

**Sheriffs' Retirement System  
of the  
State of Montana**

**Actuarial Valuation  
as of June 30, 2011**

**Produced by [Cheiron](#)**

**September 2011**

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September 15, 2011

Public Employees' Retirement Board  
 100 North Park, Suite 200  
 Helena, Montana 59620

Dear Members of the Board:

At your request, we have conducted the annual actuarial valuation of the Sheriffs' Retirement System as of June 30, 2011. The results of the valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.


This report contains information on System assets, as well as analyses which combine asset and liability performance and projections. The report also discloses employer contribution levels, and required disclosures under the Governmental Accounting Standards Board Statement No. 25.

Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. The results of this report are only applicable for Fiscal Year ending 2011 and rely on future System experience conforming to the underlying assumptions. To the extent that actual System experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report and its contents, which are work products of Cheiron, Inc., are complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinions contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our report does not provide any legal services or advice.

Cheiron's report was prepared exclusively for the Sheriffs' Retirement System for a specific and limited purpose. It is not for use or benefit of any third party for any purpose.

Sincerely,  
 Cheiron



Stephen T. McElhaney, FSA  
 Principal Consulting Actuary



Margaret Tempkin, FSA  
 Consulting Actuary



**SHERIFFS' RETIREMENT SYSTEM**  
**ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**FOREWORD**

Cheiron has performed the actuarial valuation of the Sheriffs' Retirement System as of June 30, 2011. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the System;
- 2) **Indicate trends** in the financial progress of the System;
- 3) **Determine the sufficiency of the statutory contribution rate** paid by the employers for Fiscal Year 2011; and
- 4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes System assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the System's investment performance as well as an analysis of actuarial liability gains and losses.

**Section I** presents a summary containing our findings and disclosing important trends experienced by the System in recent years.

**Section II** contains details on various asset measures, together with pertinent performance measurements.

**Section III** shows similar information on System liabilities, measured for actuarial, accounting, and government reporting purposes.

**Section IV** develops the employer contribution rate determined using actuarial techniques.

**Section V** includes the required disclosures under GASB Statement number 25.

The appendices to this report contain a summary of the System's membership at the valuation date, a summary of the major provisions of the System, and the actuarial methods and assumptions used in the valuations.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the staff of the Public Employee Retirement Administration. This information includes, but is not limited to, plan provisions, employee data, and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the System and the assumptions as a whole represent our best estimate for the future experience of the System. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the System could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION I  
BOARD SUMMARY**

**General Comments**

This is the third valuation of the Sheriffs' Retirement System performed by Cheiron.

As of the June 30, 2010 valuation, the statutory contribution rates were not sufficient to amortize the unfunded actuarial liability. As of June 30, 2011 the statutory contribution rates are still not sufficient to amortize the unfunded actuarial liability. During the year ended June 30, 2011, the System's assets gained 21.57% on a market value basis. However, due to the System's asset-smoothing technique which recognizes only a portion of the gains and losses, the return on the actuarial asset value was 0.65%. This return was below the assumed rate of return of 7.75% and resulted in an actuarial loss on investments of \$14.3 million.

The System also experienced an actuarial loss on System liabilities resulting from salary increases different than assumed and members retiring, terminating, becoming disabled and dying at rates different from the actuarial assumptions. This experience loss added \$0.4 million from the actuarial liability. This type of activity is normal in the course of System experience. The System will experience actuarial gains and losses over time because we cannot predict exactly how people will behave. When a plan experiences alternating gains and losses that are small compared to the total actuarial liability, then the plan's actuarial assumptions are reasonable.

There was a legislative change to the Plan that affects those hired on or after July 1, 2011. This change had no immediate impact on Plan costs or liabilities.

As of the June 30, 2011 actuarial valuation, the System's unfunded actuarial liability was \$62.8 million. This is an increase from last year's unfunded actuarial liability of \$46.0 million. The funded ratio decreased from 81% at the prior valuation to 76% at June 30, 2011.

Montana Code Annotated (MCA) 19-2-407 requires an analysis of how market performance is affecting the actuarial funding of the Retirement System. The market value at June 30, 2011 was \$8.0 million more than actuarial value. If market value were used rather than actuarial value, the funded ratio on the valuation date would be 79%, and the statutory contribution rates are not sufficient to amortize the unfunded actuarial liability.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION I  
BOARD SUMMARY**

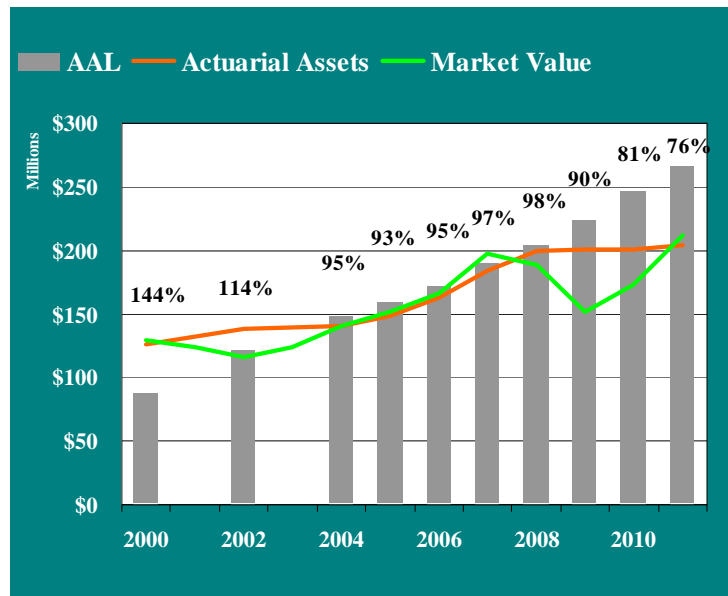
## Trends

### Assets and Liabilities

The market value of assets (MVA) increased over last year, returning 21.57% from the value at the prior valuation. The determination of the System's actuarial value of assets reflects only a portion of the amount by which the return was above the assumed rate of 7.75%.

Over the period July 1, 2006 to June 30, 2011 the System's assets returned approximately 3.8% per year measured at actuarial value, compared to a current valuation assumption of 7.75% per year.

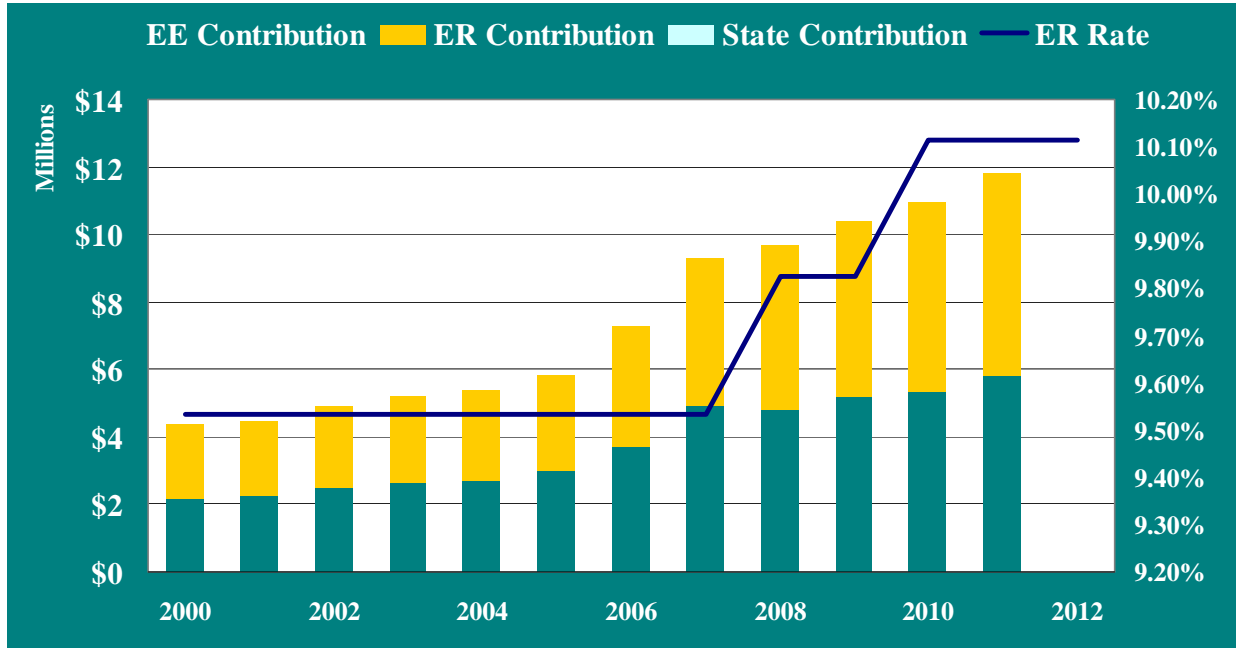
For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION I  
BOARD SUMMARY**

Contribution Rates



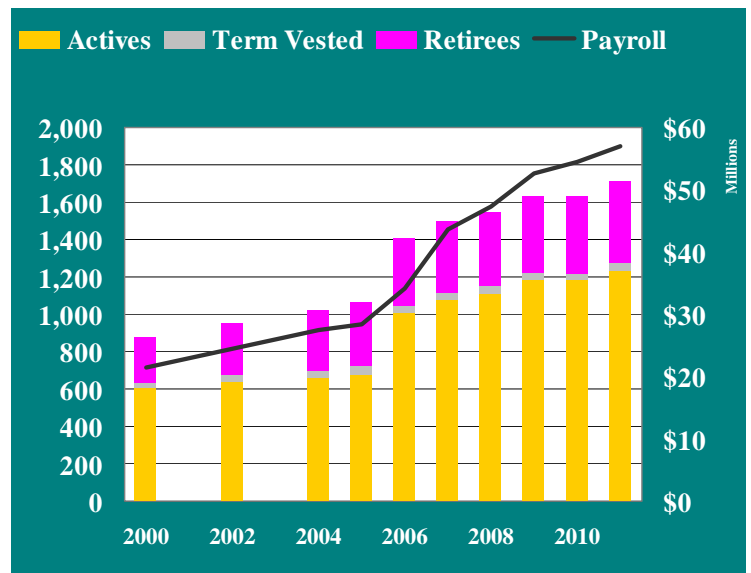
The stacked bars in this graph show the contributions made by members, employers and the State (left hand scale). The black line shows the employer contribution rate as a percent of payroll (right hand scale).

The employer and member contribution rates are set by State law. The actuarial valuation determines the extent to which the statutory contributions will meet the requirements of funding the System.

Participant Trends

The bars show the number of participants in each category and should be read using the left-hand scale. The active-to-inactive ratio has increased from 2.3 actives for each inactive in 2000 to 2.5 actives for each inactive today. This trend indicates a growing employee base.

The black line shows the covered payroll in the System and is read using the right-hand scale.



