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Maine State Retirement System Annual Reports for the Fiscal Years Ended June 30, 1995 and June 30, 1996

Maine State Retirement System

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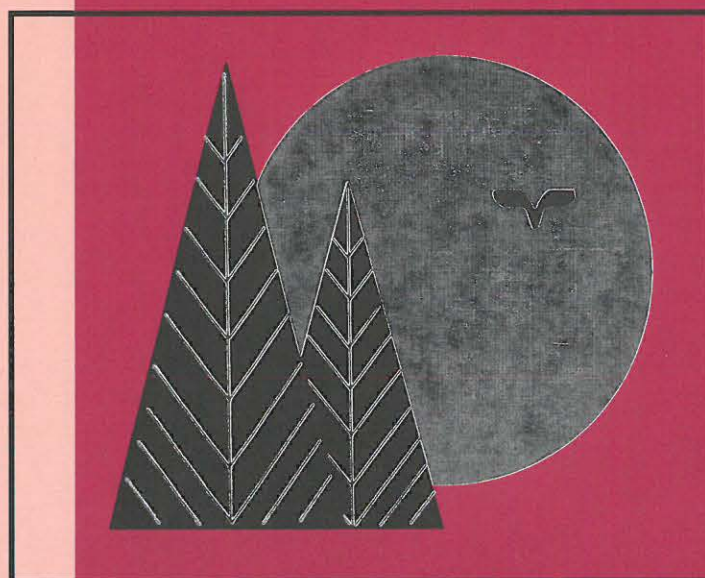
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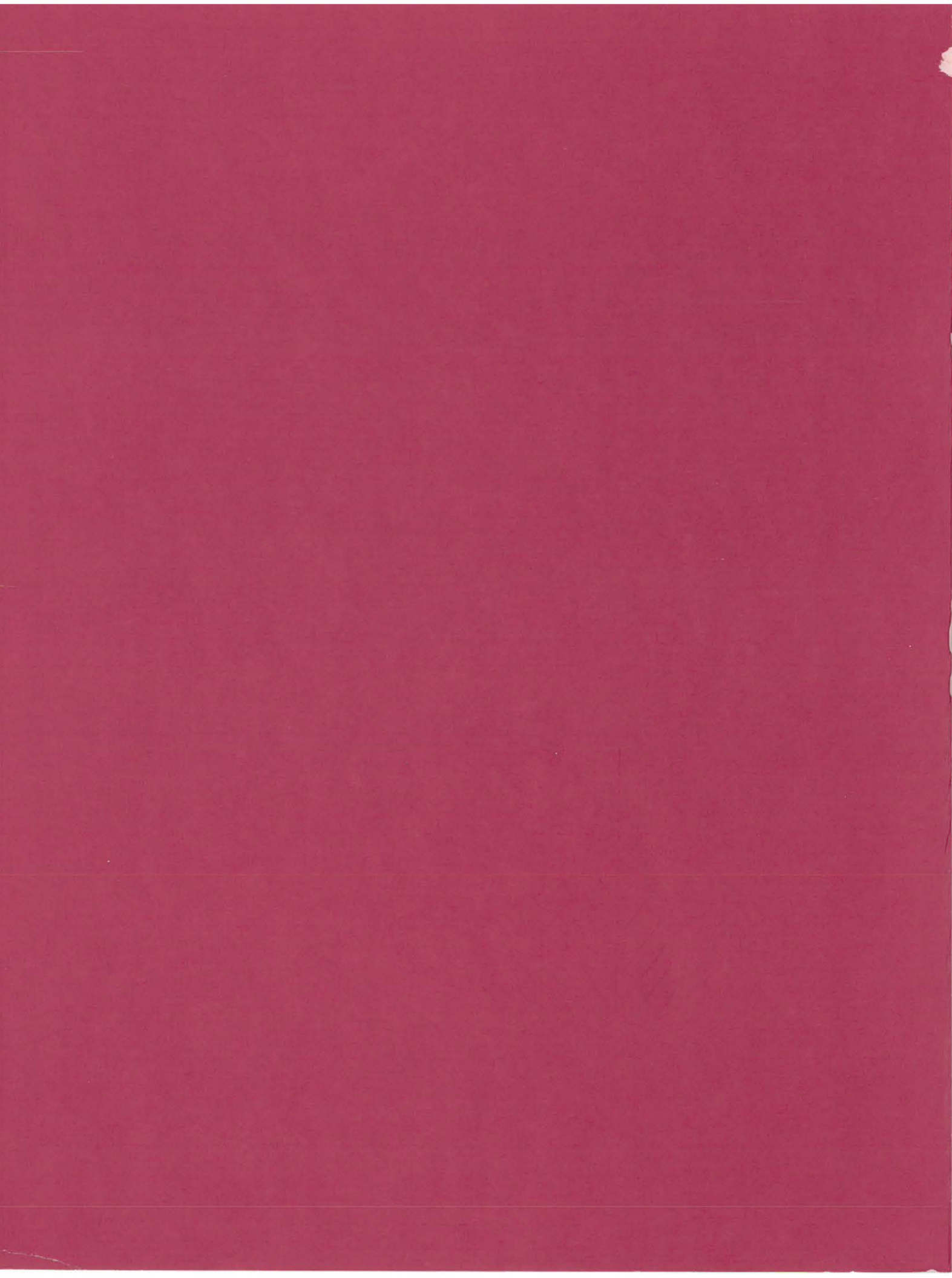
Annual Reports

For the Fiscal Years Ending June 30, 1995 and June 30, 1996

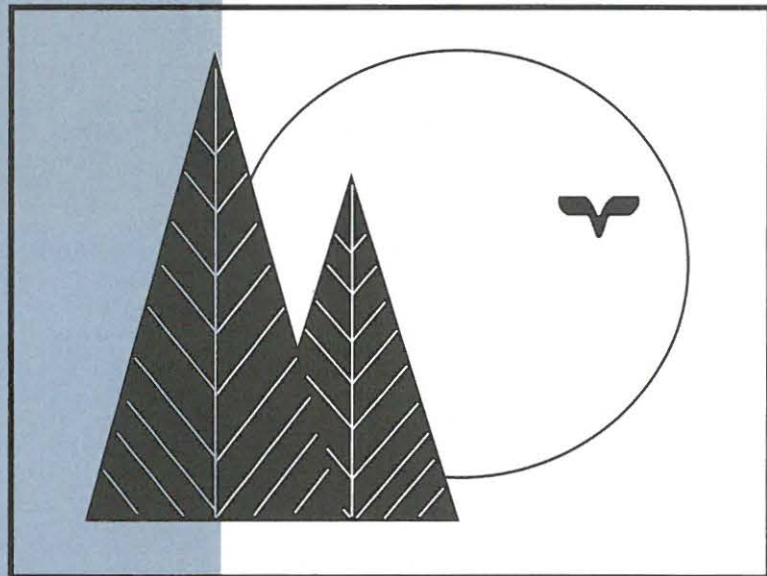


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Maine State Retirement System



Annual Reports

For the Fiscal Years Ending June 30, 1995 and June 30, 1996

This report has been produced as required by 5 MRSA 17102 (10), which states that the Maine State Retirement System must publish an annual report showing "the fiscal transactions of the retirement system for the fiscal year and the assets and liabilities of the retirement system at the end of the fiscal year; and [t]he actuary's report on the actuarial valuation of the financial condition of the retirement system for the fiscal year."

Maine State Retirement System (MSRS)

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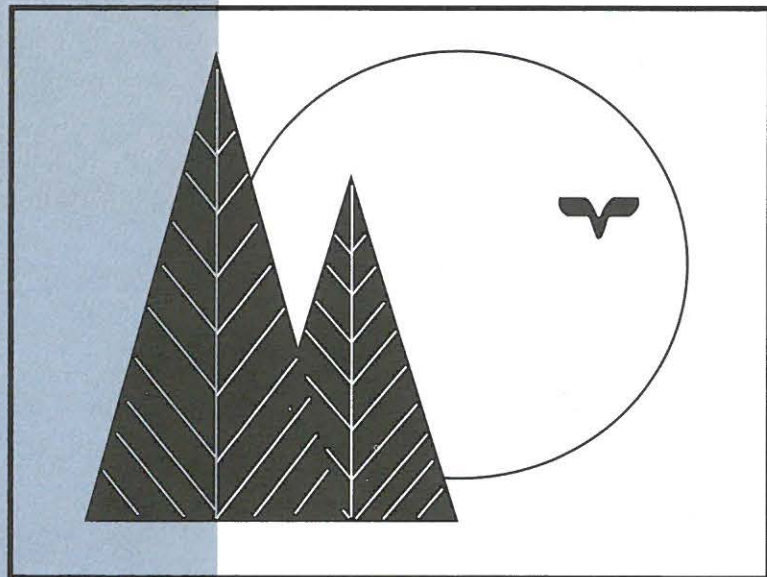
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EXECUTIVE DIRECTOR'S REPORT

A LOOK BACK: 1986 - 1996





EXECUTIVE DIRECTOR'S REPORT A LOOK BACK: 1986 - 1996

This annual report is of significance to me in that it is the last to be published in my tenure as the System's Executive Director. Because of that, I have taken the opportunity to look back over my entire career as Executive Director, which began in 1986. On reflection, I wanted to identify what I viewed as the most important change that has occurred during those years and clearly one stands above the rest: there has been a dramatic change in attitude.

