Michigan Public School Employees Retirement System

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2001

A Pension Trust Fund of the State of Michigan

John Engler, Governor

Michigan Public School Employees' Retirement System

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MPSERS

Prepared by:
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Table of Contents

The cost of printing this report was $2,659.18 ($1.66 each), which was paid for by the System at no cost to taxpayers.

INTRODUCTORY SECTION

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Michigan Public School Employees' Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Letter of Transmittal

Michigan Public School Employees' Retirement System
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STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

February 25, 2002

The Honorable John Engler
Governor, State of Michigan,

Members of the Legislature
State of Michigan,

Retirement Board Members
and
Members, Retirees and Beneficiaries

Ladies and Gentlemen:

We are pleased to present the annual report of the Michigan Public School Employees' Retirement System (System) for fiscal year 2001.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the leadership team of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

The Michigan Public School Employees' Retirement System was established by legislation under Public Act 136 of 1945, and is administered by the Office of Retirement Services (ORS). The number of active and retired members and beneficiaries of the System is presented in Note 1 of the financial statements in the Financial Section of this report. The purpose of the System is to provide benefits for all public school employees. The services performed by the staff provides benefits to members.

The 2001 annual report is presented in five sections. The Introductory Section contains the transmittal letter and identifies the administrative organization and professional consultants used by the System. The Financial Section contains the independent auditors' report, management's discussion and analysis, financial statements and notes of the System and certain supplemental schedules. The Investment Section summarizes investment activities. The Actuarial Section contains the independent consulting actuary's certification, an outline of actuarial assumptions and methods, and other actuarial statistics. The Statistical Section contains statistical tables of significant data pertaining to the System, and a schedule of participating employers.

Letter of Transmittal (Continued)

MAJOR GOALS ACCOMPLISHED

Our Mission

The ORS mission is to deliver pensions, related benefits, and services to promote the future financial security of our customers. This year was one of continued service to the 378,247 working and 170,624 retired members of the four retirement systems we administer. In addition to delivering pension payments totaling $2,445,538,314, we have sought to protect and preserve the benefits of our members and ensure long-term solvency of the systems.

Some of the year's more significant accomplishments include:

- In response to escalating health care costs, a drug formulary system was implemented that encourages members to work with their doctors to choose the most effective and affordable treatments for their condition, while protecting member benefits.
- The board approved a package of proposals to preserve the quality of health care benefits and promote long-term funding mechanisms to keep the benefits affordable and more secure.
- Critical teacher shortages in some Michigan school systems were addressed by the expansion of post retirement earnings limitation exceptions.

Excellence in Service; Partners in Progress

This Department of Management and Budget (DMB) vision has guided our ORS focus on providing *fast, easy access to complete and accurate information and exceptional service.*

The year saw some very significant improvements in access to information and customer service. On a less visible but no less significant note, much energy this year was devoted to positioning the organization for future demands as well as investigating the increased capabilities offered by new technologies.

Fast, Easy Access

Recognizing that retirement applications will dramatically increase in the next decade as baby boomers leave the workforce, we've been undertaking an extensive examination of our existing capacities, the best practices in the field, and the array of new productivity tools and technologies. With customer needs guiding every decision, we have focused this past year on a technology partnership that can help us provide excellence in service, while preparing and streamlining key processes in anticipation of the plan rollout.

We have also successfully pared down our business operations to seven core processes where responsibility and accountability for every aspect of the business are "owned" by the people who understand the business best.

Moving to a process-based organization requires flexibility and planning, along with appropriate skills and knowledge of the process owners and leaders, open communication, and clear goals. To address these challenges, the following were implemented this year:

- Throughout the Department of Management and Budget, competency based training was implemented to identify and provide the skills and knowledge needed for staff to excel in their job tasks.
- Expanded communication channels across the organization help foster free idea sharing and problem solving among process owners and leaders.
- A department-wide Balanced Scorecard management tool was developed to track progress toward our strategic plan goals. Providing clear targets and metrics in such a way helps staff determine priorities and direction.

Letter of Transmittal (Continued)

We already see results of these initiatives. Some "fast, easy access" accomplishments of the year include:

- A comprehensive data purity project was completed. Up-to-date totals of credited service, now instantly accessible, were reflected on the 2000-2001 statements of account, issued annually to every public school employee.
- The ORS information and document management arena was restructured in preparation for online access to member information.
- A purge of active member files, in preparation for the day documents can be scanned for an online record system, resulted in 2,693 inches (224 lineal feet) of noncritical documents being eliminated.
- Service level agreements were established with the many vendors that we partner with to define common understandings about services, expectations, and responsibilities, while also clarifying communication channels.

Complete and Accurate Information

Clear customer communication, with current and easily accessible information, remains a priority. Some highlights of the year's communication endeavors include:

- A newly launched ORS employer website provides up-to-date information, instructions, publications and forms, and answers to frequently asked questions to the human resource offices that employ our members.
- Expansions and improvements were also made to the main ORS website, with additional forms, publications, schedules, and information available.
- We reached out to customers in or near their communities, where ORS representatives presented programs to 8,909 members (a 7% increase over last year) during 177 pre-retirement information meetings throughout the State. At the public school districts sites, 1,164 members took advantage of one-on-one retirement counseling after their seminars—an increase of 56% over the previous year.
- Updates to our principal information manuals—*Retirement Guidelines* that help members plan for retirement and the *Reporting Instruction Manual* for our 716 public school reporting units—were published.
- We maintained communication with our 170,624 retired customers via *ORS Connections*, a semiannual newsletter and financial update mailed in March and October.

Exceptional Service

We believe that our standard of exceptional service has not lagged even as we work toward increasing our capacity to further improve service. The ORS Customer Information Center fielded 211,353 phone calls this year, an average of 852 each day. Another 15,734 callers took advantage of a new automated phone service for certain frequently requested services.

Personalized service was also provided by ORS retirement counselors who met with 3,740 customers at our main office in Lansing. At our Holland and Detroit outreach offices, counselors met with another 2,119 customers, in between answering nearly 50 customer phone calls each day (12,375 for the year).

Ever greater numbers are taking advantage of email; we have experienced nearly a 50% increase each year since it became available. Our representatives met the goal of responding to the 7,479 email requests received this year within one working day, on average.

Letter of Transmittal (Continued)

Other significant accomplishments during the year:

- Disability applications are processed in one-third less time than last year, thanks to a new partnership with Disability Determination Services and a reengineering of the claims process.
- Processing time for retirement applications has improved again this year, with 95% of retirees now being entered into the pension payroll system before their retirement effective date (in spite of the largest "summer rush"—when members retired at the school year's end—we've seen to date).

Customer Satisfaction

In our ongoing efforts to improve customer service, we conduct semiannual customer satisfaction surveys. This year's surveys continued to show very positive results, with 95% of our retired respondents rating our services as good or excellent.

While the data tells us that we are making solid strides toward our vision, it also inspires us to work even harder. As our improvement plans take shape, our sights will continue to center on customer service—and we're confident that our customers' satisfaction will increase accordingly.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its comprehensive annual financial report for the fiscal year ended September 30, 2000. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

INTERNAL CONTROL

The leadership team of the System is responsible for maintaining adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records.

INVESTMENT

The State Treasurer is the investment fiduciary and custodian of all investments of the System pursuant to State law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment return rate. The investment activity for the year produced a total rate of return on the portfolio of –11.5%. For the last five years, the System has experienced an annualized rate of return of 9.5%. A summary of asset allocation and rates of return can be found in the Investment Section of this report.

FUNDING

Funds are derived from the excess of additions to plan net assets over deductions from plan net assets. Funds are accumulated by the System in order to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the "funded ratio."

Letter of Transmittal (Continued)

This ratio provides an indication of the funding status of the System and generally, the greater this percentage, the stronger the System. Effective in fiscal year 2001, the System used the valuation from the previous fiscal year for this report. This approach is consistent with Governmental Accounting Standards Board (GASB) Statement Number 25. Consistent with this approach, the most recent actuarial valuation was performed as of September 30, 2000. The actuarial value of the assets and actuarial accrued liability were $36.9 billion and $37.1 billion, respectively, resulting in a funded ratio of 99.3%. A historical perspective of funding levels for the System is presented on the Schedule of Funding Progress in the Required Supplementary Information in the Financial Section of this report.

POSTEMPLOYMENT BENEFITS

The System also administers the post employment health benefits (health, dental, and vision) offered to retirees. The benefits are funded on a cash or "pay as you go" basis. An actuarial valuation was completed as of September 30, 2000 to determine the actuarial accrued liability if the benefits were to be pre-funded. If these benefits were pre-funded, the actuarial accrued liability for these benefits would be approximately $12.7 billion and the employer contribution for health care benefits would be 13.5% of payroll.

PROFESSIONAL SERVICES

An annual audit of the System was conducted by Andrews Hooper & Pavlik P.L.C., independent auditors. The independent auditor's report on the System's financial statements is included in the Financial Section of this report.

Statute requires an annual actuarial valuation be conducted. The purpose of the valuation is to evaluate the mortality, service, compensation and other financial experience of the System and to recommend employer-funding rates for the subsequent year. This annual actuarial valuation was completed by The Segal Company for the fiscal year ended September 30, 2000. Actuarial certification and supporting statistics are included in the Actuarial Section of this report.

ACKNOWLEDGMENTS

The preparation of this report was accomplished with the dedication and cooperation of many people. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the funds of the System.

We would, therefore, like to express our appreciation for the assistance given by staff, the advisors and many people who contributed to its preparation. We believe their combined efforts have produced a report that will enable the employers and plan members to better evaluate and understand the Michigan Public School Employees' Retirement System. Their cooperation contributes significantly to the success of the System.

Sincerely,

Duane E. Berger, Director
Department of Management and Budget

Christopher M. DeRose
Christopher M. DeRose, Director
Office of Retirement Services

INTRODUCTORY SECTION

Administrative Organization

Retirement Board Members

Administrative Organization

Department of Management and Budget
Office of Retirement Services
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New York, New York

Auditors
Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan

Andrews Hooper & Pavlik P.L.C.
Jeffrey J. Fineis, C.P.A.
Okemos, Michigan

Investment Manager and Custodian
Douglas B. Roberts
State Treasurer
State of Michigan

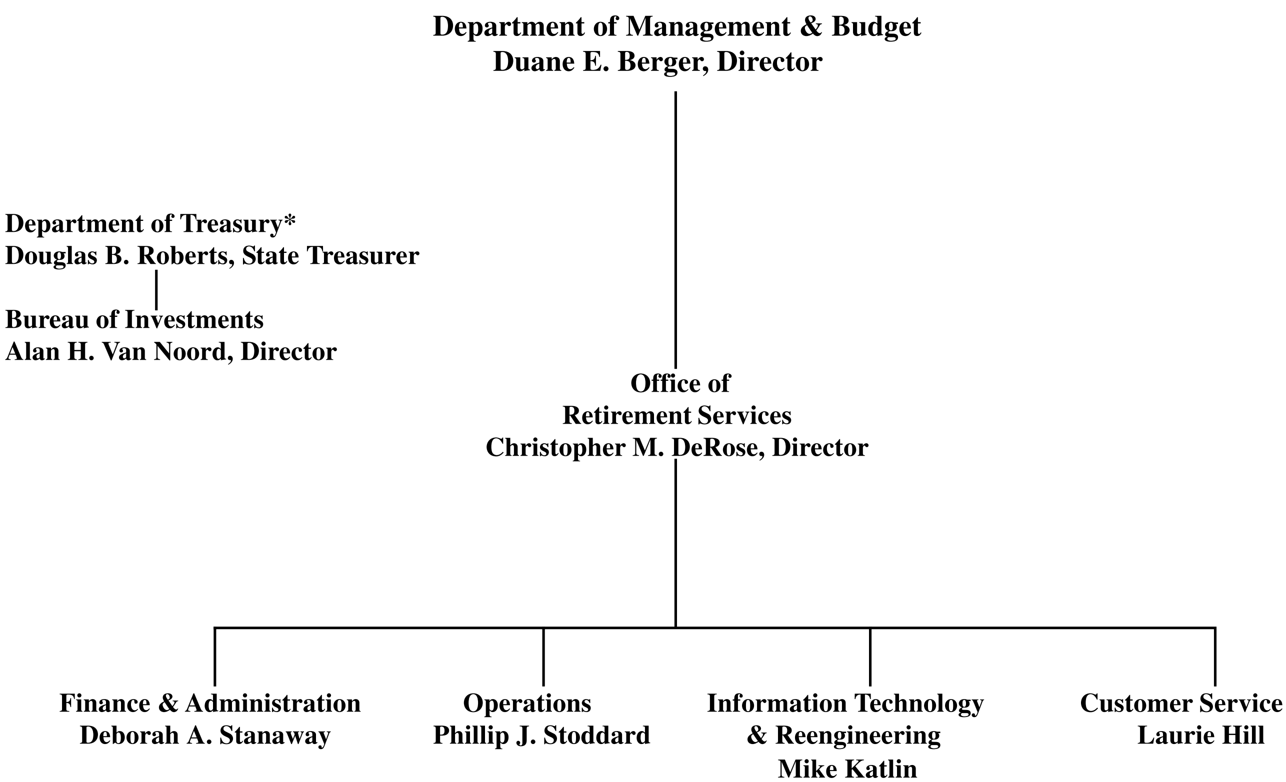
Legal Advisor
Jennifer M. Granholm
Attorney General
State of Michigan

Medical Advisors
Gabriel, Roeder, Smith
and Company
Southfield, Michigan

Investment Performance Measurement
Capital Resource Advisors
Chicago, Illinois

Administrative Organization

Organization Chart**



*The investments of the System are managed by the Michigan Department of Treasury. Information on the investments and the fiduciary, Michigan Department of Treasury, can be found in the Investment Section.

**This chart represents the organizational structure as of fiscal year ended 2001. The Department of Management and Budget reorganized its divisional structure in early fiscal year 2002.

FINANCIAL SECTION

Independent Auditor's Report
Management's Discussion and Analysis
Basic Financial Statements
Notes to Basic Financial Statements
Required Supplementary Information
Supporting Schedules

Independent Auditor's Report

ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Mr. Duane Berger, Director, Department of Management and Budget
Mr. Christopher M. DeRose, Director, Office of Retirement Services
Mr. Thomas H. McTavish, CPA, Auditor General
Michigan Public School Employees' Retirement System Board

We have audited the accompanying statements of pension plan and postemployment healthcare plan net assets of the Michigan Public School Employees' Retirement System, as of September 30, 2001 and 2000, and the related statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the management of the Michigan Public School Employees' Retirement System. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Michigan Public School Employees' Retirement System, as of September 30, 2001 and 2000, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information and supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The required supplementary information and supporting schedules are the responsibility of the Michigan Public School Employees' Retirement System's management. The Schedules of Funding Progress and Employer Contributions and related notes and the supporting schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements, and in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis (MD&A) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplemental information. However, we did not audit the information and express no opinion on it. The Introductory, Investment, Actuarial, and Statistical Sections were not audited by us and, accordingly, we express no opinion on those sections.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2002 on our consideration of the Michigan Public School Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Andrews Hooper & Pavlik P.L.C.

January 30, 2002

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FINANCIAL SECTION

Management's Discussion and Analysis

Our discussion and analysis of the Michigan Public School Employees' Retirement System's (System) financial performance provides an overview of the System's financial activities for the fiscal year ended September 30, 2001. Please read it in conjunction with the transmittal letter in the Introductory Section on page 5 and the basic financial statements, which follow this discussion.

FINANCIAL HIGHLIGHTS

- System assets exceeded liabilities at the close of fiscal year 2001 by $35.0 billion (reported as *net assets*). Net assets are held in trust to meet future benefit payments.

- The System's funding objective is to meet long-term benefit obligations through contributions and investment income. As of September 30, 2000, the funded ratio was approximately 99.3%.

- Revenues for the year were ($2,996,736,959), which is comprised of contributions of $1,568,230,428 and investment losses of ($4,564,967,387).

- Expenses increased over the prior year from $2,233,141,438 to $2,425,669,560 or 8.6%. Most of this increase represented increased retirement benefits paid.

