Board Of Investments

Fiscal Year 2011 Annual Report

MONTANA BOARD OF INVESTMENTS

Department of Commerce

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The Honorable Brian Schweitzer, Governor

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MONTANA BOARD OF INVESTMENTS
Staff as of June 30, 2011

- ***Carroll V. South***
  Executive Director
- ***Geri Burton***
  Deputy Director
- ***Louise Welsh***
  Bond Program Officer
- ***Mary Noack***
  Network Administrator
- ***Carol Ann Augustine***
  Office Manager - Board Secretary
- ***Sara LaFountaine***
  Administrative Assistant
- ***Candy Burch***
  Administrative Assistant
- ***Gayle Moon, CPA***
  Accounting Fiscal Manager
- ***Polly Boutin***
  Accountant
- ***Roberta Diaz***
  Accountant
- ***April Madden***
  Accountant
- ***Herbert Kulow, CMB***
  Sr. Portfolio Manager –
  Montana Investments
- ***Nancy Rivera***
  Credit Analyst –
  Montana Investments
- ***Clifford A. Sheets, CFA***
  Chief Investment Officer
- ***Richard Cooley, CFA***
  Portfolio Manager – Fixed Income/STIP
- ***Rande Muffick, CFA***
  Portfolio Manager –
  Domestic & International Equities
- ***Nathan Sax, CFA***
  Portfolio Manager – Fixed Income
- ***Daniel Zarling, CFA***
  Director of Research
- ***Jason Brent, CFA***
  Investment Analyst
- ***Tim House***
  Investment Operations Chief
- ***Edward Kelly***
  Investment Analyst
- ***Teri Kolnik***
  Investment Analyst
- ***Jon Putnam, CFA, FRM***
  Investment Analyst
- ***John Romasko, CFA, CPA***
  Investment Analyst
- ***Steve Strong***
  Investment Analyst

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INTRODUCTION

The Montana Board of Investments (Board) is pleased to submit its Annual Report for the fiscal year ended June 30, 2011. This report, required by law, discloses investment performance for the past fiscal year, summarizes the in-state investment activities of the Board, and provides public access to audited financial statements. Unless otherwise noted, all references to years in this report are state fiscal years beginning July 1 and ending June 30.

General Board Responsibilities

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

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

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

The unified investment program has grown from a book value of $321 million at year-end 1972 to a book value of $12.78 billion at year-end 2011 - an annual average increase of 9.9 percent. During the same period, the number of accounts invested by the Board increased from 40 accounts to 497 accounts. The Board’s financial statements are audited annually by the Legislative Auditor.

Click here to view the financial statements and independent auditor’s report

In-State Investments **-** In addition to the Board's primary role of managing the state's unified investment program, the Board assists in Montana's economic development. Montana law (17-6-304, MCA) states that the "objectives for investment of the Permanent Coal Tax Trust Fund are to diversify, strengthen, and stabilize the Montana economy, and to increase Montana employment and business opportunities while maintaining and improving a clean and healthful environment." Section 17-6-305, MCA, states that "the Board shall endeavor to invest 25 percent of the Permanent Coal Tax Trust Fund . . . in the Montana economy, with special emphasis on investments in new or expanding locally owned enterprises." In addition to the 25 percent dedicated to this loan program, the Board manages three other loan programs from the Trust; “the Infrastructure Loan Program with an $80.0 million allocation, the Value-Added Loan Program with an allocation of $70.0 million, and the Intermediary Re-lending Program with an allocation of $5.0 million.

Commercial\Infrastructure/Value-Added Loans - The Board manages these programs in conformance with the "prudent expert principle" and does not invest solely to improve Montana's economy. Operating the in-state investment program under the "prudent expert principle" has not prevented the Board from effectively investing the Trust to spur Montana's economy. Since the program's inception in 1984 through 2011, the Board has funded 1,265 loans totaling $646.0 million in 44 of Montana's 56 counties. Loans funded by county are shown on Page 44.

Mortgages - The Board also purchases Montana mortgages with pension funds as a part of the in-state investment program. At year-end 2011 the Board held Montana mortgages with total book values of $26.5 million. The Board serves as a secondary market to qualified financial institutions in the in-state investment programs and does not lend directly to borrowers.

Bond Program - As a part of the Board's in-state investment activities, it also sells bonds and lends the proceeds to eligible governments for a variety of projects. Loan terms range from one to fifteen years, and short-term loans are also available to finance cash flow deficits or interim financing. Both the bond program and the in-state investment program, funded from the Permanent Coal Tax Trust, were created in fiscal year 1984 as part of the "Build Montana" program. Since the program's inception, $342.9 million has been loaned to eligible governments. Additional information on the bond program is shown beginning on Page 46.

Securities Lending - Section 17-1-113, MCA, authorizes the Board to lend securities held by the state. Investment firms borrow securities to cover short positions, failed deliveries, arbitrage trades, and other brokerage activities. The Board requires borrowers to maintain collateral at 102 percent for domestic securities and 105 percent for international securities. To ensure that the collateral ratio is maintained, securities on loan are marked to market daily and the borrower must provide additional collateral if the value of the securities on loan increases. State Street Bank and Trust, the state's custodial bank, manages the state's securities lending program and retains 20 percent of the income generated as compensation for managing the program. The state earned securities lending income of $5,520,211 in 2011, compared to $4,590,877 in 2010. Because this program is demand driven by the markets, earnings are volatile.

Board Operations

Board Staff - The Board is comprised of nine members appointed by the Governor to staggered four-year terms. The Board also has two non-voting legislative liaisons, from different political parties; one appointed by the President of the Senate and one appointed by the Speaker of the House. The Board employs a Chief Investment Officer and an Executive Director who hire staff as authorized by the legislature. There are currently 33 full-time equivalents authorized. Board staff also provides administrative support to the Montana Facility Finance Authority.

Board Administrative Costs - The investment portion of Board operations is funded by administrative charges against the funds it invests, while the bond program is primarily funded by the "spread" between the interest paid on bonds issued and interest received on loans made. Effective in 1998, the legislature has set the maximum fees the Board may charge in the investment program. The total investment fees charged, which includes BOI fees, external manager fees, and custodial bank fees are shown in the financial statements.

Board Policies and Procedures

Investment Policies - The Board adopts an investment policy for each individual fund it invests, except for funds investing in STIP only. The policies are tailored to the specific needs of the fund and are implemented only after consultation with the administrators of the funds. Asset allocations and

investment time horizons are established by policy, as are the benchmarks against which investment performance is measured.

***Benchmarks* -** The Board establishes benchmarks for each asset class and the custodial bank develops a composite benchmark for each pension fund that parallels the fund's asset allocation at market value.

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

Report Content

This report contains historical data from 1972 (the first fiscal year the Board managed the unified investment program) through 2011. All historical data were extracted from the Board's annual published reports. Statistical data are provided on the Board's investment activity in 2011 and changes in investments from 2010. Links are provided for other pertinent information not included in the report.

Report Terminology

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

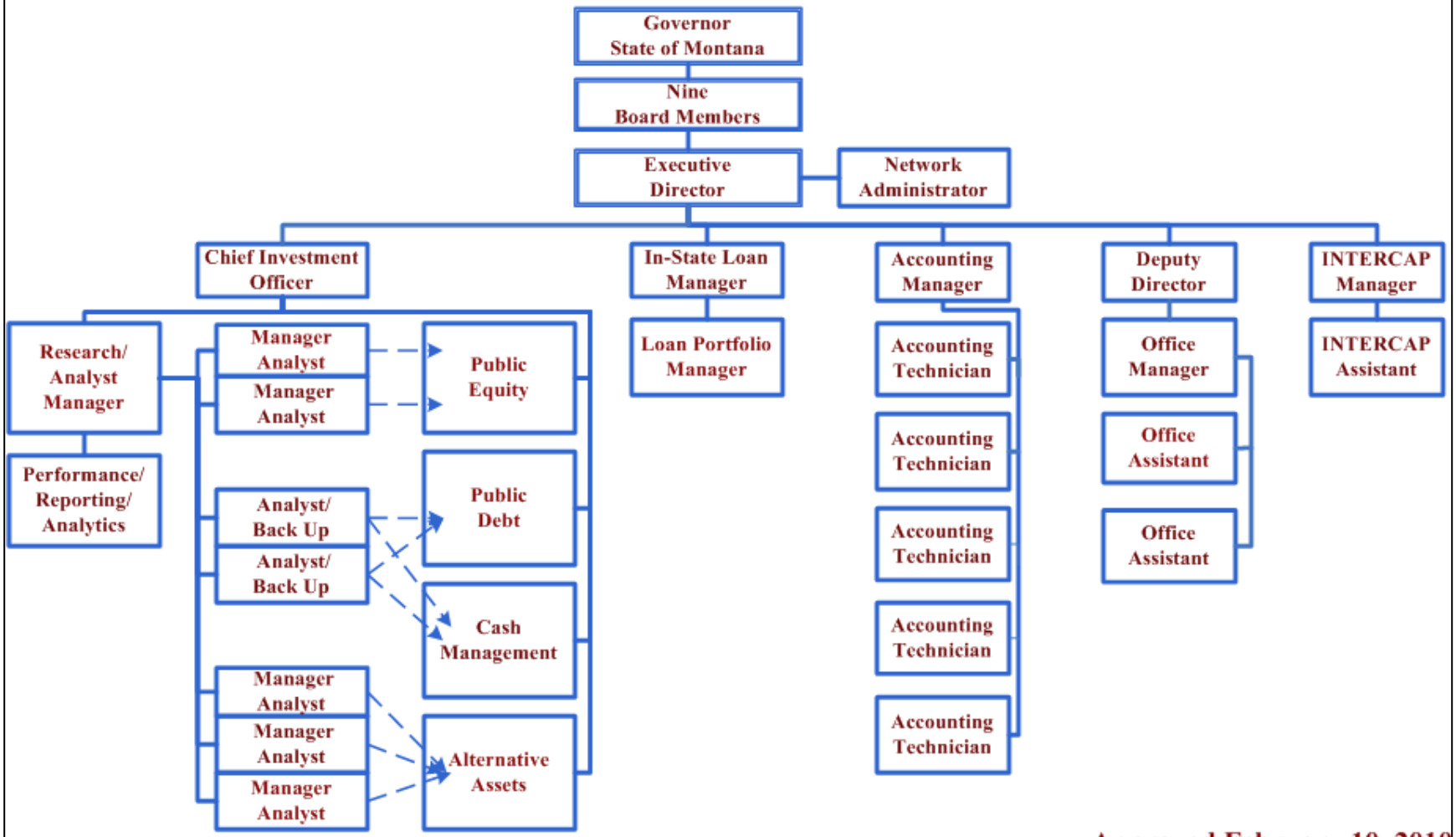
Fair Market Values reflect the value of securities on June 30 as priced by the custodial bank, or other sources.

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

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

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

Montana Board of Investment Functional Organization Chart



Approved February 10, 2010

ECONOMIC & FINANCIAL MARKETS OVERVIEW

The pension plans' return for the current fiscal year was extremely positive at over 20% and represented a continuation of the upward trend from the prior fiscal year's post recession recovery. Capital market performance appeared much more positive than the underlying economic news. While corporate earnings fully recovered to pre-recession levels, the housing and labor markets failed to show any meaningful bounce back from the worst of the recession. The rate of economic growth slowed over the course of the fiscal year, having topped out at a quarterly rate near 4% in the middle of 2010, but then slowed noticeably over the next four quarters. A combination of the earthquake in Japan in March, and the associated supply chain disruptions, and a spike in energy prices in the spring acted to slow global manufacturing and consumption trends.

Stock prices held up fairly well despite the negative economic backdrop during the last quarter of the fiscal year, but since then have suffered a notable decline. Expectations for economic growth during the second half of 2011 began to erode along with consumer confidence during the summer months. Deterioration in the outlook was compounded by the fear of a possible U.S. Government shutdown during the debt ceiling debate in late July, and the threat posed to the global financial system by the European sovereign credit crisis.

For the 2011 fiscal year, the total retirement plans' return was 21.79%, well above the fiscal year 2010 return of 12.85%. These two latest fiscal year returns helped to improve the longer term returns of the plans with the annualized three year return at 2.93%, five years at 4.11% and ten years at 4.93%. A one year return of the magnitude just witnessed can indeed make a difference in digging out of the hole left by the bear market. The trailing three year return shifted from a negative 5.21% a year ago to this year's positive figure, and even the trailing ten year return more than doubled from last year's 2.35%.

The 2011 fiscal year return was positive for all asset classes, but particularly for the equity markets, both publicly traded stocks and private equity. For the fiscal year, the retirement plans enjoyed a 31.43% return from public stocks, with domestic stocks up 31.92% and international stocks up 30.62%. Bonds, which represent the second largest public asset class next to stocks, also experienced positive returns for the fiscal year. This asset class was up 6.81%, and similar to last year, the return was enhanced by allocations to core plus and high yield bond strategies within the fixed income pool while the interest rate for U.S. Government bonds was flat for most maturities during the fiscal year.

Alternative assets in the pension plans include private equity and real estate investments. Performance for both asset classes was strong, with private equity returning 20.75% and real estate returning 16.35%. Both of these asset types have an inherent reporting lag, with valuations typically lagged by one quarter. Both asset classes are long term investments that are not marked to market daily, however are still dependent on the fundamental drivers of the economy and corporate earnings. Yet their characteristics offer some diversification benefit versus publicly traded securities while providing attractive long term returns.

Pension plan asset allocation changes during the fiscal year were driven by both market moves and transaction activity. During the first nine months of the fiscal year, public equities experienced the largest allocation increase primarily due to positive market moves despite some sales to trim exposure. Public equities ended the fiscal year at 55.0%, up almost 5% from the prior fiscal year end. Even considering valuation gains, the private equity weight was slightly reduced through sales, ending at an allocation of 12.3% of plan assets. Overall the equity allocation increased to 67.3%, largely a function of the strong positive returns. The allocation to fixed income was down 3.8%, primarily because the

allocation was diluted by much stronger returns for equities. Real estate grew to 6.5% of the plans' assets through significant additional investments and improved valuations. A year ago a decision was made to endorse a small allocation to timberland to supplement our existing real estate exposure. An investment in timberland was initiated during the second half of the fiscal year and the allocation is expected to grow over time.

As noted earlier, stock markets have reacted negatively to recent events since the end of the fiscal year; so too have corporate bonds and other so called "risk assets." At the same time, U.S. Government bond yields have fallen to new lows as investors seek safety. As of this writing in late November, the same events alluded to earlier – deteriorating consumer confidence and European sovereign debt problems – are driving investor anxiety. The domestic economy appears hamstrung by the dual concerns facing most consumers – a continued weak housing market and a stubbornly high level of unemployment. These are challenges that continue to confound policymakers. As are most developed countries, the U.S. is facing a balancing act of trying to stimulate the economy in the near-term while steering the long-term fiscal deficit towards greater austerity. The stalemate in Congress makes this challenge near impossible to solve, and in the near term there is no expectation in the marketplace that there will be any fiscal action to help the economy. The Federal Reserve has launched its latest initiative to push down long term interest rates in the hope of providing monetary stimulus to the weakening economy. Whether this will have a noticeable impact in improving the outlook is up for debate. Risk of another recession is real, though the consensus economic forecast has improved in recent weeks and the chance of a "double dip" has diminished.