Shortly after I became the System's Director, the Governor and Legislature convened a panel - whose work I will describe more fully later - to review the Retirement System. I was asked to make the opening presentation to the panel. Although my presentation was lengthy and detailed, I was able to summarize the underlying theme in two words: *benign neglect*. In effect, the System as a whole was in a state of disrepair due to a lack of attention and concern over the years. Considering that the System is the sole provider of retirement and disability benefits for many public sector employees and considering the cost of those benefits to the taxpayers, it was difficult to understand how such a situation had developed.

In contrast, the attitude today is one of concern and commitment to maintain the fiscal stability of the benefit programs, improve operations and customer service and provide adequate benefits to the public sector. The Executive and Legislative branches and the various organizations which represent the System's constituencies have worked with the Trustees and staff of the System to make a number of significant improvements over the past eleven years possible.

When I accepted the Director's position, I saw it as my role and responsibility to change the prevailing attitude to one that would allow the System to move forward and allow it to change. Change can only occur when people are convinced that the necessary resources and effort will result in long term benefits to the State and its citizens. In the last eleven years, people became persuaded that change was necessary and much has been achieved; some of the changes are detailed in the balance of this report. Looking ahead, much more needs to be accomplished and the System is well positioned to continue to move forward and build an institution that meets the needs of the people of Maine.

That this "annual" report for fiscal years 1995 and 1996 is being published in the winter of 1998 speaks eloquently of the years covered by the report. In the System's combined 1992-1993 "Annual" Report and its 1994 Annual Report I wrote about "change and challenge." Those

words continued to be the accurate descriptors in the years 1995 and 1996, and the late publication of our 1995 and 1996 annual reports is directly traceable to the impact of making those changes.

Changes at the Retirement System - those made, those underway and those yet to come - are so fundamental, and the related challenges - those met, those present, and those ahead - are so great that "change" and "challenge" will remain accurate descriptors of the System's experience for the next several years. Notwithstanding that there is no end in sight to change and challenge, the summer of 1997 is a particularly appropriate vantage point for a long look backward. In 1985, the System's change of actuaries resulted in very significant changes in actuarial assumptions and, as the direct consequence, in a very large increase in employer contributions necessary to fund the state and teacher plans. Understandably and appropriately, when faced with the funding request in the FY 1987 legislative session, the Administration and the Legislature called for an independent study of the System's funding methods, funding needs, benefit structure and operations. In April 1987, the Committee to Study the Retirement System was established; by December 1987 the Committee, which later came to be known as "the first Monks Committee," had completed its substantive work. Thus, the two years covered by this report and the year in which I am writing this message constitute, in effect, rolling ten-year anniversaries for the System.

The changes and challenges of these years have transformed the Retirement System. Not a single aspect of its responsibilities and work has been unaffected. The System's responsibilities can be broadly grouped into two categories: the operation of its programs on behalf of its members, employers and retirees, including the behind-the-scenes operations that support these programs, and the management of its investments. The next two sections of this message look back over each of these categories.

The Management of the System's Investments. The System's funding and its financial condition were the principal motivations for the establishment of the first Monks Committee. The investment program, as a major factor in the System's financial condition, was reviewed extensively by the Committee. Beginning in the early 1980s, knowledgeable individuals in both the public and private sectors in Maine had become concerned that the System's investment program was not appropriately designed to serve the System's purposes and responsibilities. The Board of Trustees began to realign the System's asset allocation, instituting a process of review and, if warranted, adjustment that has been continuous ever since: equities, at 40% in 1984, were 58% in 1987 and 62.7% at the close of FY 96; fixed income, at 40% in 1984, was 37%



in 1987 and 36% at the end of FY 96; cash, at 20% in 1984, was 5% in 1987 and .8% at the end of FY 96. The detailed investment policy first put in place in early 1988, and the subsequent revisions that have resulted from the Trustee's periodic and thoughtful reviews, is the framework for every facet of the investment program. The policy covers investment goals, asset allocation, cash management, selection of investment vehicles and investment managers, establishment of performance benchmarks, evaluation of performance by individual managers, by asset classes and by the program as a whole, and the makeup and responsibilities of the Board's Investment Advisory Committee. At the end of FY 1985, the System's total assets were \$818.4 million, five-year returns were 12.94% and the accrued benefits funding ratio was 39%; at the end of FY 1996, total assets were \$4.3 billion, five-year returns were 13% and the accrued benefits funding ratio was 71%.

Since 1987, with the exception of periods of significant volatility, the investment markets have moved steadily upward. There should be no doubt that in future years the markets will correct and the System's returns will be impacted adversely in the short term. However, the System's Trustees have put in place an investment policy and process that has the objective of dampening and mitigating the effects of market downturns, resulting in favorable long term investment performance. What the System's members, employers and retirees should want, and what they are entitled to expect, is an approach to the investing of their contributions that takes prudent risk commensurate with earning incrementally better returns and that maintains a sufficiently diversified portfolio to mitigate losses. In the years since the mid-1980s, the Board of Trustees has created and implemented, and regularly reviews and adjusts, just such an approach.

The Operation of the System's Programs. The first Monks Committee also addressed the System's operation of its programs. In its report, the Commission noted serious specific deficiencies and stated: "In general, (we) found that the level and quality of the services provided to members and retirees of the System were not satisfactory." While the report helped to clear the way for the System to begin to revise processes and improve staffing, subsequent economic events and related legislative actions negated these efforts at improvement. When the dominos of the State's economy, the State's tax revenues and the State budget fell over in the late 1980s and the early 1990s, the effect on the Retirement System's operations was double-barreled. As employees of a then-State agency, the System staff was subject to furlough and shutdown days, a reduced workweek and a hiring freeze. At the same time, legislative changes to the State and teacher retirement plans and economic facts in school administrative units and participating local districts unrelentingly drove up the System's workload. Inevitably, tremendous backlogs of work built up. The System's processes at the time were far from state-of-the-art and a barely-begun, rudimentary auto-

mation effort suffered greatly, as did further progress in automation. By late 1992, the System's program operations were at their nadir: backlogs and turnaround times in retirement estimates, general inquiries and employers' payroll processing were measured in years; disability application processing took from many months to almost two years; first retirement checks were not in retirees' hands until several months after retirement.

Effective at the beginning of FY 1994, the Legislature established the System as a public instrumentality, an action driven mostly by the State budget concerns and partly by the System's continued insistence that independent agency status was more appropriate to its role and responsibilities and would give it the flexibility and authority to solve its significant problems. In every aspect of its operations, the System has capitalized on the change. Response time for benefit estimates and general inquiries averages three weeks. Processing of employers' payrolls is current and payroll reports are processed within three days of receipt. Average processing time for disability applications is just over four months. Almost all retirees receive their first benefit check in the month in which they retire. The System again publishes informational brochures and newsletters. Its staff is once again able to respond to some, if not all, requests for informational presentations at member and retiree meetings and to provide individual consultation and some training to payroll clerks and other employer staff. Behind each of these statements is a story of tremendous change - change in the way the System is organized, in the makeup of its staff, in the job assignments of staff members and the way their work is done, in the level of performance expectations and the level of achievement.

With respect to its participating local district employers and members, creation and implementation of the Consolidated Plan for Participating Local Districts occupied almost all of the period over which this message looks back. The idea of consolidation became formalized into a process in 1987. In 1988 I advised the newly-formed consolidation committee that it was my "feeling that the entire effort should take approximately two years." The fact that the Consolidated Plan became fully operational on July 1, 1996, indicates the complexity of the issues, relationships and decisions involved. Formerly the administrator of over 250 separate and different PLD plans, the System now administers the 11 plans available to the 224 PLDs in the Consolidated Plan (and continues to administer the 44 regular and special plans that remain in operation for withdrawn, non-consolidated PLDs). The major goals sought by consolidation have been achieved: the risk sharing and cost stability of pooling; benefit portability; and simplified administration. The employer and employee representatives of the Consolidated Plan Advisory Committee, to whom goes



the credit for walking the long road to the necessary consensus, continue to deal with Plan issues.

Behind the scene of its programs but essential to their functioning, the System's financial accounting has changed dramatically. Freed by its independent status from the State's then-cash basis accounting systems, the System has instituted full-accrual accounting and installed new software that reflects and serves its financial and accounting operations. The related processes, procedures and operations are undergoing detailed scrutiny and total revision, a painstaking, critical task. For FY 1995, and for the first time in its 50-year history, the System engaged outside independent auditors and published its first audited financial statements. The FY 1995 and the FY 1996 audited financial statements appear in this annual report and audited financial statements will appear in every subsequent report. Regular, periodic, standard financial and management reporting, while as yet neither complete nor perfect, exists; heretofore it did not.

