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STATE ADMINISTRATION
Exhibit No. 2
Date 1-15-07
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Pensions & Investments

Presented by:

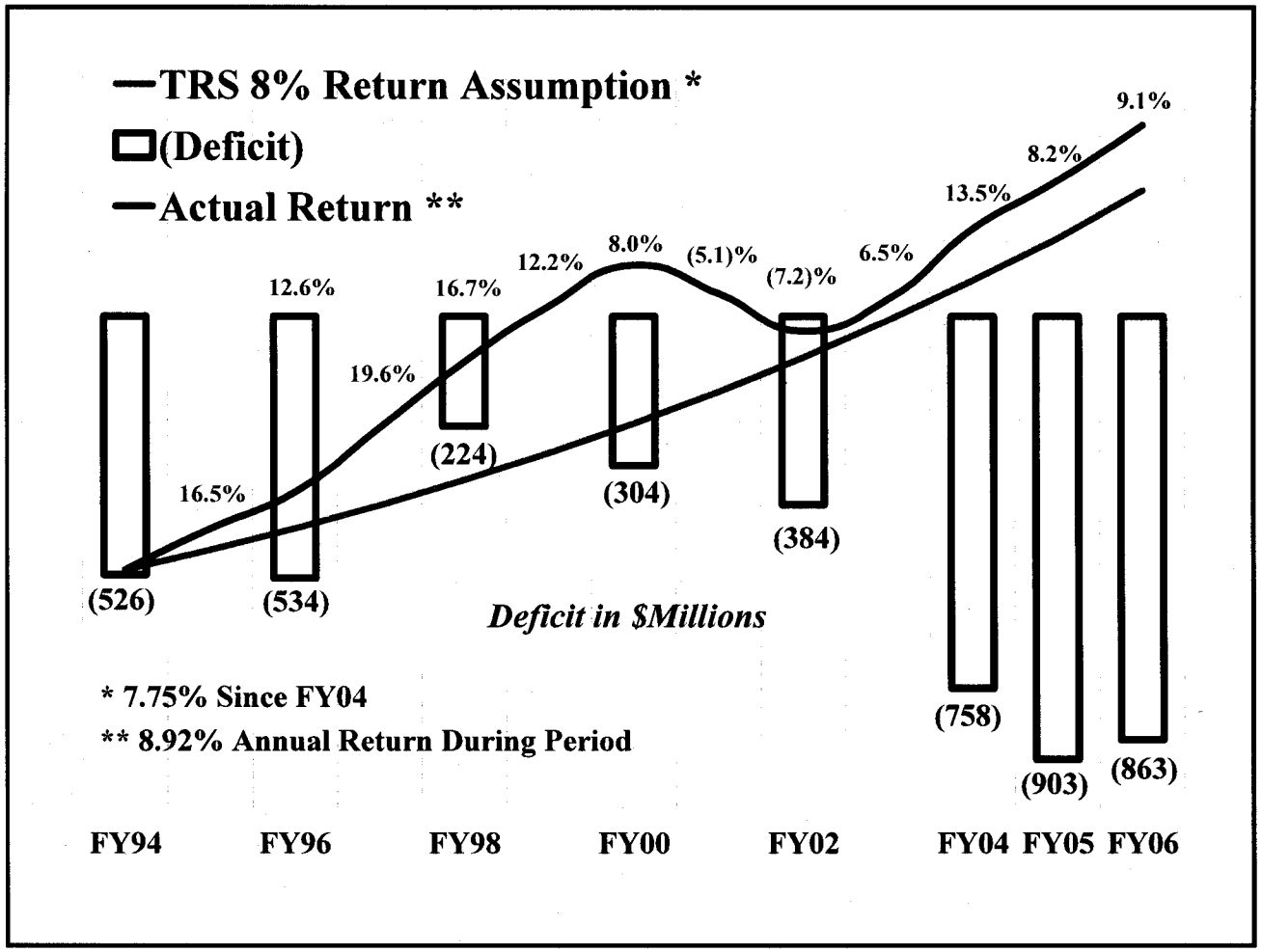
Carroll South, Executive Director
Montana Board of Investments