What does this mean for pension fund returns looking forward to the end of the current fiscal year? The outlook for returns seems mediocre at best. Risk premiums have already risen substantially across the equity and corporate credit markets as confidence in the economy has fallen and the corporate earnings outlook begins to erode. Government bond yields are depressed and are likely to remain low for the foreseeable future. In the immediate future there may be ongoing positive returns in the private asset classes, real estate and private equity, as their reporting valuations catch up with public assets. Clearly, we do not anticipate a repeat of the extraordinary returns of the past two years for the current fiscal year. Much will depend on whether we can avoid another U.S. recession and whether the European sovereign debt crisis can be contained, at least to the point of preventing a financial crisis and allowing for longer term solutions to be found. While the uncertainties of the moment are disconcerting, the long term outlook is still more positive than it was three years ago. Valuations across most asset classes are much more reasonable now, and the economy, while fragile, is less vulnerable to the kind of shakeout that occurred earlier.

TOTAL FUND

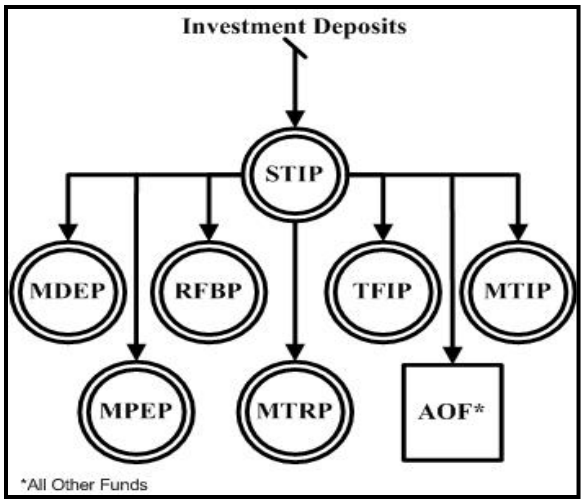
The Total Fund is comprised of all state and local government funds invested by the Board. Fund types invested include pensions, trusts, insurance, debt service, state agency and higher education operating accounts, and local government funds. Unless otherwise provided by law, the Board must invest all state funds. Local governments at their discretion may invest funds with the Board. All local government funds are invested in the Short Term Investment Pool (STIP). During the year the Board invested 497 individual accounts, consisting of 329 state agency accounts and 168 local government accounts. The tables below show the June 30, 2011 fair value of invested assets by major fund type and individual funds.

Fund Type	Cash Equivalents	Public Stock	Fixed Income	Loans	Other (1)	Total
Pensions	115,651,022	4,290,447,215	1,922,867,078		1,468,520,522	7,797,485,837
Trusts	201,460,349		1,962,863,036	178,502,340		2,342,825,725
Insurance	134,884,032	137,532,240	1,103,826,400			1,376,242,672
Treasurer's	991,725,354		31,015,280			1,022,740,634
Local Gov.	415,221,685					415,221,685
Agency Cash	342,015,686		18,073,121			360,088,808
Universities	152,251,238	1,232,936	48,113,431			201,597,605
Debt Service	26,906,460					26,906,460
Total	2,380,115,826	4,429,212,391	5,086,758,346	178,502,340	1,468,520,522	13,543,109,425

(1)Private Equity, and Real Estate

Fund	Fair Value $	Fund	Fair Value $
Public Employees Retirement	3,930,390,589	Higher Ed STIP	37,685,057
Teachers Retirement	2,940,482,398	Blackfoot Response	35,366,536
State Fund Insurance	1,218,037,767	Montana Pole	32,583,287
Treasurers Fund	1,022,740,634	Butte Area One Rest	31,406,099
Permanent Coal Trust	560,821,854	Clark Fork River Rs	30,458,212
Public School Trust	509,951,265	Fwp License	28,073,204
Local Governments	415,221,685	Volunteer Firefighters Retire	27,010,041
State Agency STIP	332,015,603	Debt Service STIP	26,906,460
Police Retirement	217,067,875	Park Acquisition	22,066,975
Firefighters Retirement	215,775,342	Ucfrb Litigation	14,896,696
Sheriffs Retirement	210,815,214	Zortman Water	12,631,264
Treasure State Endowment	205,959,226	Smelter Hill Upload	12,481,236
Ucfrb Restoration	146,764,219	Fwp Mitigation	12,364,684
Tobacco Trust	140,906,571	Cultural Trust	12,076,115
Resource Indemnity Trust	109,080,360	Noxious Weeds	10,858,663
Clark Fork Site Resp	108,989,860	Wildlife Habitat	10,173,753
Highway Patrol Retirement	98,521,582	Older Montanans Trust Fund	10,111,361
Other Trusts STIP	98,351,403	Zortman Trust	9,418,294
Montana State University	97,455,689	Montana Tech Uofmontana	7,733,852
Insurance STIP	97,126,869	Real Property Trust	5,909,110
Game Wardens Retirement	93,925,828	Abandoned Mine Trust	5,814,132
Streamside Tailings	73,720,277	Other Trusts TFIP	2,386,555
Judges Retirement	63,496,968	Endowment For Children	1,296,042
Group Benefits	60,169,863	Subsequent Injury Fund	908,173
Regional Water Fund	60,169,153	Higher Ed MDEP	150,527
University Of Montana	58,572,480	Litigation Cost Recvr	111
Economic Development Trust	55,812,413		
		Total	13,543,109,425

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



At year-end the Board managed 88.1 percent of the Total Fund in seven investment pools. All cash is initially deposited in STIP, which operates as a money market fund with a $1.00 share value. Participants may invest and withdraw funds with 24 hours notice. Depending upon the investment parameters of individual accounts, some or most of the account balances may be transferred from STIP to other investment pools, which include equity, fixed-income, and alternative investments. If accounts may be invested in longer-term investments but their investment parameters do not permit investment in the pools, they are invested in individual portfolios included in the All Other Funds.

Most state agency accounts authorized by law to retain interest earnings and all local government accounts are limited to STIP investments only. State agency accounts that invest in other investment pools or individual investment portfolios may maintain a minimum STIP balance for liquidity. Since the state's trust funds cannot be invested in equities, they are invested in the Trust Funds Investment Pool (TFIP), or individual fixed-income portfolios. Because there are no constitutional or legal restraints on the investment of state pension funds, they are invested in the Retirement Funds Bond Pool (RFBP), the Montana Real Estate Pool (MTRP), and the three equity pools – the Montana Domestic Equity Pool (MDEP), the Montana International Equity Pool (MTIP), and the Montana Private Equity Pool (MPEP). Investment pool information is provided beginning on Page 9. During 2011, $372.1 million in investment income was distributed to the accounts.

Total Fund Annual Change by Major Asset Type

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Domestic Stock	2,517,174,039	19.7	2,445,914,626	20.2	71,259,413	2.9
International Stocks	1,230,825,422	9.6	1,145,096,163	9.5	85,729,258	7.5
Fixed Income	4,811,629,918	37.7	4,640,068,838	38.4	171,561,081	3.7
Cash Equivalents	2,445,268,257	19.1	2,218,686,105	18.4	226,582,152	10.2
Private Equity	875,119,048	6.8	845,012,499	7.0	30,106,549	3.6
Loans/Mortgages	204,986,779	1.6	241,205,590	2.0	(36,218,810)	(15.0)
Real Estate	691,587,912	5.4	552,461,067	4.6	139,126,846	25.2
Total	**12,776,591,375**	**100.0**	**12,088,444,888**	**100.0**	**688,146,488**	**5.7**

Investment Type	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% of Change
Domestic Stock	2,965,076,884	21.7	2,312,926,588	19.4	652,150,296	28.2
International Stocks	1,462,305,196	10.7	1,098,849,170	9.2	363,456,026	33.1
Fixed Income	5,004,061,567	36.7	4,825,688,420	40.4	178,373,148	3.7
Cash Equivalents	2,445,268,257	17.9	2,218,686,105	18.6	226,582,152	10.2
Private Equity	960,833,766	7.0	854,832,113	7.2	106,001,652	12.4
Loans/Mortgages	204,604,292	1.5	240,954,759	2.0	(36,350,467)	(15.1)
Real Estate	604,774,979	4.4	398,348,880	3.3	206,426,099	51.8
Total	**13,646,924,940**	**100.0**	**11,950,286,034**	**100.0**	**1,696,638,906**	**14.2**
Income Distributed	**372,082,927**		**393,195,593**		**(21,112,666)**	**(5.4)**

Click here for a complete listing of income by fund

RETIREMENT FUNDS BOND POOL

On April 1, 1995, all fixed-income investments held by the nine pension funds were transferred to the newly-created Retirement Funds Bond Pool (RFBP). Each pension fund received shares in the pool equal in value to the fair value of its fixed-income portfolio on the date of the transfer. Income distributed includes interest accruals, discount/premium, and securities lending income. All realized capital gains and losses are retained in the pool. The tables below show the annual change in book/fair value of the participant shares.

RFBP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Public Employees	904,925,847	50.4	893,496,301	50.3	11,429,546	1.3
Police	50,439,796	2.8	49,376,172	2.8	1,063,624	2.2
Game Wardens	21,617,321	1.2	19,917,321	1.1	1,700,000	8.5
Sheriffs	47,931,339	2.7	46,775,417	2.6	1,155,922	2.5
Judges	14,682,449	0.8	14,528,523	0.8	153,926	1.1
Highway Patrol	22,844,553	1.3	23,083,161	1.3	(238,608)	(1.0)
Teachers	676,694,083	37.7	673,872,463	38.0	2,821,621	0.4
Volunteer Firefighters	6,079,440	0.3	6,171,766	0.3	(92,325)	(1.5)
Firefighters	50,136,721	2.8	48,265,618	2.7	1,871,103	3.9
Total	**1,795,351,549**	**100.0**	**1,775,486,741**	**100.0**	**19,864,808**	**1.1**

Participant	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% Change
Public Employees	969,118,608	50.4	939,430,189	50.3	29,688,419	3.2
Police	53,728,827	2.8	51,741,759	2.8	1,987,067	3.8
Game Wardens	22,834,041	1.2	20,690,655	1.1	2,143,387	10.4
Sheriffs	51,323,160	2.7	49,172,017	2.6	2,151,143	4.4
Judges	15,497,354	0.8	15,034,409	0.8	462,944	3.1
Highway Patrol	24,318,404	1.3	24,091,112	1.3	227,292	0.9
Teachers	726,164,390	37.8	710,013,885	38.0	16,150,505	2.3
Volunteer Firefighters	6,415,462	0.3	6,379,298	0.3	36,165	0.6
Firefighters	53,466,832	2.8	50,657,137	2.7	2,809,695	5.5
Total	**1,922,867,078**	**100.0**	**1,867,210,461**	**100.0**	**55,656,616**	**3.0**
Income Distributed	**84,150,805**		**91,067,072**		**(6,916,268)**	**(7.6)**

Click here for a complete listing of RFBP securities and cash

RFBP Annual Change by Manager

Manager	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Neuberger Berman	101,635,313	5.7	101,635,313	5.8	0	0.0
Reams Asset Management	201,637,716	11.4	190,274,708	10.9	11,363,007	6.0
Post Advisory Group	50,760,954	2.9	50,760,954	2.9	0	0.0
Artio Global Management	100,553,795	5.7	100,553,795	5.7	0	0.0
Internal Core Portfolio	1,285,418,371	72.5	1,303,887,625	74.4	(18,469,254)	(1.4)
Montana Mortgages	26,484,439	1.5	0	0.0	26,484,439	N/A
Cash Equivalents	5,862,303	0.3	4,645,437	0.3	1,216,865	26.2
Total	**1,772,352,891**	**100.0**	**1,751,757,833**	**100.0**	**20,595,058**	**1.2**

RFBP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	6.81	**Barclays Capital Aggregate**	3.90	2.91
3 Year Annualized Average	7.79	**Barclays Capital Aggregate**	6.46	1.33
5 Year Annualized Average	7.21	**Barclays Capital Aggregate**	6.52	0.69
10 Year Annualized Average	6.69	**Barclays Capital Aggregate**	5.74	0.95

TRUST FUNDS INVESTMENT POOL

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

TFIP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Charles Bair Trust	373,590	0.0	184,942	0.0	188,648	102.0
Clark Fork River CD	11,715,507	0.7	11,715,507	0.7	0	0.0
UCFRB Restoration	126,784,417	7.2	156,357,045	9.1	(29,572,628)	(18.9)
MT Pole Superfund	24,472,634	1.4	24,948,399	1.5	(475,764)	(1.9)
Streamside Tailings	59,675,530	3.4	60,997,992	3.6	(1,322,462)	(2.2)
Clark Fork Site	71,000,000	4.0	71,000,000	4.1	0	0.0
ButteArea One Rest	14,500,000	0.8	14,500,000	0.8	0	0.0
Clark Fork River RS	16,500,000	0.9	16,500,000	1.0	0	0.0
Smelter Hill Upload	3,175,000	0.2	2,675,000	0.2	500,000	18.7
Permanent Coal Trust	343,014,591	19.4	315,514,591	18.4	27,500,000	8.7
Real Property Trust	5,428,884	0.3	5,243,884	0.3	185,000	3.5
Resource Indemnity	99,999,976	5.6	99,999,976	5.8	0	0.0
Coal Tax Park ACQ	20,550,586	1.2	19,710,586	1.2	840,000	4.3
Wildlife Habitat	9,289,265	0.5	8,654,265	0.5	635,000	7.3
Stewart Trust Fund	79,912	0.0	79,912	0.0	0	0.0
Acquisition Trust	95,448	0.0	49,965	0.0	45,483	91.0
Trust and Legacy	464,553,456	26.2	444,653,456	25.9	19,900,000	4.5
Older Montana Trust	698,762	0.0	8,944,874	0.5	(8,246,111)	(92.2)
Bradley Trust	414,403	0.0	119,890	0.0	294,513	245.7
Teakle Trust	371,484	0.0	129,904	0.0	241,580	186.0
Merritt Wheeler Trust	104,827	0.0	29,937	0.0	74,890	250.2
Sobotka Memorial Trust	99,929	0.0	99,929	0.0	0	0.0
Noxious Weed Trust	8,864,783	0.5	8,829,783	0.5	35,000	0.4
Cultural Trust	11,430,349	0.6	11,024,349	0.6	406,000	3.7
Treasure State Endowment	194,848,300	11.0	181,247,300	10.6	13,601,000	7.5
Children Endowment	1,189,864	0.1	1,129,864	0.1	60,000	5.3
Treasure State Water	57,291,879	3.2	50,571,879	3.0	6,720,000	13.3
Tobacco Trust	134,316,503	7.6	121,892,772	7.1	12,423,731	10.2
Big Sky Economic Developmen	53,499,091	3.0	46,779,091	2.7	6,720,000	14.4
University of Montana	14,552,921	0.8	14,552,921	0.8	0	0.0
Blackfoot Response	5,500,000	0.3	0	0.0	5,500,000	N/A
Ronald Schmid Trust	350,000	0.0	0	0.0	350,000	N/A
Harriet E. Miller Trust	476,000	0.0	0	0.0	476,000	N/A
Montana State University	14,999,130	0.8	14,999,130	0.9	0	0.0
Montana College of Technology	458,450	0.0	458,450	0.0	0	0.0
Total	**1,770,675,471**	**100.0**	**1,713,595,593**	**100.0**	**57,079,879**	**3.3**
Income Distributed	**87,678,651**		**86,227,707**		**1,450,944**	**1.7**

Click here for a complete listing of TFIP securities and cash

TFIP Annual Change by Manager

Manager	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Post Traditional High Yield	90,000,000	5.0	90,000,000	5.1	0	0.0
Internal Core Portfolio	1,570,681,294	87.0	1,567,405,212	89.6	3,276,082	0.2
TIAACREF Real Estate	41,632,000	2.3	20,000,000	1.1	21,632,000	108.2
American Core Real Estate	49,000,000	2.7	34,000,000	1.9	15,000,000	44.1
Cash Equivalents	54,761,411	3.0	38,594,874	2.2	16,166,538	41.9
Total	**1,806,074,705**	**100.0**	**1,750,000,086**	**100.0**	**56,074,619**	**3.2**

TFIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	6.39	**Barclays Capital Aggregate**	3.90	2.49
3 Year Annualized Average	7.76	**Barclays Capital Aggregate**	6.46	1.30
5 Year Annualized Average	7.26	**Barclays Capital Aggregate**	6.52	0.74
10 Year Annualized Average	6.89	**Barclays Capital Aggregate**	5.74	1.15

SHORT TERM INVESTMENT POOL

The Short Term Investment Pool (STIP), created in 1973, provides participants access to a short-term money market fund. Shares are fixed at $1.00, fractional shares may be purchased, and participants may buy or sell shares with one business day's notice. Income is distributed on the first day of the month. Pool investments are managed by Board Staff. There were 497 accounts invested in STIP during the year, consisting of 329 state accounts and 168 local government accounts. All investments are made by Board staff and all income is distributed to participants. The table below shows the annual change in the value of shares by major participant type.

