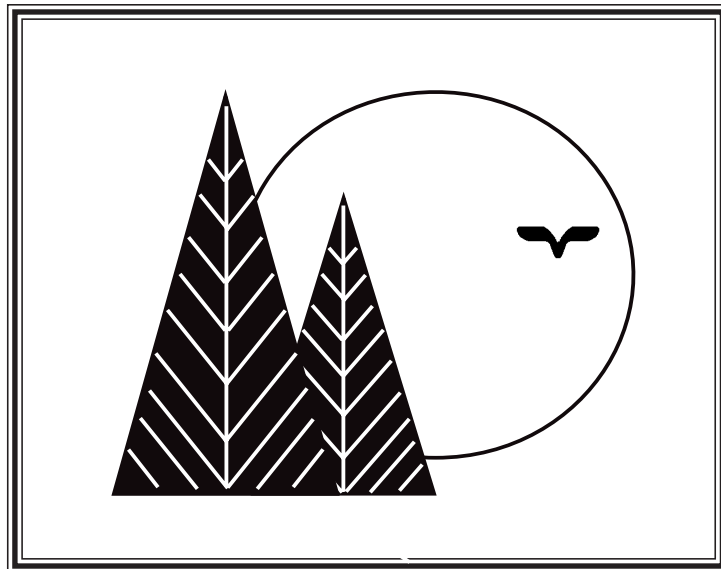

MAINE STATE RETIREMENT SYSTEM

ANNUAL REPORT



**FOR THE FISCAL YEAR ENDING
JUNE 30, 2001**

This report has been produced as required by 5 MRSA §17102 (10), which states that the Maine State Retirement System must publish an annual report showing "the fiscal transactions of the retirement system for the fiscal year and the assets and liabilities of the retirement system at the end of the fiscal year; and the actuary's report on the actuarial valuation of the financial condition of the retirement system for the fiscal year."

Maine State Retirement System

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**MAINE STATE
RETIREMENT SYSTEM**

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Kathy J. Morin
Assistant to Chief Deputy

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Director of Human Resources
& Organizational Development

Keith E. Kolodgie
Associate Deputy Director

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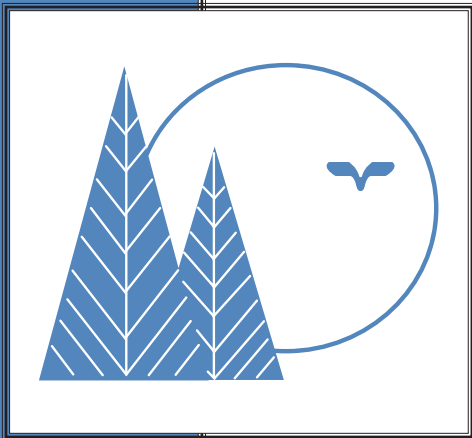
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LETTER OF TRANSMITTAL
AND 2001 LEGISLATIVE
SUMMARY



LETTER OF TRANSMITTAL



June 30, 2001

To: Persons Interested in the Maine State Retirement System

The Maine State Retirement System is pleased to publish its Annual Report for the fiscal year ending June 30, 2001. The Report fulfills the System's obligations, both legal and fiduciary, to periodically inform its members, employers and retirees and Maine taxpayers in general about its financial, actuarial and operating condition. In addition, the Report incorporates a summary of legislation affecting the Retirement System enacted by the First Regular Session of the 120th Maine Legislature. This letter of transmittal is intended to provide both general commentary on relevant topics and context for the detail set out in the separate sections of the Report.

ECONOMIC CONDITIONS AND OUTLOOK

The slowing economy and downward trending volatility of the securities markets that became evident late in the prior fiscal year continued in fiscal year 2001. Both of these phenomena persisted domestically and internationally. In Maine, State revenues continued to decline. The consensus economic outlook in Maine and beyond at the end of the fiscal year did not foresee near-term improvement and although some forecasters saw signs of change for the better in the medium term few, if any, saw a return to the remarkable economic and market characteristics of the past several years.

MAJOR INITIATIVES

Its own transformation into an excellent public retirement organization continues to be the System's major initiative. Its two principal focal points – the Automation Project and the delivery of services to members, employers and retirees – involve every aspect of the System's work, and progress continued on both. Following the leaps in the two prior years represented by creation of a single database for all member, employer and retiree data and by development and installation of key functional modules, the Automation Project continued forward by more incremental but no less fundamentally necessary steps. Data cleaning, data conversion, and design and development of additional functional modules were concrete additions to the foundations of the System's automation. Difficult analytical work also continued, the necessary precursor to the design and development of functionality of which the System's constituents will see the direct effects. Chief among the direct effects will be the conversion of historical years-of-service and compensation data and the capacity to clean such data as it is collected. These steps will ultimately result in the capability to immediately know at any point in time the contribution, service credit and compensation status of every member.

The System's staff continues to develop and improve the delivery of services to the System's members, employers and retirees. The relevant measures show continued progress in responsiveness, follow-through and turnaround times. As the System wrestles with the issues and complexities that are the legacy of its 59-year history, the knowledge of its experienced staff and the new perspectives of those more recently hired come together to pin old problems to the mat of new approaches and solutions. Careful and incremental growth in the number of staff members over the last four years has more than filled the System's existing Augusta office space and at June 30, 2001, the search for additional space was well underway.

Last year's Annual Report remarked on Y2K "for the purpose of closure." The millennial threshold had been non-eventfully crossed, because it had been so well prepared for, but could not pass unremarked. Similarly, in writing several months later about the period that ended in June 2001, it is not possible to be oblivious to September 11, 2001. September 11th was, like the passage to the new millennium, a threshold. Unlike the millennium, it probably could not have been prepared for, even though hindsight has illuminated information and insights that might have helped. It will probably prove to be a threshold of far greater significance, but it is not yet clear from what and to what the world has crossed.



LETTER OF TRANSMITTAL

FINANCIAL INFORMATION

Accounting System and Financial Reporting

Shortly after its 1993 establishment by the Legislature as an independent public instrumentality, the System departed the State's financial and accounting systems, instituted accrual-based accounting to record assets, liabilities, revenues and expenses, and installed appropriate supporting software and systems. Monthly and annual financial statements, investment recordkeeping and all financial disclosures are in accordance with applicable Governmental Accounting Standards Board standards and statements. These major gains are irrevocably in place. Improvements and enhancements to the System's financial accounting and reporting are undertaken both systematically and opportunistically – e.g., software upgrades and additions, new staff capabilities, efficiencies in processes, resolution of old data issues – and the practice of ongoing review and development is also irrevocably established.

Revenues and Expenses

The reserves needed to finance the benefits provided under the retirement plans administered by the System are accumulated through the receipt of member and employer contributions and earnings on the investment of contributions. Total revenue for the fiscal year was negative \$195.4 million as investment losses exceeded contributions.

The expenses of the System are the benefits it pays, refunds to terminated members of their member contributions with interest and the System's operating costs. In fiscal year 2001, these expenses totaled \$394.3 million and arose principally from benefits payments.

REVENUES (\$ Millions)		
<u>Source</u>	<u>FY 2001</u>	<u>FY 2000</u>
Member Contributions	123.2	117.9
Employer Contributions	272.6	258.3
Investment Income	(591.2)	678.2
	(195.4)	1,054.4
EXPENSES (\$ Millions)		
<u>Source</u>	<u>FY 2001</u>	<u>FY 2000</u>
Benefits	368.8	343.3
Refunds	17.5	17.7
Administrative	8.0	7.9*
	394.3	369.0

* Due to a rounding error, this number was misstated as 8.0 in last year's Annual Report.

FUNDING

At the time that any given Annual Report is being created, the most recent completed actuarial valuations for the plans that the System administers are those prepared as of June 30 of the fiscal year prior to the fiscal year that the Annual Report covers. It is these valuations that are included in the given Annual Report. In this Report, it is the valuations as of June 30, 2000 that are included. These valuations give the most recent available picture of the liability demographics of the plans, and provide funding information that is based on that data and that has been calculated according to the actuarial assumptions then in place. At the time an Annual Report is being prepared, certain later funding information, calculated as of the end of the fiscal year covered by the Report, has become available. That information, as of June 30, 2001, is reflected in the following paragraphs.

The liabilities and funding of the State employee and teacher plan are calculated by the entry age normal actuarial method. The plan's actuarial net assets are calculated using a smoothing methodology that recognizes in a given year one-third of the investment gain (or loss) that is in excess of (or less than) the 8% investment return assumption. The liabilities of the State employee and teacher plan exceed the plan's assets; the amount by which they do is the unfunded actuarial liability (UAL) of the plan. Constitutionally, the UAL cannot increase, except for increases that result from experience losses, and must be paid off not later than the end of fiscal year 2028. Legislatively, the required payoff period has twice been shortened and under current law the UAL must be paid off not

LETTER OF TRANSMITTAL



later than the end of fiscal year 2019. Principally because of the experience loss arising from negative investment returns, the plan's UAL increased in fiscal year 2001 from \$1.96 billion at 6/30/2000 to \$2.15 billion at 6/30/2001 and the plan's funded ratio, the relationship of assets to liabilities, decreased from 73.6% to 72.9%. Ten years ago, the plan's funded ratio was 35.8%.

The liabilities and funding of the judicial retirement plan are calculated by the entry age normal actuarial method. As at the end of the prior fiscal year, at 6/30/2001 the plan had actuarial assets in excess of its actuarial liabilities. The amount of the excess decreased from \$3.9 million at 6/30/2000 to \$3.6 million at 6/30/2001. The decrease was the result of the combined effects of investment losses, liability gains and benefit improvements. Because its assets and liabilities are so closely matched, the judicial retirement plan's funded status can shift readily from overfunding to underfunding.

The liabilities and funding of the legislative retirement plan are calculated by the aggregate actuarial method which precludes the existence of an unfunded actuarial liability or of a funding surplus.

For all plans funded by the State, the actuarially-determined required contributions were made, as mandated by the Maine Constitution and Maine statutes. Additional contributions to the State employee and teacher plan, made by the State for the past several years out of unallocated General Fund surplus revenues existing at fiscal year-end, were not made in fiscal year 2001.

The liabilities and funding of the Consolidated Retirement Plan for Participating Local Districts (PLDs) are calculated by the entry age normal actuarial method. The Consolidated Plan began operation in 1994 with no pooled unfunded actuarial liability. The existing Initial Unpooled Unfunded Actuarial Liability (IUUAL) of each of the individual PLDs that comes into the Plan with an IUUAL are assets of the Plan as receivables; they are recognized as each PLD makes payments to the Plan as required by the amortization schedule for its IUUAL. The Consolidated Plan had, at 6/30/2001, including the IUUAL receivables, pooled assets in excess of its pooled liabilities in the amount of \$214.7 million.

Detailed information on the funding method and funding status of each of these plans at 6/30/2000 is in the relevant Actuarial Valuation section of this Report.

INVESTMENTS

Pension Fund Investments

Article IX, Section 18 of the Maine Constitution directs that the assets of the Maine State Retirement System be invested for the exclusive purpose of providing retirement and related benefits for the System's members and beneficiaries. In adhering to and carrying out this mandate, the System's Board of Trustees, staff, investment consultants, investment managers and custodians act as fiduciaries, charged to do so in accordance with Title 18-A MRSA §703-A, the Maine statute that governs trust relationships and trustee actions under the prudent person standard. Application of this standard enables the Board to seek increased returns while mitigating risk. Diversification through investment in different asset classes is a key mitigator of risk. At the end of fiscal year 2001, the Board's investment policy asset allocation was 65% to equities, of which 50% was allocated to domestic equities and 15% to international equities; and 35% to fixed income. The Board adopted these policy allocations effective November 1, 2000, slightly adjusting the allocations then in force. The Board continued its participation in a financing program created by it with the Finance Authority of Maine (FAME), through which the System provides debt funding to Maine businesses evaluated and selected as appropriate by FAME. As security, the System holds bonds issued at market rates and backed by the full faith and credit of the State. The program enables the Board to invest System assets in the Maine economy without compromising the constitutionally-established exclusive purpose of the System's investment program.

Establishment of investment policy for the pension funds is the province of the System's Board of Trustees, assisted by its investment consultant and its Investment Advisory Committee. Implementation of policy is the responsibility of staff, assisted by the investment consultant and under the oversight of the Board. All direct investment activity is carried out by professional investment management firms, which are afforded full discretion within their contractual mandates. All of the System's investments are insured or collateralized with securities held by its agents, except for those in commingled funds in which holdings are not evidenced by securities in physical or book entry form. As a general matter, with respect to this latter type of investments, the Governmental Accounting Standards Board concludes that the risk is minimal.

The System's pension fund investment holdings as of June 30, 2001 are detailed in the Investments section of this Report.



LETTER OF TRANSMITTAL

OTHER INVESTMENTS

Maine Learning Technology Endowment

In 1999, at the request of the Administration and the Legislature, the Trustees agreed to manage the investment of a \$50 million appropriation that established an endowment to be used to enable the full integration of appropriate learning technologies into teaching and learning for the State's elementary and secondary students. Endowment funds were transferred to the System in fiscal year 2001. To preserve principal while the plan for the use of the Maine Learning Technology Endowment was being created, the Trustees entered into a Memorandum of Understanding with the Administration under which Endowment funds were invested in a commingled vehicle made up of high quality short term fixed income securities. This choice of investment vehicle proved well-suited to its purpose in light of investment market behavior in the fiscal year.

INDEPENDENT AUDIT

Beginning with fiscal year 1994, the System instituted the practice of contracting with an outside certified public accounting firm for an annual independent professional audit of its financial statements. As in every year that this audit has been performed, the System received an unqualified audit opinion for fiscal year 2001. The independent auditor's report is in the Financial Statements section of this Report.

TRUSTEES OF THE SYSTEM

Trustees Eunice C. Mercier of Augusta and Peter M. Leslie of Cape Elizabeth were nominated by Governor Angus King for reappointment to the Board and both were confirmed by the Maine Senate. At 6/30/2001, the Board's other appointed Trustee-members were David S. Wakelin of South Portland, John H. Kimball of Norway, George A. Burgoyne of Bangor, Catherine R. Sullivan of Portland, and John S. Eldridge III of Brunswick. The Board's eighth member was State Treasurer Dale McCormick, ex-officio.

Mr. Wakelin was re-elected by the Board to serve as its Chair. As Board Chair, Mr. Wakelin is also Chair of the Board's Investment Advisory Committee. Mr. Kimball was re-elected by the Board to serve as its Vice Chair.

ACKNOWLEDGEMENTS

Once again, a year of the System's history cannot be closed without giving explicit recognition to all of its staff members, whose commitment to the System, its work and its program of change has marked the year that this Report summarizes, as it has marked the past several years. In-house promotions and lateral transfers to positions with different responsibilities indicate the dedication and individual development of experienced staff. The qualifications of new hires and their interest in doing the System's work indicate both the taste for a challenge and confidence in the face of one. The members of the Maine State Retirement System and its employers and retirees and the State's taxpayers are fortunate in the people who are the System's staff.

Respectfully submitted,

Kay R. H. Evans
Executive Director

LEGISLATION ENACTED IN THE
FIRST REGULAR SESSION OF THE 120TH LEGISLATURE



An Act Concerning Eligibility Requirements for State Employees, Teachers and Participating Local District Employees to Purchase Military Service Credit

PL 2001, Chapter 114 [LD 237]
Amending: 5 MRSA §§17760, 18360
Effective Date: September 21, 2001
Members Affected: State, Teacher and PLD

This bill provides a method by which a member may purchase military service credit that the member is otherwise ineligible to purchase. (See related article on page 5 of the September 2001 issue of Retirement News.)

An Act to Amend the Laws of the Maine State Retirement System

PL 2001, Chapter 181 [LD 1754]
Amending: 3 MRSA, §731, 5 MRSA, §§17001, 17102, 17107, 17655, 17851, 18254, 18258
Effective Date: May 16, 2001
Members Affected: State, Teacher and PLD

This bill makes a number of changes to various provisions of current MSRS statutes. The changes of particular interest include: 1) the establishment of the Consumer Price Index for All Urban Consumers (CPI-U) as the basis for cost-of-living adjustments rather than the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) previously used; 2) the removal of the requirement that a member must serve in the armed forces during a federally recognized period of conflict in order to continue to earn MSRS creditable service when the military service occurs during the period of an individual's MSRS membership; and 3) the establishment of conditions under which all its liabilities have been satisfied such that a participating local district that has withdrawn from the MSRS may receive a refund of assets.

An Act Making Unified Appropriations and Allocations for the Expenditures of State Government... for Fiscal Years Ending June 30, 2001, June 30, 2002 and June 30, 2003

PL 2001, Chapter 358 [LD 300]
Effective Date: June 4, 2001
Members Affected: Some State Employees

This bill is the "Part A" state budget. Part F of this bill provides for a Voluntary Employee Incentive Program for State employees who apply to participate prior to July 1, 2003. (See related article on page 4 of the September 2001 issue of Retirement News.)

An Act to Allow County Corrections Personnel to Participate in the Same Retirement Plan as Other Corrections Personnel

PL 2001, Chapter 368 [LD 1276]
Amending: 5 MRSA §18453
Effective Date: June 8, 2001
Members Affected: Some PLD Employees

This bill amends the classification of employees that may be covered by specific participating local district special plans to include county corrections employees. (See related article on page 4 of the September 2001 issue of Retirement News.)

An Act to Improve Pension Benefits for Employees in the Department of Environmental Protection

PL 2001, Chapter 409 [LD 1566]
Amending: 5 MRSA §17851-A, 38 MRSA §551
Effective Date: January 1, 2002
Members Affected: Some State Employees

This bill extends coverage of the 1998 Special Plan to specific employees in the Department of Environmental Protection. (See related article on page 3 of the September 2001 issue of Retirement News.)



LEGISLATION ENACTED IN THE FIRST REGULAR SESSION OF THE 120TH LEGISLATURE

An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government...for Fiscal Years Ending June 30, 2002 and June 30, 2003

PL 2001, Chapter 439 [LD 855]
Effective Date: September 21, 2001
Members Affected: Some State,
Teachers and Judges

This is the "Part B" state budget. Included in this bill are provisions to: 1) increase the state share of the health insurance premium for retired teachers from 30% to 35% effective July 1, 2002; 2) increase the maximum service retirement benefit available to certain retiring judges to 70% of average final compensation (AFC); and 3) remove Inland Fisheries and Wildlife Officers and Marine Resource Officers from the 1998 Special Plan and place them in a special retirement plan that provides for retirement after 25 years of service in a covered capacity, regardless of the age at which the twenty-five years is reached. (See related article on page 3 of the September 2001 issue of Retirement News.)

An Act to Expand Retirement Benefits for State Employees and Teachers Returning to Service

PL 2001, Chapter 442 [LD 1255]
Amending: 5 MRSA, §§17855, 17857, 20-A MRSA,
§12722 Effective Date: September 21, 2001
Members Affected: Service Retired State and Teachers

This bill repeals the restoration to service provision currently in effect for retired State and teacher members. (See related article on page 1 of the September 2001 issue of Retirement News.)

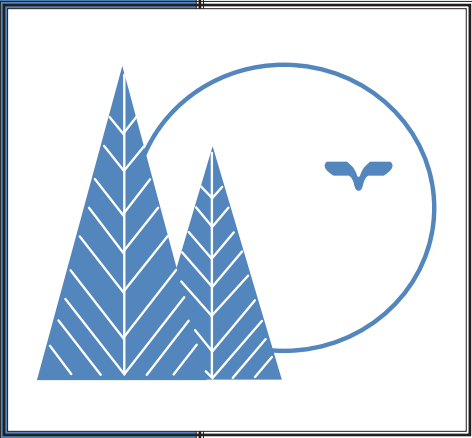
An Act to Increase the Limit on Earnings for Beneficiaries of Disability Retirement Benefits

PL 2001, Chapter 443 [LD 98] Amending: 5 MRSA,
§§17906, 17930, 18506, 18530, P&SL 1995, C. 38
Effective Date: January 1, 2001
Members Affected: Disability Retired
State, Teachers and PLD

This bill increases the amount that some disability retirees may earn without incurring a reduction in benefits. It also reverses any permanent reductions to disability retirement benefits for "section 1122" disability recipients based on earnings in calendar years 1999 and 2000 and suspends further implementation of this requirement until January 1, 2003. (See related article on page 1 of the September 2001 issue of Retirement News.)

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THE OFFICE OF THE REVISOR OF STATUTES AT (207)
287-1324

OVERVIEW OF THE
MAINE STATE
RETIREMENT SYSTEM



OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM



INTRODUCTION

By the authority granted to it by the Maine State Legislature, the Maine State Retirement System (MSRS or the System) administers retirement programs that cover State employees, the State's public school teachers, judges, legislators, and employees of the approximately 261 municipalities and other public entities, called "participating local districts" (PLDs), that have chosen to provide retirement plans through the MSRS. The System is also responsible for the payment of retirement and survivors' benefits to former governors and their surviving spouses. In addition, the System also administers a Group Life Insurance Program. This program provides life insurance benefits for its active and retired members and for the employees of a few local districts for whom the MSRS administers only the group life insurance program.

There follows a brief overview of the System's two major programs and of its Board of Trustees and its administration.

RETIREMENT AND RELATED BENEFITS

Retirement and related benefits provided by MSRS include:

- service retirement benefits, which provide retirement income to a member after the member has reached qualification for retirement;
- disability retirement benefits, which provide income to a member who becomes disabled (as defined by MSRS law) while the member is in service and before the member retires; and
- death benefits, which are paid to a member's designated beneficiary(ies), if the member dies before retirement.

State employees and teachers are covered under the Maine State Retirement System's State employee and teacher plan. State employees are required by law to become members of the MSRS when hired. There is an exception to this rule for elected and appointed officials, for whom membership is optional. Public school teachers must also become members of the MSRS when hired. PLD employees become members of the MSRS when they are hired if their PLD participates in the MSRS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees membership is optional. These employees include those employed by their PLD before the PLD joined the MSRS, those covered by Social Security (if their employers provide Social Security under a federal section 218 agreement), employees not covered by the Municipal Employees Labor Relations Act, elected and appointed officials, and chief administrative officers.

The Maine Legislative Retirement System, also administered by the System, was established to provide a retirement plan for those serving in the Maine Legislature. Except as provided by statute, membership in the Maine Legislative Retirement System is mandatory for legislators entering service on or after December 3, 1986. Any Legislator who was a member under the State employee and teacher plan on December 2, 1986 had the option to continue to be a member instead of becoming a member under the Maine Legislative Retirement System.

The Maine Judicial Retirement System was established to cover Maine's judges. Membership in the Maine Judicial Retirement System is a condition of employment for all judges serving on or after December 1, 1984.

All members of each plan within the System contribute a percentage of their compensation to the System. The amount of the member contribution is set by statute and varies according to the plan under which a member is covered and other criteria set out in the law. Employers also contribute to the System in an amount that is a percentage of total earnings. This percentage is actuarially determined and varies from year to year. MSRS membership terminates upon retirement, death, or refund of member contributions. Further details regarding plan provisions may be found in the Actuarial Valuations for each plan contained later in this report.



OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM

GROUP LIFE INSURANCE PROGRAM

The Group Life Insurance Program is available to all State employees, public school teachers, and the employees of those PLDs that elect to provide the coverage for their employees, as well as members of the Legislative and Judicial Retirement Systems. In addition to basic coverage for the employee (which is equal to one times the participant's annual base compensation rounded up to the next \$1,000), supplemental coverage for the employee and coverage for dependents is also available to the Program's participants.

BOARD OF TRUSTEES

The responsibility for the operation of the Maine State Retirement System is held by the System's Board of Trustees, which is composed of eight members. State law specifies the Board's composition. The law requires that each individual appointed to service as a trustee is subject to the legislative confirmation process. All appointed trustees are required to have "a working knowledge of retirement policy and legal issues and a general knowledge and understanding of banking, finance and investment practices." Three trustees are to be Retirement System members, one of whom is proposed and elected by the Maine Education Association, one of whom is proposed and elected by the Maine State Employees Association and one of whom is a PLD member proposed by the governing body of the Maine Municipal Association. Four trustees are appointed by the Governor. Of these, one must be selected by the Governor from a list of nominees submitted by the Maine Retired Teachers Association and one must be an MSRS retiree selected from a list of nominees submitted by State and/or PLD retirees. The remaining two appointees are direct gubernatorial appointments, both of whom must be qualified through training or experience in the field of investments, accounting, banking or insurance or as actuaries. The eighth trustee is the State Treasurer, who serves ex-officio. All trustees except for the State Treasurer serve a three-year term. The Board elects its chairperson from its members.

The Board members as of June 30, 2001 were:

David S. Wakelin, Chair	Governor's Direct Appointment
John H. Kimball, Vice Chair	Maine Education Association
Peter M. Leslie	Governor's Direct Appointment
George A. Burgoyne	Maine State Employees' Association
John S. Eldridge, III	Maine Municipal Association
Dale McCormick, State Treasurer	Ex-officio Member
Eunice C. Mercier	Governor's Appointment (State Retiree)
Catherine R. Sullivan	Governor's Appointment (Maine Retired Teachers Association)

The Board contracts for the services of an actuary, currently the firm of Milliman USA. The actuary prepares annual valuations of the assets and liabilities of each of the retirement plans administered by the System. The actuary also provides information and recommendations as to sound and appropriate actuarial assumptions, which are utilized, together with valuation information, to determine the plans' funding requirements.

The Board's management of MSRS investments is governed by its investment policy, which states the Board's underlying investment philosophy and goals and establishes guidelines and criteria for choice of investment types, asset allocation among investment types, investment manager selection and evaluation, and allotment of investment funds to investment managers. The Board currently contracts with the firm of Ennis Knupp and Associates to advise in the development of the investment policy and implementation of the investment program.

The Board is the final administrative decision-maker in matters involving the rights, credits, and benefits of members. It has established an administrative appeals process for the making of such decisions, through which the relevant factual information and legal requirements are identified and analyzed by Hearing Officers who serve under contract. In the decisions on disability retirement appeals, statutorily established medical boards and individual medical advisors provide recommendations as to the medical aspects of disability. The Board's final administrative decisions are appealable to Superior Court.

OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM



ADMINISTRATION

The Maine State Retirement System is a service organization with very significant financial and investment management and record-keeping responsibilities. The Board of Trustees appoints the Executive Director of the MSRS. The work of the System is managed through the Office of the Executive Director and three departments.

The *Office of the Executive Director* oversees all actuarial work and investments. Actuarial work and investment operations are carried out with the assistance of an actuarial consultant, an investment consultant, and investment managers. In addition, the Office manages day-to-day administration, budget preparation and management, legislative matters, appeals, federal, state and local relations, planning, organizational development, and numerous special projects, notably the System's automation effort.

The *Department of Service Programs and Administrative Appeals* is responsible for service and disability retirement programs, membership and employer programs, survivor benefit and group life insurance programs, and records management. The department is the System's primary liaison with members, employers and benefit recipients. The department staff also includes System advocates who represent the System before Hearing Officers in all administrative appeals of decisions of the Executive Director.

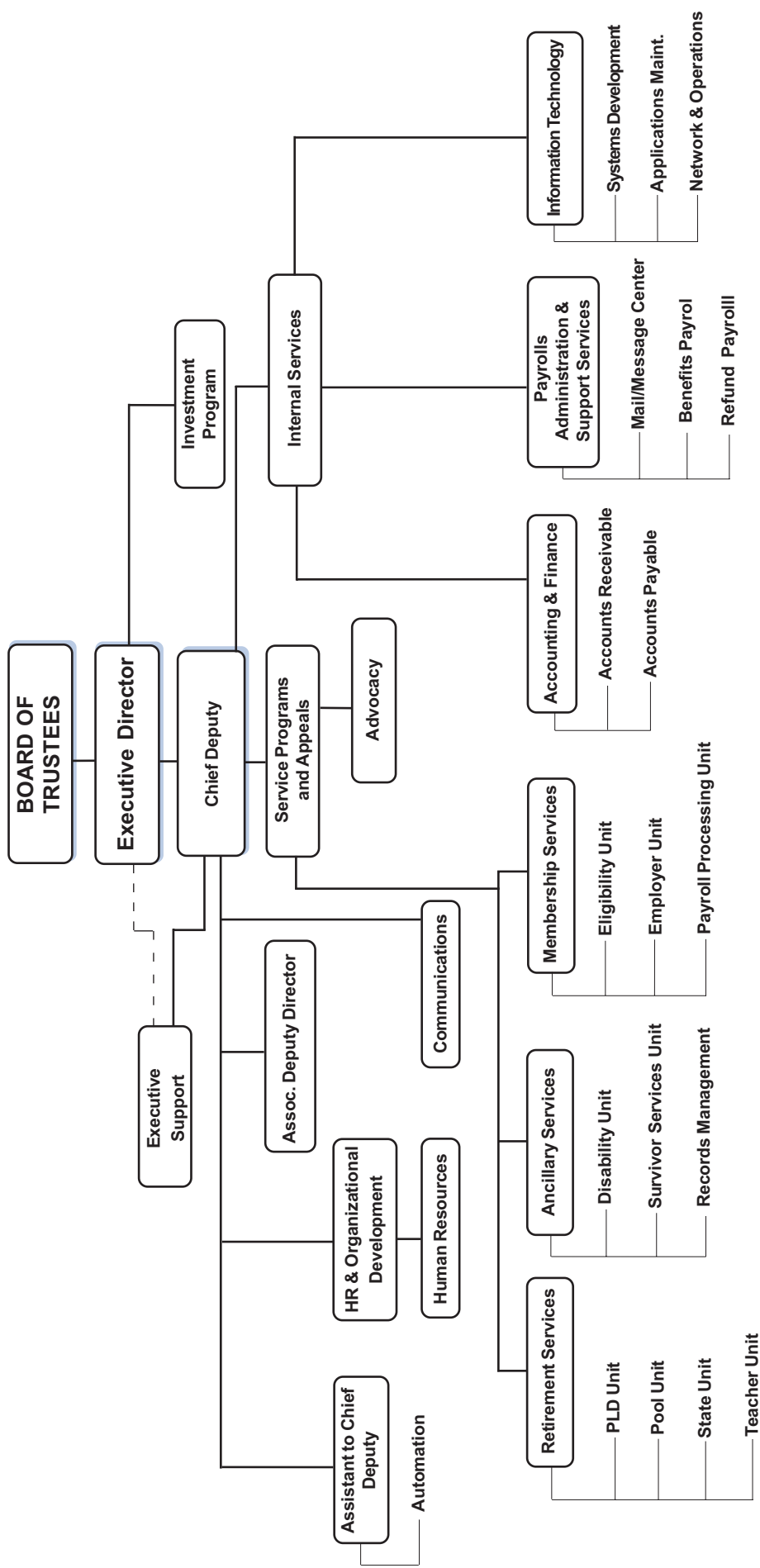
The *Department of Internal Services* includes three divisions: Accounting and Finance, Information Technology, and Benefits Payroll Administration and Supporting Services. The Accounting and Finance Division has primary responsibility for the MSRS accounting and financial management systems. This includes receiving and recording to the general ledger all member and employer contributions, recording all benefit disbursements to the general ledger and processing and recording the payment of all invoices submitted to the System. The Information Technology Division is responsible for acquisition and support of the technology used by MSRS staff in providing agency programs and services and, in a common effort with the user-staff, for the design and development of the System's Member Record-keeping System. The Division's responsibilities include maintenance and technical support of various software applications and operation of the computer network and related hardware. Primary operations occur in the MSRS Augusta office; a back-up site is located in the System's Portland office. The Payrolls Administration and Supporting Services Division is responsible for the System's benefits payroll program as well as the administration of member refunds. The Division also administers the System's supporting services including facilities management and the mail/message center.

The *Department of Human Resources and Organizational Development* is responsible for the staff-centered aspects of the System's development as an organization and oversees the management of internal personnel and labor relations and employee payroll. Personnel and employee payroll data is tracked using a Human Resource Payroll and Information System. The human resources staff participate in developing agency wide strategies and goals that adhere to equal employment opportunity mandates, labor management agreements and health & safety requirements, while assuring that compensation and benefit commitments are met.



Maine State Retirement System

Organizational Chart by Function



OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM



STATISTICAL DATA SUMMARY For Period Ending June 30, 2001

MEMBERSHIP

Data reflecting membership in the MSRS as of June 30, 2001 and June 30, 2000 are presented below. These membership numbers include both active and inactive members. Active members are those who are currently working for an MSRS participating employer and who are therefore making member contributions to the MSRS. Inactive members are those who made member contributions in the past and whose contributions remain with the System. These members are not making member contributions presently because either they are not working for an MSRS participating employer or they are in positions in which membership is optional and have opted not to be members.

In previous annual reports, teacher members with annual earnings of less than \$2,000 were excluded from membership data. For actuarial reasons having to do with the calculation of liabilities, teacher members with these earnings are filtered from the annual actuarial valuation of the System's State employee and teacher plan. They had also been excluded from membership data, presumably for reasons of consistency; however, the result was an incomplete picture of the MSRS membership and, as of this Annual Report, that practice has been abandoned. The membership data for FY 2001 presented below include these members. The data for FY 2000 have been revised in the same manner. For that reason, and because of other minor adjustments made to improve accuracy, the FY 2000 (Revised) data presented below differ from the FY 2000 data presented in last year's Annual Report.

Members	<u>FY 2001</u>			<u>FY 2000</u> <i>(Revised)</i>		
	<u>Active</u>	<u>Inactive</u>	<u>Total</u>	<u>Active</u>	<u>Inactive</u>	<u>Total</u>
State*	14,692	15,055	29,747	14,567	14,432	28,999
Teachers	34,064	43,917	77,981	33,463	41,455	74,918
PLD*	9,028	8,662	17,690	8,759	8,396	17,155
Legislative	171	134	305	169	105	274
Judicial	56	4	60	57	3	60
Total	58,011	67,772	125,783	57,015	64,391	121,406

* Includes both regular and special plan members.



OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM

STATISTICAL DATA SUMMARY For Period Ending June 30, 2001

BENEFIT RECIPIENTS

Recipients of MSRS benefits fall into five categories:

- *Service Retirees* - those who are receiving a service retirement benefit and their concurrent beneficiaries.
- *Retiree Beneficiaries* - those who are the beneficiaries of deceased service retirees.
- *Disability Retirees* - those who are receiving a disability retirement benefit.
- *Ordinary Death Beneficiaries* - those who are the beneficiaries of active or inactive members or disability retirees who died before being qualified to receive or, if qualified, before receiving, service retirement benefits.
- *Accidental Death Beneficiaries* - those who are the beneficiaries either of deceased active members or of disability retirees who died as a result of injuries arising out of and in the course of employment.

Below are the total benefit recipients and total benefit dollars paid on June 30, 2001 and June 30, 2000:

	2001 Benefit Recipients	2001 Benefit Dollars	2000 Benefit Recipients	2000 Benefit Dollars
Service Retirees	23,287	\$ 25,066,916	22,873	\$ 23,167,485
Retiree Beneficiaries	3,175	2,413,792	3,097	2,184,744
Disability Retirees	2,096	2,842,590	1,967	2,663,256
Ord./Accidental Death Beneficiaries	<u>1,008</u>	<u>414,780</u>	<u>1,007</u>	<u>405,244</u>
Total	29,566	\$ 30,738,078	28,944	\$ 28,420,729

OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM



STATISTICAL DATA SUMMARY For Period Ending June 30, 2001

EMPLOYEE AND EMPLOYER CONTRIBUTIONS ¹

<u>Fiscal Year ending June 30</u>	<u>Employee</u>	<u>Employer</u>
2001	\$ 116,032,261	\$ 264,572,410
2000	110,766,917	250,278,123
1999	105,706,888	292,104,205
1998	103,314,565	273,317,235
1997	100,683,010	266,453,877
1996	97,141,014	252,229,179

BENEFIT RECIPIENTS

<u>Fiscal Year ending June 30</u>	<u>Total ²</u>
2001	29,566
2000	28,944
1999	28,372
1998	27,801
1997	27,309
1996	26,921

BENEFIT PAYMENTS

<u>Fiscal Year ending June 30</u>	<u>Benefit Payments ¹</u>
2001	\$ 361,964,869
2000	335,494,029
1999	317,749,428
1998	301,341,756
1997	284,139,339
1996	277,030,590

Notes:

¹ Does not include the Group Life Insurance Program. See the next page for the Group Life Insurance Program information.

² Numbers are benefit recipients paid on June 30 of each year for the month of June.

