRP, including information on investment choices.

The PERB began administering the Deferred Compensation (457) Plan on July 1, 1999. The Deferred Compensation Plan is available to all employees of the State, the Montana University System and contracting political subdivisions. 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.

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.

The fiscal year 2010 financial statements contain a prior period adjustment to each of the eight defined benefit plans for a correction that was performed by the Board of Investments (BOI) on the Montana Real Estate Pool (MTRP). In reviewing the accounting procedures for JP Morgan, BOI learned the MTRP was distributing income for which the MTRP would never receive cash. For fiscal years 2006, 2008, and 2009, and for part of fiscal year 2010, the MTRP over distributed earnings and cash to the MTRP participants. Based on JP Morgan reporting, income was reported as Retained Earnings with a subsequent fund reinvestment and no additional purchase of shares. The BOI accounting reflected the JP Morgan reporting by increasing (debiting) the investment and increasing (crediting) the Income Due Participants. The BOI has discontinued recording the accounting entries which correspond with the JP Morgan reports.

Participants of the PERS-DCRP are charged, on a quarterly basis, a flat fee plus a basis point fee based on their individual account balances. 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 remitted to the PERB are recorded as *Miscellaneous Revenue* in the financial statements.

Participants of the Deferred Compensation Plan are charged, on a quarterly basis, a basis point fee based on their 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 to cover the PERB's administrative expenses of the plan. The fees remitted to the PERB are recorded as *Miscellaneous Revenue* in the financial statements.

2. Capital Assets and Equipment Used in Operations

Assets under $5,000 are expensed in the year purchased. Assets valued at $100,000 or more are recorded at cost less straight-line depreciation over the estimated useful life of five to ten years. Capital assets include the web-based employer reporting software and the MPERA website.

The accumulated depreciation on the web based employer reporting system is $1,498,820 as of June 30, 2010 and the carrying value as of June 30, 2010 is $202,790. The Deferred Compensation web-based employer reporting system was first used in fiscal year 2004 and was

fully depreciated as of June 30, 2010, with an accumulated depreciation of $187,587. The accumulated depreciation on the MPERA website as of June 30, 2010 is $87,303 and the carrying value is $28,347.

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 Avenue, Helena, MT. 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.

The net Funded Ratio decreased in fiscal year 2010 for all retirement plans.

Funded Ratio as of June 30, 2010	
PERS-DBRP	74%
JRS	144%
HPORS	64%
SRS	81%
GWPORS	75%
MPORS	57%
FURS	64%
VFCA	77%

Funded Status as of June 30, 2010

(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	$3,889,890	$5,241,819	$1,351,929	74.21%	$1,083,780	124.74%
JRS	61,277	42,513	(18,765)	144.13%	5,687	-329.95%
HPORS	97,204	151,177	53,973	64.30%	13,036	414.03%
SRS	200,739	246,734	45,995	81.36%	54,681	84.11%
GWPORS	85,151	113,855	28,704	74.79%	39,436	72.79%
MPORS	217,545	380,393	162,848	57.19%	37,220	437.52%
FURS	213,755	335,463	121,708	63.72%	33,339	365.06%
VFCA	26,576	34,512	7,936	77.01%	N/A*	N/A*

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

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 below is general 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, 2010
Actuarial cost method	Entry Age
Amortization method, except VFCA	Level percent payroll, open
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases:	
General Wage Growth*	4.00%
*includes inflation rate at	3.00%
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.

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

Remaining Amortization Period	
PERS-DBRP	Does not amortize
JRS	N/A*
HPORS	29.9 years
SRS	Does not amortize
GWPORS	Does not amortize
MPORS	23 years
FURS	14.7 years
VFCA	7.7 years
* Currently the surplus is not expected to be exhausted.	

The minimum benefit adjustment (non-GABA) 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 of probationary officer's base pay, not to exceed 5% increase over previous benefit
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, 2010 and June 30,

2009 are $276,398 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 reporting under GASB Statement No. 45, 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 $260 and $916 per month depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums 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 valued 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 are based on an actuarial valuation prepared as of January 1, 2009 for the Department of Administration. 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 Statement's parameters. 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 2010 ARC is calculated for all the State plan's participants and then individually allocated to individual participants. The MPERA 2010 ARC is estimated at $88,913 and is based on the plan's current ARC rate of 6.45 percent of participants' annual covered payroll. The MPERA 2010 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, 2009, 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 10 percent for medical and 9.5 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, using a 4.25 percent discount and a 2.50 percent payroll growth rate assumption.

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: MPERA's allocated annual OPEB cost (expense) for the year ending June 30, 2010 was $88,913. The interest on the net OPEB obligation for the year ending June 30, 2010 was

$4,067. For fiscal year 2009, MPERA's allocated annual OPEB cost (expense) was $95,693. The cost that was allocated to MPERA for the years ended June 30, 2010 and June 30, 2009 was $88,913 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 2010 and prior years are as follows:

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
6/30/2010	88,913	0.00%	276,398

Funded Status and Funding Progress: As of June 30, 2010, the State of Montana's most recent actuarial valuation available was for the calendar year ending December 31, 2009, where the MPERA allocation of the plan was as follows: Actuarial Accrued Liability (AAL) is $686,393; Actuarial Value of Plan Assets is $0; Unfunded Actuarial Accrued Liability (UAAL) is $686,393; Funded Ratio (Actuarial Value of Plan Assets/AAL) is 0 percent; Covered Payroll (Active Plan Members) is $1,505,823; and the UAAL as a Percentage of Covered Payroll is 45.55 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 plan members. 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. For the defined benefit pools, the PERB relies on the Investment Policy statements that are drafted and approved by the BOI with the assistance of RV Kuhns & Associates, Inc., the investment consultant. Investments are reported at fair value. As of June 30, 2010, 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 and Deferred Compensation Plan's fixed investments were administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank State Street Bank Kansas City (SSKC) and a third-party insurer, Aegon. All money invested in the Fixed Investments of the PERS-DCRP and Deferred Compensation Plan were transferred to a Pooled Trust on March 1, 2010 from PIMCO's Moderate Duration mutual fund for PERS-DCRP and fixed investments administered and invested directly by PIMCO and SSKC for the Deferred Compensation Plan.