STIP Annual Change by Major Participant Type

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Trust Funds	201,460,349	8.3	205,670,905	9.1	(4,210,556)	(2.0)
Insurance Funds	134,884,032	5.6	136,383,310	6.1	(1,499,278)	(1.1)
University Funds	152,251,238	6.3	105,592,053	4.7	46,659,185	44.2
Debt Service Funds	26,906,460	1.1	51,621,780	2.3	(24,715,320)	(47.9)
State Agencies Operating	342,015,686	14.1	374,971,130	16.7	(32,955,444)	(8.8)
Board Investment Pools	60,035,775	2.5	68,987,480	3.1	(8,951,705)	(13.0)
Treasurer's Fund	976,647,515	40.3	828,267,153	36.8	148,380,362	17.9
Pension Funds	115,651,022	4.8	118,143,962	5.3	(2,492,940)	(2.1)
Local Governments	415,221,685	17.1	358,539,815	15.9	56,681,870	15.8
Total	**2,425,073,762**	**100.0**	**2,248,177,588**	**100.0**	**176,896,174**	**7.9**
Income Distributed	**6,595,801**		**6,999,570**		**(403,770)**	**(5.8)**

Click here for a complete listing of STIP securities

The table below shows the historical yield, by year, since 1974 to 2011, to STIP participants net of all fees.

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

STIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	0.31	**LIBOR 1 Month**	0.25	0.06
3 Year Annualized Average	0.76	**LIBOR 1 Month**	0.62	0.14
5 Year Annualized Average	2.40	**LIBOR 1 Month**	2.25	0.15
10 Year Annualized Average	2.40	**LIBOR 1 Month**	2.31	0.09

MONTANA DOMESTIC EQUITY POOL

The Montana Domestic Equity Pool (MDEP) was created May 1, 2003, when all investments held in the Montana Common Stock Pool, the Standard and Poor's 500 Index Fund A and the Dimensional Fund Advisors U.S. Small Cap Index were combined to create the pool. Income distributed includes dividends, security lending and miscellaneous income. All realized capital gains and losses are retained in the pool. The tables below show the annual change in book/fair value of the participant shares.

MDEP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Charles Bair Trust	0	0.0	51,486	0.0	(51,486)	(100.0)
Acquisition Trust	0	0.0	23,360	0.0	(23,360)	(100.0)
Bradley Trust	0	0.0	54,478	0.0	(54,478)	(100.0)
Teakle Trust	0	0.0	41,746	0.0	(41,746)	(100.0)
Merritt Wheeler Trust	0	0.0	15,803	0.0	(15,803)	(100.0)
Public Employees	632,740,646	49.1	636,962,413	49.4	(4,221,767)	(0.7)
Police	45,515,403	3.5	43,393,202	3.4	2,122,202	4.9
Game Wardens	20,244,412	1.6	18,663,495	1.4	1,580,918	8.5
Sheriffs	39,262,676	3.0	38,629,001	3.0	633,675	1.6
Judges	10,736,612	0.8	10,548,804	0.8	187,808	1.8
Highway Patrol	16,631,780	1.3	16,671,171	1.3	(39,391)	(0.2)
Teachers	469,900,673	36.5	474,936,242	36.8	(5,035,569)	(1.1)
Volunteer Firefighters	6,156,635	0.5	6,168,454	0.5	(11,819)	(0.2)
Firefighters	45,806,228	3.6	43,209,222	3.3	2,597,006	6.0
Potter Trust	19,815	0.0	19,815	0.0	0	0.0
Harold Hamm Endowment	6,438	0.0	6,438	0.0	0	0.0
University of Montana	531,639	0.0	531,639	0.0	0	0.0
Total	**1,287,552,957**	**100.0**	**1,289,926,769**	**100.0**	**(2,373,812)**	**(0.2)**

Participant	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% Change
Charles Bair Trust	0	0.0	169,907	0.0	(169,907)	(100.0)
Acquisition Trust	0	0.0	40,965	0.0	(40,965)	(100.0)
Bradley Trust	0	0.0	265,256	0.0	(265,256)	(100.0)
Teakle Trust	0	0.0	217,581	0.0	(217,581)	(100.0)
Merritt Wheeler Trust	0	0.0	67,450	0.0	(67,450)	(100.0)
Public Employees	1,434,773,301	50.4	1,114,071,635	50.4	320,701,666	28.8
Police	79,542,357	2.8	59,531,718	2.7	20,010,639	33.6
Game Wardens	34,016,826	1.2	24,643,489	1.1	9,373,336	38.0
Sheriffs	76,579,639	2.7	58,158,788	2.6	18,420,851	31.7
Judges	23,097,726	0.8	17,607,951	0.8	5,489,775	31.2
Highway Patrol	35,968,884	1.3	27,848,267	1.3	8,120,618	29.2
Teachers	1,074,185,991	37.7	839,405,532	38.0	234,780,459	28.0
Volunteer Firefighters	9,375,580	0.3	7,245,440	0.3	2,130,140	29.4
Firefighters	78,946,676	2.8	58,543,318	2.7	20,403,358	34.9
Potter Trust	124,646	0.0	95,241	0.0	29,405	30.9
Harold Hamm Endowment	25,882	0.0	19,776	0.0	6,106	30.9
University of Montana	1,082,408	0.0	827,059	0.0	255,349	30.9
Total	**2,847,719,915**	**100.0**	**2,208,759,373**	**100.0**	**638,960,542**	**28.9**
Income Distributed	**21,269,025**		**19,657,457**		**1,611,568**	**8.2**

Click here for a complete listing of MDEP securities

MDEP Annual Change by Manager

Manager	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Analytic Partial L/S	123,913,382	4.8	122,242,568	4.5	1,670,814	1.4
JP Morgan Partial L/S	282,143,860	10.9	278,889,480	10.3	3,254,380	1.2
Martingale Partial L/S	0	0.0	81,791,388	3.0	(81,791,388)	(100.0)
Stock Performance Index Futu	8,724,388	0.3	17,835,092	0.7	(9,110,703)	(51.1)
INTECH Large Cap Enh Index	183,163,171	7.1	183,163,171	6.8	0	0.0
T Rowe Price Large Cap Enh In	274,941,352	10.6	274,941,352	10.2	0	0.0
WAMCO Large Cap Enh Index	192,745,764	7.4	192,745,764	7.1	0	0.0
Barrow Hanley Large Cap Valu	220,784,450	8.5	220,784,450	8.2	0	0.0
S & P 500 Index (Passive)	492,022,616	19.0	327,461,132	12.1	164,561,484	50.3
Columbus Large Cap Growth	151,379,559	5.8	151,379,559	5.6	0	0.0
Quantitative Large Cap Value	150,069,581	5.8	150,069,581	5.5	0	0.0
Rainier Large Cap Growth	151,038,838	5.8	151,038,838	5.6	0	0.0
Renaissance Large Cap Growth	0	0.0	128,011,074	4.7	(128,011,074)	(100.0)
Artisan Mid Cap Value	89,486,502	3.5	89,486,502	3.3	0	0.0
S & P 400 Midcap Index	80,935,598	3.1	17,801,133	0.7	63,134,465	354.7
Martingale Mid Cap Core	0	0.0	89,323,847	3.3	(89,323,847)	(100.0)
TimesSquare Mid Cap Growth	88,098,978	3.4	88,098,978	3.3	0	0.0
DFA Small Cap Enhanced Index	35,190,238	1.4	35,190,238	1.3	0	0.0
NorthPointe Small Cap Growth	0	0.0	50,000,000	1.8	(50,000,000)	(100.0)
S & P 600 Small Cap Index	13,135,707	0.5	0	0.0	13,135,707	N/A
Vaughan Nelson Small Cap Val	55,026,838	2.1	55,026,838	2.0	0	0.0
Total	**2,592,800,822**	**100.0**	**2,705,280,984**	**100.0**	**(112,480,162)**	**(4.2)**

MDEP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	31.92	**S & P 1500**	31.65	0.27
3 Year Annualized Average	3.60	**S & P 1500**	3.87	(0.27)
5 Year Annualized Average	2.96	**S & P 1500**	3.29	(0.33)

MONTANA INTERNATIONAL EQUITY POOL

The Montana International Equity Pool (MTIP) was created in 1997 when the nine pension funds purchased pool shares to fund investments in international stock. Cash dividends, interest and related income currency gains/losses are distributed monthly. All realized capital gains and losses are retained in the pool. The tables below show the annual change in book/fair value of the participant shares.

MTIP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Public Employees	458,740,189	50.0	447,553,000	50.3	11,187,189	2.5
Police	27,564,199	3.0	25,411,175	2.9	2,153,024	8.5
Game Wardens	12,521,561	1.4	11,546,561	1.3	975,000	8.4
Sheriffs	26,042,000	2.8	24,512,000	2.8	1,530,000	6.2
Judges	7,550,000	0.8	7,175,000	0.8	375,000	5.2
Highway Patrol	11,527,539	1.3	11,191,629	1.3	335,910	3.0
Teachers	341,942,013	37.3	334,585,518	37.6	7,356,495	2.2
Volunteer Firefighters	3,217,936	0.4	3,089,408	0.3	128,529	4.2
Firefighters	27,577,620	3.0	25,386,420	2.9	2,191,200	8.6
Total	**916,683,058**	**100.0**	**890,450,712**	**100.0**	**26,232,347**	**2.9**

Participant	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% Change
Public Employees	727,764,569	50.4	552,711,749	50.5	175,052,820	31.7
Police	40,333,517	2.8	29,350,073	2.7	10,983,444	37.4
Game Wardens	17,251,933	1.2	12,512,730	1.1	4,739,203	37.9
Sheriffs	38,871,334	2.7	28,702,620	2.6	10,168,714	35.4
Judges	11,733,045	0.8	8,731,640	0.8	3,001,405	34.4
Highway Patrol	18,258,320	1.3	13,814,882	1.3	4,443,438	32.2
Teachers	544,950,429	37.7	415,264,157	38.0	129,686,273	31.2
Volunteer Firefighters	4,752,704	0.3	3,567,182	0.3	1,185,522	33.2
Firefighters	40,044,384	2.8	29,067,373	2.7	10,977,012	37.8
Total	**1,443,960,235**	**100.0**	**1,093,722,405**	**100.0**	**350,237,830**	**32.0**
Income Distributed	**13,574,775**		**9,856,272**		**3,718,503**	**37.7**

Click here for a complete listing of MTIP securities and cash

MTIP Annual Change by Manager

	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Artio Global (Julius Baer)	126,829,463	9.5	126,829,463	9.7	0	0.0
Batterymarch	135,749,400	10.1	135,749,400	10.4	0	0.0
Money Market Fund for EBT	177	0.0	0	0.0	177	N/A
BGI Global Ex US Alpha Tilt	100,126,273	7.5	100,126,273	7.6	0	0.0
Hansburger	102,651,230	7.7	102,651,230	7.8	0	0.0
Martin Currie	115,980,459	8.6	115,980,459	8.8	0	0.0
Principal Global	0	0.0	27,519	0.0	(27,519)	(100.0)
BGI ACWI EX US Superfund A	446,575,834	33.3	381,612,138	29.1	64,963,696	17.0
SSB EAFE Index	10,267,638	0.8	45,497,466	3.5	(35,229,828)	(77.4)
DFA International Index	60,564,305	4.5	60,564,305	4.6	0	0.0
Acadian	116,360,644	8.7	116,360,644	8.9	0	0.0
AllianceBernstein	125,787,325	9.4	125,787,325	9.6	0	0.0
Total	**1,340,892,747**	**100.0**	**1,311,186,222**	**100.0**	**29,706,525**	**2.3**

MTIP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
2011	30.62	**MTIP Custom Benchmark**	30.07	0.55
3 Year Annualized Average	(2.41)	**MTIP Custom Benchmark**	0.10	(2.51)
5 Year Annualized Average	2.08	**MTIP Custom Benchmark**	3.83	(1.75)
10 Year Annualized Average	6.13	**MTIP Custom Benchmark**	6.88	(0.75)

MONTANA PRIVATE EQUITY POOL

The Montana Private Equity Pool (MPEP) was created on May 1, 2002 when all private equity investments held by the nine pension funds were transferred to the pool. Each pension fund received shares in the pool equal to the fair value of their private equity investments and also transferred cash to the pool to provide liquidity for investments. The Board has approved an allocation of up to 15.0 percent of pension funds to private equity. The tables below show the annual change in book/fair value of the participant shares.