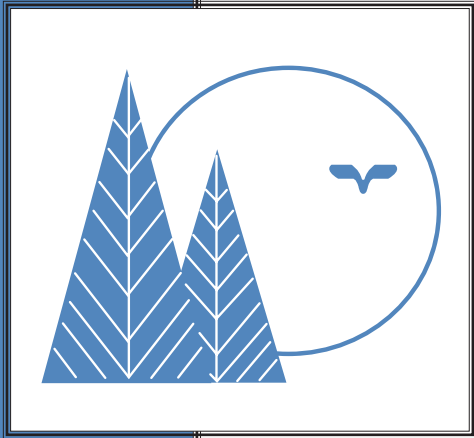


OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM

GROUP LIFE INSURANCE PROGRAM STATEMENT OF OPERATIONS FOR THE FISCAL YEARS ENDING JUNE 30, 2001 AND JUNE 30, 2000

<u>RECEIPTS</u>	<u>2001</u>	<u>2000</u>
Total Premiums Collected	\$ 7,201,481	\$ 7,178,258
Earnings on Investments	<u>3,219,706</u>	<u>1,481,132</u>
TOTAL RECEIPTS	\$ 10,421,187	\$ 8,659,390
 <u>EXPENSES</u>		
Claims Paid		
Basic	\$ 1,227,841	\$ 1,873,142
Supplemental	1,030,982	1,302,693
Dependent	296,440	318,386
Retired Employees	<u>3,579,737</u>	<u>3,765,336</u>
Total Claims Paid	\$ 6,135,000	\$ 7,259,557
Retention Expense	\$ 525,600	\$ 473,915
Conversion Expense	\$ 86,450	\$ 46,522
TOTAL EXPENSES	\$ <u>6,747,050</u>	\$ <u>7,779,994</u>
 BALANCE OF RESERVES	 \$ <u>35,231,574</u>	 \$ <u>31,557,437</u>

FINANCIAL STATEMENTS



REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Trustees
of The Maine State Retirement System:

In our opinion, the accompanying statements of plan net assets and the related statements of changes in plan net assets present fairly, in all material respects, the net assets of the Maine State Retirement System, which is a component unit of the State of Maine, as of June 30, 2001 and 2000, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information included is required under GASB Statement No. 25. Such information, included on pages 12 to 14, has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2001, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

PricewaterhouseCoopers LLP

September 28, 2001



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM STATEMENTS OF PLAN NET ASSETS June 30, 2001 and 2000

<u>ASSETS</u>	<u>2001</u>	<u>2000</u>
Cash and cash equivalents (Note 3)	\$ 96,459,971	\$ 127,141,184
Investments at fair value (Note 3):		
Debt securities:		
U. S. Government and government agencies	311,378,592	400,182,084
Corporate	427,978,901	322,437,780
Foreign	102,984,692	68,829,254
Common equity securities	1,167,606,917	1,535,659,780
Preferred equity securities	48,285,886	38,781,768
Common/collective trusts	4,880,564,312	5,131,529,203
Other	6,295,678	5,984,655
Maine Learning Technology Endowment Fund (Note 3)	52,762,574	-
	<u>6,997,857,552</u>	<u>7,503,404,524</u>
Receivables:		
State and local agency contributions	9,475,992	9,954,304
Accrued interest and dividends	15,354,772	14,361,060
Other (Note 6)	-	4,091,628
	<u>24,830,764</u>	<u>28,406,992</u>
Due from brokers for securities sold	18,206,444	216,563,844
Collateral on loaned securities (Note 5)	395,544,858	445,746,228
Fixed assets, net of accumulated depreciation	<u>386,655</u>	<u>364,959</u>
Total assets	7,533,286,244	8,321,627,731
 <u>LIABILITIES</u>		
Accounts Payable	9,931,042	5,755,294
Due to brokers for securities purchased	38,105,792	243,832,287
Other liabilities	8,219,449	7,813,698
Maine Learning Technology Endowment Fund (Note 3)	52,706,380	-
	<u>108,962,663</u>	<u>257,401,279</u>
Obligations under securities lending activities (Note 5)	<u>395,544,858</u>	<u>445,746,228</u>
Total liabilities	<u>504,507,521</u>	<u>703,147,507</u>
Net assets held in trust for pension, disability, death and group life insurance benefits (a schedule of funding progress is shown in the "Required Supplementary Information" section)	<u>\$ 7,028,778,723</u>	<u>\$ 7,618,480,224</u>

FINANCIAL STATEMENTS



MAINE STATE RETIREMENT SYSTEM STATEMENTS OF CHANGES IN PLAN NET ASSETS for the years ended June 30, 2001 and 2000

	<u>2001</u>	<u>2000</u>
Additions:		
Investment income:		
Interest	\$ 95,026,016	\$ 109,586,882
Dividends	19,142,213	18,324,655
Net (depreciation) appreciation in the fair value of plan investments	(694,624,046)	562,502,107
Less: investment expenses	(9,379,584)	(10,799,145)
cost of securities lending	(1,402,294)	(1,374,730)
Net investment (loss) income	<u>(591,237,695)</u>	<u>678,239,769</u>
Contributions (Note 6):		
Members	123,248,430	117,883,047
State and local agencies	272,597,903	258,261,090
Total contributions	<u>395,846,333</u>	<u>376,144,137</u>
Total (deductions) additions	<u>(195,391,362)</u>	<u>1,054,383,906</u>
Deductions:		
Benefits paid, net	368,816,383	343,316,238
Refunds and withdrawals	17,468,264	17,728,820
Administrative expenses	8,025,492	7,948,970
Total deductions	<u>394,310,139</u>	<u>368,994,028</u>
Net (decrease) increase	(589,701,501)	685,389,878
Net assets held in trust for pension, disability, death and group life insurance benefits (Note 6):		
Beginning of year	<u>7,618,480,224</u>	<u>6,933,090,346</u>
End of year	<u>\$ 7,028,778,723</u>	<u>\$ 7,618,480,224</u>

The accompanying notes are an integral part of the financial statements.



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. Plan Description:

General

The Maine State Retirement System (the System), which is a component unit of the State of Maine, is the administrator of an agent multiple-employer public employee retirement system established and administered under the Maine State Retirement System Laws of the State of Maine. The System provides pension, death and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution and benefit purposes, and employees of approximately 250 local municipalities and other public entities (participating local districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. At June 30, 2001 and 2000, the membership consisted of:

	<u>2001</u>	<u>2000</u>
Active vested and nonvested members	51,908	51,003
Terminated vested participants	2,291	2,019
Retirees and benefit recipients	29,566	29,033
Total	<u>83,765</u>	<u>82,055</u>

The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators and employees of PLDs) or, in some cases, the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers, judges and legislative members is age 60 or 62, determined by whether a member had at least 10 years of creditable service on June 30, 1993. For PLD members, normal retirement age is 60. The monthly benefit of members eligible to retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides death and disability benefits, which are established by statute for State and public school employees and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 6.0%.

Individual PLDs are permitted by law to withdraw from participation under the System. Withdrawal precludes the PLD's nonmember employees, if any, and its employees hired subsequent to withdrawal from membership in the System. Depending on the circumstances and requirements of the PLD's participation under the System, a withdrawn PLD has continuing funding obligations after withdrawal with respect to its employees who are active members at time of withdrawal and who continue to be members thereafter, to its terminated vested employee-members, and to its former employee-members who are retired at the time of withdrawal.

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer contributions and by investment earnings. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined by annual actuarial valuations.



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. **Plan Description (continued):**

The total funds managed by the System are constitutionally restricted as held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan. Management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, and that the System is therefore regarded as administering a single plan for financial reporting purposes. During fiscal 1999, the System became aware that the State Auditor has a different view with respect to this, believing that the System should report as the administrator of multiple plans. All parties have agreed that clarification should be sought, and the System has sought and continues to seek to take appropriate steps to resolve any issue of asset accumulation and utilization. Regardless of this question, each of its participating entities is responsible for the funding of benefits related to that entity.

The System also provides group life insurance under a plan that is administered by a third party insurance company. Premiums paid by or on behalf of those covered are set and collected by the System. Benefit payments are made by the insurance company. The System remits to the insurance company payments in the amount of benefits paid out and additional payments representing administrative fees.

2. **Summary of Significant Accounting Policies:**

Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment purchases and sales are recorded as of their trade date.

Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Securities that are not frequently traded on a national or international exchange are manually valued at the end of each month by the System's master custodian through a variety of external sources. The fair value of the pro-rata share of units in commingled equity and fixed income mutual and index funds, common/collective trusts, is determined by the respective fund trustee based on quoted sales prices of the underlying securities. Investments that do not have an established market are reported at estimated fair value.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income from actively managed direct investments (but not from investments, whether active or passive) in common/collective trusts, foreign currency transaction gains and losses, securities lending income and investment expenses, which include investment management and custodial fees and all other significant investment related costs.

Due to/from Brokers

Due to/from brokers for securities sold includes, in addition to trades not yet settled, pending transfers among index funds managed by the System's index fund provider.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments with maturities of three months or less, when purchased, to be cash equivalents.



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies (continued):**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make significant estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits at the date of the financial statements and the actuarial information included in the required supplementary information as of the benefit information date, the changes in net assets during the reporting period and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The System makes investments in a combination of equities, fixed income securities, mutual funds, commingled mutual and index funds, derivative financial instruments and other investment securities in accordance with the Trustees' investment policy. The System prohibits its investment managers from using leverage in its derivative financial instruments or from investing in speculative positions. Investment securities and investment securities underlying certain investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and that such changes could materially affect the amounts reported in the statement of plan net assets and the statement of changes in plan net assets.

Employer contributions to the System are established on the basis of actuarial assumptions related to interest rates, inflation rates, and member and retiree compensation and demographics. By law, the assumptions are adopted by the Board of Trustees based on recommendation of the System's actuary. The System is required by Maine law to perform an actuarial experience study whenever the Board of Trustees, on recommendation of its actuary, determines such a study to be necessary for actuarial soundness or prudent administration. Such studies involve review of actuarial assumptions, including economic assumptions. If six or more years pass between studies, the Board is required to document in the official minutes of a meeting of the Board its decision not to conduct a study and its reasons for the decision. This change in the law, enacted in 2001, implicitly lengthens, the time expected to pass between studies; the prior law required a study every three years. Nothing requires that assumptions be changed whenever a study is conducted, and nothing prohibits changes in assumptions independent of a study. Such latter changes are very unlikely, but could occur and if they did could be material to the financial statements.

New Accounting Pronouncements

In June 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 provides a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis, government-wide and fund financial statements, notes to the financial statements, and required supplementary information. The System is required to implement GASB No. 34 for the year ended June 30, 2002. GASB No. 34 will require inclusion of management's discussion and analysis with the financial statements.

FINANCIAL STATEMENTS



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments:

The System is authorized to invest in stocks, equities, fixed income securities, real estate, and other investments. The System maintains certain deposits, cash equivalents and other investments with financial institutions.

At June 30, 2001 and 2000, cash and cash equivalents were comprised of the following:

	<u>2001</u>	<u>2000</u>
Cash on deposit with local banks	\$ 544,102	\$ (2,097,748)
Short-term investment funds	79,373,826	121,892,310
Foreign currency deposits	<u>16,542,043</u>	<u>7,346,622</u>
Total	<u>\$ 96,459,971</u>	<u>\$ 127,141,184</u>

The System's investments would generally be categorized into one of three separate categories. Category 1 includes investments, including units in common/collective trusts, that are insured or registered and for which the securities or units are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, but not in the System's name. At June 30, 2001 and 2000, all of the System's investments are considered Category 1.

At June 30, 2001 and 2000, the System had certain investments representing 5% or more of plan net assets, as follows:

	<u>2001</u>	<u>2000</u>
Common/collective trusts:		
State Street-Wilshire 5000 Index Fund	\$ 2,084,073,609	\$ 2,245,667,688
State Street Russell 1000 Value Fund	414,778,599	327,144,741*
State Street Bond Market Index Fund	1,050,038,027	1,144,816,198

*This investment did not represent 5% of plan net assets at June 30, 2000.

Maine Learning Technology Endowment Fund

In 1999, the Legislature established an endowment to be used to enable the full integration of appropriate learning technologies into teaching and learning for the State's elementary and secondary students. In fiscal 2001, funds totaling \$50,000,000 were transferred to the System to be held in trust and invested on behalf of the State. At June 30, 2001, the value of this fund, which is invested in short-term high quality fixed income investments was \$52,726,574. These amounts are unrelated to and not available to pay plan benefits and therefore have been reflected as a liability in the accompanying statement of plan net assets.

4. Derivative Securities:

Derivative financial instruments are financial contracts whose values depend on the values of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options or swap contracts. In addition, some traditional securities can have derivative-like characteristics such as asset-backed securities including collateralized mortgage obligations (CMOs) which are sensitive to changes in interest rates and prepayments.



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

4. Derivative Securities (continued):

The System is a party, both directly and indirectly, to various derivative financial investments that are used in the normal course of investing to enhance returns on investments and manage risk exposure to changes in value due to fluctuations in market conditions. The System's investments in derivatives are not leveraged, nor do they represent speculative investment activity. These investments may involve, to varying degrees, elements of credit and market risk. Credit risk, also called counterparty risk, is the possibility that loss may occur from the failure of a counterparty to perform according to the terms of the contract. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment/approval of counterparties. Market risk arises due to adverse changes in market price or to interest rate or foreign exchange rate fluctuations that may result in a decrease in the market value of a financial investment and/or increase its funding cost. The market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized in the statement of changes in plan net assets. The realized gain or loss on forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in the statement of changes in plan net assets. As of June 30, 2001 and 2000, the fair value of forward currency contracts held by the System was \$24,302,772 and \$10,150,590, respectively.

The System's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2001 and 2000, the carrying value of the System's CMO holdings totaled \$82,329,136 and \$72,682,977, respectively.

In addition to the derivative financial instruments directly held, the System may have indirect exposure to risk through its ownership interests in commingled investment funds which use, hold or write derivative financial instruments. There also may be indirect exposure in the securities lending program of the System's index fund manager, in which collateral pools may include derivatives (see Note 5). Where derivatives are held in those funds/pools, risks and risk management are as described above.

5. Securities Lending Agreement:

The System has entered into agreements with its master custodian to lend any type of security held in the System's portfolio to broker-dealers and other entities. The agreements require that all loans be collateralized by cash, irrevocable letters of credit, or other securities in an amount at least equal to 102% (105% for international securities) of the market value of the securities loaned. Loaned securities are marked to market daily and collateral adjusted accordingly. The contract with the custodian requires it to indemnify the System if: a) the borrowers fail to return the securities and b) the custodian has failed to comply with its contractual obligations regarding the securities lent. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. Either the System or the borrower can terminate all securities loans on demand. The average term of the loans is 10 days, and the cash collateral received is invested in one of the master custodian's short-term investment pools, of which the average duration is 5 to 15 days. At year-end, the System has no credit risk to borrowers because the amount the System owes to the borrowers exceeds the amounts the borrowers owe the System. The market value of securities out on loan under this program at June 30, 2001 and 2000 is \$433,203,854 and \$500,370,170, respectively. The market value of collateral received from borrowers as of the same date is \$450,799,567 and \$518,408,960. Gross investment income from loaned securities was \$4,206,881 and \$3,207,704, for the years ended June 30, 2001 and 2000, respectively. Holdings in other common/collective trusts custodied elsewhere that are subject to lending are lent under similar terms established as part of investment contracts. Cash collateral received in securities lending arrangements is reported on the statement of plan net assets as an asset with a related liability as required under GASB 28.



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

A similar agreement exists with the custodian for the System's holdings in index funds that are common/collective trusts. Although securities lent under this program are not direct investments of the System, the cash collateral pool investment guidelines are approved by the System and the same requirements for collateral amounts exist.

6. Contribution and Reserves:

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based on certain assumptions and expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method, except for the coverage of legislators, where the aggregate method is used. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 18 year period from June 30, 2001. For participating local districts, either the level percentage of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and amount of the unfunded liability. Amortization periods for PLDs range from 3 years to 25 years.

The State of Maine is required by Maine law to remit a percentage of its budgetary surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers. Accordingly, for the year ended June 30, 2000, the System recorded \$4,000,000 in additional contributions from the State of Maine, which were recorded as other receivables due from the State at June 30, 2000. In 2001, the law was amended by the Legislature in a manner that resulted in no additional contributions from state budgetary surplus sources in 2001.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in the required supplementary information.

Retirement contribution rates for all employee-members are set by law. Employee retirement contribution rates as in fact applied to State employee-members' and teacher-members' compensation are the actuarially determined rates, as adjusted in the State's budget process to reflect differences in e.g., salary growth projections. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2001 and 2000 are as follows:

	<u>2001</u>	<u>2000</u>
State:		
Employees ⁽¹⁾	7.65% - 8.65%	7.65% - 8.65%
Employer ⁽¹⁾	14.81% - 43.90%	14.47% - 42.89%
Teachers:		
Employees	7.65%	7.65%
Employers	18.34%	18.34%
Participating Local Districts:		
Employees	6.5% - 8.0%	6.5% - 8.0%
Employers ⁽¹⁾	1.5% - 6.5%	1.8% - 7.7%

⁽¹⁾Employer and employee retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees and/or, in the case of PLDs, in benefit plan options selected by a particular PLD. The contributions of withdrawn entities that do not have active employees are set in dollar amounts, not as rates.



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

7. Statutory and Constitutional Requirements:

In 1998, the State Legislature enacted a law that requires the State to fund unfunded actuarial liabilities existing as of June 30, 1998, of the State and teacher plans over a period not to exceed 25 years, commencing June 30, 1998. This statute shortens the constitutionally required amortization period of not more than 31 years from June 30, 1997, put in place by Constitutional amendment approved at referendum in November 1995. This Constitutional amendment also prohibits the creation of new unfunded liabilities in the State and teacher plans, except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires use of actuarially sound current-cost accounting, reinforcing the existing statutory requirements. In 2000, the amortization period was further reduced to 19 years, commencing on June 30, 2000.

8. System Employees – Retirement and Retiree Health Benefits:

The System, as the employer of its staff, is a participating employer (i.e., a PLD) in the Consolidated Plan for Participating Local Districts administered by the Maine State Retirement System. System employees are required by statute to contribute 6.5% of their annual covered salaries. The System is required to contribute at an actuarially determined normal cost rate established by annual actuarial valuation of the Consolidated Plan and also to make the payments required to amortize its Initial Unpooled Unfunded Actuarial Liability (IUUAL). The normal cost rate was 2.8% and 3.3% of annual covered payroll for 2001 and 2000, respectively, and the System's annual pension cost for its employees was \$306,501 and \$544,430 for 2001 and 2000, respectively, including both normal cost and IUUAL payment. The actuarial assumptions are described in the actuarial assumptions and methods footnote to the required supplementary information.

The System also offers post-retirement medical benefits for all of its employees who retire from the System with an immediate pension. The System pays the cost of these benefits for those first employed before July 1, 1991 and pays all or a portion of the cost for those employed after that date, depending on their years of participation in the health plan. Employees terminating employment with at least 25 years of service credit but not immediately retiring may defer eligibility for provision of health benefits at retirement. Included in administrative expenses in 2001 and 2000 is a charge of \$140,000 and \$125,000, respectively, to cover all current expenses and to establish a liability for future benefits. As of June 30, 2001, there is \$1,063,022 in other liabilities for the payment of future health insurance benefits. The charge is equal to the actuarially determined expense as calculated by amortizing, as a level percent of payroll, the present value of future benefits less assets over a 25-year period, of which 18 years remain. The present value of the future benefits for fiscal year 2001 is \$3,253,000.

FINANCIAL STATEMENTS



MAINE STATE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

	(a)	(b)	(b - a)	(a/b)	(c)	((b - a)/c)
Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability (AAL) - entry age	Unfunded AAL (UAAL)	Funded ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
6/30/01	\$ 7,389,558,862	\$ 9,425,021,636	\$ 2,035,462,774	78.4%	\$ 1,580,530,753	128.8%
6/30/00	7,027,525,433	8,842,716,327	1,815,190,894	79.5%	1,515,172,430	119.8%
6/30/99	6,236,229,331	8,332,753,666	2,096,524,335	74.8%	1,443,312,536	145.3%
6/30/98	5,392,675,044	7,854,273,082	2,461,598,038	68.7%	1,389,139,818	177.2%
6/30/97	4,602,973,536	7,291,821,034	2,688,847,498	63.1%	1,341,612,931	200.4%
6/30/96	3,959,367,717	6,985,476,378	3,026,108,661	56.7%	1,316,462,200	229.9%

Schedule of Employer Contributions

Year ended	Annual required contribution	Actual contribution	Percentage contributed
2001	\$ 272,597,903	\$ 272,597,903	100.0%
2000	254,261,090	258,261,090	101.6%
1999	277,848,369	299,694,267	107.9%
1998	253,379,103	274,787,560	108.4%
1997	249,327,155	267,853,658	107.4%
1996	247,646,796	253,646,796	102.4%



FINANCIAL STATEMENTS

MAINE STATE RETIREMENT SYSTEM NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. Basis of Presentation

For financial statement reporting purposes, the information provided on the required supplementary information schedules includes combined amounts for all participating entities: state employees, teachers, judicial and legislative employees, as well as employees of participating local districts.

2. Actuarial Assumptions and Methods

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2001, is as follows:

Funding Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll), except for the costs of legislators, where the aggregate method is used. Under the entry age normal method, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payroll. Entry age is defined as the first day service is credited under the plan.

Experience gains and losses, i.e., decreases or increases in liabilities when actual experience differs from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Asset Valuation Method

Assets are valued for funding purposes using three-year moving average. Under this method, the year-end actuarial asset value equals 1/3 of the current fiscal year-end fair value, as reported in the financial statements, plus 2/3 of the "expected market value." For purposes of this calculation, the "expected market value" is the preceding fiscal year's actuarial asset value, adjusted for the current fiscal year's cash flows with interest accumulated at the actuarial assumed rate of return on investments.

Amortization

The unfunded actuarial accrued liability is amortized on a level percentage of payroll over a legislatively-enacted 19-year closed period from June 30, 2000.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2001 are as follows:

Investment Return - 8% per annum, compounded annually

Salary Increases - 5.5% to 9.5% per year (includes inflation of 5.5%)

Mortality Rates - Active State employee members, active participating local district members, nondisabled State employee retirees and nondisabled participating local district members with retirement dates on or after July 1, 1998 - UP 1994 Tables; Active teacher members and non-disabled teacher retirees with retirement dates on or after July 1, 1998 - 85% of UP 1994 Tables; Nondisabled State employee retirees and nondisabled participating local district members with retirement dates before July 1, 1998 - GAM 1971 Tables; Nondisabled teacher retirees with retirement dates before July 1, 1998 - GAM 1971 Tables with ages set back two years; All recipients of disability benefits with retirement dates before July 1, 1998 - 1964 Commissioners Disability Table; All recipients of disability benefits with retirement dates on or after July 1, 1998 - RPA 1994 Table for pre-1995 Disabilities.

Cost of Living Benefit Increases - 4% per annum



MAINE STATE RETIREMENT SYSTEM NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

3. Group Life Plan

The Group Life Insurance Program administered by the System provides for a life insurance benefit for certain active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements between employers and employees. Assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2001 and 2000, the net assets held in trust for group life insurance benefits is \$35,231,575 and \$31,557,437, respectively. At June 30, 2001 and 2000, the plan had the following actuarially determined liabilities:

	(In millions)	
	2001	2000
Actuarial liabilities:		
Active members	\$ 36.4	\$ 52.7
Retired members	43.1	30.5
Total	\$ 79.5	\$ 83.2

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of
Maine State Retirement System:

We have audited the financial statements of the Maine State Retirement System (the "System"), which is a component unit of the State of Maine, as of and for the year ended June 30, 2001 and have issued our report thereon dated September 28, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We noted other matters involving the internal control structure and its operations that we have reported to the audit committee of the System in a separate letter dated October 30, 2001.

This report is intended for the information of the Board of Trustees, management and government agencies and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

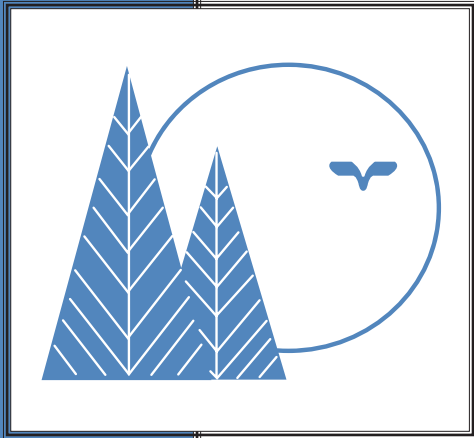
September 28, 2001

Unaudited Supplemental Information

The supplemental schedule on this page is the statement of changes in plan net assets for the year ended June 30, 2001 for member/employer groups for which the Maine State Retirement System is the plan administrator. This schedule is presented for informational purposes only and has not been subjected to any auditing procedures.

	State	Teacher	Judicial	Legislative	PLD	Total pension	GLI	Total net assets
Balance, July 1, 2000	\$ 2,378,242,692	\$ 3,545,723,713	\$ 38,073,066	\$ 6,288,189	\$ 1,618,595,127	\$ 7,586,922,787	\$ 31,557,437	\$ 7,618,480,224
Additions:								
Net investment (loss) income	(185,405,033)	(279,943,026)	(2,986,353)	(490,820)	(125,632,170)	(594,457,402)	3,219,707	(591,237,695)
Members contributions	31,651,473	66,771,348	410,062	141,524	17,057,854	116,032,261	7,216,169	123,248,430
State and local agencies contributions	86,648,674	165,882,167	1,335,390	14,026	18,717,646	272,597,903		272,597,903
Total (deductions) additions	(67,104,886)	(47,289,511)	(1,240,901)	(335,270)	(89,856,670)	(205,827,238)	10,435,876	(195,391,362)
Deductions:								
Benefits paid, net	133,926,091	166,738,199	1,547,349	93,976	59,763,718	362,069,333	6,747,050	368,816,383
Refunds and withdrawals	5,194,532	6,817,055		5,441,989		17,453,576	14,688	17,468,264
Administrative expenses	3,315,900	3,059,623	41,015	14,025	1,594,929	8,025,492		8,025,492
Total deductions	142,436,523	176,614,877	1,588,364	108,001	66,800,636	387,548,401	6,761,738	394,310,139
Net (decrease) increase	(209,541,409)	(223,904,388)	(2,829,265)	(443,271)	(156,657,306)	(593,375,639)	3,674,138	(589,701,501)
Balance, June 30, 2001	\$ 2,168,701,283	\$ 3,321,819,325	\$ 35,243,801	\$ 5,844,918	\$ 1,461,937,821	\$ 6,993,547,148	\$ 35,231,575	\$ 7,028,778,723

TRUST FUND BALANCES



TRUST FUND BALANCES



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
1	STATE	2,168,701,283
7	TEACHERS	3,321,819,326
350	JUDICIAL	35,243,801
351	LEGISLATIVE	5,844,914
370	CONS - AC	706,794,740
371	CONS - AN	99,465,575
372	CONS - BC	78,035
373	CONS - 1C	222,161,921
374	CONS - 1N	21,214,466
375	CONS - 2C	171,189,740
376	CONS - 2N	9,223,022
377	CONS - 3C	48,736,201
378	CONS - 3N	19,049,828
379	CONS - 4C	9,067,563
380	CONS - 4N	346,915
106	AROOSTOOK COUNTY	594,364
43	AUBURN PUBLIC LIBRARY	330,863
69	BAILEYVILLE	617,901
59	BANGOR WATER DISTRICT	448,312
73	BATH	8,466,071
35	BELFAST	190,637
108	BERWICK	160,992
207	BERWICK SEWER DISTRICT	8,236
246	BETHEL	265,242
158	BIDDEFORD	618,005
157	BINGHAM WATER	42,320
146	BOOTHBAY HARBOR	327,026
21	BOOTHBAY HARBOR WATER	406,204
176	BRIDGTON	363,702
253	BRIDGTON WATER	62,644
177	BROWNVILLE	319,941
42	BRUNSWICK	508,166
292	BRUNSWICK FIRE & POLICE	542,764
72	BRUNSWICK SEWER	191,468
130	BUCKSPORT	569,135
36	CALAIS	374,541
85	CAPE ELIZABETH	7,525,219
135	CAPITOL COASTAL COUNC OF GOV'T	265,661
208	CARIBOU FIRE AND POLICE	1,685,440
235	CHINA	57,911
217	CORINNA	187,333
251	CORINNA SEWER	144,393



TRUST FUND BALANCES

<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
252	CSD #12 - TOPSFIELD	75,540
266	CSD #18 - WELLS/OGUNQUIT	252,272
204	CSD #3 - BOOTHBAY	563,991
216	CUMBERLAND	342,372
5	CUMBERLAND COUNTY	703,188
191	DAMRISCOTTA	290,035
97	DEXTER	127,699
197	DIXFIELD	371,737
167	DOVER FOXCROFT	300,192
137	DOVER FOXCROFT WATER	26,913
234	DURHAM	115,599
180	ELIOT	332,321
13	ELLSWORTH	107,336
249	ERSKINE ACADEMY	99,175
156	EXETER	18,890
260	FAIRFIELD	70,036
58	FALMOUTH MEMORIAL LIBRARY	103,857
100	FARMINGTON	169,642
17	FORT FAIRFIELD	1,244,886
275	FORT FAIRFIELD HOUSING	4,757
131	FORT FAIRFIELD UTILITIES	14,836
91	FORT KENT	1,380,349
102	FRANKLIN COUNTY	1,252,616
142	FREEPORT	916,873
98	FRENCHVILLE	61,531
149	FRYEBURG	36,495
24	GARDINER	850,407
221	GARDINER WATER	98,984
261	GEORGETOWN	59,045
133	GORHAM	607,901
205	GOULD ACADEMY	255,337
112	GREENVILLE	261,208
94	GRTR PORTLAND COUNC OF GOV'T	1,788,848
160	HALLOWELL	119,876
151	HAMPDEN	11,828
183	HAMPDEN WATER DISTRICT	35,449
150	HERMON	483,546
215	HODGDON	9,818
285	HOMESTEAD PROJECT	119,323
10	HOULTON	613,411
232	HOWLAND	80,237
244	INDIAN TOWNSHIP TRIBAL GOV'T	1,825,284

TRUST FUND BALANCES



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
294	JACKMAN UTILITY DISTRICT	533
47	KENNEBEC COUNTY	14,763
220	KENNEBEC SANITARY	220,955
31	KENNEBEC WATER	896,956
84	KENNEBUNK	521,904
201	KENNEBUNK SEWER DISTRICT	324,784
188	KENNEBUNKPORT	765,230
14	KITTERY	222,038
12	KITTERY WATER	281,714
255	KNNBK, KENNPOR, WELLS WATER	271,681
33	KNOX COUNTY	608,435
181	LEBANON	138,938
163	LEW AUB WAT POLL CONTROL	53,385
245	LIMESTONE	506,145
29	LIMESTONE WATER AND SEWER	479,047
76	LINCOLN	1,376,807
134	LINCOLN ACADEMY	126,378
95	LINCOLN COUNTY	2,019,989
214	LINNEUS	4,129
103	LISBON	166,897
243	LISBON WATER	47,687
32	LIVERMORE FALL WATER	9,240
109	LIVERMORE FALLS	192,364
276	LOVELL	43,156
228	LUBEC	182,910
88	LUBEC WATER & ELECTRIC	790
225	MAINE COUNTY COMM ASSOC	26,988
169	MAINE HOUSING AUTH	1,903,791
38	MAINE MARITIME ACADEMY	4,783,870
55	MAINE MUNICIPAL ASSOCIATION	1,384,587
227	MARSHILL	334,462
120	MDI REGIONAL SCHOOL	138,602
105	ME STATE PRINCIPALS ASSOC	46,122
114	MECHANIC FALLS	241,087
194	MEDWAY	60,130
74	MEXICO	366,018
186	MILFORD	121,550
3	MILLINOCKET	776,827
104	MILO	292,286
238	MILO WATER DISTRICT	125,244
184	MONSON	15,769
16	MT. DESERT	93,687



TRUST FUND BALANCES

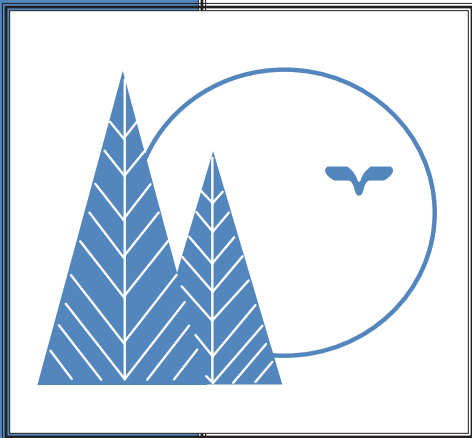
<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
172	NEW CANADA PLANTATION	21,297
210	NEW GLOUCESTER	212,349
254	NORTH BERWICK	144,210
125	NORWAY	201,291
284	NORWAY PARIS SOLID WASTE	92,239
140	OLD ORCHARD BEACH	7,995,221
111	OLD TOWN	913,090
262	OLD TOWN HOUSING	33,881
79	OLD TOWN WATER	78,980
166	ORLAND	298,936
61	ORONO	1,075,905
209	ORRINGTON	245,430
200	OXFORD	5,929
57	OXFORD COUNTY	77,569
127	PARIS	291,894
159	PARIS UTILITY	36,335
11	PENOBSCOT COUNTY	608,387
202	PHIPPSBURG	246,950
121	PISCATQUIS COUNTY	65,740
110	PITTSFIELD	859,023
41	PORTLAND PUBLIC LIBRARY	4,555
4	PRESQUE ISLE	23,027,227
258	PRINCETON	201,851
268	PROJECT LODESTONE	47,287
269	REGION 4 - SO PENOBSCOT	67,356
224	REGION 7 - WALDO	193,441
213	RICHMOND	640,009
242	RICHMOND UTILITIES	18,502
161	ROCKPORT	37,513
247	RUMFORD MEXICO SEWAGE	64,319
175	SABATTUS	350,422
192	SACO	969,621
190	SAD # 16 - HALLOWELL	247,641
223	SAD #13 - BINGHAM	200,261
211	SAD #21 - DIXFIELD	94,081
168	SAD #29	234,303
50	SAD #31 - HOWLAND	106,768
77	SAD #34 - BELFAST	3,415,164
143	SAD #41 - MILO	461,794
189	SAD #49 - FAIRFIELD	363,269
198	SAD #51 - CUMBERLAND	557,242
129	SAD #53	105,782

TRUST FUND BALANCES



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
115	SAD #54	168,507
218	SAD #56 - SEARSPORT	547,353
187	SAD #60 - NORTH BERWICK	797,227
113	SAD #66 - ELLSWORTH	558,290
126	SAD #67	283,793
128	SAD #71	801,579
119	SAD#9 - FARMINGTON	199,319
96	SAGADAHOC COUNTY	1,671,403
30	SAINT AGATHA	225,730
83	SANFORD	3,204,095
89	SANFORD SEWERAGE	170,032
170	SANFORD WATER	368,490
117	SEARSPORT	440,680
124	SEARSPORT WATER	142,621
80	SKOWHEGAN	515,216
171	SO BERWICK WATER	7,631
206	SOPORTLANDHOUSING	127,547
141	SOUTHBERWICK	240,226
164	THOMASTON	653,084
81	TOPSHAM	387,708
265	TOWN OF MAPLETON	103,754
267	TRI-COMMUNITY LANDFILL	7,488
182	VAN BUREN	221,515
229	VAN BUREN HOUSING AUTH	141,079
153	VASSALBORO	208,985
162	WALLGRASS PLANTATION	16,001
40	WASHINGTON COUNTY	6,088
66	WATERVILLE FIRE AND POLICE	805,078
107	WELLS	205,520
241	WEST ME COMM ACTION COUNC	1,260,097
122	WESTBROOK	8,840,267
70	WESTBROOK FIRE AND POLICE	20,926,221
86	WILTON	1,292,207
144	WINSLOW	784,509
250	WINTER HARBOR UTILITIES	14,473
179	WINTHROP	576,419
116	YARMOUTH	406,211
37	YORK COUNTY	587,489
39	YORK WATER DISTRICT	116,813
TOTAL		6,957,026,932

INVESTMENTS



INVESTMENTS



ASSETS BY MANAGER June 30, 2001

Maine State Retirement System

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Alliance Capital - Equity	\$ 278,596,140	\$ 327,695,082	\$ 49,098,942
Alliance Capital - Fixed Income	322,174,190	324,459,781	2,285,591
Cash	7,035,935	7,035,935	-
Finance Authority of Maine	4,475,797	4,672,682	196,885
JP Morgan - Multi Market I	901,824	1,470,495	568,671
JP Morgan - Multi Market II	10,714,404	13,930,133	3,215,729
JP Morgan Fixed Income	548,336,491	574,027,694	25,691,203
Loomis Sayles	267,028,903	252,401,163	(14,627,740)
Martin Currie	284,098,194	262,354,432	(21,743,762)
Peregrine Asset Management	277,342,505	311,922,868	34,580,363
Rowe Price Fleming	181,768,361	177,425,377	(4,342,984)
State Street Lehman Aggregate	789,807,168	1,050,038,155	260,230,987
State Street Growth Index	141,310,731	221,234,180	79,923,449
State Street International EAFE	293,893,031	279,877,912	(14,015,119)
State Street Russell 1000 Value	346,998,767	414,778,600	67,779,833
State Street S&P 500	87,214,539	96,809,962	9,595,423
State Street Wilshire 5000	1,557,943,622	2,084,073,610	526,129,988
Trust Company of the West	430,039,002	412,070,819	(17,968,183)
Wellington International	210,496,193	184,793,897	(25,702,296)
Total Pension Assets	\$ 6,040,175,796	\$ 7,001,072,777	\$ 960,896,981