January 15, 2007

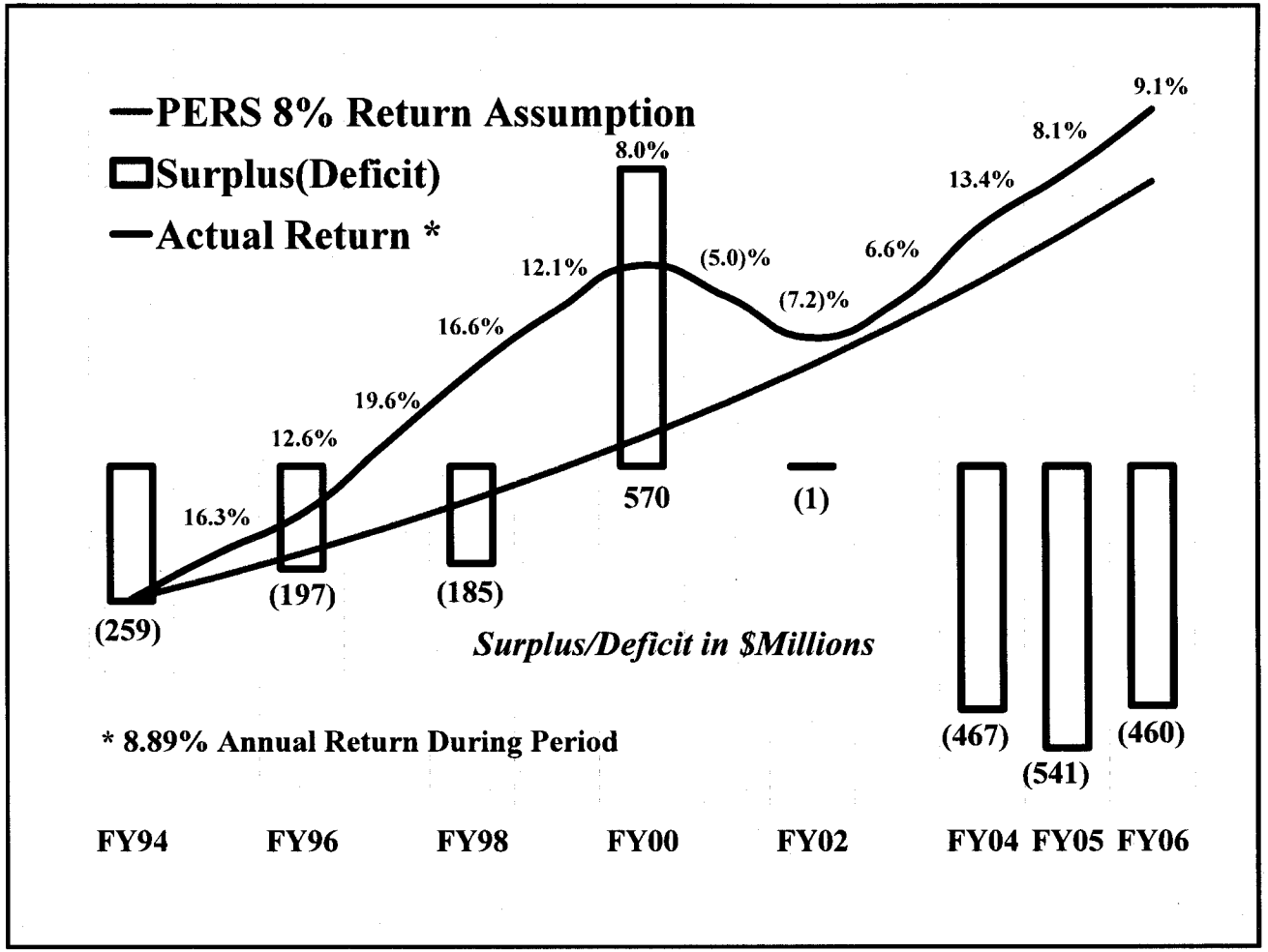
Montana Pension Systems

- Funding status based on assumptions
- Investment return assumptions are:
  - The most volatile of all assumptions
  - Likely to be inaccurate during short periods
  - Small assumption variances = large $ impact
  - Actual returns are driven by capital markets