In the making of all of these operational changes, and in addition to the staff's overall commitment, the role of the System's current management group should not be ignored. John Shattuck in Basic Services, Patrick Grotton in Information Systems, Richard Begin in Finance and Accounting, and Vici White in Human Resources have been with the system as a management team only since December 1995, but their contributions of skill, dedication, energy, objectivity, and resilience have made the difference in actually achieving the changes sought. The level of their commitment speaks to their capacity for challenge, or punishment. The more recent addition of Keith Kolodgie as Assistant Executive Director adds to the breadth and depth of the management group and the skills it brings to the System. It is to the credit of all of the System's staff members that in years of continuous change they have dramatically improved the System's operations and the delivery of service to the System's members, employers and retirees. It is further to their credit that they recognize that both further changes and further service improvements remain to be made.

The changes I have described above are very significant ones for the Retirement System and its members, employers and retirees. In the same period, as I noted earlier, an equally significant change has taken place in the general understanding of the attitude toward the funding of the System. In its report, the Monks Committee discussed the relationship of the System's unfunded liability to recurring failures to fund the costs of changes in the state and teacher retirement plans, failures to provide employer contributions in the amounts actuarially required, and adjustments to the unfunded liability amortization schedule driven by immediate payment

considerations without consideration of long-term costs. Ten years later, it is fair to say that a more sophisticated and realistic understanding of the impact of such actions exists on the part of all of the interested parties, including the public. The evidence for this statement is the text of the amendment to the Maine Constitution approved at public referendum in 1995. In summary, the Maine Constitution now prohibits increases in the unfunded actuarial liability of the state employee and teacher plans, thus preventing the enactment of benefit improvements without accompanying funding and the deferral of required contributions, and specifies the term over which the existing unfunded actuarial liability must be paid. The changed appreciation of the fact that the costs of retirement plans are unavoidable and will be paid, and the new realization that present-day actions determine what those costs will be and by whom - that is, by what generations - they will be paid, could not be more clearly demonstrated. This new understanding is perhaps underscored by action in the most recent two legislative sessions that directs a portion of the State's unappropriated General Fund surplus to the System for the purpose of reducing the unfunded actuarial liability of the State employee and teacher plans.

The System's Board of Trustees has shaped and overseen the process of change and has itself undergone accompanying related changes. Perhaps most significant is the Board's conception of its own role. The Board has more clearly and more consistently articulated the position that the Administration and Legislature, as the employer for retirement purposes of state employees and of the State's teachers, are responsible for the establishment of the public policy underlining the System's retirement benefits programs. As with any public policy area, the establishment of policy involves discussion and negotiation among interested parties. The Board sees itself not as an interested party nor as a representative of any of the interested parties, but rather as charged to carry out the public policy developed by the interested parties. The Board defines the System's role in the policy-establishment process as the provider of objective, accurate information with the intent of contributing to a well-informed and rational process and soundly based results. Thus, for example, the Board does not advocate for or against particular benefits or benefit designs, except for such concerns as fairness and consistency, but does provide general benefit structure and plan design information. The Board's conception of its role is based on its understanding of the fiduciary nature of its responsibilities with respect to the System and the System's members, employers, and retirees. It believes that the constitutionally prescribed "exclusive benefit" rule contemplates a retirement system that is intended to serve both the immediate interests and the long term expectations of its members, employers and retirees and that, as fiduciaries, the Board must be equally attentive to both.

To reiterate, change and challenge continue to be the present and future reality for the Retirement System. Though



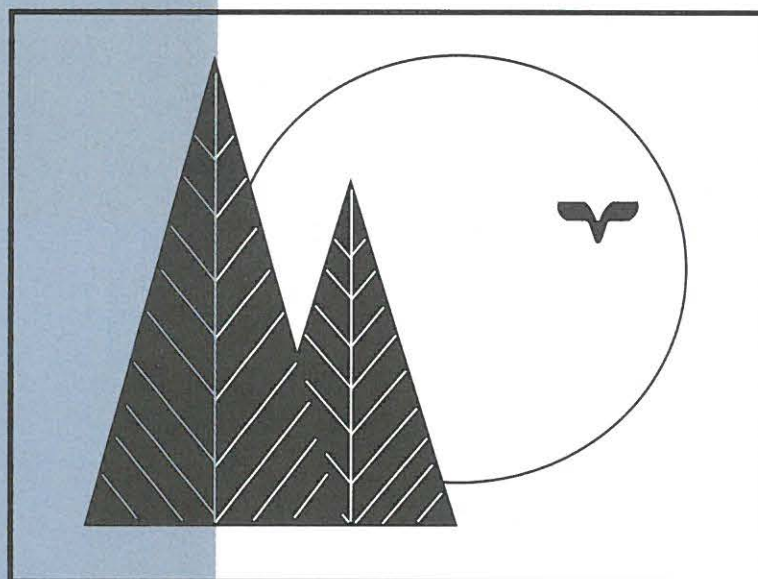
the System has made major advances in the period on which this message focuses, the great promise of automation remains to be fulfilled. This is partly because "becoming automated" is such a complex undertaking for an institution as complicated and paper-swamped as the Retirement System, and partly because the applicable technologies change so dramatically and continually that "becoming automated" means something very different now than it did ten years or even five years ago.

Design and installation of a new records management and retention system, another complex and very large task, must be accomplished in the next few years. Improvements in the delivery of services to the System's members, employers and retirees must continue. And, notwithstanding these resource-devouring efforts, the System's daily operations - retirements, disability and group life insurance processing, receipt and recording or employer payroll reports and contributions and related member information, financial management and accounting, data processing functions, investment decisions and oversight - must go on. In all of this, the Parker v. Wakelin and Dzialo v. Perrier lawsuits are contingencies with the potential to compel significant other changes, near and long term. One problem that the System's Board, management and staff will not face in the coming years is boredom.

In conclusion, I wish to extend my appreciation to the members of the Board of Trustees for their support and to the staff for their devotion and hard work over the past 11 years.

Claude R. Perrier
Executive Director

OVERVIEW OF THE MAINE STATE RETIREMENT SYSTEM



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INTRODUCTION

By the authority granted to it by the Maine State Legislature, the Maine State Retirement System (MSRS) administers retirement plans that cover State employees, the state's public school teachers, the state's judges and the state's legislators, and plans covering the employees of the approximately 250 municipalities and other public entities that have chosen to provide retirement plans through the MSRS. The MSRS is also responsible for the payment of benefits from the Governor's Retirement Fund to former governors and their surviving spouses.

In addition, the MSRS is also responsible for administering the Group Life Insurance Program. This program provides life insurance benefits for both active and retired State employees, public school teachers, many PLD employees, and members and retirees of the Legislative and Judicial Retirement Systems.

RETIREMENT PROGRAM

Membership in the MSRS for Fiscal Years 1995 and 1996 is outlined below. The membership includes both active and inactive members. Active members are those who are currently working for an MSRS participating employer and who are, therefore, contributing to the MSRS. Inactive members are those who have contributed in the past and whose contributions remain with the System but who are not contributing presently because they are not working for an MSRS participating employer.

Members	1995			1996		
	Active	Inactive	Total	Active	Inactive	Total
State*	14,332	13,323	27,655	13,779	13,445	27,224
Teachers	24,489	23,200	47,689	24,709	32,710	57,419
PLD*	8,802	6,521	15,323	8,890	7,135	16,025
Legislative	155	64	219	153	57	210
Judicial	48	2	50	50	2	52
Total	47,826	43,110	90,936	47,581	53,349	100,930

*This includes both regular and special plan members.

Recipients of MSRS benefits fall into five categories:

- *Service Retirees* - those who are receiving a service (or "regular") retirement benefit.
- *Retiree Beneficiaries* - those who are the beneficiaries of deceased service retirees and those who share in the benefit of a living service retiree.
- *Disability Retirees* - those who are receiving a disability retirement benefit.
- *Ordinary Death Beneficiaries* - those who are the beneficiary of an active or inactive member or disability retiree who died before being qualified to receive or, if qualified, before receiving, a service retirement benefit.
- *Accidental Death Beneficiaries* - those who are the beneficiary either of a deceased active member or of a disability retiree who died as a result of an injury arising out of and in the course of employment.



Below are the total benefit recipients and total benefit dollars at June 30, 1995 and June 30, 1996:

BENEFITSPAYROLL

	1995 Benefit Recipients	1995 Benefit Dollars	1996 Benefit Recipients	1996 Benefit Dollars
Service Retirees	21,057	17,499,672.29	21,549	18,829,290.41
Retiree Beneficiaries	2,747	1,587,642.59	2,816	1,703,296.03
Disability Retirees	1,458	1,650,339.94	1,530	1,828,886.72
Ord./Accdn. Death Beneficiaries	1,048	324,361.90	1,026	344,355.92
Total	26,310	21,062,016.72	26,921	22,705,829.08

GROUP LIFE INSURANCE PROGRAM

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

BOARD OF TRUSTEES

The responsibility for the operation of the Maine State Retirement System, including all the various retirement programs and the Group Life Insurance Program, is held by the MSRS Board of Trustees, which is composed of eight members. State law specifies the Board's composition. The State Treasurer fills the one non-voting position. The seven voting positions include three positions that are to be filled by MSRS members. One of these three is to be a teacher member elected by the Maine Education Association; the second is to be a State employee elected by the Maine State Employees' Association; the third is to be a PLD member appointed by the governing body of the Maine Municipal Association. The remaining four voting Board members are all appointed by the Governor. Two of them are to have training or experience in investments, accounting, banking, or insurance, or as actuaries; one is to be chosen from a list of nominees submitted by the Maine Retired Teachers' Association; and one is to be an MSRS retiree, chosen from nominees of State and PLD retirees.

