A Report
to the
Montana
Legislature

Financial Audit

Teachers' Retirement System

For the Fiscal Year Ended June 30, 2013

December 2013

Legislative Audit Division

12-09B

Fraud Hotline
(Statewide)
1-800-222-4446
(in Helena)
444-4446
ladhotline@mt.gov

Financial Audits

Financial audits are conducted by the Legislative Audit Division to determine if the financial statements included in this report are presented fairly and the agency has complied with laws and regulations having a direct and material effect on the financial statements. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States Government Accountability Office. Financial audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) licenses.

Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2011, was issued March 29, 2012. The Single Audit Report for the two fiscal years ended June 30, 2013, will be issued by March 31, 2014. Copies of the Single Audit Report can be obtained by contacting:

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

Legislative Audit Division
Room 160, State Capitol
P.O. Box 201705
Helena, MT 59620-1705

Audit Staff

Chris G. Darragh
Sherrie L. Lindbo
Jennifer Erdahl

Reports can be found in electronic format at:
http://leg.mt.gov/audit

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

December 2013

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial audit of the Teachers' Retirement System (system), a component unit of the state of Montana, for the fiscal year ended June 30, 2013. We reviewed financial transactions, performed tests of selected state laws, and analyzed the system's financial statements during the course of the audit. This report contains no recommendations.

We thank the Executive Director and his staff for their cooperation and assistance during the audit.

Respectfully submitted,

/s/ Tori Hunthausen

Tori Hunthausen, CPA
Legislative Auditor

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

TABLE OF CONTENTS

Appointed and Administrative Officials

			Term Expires
Teachers' Retirement Board	Robert Pancich, Chair	Great Falls	July 2014
	Lisa Cordingley	Helena	July 2015
	Scott Dubbs	Lewistown	July 2018
	Janice Muller	Hamilton	July 2016
	Kari Peiffer	Kalispell	July 2017
	Marilyn Ryan	Missoula	July 2016

Administrative Officials

Shawn Graham, Executive Director

David L. Senn, Executive Director (retired October 2013)

Tammy Rau, Deputy Executive Director

Chad Goodman, Accounting Manager

Dan Gaughan, Accounting Manager (retired September 2013)

For additional information concerning the Teachers' Retirement System, contact:

Shawn Graham, Executive Director
1500 East Sixth Avenue
P. O. Box 200139
Helena, MT 59620-0139

e-mail: ShawnGraham@mt.gov
phone: (406) 444-3376

Montana Legislative Audit Division

Financial Audit
Teachers' Retirement System
For the Fiscal Year Ended June 30, 2013

December 2013 12-09B Report Summary

In fiscal year 2013, the Teachers' Retirement System had a net investment income of $373.7 million, which contributed to an increase of net position of $252.9 million. In July 2013, the actuarial evaluation indicated the system is actuarially sound and able to amortize the unfunded accrued liability within a 20-year period.

Context

The Teachers' Retirement System (system) was established in 1937. Currently all full-time members of the public teaching profession, except for eligible employees of the Montana University System hired after July 1, 1993, are required to be members of the system.

During fiscal year 2013 members contributed $62.8 million with total contributions totaling $154.4 million. In contrast, $268.2 million in benefits paid were paid out to approximately 13,868 members or their beneficiaries during the fiscal year.

The Montana Constitution requires the system to be funded on an actuarially sound basis. To be funded on an actuarially sound basis, the system must be able to amortize its unfunded actuarial accrued liability (UAAL) in 30 years or less. The UAAL is the excess of the actuarial accrued liability over the actuarial value of the assets, which is typically the present value of the benefits earned to date that are not covered by the system's current plan assets. At July 1, 2013, the system's UAAL was $1,524,800,000. At June 30, 2012, the system did not amortize. During the 2013 Legislative Session, three bills were passed that created significant changes to the system. The major changes were to increase the employee and employer contribution rates and decrease the guaranteed annual benefit adjustment (GABA). The July 1, 2013, actuarial evaluation indicated the system's amortization period is 20 years. There is currently a lawsuit pending regarding the decrease in GABA. However, if the parties to the lawsuit prevail, the remaining amortization period is still expected to be less than 30 years.

This audit's primary objective was to determine if the fiscal year 2013 financial statements are presented in all material respects in conformity with Generally Accepted Accounting Principles (GAAP). We performed a variety of analytical tests over the financial information to determine that the amounts presented on the financial statements were fairly presented. These tests included verifying eligibility, benefit calculations, and employer and employee contribution calculations. We also tested selected state laws that have a direct impact on the financial statements. We also verified that the financial statement presentation was in accordance with GAAP.

Results

We have no recommendations and issued an unmodified opinion on the system's financial statements for fiscal year 2013.

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

For a complete copy of the report (12-09B) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to **lad@mt.gov**; or check the web site at **http://leg.mt.gov/audit**
Report Fraud, Waste, and Abuse to the Legislative Auditor's FRAUD HOTLINE
Call toll-free 1-800-222-4446, or e-mail **ladhotline@mt.gov**.