Group Life Insurance

State Street Group Life	\$ 33,031,585	\$ 36,595,412	\$ 3,563,826
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INVESTMENTS

ASSET ALLOCATION June 30, 2001

	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Total Assets	100%	\$ 6,040,175,796	\$ 7,001,072,777	\$ 960,896,981
Total Cash	0.1%	\$ 7,035,935	\$ 7,035,935	\$ -
Total Domestic Equity	49.6%	\$ 2,701,022,531	\$ 3,471,914,930	\$ 770,892,399
Alliance Capital - Equity	4.7%	278,596,140	327,695,082	49,098,942
JP Morgan - Multi Market I	0.0%	901,824	1,470,495	568,671
JP Morgan - Multi Market II	0.2%	10,714,404	13,930,133	3,215,729
Peregrine Asset Management	4.5%	277,342,505	311,922,868	34,580,363
State Street S&P 500	1.4%	87,214,539	96,809,962	9,595,423
State Street Wilshire 5000	29.8%	1,557,943,622	2,084,073,610	526,129,988
State Street Growth Index	3.2%	141,310,731	221,234,180	79,923,449
State Street Russell 1000 Value	5.9%	346,998,767	414,778,600	67,779,833
Total Domestic Fixed Income	37.4%	\$ 2,361,861,551	\$ 2,617,670,294	\$ 255,808,743
Alliance Capital - Fixed Income	4.6%	322,174,190	324,459,781	2,285,591
FAME	0.1%	4,475,797	4,672,682	196,885
JP Morgan Fixed Income	8.2%	548,336,491	574,027,694	25,691,203
Loomis Sayles	3.6%	267,028,903	252,401,163	(14,627,740)
State Street Fixed Core	15.0%	789,807,168	1,050,038,155	260,230,987
TCW	5.9%	430,039,002	412,070,819	(17,968,183)
Total International Equity	12.9%	\$ 970,255,779	\$ 904,451,618	\$ (65,804,161)
State Street International EAFE	4.0%	293,893,031	279,877,912	(14,015,119)
Martin Currie	3.7%	284,098,194	262,354,432	(21,743,762)
Rowe Price Fleming	2.5%	181,768,361	177,425,377	(4,342,984)
Wellington International	2.6%	210,496,193	184,793,897	(25,702,296)

INVESTMENTS



INVESTMENT PERFORMANCE June 30, 2001

	<u>ONE YEAR</u>	<u>THREE YEARS</u>	<u>FIVE YEARS</u>	<u>SINCE INCEPTION</u>	<u>INCEPTION DATE</u>
Total Fund	(7.8)	4.0	9.5	11.7	1/31/77
Total Domestic Equity	(14.8)	3.5	12.4	14.2	1/31/77
Alliance Equity	(32.4)	(0.4)	13.8	15.4	7/31/78
Morgan Multi-Mkt I	83.9	5.7	12.3	12.6	4/30/92
Morgan Multi-Mkt II	(0.2)	6.8	10.9	13.0	4/30/94
Peregrine	(4.3)	6.3	9.8	16.2	4/30/91
State Street Russell 1000 Value	10.5	-	-	10.9	9/30/98
State Street Large Growth	(32.4)	1.0	-	12.9	12/31/96
State Street Wilshire 5000	(15.7)	3.6	-	12.2	12/31/96
Fixed Income Consolidation	9.6	6.0	7.4	9.5	6/30/78
Alliance Fixed	11.4	5.9	7.5	9.2	8/31/78
JP Morgan Fixed Income	10.4	6.4	7.8	10.2	11/30/77
Loomis Sayles	6.0	-	-	5.1	6/30/98
State Street Bond Index	11.2	6.3	-	7.3	12/31/96
TCW	4.9	-	-	5.3	10/31/98
Intl Equity Consolidation	(24.0)	(1.9)	2.8	4.3	11/30/88
Martin Currie	(25.4)	(0.1)	4.7	6.7	4/30/95
Rowe Price	(25.5)	(0.7)	3.7	5.2	7/31/95
State Street EAFE Index	(23.6)	-	-	(1.4)	7/31/98
Wellington	(21.3)	-	-	(1.2)	1/31/99



INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CASH			
CASH ACCOUNT	\$ 7,035,935	\$ 7,035,935	\$ -
DOMESTIC EQUITY			
ALLIANCE CAPITAL			
ADR NOKIA CORP SPONSORED ADR	\$ 10,892,508	\$ 5,221,276	\$ (5,671,232)
AES CORP COM	3,758,100	3,314,850	(443,250)
AFLAC INC COM	3,347,591	3,463,900	116,309
ALTERA CORP COM	8,085,354	8,636,200	550,846
AMDOCS ORD GBP0.01	9,662,113	7,711,320	(1,950,793)
AMERINTL GROUP INC COM	7,367,812	12,831,114	5,463,302
AOL TIME WARNER INC COM	15,107,122	16,663,200	1,556,078
APPLIED MICRO CIRCUITS CORP	6,651,450	2,029,600	(4,621,850)
AT&T CPLIBTY MEDIA CL A MAND	3,918,024	11,399,982	7,481,958
BAKER HUGHES INC COM	3,822,458	3,303,100	(519,358)
BANK ONE CORP COM	2,612,545	2,480,940	(131,605)
BEA SYS INC COM	4,574,052	2,981,941	(1,592,111)
CARDINAL HLTH INC	6,097,106	6,448,050	350,944
CISCO SYS INC COM	11,001,703	8,927,100	(2,074,603)
CITIGROUP INC COM	3,773,187	17,648,401	13,875,214
COLGATE-PALMOLIVE CO COM	2,023,440	4,778,190	2,754,750
COLTV STIF	524,254	524,254	-
COMCAST CORP CL A SPL	5,060,133	4,878,160	(181,973)
DANAHER CORP COM	3,576,816	3,409,000	(167,816)
DELL COMPUTER CORP COM	2,349,758	2,981,100	631,342
EMC CORP COM	3,432,175	1,211,385	(2,220,790)
FLEXTRONICS INTL LTD COM STK	9,067,381	7,754,670	(1,312,711)
GENELEC CO COM	11,685,080	19,470,750	7,785,670
HARLEY DAVIDSON INC COM	4,153,259	9,990,376	5,837,117
HLTH MGMT ASSOC INC NEW CL A COM	3,066,063	3,648,336	582,273
HOME DEPOT INC COM	3,868,316	7,406,105	3,537,789
INTEL CORP CAP	3,901,915	4,940,325	1,038,410
J P MORGAN CHASE & CO COM	6,958,205	7,805,000	846,795
JOHNSON & JOHNSON COM	4,792,783	4,890,000	97,217
JUNIPER NETWORKS INC COM	7,830,032	3,476,980	(4,353,052)
KOHL'S CORP COM	7,630,228	13,750,416	6,120,188
KROGER CO COM	3,508,855	3,807,500	298,645
MBNA CORP COM	3,795,321	10,129,654	6,334,333
MEDTRONIC INC COM	4,316,404	7,444,418	3,128,014
MERRILL LYNCH & CO INC COM	1,582,849	1,546,425	(36,424)
MICROSOFT CORP COM	8,307,038	10,512,000	2,204,962
MORGAN STANLEY DEAN WITTER & CO	2,371,472	6,853,341	4,481,869

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PFIZER INC COM	16,771,194	19,839,769	3,068,575
PHARMACIA CORP COM	12,651,327	10,472,005	(2,179,322)
REORGAT & T WIRELESS GROUP N/C	7,420,613	4,421,040	(2,999,573)
SCHERING-PLOUGH CORP COM	4,502,723	4,921,392	418,669
SOLECTRON CORP COM	4,988,893	8,158,140	3,169,247
TYCO INTL LTD NEW COM	14,079,197	15,875,850	1,796,653
UNITED STATES DOLLARS	123,567	123,567	-
VERITAS SOFTWARE CORP COM	11,910,339	8,003,559	(3,906,780)
WAL-MART STORES INC COM	1,675,384	1,610,400	(64,984)
Total Alliance Capital	\$ 278,596,140	\$ 327,695,082	\$ 49,098,942
Peregrine Capital			
ACTIVE PWR INC COM	\$ 1,518,652	\$ 1,346,076	\$ (172,576)
ADAPTEC INC COM	1,560,607	1,732,542	171,935
ADR COFLEXIP	4,011,983	4,894,643	882,661
ADR EIDOS PLC	1,091,879	1,192,730	100,851
AFFILIATED COMPUTER SVCS	2,730,076	3,617,073	886,997
AIRTRAN HLDGS INC COM	2,346,321	2,326,800	(19,521)
ALKERMES INC COM	2,268,742	3,401,190	1,132,448
ALLEGIANCE TELECOM INC COM	3,932,843	2,145,069	(1,787,774)
ALREF	2,068,226	2,638,350	570,124
AMER FINL GROUP INC OH	3,016,163	3,499,650	483,487
AMERICREDIT CORP COM	730,018	1,677,985	947,967
AMERISOURBERGEN	1,142,052	1,813,840	671,788
AMERN STD COS INC DEL COM	3,556,435	3,642,060	85,625
ANDRX GROUP COM	1,195,696	1,932,700	737,004
APPLERA CORP	3,972,954	2,669,118	(1,303,836)
ARCH COAL INC COM	1,915,294	1,492,699	(422,595)
ARENA PHARMACEUTICALS	597,153	926,896	329,743
ATLC COAST AIRLINES	680,600	1,493,502	812,902
AUTODESK INC COM	3,329,245	4,509,570	1,180,325
AWARE INC MASS COM	2,609,457	1,152,900	(1,456,557)
BANKUNITED FINL CORP CL A	1,474,769	1,621,370	146,601
BARNES & NOBLE INC COM	1,076,500	1,778,620	702,120
BARR LABS INC COM	3,081,500	4,009,850	928,350
BELO CORP	2,583,922	2,592,384	8,462
BENCHMARK ELECTRS INC COM	2,323,391	2,090,088	(233,303)
BERKLEY WR CORP COM	2,131,122	2,058,574	(72,548)
BOISE CASCADE CORP COM	3,143,326	3,622,510	479,184
BORDERS GROUP INC COM STK	1,678,779	2,576,000	897,221
BRIGHTPOINT INC COM	122,577	98,890	(23,687)
CABOT CORP COM	2,825,446	2,784,346	(41,100)



INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CAPSTONE TURBINE	2,134,946	1,996,936	(138,010)
CAREMARK RX INC COM	2,478,358	5,127,465	2,649,107
CECENTMT INC COM	1,491,824	2,117,115	625,291
CELGENE CORP COM	1,287,091	1,624,255	337,164
CEPHALON INC CON	3,430,320	4,046,700	616,380
CNET NETWORKS INC	2,920,608	2,191,800	(728,808)
CNF INC COM	2,231,435	2,166,775	(64,660)
COLTV STIF	12,134,978	12,134,978	-
COML FED CORP COM	2,179,597	2,508,660	329,063
CONSTELLATION BRANDS INC CLA	4,028,074	4,952,800	924,726
CROMPTON CORP COM COM	1,092,819	1,214,260	121,441
CUBIST PHARMACEUTICALS	2,551,979	3,028,600	476,621
DOMTAR INC COM	2,661,775	2,484,360	(177,415)
DOUBLECLICK INC COM	3,119,591	3,404,844	285,253
DSP GROUP INC COM	2,850,388	3,084,510	234,122
E PIPHANY INC COM	915,901	864,616	(51,285)
EARTHGRAINS	1,346,762	1,716,000	369,238
ESPERION THERAPEUTICS INC	1,489,885	1,127,675	(362,210)
EVEREST RE GROUP LTD	585,288	1,870,000	1,284,712
FIRST FED FINL CORP DEL COM	1,851,850	1,782,040	(69,810)
FREEMARKETS INC COM	3,270,011	2,528,000	(742,011)
GALYAN STRADING INC	1,726,093	1,764,600	38,507
GLOBAL PMTS INC COM	1,800,712	2,263,520	462,808
GUILFORD PHARMACEUTICALS	1,236,047	2,417,400	1,181,353
HAEMONETICS CORP MASS	2,342,698	2,531,500	188,802
HARRAH SENTMT INC	2,774,670	3,113,460	338,790
HCC INS HLDGS INC COM	2,978,860	3,101,700	122,840
HEMOSOL INC	1,488,210	1,542,450	54,240
HLTH MGMT ASSOC INC	5,055,628	7,267,216	2,211,588
INSIGHT COMMUNICATIONS	2,409,447	2,497,500	88,053
INSITUFORM TECHNOLOGIES	2,663,468	2,777,650	114,182
JACK IN BOX INC COM	1,835,206	2,103,660	268,454
KANSAS CITY SOUTH NINDS	1,531,885	2,428,460	896,575
LEAR CORP COM	882,562	1,406,470	523,908
LINCARE HLDGS INC COM	1,732,105	2,934,978	1,202,873
LUMENIS LTD	2,188,615	2,642,660	454,045
LYONDELL CHEMICAL CO COM	1,897,784	1,844,062	(53,722)
MACROMEDIA INC COM	1,726,944	1,625,400	(101,544)
MAGELLAN HLTH SVCS INC COM	1,747,986	1,767,680	19,694
MANOR CARE INC NEW COM STK	3,115,630	5,680,075	2,564,445
MCSI INC COM ISIN US55270M1080	1,592,369	839,310	(753,059)
MEN S WEARHOUSE INC	1,062,361	1,178,520	116,159
MESA AIR GROUP INC COM	1,767,119	1,984,645	217,526
MICROCHIP TECH INC COM	1,825,487	2,149,549	324,062
MIDWAY GAMES INC COM	751,968	1,065,600	313,632

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
NEUROCRINE BIOSCIENCES	2,512,392	3,875,031	1,362,639
O CHARLEYS INC	1,178,646	1,127,916	(50,730)
OAK TECH INC COM	1,348,747	1,452,948	104,201
OFFICE DEPOT INC COM	1,669,644	2,027,214	357,570
OH CAS CORP COM	960,000	1,295,000	335,000
OLD REP INTL CORP COM	3,665,180	4,979,300	1,314,120
OMNICARE INC COM	2,378,491	2,747,200	368,709
ORION PWR HLDGS INC COM COM	2,667,535	2,902,439	234,904
PAC SUNWEAR CAL INC COM	2,312,120	2,359,636	47,516
PACKAGING CORP AMER	1,321,508	1,955,227	633,719
PEDIATRIX MED GROUP COM	2,440,061	3,293,440	853,379
PENTAIR INC COM	1,358,936	1,747,460	388,524
PEREGRINE SYS INC COM	2,527,343	3,033,400	506,057
PHOTRONICS INC COM	920,000	1,026,400	106,400
PIONEER NAT RES CO COM STK	2,958,852	3,343,505	384,653
PITTSTON BRINKS GROUP COM	2,456,630	2,561,121	104,491
POLO RALPH LAUREN CORP CLA	1,635,621	1,945,320	309,699
PROGRESS SOFTWARE	1,504,466	1,671,840	167,374
PROXIM INC	2,746,404	1,762,500	(983,904)
QUIKSILVER INC COM	1,391,011	1,765,000	373,989
QUINTILES TRANSNATIONAL	2,759,232	3,459,250	700,018
REHABCARE GROUP INC COM	3,260,703	4,154,840	894,137
RENT-WAY INC COM	11	4	(6)
ROXIO INC COM	1,273,812	1,190,657	(83,155)
RPM INC COM	2,261,722	2,309,200	47,478
RUBY TUESDAY INC COM	1,240,100	1,858,770	618,670
SCISYS INC COM	4,017,737	3,955,050	(62,687)
SELECTIVE INS GROUP INC COM	2,186,048	2,286,476	100,428
SENSORMATIC ELECTRS CORP	945,148	1,033,600	88,452
SILICON GRAPHICS INC COM	2,226,263	686,660	(1,539,603)
SKYWEST INC COM	1,308,067	2,296,000	987,933
SPINNAKER EXPL CO COM	3,885,213	4,296,908	411,695
STEWART & STEVENSON SVCS	2,138,356	3,085,500	947,144
STORAGE TECH CORP	2,068,402	1,918,144	(150,258)
STRUCTURAL DYNAMICS	1,234,247	2,129,050	894,803
SUNOCO INC COM	1,763,437	2,267,397	503,960
SYNOPSIS INC COM	1,610,697	1,524,285	(86,412)
TANOX INC COM STK	4,038,199	3,640,870	(397,329)
TEMPLE INLAND INC COM	3,151,375	3,335,954	184,579
THRIFTY AUTOMOTIVE GROUP INC	1,765,450	2,047,200	281,750
TOPPS INC COM	1,724,393	1,940,540	216,147
TOSTELLENT INC	2,417,803	2,115,580	(302,223)
TRIUMPH GROUP INC NEW COM	1,703,427	2,224,600	521,173
UICI COM	1,127,273	1,171,725	44,452
UNITED GLOBAL COM CLA	3,921,564	1,159,100	(2,762,464)



INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
USONCOLOGY INC COM	2,948,196	2,856,357	(91,839)
VALEROENERGY CORP	1,698,636	1,853,712	155,076
VARIAN MED SYS INC	1,063,841	2,545,400	1,481,559
VISTEON CORP COM	2,994,364	3,063,946	69,582
WEBSense INC	1,394,418	1,534,000	139,582
WELLMAN INC COM	3,050,673	3,082,380	31,707
WET SEAL INC CLA	1,307,047	1,789,337	482,290
Total Peregrine Capital	\$ 277,342,505	\$ 311,922,868	\$ 34,580,364
JP Morgan Multi Market I			
CF JP MORGAN MULTI MKT I	\$ 901,824	\$ 1,470,495	\$ 568,672
Total JP Morgan Multi Market I	\$ 901,824	\$ 1,470,495	\$ 568,672
JP Morgan Multi Market II			
CF JP MORGAN MULTI MKT II	\$ 10,714,404	\$ 13,930,133	\$ 3,215,729
Total JP Morgan Multi Market II	\$ 10,714,404	\$ 13,930,133	\$ 3,215,729
State Street S&P 500			
CF ST STR S&P 500	\$ 87,214,539	\$ 96,809,962	\$ 9,595,422
Total State Street S&P 500	\$ 87,214,539	\$ 96,809,962	\$ 9,595,422
State Street Wilshire 5000			
CF ST ST US TOTAL MKT INDEX	\$ 1,557,943,622	\$ 2,084,073,610	\$ 526,129,988
Total State Street Wilshire 5000	\$ 1,557,943,622	\$ 2,084,073,610	\$ 526,129,988
State Street Large Growth			
CF ST ST S & P GROWTH FD	\$ 141,310,731	\$ 221,234,180	\$ 79,923,449
Total State Street Large Growth	\$ 141,310,731	\$ 221,234,180	\$ 79,923,449
State Street Russell 1000 Value			
CF STATE STREET RUSSELL 1000 VALUE	346,998,767	414,778,600	\$ 67,779,833

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Total State Street Russell 1000 Value	\$ 346,998,767	\$ 414,778,600	\$ 67,779,833
TOTAL DOMESTIC EQUITY	\$ 2,701,022,530	\$ 3,471,914,929	\$ 770,892,399
<u>FIXED INCOME</u>			
Alliance Capital			
ADELPHIA COMM	\$ 270,000	\$ 264,600	\$ (5,400)
ADELPHIA COMM CORP 10.875	131,250	125,938	(5,313)
AES CORP SR NT 9.375	416,506	406,883	(9,623)
ALLIED WASTE N AMER	82,000	82,200	200
ALLIED WASTE N AMER 7.875	111,263	111,550	288
AMERADA HESS CORP NT 7.875	1,324,161	1,347,981	23,820
ARGENTINA REP US\$ GLOBAL BD	5,032,919	4,307,875	(725,044)
ASSOC CORP N AMER ASSOC 5.75	2,879,205	3,018,495	139,290
AT&T CORP NTS 6.5 DUE 03-15-2029	2,420,577	2,379,146	(41,431)
BANC 1 CORP 7.625 DUE 10-15-2026	948,202	954,850	6,648
BK 1 CORP SUB NT 7.875	2,324,482	2,323,202	(1,280)
BRAZIL FEDERATIVE REP US\$	855,250	820,930	(34,320)
BRIT TELECOMMUNICATIONS PLC	1,772,292	1,926,088	153,796
BULGARIA (NAT REP) FRN 7/2024	157,375	157,750	375
CALPINE CDA ENERGY FIN ULC	618,713	599,600	(19,114)
CHARTER COMMUNICATIONS	132,500	131,563	(938)
CILCORP INC SR BD 9.375	1,409,829	1,492,095	82,266
CITIBANK CR CARD ISSUANCE	7,777,840	7,937,212	159,372
CITICORP CR CARD SER 97-6 CL A 0 BD	3,617,281	3,720,583	103,302
CMO BEAR STEARNS INC COM L	3,312,582	3,244,356	(68,226)
CMO GS MTG SECS CORP II COM L	1,775,070	1,756,150	(18,920)
COLOMBIA REP GLOBAL	117,125	119,375	2,250
CONOCO INC NT DTD 04/20/1999 6.95	1,294,560	1,393,407	98,847
DAIMLER CHRYSLER N AMER HLDG	3,189,472	3,174,560	(14,912)
DISCOVER CARD MASTER 6.35	2,868,797	2,859,500	(9,297)
DISCOVER CARD MASTER 6.85	3,774,898	3,802,826	27,927
DISNEY WALT CO NEW MEDIUM TERM	5,470,191	5,428,817	(41,374)
ECHOSTAR DBS CORP SR NT 9.375	405,738	394,875	(10,863)
EURO	(12,273,882)	(12,068,906)	204,976
FHLMC DEB 5.25 02-15-2004	12,991,090	13,103,610	112,520
FNMA 30 YR PASS-THROUGHS 6.5	15,602,207	15,459,583	(142,624)
FNMA 6.625 DUE 10-15-2007 REG	4,070,849	4,266,905	196,056
FNMA POOL #3239377 DUE 09-01-2014	5,652,551	5,728,219	75,668
FNMA POOL #3239897 DUE 10-01-2014	2,556,958	2,647,248	90,290
FNMA POOL #4293626 DUE 08-01-2029	1,935,957	2,029,454	93,497
FNMA POOL #4901096 DUE 03-01-2029	5,406,694	5,357,988	(48,705)
FNMA POOL #4955076 DUE 04-01-2029	4,335,843	4,278,213	(57,630)
FNMA POOL #5351657 DUE 02-01-2015	6,750,457	6,973,295	222,838



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FNMA POOL # 535423 6.5 DUE 07-01-2030	6,801,792	7,123,732	321,940
FNMA POOL # 535785 6.5 DUE 03-01-2016	17,088,882	17,047,697	(41,184)
FNMA POOL # 535996 7.5 DUE 06-01-2031	30,397,201	30,390,348	(6,852)
FORD MTR CR CO 5.75	3,099,692	3,082,503	(17,189)
FOX FAMILY WORLDWIDE INC 9.25	363,763	356,775	(6,988)
GCB TEX UTILS CO SER C 6.375	644,042	675,157	31,115
GERMANY(FEDREP)5%BDS	11,677,734	11,539,970	(137,765)
GLOBAL CROSSING HLDGS LTD	649,375	542,500	(106,875)
GNMA POOL # 379655 7 DUE 08-15-2025	15,449	15,408	(40)
GNMA POOL # 781038 SER 2029 6.5	9,820,597	10,214,092	393,495
GREAT WESTN FINL TR II 8.206	2,923,080	3,011,850	88,770
HCA-HEALTHCARE CO	200,394	201,750	1,356
HOST MARRIOTT SR NT SER G 9.25	10,525	10,150	(375)
HSEHD FIN CORP NT 6.5	1,543,209	1,674,874	131,665
HUNTSMAN ICI CHEMS LLC	210,525	208,709	(1,817)
INTL BK FOR RECON & DEV US\$	2,937,824	2,882,964	(54,860)
IRON MTN INC PA SR SUB NT 8.625	538,125	528,938	(9,188)
J P MORGAN CHASE & CO NT 6.75	3,469,586	3,455,003	(14,583)
J P MORGAN CHASE & CO SUB NT	1,585,879	1,714,229	128,350
KEYSPAN CORP NT 7.25	1,446,868	1,515,337	68,469
LEHMAN BROS HLDGS INC BD 7.875	2,983,350	3,175,620	192,270
LYONDELL CHEM CO SER A 9.625	119,025	114,713	(4,313)
LYONDELL CHEM CO SER B 9.875	360,963	354,113	(6,850)
MANDALAY RESORT GROUP	272,344	270,400	(1,944)
MCLEOD USA SR NT 11.375	125,475	75,600	(49,875)
MERRILL LYNCH & CO INC MED TERM	8,000,000	7,972,480	(27,520)
MEXICO UNITED GLOBAL 8.125	1,417,363	1,410,658	(6,705)
MORGAN STANLEY DEAN WITTER	3,247,671	3,243,728	(3,944)
NEXTEL COMM INC 9.375	353,175	323,900	(29,275)
NEXTEL COMM INC 9.5	117,344	95,000	(22,344)
PANAMA REP GLOBAL BDDTD	196,100	194,713	(1,388)
PHILIPPINES REP 10.625	230,000	227,813	(2,188)
PK PL ENTMT CORP SR SUB NT 8.875	127,813	128,750	938
PREMIER PKS INC SR NT 9.75	193,600	193,800	200
PROGRESS ENERGY INC SR NT 7.75	679,184	700,985	21,801
PVTPL APPLIED EXTRUSION TECH	264,623	267,650	3,027
PVTPL AT&T WIRELESS SVCS INC	2,200,010	2,280,693	80,682
PVTPL BARCLAYS BK PLC 144A	2,157,041	2,331,087	174,046
PVTPL CHARTER COMMUNICATIONS	370,450	371,850	1,400
PVTPL DELCOREMY INTL INC	129,073	135,200	6,127
PVTPL DELHAIZE AMER INC 8.125	3,371,583	3,377,790	6,208
PVTPL FELCOR LODGING LTD	570,239	549,125	(21,114)
PVTPL HAYES LEMMERZ INTL INC	194,093	188,175	(5,918)
PVTPL MILLENNIUM AMER INC	75,000	74,012	(989)
PVTPL PLAYTEX PRODS INC	65,000	66,138	1,138

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PVTPL QATAR ST BD 144A 9.75	2,177,719	2,227,875	50,156
PVTPL RUSSIAN FEDN US\$ BD 144A	832,313	817,219	(15,094)
PVTPL SEALY MATTRESS CO	504,850	488,813	(16,038)
PVTPL SEQUA CORP	310,821	301,950	(8,871)
PVTPL STD CHARTERED BK	1,140,570	1,167,825	27,255
PVTPL STONE CONTAINER CORP	491,625	491,625	-
PVTPL TEMBEC INDS INC	239,700	239,700	-
PVTPL TRIAD HOSPS INC SR NT 144A	110,000	111,925	1,925
PVTPL VERIZON GLOBAL FDG	3,363,076	3,495,676	132,600
QUEBEC 7.5% BDS 15/9/2029	1,301,279	1,413,951	112,673
SANWA BK LTD N Y BRH SUB NT 7.4	1,103,903	1,119,576	15,673
SEALY MATTRESS CO SR SUB NT	71,663	69,125	(2,538)
SEQUA CORP SR NT 9	231,075	222,750	(8,325)
SPRINT CAP CORP NT 7.625	1,104,691	1,097,035	(7,656)
TEMBEC INDS INC GTD SR NT	260,625	253,750	(6,875)
TEMBEC INDS INC GTD SR NT 8.625	261,250	255,000	(6,250)
TIME WARNER ENTMT CO L P 8.375	2,085,379	2,127,483	42,104
TIME WARNER ENTMT CO L P SR SUB	3,190,491	3,340,436	149,945
TURKEY REP TURKEY REPOF 11.875	132,188	124,313	(7,875)
TXU CORP SR NT 6.375	920,209	917,258	(2,951)
TYCO INTL GROUP S A CB 6.375	3,189,568	3,209,856	20,288
UNITED STATES DOLLAR	36,488,081	36,488,081	-
US TREAS BDS 12	4,070,712	4,153,008	82,296
US TREAS BDS 8.125 DUE 08-15-2019	8,332,984	8,441,726	108,742
US TREAS BDS WITREAS SEC GOVT	1,242,163	1,184,375	(57,788)
US TREAS NTS 4.625 DUE 05-15-2006	5,099,041	5,070,931	(28,109)
US TREAS NTS 5 DUE 02-15-2011	2,029,552	2,013,061	(16,490)
US TREAS NTS DTD 08/16/1993 5.75	6,408,281	6,377,523	(30,758)
UTD MEXICAN STS MEDIUM TERM	2,072,904	2,117,630	44,726
VENEZUELA REP 9.25 GLOBAL BD	127,440	124,425	(3,015)
WA MUT FIN CORP SR NT	2,066,845	2,073,900	7,055
WAL-MART STORES INC NT 6.875	2,743,763	2,900,856	157,093
WILLIAMS COS INC DEB SER A 7.5	1,662,993	1,568,487	(94,507)
WORLDCOM INC 8.25% BDS	2,042,579	2,078,648	36,069
Total Alliance Capital	\$ 322,174,190	\$ 324,459,781	\$ 2,285,590
Loomis Sayles			
1ST INDL LP 7.6BD DUE 07-15-2028 CALL \$	6,020,409	\$ 5,495,518	\$ (524,891)
1ST INDL LP TRANCHE # TR 7.5 MTN	435,285	457,625	22,340
1ST UN NATL BK N C CHARLOTTE MTN	1,033,268	1,125,600	92,333
ADAPTEC INC SUB NT CONV DTD 02/03/1997	117,375	130,680	13,305



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
AFFYMETRIX INC SUB NT CONV 4.75	517,107	512,560	(4,547)
AMB PPTY CORP PFD SER A 8.50	69,016	80,512	11,496
ANALOG DEVICES INC 4.75 DUE 10-01-2005	4,945,120	5,109,783	164,663
ARGENTINA(REPOF) 8.875% BDS 1/3/2029	2,456,220	1,930,240	(525,980)
ATLAS AIR INC CLB 7.63 DUE 07-02-2016	2,614,050	2,572,329	(41,720)
BAKER HUGHES INC NT 6.875	1,169,875	1,103,080	(66,795)
BANGKO SENTRAL NG PILIPINAS BD 8.6	525,000	540,000	15,000
BANGKOK BANK 4.589% CNV BDS	347,500	517,500	170,000
BAUSCH & LOMB INC 7.125	5,129,823	4,015,725	(1,114,098)
BC GENERIC RESIDUA 0% DEBENTURES	2,310,523	2,374,842	64,319
BRAZIL(FED REPOF) FRNBDS 15/4/2014	4,512,197	4,728,187	215,989
BRIT COLUMBIA(PROV 0% DEB 19/11/27)	1,607,770	1,551,568	(56,202)
CALL NET ENTERPRISES INC STEP UP	305,000	157,500	(147,500)
CALL-NET ENTERPRISES INC	243,750	212,500	(31,250)
CANADA GEN RESID ZERO CPN	903,623	994,428	90,805
CANADA(GOVT OF) 0% GEN PRINC 1/6/22	680,678	665,360	(15,318)
CAP 1 BK MEDIUM TERM SR BK NTS	2,461,935	2,360,382	(101,553)
CARRAMERICA RLTY CORP PFD	356,990	438,770	81,780
CHARTER COMM HLDGS LLC/CAP	2,174,588	2,278,000	103,413
CHES ENERGY CORP 8.5	459,375	497,500	38,125
CHESAPEAKE ENERGY SR SER B 7.875 NT	236,250	250,000	13,750
COLONIAL RLTY LTD PARTNERSHIP 7	994,150	950,650	(43,500)
COLT TELECOM 2% CNV BDS 16/12/2006	2,310,143	1,810,996	(499,146)
COLT TELECOM GROUP 2% CNV BDS 3/4/07	2,198,257	1,700,097	(498,160)
COLUMBIA / HCA HEALTHCARE CORP 7.58	918,755	895,000	(23,755)
COLUMBIA / HCA HEALTHCARE CORP 7.69	614,708	675,000	60,293
COLUMBIA / HCA HEALTHCARE CORP 7.75	634,050	696,000	61,950
COLUMBIA / HCA HEALTHCARE CORP 7.05	792,994	782,000	(10,994)
CONAGRA INC CONAGRA INC BONDS 7.000	2,953,936	2,745,047	(208,889)
CRESCENT REAL ESTATE EQUITIES	505,008	549,192	44,184
CTI HLDGS S A SR DEFD CPN NT	516,375	351,000	(165,375)
DANA CORP 7 DUE 03-15-2028	236,007	219,000	(17,007)
DANA CORP NT 7 DUE 03-01-2029	2,213,252	1,679,000	(534,252)
DELL COMPUTER CORP 7.1 DUE 04-15-2028	5,325,300	4,747,785	(577,515)
DELPHI AUTOMOTIVE SYS CORP DEB 7.125	3,527,938	3,671,200	143,262
DELTA AIR LINES INC DEL NT 8.3	1,561,647	1,484,586	(77,061)
DIAMOND OFFSHORE DRILLING	1,514,417	1,428,057	(86,360)
DOLE FOOD INC NT DTD 10/06/1998 6.375	3,390,480	3,208,512	(181,968)
DR STRUCTURED FIN CORP 9.35	415,000	449,620	34,620
DR STRUCTURED FIN CORP 6.66	275,052	330,031	54,979
EDISON MISSION ENERGY SR NT 7.73	488,750	475,721	(13,030)
EMPRESA NACIONAL DE ELECTRICIDAD	2,027,630	2,082,296	54,666
ENRON CORP 6.95 DUE 07-15-2028	933,110	913,590	(19,520)
EO OPER LTD PARTNERSHIP NT 7.25	3,014,435	2,975,570	(38,865)
EQTY RESDNTL PPTYS SER G PFD	192,764	252,400	59,636

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
EQTY RESDNTL PPTY S TR PFD	347,813	427,875	80,063
EQUITY OFFICE PPTY SER	20,238	24,980	4,743
EROPER LTD PARTNERSHIP 7.125	434,205	468,315	34,110
ESPIRITO SANTO CENTRAIS ELETRICAS	839,313	1,013,625	174,313
EURO	60,316	60,316	-
EURO BK RECON&DEV 0% NTS 10/02/2028	2,495,355	2,179,097	(316,258)
EVI INC SUB DEB CONV 5	1,553,254	2,272,688	719,434
EXODUS COMMNS 10.75% BD 15/12/09	168,944	43,699	(125,245)
EXODUS COMMUNICATIONS INC SR NT	398,750	165,000	(233,750)
EXODUS COMMUNICATIONS INC SR NT 10.75	942,613	514,800	(427,813)
FED REALTY INV TST 5.25% CNV BDS	1,066,875	1,175,000	108,125
FORD MTR CODEL 6.375 DUE 02-01-2029	1,260,615	1,261,815	1,200
FORT JAMES CORP 4.75% BDS 29/6/2004	1,239,813	1,139,518	(100,294)
FOX FAMILY WORLDWIDE INC SR DISC NT 0	65,917	89,000	23,083
FT JAMES CORP NT DTD 11/15/1993 7.75	702,270	669,053	(33,218)
GAPAC CORP 7.25 DUE 06-01-2028	1,229,763	1,165,318	(64,445)
GAPAC CORP 7.375 DUE 12-01-2025	213,700	212,833	(868)
GAPAC CORP DEB 7.75 DUE 11-15-2029	3,543,070	3,311,513	(231,558)
GDR PHILIPPINE LONG DISTANCE TEL	377,520	311,000	(66,520)
GLOBAL MARINE INC 7 DUE 06-01-2028	1,173,838	1,215,526	41,688
GLYCOMED INC 7.5 DUE 01-01-2003	195,931	191,231	(4,700)
HIGHWOODS RLTY LTD PARTNERSHIP 7.125	979,630	963,080	(16,550)
HIGHWOODS RLTY LTD PARTNERSHIP 7.5	1,020,630	877,580	(143,050)
HILTON HOTELS CORP 5	420,198	446,781	26,584
HMH PPTY S INC SR NT SER B 7.875	682,500	705,000	22,500
HYPERION TELECOMMUNICATIONS INC	490,750	481,000	(9,750)
IMC GLOBAL INC 7.625 DUE 11-01-2005	212,500	220,005	7,505
IMC GLOBAL INC DEB 6.875 DUE 07-15-2007	395,000	405,135	10,135
INTEVAC INC 6.5	590,313	265,125	(325,188)
INTL BANK RECON&DV 0% EMTN 20/8/2007	7,038,626	6,663,228	(375,398)
INTL BANK RECON&DV 5.5% MTN 3/11/2008	937,852	726,907	(210,946)
INTL PAPER CO 7.625	353,160	383,904	30,744
INTL PAPER CO NT DTD 04/12/1999 6.875	1,068,323	1,123,400	55,078
JAZZTEL 13.25% BDS 15/12/09 EUR	559,125	237,298	(321,827)
JAZZTEL PLC EX 14% 15/07/2010	319,092	159,659	(159,433)
JUNIPER NETWORKS INC SUB CONV 4.75	341,438	320,580	(20,858)
K MART CORP	252,118	267,376	15,258
K MART CORP 7.95 DUE 02-01-2023	1,166,250	1,073,250	(93,000)
K MART FDG CORP 8.8	301,638	344,752	43,114
K NCAP TR III 7.63 DUE 04-15-2028	1,900,945	1,856,085	(44,860)
KEY ENERGY GROUP INC 5.0 CONV	1,537,755	1,764,555	226,800
KEYCORP CAP II KEYCORP CAP II 6.875	597,075	651,375	54,300
KMART FING I TR CONV PFD SECS 7.750	125,738	164,500	38,763
KPN Q WEST BV 7.125%	143,326	152,114	8,788
KULICKE & SOFFA INDS INC	645,747	712,350	66,603
LA QUINTA INNS INC TRANCHE # TR 2 7.27	1,434,645	1,290,000	(144,645)