The Board members as of June 30, 1996 were:

David S. Wakelin, Chair	Governor's Appointment (specified qualification)
John H. Kimball, Vice Chair	Maine Education Association
Peter M. Leslie	Governor's Appointment (specified qualification)
George A. Burgoyne	Maine State Employees' Association
Eunice Cotton	Governor's Appointment (State Retiree)
Charles M. Jackson	Maine Municipal Association
Grover B. MacLaughlin	Governor's Appointment (MRTA)
Samuel Shapiro, State Treasurer	Ex-officio Member

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



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

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

ADMINISTRATION

The Maine State Retirement System is a service organization with significant financial and investment management and recordkeeping responsibilities. The Board of Trustees appoints the Executive Director of the MSRS. The work of the System is managed through the Office of the Executive Director and four divisions:

- **Office of the Executive Director** Investments and actuarial work are managed through the Executive Director. In addition, the day-to-day administration, legislative matters, appeals, federal, state and local relations, planning, special projects and similar work is managed through the office of the Executive Director.
- **Basic Services** This division is responsible for service retirement and disability retirement programs as well as death benefit and group life insurance benefit programs. The division is the System's primary liaison with members, employers and retirees.
- **Accounting & Finance** This division has primary responsibility for the MSRS's accounting and financial management systems.
- **Information Systems** This division is responsible for the MSRS data systems and data processing.
- **Human Resources** This division is responsible for the System's internal personnel and payroll and labor relations matters.

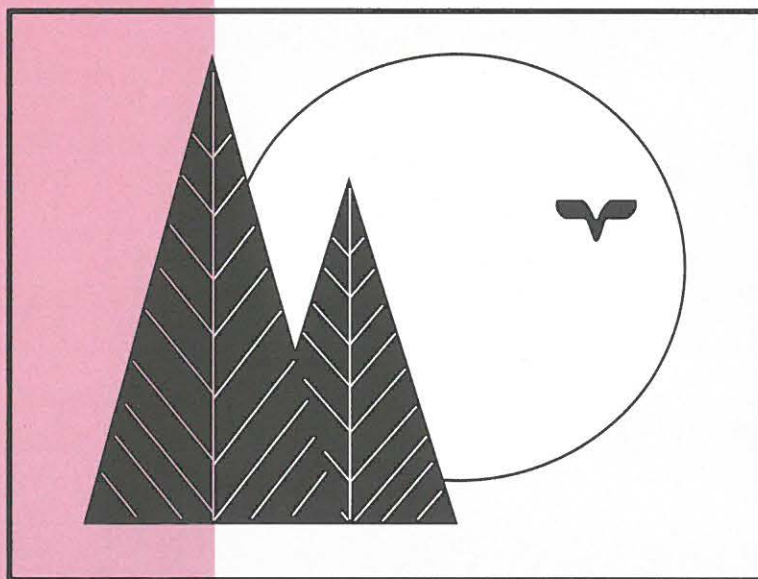
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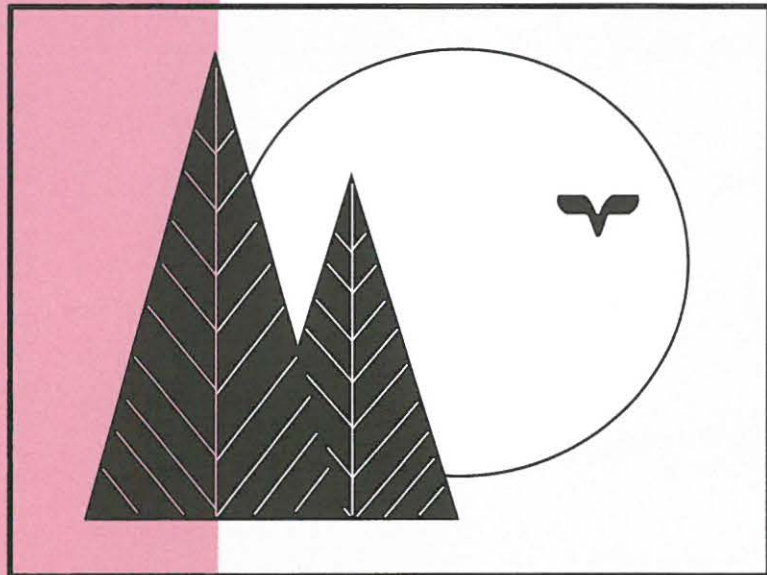
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FINANCIAL
STATEMENTS,
TRUST FUND
BALANCES AND
INVESTMENTS



MSRS FINANCIAL STATEMENTS



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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees of
The Maine State Retirement System:

We have audited the accompanying balance sheets of the Maine State Retirement System, which is a component unit of the State of Maine, as of June 30, 1995 and 1994, and the related statement of revenues, expenses and changes in fund balance for the year ended June 30, 1995. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 position of the Maine State Retirement System as of June 30, 1995 and 1994, and the results of its operations for the year ended June 30, 1995, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 18, 1996, on our consideration of the Maine State Retirement System's internal control structure and a report dated March 18, 1996, on its compliance with laws and regulations.

Portland, Maine
March 18, 1996

Coopers & Lybrand L.L.P.



**MAINE STATE RETIREMENT SYSTEM
BALANCE SHEETS
June 30, 1995 and 1994**

<u>ASSETS</u>	<u>1995</u>	<u>1994</u>
Investments at cost (market value of \$3,659,555,926 in 1995 and \$3,070,671,504 in 1994) (Note 2)	\$ 2,734,178,261	\$ 2,525,893,860
Cash and cash equivalents	13,526,415	4,864,202
Receivables:		
State and local agency contributions	9,832,954	8,888,119
Due from brokers for securities sold	25,257,417	7,518,817
Accrued interest and dividends	6,668,473	5,688,211
Other	481,753	7,268,697
Total receivables	<u>42,240,597</u>	<u>29,363,844</u>
Fixed assets, net of accumulated depreciation	<u>2,102,397</u>	<u>1,739,872</u>
Total assets	<u>2,792,047,670</u>	<u>2,561,861,778</u>
 <u>LIABILITIES</u>		
Accounts Payable	8,962,577	1,668,313
Due to brokers for securities purchased	22,072,988	21,560,246
Other liabilities	10,489,928	11,232,808
Total Liabilities	<u>41,525,493</u>	<u>34,461,367</u>
Net assets available for benefits	<u>\$ 2,750,522,177</u>	<u>\$ 2,527,400,411</u>
 <u>FUND BALANCE</u>		
Actuarial present value of projected pension benefits payable to current retirees and beneficiaries and terminated vested participants	\$ 2,602,813,848	\$ 2,442,426,798
Actuarial present value of credited projected pension benefits for active employees:		
Accumulated member contributions	1,066,104,798	996,048,811
Employer-financed portion	1,958,089,139	1,883,142,611
Total actuarial present value of credited projected pension benefits	<u>5,627,007,785</u>	<u>5,321,618,220</u>
Present value of group life insurance benefits	<u>60,250,000</u>	<u>60,250,000</u>
	5,687,257,785	5,381,868,220
Unfunded actuarial present value of credited projected pension benefits and present value of group life insurance benefits (Note 3)	(2,936,735,608)	(2,854,467,809)
Total fund balance	<u>\$ 2,750,522,177</u>	<u>\$ 2,527,400,411</u>

The accompanying notes are an integral
part of the financial statements



MAINE STATE RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

For the year ended June 30, 1995

Revenues:

Investment income:

Interest	\$ 54,244,460
Dividends	17,924,162
Other	2,769,892
Net gain on sale of investments	96,597,116
Less investment expense	(6,953,264)
Net investment income	<u>164,582,366</u>

Contributions (Note 4):

Members	106,726,802
State and local agencies	244,105,817
Total contributions	<u>350,832,619</u>

Total revenues	<u>515,414,985</u>
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Expenses:

Benefits paid	273,021,392
Refunds and withdrawals	13,225,101
Administrative expenses	6,046,726
Total expenses	<u>292,293,219</u>

Net increase in fund balance	223,121,766
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Fund balance:

Beginning of year	<u>2,527,400,411</u>
End of year	<u>\$ 2,750,522,177</u>

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



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. Plan Description:

General

The Maine State Retirement System (System), which is a component unit of the State of Maine, is the administrator of an agent multiple-employer public employee retirement system established and administered under the Maine State Retirement System Laws of the State of Maine. The System provides pension, death and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution purposes, and employees of approximately 250 local municipalities and other public entities in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System acts as the common investment agent for the State and all other participating entities. At June 30, 1995, the approximate membership consisted of:

Active members:	
Vested and nonvested	47,795
Inactive members	43,073
Retirees and benefit recipients	24,002
Other benefit recipients	<u>2,441</u>
Total members, retirees and beneficiaries	<u>117,311</u>

The System's retirement programs provide defined retirement benefits based on member's average final compensation and creditable service. Vesting occurs upon the earning of ten years service credit. Normal retirement age is age 60 or 62, determined by whether a member had at least 10 years of creditable service on June 30, 1993, and the monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides death and disability benefits, which are established by statute for State and public school employees, and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited for a five year period for non-vested members and through the date of refund for vested members. Withdrawal of accumulated contributions results in forfeiture of all benefits. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 6.5%.