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

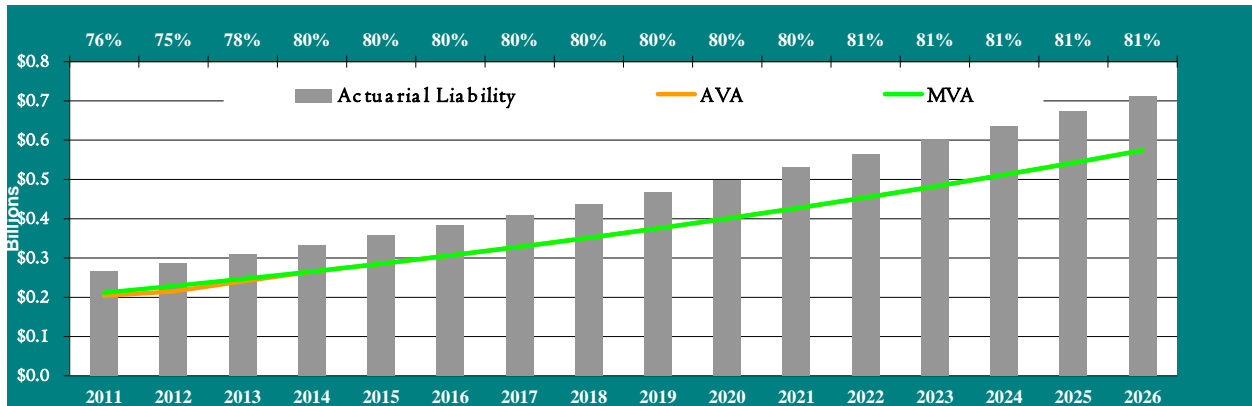
**SECTION I  
BOARD SUMMARY**

**Future Outlook**

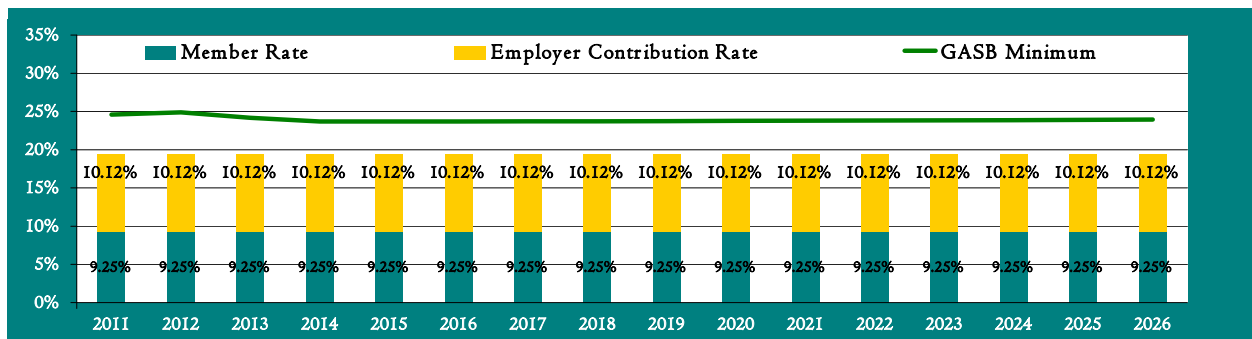
Base Line Projections

These graphs show the expected progress of the System over the next 15 years assuming the System's assets earn 7.75% on their *market value*, and that contributions continue to be made at the current statutory rates.

The chart below shows the funded status of the Plan is expected to decrease next year as excluded investment losses are recognized by the smoothing method. The funded status is then expected to increase slightly over the remainder of the 15 years.



The chart below shows that the total contribution computed on a GASB Minimum basis is expected to remain below 25% over the 15-year period and the statutory contributions will continue to be less than the GASB Minimum.



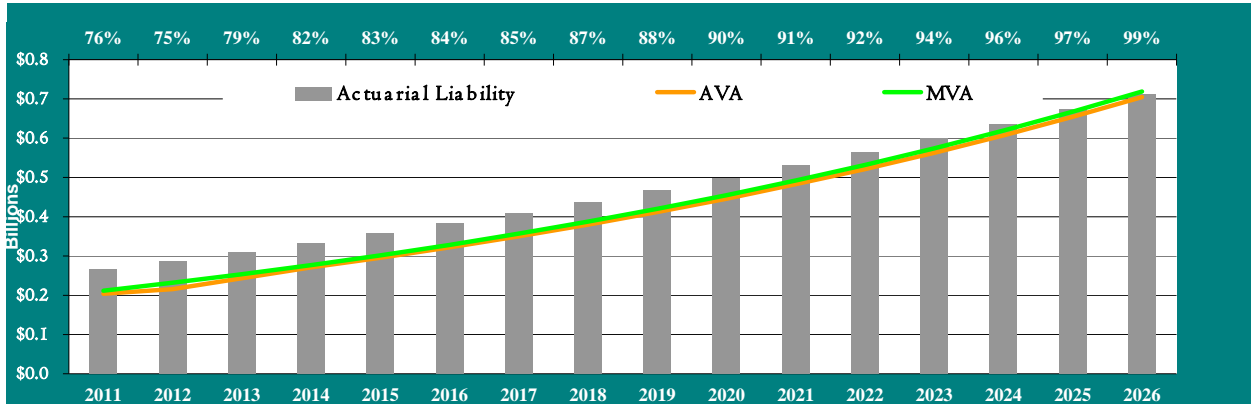


**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

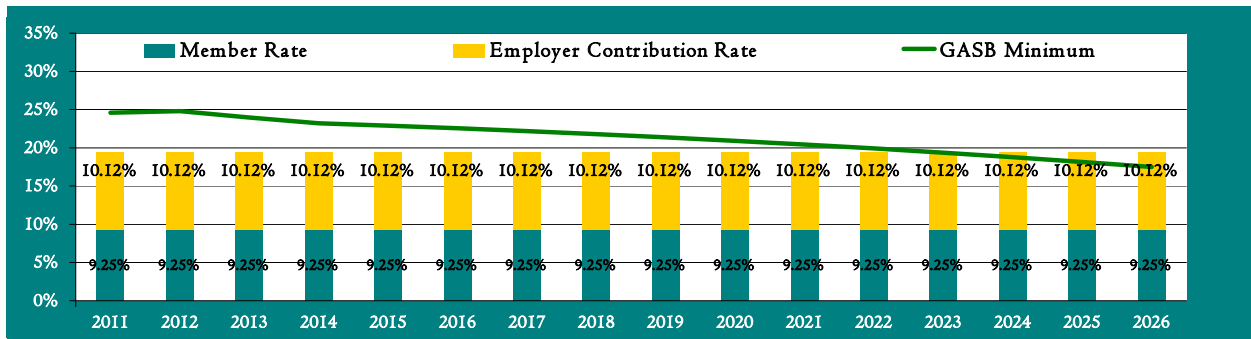
**SECTION I  
BOARD SUMMARY**

Projections with Asset Returns of 9.25%

The future funding status of this System will be largely driven by the investment earnings. Relatively minor changes in market returns can have significant effects on the System's status. These two charts below show what the next 15 years would look like with a 9.25% annual return in each year (i.e., 1.5% greater than the assumed rate of return).



Compared to the baseline projections, the funded status increases to almost 100% over 15 years. The GASB Minimum contribution drops below the statutory contribution by 2024.

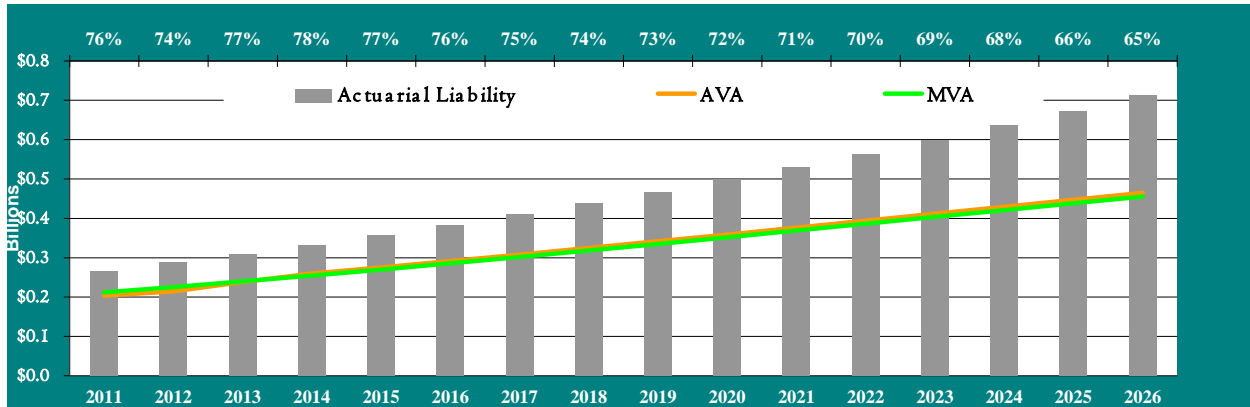


**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

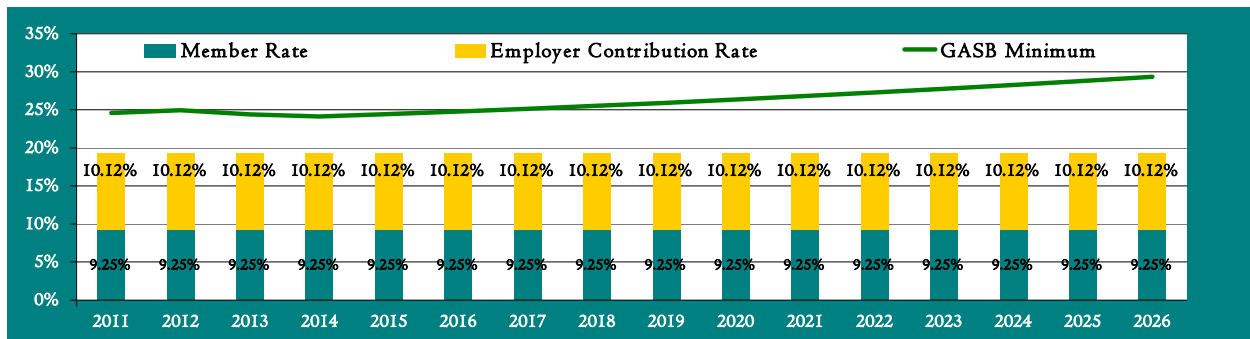
**SECTION I  
BOARD SUMMARY**

Projections with Asset Returns of 6.25%

To further demonstrate how the future funding of this System will be driven by investment earnings, we show the anticipated System funding projections if the invested assets earn 6.25% per year over the entire 15-year period (i.e., 1.5% less than the assumed rate of return).



Under this scenario the funded status increases over the near-term but then begins to decrease. The GASB Minimum contribution increases to almost 30% of pay by the end of the 15-year period.



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION I  
BOARD SUMMARY**

**Table I-1  
Sheriffs' Retirement System  
Summary of Principal System Results**

<b>Valuation as of:</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Active Members	1,181	1,230	4.1%
Disabled Members*	35	31	(11.4%)
Retirees and Beneficiaries*	380	410	7.9%
Terminated Vested Members	36	48	33.3%
Terminated Non-Vested Members	<u>157</u>	<u>196</u>	24.8%
Total**	1,789	1,915	7.0%
Annual Salaries of Active Members	\$ 54,488,112	\$ 57,005,944	4.6%
Average Annual Salary	\$ 46,137	\$ 46,346	0.5%
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 8,486,982	\$ 9,734,268	14.7%
<b><u>Assets and Liabilities</u></b>			
Actuarial Accrued Liability (AAL)	\$ 246,733,801	\$ 266,505,672	8.0%
Actuarial Value of Assets (AVA)	<u>200,739,149</u>	<u>203,689,287</u>	1.5%
Unfunded AAL	\$ 45,994,652	\$ 62,816,385	36.6%
Funded Ratio (AVA/AAL)	81.36%	76.43%	
Present Value of Accrued Benefits (PVAB)	\$ 203,744,269	\$ 222,591,333	9.3%
Market Value of Assets	<u>172,635,424</u>	<u>211,692,218</u>	22.6%
Unfunded PVAB	\$ 31,108,845	\$ 10,899,115	(65.0%)
Accrued Benefit Funding Ratio	84.73%	95.10%	
Ratio of Actuarial Value to Market Value	116.28%	96.22%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
Statutory Funding Rate	19.360%	19.360%	
Normal Cost Rate	19.020%	18.880%	
Available for Amortization of UAL	0.340%	0.480%	
Period to Amortize	Does not amortize	Does not amortize	
Projected 30-year Level Funding Rate	23.390%	24.580%	
Projected Shortfall (Surplus)	4.030%	5.220%	

\* Based on PERA categorization for the annual report. For actuarial valuation purposes, 53 members in 2010 and 53 members in 2011 were valued as disabled members with offsetting reductions to the number of retired members.

\*\* A reconciliation between participant counts used in the valuation and counts used in the annual report appears at the beginning of Appendix A.

**SECTION II**  
**ASSETS**

Pension plan assets play a key role in the financial operation of the System and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, State contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on System assets including:

- **Disclosure** of System assets at June 30, 2010 and June 30, 2011;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An assessment of **investment performance**; and
- A projection of the System's expected **cashflows** for the next ten years.