THE STATEMENT OF PLAN NET ASSETS AND THE STATEMENT OF CHANGES IN PLAN NET ASSETS

This Comprehensive Annual Financial Report (CAFR) consists of two financial statements; *The Statement of Pension Plan and Postemployment Healthcare Plan Net Assets* (page 18) and *The Statement of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets* (page 19*)*. These financial statements report information about the System, as a whole, and about its financial condition that should help answer the question: Is the System, as a whole, better off or worse off as a result of this year's activities? These statements include all assets and liabilities using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, all revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Pension Plan and Postemployment Healthcare Plan Net Assets presents all of the System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets measure whether the System's financial position is improving or deteriorating. *The Statement of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets* presents how the System's net assets changed during the most recent fiscal year. These two financial statements should be reviewed along with the Schedule of Funding Progress and Schedule of Employer Contributions to determine whether the System is becoming financially stronger or weaker and to understand changes over time in the funded status of the System.

FINANCIAL ANALYSIS

System total assets as of September 30, 2001 were $36.7 billion and were mostly comprised of cash, investments, and contributions due from employers. Total assets decreased $4.3 billion or 10.5% from the prior year primarily due to decreased investment earnings.

Total liabilities as of September 30, 2001 were $1.7 billion and were mostly comprised of warrants outstanding, administrative costs, and obligations under securities lending. Total liabilities increased $1.1 billion or 175.6% from the prior year primarily due to an increase in obligations under securities lending and an increase in payables from the purchase of investments.

Management's Discussion and Analysis (Continued)

System assets exceeded its liabilities at the close of fiscal year 2001 by $35.0 billion. Total net assets held in trust for pension and health benefits decreased $5,422,406,519 or 13.4% from the previous year, primarily due to adverse market conditions and a decrease in investment earnings. This is in contrast to the previous year, when net assets increased by $3,972,175,804 or 10.9% from the prior year.

Michigan Public School Employees' Retirement System
Net Assets
(In Thousands)

	2001	2000	Total Percentage Change
Assets			
Cash	$ 96,868	$ 88,115	9.9 %
Receivables	482,866	665,750	(27.5)
Investments	36,161,810	40,315,299	(10.3)
Total Assets	36,741,544	41,069,164	(10.5)
Liabilities			
Warrants outstanding	9,073	5,994	51.4
Accounts payable and other accrued liabilities	226,191	88,389	155.9
Obligations under securities lending	1,483,052	529,146	180.3
Total Liabilities	1,718,316	623,529	175.6
Total Net Assets	$ 35,023,228	$ 40,445,635	(13.4) %

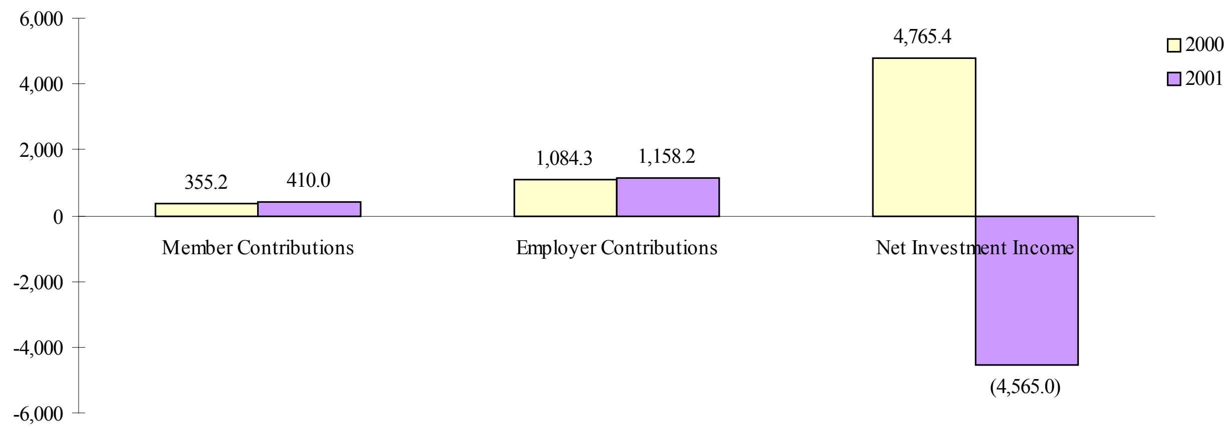
REVENUES - ADDITIONS TO PLAN NET ASSETS

The reserves needed to finance retirement and health benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income/(losses) for fiscal year 2001 totaled approximately $(3.0) billion.

Total contributions and net investment income decreased approximately $9.2 billion or 148.3% from those of the prior year, due to a drastic decline in market conditions and investment earnings. Total contributions increased from the previous year by $128,744,889 or 8.9%, while investment income decreased $9,330,808,513 or 195.8%. The Investment Section of this report reviews the results of investment activity for 2001.

Management's Discussion and Analysis (Continued)

Additions to Plan Net Assets
(In Millions)

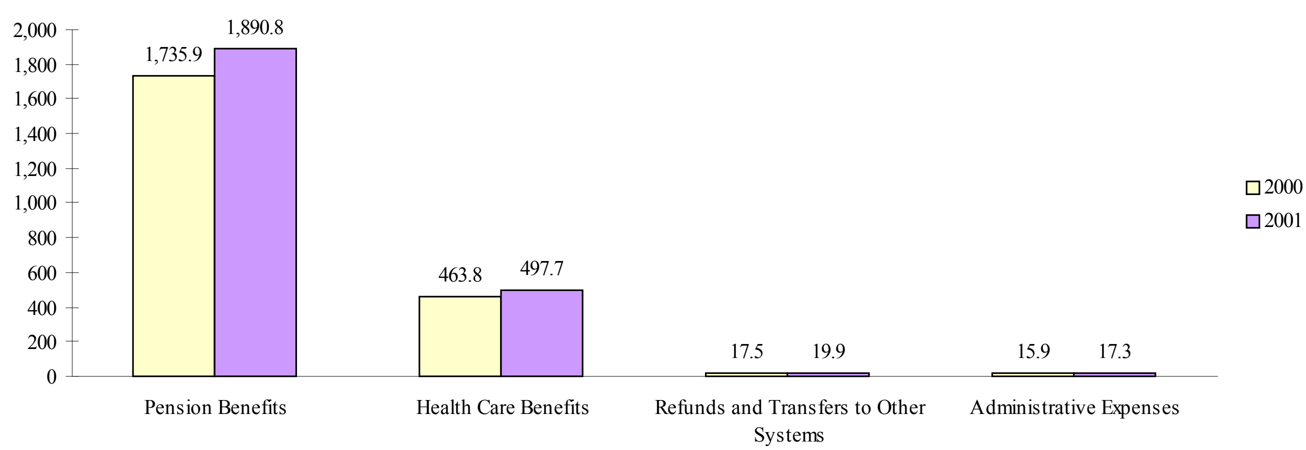


EXPENSES - DEDUCTIONS FROM PLAN NET ASSETS

The primary expenses of the System include the payment of pension benefits to members and beneficiaries, payment for health, dental and vision benefits, refund of contributions to former members, and the cost of administering the System. Total deductions for fiscal year 2001 were $2.4 billion, an increase of 8.6% over year 2000 expenditures.

The growth of health, dental, and vision care expenditures continued during the year and increased by $30,496,725 or 7.2% from $425,760,691 to $456,257,416 during the fiscal year. The payment of pension benefits increased by $154,876,072 or 8.9% from the previous year. The increase in pension benefit expenditures resulted from an increase in retirees (4,566) and an increase in benefit payments to retirees. Administrative expenses increased by $4,733,893 or 8.8% from the previous year, primarily due to an increase in professional services for special actuarial studies and attorney general fees, an increase in the costs allocated for building occupancy, a new renovation project, and an increase in technological support.

Deductions from Plan Net Assets
(In Millions)



Management's Discussion and Analysis (Continued)

RETIREMENT SYSTEM AS A WHOLE

The System's combined net assets have increased consistently over the last five years, with the exception of the decrease during the current fiscal year. Again, this decrease is a result of a national economic slowdown that resulted in investment income decreases. Management believes, and actuarial studies concur, that the System is in a financial position to meet its current obligations. We believe the current financial position will continue to improve due to a prudent investment program, cost controls, and strategic planning.

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide the Retirement Board, our membership, taxpayers, investors, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Office of Retirement Services, P.O. Box 30171, Lansing, MI 48909-7671.

Statements of Pension Plan and Postemployment Healthcare Plan Net Assets

As of Fiscal Years Ending September 30, 2001 and 2000

	September 30, 2001			September 30, 2000		
	Pension Plan	Health Plan	Total	Pension Plan	Health Plan	Total
Assets:						
Cash	$ 96,274,936	$ 593,444	$ 96,868,380	$ 87,823,317	$ 292,051	$ 88,115,368
Receivables:						
Amounts due from employer	164,281,695	622,866	164,904,561	167,392,229	355,782	167,748,011
Amounts due from employer long term	191,082,948		191,082,948	168,966,696		168,966,696
Interest and dividends	124,911,923	769,967	125,681,890	147,428,363	490,264	147,918,627
Sale of investments	1,188,920	7,329	1,196,249	180,516,040	600,295	181,116,335
Total receivables	481,465,486	1,400,162	482,865,648	664,303,328	1,446,341	665,749,669
Investments:						
Short term investments	2,687,232,311	16,564,304	2,703,796,615	1,961,333,444	6,522,289	1,967,855,733
Bonds, notes, mortgages, and preferred stock	6,931,818,310	42,728,255	6,974,546,565	7,855,049,856	26,121,466	7,881,171,322
Common stock	14,251,119,560	87,844,984	14,338,964,544	17,965,585,107	59,743,405	18,025,328,512
Real estate	3,153,186,727	19,436,483	3,172,623,210	3,216,908,002	10,697,622	3,227,605,624
Alternative investments	5,185,547,189	31,964,107	5,217,511,296	6,150,796,201	20,454,079	6,171,250,280
International investments	2,257,401,275	13,914,793	2,271,316,068	2,504,611,917	8,328,927	2,512,940,844
Collateral on loaned securities	1,473,966,033	9,085,639	1,483,051,672	527,392,555	1,753,810	529,146,365
Total investments	35,940,271,405	221,538,565	36,161,809,970	40,181,677,082	133,621,598	40,315,298,680
Total assets	36,518,011,827	223,532,171	36,741,543,998	40,933,803,727	135,359,990	41,069,163,717
Liabilities:						
Warrants outstanding	9,017,563	55,585	9,073,148	5,973,779	19,866	5,993,645
Accounts payable and other accrued liabilities	224,805,738	1,385,720	226,191,458	88,096,509	292,959	88,389,468
Obligations under securities lending	1,473,966,033	9,085,639	1,483,051,672	527,392,555	1,753,810	529,146,365
Total liabilities	1,707,789,334	10,526,944	1,718,316,278	621,462,843	2,066,635	623,529,478
Net Assets Held in Trust for Pension and Health Benefits*	$ 34,810,222,493	$ 213,005,227	$ 35,023,227,720	$ 40,312,340,884	$ 133,293,355	$ 40,445,634,239

*A schedule of funding progress is presented in the Required Supplementary Information in the Financial Section.

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

Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

For Fiscal Years Ended September 30, 2001 and 2000

	September 30, 2001			September 30, 2000		
	Pension Plan	Health Plan	Total	Pension Plan	Heath Plan	Total
Additions:						
Member contributions	$ 371,548,016	$ 38,485,260	$ 410,033,276	$ 321,557,146	$ 33,672,843	$ 355,229,989
Employer contributions :						
Undistributed receipts and other				22,448,046		22,448,046
Colleges, universities and federal	43,932,336	44,273,791	88,206,127	43,602,930	46,391,525	89,994,455
School districts and other	585,992,491	483,998,534	1,069,991,025	589,207,946	382,605,103	971,813,049
Investment income (loss):						
Investment income (loss)	(4,526,333,834)		(4,526,333,834)	4,804,544,663		4,804,544,663
Securities lending income	49,219,088		49,219,088	56,060,773		56,060,773
Investment expenses:						
Real estate operating expenses	(1,431,018)		(1,431,018)	(2,035,280)		(2,035,280)
Securities lending expenses	(45,312,263)		(45,312,263)	(52,441,587)		(52,441,587)
Other investment expenses	(51,910,386)		(51,910,386)	(50,654,787)		(50,654,787)
Interest income		10,663,468	10,663,468		9,959,633	9,959,633
Miscellaneous income	137,558		137,558	398,288		398,288
Total additions	(3,574,158,012)	577,421,053	(2,996,736,959)	5,732,688,138	472,629,104	6,205,317,242
Deductions:						
Benefits and refunds paid to plan members and beneficiaries:						
Retirement benefits	1,890,812,400		1,890,812,400	1,735,936,328		1,735,936,328
Health benefits		407,833,031	407,833,031		386,583,485	386,583,485
Dental/vision benefits		48,424,385	48,424,385		39,177,206	39,177,206
Refunds of member contributions	19,835,729	72,407	19,908,136	17,353,351	30,902	17,384,253
Transfers to other systems				102,451		102,451
Administrative expenses	17,312,250	41,379,358	58,691,608	15,918,143	38,039,572	53,957,715
Total deductions	1,927,960,379	497,709,181	2,425,669,560	1,769,310,273	463,831,165	2,233,141,438
Net Increase (Decrease)	(5,502,118,391)	79,711,872	(5,422,406,519)	3,963,377,865	8,797,939	3,972,175,804
Net Assets Held in Trust for Pension and Health Benefits:						
Beginning of Year	40,312,340,884	133,293,355	40,445,634,239	36,348,963,019	124,495,416	36,473,458,435
End of Year*	$ 34,810,222,493	$ 213,005,227	$ 35,023,227,720	$ 40,312,340,884	$ 133,293,355	$ 40,445,634,239

* A schedule of funding progress is presented in the Required Supplementary Information in the Financial Section.

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

Notes to Basic Financial Statements

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Public School Employees' Retirement System (System) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. The System was established to provide retirement, survivor and disability benefits to the public school employees. There are 716 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern, Central, Northern, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension trust fund in the combined financial statements of the State.

The System is administered by the Office of Retirement Services within the Michigan Department of Management and Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

MEMBERSHIP

At September 30, 2001, and 2000, the System's membership consisted of the following.

Retirees and beneficiaries currently receiving benefits:	2001	2000
Regular benefits	114,936	111,177
Survivor benefits	11,316	10,594
Disability benefits	4,538	4,344
Total	130,790	126,115
Current employees:		
Vested	118,969	118,677
Non-vested	199,569	194,022
Total	318,538	312,699
Inactive employees entitled to benefits and not yet receiving them	14,313	8,045
Total All Members	463,641	446,859

Enrollment in the health care plan is voluntary. The number of participants is as follows:

Health/Dental/Vision Plan	**2001**	**2000**
Eligible participants	130,790	126,115
Participants receiving benefits:		
Health	103,505	100,671
Dental/Vision	109,249	106,113

Notes to Basic Financial Statements

BENEFIT PROVISIONS

Introduction

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits.

A member who leaves Michigan Public School employment may request a refund of his or her member contribution account. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Under the Public School Employees' Retirement Act, all retirees have the option of health, dental and vision coverage. The employers fund health benefits on a pay-as-you-go basis. Retirees with this coverage contribute a portion of the monthly premium amount.

Regular Retirement

The retirement benefit is based on a member's years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, the averaging period is 36 consecutive months. For a Basic Plan member, this period is the 60 consecutive months yielding the highest total wages. The annual pension is paid monthly for the lifetime of a retiree and equals 1.5% of a member's final average compensation multiplied by the total number of years of credited service.

A Member Investment Plan member may retire at:

1. any age with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service; or
3. age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Basic Plan member may retire at:

1. age 55 with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

1. after completing at least 15 but less than 30 years of credited service; and
2. after attaining age 55; and
3. with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Deferred Retirement

If a member terminates employment before attaining the age qualification but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of Weekly Workers' Compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension — The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options — Under the Survivor Options, 100% Survivor Pension, 100% Equated, 75% Survivor Pension, 75% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary pre-deceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). Beginning January 1, 2000, a 75% Survivor Pension was made available.