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
LA QUINTA INNS INC TRANCHE # TR 3 7.33	441,250	437,500	(3,750)
LEHMANBROS INC 6.5 DUE 04-15-2008	5,197,958	5,135,832	(62,126)
LEVEL 3 COMMUNICATIONS INC	1,175,650	404,200	(771,450)
LEVEL 3 COMMUNICATIONS INC EURO	927,848	516,750	(411,098)
LEVEL 3 COMMUNICATIONS INC SUB NT	734,892	287,145	(447,747)
LIBERTY PPTY LTD MED TERM	906,650	935,950	29,300
LIBERTY PPTY LTD PARTNERSHIP 7.25	726,750	744,353	17,603
LOEWS CORP 3.125 DUE 09-15-2007	3,789,029	4,158,875	369,847
LORAL CORP 7 DUE 09-15-2023	1,366,936	1,493,312	126,376
LUCENT TECHNOLOGIES INC	1,226,824	1,059,750	(167,074)
LUCENT TECHNOLOGIES INC 6.5	196,125	171,000	(25,125)
MARINE INC SR SEC D NT 12.5	360,000	322,125	(37,875)
MASCOTECH INC 4.5 DUE 12-15-2003	138,500	162,250	23,750
MAXTOR CORP 5.75	378,750	350,000	(28,750)
MCCAW INTL LTD	1,653,125	907,500	(745,625)
MICROCELL TELECOMMUNICATIONS INC	462,698	362,423	(100,275)
MOTOROLA INC 5.8 DUE 10-15-2008 BEO	124,500	125,373	873
MOTOROLA INC 6.5 DUE 11-15-2028 BEO	565,061	538,015	(27,045)
MOTOROLA INC NT 7.625	243,750	229,813	(13,938)
MURRIN MURRIN 9.375 BD DUE 08-31-2007	638,438	637,500	(938)
NEIMAN-MARCUS GROUP INC 7.125	2,647,255	2,604,355	(42,900)
NEW PLAN EXCEL RLTY TR INC	275,634	320,663	45,029
NEWELL FINL TRI CONV QRTLY INC PFD	371,250	368,750	(2,500)
NEXTEL COMMS INC	1,001,250	975,000	(26,250)
NEXTEL COMMUNICATIONS INC	310,625	320,000	9,375
NEXTEL COMMUNICATIONS INC	464,750	513,500	48,750
NEXTEL INTL INC NT	650,000	280,000	(370,000)
NEXTLINK COMM INC	2,158,063	528,750	(1,629,313)
NEXTLINK COMMUNICATIONS INC	381,969	123,250	(258,719)
NTL COMMUNICATIONS 9.75%	1,052,304	949,287	(103,017)
NTL DEL INC / NTL INC SUB NT CONV 5.75	341,355	210,200	(131,155)
NTL INC SR DEF D CPN NT	3,434,625	2,425,125	(1,009,500)
ONTARIO (PROV OF) 0% 13/7/22 CAD 100000	1,564,299	1,556,313	(7,986)
ONTARIO (PROV OF) 0% STRIP BOND	3,458,333	3,694,014	235,681
PAC GAS & ELEC CO 1ST PFD 5	240,000	123,750	(116,250)
PAC GAS & ELEC CO 1ST PFD 6.30	146,250	93,700	(52,550)
PAC GAS & ELEC CO PFD 6.57	187,500	144,900	(42,600)
PARKER DRILLING CO 5.5	214,688	225,000	10,313
PECOM ENERGIA SA 8.125% NTS 07-15-2007	1,874,000	1,870,000	(4,000)
PENNEY JC INC 7.125 DUE 11-15-2023	275,500	312,000	36,500
PENNEY JC INC 7.6 DUE 04-01-2007	175,000	230,000	55,000
PENNEY JC INC 7.65 BD DUE 08-15-2016	92,059	100,000	7,941
PENNEY JC INC 7.95 DUE 04-01-2017	353,250	360,000	6,750
PENNEY JC INC-MEDIUM TERM	1,080,612	1,099,800	19,188
PENNZOIL-QUAKER ST CODE B 7.375	7,173,852	5,184,751	(1,989,101)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PERU(REP OF) VAR NTS 7/3/2017	388,938	404,625	15,688
PETROLEOS MEXICANOS GLOBAL	2,742,965	3,156,400	413,435
PHILIPPINE LONG DI 8.35% SB MTN 6/3/17	211,125	210,000	(1,125)
PHILIPPINES REP 10.625 DUE 03-16-2025	3,344,447	2,999,835	(344,612)
PHILIPPINES REP 9.875 DUE 01-15-2019	711,000	786,082	75,082
PHILLIPS 66 CAP TR II 8.0 CO GUARNT	1,119,338	1,300,833	181,495
PIONEER NAT RES CO 7.2 DUE 01-15-2028	2,531,195	2,197,000	(334,195)
PROLOGIS TR NT DTD 04/26/1999 7.1	473,100	500,855	27,755
PROLOGIS TR PFD SH BEN INT SER D	209,046	255,960	46,914
PROVIDENT COS INC 7.25 DUE 03-15-2028	1,154,781	1,039,244	(115,538)
PVTPL ANALOG DEVICES INC SUB NT 4.75	523,383	550,920	27,537
PVTPL BANGKOK BK PUBLTD NT	2,653,250	3,198,000	544,750
PVTPL CHARTER COMMUNICATIONS	1,271,295	1,260,000	(11,295)
PVTPL ERAC USA FIN CO	998,320	999,410	1,090
PVTPL EXIDE CORP SR SUB NT CONV 144A	322,179	241,002	(81,177)
PVTPL HUMAN GENOME SCIENCES INC	589,467	855,540	266,074
PVTPL HYUNDAI SEMICON 8.625	1,670,763	1,558,800	(111,963)
PVTPL INTEGRATED PROCESSEQUIP	252,000	248,220	(3,780)
PVTPL OWENS CORNING CAP LLC	451,750	32,500	(419,250)
PVTPL PAC GAS & ELEC CO SR NT 144A	485,000	497,000	12,000
PVTPL TELEKOM MALAYSIA BERHAD	1,850,490	2,049,131	198,640
PVTPL WESTND DIGITAL CORP	828,561	931,500	102,939
QUANTUM CORP 7 DUE 08-01-2004	1,212,063	1,300,500	88,438
RAYTHEON CO 6.75 DUE 03-15-2018	1,982,177	2,043,665	61,488
RAYTHEON CO 7.2 DUE 08-15-2027	264,732	268,341	3,609
RAYTHEON CO DEB DTD 11/05/1998 7	848,185	871,450	23,265
RAYTHEON CO DEB DTD 12/14/1998 6.4	1,867,990	1,883,340	15,350
RCN CORP 0 DUE 07-01-2008/07-01-2003	2,147,658	985,500	(1,162,158)
RCN CORP STEP UP SR DISC NT SER B	609,688	350,000	(259,688)
REDBACK NETWORKS INC	424,725	461,580	36,855
REPS AFRICA 8.5 YANKEE NT	1,194,688	1,645,520	450,833
ROGERS COMMUNICATIONS INC	635,000	765,830	130,830
ROYAL CARIBBEAN CRUISES LTD 7.5	741,233	691,065	(50,168)
S3 INC 5.75 DUE 10-01-2003/10-01-2001	715,113	649,515	(65,598)
SAFECO CAP TR I SER B CAP SECS 8.072	830,130	859,943	29,813
SASKATCHEWAN (PROV) 5.75%	882,290	891,655	9,365
SEABULK INTL INC	474,988	8,890	(466,098)
SEABULK INTL INC WT CL A EXP 12-14-2003	3,362	487	(2,875)
SEAGULL ENERGY CORP 7.5 SR	1,131,963	1,314,173	182,210
SEARS ROEBUCK ACC 6.25%	286,239	283,530	(2,709)
SEARS ROEBUCK ACCEP CORP	565,542	549,978	(15,564)
SEC CAP GROUP INC NT 7.7	2,239,910	1,921,725	(318,185)
SEC CAP INDL 7.625 DEB	493,004	521,461	28,457
SHURGARD STORAGE CTRS INC	98,069	123,480	25,411
SIAM COMML BANK PVTPL 7.50%	1,256,719	1,636,250	379,531



INVESTMENTS

SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
S-OIL 3% CNVBDS 31/12/04 USD5000	140,250	234,000	93,750
SOLECTRON CORP SR LIQUID YIELD	902,313	900,000	(2,313)
SOUTH CAL EDISON CO 6.65	215,250	210,000	(5,250)
SOUTH CAL EDISON CONT 7.2	350,500	324,000	(26,500)
SOUTH CAL EDISON CO PFD 4.78	236,698	105,456	(131,242)
SPIEKER PPTYS INC DEB	650,670	692,250	41,580
SPRINT CAP CORP 6.875	3,479,903	3,361,520	(118,383)
SPRINT CAP CORP DEB 6.9	1,280,164	1,281,365	1,202
SUSA PARTNERSHIP LP 7.45	1,843,860	1,585,140	(258,720)
SUSA PARTNERSHIP LP DEB 7.5	887,580	746,140	(141,440)
TELEWEST COMMS 5.25% CV BD 19/2/07	734,100	711,614	(22,486)
TENAGA NASIONAL BERHAD 144A 7.50%	1,514,323	1,510,348	(3,975)
TENET HEALTHCARE CORP 6 SUB	1,795,383	1,797,573	2,189
THAIFARMERS BK 8.25%	2,366,163	2,926,000	559,837
TIME WARNER INC 6.95 DUE 01-15-2028	4,445,438	4,162,770	(282,668)
TIME WARNER INC DEB	1,362,311	1,395,072	32,762
TN GAS PIPELN CODEB 7 DUE 10-15-2028	1,479,615	1,328,625	(150,990)
TRANS GAS DE OCCIDENTE S A SR	854,959	826,976	(27,983)
TRINET CORP RLTY TR INC 7.7 SR NT	1,453,801	1,154,954	(298,847)
TRIQUINT SEMICONDUCTOR INC	213,750	211,620	(2,130)
TRW INC 6.65 DUE 01-15-2028 REG	1,203,523	1,179,575	(23,948)
TRW INC DEB 7.75 DUE 06-01-2029	2,132,583	2,089,058	(43,525)
U S W CAP FDG INC 6.875 DUE 07-15-2028	1,759,920	1,742,580	(17,340)
UNITED STATES DOLLAR	6,979,640	6,979,640	-
US UNWIRED INC	229,375	245,000	15,625
VENEZUELA REP 9.25 GLOBAL BD	4,386,135	4,251,188	(134,948)
VITESSE SEMICONDUCTOR CORP	1,021,899	995,625	(26,274)
WORLD COM INC GA NT 6.95	4,008,325	3,923,903	(84,423)
XEROX CAPITAL EURO 5.25%	655,543	739,882	84,338
XEROX CORP	138,700	153,900	15,200
XEROX CORP 3.5% NTS 4/2/04 EUR	407,861	402,110	(5,752)
Total Loomis Sayles	\$ 267,028,903	\$ 252,401,163	\$ (14,627,740)

TCW

1ST UN NATL BK N C CHARLOTTE	\$ 3,002,860	\$ 2,982,168	\$ (20,692)
1ST USA CR CARD MASTER TR 1998-9	986,055	1,003,220	17,165
ALCOA INC 7.375 DUE 08-01-2010	3,049,312	2,956,296	(93,016)
AMERN AIRLS PASS THRU TR 7.024	605,304	607,236	1,932
AMERN GEN CORP NT 7.5	998,120	1,062,990	64,870
ANADARKO PETE CORP	2,002,480	1,957,120	(45,360)
AUSTRALIAN DOLLAR	33,866	33,866	-
BELGIUM (KINGDOM) 6.25% BDS 28/3/2007	1,602,865	1,440,213	(162,652)

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BRITISH POUND STERLING	49,764	49,764	-
CANADA (GOVT OF) 5% BDS SER' WU42' 1/9/04	3,051,379	3,043,449	(7,930)
CANADA (GOVT) 5.5% BDS 01.06.2010	1,272,462	1,201,280	(71,182)
CANADIAN DOLLAR	536,151	536,151	-
CAROLINA PWR & LT CO	1,499,130	1,487,115	(12,015)
CAROLINA PWR & LT CO 5.875	1,024,030	997,140	(26,890)
CATERPILLAR INC 7.3	402,196	406,752	4,556
CHEVRON CORP NT 6.625 DUE 10-01-2004	1,394,862	1,456,168	61,306
CITIGROUP INC SUB NT 7.25 DUE 10-01-2010	2,488,550	2,597,000	108,450
CLEAR CHANNEL COMMUNICATIONS INC	2,661,558	2,685,904	24,346
CMO ABN AMRO MTG CORP 1999-4 MC	4,639,819	4,935,289	295,469
CMO BA MTG SECS INC 6.75 DUE 08-25-2028	2,012,500	1,999,360	(13,140)
CMO CWMBBS INC PASS THRU CTFS CHL	2,179,118	2,246,195	67,077
CMO DLJ MTG ACCEP CORP	6,036,187	6,241,339	205,151
CMO GE CAP MTG SVCS	1,926,150	1,906,393	(19,757)
CMO GE CAP MTG SVCS INC	4,690,625	5,071,850	381,225
CMO GE CAP MTG SVCS INC	3,375,179	3,597,840	222,661
CMO NORWEST AST SECS CORP SER	2,497,656	2,461,700	(35,956)
CMO PNC MTG SECS CORP	3,678,566	3,885,893	207,327
CMO PNC MTG SECS CORP	2,841,558	2,888,112	46,554
CMO RESDNTL ACCREDIT LNS INC	4,497,434	4,528,481	31,046
CMO RESDNTL FDG MTG SECS I INC	2,656,586	2,802,591	146,004
COASTAL CORP SR DEB DTD	1,468,752	1,405,536	(63,216)
COCA COLA ENTERPRISES INC 6.95	1,797,300	1,955,180	157,880
COLTV STIF	3,582,763	3,582,763	-
COMCAST CABLE COMMUNICATIONS INC	1,619,856	1,566,960	(52,896)
CONTL AIRLS	500,000	506,350	6,350
CWMBBS INC SER 94-D 6.5	983,750	937,810	(45,940)
DANISH KRONE	120,375	120,375	-
DENMARK (KINGDOM) 7% BDS 15/12/04	935,917	706,185	(229,732)
DOW CHEM CONT DTD 02/08/2001 6.125	2,785,720	2,710,568	(75,152)
DU PONT E I DE NEMOURS & CONT 6.875	740,295	772,118	31,823
ENRON CORP 6.75 BD DUE 08-01-2009	1,790,320	1,957,480	167,160
EURO	55,476	55,476	-
FHLMC 5.75 07-15-2003	975,090	1,021,560	46,470
FHLMC DEB 703-15-2010	1,937,448	1,904,328	(33,120)
FHLMC DEB DTD 07/10/2000	6,867,291	6,867,250	(41)
FHLMC DTD 01/16/2001 5.25	1,998,672	1,977,620	(21,052)
FHLMC GOLD D94149 701-01-2020	2,245,693	2,310,903	65,210
FHLMC GOLD D94165 701-01-2020	2,028,727	2,087,637	58,910
FHLMC GOLD GROUP C90308 701-01-2020	3,072,179	3,158,299	86,120
FHLMC MULTICLASS 2097 PZ 6 11-15-2028	3,456,738	3,143,580	(313,158)
FHLMC MULTICLASS PREASSIGN 00506 7.5	2,335,252	2,478,052	142,799
FHLMC MULTICLASS SER 1661 CL SD VAR RT	1,057,305	1,058,196	891



INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FHLMC MULTICLASS SER 1897 CL 1897-H 6.5	1,401,094	1,463,430	62,336
FHLMC MULTICLASS SER 1969 CL PE 7.5	2,584,375	2,578,900	(5,475)
FHLMC MULTICLASS SER 2052 CL C 6.5	2,777,013	3,035,856	258,843
FHLMC MULTICLASS SER 2059 CL Z 5.95	2,337,194	2,143,105	(194,090)
FHLMC MULTICLASS SER 2061 CL CD 7.5	1,459,346	1,482,202	22,855
FHLMC MULTICLASS SER 2211 CL SD	1,354,101	1,811,450	457,349
FHLMC MULTICLASS SER G029 CL ZC 8 MTG	2,702,702	2,715,561	12,859
FHLMCNT 6.25 10-15-2002	1,222,310	1,229,904	7,594
FLEET FINL GROUP INC NEW 6.5	517,585	496,760	(20,825)
FLEET BOSTON FINL CORP 7.25	1,152,011	1,151,689	(322)
FNMA 6.625 01-15-2002	4,227,090	4,259,052	31,962
FNMA NT 605-15-2008	2,566,309	2,515,600	(50,709)
FNMA POOL #323606 6.5 DUE 03-01-2029	2,218,671	2,177,783	(40,888)
FNMA POOL #323812 6 DUE 07-01-2029	754,907	763,257	8,350
FNMA POOL #392168 ADJRT	255,553	254,329	(1,224)
FNMA REMIC TR 1997-58	2,080,195	2,045,916	(34,279)
FNMA SER 1999-24 CL J 6	974,292	992,919	18,627
FNMA-GNMA REMIC TR SER 1994-9	2,858,227	2,922,060	63,832
FORD MTR CR CO GLOBAL LANDMARK	1,846,966	1,889,738	42,772
FRANCE(GOVT OF) 5.25% BDS 25/4/08 FRF	14,666,362	12,641,621	(2,024,741)
GE CAP MTG SVCS INC SER 1998-10	2,406,641	2,483,575	76,934
GE GLOBAL INSHLDG CORP 7	1,469,672	1,601,408	131,736
GENELEC CAP CORP MEDIUM TERM	1,341,293	1,332,302	(8,991)
GERMANY(FED REP) 5.25% BDS 4/1/08	12,697,250	11,411,502	(1,285,748)
GNMA REMIC SER 1999-40 CL UT FLT RT	1,228,378	1,366,268	137,890
GOLDMAN SACHS GROUP INC NT 6.65	503,315	494,870	(8,445)
GREECE(REPOF) 6% BDS 19/02/06 EUR 0.01	2,053,524	1,853,658	(199,867)
HEWLETT PACKARD CONT 7.15	996,660	1,034,720	38,060
HONEYWELL INTL INC 7.5	2,916,872	2,958,508	41,636
HSEHD FIN CORP NT 8	2,101,029	2,244,165	143,136
HYPOTHEKEN BANK IN ESSEN 4.25%	335,299	274,705	(60,595)
INTL LEASE FIN CORP- MEDIUM TERM	798,376	795,872	(2,504)
INTL LEASE FIN CORP SR NT 6.75	2,028,500	2,070,240	41,740
INTL PAPER CONT DTD 06/07/2000 8	1,569,735	1,567,440	(2,295)
IRELAND(REPOF) 4% TSY BDS 18/04/2010	1,716,264	1,540,393	(175,871)
ITALY(REPOF) 5% BTP 1/5/08 EUR 0.01	6,887,605	6,182,918	(704,688)
JAPANESE YEN	5,421,344	5,421,344	-
LILLY ELI & CO 7.125 DUE 06-01-2025	1,102,510	1,042,720	(59,790)
LOCKHEED MARTIN CORP NT 8.2	1,399,554	1,402,232	2,678
MAN PROV CDA DEB SER EF	1,001,290	967,050	(34,240)
MFO TCW GALILEO FDS INC	18,414,588	14,793,145	(3,621,443)
MFO TCW GALILEO FDS INC EM	10,015,352	10,821,293	805,941
MFO TCW GALILEO FDS INC HI YIELD BD FD	99,858,203	87,687,194	(12,171,009)
MORGAN STANLEY GLOBAL NTS 7.75	2,448,419	2,448,350	(69)
NATL RURAL UTILS COOP FIN CORP	1,493,100	1,504,515	11,415

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
NEW STH WALES TSY 7% GBL EXCH BDS	591,051	488,702	(102,349)
NORCEN ENERGY RES LTD DEB	2,008,080	2,023,440	15,360
NORWEST AST SECS CORP SER 1997-10	2,137,136	2,138,451	1,315
PHILLIPS PETE CONT 8.75 DUE 05-25-2010	2,061,648	2,044,350	(17,298)
PHILLIPS PETE CO SR NT DTD 03/31/1999	999,340	980,550	(18,790)
PORTUGUESE OT'S 5.375% BDS 23/6/08	1,356,253	1,216,040	(140,213)
PRUDENTIAL HOME MTG SECS CO	3,346,138	3,230,691	(115,447)
QUE PROV CDA DEB 01/30/1997	1,842,230	1,881,864	39,634
QUE PROV CDA GLOBAL NT SER	997,630	984,410	(13,220)
RES DNTL AST SEC CORP MTG	1,600,000	1,640,608	40,608
RES DNTL FDG MTG SECS I INC	1,839,632	1,853,191	13,560
SAXON AST SECS TR MTG LN AST BKD	750,000	757,508	7,508
SLMA PREASSIGN 00021 4.75	6,483,360	6,452,940	(30,420)
SPAIN (KINGDOM OF) 5.15% TSY	6,405,460	5,710,464	(694,996)
SPRINT CAP CORP GTY REG 5.875	1,690,668	1,769,004	78,336
SWEDEN (KINGDOM OF) 5% BDS 15/1/04	1,560,690	1,242,048	(318,641)
SWEDISH KRONA	63,350	63,350	-
SWISS FRANC	48	48	-
TELEFONICA EUROPE B V U S	1,020,910	1,049,960	29,050
TIME WARNER ENTMT CO L P 7.25	1,378,426	1,436,778	58,352
TIME WARNER INC DEB DTD 11/23/1998 6.625	1,153,254	1,181,476	28,222
TREASURY 7% STK 2002 GBP	2,480,965	2,346,993	(133,972)
US W CAP FDG INC 6.875 DUE 07-15-2028	1,075,536	1,062,024	(13,512)
UNITED STATES DOLLAR	6,300,797	6,300,797	-
US TREAS 6.125 BD DUE 11-15-2027	4,447,929	4,638,510	190,581
US TREAS 7.5 BD DUE 11-15-2024	2,564,125	2,520,420	(43,705)
US TREAS BDS 12	2,464,158	2,491,866	27,708
US TREAS BDS 8 DUE 11-15-2021	6,089,434	6,102,999	13,565
US TREAS BDS 8.5 DUE 02-15-2020	5,291,961	5,293,920	1,959
US TREAS NT 4.75 DUE 02-15-2004	2,020,313	2,011,820	(8,493)
US TREAS NTS 6.25 DUE 06-30-2002	1,537,969	1,534,275	(3,694)
US TREAS NTS DTD 00878 5.75	4,381,952	4,324,992	(56,960)
US TREAS NTS DTD 00884 4.625	503,491	503,210	(281)
US TREAS NTS DTD 06/30/1999 5.75	2,682,438	2,700,000	17,562
US TREAS NTS DTD 08/15/1999 6	527,334	519,750	(7,584)
US TREAS NTS DTD 10/31/1999 5.875	1,685,687	1,711,679	25,992
VIACOM INC NT 7.7 DUE 07-30-2010 BEO	1,499,695	1,587,240	87,545
WA MUT FIN CORP SR NT DTD 05/24/2001	1,792,926	1,803,888	10,962
WELLS FARGO & CO 7.2 DUE 05-01-2003	1,198,668	1,245,948	47,280
Total TCW	\$ 430,039,002	\$ 412,070,819	\$ (17,968,183)
FAME			
ACORN CO. MORTGAGE NOTE	\$ 179,623	\$ 179,623	\$ -
DWYER, LYNCH, & MCCURDY, INC.	1,684,827	1,684,827	-



INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
HARDWOOD MANAGEMENT INC.	820,802	820,802	-
MB/JBREAL ESTATE LLC-2000 SERIES, 7.38%	637,430	637,430	-
PINNETTE FILLION MORTON, 5.60%	1,153,115	1,350,000	196,885
Total FAME	\$ 4,475,797	\$ 4,672,682	\$ 196,885
JP Morgan Fixed Income			
CF JP MORGAN INTL BD FD	\$ 28,084,000	\$ 28,136,040	\$ 52,040
CF JP MORGAN MGT LIQUIDITY	2,064	2,064	-
CF MGT CORP HIGH YIELD FUND	84,367,791	77,647,053	(6,720,738)
CF MGT CORP PVT PLMT FD	99,114,834	105,249,712	6,134,878
CF MGT EMERGING MARKETS BD FD	58,247,357	59,004,572	757,216
CF MGT MTG PVT PLMT FD	278,520,445	303,988,253	25,467,808
Total JP Morgan Fixed Income	\$ 548,336,491	\$ 574,027,694	\$ 25,691,203
State Street Bond Index			
CF ST ST BD MKT INDEX FD	\$ 789,807,168	\$ 1,050,038,155	\$ 260,230,987
Total State Street Bond Index	\$ 789,807,168	\$ 1,050,038,155	\$ 260,230,987
TOTAL FIXED INCOME	\$ 2,361,861,552	\$ 2,617,670,294	\$ 255,808,742
INTERNATIONALEQUITY			
Rowe Price Fleming			
ABB LTD CHF 2.50 (REGD)	\$ 395,135	\$ 319,327	\$ (75,808)
ABBEY NATIONAL ORD GBP 0.10	253,362	332,147	78,785
ABN-AMRO HLDGS NVEURO 0.56	90,028	116,316	26,288
ADECCO SA CHF 1 (REGD)	2,004,397	1,564,967	(439,430)
ADR COMPANHIA BRASILEIRA	938,133	738,078	(200,055)
ADR COMPANHIA VALE DO RIO DOCE	559,768	533,600	(26,168)
ADR EMBRAER-EMPRESA BRASILEIRA DE	556,270	558,415	2,145
ADR GRUPO IUSACEL SA DE CV	47,269	21,421	(25,848)
ADR ICICILTD SPONSORED	486,477	422,243	(64,234)
ADR KOREA TELECOM CORP	1,009,271	635,068	(374,203)
ADR MOBILE TELESYSTEMS	351,039	380,860	29,821
ADR OIL COLUKOIL	469,755	420,175	(49,580)
ADR PETROLEO BRASILEIRO	285,600	309,400	23,800
ADR POHANG IRON & STL	612,000	601,992	(10,008)
ADR SK TELECOM LTD	505,260	354,900	(150,360)

INVESTMENTS



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June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ADR SMARTFORCE PUB LTD CO	520,147	562,940	42,793
ADR TELECOMUNICACOES BRASIL	411,646	363,528	(48,118)
ADR TELEFONICAS	339,715	329,202	(10,513)
ADR TELEFONOS DE MEX S	139,005	241,103	102,098
ADR UTD MICROELECTRONICS CORP	349,415	351,461	2,046
ADR WAL-MART DE MEX S A DE	539,865	622,635	82,771
AKZONOBEL NV EUR2	76,918	97,861	20,942
ALCAN INC COM STK	196,768	269,897	73,129
ALCATEL EUR2 SER'A'	780,024	490,019	(290,005)
ALLEANZA ASSICURAZ EUR0.5	806,186	833,290	27,103
ALLIANZ AG DEM5(REGD)	1,758,790	1,804,489	45,699
ALTRAN TECHNOLOGIE EUR0.5	249,289	121,522	(127,767)
ASML HLDG EUR0.02	642,099	912,250	270,151
ASSICUR GENERALIEUR1	477,127	435,760	(41,367)
ASTRAZENECA USD PAR .25	1,363,949	2,011,581	647,632
AUTONOMY CORP ORD GBX0.333333	142,797	17,509	(125,288)
AVENTIS SA EUR3.82	1,971,445	2,603,953	632,509
AVENTIS SA EUR3.82	200,975	392,781	191,806
AXA EUR2.29	1,991,469	1,962,478	(28,991)
BAYER AG ORNPV	258,727	293,143	34,416
BAYERHYPO-VEREINS ORNPV	736,349	629,350	(106,999)
BBVA(BILB-VIZ-ARG)EUR0.49	1,213,691	1,469,119	255,428
BCA NAZ DEL LAVORO I TL1000	188,654	178,537	(10,118)
BCO SANT CENT HISPE EUR0.50(REGD)	841,047	948,803	107,756
BG GROUP ORD GBP0.10	64,593	92,179	27,587
BIPOP-CARIRE EUR0.26	255,064	253,522	(1,542)
BNP PARIBAS EUR4	2,082,376	2,110,182	27,806
BOUYGUESEUR1	99,096	55,727	(43,370)
BP ORD USD0.25	846,950	995,687	148,737
BRAMBLES INDS LTD A \$0.50	349,106	390,220	41,114
BRITISH POUND STERLING	306,047	305,247	(801)
BRITISH TELECOM ORD 25P	262,159	282,888	20,729
CABLE & WIRELESS ORD GBP0.25	904,001	448,078	(455,923)
CADBURY SCHWEPPES ORD	589,271	763,359	174,088
CANADIAN DOLLAR	2,187	2,187	-
CANAL PLUS EUR0.75	8,325	3,556	(4,769)
CANON INC JPY50	1,726,255	2,788,326	1,062,071
CAP GEMINI EUR8	689,921	266,459	(423,462)
CELESTICA INC SUB VTG SHS	1,994,187	2,134,881	140,694
CELLTECH GROUP ORD GBP0.50	467,118	505,443	38,325
CENTRICA ORD GBX5.555555	139,762	188,880	49,117
CHEUNG KONG(HLDGS) HKD0.50	971,985	980,782	8,797
CHINA MOBILE (HK) HKD0.10	519,722	1,130,373	610,652
CHINA UNICOM HKD0.10	641,967	899,704	257,737
CIE DE ST-GOBAIN EUR16	801,307	760,876	(40,431)
COMPASS GROUP ORD GBP0.10	2,397,430	2,613,338	215,908



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CREDIT SUISSE GRP CHF20(REGD)	333,673	350,171	16,498
D S SMITH PLC ORD GBP0.10	204,151	82,398	(121,753)
DANISH KRONE	2,853	2,853	-
DANONE EUR1	381,632	458,332	76,700
DEUT TELEK REGD NPV(REGD)	174,360	120,039	(54,321)
DEUTSCHE BANK AG NPV(REGD)	1,591,016	1,584,004	(7,012)
DEXIA NPV	384,322	581,267	196,945
DIAGEO ORD GBX28.935185	1,266,022	1,583,826	317,804
DIMENSION DATA HLD ORD USD0.01	167,185	81,639	(85,546)
DOGAN YAYIN HLDGS TRL1000	548,986	217,239	(331,747)
E.ON AG NPV	790,429	850,969	60,540
ELECTROCOMPONENTS	500,283	442,848	(57,435)
ELECTROLUX AB SER'B' SEK5	348,109	337,629	(10,480)
ELSEVIER NV EUR0.06	289,197	288,582	(615)
ENDESA SA EUR1.2	711,234	570,812	(140,421)
ENI EUR1 COM	1,181,807	1,351,316	169,509
ENI ITL1000(REGD)	5	7	1
EQUANT NV NLG0.02	286,959	60,649	(226,310)
ERICSSON(LM) TEL SEK1 SER'B'	2,474,661	889,930	(1,584,732)
EURO	6,382,666	6,385,972	3,306
FANUC JPY50	617,796	512,853	(104,943)
FLEXTRONICS INTL LTD COM STK	471,669	357,707	(113,962)
FOMENTO ECON MEXIC UNITS	937,024	1,093,675	156,651
FORTIS B NPV	622,923	681,528	58,605
FORTIS NL EUR0.24	802,623	848,517	45,894
FUJI TELEVISION JPY5000	754,892	298,942	(455,950)
FUJITSU Y50	749,179	367,623	(381,555)
GDR UNIBANCO-UNIAO DE BANCOS	831,310	687,150	(144,160)
GEHE AG NPV	471,372	432,480	(38,891)
GF BBVA BANCOMER COM	291,823	530,645	238,822
GKN ORD GBP0.50	51,463	76,731	25,268
GLAXOSMITHKLINE ORD GBP0.25	5,564,258	6,926,617	1,362,358
GPO FIN BANAMEX-AC COM SER'O'	512,429	695,241	182,812
GRANADA ORD GBP0.10	886,673	668,735	(217,938)
GRUPO TELEVIS SA SPONS GDR	1,260,635	824,806	(435,829)
HAYS ORD 1P	490,021	220,160	(269,861)
HENDERSON LAND DEV HKD2	290,294	266,157	(24,137)
HENNES & MAURITZ SEK0.25'B'	476,560	660,139	183,580
HERMES INTL NPV	312,884	388,296	75,412
HILTON GRP ORD 10P	114,112	123,987	9,876
HONG KONG DOLLAR	187,362	187,362	-
HSBC HLDGS USD0.50	403,540	425,775	22,235
HUTCHISON WHAMPOA HKD0.25	802,809	1,157,034	354,225
ING GROEP NV CVA EUR0.48	2,572,165	3,391,514	819,350

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
INTESABCI EUR0.52	2,216,824	2,067,261	(149,563)
ITO-YOKADO CO Y50	379,506	322,723	(56,783)
JAPANESE YEN	1,081,367	1,078,272	(3,095)
JERONIMO MARTINS EUR5	361,302	99,408	(261,894)
KAO CORP JPY50	229,428	347,979	118,551
KDDI CORP JPY5000	206,849	205,324	(1,525)
KINGFISHER ORD GBP0.125	806,512	535,683	(270,829)
KOKUYO CO Y50	269,116	168,056	(101,060)
KONKPN NV EUR0.24	120,588	28,473	(92,116)
KYOCERA CORP JPY50	735,255	829,057	93,802
LA FARGE EUR 4.00	110,437	125,516	15,079
LATTICE GROUP ORD GBP0.10	138,502	174,563	36,061
LEGRANDE EUR2	802,159	716,178	(85,980)
L'OREAL EUR0.2	131,996	200,102	68,106
LVMH MOET HENNESSY EUR0.30	284,970	173,775	(111,195)
MARUI CO JPY50	779,274	663,887	(115,386)
MATSUSHITA COMM JPY50	1,154,658	414,432	(740,226)
MATSUSHITA ELC IND Y50	1,482,943	1,189,480	(293,463)
MEDIA SET EUR0.52	421,077	151,464	(269,613)
MEDIOLANUM EUR0.1	405,886	362,661	(43,225)
MFC KOREA FD INC CLOSED END FD	521,060	281,862	(239,198)
MITSUMI FUDOSAN JPY50	911,649	991,405	79,756
MIZUHO HLDGS JPY50000	2,669,271	1,502,085	(1,167,186)
MOBINIL EGP10	784,273	606,874	(177,400)
MURATA MFG CO JPY50	1,508,600	1,256,262	(252,338)
NEC CORP Y50	1,457,337	1,324,006	(133,331)
NESTLE SA CHF1 (REGD)	2,023,787	2,645,915	622,128
NEW TAIWAN DOLLAR	929,213	929,213	-
NEW ZEALAND DOLLAR	268	268	-
NEWS CORPORATION PRF AUD0.50	1,587,491	1,225,650	(361,840)
NIPPON TEL & TEL CP JPY50000	2,203,635	880,773	(1,322,862)
NOKIA OYJ EUR0.06	1,464,821	2,249,775	784,954
NOMURA HOLDINGS INC Y50	1,218,633	1,628,849	410,216
NORDEA ORD EUR0.39632	1,420,005	1,426,148	6,143
NTT DOCOMO NPV	2,931,485	2,888,230	(43,255)
OLIVETTI SPA EUR1	1,393,890	830,437	(563,453)
ORANGE SA EUR1	679,887	594,316	(85,571)
ORBOTECH LTD SH COM	419,656	529,935	110,279
ORKLA ASA NOK6.25 ORD	368,154	480,615	112,461
PETROL BRASILEIROS PRF NPV	1,193,898	1,198,989	5,092
PHILIPS ELEC (KON) EUR0.20	1,979,865	1,855,243	(124,621)
PORTUGAL TCOM SGPS EUR1	625,555	535,582	(89,973)
PUBLISHING & BROAD NPV	510,062	396,764	(113,297)
RECKITT BENCKISER ORD	232,366	273,887	41,521
REED INTERNATIONAL ORD	2,699,898	2,959,244	259,346