In the event that a participating entity withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The participating entity remains liable for contributions sufficient to fund benefits for its already retired former employee-members, for its terminated vested inactive members, and for those active employees, whether or not vested, who remain contributing System members.

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

The System also provides group life insurance under a plan that is administered by a third party insurance company. Premiums are set by the insurance company and collected by the System. Benefit payments are made by the insurance company from premiums collected.



NOTES TO FINANCIAL STATEMENTS (cont.)

1. Plan Description: (continued)

Basis of Accounting

The financial statements are prepared in accordance with provisions of Statement No. 6, Pension Accounting and Financial Reporting, issued by the National Council on Government Accounting, Government Accounting Standards Board (GASB) Statement No. 5, Disclosures of Pension Information by Public Employee Retirement Systems and State and Local Government Employers, and other appropriate pronouncements of the GASB. The amount of employer's contributions are calculated at the employer's contribution rate which is actuarially determined. Investments are reported at cost subject to adjustment for market declines judged to be other than temporary. Discounts are accumulated to the bond maturity date and premiums are amortized to the earliest call date at par value. The method used to amortize the accumulated discount or premium is the interest method. Gains and losses on sales of securities are recognized on the trade date.

The financial statements report the total combined assets and liabilities for the state and all participating entities. Net assets for individual participating entities are restricted by statute for use against the liabilities for each participating entity only.

2. Cash Equivalents and Investments:

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

Statutes authorize the System to invest in stocks, bonds, mortgages, real estate and other investments. The System maintains certain deposits, cash equivalents and other investments with financial institutions.

GASB Statement No. 3 requires disclosure of certain information about the market risks associated with the System's investments. In accordance with Statement No. 3, the System's investments would generally be categorized into one of three separate categories. Category 1 includes investments that are insured or registered and for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, but not in the System's name. At June 30, 1995 and 1994, all of the System's investments are considered Category 1.

Mellon Trust Company was the master custodian for the majority of the investments of the System during the year ended June 30, 1995. The System has since contracted with a new custodian beginning February 1, 1996.

The fair market value of investments are based on published market prices and quotations from major investments brokers.



NOTES TO FINANCIAL STATEMENTS (cont.)

2. Cash Equivalents and Investments: (continued)

Investments are summarized as follows:

<u>Category</u>	June 30, 1995	
	<u>Amortized Cost, Net</u>	<u>Fair Market Value</u>
Debt securities:		
U.S. government	\$ 164,527,973	\$ 167,748,690
Corporate	58,221,242	58,690,853
Equity securities:		
Preferred	3,893,011	5,318,133
Common	1,335,252,125	2,003,777,614
Common/collective trusts	1,055,071,156	1,296,101,033
Registered investment companies	77,092,302	92,728,595
Limited partnerships	11,285,954	10,548,313
Real Estate	20,860,843	16,233,844
Other	7,973,655	8,408,851
Total investments	<u>\$ 2,734,178,261</u>	<u>\$ 3,659,555,926</u>

<u>Category</u>	June 30, 1994	
	<u>Amortized Cost, Net</u>	<u>Fair Market Value</u>
Debt securities:		
U.S. government	\$ 148,844,726	\$ 142,111,702
Corporate	66,249,786	63,558,936
Equity securities:		
Preferred	12,956,592	12,980,872
Common	1,233,767,559	1,643,367,373
Common/collective trusts	30,174,748	21,892,378
Registered investment companies	962,972,980	1,120,483,725
Limited partnerships	54,611,552	51,310,556
Real estate	11,277,321	10,421,353
Other	5,038,596	4,544,609
Total investments	<u>\$ 2,525,893,860</u>	<u>\$ 3,070,671,504</u>



NOTES TO FINANCIAL STATEMENTS (cont.)

2. Cash Equivalents and Investments: (continued)

At June 30, 1995, the System had certain investments representing 5% or more of total investments, as follows:

	Cost	Fair Market Value
Panagora Equity-Wilshire 5000 Index Fund	\$ 354,916,067	\$ 827,254,622
JP Morgan Real Estate Fund	196,705,700	228,044,073
The Boston Company Pooled Employee Fund	249,034,805	249,034,805
Panagora Fixed-Lehman Aggregate Fund	496,945,680	697,007,597
	<u>\$ 1,297,602,252</u>	<u>\$ 2,001,341,097</u>

3. Funding Status and Progress:

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the System, as discussed in Note 4.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1995 and 1994. Significant actuarial assumptions used include: a) a rate of return on the investment of assets of 8% a year compounded annually, b) projected cost of living increases for eligible benefit recipients of 4% a year compounded annually, attributable to inflation, and c) projected salary increases of 6% to 10% a year attributable to seniority/merit and inflation.

At June 30, 1995 and 1994, the unfunded pension benefit obligation was as follows (in millions):

	1995	1994
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 2,602.8	\$ 2,442.4
Current employees:		
Accumulated employee contributions, including allocated investment income	1,066.1	996.1
Employer-financed vested	848.7	807.8
Employer-financed nonvested	1,109.4	1,075.3
Total pension benefit obligation	<u>5,627.0</u>	<u>5,321.6</u>
Net assets available for benefits, at cost	<u>2,722.4</u>	<u>2,500.2</u>
Unfunded pension benefit obligation	<u>\$ 2,904.6</u>	<u>2,821.4</u>



NOTES TO FINANCIAL STATEMENTS (cont.)

3. Funding Status and Progress: (continued)

In addition, the System's Group Life Plan has unfunded benefit obligations of approximately \$32 million, which consists of the present value of benefit obligations of \$60 million, offset by net assets available for benefits of \$28 million. The present value of the benefit obligation was calculated with an assumed discount rate of 8%. At June 30, 1994, a calculation of the unfunded benefit obligation was not prepared, and for purposes of financial statement reporting was assumed to approximate the unfunded balance at June 30, 1995.

4. Contribution Requirements and Contributions Made:

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan(s) over a closed 35 year period.

Contributions totaling \$350,832,619, (\$244,105,817 employer and \$106,726,802 employee) were made in accordance with actuarially determined contribution requirements established through an actuarial valuation performed at June 30, 1995.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in Note 3 above.

5. Contingencies:

The System's trustees and executive director are defendants in litigation involving individual benefit payment and participant eligibility issues under the State and teachers' Plan(s). The suit seeks an injunction against the implementation of certain legislative changes to retirement system statutes. In the event of an adverse decision, resulting costs would be recovered by the System through adjustments to the State's employer contribution rate. Based upon consultation with the System's legal counsel, management believes there will be no material adverse effect on the financial statements as a result of the ultimate outcome of the litigation.

6. New Accounting Standard:

In November of 1994 the GASB issued Statement No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans which supersedes all previous authoritative guidance on accounting and financial reporting for defined benefit pension plans of state and local governmental entities. This statement defines the financial reporting model for financial statements of defined benefit pension plans and requires additional historical trend information. The statement is effective for fiscal years beginning after June 15, 1996, and therefore the System will adopt the provisions of this statement for the year ended June 30, 1997.

7. Disclosure of Ten-Year Historical Trend Information:

GASB Statement No. 5 requires disclosure of ten-year trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Since this is the first year which the System has reported under GASB Statement No. 5, the historical information required to be disclosed is not available. Up to ten years of information will be provided in future years as this information becomes available.

8. Constitutional Amendment:

In November 1995, voters in the State approved a constitutional amendment which requires the State to fund unfunded liabilities existing as of June 30, 1996, of the State and teacher plans over a period not to exceed 31 years, commencing June 30, 1997. The creation of new unfunded liabilities is prohibited, except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires use of actuarially sound current-cost accounting, reinforcing the existing statutory requirements.

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Maine State Retirement Plan:

We have audited the financial statements of the Maine State Retirement System, which is a component unit of the State of Maine, as of and for the year ended June 30, 1995, and have issued our report thereon dated March 18, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Maine State Retirement System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Maine State Retirement System for the year ended June 30, 1995, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The following matters were identified as a reportable conditions and have been communicated to the management of the Maine State Retirement System in a separate letter (page references to the separate letter have been included).