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, 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. 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 substandard 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. Investments are reported at fair value as of June 30, 2010.

The following are the summaries of the BOI's fiscal year end statements, the Aegon/PIMCO/SSKC contracts and a statement about the variable investments. The BOI fiscal year statements and information on the income can be obtained by contacting BOI at the following address:

Montana Department of Commerce
Board of Investments
2401 Colonial Drive, 3rd Floor
PO Box 200126
Helena, MT 59620-0126.

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 manages the STIP 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 an 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 2010 income was distributed on the first calendar day of each month. *Credit Risk* is the risk 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. The credit quality rating for STIP is not rated (NR). For *Custodial Credit Risk* as of June 30, 2010, 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 3.55 percent.

At June 30, 2010, 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, 2010, 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 61.92 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. The credit quality rating for RFBP is not rated (NR). For *Custodial Credit Risk* as of June 30, 2010, 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 $1,880,871,631 with an effective duration of 4.08 years. *Foreign Currency Risk* is the risk that changes in exchanges rates will adversely affect the fair value of an investment. The RFBP includes securities subject to foreign currency risk. The PERB portion of the foreign currency risk is 50.31%. The PERB portion of the entire RFBP is 61.97 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, 2010, all MTIP securities were registered in the nominee name for the 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 includes securities subject to foreign currency risk. The PERB portion of the foreign currency risk is 50.53%. The PERB portion of the entire MTIP is 62.03 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, 2010, 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 the foreign currency risk is 50.39%. The PERB portion of the entire MPEP is 61.79 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, 2010, 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 the foreign currency risk is 50.48%. The PERB portion of the entire MTRP is 61.94 percent.

All Other Funds (AOF) Investments portfolio for the pension plans includes real estate buildings and residential mortgages. 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, 2010, 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. The *Custodial Credit Risk* as of June 30, 2010, 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, 2010, 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, are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank, State Street Bank Kansas City (SKCC), and a third-party insurer, Aegon. When participants invest in the fixed investment option they are guaranteed a rate of return. The fixed investment employs a synthetic stable value strategy where the investment manager, PIMCO, manages a diversified bond portfolio and Aegon guarantees the participants principal investments and earnings. Aegon calculates the rate of return each quarter called the "crediting rate", which is used to credit earnings to participant accounts. Aegon sets a fixed quarterly rate of return based on the investment manager's portfolio yield and duration.

For the period July 1, 2009 through February 28, 2010, the PERS-DCRP, fixed investments were invested in PIMCO's Moderate Duration mutual fund. For the Deferred Compensation Plan the fixed investments were administered and invested directly by PIMCO and SSKC. PIMCO invested Deferred Compensation assets under an investment policy agreed to between the PERB, Aegon and PIMCO.

On January 1, 2010, the PERB entered into a Pooled Trust contract with Aegon, PIMCO and SSKC for all funds in the PERS-DCRP and Deferred Compensation

Plan. The Pooled Trust qualifies as a group trust under sections 401(a), including section 401(a)(24) and 501(a), of the IRC of 1986, as amended. All monies invested in the Fixed Investments of the PERS-DCRP and Deferred Compensation Plan were transferred to the Pooled Trust on March 1, 2010.

The PERS-DCRP fixed investments funds were invested in a PIMCO Moderate Duration mutual fund between July 1, 2009 and February 28, 2010. The Fund seeks to achieve its investment objective by investing under normal circumstances at least 65% of its total assets in a diversified portfolio of Fixed Income Instruments of varying maturities. The average portfolio duration of this Fund normally varies from two to five years based on PIMCO's forecast for interest rates.

According to the Summary Prospectus dated July 1, 2010 for the PIMCO Moderate Duration Fund, the PIMCO Moderate Duration Fund invests primarily in investment grade debt securities, but may invest up to 10% of its total assets in high yield securities ("junk bonds") rated B or higher by Moody's or S&P, or, if unrated, determined by PIMCO to be of comparable quality. The Fund may invest up to 30% 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 will normally limit its foreign currency exposure (from non-U.S. dollar-denominated securities or currencies) to 20% of its total assets.

Beginning March 1, 2010, all Fixed Investment Funds transferred to the Pooled Trust. Under the Pooled Trust agreement Aegon provides a guarantee of principal and sets a fixed quarterly rate of return based on the portfolio yield and duration. The Pooled Trust assets are invested by PIMCO and are held under a custodial agreement with SSKC. The Pooled Trust assets are invested by PIMCO based on an investment guideline schedule as agreed upon in the Pooled Trust Contract and approved by the PERB, Aegon and PIMCO. *Concentration of Credit Risk* is not addressed in the investment policy.

Variable Investments for the PERS-DCRP and Deferred Compensation Plan are held and managed in 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. With the advice from an independent investment analyst and assistance from the statutorily-created Employee Investment Advisory Council, the PERB 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 Statements adopted by the PERB. The investment policies state 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, 2010. Available funds in the PERS-DCRP and Deferred Compensation Plan are listed in this section. A listing may also 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 plan's 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 dates of the amendments, MPERA determined that they are not eligible to have their retirement benefits recalculated. Following the filing of cross motions for summary judgment, the hearings examiner issued a proposed order granting MPERA's motion. PERB adopted the proposed order as its Final Order on December 12, 2008. The claimants then filed a petition for judicial review in the First Judicial District, Judge Dorothy McCarter presiding. Judge McCarter issued an order on January 25, 2010, holding that the claimants are included with section 19-17-404, MCA, but remanding for a determination on whether their claim is barred by the two year statute of limitations under section 27-2-211(1)(c), MCA. The statute of limitations issue remains before the hearing examiner for decision. If the claims are determined to not be barred by the statue of limitations, VFCA retirees would be owed over $477,000 as of May 2010. Based on retiree data as of May 2010, monthly benefits would then increase by approximately $7,432.50 for 282 retirees.