MPEP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Public Employees	311,755,350	50.4	333,597,330	50.4	(21,841,980)	(6.5)
Police	17,829,351	2.9	18,326,901	2.8	(497,550)	(2.7)
Game Wardens	8,071,114	1.3	7,703,885	1.2	367,229	4.8
Sheriffs	17,034,258	2.8	17,433,194	2.6	(398,936)	(2.3)
Judges	4,992,673	0.8	5,164,161	0.8	(171,488)	(3.3)
Highway Patrol	7,628,213	1.2	8,109,566	1.2	(481,353)	(5.9)
Teachers	231,772,017	37.4	251,910,970	38.0	(20,138,954)	(8.0)
Volunteer Firefighters	2,002,441	0.3	2,096,048	0.3	(93,607)	(4.5)
Firefighters	17,941,419	2.9	18,183,265	2.7	(241,846)	(1.3)
Total	**619,026,836**	**100.0**	**662,525,321**	**100.0**	**(43,498,485)**	**(6.6)**

Participant	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% Change
Public Employees	484,323,775	50.4	430,729,235	50.4	53,594,540	12.4
Police	26,844,317	2.8	23,191,706	2.7	3,652,611	15.7
Game Wardens	11,524,425	1.2	9,262,128	1.1	2,262,297	24.4
Sheriffs	25,805,704	2.7	22,036,662	2.6	3,769,042	17.1
Judges	7,787,966	0.8	6,725,427	0.8	1,062,539	15.8
Highway Patrol	12,135,734	1.3	10,751,010	1.3	1,384,724	12.9
Teachers	362,293,217	37.7	326,593,292	38.2	35,699,925	10.9
Volunteer Firefighters	3,145,275	0.3	2,805,903	0.3	339,372	12.1
Firefighters	26,634,789	2.8	22,702,625	2.7	3,932,164	17.3
Total	**960,495,202**	**100.0**	**854,797,988**	**100.0**	**105,697,215**	**12.4**
Income Distributed	**1,709,645**		**483,602**		**1,226,042**	**253.5**

MPEP Annual Change by Manager

Manager	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Adams Street Partners	180,035,564	20.6	192,309,210	22.8	(12,273,646)	(6.4)
Affinity	4,639,958	0.5	5,850,091	0.7	(1,210,133)	(20.7)
Arclight Capital	19,933,164	2.3	31,747,433	3.8	(11,814,269)	(37.2)
Avenue Capital	1	0.0	32,598,771	3.9	(32,598,770)	(100.0)
Axiom Asia	5,317,355	0.6	2,363,809	0.3	2,953,546	124.9
Black Diamond Capital Mgmt	1,524,638	0.2	0	0.0	1,524,638	N/A
Buerk Dale Victor	0	0.0	7,650,000	0.9	(7,650,000)	(100.0)
Carlyle Partners	39,703,869	4.5	44,450,339	5.3	(4,746,470)	(10.7)
CCMP	17,023,081	1.9	16,555,047	2.0	468,034	2.8
Centerbridge	12,852,563	1.5	8,722,553	1.0	4,130,010	47.3
CIVC	2,783,306	0.3	0	0.0	2,783,306	N/A
First Reserve	32,544,786	3.7	31,854,132	3.8	690,654	2.2
Harbour Vest	26,204,024	3.0	14,753,518	1.7	11,450,506	77.6
HCI Equity	6,161,470	0.7	0	0.0	6,161,470	N/A
Hellman & Friedman	17,946,455	2.1	17,049,894	2.0	896,561	5.3
Highway 12 Ventures	6,576,539	0.8	4,656,366	0.6	1,920,174	41.2
Industry Ventures	6,364,875	0.7	9,166,185	1.1	(2,801,310)	(30.6)
J.C. Flowers	22,639,506	2.6	22,741,578	2.7	(102,072)	(0.4)
JLL Partners	15,949,059	1.8	19,479,038	2.3	(3,529,979)	(18.1)
Kolberg Kravis & Roberts (KK	18,371,130	2.1	25,551,709	3.0	(7,180,579)	(28.1)
Lexington Capital	58,220,921	6.7	40,344,080	4.8	17,876,841	44.3
Madison Dearborn Capital	40,264,018	4.6	42,699,977	5.1	(2,435,958)	(5.7)
Matlin Patterson	22,848,240	2.6	19,514,207	2.3	3,334,033	17.1
MHR Institutional	16,438,837	1.9	14,719,539	1.7	1,719,298	11.7
MontLake	9,652,160	1.1	0	0.0	9,652,160	N/A
NB Coinvest	17,335,533	2.0	19,031,014	2.3	(1,695,481)	(8.9)
Northgate	4,500,000	0.5	0	0.0	4,500,000	N/A
Oak Hill Capital	33,930,070	3.9	33,859,691	4.0	70,379	0.2
Oaktree Capital	23,060,366	2.6	33,140,105	3.9	(10,079,739)	(30.4)
Odyssey Partners	18,062,220	2.1	22,079,994	2.6	(4,017,774)	(18.2)
Opus	508,049	0.1	0	0.0	508,049	N/A
Performance Equity Manageme	5,867,494	0.7	2,520,319	0.3	3,347,175	132.8
Portfolio Advisors	42,640,590	4.9	33,823,441	4.0	8,817,149	26.1
Quintana Energy	11,123,680	1.3	11,708,147	1.4	(584,467)	(5.0)
Siguler Guff	17,654,258	2.0	13,326,750	1.6	4,327,508	32.5
State Street	40,980,382	4.7	0	0.0	40,980,382	N/A
TA Associates	1,850,000	0.2	0	0.0	1,850,000	N/A
Terra Firma	17,260,165	2.0	15,328,240	1.8	1,931,926	12.6
Trilantic Capital Partners	4,308,278	0.5	4,408,920	0.5	(100,643)	(2.3)
Veritas	8,117,027	0.9	0	0.0	8,117,027	N/A
Welsh Carson Anderson&Stov	43,925,417	5.0	44,485,578	5.3	(560,161)	(1.3)
Stock Index Futures Fund	0	0.0	6,522,824	0.8	(6,522,824)	(100.0)
Total	**875,119,048**	**100.0**	**845,012,499**	**100.0**	**30,106,550**	**3.6**

MPEP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	20.75	**S&P 1500 + 4.0% ***	20.91	(0.16)
3 Year Annualized Average	1.88	**S&P 1500 + 4.0% ***	7.18	(5.30)
5 Year Annualized Average	7.25	**S&P 1500 + 4.0% ***	6.93	0.32

***1 quarter lag**

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

- **Private Equity** – Private equity investments in funds or operating companies in an asset class other than cash, stocks, or fixed income securities and real estate.

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

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

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

- **Special Situations** – Includes: 1) investments in the exploration for oil and/or gas reserves or in the development of proven reserves; 2) investments in land to harvest timber; and 3) investments that have a special component usually related to geographical, economic, or social issues sometimes referred to as Economically Targeted Investments.

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

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

MONTANA REAL ESTATE POOL

The Montana Real Estate Pool (MTRP) was created April 26, 2006 to permit the nine pension funds to participate in a diversified real estate portfolio. The Board has approved an allocation of up to 10.0 percent of pension funds to real estate. The tables below show the annual change in book/fair value of the participant shares.

MTRP Annual Change by Participant

Participant	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Public Employees	303,005,543	50.5	256,575,000	50.5	46,430,543	18.1
Police	16,372,000	2.7	13,591,000	2.7	2,781,000	20.5
Game Wardens	6,910,000	1.2	5,556,000	1.1	1,354,000	24.4
Sheriffs	15,762,000	2.6	13,169,000	2.6	2,593,000	19.7
Judges	4,770,000	0.8	4,023,000	0.8	747,000	18.6
Highway Patrol	7,489,000	1.2	6,393,000	1.3	1,096,000	17.1
Teachers	227,674,109	37.9	193,814,000	38.1	33,860,109	17.5
Volunteer Firefighters	1,925,000	0.3	1,610,000	0.3	315,000	19.6
Firefighters	16,182,000	2.7	13,354,000	2.6	2,828,000	21.2
Total	**600,089,652**	**100.0**	**508,085,000**	**100.0**	**92,004,652**	**18.1**

Participant	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% Change
Public Employees	256,367,581	50.5	178,786,541	50.5	77,581,040	43.4
Police	13,980,617	2.8	9,547,302	2.7	4,433,315	46.4
Game Wardens	6,002,774	1.2	3,953,649	1.1	2,049,125	51.8
Sheriffs	13,434,402	2.6	9,258,612	2.6	4,175,791	45.1
Judges	4,046,036	0.8	2,820,260	0.8	1,225,776	43.5
Highway Patrol	6,313,128	1.2	4,465,606	1.3	1,847,521	41.4
Teachers	192,374,448	37.9	134,795,233	38.1	57,579,216	42.7
Volunteer Firefighters	1,637,491	0.3	1,123,836	0.3	513,654	45.7
Firefighters	13,868,842	2.7	9,402,972	2.7	4,465,871	47.5
Total	**508,025,320**	**100.0**	**354,154,010**	**100.0**	**153,871,310**	**43.4**
Income Distributed	**5,106,130**		**(2,023,313)**		**7,129,443**	**(352.4)**

MTRP Annual Change by Manager

Manager	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
ABR Chesapeake Fund III	20,898,140	3.5	19,313,352	3.8	1,584,789	8.2
Angelo Gordon	42,628,823	7.1	25,156,323	4.9	17,472,500	69.5
AREA Property Partners*	18,336,000	3.0	20,000,000	3.9	(1,664,000)	(8.3)
Beacon Capital Partners Fund	19,250,000	3.2	18,500,000	3.6	750,000	4.1
Carlyle Europe RE Partners III	16,802,465	2.8	10,883,981	2.1	5,918,484	54.4
CIM Fund III	15,206,712	2.5	5,242,784	1.0	9,963,928	190.1
Clarion Lion Properties Fund	45,000,000	7.4	45,000,000	8.9	0	0.0
DRA Advisors VI	20,496,000	3.4	17,971,854	3.5	2,524,146	14.0
GEM Realty Fund IV	2,962,500	0.5	1,462,500	0.3	1,500,000	102.6
Hudson Realty Capital Fund IV	25,000,000	4.1	25,000,000	4.9	0	0.0
INVESCO Core RE - USA	45,000,000	7.4	45,000,000	8.9	0	0.0
JER RE Partners Fund IV	6,236,748	1.0	15,311,878	3.0	(9,075,130)	(59.3)
JP Morgan Chase Bank	92,733,976	15.3	92,733,561	18.2	414	0.0
Landmark Real Estate	4,257,987	0.7	0	0.0	4,257,987	N/A
Liquid Realty Fund IV	15,487,684	2.6	15,897,097	3.1	(409,414)	(2.6)
Macquarie Global Prop Fund III	16,887,872	2.8	15,358,586	3.0	1,529,286	10.0
Molpus Woodlands Group	700,000	0.1	0	0.0	700,000	N/A
Morgan Stanley RE Fund VI Int	27,536,302	4.6	27,536,302	5.4	0	0.0
O'Connor North Amer Prop	10,867,785	1.8	8,954,659	1.8	1,913,126	21.4
RMS Timberland	19,372,553	3.2	0	0.0	19,372,553	N/A
Rothschild: Realty Sec Fund V	13,012,294	2.2	6,277,175	1.2	6,735,119	107.3
Strategic Partners Value	17,566,301	2.9	17,834,306	3.5	(268,005)	(1.5)
TA Associates Realty Fund VII	37,000,000	6.1	28,000,000	5.5	9,000,000	32.1
UBS Realty Investors LLC	50,000,000	8.3	20,000,000	3.9	30,000,000	150.0
Direct Real Estate	17,715,770	2.9	0	0.0	17,715,770	N/A
Cash Equivalents	3,367,711	0.6	26,782,869	5.3	(23,415,158)	(87.4)
Total	**604,323,623**	**100.0**	**508,217,228**	**100.0**	**96,106,395**	**18.9**

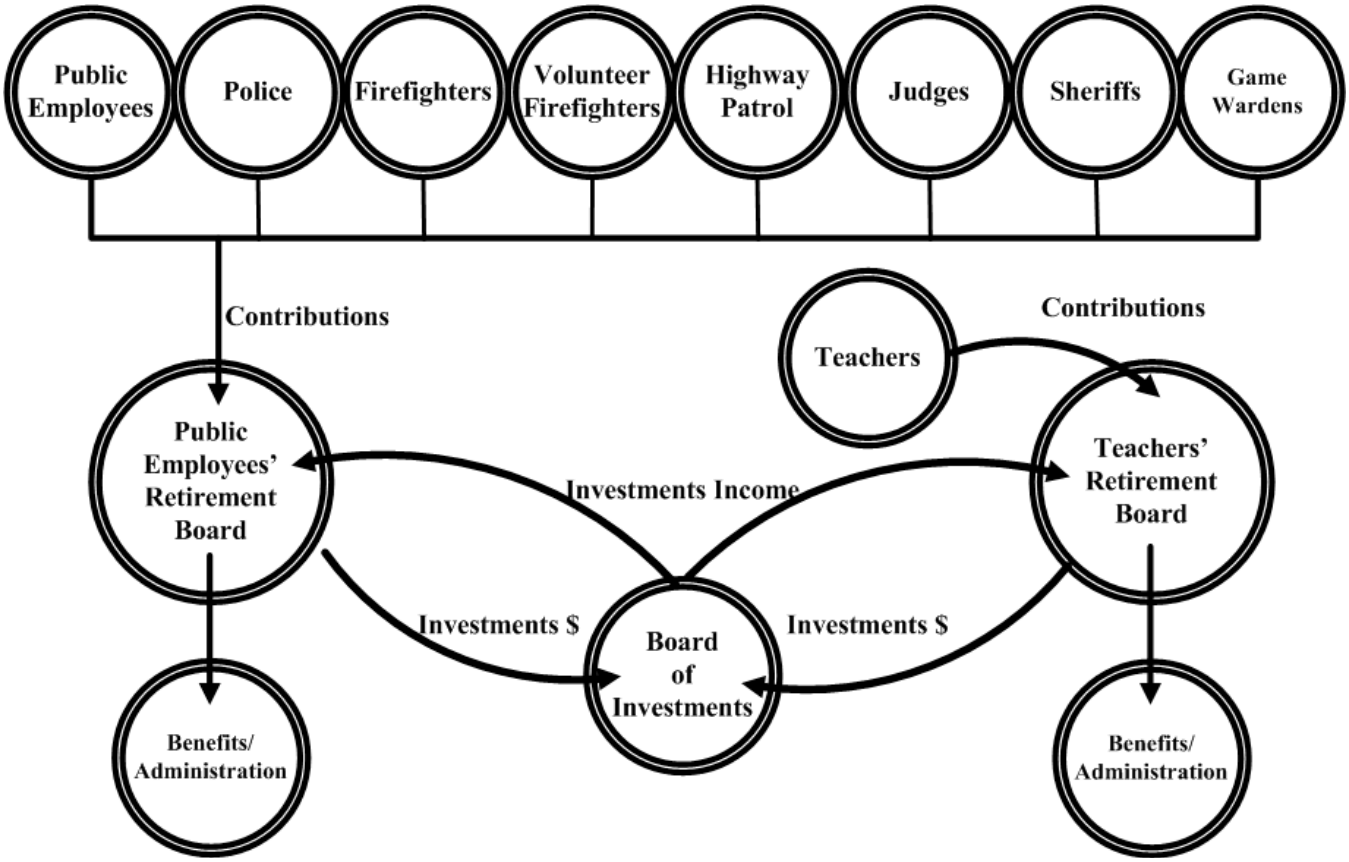
*Reflected as Apollo Real Estate Finance Corp in FY10

MTRP Total Rates of Returns Versus Benchmark

Year	% Return	Benchmark	Benchmark % Return	Return +/- Benchmark
2011	16.35	NCREIF-ODCE	19.01	(2.66)
3 Year Annualized Average	(11.59)	NCREIF-ODCE	(9.75)	(1.84)
5 Year Annualized Average	(5.38)	NCREIF-ODCE	(1.03)	(4.35)

PENSION FUNDS

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



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

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

State law defines a system as actuarially sound when any unfunded liability can be amortized in 30 years or less with the current level of contributions. As of June 30, 2011, four systems were not actuarially sound as determined by the system's actuary. Those four were the Public Employees' Retirement System, Teachers' Retirement System, Game Wardens' and Peace Officers' Retirement System and the Sheriffs' Retirement System.