100% Survivor Pension — pays a reduced pension to a retiree. The month after a retiree's death, the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

75% Survivor Pension — pays a reduced pension to a retiree. The month after a retiree's death, 75% of the pension amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Notes to Basic Financial Statements

50% Survivor Pension — pays a reduced pension to a retiree. The month after a retiree's death, 50% of the pension amount will be paid to the designated beneficiary for the remainder of his or her lifetime.

Equated Plan — The Equated Plan may be combined with the Straight Life, 100% Survivor, 75% Survivor, or 50% Survivor Pension by any member under age 61, except a disability applicant. The Equated Plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100%, 75%, or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The actual projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the Retirement System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated, 75% Equated or 50% Equated will receive the 100%, 75%, or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan participant has 10 years of credited service or, if age 60 or older, with five years of credited service. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, with 10 years of credited service. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or a parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Workers' Compensation is being paid to the eligible beneficiary due to the member's death. A spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with a l00% survivor pension factor. If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post Retirement Adjustments

Member Investment Plan (MIP) recipients receive an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan recipients receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

On January 1, 1990, pre-October 1, 1981, retirees received an increase that ranged from 1% to 22% depending on pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

One time upward adjustments were made in 1972, 1974, 1976, and 1977 for retirees who retired on or after July 1, 1956, and were eligible for Social Security benefits. (Social Security coverage was enacted by referendum in 1956). The minimum base pension of retirees who were unable to qualify for Social Security through their public school employment (essentially pre-July 1, 1956 retirees), was increased in 1965, 1971, 1972, 1974, and 1981 with a percentage increase granted in 1976 and 1977.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted.

MIP members enrolled in MIP prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member’s accumulated contributions plus interest, if any, are refundable.

Employer Contributions

Each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

Other Postemployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment for less than 21 years of service).

Dependents may receive 90% employer paid health benefit coverages (partial payment for dependents of deferred vested members who had 21 or more years of service).

Notes to Basic Financial Statements

The number of participants and other relevant financial information are as follows:

	2001	2000
Health, Dental and Vision Plan:		
Eligible participants	130,790	126,115
Participants receiving benefits:		
Health	103,505	100,671
Dental/Vision	109,249	106,113
Expenses for the year	$ 497,709,181	$ 463,831,165
Employer payroll contribution rate	5.55%	4.6%

The only requirements for health benefits are that the retiree or beneficiary make application and be in receipt of a monthly pension. Applications for enrollment after retirement are accepted anytime during the year, with coverage effective six months following the receipt of the application.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue in the period in which employees provide service. Benefits and refunds are recognized when due and payable in accordance with the terms of the System.

Reserves

Reserve for Employees' Contributions — Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Employers' Contribution Reserve representing unclaimed funds. At September 30, 2001, and 2000, the balance in this account was $1.1 billion and $996 million, respectively.

Reserve for Member Investment Plan — This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2001, and 2000, the balance in this account was $2.8 billion and $2.5 billion, respectively.

Reserve for Employer Contributions — All reporting unit contributions, except payments for health benefits, are credited to this reserve. Interest from the Reserve for Undistributed Investment Income account is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2001, and 2000, the balance in this account was $1.1 billion and $2.4 billion, respectively.

Reserve for Retired Benefit Payments — This represents the reserves for payment of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2001, and 2000, the balance in this account was $18.9 billion and $17.1 billion, respectively.

Reserve for Undistributed Investment Income and Reserve for Administrative Expenses — The Reserve for Undistributed Investment Income account is credited with all investment earnings. Interest is transferred annually to the other reserves.

Notes to Basic Financial Statements

Administrative expenses of the retirement system are paid from the Reserve for Administrative Expense, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. At September 30, 2001, and 2000, the balance in this account was $11.0 billion and $17.4 billion, respectively. The balance of this reserve includes the balance of the Stabilization Subaccount.

Stabilization Subaccount — Under Public Act 143, effective November 19, 1997, the actuarial value of assets was set at market at September 30, 1997, with the 5 year smoothing of investment gains or losses applied prospectively. Also, the inflation component of the salary scale was reduced from 5% to 4%. The act also established a stabilization subaccount of the Reserve for Undistributed Investment Income (income fund) to which any overfunding is credited. As of October 1, 2000, the balance in the subaccount was $302 million ($259 million plus interest of $43 million). The balance in the subaccount is included in the balance of the income fund, which is included in pension plan net assets.

Reserve for Health Benefits — This fund is credited with employee and employer contributions for retirees' health, dental and vision benefits and interest is allocated on the beginning balance. Health, dental and vision benefits are paid from this fund. The Retirement System pays 90% of the monthly premium, membership, or subscription fee for health, dental, vision and hearing benefits. At September 30, 2001, and 2000, the balance in this account was $213.0 million and $133.3 million, respectively.

Reporting Entity

The System is a pension trust fund of the State. As such, the System is considered part of the State and is included in the State's Comprehensive Annual Financial Report as a pension trust fund. The System and its Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Fair Value of Investments

Plan investments are reported at fair value, except for short-term investments. Short-term investments are carried at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments that do not have an established market are recorded at estimated fair value.

Investment Income

Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Postemployment Healthcare Plan Net Assets. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Notes to Basic Financial Statements

Related Party Transactions

Leases and services — The System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The following summarizes costs incurred by the System for such services.

	2001	2000
Building Rentals	$ 841,781	$ 483,164
Technological Support	3,950,999	3,381,095
Attorney General	186,431	91,997
Investment Services	7,323,769	5,961,000

Cash — On September 30, 2001 and 2000 the System had $96 million and $84 million respectively in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to $6.4 million and $7.0 million for the years ended September 30, 2001, and 2000, respectively.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 3 - CONTRIBUTIONS

The majority of the members currently participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability is amortized over a 36 year period for the 2000 fiscal year and 35 year period for the 2001 fiscal year.

Actual employer contributions for retirement benefits were $629,924,827 and $655,258,922 representing 6.8% and 7.3% of annual covered payroll for the years ended September 30, 2001 and 2000, respectively. Required employer contributions for pensions included:

1. $569,897,771 and $559,909,917 for fiscal years 2001 and 2000, respectively, for the normal cost of pensions representing 6.15% and 6.23% (before reconciliation), respectively, of annual covered payroll.

2. $12,506,574 and $12,695,778 for fiscal years 2001 and 2000, respectively, for amortization of unfunded actuarial accrued liability representing .14% and .14% (before reconciliation), respectively, of annual covered payroll.

The System is required to reconcile with actuarial requirements annually. Any funding excess or deficiency is smoothed over 5 years. One fifth (20%) of the funding excess or deficiency is included in the subsequent years contribution, and is not recognized as a payable or receivable in the accounting records.

Notes to Basic Financial Statements

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in Fiscal Year 1997-1998, and payments began in Fiscal Year 1998-1999.

The program allows members to purchase service credit and repay refunds on a tax deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from members' pay checks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2001 and 2000, there were 28,074 and 23,051 agreements, respectively. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2001 and 2000. The average length of a contract was approximately 8.4 and 7.6 years for 2001 and 2000. The discounted receivable was $63 million and $191 million for the short and long term receivable at September 30, 2001, and was $60 million and $169 million for the short and long term receivable at September 30, 2000.

NOTE 4 - INVESTMENTS

Investment Authority

Under Public Act 380 of 1965, as amended, the authority for the purchase and the sale of investments resides with the State Treasurer. Investments are made subject to the Michigan Public Pension Investment Act, Public Act 314 of 1965, as amended. The Michigan Public Pension Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stock, corporate and government bonds and notes, mortgages, real estate, and certain short-term and alternative investments. Investments must be made for the exclusive purposes of providing benefits to active members, retired members and beneficiaries, and for defraying the expenses of investing the assets.

Under Public Act 314 of 1965, as amended, the State Treasurer may invest up to 5% of the System's assets in small business having more than one-half of it's assets or employees in Michigan as described in section 20(a) of the act and up to 20% of the System's assets in investments not otherwise qualified under the act as described in section 20(d). Alternative investments include limited partnerships and distributions from these partnerships in the form of bonds, preferred stock, common stock and direct investments.

Derivatives

The State Treasurer does not employ the use of derivatives in the investment of the Common Cash or the investment of trust funds other than the pension trust funds.

Derivatives are used in managing pension trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 7% of the total pension trust fund's portfolio has been invested from time to time in futures contracts, collateralized mortgages and swap agreements. State investment statutes limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets. Swap agreements represent the largest category of derivatives used, and they represented 6.4% of market value of total assets on September 30, 2001 and 6.1% of market value of total assets on September 30, 2000.

To diversify the pension fund's portfolio into international equities, the State Treasurer has entered into swap agreements with investment grade counterparties which are tied to stock market indices in twenty-two foreign countries. The notional amounts of the swap agreements at September 30, 2001, and 2000, were $2,796.1 million and $2,191.7 million, respectively. Approximately one half of the notional amount is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the swap agreements, interest indexed to the three month London InterBank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At the maturity of the swap agreements, the pension fund will either receive the increase in the value of the international equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. Swap agreement maturity dates range from October 2001 to October 2004. U.S. domestic

Notes to Basic Financial Statements

LIBOR based floating rate notes were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these notes.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes. The book value represents the cost of the notes. The current value represents the current value of the notes and the change in value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity. Since the inception of the international equity investment program, over $798.9 million of gains on international equity exposure and excess interest received have been realized. The unrealized loss of $594.2 million at September 30, 2001 reflects the decline in international stock indices and changes in currency exchange rates.

The respective September 30, 2001 and 2000 values are as follows:

	Notional Value	Current Value
9/30/01 (dollars in millions)	$2,796.1	$2,213.3
9/30/00 (dollars in millions)	2,191.7	2,426.5

Investments Exceeding 5% of Plan Net Assets

The System did not hold an individual investment (other than U.S. Government securities) that exceeded 5% of net assets available for benefits at September 30, 2001 or 2000.

Securities Lending

State statutes allow the System to participate in securities lending transactions, and the System has, via a Securities Lending Authorization Agreement, authorized the agent bank to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, the agent bank lent, at the direction of the System, the System's securities and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds and irrevocable bank letters of credit as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) at least 102% of the market value of the loaned securities in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank.

During the fiscal year, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2001, such investment pool had an average duration of 75 days and an average weighted maturity of 551 days. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On September 30, 2001, the System had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of September 30, 2001 were $1,568,139,650 and $1,506,794,875, respectively.

Gross income from security lending for the fiscal year was $49,219,088. Expenses associated with this income amounted to $44,009,624 for the borrower's rebate and $1,302,639 for fees paid to the agent.

Categories of Investment Risk

Investments made by the fund are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk in three categories.

Category 1 includes investments insured, registered, or held by the System or its agent in the System's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or agent, but not in the System's name.

At September 30, 2001, all investments of the System were classified as Category 1 or Category 3, except for certain investments not categorized.

The following table summarizes the investments at market value:

Notes to Basic Financial Statements

Category 1	2001	2000 (Reclassified)
Prime Commercial Paper	$ 2,475,046,615	$ 1,792,259,375
Short Term Investments	152,650,000	175,596,358
Government Securities	2,320,655,968	4,290,552,019
Corporate Bonds & Notes	3,418,469,724	3,172,681,463 [2]
Preferred Stock	1,382	1,133
Common Stock	14,033,843,489	17,884,860,101
Real Estate	69,553,628	189,731,275 [1]
Alternative Investments	217,867,221	613,771,724 [3]
International Investments	2,271,316,068	2,512,940,844
Total Category 1	$ 24,959,404,095	$ 30,632,394,292
Category 3		
Government Securities	$ 62,463,473	$ -
Non-Categorized		
Short Term Investments	$ 76,100,000	$ -
Mortgages	39,625,443	43,391,068
Real Estate	3,103,069,582	3,037,874,349 [1]
Alternative Investments	4,999,644,075	5,557,478,556 [3]
Cash Collateral	1,483,051,672	529,146,365
Securities on Loan:		
Government Securities	1,087,807,955	359,550,985
Corporate Bonds & Notes	45,522,620	14,994,654
Common Stock	305,121,055	140,468,411
Total Non-Categorized	$ 11,139,942,402	$ 9,682,904,388
Grand Total	$ 36,161,809,970	$ 40,315,298,680

[1] In Category 1, the Real Estate investments are all publicly traded real estate investment trusts. Non-Categorized Real Estate consists of investments through various legal entities.

[2] Private Placements were reclassified from Non-Categorized to Corporate Bonds and Notes Category 1 in the amount of $226,635,081 for FYE 2000.

[3] Alternative investments were reclassified in the amount of $122,301,730 from Non-Categorized to Category 1 for FYE 2000.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Studier et al vs. Michigan Public School Employees' Retirement System

Plaintiffs, who are retired members of the System, allege that the increases in prescription co-pays and health insurance deductibles and development of a formulary plan amounted to a diminishment and impairment of their accrued financial benefits under the State Constitution.

On October 23, 2000, the System responded that health benefits are not considered accrued financial benefits and there has not been a diminishment or impairment of health benefits. On August 28, 2001, an order denying injunction was issued. Motions for summary disposition were due by December 17, 2001; replies January 18, 2002; and oral argument on the motions is scheduled for January 31, 2002.

While the case has not been certified as a class action, an adverse decision could have a bearing on how the System responds to increasing prescription drug costs. It is estimated an adverse ruling would require the pension fund to come up with an additional $181 million by 2003, assuming current benefits are continued. That figure would be proportionally higher if population growth in the System continues at about 4% annually.

Other

Under the Administrative Procedures Act, members may appeal a decision made by the Board. Once the administrative procedure has been exhausted, the decision may be appealed in Michigan's court system. Various cases that have exhausted the administrative procedures have been appealed in the court system. These cases are in the normal course of business and the System does not anticipate any material loss as a result of the contingent liabilities.

Required Supplementary Information

Schedule of Funding Progress

Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the System's funding status. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the underfunded or overfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the System.

Retirement Benefits ($ in Millions)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1991	$ 14,653	$ 18,032	$ 3,379	81.3 %	$ 6,248	54.1 %
1992	15,333	19,563	4,230	78.4	6,593	64.2
1993#	16,999	21,699	4,700	78.3	7,070	66.5
1994	18,502	23,500	4,998	78.7	7,344	68.0
1994@	18,502	25,014	6,512	74.0	7,344	88.7
1995	20,455	27,402	6,947	74.6	7,565	91.8
1996	22,529	28,571	6,042	78.9	7,807	77.4
1997	25,485	30,179	4,694	84.4	8,027	58.5
1997**	30,051	29,792	(259)	100.9	8,027	(3.2)
1998	31,870	32,137	267	99.2	8,265	3.2
1998@	31,870	32,863	993	97.0	8,265	12.0
1999	34,095	34,348	253	99.3	8,644	2.9
2000	36,893	37,139	246	99.3	8,985	2.7

Revised asset valuation method

@ Revised actuarial assumptions

** Revised actuarial assumptions and revised asset valuation method

Required Supplementary Information (Continued)

Schedule of Employer Contributions

Fiscal Year Ended Sept. 30	Actuarial Required Contribution (ARC)*	Actual Contributions	Percentage Contributed
1992	$ 524,225,380	$ 533,039,483	101.68 %
1993	582,356,415	612,207,802	105.13
1994	594,601,049	809,749,551	136.18
1995	781,680,444	770,526,207	98.57
1996	848,022,600	829,626,962	97.83
1997	855,978,200	904,165,262	105.63
1998	537,557,091	622,254,551	115.76
1999	593,525,284	574,436,929	96.78
2000	572,605,695	655,258,922	114.43
2001	582,404,345	629,924,827	108.16

* The ARC has been recalculated for all years presented in order to reflect only the employer's share of the actuarial required contributions.