**Disclosure**

The market value of assets represents a "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace.

The actuarial values are market values which have been smoothed and are used for evaluating the System's ongoing liability to meet its obligations.

The actuarial value of assets is the current market value, adjusted by a four-year smoothing of gains and losses on a market value basis. Each year's gain or loss is determined difference between the actual market return and the expected market return using the assumed rate of investment return.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

SECTION II  
ASSETS

<b>Table II-1</b>		
<b>Changes in Market Values</b>		
<b>Value of Assets – June 30, 2010</b>		<b>\$ 172,635,424</b>
<b><u>Additions</u></b>		
Member Contributions	\$ 5,824,407	
Employer Contributions	6,013,558	
State Contributions	0	
Investment Return	37,538,952	
Other	6,318	
<b>Total Additions</b>	<b>\$ 49,383,235</b>	
<b><u>Deductions</u></b>		
Benefit Payments	\$ 10,205,025	
Administrative Expenses	121,416	
<b>Total Deductions</b>	<b>\$ 10,326,441</b>	
<b>Value of Assets – June 30, 2011</b>		<b>\$ 211,692,218</b>

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION II  
ASSETS**

**Actuarial Value of Assets**

The actuarial value of assets represents a “smoothed” value developed by the actuary to reduce the volatility which could develop from short-term fluctuations in the market value of assets. For this System, the actuarial value has been calculated by taking the market value of assets less 75% of the investment gain (loss) during the preceding year, less 50% of the investment gain (loss) during the second preceding year, and less 25% of the investment gain (loss) during the third preceding year. The tables below illustrate the calculation of actuarial value of assets for the June 30, 2011 valuation.

<b>Table II-2 Market Value Gain/(Loss)</b>	
Value of Assets – June 30, 2010	\$ 172,635,424
Employer and Member Contributions	\$ 11,844,283
Benefit Payments	(10,205,025)
Expected Return at 7.75%	<u>13,441,581</u>
Expected Value at June 30, 2011	\$ 187,716,263
Actual Value at June 30, 2011	\$ 211,692,218
Investment Gain/(Loss)	\$ 23,975,955

<b>Table II-3 Develop Excluded Gain/(Loss)</b>		
	<b>Total Gain/(Loss)</b>	<b>Excluded Portion</b>
Exclude 75% of 2011 Gain/(Loss)	\$ 23,975,955	\$ 17,981,966
Exclude 50% of 2010 Gain/(Loss)	\$ 7,089,622	\$ 3,544,811
Exclude 25% of 2009 Gain/(Loss)	\$ (54,095,382)	\$ (13,523,845)
Total Excluded Gain/(Loss) for AVA Calculation		\$ 8,002,931

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION II  
ASSETS**

<b>Table II-4 Actuarial Value of Assets</b>	
Market Value of Assets – June 30, 2011	\$ 211,692,218
Total Gain/(Loss) excluded	<u>8,002,931</u>
Actuarial Value of Assets – June 30, 2011	\$ 203,689,287

**Investment Performance**

The market value of assets (MVA) returned 21.57% during 2011, which is greater than the assumed 7.75% return. A return of 0.65% on the actuarial value of assets (AVA) is primarily the result of the asset smoothing method being utilized for the calculation of the actuarial value of assets. Since only 25% of the gain or loss from the performance of the System is recognized in a given year, in periods of very good performance, the AVA can lag significantly behind the MVA. In a period of negative returns, the AVA does not decline as rapidly as the MVA.

<b>Table II-5 Annual Rates of Return</b>		
<b>Year Ending June 30,</b>	<b>Market Value</b>	<b>Actuarial Value</b>
2005	8.11%	5.58%
2006	8.94%	9.35%
2007	17.87%	11.88%
2008	(4.86%)	7.56%
2009	(20.53%)	(0.15%)
2010	12.65%	(0.92%)
2011	21.57%	0.65%

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION II  
ASSETS**

**Table II-6  
Projection of System's Benefit Payments and Contributions**

<b>Year Beginning July 1,</b>	<b>Expected Benefits and Expenses</b>	<b>Expected Contributions*</b>	<b>Net Cash Flow</b>
2011	\$ 12,148,332	\$ 11,777,563	\$ (370,769)
2012	12,228,654	12,248,666	20,011
2013	13,080,607	12,738,612	(341,995)
2014	14,147,155	13,248,157	(898,998)
2015	15,101,828	13,778,083	(1,323,745)
2016	16,179,532	14,329,206	(1,850,325)
2017	17,587,478	14,902,375	(2,685,103)
2018	18,947,080	15,498,470	(3,448,611)
2019	20,333,642	16,118,408	(4,215,233)
2020	21,874,717	16,763,145	(5,111,573)

\* Expected contributions include Employer Contributions and Member Contributions. For illustration purposes, we have assumed that all contribution rates will remain level and that payroll will increase at the actuarially assumed rate of 4.00% per year.

Expected benefit payments are projected for the closed group valued at June 30, 2011. Projecting any further than ten years using a closed-group would not yield reliable predictions due to the omission of new hires. Expenses are assumed to be 0.98% of benefit payments. (The expense assumption is only for the purposes of the cash flow projections in the above table.)



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION III  
LIABILITIES**

In this section, we present detailed information on System liabilities including:

- **Disclosure** of System liabilities at June 30, 2010 and June 30, 2011;
- Statement of **changes** in these liabilities during the year;
- Details on the source of actuarial gains and losses between this valuation and the last; and
- Development of actuarial unfunded liability on a market value basis as required under MCA 12-2-407.

**Disclosure**

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Benefits:** Used for analyzing the financial outlook of the System, this represents the amount of money needed today to fully pay off all future benefits and expenses of the System, assuming participants continue to accrue benefits.
- **Actuarial Accrued Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal (EAN)** funding method.
- **Present Value of Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the System, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FASB ASC Topic No. 960) and used to assess whether the System can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of System assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

**SECTION III  
LIABILITIES**

<b>Table III-1</b>		
<b>Liabilities/Net (Surplus)/Unfunded</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
<b><u>Present Value of Benefits</u></b>		
Active Participant Benefits	\$ 220,128,556	\$ 225,446,951
Retiree and Inactive Benefits	119,469,169	137,923,933
<b>Present Value of Benefits (PVB)</b>	<b>\$ 339,597,725</b>	<b>\$ 363,370,884</b>
Market Value of Assets (MVA)	\$ 172,635,424	\$ 211,692,218
Future Member Contributions	45,722,228	48,174,431
Future Employer Contributions	50,024,915	52,707,882
Funding Shortfall/(Surplus)	71,215,158	50,796,353
<b>Total Resources</b>	<b>\$ 339,597,725</b>	<b>\$ 363,370,884</b>
<b><u>Actuarial Accrued Liability</u></b>		
Present Value of Benefits (PVB)	\$ 339,597,725	\$ 363,370,884
Present Value of Future Normal Costs (PVFNC)	92,864,000	96,865,212
<b>Actuarial Accrued Liability (AAL=PVB-PVFNC)</b>	<b>246,733,725</b>	<b>266,505,672</b>
Actuarial Value of Assets (AVA)	200,739,149	203,689,287
<b>Net (Surplus)/Unfunded (AAL - AVA)</b>	<b>\$ 45,994,576</b>	<b>\$ 62,816,385</b>
<b><u>Present Value of Accrued Benefit Liability</u></b>		
Present Value of Benefits (PVB)	\$ 339,597,725	\$ 363,370,884
Present Value of Future Benefit Accruals (PVFBA)	135,853,456	140,779,551
<b>Present Value of Accrued Liability (PVAB=PVB-PVFBA)</b>	<b>203,744,269</b>	<b>222,591,333</b>
Market Value of Assets (MVA)	172,635,424	211,692,218
<b>Net Unfunded (PVAB - MVA)</b>	<b>\$ 31,108,845</b>	<b>\$ 10,899,115</b>

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION III  
LIABILITIES**

**Changes in Liabilities**

Each of the Liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- System amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in System assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure System assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the System. Below we present key changes in liabilities since the last valuation.

<b>(In Thousands)</b>	<b>Present Value of Benefits</b>	<b>Actuarial Accrued Liability</b>	<b>Present Value of Accrued Liability</b>
<b>Table III-2</b>			
Liabilities June 30, 2010	\$ 339,597,725	\$ 246,733,801	\$ 203,744,269
Liabilities June 30, 2011	363,370,884	266,505,672	222,591,333
Liability			
Increase (Decrease)	23,773,159	19,771,871	18,847,064
Change Due to:			
Actuarial (Gain)/Loss	NC*	386,372	NC*
Assumption Changes	0	0	0
Benefits Accumulated and Other Sources	23,773,159	19,385,499	18,847,064

\* NC = not calculated

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION III  
LIABILITIES**

**Table III-3  
Summary of Actuarial Gains and Losses as of June 30, 2011**

Actuarial Liabilities as of July 1, 2010	\$ 246,733,801
Normal Cost	10,082,705
Actual Benefit Payments	(10,205,025)
Expected Earnings	<u>19,507,819</u>
Expected Actuarial Liability as of July 1, 2011	266,119,300
Actual Liability as of July 1, 2011 (before plan changes)	\$ 266,505,672
Liability (Gain)/Loss	\$ 386,372
Sources of Liability (Gain)/Loss	
Salary (Gain)/Loss	\$ (1,317,509)
New Participant (Gain)/Loss	505,126
Active Retirements (Gain)/Loss	(236,715)
Active Terminations (Gain)/Loss	(141,226)
Active Deaths (Gain)/Loss	(53,867)
Active Disability (Gain)/Loss	(367,051)
Inactive Decrements (Gain)/Loss	1,997,614
Actual Liability as of July 1, 2011 (after plan changes)	\$ 266,505,672
Liability (Gain)/Loss due to plan changes	\$ 0
Actuarial Value of Assets as of July 1, 2010	\$ 200,739,149
Net Cash Flow	1,639,258
Expected Earnings	<u>15,619,620</u>
Expected Actuarial Value of Assets as of July 1, 2011	217,998,027
Actual Actuarial Value of Assets as of July 1, 2011	\$ 203,689,287
Investment (Gain)/Loss	\$ 14,308,740
Total Liability (Gain)/Loss	<u>386,372</u>
Total Actuarial (Gain)/Loss	\$ 14,695,112

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION III  
LIABILITIES**

Table III-4 shows the actuarial liabilities as of the prior and current valuation dates. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets. The funded ratio is the ratio of the actuarial value of assets to the actuarial liability.

<b>Table III-4</b>		
<b>Actuarial Liabilities for Funding</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
1. Actuarial Liabilities		
Retiree and Inactive Benefits	\$ 119,469,169	\$ 137,923,933
Active Member Benefits	<u>127,264,632</u>	<u>128,581,739</u>
<b>Total Actuarial Liability</b>	<b>\$ 246,733,801</b>	<b>\$ 266,505,672</b>
2. Actuarial Value of Assets	\$ 200,739,149	\$ 203,689,287
3. Unfunded Actuarial Liability	\$ 45,994,652	\$ 62,816,385
4. Funded Ratio	81.36%	76.43%

Montana Code Annotated (MCA) 19-2-407 requires an analysis of how market performance is affecting the actuarial funding of the System. Table III-5 presented below shows the same information as in Table III-4 above, but using market value of assets rather than actuarial value of assets.