Chapter I – Introduction

Introduction

We performed a financial audit of the Teachers' Retirement System (system) for the fiscal year ended June 30, 2013. The objectives of our audit were to:

1. Determine if the system's financial statements present fairly, in all material respects, the financial position of the system as of June 30, 2013, and the results of operations for the fiscal year then ended.
2. Obtain an understanding of the system's controls to the extent necessary to support our audit of the system's financial statements and, if appropriate, make recommendations for improvement in the internal and management controls of the system.
3. Determine if the system complied with selected, applicable laws and regulations.
4. Determine the implementation status of the previous audit recommendation.

The financial statements are prepared by system personnel from the Statewide Accounting, Budgeting, and Human Resources System (SABHRS) in accordance with generally accepted accounting principles. The system also issues a separate comprehensive annual financial report.

Background

The system 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 system had 18,249 active working members and 13,276 terminated employees not yet receiving benefits at July 1, 2013. Approximately 13,868 retirees or their beneficiaries were receiving retirement, disability, or survivor benefits as of July 1, 2013.

A six-member board, appointed by the Governor for five-year terms, governs the system. In addition to providing oversight to system personnel, the board's responsibilities include:

- Establishing rules and regulations necessary for the proper administration and operation of the retirement system.
- Determining the eligibility of a person who is applying for membership in the system.
- Designating an actuary to provide consultation on the technical actuarial aspects of the retirement system.

The Executive Director and system personnel are responsible for the daily administration of the system. At June 30, 2013, 18 full-time equivalent (FTE) positions were authorized for the system. All full-time members of the public teaching profession, except for eligible employees of the Montana University System hired after July 1, 1993, are required by law to be members in the retirement system.

Prior Audit Recommendation

Our office performed the prior financial audit of the Teachers' Retirement System for the fiscal year ended June 30, 2012. The Montana Constitution requires the system to be funded on an actuarially sound basis. To be funded on an actuarially sound basis, the system must be able to amortize its unfunded liability in 30 years or less. At June 30, 2012, the system did not amortize. During the 2013 Legislative Session, three bills were passed that created significant changes to the system. The changes were to increase the employee and employer contribution rates and decrease the guaranteed annual benefit adjustment (GABA). The July 1, 2013, actuarial evaluation indicated the system's amortization period is 20 years.

Independent Auditor's Report and System Financial Statements

LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor
Deborah F. Butler, Legal Counsel

Deputy Legislative Auditors:
Cindy Jorgenson
Angus Maciver

Independent Auditor's Report

The Legislative Audit Committee
of the Montana State Legislature:

Introduction

We have audited the accompanying Statement of Plan Net Position of the Teachers' Retirement System as of June 30, 2013, and the related Statement of Changes in Plan Net Position for the fiscal year then ended and the related notes to the financial statements, which collectively comprise the system's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the system's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the system's internal control, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Teachers' Retirement System as of June 30, 2013, and the changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Room 160 • State Capitol Building • PO Box 201705 • Helena, MT • 59620-1705
Phone (406) 444-3122 • FAX (406) 444-9784 • E-Mail lad@mt.gov

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Page A-5, TRS Plan Schedule of Funding Progress on page A-20, TRS Plan Schedule of Contributions from Employers and Other Contributing Entities on page A-21, and Other Postemployment Benefit Plan Information Schedule of Funding Progress on page A-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Administrative Expenses on page A-25, Schedule of Investment Expenses on page A-26, and Schedule of Payments to Consultants on page A-26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

/s/ Cindy Jorgenson

Cindy Jorgenson, CPA
Deputy Legislative Auditor
Helena, MT

November 18, 2013

Teachers' Retirement System
Management's Discussion and Analysis, Financial Statements, Required Supplementary Information, and Supplementary Information

TEACHERS' RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the Montana Teachers' Retirement System's (TRS) provides a narrative overview of the TRS's financial activities for the fiscal year ended June 30, 2013.

Overview of the Financial Statements

Because of the long-term nature of a defined benefit pension plan, financial statements alone cannot provide sufficient information to properly reflect the System's ongoing plan perspective. The Statement of Plan Net Position reflects the resources available to pay benefits to retirees and beneficiaries. The Statement of Changes in Plan Net Position presents the changes that occurred in those resources for the fiscal year ended.

Financial Highlights

- The TRS plan net position increased by $252.9 million for 2013; representing an increase of 8.6% from the previous fiscal year.
- Net investment income (fair value of investments plus investment income less investment expense) increased in 2013 by $307.4 million. This is indicative of the markets steady gain as the US economy continued its trend of a slow positive growth during the fiscal year and corporate profits remained positive over the year.
- Pension benefits paid to retirees and beneficiaries increased 6.7% for fiscal year 2013, which is consistent with prior years.

Condensed Financial Information (in millions)

For comparative purposes, the Condensed Financial Information below is presented with FY2012 financial information.