- Inadequacy of the present computer software system to generate timely and accurate financial and management reports (Page 3)
- Segregation of duties for the collection of cash contributions from participating entities and lack of reconciliation procedures for cash collections (Page 10)

- Segregation of duties and oversight for the preparation of benefit payments (Page 14)
- Controls and procedures for the proper determination and collection of premiums for group life insurance programs (Page 16)

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable condition described above is a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Maine State Retirement System in a separate letter.

This report is intended for the information of the Board of Trustees, management, and applicable government entities. However, this report is a matter of public record and its distribution is not limited.

Portland, Maine
March 18, 1996

Coopers & Lybrand L.L.P.

**REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Maine State Retirement System:

We have audited the financial statements of the Maine State Retirement System, which is a component unit of the State of Maine, as of and for the year ended June 30, 1995, and have issued our report thereon dated March 18, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Maine State Retirement System is the responsibility of the Maine State Retirement System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Maine State Retirement System's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

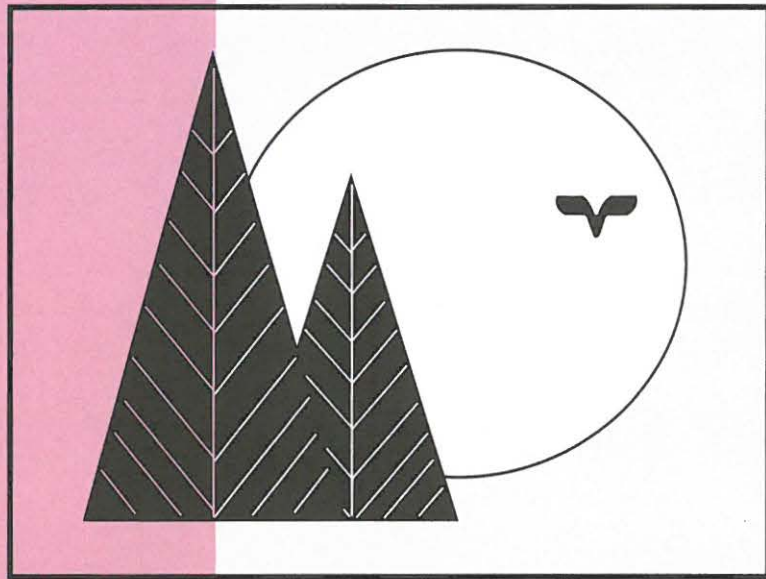
The results of our tests disclosed no instances that are required to be reported herein under *Government Auditing Standards*.

This report is intended for the information of the Board of Trustees, management, and applicable government entities. However, this report is a matter of public record and its distribution is not limited.

Portland, Maine
March 18, 1996

Coopers & Lybrand L.L.P.

TRUST FUND BALANCES FOR
THE YEAR ENDED JUNE 30, 1995





TRUST FUND BALANCES AS OF JUNE 30, 1995

<u>Ref</u> <u>Nbr</u>	<u>Plan or District Name</u>	<u>Members' Contribution</u>	<u>Retirement Allowance</u>	<u>Total Trust</u> <u>Fund Reserves</u>
1	State of Maine	\$ 335,658,296.05	\$ 711,038,089.65	\$ 1,046,696,385.70
2	Portland	24,934,561.63	80,044,031.22	104,978,592.85
3	Millinocket	1,437,220.05	8,375,403.72	9,812,623.77
4	Presque Isle	2,290,011.57	11,966,938.23	14,256,949.80
5	Cumberland County	1,191,732.95	5,392,365.63	6,584,098.58
6	Disability	24,453,386.39	227,747,269.79	252,200,656.18
7	Teachers (post-July 1, 1924)	587,561,313.32	828,971,586.02	1,416,532,899.34
8	Camden	0.00	0.00	0.00
9	South Portland	2,675,040.73	21,625,580.61	24,300,621.34
10	Houlton	379,650.75	2,096,951.96	2,476,602.71
11	Penobscot County	0.00	560,364.11	560,364.11
12	Kittery Water District	0.00	223,970.26	223,970.26
13	Ellsworth	604,568.94	2,640,015.18	3,244,584.12
14	Kittery	930,559.93	5,240,765.87	6,171,325.80
15	Bar Harbor	273,542.71	2,039,039.67	2,312,582.38
16	Mount Desert	372,637.73	1,832,096.59	2,204,734.32
17	Fort Fairfield	57,304.95	901,775.02	959,079.97
18	Rockland	1,103,244.53	8,077,685.38	9,180,929.91
19	Bath Water District	0.00	352.42	352.42
20	Bangor	13,160,186.88	64,491,261.53	77,651,448.41
21	Boothbay Harbor Water District	568.98	555,030.95	555,599.93
22	Bangor Public Library	487,949.00	2,113,616.08	2,601,565.08
23	Augusta	0.00	8,561.37	8,561.37
24	Gardiner	1,085,082.22	4,234,758.08	5,319,840.30
25	Teachers (pre-July 1, 1924)	0.00	(8,072.44)	(8,072.44)
26	Houlton Water District	743,552.26	3,802,283.14	4,545,835.40
27	Auburn	0.00	4,026.31	4,026.31
28	York	0.00	166,049.39	166,049.39
29	Limestone Water/Sewer	71,553.23	202,893.01	274,446.24
30	Saint Agatha	22,676.54	188,997.09	211,673.63
31	Kennebec Water District	245,407.15	1,724,368.16	1,969,775.31
32	Livermore Falls Water District	0.00	8,637.16	8,637.16
33	Knox County	35,567.10	512,884.95	548,452.05
34	Augusta Water District	0.00	546.76	546.76
35	Belfast	392,701.92	2,261,335.49	2,654,037.41
36	Calais	333,720.36	1,686,923.75	2,020,644.11
37	York County	363,284.00	2,718,965.47	3,082,249.47
38	Maine Maritime Academy	2,473,096.42	18,851,658.36	21,324,754.78
39	York Water District	210,400.62	712,952.48	923,353.10
40	Washington County	309,319.51	1,565,398.50	1,874,718.01
41	Portland Public Library	947,688.43	4,228,461.62	5,176,150.05
42	Brunswick	2,269,723.64	12,499,419.48	14,769,143.12
43	Auburn Public Library	144,293.87	561,453.46	705,747.33
44	Maine-NH Bridge Authority	0.00	0.00	0.00
45	Jay	0.00	0.82	0.82
46	Waldo County	0.00	337.09	337.09
47	Kennebec County	281,066.47	1,967,963.68	2,249,030.15
48	Lewiston	7,115,178.66	43,820,607.70	50,935,786.36



TRUST FUND BALANCES AS OF JUNE 30, 1995

(continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
49	Maine Turnpike Authority	\$ 0.00	\$ 6,135.84	\$ 6,135.84
50	SAD 31	0.00	109,388.98	109,388.98
51	Auburn Sewer District	0.00	0.00	0.00
52	Auburn Water District	0.00	622.76	622.76
54	East Millinocket	678,421.75	3,028,039.84	3,706,461.59
55	Maine Municipal Association	148,543.48	731,066.13	879,609.61
56	Hancock County	0.00	460.26	460.26
57	Oxford County	0.00	78,115.40	78,115.40
58	Falmouth Memorial Library	34,092.62	219,525.51	253,618.13
59	Bangor Water District	261,955.55	1,484,412.96	1,746,368.51
60	Rumford Fire/Police	572,459.65	7,384,470.66	7,956,930.31
61	Orono	268,240.03	1,531,464.78	1,799,704.81
62	Kennebunk Light/Power	0.00	397.68	397.68
63	Brewer	1,921,706.42	6,966,937.50	8,888,643.92
64	Augusta Sanitary District	0.00	664.52	664.52
65	Rumford Water District	150,156.11	807,216.78	957,372.89
66	Waterville Fire/Police	1,442,900.15	8,294,622.09	9,737,522.24
67	Androscoggin County	0.00	(2,367.02)	(2,367.02)
68	Brewer Water District	89,140.00	331,268.57	420,408.57
69	Baileyville	47,327.53	474,259.81	521,587.34
70	Westbrook Fire/Police	1,002,807.08	12,496,261.18	13,499,068.26
71	Greater Portland Public Development	0.00	0.00	0.00
72	Brunswick Sewer District	163,161.60	925,276.46	1,088,438.06
73	Bath	2,540,978.83	20,328,888.61	22,869,867.44
74	Mexico	165,899.41	1,043,185.72	1,209,085.13
75	Accidental Death	0.00	0.00	0.00
76	Lincoln	302,289.24	1,614,161.58	1,916,450.82
77	SAD 34	245,530.32	1,992,409.31	2,237,939.63
78	SAD 28	0.00	37,269.19	37,269.19
79	Old Town Water District	0.00	80,280.54	80,280.54
80	Skowhegan	809,976.12	4,836,291.97	5,646,268.09
81	Topsham	275,564.62	1,078,369.28	1,353,933.90
82	Madawaska	934,247.64	3,611,622.18	4,545,869.82
83	Sanford	1,779,036.79	9,897,425.37	11,676,462.16
84	Kennebunk	374,195.14	1,969,549.40	2,343,744.54
85	Cape Elizabeth	718,563.03	4,579,737.18	5,298,300.21
86	Wilton	171,346.84	574,848.50	746,195.34
87	Falmouth	352,451.46	1,723,570.08	2,076,021.54
88	Lubec Water/Electric	15,966.02	381,969.65	397,935.67
89	Sanford Sewer District	0.00	139,281.92	139,281.92
90	Rumford	875,602.56	4,749,101.97	5,624,704.53
91	Fort Kent	217,077.73	666,267.59	883,345.32
92	Lincoln Water District	58,189.77	266,233.24	324,423.01
93	Maine Municipal Bond Bank	159,714.63	580,745.26	740,459.89
94	Greater Portland Council of Government	53,604.57	1,007,779.36	1,061,383.93
95	Lincoln County	90,951.92	1,419,705.96	1,510,657.88
96	Sagadahoc County	30,324.82	1,099,491.71	1,129,816.53
97	Dexter	49,458.53	588,126.54	637,585.07