ASSET ALLOCATION

Pension fund investments are managed in six investment pools created by the Board. These pools, which operate similar to mutual funds, simplify investing and accounting, and provide broader diversification for the smaller pension funds. Current income is distributed monthly to pool participants. Because the law imposes no restrictions on the investment of pension funds other than the prudent expert principle, the Board must determine the types of investments to be made and the portion that each investment type will comprise of total assets. This process requires a two-tier allocation structure to ensure that the Board approves the types and levels of investments at the pension fund level as well as within each investment pool. To allow for daily market movements and to provide day-to-day flexibility in the management of assets, the allocations are approved in ranges rather than absolute percentages. The asset allocations are currently identical for all nine pension funds and the Board has set a fund-level maximum of 70.0 percent for public/private equity. The table below shows the current Board-approved asset allocations at the fund and investment pool level.

Pension Fund
Asset Allocations
60 -70% Equities Range

Domestic Equity Pool — **30% - 50%**

Investment Type	Range
Large Cap Core (passive)	10% - 30%
Large Cap Enhanced	20% - 30%
Large Cap Style-Based (long-only)	20% - 30%
Partial Long/Short (130/30)	10% - 20%
Total Large Cap	82% - 92%
Mid Cap	5% - 11%
Small Cap	3% - 8%

Real Estate Pool — **4% - 10%**

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

* Timberland may not exceed 2% of total pension assets

International Equity Pool — **15% - 30%**

Investment Type	Range
Large Cap Core (active & passive)	50% - 70%
Large Cap Growth	10% - 20%
Large Cap Value	10% - 20%
Small Cap Core	5% - 15%

Private Equity Pool — **9% - 15%**

Investment Type	Range
Leveraged Buyouts	40% - 75%
Venture Capital	10% - 50%
Mezzanine Financing	0% - 10%
Distressed Securities	0% - 40%
Special Situtations	0% - 10%

Retirement Funds Bond Pool — **22% - 32%**

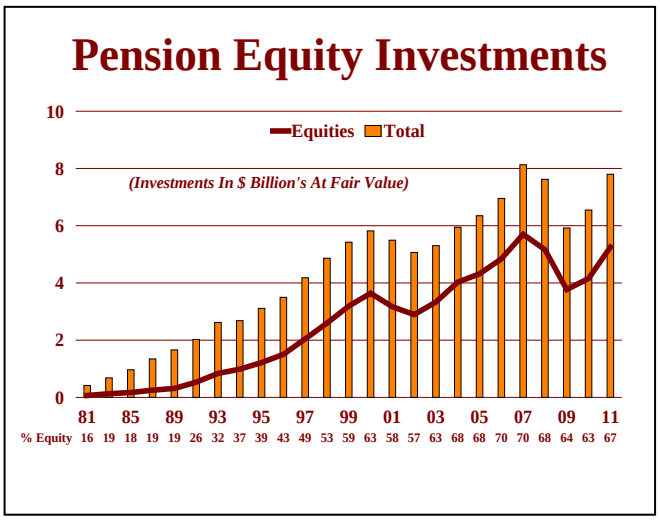
Investment Type	Range
Domestic High Yield	0% - 15%
International	0% - 10%
Total High Yield/International	0% - 20%
Domestic Core(investment grade)	80% - 100%

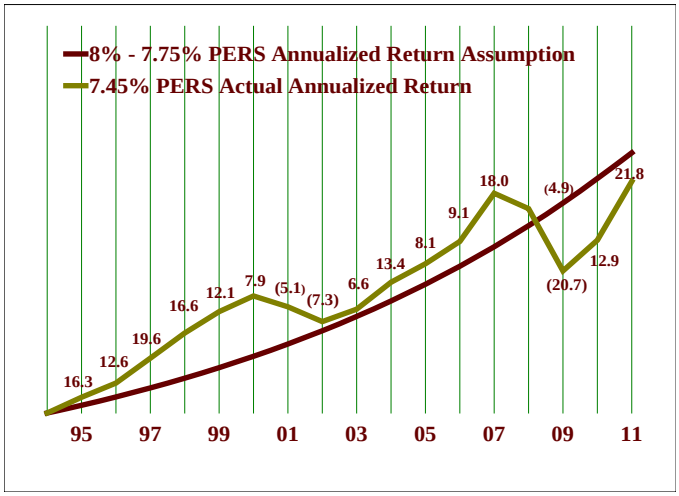
Short Term Investment Pool — **1% - 5%**

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

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

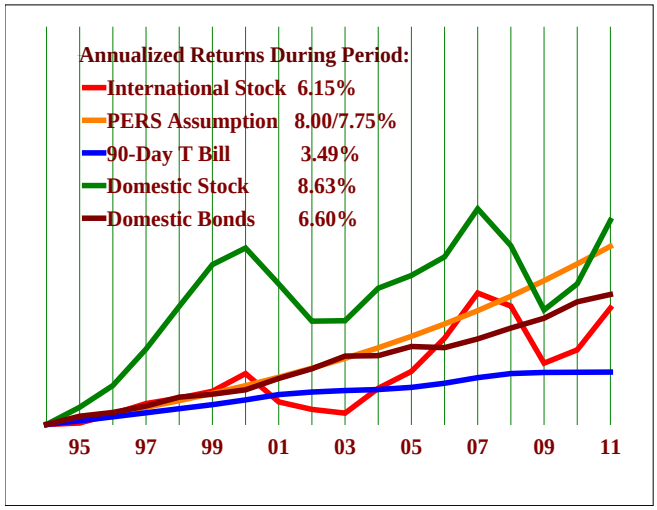
These return assumptions cannot be met without incurring investment risk and volatility that have been demonstrated during the past 10 years. The asset allocation process must balance risk and return in an attempt to generate the required investment returns while not incurring excessive risk. To meet the actuarial assumptions, a significant portion of pension assets must be invested in equities. The adjacent chart shows the Board's effort to increase equity exposure. Increasing equity exposure maximized growth of the funds during the first 10 years of the period but caused significant volatility since 2001.





The Board has calculated returns on pension fund investments since Fiscal Year 1995 as depicted in the adjacent chart. As an example, through Fiscal Year 2008, the investment return had exceeded the 8.0 percent return assumptions of the PERS System despite the equity market's downturn in 2001 and 2002. However, despite the positive returns in 2010 and 2011, the investment portfolio has not recovered from the significant losses of 2008 and 2009. The PERS portfolio was up nearly 21.8 percent through the 2011 fiscal year. The returns for the other eight retirement systems have been nearly identical to the PERS.

This has been an exceptionally volatile 16 year period for domestic stocks as represented by the S&P 500 Index. Although bonds and U.S. Treasury Bills were not as volatile as stocks, neither of them generated the 7.75 return required to keep the retirement systems actuarially sound. Domestic stocks exceeded the return assumption; however, as the adjacent chart depicts, there is no combination of these asset classes that would have generated the required returns during the period.



The fiscal year change in the systems' book and fair value are shown below.

Fund	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Public Employees	2,669,210,331	50.0	2,656,641,972	50.2	12,568,359	0.5
Police	160,358,990	3.0	152,550,213	2.9	7,808,777	5.1
Game Wardens	71,660,238	1.3	66,099,081	1.2	5,561,157	8.4
Sheriffs	150,833,248	2.8	145,279,031	2.7	5,554,217	3.8
Judges	44,066,574	0.8	42,920,348	0.8	1,146,226	2.7
Highway Patrol	67,648,196	1.3	67,003,388	1.3	644,809	1.0
Teachers	1,988,496,817	37.3	1,994,357,795	37.7	(5,860,978)	(0.3)
Volunteer Firefighters	21,064,981	0.4	20,609,553	0.4	455,428	2.2
Firefighters	160,457,806	3.0	151,217,132	2.9	9,240,675	6.1
Total	**5,333,797,182**	**100.0**	**5,296,678,512**	**100.0**	**37,118,670**	**0.7**
Investment Type						
Direct Real Estate*	0	0.0	17,026,708	0.3	(17,026,708)	(100.0)
Domestic Equity Pool	1,286,995,065	24.1	1,289,182,003	24.3	(2,186,939)	(0.2)
International Equity Pool	916,683,058	17.2	890,450,712	16.8	26,232,347	2.9
Private Equity Pool	619,026,836	11.6	662,525,321	12.5	(43,498,485)	(6.6)
Real Estate Pool	600,089,652	11.3	508,085,000	9.6	92,004,652	18.1
Montana Mortgages**	0	0.0	35,778,065	0.7	(35,778,065)	(100.0)
Retirement Funds Bond Pool	1,795,351,549	33.7	1,775,486,741	33.5	19,864,808	1.1
Short Term Investment Pool	115,651,022	2.2	118,143,962	2.2	(2,492,940)	(2.1)
Total	**5,333,797,182**	**100.0**	**5,296,678,512**	**100.0**	**37,118,670**	**0.7**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**

****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

Fund	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% of Change
Public Employees	3,930,390,589	50.4	3,304,243,795	50.5	626,146,794	18.9
Police	217,067,875	2.8	175,814,321	2.7	41,253,555	23.5
Game Wardens	93,925,828	1.2	73,774,470	1.1	20,151,357	27.3
Sheriffs	210,815,214	2.7	172,089,117	2.6	38,726,096	22.5
Judges	63,496,968	0.8	52,400,547	0.8	11,096,421	21.2
Highway Patrol	98,521,582	1.3	82,525,737	1.3	15,995,845	19.4
Teachers	2,940,482,398	37.7	2,491,322,409	38.0	449,159,989	18.0
Volunteer Firefighters	27,010,041	0.3	22,595,537	0.3	4,414,504	19.5
Firefighters	215,775,342	2.8	173,192,031	2.6	42,583,311	24.6
Total	**7,797,485,837**	**100.0**	**6,547,957,966**	**100.0**	**1,249,527,871**	**19.1**
Investment Type						
Direct Real Estate*	0	0.0	17,345,765	0.3	(17,345,765)	(100.0)
Domestic Equity Pool	2,846,486,980	36.5	2,207,056,138	33.7	639,430,841	29.0
International Equity Pool	1,443,960,235	18.5	1,093,722,405	16.7	350,237,830	32.0
Private Equity Pool	960,495,202	12.3	854,797,989	13.1	105,697,214	12.4
Real Estate Pool	508,025,320	6.5	354,154,010	5.4	153,871,310	43.4
Montana Mortgages**	0	0.0	35,527,234	0.5	(35,527,234)	(100.0)
Retirement Funds Bond Pool	1,922,867,078	24.7	1,867,210,462	28.5	55,656,616	3.0
Short Term Investment Pool	115,651,022	1.5	118,143,962	1.8	(2,492,940)	(2.1)
Total	**7,797,485,837**	**100.0**	**6,547,957,966**	**100.0**	**1,249,527,871**	**19.1**
Income	**207,907,137**		**236,185,091**		**(28,277,954)**	**(12.0)**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**

****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

MEMBERSHIP

PERS	6/30/2011	6/30/2010
Retirees & Beneficiaries	18,123	17,512
Vested Terminated	2,535	2,471
Non-vested Terminated	5,787	5,402
Active Members	28,659	28,834
Total	**55,104**	**54,219**

Sheriffs	6/30/2011	6/30/2010
Retirees & Beneficiaries	441	415
Vested Terminated	48	36
Non-vested Terminated	196	157
Active Members	1,230	1,181
Total	**1,915**	**1,789**

Firefighters	6/30/2011	6/30/2010
Retirees & Beneficiaries	552	546
Vested Terminated	13	13
Non-vested Terminated	60	53
Active Members	579	570
Total	**1,204**	**1,182**

Highway Patrol	6/30/2011	6/30/2010
Retirees & Beneficiaries	302	295
Vested Terminated	11	13
Non-vested Terminated	9	6
Active Members	214	230
Total	**536**	**544**

Game Wardens	6/30/2011	6/30/2010
Retirees & Beneficiaries	145	136
Vested Terminated	61	47
Non-vested Terminated	113	100
Active Members	951	966
Total	**1,270**	**1,249**

Volunteer Firefighters	6/30/2011	6/30/2010
Retirees & Beneficiaries	1,183	1,149
Vested Terminated	870	827
Active Members	2,105	2,315
Total	**4,158**	**4,291**

Judges	6/30/2011	6/30/2010
Retirees & Beneficiaries	58	55
Vested Terminated	-	1
Active Members	54	51
Total	**112**	**107**

Teachers	7/01/2011	7/01/2010
Retirees & Beneficiaries	12,899	12,440
Vested Terminated	1,580	1,553
Non-vested Terminated	10,727	10,304
Contributing Members	17,906	18,353
Total	**43,112**	**42,650**

Police	6/30/2011	6/30/2010
Retirees & Beneficiaries	676	670
Vested Terminated	40	47
Non-vested Terminated	71	65
Active Members	739	727
Total	**1,526**	**1,509**

Total	6/30/2011	6/30/2010
Retirees & Beneficiaries	34,379	33,218
Vested Terminated	5,158	5,008
Non-vested Terminated	16,963	16,087
Active Members	52,437	53,227
System Total	**108,937**	**107,540**

Source: Pension Systems' Actuarial Valuation as of June 30, 2011 and Teachers' Retirement System Actuarial Valuation as of July 1, 2011.