Plan Net Position	FY2013	FY2012	2013 Percent Inc/(Dec)
Cash/Short-term Investments	$ 49.3	$ 35.0	40.9
Receivables	22.9	22.2	3.1
Investments (fair value)	3,254.7	3,006.1	8.3
Other Assets (net)	0.1	0.1	-
Total Assets	3,327.0	3,063.4	8.6
Liabilities	141.9	131.2	8.2
Net Position	**$3,185.1**	**$2,932.2**	**8.6**

Changes in Plan Net Position	FY2013	FY2012	2013 Percent Inc/(Dec)
Additions:			
Employer Contributions	$ 74.1	$ 72.4	2.4
Plan Member Contributions	62.8	62.7	.2
Other Contributions	17.5	16.8	4.3
Net Investment Income	373.7	66.3	463.7
Total Additions	528.2	218.4	141.9
Deductions:			
Benefit Payments	268.3	251.4	6.7
Withdrawals	5.1	5.3	(3.4)
Administrative Expenses	1.9	1.8	7.5
Total Deductions	275.3	258.6	6.5
Net Inc/(Dec) in Plan Net Position	**$ 252.9**	**$ (40.2)**	**729.1**

Financial Analysis

- The change from year-to-year in cash/short-term investments is due mostly to the change in the number of shares held, at a per share value of $1, in the Short Term Investment Pool.
- The increase in investments for 2013 represents steady recovery in the economy and capital market conditions.
- The dramatic increase in net investment income for 2013 was due to an overall increase in the market value of our investment holdings as the market increased based on positive corporate profits. Furthermore, the economy continued its steady growth; whereas, FY2012 saw more market volatility.
- The change in receivables in 2013 represents $0.3 million less in investment interest due and an increase of $1.052 million in contributions due at year end.
- The change in liabilities is primarily due to the security lending collateral activity by the Montana Board of Investments.
- The increase in benefit payments from year-to-year reflects an increase in the number of retirees and beneficiaries plus the 1.5% guaranteed annual benefit adjustment.

Overview of the Actuarial Funding

The TRS plan experienced an asset gain over the last year. The market value of assets had a positive return of 12.94% net of investment and operating expenses. The actuarial value of assets earned 11.99% which is 4.24% greater than the actuarial assumption of 7.75%. Actuarial gains or losses result when the return on the actuarial value of assets differs from the actuarial investment return assumption. The following table compares the annual returns for the past three years.

Fiscal Year	Market Return	Actuarial Return	Actuarial Return over/(under) 7.75 %
7/1/2010 to 6/30/2011	21.67%	(0.13)%	(7.88)%
7/1/2011 to 6/30/2012	2.21%	3.21%	(4.54)%
7/1/2012 to 6/30/2013	12.94%	11.99%	4.24%

Contributions as a Percent of Pay

	Members	Employer Rate	Working Retiree(Employer)	State Contribution	Total
July 1, 2009 to June 30, 2013	7.15%	7.47%		2.49%	17.11%
July 1, 2013 and later	8.15%	8.47%	9.85%	2.49%	19.11%

For Fiscal Year beginning July 1, 2013, contributions will increase as set forth in §19-20-608(1), MCA. The increase for members and employers is 1% each. Additionally, §19-20-605, MCA, requires employers to contribute 9.85% for working retirees (in a TRS covered position).

Membership in TRS is now divided into two tiers. A Tier One member is a person who (a) became a member before July 1, 2013 and (b) has not withdrawn their member's account balance. A Tier Two member is a person who (a) first becomes a member on or after July 1, 2013 or (b) after withdrawing their member's account balance, becomes a member again on or after July 1, 2013.

MCA 19-20-201 requires the actuarial report to show how market performance is affecting the actuarial funding of the retirement system. The July 1, 2013 market value of assets is $117.2 million more than the actuarial value of assets. This is due to the smoothing of investment gains and losses over a four year period. If the market value of assets was used, the amortization period would be 18 years, and the funded ratio would be 69.35%.

(THIS PAGE INTENTIONALLY LEFT BLANK)

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF PLAN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2013

		2013
ASSETS		
Cash/Cash Equivalents-Short Term		
Investment Pool (Note B)	$	49,311,573
Receivables:		
Accounts Receivable		19,291,577
Interest Receivable		3,590,714
Total Receivables	$	22,882,291
Investments, at fair value (Note B):		
Investment Pools		3,112,815,628
Other Investments		527,645
Securities Lending Collateral (Note B)		141,343,948
Total Investments	$	3,254,687,221
Assets Used in Plan Operations:		
Land and Buildings		193,844
Less: Accumulated Depreciation		(150,545)
Equipment		142,697
Less: Accumulated Depreciation		(110,110)
Prepaid Expense		1,200
Intangible Assets, net of amortization		0
Total Other Assets		77,086
TOTAL ASSETS	$	3,326,958,172
LIABILITIES		
Accounts Payable	$	59,617
Securities Lending Liability (Note B)		141,343,948
Compensated Absences (Note B)		202,791
OPEB Implicit Rate Subsidy (Note E)		287,409
TOTAL LIABILITIES	$	141,893,765
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$	3,185,064,406

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
STATEMENT OF CHANGES IN PLAN NET POSITION
FISCAL YEAR ENDED JUNE 30, 2013