INVESTMENTS

SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
RELIANCE INDS GDS	962,417	904,220	(58,197)
REPSOL YPF SA EUR1	337,358	334,429	(2,929)
RHON-KLINIKUM AG ORD NPV	166,899	186,473	19,574
RIO TINTO PLC ORD 10P(REGD)	1,232,804	1,437,600	204,796
ROCHE HLDGS AG GENUSSCHEINE	913,733	763,693	(150,040)
ROYAL BANK CANADA COM NPV	144,156	287,400	143,244
ROYAL BK SCOTLAND ORD GBP0.25	1,836,888	3,611,245	1,774,356
ROYAL DUTCH PETROL NLG1.25(BR)	1,230,760	1,612,501	381,742
SAINSBURY J ORD GBP0.25	18,961	20,446	1,485
SAMSUNG ELECTRONIC KRW5000	1,427,483	811,995	(615,488)
SAN PAOLO-IMI SPA EUR2.80	122,173	121,387	(786)
SANDVIK AB SEK6	155,885	149,684	(6,201)
SANKYO CO JPY50	818,826	577,293	(241,533)
SANOFI-SYNTHELABO EUR2	935,845	1,928,856	993,012
SAP AG ORD NPV	690,519	660,485	(30,033)
SCHNEIDER ELECTRIC EUR8(BR)	209,839	195,302	(14,536)
SECURITAS SER'B' SEK1	2,072,503	1,793,268	(279,235)
SEVENELEVEN NPV	1,250,873	507,617	(743,256)
SHELL TRNSPT&TRDG ORD GBP0.25	2,935,655	3,788,605	852,951
SHIN-ETSU CHEM CO Y50	613,570	771,167	157,597
SHISEIDO CO Y50	409,380	309,573	(99,806)
SIEMENS AG NPV(REGD)	159,469	235,310	75,841
SOC EUROPEENNE FIDUCIARY	192,098	150,428	(41,670)
SOC GENERALE EUR1.25	351,978	411,432	59,454
SODEXHO ALLIANCE EUR4	932,489	1,016,657	84,168
SONY CORP Y50	2,303,259	2,636,466	333,207
STANDARD CHARTERED ORD	900,934	858,395	(42,540)
STATOIL ASA NOK2.50	133,048	132,075	(973)
STMICROELECTRONIC EUR1.04	392,606	676,883	284,277
SUMITOMO CORP JPY50	536,408	433,980	(102,428)
SUMITOMO MITSUI BK Y50	1,901,621	1,213,999	(687,622)
SWISS FRANC	250,775	250,775	-
S.I.M.SPA EUR0.06	843,369	942,213	98,844
TAIWAN SEMICON MAN TWD10	806,346	871,798	65,452
TDC A/S DKK5	144,216	98,191	(46,025)
TDK CORP JPY50	380,003	246,897	(133,106)
TELECOM ITALIA SPA EUR0.55	350,256	479,269	129,013
TELEFONICA SA EUR1	903,234	809,874	(93,360)
TESCO ORD 5P	654,539	783,107	128,568
TF1 - TV FRANCAISE EUR0.20	973,091	915,855	(57,236)
TOKYO ELECTRON Y50	885,157	647,731	(237,426)
TOMKINS ORD GBP0.05	778,895	546,607	(232,289)
TOSHIBA CORP Y50	1,600,773	1,093,754	(507,019)
TOTAL FINA ELF EUR10	2,768,233	4,020,360	1,252,126
UBS AG CHF10(REGD)	1,465,455	1,588,737	123,282

INVESTMENTS



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June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
UCBNPV NEW SHARES	138,784	112,245	(26,539)
UFJHLDGS JPY50000	419,973	317,423	(102,550)
UNICREDITO ITALIAN EUR0.50	1,112,884	1,309,778	196,895
UNILEVER PLC ORD GBP0.014	744,786	700,097	(44,689)
UNITED STATES DOLLAR	1,351,588	1,351,588	-
UTD BUSINESS MEDIA ORD GBP0.25	215,749	186,977	(28,773)
UTD O/S BANK SGD1	930,218	884,604	(45,614)
VIVENDI UNIVERSALE EUR5.5	2,354,638	1,927,476	(427,162)
VNUNV EUR0.20	2,972,839	1,761,833	(1,211,006)
VODAFONE GROUP PLC	4,053,841	2,884,846	(1,168,995)
WOLTERS KLUWER CVA EUR0.12	784,690	760,778	(23,912)
WPP GROUP ORD 10P	2,955,786	1,820,437	(1,135,349)
YAMANOUCHI PHARM JPY50	1,143,305	729,634	(413,671)
YAPI KREDI BANK ASI TR L1000	267,041	208,841	(58,200)
Total Rowe Price Fleming	\$ 181,768,361	\$ 177,425,377	\$ (4,342,984)
Martin Currie			
3I GROUP ORD GBP0.50	\$ 4,986,649	\$ 3,822,884	\$ (1,163,765)
ADR AMER MOVIL S A DE C V	1,529,353	1,614,564	85,211
ADR ELAN PLC ADR REP STG SHS	2,886,869	3,379,400	492,531
ADR EMBRAER-EMPRESA BRASIL	1,181,695	1,835,350	653,655
ADR PETROLEO BRASILEIRO	1,411,730	2,058,320	646,590
ADR TELEFONOS DE MEX S	1,660,638	1,880,824	220,186
AEON CO LTD Y50	197,171	198,445	1,274
AHOLD (KON) NVE EUR0.25	1,628,627	1,649,366	20,739
ALCAN INC COM STK	946,395	895,453	(50,941)
ALLEANZA ASSICURAZ EUR0.5	1,489,175	1,471,452	(17,722)
ALLIANZ AG DEM5	4,844,563	4,144,810	(699,753)
AMADEUS GLOB TRAVE	2,060,382	1,102,004	(958,377)
ANGLO AMERICAN ORD USD0.50	1,531,355	1,436,296	(95,060)
ASAHI KASEI CORP Y50	2,240,759	1,646,953	(593,806)
ASML HLDG EUR0.02	2,055,513	1,593,342	(462,171)
AUTO STRADE SPA EUR0.52	1,948,449	1,964,422	15,973
AVENTIS SA EUR3.82	5,241,840	6,798,426	1,556,586
AXA EUR2.29	3,090,800	3,454,020	363,219
BARCLAYS PLC ORD GBP1	1,686,061	1,624,898	(61,163)
BBVA (BILB-VIZ-ARG) EUR0.49	3,859,347	3,455,039	(404,308)
BCO SANT CENT HISP EUR0.50 (REGD)	1,515,014	1,372,394	(142,620)
BK OF IRELAND ORD STK EUR0.64	1,456,544	1,708,988	252,444
OMBARDIER INC CLASS 'B' SUB VTG	1,133,826	1,610,663	476,838
BP ORD USD0.25	1,635,836	1,644,024	8,188
BRIDGESTONE CORP Y50	2,939,855	1,224,222	(1,715,632)



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June 30, 2001

UNREALIZED

	<u>COST</u>	<u>MARKET VALUE</u>	<u>GAIN/LOSS</u>
CANON INC JPY50	2,077,121	3,434,894	1,357,773
DANONE EUR1	2,379,021	2,441,099	62,078
DEUTSCHE POST AG COM STK	2,128,944	1,695,123	(433,821)
DIAGEO ORD GBX28.935185	2,298,035	2,413,298	115,264
ENDESA SA EUR1.2	2,256,835	2,176,807	(80,028)
ENI EUR1 COM	3,323,338	3,223,205	(100,133)
ERICSSON(LM)TEL SEK1 SER'B'	3,673,578	1,191,602	(2,481,976)
EURO	777,593	783,474	5,881
FUJI PHOTO FILM CO Y50	1,529,897	1,725,465	195,568
FUJITSU Y50	1,704,188	976,828	(727,359)
GLAXOSMITHKLINE ORD GBP0.25	8,211,522	8,256,828	45,306
GRUPO TELEVISIA SA SPONS GDR	1,237,636	1,000,250	(237,386)
HITACHI JPY50	2,415,934	2,563,542	147,609
HONDA MOTOR CO Y50	1,819,412	2,196,921	377,509
HSBC HLDGS ORD USD0.50(UK REG)	4,076,129	3,815,220	(260,910)
IMPERIAL OIL COM NPV (CAD QUOTE)	1,873,961	1,788,672	(85,289)
INDIAN OPP FUND ORD USD0.01	3,519,412	2,787,072	(732,340)
ING GROEP NV CVA EUR0.48	2,859,167	2,845,291	(13,876)
INTESABC EUR0.52	2,172,448	1,983,280	(189,168)
ITO-YOKADO CO Y50	1,328,216	1,106,479	(221,738)
JAPANESE YEN	(17,531,992)	(17,438,663)	93,328
KAOCORP JPY50	2,058,225	2,286,722	228,497
KINGFISHER ORD GBP0.125	1,465,655	1,266,159	(199,496)
KON KPN NV EUR0.24	1,342,258	525,214	(817,043)
KYOCERA CORP JPY50	1,483,547	802,598	(680,950)
MARTIN CURR ASIA PACIFIC EX JAPAN	33,093,826	30,021,214	(3,072,612)
MARTIN CURR EMEA	12,834,927	8,565,929	(4,268,999)
MARTIN CURR JAPAN SMALL CO	11,700,520	11,143,180	(557,340)
MARUI CO JPY50	1,624,999	1,385,504	(239,495)
MATSUSHITA COMM JPY50	1,704,342	669,468	(1,034,874)
MITSUBISHI HVY IND Y50	2,496,677	2,737,332	240,654
MIITSUI SUMITOMO INSURANCE	691,601	654,779	(36,822)
MUNCHENER RUCKVERS NPV	3,926,460	3,785,353	(141,107)
NIPPON TEL & TEL CP JPY50000	2,213,360	1,323,765	(889,595)
NOKIA OY EUR0.06	2,333,473	2,719,945	386,471
NOMURA HOLDINGS INC Y50	2,014,222	1,839,641	(174,581)
NORDEA ORDEUR0.39632	3,303,441	2,449,163	(854,278)
NORTEL NETWORKS CP COM NPV	6,541,976	1,180,637	(5,361,339)
NOVO-NORDISK AS DKK2 SER B	1,915,254	2,323,635	408,382
NTT DOCOMO NPV	1,371,574	2,470,654	1,099,080
PHILIPSELEC(KON) EUR0.20	4,207,473	3,275,242	(932,230)
ROHM CO JPY50	1,077,064	1,491,725	414,661
ROYAL BANK CANADA COM NPV	2,454,010	3,199,168	745,157
ROYAL BK SCOTLAND ORD GBP0.25	2,211,317	2,093,565	(117,753)
SANOFI-SYNTHELABO EUR2	2,234,553	2,712,142	477,589

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SANWA INTERNL FINA UNIT	1,509,219	1,241,661	(267,558)
SCOT & SOUTHERN EN ORD GBP0.50	2,240,092	2,355,638	115,546
SECOM Y50	1,933,364	2,399,615	466,251
SHELL TRNSPT&TRDG ORD GBP0.25	4,192,353	4,596,279	403,926
SHIN-ETSU CHEM CO Y50	1,618,794	2,203,335	584,541
SONY CORP Y50	606,050	1,617,383	1,011,333
SUEZ EUR2	2,228,541	2,248,082	19,541
SUMITOMO ELECT IND Y50	1,824,305	1,507,874	(316,432)
SYNGENTA CHF10 (REGD)	2,314,938	2,181,841	(133,097)
T.I.M.SPA EUR0.06	1,715,816	1,254,223	(461,593)
TAKEFUJI CORP JPY50	1,910,958	1,662,436	(248,522)
TB FINANCE (CAYMAN) 2.75%	509,553	511,546	1,993
TELECOM ITALIA SPA DIRISP	2,322,987	1,980,448	(342,539)
TELECOM ITALIA SPA EUR0.55	2,615,662	2,404,160	(211,502)
TELEFONICA SA EUR1	2,112,203	1,568,374	(543,830)
TOPPAN PRINTING CO Y50	1,460,728	1,213,871	(246,857)
TOTAL FINA ELF EUR10	5,935,866	6,487,911	552,044
TPGNV	1,656,703	1,677,737	21,033
UBS AG CHF10 (REGD)	1,956,865	2,034,271	77,406
UNION ELEC FENOSA EUR3	1,493,519	1,530,249	36,730
UNITED STATES DOLLAR	25,328,408	25,328,408	-
VIVENDI UNIVERSAL EUR5.5	4,932,148	4,436,400	(495,748)
VNUNV EUR0.20	4,132,716	3,476,868	(655,848)
VODAFONE GROUP PLC ORD USD0.10	8,385,016	7,117,462	(1,267,553)
WALMART DE MEXICO SERIES V NPV	1,061,129	1,400,913	339,784
YAMANOUCHI PHARM JPY50	2,510,666	2,441,469	(69,197)
Total Martin Currie	\$ 284,098,194	\$ 262,354,432	\$ (21,743,762)
Wellington Management			
ABBEY NATIONAL ORD GBP0.10	\$ 3,298,696	\$ 3,475,831	\$ 177,135
ABITIBI-CONS INC COM	891,734	708,390	(183,344)
ADR ASTRAZENECA PLC	3,418,565	4,048,550	629,985
ADR CHINA UNICOM LTD	1,123,611	1,154,040	30,429
ADR COFLEXIP	567,862	1,203,600	635,738
ADR COMPANHIA VALE DORIO DOCE	1,054,079	1,429,120	375,041
ADR EMBRAER-EMPRESA BRASIL	311,200	312,400	1,200
ADR KONINKLIJKE PHILIPS ELECTRS	410,137	486,629	76,493
ADR NEWS CORP LTD	2,249,055	2,332,800	83,745
ADR OIL COLUKOIL	1,247,478	1,160,758	(86,720)
ADR PETROLEO BRASILEIRO	3,208,770	3,460,600	251,830
ADR PRIMACOM AG SPONSORED ADR	344,755	60,680	(284,075)
ADR REED INTL PLC NEW	1,207,302	1,299,180	91,878



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SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ADR RYANAIR HLDGS PLC	794,625	2,161,120	1,366,495
ADR SHELL TRANS & TRADING PLC NY	3,100,331	2,975,094	(125,237)
ADR SURGUTNEFTEGAZ JSC	650,549	622,873	(27,676)
ADR TELEFONICA S A	2,002,284	1,626,345	(375,938)
ADR TOTAL FINA ELF S A	3,330,962	3,585,114	254,152
ADR UTD PAN-EUROPE COMMUNICATIONS	552,308	61,992	(490,316)
ADR YUKOS CORP	574,000	656,443	82,443
AEGONNVEUR0.12	6,334,718	3,425,009	(2,909,709)
AKZONOBEL NV EUR2	1,601,981	1,595,740	(6,241)
ALCATEL EUR2 SER'A'	628,316	213,467	(414,848)
ALLIED IRISH BANKS ORDEUR0.32	2,530,247	2,736,210	205,964
ALVARION LTD 2000554 EFF 8/2/01	397,056	74,925	(322,131)
AUST GAS LIGHT CON NPV	918,687	675,929	(242,758)
AUSTRALIAN DOLLAR	39,835	39,835	-
AXA EUR2.29	6,584,549	5,457,973	(1,126,575)
BAE SYSTEMS ORD GBP0.025	665,368	645,986	(19,383)
BANYU PHARM JPY50	2,481,143	2,528,303	47,160
BARCLAYS PLC ORD GBP1	3,642,119	4,178,747	536,628
BAYER AG ORD NPV	1,696,569	1,742,142	45,573
BAYER MOTOREN WERKE EUR1	1,777,839	1,999,238	221,399
BCA MPS EUR0.52	2,131,091	1,571,185	(559,907)
BCA NAZ DEL LAVORO I TL1000	1,321,733	1,259,088	(62,645)
BCO POPULARES PEUR0.5	1,864,079	2,088,286	224,207
BILLITON ORD USD0.50	2,108,564	2,417,266	308,702
BOC GROUP ORD 25P	1,079,106	1,080,865	1,760
BRITISH AIRWAYS ORD 25P	805,309	655,586	(149,723)
BRITISH TELECOM NEW ORD 25P	252,776	355,464	102,688
BRITISH TELECOM ORD 25P	3,267,879	1,547,080	(1,720,798)
BRL HARDY LTD NPV	169,225	220,520	51,295
CAP GEMINI EUR8	2,193,034	1,230,371	(962,664)
CENT COM CARREFOUR EUR0.6	1,841,940	1,959,501	117,561
COLT TELECOM GROUP ORD GBP0.025	4,283,267	1,165,893	(3,117,374)
COMPASS GROUP ORD GBP0.10	755,171	624,447	(130,724)
CONSOR DISCOUNT NPV	46,919	49,662	2,743
DEUT TELEK REGD NPV (REGD)	4,965,439	1,476,953	(3,488,487)
DEXIA NPV	1,872,731	2,064,440	191,709
EASYJET ORD GBP0.25	1,767,398	2,167,793	400,394
EISAI CO JPY50	3,135,470	3,563,222	427,752
ERICSSON (LM) TEL SEK1 SER'B'	1,198,439	976,457	(221,981)
FUJISAWA PHARMA CO Y50	1,441,208	2,012,348	571,139
FUJITSU Y50	3,979,513	1,806,607	(2,172,906)
GAMBRO AB SER'A' SEK2	887,883	818,134	(69,748)
GAMBRO AB SER'B' SEK2	14,283	12,793	(1,490)
GIVAUDAN AG CHF10	764,061	787,638	23,577

INVESTMENTS



SYSTEM HOLDINGS

June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
GLAXOSMITHKLINE SPONS	1,235,361	1,195,936	(39,425)
GRANADA ORD GBP0.10	270,695	163,794	(106,902)
HENNES & MAURITZ SEK0.25'B'	3,442,778	2,760,146	(682,632)
HITACHI JPY50	2,653,076	2,278,704	(374,372)
HONDA MOTOR CO Y50	1,544,674	1,757,537	212,862
HUTCHISON WHAMPOA HKD0.25	1,058,234	999,532	(58,702)
INDUSTRIA DE ORD COM	1,986,309	2,021,069	34,759
ING GROEP NV CVA EUR0.48	3,551,430	3,850,099	298,669
INMOBILIA COLONIAL EUR3	1,220,997	1,024,711	(196,286)
INVESTOR AB SEK6.25'A'	332,194	301,190	(31,005)
INVESTOR AB SEK6.25'B'	5,002,795	4,785,062	(217,733)
ITO EN JPY50	574,497	518,089	(56,408)
JAPANESE YEN	35,442	35,645	203
KANEKA CORP JPY50	519,013	452,614	(66,399)
KBC BANK VERZEKERING NPV	2,475,680	2,114,524	(361,155)
KIMBERLY CLARK MEX 'A' NPV	723,459	689,784	(33,675)
KIRIN BEVERAGE JPY50	573,093	509,942	(63,151)
LATTICE GROUP ORD GBP0.10	2,603,578	2,734,467	130,889
LLOYDS TSB GROUP ORD GBP0.25	3,984,346	4,090,990	106,644
LOGICA ORD GBP0.10	2,450,386	1,962,522	(487,864)
L'OREAL EUR0.2	1,148,514	1,039,242	(109,272)
MARCONI ORD GBP0.05	472,895	114,926	(357,969)
MATSUSHITA ELC IND Y50	3,584,532	2,222,450	(1,362,082)
MICHELIN CG DE EUR2 (REGD)	1,498,852	1,205,310	(293,542)
MITSUBISHI TOKYO F JPY50000	1,244,850	942,271	(302,580)
NEC CORP Y50	3,361,927	2,256,214	(1,105,713)
NESTLE SA CHF1 (REGD)	4,227,476	4,611,756	384,280
NIKKO CORDIAL CORPORATION Y50	2,015,484	1,401,740	(613,745)
NIPPON TEL & TEL CP JPY50000	4,260,806	1,542,656	(2,718,151)
NOKIA OY EUR0.06	2,943,182	2,331,925	(611,257)
ORANGE SA EUR1	1,110,997	1,151,574	40,577
PEUGEOT SA EUR6	1,180,821	2,063,305	882,484
PROMISE CO JPY50	1,145,535	1,772,130	626,595
REUTERS GROUP ORD GBP0.25	334,823	315,429	(19,393)
RWE AG (NEU) NPV 'A'	1,101,385	1,219,637	118,252
SAINSBURY J ORD GBP0.25	2,363,089	2,417,410	54,321
SAP AG ORD NPV	1,358,578	1,248,817	(109,762)
SIMEON WINES NPV	1,255,798	879,983	(375,814)
SKANDENSKILDA BKN SER 'A' SEK10	2,620,908	2,493,048	(127,860)
SMITH & NEPHEW ORD GBP0.1222	1,130,144	1,530,287	400,142
SMURFIT (JEFFERSON) ORDEUR0.30	335,403	355,630	20,227
SOFTBANK CORP JPY50	2,511,757	255,789	(2,255,969)
SSL INTERNATIONAL ORD GBP0.10	1,077,166	1,067,420	(9,746)
SUEZ EUR2	3,532,586	3,400,400	(132,186)
SUNCOR INC COM STK NPV	232,647	300,690	68,043



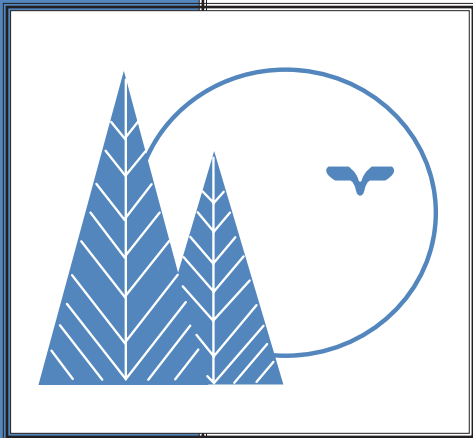
INVESTMENTS

SYSTEM HOLDINGS June 30, 2001

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SWEDISH MATCH SEK2.40	1,194,030	1,277,747	83,717
TAKEFUJI CORP JPY50	604,059	608,651	4,593
TECHNIP - COFLEXIP NPV	349,717	525,832	176,115
TELECOMITALIA SPA EUR0.55	2,195,535	1,914,025	(281,510)
TELEWEST COMMS ORD GBP0.10	598,008	186,236	(411,772)
THALES EUR3	315,512	271,551	(43,961)
TOKYO ELEC POWER JPY500	1,144,414	1,144,692	278
TOMKINS ORD GBP0.05	336,350	286,444	(49,905)
TOYOTA MOTOR CORP JPY50	2,142,711	2,217,527	74,816
UBS AG CHF10(REGD)	2,156,374	2,157,616	1,243
UNIBAIL SA EUR5	1,967,804	2,324,817	357,013
UNITED STATES DOLLAR	4,931,489	4,931,489	-
VODAFONE GROUP PLC ORD USD0.10	6,976,633	3,661,400	(3,315,234)
VOLVO(AB) SEK6SER'B'	1,512,116	852,814	(659,302)
Total Wellington Management	\$ 210,496,193	\$ 184,793,897	\$ (25,702,296)
State Street EAFE Index			
CF ST ST EAFE INTL INDEX	\$ 293,893,031	\$ 279,877,912	\$ (14,015,119)
Total State Street EAFE Index	\$ 293,893,031	\$ 279,877,912	\$ (14,015,119)
TOTAL INTERNATIONAL EQUITY	\$ 970,255,780	\$ 904,451,618	\$ (65,804,161)
TOTAL PENSION ASSETS	\$ 6,040,175,796	\$ 7,001,072,776	\$ 960,896,980
GROUP LIFE RESERVES			
Group Life			
State Street Short Term Investment Fund	\$ 33,031,585	\$ 36,595,412	\$ 3,563,826
Total Group Life	\$ 33,031,585	\$ 36,595,412	\$ 3,563,826

ACTUARIAL
VALUATION:

STATE EMPLOYEE
AND TEACHER PLAN





SECTION I BOARD SUMMARY

OVERVIEW

This report presents the results of our June 30, 2000, actuarial valuation of the retirement plans for state employees and teachers administered by the Maine State Retirement System (MSRS). These results provide a “snapshot” view of the System’s financial condition on June 30, 2000, including the effect of the recent changes in benefits, additional contributions, and financing changes as outlined below.

Benefit Change

- A new plan for state police officers hired after September 15, 1984 and special agent investigators hired before June 21, 1982 that permits retirement with unreduced benefits after 25 years of service.

Additional Contribution

- \$4.0 million of General Fund Surplus, as required by 5 MRSA Section 1517.

Financing Change

- Shorten the period over which the unfunded actuarial liability is amortized from 23 years to 19 years from June 30, 2000.

One of the principal purposes of the annual actuarial valuation is to determine the amount that the State, as the employer, must contribute to the plan, given the plan’s funded status and its actuarial assumptions employed. For the MSRS State employee and teacher plans, the State’s employer contribution is expressed as a percent of payroll (contribution rate), an approach largely dictated by the way in which the State establishes and manages its budget.

This year’s valuation produces a combined employer contribution rate for the State employee and teacher plans of 16.30%, slightly higher than the 16.00% produced in last year’s valuation. The primary reason for the increase was the action taken by the Legislature to shorten the amortization period. Benefit changes also resulted in a small increase in the rate while favorable investment returns served to reduce it.

On June 30, 2000, the total actuarial liability for the System’s State employee and teacher plans stood at \$7.5 billion, up from \$7.0 billion at the end of the previous year. During the same period the total actuarial value of assets increased from \$4.8 billion on June 30, 1999 to \$5.5 billion on June 30, 2000. Finally, the unfunded actuarial liability decreased from \$2.2 billion on June 30, 1999 to \$2.0 billion on June 30, 2000.

This is the fourth year in which we measure experience gains/losses for purposes of the 1995 Constitutional amendment regarding the amortization of experience losses. In 2000, the plans experienced a net gain of \$256 million. Therefore, the Constitutional requirement and the Board of Trustees’ policy regarding the treatment of experience gains were not called into play in this year’s valuation.

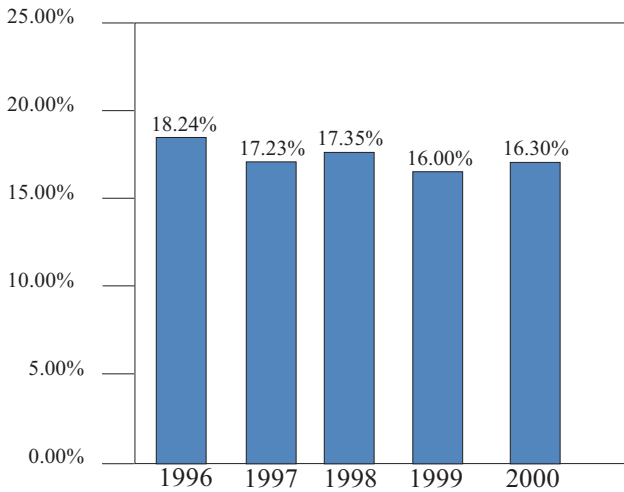
The balance of this section summarizes recent trends in the System’s finances, analyzes the actuarial experience in the System during the past year, and concludes with summary tables useful for reference purposes.



ACTUARIAL VALUATION: STATE/TEACHER

SYSTEM TRENDS

Retirement System Contribution Rates*

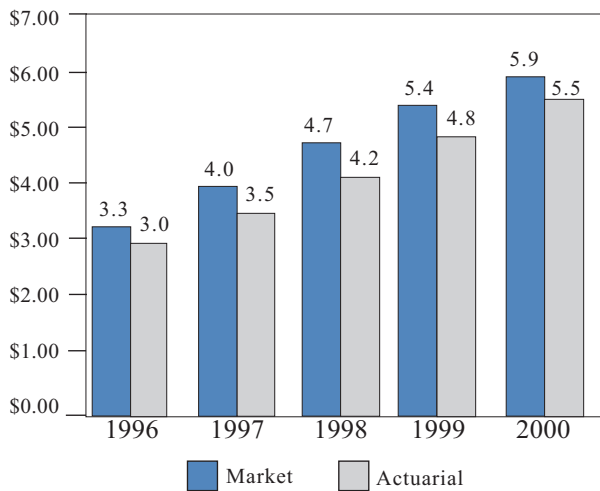


Although the State contribution rate increased by 30 basis points this year, primarily due to legislative action reducing the amortization period, the general trend over the past years has been downward.

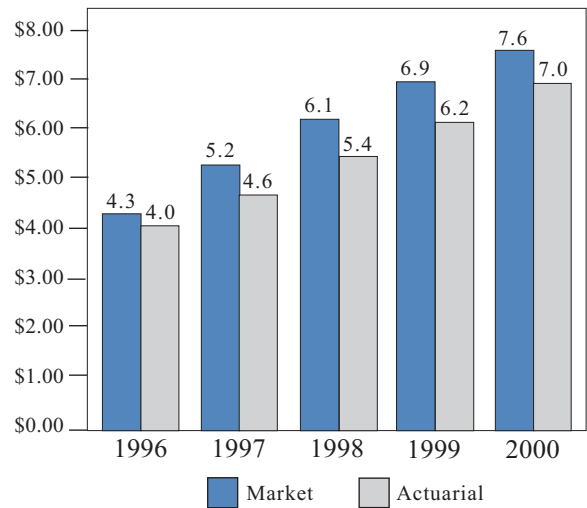
*Rates do not include retiree health insurance (separately established by the State) or costs of System operations. Rates shown are composite rates for the State Regular employees, Teachers, and all of the State special plan groups.

Retirement System Assets

State Employees and Teachers (in billions)



System Total ** (in billions)



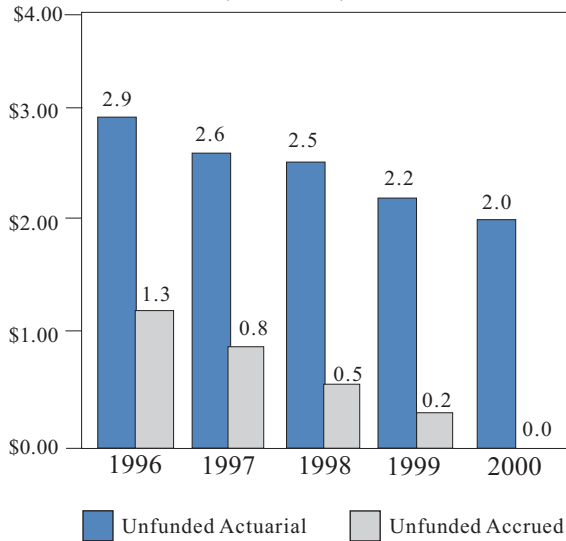
The System's assets earned about 9.8% from 1999 to 2000 when measured on Market Values. For funding purposes we use a smoothed value of assets known as the Actuarial Value. On this basis, the assets returned 12.5% over the year generating an actuarial gain.

** System total assets include those attributable to the state employee, teacher, judicial, legislative and participating local district (Consolidated and non-consolidated/withdrawn) plans.

ACTUARIAL VALUATION: STATE/TEACHER

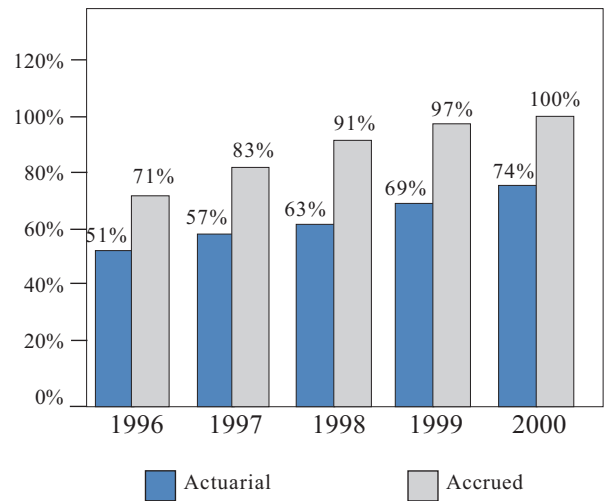


**State Employee and Teacher Plans
Unfunded Liabilities
(in billions)**



Unfunded actuarial liabilities have consistently decreased over the past years. Unfunded accrued liabilities have disappeared.

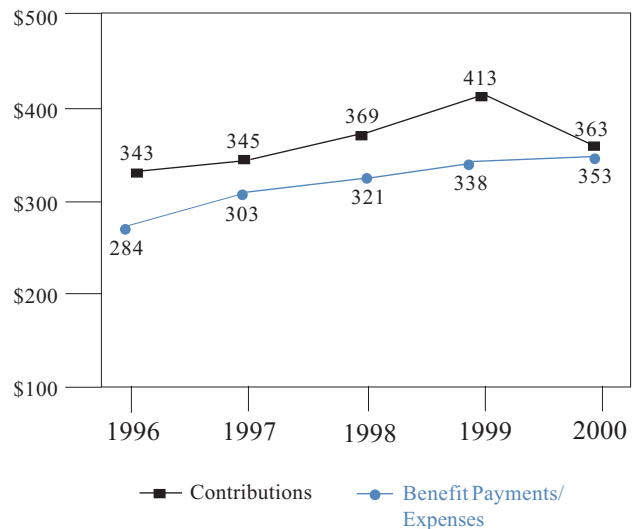
Funding Ratios



Both the actuarial and the accrued funding ratios have increased steadily over the past few years.

The net cash flow of the System, contributions less benefits and expenses, has been positive over the past years, often due to additional contributions received due to the State's budget surplus. However, the underlying plan is reaching the point where negative cashflows may become the norm and the investment program will be called upon to make up the deficit.

**Cash Flows
(in millions)**





ACTUARIAL VALUATION: STATE/TEACHER

SYSTEM EXPERIENCE

July 1, 1999 – June 30, 2000

The key indicator of overall experience of the System is the stability of the composite (i.e., State employer regular and special plans and teacher plan) State contribution rate. The rate is set so that it will be stable from year to year if experience is exactly as expected. An increase in the rate indicates unfavorable experience and a decrease, favorable experience. The net experience of the System during the year ending June 30, 2000, was better than expected, more than offsetting the benefit improvements, and also offsetting all but 0.3% of the increase caused by shortening the amortization period.

The balance of this part examines the System’s experience in more detail.

ASSETS

As of June 30, 2000, the market value of System's State employee and teacher plan assets was \$5.93 billion, an increase of \$0.57 billion from the 1999 figure of \$5.36 billion.

When measured on a method that smooths market fluctuations, the actuarial value of the System's State employee and teacher plan assets increased by \$0.65 billion, to \$5.49 billion in 2000 from \$4.84 billion in 1999. The components of this change, in billions, are:

	Actuarial		Market
+	\$0.33	employer and member contributions	+ \$0.33
-	0.29	payment of benefits and expenses,	- 0.29
+	0.39	investment return per 8.0% assumption,	+ 0.43
+	0.22	actuarial investment gain (actuarial rate of return @ 12.5%)	
		market investment gain (market rate of return @ 9.8%)	+ 0.10
=	\$0.65	total increase in assets	= \$0.57

The investment gain for all of the System's assets, i.e. those of the State employee and teacher plan, the judicial plan, the legislative plan and the participating local district plans, was \$0.28 billion on an actuarial valuation basis.

Section II of this report presents more detailed information on the assets of all of the System's plans.

ACTUARIAL VALUATION: STATE/TEACHER



LIABILITIES

Throughout this report we discuss two types of liabilities:

- Actuarial Liabilities
- Accrued Benefit Liabilities

ACTUARIAL LIABILITY

In general, actuarial liabilities are calculated for purposes of determining future contributions, and are directly dependent upon the particular funding method used by the actuary. Use of different funding methods would provide entirely different results, when nothing else has changed (e.g., inflation, salaries, etc.). The calculation of unfunded actuarial liabilities includes assumed future increases in pay and service credits.

As of June 30, 2000, the State's unfunded actuarial liability was \$1.97 billion. This compares to June 30, 1999, unfunded actuarial liability of \$2.18 billion, a decrease of \$0.21 billion. This compares with an expected increase of \$0.05 billion. The components of this decrease, in billions, are as follows:

Unfunded Actuarial Liability, June 30, 1999	\$ 2.18
• increase expected	0.05
• decrease due to asset gain (investment return)	(0.22)
• other (gains)/losses (see below)	<u>(0.04)</u>
Unfunded Actuarial Liability, June 30, 2000	\$ 1.97

The unexpected decrease in unfunded actuarial liabilities from "other (gains)/losses" of \$0.04 billion is attributable to the differences between assumed and actual rates of pay increases and of members retiring, terminating employment, or dying.

ACCRUED BENEFIT LIABILITY

The second type of liability is the accrued benefit liability. This represents the liabilities for all future benefits, based on members' earnings and service credits as of the valuation date June 30, 2000. The difference between this figure and the market value of System assets represents the unfunded accrued benefit liability. As of June 30, 2000, the unfunded accrued benefit liability was (\$0.01) billion, down from \$0.16 billion on June 30, 1999.

CONTRIBUTIONS

In Section IV of this report, we present detailed information on the development of State employer contribution rates, calculated as of June 30, 2000. In addition, Section IV discusses the application of the State contribution rate for State budget purposes.



ACTUARIAL VALUATION: STATE/TEACHER

CONTRIBUTIONS (continued)

Contributions to the System consist of:

- A 'normal contribution' for the portion of projected liabilities attributable to service of members during the year following the valuation date, and
- An 'unfunded actuarial liability contribution' for the excess of actuarial liabilities over assets on hand.

The composite contribution rate for all State employees and teachers increased from 16.00% of payroll as of June 30, 1999, to 16.30% of payroll as of June 30, 2000. The primary components of this change are shown below.