Notes to Required Supplementary Information

NOTE A - DESCRIPTION

Ten year historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented in the preceding schedules. Other ten year historical trend information related to the System is presented in the Statistical and Actuarial Sections of the report. This information is presented to enable the reader to assess the progress made by the System in accumulating sufficient assets to pay pension benefits as they become due.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

The Schedule of Funding Progress and Schedule of Employer Contributions are reported as historical trend information. The Schedule of Funding Progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedule of Employer Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

NOTE B - SUMMARY OF ACTUARIAL ASSUMPTIONS

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

Valuation Date	09/30/00
Actuarial Cost Method	Entry Age, Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	36 years
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions:	
Inflation Rate	4%
Investment Rate of Return	8%
Projected Salary Increases	4-13.5%
Cost-of-Living Adjustments	3% annual non-compounded for MIP members

Supporting Schedules

Comparative Summary Schedule of Pension Plan Administrative Expenses For the Years Ended September 30, 2001 and 2000

	2001	2000
Personnel Services:		
Staff Salaries	$ 5,672,802	$ 5,525,539
Retirement and Social Security	1,210,981	1,066,634
Other Fringe Benefits	951,253	847,748
Total	7,835,036	7,439,921
Professional Services:		
Actuarial	165,555	108,343
Attorney General	186,431	91,997
Audit	30,508	53,336
Consulting	1,139,378	1,115,393
Medical	280,688	329,661
Total	1,802,560	1,698,730
Building and Equipment:		
Building Rentals	841,781	483,164
Equipment Purchase, Maintenance, and Rentals	268,173	454,891
Total	1,109,954	938,055
Travel and General:		
Travel and Board Meetings	76,263	59,713
Office Supplies	144,994	125,682
Postage, Telephone and Other	2,144,596	2,046,732
Printing	247,848	228,215
Technological Support	3,950,999	3,381,095
Total	6,564,700	5,841,437
Total Administrative Expenses	$17,312,250	$15,918,143

Supporting Schedules (Continued)

Schedule of Investment Expenses

	2001	2000
Real Estate Operating Expenses	$ 1,431,018	$ 2,035,280
Securities Lending Expenses	45,312,263	52,441,587
Other Investment Expenses*	51,910,386	50,654,787
Total Investment Expenses	$ 98,653,667	$ 105,131,654

*Refer to the Investment Section for fees paid to investment professionals

Schedule of Payments to Consultants

	2001	2000
Independent Auditors	$ 30,508	$ 53,336
Medical Advisor	280,688	329,661
Actuary	165,555	108,343
Consulting	1,139,378	1,115,393
Attorney General	186,431	91,997
Total Payments	$ 1,802,560	$ 1,698,730

Supporting Schedules (Continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)

For the Year Ended September 30, 2001

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions:							
Member contributions	$ 117,839,690	$ 253,708,326				$ 38,485,260	$ 410,033,276
Employer contributions :							
Undistributed receipts and other							
Colleges, universities and federal			$ 43,932,336			44,273,791	88,206,127
School districts and other			585,992,491			483,998,534	1,069,991,025
Investment income (loss):							
Investment income (loss)					$ (4,526,333,834)		(4,526,333,834)
Securities lending income					49,219,088		49,219,088
Investment expenses:							
Real estate operating expenses					(1,431,018)		(1,431,018)
Securities lending expenses					(45,312,263)		(45,312,263)
Other investment expenses					(51,910,386)		(51,910,386)
Interest Income						10,663,468	10,663,468
Miscellaneous income					137,558		137,558
Total additions	117,839,690	253,708,326	629,924,827		(4,575,630,855)	577,421,053	(2,996,736,959)
Deductions:							
Benefits and refunds paid to plan members and beneficiaries:							
Retirement benefits				$ 1,890,812,400			1,890,812,400
Health benefits						407,833,031	407,833,031
Dental/vision benefits						48,424,385	48,424,385
Refund of member contributions	2,204,945	11,769,724	5,861,060			72,407	19,908,136
Transfers to other systems							
Administrative expenses					17,312,250	41,379,358	58,691,608
Total deductions	2,204,945	11,769,724	5,861,060	1,890,812,400	17,312,250	497,709,181	2,425,669,560
Net Increase (Decrease)	115,634,745	241,938,602	624,063,767	(1,890,812,400)	(4,592,943,105)	79,711,872	(5,422,406,519)
Other Changes in Net Assets:							
Interest allocation	31,979,860	251,190,233	190,220,207	1,366,064,074	(1,839,454,374)		-
Transfers upon retirement	(72,024,571)	(187,503,878)		259,528,449			-
Transfer - stabilization account			(9,736,074)		9,736,074		-
Transfers of employer shares			(2,124,259,226)	2,124,259,226			-
Total other changes in net assets	(40,044,711)	63,686,355	(1,943,775,093)	3,749,851,749	(1,829,718,300)		-
Net Increase (Decrease) After Other Changes	75,590,034	305,624,957	(1,319,711,326)	1,859,039,349	(6,422,661,405)	79,711,872	(5,422,406,519)
Net Assets Held in Trust for Pension and Health Benefits:							
Beginning of Year	996,419,037	2,476,347,845	2,377,752,583	17,075,800,921	17,386,020,498	133,293,355	40,445,634,239
End of Year	$ 1,072,009,071	$ 2,781,972,802	$ 1,058,041,257	$ 18,934,840,270	$ 10,963,359,093	$ 213,005,227	$ 35,023,227,720

Supporting Schedules (Continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)

For the Year Ended September 30, 2000

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions:							
Member contributions	$ 81,141,695	$ 240,415,451				$ 33,672,843	$ 355,229,989
Employer contributions:							
Undistributed receipts and other			$ 22,448,046				22,448,046
Colleges, universities and federal			43,602,930			46,391,525	89,994,455
School districts and other			589,207,946			382,605,103	971,813,049
Investment income:							
Investment income					$ 4,804,544,663		4,804,544,663
Securities lending income					56,060,773		56,060,773
Investment expenses:							
Real estate operating expenses					(2,035,280)		(2,035,280)
Securities lending expenses					(52,441,587)		(52,441,587)
Other investment expenses					(50,654,787)		(50,654,787)
Interest Income						9,959,633	9,959,633
Miscellaneous income					398,288		398,288
Total additions	81,141,695	240,415,451	655,258,922		4,755,872,070	472,629,104	6,205,317,242
Deductions:							
Benefits and refunds paid to plan members and beneficiaries:							
Retirement benefits				$ 1,735,936,328			1,735,936,328
Health benefits						386,583,485	386,583,485
Dental/vision benefits						39,177,206	39,177,206
Refunds of member contributions	2,045,353	11,076,652	4,231,346			30,902	17,384,253
Transfers to other systems	102,451						102,451
Administrative expenses					15,918,143	38,039,572	53,957,715
Total deductions	2,147,804	11,076,652	4,231,346	1,735,936,328	15,918,143	463,831,165	2,233,141,438
Net Increase (Decrease)	78,993,891	229,338,799	651,027,576	(1,735,936,328)	4,739,953,927	8,797,939	3,972,175,804
Other Changes in Net Assets:							
Interest allocation	30,317,443	200,807,712	260,926,034	1,239,614,195	(1,731,665,384)		-
Transfers upon retirement	(89,957,743)	(191,211,420)		281,169,163			-
Transfers of employer shares			(1,795,776,456)	1,795,776,456			-
Total other changes in net assets	(59,640,300)	9,596,292	(1,534,850,422)	3,316,559,814	(1,731,665,384)		-
Net Increase (Decrease) After Other Changes	19,353,591	238,935,091	(883,822,846)	1,580,623,486	3,008,288,543	8,797,939	3,972,175,804
Net Assets Held in Trust for Pension and Health Benefits:							
Beginning of Year	977,065,446	2,237,412,754	3,261,575,429	15,495,177,435	14,377,731,955	124,495,416	36,473,458,435
End of Year	$ 996,419,037	$ 2,476,347,845	$ 2,377,752,583	$ 17,075,800,921	$ 17,386,020,498	$ 133,293,355	$ 40,445,634,239

INVESTMENT SECTION

Prepared by Michigan Department of Treasury, Bureau of Investments

Alan H. Van Noord, Director

Report on Investment Activity

INTRODUCTION

The State Treasurer reports quarterly the investment activity to the Investment Advisory Committee, which reviews the investments, goals and objectives of the retirement funds and may submit recommendations regarding them to the State Treasurer. The Investment Advisory Committee may also, by a majority vote, direct the State Treasurer to dispose of any holdings that, in the Committee's judgement, are not suitable for the funds involved, and may, by unanimous vote, direct the State Treasurer to make specific investments.

The Investment Advisory Committee was created by Act 380 of the Public Acts of 1965. The three public members of the five-member committee are appointed by the Governor with the advice and consent of the Senate for three-year terms. The Director of the Department of Consumer and Industry Services and the Director of the Department of Management and Budget are ex-officio members. The members of the committee are as follows: James B. Henry, PHD (public member), Robert E. Swaney, CFA (public member), David G. Sowerby (public member), Kathleen M. Wilbur (ex-officio member), and Duane E. Berger (ex-officio member). The public members serve without pay, but are paid actual and necessary travel and other expenses.

INVESTMENT POLICY & GOAL

The primary function of the System is to provide retirement, survivor and disability benefits to its members. The State Treasurer is the sole investment fiduciary and custodian of the System's investments pursuant to State law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment rate of return, at a reasonable cost achieved by cultivating a motivated team of dedicated professionals. The goals of the fund are:

1. To achieve a balance between risk and return.
2. To outperform the actuarial assumptions over the long term.
3. To perform in the top half of the Capital Resource Advisors public plan universe.
4. To exceed individual asset class benchmarks over the long term.
5. Seek to maintain a fully funded position.
6. To produce competitive results while operating in a cost-effective manner relative to peers.

The strategy for achieving these goals is carried out by investing the assets of the System according to a five-year asset allocation model. The System currently has seven different asset classes, which provides for a well-diversified portfolio.

Asset Allocation
(Excludes Collateral on Loaned Securities)

Investment Category	As of 9/30/01 Actual %	Five-Year Target %
Mortgages	0.1%	0.0%
International Equities-Passive	6.5%	10.0%
Real Estate	9.1%	10.0%
Alternative Investments	15.0%	16.5%
Short Term Investments	8.1%	2.0%
Fixed Income	20.0%	17.0%
Domestic Equity	41.2%	44.5%
TOTAL	100.0%	100.0%

INVESTMENT SECTION

Report on Investment Activity

STATE LAW

Pursuant to State Law (Section 91 of Act No. 380 of the Public Acts of 1965, as amended), the State Treasurer is the investment fiduciary for the following four State sponsored retirement systems: Michigan Public School Employees' Retirement System; Michigan State Employees' Retirement System; Michigan State Police Retirement System; and Michigan Judges' Retirement System.

Act No. 314 of the Public Act of 1965, as amended, authorizes the investment of assets of public employee retirement systems or plans created and established by the state or any political subdivision.

PROXY VOTING POLICY

The System's Proxy Voting Policy sets forth directives on the following issues: Board of Directors, corporate governance, social issues, corporate restructures and defenses. All proxies are reviewed and voted in accordance with the above mentioned items.

INVESTMENT RESULTS

Total Portfolio Result

For the fiscal year ended September 30, 2001, the total portfolio returned -11.5% as compiled by Capital Resource Advisors. Annualized for the three-year period, the fund returned 5.6%, and for the five-year period, the fund returned 9.5%.

During the fiscal year ending September 30, 2001, the nation's economy experienced an economic slowdown, rising unemployment, reduced consumer spending, and corporate earnings that did not meet expectations. On September 11, 2001, all hopes of an economic recovery were dashed by terrorist attacks on New York City and Washington, D.C. As a result, the economy experienced a decline in the nation's real gross domestic product of -0.4% for the fourth quarter of the fiscal year. In hopes of stimulating the economy, the Federal Reserve reduced rates by three and one-half percent over eight different occasions throughout the fiscal year.

As a result of the economic conditions, the broad based S&P 500 index declined 26.6% over the fiscal year with the Dow Jones Industrial Average off 15.5%. Value stocks, in turn, outperformed growth stocks during this period. Given the reductions in interest rates by the Federal Reserve, the Lehman Brothers Government/Corporate bond index appreciated 13.2%.

The returns were calculated using a time-weighted rate of return in accordance with standards of the Association for Investment Management and Research (AIMR), unless a modification is described in the discussion of the return.

The System is well-diversified among asset classes. As of September 30, 2001, the portfolio consisted of 41.2% domestic equities, 20.1% fixed income (includes 0.1% in mortgages), 15.0% alternative investments, 9.1% real estate, 8.1% short-term investments, and 6.5% international equities.

Domestic Stocks - Active

The objective of actively managed domestic stock investments is long-term capital appreciation by investing in publicly traded stocks of primarily U.S.-based companies. Monies are invested in a portfolio of large company Value stocks and a portfolio of large company Growth stocks. Since historical rates of return for value and growth strategies have been negatively correlated, this allows for further diversification and focused selection of investments. Value investing derives its returns from the market's tendency to periodically undershoot a stock's fair value and then eventually corrects back to fair value. Growth stock returns accrue from longer-term broad themes from which companies evolve that will grow faster than the economy. Both portfolios are diversified among various securities and industries.

Report on Investment Activity

As we reported one year ago, the Federal Reserve took action to put the brakes on a rapidly expanding economy. The Federal Reserve raised rates six times between June 1999 and June 2000, taking the Fed Funds rate from 4.75% to 6.50%. As a result, both U.S. real Gross Domestic Product (GDP) and corporate earnings growth came to a screeching halt. Real GDP finally fell into negative territory in the September 2001 quarter, declining .4% while corporate earnings realized negative year-over-year comparisons for the entire fiscal year. Operating earnings for the S&P 500 declined 26.6% for the 12-month period ending September 2001. Obviously, the terrorist acts of September 11 had a significant negative impact on the U.S. economy for the final month of the fiscal year.

As a result of the dismal state of the economy, equity markets continued the declines begun in the spring of 2000. Total return for the Dow Jones Industrial Average was -15.5% for the 12 months ending September 2001, while the broader S&P 500 was -26.6%. The NASDAQ's price fell by more than half at -59.2%. No S&P 500 sector produced positive returns during the fiscal year. Technology was the most impacted, declining 59%.

On a positive note, the Federal Reserve reversed course quickly, lowering short-term rates eight times between January 2001 and September 2001, for a total reduction of 3.50 percentage points. Congress moved to stimulate the economy by enacting over $1 trillion in federal tax cuts, including rebate checks. Energy prices declined and inflation fell to an annual rate of 2.6% as measured by the CPI.

The System's large company Value portfolio achieved a total rate of return of -3.4% for fiscal 2001. This compared very favorably with -16.9% for the S&P 500 BARRA Value Index due to the fund's significant investment in financial stocks and little exposure to technology and telecommunication stocks. The large company Growth portfolio's total rate of return was -34.6% for the fiscal year versus -35.7% for the S&P 500 BARRA Growth Index. The fund performed better than the index because of positions in the healthcare sector and less-than-average exposure to the technology group. Because these two portfolios were created effective January 31, 2000, we do not have three-year or five-year rates of return.

On a consolidated basis, the actively managed domestic stock portfolio had a total rate of return of -20.1% for fiscal year 2001 compared to -26.6% for the S&P 500 Index. Three-year and five-year annualized returns were 2.5% and 9.2%. This compared with 2.0% and 10.2% for the S&P 500.

At the close of fiscal year 2001, large company Value stocks represented 14.2% of total investments; large company Growth stocks represented 13.2%. Consolidated actively managed domestic stocks represented 27.4% of total investments, compared to 30.1% at the end of fiscal year 2000.

Domestic Stocks - Passive

The objective of the enhanced S&P 500 and S&P MidCap Index Funds is to closely match the return performance of their benchmarks, and use low risk strategies to offset transaction costs and add to performance when possible. The S&P 500 Index Fund return for the fiscal year was -26.2% versus the benchmark's -26.6%. The S&P MidCap Index Fund return for the fiscal year was -17.7% versus its benchmark's -19.0%. The relative enhancements to the returns were the result of strategic allocations of additional funds to passive equity investments during market corrections and the opportunistic use of derivative programs. During fiscal year 2001, $426.9 million was added to U.S. index funds. At the end of the fiscal year, passive domestic stock portfolios represented 14.0% of total assets, the S&P 500 Index Fund accounting for 12.8% and the S&P MidCap Index Fund 1.2%. Indexed stock portfolios represented 14.9% of total investment assets at the end of the prior fiscal year.