TRUST FUND BALANCES AS OF JUNE 30, 1995

(continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
98	Frenchville	\$ 39,226.67	\$ 137,859.69	\$ 177,086.36
100	Farmington	383,763.38	3,267,658.15	3,651,421.53
101	Somerset County	0.00	0.00	0.00
102	Franklin County	149,760.47	718,383.13	868,143.60
103	Lisbon	689,780.69	3,348,394.52	4,038,175.21
104	Milo	48,349.48	220,255.81	268,605.29
105	Maine State Principals Association	0.00	47,761.72	47,761.72
106	Aroostook County	0.00	617,927.33	617,927.33
107	Wells	701,362.46	3,610,710.27	4,312,072.73
108	Berwick	203,554.31	365,127.48	668,681.79
109	Livemore Falls	182,958.97	470,789.45	653,748.42
110	Pittsfield	69,245.15	549,961.38	619,206.53
111	Old Town	254,481.41	3,731,586.59	3,986,068.00
112	Franklin County	180,833.50	893,915.03	1,074,748.53
113	SAD 66	0.00	307,460.86	307,460.86
114	Mechanic Falls	0.00	191,433.12	191,433.12
115	SAD 54	199,834.53	1,682,777.16	1,882,611.69
116	Yarmouth	744,615.25	4,985,618.27	5,730,233.52
117	Searsport	19,965.05	411,940.46	431,905.51
118	Farmington Village Corporation	0.00	246.19	246.19
119	SAD 9	562,992.04	2,968,213.32	3,531,205.36
120	Mount Desert Regional Schools	70,780.32	388,116.85	458,897.17
121	Piscataquis County	0.00	71,448.70	71,448.70
122	Westbrook	683,404.60	5,239,267.70	5,922,672.30
124	Searsport Water District	15,181.13	196,179.65	211,360.78
125	Norway	218,650.98	739,303.79	957,954.77
126	SAD 67	313,863.74	1,794,300.76	2,108,164.50
127	Paris	127,987.94	607,829.44	735,817.38
128	SAD 71	204,553.77	1,246,454.18	1,451,007.95
129	SAD 53	11,014.52	243,718.68	254,733.20
130	Bucksport	665,856.68	2,119,509.47	2,785,366.15
131	Fort Fairfield Utility District	59,268.48	466,338.43	525,606.91
132	Belfast Water District	81,572.63	556,308.51	637,881.14
133	Gorham	639,358.50	2,929,424.41	3,568,782.91
134	Lincoln Academy	0.00	134,589.98	134,589.98
135	So. Kennebec Valley Regional Planning	42,210.04	151,921.47	194,131.51
136	Norway Water District	77,755.93	256,583.93	334,339.86
137	Dover-Foxcroft Water District	0.00	28,991.04	28,991.04
138	Naples	20,851.29	142,283.34	163,134.63
139	York Sewage District	0.00	121.28	121.28
140	Old Orchard Beach	788,909.74	4,408,187.86	5,197,097.60
141	South Berwick	83,479.00	500,703.79	584,182.79
142	Freeport	65,524.26	712,134.10	777,658.36
143	SAD 41	570,621.35	2,793,308.83	3,363,930.18
144	Winslow	311,135.00	1,555,832.83	1,866,967.83
145	Auburn Housing Authority	0.00	423.78	423.78
146	Boothbay Harbor	72,481.13	472,627.52	545,108.65
147	Scarborough	379,823.55	2,961,207.06	3,341,030.61



TRUST FUND BALANCES AS OF JUNE 30, 1995 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
148	Cranberry Isle	\$ 0.00	(\$ 1,013.29)	(\$ 1,013.29)
149	Fryeburg	0.00	105,191.11	105,191.11
150	Hermon	84,248.15	611,360.49	695,608.64
151	Hampden	220,489.76	906,434.72	1,126,924.48
152	Sanford Housing Authority	131,647.61	541,364.67	673,012.28
153	Vassalboro	40,266.30	216,329.87	256,596.17
154	Lewiston Housing Authority	0.00	644.07	644.07
155	Garland	0.00	1,158.38	1,158.38
156	Exeter	6,839.66	10,544.72	17,384.38
157	Bingham Water District	83.46	34,293.34	34,376.80
158	Biddeford	1,440,459.09	5,672,548.76	7,113,007.85
159	Paris Utilities District	143,516.75	443,103.22	586,619.97
160	Hallowell	21,777.89	239,445.17	261,223.06
161	Rockport	75,877.23	388,761.57	464,638.80
162	Wallagrass Plantation	7.75	10,394.85	10,402.60
163	Lewiston-Auburn Water Pollution	136,020.28	444,551.66	580,571.94
164	Thomaston	33,410.12	490,286.14	523,696.26
165	Pleasant Point/Passamaquoddy Reserv.	148,925.10	316,106.11	465,031.21
166	Orland	40,612.71	264,548.79	305,161.50
167	Dover-Foxcroft	216,442.26	737,256.00	953,698.26
168	SAD 29	149,505.76	974,492.79	1,123,998.55
169	Maine Housing Authority	261,485.00	987,998.39	1,249,483.39
170	Sanford Water District	223,489.86	969,646.95	1,193,136.81
171	So Berwick Water District	18,237.18	85,809.92	104,047.10
172	New Canada Plantation	0.00	21,014.71	21,014.71
173	Indian Township/Passamaquoddy RHA	25.20	112,533.26	112,558.46
174	Glenburn	0.00	4.35	4.35
175	Sabattus	33,879.96	376,557.12	410,437.08
176	Bridgton	2,994.29	294,818.50	297,812.79
177	Brownville	41,924.11	203,936.65	245,860.76
178	SAD 2	0.00	0.00	0.00
179	Winthrop	0.00	478,323.70	478,323.70
180	Eliot	0.00	278,770.26	278,770.26
181	Lebanon	35,426.15	202,172.25	237,598.40
182	Van Buren	263,914.46	874,198.53	1,138,112.99
183	Hampden Water District	36,599.30	99,157.72	135,757.02
184	Monson	26,789.44	125,770.91	152,560.35
185	Portland Housing Authority	0.00	890.05	890.05
186	Milford	554.05	86,421.17	86,975.22
187	SAD 60	0.00	550,117.41	550,117.41
188	Kennebunkport	510,687.29	2,287,051.63	2,797,738.92
189	SAD 49	60,807.54	467,827.59	528,635.13
190	SAD 16	0.00	165,436.65	165,436.65
191	Damariscotta	(3,676.00)	216,721.05	213,045.05
192	Saco	797,960.44	3,984,249.38	4,782,209.82
193	Otisfield	21,083.74	130,882.05	151,965.79
194	Medway	167,738.36	467,330.88	635,069.24
195	Waldoboro	348,258.75	832,783.91	1,181,042.66



TRUST FUND BALANCES AS OF JUNE 30, 1995

(continued)