<b>Table III-5</b>		
<b>Actuarial Liabilities on Market Value Basis (MCA 19-2-407)</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
1. Actuarial Liabilities		
Retiree and Inactive Benefits	\$ 119,469,169	\$ 137,923,933
Active Member Benefits	<u>127,264,632</u>	<u>128,581,739</u>
<b>Total Actuarial Liability</b>	<b>\$ 246,733,801</b>	<b>\$ 266,505,672</b>
2. Market Value of Assets	\$ 172,635,424	\$ 211,692,218
3. Unfunded Actuarial Liability	\$ 74,098,377	\$ 54,813,454
4. Funded Ratio	69.97%	79.43%

**SHERIFFS' RETIREMENT SYSTEM**  
**ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION IV**  
**CONTRIBUTIONS**

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this System, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are two components to the total contribution: the **normal cost rate** and the **unfunded actuarial liability rate** (UAL rate). The normal cost rate is determined by taking the value, as of entry age into the Plan, of each member's projected future benefits. This value is then divided by the value, also at entry age, of each member's expected future salary. The normal cost rate is multiplied by current salary to determine each member's normal cost rate. Finally, the total normal cost rate is reduced by the member contribution to produce the employer normal cost rate. The difference between the EAN actuarial liability and the actuarial value of assets is the unfunded actuarial liability.

For purposes of determining the adequacy of the statutory funding rate, the UAL rate is calculated by subtracting the normal cost rate from the statutory rate. A calculation is then made to determine the period over which the UAL rate will amortize the unfunded actuarial liability. A second UAL rate is calculated based upon a 30-year amortization of the UAL, which is the maximum amortization period permitted under GASB Statement No. 25, but which should not necessarily be construed as a recommended contribution level. All UAL payments are determined as a level percentage of pay, assuming that total pay increases by the annual inflation rate of 4.00%.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION IV  
CONTRIBUTIONS**

The tables below present and compare the contribution rates for the System for this valuation and the prior one.

<b>Table IV-1 Statutory Basis</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
<b>Statutory Funding Rates</b>		
Members	9.245%	9.245%
Employers	10.115%	10.115%
<b>Total</b>	<b>19.360%</b>	<b>19.360%</b>
<b>Normal Cost Rate *</b>	<b>19.020%</b>	<b>18.880%</b>
<b>Funding Rate Available for Amortization</b>	<b>0.340%</b>	<b>0.480%</b>
<b>Unfunded Actuarial Liability (Surplus)</b>	<b>\$45,994,652</b>	<b>\$62,816,385</b>
<b>Years to Amortize</b>	<b>Does not amortize</b>	<b>Does not amortize</b>

\* The normal cost rate is projected to be 16.14% for members eligible after July 1, 2011. It is expected that the average normal cost rate will decrease over the next generation of active plan members.

<b>Table IV-2 Years to Amortize Unfunded Actuarial Liability Under Alternate Assumptions</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
<b>Years to Amortize</b>		
Using Market Value of Assets	Does not amortize	Does not amortize
<b>Excluding additional contributions under HB131</b>		
Using Actuarial Value of Assets	Does not amortize	Does not amortize
Using Market Value of Assets	Does not amortize	Does not amortize

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION IV  
CONTRIBUTIONS**

<b>Table IV-3</b>		
<b>Calculated Contribution Basis</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
Normal Cost Rate	19.020%	18.880%
Amortization Payment (30-years)	<u>4.370%</u>	<u>5.700%</u>
Total Calculated Contribution Rate	23.390%	24.580%
Less Statutory Rate	<u>19.360%</u>	<u>19.360%</u>
Shortfall (Surplus) in Statutory Rate	4.030%	5.220%

<b>Table IV-4</b>		
<b>Calculated Contribution on Market Value (MCA 19-2-407)</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
Normal Cost Rate	19.020%	18.880%
Amortization Payment (30-years)	<u>7.040%</u>	<u>4.970%</u>
Total Calculated Contribution Rate	26.060%	23.850%
Less Statutory Rate	<u>19.360%</u>	<u>19.360%</u>
Shortfall (Surplus) in Statutory Rate	6.700%	4.490%

The following table projects the results for the next five valuations (assuming all assumptions are met, including 7.75% return).

<b>Table IV-5</b>	
<b>Projected Calculated Contribution Rates</b>	
<b>Valuation Year</b>	<b>Rate</b>
2012	24.88%
2013	24.18%
2014	23.69%
2015	23.69%
2016	23.70%



**SHERIFFS' RETIREMENT SYSTEM**  
**ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

Account Standard Codification Topic No. 960 of the Financial Accounting Standards Board requires the System to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB ASC Topic No. 960 disclosures provide a quasi “snap shot” view of how the System’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the System were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB ASC Topic No. 960) and the actuarial accrued liability (GASB-25) are determined assuming that the System is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB ASC Topic No. 960 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2011 are exhibited in Table V-1.

Tables V-2 through V-5 are exhibits to be used with the State CAFR report. Table V-2 is the Note to Required Supplementary Information, Table V-3 is a history of gains and losses in Accrued Liability, Table V-4 is the Schedule of Funding Progress, and V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION V  
ACCOUNTING STATEMENT INFORMATION**

<b>Table V-1</b>		
<b>Accounting Statement Information</b>		
	<b>June 30, 2010</b>	<b>June 30, 2011</b>
<b>A. FASB ASC Topic No. 960 Basis</b>		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 117,421,970	\$ 135,189,331
b. Former Vested Members	2,047,199	2,734,602
c. Active Members	<u>84,275,100</u>	<u>84,667,400</u>
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	\$ 203,744,269	\$ 222,591,333
3. Assets at Market Value	<u>172,635,424</u>	<u>211,692,218</u>
4. Unfunded Present Value of Accrued Benefits (2 – 3)	\$ 31,108,845	\$ 10,899,115
5. Ratio of Assets to Present Value of Accrued Benefits (3 / 2)	84.73%	95.10%
<b>B. GASB No. 25 Basis</b>		
1. Actuarial Accrued Liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 119,469,169	\$ 137,923,933
2. Actuarial Accrued Liabilities for current employees	<u>127,264,632</u>	<u>128,581,739</u>
3. Total Actuarial Accrued Liability (1 + 2)	\$ 246,733,801	\$ 266,505,672
4. Net Actuarial Assets available for benefits	<u>200,739,149</u>	<u>203,689,287</u>
5. Unfunded Actuarial Accrued Liability (3 – 4)	\$ 45,994,652	\$ 62,816,385

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**SECTION V  
ACCOUNTING STATEMENT INFORMATION**

**Table V-2  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

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

Valuation date	June 30, 2011
Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period for Annual Required Contribution	30 years
Asset valuation method	4-Year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
General wage growth*	4.00%
Merit salary increases	0.0% - 7.3%
*Includes inflation at	3.00%

The actuarial assumptions used have been recommended based on the most recent review of the System's experience (completed in 2010) and adopted by the Retirement Board.

The rate of employer contributions to the System is composed of the normal cost and amortization of the unfunded actuarial accrued liability. The normal cost is a level percent of payroll cost, which will pay for projected benefits at retirement for each participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal costs. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

SECTION V  
ACCOUNTING STATEMENT INFORMATION

**Table V-3  
ANALYSIS OF FINANCIAL EXPERIENCE\***

**Gain and Loss in Accrued Liability During Years Ended June 30  
Resulting from Differences Between Assumed Experience and Actual Experience**

*Gain (or Loss) for Year ending June 30,  
(expressed in thousands)*

Type of Activity	2006	2007	2008	2009	2010	2011
Investment Income on Actuarial Assets	\$ 1,934	\$ 6,268	\$ (891)	\$ (16,326)	\$(17,978)	\$(14,309)
Combined Liability Experience	<u>1,305</u>	<u>(3,242)</u>	<u>509</u>	<u>(2,366)</u>	<u>1,988</u>	<u>(386)</u>
(Loss)/Gain During Year from Financial Experience	\$ 3,239	\$ 3,026	\$ (382)	\$(18,692)	\$(15,990)	\$(14,695)
Non-Recurring Items	<u>(1,159)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,509)</u>	<u>0</u>
Composite Gain (or Loss) During Year	\$ 2,080	\$ 3,026	\$ (382)	\$(18,692)	\$(21,499)	\$(14,695)

**Table V-4  
SCHEDULE OF FUNDING PROGRESS\***  
(expressed in thousands)

Valuation Date June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2011	\$ 203,689	266,506	76	\$ 62,817	57,041	110
2010	200,739	246,734	81	45,995	54,681	84
2009	200,690	223,893	90	23,203	51,457	45
2008	199,453	204,549	98	5,096	47,196	11
2007	183,894	189,036	97	5,142	43,611	12
2006	163,003	171,841	95	8,838	34,242	26

\* Years prior to 2009 were taken from reports prepared by prior actuary.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

SECTION V  
ACCOUNTING STATEMENT INFORMATION

**Table V-5**  
**SOLVENCY TEST\***  
**Aggregate Accrued Liabilities for**  
**(expressed in thousands)**

Valuation Date June 30,	Active Member	Retirants & Beneficiaries	Active Member Employer Financed	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Contributions (1)		Contributions (3)		(1)	(2)	(3)
2011	\$ 40,737	135,189	\$ 90,579	\$ 203,689	100	100	31
2010	39,841	117,422	89,470	200,739	100	100	49
2009	36,225	106,352	81,316	200,690	100	100	71
2008	31,220	102,967	70,362	199,453	100	100	93
2007	27,651	97,660	63,725	183,894	100	100	92
2006	24,936	89,353	57,552	163,003	100	100	85

\* Years prior to 2009 were taken from reports prepared by prior actuary.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Reconciliation of Participant Counts</b>							
	<b>Active</b>	<b>Disabled</b>	<b>Retirees and Beneficiaries</b>	<b>Terminated Vested Members</b>	<b>Terminated Non-Vested Members</b>	<b>Total</b>	
Participant counts used for valuation	1,230	53	388	48	196	1,915	
Disabled members having attained normal retirement age		(22)	22			0	
Beneficiaries of Disabled Members						0	
Beneficiaries with less than one year of certain payments remaining			-			0	
Other Adjustments						0	
Participant counts shown in Annual Financial Report	1,230	31	410	48	196	1,915	

This chart is presented for informational purposes only. The counts shown in the valuation line were used for preparation of the liabilities disclosed within this report. The counts disclosed for the Annual Financial Report and the Board Summary (page 7) match the CAFR reports at the request of the Board. The differences between the counts have no material effect upon the liability calculation.

The salaries used in the tables and charts which follow are different than the salaries used for the Board Summary on page 7. For this Appendix A, the valuation projected salaries are to be paid for the following fiscal year, whereas for the Board Summary, salaries are as of the valuation date.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

The benefits for retirees and beneficiaries used for the tables and charts which follow are different than the benefits used for the Board Summary on page 7. For this Appendix A, the valuation projected benefits are to be paid for the following fiscal year (including Guaranteed Annual Benefit Adjustment (GABA) where applicable), whereas for the Board Summary, annual benefits are as of the valuation date.