International Equities - Passive

The objective of the passive international equity portfolios is to match the return performance of the Salomon Smith Barney Broad Market Index (BMI) Europe and Pacific Composite (EPAC) adjusted for net dividends. Fifty percent of the benchmark is hedged to the U.S. Dollar and the other half is impacted by foreign currency exchange rate changes. The total passive international return of -27.1% in the fiscal year compared favorably with the Salomon Smith Barney BMI-EPAC return of -27.7%. The passive international return of 2.0% for three years compared well with the benchmark's return of 1.6% over the same period.

Report on Investment Activity

Core passive exposure to international equity returns is achieved by investing in a combination of fixed income notes and equtiy swap agreements on foreign stock indices in developed markets. Interest on the dedicated notes is exchanged for international stock returns, and the total notional amount of the swap agreements is invested in the approximate proportions of the Salomon Smith Barney Broad Market Index (BMI) Europe and Pacific Composite (EPAC) country weightings in those country indices. Use of swap agreements for a core position began in 1993, and an American Depository Receipts (ADR) and index-related security portfolio was added in June of 1999 to increase management flexibility. During fiscal 2001, $597.0 million of exposure was added, raising passive international investments to 6.5% of total investment assets.

The combination of fixed income LIBOR notes and equity swap agreements was valued at $2,213 million on September 30, 2001. That valuation included a net unrealized loss of $594.2 million on equity index exposures and an unrealized loss of $1.5 million on LIBOR note investments held. During fiscal year 2001, $59.6 million of gains on equity exposures were realized, and $21.4 million of interest in excess of obligations on completed swaps was also recognized. At the end of the fiscal year, total realized gains and net interest received in excess of counterparty obligations on completed agreements reached a record $798.9 million since the program began.

Fixed Income (Excluding Mortgages)

For the fiscal year ending September 30, 2001, the fixed income portfolio returned 12.2% as compiled by Capital Resource Advisors. The portfolio also returned 6.2% for three years, and 7.8% for five-years.

Rates continued to decline during the year in response to the Federal Reserve's repeated reductions in rates and the Treasury's intention to cease further issuance of thirty-year bonds. In addition to rates declining in all maturities there was also a significant steepening of the yield curve. Given the mathematics of bond calculation, long-term government bonds tended to outperform most other sectors.

As rates approached their lowest levels in twenty or more years, a defensive reinvestment program concentrating on shorter-term intermediate issues and floating rate securities was opted. While offering greater liquidity and protection from rising rates they tend to underperform in a declining rate market.

Fixed income represented 20.0% of the total portfolio compared with 19.7% last year. The corporate sector represented 50.0% of fixed income securities with government securities accounting for 50.0%. Last year corporate securities were 40.7% of the total with government securities representing 59.3%. The increased level of corporate securities was the result of quality spreads widening.

Real Estate Equity

For the fiscal year ending September 30, 2001, 9.1% of the total investment portfolio was invested in equity real estate. This compares to 8.1% and 7.3% for the fiscal years ending September 30, 2000 and 1999, respectively. The five-year target asset allocation for equity real estate investments is 10.0%.

The one-year, three-year and five-year total equity real estate net returns for the fiscal year ending September 30, 2001, were 9.3%, 11.4% and 11.8%, respectively, as compiled by Capital Resource Advisors. This compares to the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index returns of 9.4%, 10.6% and 11.9% relating to the same periods. As of September 30, 2001, the NCREIF portfolio of properties is more weighted in the office sector at 42.0%, versus the System's portfolio at 24.0%. The historical volatility of the office sector returns makes it a more risky property type, especially during economic downturns. Because the NCREIF returns are quoted before advisor fees/overhead and the System's returns are quoted after all advisor fees/overhead, the NCREIF returns stated above have been adjusted downward by 75 basis points to approximate comparable returns.

The real estate investments are broadly diversified geographically across the country, by type of property and class of property, to reduce risk. Major property types as of September 30, 2001, included apartments (42%); retail centers, including regional malls and grocery anchored neighborhood/community shopping centers (28%); commerical office buildings (24%); and miscellaneous other property types, such as industrial and self-storage (6%). The System, through its advisors

Report on Investment Activity

and operating joint ventures, acquires, develops, redevelops, and disposes of real estate with the goal of maximizing returns while maintaining an ***acceptable*** level of risk. The properties are held in various investment vehicles: partnerships, LLCs, trusts, commingled finds, and REIT stock. These legal entities allow the System to enjoy the benefits of real estate ownership while limiting the liability associated with the asset class. In all new investments, the System negotiates approval rights over critical decisions in order to further mitigate risk. The properties are regularly valued by independent appraisers to establish fair market values.

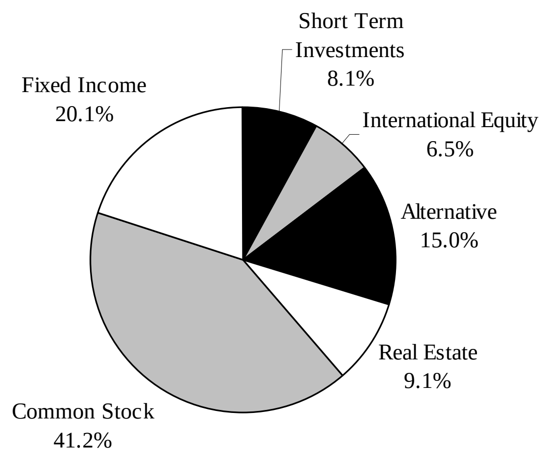
Real Estate Debt (Mortgages)

For the fiscal year ending September 30, 2001, 0.1% of the total investment portfolio was invested in direct mortgages. The asset allocation objective is to reduce mortgage holdings to 0.0% over time, a majority of the mortgage portfolio was sold in 1997 and 1998. The one-year, three-year and five-year total returns for the mortgage portfolio for the fiscal year ending September 30, 2001, were 4.4%, 3.2% and 6.6%, respectively.

Alternative Investments

Alternative Investments are investments in the private equity market, either directly in companies or indirectly through limited partnerships. Through September 30, 2001, approximately 96.0% of alternative investments were made through limited partnerships. Of the investments in limited partnerships, approximately 12.0% were in partnerships investing internationally. The remaining 4.0% were direct private equity investments and public stock distributions received from the limited partnerships. The percentage of assets in alternative investments has consistently increased from 4.8% as of September 30, 1993, to 15.0% as of September 30, 2001. The asset allocation range for alternative investments is 15% to 20% while the long-term target asset allocation is 16.5%. The one-year, three-year and five-year total alternative investment returns for the fiscal year ending September 30, 2001, were -16.9%, 10.0%, and 14.4%, respectively.

Asset Allocation



Investment Results for the Period Ending September 30, 2001

Investment Category	Current Year	Annualized Rate of Return 3 Years	5 Years	10 Years
Total Portfolio	(11.5) %	5.6 %	9.5 %	10.2 %
Domestic Equities Stock - Active	(20.1)	2.5	9.2	11.9
Domestic Equities Stock - Passive*	(25.7)	3.2	10.7	13.3
Standard & Poor's (S&P 500)	(26.6)	2.0	10.2	12.7
Standard & Poor's (MidCap)	(19.0)	13.3	13.7	14.5
Standard & Poor's (S&P 1500)	(25.7)	3.0	10.2	N/A
International Equities	(27.1)	2.0	3.7	N/A
Net Salomon BMI - EPAC 50/50	(27.7)	1.6	2.4	N/A
Fixed Income Bonds (U.S. Corp and Govt)	12.2	6.2	7.8	8.1
Salomon Smith Barney Broad Investment Grade Bond Index	13.1	6.4	8.1	7.8
Lehman Brothers Government/Corporate	13.2	5.9	8.0	7.8
Mortgages	4.4	3.2	6.6	7.5
Salomon Smith Barney Broad Investment Grade Bond Index	13.1	6.4	8.1	7.8
Real Estate - Equity	9.3	11.4	11.8	7.1
NCREIF minus 75 Basis Points	9.4	10.6	11.9	6.7
Alternative Investments	(16.9)	10.0	14.4	14.4

* Passive portfolio consists of a S&P 500 fund and a S&P Midcap fund. The return is a weighted average of the two funds.

N/A Not available.

Largest Assets Held

Largest Stock Holdings (By Market Value)*
September 30, 2001

Rank	Shares	Stocks	Market Value
1	15,080,829	Pfizer Incorporated	$ 604,741,243
2	14,889,284	General Electric Corporation	553,881,365
3	8,854,604	Microsoft Corporation	453,090,087
4	10,854,712	Citigroup Incorporated	439,615,836
5	10,125,286	Exxon Mobil Corporation	398,936,268
6	7,628,622	Wal-Mart Stores Incorporated	377,616,789
7	3,539,392	Federal National Mortgage Association	283,363,724
8	5,793,018	Wells Fargo & Company	257,499,650
9	4,939,521	Tyco International Limited	224,748,206
10	2,242,149	International Business Machines	206,950,353

Largest Bond Holdings (By Market Value)*
September 30, 2001

Rank	Par Amount	Bonds & Notes	Market Value
1	$ 256,047,000	U.S. Treasury Bonds at 9.125% Due 5-15-2009	$ 291,532,554
2	206,552,500	U.S. Treasury 0% Coupon Strips Due 8-15-2003	195,766,328
3	150,820,000	Ford Motor Credit Corp FRN 6.59125% Due 10-9-2001	150,820,000
4	170,499,700	U.S. Treasury 0% Coupon Strips Due 11-15-2011	139,110,705
5	122,320,000	Bank One NA Chicago ILL MTN 3.35% Due 3-16-2004	122,472,900
6	119,821,000	U.S. Treasury Tiger 0% Coupon Due 8-15-2004	108,337,355
7	93,520,463	Chemical Bank FRN 6.775% Due 7-29-2003	93,754,264
8	91,871,949	First Chicago Corp FRN 6.8375% Due 7-28-2003	92,193,500
9	84,095,000	MTN Nations Bank FRN 6.76% Due 1-05-2004	84,052,953
10	76,450,000	Federal Home Loan 6.5% Due 5-23-2011	79,962,113

*A complete list of stock and bond holdings is available from the Michigan Department of Treasury.

Schedule of Investment Fees

The State Treasurer is the investment fiduciary and custodian of the System's funds pursuant to State law. Outside advisors are utilized to augment the State Treasurer's internal staff in the real estate and alternative investment markets. Only 15% of the total investment portfolio is managed by fully discretionary outside advisors. Outside advisors' fees are netted against the partnership or trust fund income. The Michigan Department of Treasury's cost of operations applicable to the System for the fiscal year amounted to $7,323.8 thousand or less than three basis points (.03%) of the average market value of the portfolio.

State law created an Investment Advisory Committee comprised of the directors of the Department of Consumer and Industry Services and Management and Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The public members serve without pay, but are paid actual and necessary travel and other expenses. The committee meets quarterly to review investments, goals and objectives and may submit recommendations to the State Treasurer. The committee may also, by a majority vote, direct the State Treasurer to dispose of any holding which in the committee's judgement is not suitable for the fund involved, and may by unanimous vote direct the State Treasurer to make specific investments.

Schedule of Investment Fees

Investment Managers' Fees:

	Assets under Management (in thousands)	Fees (in thousands)	Basis Points*
State Treasurer	$ 29,573,774.2	$ 7,323.8 **	2.5
Outside Advisors- Alternative	5,052,165.4	43,264.4	85.6
Real Estate	149,687.1	-	-
Total	$ 34,775,626.7		

Other Investment Services Fees:

Assets in Custody	$ 24,089,058.5	$ 1,322.2
Securities on Loan	1,506,794.9	45,312.3

* Outside Advisors Fees are netted against the income of the partnership and trust income. The partnership agreements define the management fees, which range from 150 to 250 basis points of the committed capital, in most cases the fees are netted against income. For Real Estate the asset management fees normally range from 25 to 90 basis points and are netted against current year's income.

** State Treasurer fees (7,323.8) included prior year adjustments due to the return of excess funds. In fiscal year 2001, the System received $5.1 thousand and $3.8 thousand for fiscal year 2000 and 1999, respectively. Actual State Treasurer fees for fiscal year 2001 were $7,332.7 thousand.

Schedule of Investment Commissions

	Fiscal Year Ended September 30, 2001		
	Commissions Paid [1]	Number of Shares Traded	Average Commission Rate Per Share
Investment Brokerage Firms:			
Salomon Smith Barney, Inc.	$ 537,445	13,418,847	0.04
Merrill Lynch & Co.	479,883	9,707,756	0.05
Morgan Stanley Dean Witter & Co.	422,252	8,453,674	0.05
Lehman Brothers, Inc.	373,685	7,955,694	0.05
Goldman, Sachs & Co.	262,658	5,257,846	0.05
Paine Webber, Inc.	250,373	5,083,907	0.05
Bear Stearns & Co.	246,914	5,351,984	0.05
Bridge Trading Company	239,334	5,400,280	0.04
Prudential Securities, Inc.	218,146	4,362,925	0.05
C.S. First Boston Corporation	201,919	4,284,919	0.05
Sanford C. Bernstein & Co.	177,083	3,541,667	0.05
J.P. Morgan Securities, Inc.	110,957	2,219,140	0.05
S.G. Cowen & Company	106,957	2,139,147	0.05
OTA Research	96,592	1,931,853	0.05
Oppenheimer & Company	90,322	1,806,437	0.05
Cantor Fitzgerald & Co	79,337	1,994,886	0.04
Deutsche Bank	74,157	1,483,130	0.05
BancBoston Robertson Stephens	70,396	1,400,267	0.05
Banc of America Securities, LLC	53,205	1,064,111	0.05
ISI Group, Inc.	31,559	631,171	0.05
First Union Securities	27,461	549,217	0.05
Barrington Research	27,308	546,159	0.05
Wit Capital Corp	23,550	470,989	0.05
Instinet Group Inc.	22,819	589,582	0.04
Charles Schwab & Co., Inc.	20,668	413,365	0.05
Subtotal (25 highest)	$ 4,244,980	90,058,953	0.05 [2]
All Other Brokerage Firms	41,461	827,671	0.05 [3]
Total	$ 4,286,441	90,886,624	0.05 [4]

[1] These amounts are included in purchase and sale prices of investments.

[2] The average commission rate per share for the top 25 brokerage firms.

[3] The average commission rate per share for all other brokerage firms, excluding the top 25 brokerage firms.

[4] The average commission rate per share for all brokerage firms.

Investment Summary

	Fiscal Year Ended September 30, 2001				Fiscal Year Ended September 30, 2000			
	Market Value *	Percent of Total Market Value	Investment & Interest Income ***	Percent of Investment & Interest Income	Market Value *	Percent of Total Market Value	Investment & Interest Income ***	Percent of Investment & Interest Income
Fixed Income:								
Government Bonds	$ 3,470,927,395	10.0%	$ 557,320,873	-12.3%	$ 4,650,103,004	11.7%	$ 324,692,236	6.8%
Corporate Bonds & Preferred Stocks	3,463,993,727	10.0%	347,613,221	-7.7%	3,187,677,250	8.0%	178,293,387	3.7%
Mortgages	39,625,443	0.1%	1,013,655	0.0%	43,391,068	0.1%	4,602,212	0.1%
Total Fixed Income	6,974,546,565	20.1%	905,947,749	-20.0%	7,881,171,322	19.8%	507,587,835	10.6%
Common Stock	14,338,964,544	41.2%	(4,015,262,814)	88.9%	18,025,328,512	45.2%	1,948,214,383	40.5%
Real Estate	3,172,623,210	9.1%	282,963,496	-6.3%	3,227,605,624	8.1%	313,795,641	6.5%
Alternative Investments	5,217,511,296	15.0%	(1,006,514,378)	22.3%	6,171,250,280	15.4%	1,729,629,677	35.9%
International Equities - Passive	2,271,316,068	6.5%	(790,307,736)	17.5%	2,512,940,844	6.3%	203,087,947	4.2%
Short Term Investments **	2,800,664,995	8.1%	107,503,318	-2.4%	2,055,971,101	5.2%	112,188,813	2.3%
Total	$ 34,775,626,678	100.0%	$ (4,515,670,365)	100.0%	$ 39,874,267,683	100.0%	$ 4,814,504,296	100.0%

* Short Term Investments are at cost, which approximates market value.