		2013
ADDITIONS		
Contributions:		
Employer	$	74,113,191
Plan Member		62,849,685
Other		17,521,347
Total Contributions	$	154,484,223
Misc Income	$	7,956
Investment Income:		
Net Appreciation/(Depreciation)		
in Fair Value of Investments	$	251,267,246
Investment Earnings		136,721,675
Security Lending Income (Note B)		881,395
Investment Income/(Loss)	$	388,870,317
Less: Investment Expense		14,930,082
Less: Security Lending Expense (Note B)		218,700
Net Investment Income/(Loss)	$	373,721,534
Total Additions	$	528,213,713
DEDUCTIONS		
Benefit Payments	$	268,250,231
Withdrawals		5,119,358
Administrative Expense		1,934,182
OPEB Expenses (Note E)		48,012
Total Deductions	$	275,351,783
NET INCREASE (DECREASE)		
IN PLAN NET POSITION	$	252,861,930
NET POSITION HELD IN TRUST		
FOR PENSION BENEFITS		
BEGINNING OF YEAR		2,932,202,476
END OF YEAR	$	3,185,064,406

The accompanying Notes to the Financial Statements are an integral part of this financial statement.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE FINANCIAL STATEMENTS
FISCAL YEARS ENDED JUNE 30, 2013

NOTE A. DESCRIPTION OF THE PLAN

The Teachers' Retirement Board is the governing body of a mandatory multiple-employer cost-sharing defined benefit pension plan, which provides retirement services to persons in Montana employed as teachers or professional staff of any public elementary or secondary school, community college, or unit of the university system. The system was established by the State of Montana in 1937 to provide retirement, death, and disability benefits and is governed by Title 19, chapter 20, of the MCA. TRS as an employer does not participate in the plan and acts only as the administrator of the plan.

At June 30, 2013, the number and type of reporting entities participating in the system were as follows:

Local School Districts & Co-ops	353
Community Colleges	3
University System Units	2
State Agencies	9
Total	367

At July 1, 2013, the date of the most recent actuarial valuation, system membership consisted of the following:

Retirees and Beneficiaries Currently Receiving Benefits	13,868
Terminated Employees:	
Vested	1,566
Non-vested	11,710
Current Active Members:	
Vested	11,832
Non-vested	6,417
Total Membership	45,393

The pension plan provides retirement, death, and disability benefits. Employees with a minimum of 25 years of service or who have reached age 60 with 5 years of service are eligible to receive an annual retirement benefit equal to creditable service years divided by 60 times the average final compensation. Final compensation is the average of the highest three consecutive years of earned compensation. Benefits fully vest after 5 years of creditable service. Vested employees may retire at or after age 50 and receive reduced retirement benefits. For the fiscal year ending, June 30, 2013 and prior, a Guaranteed Annual Benefit Adjustment (GABA) of 1.5% was payable beginning January of each calendar year if the retiree has received at least 36 monthly retirement benefit payments prior to January 1 of the year in which the adjustment is to be made.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The TRS, a discretely presented component unit Pension Trust Fund of the State of Montana financial reporting entity, prepares its financial statements using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period when due pursuant to statutory requirements and investment income is recognized when earned. Benefit and withdrawal payments are recorded in the period in which the liabilities are due and payable.

Compensated Absences

Compensated absences represent 100 percent of accrued vacation and 25 percent of accrued sick leave for TRS personnel at June 30, 2013.

Cash/Cash Equivalents and Investments

The Montana Board of Investments (BOI) manages the State's Unified Investment Program, which includes the TRS plan investments as required by Section 19-20-501, Montana Code Annotated. Per the Montana Constitution, Article VIII Section 13(3), investment of TRS assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Investments administered by the BOI for the TRS are subject to their investment risk policies. Information on investment policies, investment activity, investment management fees and a listing of specific investments owned by the pooled asset accounts can be obtained from Board of Investments at P.O. Box 200126, Helena, MT 59620-0126.

Cash and cash equivalents consist of funds deposited in the State Treasurer's pooled cash account and cash invested in the Short-Term Investment Pool (STIP). Pooled investments other than STIP are reported at the fair value of each unit times the number of units owned. STIP is recorded at $1 per unit for each unit held. The fair value of publicly traded stocks and bonds is determined by reference to market prices supplied by State Street Bank (the custodial bank). Because a public market does not exist for private equity and real estate investments, the fair value of these investments is the value reported in the most recent external managers' valuation reports.

The TRS investments include: STIP; Retirement Funds Bond Pool (RFBP); Montana Domestic Equity Pool (MDEP); Montana International Equity Pool (MTIP); Montana Private Equity Pool (MPEP), Montana Real Estate Pool (MTRP). Other Investments consist of a portfolio of Structured Investment Vehicles (SIVs) at June 30, 2013.