Contribution Rate as of June 30, 1999	16.00%
Investment Gain (Due to Higher than Expected Investment Returns)	(0.94)
Change in Amortization Period	1.40
Additional Contribution under 5MRSA Section 1517	(0.02)
Change in Benefits	0.01
Net effect of Other Gains and Losses	<u>(0.15)</u>
Contribution Rate as of June 30, 2000	16.30%

The increase due to Net Effect of Other Gains and Losses is attributable to the combined effect of differences between assumed and actual rates of members retiring, terminating employment or dying and salary increases lower than expected.

ACTUARIAL VALUATION: STATE/TEACHER



SUMMARY OF PRINCIPAL RESULTS TOTAL (State and Teacher)*

1. Participant Data	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Number of:		
Active Members	42,023	40,833
Retired Members	15,295	15,078
Beneficiaries of Retired Members	4,469	4,348
Survivors of Deceased Members	920	917
Disabled Members	1,622	1,534
Vested Deferred Members	<u>1,606</u>	<u>1,489</u>
Total Membership	65,935	64,199
Annual Salaries of Active Members	\$ 1,263,818,345	\$ 1,202,943,859
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 286,252,637	\$ 270,410,313
2. Assets and Liabilities		
Actuarial Liability	\$ 7,453,914,536	\$ 7,020,347,666
Actuarial Value of Assets	<u>5,487,720,169</u>	<u>4,844,937,706</u>
Unfunded Actuarial Liability	\$ 1,966,194,367	\$ 2,175,409,960
Actuarial Liability Funding Ratio	73.62%	69.01%
Accrued Liability	\$ 5,913,174,325	\$ 5,523,871,144
Market Value of Assets	<u>5,926,693,594</u>	<u>5,362,496,450</u>
Unfunded Accrued Liability	\$ (13,519,269)	\$ 161,374,694
Accrued Benefit Funding Ratio	100.23%	97.08%
3. Contribution Results as a Percent of Payroll (composite rate for all State Employees and Teachers)**		
Normal Cost	6.16%	6.15%
Unfunded Actuarial Liability	<u>10.14</u>	<u>9.85</u>
Total	16.30%	16.00%

* Excludes participating local districts

** Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.



ACTUARIAL VALUATION: STATE/TEACHER

SUMMARY OF PRINCIPAL RESULTS TEACHERS*

1. Participant Data	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Number of:		
Active Members	27,503	26,507
Retired Members	8,344	8,132
Beneficiaries of Retired Members	1,729	1,658
Survivors of Deceased Members	311	309
Disabled Members	626	582
Vested Deferred Members	914	870
Total Membership	<u>39,427</u>	<u>38,058</u>
Annual Salaries of Active Members	\$ 817,116,771	\$ 769,074,585
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 156,066,088	\$ 145,527,510
 2. Assets and Liabilities		
Actuarial Liability	\$ 4,792,441,102	\$ 4,481,506,659
Actuarial Value of Assets	<u>3,283,102,199</u>	<u>2,865,201,085</u>
Unfunded Actuarial Liability	\$ 1,509,338,903	\$ 1,616,305,574
Actuarial Liability Funding Ratio	68.51%	63.93%
Accrued Liability	\$ 3,671,756,408	\$ 3,398,477,619
Market Value of Assets	<u>3,545,723,938</u>	<u>3,171,275,170</u>
Unfunded Accrued Liability	\$ 126,032,470	\$ 227,202,449
Accrued Benefit Funding Ratio	96.57%	93.31%
 3. Contribution Results as a Percent of Payroll**		
Normal Cost	6.04%	6.04%
Unfunded Actuarial Liability	<u>12.05</u>	<u>11.45</u>
Total	18.09%	17.49%

* Includes both MRTA and Old System teachers.

** Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.

ACTUARIAL VALUATION: STATE/TEACHER



SUMMARY OF PRINCIPAL RESULTS TOTAL STATE

1. Participant Data	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Number of:		
Active Members	14,520	14,326
Retired Members	6,951	6,946
Beneficiaries of Retired Members	2,740	2,690
Survivors of Deceased Members	609	608
Disabled Members	996	952
Vested Deferred Members	<u>692</u>	<u>619</u>
Total Membership	26,508	26,141
Annual Salaries of Active Members	\$ 446,701,574	\$ 433,869,274
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 130,186,549	\$ 124,882,803
2. Assets and Liabilities		
Actuarial Liability	\$ 2,661,473,434	\$ 2,538,841,007
Actuarial Value of Assets	<u>2,204,617,970</u>	<u>1,979,736,621</u>
Unfunded Actuarial Liability	\$ 456,855,464	\$ 559,104,386
Actuarial Liability Funding Ratio	82.83%	77.98%
Accrued Liability	\$ 2,241,417,917	\$ 2,125,393,525
Market Value of Assets	<u>2,380,969,656</u>	<u>2,191,221,280</u>
Unfunded Accrued Liability	(\$ 139,551,739)	\$ (65,827,755)
Accrued Benefit Funding Ratio	106.23%	103.10%
3. Contribution Results as a Percent of Payroll*		
Normal Cost	6.39%	6.35%
Unfunded Actuarial Liability	<u>6.67</u>	<u>7.02</u>
Total	13.06%	13.37%

* Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.



ACTUARIAL VALUATION: STATE/TEACHER

SUMMARY OF PRINCIPAL RESULTS STATE REGULAR

1. Participant Data	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Number of:		
Active Members	12,703	12,546
Retired Members	6,321	6,319
Beneficiaries of Retired Members	2,497	2,461
Survivors of Deceased Members	609	608
Disabled Members	984	944
Vested Deferred Members	<u>692</u>	<u>619</u>
Total Membership	23,806	23,497
 Annual Salaries of Active Members	 \$ 383,842,691	 \$ 373,681,749
 Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	 \$ 113,953,054	 \$ 109,408,298
 2. Assets and Liabilities		
Actuarial Liability	\$ 2,270,256,873	\$ 2,172,470,681
Actuarial Value of Assets	<u>1,899,143,726</u>	<u>1,714,643,391</u>
Unfunded Actuarial Liability	\$ 371,113,147	\$ 457,827,290
 Actuarial Liability Funding Ratio	 83.65%	 78.93%
Accrued Liability	\$ 1,888,565,666	\$ 1,802,697,740
Market Value of Assets	<u>2,051,059,932</u>	<u>1,897,809,560</u>
Unfunded Accrued Liability	(\$ 162,494,266)	\$ (95,111,820)
 Accrued Benefit Funding Ratio	 108.60%	 105.28%
 3. Contribution Results as a Percent of Payroll (State Portion only)*		
Normal Cost	6.04%	6.04%
Unfunded Actuarial Liability	<u>6.30</u>	<u>6.67</u>
Total	12.34%	12.71%

* Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.

ACTUARIAL VALUATION: STATE/TEACHER



SUMMARY OF PRINCIPAL RESULTS COMPOSITE SPECIALS

1. Participant Data	<u>June 30, 2000</u>	<u>June 30, 1999</u>
Number of:		
Active Members	1,817	1,780
Retired Members	630	627
Beneficiaries of Retired Members	243	229
Survivors of Deceased Members	0	0
Disabled Members	12	8
Vested Deferred Members	<u>0</u>	<u>0</u>
Total Membership	2,702	2,644
 Annual Salaries of Active Members	 \$ 62,858,883	 \$ 60,187,525
 Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	 \$ 16,233,495	 \$ 15,474,505
 2. Assets and Liabilities		
Actuarial Liability	\$ 391,216,561	\$ 366,370,326
Actuarial Value of Assets	<u>305,474,244</u>	<u>265,093,230</u>
Unfunded Actuarial Liability	\$ 85,742,317	\$ 101,277,096
 Actuarial Liability Funding Ratio	 78.08%	 72.36%
Accrued Liability	\$ 352,852,251	\$ 322,695,785
Market Value of Assets	<u>329,909,724</u>	<u>293,411,720</u>
Unfunded Accrued Liability	\$ 22,942,527	\$ 29,284,065
 Accrued Benefit Funding Ratio	 93.50%	 90.93%
 3. Contribution Results as a Percent of Payroll*		
Normal Cost	8.52%	8.29%
Unfunded Actuarial Liability	<u>8.89</u>	<u>9.17</u>
Total	17.41%	17.46%

* Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.



SECTION II ASSETS

In this section we present the value assigned to assets held by the System. These assets are valued on two different bases: the market value and the actuarial value.

Market Value of Assets

For accounting statement purposes, System assets are valued at current market values. Briefly stated, these values represent the “snapshot” or “cash-out” value of System assets as of the valuation date. Table II-1 shows the market value of System assets as of June 30, 2000, by investment category.

Actuarial Value of Assets

The market value of assets, representing a “liquidation” value of the funds, is not a good measure of the System’s ongoing ability to meet its obligations. Ongoing funding requirements established using market values are subject to significant variability because of the volatility of market values.

As a consequence, actuarial valuations employ a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted recognizes one-third of the investment return in excess of the 8.00% actuarial assumption each year. The following is a step-by-step description:

Step 1: Determine the total yield on the investments of the System using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended (adjusted for cash flow) and the market value of assets at the end of the fiscal year. The calculation of this return is:

- (a) Increase in assets = Market value of assets at the end of the year minus actuarial value of assets at the end of the prior year adjusted for net cash flow for the current year (contributions minus benefit payments) [= \$1,342,913,479].
- (b) Adjusted actuarial value of assets = Actuarial value of assets at the end of the prior year plus one-half of net cash flow for the current year [= \$6,241,336,767].
- (c) Return = (a) Increase in assets divided by (b) Adjusted actuarial value of assets [= 21.52%].

Step 2: Calculate the excess of the actual return determined in Step 1 over the expected return for the same year according to the actuarial assumption (8.00%). [21.52% - 8.00% = 13.52%]

Step 3: Calculate an adjusted rate equal to the rate expected by the actuarial assumption (8.00%) plus one-third of the rate determined in step 2. [8.00% + (1/3 * 13.52%) = 12.51%]

Step 4: The actuarial value of assets equals the amount that would have existed if the actual return on last year’s actuarial value of assets had been the theoretical rate determined in Step 3 applied to last year’s actuarial value of assets.

Allocation by Group

Since retirement benefit costs are calculated separately for State Employees, Teachers and other Special Groups, total assets (market and actuarial values) must be allocated to each of these groups. We have made this allocation as of June 30, 2000, in proportion to System reserves (provided at market value). The total for each group has been further allocated between the Member Contribution Fund and the Retirement Allowance Fund. The resulting allocations are shown in Tables II-2 and II-3.

ACTUARIAL VALUATION: STATE/TEACHER



**TABLE II-1
INVESTMENT CATEGORIES AT MARKET VALUE**

<u>Asset Category</u>	<u>June 30, 2000 (In Millions)</u>
Bonds & Cash Equivalents	\$ 2,607
Stocks	\$ 4,978
Land & Buildings	\$ 4
TOTAL	\$ 7,589

**TABLE II-2
ALLOCATION OF MARKET VALUE OF ASSETS**

	<u>Allocation to: Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	<u>Total</u>
State Employees	\$ 478,657,046	\$ 1,902,312,610	\$ 2,380,969,656
MRTA Teachers	726,368,385	2,819,355,553	3,545,723,938
Judges	4,443,211	33,629,855	38,073,066
Legislators	900,130	5,388,059	6,288,189
Subtotal State	<u>\$ 1,210,368,772</u>	<u>\$ 4,760,686,077</u>	<u>\$ 5,971,054,849</u>
Participating Districts	154,452,885	1,463,849,948	1,618,302,833
TOTAL	\$ 1,364,821,657	\$ 6,224,536,025	\$ 7,589,357,682

**TABLE II-3
ALLOCATION OF ACTUARIAL VALUE OF ASSETS**

	<u>Allocation to: Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	<u>Total</u>
State Employees	\$ 478,657,046	\$ 1,725,960,924	\$ 2,204,617,970
MRTA Teachers	726,368,385	2,556,733,814	3,283,102,199
Judges	4,443,211	30,809,891	35,253,102
Legislators	900,130	4,922,310	5,822,440
Subtotal State	<u>\$ 1,210,368,772</u>	<u>\$ 4,318,426,939</u>	<u>\$ 5,528,795,711</u>
Participating Districts	154,452,885	1,343,986,837	1,498,439,722
TOTAL	\$ 1,364,821,657	\$ 5,662,413,776	\$ 7,027,235,433



SECTION III LIABILITIES

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. There are several methods currently used in making such a determination.

The method used for this valuation is referred to as the “Entry Age Normal actuarial cost method.” Under this method, a level-percent-of-pay employer cost is determined which, along with member contributions, will pay for projected benefits at retirement for a new entrant into the plan. It is assumed applicable to all active plan members. The level percent developed is called the normal cost rate and the product of that rate and payroll is the normal cost. The Entry Age Normal method is described in greater detail in Section IV.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability. If the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial liability, this liability will be reduced. Benefit improvements, actuarial gains and losses, and changes in actuarial procedures will also have an effect on the total actuarial liability and on the portion of it that is unfunded. The methodology for developing the unfunded actuarial liability rate is described in greater detail in Section IV.

After the amount of the unfunded actuarial liability has been determined, a schedule of contributions is established to amortize that amount over a given period. Effective with the 1987 valuation, a 30 year amortization period was adopted by the Trustees. This period was legislatively extended to 35 years effective with the June 30, 1993 valuation. By a Constitutional amendment adopted at referendum in 1995, the amortization period cannot exceed 31 years from July 1, 1997. In 1998, the Legislature established a 25-year amortization period commencing June 30, 1998, shortening the Constitutionally-permitted period by five years. In 2000, the Legislature established a 19 year amortization period commencing June 30, 2000, shortening the Constitutionally-permitted period by an additional 4 years. Payments to fund the actuarial liability are calculated as a level percentage of payroll.

In Table III-1 we have summarized the actuarial liabilities as of June 30, 2000, and the amounts that were unfunded.

Accounting Statement Information

Statement No. 35 of the Financial Accounting Standards Board requires the System to disclose certain information regarding its funded status.

As directed by the above referenced accounting statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases.

The figures shown in Table III-1 are suitable for the GASB Statement #25 disclosures.

Both present values of accrued benefits are determined assuming that the plan is ongoing and participants continue to terminate employment, retire, etc. in accordance with the actuarial assumptions.

ACTUARIAL VALUATION: STATE/TEACHER



**TABLE III-1
ACTUARIAL LIABILITIES**

	State Employees	Teachers*	All State Employees
1. Active employees			
(a) Current accrued benefits	\$ 853,208,215	\$ 1,887,512,261	\$ 2,740,720,476
(b) Future benefit accruals	861,112,962	2,020,148,696	2,881,261,658
(c) Total active projected benefits	\$ 1,714,321,177	\$ 3,907,660,957	\$ 5,621,982,134
2. Inactive Employees	\$ 1,388,209,702	\$ 1,784,244,147	\$ 3,172,453,849
3. Total Present Value of Projected Benefits (1 + 2)	\$ 3,102,530,879	\$ 5,691,905,104	\$ 8,794,435,983
4. Future Contributions	\$ 441,057,445	\$ 899,464,002	\$ 1,340,521,447
5. Actuarial Liability (3 - 4)	\$ 2,661,473,434	\$ 4,792,441,102	\$ 7,453,914,536
6. Invested Assets (Actuarial Value)	\$ 2,204,617,970	\$ 3,283,102,199	\$ 5,487,720,169
7. Unfunded Actuarial Liability (5 - 6)	\$ 456,855,464	\$ 1,509,338,903	\$ 1,966,194,367
8. Actuarial Benefit Funding Ratio (6 / 5)	82.8%	68.5%	73.6%

**TABLE III-2
ACCRUED BENEFIT LIABILITIES**

	State Employees	Teachers*	All State Employees
1. Present Value of Accrued Benefits			
(a) Employees terminated with vested rights	\$ 28,545,930	\$ 57,204,103	\$ 85,750,033
(b) Retired employees	1,359,663,772	1,727,040,044	3,086,703,816
(c) Active employees	853,208,215	1,887,512,261	2,740,720,476
(d) Total	\$ 2,241,417,917	\$ 3,671,756,408	\$ 5,913,174,325
2. Invested Assets (Market Value)	\$ 2,380,969,656	\$ 3,545,723,938	\$ 5,926,693,594
3. Unfunded Present Value of Accrued Benefits (1-2)	\$ (139,551,739)	\$ 126,032,470	\$ (13,519,269)
4. Accrued Benefit Funding Ratio (2/1)	106.2%	96.6%	100.2%

* Includes both MRTA and Old System Teachers



SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, in a year in which the State is preparing and, eventually, adopting its budget for an upcoming biennium, employer contribution rates based on the annual actuarial valuation for the fiscal year that precedes the fiscal year in which a biennium begins are used to establish the required employer contributions and hence the appropriations for those contributions to be made in the biennial budget. Contributions, contribution rates and appropriations are thus established for both years of the biennium.

The actuarial valuation for a fiscal year that precedes the second year of a biennium does not affect the contributions, contribution rates or appropriations as previously set in the budget, but is important for assessing the funding requirements and funding progress of the State employee and teacher plan(s).

Member contribution rates are set by statute.

Employer Contribution Rate

As used in this valuation, and because of the way in which the State establishes and manages its budget, “employer contribution rate” means the percentage that is applied to a particular active member payroll to result in the required contribution amount in dollars for the group represented by the payroll.

Description of Rate Components

The Entry Age Normal method was used to develop the employer contribution rates. Under this funding method, as with most other actuarial funding methods, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability rate. These elements are described in more detail below.

Normal Cost Rate

For State Employees, Teachers (MRTA) and each Special Plan Group, an individual entry age normal cost rate was determined for a typical new entrant of each respective group. This rate was determined by taking the value, as of age at entry into the plan, of the member’s projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member’s entry age, of the member’s expected future salary. The normal cost rate, so determined separately for each group, was assumed applicable to all active members of the group.

Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions and current assets. The unfunded actuarial liability rate (or amortization rate) is the level percent of active member payroll that, when applied to each year’s payroll, is sufficient to amortize the unfunded actuarial liability over 19 years from June 30, 2000.

Total Contribution Rate Summary

In Table IV-1 we present total contribution rates, determined as of June 30, 2000. These were developed using actuarial assumptions and methods described in Appendix C. The State’s budget cycle and process are such that this FY 2000 actuarial valuation is the basis for the State’s employer contributions for both years of the FY2002-2003 biennium. The derivations of the unfunded actuarial liability rates for each group are shown in Table IV-2.



**TABLE IV-1
RECOMMENDED STATE CONTRIBUTION RATES*,**
FOR FISCAL YEAR 2001/2002**

	NORMAL COST	UNF ACTRL LIAB	TOTAL CONTRIBUTION RATE
STATE EMPLOYEES	6.04%	6.30%	12.34%
SPECIAL GROUPS			
State Police (Closed Plan)	17.84%	18.62%	36.46%
Marine Resources Officers (Closed Plan)	17.84%	18.62%	36.46%
Inland Fisheries & Wildlife Officers (Closed Plan)	17.84%	18.62%	36.46%
Prison Employees (Closed Plan)	9.04%	9.44%	18.48%
Liquor Inspectors (Closed Plan)	8.24%	8.60%	16.84%
Forest Rangers (Closed Plan)	7.34%	7.66%	15.00%
State Police New	9.15%	9.55%	18.70%
1998 Special Plan	6.89%	7.19%	14.08%
MRTA TEACHERS	6.04%	12.05%	18.09%

* Does not include the cost of retiree health insurance, which is separately established by the State, or the cost of System operations.

** These exact rates are not necessarily those that are in fact used in the State's budget/budget process, principally because the State develops its own salary projections for member groups which may be different than those used in the valuation.



ACTUARIAL VALUATION: STATE/TEACHER

TABLE IV-2
June 30, 2000, Valuation
DERIVATION OF UNFUNDED ACTUARIAL LIABILITY RATES

	STATE REGULAR	SP, MRO IF&WO ¹	PRISON EMPLOYEES	LIQUOR INSPECTORS	FOREST RANGERS	STATE POLICE NEW	1998 SPECIAL PLAN	ALLSTATE EMPLOYEES	MRTA TEACHERS
1. Present Value of Future Benefits	2,659,821,122	229,406,771	40,156,094	4,223,808	21,423,039	24,432,686	123,067,359	3,102,530,879	5,691,905,104
2. Normal Cost Rate	6.04%	17.84%	9.04%	8.24%	7.34%	9.15%	6.89%	6.39% ²	6.04%
3. Present Value of Future Payroll	2,845,611,758	6,893,038	6,241,131	926,739	4,857,050	66,118,292	230,825,073	3,161,473,081	6,570,226,454
4. Present Value of Future Normal Costs: (2) x (3)	171,874,950	1,229,718	564,198	76,363	356,507	6,049,824	15,903,848	196,055,408	396,841,678
5. Present Value of Future Member Contributions	217,689,299	596,248	539,858	70,896	420,135	5,719,232	19,966,369	245,002,037	502,622,324
6. Actuarial Liability: (1) - (4) - (5)	2,270,256,873	227,580,805	39,052,038	4,076,549	20,646,397	12,663,630	87,197,142	2,661,473,434	4,792,441,102
7. Actuarial Value of Assets	-	-	-	-	-	-	-	2,204,617,970	3,283,102,199
8. Unfunded Actuarial Liability (UAL): (6) - (7)	-	-	-	-	-	-	-	456,855,464	1,509,338,903
9. Estimated Payroll	-	-	-	-	-	-	-	446,701,574	817,116,771
10. Amortization Factor	-	-	-	-	-	-	-	15.3353	15.3353
11. Unfunded Actuarial Liability Rate: (8)/(9)/(10)	-	-	-	-	-	-	-	6.67% ³	12.05%
12. Allocation of UAL Rate to Plans	6.30%	18.62%	9.44%	8.60%	7.66%	9.55%	7.19%	N/A	N/A

¹ SP=State Police; MRO = Marine Resources Officers; IF&WO = Inland Fisheries & Wildlife Officers

² The average normal cost rate is based on valuation payrolls.

³ The Pooled UAL rate is allocated among State Regular and Special Groups on the basis of the ratio of the 6.35% aggregate normal cost rate as compared to the individual normal cost rates.

ACTUARIAL VALUATION: STATE/TEACHER



APPENDIX A SUMMARY OF MEMBERSHIP DATA ACTIVE MEMBER DATA

	<u>Count</u>	<u>Average Current Age</u>	<u>Average Service</u>	<u>Average Valuation Pay</u>
Teachers	27,503	44.4	13.5	\$ 29,710
State Regular	12,703	45.0	12.8	\$ 30,217
Forest Rangers (Closed Plan)	38	47.5	22.7	\$ 41,469
Inland Fisheries & Wildlife Officers (Closed Plan)	30	49.7	25.4	\$ 44,059
Liquor Inspectors (Closed Plan)	8	51.6	25.1	\$ 39,284
Prison Employees (Closed Plan)	81	50.6	22.6	\$ 40,045
State Police (Closed Plan)	100	45.4	20.3	\$ 49,424
Marine Resources Officers (Closed Plan)	14	47.5	22.8	\$ 44,541
State Police New	249	32.8	6.9	\$ 33,797
1998 Special Plan	1,297	41.7	9.7	\$ 32,708
State Totals (Excludes Teachers)	14,520	44.6	12.6	\$ 30,765

NON-ACTIVE MEMBER DATA TEACHERS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	8,344	\$ 131,652,846	\$ 15,778
<u>Retired</u> (Option 4 Concurrent Beneficiary)	1,082	\$ 4,095,218	\$ 3,785
<u>Disabilities/1122</u>	10	\$ 169,960	\$ 16,996
<u>Disabilities/3 and 3-A</u>	616	\$ 11,575,010	\$ 18,791
<u>Beneficiaries</u>	647	\$ 7,164,112	\$ 11,073
<u>Pre-Retirement Death Benefits</u>	311	\$ 1,408,942	\$ 4,530
<u>Terminated Vested</u>	914	\$ 7,564,595	\$ 8,276



ACTUARIAL VALUATION: STATE/TEACHER

NON-ACTIVE MEMBER DATA STATE REGULAR

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	6,321	\$ 81,321,748	\$ 12,865
<u>Retired</u> (Option 4 Concurrent Beneficiary)	1,115	\$ 3,917,310	\$ 3,513
<u>Disabilities/1122</u>	17	\$ 239,830	\$ 14,108
<u>Disabilities/3 and 3-A</u>	967	\$ 13,778,726	\$ 14,249
<u>Beneficiaries</u>	1,382	\$ 11,850,956	\$ 8,575
<u>Pre-Retirement Death Benefits</u>	609	\$ 2,844,484	\$ 4,671
<u>Terminated Vested</u>	692	\$ 5,098,484	\$ 7,368

NON-ACTIVE MEMBER DATA SPECIAL GROUPS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	630	\$ 14,247,003	\$ 22,614
<u>Retired</u> (Option 4 Concurrent Beneficiary)	131	\$ 528,499	\$ 4,034
<u>Disabilities/1122</u>	3	\$ 41,146	\$ 13,715
<u>Disabilities/3 and 3-A</u>	9	\$ 159,694	\$ 17,744
<u>Beneficiaries</u>	112	\$ 1,257,153	\$ 11,225
<u>Terminated Vested</u>	0	\$ 0	\$ N/A



APPENDIX B SUMMARY OF PLAN PROVISIONS STATE EMPLOYEES AND TEACHERS

1. Membership.

Membership is a condition of employment for state employees and teachers, and optional for elected and appointed officials. Membership ceases on the earlier of withdrawal of contributions, retirement, or death.

2. Member Contributions.

Except as otherwise described below, members are required to contribute 7.65% of earnable compensation.

Contribution requirements for special groups:

- State police, inland fisheries and wildlife officers, and marine resources officers employed before September 1, 1984 - 8.65% of earnable compensation for 20 years; 7.65% thereafter.
- Forest rangers and state prison employees employed before September 1, 1984 - 8.65% of earnable compensation until eligible for retirement; 7.65% thereafter.
- 1998 Special Plan employees employed after August 31, 1984 which include state prison employees, airplane pilots, forest rangers, inland fisheries and wildlife officers, marine resources officers, liquor inspectors and defense, veterans and emergency management firefighters employed at Bangor International Airport - 8.65% of earnable compensation for 25 years; 7.65% thereafter.
- State police employed on or after September 16, 1984 and special agent investigators hired before June 21, 1982 - 8.65% of earnable compensation for 25 years; 7.65% thereafter.

3. Average Final Compensation.

For purposes of determining benefits payable under the System, average final compensation is the average annual rate of earnable compensation for the three years of creditable service (not necessarily consecutive) which produce the highest such average.

For compensation paid on or after July 1, 1993, increases in earnable compensation of greater than 5% per year or 10% over the highest three years are not included in calculating average final compensation unless the employer pays the cost of including such compensation.

Earnable compensation does not include sick and vacation pay for those members who had less than 10 years of service at July 1, 1993. For members for whom sick and vacation pay is includible in earnable compensation, these payments are included in applying the caps described in the preceding paragraph.

4. Creditable Service.

Creditable service includes service while a member, certain service prior to the establishment of the System, purchased military service credit, other purchased service credit, and service while receiving disability benefits under the System.



**SUMMARY OF PLAN PROVISIONS
FOR STATE EMPLOYEES AND TEACHERS
(continued)**

5. Service Retirement Benefits.

A. Regular plan (state employees and teachers)

Eligibility for members with at least 10 years of creditable service on July 1, 1993

Normal Retirement Age: 60

Eligibility for members in active service and inactive members: 25 years of creditable service.

Eligibility alternative for members in active service: at least one year of creditable service immediately before retirement and at least normal retirement age.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999: at least 10 years of creditable service and at least normal retirement age.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999: at least 5 years of creditable service and at least normal retirement age.

Benefit - $1/50$ of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by approximately $2\frac{1}{4}\%$ for each year retirement age is less than 60.

Form of payment - life annuity.

Eligibility for members with less than 10 years of creditable service on July 1, 1993

Normal Retirement Age: 62

Eligibility for members in active service and inactive members: 25 years of creditable service.

Eligibility alternative for members in active service: at least one year of creditable service immediately before retirement age and at least normal retirement age.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999: at least 10 years of creditable service and at least normal retirement age.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999: at least 5 years of creditable service and at least normal retirement age.

Benefit - $1/50$ of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by 6% for each year retirement age is less than age 62.

Form of payment - life annuity.



**SUMMARY OF PLAN PROVISIONS
FOR STATE EMPLOYEES AND TEACHERS
(continued)**

5. Service Retirement Benefits (continued)

B. Special Plans (state employees)

State police employed before September 16, 1984; inland fisheries and wildlife officers and marine resource officers employed before September 1, 1984:

Eligibility - 20 years of creditable service in named positions.

Benefit - 1/2 of average final compensation plus 2% for each year of service in excess of 20. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of payment - 50% joint and survivor annuity, or life annuity.

Forest rangers employed before September 1, 1984:

Eligibility - age 50 with 25 years of creditable service as a forest ranger.

Benefit - 1/2 of average final compensation plus 2% for each year of service earned after qualification for retirement. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of payment - life annuity.

Airplane pilots employed before September 1, 1984:

Eligibility - age 55 and 25 years of creditable service as an airplane pilot.

Benefit - greater of (1) 1/2 of average final compensation plus 2% for each year of service earned after qualification for retirement, and (2) if retiring after age 60, the benefit under the general formula.

Form of payment - life annuity.

Liquor inspectors employed before September 1, 1984:

Eligibility - age 55 and 25 years of creditable service as a liquor inspector.

Benefit - 1/2 of average final compensation plus 2% for each year of service earned after qualification for retirement. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of payment - life annuity.

State prison employees employed before September 1, 1984:

Eligibility - age 50 and 20 years of creditable service as a prison employee.

Benefit - 1/2 of average final compensation plus 2% for each year of service earned after qualification for retirement.

Form of payment - life annuity.



ACTUARIAL VALUATION: STATE/TEACHER

SUMMARY OF PLAN PROVISIONS FOR STATE EMPLOYEES AND TEACHERS (continued)

5. Service Retirement Benefits (continued)

1998 Special Plan

1998 entrants: State police employed on or after September 16, 1984; state prison employees, airplane pilots, forest rangers, inland fisheries and wildlife officers, marine resources officers and liquor inspectors, employed before September 1, 1984; defense, veterans and emergency management firefighters employed on and after July 1, 1998.

2000 entrants: Baxter State Park Authority rangers, correctional employees and state fire marshals employed on or after January 1, 2000.

Eligibility - 10 years of creditable service under the 1998 Special Plan in one or a combination of the covered capacities after June 30, 1998 (1998 entrants) or after December 31, 1999 (2000 entrants), and the attainment of age 55 - OR - 25 years of creditable service in one or a combination of the covered capacities.

Benefit - for service prior to July 1, 1998 (1998 entrants) or prior to January 1, 2000 (2000 entrants), 1/50 of average final compensation multiplied by years of service reduced for retirement before age 60 or 62, except state police and certain prison employee benefits are reduced for retirement before age 55.

- AND -

for service starting on July 1, 1998 (1998 entrants) or on January 1, 2000 (2000 entrants), 1/50 of average final compensation multiplied by years of service reduced for retirement before age 55.

Form of payment - life annuity.

State Police New 25 and Out Plan

State Police employed on or after September 16, 1984 and special agent investigators hired before June 21, 1982.

Eligibility - 25 years of creditable service in named positions.

Benefit - 1/2 of average final compensation plus 2% for each year of service in excess of 25.

Form of payment - life annuity.

Members in Special Plans who fail to qualify for special plan benefits can receive regular plan benefits when and as eligible and qualified.

6. Disability Retirement Benefits other than No Age Benefits

Eligibility - disabled as defined in the MSRS statutes, prior to normal retirement age; employed prior to October 16, 1992 and did not elect No Age Disability Benefits.

Benefit - 66 2/3% of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with Workers' Compensation and Social Security, exceeds 80% of average final compensation.



SUMMARY OF PLAN PROVISIONS FOR STATE EMPLOYEES AND TEACHERS (continued)

6. Disability Retirement Benefits other than No Age Benefits (continued)

Form of payment - payment begins on termination of service and ceases on cessation of disability or after five or two years, depending on disability plan, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of 10 years following normal retirement age or date the service retirement benefit equals or exceeds the disability benefit.

Conversion to service retirement - during the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 66-2/3% of average final compensation or 10 years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

7. No Age Disability Retirement Benefits

Eligibility - disabled as defined in the MSRS statutes; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

Benefit - 59% of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with Workers' Compensation and Social Security, exceeds 80% of average final compensation.

Form of payment - payment begins on termination of service and ceases on cessation of disability or after five or two years, depending on disability plan, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit equals or exceeds the disability benefit.

Conversion to service retirement - during the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 59% of average final compensation the disability benefit converts to a service retirement benefit based on the service and average final compensation at that point.

8. Pre-Retirement Ordinary Death Benefits

Eligibility - death while active or disabled.

Benefit - designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 12); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent child(ren), parent, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parents, or estate.

9. Pre-Retirement Accidental Death Benefits

Eligibility - death while active or disabled resulting from an injury received in the line of duty.

Benefit - if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death.



SUMMARY OF PLAN PROVISIONS FOR STATE EMPLOYEES AND TEACHERS (continued)

9. Pre-Retirement Accidental Death Benefits (continued)

- if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive 2/3 of member's average final compensation until death.
- if the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's average final compensation. When there is no longer any dependent child the surviving spouse shall receive 2/3 of member's average final compensation until death.
- if the member leaves no spouse, the dependent child(ren) shall be paid an annual sum equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

10. Refund of Contributions

Eligibility - termination of service without retirement or death.

Benefit - member's accumulated contributions with interest.

11. Cost-of-Living Adjustments

All service and disability retirement and survivor benefits are adjusted each year that there is a percentage change in the Consumer Price Index, based on the Index.

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for twelve months. The maximum annual increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipient's service retirement benefit if and when the recipient moves to service retirement.

Members on service retirement who did not have 10 years of service on July 1, 1993 will not receive a cost-of-living adjustment until 12 months after their normal retirement age.

12. Methods of Payment of Service Retirement Benefits

At retirement, a member who retires with a benefit must choose from the following methods of payment:

Full Benefit: Unadjusted benefit paid for the life of the member only.

Option 1: Cash refund equal to the remaining employee contribution balance, if any, at the date of death (where the employee contribution balance has been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions.)

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.



**SUMMARY OF PLAN PROVISIONS
FOR STATE EMPLOYEES AND TEACHERS
(continued)**

12. Methods of Payment of Service Retirement Benefits (continued)

Option 4: Joint and survivor annuity at any percentage other than those available under Option 2 and Option 3.

Option 5: Designated percentage of the benefit (not less than 51%) payable to the member, with the remaining percentage (the two to equal 100%) payable to a beneficiary (may only be a sole beneficiary) while both are alive. At the death of either, the higher of the two percentages is paid to the survivor for the survivor's life, and the lower percentage benefit ceases to be paid.

Option 6: 100% joint and survivor annuity with pop-up*.

Option 7: 50% joint and survivor annuity with pop-up*.

Option 8: Option 4 with pop-up*.

* The "pop-up" feature attached to a given Option means that in the case of a beneficiary predeceasing the member, the member's benefit will be revised to the amount that would have been paid had the member selected the full benefit payment option upon retirement.



ACTUARIAL VALUATION: STATE/TEACHER

APPENDIX C ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

	<u>State Employees</u>	<u>Teachers</u>
1. Rate of Investment Return	8.0%	8.0%
2. Cost-of-living Increases in Benefits	4.0%	4.0%
3. Rates of Salary Increase (% at Selected Ages)	<u>Age</u>	<u>State Employees & Teachers</u>
	20	9.5
	25	8.3
	30	7.2
	35	6.7
	40	6.2
	45	5.7
	50	5.5
	55	5.5
	60	5.5
	65	5.5

The above rates include a 5½% across-the-board increase at each age.

Calculations have been adjusted to account for the 5% per year/10% over three-years cap on final pay.

4. Rates of Termination at Select and Ultimate Service (% at Selected ages)*	<u>Age</u>	<u>State Employees</u>			<u>Teachers</u>		
		<u>Service</u>			<u>Service</u>		
		0-1	1-2	2+	0-1	1-2	2+
	20	25.0	17.5	18.8	33.0	24.0	18.8
	25	25.0	17.5	12.5	27.5	24.0	12.5
	30	25.0	17.5	10.0	27.5	24.0	10.4
	35	25.0	17.5	7.5	27.5	24.0	8.3
	40	25.0	17.5	5.0	27.5	24.0	6.1
	45	25.0	17.5	5.0	27.5	24.0	4.0
	50	25.0	17.5	5.0	27.5	24.0	4.0
	55	20.0	17.5	5.0	27.5	24.0	4.0

* Members with 10 or more years of service and whose age plus service totals 60 or more are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

	<u>Age</u>	<u>State Employees</u>		<u>Teachers</u>	
		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
5. Rates of Active Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)*	20	5	3	5	3
	25	7	3	6	3
	30	9	4	7	3
	35	9	5	8	4
	40	12	8	10	6
	45	17	10	14	9
	50	28	15	24	13
	55	48	25	40	21
	60	86	48	73	41
	65	156	93	133	79
	70	255	148	217	125

* For State Regular and Teachers, 5% of deaths assumed to be accidental; for State Special, 20% of deaths assumed to be accidental.