Liabilities/Return Assumptions



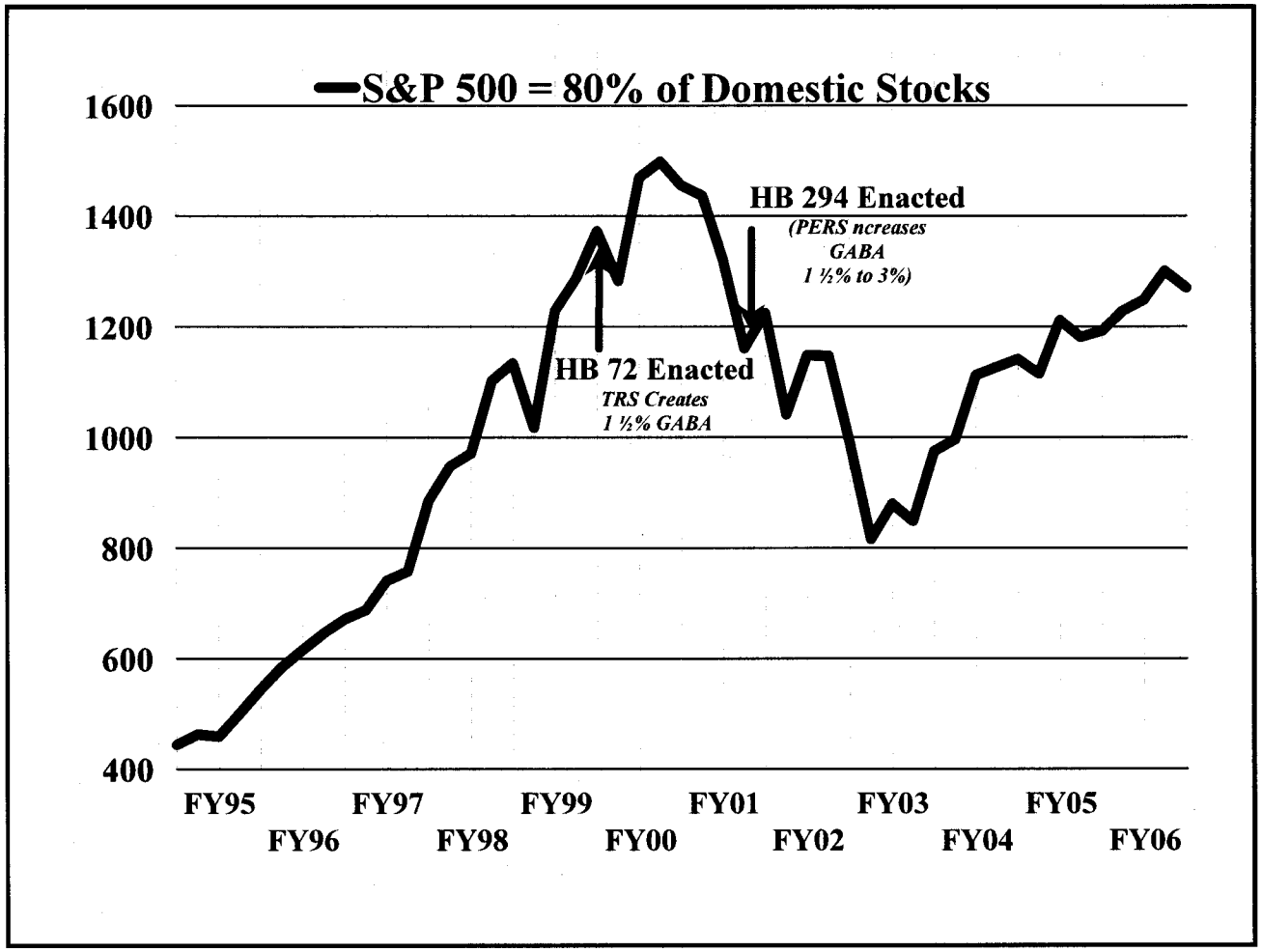
Liabilities/Return Assumptions



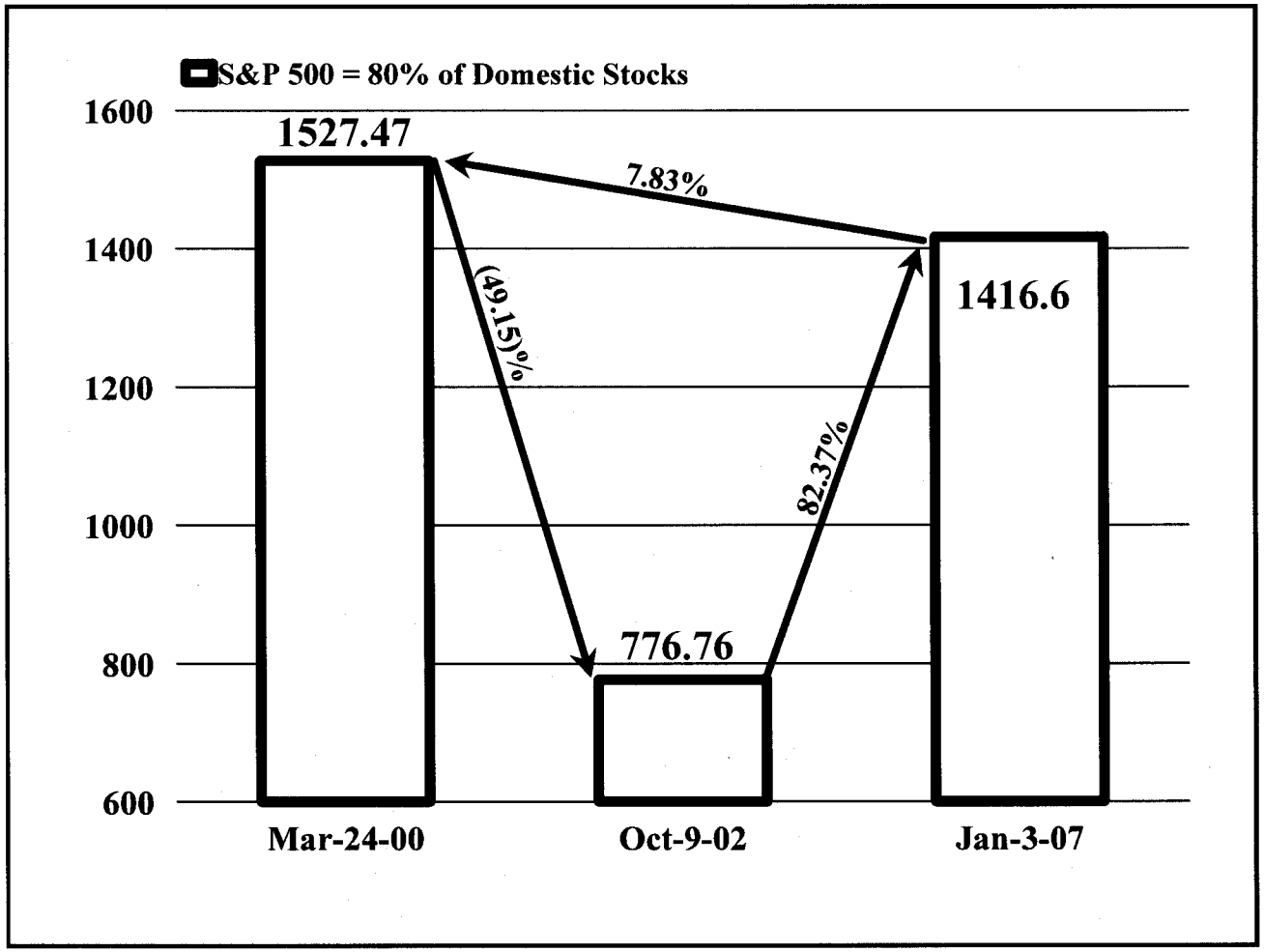
The Perfect Storm

- Legislature increases benefits
- Legislature cannot decrease benefits
- Financial market losses reduce assets
- Investment return cannot "fix" the problem