Connelly 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 section 19-13-104(5), (6) and (9), MCA, which through reference to section 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 *Jaksha v. Butte-Silver Bow County,* 2009 MT 263. That Court found section 7-33-4107, MCA to be unconstitutional. Thereafter, the investiga-

tor for the Human Rights Bureau asked both parties for statements regarding the impact of *Jaksha* on *Connelly.* PERB stated that because of *Jaksha*, PERB would no longer enforce the age 34 requirement for FURS members. Claimants provided a similar statement and requested retroactive damages. The investigator for the Human Rights Bureau determined that the claimants did not file their complaint timely, and therefore were not entitled to any fiscal relief, including retroactive damages. The matter was settled pursuant to a Conciliation Agreement that included training in discrimination issues and the payment of nominal attorney fees by MPERA to claimants.

Jaksha's elimination of the age 34 requirement could eventually 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 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 at the time of hire. The percentage of pay varies by the age at hire. The normal cost of each individual as a percentage of pay increases 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 in each plan as of June 30, 2010 and June 30, 2009 is detailed in the following charts.

PERS-DBRP Membership

	2010	2009		2010	2009
Number of participating employers	533	529			
Active plan members	28,834	28,983	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	16,872	16,437
Vested	2,471	2,476	Disability Retirements	261	279
Non-vested	5,402	5,670	Survivor Benefits	379	359
	7,873	8,146		17,512	17,075

JRS Membership

	2010	2009		2010	2009
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	53
Vested	1	1	Disability Retirements	-	-
Non-vested	-	-	Survivor Benefits	2	2
	1	1		55	55

HPORS Membership

	2010	2009		2010	2009
Number of participating employers	1	1			
Active plan members	230	222	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	275	273
Vested	13	14	Disability Retirements	7	6
Non-vested	6	8	Survivor Benefits	13	12
	19	22		295	291

SRS Membership

	2010	2009		2010	2009
Number of participating employers	57	57			
Active plan members	1,181	1,185	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	362	353
Vested	36	41	Disability Retirements	35	35
Non-vested	157	155	Survivor Benefits	18	18
	193	196		415	406

GWPORS Membership

	2010	2009		2010	2009
Number of participating employers	7	7			
Active plan members	966	950	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	129	122
Vested	47	40	Disability Retirements	-	-
Non-vested	100	103	Survivor Benefits	7	5
	147	143		136	127

MPORS Membership

	2010	2009		2010	2009
Number of participating employers	30	29			
Active plan members	727	692	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	618	600
Vested	47	48	Disability Retirements	23	17
Non-vested	65	59	Survivor Benefits	29	29
	112	107		670	646

FURS Membership

	2010	2009		2010	2009
Number of participating employers	23	21			
Active plan members	570	558	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Service Retirements	518	516
Vested	13	9	Disability Retirements	7	5
Non-vested	53	49	Survivor Benefits	21	21
	66	58		546	542

VFCA Membership

	2010	2009		2010	2009
Number of participating companies	216	215			
Active plan members	2,315	2,253	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits			Service Retirements	1,149	1,103
Vested	827	840	Disability Retirements	-	-
			Survivor Benefits	-	-
				1,149	1,103

PERS-DCRP Membership

	2010	2009		2010	2009
Number of participating employers	244	271			
Active plan members	2,018	1,979	Retirees and beneficiaries receiving benefits		
Terminated plan members entitled to but not yet receiving benefits or a refund			Periodic Distributions	1	3
Vested	125	108	Disability Payments	2	1
Non-vested	320	255	Survivor Payments	1	-
	445	363		4	4

Deferred Compensation (457) Membership

	2010	2009		2010	2009
Number of participating employers	21*	19*	Number of participating plan members	8,090	8,053
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	4,760	5,243

*All State agencies are counted as 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, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined benefit* and *defined contribution* retirement plans. 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

Eligibility for benefit
Service retirement:
- Age 60, 5 years of membership service;
- Age 65, regardless of membership service; or
- Any age, 30 years 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, 2010 PERS had 533 participating employers, four more than fiscal year 2009. The participating employers consist of:

PERS-DBRP EMPLOYERS

Employers	June 30, 2010	June 30, 2009
State Agencies	34	34
Counties	55	55
Cities and Towns	97	96
Colleges and Universities	5	5
School Districts	231	232
High Schools	6	5
Other Agencies	105	102
Total	533	529

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 2010 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 7.17% of PERS-covered payroll during fiscal year 2010. This was an increase of 0.135% from fiscal year 2009. Participating local governments contributed 7.07% of PERS-covered payroll during fiscal year 2010. This was an increase of 0.135% from 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 2010. The state contributed the remaining 0.37%. This was an increase of 0.135% from fiscal year 2009. A percentage of the employers' contributions is used to fund the employee education program. (Reference Schedule of Contribution Rates).

Plan Membership Elections: MPERA has included in the financial statements transfers of $860,060 in Transfers to DCRP and $175,290 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 2011.

PERS-DBRP Active Membership by Employer Type

Employer Type	6/30/2010	6/30/2009
State Agencies	10,815	11,074
Counties	5,438	5,370
Cities	3,238	3,196
Universities	2,626	2,666
High Schools	64	57
School Districts	5,446	5,459
Other Agencies	1,207	1,161
Total	28,834	28,983

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA allows state and university system employees who are eligible for a service retirement and whose positions have been eliminated due to a reduction in force, 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. The employees participating under section 19-2-706, MCA increased from 192 in fiscal year 2009 to 199 in fiscal year 2010. The retirement incentive contributions received (including interest) during fiscal year 2010 totaled $75,418. The outstanding balance at June 30, 2010, totaled $25,660.

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 2010.

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, 2010, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liablity. During the year ended June 30, 2010, the PERS' assets gained 12.91% on a market value basis. 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 1.18%. The prior actuarial assumed rate of return of 8.0% was used to calculate the actuarial loss of $364 million on investments. Effective July 1, 2010, the assumed rate of return changed from 8.0% to 7.75%. This change is due to the recent experience study.