	<u>Age</u>	<u>State Employees</u>		<u>Teachers</u>	
		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
6. Rates of Inactive Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)	20	5	3	5	2
	25	6	3	6	3
	30	8	5	7	4
	35	11	7	10	6
	40	16	9	14	8
	45	29	14	23	12
	50	53	22	42	18
	55	85	33	71	27
	60	131	55	109	44
	65	213	96	174	77
	70	361	165	292	129
7. Rates of Mortality for Future Anticipated Disabled Members at Selected Ages (number of deaths per 10,000 members)	25	92	72	92	72
	30	112	89	112	89
	35	134	109	134	109
	40	160	126	160	126
	45	193	144	193	144
	50	236	165	236	165
	55	295	191	295	191
	60	362	226	362	226
	65	446	272	446	272
	70	576	331	576	331



ACTUARIAL VALUATION: STATE/TEACHER

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

8. Rates of Inactive Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	State Employees		Teachers	
		Male	Female	Male	Female
	25	391	528	391	528
	30	315	467	315	467
	35	321	326	321	326
	40	332	215	332	215
	45	349	191	349	191
	50	376	207	376	207
	55	420	240	420	240
	60	488	288	488	288
	65	595	366	595	366
	70	763	487	763	487

9. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	State Employees*	Teachers
		45	35
	50	57	25
	55	150	113
	59	180	183
	60	350	350
	61	350	350
	62	350	350
	63	350	350
	64	350	350
	65	350	350
	70	1000	1000

* Members of Special Groups are assumed to retire when first eligible for unreduced benefits.

10. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)**	Age	State Employees	Teachers
		25	6.8
	30	7.6	5.0
	35	10.2	5.0
	40	19.0	6.8
	45	27.9	15.5
	50	42.7	24.3
	55	81.0	33.0
	60	119.3	41.8

**10% assumed to receive Workers' Compensation benefits of 66-2/3% of pay; also, rates for State Special groups are higher by 7 per 10,000 at all ages. Note: Disability costs calculated using these rates were reduced 15% to reflect favorable experience.



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

- | | |
|------------------------------------|---|
| 11. Family Composition Assumptions | 80% of active members are married and have two children born when the member is 24 and 28; children are dependent until age 18; female spouse is three years younger than male spouse; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries. |
| 12. Vacation/Sick Leave Credits | For members who had 10 years of service on July 1, 1993, credits for unused vacation and sick leave may be used to increase average final compensation and/or creditable service. In order to reflect this, projected benefits are increased by 1.0% for state employees and 1.3% for teachers. |

Actuarial Methods

1. Funding Method

The Entry Age Normal method is used to determine costs. Under this funding method, a total contribution rate is determined which consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

For Teachers (MRTA) and State Employees, including each of the State Special Groups, a normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

In addition to contributions required to meet the System's normal cost, contributions will be required to fund the System's unfunded actuarial liability. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs and future member contributions. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the System's assets. The actuarial liability includes projections of future member pay increases and future service credits and should not be confused with the Accrued Benefit Liability.

The unfunded actuarial liability is amortized by annual payments over a 19 year period from July 1, 2000. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 5.5% per year.

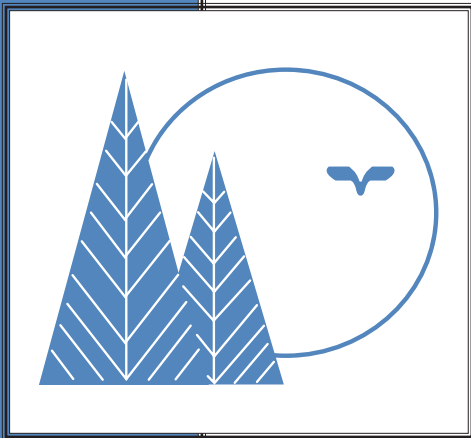
The funding components are described in greater detail in Part IV.

2. Asset Valuation Method

For purposes of this June 30, 2000 actuarial valuation, assets are valued at an "actuarial value" as described in Part II.

ACTUARIAL
VALUATION:

LEGISLATIVE
RETIREMENT SYSTEM





INTRODUCTION

This report presents the results, as of June 30, 2000, of the actuarial valuation of the Maine Legislative Retirement System.

Schedule A, following this introduction, contains the cost results, assets, liabilities, and accounting disclosure information. Schedule B presents a summary of plan provisions and Schedule C presents a description of actuarial assumptions and methods used in determining costs, including a description of the funding method.



ACTUARIAL VALUATION: LEGISLATIVE RETIREMENT SYSTEM

SCHEDULE A PARTICIPANT DATA

Number of:	<u>June 30, 2000</u>
Active Members	169
Retired Members	58
Beneficiaries of Retired Members	10
Survivors of Deceased Members	2
Disabled Members	0
Vested Deferred Members	5
Inactive Non-Vested Members	100
Active Payroll	\$ 1,758,251
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 85,534

COST RESULTS

Employer Normal Cost ¹	0.00%
Unfunded Actuarial Liability	<u>N/A</u>
Total Cost	0.00%

¹Employer Normal Cost includes Retirement Benefits, Disability, and Survivor Benefit costs.

ACCOUNTING INFORMATION

1. GASB Disclosure	
a. Actuarial Accrued Liability*	
Retirees and beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	\$ 1,273,130
Current employees	
- Accumulated employee contributions including allocated investment earnings	\$ 900,130
- Employer-financed vested	\$ 64,529
- Employer-financed non-vested	\$ 3,584,651
Total Actuarial Accrued Liability (AAL)*	\$ 5,822,440
b. Actuarial Value of Assets (AVA)	\$ 5,822,440
c. Unfunded Actuarial Accrued Liability	\$ 0
2. Other Accounting Information	
a. Market Value of Assets	\$ 6,288,189
b. Unfunded Accrued Liability (not less than \$0)	\$ 0
c. Amortization Period	N/A

*The Aggregate actuarial funding method does not, technically, define an AAL. For purposes of GASB#25 disclosure, in which all plans are combined, we have shown an Accrued Actuarial Liability exactly equal to the Actuarial Value of Assets.



SCHEDULE B SUMMARY OF PLAN PROVISIONS

1. Membership.

Except as provided by statute, membership is mandatory for legislators entering on or after December 3, 1986, and optional for those who were members of the Maine State Retirement System on December 2, 1986. Membership ceases on the earlier of withdrawal of contributions, retirement, or death.

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation.

For purposes of determining benefits payable under the System, average final compensation is the average annual rate of earnable compensation for the three years of creditable service (not necessarily consecutive) as a legislator which produce the highest such average.

4. Creditable Service.

Creditable service includes the following:

- A. All legislative service as a member after December 2, 1986;
- B. All legislative service before December 3, 1986, for which contributions are made at the rate applicable to the Maine State Retirement System, including appropriate interest;
- C. Service credited while receiving disability benefits under the System; and
- D. All service creditable under the Maine State Retirement System as a State Employee, provided the member elects to have the member's own and the employer's contributions on behalf of such service transferred to the legislative system.

5. Service Retirement Benefits.

Eligibility for members with at least 10 years of creditable service on July 1, 1993:

Eligibility for members in active service and inactive members - 25 years of creditable service.

Eligibility alternative for members in active service - attainment of age 60.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999 - attainment of age 60 and 10 years of creditable service.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999 - attainment of age 60 and 5 years of creditable service.

Eligibility for members with less than 10 years of creditable service on July 1, 1993:

Eligibility for members in active service and inactive members - 25 years of creditable service.

Eligibility alternative for members in active service - attainment of age 62.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999 - attainment of age 62 and 10 years of creditable service.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999 - attainment of age 62 and 5 years of creditable service.



SUMMARY OF PLAN PROVISIONS (continued)

For eligibility, creditable service includes service under the Maine State Retirement System.

Benefit: $1/50$ of average final compensation multiplied by years of creditable service, reduced for retirement before age 60 at the rate of approximately $2\frac{1}{4}\%$ for each year retirement age is less than age 60, for members with at least 10 years creditable service on July 1, 1993; reduced for retirement before age 62 at a rate of 6% for each year retirement age is less than age 62, for members with less than 10 years creditable service on July 1, 1993; minimum benefit \$100 per month if at least 10 years of creditable service.

Form of payment: life annuity.

6. Disability Retirement Benefits Other Than No Age Benefits

Eligibility: disabled as defined in the MSRS statutes, prior to normal retirement age; employed prior to October 16, 1992 and did not elect No Age Disability Option.

Benefit: $66\text{-}2/3\%$ of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with Workers' Compensation and Social Security, exceeds 80% of average final compensation.

Form of Payment: payment begins on termination of service and ceases on cessation of disability or after 5 years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of 10 years following normal retirement age or date the service retirement benefit equals or exceeds the disability benefit.

Conversion to Service Retirement: during the period of disability, average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of $66\text{-}2/3\%$ of average final compensation or 10 years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

7. No Age Disability Retirement Benefits.

Eligibility: disabled as defined in the MSRS statutes; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

Benefit: 59% of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with Workers' Compensation and Social Security, exceeds 80% of average final compensation.

Form of Payment: payment begins on termination of service and ceases on cessation of disability or after five years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit equals or exceeds the disability benefit.

Conversion to service retirement: during the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 59% of average final compensation the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

Benefit: designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 12); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent



SUMMARY OF PLAN PROVISIONS (continued)

child(ren), parents, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise, accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parent or estate.

9. Pre-Retirement Accidental Death Benefits.

Eligibility: death while active or disabled resulting from injury received in the line of duty.

Benefit: if the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death.

- if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive two-thirds of member's average final compensation until death.
- if the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive two-thirds of member's average final compensation until death.
- if the member leaves no spouse, the dependent child(ren) shall be paid an annual amount equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

10. Refund of Contributions.

Eligibility: termination of service without retirement or death.

Benefit: member's accumulated contributions with interest.

11. Cost-of-living Adjustments (COLA).

All service and disability retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index (CPI), based on the Index.

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for twelve months. The maximum increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipients service retirement benefit if and when the recipient moves to service retirement.

Members on service retirement who did not have at least 10 years creditable service on July 1, 1993 are not eligible to receive a cost-of-living adjustment until 12 months after their normal retirement age.



SUMMARY OF PLAN PROVISIONS (continued)

12. Methods of Payment of Service Retirement Benefits.

At retirement, a member who retires with a benefit must choose from the following methods of payment:

Full Benefit: Unadjusted benefit is paid for the life of the member only.

Option 1: Cash refund equal to the remaining employee contribution balance, if any, at the date of death (where the employee contribution balance has been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions).

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Joint and survivor annuity at any percentage other than those available under Option 2 and Option 3.

Option 5: Designated percentage of the benefit (not less than 51%) payable to the member, with the remaining percentage (the two to equal 100%) payable to a beneficiary (may only be a sole beneficiary) while both are alive. At the death of either, the higher of the two percentages is paid to the survivor for the survivor's life, and the lower-percentage benefit ceases to be paid.

Option 6: 100% joint and survivor annuity with pop-up*.

Option 7: 50% joint and survivor annuity with pop-up*.

Option 8: Option 4 with pop-up*.

* The "pop-up" feature attached to a given Option means that in the case of a beneficiary predeceasing the member, the member's benefit will be revised to the amount that would have been paid had the member selected the full benefit payment option upon retirement.



SCHEDULE C SUMMARY OF ACTUARIAL ASSUMPTIONS

This schedule summarizes the actuarial assumptions and methods used in the valuation.

A. ACTUARIAL ASSUMPTIONS

1. Annual Rate of Investment Return: 8.0%
2. Annual Rate of Salary Increase: 5.5%
3. Annual Cost-of-living Increase: 4.0%
4. Normal Retirement Age:
 - Age 60 for members with at least 10 years creditable service on July 1, 1993.
 - Age 62 for members with less than 10 years creditable service on July 1, 1993.

5. Probabilities of employment termination at Selected Ages:

Age	due to:	Disability	Termination	Death	
				Male	Female
25		.0006	.07	.0007	.0003
30		.0006	.06	.0009	.0004
35		.0007	.05	.0009	.0005
40		.0011	.04	.0012	.0008
45		.0022	.03	.0017	.0010
50		.0042	.02	.0028	.0015
55		.0072	.01	.0048	.0025

6. Rates of Healthy Life Mortality at Selected Ages:

Age	Currently Active Employees		Currently Retired Employees	
	Male	Female	Male	Female
25	.0007	.0003	.0006	.0003
30	.0009	.0004	.0008	.0005
35	.0009	.0005	.0011	.0007
40	.0012	.0008	.0016	.0009
45	.0017	.0010	.0029	.0014
50	.0028	.0015	.0053	.0022
55	.0048	.0025	.0085	.0033



SUMMARY OF ACTUARIAL ASSUMPTIONS
(continued)

7. Rates of Disabled Life Mortality at Selected Ages:

Age	Currently Active Employees		Currently Retired Employees	
	Male	Female	Male	Female
25	.0092	.0072	.0391	.0528
30	.0112	.0089	.0315	.0467
35	.0134	.0109	.0321	.0326
40	.0160	.0126	.0332	.0215
45	.0193	.0144	.0349	.0191
50	.0236	.0165	.0376	.0207
55	.0295	.0191	.0420	.0240

B. ACTUARIAL METHODS

FUNDING METHOD

The Aggregate actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of only one element, the normal cost rate. The normal cost rate is developed by taking the difference between the present value of future benefits, less future member contributions, and less the actuarial value of plan assets and dividing this difference by the present value of future payroll.

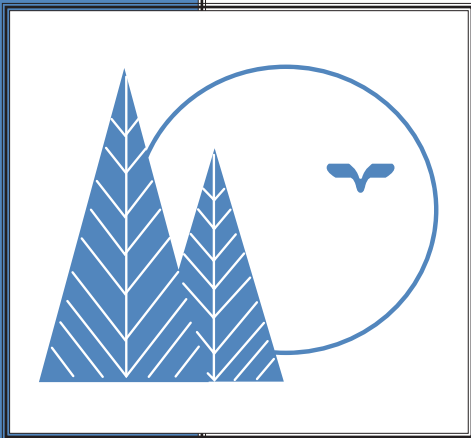
Under the Aggregate actuarial funding method there is no unfunded actuarial liability since the Actuarial Accrued Liability is set exactly equal to the actuarial value of assets.

ASSET VALUATION METHOD

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is in excess of the 8.00% actuarial assumption for investment return.

ACTUARIAL
VALUATION:

JUDICIAL RETIREMENT
SYSTEM





INTRODUCTION

This report presents the results, as of June 30, 2000, of the actuarial valuation of the Maine Judicial Retirement System.

Schedule A, following this introduction, contains the cost results, assets, liabilities, and accounting disclosure information. Schedule B presents a summary of plan provisions and Schedule C presents a description of actuarial assumptions and methods used in determining costs, including a description of the funding method.



ACTUARIAL VALUATION: JUDICIAL RETIREMENT SYSTEM

SCHEDULE A PARTICIPANT DATA

Number of:

Active Members	57
Retired Members	23
Beneficiaries of Retired Members	10
Survivors of Deceased Members	0
Disabled Members	0
Vested Deferred Members	2
Inactive Non-Vested Members	1
Annual Salaries of Active Members	\$ 5,242,615
Annual Retirement Allowance for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 1,577,806

COST RESULTS

Employer Normal Cost ¹	20.04%
Unfunded Actuarial Liability	- 5.18%
Total Cost	14.86%

¹Employer Normal Cost includes Retirement Benefits, Disability, and Survivor Benefit costs.

ACCOUNTING INFORMATION

1. GASB Disclosure

a. Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 15,977,393
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Current employees

- Accumulated employee contributions including allocated investment earnings	\$ 4,443,211
- Employer-financed vested	\$ 6,947,527
- Employer-financed non-vested	\$ 3,970,438

Total Actuarial Accrued Liability	\$ 31,338,569
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b. Actuarial Value of Assets	\$ 35,253,102
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c. Unfunded Actuarial Accrued Liability	\$ (3,914,533)
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2. Other Accounting Information

a. Market Value of Assets	\$ 38,073,066
b. Unfunded Accrued Liability (not less than \$0)	\$ 0
c. Amortization Period	17



SCHEDULE B

SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

1. Membership.

Membership is a condition of employment for all judges serving on or after December 1, 1984. Membership ceases on the earlier of withdrawal of contributions, retirement, or death.

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation.

For purposes of determining benefits payable under the System, average final compensation is the average annual rate of earnable compensation for the three years of creditable service (not necessarily consecutive) which produce the highest such average.

4. Creditable Service.

Creditable service includes the following:

- A. All judicial service as a member after November 30, 1984;
- B. All judicial service before December 1, 1984;
- C. Service credited while receiving disability benefits under the System; and
- D. All service creditable under the Maine State Retirement System provided the member elects to have his own and the employer's contributions on behalf of the service transferred to the judicial system.

5. Service Retirement Benefits.

Eligibility for members with at least 10 years of creditable service on July 1, 1993:

Eligibility for members in active service and inactive members - 25 years of creditable service.

Eligibility alternative for members in active service - attainment of age 70 with at least one year of service immediately before retirement.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999 - attainment of age 60 and 10 years of creditable service.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999 - attainment of age 60 and 5 years of creditable service.

Eligibility for members with less than 10 years of creditable service on July 1, 1993:

Eligibility for members in active service and inactive members - 25 years of creditable service.

Eligibility alternative for members in active service - attainment of age 70 with at least one year of service immediately before retirement.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999 - attainment of age 62 and 10 years of creditable service.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999 - attainment of age 62 and 5 years of creditable service.



SUMMARY OF PLAN PROVISIONS Retirement On or After December 1, 1984 (continued)

Benefit: sum of (1) For service after November 30, 1984 and before July 1, 1998 and creditable service allowed under Section 1302(3), 2% of average final compensation multiplied by years of service; for service on or after July 1, 1998, 3% of average final compensation multiplied by years of service, and (2) for judicial service prior to December 1, 1984, 75% of November 30, 1984 salary for the position held at retirement, pro-rated for prior service less than 10 years. The benefit is reduced for retirement before age 60 by the ratio of the amount of a life annuity due at age 60 to the amount of a life annuity due at the retirement age if at least 10 years creditable service on July 1, 1993; reduced for retirement before age 62 by 6% for each year the member's age is less than age 62, if less than 10 years creditable service on July 1, 1993.

Maximum benefit: for service before July 1, 1998, 60% of average final compensation; for service on or after July 1, 1998, 70% of average final compensation. Total benefit cannot exceed 70% of average final compensation except as provided under the minimum benefit provision.

Minimum benefit: for a judge in service and age 50 or older on December 1, 1984, 75% of salary on June 30, 1984 for the position held at retirement, increased by 6% per year from June 30, 1984 to June 30, 1989 or retirement date if earlier, and increased beyond June 30, 1989 by the cost-of-living increase granted the previous September.

Form of payment: life annuity; except, for a judge in service and age 50 before December 1, 1984, 50% joint and survivor annuity to surviving spouse.

6. Disability Retirement Benefits Other Than No Age Benefits.

Conditions: disabled as defined in the Judicial Retirement System statutes, prior to Normal Retirement Age; employed as a judge prior to October 16, 1992 and did not elect No Age Disability.

Benefit: 66-2/3% of average final compensation, reduced by the amount by which employment earnings plus the disability allowance exceeds the current salary of the position held at disability, and to the extent that the benefit, in combination with Workers' Compensation, exceeds 80% of average final compensation. A member in service on November 30, 1984, may elect benefits applicable for retirement before December 1, 1984.

Form of Payment: payment begins on termination of service and ceases on cessation of disability or after two years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of attainment of age 70 and date the service retirement benefit exceeds the disability benefit.

Conversion to Service Retirement: during the period of disability, average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 66 2/3% of average final compensation, or at age 70, if earlier, the disability benefit converts to a service retirement benefit based on service and pay at that point.

7. No Age Disability Retirement Benefits.

Conditions: disabled as defined in the Judicial Retirement statutes; employed as a judge on or after October 16, 1992 or employed as a judge prior to October 16, 1992 and elected the provisions of No Age Disability.

Benefit: 59% of average final compensation, reduced by the amount by which employment earnings plus the disability allowance exceeds the current salary of the position held at disability, and to the extent that the benefit, in combination with Workers' Compensation exceeds 80% of average final compensation. A member in service on November 30, 1984 may elect benefits applicable for retirement before December 1, 1984.



SUMMARY OF PLAN PROVISIONS Retirement On or After December 1, 1984 (continued)

Form of payment: payment begins on termination of service and ceases on cessation of disability or after two years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit exceeds the disability benefit.

Conversion to service retirement: during the period of disability, average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 59% of average final compensation the disability benefit converts to a service retirement benefit based on service and pay at that point.

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

Benefit: designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 12); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent child(ren), parents, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise, accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parent or estate.

Minimum Benefit: for a judge in service prior to December 1, 1984, one-half of the judge's retirement benefit determined on date of death, payable to the spouse and/or dependent children.

9. Pre-Retirement Accidental Death Benefits.

Eligibility: death while active or disabled resulting from injury received in the line of duty.

Benefit: if the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death.

- if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive two-thirds of member's average final compensation until death.
- if the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive two-thirds of member's average final compensation until death.
- if the member leaves no spouse, the dependent child(ren) shall be paid an annual amount equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

10. Refund of Contributions.

Eligibility: termination of service without retirement or death.

Benefit: member's accumulated contributions with interest.

11. Cost-of-living Adjustments (COLA).

Except as described below, all service and disability retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index (CPI), based on the Index.



SUMMARY OF PLAN PROVISIONS Retirement On or After December 1, 1984 (continued)

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for twelve months. The maximum increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipient's service retirement benefit if and when the recipient moves to service retirement.

Members on service retirement who did not have at least 10 years creditable service on July 1, 1993 are not eligible to receive a cost-of-living adjustment until 12 months after the member reaches normal retirement age.

Minimum benefits are increased 6% per year from July, 1985, through July, 1989, and as described above thereafter.

12. Methods of Payment of Service Retirement Benefits

At retirement, a member must choose from the following methods of payment:

Full Benefit: Unadjusted benefit is paid for the life of the member only.

Option 1: Cash refund equal to the remaining employee contribution balance, if any, at the date of death (where the employee contribution balance has been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions).

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Joint and survivor annuity at any percentage other than those available under Option 2 and Option 3.

Option 5: Designated percentage of the benefit (not less than 51%) payable to the member, with the remaining percentage (the two to equal 100%) payable to a beneficiary (may only be a sole beneficiary) while both are alive. At the death of either, the higher of the two percentages is paid to the survivor for the survivor's life, and the lower-percentage benefit ceases to be paid.

Option 6: 100% joint and survivor annuity with pop-up*.

Option 7: 50% joint and survivor annuity with pop-up*.

Option 8: Option 4 with pop-up*.

*The "pop-up" feature attached to a given Option means that in the case of a beneficiary predeceasing the member, the member's benefit will be revised to the amount that would have been paid had the member selected the full benefit payment option upon retirement.



SUMMARY OF PLAN PROVISIONS Retirement Prior to December 1, 1984

1. **Currently Effective Annual Salary.**

For determination of benefit payments, currently effective annual salary is the salary on June 30, 1984 for the position last held, increased by 6% per year each July 1, beginning July 1, 1984.

2. **Regular Retirement Benefits.**

Eligibility: attainment of age 70 with 7 years of service, or attainment of age 65 with 12 years of service, or attainment of age 60 with 20 years of service.

Benefit: three-quarters of currently effective annual salary.

3. **Disability Benefits.**

Three-quarters of currently effective annual salary.

4. **Survivor Benefits.**

Three-eighths of currently effective annual salary, payable to the surviving spouse or dependent children.



ACTUARIAL VALUATION: JUDICIAL RETIREMENT SYSTEM

SCHEDULE C SUMMARY OF ACTUARIAL ASSUMPTIONS

This schedule summarizes the actuarial assumptions and methods used in the valuation.

A. ACTUARIAL ASSUMPTIONS

1. Annual Rate of Investment Return: 8.0%
2. Annual Rate of Salary Increase: 5.5%
3. Annual Cost-of-living Increase: 4.0%
4. Normal Retirement Age:
 - Age 60 for members with at least 10 years creditable service on July 1, 1993.
 - Age 62 for members with less than 10 years creditable service on July 1, 1993.
5. Probabilities of employment termination:

<u>Age</u>	due to: <u>Disability</u>	<u>Termination</u>	<u>Death</u>	
			<u>Male</u>	<u>Female</u>
25	.0006	.07	.0007	.0003
30	.0006	.06	.0009	.0004
35	.0007	.05	.0009	.0005
40	.0011	.04	.0012	.0008
45	.0022	.03	.0017	.0010
50	.0042	.02	.0028	.0015
55	.0072	.01	.0048	.0025

6. Rates of Healthy Life Mortality at Selected Ages:

<u>Age</u>	<u>Currently Active Employees</u>		<u>Currently Retired Employees</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	.0007	.0003	.0006	.0003
30	.0009	.0004	.0008	.0005
35	.0009	.0005	.0011	.0007
40	.0012	.0008	.0016	.0009
45	.0017	.0010	.0029	.0014
50	.0028	.0015	.0053	.0022
55	.0048	.0025	.0085	.0033



SUMMARY OF ACTUARIAL ASSUMPTIONS (continued)

7. Rates of Disabled Life Mortality at Selected Ages:

Age	Currently Active Employees		Currently Retired Employees	
	Male	Female	Male	Female
25	.0092	.0072	.0391	.0528
30	.0112	.0089	.0315	.0467
35	.0134	.0109	.0321	.0326
40	.0160	.0126	.0332	.0215
45	.0193	.0144	.0349	.0191
50	.0236	.0165	.0376	.0207
55	.0295	.0191	.0420	.0240

B. ACTUARIAL METHODS

FUNDING METHOD

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

The normal cost rate is developed for a typical new entrant. This rate is determined by taking the value, as of entry age to the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

In addition to contributions required to meet the plan's normal cost, contributions will be required to fund the plan's unfunded actuarial liability. The actuarial liability is defined as the present value of future benefits, less the present value of future normal costs and future member contributions. The unfunded actuarial liability is the total actuarial liability less the actuarial value of plan assets.

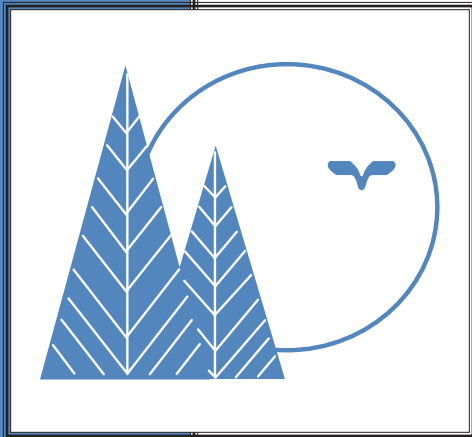
The unfunded liability is amortized by annual payments over a 17 year period from June 30, 2000. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 5.5% per year.

ASSET VALUATION METHOD

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is in excess of the 8.00% actuarial assumption for investment return.

ACTUARIAL
VALUATION:

CONSOLIDATED PLAN FOR
PARTICIPATING LOCAL
DISTRICTS





SECTION I EXECUTIVE SUMMARY

OVERVIEW

As of June 30, 2000, there were 227 participating local districts in the Consolidated Plan for Participating Local Districts (PLDs) of the Maine State Retirement System. This report presents the results of our June 30, 2000, actuarial valuation for this Plan. Comments on the findings of our valuation are presented below. Following our comments are detailed tables of the June 30, 2000, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

For the fourth year in a row, the Pooled Unfunded Actuarial Liability (PUAL) is negative as of this valuation date, due to investment returns greater than the assumed 8.0% and employee salary increases and post-retirement COLAs at less than the actuarially assumed rates. The negative PUAL is translated into a reduction in the normal cost rates otherwise payable. The amount of the reduction varies by plan; however, mathematically, the result is a net employer contribution rate that is less than zero in all Regular Plans and all Special Plans.

When the 1999 actuarial valuation for the Plan indicated a net contribution rate less than zero, the Board, based on our recommendation and its own policy decisions, decided to slightly reduce the then-existing rates and to undertake an intensive study to determine whether the funding methodology then in place was the best approach given the Plan's well-funded status. The study examined several funding methodologies intended to manage the volatility associated with a well- or fully-funded plan and to address policy concerns related to employer contribution rates at or near zero.

We prepared and the Board examined multiple scenarios illustrating the application of selected funding approaches and their results. The Board ultimately decided on the methodology that establishes an employer contribution rate that is fixed within a given range of full-funded status ("base rate"), is incrementally adjusted when the funded status falls outside of the upper or lower limits of the range and, except when the Board identifies compelling circumstances dictating otherwise, is never less than a given minimum rate. The Board further decided that the base rate, representing the aggregate of the rates related to the various plans within the Consolidated Plan that reflect the payroll-weighted normal cost and pooled UAL contributions under each plan, be set at 3% of payroll, that the upper and lower limits of the range be set at 130% and 90% of full funding, respectively, that the factor for incremental adjustments when funded status falls above or below the range be set at 10% of the difference between the calculated rate and the rate then in effect, and that the minimum base rate be set at 1% of payroll. As neither limit of the range is crossed in this current valuation, the base rate of 3% (which is the same as that set in the 1999 valuation) is in effect and the resulting rates for each plan in the Consolidated Plan are those shown in the chart in Section IV of this report.

In the following sections of the report we present detailed results on Plan Assets (Section II), Plan Liabilities (Section III), and Plan Contributions (Section IV). This report also contains four Appendices. Appendix A displays a list of the 227 PLDs that have entered the Plan and each PLD's benefit plan elections. Appendix B presents membership data and profiles and Appendix C provides a summary of benefit provisions of the plans within the Plan. Finally, an outline of all actuarial assumptions and procedures used in our valuation is contained in Appendix D.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

EXECUTIVE SUMMARY

(continued)

VALUATION COMMENTS

ASSETS

As of June 30, 2000, the Plan had assets, when measured on a market value basis, of \$1,443 million as compared to \$1,334 million as of June 30, 1999.

On an actuarial basis, using a method which smooths market fluctuations, the assets were valued at \$1,336 million on June 30, 2000, as compared to \$1,205 million as of June 30, 1999. The components of this change, in millions, are:

	Actuarial		Market
+	33	employer and member contributions	+ 33
-	57	payment of benefits and expenses	- 57
+	95	investment return per 8.0% assumption	+ 106
+	<u>60</u>	actuarial investment gain (actuarial rate of return @ 12.5%)	
		market investment gain (market rate of return @ 9.8%)	+ <u>27</u>
=	131	total increase in assets	= 109

Section II of this report presents more detailed information on System assets.

LIABILITIES

Throughout this report we discuss two types of liabilities: (1) Unfunded Actuarial Liabilities and (2) Unfunded Accrued Benefit Liabilities. In Section III, we discuss in detail the different uses and definitions of these terms.

In general, Actuarial Liabilities are calculated for purposes of determining future contributions. Since actuarial funding methods are used to determine costs for future retirement benefits, unfunded actuarial liabilities will include future increases in pay and service credits. The calculated amount of a plan's actuarial liabilities is directly dependent on the particular funding method used by the actuary; use of different funding methods would provide entirely different results, even when none of the factors (e.g., inflation, salary growth, etc.) is different. In this valuation, the "Entry Age Normal" method of funding was used.

As of June 30, 2000, the total actuarial liability for the Plan was \$1,290 million, as compared to \$1,218 million as of June 30, 1999. Comparing this to the actuarial value of assets of \$1,336 million produces an unfunded actuarial liability of (\$46) million. \$196 million has been allocated to PLDs as their Initial Unfunded Unpooled Actuarial Liabilities (IUUAL) (described in detail on page III-1), which yields a pooled surplus of \$242 million. As of June 30, 1999 the pooled surplus was \$179 million. The components of the increase in the surplus, in millions, are as follows:

ACTUARIAL VALUATION: CONSOLIDATED PLAN



EXECUTIVE SUMMARY (continued)

Pooled Unfunded Actuarial Liability, June 30, 1998	\$ (179)
◆ increase expected	(9)
◆ decrease due to asset gain (investment return)	(48)
◆ other (gains)/losses	<u>(6)</u>
Pooled Unfunded Actuarial Liability, June 30, 2000	\$ (242)

The unexpected decrease in unfunded actuarial liabilities from "other (gains)/losses" of \$6 million, is attributable to the difference between assumed and actual rates of pay increases, members retiring, terminating employment or dying.

The second type of liability presented in this report is the Accrued Benefit Liability. This represents the liabilities for all benefits to be paid in the future, based on members' earnings and service credits as of the valuation date. The difference between this figure and plan assets represents the Unfunded Accrued Benefit Liability. As of June 30, 2000, there is no Unfunded Accrued Benefit Liability.

More detailed information on plan liabilities is presented in Section III.

CONTRIBUTIONS

In Section IV of this report, we present detailed information on the development of Plan employer contribution rates, calculated as of June 30, 2000.

Employer contributions to the Plan consist of:

- ◆ a "normal cost contribution", for the portion of projected liabilities attributable to service of members during the year following the valuation date,
- ◆ a "pooled unfunded actuarial liability contribution", for the excess of projected liabilities allocated to service to date over assets on hand and receivables from PLDs entering the Plan with IUUALs.

The normal cost varies by plan and is shown in detail in Table IV-1.

The Pooled UAL rate for all employees changed from -9.3% of payroll as of June 30, 1999, to -11.9% of payroll as of June 30, 2000. The primary components of this change are shown below.

Pooled UAL Rate as of June 30, 1999	-9.3%
• investment gain (due to higher than expected investment returns)	-2.4%
• other (gains)/losses	<u>-0.2%</u>
Pooled UAL Rate as of June 30, 2000	-11.9%



ACTUARIAL VALUATION: CONSOLIDATED PLAN

EXECUTIVE SUMMARY (continued)

The PUAL rate as calculated above would normally be reflected in the FY 2002 contribution rates. The PUAL rate is allocated to the individual plans and is used to offset the individual plans' normal costs to develop the ultimate rate for each plan. Because the PUAL rate would nearly or completely offset the Normal Cost rate for the respective individual plans, resulting in rates of less than zero, and because of our recommendation against that result, the ensuing study and the Board's decision not to establish zero rates, the rates summarized in Table IV-1 are based on the PUAL rate as developed in the 1999 valuation, at which time the Board reduced slightly the 1998 valuation rates in effect to acknowledge the favorable plan experience since that valuation date.

Employees also contribute to the plans; rates are set out at Appendix C-1.

MEMBERS AND BENEFIT RECIPIENTS

The total active membership of the Consolidated Plan decreased from 8,500 as of June 30, 1999 to 8,559 as of June 30, 2000. The number of benefit recipients increased from 6,071 as of June 30, 1999 to 6,169 on June 30, 2000. The number of vested inactive members increased from 239 on June 30, 1999 to 284 on June 30, 2000.

The total annual payroll of active members in all plans increased from \$227 million as of June 30, 1999 to \$238 million as of June 30, 2000. Appendix B of this report presents more detail regarding members and benefit recipients.

ACTUARIAL VALUATION: CONSOLIDATED PLAN



SUMMARY OF PRINCIPAL RESULTS TOTAL

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
1. Participant Data		
Number of:		
Active Members	8,559	8,500
Retired Members	4,742	4,703
Beneficiaries of Retired Members	881	846
Survivors of Deceased Members	221	224
Disabled Members	325	298
Vested Deferred Members	284	239
Total Membership	<u>15,012</u>	<u>14,810</u>
Annual Salaries of Active Members	\$ 237,703,542	\$ 226,798,019
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 54,637,091	\$ 51,752,017
2. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 1,290,545,355	\$ 1,218,062,143
Actuarial Value of Assets	<u>1,336,237,898</u>	<u>1,205,489,778</u>
Unfunded Actuarial Liability	(\$ 45,692,543)	\$ 12,572,365
Unpooled Portion (IUUAL)	<u>196,136,516</u>	<u>191,937,217</u>
Pooled Portion (PUAL)	(\$ 241,829,059)	(\$ 179,364,852)
Actuarial Liability Funding Ratio	104%	99%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 1,062,048,069	\$ 1,002,151,078
Market Value of Assets	<u>1,443,126,169</u>	<u>1,334,265,793</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	136%	133%



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SUMMARY OF PRINCIPAL RESULTS REGULAR PLANS AC, AN, & BC

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
3. Participant Data		
Number of:		
Active Members	6,937	6,968
Retired Members	3,385	3,362
Beneficiaries of Retired Members	715	689
Survivors of Deceased Members	204	207
Disabled Members	252	230
Vested Deferred Members	<u>279</u>	<u>232</u>
Total Membership	11,772	11,688
Annual Salaries of Active Members	\$ 175,722,439	\$ 170,167,242
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 31,977,576	\$ 30,194,635
4. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 762,441,191	\$ 718,132,755
Actuarial Value of Assets	<u>823,835,193</u>	<u>743,838,429</u>
Unfunded Actuarial Liability	(\$ 61,394,002)	(\$ 25,705,674)
Unpooled Portion (IUUAL)	<u>90,011,505</u>	<u>89,835,191</u>
Pooled Portion (PUAL)	(\$ 151,405,507)	(\$ 115,540,865)
Actuarial Liability Funding Ratio	108%	104%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 594,039,938	\$ 557,367,921
Market Value of Assets	<u>889,735,374</u>	<u>823,298,704</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	150%	148%

ACTUARIAL VALUATION: CONSOLIDATED PLAN



SUMMARY OF PRINCIPAL RESULTS SPECIAL PLANS 1C-4C & 1N-4N

	<u>June 30, 2000</u>	<u>June 30, 1999</u>
5. Participant Data		
Number of:		
Active Members	1,622	1,532
Retired Members	1,357	1,341
Beneficiaries of Retired Members	166	157
Survivors of Deceased Members	17	17
Disabled Members	73	68
Vested Deferred Members	<u>5</u>	<u>7</u>
Total Membership	3,240	3,122
Annual Salaries of Active Members	\$ 61,981,103	\$ 56,630,777
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 22,659,515	\$ 21,557,382
6. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 528,104,164	\$ 499,929,388
Actuarial Value of Assets	<u>512,402,705</u>	<u>461,651,349</u>
Unfunded Actuarial Liability	\$ 15,701,459	\$ 38,278,039
Unpooled Portion (IUUAL)	<u>106,125,011</u>	<u>102,102,026</u>
Pooled Portion (PUAL)	(\$ 90,423,552)	(\$ 63,823,987)
Actuarial Liability Funding Ratio	97%	92%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 468,008,131	\$ 444,783,157
Market Value of Assets	<u>553,390,795</u>	<u>510,967,090</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	118%	115%



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SECTION II ASSETS

In this section we present the value assigned to assets held by the Plan. These assets are valued on two different bases: the market value and the actuarial value.