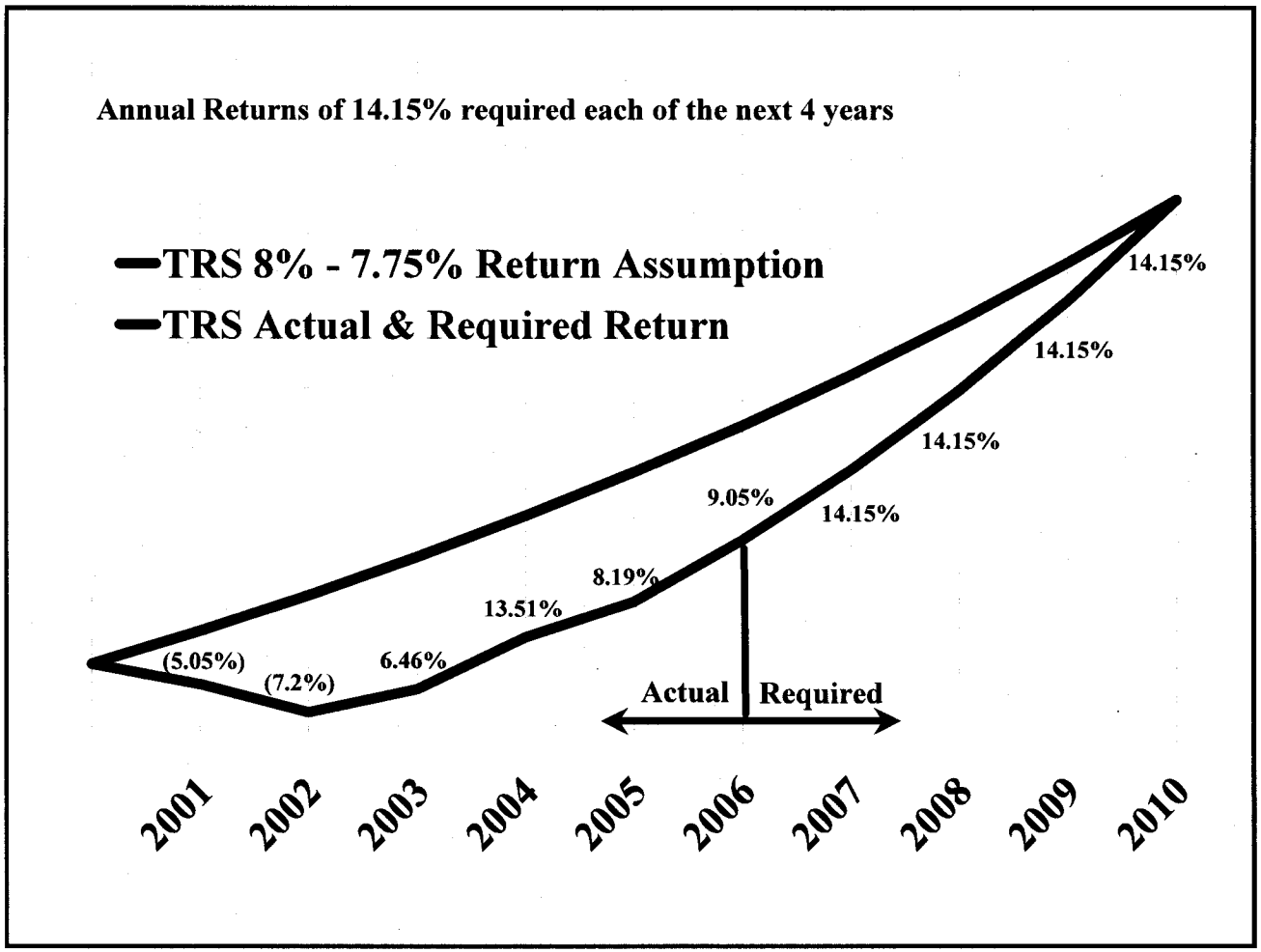
The Perfect Storm



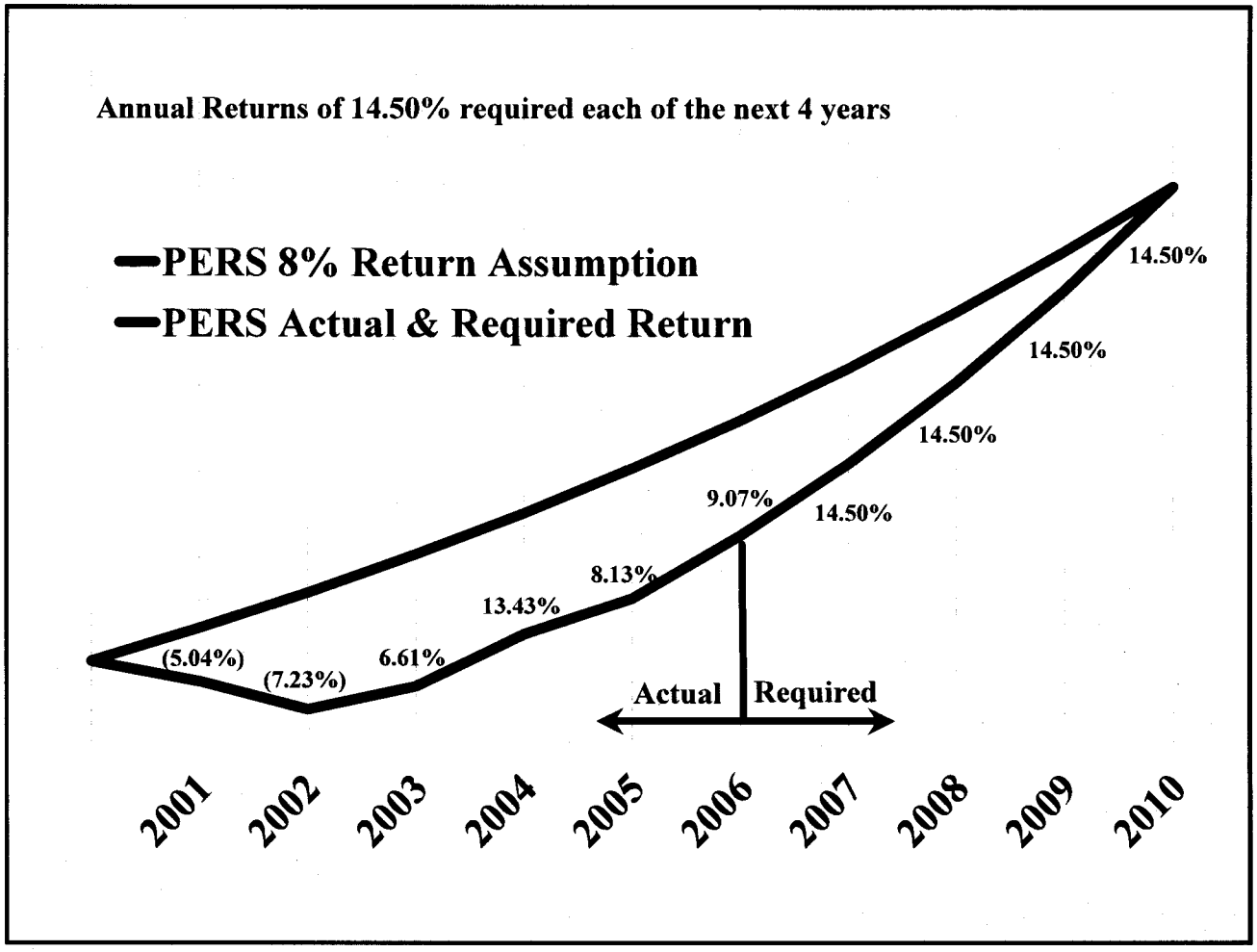
Has the Stock Market Recovered?



Can We Get There From Here?



Can We There From Here?



Here Today – Gone Tomorrow

****** For Illustration Purposes Only ********

July 1 2000 PERS Actuarial Surplus	**569,940,000**
June 30 2000 PERS *Actual* Invested Assets	**2,910,869,949**
Multiplied By 1.08 % Actuarial Assumption	**1.08**
June 30 2001 *Expected* Invested Assets	**3,141,095,545**
Multiplied By 1.08 %Actuarial Assumption	**1.08**
June 30 2002 *Expected* Invested Assets	**3,382,770,189**
June 30 2002 *Actual* Invested Assets	**2,559,675,163**
Actuarial Investment Loss	**(823,095,026)**
Actual Investment Loss	**(351,194,786)**

Report Data Sources

- Board of Investments Annual Reports
- PERS/TRS Actuary Reports
- Custodial Bank Accounting/Performance Records
- Standard & Poor's Web Site