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, 2010 JRS had one participating employer, the same as fiscal year 2009. The participating employer consists of:

JRS EMPLOYERS

Employer	June 30, 2010	June 30, 2009
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 2010 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 2010. (Reference Schedule of Contribution Rates).

JRS Active Membership by Employee Type		
Employee Type	6/30/2010	6/30/2009
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 5.0% over the current benefit and may not exceed 60% of the current base salary of a probationary officer.

At June 30, 2010 HPORS had one participating employer, the same as fiscal year 2009. The participating employer consists of:

HPORS EMPLOYERS

Employer	June 30, 2010	June 30, 2009
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 2010 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 2010. 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).

HPORS Active Membership by Employee Type

Employee Type	6/30/2010	6/30/2009
GABA	230	222
Non-GABA	0	0
Total	230	222

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA 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. The average annual supplemental payment for non-GABA retirees was $2,678 in September 2010.

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, 2010 SRS had 57 participating employers, the same as fiscal year 2009. The participating employers consist of:

SRS EMPLOYERS

Employers	June 30, 2010	June 30, 2009
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 2010 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 2010 was 10.115%. This was an increase of 0.58% from fiscal year 2009. (Reference Schedule of Contribution Rates).

SRS Active Membership by Employer Type		
Employer Type	6/30/2010	6/30/2009
Dept of Justice	51	46
Counties	1,130	1,139
Total	1,181	1,185

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA 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, 2010 the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability. During the year ending June 30, 2010, the SRS' assets gained 12.65% on a market value basis. 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 0.92%. The prior actuarial assumed rate of return of 8.0% was used to calculate the actuarial loss of $18 million on investments. Effective July 1, 2010, the assumed rate of return changed from 8.0% to 7.75%. This change is due to the recent experience study.

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, 2010 GWPORS had seven participating employers, the same as fiscal year 2009. The participating employers consist of:

GWPORS EMPLOYERS

Employers	June 30, 2010	June 30, 2009
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 2010 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 2010. (Reference Schedule of Contribution Rates).

GWPORS Active Membership by Employer		
Employer	6/30/2010	6/30/2009
Dept of Corrections	717	692
Dept FW&P	102	103
Dept of Livestock	31	33
Dept of Trans.	81	88
Universities	35	34
Total	966	950

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA 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, 2010, the statutory contribution rates are not sufficient to amortize the unfunded actuarial accrued liability. During the year ending June 30, 2010, the GWPORS' assets gained 12.21% on a market value basis. 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 0.55%. The prior actuarial assumed rate of return of 8.0% was used to calculate the actuarial loss of $7.1 million on investments. Effective July 1, 2010, the assumed rate of return changed from 8.0% to 7.75%. This change is due to the recent experience study .

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

MPORS Summary of Benefits (continued)

Early Retirement
Age 50, 5 years of membership service

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, 2010 MPORS had 30 participating employers, one more than fiscal year 2009. The participating employers consist of:

MPORS EMPLOYERS

Employers	June 30, 2010	June 30, 2009
Cities	30	29
Total	30	29

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 2010, member contributions as a percentage of salary were 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 2010 was 29.37%. (Reference Schedule of Contribution Rates).

MPORS Active Membership by Employee Type		
Employee Type	6/30/2010	6/30/2009
GABA	719	683
Non-GABA	8	9
Total	727	692

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 as 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, 2010, a total of 78 members have participated in the DROP.

DROP Participation		
	6/30/2010	6/30/2009
Participants Beginning of Year	29	30
Participants Added	8	4
Completed DROP	5	5
Participants End of Year	32	29
DROP Distributions	$406,814	$408,121

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 HMC 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 membership service).

At June 30, 2010 FURS had 23 participating employers, two more than in fiscal year 2009. The participating employers consist of:

FURS EMPLOYERS

Employers	June 30, 2010	June 30, 2009
State Agencies - Department of Military Affairs	1	1
Cities	16	16
Rural Fire Districts	6	4
Total	23	21

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 2010 are 9.5% for members hired prior to July 1, 1997 and not electing GABA, and 10.7% for members hired after June 30, 1997 and 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 contribution rates for fiscal year 2010 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 2010. 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).

FURS Active Membership by Employee Type

Employee Type	6/30/2010	6/30/2009
GABA	564	552
Non-GABA	6	6
Total	570	558

Additional Service Purchase Due to a Reduction in Force: Section 19-2-706, MCA 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 a volunteer fire department without loss of benefits. A returning retired member may not be considered an active member accruing credit for service.

A brief summary of eligibility and benefits follows.

VFCA Summary of Benefits

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

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

Vesting 10 years of credit for service

Monthly benefit formula
$7.50 per year of credit for service, maximum benefit $225 (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).

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, Montana University System, local governments, and school districts. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to

transfer to the PERS-DCRP or remain in the PERS-DBRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. The PERS-DCRP provides retirement, disability, and death benefits to plan members and their beneficiaries.

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
Depends upon eligibility and individual account balance;
Various payout options are 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 2010 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 and maintained by the record keeper.

Each state agency and university system employer contributed 7.17% of PERS-covered payroll during fiscal year 2010. This was an increase of 0.135% from fiscal year 2009. Participating local governments employers contribute 7.07% of PERS-covered payroll during fiscal year 2010. This was an increase of 0.135% from fiscal year 2009. The State contributes the remaining 0.1% for local governments. Participating school districts contribute 6.8% of PERS-covered payroll during fiscal year 2010. The State contributed the remaining 0.37%. This was an increase of 0.135% from fiscal year 2009. (Reference Schedule of Contribution Rates).

The employer rate of 7.17% is allocated as follows: 4.19% allocated to the member's retirement account, 2.64% 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.