Market Value of Assets

For accounting statement purposes, Plan assets are valued at current market values. Briefly stated, these values represent the "snapshot" or "cash-out" value of Plan assets as of the valuation date.

Actuarial Value of Assets

The market value of assets, representing a "liquidation" value of the funds, is not a good measure of the System's ongoing ability to meet its obligations. Ongoing funding requirements established using market values are subject to significant variability because of the volatility of market values.

As a consequence, actuarial valuations employ a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is in excess of the 8.00% actuarial assumption for investment return. The following is a step-by-step description:

Step 1: Determine the total yield on the investments of the Plan using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended (adjusted for cash flow) and the market value of assets at the end of the fiscal year. The calculation of this return is:

- (a) Increase in assets = Market value of assets at the end of the year minus actuarial value of assets at the end of the prior year adjusted for net cash flow for the current year (contributions minus benefit payments) [= \$1,342,913,479].
- (b) Adjusted actuarial value of assets = Actuarial value of assets at the end of the prior year plus one-half of net cash flow for the current year [= \$6,241,336,767].
- (c) Return = (a) (Increase in assets) divided by (b) (Adjusted actuarial value of assets) [= 21.52%].

Step 2: Calculate the excess of the actual return determined in Step 1 over the expected return for the same year according to the actuarial assumption (8.00%). [21.52% - 8.00% = 13.52%]

Step 3: Calculate an adjusted rate that is equal to the rate expected by the actuarial assumption (8.00%) plus one-third of the rate determined in Step 2. [8.00% + (1/3 X 13.52%) = 12.51%]

Step 4: The actuarial value of assets equals the amount that would have existed if the actual return on the prior year's actuarial value of assets had been the theoretical rate determined in Step 3 applied to the prior year's actuarial value of assets.

This four-step process and the amounts shown are applied in aggregate to the total assets of the System. The portion allocated to this PLD Consolidated Retirement Plan is based on the reported market value applicable to this plan.



**TABLE II-1
ASSET ALLOCATION**

	Regular Plans	Special Plans	Total
Market Value	\$889,735,374	\$553,390,795	\$1,443,126,169
Actuarial Value	\$823,835,193	\$512,402,705	\$1,336,237,898



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SECTION III LIABILITIES

Actuarial Liabilities

A fundamental principle in financing the liabilities of a retirement program is that the cost of its benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. There are several methods currently used by actuaries in making this allocation.

The method used for this valuation is referred to as the "entry age normal actuarial cost method". Under this method, a level-percent-of-pay employer cost is determined for each plan that, along with member contributions, will pay for projected benefits at retirement for a new entrant into the plan. It is assumed applicable to all active plan members. The level percent of pay is called the normal cost rate, and the product of that rate and payroll is the normal cost.

The actuarial liability is that portion of the present value of projected benefits that will not be paid by future employer normal cost contributions and member contributions. If this liability is greater than the actuarial value of plan assets as of the same date, the difference is referred to as the unfunded actuarial liability.

Upon entering the Consolidated Plan, each PLD had its individual actuarial liability calculated. Each PLD having an Initial Unpooled Unfunded Actuarial Liability (IUUAL) will pay this liability on a scheduled basis, in addition to making the Normal Cost Contribution required by the plan(s) in which it participates. Each year the valuation for the Consolidated Plan will calculate the Pooled Unfunded Actuarial Liability of the Regular and of the Special Plans under the Plan, and adjust the employer contribution rates accordingly. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and methodologies, if any, will have an effect on the total actuarial liabilities of the Regular and of the Special Plans under the Plan and on the portion of these that are unfunded. In Table III-1 we have summarized the actuarial liabilities as of June 30, 2000.

Accounting Statement Information

Statement No. 35 of the Financial Accounting Standards Board requires that every pension plan disclose certain information regarding the status of the plan.

As directed by the above referenced accounting statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases.

The GASB released a new pronouncement (Statement #25) which replaced the disclosures formerly required by Statement #5. The figures shown in Table III-1 are suitable for the new Statement #25 disclosures.

Both types of present values of benefits are determined assuming that the plan is ongoing and members continue to terminate employment, retire, etc., in accordance with the actuarial assumptions.

All PLDs that enter the Consolidated Plan cease to be individual sponsors of a "Single-Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple-Employer Defined Benefit Pension Plan". As such, the disclosures made by individual PLDs should reflect the assets and liabilities of the Regular and/or Special Plan(s) under the Consolidated Plan in which a PLD participates and not those of the PLD itself.

ACTUARIAL VALUATION: CONSOLIDATED PLAN



**TABLE III-1
ACTUARIAL LIABILITIES**

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Benefits	\$ 985,345,858	\$ 608,138,223	\$ 1,593,484,081
2. Present Value of Future Contributions			
a. Employer Normal Cost	126,385,515	49,452,948	175,838,463
b. Employee Contributions	<u>96,519,152</u>	<u>30,581,111</u>	<u>127,100,263</u>
3. Actuarial Liability (1) - (2)	\$ 762,441,191	\$ 528,104,164	\$ 1,290,545,355
4. Actuarial Value of Assets			
a. Total Invested Assets	\$ 866,164,343	\$ 533,726,385	\$ 1,399,890,728
b. IUUAL Surpluses in Individual PLD Accounts	<u>42,329,150</u>	<u>21,323,680</u>	<u>63,652,830</u>
c. Valuation Assets (a)-(b)	\$ 823,835,193	\$ 512,402,705	\$ 1,336,237,898
5. Unfunded Actuarial Liability			
a. Total Unfunded Liability (3) - (4c)	(\$ 61,394,002)	\$ 15,701,459	(\$ 45,692,543)
b. Individual PLD Unpooled Liability (IUUAL)	<u>90,011,505</u>	<u>106,125,011</u>	<u>196,136,516</u>
c. Pooled Unfunded Actuarial Liability (a) - (b)	(\$ 151,405,507)	(\$90,423,552)	(\$ 241,829,059)
6. Amortization over 15 Years	(\$ 17,688,837)	(\$ 10,564,142)	(\$ 28,252,779)
7. Payroll	\$ 175,722,439	\$ 61,981,103	\$ 237,703,542
8. Pooled Unfunded Liability Contribution Rate	(10.1%)	(17.0%)	(11.9%)

**TABLE III-2
ACCRUED BENEFIT LIABILITIES**

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	\$ 10,883,522	\$ 59,119	\$ 10,942,641
b. Retired Members, Beneficiaries Disabled Members and Survivors	314,275,946	277,470,544	591,746,490
c. Active Members	<u>268,880,470</u>	<u>190,478,468</u>	<u>459,358,938</u>
d. Total	\$ 594,039,938	\$ 468,008,131	\$ 1,062,048,069
2. Market Value of Assets	<u>\$ 889,735,374</u>	<u>\$ 553,390,795</u>	<u>\$ 1,443,126,169</u>
3. Unfunded Accrued Benefit Liability (1) - (2)	\$ 0	\$ 0	\$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	150%	118%	136%



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 2000, actuarial valuation, including our recommendation and the Board's decision not to establish zero rates, are used to determine Fiscal Year 2002 contributions. In this context, the term "employer contribution rate" means the percentage that is applied by each PLD to its active member payroll to determine the PLD's actual employer contribution amount.

In addition to the applicable employer contribution rate, each individual PLD will make a dollar payment (or receive a dollar credit) based on its IUUAL to be added to (or subtracted from) the amount derived by applying the employer contribution rate to the participant payroll.

Employees are required to contribute to the plans; rates are set out at Appendix C-1.

Description of Rate Components

The Entry Age Normal funding method was used to develop the employer contribution rates in this section. Under this funding method, as with most other actuarial funding methods, a total contribution rate is determined which consists of two elements: the normal cost rate and the pooled unfunded actuarial liability rate.

Normal Cost Rate

For each of the Regular and Special Plans in the Consolidated Plan, an individual entry age normal cost rate was determined for a typical new entrant. This rate was determined by taking the value, as of age at entry into the plan, of the typical member's projected future benefits (including retirement, death and disability benefits), reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary. The normal cost rate, so determined separately for each Regular and Special Plan, was assumed applicable to all active members of each of the plans.

Pooled Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions, future IUUAL payments and current assets. Under the Consolidated Plan, a Pooled Unfunded Actuarial Liability Rate is calculated for the Regular Plans as a group and for the Special Plans as a group. The rate for each group is then allocated to each plan within the Regular Plans and to those within the Special Plans, respectively, on the basis of total normal cost plus employee contributions for each such plan. That is, those plans which constitute a larger portion of the overall liability will pay a larger portion of the pooled UAL rate or receive a larger credit if the rate is negative.

IUUAL Payments/(Credits)

In addition to employer contributions required under the Consolidated Plan, each individual PLD in the Consolidated Plan that has an IUUAL continues to make payments on its IUUAL. Where IUUAL payments are due, each PLD makes payment of a specific dollar amount. Where a PLD had, at the time of entry into the Consolidated Plan, surplus assets, the PLD uses a portion of the surplus toward payment of its employer contributions to the Consolidated Plan. Credit transactions, also of specific dollar amounts, are accomplished by MSRS accounting entries.

Employer Contribution Rate Summary

In Table IV-1 we present employer contribution rates applicable for determining the Fiscal Year 2002 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix D.



**TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 2002**

	<u>Pooled Unfunded Actuarial Liability</u>			
	<u>Normal Cost**</u>	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total Rates</u>
<u>Plans with COLA</u>				
Regular Employees Plan AC	9.0%	-6.2%		2.8%
Regular Employees Plan BC	5.5%	-3.8%		1.7%
Special Plan 1C	17.5%		-11.0%	6.5%
Special Plan 2C	10.8%		-6.8%	4.0%
Special Plan 3C	14.3%		-9.0%	5.3%
Special Plan 4C	9.3%		-5.8%	3.5%
<u>Plans with No COLA</u>				
Regular Employees Plan AN	4.8%	-3.3%		1.5%
Special Plan 1N	9.8%		-6.2%	3.6%
Special Plan 2N	5.8%		-3.7%	2.1%
Special Plan 3N	7.8%		-4.9%	2.9%
Special Plan 4N	5.0%		-3.1%	1.9%

* IUUAL payments are made in addition to these costs and IUUAL credits are taken against these costs.

** Includes costs of ancillary benefits.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

APPENDIX A PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Androscoggin County	67	A ¹	1	2	Yes	7/1/94
Androscoggin Valley COG	231	A			Yes	7/1/96
Aroostook County	106	A			Yes	7/1/94
Auburn Housing Authority	145	A			Yes	7/1/94
Auburn Lewiston Airport	256	A			Yes	7/1/96
Auburn Public Library	43	A			No	7/1/96
Auburn Water and Sewer District	52	A			Yes	7/1/94
Augusta Sanitary District	64	A			Yes	7/1/94
Augusta Water District	34	A			Yes	7/1/94
Bangor Housing Authority	288	A			Yes	7/1/94
Bangor Public Library	22	A			Yes	7/1/96
Bangor Water District	59	B ²			Yes	7/1/96
Bath Water District	19	A			Yes	7/1/94
Belfast Water District	132	A			Yes	7/1/95
Berwick Sewer District	207	A			Yes	7/1/94
Boothbay Harbor Water District	21	A			Yes	7/1/96
Brewer Housing Authority	248	A			Yes	7/1/94
Brewer Water District	68	A			No	7/1/96
Bridgton Water District	253	A			No	7/1/96
Brunswick Fire and Police	292		1	2	FO	7/1/97
Brunswick Public Library	273	A			FO	7/1/95
Brunswick Sewer District	72	A			Yes	7/1/96
Caribou Police and Fire	208	A	1	2	No	7/1/96
Carrabasett Valley	277	A			FO	7/1/94
Cheverus High School	203		2		No	7/1/96
City of Auburn	27	A	2		Yes	7/1/94
City of Augusta	23	A	1	2	Yes	7/1/94
City of Bangor	20	A	1	2	Yes	7/1/96
City of Bath	73		2	3	Yes	7/1/96
City of Belfast	35	A	2		Yes	7/1/96
City of Biddeford	158	A			No	7/1/96
City of Brewer	63	A	2		Yes	7/1/96
City of Calais	36	A			FO	7/1/96
City of Ellsworth	13	A	4		Yes	7/1/95
City of Gardiner	24	A	3		No	7/1/96
City of Hallowell	160	A			Yes	7/1/96
City of Lewiston	48	A	1	2	Yes	7/1/96
City of Old Town	111	A	2		No	7/1/95
City of Portland	2	A	1	2	Yes	7/1/95
City of Rockland	18	A	3	2 ³	Yes	7/1/95
City of Saco	192	A	2		No	7/1/95
City of South Portland	9	A	2		Yes	7/1/95
Community School District #12	252	A			Yes	7/1/96
Community School District # 915	233	A			Yes	7/1/95

ACTUARIAL VALUATION: CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Corinna Sewer District	251	A			No	7/1/96
Cumberland County	5	A			Yes	7/1/96
Dover-Foxcroft Water District	137	A			Yes	7/1/94
Eagle Lake Water & Sewer District	274	A			Yes	7/1/96
Erskine Academy	249	A			No	7/1/94
Falmouth Memorial Library	58	A			Yes	7/1/96
Farmington Village Corp.	118	A			No	7/1/94
Fort Fairfield Housing Authority	275	A			FO	7/1/94
Fort Fairfield Utilities District	131	A			Yes	7/1/96
Gardiner Water District	221	A			No	7/1/94
Gould Academy	205	A			No	7/1/96
Hampden Water District	183	A			No	7/1/96
Hancock County	56	A			Yes	7/1/94
Houlton Water District	26	A			Yes	7/1/95
Indian Township Tribal Gov't	244	A			No	7/1/96
Jackman Water District	294	A			Yes	7/1/96
Kennebec County	47	A			Yes	7/1/95
Kennebec Sanitary Treatment District	220	A			FO	7/1/95
Kennebec Water District	31	A			Yes	7/1/96
Kennebunk Light and Power Co.	62	A			Yes	7/1/94
Kennebunk Sewer District	201	A			No	7/1/94
Kennebunk, Kennebunkport & Wells Water District	255	A			FO	7/1/96
Kittery Water District	12	A			Yes	7/1/94
Lew/Aub. Water Pollution Control Authority	163	A			FO	7/1/96
Lewiston Housing Authority	154	A			Yes	7/1/94
Lewiston-Auburn 9-1-1	291	A			Yes	7/1/94
Lincoln Academy	134	A			Yes	7/1/94
Lincoln Sanitary District	219	A			Yes	7/1/94
Lincoln Water District	92	A			Yes	7/1/95
Lisbon Water Department	243	A			No	7/1/96
Livermore Falls Water District	32	A			Yes	7/1/94
Lubec Water And Electric District	88	A			Yes	7/1/96
MADSEC	297	A			Yes	7/1/99
Madawaska Water District	236	A			Yes	7/1/94
Maine County Commissioners Assoc.	225	A			No	7/1/96
Maine International Trade Center	293	A			Yes	7/1/98
Maine Maritime Academy	38	A		2	Yes	7/1/96
Maine Municipal Bond Bank	93	A			Yes	7/1/95
Maine School Management Association	239	A			Yes	7/1/94
Maine State Retirement System	290	A			Yes	7/1/94
Maine Turnpike Authority	49	A			Yes	7/1/94
Maine Veterans Home	271	A			Yes	7/1/94
Mars Hill Utility District	283	A			Yes	7/1/94



ACTUARIAL VALUATION: CONSOLIDATED PLAN

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
ME Secondary School Principals Assoc.	105	A			Yes	7/1/94
Mechanic Falls Sanitary District	282	A			No	7/1/94
Milo Water District	238	A			No	7/1/96
Mt. Desert Island Reg. School District	120	A			Yes	7/1/96
Norway Water District	136	A			No	7/1/95
Old Town Housing Authority	262	A			FO	7/1/94
Old Town Water District	79	A			No	7/1/94
Oxford County	57	A			Yes	7/1/94
Paris Utility District	159	A			Yes	7/1/95
Penobscot County	11	A			Yes	7/1/94
Penquis Cap Inc.	237	A			No	7/1/95
Piscataquis County	121	A			Yes	7/1/94
Pleasant Point Passamaquoddy	165	A			Yes	7/1/96
Portland Housing Authority	185	A			Yes	7/1/94
Portland Public Library	41	A			Yes	7/1/95
Richmond Utilities District	242	A			No	7/1/94
Rumford Fire and Police	60	A	3	4	Yes	7/1/95
Rumford/Mexico Sewerage District	247	A			Yes	7/1/96
Rumford Water District	65	A			Yes	7/1/95
Sanford Housing Authority	152	A			Yes	7/1/96
Sanford Sewerage District	89	A			No	7/1/94
Sanford Water District	170	A			No	7/1/96
School Administrative District No. 9	119	A			Yes	7/1/95
School Administrative District No. 13	223	A			Yes	7/1/96
School Administrative District No. 16	190	A			No	7/1/94
School Administrative District No. 21	211	A			No	7/1/96
School Administrative District No. 29	168	A			Yes	7/1/96
School Administrative District No. 31	50	A			FO	7/1/94
School Administrative District No. 41	143	A			Yes	7/1/96
School Administrative District No. 49	189	A			No	7/1/95
School Administrative District No. 51	198	A			No	7/1/96
School Administrative District No. 53	129	A			No	7/1/96
School Administrative District No. 54	115	A			Yes	7/1/96
School Administrative District No. 60	187	A			No	7/1/94
School Administrative District No. 67	126	A			Yes	7/1/96
School Administrative District No. 71	128	A			No	7/1/96
Searsport Water District	124	A			No	7/1/96
So. Penobscot Voc. School Reg. #4	269	A			No	7/1/96
So. Portland Housing Authority	206	A			No	7/1/96
Somerset County	101	A			Yes	7/1/94
South Berwick Water	171		2		Yes	7/1/96
Town of Baileyville	69	A	3		Yes	7/1/96
Town of Bar Harbor	15	A	4		Yes	7/1/95
Town of Berwick	108	A			No	7/1/96
Town of Bethel	246	A			Yes	7/1/96

ACTUARIAL VALUATION: CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of Boothbay Harbor	146	A			FO	7/1/96
Town of Brunswick	42	A			FO	7/1/95
Town of Bucksport	130	A			No	7/1/95
Town of Camden	8	A			FO	7/1/94
Town of Chesterville	295	B			Yes	7/1/99
Town of China	235	A			No	7/1/96
Town of Corinna	217	A			No	7/1/96
Town of Cumberland	216	B ⁴			Yes	7/1/95
Town of Dexter	97	A			Yes	7/1/96
Town of Dover-Foxcroft	167	A			No	7/1/95
Town of Durham	234	A			No	7/1/96
Town of East Millinocket	54	A	2		Yes	7/1/96
Town of Easton	240	A			Yes	7/1/94
Town of Eliot	180	A	4		Yes	7/1/94
Town of Fairfield	260	A	2		No	7/1/95
Town of Falmouth	87	A			Yes	7/1/96
Town of Farmington	100	A	1	4	Yes	7/1/95
Town of Fayette	296	A			Yes	7/1/99
Town of Frenchville	98	A			No	7/1/96
Town of Fryeburg	149	A			No	7/1/96
Town of Glenburn	174	A			Yes	7/1/94
Town of Gorham	133	A	2	4	Yes	7/1/96
Town of Greenville	112	A			Yes	7/1/96
Town of Hampden	151	A			No	7/1/96
Town of Harpswell	270	A			Yes	7/1/94
Town of Harrison	280	B ⁵			Yes	7/1/94
Town of Hermon	150	A			No	7/1/96
Town of Hodgdon	215	A			No	7/1/96
Town of Houlton	10	A			No	7/1/96
Town of Jay	45	A			Yes	7/1/94
Town of Kennebunk	84	A	2		Yes	7/1/96
Town of Kennebunkport	188	A	1		No	7/1/96
Town of Kittery	14	A	1	2	Yes	7/1/95
Town of Lebanon	181	A			No	7/1/96
Town of Lincoln	76	A	3		No	7/1/96
Town of Linneus	214	A			No	7/1/96
Town of Lisbon	103	A			Yes	7/1/96
Town of Livermore Falls	109	A			No	7/1/96
Town of Lovell	276	A			Yes	7/1/96
Town of Lubec	228	A			No	7/1/96
Town of Madawaska	82	A			Yes	7/1/96
Town of Mapleton	265	A			Yes	7/1/96
Town of Mars Hill	227	A			Yes	7/1/96
Town of Mechanic Falls	114	A			FO	7/1/94
Town of Medway	194	A			Yes	7/1/96



ACTUARIAL VALUATION: CONSOLIDATED PLAN

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of Mexico	74	A			Yes	7/1/96
Town of Milford	186	A			No	7/1/96
Town of Millinocket	3	A	3	4	Yes	7/1/96
Town of Monson	184	A			No	7/1/96
Town of Mt. Desert	16	A			Yes	7/1/96
Town of New Gloucester	210	A			No	7/1/95
Town of North Berwick	254	A	1		No	7/1/96
Town of Norway	125	A			No	7/1/96
Town of Orland	166	A			No	7/1/96
Town of Orono	61	A	4		No	7/1/96
Town of Orrington	209	A			No	7/1/95
Town of Otisfield	193	A			FO	7/1/96
Town of Oxford	200	A			No	7/1/96
Town of Paris	127	A			No	7/1/96
Town of Phippsburg	202	A			Yes	7/1/96
Town of Pittsfield	110	A			No	7/1/96
Town of Princeton	258	A			No	7/1/96
Town of Rockport	161	A			No	7/1/96
Town of Rumford	90	A			Yes	7/1/95
Town of Sabattus	175	A			No	7/1/96
Town of Sanford	83	A	1	4	No	7/1/95
Town of Scarborough	147	A	2		Yes	7/1/96
Town of Searsport	117	A			No	7/1/96
Town of Skowhegan	80	A	3		Yes	7/1/96
Town of South Berwick	141	A			FO	7/1/96
Town of St. Agatha	30	A			No	7/1/96
Town of Topsham	81	A	2		Yes	7/1/96
Town of Van Buren	182	A			Yes	7/1/95
Town of Vassalboro	153	A			Yes	7/1/96
Town of Waldoboro	195	A	3		Yes	7/1/95
Town of Washburn	230	A			No	7/1/94
Town of Wells	107	A	3		Yes	7/1/95
Town of Winslow	144	A			No	7/1/96
Town of Winthrop	179	A			No	7/1/94
Town of Yarmouth	116	A	2		Yes	7/1/96
Town of York	28	A	4		Yes	7/1/94
Tri Community Sanitary Landfill	267	A			Yes	7/1/96
Van Buren Housing Authority	229	A			Yes	7/1/95
Waldo County	46	A			Yes	7/1/94
Waldo Reg. Voc. Ctr. Region #7	224	A			No	7/1/96
Washington County	40	A			Yes	7/1/96
Waterville Fire and Police	66	A	3		No	7/1/96
Waterville Sewerage District	222	A			Yes	7/1/94
Wells Ogunquit CSD	266	A			FO	7/1/95
Westbrook Housing Authority	259	A			Yes	7/1/96

ACTUARIAL VALUATION: CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Winter Harbor Utility District	250	A			Yes	7/1/95
Yarmouth Water District	278	A			Yes	7/1/94
York County	37	A	2		Yes	7/1/96
York Sewer District	139	A			No	7/1/94
York Water District	39	A			Yes	7/1/96

Notes:

FO = Future Service COLA only, that is, for benefits attributable to service rendered after the Future Service COLA date.

- ¹ Employees hired prior to July 1, 1997 and who are members of the System are covered under Special Plan #1. Corrections Officers and Law Enforcement Officers hired on or after July 1, 1997, will be covered under Special Plan #2. All other employees hired on or after July 1, 1997, will be covered under Regular Plan A.
- ² applicable to all new hires on or after July 1, 1996. All members in the PLD at July 1, 1996 elected to remain in the 1/50 Plan under Regular Plan A.
- ³ applicable to all new police hires on or after July 1, 1998.
- ⁴ applicable for future service only from July 1, 2000.
- ⁵ applicable to all new hires on or after July 1, 1995. All members in the PLD at July 1, 1995 elected to remain in the 1/50 Plan under Regular Plan A.
- ⁶ applicable to all new hires on or after July 1, 1994. All members in the PLD at July 1, 1994 elected to remain in the 1/50 Plan under Regular Plan A.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

APPENDIX B MEMBER AND BENEFITS RECIPIENTS DATA AND PROFILES ACTIVE MEMBER DATA AS OF JUNE 30, 2000

Regular Plans Members

Count	6,937
Average Current Age	45.3
Average Service	8.6
Average Valuation Pay	\$ 25,331

Special Plans Members

Count	1,622
Average Current Age	39.4
Average Service	11.4
Average Valuation Pay	\$ 38,213

All Plans Members

Count	8,559
Average Current Age	44.2
Average Service	9.1
Average Valuation Pay	\$ 27,772

ACTUARIAL VALUATION: CONSOLIDATED PLAN



BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA AS OF JUNE 30, 2000

REGULAR PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	4,556
Total Annual Benefit	\$ 31,977,576
Average Annual Benefit	\$ 7,019

Inactive Vested

Count	279
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 1,627,970
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 5,835

SPECIAL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	1,613
Total Annual Benefit	\$ 22,659,515
Average Annual Benefit	\$ 14,048

Inactive Vested

Count	5
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 14,442
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 2,888

ALL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	6,169
Total Annual Benefit	\$ 54,637,091
Average Annual Benefit	\$ 8,857

Inactive Vested

Count	284
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 1,642,412
Avg. Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 5,783



APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Member Contributions

Members are required to contribute a percent of earnable compensation which varies by plan as follows:

Regular AC & AN	6.5%
Regular BC	3.0%
Special 1C & 1N	6.5%
Special 2C & 2N	6.5%
Special 3C & 3N	8.0% for first 25 years, 6.5% after
Special 4C & 4N	7.5% for first 25 years, 6.5% after

2. Average Final Compensation

For purposes of determining benefits payable under the plan, average final compensation is the average annual rate of earnable compensation for the 3 years of creditable service (not necessarily consecutive) which produce the highest such average.

3. Creditable Service

Creditable service includes service while a member, certain service prior to the establishment of the plan, purchased military service credit, and service while receiving disability benefits under the plan.

4. Service Retirement Benefits

Regular Plan AC

Normal Retirement Age: 60

Eligibility for member in active service and inactive members: 25 years of creditable service.

Eligibility alternative for members in active service: at least one year of creditable service immediately before retirement and at least normal retirement age.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999: at least 10 years of creditable service and at least normal retirement age.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999: at least 5 years of creditable service and at least normal retirement age.

Benefit: 1/50 of average final compensation multiplied by years of membership service under Consolidated Plan A plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.



SUMMARY OF PLAN PROVISIONS (continued)

Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.

Cost of living Adjustment: See item 10.

Regular Plan AN

This benefit plan is the same as Regular Benefit Plan AC, except that there is no provision for cost of living adjustments.

Regular Plan BC

Normal Retirement Age: 60

Eligibility for member in active service and inactive members: 25 years of creditable service.

Eligibility alternative for members in active service: at least one year of creditable service immediately before retirement and at least normal retirement age.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999: at least 10 years of creditable service and at least normal retirement age.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999: at least 5 years of creditable service and at least normal retirement age.

Benefit: 1/100 of average final compensation multiplied by years of membership service under Consolidated Plan B plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.

Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.

Cost of living Adjustment: See item 10.

Special Plan 1C

Eligibility: 20 years of creditable service in named positions.

Benefit: ½ of average final compensation plus 2% for each year of service in excess of 20.

Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.

Cost of Living Adjustment: See item 10.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 1N

This benefit plan is identical to Special Benefit Plan 1C, except that there is no provision for cost of living adjustments.

Special Plan 2C

Eligibility: 25 years of creditable service in named positions.
Benefit: $\frac{1}{2}$ average final compensation plus 2% for each year of service in excess of 25.
Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.
Cost of Living Adjustment: See item 10.

Special Plan 2N

This benefit plan is identical to Special Benefit Plan 2C, except that there is no provision for cost of living adjustments.

Special Plan 3C

Eligibility: 25 years of creditable service in named positions.
Benefit: $\frac{2}{3}$ of average final compensation plus 2% for each year of service in excess of 25.
Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.
Cost of Living Adjustment: See item 10.

Special Plan 3N

This benefit is identical to Regular Benefit Plan 3C, except that there is no provision for cost of living adjustments.

Special Plan 4C

Eligibility: Age 55 with 25 years of creditable service in named positions.
Benefit: 2% of average final compensation for each year of service.
Form of payment: life annuity ("full benefit"), unless an optional method of payment is selected.
Cost of Living Adjustment: See item 10.



SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 4N

This benefit plan is identical to Special Benefit Plan 4C, except that there is no provision for cost of living adjustments.

If Special Plan members fail to meet the Special Plan eligibility criteria, their service retirement benefits are those provided by the applicable underlying Regular Plan; Special Plan service credits are used toward Regular Plan eligibility requirements.

5. Pre-Retirement Accidental Death Benefits

- Eligibility: Death while active or disabled resulting from injury received in the line of duty.
- Benefit:
- if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death,
 - if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child(ren), the surviving spouse shall receive 2/3 of member's average final compensation until death,
 - if the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's average final compensation. When there is no longer any dependent child(ren), the surviving spouse shall receive 2/3 of member's average final compensation until death,
 - if the member leaves no spouse, the dependent child(ren) shall be paid an annual amount equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

6. Pre-Retirement Ordinary Death Benefits

- Eligibility: Death while active or disabled.
- Benefit: designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 12); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent child(ren), parents, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise, accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parent or estate.

7. Disability Benefits Other Than No Age Benefits

- Eligibility: Disabled as defined in the MSRS statutes, prior to normal retirement age; unable to perform duties of own position; employed prior to October 16, 1992 and did not elect No Age Disability Option.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

SUMMARY OF PLAN PROVISIONS (continued)

Benefit:	66-2/3% of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.
Form of payment:	Payment begins on termination of service and ceases on cessation of disability or after 5 years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of 10 years following normal retirement age or date the service retirement benefit equals or exceeds the disability benefit.
Conversion to service retirement:	During the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 66 2/3% of average final compensation or 10 years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

8. No-Age Disability Benefits

Eligibility:	Disabled as defined in the MSRS statutes; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.
Benefit:	59% of average final compensation, reduced by employment earnings over \$10,000, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.
Form of payment:	Payment begins on termination of service and ceases on cessation of disability or after five years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit equals or exceeds the disability benefit.
Conversion to service retirement:	During the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 59% of average final compensation the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

9. Refund of Contributions

Eligibility:	termination of service other than by retirement or death.
Benefit:	member's accumulated contributions with interest.



SUMMARY OF PLAN PROVISIONS (continued)

10. Cost of Living Adjustments

All retirement (and survivor) benefits payable to (or in relation to) benefit recipients who were employed by a PLD that elected a plan which provides for a COLA are adjusted each year that there is a percentage change in the Consumer Price Index, based on the Index. Cost of living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. The maximum annual increase or decrease is 4%.

11. Methods of Payment of Service Retirement Benefits

At retirement, a member must choose one of the following methods of payment.

- Full Benefit: Unadjusted benefit paid for the life of the member only.
- Option 1: Cash refund equal to the remaining employee contribution balance, if any, at the date of death (the employee contribution balance having been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions).
- Option 2: 100% joint and survivor annuity.
- Option 3: 50% joint and survivor annuity.
- Option 4: Joint and survivor annuity at any percentage other than those available under Option 2 and Option 3.
- Option 5: Designated percentage of the benefit (not less than 51%) payable to the member, with the remaining percentage (the two to equal 100%) payable to a beneficiary (may only be a sole beneficiary) while both are alive. At the death of either, the higher of the two percentages is paid to the survivor for the survivor's life, and the lower-percentage benefit ceases to be paid.
- Option 6: 100% joint and survivor annuity with pop-up*.
- Option 7: 50% joint and survivor annuity with pop-up*.
- Option 8: Option 4 with pop-up*.

* The "pop-up" feature attached to a given Option means that in the case of a beneficiary predeceasing the member, the member's benefit will be revised prospectively to the amount that the benefit would have been had the member selected Full Benefit payment upon retirement.



ACTUARIAL VALUATION: CONSOLIDATED PLAN

APPENDIX D ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Annual Rate of Investment Return	8.0%	
2. Cost of Living Increases in Benefits	4.0%	(Where Applicable)
3. Annual Rate of Salary Increase	5.5%	

4. Rates of Termination at Selected Ages*	Age	Regular & Special Plan Members % Leaving	* Members with ten or more years of service are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.
	25	7.0%	
30	6.0		
35	5.0		
40	4.0		
45	3.0		
50	2.0		
55	1.0		

5. Rates of Active Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members) **	Age	Male	Female	** For Regulars, 5% of deaths are assumed to be accidental; for Specials, 20% of deaths are assumed to be accidental.
	25	7	3	
	30	9	4	
	35	9	5	
	40	12	8	
	45	17	10	
	50	28	15	
	55	48	25	

6. Rates of Inactive Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	Regular & Special Plan Members	
		Male	Female
	25	6	3
	30	8	5
	35	11	7
	40	16	9
	45	29	14
	50	53	22
55	85	33	

ACTUARIAL VALUATION: CONSOLIDATED PLAN



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

7. Rates of Mortality for Future Anticipated Disableds at Selected Ages (number of deaths per 10,000 members)	Age	Male	Female	
	25	92	72	
	30	112	89	
	35	134	109	
	40	160	126	
	45	193	144	
	50	236	165	
	55	295	191	
	60	362	226	
	65	446	272	
	70	576	331	
8. Rates of Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	Male	Female	
	25	391	528	
	30	315	467	
	35	321	326	
	40	332	215	
	45	349	191	
	50	376	207	
	55	420	240	
	60	488	288	
	65	595	366	
	70	763	487	
9. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	Regular Plan	Special Plan	* Assumed to retire when eligible for retirement. - i.e., after 20 years of service in Special Plan 1, after 25 years of service in Special Plans 2 and 3, and at the later of age 55 or 25 years of service in Special Plan 4.
	45	25	*	
	50	38		
	55	50		
	59	60		
	60	1000		
10. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members) **	Age	Regular Plan	Special Plan	** Disabilities are assumed to be 75% non-service connected for Regular employees and 25% non-service connected for Police and Fire.
	25	6	13	
	30	6	13	
	35	7	14	
	40	11	18	
	45	22	29	
	50	42	49	
	55	72	79	



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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| 10. Family
Composition
Assumptions | 80% of active members are married and have two children born when the member is 24 and 28; children are dependent until age 18; spouses are same age; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries. |
|--|--|

B. Actuarial Methods

1. Funding Method

The Entry Age Normal method is used to determine costs. Under this funding method, the total employer contribution rate is determined which consists of two elements, the normal cost rate and the pooled unfunded actuarial liability (PUAL) rate. The actual contribution for a given PLD will include an IUUAL payment as well, unless the PLD came into the Plan with surplus assets.

For each Regular and Special Plan, a normal cost rate is determined for the average new entrant. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

In addition to normal cost contributions calculated per plan, the employers in each plan are required to make contributions to fund that plan's pooled unfunded actuarial liability, if any. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs, less future member contributions, and less expected IUUAL payments. The pooled unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the Plan's assets. The actuarial liability includes projections of future member pay increases and future service credits.

The Initial Unpooled Unfunded Actuarial Liability (IUUAL) was calculated at entry into the Consolidated Plan for each PLD. For PLDs with liabilities greater than assets, these amounts are amortized by annual payments over a fixed number of years. Additional unfunded liability amounts which arise after entry to the Consolidated Plan will be pooled and amortized over 15 years.

2. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is in excess of the 8.00% actuarial assumption for investment return.