**Sheriffs' Retirement System Distribution of Active Members  
by Age and Service as of June 30, 2011**

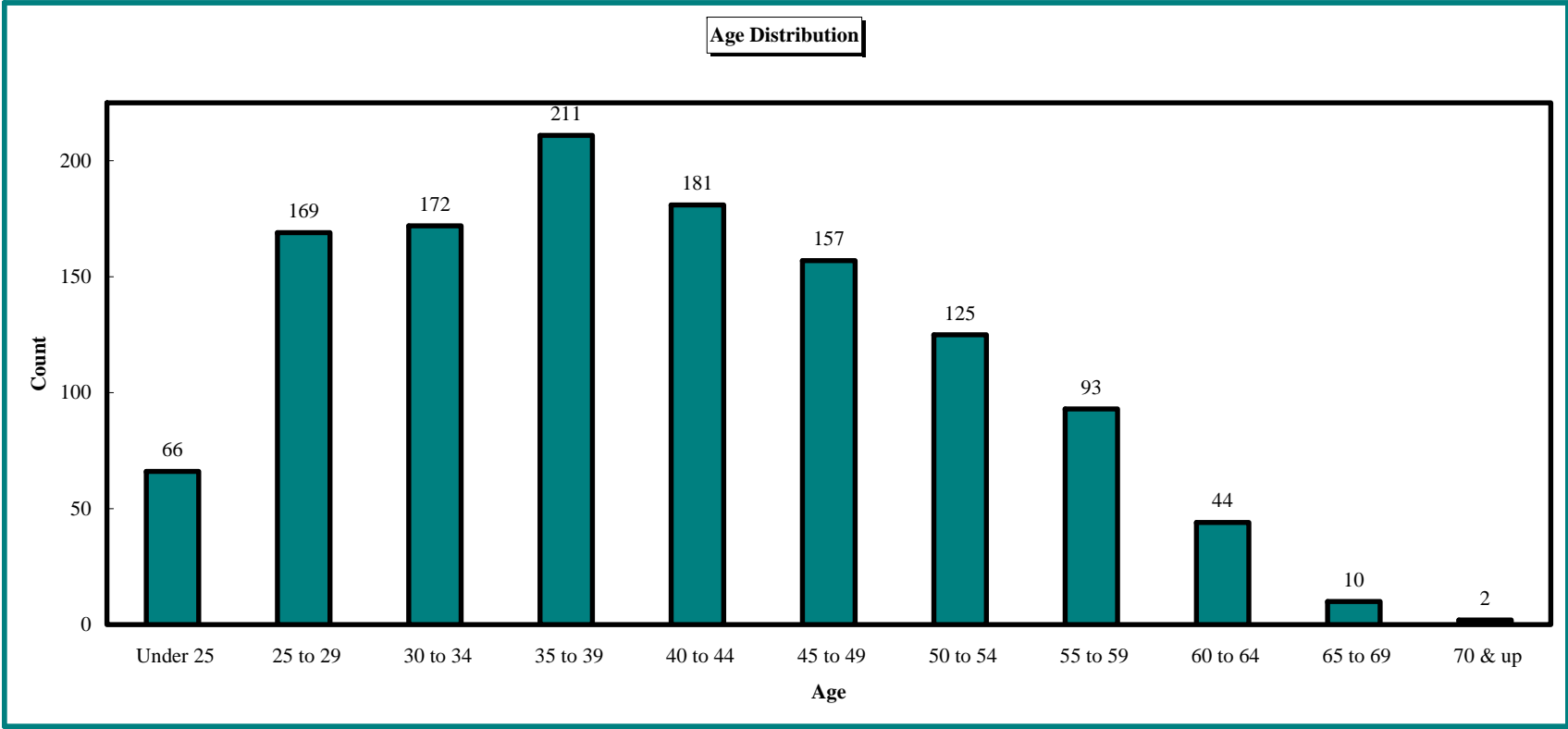
COUNTS BY AGE/SERVICE

Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	33	33	0	0	0	0	0	0	0	0	66
25 to 29	68	79	22	0	0	0	0	0	0	0	169
30 to 34	28	80	55	9	0	0	0	0	0	0	172
35 to 39	38	56	74	36	7	0	0	0	0	0	211
40 to 44	20	44	56	35	17	9	0	0	0	0	181
45 to 49	6	36	39	36	24	13	3	0	0	0	157
50 to 54	6	23	36	19	22	12	5	2	0	0	125
55 to 59	6	24	20	14	12	7	2	6	2	0	93
60 to 64	1	6	12	4	10	4	2	4	1	0	44
65 to 69	2	1	3	1	1	0	1	0	1	0	10
70 & up	0	1	0	0	0	0	0	0	1	0	2
<b>Total</b>	<b>208</b>	<b>383</b>	<b>317</b>	<b>154</b>	<b>93</b>	<b>45</b>	<b>13</b>	<b>12</b>	<b>5</b>	<b>0</b>	<b>1,230</b>

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

**Sheriffs' Retirement System Distribution of Active Members  
by Age as of June 30, 2011**

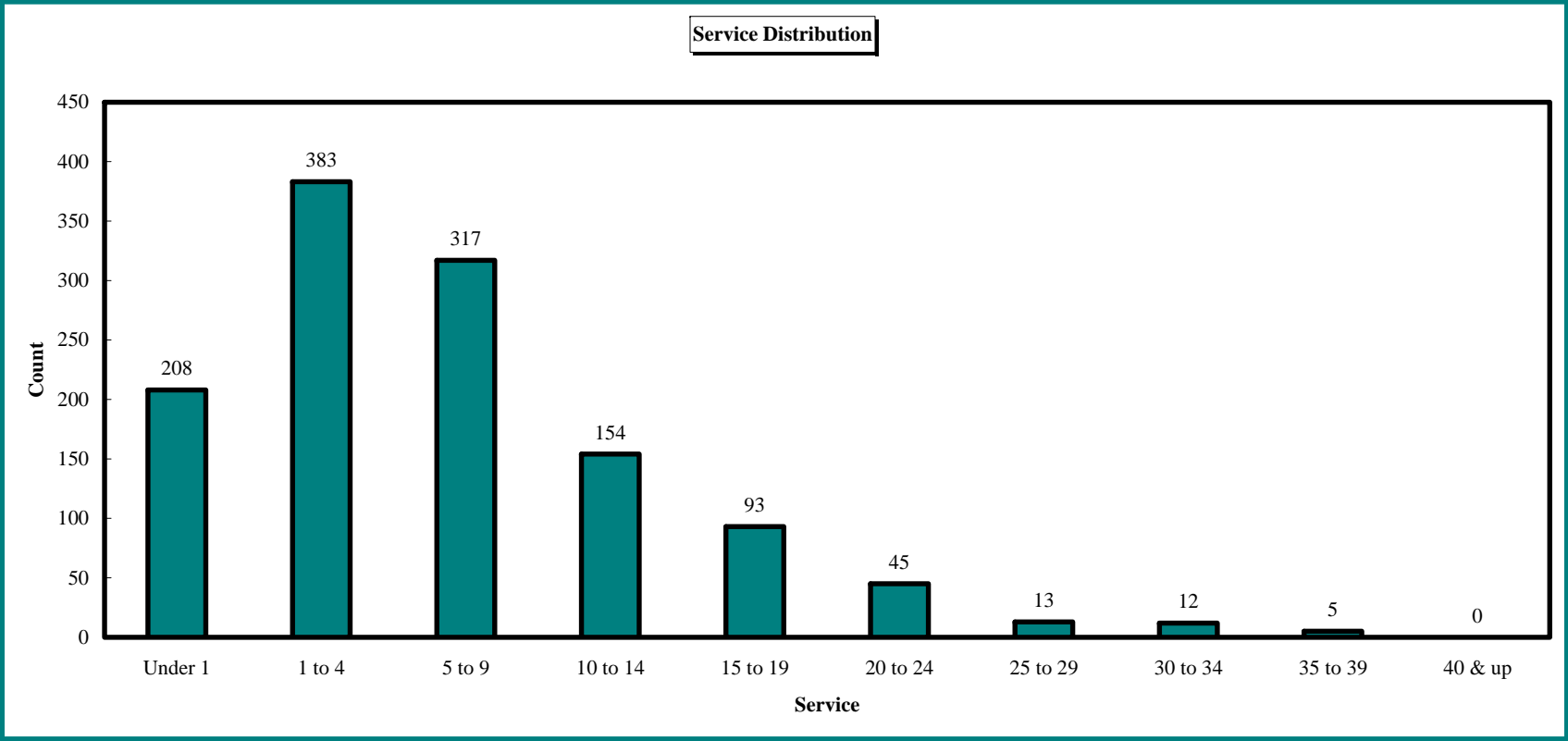




SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

**Sheriffs' Retirement System Distribution of Active Members  
by Service as of June 30, 2011**



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Sheriffs' Retirement System Distribution of Active Members  
by Age and Service as of June 30, 2011**

**AVERAGE SALARY BY AGE/SERVICE**

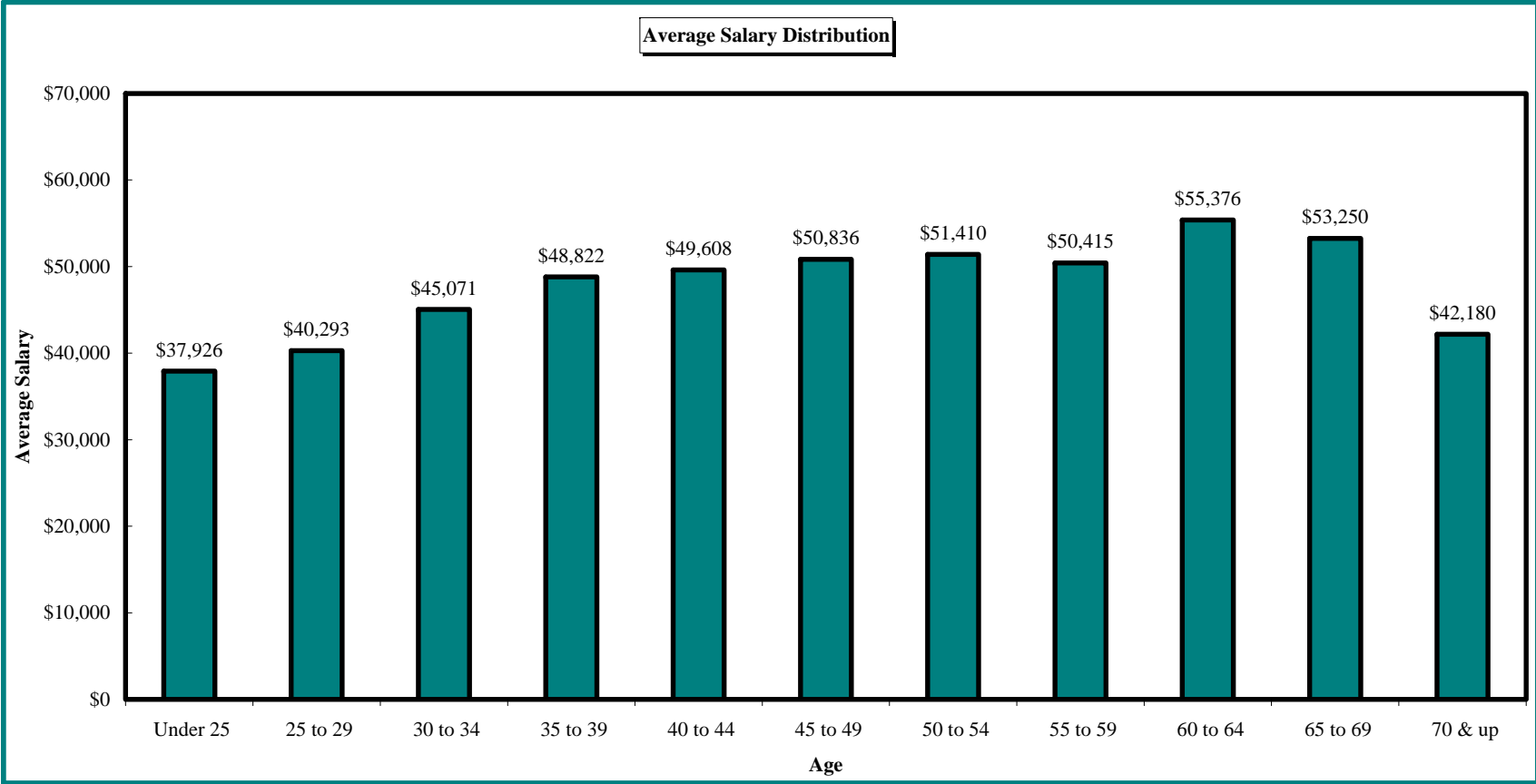
Age	Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	\$37,657	\$38,195	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,926
25 to 29	\$37,898	\$40,690	\$46,271	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,293
30 to 34	\$36,309	\$43,217	\$49,924	\$59,153	\$0	\$0	\$0	\$0	\$0	\$0	\$45,071
35 to 39	\$35,350	\$44,992	\$51,210	\$60,589	\$66,821	\$0	\$0	\$0	\$0	\$0	\$48,822
40 to 44	\$35,215	\$41,379	\$51,242	\$55,736	\$62,882	\$62,751	\$0	\$0	\$0	\$0	\$49,608
45 to 49	\$31,994	\$44,000	\$45,552	\$53,925	\$65,055	\$56,397	\$64,341	\$0	\$0	\$0	\$50,836
50 to 54	\$36,475	\$39,722	\$46,227	\$56,872	\$63,819	\$62,026	\$56,515	\$59,045	\$0	\$0	\$51,410
55 to 59	\$39,174	\$39,638	\$48,154	\$52,637	\$59,744	\$62,140	\$76,190	\$62,631	\$61,102	\$0	\$50,415
60 to 64	\$28,129	\$37,702	\$45,460	\$58,681	\$64,763	\$63,977	\$61,488	\$73,451	\$81,634	\$0	\$55,376
65 to 69	\$37,702	\$51,192	\$45,468	\$50,915	\$58,648	\$0	\$81,893	\$0	\$78,041	\$0	\$53,250
70 & up	\$0	\$38,135	\$0	\$0	\$0	\$0	\$0	\$0	\$46,226	\$0	\$42,180
<b>Total</b>	<b>\$36,699</b>	<b>\$41,872</b>	<b>\$48,923</b>	<b>\$56,550</b>	<b>\$63,713</b>	<b>\$60,736</b>	<b>\$64,066</b>	<b>\$65,640</b>	<b>\$65,621</b>	<b>\$0</b>	<b>\$47,557</b>