PERS-DCRP Active Membership by Employer Type

Employer Type	6/30/2010	6/30/2009
State Agencies	945	919
Counties	354	356
Cities	255	246
Universities	99	99
High Schools	4	2
School Districts	218	225
Other Agencies	143	132
Total	2,018	1,979

At June 30, 2010 PERS-DCRP had 244 reporting employers, 27 less than in fiscal year 2009. The participating employers consist of:

PERS-DCRP EMPLOYERS

Employers	June 30, 2010	June 30, 2009
State Agencies	32	31
Counties	44	45
Cities and Towns	44	46
Universities	5	5
School Districts	81	103
High Schools	3	3
Other Agencies	35	38
Total	244	271

Plan Membership Elections: Included in the financial statements are employer contribution transfers of $16,049 and member contribution transfers of $26,430. 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 2011.

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 members who have joined the PERS-DCRP. The DCEd was funded by 0.04% of the employers' contributions in fiscal year 2010.

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.

The investment options offered are selected by the PERB in compliance with their Investment Policy Statement, the advice of an independent investment analyst, and assistance from the statutorily-created Employee Investment Advisory Council. Participants of the PERS-DCRP direct their contributions and a portion of their employer's contribution among the offered investment options. Participants may invest in any or all of the offered options and transfer between options on a daily basis, if desired. 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.

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, 2010 are listed on the next page.

PERS-DCRP Investment Options

International Stock Funds
American Funds New Perspective A
Oakmark International
Principal International Growth Inst

Small Company Stock Funds
Managers AMG Essex Sm/Micro Cap Growth A
Vanguard Small-Cap Index Signal
Target Small Cap Value

Mid-Sized Company Stock Funds
Munder Mid-Cap Core Growth A
Perkins Mid-Cap Value Fund T

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

Balanced Funds
Vanguard Balanced Index - Inst'l

Bond Funds
Vanguard Total Bond Market Index Signal

Fixed Investment Options
DCRP Fixed Fund

Fixed investments: The fixed investments of the PERS-DCRP are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank, State Street Bank Kansas City (SSKC), and a third-party insurer, Aegon. When participants invest in the fixed investment option they are guaranteed a rate of return. The fixed investment employs a synthetic stable value strategy where the investment manager, PIMCO, manages a diversified bond portfolio and Aegon guarantees the participants principal investments and earnings. Aegon calculates the rate of return each quarter, called the "crediting rate", which is used to credit earnings to participant accounts. Aegon sets a fixed quarterly rate of return based on the investment manager's portfolio yield and duration.

For the period July 1, 2009 through February 28, 2010, the PERS-DCRP, fixed investments were invested in PIMCO's Moderate Duration mutual fund.

On January 1, 2010, the PERB entered into a Pooled Trust contract with Aegon, PIMCO and SSKC for all funds in the PERS-DCRP and Deferred Compensation Plan. The Pooled Trust qualifies as a group trust under sections 401(a), including section 401(a)(24) and 501 (a), of the IRC of 1986, as amended. All monies invested in the Fixed Investments of the PERS-DCRP were transferred to the Pooled Trust on March 1, 2010.

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* in the financial statements.

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* in the financial statements.

Fixed investment fees: The fixed investment crediting rate is declared net of expenses.

From July 2009 through February 2010, fees on the fixed investments were charged by the providers, Aegon and PIMCO. The fees are defined per the contracts for specific services. The fees charged by Aegon are classified as *Administrative Expense* in the financial statements. The fees charged by PIMCO are not presented in the financial statements because the assets were held in a PIMCO mutual fund and income was reported net of fees.

With the implementation of the pooled trust on March 1, 2010, 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 fees charged by PIMCO and SSKC for the externally managed fixed investments are classified as *Investment Expense.* The fees charged by Aegon 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 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.

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 Code (IRC) §457. This plan is available to all employees of the State, Montana University System, and contracting political subdivisions.

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.

A brief summary of eligibility and benefits is on the following page.

Deferred Compensation Plan Summary

Contribution
Voluntary, tax-deferred

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

Vesting
Participants are fully vested in their accounts, immediately.

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, 2010 the Deferred Compensation Plan had 21 participating employers, an increase of four from fiscal year 2009. The participating employers consist of:

DEFERRED COMPENSATION EMPLOYERS

Employers	June 30, 2010	June 30, 2009
State of Montana *	1	1
Counties	2	2
Colleges and Universities	6	6
School Districts	2	2
Cities	4	3
Other	6	3
Total	21	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.

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, the advice of an independent investment analyst, and the statutorily-created Employee Investment Advisory Council. 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, 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 the plans' underlying mutual funds to achieve a set investment objective. The investment options as of June 30, 2010 are as follows.

Deferred Compensation (457) Plan
Investment Options

International Stock Funds
Artisan International
Mutual Global Discovery Z
Dodge & Cox International
American Funds New Perspective R4

Small Company Stock Funds
Neuberger Berman Genesis -Trust
Managers AMG Essex Sm/Micro Cap Growth A
Vanguard Small Cap Index Signal

Mid Cap Company Stock Funds
Munder Mid-cap Core Growth A
Columbia Mid-cap Value Fund Z

Large Cap Stock Funds
Davis NY Venture A
Fidelity Contrafund
Vanguard Institutional Index
Calvert Social Investment Fund Equity

Balanced Funds
Dodge & Cox Balanced

Bond Funds
Neuberger Berman High Income Inv
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 investments: The fixed investments of the Deferred Compensation Plan are administered through outside vendors Pacific Investment Management Company (PIMCO) and custodial bank, State Street Bank Kansas City (SSKC), and a third-party insurer, Aegon. When participants invest in the fixed investment option they are guaranteed a rate of return. The fixed investment employs a synthetic stable value strategy where the investment manager, PIMCO, manages a diversified bond portfolio and Aegon guarantees the participants principal investments and earnings. Aegon calculates the rate of return each quarter, called the "crediting rate", which is used to credit earnings to participant accounts. Aegon sets a fixed quarterly rate of return based on the investment manager's portfolio yield and duration.

For the period July 1, 2009 through February 28, 2010, the Deferred Compensation Plan fixed investments were administered and invested directly by PIMCO, and SSKC. PIMCO invested Deferred Compensation assets under an investment policy agreed to between the PERB, Aegon and PIMCO.