The TRS Investment Portfolio is listed below:

TRS Cash Equivalent and Investment Portfolio
June 30, 2013

Investment	Book Value	Fair Value
Short-term Investment Pool	$ 40,104,344	$ 40,104,344
Retirement Funds Bond Pool	640,701,331	698,850,177
MT Domestic Equities Pool	430,802,242	1,207,310,806
MT International Equities Pool	349,681,991	523,437,455
MT Private Equities Pool	209,887,966	394,496,433
MT Real Estate Pool	286,502,301	288,720,756
Other Asset Backed Securities	527,645	527,645
Total	$ 1,958,207,821	$ 3,153,447,617

Securities Lending – Under the provisions of state statutes, BOI is authorized to lend its securities and has contracted with the custodial 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, 80/20% respectively, on security lending activities. The BOI retains all rights and risks of ownership during the loan period. At June 30, 2013, the BOI had no credit risk exposure to borrowers. The private equity and real estate pools do not participate in securities lending. There were no failures by any borrowers to return or pay distributions thereon during the period that resulted in a declaration and notice of Default of the Borrower.

The investment risks for the pooled investments that TRS participates in are described in the following paragraphs. Investments are administered by the BOI, for the TRS, as part of the State of Montana's Unified Investment Program and are responsible for setting investment risk policies.

Credit Risk – Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the BOI may not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investor's investment in a single issuer.

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. Currency exposures may be hedged, in a defensive manner, at the discretion of the active managers to preserve the U.S. dollar value of investments made. The managers are not allowed to engage in currency speculation, such as over-hedging, reverse hedging, cross-hedging or other trading activity not specifically aimed at minimizing risk versus their benchmark or preserving the U.S. dollar value of investments.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with GASB Statement No. 40, the BOI selected the effective duration method to disclose interest rate risk.

All securities in pools are held in the name of the Montana BOI, or were registered in the nominee name for the Montana BOI and held in the possession of the BOI's custodial bank. MDEP, MTIP, MPEP, and MTRP do not invest in debt securities, so interest rate risk, credit risk, and concentration of credit risk do not apply to these holdings. According to GASB Statement No. 40, interest rate disclosures are not required for STIP since STIP is a 2a7-like pool. STIP, as an external investment pool, has not been rated. RFBP consists of corporate bonds (rated), international government bonds, municipal government bonds, sovereign bonds, U.S. government direct obligations, and U.S. government agency.

The TRS investments subject to credit and interest rate risk at June 30, 2013 are categorized below:

Investment	Fair Value 6/30/13	Credit Quality Rating 6/30/13	Effective Duration 6/30/13
RFBP	$ 698,850,177	A+	5.12
STIP	40,104,344	NR	

MPEP, MTRP, MTIP, and RFBP include assets subject to foreign currency risk. TRS' position in these pools is approximately 37% at June 30, 2013. The Montana BOI MPEP and MTRP investments in EURO currency had a fair value of $41,413,553 at June 30, 2013. The Montana BOI MTIP and RFBP had cash and securities with a foreign currency value of $371,435,356 at June 30, 2013.

NOTE C. CONTRIBUTIONS

The TRS funding policy provides for monthly employee and employer contributions at rates specified by state law. Plan members, for the fiscal year ending June 30, 2013, were required to contribute 7.15% of their earned compensation and the employer contribution rate for fiscal year 2013 was 9.85% of earned compensation. The State's General Fund contributed 2.38% of the employer contributions for school district and community college employers of their members earned compensation and an additional .11% of total earned compensation of all members. Each employer in the Montana university system shall contribute to the TRS a supplemental employer contribution currently at a rate of 4.72% of the total compensation of employees participating in the Optional Retirement Program (ORP). An actuary determines the actuarial implications of the funding requirement in annual actuarial valuations. The actuarial method used to determine the implications of the statutory funding level is the entry age actuarial cost method, with both normal cost and amortization of the accrued liability determined as a level percentage of payroll.

NOTE D. FUNDED STATUS and FUNDING PROGRESS

Our most recent actuarial valuation may be accessed on our website at:
www.trs.mt.gov/Board/ActuarialValuations/ActuarialValuations.

The funded status of the TRS plan as of July 1, 2013, the most recent actuarial valuation date is as follows (dollar amounts in millions):

Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
$3,067.9	$4,592.7	$1,524.8	66.8%	$742.6	205.3%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Valuation date	July 1, 2013
Actuarial cost method	Entry age
Amortization method	Level percent open
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.50%
Guaranteed annual benefit adjustment	0.50%
Inflation rate	3.50%

The actuarial valuation prepared as of July 1, 2013, the most recent valuation date, indicates that the current employer rate of 10.96%, including the anticipated increases in the employer rate is sufficient to fund the normal cost and to amortize the Unfunded Actuarial Accrued Liability (UAAL) over a 20 year period.

On a market value basis the TRS earned $149.1 million more than anticipated by the 7.75% assumption for the year ended June 30, 2013 and $161.8 million less than anticipated by the 7.75% assumption for the year ended June 30, 2012. The net result as of July 1, 2013 is that the market value of assets is $117.2 million more than the actuarial value of assets. This $117.2 million in unrecognized asset gains will either offset any future investment losses or if there are none, reduce the amortization period of the UAAL in future valuations.