The salary shown in the above chart was used for valuation purposes and assumes pay increases for the year.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

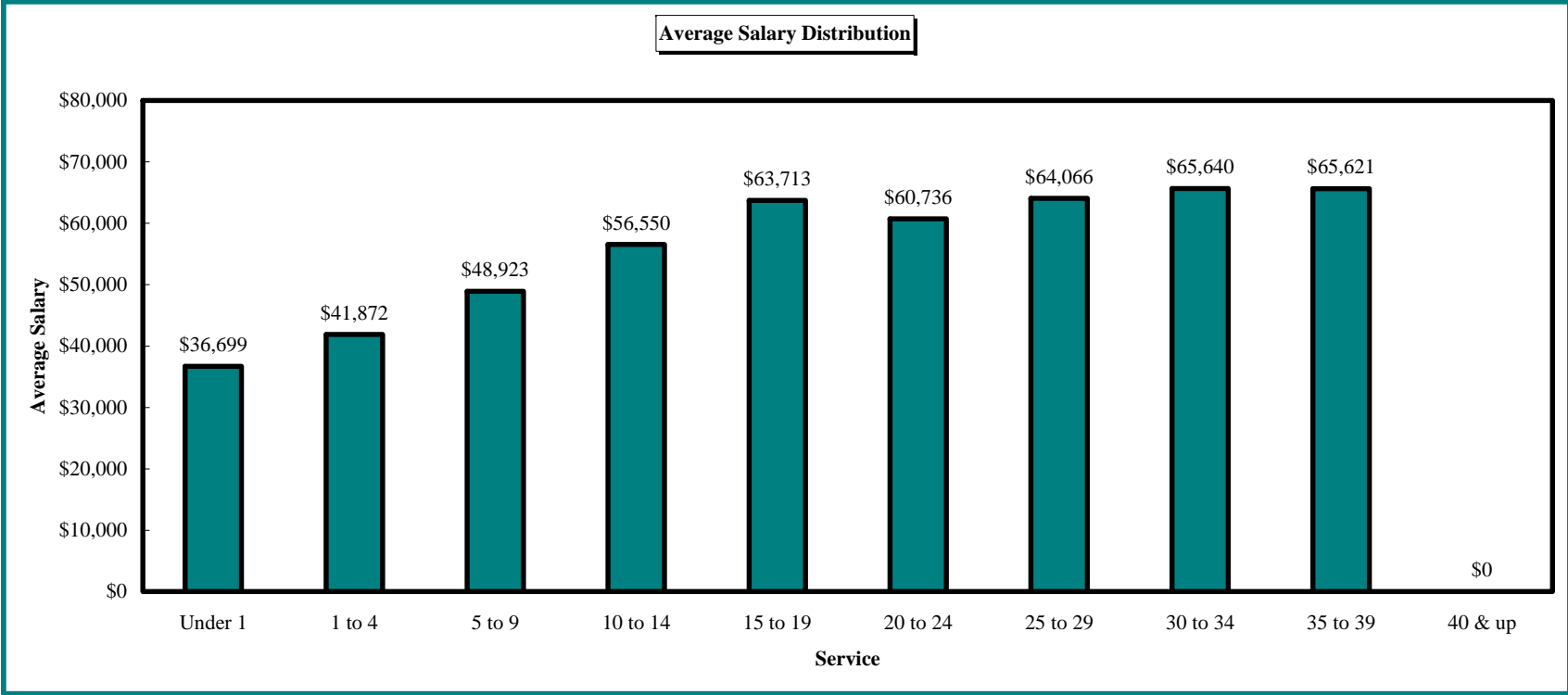
Sheriffs' Retirement System Distribution of Active Members  
by Age as of June 30, 2011



SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

Sheriffs' Retirement System Distribution of Active Members  
by Service as of June 30, 2011



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Sheriffs' Retirement System Distribution of Retired Members,  
Survivors, and Disabled Members as of June 30, 2011**

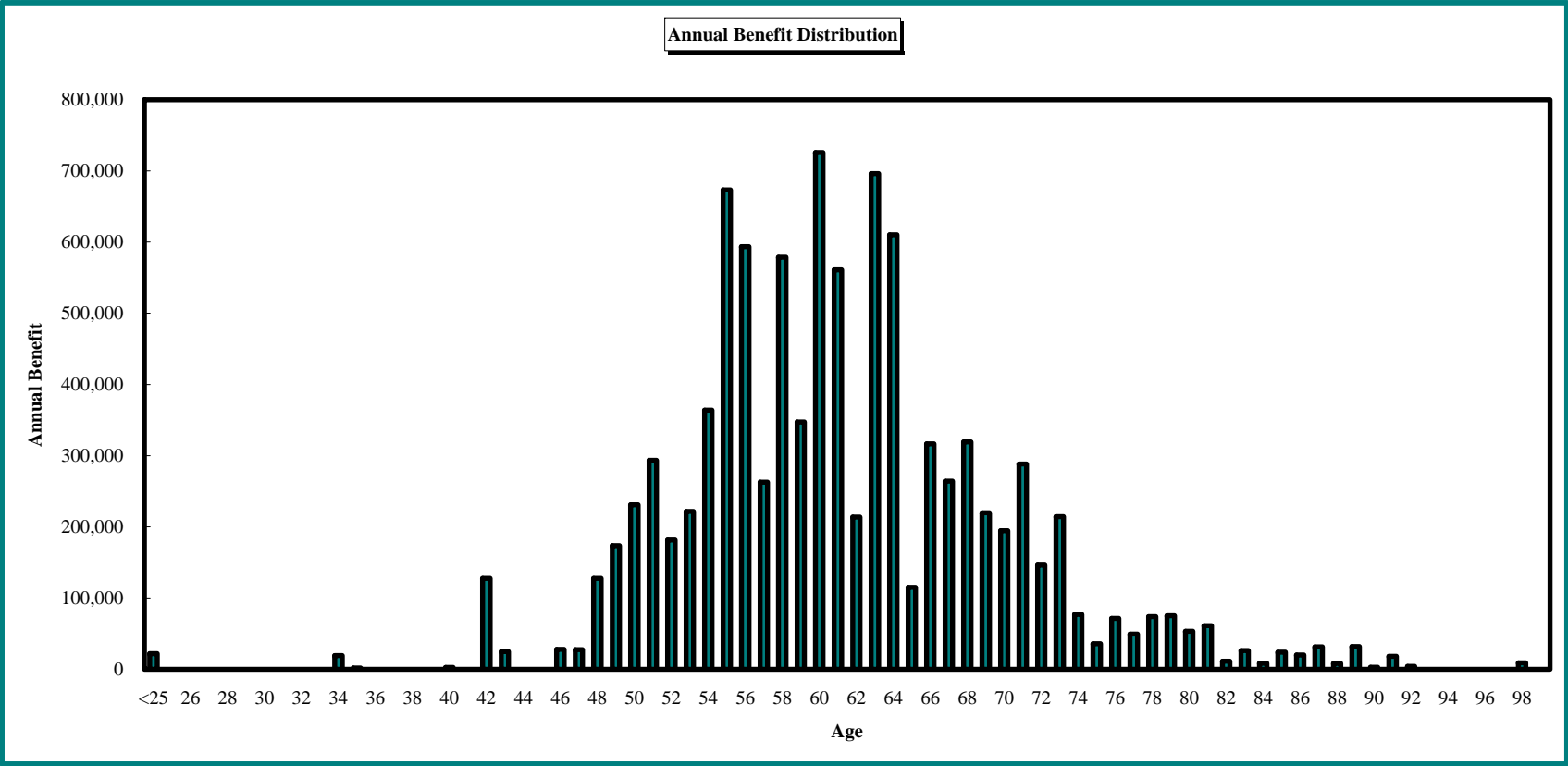
Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	2	\$22,072	73	13	\$214,279
25	0	\$0	74	5	\$76,949
26	0	\$0	75	3	\$35,876
27	0	\$0	76	5	\$71,377
28	0	\$0	77	2	\$49,595
29	0	\$0	78	5	\$74,012
30	0	\$0	79	6	\$75,249
31	0	\$0	80	6	\$53,226
32	0	\$0	81	5	\$61,018
33	0	\$0	82	1	\$11,542
34	1	\$19,339	83	2	\$26,398
35	1	\$1,887	84	1	\$8,433
36	0	\$0	85	2	\$23,968
37	0	\$0	86	1	\$20,094
38	0	\$0	87	3	\$31,619
39	0	\$0	88	1	\$8,103
40	1	\$2,601	89	1	\$31,832
41	0	\$0	90	1	\$2,947
42	5	\$127,549	91	1	\$18,080
43	1	\$24,896	92	1	\$3,980
44	0	\$0	93	0	\$0
45	0	\$0	94	0	\$0
46	1	\$28,198	95	0	\$0
47	1	\$27,447	96	0	\$0
48	5	\$127,689	97	0	\$0
49	6	\$173,494	98	1	\$9,038
50	9	\$230,867	99	0	\$0
51	14	\$293,464	100	0	\$0
52	8	\$181,358	101	0	\$0
53	10	\$221,582	102	0	\$0
54	12	\$364,015	103	0	\$0
55	27	\$673,302	104	0	\$0
56	21	\$593,465	105	0	\$0
57	10	\$262,755	106	0	\$0
58	22	\$578,717	107	0	\$0
59	18	\$347,240	108	0	\$0
60	26	\$725,617	109	0	\$0
61	26	\$560,993	110	0	\$0
62	11	\$213,479	111	0	\$0
63	25	\$696,264	112	0	\$0
64	28	\$610,212	113	0	\$0
65	7	\$114,879	114	0	\$0
66	17	\$316,684	115	0	\$0
67	10	\$264,286	116	0	\$0
68	14	\$319,094	117	0	\$0
69	9	\$219,842	118	0	\$0
70	6	\$194,724	119	0	\$0
71	12	\$288,365	120	0	\$0
72	9	\$146,291			
Totals				441	\$9,880,282

The chart above reflects the counts and benefits used for valuation purposes as a result of data processing. The benefit amounts shown have been projected using a half year COLA assumption.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

**Sheriffs' Retirement System Distribution of Retired Members,  
Survivors, and Disabled Members as of June 30, 2011**



**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Sheriffs' Retirement System Distribution of Vested Members  
as of June 30, 2011**