ASSETS AND LIABILITIES *(In Thousands $)*

PERS	6/30/2011	6/30/2010
Actuarial Liability	5,410,144	5,241,819
Actuarial Assets	3,800,479	3,889,890
Unfunded Actuarial Liability	**1,609,665**	**1,351,929**
Funded Ratio	**70.25%**	**74.21%**

Sheriffs	6/30/2011	6/30/2010
Actuarial Liability	266,506	246,734
Actuarial Assets	203,689	200,739
Unfunded Actuarial Liability	**62,817**	**45,995**
Funded Ratio	**76.43%**	**81.36%**

Firefighters	6/30/2011	6/30/2010
Actuarial Liability	355,188	335,463
Actuarial Assets	219,959	213,755
Unfunded Actuarial Liability	**135,229**	**121,708**
Funded Ratio	**61.93%**	**63.72%**

Highway Patrol	6/30/2011	6/30/2010
Actuarial Liability	155,742	151,177
Actuarial Assets	95,274	97,204
Unfunded Actuarial Liability	**60,468**	**53,973**
Funded Ratio	**61.17%**	**64.30%**

Game Wardens	6/30/2011	6/30/2010
Actuarial Liability	119,881	113,855
Actuarial Assets	90,437	85,151
Unfunded Actuarial Liability	**29,444**	**28,704**
Funded Ratio	**75.44%**	**74.79%**

Volunteer Firefighters	6/30/2011	6/30/2010
Actuarial Liability	35,195	34,512
Actuarial Assets	26,183	26,575
Unfunded Actuarial Liability	**9,012**	**7,937**
Funded Ratio	**74.40%**	**77.00%**

Judges	6/30/2011	6/30/2010
Actuarial Liability	43,414	42,513
Actuarial Assets	61,274	61,277
Unfunded Actuarial Liability	**(17,860)**	**(18,764)**
Funded Ratio	**141.14%**	**144.14%**

Teachers	7/01/2011	7/01/2010
Actuarial Liability	4,658,594	4,518,168
Actuarial Assets	2,866,483	2,956,583
Unfunded Actuarial Liability	**1,792,111**	**1,561,585**
Funded Ratio	**61.53%**	**65.44%**

Police	6/30/2011	6/30/2010
Actuarial Liability	401,381	380,393
Actuarial Assets	221,669	217,545
Unfunded Actuarial Liability	**179,712**	**162,848**
Funded Ratio	**55.23%**	**57.19%**

Total	6/30/2011	6/30/2010
Actuarial Liability	11,446,045	11,064,634
Actuarial Assets	7,585,447	7,748,719
Unfunded Actuarial Liability	**3,860,598**	**3,315,915**

Source: Pension Systems' Actuarial Valuation as of June 30, 2011 and Teachers' Retirement System Actuarial Valuation as of July 1, 2011.

CASH FLOW *(In Thousands $)*

PERS	2011	2010
Employees	77,798	78,614
Employers	78,657	80,246
State	546	537
Contributions	**157,001**	**159,397**
Benefits/Administration	**(246,579)**	**(228,327)**
Cash Flow	**(89,578)**	**(68,930)**

Sheriffs	2011	2010
Employees	5,824	5,325
Employers	6,014	5,637
Contributions	**11,838**	**10,962**
Benefits/Administration	**(10,326)**	**(9,173)**
Cash Flow	**1,512**	**1,789**

Firefighters	2011	2010
Employees	3,748	4,362
Employers	5,009	5,129
State	11,365	10,872
Contributions	**20,122**	**20,363**
Benefits/Administration	**(15,825)**	**(14,756)**
Cash Flow	**4,297**	**5,607**

Highway Patrol	2011	2010
Employees	1,268	1,261
Employers	4,542	4,763
State	278	287
Contributions	**6,088**	**6,311**
Benefits/Administration	**(8,042)**	**(7,649)**
Cash Flow	**(1,954)**	**(1,338)**

Game Wardens	2011	2010
Employees	4,173	4,334
Employers	3,523	3,612
Contributions	**7,696**	**7,946**
Benefits/Administration	**(3,944)**	**(3,583)**
Cash Flow	**3,752**	**4,363**

Volunteer Firefighters	2011	2010
State	1,596	1,575
Contributions	**1,596**	**1,575**
Benefits/Administration	**(2,034)**	**(1,932)**
Cash Flow	**(438)**	**(357)**

Judges	2011	2010
Employees	479	595
Employers	1,477	1,468
Contributions	**1,956**	**2,063**
Benefits/Administration	**(2,278)**	**(2,128)**
Cash Flow	**(322)**	**(65)**

Teachers	2011	2010
Employees	62,993	62,844
Employers	72,880	72,179
State	17,437	17,242
Total Contributions	**153,310**	**152,265**
Benefits/Administration	**(241,382)**	**(226,311)**
Cash Flow	**(88,072)**	**(74,046)**

Police	2011	2010
Employees	3,580	4,046
Employers	5,670	6,860
State	11,594	10,932
Contributions	**20,844**	**21,838**
Benefits/Administration	**(18,119)**	**(16,721)**
Cash Flow	**2,725**	**5,117**

Total	2011	2010
Members	159,863	161,381
Employers	177,772	179,894
State/Other	42,816	41,445
Contributions	**380,451**	**382,720**
Benefits/Administration	**(548,529)**	**(510,580)**
Cash Flow	**(168,078)**	**(127,860)**

Source: Pension Systems' Actuarial Valuation as of June 30, 2011 and Teachers' Retirement System Actuarial Valuation as of July 1, 2011.

PUBLIC EMPLOYEES' RETIREMENT SYSTEM FUND (PERS)

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

PERS Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	904,925,847	33.9	893,496,301	33.6	11,429,546	1.3
Domestic Stock Pool	632,740,646	23.7	636,962,413	24.0	(4,221,767)	(0.7)
International Stock Pool	458,740,189	17.2	447,553,000	16.8	11,187,189	2.5
Montana Private Equity Pool	311,755,350	11.7	333,597,330	12.6	(21,841,980)	(6.5)
Total Equity	1,403,236,185	52.6	1,418,112,743	53.4	(14,876,558)	(1.0)
Real Estate Pool	303,005,543	11.4	256,575,000	9.7	46,430,543	18.1
Direct Real Estate*	0	0.0	8,770,728	0.3	(8,770,728)	(100.0)
Montana Mortgages**	0	0.0	19,320,155	0.7	(19,320,155)	(100.0)
Short Term Investment Pool	58,042,756	2.2	60,367,044	2.3	(2,324,289)	(3.9)
Total	**2,669,210,331**	**100.0**	**2,656,641,972**	**100.0**	**12,568,359**	**0.5**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**

****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

Investment Type	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	969,118,608	24.7	939,430,189	28.4	29,688,419	3.2
Domestic Stock Pool	1,434,773,301	36.5	1,114,071,635	33.7	320,701,666	28.8
International Stock Pool	727,764,569	18.5	552,711,749	16.7	175,052,820	31.7
Montana Private Equity Pool	484,323,775	12.3	430,729,235	13.0	53,594,540	12.4
Total Equity	2,646,861,645	67.3	2,097,512,619	63.5	549,349,026	26.2
Real Estate Pool	256,367,581	6.5	178,786,541	5.4	77,581,040	43.4
Direct Real Estate*	0	0.0	8,962,696	0.3	(8,962,696)	(100.0)
Montana Mortgages**	0	0.0	19,184,707	0.6	(19,184,707)	(100.0)
Short Term Investment Pool	58,042,756	1.5	60,367,044	1.8	(2,324,289)	(3.9)
Total	**3,930,390,589**	**100.0**	**3,304,243,795**	**100.0**	**626,146,794**	**18.9**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**

****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

Click here for a history of PERS book values and income

PERS Annual Change in Income

Income Type	2011 $ Income	% Of Total	2010 $ Income	% Of Total	$ Change	% Change
Gain on Sale of Pool Units	36,912,897	30.0	56,877,013	40.9	(19,964,117)	(35.1)
Retirement Funds Bond Pool	43,445,110	35.3	46,744,689	33.6	(3,299,579)	(7.1)
Domestic Stock Pool	16,028,043	13.0	15,416,104	11.1	611,939	4.0
International Stock Pool	9,378,955	7.6	7,812,598	5.6	1,566,357	20.0
Short Term Investment Pool	190,943	0.2	207,792	0.1	(16,850)	(8.1)
Montana Private Equity Pool	8,906,584	7.2	7,299,524	5.2	1,607,060	22.0
Montana Mortgages	895,295	0.7	1,335,370	1.0	(440,075)	(33.0)
Real Estate Pool	6,733,908	5.5	2,820,007	2.0	3,913,900	138.8
Direct Real Estate	570,097	0.5	706,867	0.5	(136,769)	(19.3)
All Other Funds	144	0.0	0	0.0	144	N/A
Total Gross Income	123,061,975	100.0	139,219,964	100.0	(16,157,989)	(11.6)
Board Management Fees	(1,393,952)		(1,604,019)		210,067	(13.1)
Custodial Bank Fees	(549,649)		(529,379)		(20,270)	3.8
External Manager Fees	(19,305,010)		(18,095,615)		(1,209,395)	6.7
Total Net Income	101,813,364		118,990,951		(17,177,587)	(14.4)

PERS 2011 Total Rates of Returns By Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Short Term Investment Pool	0.31	LIBOR 1 Month	0.25	0.06
Domestic Stock Pool	31.88	S&P 1500 Index	31.65	0.23
International Stock Pool	30.62	MTIP Custom Benchmark	30.07	0.55
Private Equity Pool	21.53	S&P 1500 Index + 4% (1)	20.91	0.62
Fixed Income	6.78	BC Aggregate	3.90	2.88
Real Estate	16.11	NCREIF-Property Index	19.01	(2.90)
Total Net of Fees	21.79	Composite (2)	21.56	0.23
Total Gross of Fees	22.48	Peer Universe (3)	21.70	0.78

(1) 1 Quarter Lag

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

(3) Median return of the State Street Bank Public Fund Universe Comprised of Plans greater than $1 Billion in Assets

PERS Historical Rates of Returns Versus Benchmark

Year	% Return	Benchmark (1)	Benchmark % Return	Return +/- Benchmark
2011	21.79	PERS Composite	21.56	0.23
3 Year Annualized Average	2.92	PERS Composite	3.25	(0.33)
5 Year Annualized Average	4.12	PERS Composite	4.22	(0.10)
10 Year Annualized Average	4.93	PERS Composite	4.96	(0.03)

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

TEACHERS' RETIREMENT SYSTEM FUND (TRS)

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

TRS Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	676,694,083	34.0	673,872,463	33.8	2,821,621	0.4
Domestic Stock Pool	469,900,673	23.6	474,936,242	23.8	(5,035,569)	(1.1)
International Stock Pool	341,942,013	17.2	334,585,518	16.8	7,356,495	2.2
Montana Private Equity Pool	231,772,017	11.7	251,910,970	12.6	(20,138,954)	(8.0)
Total Equity	1,043,614,702	52.5	1,061,432,730	53.2	(17,818,028)	(1.7)
Real Estate Pool	227,674,109	11.4	193,814,000	9.7	33,860,109	17.5
Direct Real Estate*	0	0.0	8,255,980	0.4	(8,255,980)	(100.0)
Montana Mortgages**	0	0.0	16,457,910	0.8	(16,457,910)	(100.0)
Short Term Investment Pool	40,513,923	2.0	40,524,713	2.0	(10,791)	(0.0)
Total	**1,988,496,817**	**100.0**	**1,994,357,795**	**100.0**	**(5,860,978)**	**(0.3)**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**
****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

Investment Type	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	726,164,390	24.7	710,013,885	28.5	16,150,505	2.3
Domestic Stock Pool	1,074,185,991	36.5	839,405,532	33.7	234,780,459	28.0
International Stock Pool	544,950,429	18.5	415,264,157	16.7	129,686,273	31.2
Montana Private Equity Pool	362,293,217	12.3	326,593,292	13.1	35,699,925	10.9
Total Equity	1,981,429,637	67.4	1,581,262,981	63.5	400,166,657	25.3
Real Estate Pool	192,374,448	6.5	134,795,233	5.4	57,579,215	42.7
Direct Real Estate*	0	0.0	8,383,070	0.3	(8,383,070)	(100.0)
Montana Mortgages**	0	0.0	16,342,528	0.7	(16,342,528)	(100.0)
Short Term Investment Pool	40,513,923	1.4	40,524,713	1.6	(10,791)	(0.0)
Total	**2,940,482,398**	**100.0**	**2,491,322,409**	**100.0**	**449,159,989**	**18.0**

***Direct Real Estate was transferred to the Real Estate Pool in FY11**
****Montana Mortgages were transferred to the Retirement Funds Bond Pool in FY11**

Click here for a history of TRS book values and income

TRS Annual Change in Income

Income Type	2011 $ Income	% Of Total	2010 $ Income	% Of Total	$ Change	% Change
Gain on Sale of Pool Units	35,082,446	35.1	48,246,417	43.5	(13,163,972)	(27.3)
Retirement Funds Bond Pool	32,637,369	32.6	35,330,183	31.9	(2,692,814)	(7.6)
Domestic Stock Pool	12,051,434	12.1	11,659,674	10.5	391,760	3.4
International Stock Pool	7,040,311	7.0	5,914,669	5.3	1,125,642	19.0
Short Term Investment Pool	121,813	0.1	145,817	0.1	(24,003)	(16.5)
Montana Private Equity Pool	6,693,520	6.7	5,556,843	5.0	1,136,677	20.5
Montana Mortgages	762,659	0.8	1,137,537	1.0	(374,878)	(33.0)
Real Estate Pool	5,066,809	5.1	2,146,804	1.9	2,920,005	136.0
Direct Real Estate	529,806	0.5	663,826	0.6	(134,021)	(20.2)
All Other Funds	122	0.0	0	0.0	122	N/A
Total Gross Income	99,986,289	100.0	110,801,771	100.0	(10,815,482)	(9.8)
Board Management Fees	(1,051,989)		(1,221,690)		169,702	(13.9)
Custodial Bank Fees	(412,519)		(400,331)		(12,188)	3.0
External Manager Fees	(14,514,393)		(13,728,922)		(785,471)	5.7
Total Net Income	84,007,388		95,450,828		(11,443,440)	(12.0)

TRS 2011 Total Rates of Return by Asset

Asset Class	% Return	Market Index	Index % Return	Return +/- Index
Short Term Investment Pool	0.31	LIBOR 1 Month	0.25	0.06
Domestic Stock Pool	31.91	S&P 1500 Index	31.65	0.26
International Stock Pool	30.62	MTIP Custom Benchmark	30.07	0.55
Private Equity Pool	21.53	S&P 1500 Index + 4% (1)	20.91	0.62
Fixed Income	6.78	BC Aggregate	3.90	2.88
Real Estate	16.04	NCREIF-Property Index	19.01	(2.97)
Total Net of Fees	21.83	Composite (2)	21.62	0.21
Total Gross of Fees	22.52	Peer Universe (3)	21.70	0.82

(1) 1 Quarter Lag

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

(3) Median return of the State Street Bank Public Fund Universe Comprised of Plans greater than $1 Billion in Assets

TRS Historical Rates of Returns Versus Benchmark

Year	% Return	Benchmark (1)	Benchmark % Return	Return Benchmark
2011	21.83	TRS Composite	21.62	0.21
3 Year Annualized Average	2.93	TRS Composite	3.26	(0.33)
5 Year Annualized Average	4.12	TRS Composite	4.22	(0.10)
10 Year Annualized Average	4.93	TRS Composite	4.93	0.00

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

OTHER RETIREMENT SYSTEMS

The seven other retirement funds are administered by the Public Employees' Retirement Board, the same board that administers the Public Employees' Retirement System. These smaller systems participate with the Public Employees' Retirement Fund and the Teachers' Retirement Fund in all investment pools managed by the Board, but do not participate in the Montana Residential Mortgage Program.