NOTE E. OTHER POSTEMPLOYMENT BENEFITS

Plan Description

TRS employees and dependents are eligible to receive health care through the State Group Benefits Plan administered by the Montana Department of Administration (MDOA). In accordance with Section 2-18-704, MCA, the State provides optional post-employment medical, vision and dental health care benefits for retirees and their dependents and beneficiaries that elect to continue coverage and pay administratively established premiums. Plan coverage is on a calendar year basis. For GASB 45 reporting, the State Group Benefits Plan is considered an agent multiple-employer plan and TRS is considered to be a separate employer participating in the plan. Information about the State of Montana Other Postemployment Benefits (OPEB) can be obtained from the Department of Administration, State Accounting Division, at P.O. Box 200102, Helena, MT 59620-0102.

The plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an “implied rate” subsidy in the related financial statements and footnotes. While this liability is disclosed for financial statement purposes, it does not represent a legal liability of the TRS.

Funding Policy

The contribution requirements of plan members are established and may be amended by the MDOA. The monthly premium for plan members ranges from $285 to $982 for calendar year 2012 depending on the medical plan selected, family coverage, and Medicare eligibility. Administratively established dental premiums vary between $34.90 and $59.36 and vision premiums vary between $7.64 and $22.26 depending on the coverage selected. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost

The annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45, represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Annual OPEB Cost

	TRS
Annual required contribution/OPEB cost	$ 39,446
Interest on net OPEB obligation	8,566
Annual OPEB cost	48,012
Contributions made	-
Increase in net OPEB obligation	48,012
Net OPEB obligation – beginning of year	239,397
Net OPEB obligation – end of year	287,409

The 2013 ARC is calculated for all the plan's employers and then allocated to each participating employer. The TRS 2013 ARC is $48,012 and is based on the plan's current ARC rate of 6.32% percent of total annual covered payroll for all employers. The 2013 ARC is equal to an annual amount required each year to fully fund the liability over 30 years. The amount of the estimated OPEB actuarial accrued liability was determined in accordance with GASB Statement 45, and the liability for TRS is estimated at $361,053. (The actuarial accrued liability is the present value of future retiree benefits and expenses.) For fiscal year 2013, the TRS allocated annual OPEB cost (expense) of $48,012 was equal to the ARC. The TRS annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013 and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 49,496	0%	$ 96,974
6/30/2010	47,181	0%	144,155
6/30/2011	49,187	0%	193,342
6/30/2012	46,055	0%	239,397
6/30/2013	48,012	0%	287,409

Funded Status and Funding Progress

The funded status of the TRS allocation of the plan as of December 31, 2011, the most recent valuation date was as follows:

Actuarial accrued liability (AAL)	$361,053
Actuarial value of plan assets	$ 0
Unfunded actuarial accrued liability (UAAL)	$361,053
Funded ratio (actuarial value of plan assets/AAL)	0
TRS Covered payroll (active plan members)	$558,646
UAAL as a percentage of covered payroll	64.63%

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. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting progress are based on the substantive plan (the plan as understood by the employer and the plan members), and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Actuarial Methods and Assumptions

As of December 31, 2011, the TRS actuarially accrued liability (AAL) for benefits was $361,053, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $361,053, and the ratio of the UAAL to the covered payroll was 64.63%. The UAAL is being amortized as a level dollar amount over an open basis for 30 years.

In the December 31, 2011, actuarial valuation, the projected unit credit funding method was used for the State. The actuarial assumptions included a 4.25% discount rate and a 2.50% payroll growth rate. The projected annual healthcare cost trend rate is 10.0% for 2011 and decreases by 0.5% per year down to 5% for 2021 and beyond for medical and 10.0% for prescription drugs decreasing by 1% to 5% at 2016 and beyond.

NOTE F. SUBSEQUENT EVENT

The actuarial valuation for the retirement system as of July 1, 2013, included consideration for a plan change made in the 2013 Montana legislative session that authorized a reduction in the statutory "guaranteed annual benefit adjustment" ("GABA" – referred to as a cost of living adjustment in other systems), which reduction would apply to current TRS retirees and active members as well as to new hires. The prior GABA was a non-variable 1.5%, compounding, annual benefit adjustment applied each January 1st to the benefits of members who had received at least 36 monthly benefit payments as of that date. The 2013 legislative change, codified at 19-20-719(1), MCA, and effective July 1, 2013, is summarized as follows:

- GABA must be decreased to .5% if the most recent actuarial valuation shows that retirement system liabilities are less than 90% funded
- If the most recent actuarial valuation shows that retirement system liabilities are at least 90% funded and the provision of the increase is not projected to cause the system's liabilities to be less than 85% funded, the GABA must increase from the .5% floor up to 1.5%, as set by the retirement board

In October 2013, litigation was filed by Plaintiffs who were/are active members or retirees of TRS as of July 1, 2013, challenging the constitutionality of the GABA reduction under the "contract rights" and "takings" provisions of the Montana Constitution, and requesting a preliminary injunction. If the Plaintiffs prevail in the request for a preliminary injunction, at least during the period the preliminary injunction is in place, the expenditure of plan assets will be greater than assumed in the July 1, 2013, actuarial valuation. If the Plaintiffs ultimately prevail in the litigation, the long-term value of the retirement system's Unfunded Actuarial Accrued Liability (UAAL) will increase over the UAAL determined in the July 1, 2013, actuarial valuation.