On January 1, 2010, the PERB entered into a Pooled Trust contract with Aegon, PIMCO and SSKC for all funds in the PERS-DCRP and Deferred Compensation Plan. The Pooled Trust qualifies as a group trust under sections 401(a), including section 401(a)(24) and 501 (a), of the IRC of 1986, as amended. All monies invested in the Fixed Investments of the Deferred Compensation Plan were transferred to the Pooled Trust on March 1, 2010.

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: The fixed investment crediting rate is declared net of expenses. 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 fees charged by PIMCO and SSKC for the externally managed fixed investments are classified as *Investment Expense.* The fees charged by Aegon 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.

FY 2010 Schedule of Contribution Rates			
System	**Member**	**Employer**	**State**
PERS-DBRP	**6.9%** [19-3-315, MCA]	**7.17%** State & University **7.07%** Local Governments **6.8%** School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.37%** School Districts (K-12) payroll – paid from the General Fund [19-3-319, MCA]
PERS-DCRP	**6.9%** [19-3-315, MCA]	**7.17%** State & University **7.07%** Local Governments **6.8**% School Districts (K-12) [19-3-316, MCA]	**0.1%** of local government payroll – paid from the General Fund **0.37**% 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]	**10.115%** [19-7-404, MCA]	
GWPORS	**10.56%** [19-8-502, MCA]	**9.0%** [19-8-504, MCA]	
MPORS	**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]

Public Employees' Retirement Board

A Component Unit of the State of Montana

Required Supplementary Information

Schedule of Funding Progress

(in thousands)

System	Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll[2] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS-DBRP	06/30/05	3,179,010	3,719,998	540,988	85.46	857,431	63.09
	06/30/06	3,459,084	3,919,313	460,229	88.26	900,708	51.10
	06/30/07	3,825,234	4,201,251	376,017	91.05	947,424	39.69
	06/30/08	4,065,307	4,504,743	439,436	90.25	995,113	44.16
	06/30/09	4,002,212	4,792,819	790,607	83.50	1,043,215	75.79
	06/30/10	**3,889,890**	**5,241,819**	**1,351,929**	**74.21**	**1,083,780**	**124.74**
JRS	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
	06/30/10	**61,277**	**42,513**	**(18,765)**	**144.13**	**5,687**	**-329.95**
HPORS	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
	06/30/10	**97,204**	**151,177**	**53,973**	**64.30**	**13,036**	**414.03**
SRS	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
	06/30/10	**200,739**	**246,734**	**45,995**	**81.36**	**54,681**	**84.11**

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.

[1] Refer to the "Notes to the Required Supplementary Information" for the Actuarial Asset Valuation Method.

[2] Applicable only to the PERS-DBRP, the annual covered payroll has been corrected for FY2006 - FY2009 due to a database field that was not sufficient in length. This correction also impacts the UAAL as a percent of covered payroll.

System	Actuarial Valuation Date	Actuarial Value of Assets [1] (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio % (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GWPORS	06/30/05	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
	06/30/10	**85,151**	**113,855**	**28,704**	**74.79**	**39,436**	**72.79**
MPORS	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
	06/30/10	**217,545**	**380,393**	**162,848**	**57.19**	**37,220**	**437.52**
FURS	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
	06/30/10	**213,755**	**335,463**	**121,708**	**63.72**	**33,339**	**365.06**
VFCA	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
	06/30/10	**26,576**	**34,512**	**7,936**	**77.01**	**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%
12/31/2009		$ 686	$ 686	0.00	$1,506	45.55%

Projected unit credit funding method

The most recent actuarial valuation available was completed by the State of Montana for the calendar year ending December 31, 2009. 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, 2010.

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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	2005 [2]	72,367,156	8.44	81.10	420,658	100.00
	2006 [2]	70,885,689	7.87	89.50	442,994	100.00
	2007 [2]	62,908,960	6.64	105.75	445,798	100.00
	2008 [2]	68,165,225	6.85	105.98	377,713	100.00
	2009 [2]	99,314,044	9.52	76.35	357,260	100.00
	2010	**132,004,388**	**12.18**	**60.46**	**536,881**	**100.00**
JRS[3]	2005	143,222	3.21	811.43		
	2006	112,854	2.37	1,089.03		
	2007					
	2008					
	2009					
	2010					
HPORS	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
	2010	**3,403,692**	**26.11**	**139.93**	**286,829**	**100.00**
SRS	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		
	2010	**7,734,578**	**14.15**	**72.88**		

Refer to the "Notes to the Required Supplementary Information".

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.

[2] Applicable only to the PERS-DBRP, the annual covered payroll has been changed for FY2006 - FY2009 due to a database field that was not sufficient in length. This change impacts the the Annual Required Contributions and Percentage contributed.

[3] The actuarial value of assets is greater than the actuarial accrued liabilites for FY2007 - FY2010. The funding excess is large enough so that the sum of normal cost and the amortization of the funding excess is negative. Common actuarial practice is to set the ARC at zero. (No employer contribution would be required for these years.)

System	Year Ended June 30	Annual Required Contributions	Actuarial Required Contribution Rate[1]	Percentage Contributed	Annual Required State Contribution	Percentage Contributed
GWPORS	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		
	2010	**4,917,654**	**12.47**	**73.45**		
MPORS	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
	2010	**3,896,969**	**10.47**	**176.04**	**10,931,612**	**100.00**
FURS	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
	2010	**850,134**	**2.55**	**603.27**	**10,871,717**	**100.00**
VFCA	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
	2010				**1,574,589**	**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, 2010	June 30, 2010	June 30, 2010
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Remaining amortization period in years:			
Unfunded Liability	Does not amortize[1]		29.9
Unfunded Credit [2]		30	
Asset valuation method	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
Actuarial assumptions:			
Investment rate of return compounded annually	7.75%	7.75%	7.75%
Projected salary increases			
General Wage Growth*	4.00%	4.00%	4.00%
Merit	0% - 6%	None	0% - 7.3%
*Includes inflation at	3.00%	3.00%	3.00%
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] The amortization period for the unfunded actuarial liability in the PERS, SRS and GWPORS exceeds 30 years.