Other Pensions Annual Change by Asset Type

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	213,731,619	31.6	208,117,977	32.2	5,613,642	2.7
Domestic Stock Pool	184,353,746	27.3	177,283,348	27.5	7,070,398	4.0
International Stock Pool	116,000,856	17.2	108,312,194	16.8	7,688,662	7.1
Montana Private Equity Pool	75,499,469	11.2	77,017,021	11.9	(1,517,552)	(2.0)
Total Equity	375,854,072	55.6	362,612,563	56.2	13,241,508	3.7
Real Estate Pool	69,410,000	10.3	57,696,000	8.9	11,714,000	20.3
Short Term Investment Pool	17,094,344	2.5	17,252,205	2.7	(157,861)	(0.9)
Total	**676,090,034**	**100.0**	**645,678,745**	**100.0**	**30,411,289**	**4.7**

Investment Type	6/30/2011 Fair Value	% of Total	6/30/2010 Fair Value	% of Total	$ Change	% of Change
Retirement Funds Bond Pool	227,584,080	24.6	217,766,388	28.9	9,817,692	4.5
Domestic Stock Pool	337,527,688	36.4	253,578,971	33.7	83,948,717	33.1
International Stock Pool	171,245,237	18.5	125,746,499	16.7	45,498,738	36.2
Montana Private Equity Pool	113,878,210	12.3	97,475,462	13.0	16,402,748	16.8
Total Equity	622,651,135	67.2	476,800,933	63.4	145,850,203	30.6
Real Estate Pool	59,283,291	6.4	40,572,236	5.4	18,711,055	46.1
Short Term Investment Pool	17,094,344	1.8	17,252,205	2.3	(157,861)	(0.9)
Total	**926,612,850**	**100.0**	**752,391,761**	**100.0**	**174,221,089**	**23.2**

Other Retirement Systems 2011 Total Rates of Return

Fund	% Return	Index (1)	% Return	Fund +/- Index
Sheriffs	21.69	**Composite**	21.43	0.26
Police	21.63	**Composite**	21.30	0.33
Firefighters	21.63	**Composite**	21.31	0.32
Highway Patrol	21.80	**Composite**	21.51	0.29
Judges	21.73	**Composite**	21.47	0.26
Game Warden	21.68	**Composite**	21.43	0.25
Vol. Firefighters	21.66	**Composite**	21.54	0.12

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

TRUST FUNDS

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

Trust	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Permanent Coal Tax Trust	843,314,832	38.0	817,330,328	37.6	25,984,504	3.2
Schools (Trust and Legacy)	473,452,474	21.3	453,739,857	20.9	19,712,618	4.3
UCFRB Restoration	137,379,646	6.2	159,594,572	7.3	(22,214,926)	(13.9)
Tobacco Trust	134,421,236	6.1	121,956,900	5.6	12,464,336	10.2
Resource Indemnity Trust	100,023,109	4.5	100,023,109	4.6	0	0.0
Clark Fork Site Response	101,687,738	4.6	99,667,569	4.6	2,020,169	2.0
Streamside Tailings	69,674,053	3.1	72,733,978	3.3	(3,059,924)	(4.2)
Other Trusts in STIP	98,351,403	4.4	131,025,566	6.0	(32,674,163)	(24.9)
Blackfoot Response	35,312,612	1.6	0	0.0	35,312,612	N/A
Montana Pole	31,021,817	1.4	30,685,356	1.4	336,461	1.1
Butte Area One Restoration	29,821,383	1.3	29,064,712	1.3	756,671	2.6
Clark Fork River Restoration	28,687,938	1.3	27,818,844	1.3	869,094	3.1
Parks Trust	20,802,504	0.9	19,952,506	0.9	849,998	4.3
Smelter Hill Uplands Restoration	12,146,106	0.5	13,132,904	0.6	(986,798)	(7.5)
UCFRB Reserve	14,116,602	0.6	13,520,253	0.6	596,349	4.4
FWP Mitigation	12,038,019	0.5	11,893,012	0.5	145,007	1.2
Cultural Trust	11,435,371	0.5	11,094,915	0.5	340,456	3.1
Weed Control	10,182,871	0.5	10,133,142	0.5	49,729	0.5
Zort/Land LT H20 Trust	10,276,235	0.5	9,627,353	0.4	648,882	6.7
Wildlife Habitat	9,825,704	0.4	9,175,791	0.4	649,913	7.1
Older Montanans Trust	10,068,091	0.5	9,005,119	0.4	1,062,972	11.8
Zortman/Landusky	8,651,852	0.4	7,073,943	0.3	1,577,909	22.3
FWP Real Property	5,712,723	0.3	5,544,497	0.3	168,226	3.0
Abandoned Mines	5,659,223	0.3	5,472,603	0.3	186,620	3.4
Litigation Cost Recovery	111	0.0	1,755,758	0.1	(1,755,647)	(100.0)
Endowment for Children	1,221,883	0.1	1,163,614	0.1	58,269	5.0
Other Trusts in TFIP	2,365,593	0.1	694,479	0.0	1,671,113	240.6
Other Trusts in MDEP	0	0.0	186,873	0.0	(186,873)	(100.0)
Total	**2,217,651,130**	**100.0**	**2,173,067,553**	**100.0**	**44,583,577**	**2.1**
Fixed-Income/Real Estate (TFIP)	1,740,664,971	78.5	1,683,585,092	77.5	57,079,879	3.4
Other Fixed Income	97,023,470	4.4	78,197,158	3.6	18,826,312	24.1
Montana Loans	178,502,340	8.0	205,427,525	9.5	(26,925,184)	(13.1)
Cash Equivalents (STIP)	201,460,349	9.1	205,670,905	9.5	(4,210,556)	(2.0)
Equity (MDEP)	0	0.0	186,873	0.0	(186,873)	(100.0)
Total	**2,217,651,130**	**100.0**	**2,173,067,553**	**100.0**	**44,583,577**	**2.1**

Click here to view individual portfolios for the trust funds

COAL TAX TRUST FUND

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

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

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

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

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

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

Coal Tax Trust Subfunds Annual Change

Subfund	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Permanent Fund	531,304,875	63.0	531,373,279	65.0	(68,404)	(0.0)
Treasure State Endowment	196,337,004	23.3	182,831,950	22.4	13,505,053	7.4
Treasure State Regional Water	57,336,254	6.8	50,583,727	6.2	6,752,527	13.3
Economic Development Fund	53,544,336	6.3	46,791,809	5.7	6,752,527	14.4
Severance Tax Bond Fund	2,397,829	0.3	3,637,608	0.4	(1,239,779)	(34.1)
Permanent Fund Income	2,394,535	0.3	2,111,954	0.3	282,581	13.4
Total Coal Tax Trust	**843,314,832**	**100.0**	**817,330,328**	**100.0**	**25,984,504**	**3.2**

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

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

Permanent Coal Tax Trust Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	648,653,860	76.9	594,112,860	72.7	54,541,000	9.2
Commercial Loans	128,350,272	15.2	148,708,515	18.2	(20,358,243)	(13.7)
Local Gov. Infrastructure	23,557,398	2.8	24,530,674	3.0	(973,276)	(4.0)
Value-added Loans	3,178,860	0.4	8,002,834	1.0	(4,823,974)	(60.3)
Science and Technology	12,185,010	1.4	12,336,133	1.5	(151,123)	(1.2)
Montana Facility Finance	8,286,258	1.0	8,742,035	1.1	(455,777)	(5.2)
Intermediary Loan Program	2,944,542	0.3	2,734,325	0.3	210,217	7.7
Department of Justice	0	0.0	373,010	0.0	(373,010)	(100.0)
Total In-State Investments	178,502,340	21.2	205,427,525	25.1	(26,925,184)	(13.1)
STIP Permanent Fund	11,215,389	1.3	11,992,395	1.5	(777,006)	(6.5)
STIP Sev. Tax Bond Fund	2,397,829	0.3	3,637,608	0.4	(1,239,779)	(34.1)
STIP Permanent Trust Income	2,394,535	0.3	2,111,954	0.3	282,581	13.4
STIP Tr. St. Endow Trust	61,259	0.0	23,419	0.0	37,840	161.6
STIP Tr. St. Regional Water	44,375	0.0	11,849	0.0	32,527	274.5
STIP Economic Development Fund	45,245	0.0	12,719	0.0	32,527	255.7
Cash Equivalents (STIP)	16,158,632	1.9	17,789,943	2.2	(1,631,311)	(9.2)
Total	**843,314,832**	**100.0**	**817,330,328**	**100.0**	**25,984,504**	**3.2**
Income	**41,347,183**		**40,457,940**		**889,243**	**2.2**

The Coal Tax Trust is also used to fund the in-state investment program on Page 43.

TRUST AND LEGACY FUND

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

Trust & Legacy Fund Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	464,553,456	98.1	444,653,456	98.0	19,900,000	4.5
Cash Equivalents (STIP)	8,899,018	1.9	9,086,400	2.0	(187,382)	(2.1)
Total	**473,452,474**	**100.0**	**453,739,857**	**100.0**	**19,712,618**	**4.3**
Income	**23,227,158**		**22,934,486**		**292,672**	**1.3**

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

RESOURCE INDEMNITY TRUST FUND

Article IX, Section 2 of the state Constitution requires that revenues from the Resource Indemnity Tax on minerals be deposited in the Resource Indemnity Trust Fund, the principal of which "shall forever remain inviolate" until the principal reaches $100 million. The fund's book value reached $100.0 million in fiscal 2002. The fiscal year changes in the Trust's book and fair value are shown below.

Resource Indemnity Trust Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Fixed Income (TFIP)	99,999,976	100.0	99,999,976	100.0	0	0.0
Cash Equivalents (STIP)	23,133	0.0	23,133	0.0	0	0.0
Total	**100,023,109**	**100.0**	**100,023,109**	**100.0**	**0**	**0.0**
Income	**5,134,587**		**5,212,968**		**(78,382)**	**(1.5)**

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

COAL TAX PARKS/CULTURAL TRUST FUNDS

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

Coal Tax Parks/Cultural Funds Annual Change

Fund Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% Change
Parks Trust	20,802,504	64.5	19,952,506	64.3	849,998	4.3
Cultural Trust	11,435,371	35.5	11,094,915	35.7	340,456	3.1
Total	**32,237,875**	**100.0**	**31,047,421**	**100.0**	**1,190,454**	**3.8**
Investment Type						
Fixed Income (TFIP)	31,980,936	99.2	30,734,936	99.0	1,246,000	4.1
Cash Equivalents (STIP)	256,939	0.8	312,485	1.0	(55,546)	(17.8)
Total	**32,237,875**	**100.0**	**31,047,421**	**100.0**	**1,190,454**	**3.8**
Income	**1,573,573**		**1,542,457**		**31,116**	**2.0**

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

OTHER TRUST FUNDS

Fish, Wildlife, and Parks (FWP) Mitigation Trust - expendable trust funds fish and wildlife mitigation/enhancements.

Abandoned Mine Trust - expendable trust funds abandoned mine reclamation.

FWP Real Property Trust - non-expendable trust funds operations, development, and maintenance of FWP real property.

Weed Control Trust - non-expendable $2.5 million trust funds noxious weed control.

Wildlife Habitat Trust - funds acquisition/development/maintenance of wildlife habitat.

Montana Post and Pole Trust - funds environmental cleanup of the former Montana Pole and Treatment Plant in Butte.

The UCFRB Funds represent proceeds from state settlements with the Atlantic Richfield Company for restoration of the Upper Clark Fork River Basin.

Streamside Tailing Funds are derived from a consent decree between the state and the Atlantic Richfield Company for remedial treatment of the Silver Bow Creek/Butte area.

Tobacco Trust – the nation's largest tobacco companies are required to pay at least $205.0 billion over the next 25 years to the states. Forty percent of Montana's share is deposited in a trust fund.

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

Zortman/Landusky LT H20 Trust – this fund has the same purpose as the existing Zortman/Landusky account; however, the source of funds is different. The legislature requires a deposit of $1.2 million a year into this account until there are sufficient funds to generate $19.3 million by January 1, 2018.

Endowment for Children Fund – funds used to support programs and services related to child abuse and neglect, primary prevention activities and family resource programs.

Older Montanans Trust Fund - funds used to create new, innovative services or expand existing services for Montana residents 60 years of age or older.

Clark Fork Site Response Action Fund – funds derived from the 2008 consent decree between the Montana Department of Environmental Quality and Atlantic Richfield Company to remediate the Clark Fork River.

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

Litigation Cost Recovery Fund – funds derived from the 2008 consent decree between the Montana Department of Justice and Atlantic Richfield Company to reimburse the Department of Justice for the

legal costs associated with the litigation with ARCO over the remediation necessary in the Upper Clark Fork River Basin area.

Clark Fork River Restoration Fund – funds derived from the 2008 consent decree between the Montana Department of Justice and Atlantic Richfield Company for restoration of the Clark Fork River and associated riparian areas from Warm Springs Ponds to Milltown Reservoir and related projects.

Smelter Hill Uplands Restoration Fund – funds derived from the 2008 consent decree between the Montana Department of Justice and Atlantic Richfield Company for the restoration of the environment, vegetation and soils on lands affected by the Anaconda smelter.

Upper Blackfoot Mine Complex Fund – funds derived from the 2008 consent decree between the Montana Department of Justice and Atlantic Richfield Company for the cleanup of the national forest portion of the Upper Blackfoot Mining Complex Site.

STATE FUND INSURANCE

The State Compensation Insurance Fund (State Fund) provides workers' compensation and occupational disease insurance for claims arising from injuries occurring on or after July 1, 1990. Effective on that date, the state's workers' compensation fund was divided into two funds with separate liabilities. The "old" fund retained all financial obligations for claims for injuries occurring prior to July 1, 1990, while the "new" fund assumed claim obligations for injuries occurring after that date.

State Fund Insurance Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
Corporate/Asset-Backed Bonds	610,768,368	54.8	565,907,160	53.7	44,861,208	7.9
US Govt Direct Obligations	158,060,411	14.2	146,710,310	13.9	11,350,101	7.7
US Agency Bonds	232,457,755	20.8	215,092,150	20.4	17,365,605	8.1
Total Fixed Income	1,001,286,533	89.8	927,709,620	88.0	73,576,913	7.9
ACWI EX US International Index	14,000,530	1.3	4,000,000		10,000,530	250.0
Blackrock S&P 500 Equity Index	85,007,008	7.6	98,406,677	9.3	(13,399,668)	(13.6)
Total Equity	99,007,538	8.9	102,406,677	9.3	(3,399,139)	(3.3)
Cash Equivalents (STIP)	15,146,197	1.4	24,213,560	2.3	(9,067,363)	(37.4)
Total	**1,115,440,268**	**100.0**	**1,054,329,856**	**99.6**	**61,110,412**	**5.8**
Income	**50,132,859**		**47,115,197**		**3,017,661**	**6.4**

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

State Fund Insurance 2011 Total Rates of Return

Asset Type	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
Cash Equivalents (STIP)	0.30	LIBOR 1 Month	0.25	0.05
Equities	30.61	S & P 500 Index	30.69	(0.08)
Fixed Income	4.69	BC Gov/Credit Intermediate	3.77	0.92
All Assets	7.21	Composite (1)	6.24	0.97

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

OTHER INSURANCE FUNDS INVESTMENTS

Old Workers - Compensation Fund - pays claims for all injury claims occurring prior to July 1, 1990.
Group Insurance - created in 1981, provides health and life insurance to non-university state employees.
Subsequent Injury - provides benefits to workers who are vocationally handicapped and whose Workers' Compensation benefits have expired.