Age	Count	Annual Benefit	Account Balance*	Age	Count	Annual Benefit	Account Balance*
<25	0	\$0	\$0	73	0	\$0	\$0
25	0	\$0	\$0	74	0	\$0	\$0
26	0	\$0	\$0	75	0	\$0	\$0
27	0	\$0	\$0	76	0	\$0	\$0
28	0	\$0	\$0	77	0	\$0	\$0
29	1	\$13,097	\$0	78	0	\$0	\$0
30	0	\$0	\$0	79	0	\$0	\$0
31	0	\$0	\$0	80	0	\$0	\$0
32	1	\$7,551	\$0	81	0	\$0	\$0
33	0	\$0	\$0	82	0	\$0	\$0
34	0	\$0	\$0	83	0	\$0	\$0
35	1	\$4,671	\$0	84	0	\$0	\$0
36	2	\$11,018	\$145,695	85	0	\$0	\$0
37	3	\$8,082	\$230,970	86	0	\$0	\$0
38	5	\$17,279	\$188,335	87	0	\$0	\$0
39	1	\$0	\$98,230	88	0	\$0	\$0
40	3	\$14,698	\$133,585	89	0	\$0	\$0
41	3	\$22,441	\$150,480	90	0	\$0	\$0
42	1	\$12,149	\$0	91	0	\$0	\$0
43	2	\$4,576	\$138,184	92	0	\$0	\$0
44	5	\$30,932	\$62,282	93	0	\$0	\$0
45	1	\$7,425	\$0	94	0	\$0	\$0
46	2	\$15,894	\$0	95	0	\$0	\$0
47	1	\$0	\$58,151	96	0	\$0	\$0
48	2	\$8,566	\$105,190	97	0	\$0	\$0
49	2	\$3,895	\$79,670	98	0	\$0	\$0
50	1	\$8,558	\$0	99	0	\$0	\$0
51	1	\$13,545	\$0	100	0	\$0	\$0
52	2	\$24,127	\$0	101	0	\$0	\$0
53	1	\$13,074	\$0	102	0	\$0	\$0
54	2	\$19,693	\$0	103	0	\$0	\$0
55	1	\$8,475	\$0	104	0	\$0	\$0
56	0	\$0	\$0	105	0	\$0	\$0
57	3	\$10,134	\$84,275	106	0	\$0	\$0
58	0	\$0	\$0	107	0	\$0	\$0
59	0	\$0	\$0	108	0	\$0	\$0
60	0	\$0	\$0	109	0	\$0	\$0
61	0	\$0	\$0	110	0	\$0	\$0
62	0	\$0	\$0	111	0	\$0	\$0
63	0	\$0	\$0	112	0	\$0	\$0
64	0	\$0	\$0	113	0	\$0	\$0
65	1	\$3,205	\$0	114	0	\$0	\$0
66	0	\$0	\$0	115	0	\$0	\$0
67	0	\$0	\$0	116	0	\$0	\$0
68	0	\$0	\$0	117	0	\$0	\$0
69	0	\$0	\$0	118	0	\$0	\$0
70	0	\$0	\$0	119	0	\$0	\$0
71	0	\$0	\$0	120	0	\$0	\$0
72	0	\$0	\$0				
				Totals	48	\$283,086	\$1,475,049

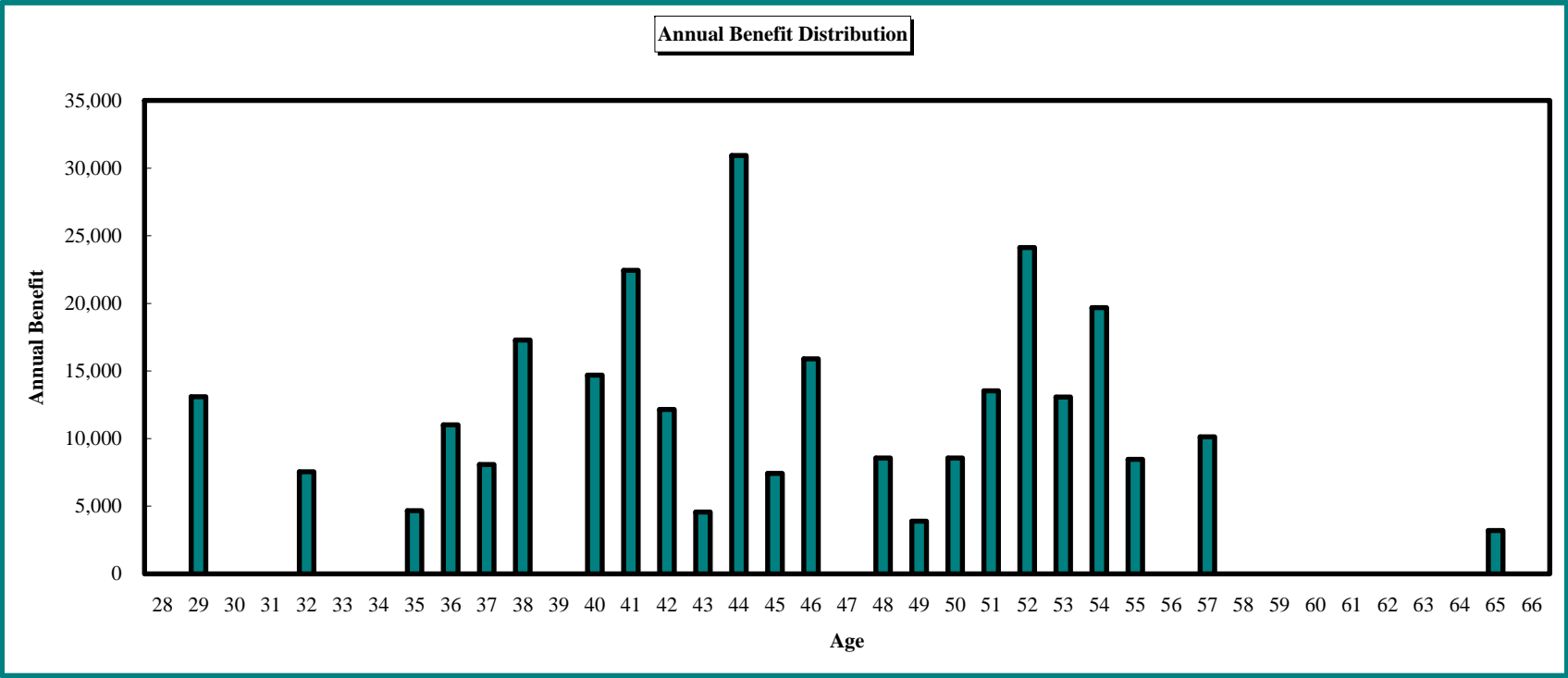
\* projected to the greater of age 60 or current age, unless member has 20 yos

The chart above reflects the counts and benefits used for valuation purposes as a result of data processing.

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

Sheriffs' Retirement System Distribution of Vested Members  
as of June 30, 2011





**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX A  
MEMBERSHIP INFORMATION**

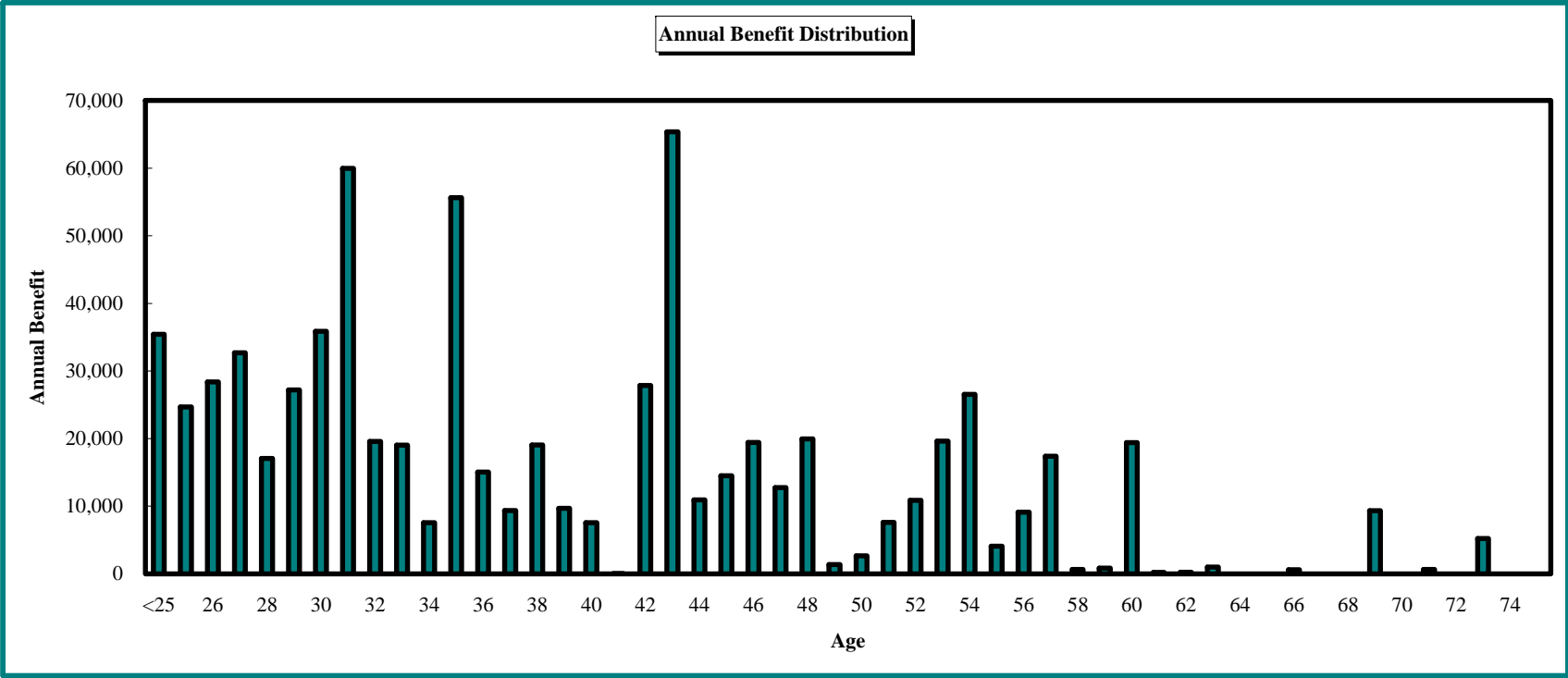
**Sheriffs' Retirement System Distribution of Non-Vested Members  
as of June 30, 2011**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	17	\$35,426	73	1	\$5,253
25	13	\$24,689	74	0	\$0
26	7	\$28,383	75	0	\$0
27	9	\$32,679	76	0	\$0
28	6	\$17,082	77	0	\$0
29	8	\$27,205	78	0	\$0
30	10	\$35,848	79	0	\$0
31	7	\$59,957	80	0	\$0
32	9	\$19,601	81	0	\$0
33	4	\$19,056	82	0	\$0
34	4	\$7,585	83	0	\$0
35	4	\$55,643	84	0	\$0
36	3	\$15,075	85	0	\$0
37	5	\$9,368	86	0	\$0
38	5	\$19,083	87	0	\$0
39	7	\$9,713	88	0	\$0
40	5	\$7,582	89	0	\$0
41	1	\$25	90	0	\$0
42	4	\$27,850	91	0	\$0
43	9	\$65,393	92	0	\$0
44	6	\$10,927	93	0	\$0
45	3	\$14,526	94	0	\$0
46	5	\$19,440	95	0	\$0
47	2	\$12,756	96	0	\$0
48	4	\$19,955	97	0	\$0
49	2	\$1,383	98	0	\$0
50	1	\$2,692	99	0	\$0
51	1	\$7,597	100	0	\$0
52	4	\$10,890	101	0	\$0
53	1	\$19,616	102	0	\$0
54	5	\$26,556	103	0	\$0
55	1	\$4,099	104	0	\$0
56	3	\$9,121	105	0	\$0
57	1	\$17,407	106	0	\$0
58	2	\$634	107	0	\$0
59	2	\$867	108	0	\$0
60	3	\$19,418	109	0	\$0
61	1	\$202	110	0	\$0
62	1	\$238	111	6	\$14,839
63	1	\$1,032	112	0	\$0
64	0	\$0	113	0	\$0
65	0	\$0	114	0	\$0
66	1	\$605	115	0	\$0
67	0	\$0	116	0	\$0
68	0	\$0	117	0	\$0
69	1	\$9,345	118	0	\$0
70	0	\$0	119	0	\$0
71	1	\$661	120	0	\$0
72	0	\$0			
			Totals	196	\$747,299

SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

APPENDIX A  
MEMBERSHIP INFORMATION

**Sheriffs' Retirement System Distribution of Non-Vested Members  
as of June 30, 2011**



SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHOD**

**A. Long-Term Assumptions Used to Determine Plan Costs and Liabilities**

**1. Demographic Assumptions**

**a. Healthy Retirees, Beneficiaries and Non-Retired Members**

RP-2000 Combined Healthy Male and Female Mortality Tables projected to 2015 with scale AA. The projection to year 2015 is to reflect potential future mortality improvement.