[2] 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.

SRS	GWPORS	MPORS	FURS	VFCA
June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
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[1]	Does not amortize[1]	23	14.7	7.7 Based on Current Revenue
4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market	4-Year smoothed market
7.75%	7.75%	7.75%	7.75%	7.75%
4.00% 0% - 7.3% 3.00%	4.00% 0% - 7.3% 3.00%	4.00% 0% - 7.3% 3.00%	4.00% 0% - 7.3% 3.00%	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, 2010

	Defined Benefit Plans	PERS-DBRP Education Fund	Defined Contribution PERS-DCRP	Deferred Compensation (457) Plan
Personal Services				
Salaries	$ 1,297,553	$ 118,874	$ 150,619	$ 107,747
Board Members' Per Diem	6,748		895	731
Employee Benefits	411,695	42,433	49,939	35,397
Total Personal Services	1,715,996	161,307	201,453	143,875
Other Services				
Consulting Services	538,806	31	91,653	61,463
Legal Fees and Court Costs	9,037		554	439
Payroll Fees				
Audit Fees	37,931		4,626	3,701
Medical Services	17,663			
Records Storage	22,024			
Pre-Retirement Seminars		1,000		
Computer Processing	151,822	147	35,651	17,352
Printing and Photocopy Charges	24,414	5,651	7,478	798
Warrant Writing Services	42,766		5,215	4,172
Other	180,425	986	1,644	986
Total Other Services	1,024,888	7,815	146,821	88,911
Communications				
Recruitment Costs	1,549		189	151
Postage and Mailing	74,772	6,320	1,179	3,104
Telephone	38,179	4,083	5,197	3,462
Total Communications	114,500	10,403	6,565	6,717
Other Expenses				
Supplies and Materials	87,014	7,493	10,544	7,302
Travel	25,576	13,789	5,620	4,752
Rent	193,999	15,203	24,872	14,923
Repairs and Maintenance	2,272	175	291	175
Depreciation/Amortization	128,454	23	2,423	2,661
Compensated Absences	(32,708)	1,044	(7,464)	(7,698)
OPEB Expenses	67,106	7,423	8,445	5,939
Miscellaneous	111,909	7,763	16,015	9,651
Total Other Expenses	583,622	52,913	60,746	37,705
Total Administrative Expenses	**$ 3,439,006**	**$ 232,438**	**$ 415,585**	**$ 277,208**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Investment Expenses

Year Ended June 30, 2010

Plan	Investment Manager	Fees
PERS-DBRP	Board of Investments	$ 20,229,013
JRS	Board of Investments	315,145
HPORS	Board of Investments	502,911
SRS	Board of Investments	1,028,752
GWPORS	Board of Investments	428,732
MPORS	Board of Investments	1,063,068
FURS	Board of Investments	1,044,107
VFCA	Board of Investments	131,435
457	PIMCO	436,992
	State Street Bank	41,068
Total Investment Expense		**$ 25,221,223**

Public Employees' Retirement Board

A Component Unit of the State of Montana

Schedule of Consultants

Year Ended June 30, 2010

Individual or Firm	Nature of Service	Amount Paid
AMDEC Software	Computer Programming Services	$ 374,955
Cheiron	Actuarial Consultant	147,278
Wilshire Associates Inc	Mutual Funds Performance Review	98,833
Legislative Audit Division, Legislative Branch	Independent Auditors	46,257
Ice Miller	Tax Consultant	39,868
Milliman	Actuarial Consultant	19,919
Robert N. Mitgang, MD	Medical Consultant	8,825
Professional Development Center, Department of Administration	Retirement Planning Seminars	1,000

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, 2010

	PERS-DBRP	PERS-DBEd	TOTAL
Assets			
Cash and Short-term Investments	$ 60,749,817	$1,961,446	$ 62,711,263
Securities Lending Collateral	215,097,892	79,610	215,177,502
Receivables			
Interest	5,423,770	590	5,424,360
Accounts Receivable	1,026,657		1,026,657
Due from Other Funds		3,204	3,204
Due from Primary Government			
Notes Receivable	32,288		32,288
Total Receivables	6,482,715	3,794	6,486,509
Investments, at fair value			
Montana Domestic Equity Pool (MDEP)	1,114,071,635		1,114,071,635
Retirement Fund Bond Pool (RFBP)	939,430,189		939,430,189
Montana International Pool (MTIP)	552,711,749		552,711,749
Montana Private Equity Pool (MPEP)	430,729,235		430,729,235
Montana Real Estate Pool (MTRP)	178,786,541		178,786,541
Real Estate Investments	8,962,696		8,962,696
Mortgages & Commercial Loans			
net of Accumulated Mortgage Discount	19,184,707		19,184,707
Structured Investment Vehicles (SIV)	3,640,003	124,566	3,764,569
Total Investments	3,247,516,755	124,566	3,247,641,321
Capital Assets			
Property and Equipment, at cost,			
net of Accumulated Depreciation	513		513
Intangible Assets, at cost,			
net of Amortization Expense	210,657		210,657
Total Capital Assets	211,170		211,170
Total Assets	3,530,058,349	2,169,416	3,532,227,765
Liabilities			
Securities Lending Collateral Liability	215,097,892	79,610	215,177,502
Accounts Payable	312,701	8,306	321,007
Due to Other Funds	292,976	1,011	293,987
Due to Primary Government			
Deferred Revenue	84,563		84,563
Compensated Absences	225,469	11,590	237,059
OPEB Implicit Rate Subsidy LT	186,940	21,069	208,009
Total Liabilities	216,200,541	121,586	216,322,127
Net Assets Held in Trust for Pension Benefits	**$3,313,857,808**	**$2,047,830**	**$3,315,905,638**