** Excludes the amounts payable and receivable for sales and purchases of securities with a settlement date after September 30 for each fiscal year. Amount also excludes $1,483,051,672 and $529,146,365 in cash collateral for security lending for fiscal year 2001 and 2000, respectively.

ACTUARIAL SECTION

Actuary's Certification

SEGAL

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January 18, 2001

Mr. Duane E. Berger
Director
Department of Management and Budget
and
Retirement Board
Michigan Public School Employees Retirement System
P.O. Box 30176
Lansing, Michigan 48909

Ladies and Gentlemen:

The Michigan Public School Employees Retirement System (MPSERS) is funded on an actuarial reserve basis. The basic financial objective of MPSERS is to establish and receive contributions that remain approximately level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually to determine MPSERS's actuarial liabilities and the employer contributions required to fund the System in accordance with the actuarial reserve funding provisions of the governing State Statute. The most recent actuarial valuation as of September 30, 2000 included a total of 446,859 members of MPSERS. The actuarial value of MPSERS's assets amounted to approximately $36.89 billion on September 30, 2000.

The actuarial assumptions used in the 2000 valuation are the same as those used in the previous annual actuarial valuation. These assumptions produce valuation results which we consider to be reasonably indicative of the plan's underlying cost. Also, in our opinion, the actuarial assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section by GASB Statement No. 25.

Our actuarial valuation of MPSERS as of September 30, 2000 was performed by qualified actuaries in accordance with accepted actuarial procedures. In our opinion, the calculated contribution rate meets the fundamental objectives of State law. Based on the 2000 valuation results, it is also our opinion that the Michigan Public School Employees Retirement System continues in sound condition, in accordance with actuarial principles of level cost financing.

Most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedules of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section of this report were provided by our firm.

Sincerely,

Michael Karlin

Michael Karlin, F.S.A., M.A.A.A.
Senior Vice President & Actuary

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.

2. The mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 1998.

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 1998.

4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page of this report. Adopted 1998.

5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.

6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.

7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.

8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's Board and the Department of Management and Budget after consulting with the actuary.

Summary of Actuarial Assumptions and Methods (Continued)

SCHEDULE 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Basic	MIP
50		50 %
52		25
55	28 %	20
58	22	25
61	20	23
64	25	28
67	25	25
70	30	30
71	40	40
72	50	50
73	60	60
74	70	70
75	100	100

SCHEDULE 2

Separation From Active Employment Before Age & Service Retirement & Individual Pay Increase Assumptions

Sample Ages	Years of Service	Percent of Active Members Withdrawing Within Next Year (Men and Women)	Percent of Active Members Becoming Disabled Within Next Year	Percent Increase In Pay During Next Year
All	0	35.00 %		
	1	18.00		
	2	11.00		
	3	8.00		
	4	6.50		
25	5& Over	4.00	0.01 %	12.50 %
35		2.40	0.02	7.55
45		1.40	0.13	5.65
55		1.40	0.33	4.60
60		1.40	0.45	4.00

Actuarial Valuation Data

Schedule of Active Member Valuation Data

Valuation Date Sept. 30	Number	Reported Annual Payroll*	Average Annual Pay	% Increase	Average Age	Average Service
1991	293,503	$ 6,032,513	$ 20,553	5.4 %	41.5	9.6
1992	297,230	6,427,775	21,626	5.2	41.7	9.5
1993	296,585	6,897,924	23,258	7.5	42.2	9.8
1994	291,006	7,164,806	24,621	5.9	42.5	10.0
1995	294,911	7,564,876	25,651	4.2	43.4	10.1
1996	295,096	7,807,029	26,456	3.1	43.6	9.9
1997	295,691	8,027,450	27,148	2.6	43.6	10.0
1998	302,016	8,265,463	27,368	0.8	43.5	9.7
1999	309,324	8,643,718	27,944	2.1	43.6	9.5
2000	312,699	8,984,737	28,733	2.8	43.6	9.7

* July 1 through June 30 payrolls in thousands of dollars through 1993, October 1 through September 30 annualized payments for fiscal years beginning October 1, 1993.

Schedule of Changes in the Retirement Rolls

Year Ended Sept. 30	Added to Rolls		Removed from Rolls		Rolls–End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances*	No.	Annual Allowances*	No.	Annual Allowances*		
1991	5,595	$ 83,226	2,628	$ 20,359	86,253	$ 749,717	9.2 %	$ 8,692
1992	6,651	104,184	2,703	22,611	90,201	831,290	10.9	9,216
1993	6,278	100,691	2,905	20,295	93,574	911,686	9.7	9,743
1994	7,451	129,506	3,036	22,373	97,989	1,018,819	11.8	10,397
1995	8,192	146,151	3,030	22,998	103,151	1,141,972	12.1	11,071
1996	7,443	135,326	3,129	25,487	107,465	1,251,811	9.6	11,649
1997	7,691	147,433	3,314	27,765	111,842	1,371,479	9.6	12,263
1998	8,384	165,312	3,606	31,429	116,620	1,505,362	9.8	12,908
1999	7,842	166,104	3,549	31,641	120,913	1,639,825	8.9	13,562
2000	8,816	185,545	3,614	27,342	126,115	1,798,028	9.6	14,257

* In thousands of dollars

Prioritized Solvency Test

The System's funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due, the ultimate test of financial soundness. Testing for level contribution rates is the long-term solvency test.

A prioritized solvency test is another means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: (1) active member contributions on deposit; (2) the liabilities for future benefits to present retired lives; and (3) the liabilities for service already rendered by active and inactive members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) is normally partially covered by the remainder of present assets. Generally, if the System has been using level-cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is not necessarily a by-product of level percent of payroll funding methods.

The schedule below illustrates the history of the liabilities of the System and is indicative of the System's policy of following the discipline of level percent of payroll financing.

	Actuarial Present Value of Actuarial Accrued Liability ($ in Millions)				Portion of Present Value Covered by Assets			
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active and Inactive Members (Employer Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)***
1991	$ 1,365	$ 7,505	$ 9,162	$ 14,653	100 %	100 %	63.1 %	81.3 %
1992	1,510	8,212	9,841	15,333	100	100	57.0	78.4
1993+	1,700	9,177	10,822	16,999	100	100	56.6	78.3
1994	1,892	10,051	11,557	18,502	100	100	56.7	78.7
1994@	1,892	10,312	12,810	18,502	100	100	49.2	73.9
1995	2,057	11,569	13,776	20,455	100	100	49.6	74.6
1996	2,261	12,590	13,720	22,529	100	100	56.0	78.9
1997	2,500	14,303	13,376	25,485	100	100	64.9	84.4
1997@+	2,500	14,303	12,989	30,051	100	100	102.0	100.9
1998	2,505	15,689	13,943	31,870	100	100	98.1	99.2
1998@	2,505	15,888	14,470	31,870	100	100	93.1	97.0
1999	2,706	17,291	14,351	34,095	100	100	98.2	99.3
2000	2,932	19,200	15,007	36,893	100	100	98.4	99.3

*** Percents funded on a total valuation asset and total actuarial accrued liability basis.

+ Revised asset valuation method.

@ Revised actuarial assumptions.

Summary of Plan Provisions

Our actuarial valuation of the System as of September 30, 2000 is based on the present provisions of the Michigan Public School Employees' Retirement Act (Act 300 of 1980, as amended).

Regular Retirement (no reduction factor for age)

Eligibility — Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age — None.

Annual Amount — Total credited service times 1.5% of final average compensation.

Final Average Compensation — Average of highest 5 consecutive years. (3 years for MIP members).

Early Retirement (age reduction factor used)

Eligibility — Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount — Regular retirement benefit, reduced by 1/2% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility — 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount — Regular retirement benefit based on service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility — No age or service requirement; in receipt of workers' disability compensation.

Annual Amount — Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Non-Duty Disability Retirement

Eligibility — 10 years of credited service.

Annual Amount — Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Duty Death Before Retirement

Eligibility — No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Summary of Plan Provisions (Continued)

Annual Amount — Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.

Non-Duty Death Before Retirement

Eligibility — 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount — Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences at the time a member would have attained the minimum age qualification.

Post-Retirement Cost-of-Living Adjustments

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjustment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

Retired before January 1, 1987 — Greater of Supplemental payment or automatic 3% increase
Retired on or after January 1, 1987 under MIP - Automatic 3% increase only
Retired on or after January 1, 1987 not under MIP - Supplemental payment only

Post-Retirement Health Benefits

Members in receipt of pension benefits are eligible for fully System paid Master Health Care Plan coverage (90% System paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially System paid health benefit coverage (no System payment if less than 21 years service).

Dependents are eligible for 90% System paid health benefit coverage (partial System payment for dependents of deferred vested members who had 21 or more years of service).

Summary of Plan Provisions (Continued)

Member Contributions

MIP Participants hired before January 1, 1990 — 3.9% of pay.

MIP Participants hired on or after January 1, 1990 — 3.0% of first $5,000 of pay, plus 3.6% of next $10,000 of pay, plus 4.3% pay in excess of $15,000.

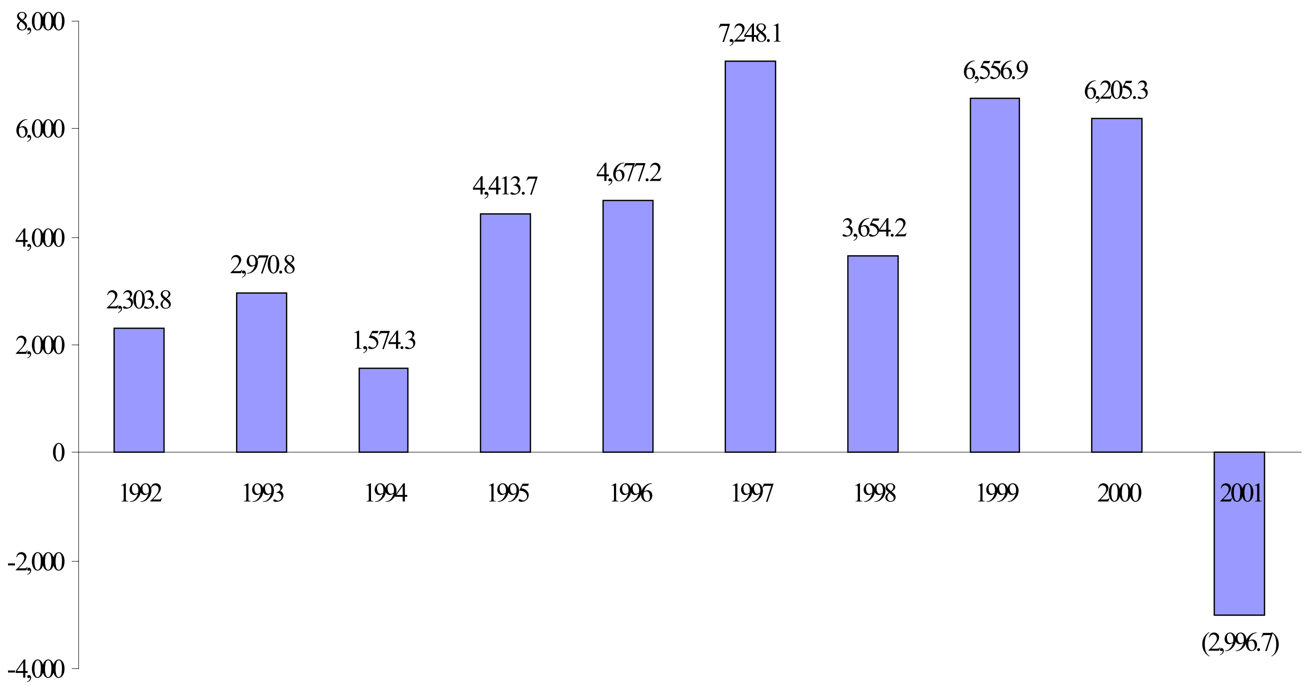
Non-MIP Participants — None.

STATISTICAL SECTION

Schedule of Revenues by Source

Fiscal Year Ended Sept. 30	Member & Employer Health Contributions	Member Contributions	Employer Contributions: Dollars	Employer Contributions: % of Annual Covered Payroll	Net Investment & Other Income	Total
1992	$ 231,559,072	$ 196,103,714	$ 533,025,550	8.08 %	$ 1,343,143,928	$ 2,303,832,264
1993	166,642,908	223,584,885	612,220,399	8.66	1,968,375,434	2,970,823,626
1994	88,178,299	244,086,635	809,768,082	11.03	432,291,116	1,574,324,132
1995	271,031,481	248,662,424	770,541,054	10.19	3,123,477,389	4,413,712,348
1996	305,173,023	255,085,948	829,600,401	10.63	3,287,367,155	4,677,226,527
1997	342,675,636	253,358,290	904,817,513	11.27	5,747,292,566	7,248,144,005
1998	359,266,764	252,672,436	622,437,022	7.53	2,419,775,950	3,654,152,172
1999	376,562,920	518,861,556	574,436,929	6.65	5,087,086,105	6,556,947,510
2000	462,669,471	321,557,146	655,258,922	7.29	4,765,831,703	6,205,317,242
2001	566,757,585	371,548,016	629,924,827	6.80	(4,564,967,387)	(2,996,736,959)

Total Revenue
Year Ended September 30
(In Millions)

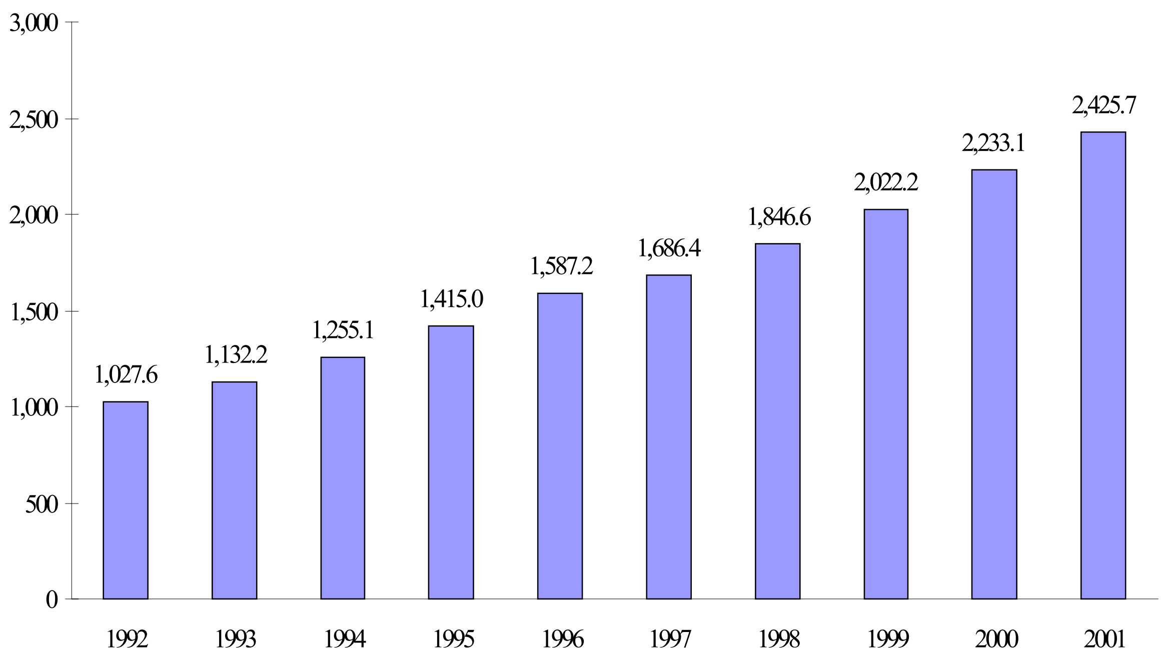


Schedule of Expenses by Type

Fiscal Year Ended Sept. 30	Benefit Payments*	Refunds and Transfers	Administrative Expenses	Total
1992	$ 1,010,916,803	$ 3,453,420	$ 13,229,581	$ 1,027,599,804
1993	1,115,092,306	3,940,883	13,121,256	1,132,154,445
1994	1,234,384,948	5,457,370	15,307,293	1,255,149,611
1995	1,391,780,504	7,926,131	15,343,147	1,415,049,782
1996	1,565,111,270	11,698,045	10,381,801	1,587,191,116
1997	1,656,442,197	17,904,602	12,102,095	1,686,448,894
1998	1,810,891,942	21,252,147	14,463,339	1,846,607,428
1999	1,994,459,436	11,198,300	16,525,359	2,022,183,095
2000	2,199,736,591	17,486,704	15,918,143	2,233,141,438
2001	2,388,449,174	19,908,136	17,312,250	2,425,669,560