Anticipating that a lawsuit would likely be filed contesting the constitutionality of the GABA adjustment, for comparison purposes, TRS asked its contract actuary to also provide an actuarial valuation of the system assuming the GABA continued at the pre July 1, 2013 rate. The comparison actuarial analysis indicated the TRS amortization period would be 20 years under the new GABA provision and 29 years under the old GABA provision with an increase in UAAL from $1.524 billion to $1.895 billion and a Funded Ratio decrease from 66.8% to 61.81%. While the comparison analysis likely does not wholly accurately describe what the actuarial valuation would end up being depending on all determinations that might be made by the Court in the litigation, it provides a reasonable estimate of the potential outcome.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

TRS PLAN
SCHEDULE OF FUNDING PROGRESS
(All dollar amounts in millions)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities (AAL)[1]	Present Value of Future University Supplemental Contributions	Unfunded Actuarial Accrued Liabilities (UAAL)[2]	Funded Ratio[3]	Covered Payroll[4]	UAAL as a Percentage of Covered Payroll
July 1, 2013	3,067.9	4,592.7	153.1	1,524.8	66.80%	742.6	205.3%
July 1, 2012	2,852.0	4,814.7	152.4	1,962.7	59.2%	735.6	266.8%
July 1, 2011	2,866.5	4658.6	155.1	1,792.1	61.5%	746.7	240.0%
July 1, 2010	2,956.6	4,518.2	158.7	1,561.6	65.4%	747.0	209.0%
July 1, 2009	2,762.2	4,331.0	157.2	1,411.6	66.2%	683.2	206.6%
July 1, 2008	3,159.1	4,110.8	157.1	794.6	79.9%	689.5	115.2%

1) *Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method. Effective July 1, 2010, the System's AAL includes the present value of future university supplemental contributions.*
2) *Actuarial accrued liabilities less actuarial value of assets and present value of future university supplemental contributions. Effective July 1, 2010, the System's UAAL is not offset by the present value of future university supplemental contributions. Instead, the ORP contributions are used as additional contributions toward the System's amortization of the unfunded liability.*
3) *Funded Ratio is the ratio of the actuarial value of assets over the actuarial accrued liabilities less the present value of future university supplemental contributions. Effective July 1, 2010, the System's UAAL is not offset by the present value of future university supplemental contributions. Instead, the ORP contributions are used as additional contributions toward the System's amortization of the unfunded liability.*
4) *Covered Payroll includes compensation paid to all active employees on which contributions are calculated.*

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

TRS PLAN
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYERS
AND OTHER CONTRIBUTING ENTITIES
(All dollar amounts in thousands)

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
June 30, 2013	$ 130,460	70.2%
June 30, 2012	108,984	81.9%
June 30, 2011	91,859	98.3%
June 30, 2010	90,947	98.3%
June 30, 2009	80,998	100.0%
June 30, 2008	81,423	100.0%

Since the System is a Cost Sharing Multiple Employer Plan, there is no Net Pension Obligation (NPO).

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Cost Method

The actuarial valuation was prepared using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual member. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the difference of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the unfunded actuarial accrued liability. The unfunded actuarial accrued liability is amortized as a level percentage of the projected salaries of present and future members of the System.

The ultimate cost of any pension program over time equals the benefits paid and expenses incurred while administering the program. The source of revenue used to pay for this cost is equal to the contribution from employers and employees to fund the program, plus investment return earned on contributions made through pre-funding the benefit payments.

Valuation of Assets - Actuarial Basis

The actuarial asset valuation method spreads asset gains and losses over four years. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years. The gains and losses are measured starting with the year ended June 30, 2007. The actuarial value of assets is not allowed to be greater than 120% or less than 80% of the market assets. (Adopted July 1, 2007)

Inflation Rate

The assumed inflation rate is 3.50% per annum, compounded annually (adopted July 1, 2004).

Investment Earnings

The annual rate of investment earnings of the assets of the System is assumed to be 7.75% per year, compounded annually. (Adopted July 1, 2004)

Guaranteed Annual Benefit Adjustment Increases

On January 1 of each year, the retirement allowance payable must be increased by 0.5% if the retiree has received benefits for at least 36 months prior to January 1 of the year in which the adjustment is to be made.

Future Salaries
The rates of annual salary increases assumed for the purpose of the valuation include an assumed 4.5% annual rate of increase in the general wage level of the membership plus a variable merit and longevity rate from 0% to 4.51%. The merit and longevity increases for the Montana University System (MUS) members did not show a pattern of increasing or decreasing with service at the time of our most recent study. Therefore, the MUS members have a flat 1% merit and longevity assumption. The general wage increase assumption was adopted July 1, 2004 and the merit and longevity scales were adopted July 1, 2002.