<b>Sample Rates of Healthy Mortality</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>
50	0.163%	0.130%
55	0.241%	0.241%
60	0.530%	0.469%
65	1.031%	0.900%
70	1.770%	1.553%
75	3.062%	2.492%
80	5.536%	4.129%
85	9.968%	7.076%
90	17.271%	12.588%

10% of all member deaths are assumed to be duty-related.

**b. Disabled Inactive Mortality**

RP-2000 Combined Healthy Male and Female Mortality Tables with no projections. No future mortality improvement is assumed.

<b>Sample Rates of Disabled Inactive Mortality</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>
50	0.241%	0.168%
55	0.362%	0.272%
60	0.675%	0.506%
65	1.274%	0.971%
70	2.221%	1.674%
75	3.783%	2.811%
80	6.437%	4.588%
85	11.076%	7.745%
90	18.341%	13.168%

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHOD**

**c. Rates of Active Disability**

<b>Sample Rates of Active Disability</b>	
<b>Age</b>	<b>Male</b>
22	0.00%
27	0.10%
32	0.10%
37	0.10%
42	0.40%
47	0.40%
52	0.40%
57	0.40%
62	0.00%

75% of disabilities are assumed to be duty-related. All disabilities are assumed to be permanent and without recovery.

**d. Termination of Employment (Prior to Normal Retirement Eligibility)**

<b>Service</b>	<b>Rate</b>
0	20%
1	15%
2	12%
3	10%
4	10%
5-9	5%
10-14	3%
15 & over	1%

**e. Probability of Electing a Refund of Member Contributions Upon Termination**

<b>Probability of Electing Refund</b>		
<b>Age at Term.</b>	<b>Non-Vested</b>	<b>Vested</b>
Under 35	100%	70%
35-39	100%	60%
40-44	100%	50%
45-49	100%	40%
50 & Over	100%	0%

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHOD**

**f. Retirement**

<b>Annual Retirement Rates</b>	
<b>Age</b>	<b>20 years or more</b>
<50	10.00%
50 – 54	10.00%
55 – 59	15.00%
60 – 64	20.00%
65 & over	100.00%

Vested terminations are assumed to retire at their earliest unreduced eligibility.

**g. Merit/Seniority Salary Increase (in addition to across-the-board increase)**

Service based table plus an annual inflation rate of 4.00% (rates shown below exclude amount for inflation).

<b>Service</b>	<b>Annual Increase</b>
1	7.3%
2	5.6%
3	4.4%
4	3.5%
5	2.8%
6	2.2%
7	1.7%
8	1.3%
9	1.0%
10	0.7%
11-15	0.4%
16-20	0.2%
21 & over	0.0%

**h. Family Composition**

Female spouses are assumed to be three years younger than males.

100% of non-retired employees are assumed married for both male and female employees.

Actual marital characteristics are used for pensioners.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHOD**

**i. Vested Benefits for Terminated Members**

Vested benefits for members who terminated during the years ending June 30, 2010 and later were estimated based upon compensation and service information in the census data. For members who terminated prior to June 30, 2008, vested benefits valued were the same as had been calculated by the prior actuary for the June 30, 2008 actuarial valuation.

**2. Economic Assumptions**

<b>a. Rate of Investment Return:</b>	7.75% (net of expenses)
<b>b. Rate of Wage Inflation:</b>	4.00%
	(3.00% inflation plus 1.00%
	real wage growth)
<b>c. Interest on Member Contributions:</b>	3.5%
<b>d. Rate of Increase in Total Payroll (for Amortization):</b>	4.00%

**3. Changes Since Last Valuation**

None.

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHOD**

**B. Actuarial Methods**

**1. Funding Method**

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost is determined as a level percent of pay individually for each active employee.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future normal costs. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of Plan assets is amortized to develop an additional cost or savings which is added to each year's employer normal cost. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

**2. Actuarial Value of Assets**

For purposes of determining the unfunded actuarial accrued liability, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value of assets is the current market value, adjusted by a four-year smoothing of gains and losses on a market value basis. Each year's gain or loss is determined as the difference between the actual market return and the expected market return using the assumed rate of investment return.

**3. Amortization Method**

The unfunded actuarial accrued liability is amortized as a level percentage of future payroll. The valuation determines the period over which the statutory contributions will fully amortize the unfunded actuarial accrued liability.

**4. Changes Since Last Valuation**

None.

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**1. Membership**

The Plan is a multiple-employer cost sharing plan that covers persons employed as sheriffs, investigators (effective 7/1/1993), and detention officers (effective 7/1/2005).

**2. Member Contributions**

Members contribute 9.245% of their compensation. Interest is credited at rates determined by the Board.

Member contributions are made through an “employer pick-up” arrangement which results in deferral of taxes on the contributions.

Employers contributed 9.535% of each member’s compensation; the rate increased to 9.825% on July 1, 2007 and 10.115% on July 1, 2009. These increased contributions as of 2007 and 2009 will terminate if an actuarial valuation shows that the period required to amortize the System’s unfunded liabilities is less than 25 years, and that the termination of those increases would not cause the amortization to increase beyond 25 years.

**3. Service Credit**

Service used to determine the amount of retirement benefit. One month of service credit is earned for each month where the member worked 160 hours. This includes certain transferred and purchased service.

**4. Membership Credit**

Service used to determine eligibility for vesting, retirement or other SRS benefits. One month of membership service is earned for any month member contributions are made to SRS, regardless of the number of hours worked.

Additionally, eligible active and inactive members may purchase some types of service that will count as membership service.

**5. Highest Average Compensation (HAC)**

Highest Average Compensation (HAC) is the average of the highest 36 consecutive months (or shorter period of total service) of compensation paid to the member. Compensation generally means total compensation paid, excluding maintenance, allowances and expenses.



**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**6. Normal Retirement**

Eligibility: 20 years of membership service.

Benefit: 2.5% of highest average compensation multiplied by years of service credit.

**7. Early Retirement**

Eligibility: Age 50 with five years of membership service.

Benefit: Normal retirement benefit calculated using highest average compensation and service at early retirement, and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

**8. Disability Benefit**

Eligibility: Any active member.

Benefit: (i) For duty-related disability, (a) If less than 20 years of membership service: 50% of highest average compensation and (b) If 20 years or more of membership service: 2.5% of highest average compensation multiplied by years of service credit.

(ii) For non-duty-related disability, the actuarial equivalent of the accrued normal retirement benefit on a retirement age after completing 20 years of membership service, or age 60.

**9. Survivor's Benefit**

Eligibility: Active or retired member.

Benefit: For duty-related deaths, a monthly survivor benefit to the designated beneficiary equal to at least 50% of highest average compensation.

For non-duty-related deaths, (i) a lump sum of the member's accumulated contributions, or (ii) 2.5% of HAC for each year of service actuarially reduced from age 65.

A beneficiary may elect to receive the payment as an annuity that is the actuarial equivalent of the amount of benefit.

For retired members without a contingent annuitant, a payment will be made equal to the accumulated contributions reduced by any retirement benefits already paid.

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**10. Vesting**

Eligibility: Five years of membership service.

Benefit: Accrued normal retirement benefit, payable at normal or early retirement date. In lieu of a pension, a member may receive a refund of accumulated contributions. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit shall be forfeited.

**11. Withdrawal of Employee Contributions**

Eligibility: Terminates service and is not eligible for other benefits.

Benefit: Accumulated member contributions.

**12. Form of Payment**

The normal form of payment is a life annuity.

Optional benefits: (i) Option 2, a joint and 100% survivor benefit, (ii) Option 3, a joint and 50% survivor benefit, and (iii) Option 4, a life annuity with a period certain. If a retiring member elects Option 2 or 3 and the designated beneficiary predeceases the member, the benefit may revert to the higher Option 1 benefit available at retirement if the retiree provides notification within 18 months.

**13. Post Retirement Benefit Increases**

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to (i) 3% for members hired before July 1, 2007 and (ii) 1.5% for members hired on or after July 1, 2007.

**SHERIFFS' RETIREMENT SYSTEM  
ACTUARIAL VALUATION AS OF JUNE 30, 2011**

**APPENDIX C  
SUMMARY OF PLAN PROVISIONS**

**14. Changes Since Last Valuation**

House Bill 70, effective July 1, 2011:

- Clarifies that “termination of service” requires that there will be “no written or verbal agreement between a retiree and employer that the retiree will return to covered employment in the future.”
- Clarifies that the disability benefit of a disabled member who continues purchasing service or chooses to purchase service following termination of employment will not start until the service purchase is completed. §19-2-908(3)(b), MCA.

House Bill 135, effective July 1, 2011:

- **For new members hired on or after July 1st, 2011** The Highest Average Compensation (HAC) used to calculate a monthly retirement benefit will be based on 60 months of service.

**APPENDIX D  
GLOSSARY**

**1. Actuarial Assumptions**

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; inflation; rates of investment earnings, and asset appreciation or depreciation; and other relevant items.

**2. Actuarial Cost Method**

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an allocation of such value to each year of service, usually in the form of a Normal Cost and an Actuarial Liability.

**3. Actuarial Gain (Loss)**

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

**4. Actuarial Liability**

The portion of the Actuarial Present Value of Projected Benefits which will not be paid by future Normal Costs. It represents the value of the past Normal Costs with interest to the valuation date.

**5. Actuarial Present Value (Present Value)**

The value as of a given date of a future amount or series of payments. The Actuarial Present Value discounts the payments to the given date at the assumed investment return and includes the probability of the payment being made. As a simple example: assume you owe \$100 to a friend one year from now. Also, assume there is a 1% probability of your friend dying over the next year, in which case you won't be obligated to pay him. If the assumed investment return is 10%, the actuarial present value is as follows:

$$\begin{array}{rcccl} \text{Amount} & & \text{Probability of} & \text{1/(1+Investment} & \\ & & \text{Payment} & \text{Return)} & \\ \$100 & \times & (1 - .01) & 1/(1+.1) & = \$90 \end{array}$$

**6. Actuarial Valuation**

The determination, as of a specified date, of the Normal Cost, Actuarial Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

**APPENDIX D  
GLOSSARY**

**7. Actuarial Value of Assets**

The value of cash, investments and other property belonging to a pension plan as used by the actuary for the purpose of an Actuarial Valuation. The purpose of an Actuarial Value of Assets is to smooth out fluctuations in market values. This way long-term costs are not distorted by short-term fluctuations in the market.

**8. Actuarially Equivalent**

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of actuarial assumptions.

**9. Amortization Payment**

The portion of the pension plan contribution which is designed to pay interest and principal on the Unfunded Actuarial Liability in order to pay for that liability in a given number of years.

**10. Entry Age Normal Actuarial Cost Method**

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages.

**11. Normal Cost**

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

**12. Unfunded Actuarial Liability**

The excess of the Actuarial Liability over the Actuarial Value of Assets.

**13. Projected Benefits**

Those pension plan benefit amounts which are expected to be paid in the future under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and increases in future compensation and service credits.

**14. Funded Percentage**

The ratio of the Actuarial Liabilities to the Actuarial Value of Assets.

**APPENDIX D  
GLOSSARY**

**15. Mortality Table**

A set of percentages which estimate the probability of death at a particular point in time. Typically, the rates are annual and based on age and sex.

**16. Investment Return Assumption**

The assumed interest rate used for projecting dollar related values in the future.

**17. Inflation (CPI)**

The assumed increase in dollar related values in the future due to the general increase in the cost-of-living. The usual measure for inflation is the Consumer Price Index (CPI).