*Includes health, dental and vision benefits

Total Expenses
Year Ended September 30
(In Millions)

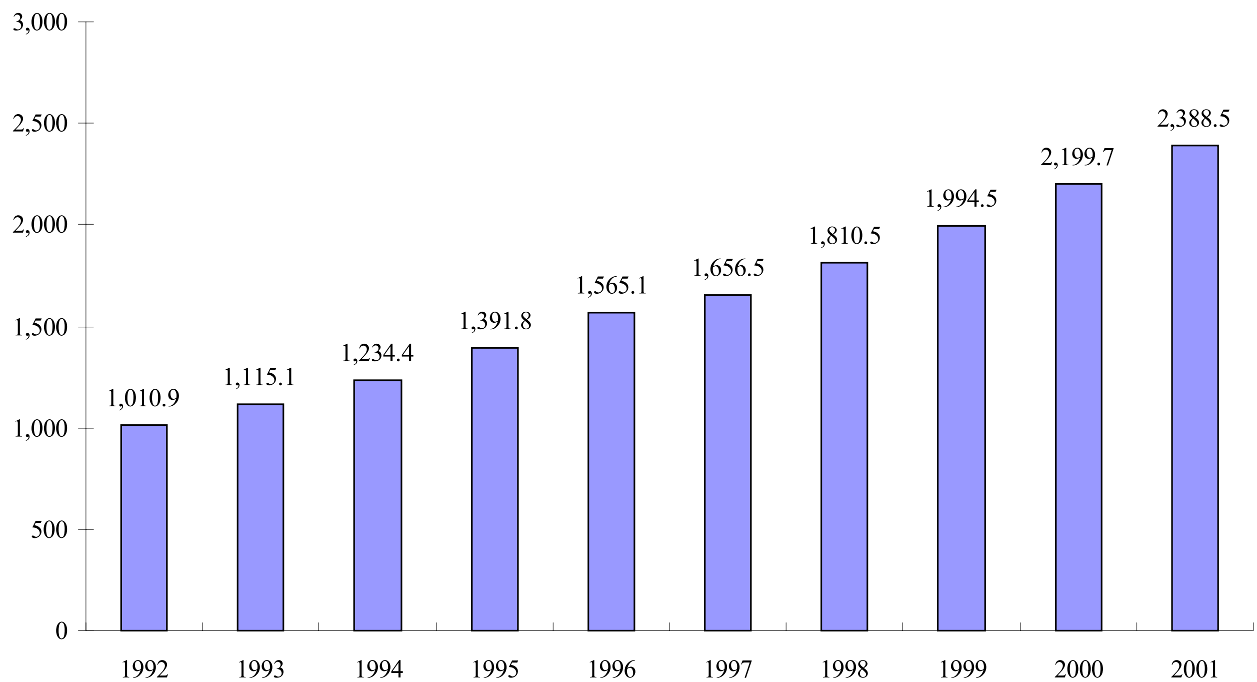


Schedule of Benefit Expenses by Type

Fiscal Year Ended Sept. 30	Regular Benefits*	Disability Benefits	Supplemental Check	Health Benefits**	Total
1992	$ 775,316,096	$ 21,836,151		$ 213,764,556	$ 1,010,916,803
1993	855,363,962	23,909,603		235,818,741	1,115,092,306
1994	952,147,141	25,839,763		256,398,044	1,234,384,948
1995	1,071,950,982	28,257,525		291,571,997	1,391,780,504
1996	1,178,250,042	31,209,798	$ 58,800,478	296,850,952	1,565,111,270
1997	1,274,469,892	37,129,588	6,228,620	338,659,636	1,656,487,736
1998	1,412,550,359	35,908,817	5,992,263	356,065,946	1,810,517,385
1999	1,540,039,404	38,546,646	9,406,311	406,467,075	1,994,459,436
2000	1,684,018,116	40,453,574	11,464,638	463,800,263	2,199,736,591
2001	1,831,809,193	45,203,866	13,799,341	497,636,774	2,388,449,174

*Includes prior post retirement adjustments
**Includes dental and vision benefits

Benefit Expenses
Year Ended September 30
(In Millions)



Schedule of Retired Members by Type of Benefit

September 30, 2000

Amount Monthly Benefit	Number of Retirees	Type of Retirement *						Selected Option**				
		1	2	3	4	5	6	Opt. 1	Opt. 2	Opt. 3	Opt. 4	Opt.1E 2E,3E,4E
$ 1-200	14,137	12,077	1,155	105	574	1	225	8,645	2,674	1,866	12	940
201-400	18,604	15,872	1,714	88	462		468	11,081	3,721	2,685	28	1,089
401-600	13,575	10,971	1,154	59	910		481	7,574	2,730	2,237	23	1,011
601-800	10,357	8,461	862	24	596		414	5,644	2,031	1,714	24	944
801-1000	8,493	7,084	602	17	451	1	338	4,399	1,720	1,321	23	1,030
1001-1200	7,210	6,079	503	10	340		278	3,424	1,525	1,174	13	1,074
1201-1400	6,738	5,863	379	2	259		235	2,947	1,565	1,104	23	1,099
1401-1600	6,359	5,702	294	1	190		172	2,680	1,645	1,102	20	912
1601-1800	6,352	5,822	242	2	117		169	2,616	1,749	1,224	39	724
1801-2000	6,723	6,336	192	2	71		122	2,798	1,710	1,390	59	766
over 2000	27,567	26,910	390	2	62	1	202	11,375	5,062	5,437	258	5,435
Totals	126,115	111,177	7,487	312	4,032	3	3,104	63,183	26,132	21,254	522	15,024

* Type of Retirement	**Selected Option
1 - Normal retirement for age & service	Opt. 1. - Straight life allowance
2 - Survivor payment - normal retirement	Opt. 2 - 100% survivor option
3 - Duty disability retirement	Opt. 3 - 50% survivor option
4 - Non-duty disability retirement	Opt. 4 - 75% survivor option
5 - Survivor payment - duty death in service	Opt. 1E, 2E, 3E, 4E - Equated retirement plans
6 - Survivor payment - non-duty death in service	

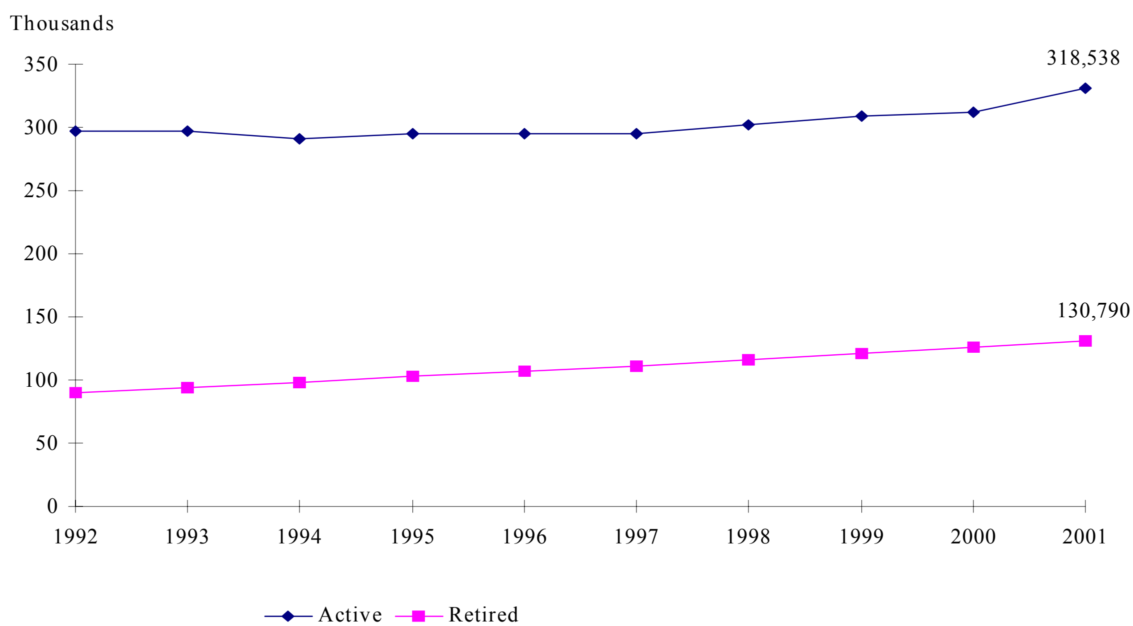
Schedule of Health Benefits
For Years Ended September 30, 2001 and 2000

Claims	2001	2000
Total Claims	$ 406,105,715	$ 380,837,428
IBNR (Incurred but not reported claims)		
Health Insurance	$ 47,391,000	$ 41,870,846
Vision Insurance	535,700	723,417
Dental Insurance	2,225,000	2,329,000
Total IBNR	$ 50,151,700	$ 44,923,263
Administrative Fees		
Health Insurance	$ 37,781,180	$ 34,498,111
Vision Insurance	821,755	794,551
Dental Insurance	2,776,424	2,746,910
Total Administrative Fees	41,379,359	38,039,572
Subtotal	497,636,774	463,800,263
Refunds	72,407	30,902
Grand Total	$ 497,709,181	$ 463,831,165

Schedule of Average Benefit Payments

Retirement Effective Dates	Years Credited Service							
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
Period 10/1/94 to 9/30/95:								
Average Monthly Benefit	$ 305	$ 127	$ 216	$ 399	$ 660	$ 1,000	$ 1,609	$ 922
Average Final Average Salary	5,577	13,480	11,960	16,363	21,333	25,673	34,402	24,144
Number of Active Retirants	226	2,504	15,390	17,934	16,455	13,205	37,437	103,151
Period 10/1/95 to 9/30/96:								
Average Monthly Benefit	$ 336	$ 131	$ 224	$ 411	$ 683	$ 1,030	$ 1,694	$ 971
Average Final Average Salary	5,151	13,787	12,373	16,852	22,019	26,608	36,341	25,327
Number of Active Retirants	277	2,729	15,659	18,519	17,082	13,615	39,584	107,465
Period 10/1/96 to 9/30/97:								
Average Monthly Benefit	$ 359	$ 134	$ 230	$ 424	$ 703	$ 1,064	$ 1,779	$ 1,022
Average Final Average Salary	4,725	13,993	12,738	17,348	22,636	27,515	38,285	26,540
Number of Active Retirants	333	2,742	15,893	18,982	17,724	13,941	42,027	111,842
Period 10/1/97 to 9/30/98:								
Average Monthly Benefit	$ 390	$ 139	$ 238	$ 438	$ 726	$ 1,097	$ 1,864	$ 1,076
Average Final Average Salary	4,043	14,351	13,165	17,927	23,340	28,399	40,260	27,831
Number of Active Retirants	416	3,136	16,145	19,479	18,358	14,337	44,749	116,620
Period 10/1/98 to 9/30/99:								
Average Monthly Benefit	$ 439	$ 143	$ 246	$ 452	$ 746	$ 1,131	$ 1,944	$ 1,130
Average Final Average Salary	3,467	14,633	13,635	18,462	23,931	29,187	42,081	29,072
Number of Active Retirants	528	3,338	16,299	19,815	18,838	14,535	47,560	120,913
Period 10/1/99 to 9/30/00:								
Average Monthly Benefit	$ 480	$ 147	$ 255	$ 466	$ 769	$ 1,167	$ 2,024	$ 1,188
Average Final Average Salary	2,964	14,900	14,121	19,103	24,654	29,984	43,957	30,424
Number of Active Retirants	666	3,545	16,545	20,206	19,332	14,839	50,982	126,115

10 Year History of Membership
Fiscal Year Ended September 30



Schedule of Participating Employers thru 9/30/01

Universities:

Central Michigan University
Eastern Michigan University
Ferris State University
Lake Superior State University
Michigan Technological University
Northern Michigan University
Western Michigan University

Community Colleges:

Alpena Community College
Bay De Noc Community College
Charles S Mott Community College
Delta College
Glen Oaks Community College
Gogebic Community College
Grand Rapids Community College
Henry Ford Community College
Jackson County Community College
Kalamazoo Valley Community College
Kellogg Community College
Kirtland Community College
Lake Michigan College
Lansing Community College
Macomb Community College
Mid-Michigan Community College
Monroe County Community College
Montcalm Community College
Muskegon Community College
North Central Michigan College
Northwestern Michigan College
Oakland Community College
Schoolcraft Community College
Southwestern Michigan College
St Clair County Community College
Washtenaw Community College
Wayne County Community College
West Shore Community College

Intermediate School Districts:

Allegan County Intermediate School District
Alpena-Montmorency-Alcona E. S. D.
Barry Intermediate School District
Bay-Arenac Intermediate School District
Berrien Intermediate School District
Branch Intermediate School District
C.O.O.R. Intermediate School District
Calhoun Intermediate School District
Charlevoix-Emmet Intermediate School District
Cheboygan-Otsego-Presque Isle ISD
Clare-Gladwin Intermediate School District
Clinton County R. E. S. A.
Copper Country Intermediate School District
Delta-Schoolcraft Intermediate School District
Dickinson-Iron Intermediate School District
Eastern U P Intermediate School District
Eaton Intermediate School District
Genesee Intermediate School District
Gogebic-Ontonagon Intermediate School District
Gratiot-Isabella R. E. S. D.
Hillsdale Intermediate School District
Huron Intermediate School District
Ingham Intermediate School District
Ionia Intermediate School District
Iosco Intermediate School District
Jackson Intermediate School District
Kalamazoo Valley Intermediate School District
Kent Intermediate School District
Lapeer Intermediate School District
Lenawee Intermediate School District
Lewis Cass Intermediate School District
Livingston Intermediate School District
Macomb Intermediate School District
Manistee Intermediate School District
Marquette-Alger Intermediate School District
Mason Lake Intermediate School District
Mecosta-Osceola Intermediate School District
Menominee Intermediate School District
Midland County Ed Service Agency
Monroe Intermediate School District
Montcalm Area Intermediate School District
Muskegon Area Intermediate School District
Newaygo Intermediate School District
Oakland Intermediate School District
Oceana Intermediate School District
Ottawa Area Intermediate School District
Saginaw Intermediate School District
Sanilac Intermediate School District
Shiawassee R. E. S. D.
St. Clair Intermediate School District
St. Joseph Intermediate School District
Traverse Bay Area Intermediate School District
Tuscola Intermediate School District
Van Buren Intermediate School District
Washtenaw Intermediate School District
Wayne R. E. S. A.
Wexford-Missaukee Intermediate School District

Schedule of Participating Employers thru 9/30/01 (Continued)

K – 12 School Districts:

Adams Township School District
Adams-Sigel #3 School
Addison Community Schools
Adrian Public Schools
Airport Community Schools
Akron-Fairgrove Schools
Alba Public Schools
Albion Public Schools
Alcona Community Schools
Algonac Community Schools
Allegan Public Schools
Allen Park Public Schools
Allendale Public Schools
Alma Public Schools
Almont Community Schools
Alpena Public Schools
Anchor Bay School District
Ann Arbor Public Schools
Arenac-Eastern High School
Armada Area Schools
Arvon Township Schools
Ashley Community Schools
Athens Area Schools
Atherton Community Schools
Atlanta Community Schools
Au Gres-Sims School District
Autrain-Onota Public Schools
Avondale School District
Bad Axe Public Schools
Baldwin Community Schools
Bangor Public Schools
Bangor Township Schools
Baraga Township Schools
Bark River - Harris Schools
Bath Community Schools
Battle Creek Public Schools
Bay City Public Schools
Beal City Schools
Bear Lake School
Beaver Island Community Schools
Beaverton Rural School District
Bedford Public Schools
Beecher Community School District
Belding Area Schools
Bellaire Public Schools
Bellevue Community Schools
Bendle Public Schools
Bentley Community Schools
Benton Harbor Area Schools
Benzie County Central Schools
Berkley City School District
Berrien Springs Public Schools
Bessemer Area School District
Big Bay De Noc School District
Big Burning-Colfax #1f School
Big Jackson School District
Big Rapids Public Schools
Birch Run Area Schools
Birmingham City Schools
Blissfield Community School District
Bloomfield #7 Frl-Rapson School
Bloomfield Hills School District
Bloomingdale Public Schools
Bois Blanc Township School District
Boyne City Public Schools
Boyne Falls Public Schools
Brandon School District
Brandywine Public Schools
Breckenridge Community Schools
Breitung Township Schools
Bridgeport-Spaulding Comm. School District
Bridgman Public Schools
Brighton Area Schools
Brimley Public Schools
Britton-Macon Area School
Bronson Community Schools
Brown City Community Schools
Buchanan Community Schools
Buckley Community Schools
Buena Vista School District
Bullock Creek School District
Burr Oak Community Schools
Burt Township School District
Byron Area Schools
Byron Center Public Schools
Cadillac Area Public Schools
Caledonia Community Schools
Calumet Public Schools
Camden-Frontier School
Capac Community Schools
Carman-Ainsworth Community School District
Carney-Nadeau Public Schools
Caro Community Schools
Carrollton School District
Carson City-Crystal Area Schools
Carsonville-Port Sanilac School
Caseville Public Schools
Cass City Public Schools
Cassopolis Public Schools
Cedar Springs Public Schools

Schedule of Participating Employers thru 9/30/01 (Continued)

K - 12 School Districts (continued):

Center Line Public Schools
Central Lake-Antrim County Public Schools
Central Montcalm Public Schools
Centreville Public Schools
Charlevoix Public Schools
Charlotte Public Schools
Chassell Township Schools
Cheboygan Area School District
Chelsea School District
Chesaning-Union Schools
Chippewa Hills School District
Chippewa Valley Schools
Church School
Clare Public Schools
Clarenceville School District
Clarkston Community Schools
Clawson City School District
Climax-Scotts Community Schools
Clinton Community Schools
Clintondale Community Schools
Clio Area School District
Coldwater Community Schools
Coleman Community Schools
Coloma Community Schools
Colon Community School
Columbia School District
Comstock Park Public Schools
Comstock Public Schools
Concord Community Schools
Constantine Public Schools
Coon-Berlin Township School District #3
Coopersville Public Schools
Corunna Public Schools
Covert Public Schools
Crawford-AuSable School District
Crawford-Excelsior School District #1
Crestwood School District
Croswell-Lexington Schools
Dansville Agricultural School
Davison Community Schools
Dearborn Heights School District #7
Dearborn Public Schools
Decatur Public Schools
Deckerville Community School District
Deerfield Public Schools
Delton-Kellogg Schools
DeTour Area Schools
Detroit Public Schools
Dewitt Public Schools
Dexter Community Schools
Dollar Bay-Tamarack School District
Dowagiac-Union School District
Dryden Community Schools
Dundee Community Schools
Durand Area Schools
East China Township School District
East Detroit School District
East Grand Rapids Public Schools
East Jackson Public Schools
East Jordan Public Schools
East Lansing Public Schools
Eaton Rapids Public Schools
Eau Claire Public Schools
Eccles-Sigel #4 School
Ecorse Public Schools
Edwardsburg Public Schools
Elk Rapids Schools
Elkton-Pigeon-Bay Port Schools
Ellsworth Community Schools
Elm River Township Schools
Engadine Consolidated School District #4
Escanaba Area Public Schools
Essexville-Hampton Public Schools
Evart Public Schools
Ewen-Trout Creek Consolidated School District
Fairview Area Schools
Farmington Public Schools
Farwell Area Schools
Fennville Public Schools
Fenton Area Public Schools
Ferndale City School District
Fitzgerald Public Schools
Flat Rock Community Schools
Flint City School District
Flushing Community Schools
Forest Area Schools
Forest Hills Public Schools
Forest Park School District
Fowler Public Schools
Fowlerville Community Schools
Frankenmuth School District
Frankfort-Elberta Area Schools
Fraser Public Schools
Free Soil Community School District # 8
Freeland Community Schools
Fremont Public Schools
Fruitport Community Schools
Fulton Schools
Galesburg-Augusta Community School District

Schedule of Participating Employers thru 9/30/01 (Continued)

K - 12 School Districts (continued):

Galien Township School
Garden City Public Schools
Gaylord Community Schools
Genesee School District
Gerrish-Higgins School District
Gibraltar School District
Gladstone Area Schools
Gladwin Community Schools
Glen Lake Community Schools
Glenn-Ganges School District #4
Gobles Public Schools
Godfrey-Lee Public Schools
Godwin Heights Public Schools
Goodrich Area Schools
Grand Blanc Community Schools
Grand Haven Public Schools
Grand Ledge Public Schools
Grand Rapids Public Schools
Grandville Public Schools
Grant Public Schools
Grant Township School
Grass Lake Community Schools
Greenville Public Schools
Grosse Ile Township Schools
Grosse Pointe Public Schools
Gull Lake Community Schools
Gwinn Area Community Schools
Hale Area Schools
Hamilton Community Schools
Hamtramck Public Schools
Hancock Public Schools
Hanover Horton School District
Harbor Beach Community School District
Harbor Springs Public Schools
Harper Creek Community Schools
Harper Woods Public Schools
Harrison Community Schools
Hart Public Schools
Hartford Public Schools
Hartland Consolidated Schools
Haslett Public Schools
Hastings Area School District
Haynor- Easton Township School District #6
Hazel Park Public Schools
Hemlock Public Schools
Hesperia Community Schools
Highland Park School District
Hillman Community Schools
Hillsdale Community Schools
Holland Public Schools
Holly Area Schools
Holt Public Schools
Holton Public Schools
Homer Community Schools
Hopkins Public Schools
Houghton Lake Community Schools
Houghton-Portage Township School District
Howell Public Schools
Hudson Area Schools
Hudsonville Public Schools
Huron School District
Huron Valley School District
Ida Public Schools
Imlay City Community Schools
Inkster Public Schools
Inland Lakes Schools
Ionia Public Schools
Iron Mountain Public Schools
Ironwood-Gogebic City Area Schools
Ishpeming Public Schools
Ithaca Public Schools
Jackson Public Schools
Jefferson Schools
Jenison Public Schools
Johannesburg-Lewiston Area Schools
Jonesville Community Schools
Kalamazoo Public Schools
Kaleva Norman Dickson School District
Kalkaska Public Schools
Kearsley Community Schools
Kelloggsville Public Schools
Kenowa Hills Public Schools
Kent City Community Schools
Kentwood Public Schools
Kingsley Area Schools
Kingston Community Schools
Kipper School
L'Anse Creuse Public Schools
L'Anse Public Schools
Laingsburg Community Schools
Lake City Area Schools
Lake Fenton Community School District
Lake Linden-Hubbell Public Schools
Lake Orion Community School #3
Lake Shore Public Schools
Lakeshore Public Schools
Lakeview Community Schools
Lakeview Public Schools

Schedule of Participating Employers thru 9/30/01 (Continued)

K - 12 School Districts (continued):

Lakeview School District
Lakeville Community Schools
Lakewood School District
Lamphere Public Schools
Lansing Public Schools
Lapeer Public Schools
Lawrence Public Schools
Lawton Community Schools
Leland Public Schools
Les Cheneaux Community Schools
Leslie Public Schools
Lincoln Consolidated Schools
Lincoln Park Public Schools
Linden Community Schools
Litchfield Community Schools
Littlefield Public Schools
Livonia Public Schools
Loucks-Roxend Township School District #12
Lowell Area Schools
Ludington Area Schools
Mackinaw City Public Schools
Mackinaw Island Public Schools
Madison District Public Schools
Madison School District #2
Mancelona Public Schools
Manchester Community Schools
Manistee Public Schools
Manistique Area Schools
Manton Consolidated School District
Maple Valley Schools
Mar Lee School District
Marcellus Community Schools
Marenisco School District
Marion Public Schools
Marlette Community Schools
Marquette Area Public Schools
Marshall Public Schools
Martin Public Schools
Marysville Public Schools
Mason Co.-Eastern-Custer #5 School District
Mason Consolidated Schools
Mason County Central School District
Mason Public Schools
Mattawan Consolidated Schools
Mayville Community Schools
McBain Rural Agricultural School
Melvindale-Northern Allen Park School District
Memphis Community Schools
Mendon Community School
Menominee Area Public Schools
Meridian Public Schools
Merrill Community Schools
Mesick Consolidated Schools
Michigan Center School District
Mid Peninsula Schools
Midland City Schools
Milan Area Schools
Millington Community School District
Mio-Ausable Schools
Mona Shores School District #29
Monroe Public Schools
Montabella Community Schools
Montague Area Public Schools
Montrose Community Schools
Moran Township School District
Morenci Area Schools
Morley-Stanwood Community Schools
Morrice Area Schools
Mt Clemens Community Schools
Mt Morris Consolidated Schools
Mt Pleasant Public Schools
Munising Public Schools
Muskegon City Public Schools
Muskegon Heights City Public Schools
Napoleon Comm. School District
Negaunee Public Schools
New Buffalo Area Schools
New Haven Community Schools
New Lothrup Area Public Schools
Newaygo Public Schools
Nice Community Schools
Niles Public Schools
North Adams-Jerome Public Schools
North Branch Area Schools
North Central Area Schools
North Dickinson School
North Huron Schools
North Levalley School #2
North Muskegon Public Schools
Northport Public Schools
Northview Public Schools
Northville Public Schools
Northwest School District
Norway-Vulcan Area Schools
Nottawa Community Schools
Novi Community School District
Oak Park School District
Oakridge Public Schools

Schedule of Participating Employers thru 9/30/01 (Continued)

K - 12 School Districts (continued):

Okemos Public Schools
Olivet Community Schools
Onaway Area Community Schools
Onekama Consolidated Schools
Onsted Community Schools
Ontonagon Area School District
Orchard View Schools
Oscoda Area Schools
Otsego Public Schools
Ovid-Elsie Area Schools
Owendale-Gagetown Area Schools
Owosso Public Schools
Oxford Area Community Schools
Palo Community Schools
Parchment School District
Paw Paw Public Schools
Peck Community Schools
Pellston Public Schools
Pennfield Schools
Pentwater Public Schools
Perry Public Schools
Petoskey Public Schools
Pewamo-Westphalia Comm School District
Pickford Public Schools
Pinckney Community Schools
Pinconning Area Schools
Pine River Area Schools
Pittsford Area Schools
Plainwell Community Schools
Plymouth-Canton Community School District
Pontiac City School District
Port Hope Community Schools
Port Huron Area Schools
Portage Public Schools
Portland Public Schools
Posen Consolidated Schools
Potterville Public Schools
Powell Township School District
Quincy Community Schools
Rapid River Public Schools
Ravenna Public Schools #24
Reading Community Schools
Redford-Union School District #1
Reed City Public School District
Reese Public Schools
Reeths-Puffer Schools
Republic-Michigamme Schools
Richmond Community Schools
River Rouge Public Schools
River School
River Valley School District
Riverside-Hagar School District #6
Riverview Public Schools
Rochester Community Schools
Rockford Public Schools
Rogers City Area Schools
Romeo Community Schools
Romulus Community Schools
Roseville Community Schools
Royal Oak City School District
Rudyard Public Schools
Saginaw City Schools
Saginaw Township Community Schools
Saline Area Schools
Sand Creek Community Schools
Sandusky Community Schools
Saranac Community Schools
Saugatuck Public Schools
Sault Ste Marie Public Schools
Schoolcraft Community Schools
Shelby Public Schools
Shepherd Public Schools
South Haven Public Schools
South Lake Public Schools
South Lyon Community Schools
South Redford School District
Southfield Public Schools
Southgate Community School District
Sparta Area Schools
Spring Lake Public Schools
Springport Public Schools
St Charles Community Schools
St Ignace Public Schools
St Johns Public Schools
St Joseph Public Schools
St Louis Public Schools
Standish-Sterling Community School District
Stanton Twnshp. Public Schools
Stephenson Area Public Schools
Stockbridge Community Schools
Strange-Oneida School #3
Sturgis Public Schools
Summerfield Schools
Superior Central School District
Suttons Bay Public Schools
Swan Valley School District
Swartz Creek Community Schools
Tahquamenon Area School District
Tawas Area Schools
Taylor Township Schools

Schedule of Participating Employers thru 9/30/01 (Continued)

K - 12 School Districts (continued):

Tecumseh Public Schools
Tekonsha Community Schools
Thornapple-Kellogg School
Three Rivers Community Schools
Traverse City Public Schools
Trenton Public Schools
Tri-County Area Schools
Troy City School District
Ubly Community Schools
Union City Community Schools
Unionville-Sebewaing Area Schools
Utica Community Schools
Van Buren Public Schools
Vanderbilt Area Schools
Vandercook Lake Public Schools
Vandyke Public Schools
Vassar Public Schools
Verona Mills School
Vestaburg Community Schools
Vicksburg Community Schools
Wakefield Township Schools
Waldron Area Schools
Walkerville Rural Community School District
Walled Lake Consolidated Schools
Warren Consolidated Schools
Warren Woods Public Schools
Waterford School District
Watersmeet Township School District
Watervliet Public Schools
Waverly Community Schools
Wayland Union Schools
Wayne-Westland Community Schools
Webberville Community Schools
Wells Township School #18
West Bloomfield Schools
West Branch-Rose City Area Schools
West Iron County Public Schools
West Ottawa Public Schools
Western School District
Westwood Community Schools
Westwood Heights Schools
White Cloud Public Schools
White Pigeon Community Schools
White Pine School District
Whitefish Township School
Whiteford Agricultural School
Whitehall District Schools
Whitmore Lake Public Schools
Whittemore-Prescott Area Schools
Williamston Community Schools
Willow Run Community Schools
Wolverine Community Schools
Wood School District #8
Woodhaven-Brownstown School District
Wyandotte Public Schools
Wyoming Public Schools
Yale Public School District
Ypsilanti Public Schools
Zeeland Public Schools

Public School Academies:

Academy for Plastics Manufacturing Technology
AGBU Alex & Marie Manoogian School
Ann Arbor Learning Community
Bahweting Anishnabe Public School Academy
Bay-Arenac Community High School
Benito Juarez Academy
Blue Water Learning Academy
Casman Alternative Academy
Central Academy
Colin Powell Academy
Commonwealth Community Development Academy
Concord Academy
Countryside Charter School
Creative Technologies Academy
Da Vinci Institute
Dearborn Academy
Detroit Academy of Arts & Sciences
Detroit Community High School
Discovery Elementary School
Edison Oakland Public School Academy
Edison Public School Academy
El-Hajj Malik El-Shabazz Academy
Excel Charter Academy
Gateway Middle High School
Gaudior Academy
Grand Rapids Child Discovery Center
Grand Traverse Academy
Health Career Academy of St Clair Co
Henry Ford Academy
Holly Academy
Honey Creek Community School
Hope Academy
Horizons Community High School
Hospitality Academy of St. Clair County
Information Technology Academy of St Clair County
International Academy of Flint
Island City Academy
Lakeshore Public Academy

Schedule of Participating Employers thru 9/30/01 (Continued)

Public School Academies (continued):

Macomb Academy
Martin Luther King, Jr. Public School Academy
Michigan Early Elementary Center
Mid-Michigan Public School Academy
Nah Tah Wahsh Public School Academy
Nataki Talibah School of Detroit
New Beginnings Academy
New Branches School
North Star Academy
Plymouth Educational Center Charter School
Questar Academy
Sankofa Shule
Sankore Marine Immersion H.S. Academy
St. Clair County Learning Academy
Summit Academy
Warwick Pointe Academy
Washtenaw Technical Middle College
West Michigan Academy for Arts & Academies
West Village Academy
Windover High School
YMCA Service Learning Academy

Libraries:

Ann Arbor District Library
Bacon Memorial District Library
Capital Area District Library
Cheboygan Area Public Library
Flint Public Library
Grosse Pointe Public Library
Harbor Beach District Library
Houghton Lake Public Library
Kalamazoo Public Library
Public Libraries of Saginaw
Willard District Library