MUS members are assumed to have a 0.63% higher average final compensation to account for the larger than average annual compensation increases observed in the years immediately preceding retirement.

Amortization Method
The unfunded actuarial accrued liability created by this method, including gains and losses, is amortized as a level percentage of the System's projected payroll.

Amortization Period
The amortization period of the unfunded actuarial liability is 20 years as of July 1, 2013.

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
REQUIRED SUPPLEMENTARY INFORMATION

Other Postemployment Benefits Plan Information
Schedule of Funding Progress
(All dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as % of covered Payroll ((b-a/c)
12/31/2007	-	$ 449,321	$ 449,321	0%	$ 519,969	86.41%
12/31/2009	-	357,664	357,664	0%	526,794	67.89%
12/31/2011	-	361,053	361,053	0%	558,646	64.63%

TEACHERS' RETIREMENT SYSTEM
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Valuation date	December 31, 2011
Actuarial cost method	Projected unit credit funding
Amortization method	Level percent of payroll, open
Remaining amortization period	30 years
Asset valuation method	Not applicable since no assets meet the definition of plan assets under GASB 45
Actuarial assumptions:	
Projected salary increases	2.50%
Participation	
Future retirees	55.0%
Future eligible spouses	60.0%
Inflation rate	4.25%

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
SUPPORTING SCHEDULES
FISCAL YEARS ENDED JUNE 30, 2013

SCHEDULE OF ADMINISTRATIVE EXPENSES

Expenses for the administration of the plan, excluding compensated absences, depreciation and amortization, are budgeted and approved by the TRS Board. The administrative costs of the TRS are financed through realized investment income. The expenses, less amortization of intangible assets, may not exceed 1.5% of retirement benefits paid. Administrative expenses for the fiscal year ended June 30, 2013 are outlined below:

		2013
Budgeted Expenses:		
Personnel Services:		
Salaries	$	851,413
Other Compensation		3,500
Employee Benefits		275,344
Total Budgeted Personal Services	$	1,130,257
Operating Expenses:		
Contracted Services	$	506,204
Supplies & Material		30,717
Communications		74,329
Travel		14,340
Rent		58,680
Repair & Maintenance		30,321
Other Expenses		33,220
Total Budgeted Operating Expenses	$	747,812
Non-Budgeted Expenses:		
Compensated Absences	$	23,922
Depreciation		18,589
Amortization of Intangible Assets		13,603
Total Non-Budgeted Expenses	$	56,114
Total Administrative Expenses	**$**	**1,934,182**

TEACHERS' RETIREMENT SYSTEM
A COMPONENT UNIT OF THE STATE OF MONTANA
SUPPORTING SCHEDULES
FISCAL YEARS ENDED JUNE 30, 2013

SCHEDULE OF INVESTMENT EXPENSES

Investment	BOI	Custodial Bank	External Managers	Total
Short-term Investment Pool	$ 8,080	$ 3,696	$	$ 11,776
Retirement Funds Bond Pool	207,433	84,248	569,464	2,840,168
Montana Domestic Equity Pool	181,779	198,688	2,459,700	2,840,168
Montana International Equity Pool	162,879	46,594	1,104,638	1,314,112
Montana Private Equity Pool	246,836	47,694	5,994,693	6,289,223
Montana Real Estate Pool	151,131	29,444	3,433,084	3,613,659
	$ 958,137	**$ 410,365**	**$ 13,561,581**	**$ 14,930,082**

SCHEDULE OF PAYMENTS TO CONSULTANTS (included in administrative contracted services on previous page)

	2013
Actuarial Services	$ 101,134
Personnel Services	7,627
Legal Services	31,106
Medical Evaluations	480
Information Technology Services	196,371
Total Consultant Payments	**$ 336,718**

Teachers' Retirement System

System's Response

TEACHERS' RETIREMENT SYSTEM

STEVE BULLOCK, GOVERNOR

www.trs.mt.gov

STATE OF MONTANA

1500 EAST SIXTH AVENUE
PO BOX 200139
HELENA, MONTANA 59620-0139

1-866-600-4045
406-444-3134

RECEIVED
DEC 2 0 2013
LEGISLATIVE AUDIT DIV.

December 18, 2013

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

Dear Ms. Hunthausen:

Thank you for the opportunity to reply to the financial audit report of the Teachers' Retirement System for the fiscal year ending June 30, 2013. The Teachers' Retirement Board appreciates the services provided by your staff in conducting the audit. This past year the funded status of the System increased from 59.24% at July 1, 2012 to 66.80% at July 1, 2013, while the amortization period decreased from "Infinite" to 20 years. The improvements to the funded status of the System and amortization period are primarily due to additional contributions as a result of legislation passed and approved during the 2013 Legislative Session and favorable investment returns.

We are pleased with the unmodified opinion on the financial statements for the fiscal year ending June 30, 2013 and I would like to thank Ms. Hunthausen and her staff for their professionalism and courtesy as they conducted the audit.

Sincerely,

Shawn J. Graham
Executive Director
406-444-3376

SG/mjo