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, 2010

	PERS-DBRP	PERS-DBEd	TOTAL
Additions			
Contributions			
Employer	$ 79,814,740	$ 431,287	$ 80,246,027
Plan Member	78,614,399		78,614,399
Membership Fees	158		158
Interest Reserve Buyback	56,252		56,252
Retirement Incentive Program	75,418		75,418
Miscellaneous Revenue	4,286	171	4,457
State Contributions	536,881		536,881
Total Contributions	159,102,134	431,458	159,533,592
Investment Income			
Net Appreciation (Depreciation) in Fair Value of Investments	268,863,901		268,863,901
Interest	122,851,586	5,835	122,857,421
Dividends	15,172,019		15,172,019
Investment Expense	(20,229,013)		(20,229,013)
Net Investment Income	386,658,493	5,835	386,664,328
Securities Lending Income			
Securities Lending Income	1,660,015	893	1,660,908
Securities Lending Rebate and Fees	(463,658)	(302)	(463,960)
Net Securities Lending Income	1,196,357	591	1,196,948
Total Net Investment Income	387,854,850	6,426	387,861,276
Total Additions	546,956,984	437,884	547,394,868
Deductions			
Benefits	212,186,085		212,186,085
Refunds/Distributions	10,967,292		10,967,292
Refunds to Other Plans	880,787		880,787
Transfers to DCRP	860,060		860,060
Transfers to ORP	175,290		175,290
OPEB Expenses	58,720	7,423	66,143
Administrative Expenses	2,966,138	225,015	3,191,153
Total Deductions	228,094,372	232,438	228,326,810
Net Increase (Decrease)	318,862,612	205,446	319,068,058
Net Assets Held in Trust for Pension Benefits			
Beginning of Year	**2,996,517,133**	**1,842,384**	**2,998,359,517**
Prior Period Adjusment	**(1,521,937)**		**(1,521,937)**
End of Year	**$3,313,857,808**	**$2,047,830**	**$3,315,905,638**

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, 2010

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Assets				
Cash and Short-term Investments	$ 1,209,510	$ 152,859	$ 1,328,408	$ 2,690,777
Cash Collateral - SI	46,370	6,196	54,333	106,899
Receivables				
Interest	341	46	401	788
Accounts Receivables				
Due from Other Funds	282,186	1,011	7,585	290,782
Total Receivables	282,527	1,057	7,986	291,570
Investments, at fair value				
Defined Contributions Fixed Investments	6,724,580			6,724,580
Defined Contributions Variable Investments	49,946,001			49,946,001
Structured Investment Vehicles (SIV)	72,555	9,695	85,016	167,266
Total Investments	56,743,136	9,695	85,016	56,837,847
Intangible Assets, at cost, net of Amortization Expense	5,313			5,313
Total Assets	58,286,856	169,807	1,475,743	59,932,406
Liabilities				
Accounts Payable	95,112	637		95,749
Due to Other Funds				
Due to Primary Government				
Compensated Absences	16,096	593		16,689
Securities Lending Collateral Liability	46,370	6,196	54,333	106,899
OPEB Implicit Rate Subisidy LT	23,096	1,127		24,223
Total Liabilities	180,674	8,553	54,333	243,560
Net Assets Held in Trust for Pension Benefits	**$ 58,106,182**	**$ 161,254**	**$ 1,421,410**	**$ 59,688,846**

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, 2010

	PERS-DCRP	PERS-DCEd	PERS-DC DISABILITY	TOTAL
Additions				
Contributions				
Employer	$ 3,722,193	$ 41,991	$ 264,735	$ 4,028,919
Plan Member	6,139,800			6,139,800
Miscellaneous Revenue	163,984			163,984
Forfeiture of Nonvested Member	323,172			323,172
Total Contributions	10,349,149	41,991	264,735	10,655,875
Investment Income				
Net Appreciation (Depreciation) in Fair Value of Investments	4,840,436			4,840,436
Interest	1,276,356	443	3,792	1,280,591
Net Investment Income	6,116,792	443	3,792	6,121,027
Securities Lending Income				
Securities Lending Income	522	68	580	1,170
Securities Lending Rebate and Fees	(177)	(23)	(196)	(396)
Net Securities Lending Income	345	45	384	774
Total Net Investment Income	6,117,137	488	4,176	6,121,801
Total Additions	16,466,286	42,478	268,911	16,777,676
Deductions				
Distributions	1,932,830			1,932,830
Benefits			14,078	14,078
OPEB Expensee	8,008	438		8,445
Administrative Expenses	389,228	17,911		407,140
Miscellaneous Expenses	250,453			250,453
Total Deductions	2,580,519	18,349	14,078	2,612,946
Net Increase (Decrease)	13,885,767	24,129	254,833	14,164,730
Net Assets Held in Trust for Pension Benefits				
Beginning of Year	**44,220,415**	**137,125**	**1,166,576**	**45,524,116**
Prior Period Adjustment				
End of Year	**$ 58,106,182**	**$ 161,254**	**$ 1,421,410**	**59,688,846**

Public Employees' Retirement Board

Board Response

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION

BRIAN SCHWEITZER
GOVERNOR

STATE OF MONTANA

HELENA (406) 444-3154
TOLL FREE (877) 275-7372
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mpera.mt.gov

100 N. PARK, SUITE 200
PO BOX 200131
HELENA, MT 59620-0131

November 24, 2010

RECEIVED
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LEGISLATIVE AUDIT DIV.

Tori Hunthausen, CPA, Legislative Auditor
Legislative Audit Division
State Capitol, Room 160
Helena, MT 59650

Dear Ms. Hunthausen:

MPERA has reviewed the financial audit report for fiscal year 2010. We understand there are no comments or recommendations. We are pleased with the findings of the report and will work hard to continue to provide the highest quality service possible to our members.

We appreciate the professionalism demonstrated by the audit staff and would like to offer our thanks to you for the courtesy and consideration extended to MPERA during the audit. Once again, we welcome the opportunity to work with your staff.

Thank you for your assistance.

Sincerely,

Roxanne M. Minnehan
Executive Director