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

University Group Benefits	**$ 32,020,654**
Agency Insurance	**26,067,537**
University Workers Compensation	**15,771,231**
Hail Insurance	**10,965,691**
Uninsured Employees	**3,220,470**
Unemployment Insurance Benefits	**9,081,286**
Total	**$97,126,869**

TREASURER'S FUND

The Treasurer's Fund (Fund) is comprised of surplus cash in all state accounts that do not retain their investment earnings. All earnings are deposited in the state general fund. State law authorizes the Board to determine the amount of surplus cash in the Fund to be invested and the type of investments to be made. Invested balances at book value vary widely due to varying levels of excess cash in the state's general fund and other accounts comprising the Fund. The Fund is managed to maximize income, rather than for total rate of return. This Fund has been a major investor in STIP since 1974 when STIP was created.

Treasurer's Fund Annual Change

Investment Type	6/30/2011 Book Value	% of Total	6/30/2010 Book Value	% of Total	$ Change	% of Change
US Bank Sweep Repo	15,077,839	1.5	11,659,113	1.3	3,418,725	29.3
US Agency Bonds	30,969,504	3.0	50,538,642	5.6	(19,569,138)	(38.7)
US Treasury Bills/Bonds	0	0.0	4,992,673	0.5	(4,992,673)	(100.0)
Corporate Bonds	0	0.0	15,066,906	1.7	(15,066,906)	(100.0)
Cash Equivalents (STIP)	976,647,515	95.5	828,267,153	91.0	148,380,362	17.9
Total	**1,022,694,858**	**100.0**	**910,524,487**	**100.0**	**112,170,371**	**12.3**
Income	**2,535,104**		**2,692,285**		**(157,181)**	**(5.8)**

Treasurer's Fund 2011 Total Rates of Return

Asset Type	% Return	Benchmarks	Benchmark % Return	Return +/- Benchmark
Cash Equivalents	**0.30**	**3 Month Treasury**	**0.14**	**0.16**
All Assets	**0.33**			

COAL TAX TRUST LOANS

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

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

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

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

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

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

Loans By Sector From Inception

Sector	6/30/2011 Cumulative	% of Total	6/30/2010 Cumulative	% Of Total	$ Change	% Change
Service Industry	278,264,769	43.1	270,984,690	42.6	7,280,078	2.7
Manufacturing	90,540,415	14.0	90,415,242	14.2	125,173	0.1
Finance/Insurance/Real Estate	90,217,363	14.0	90,217,363	14.2	0	0.0
Retail Trade	77,688,814	12.0	74,764,168	11.8	2,924,646	3.9
Agriculture/Forestry/Fishing	61,022,673	9.4	61,022,673	9.6	0	0
Transportation/Utilities/Comm.	22,670,985	3.5	22,670,985	3.6	0	0
Wholesale Trade	12,347,115	1.9	12,347,115	1.9	0	0
Construction	10,106,827	1.6	10,106,827	1.6	0	0
Mining	3,139,768	0.5	3,139,768	0.5	0	0
Total	**645,998,728**	**100.0**	**635,668,831**	**100.0**	**10,329,897**	**1.6**

Annual Change by Loan Type

Loan Type	6/30/2011 Outstanding	% of Total	6/30/2010 Outstanding	% Of Total	$ Change	% Change
Commercial Loans	128,350,272	81.2	148,708,515	80.8	(20,358,243)	(13.7)
Infrastructure Loans	23,557,398	14.9	24,530,674	13.3	(973,276)	(4.0)
Value-added Loans	3,178,860	2.0	8,002,834	4.3	(4,823,974)	(60.3)
Intermediary Program Loans	2,944,542	1.9	2,734,325	1.5	210,217	7.7
Total	**158,031,072**	**100.0**	**183,976,347**	**100.0**	**(25,945,275)**	**(14.1)**

Loan Yield at 6/30 (1)	**5.30%**	**5.53%**
Loans 90 Days in Arrears	**0.14%**	**0**
Loan Losses	**0**	**0**

(1) Excludes Value-added and Intermediary Progam Loans With Interest Rates Set By Law

Loans From Inception By County Annual Change At June 30

County	Through 2011	% Of Total	Through 2010	% Of Total	10-11 $ Increase	2011 Loans	2010 Loans	10-11 Inc
Missoula	123,473,130	19.1	123,337,871	19.4	135,259	227	226	1
Yellowstone	100,023,528	15.5	91,114,427	14.3	8,909,101	145	143	2
Gallatin	96,595,116	15.0	95,444,116	15.0	1,151,000	127	126	1
Cascade	60,767,015	9.4	60,767,015	9.6	(1)	54	54	0
Lewis & Clark	54,540,792	8.4	54,540,792	8.6	0	100	100	0
Flathead	47,159,507	7.3	47,159,507	7.4	0	88	88	0
Park	22,709,631	3.5	22,709,631	3.6	0	30	30	0
Lake	19,432,991	3.0	19,432,991	3.1	0	90	90	0
Silver Bow	18,584,476	2.9	18,491,976	2.9	92,500	13	12	1
Ravalli	14,992,506	2.3	14,987,006	2.4	5,500	47	46	1
Madison	13,713,554	2.1	13,713,554	2.2	0	70	70	0
Beaverhead	10,874,710	1.7	10,874,710	1.7	0	29	29	0
Stillwater	9,289,630	1.4	9,289,630	1.5	0	49	49	0
Blaine	6,231,325	1.0	6,231,325	1.0	0	35	35	0
Hill	5,265,248	0.8	5,265,248	0.8	0	10	10	0
Richland	3,580,953	0.6	3,580,953	0.6	0	26	26	0
Roosevelt	3,222,856	0.5	3,222,856	0.5	0	8	8	0
Rosebud	3,162,078	0.5	3,162,078	0.5	0	2	2	0
Carbon	3,154,586	0.5	3,154,586	0.5	0	13	13	0
Phillips	3,097,177	0.5	3,097,177	0.5	0	5	5	0
Jefferson	2,863,980	0.4	2,863,980	0.5	0	12	12	0
Sanders	2,721,699	0.4	2,721,699	0.4	0	9	9	0
Valley	2,308,767	0.4	2,308,767	0.4	0	17	17	0
Custer	1,960,399	0.3	1,960,399	0.3	0	3	3	0
Lincoln	1,923,608	0.3	1,923,608	0.3	0	6	6	0
Choteau	1,701,998	0.3	1,701,998	0.3	0	4	4	0
Mineral	1,611,093	0.2	1,611,093	0.3	0	3	3	0
Granite	1,524,095	0.2	1,524,095	0.2	0	6	6	0
Meagher	1,424,517	0.2	1,424,517	0.2	0	5	5	0
Fergus	1,416,491	0.2	1,379,955	0.2	36,536	4	3	1
Dawson	874,285	0.1	874,285	0.1	0	1	1	0
Toole	848,195	0.1	848,195	0.1	0	2	2	0
Pondera	782,199	0.1	782,199	0.1	0	3	3	0
Sweet Grass	751,737	0.1	751,737	0.1	0	3	3	0
Bighorn	676,400	0.1	676,400	0.1	0	3	3	0
Powell	616,500	0.1	616,500	0.1	0	1	1	0
Fallon	476,429	0.1	476,429	0.1	0	2	2	0
Broadwater	463,199	0.1	463,199	0.1	0	3	3	0
Liberty	455,439	0.1	455,439	0.1	0	3	3	0
McCone	295,148	0.0	295,148	0.0	0	3	3	0
Musselshell	163,000	0.0	163,000	0.0	0	1	1	0
Daniels	121,637	0.0	121,637	0.0	0	1	1	0
Wibaux	90,000	0.0	90,000	0.0	0	1	1	0
Powder River	57,105	0.0	57,105	0.0	0	1	1	0
Total	**645,998,728**	**100.0**	**635,668,832**	**100.0**	**10,329,896**	**1,265**	**1,258**	**7**

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

In-State Loans and Other In-State Investments

Loan Type	6/30/2011 Book Value	6/30/2010 Book Value	$ Change
Coal Tax Trust Loans	158,031,072	183,976,347	(25,945,275)
Residential Mortgages	26,484,439	35,778,065	(9,293,626)
Real Estate	0	17,026,708	(17,026,708)
Montana Science and Technology	12,185,010	12,336,133	(151,123)
Department of Justice Loan	0	373,010	(373,010)
Facility Finance Authority Loans	8,286,258	8,742,035	(455,777)
Total Loans	**204,986,779**	**258,232,298**	**(53,245,518)**
PPL Montana	28,690,522	32,575,712	(3,885,190)
Med Map LLC (St. Vincent's Hospital, Billings)	9,307,487	21,841,146	(12,533,659)
Montana CRP Bonds	0	120,328	(120,328)
Board of Housing	1,090,000	1,100,000	(10,000)
Total Bonds	**39,088,009**	**55,637,186**	**(16,549,177)**
Total In-State Investments	**244,074,788**	**313,869,483**	**(69,794,695)**
Bond Guarantees (1)	**226,374,677**	**197,444,677**	**28,930,000**

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

MONTANA RESIDENTIAL MORTGAGES

The Board invests the Public Employees' and Teachers' Retirement Funds in Montana mortgages by purchasing all or a portion of mortgages from qualified financial institutions. Interest rates are set weekly, based on quotes from the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, the two major U.S. secondary mortgage markets. Financial institutions charge a fee for servicing the loans. The number and location of mortgages purchased by the Board depend upon the mortgage lending activities of individual financial institutions and their interest in the Board's mortgage program. All mortgages are secured by single-family residential or multi-family residential properties in Montana. The mortgage portfolio peaked in 2002 at $324.0 million but has since declined significantly due to market conditions and the fact that the retirement fund investment return assumptions are well in excess of the recent yield on mortgages. The table below shows the annual change in outstanding mortgage balances by type.

Outstanding Mortgages By Type

Mortgage Type	6/30/2011 Outstanding	% of Total	6/30/2010 Outstanding	% Of Total	$ Change	% Change
Residential Conventional	15,669,740	58.2	21,762,427	60.6	(6,092,687)	(28.0)
Residential FHA	10,183,050	37.8	12,637,004	35.3	(2,453,955)	(19.4)
Residential VA	1,075,666	4.0	1,463,541	4.1	(387,875)	(26.5)
Total	**26,484,439**	**100.0**	**35,778,065**	**100.0**	**(9,293,626)**	**(26.0)**
Mortgages 90 Days in Arrears	**1.61%**		**1.53%**			
Losses on Mortgages	**0**		**0**			

BOND PROGRAMS

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

INTERCAP - The Board issues bonds and lends the proceeds to eligible governments for a variety of purposes. Since the program's inception, the Board has issued $136.0 million in bonds with $95.5 million outstanding at June 30, 2011. The Board makes firm commitments to fund loans from the INTERCAP loan program. Over the past five fiscal years, the program averaged $27.7 million in loan commitments to Montana governments, of which 80 percent was funded. The program estimates continuing at that level of activity for the next fiscal year. The table below shows INTERCAP loans from inception by project and borrower type.

INTERCAP Loans From Inception By Project Type

Project Type	6/30/2011 Cumulative	% Of Total	6/30/2010 Cumulative	% Of Total	$ Change	% Change
Buildings	70,280,415	20.5	64,469,032	19.8	5,811,383	9.0
Revenue Anticipation	67,757,680	19.8	61,251,957	18.8	6,505,723	10.6
Vehicles	64,044,375	18.7	63,355,712	19.5	688,662	1.1
Computer/Printers	43,025,615	12.5	42,987,553	13.2	38,061	0.1
Land/Roads	26,151,182	7.6	25,426,344	7.8	724,838	2.9
Equipment	23,944,941	7.0	22,549,722	6.9	1,395,219	6.2
Water/Wastewater	13,607,095	4.0	12,562,451	3.9	1,044,644	8.3
Energy Retrofit	13,119,645	3.8	12,527,685	3.9	591,960	4.7
Other	12,557,584	3.7	12,535,848	3.9	21,735	0.2
Solid Waste Equipment	8,371,290	2.4	7,471,290	2.3	900,000	12.0
Total	**342,859,821**	**100.0**	**325,137,595**	**100.0**	**17,722,227**	**5.5**

INTERCAP Loans From Inception By Borrower Type

Borrower Type	6/30/2011 Cumulative	% Of Total	6/30/2010 Cumulative	% Of Total	$ Change	% Change
State Agency	86,041,690	25.1	84,012,140	25.8	2,029,550	2.4
County	74,072,423	21.6	68,178,193	21.0	5,894,231	8.6
City/Town	73,850,274	21.5	70,924,886	21.8	2,925,388	4.1
School District	31,134,367	9.1	30,126,922	9.3	1,007,444	3.3
University	31,339,868	9.1	27,917,901	8.6	3,421,967	12.3
Water/Sewer District	16,129,064	4.7	15,425,471	4.7	703,593	4.6
Other	12,644,148	3.7	12,436,693	3.8	207,456	1.7
Fire Jurisdiction	12,280,659	3.6	11,648,061	3.6	632,598	5.4
Solid Waste District	5,367,327	1.6	4,467,327	1.4	900,000	20.1
Total	**342,859,821**	**100.0**	**325,137,595**	**100.0**	**17,722,227**	**5.5**

INTERCAP interest rates are reset each February 16 based on the interest on the bonds funding the loans. The table below shows the rate history, by year, since 1987 to 2011.

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

Other bond programs managed by the Board are**:**

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

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified zone academy bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2011 Balance
Huntley Project Schools	12/01/00	750,000	750,000
Bozeman Public Schools	11/25/03	1,586,000	1,586,000
Philipsburg Schools	12/10/03	2,000,000	2,000,000
Cut Bank Elementary	08/18/05	825,000	825,000
Cut Bank High School	08/18/05	625,000	625,000
Bozeman Public Schools	12/21/06	1,459,250	1,459,250
Billings School District	12/29/08	773,250	773,250
Lewistown Elementary	06/16/09	2,087,250	2,087,250
Total		**10,105,750**	**10,105,750**

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

This program allows qualifying school districts to borrow money at no or nominal interest rates by issuing qualified school construction bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2011 Balance
Great Falls Elementary	04/27/11	6,510,000	6,510,000
Great Falls High School	04/27/11	1,855,000	1,855,000
Total		**8,365,000**	**8,365,000**

Economic Development Bond Act

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

This program provides qualifying businesses access to tax-exempt funds and the Board has issued bonds to finance several projects. The Board acts as a legal funding conduit only and is not pecuniarily liable for the repayment of the bonds. Bonds outstanding as of June 30 are listed below:

Project	Issue Date	Issue Amount	6/30/2011 Balance
Colstrip	10/01/89	60,800,000	35,700,000
BGI	07/01/93	118,345,000	95,345,000
Stillwater Mining	07/01/00	30,000,000	30,000,000
Total		**209,145,000**	**161,045,000**

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

This program provides loans to Montana farmers to refinance outstanding loans and/or to purchase additional land and farm equipment. The borrowers assign their remaining federal CRP contract payments to the Board to repay the debt service on these loans. When the program began, bonds were issued to provide funding for the loans. Currently, the loans are funded from the Trust Funds Investment Pool, formerly known as the Trust Funds Bond Pool, as an investment. Loan interest rates are typically set at 0.50 higher than the interest set by the Trust Funds Investment Pool manager. A total of 260 loans, totaling $33.5 million have been funded under this program**.**