<u>Nbr</u>	<u>Plan or District Name</u>	<u>Members' Contribution</u>	<u>Retirement Allowance</u>	<u>Total Trust Fund Reserves</u>
196	Waterville Urban Renewal Authority	\$ 0.00	\$ 0.00	\$ 0.00
197	Dixfield	685.34	217,891.53	218,576.87
198	SAD 51	310,126.47	1,343,162.43	1,653,288.90
199	Bradford	0.00	15,726.67	15,726.67
200	Oxford	0.00	150,515.45	150,515.45
201	Kennebunk Sewer Authority	0.00	253,801.18	253,801.18
202	Phippsburg	67,370.63	302,332.60	369,703.23
203	Cheverus High School	167,801.24	604,631.94	772,433.18
204	Boothbay/Boothbay Harbor CSD	95,700.44	283,493.63	379,194.07
205	Gould Academy	84,669.34	431,702.54	516,371.88
206	South Portland Housing Authority	260,170.16	861,588.90	1,121,759.06
207	Berwick Sewer District	0.00	6,813.88	6,813.88
208	Caribou Fire and Police	382,895.74	2,713,145.11	3,096,040.85
209	Orrington	159,485.29	505,924.38	665,409.67
210	New Gloucester	225,517.22	719,131.31	944,648.53
211	SAD 21	227,253.07	925,239.18	1,152,492.25
212	Readfield	(891.34)	40,150.93	39,259.59
213	Richmond	59,319.16	364,334.10	423,653.26
214	Linneus	25,396.83	71,565.94	96,962.77
215	Hodgdon	21,259.21	170,560.28	191,819.49
216	Cumberland	382,896.73	1,405,172.86	1,788,069.59
217	Corinna	62,232.70	208,004.97	270,237.67
218	SAD 56	66,206.93	322,543.56	388,750.49
219	Lincoln Sanitary District	0.00	111.53	111.53
220	Kennebec Sanitary District	173,008.48	559,124.52	732,133.00
221	Gardiner Water District	0.00	77,327.08	77,327.08
222	Waterville Sewer District	0.00	0.00	0.00
223	SAD 13	190,569.03	723,188.84	913,757.87
224	Waldoboro Regional Voc. Region 7	9,761.42	148,399.18	158,160.60
225	Maine County Commissioners Assn.	132.31	33,191.01	33,323.32
226	Jackman Water District	2,037.23	103,938.35	105,975.58
227	Mars Hill	108,034.84	374,549.16	482,584.00
228	Lubec	28,523.16	135,370.03	163,893.19
229	Van Buren Housing Authority	30,718.88	154,238.79	184,957.67
230	Washburn	0.00	75.79	75.79
231	Androscoggin Valley Reg. Plg. Comm.	209,687.84	766,344.11	976,031.95
232	Howland	0.00	46,611.65	46,611.65
233	Community School District 915	53,589.36	55,002.72	608,592.08
234	Durham	77,583.60	181,156.51	258,740.11
235	China	0.00	104,655.78	104,655.78
236	Madawaska Water District	0.00	147.57	147.57
237	Penquis CAP	464,902.67	2,082,995.43	2,547,898.10
238	Milo Water District	38,774.35	295,393.85	334,168.20
239	Maine School Management Assoc.	0.00	650.25	650.25
240	Easton	0.00	316.57	316.57
241	Franklin County Comm. Action Council	157,882.99	696,788.90	854,671.89
242	Richmond Utilities District	0.00	20,272.12	20,272.12
243	Lisbon Water District	21,735.83	91,355.37	113,091.20



TRUST FUND BALANCES AS OF JUNE 30, 1995 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
244	Indian Township Tribal Government	\$ 65,838.34	\$ 932,340.91	\$ 998,179.25
245	Limestone	103,003.18	207,254.03	310,257.21
246	Bethel	54,356.16	222,567.12	276,923.28
247	Rumford/Mexico Sewer District	(0.60)	98,303.39	98,302.79
248	Brewer Housing Authority	0.00	782.93	782.93
249	Ersline Academy	0.00	77,479.99	77,479.99
250	Winter Harbor Utility District	22,028.06	23,302.85	45,330.91
251	Corinna Sewer District	67,193.65	125,845.85	193,039.50
252	Community School District 912	21,612.13	83,122.33	104,734.46
253	Bridgton Water District	29,235.63	60,688.22	89,923.85
254	North Berwick	220,650.36	586,125.36	806,775.72
255	Kennebunk/Knbkprt/Wells Water District	846,873.49	2,687,371.07	3,534,244.56
256	Auburn-Lewiston Airport	9,450.85	259,046.43	268,497.28
257	Maine Development Foundation	0.00	0.00	0.00
258	Princeton	65,849.49	239,879.32	305,728.81
259	Westbrook Housing Authority	50,567.47	132,199.28	182,766.75
260	Fairfield	185,459.46	461,813.59	647,273.05
261	Georgetown	4,713.58	43,736.24	48,449.82
262	Old Town Housing Authority	0.00	39,649.37	39,649.37
265	Mapleton	102,048.59	384,665.89	486,714.48
266	Wells-Ogunquit CSD	140,905.85	530,836.02	671,741.87
267	Tri-Community Sanitary Landfill	60,499.57	128,334.43	188,834.00
268	Project Lodestone	2,538.82	25,818.62	28,357.44
269	So. Penobscot Voc. School Region 4	57,139.83	121,597.69	178,737.52
270	Harpwell	0.00	238.83	238.83
271	Maine Veterans Home	0.00	2,584.35	2,584.35
272	Sabattus Sanitary District	0.00	0.00	0.00
273	Brunswick Public Library	75,266.17	326,856.24	402,122.41
274	Eagle Lake Water/Sewer	27,652.92	182,199.32	209,852.24
275	Fort Fairfield Housing Authority	0.00	4,244.85	4,244.85
276	Lovell	0.00	73,502.89	73,502.89
277	Carabasset Valley	0.00	74.21	74.21
278	Yarmouth Water District	0.00	305.97	305.97
279	Preschool HCS Council	79,256.18	194,770.43	274,026.61
280	Harrison	0.00	(163.55)	(163.55)
281	Mid-Maine Waste Action Corp.	0.00	0.00	0.00
282	Mechanic Falls Sanitary District	0.00	41.50	41.50
283	Mars Hills Utility District	0.00	56.89	56.89
284	Norway/Paris Solid Waste Corp.	2,291.11	73,343.24	75,634.35
285	The Homestead Project	10,673.01	55,400.58	66,073.59
286	No. Maine Regional Planning	0.00	0.00	0.00
287	Reserve Management Authority	0.00	0.00	0.00
288	Bangor Housing Authority	0.00	(4,384.99)	(4,384.99)
290	Maine State Retirement System	79,129.98	27,571.66	106,701.64
291	Lewiston-Auburn 911 Committee	0.00	(617.21)	(617.21)
350	Judicial System	2,247,665.59	17,171,194.34	19,418,859.93
351	Legislative System	419,730.14	2,199,866.58	2,619,596.72

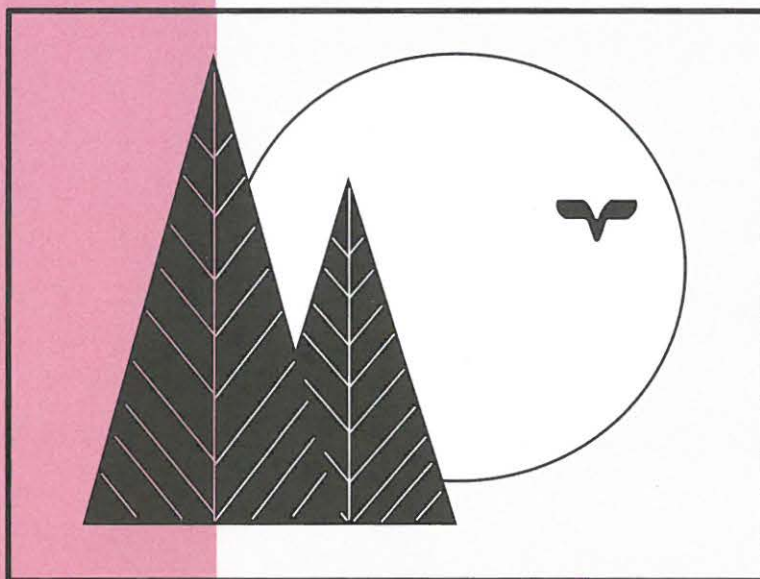


TRUST FUND BALANCES AS OF JUNE 30, 1995

(continued)

<u>Ref</u> <u>Nbr</u>	<u>Plan or District Name</u>	<u>Members' Contribution</u>	<u>Retirement Allowance</u>	<u>Total Trust</u> <u>Fund Reserves</u>
370	Consolidated Regular Plan A - with COLA (AC)	\$ 26,313,824.48	\$ 106,354,196.68	\$132,668,021.16
371	Consolidated Regular Plan A - no COLA (AN)	1,975,827.00	5,731,625.45	7,707,452.45
372	Consolidated Regular Plan B - with COLA (BC)	0.00	0.00	0.00
373	Consolidated Special Plan 1 - with COLA (1C)	1,602,580.29	17,586,105.75	19,188,686.04
374	Consolidated Special Plan 1 - no COLA (1N)	0.00	124.00	124.00
375	Consolidated Special Plan 2 - with COLA (2C)	3,366,863.08	20,130,099.75	23,496,962.83
376	Consolidated Special Plan 2 - no COLA (2N)	0.00	0.00	0.00
377	Consolidated Special Plan 3 - with COLA (3C)	0.00	(247.04)	(247.04)
378	Consolidated Special Plan 3 - no COLA (3N)	0.00	0.00	0.00
379	Consolidated Special Plan 4 - with COLA (4C)	476,337.12	800,612.87	1,276,949.99
380	Consolidated Special Plan 4 - no COLA (4N)	0.00	0.00	0.00

INVESTMENTS AT JUNE 30, 1995



Assets By Manager 41

Asset Allocation 42

System Holdings 43



ASSETS BY MANAGER

June 30, 1995

FOR THE MAINE STATE RETIREMENT SYSTEM

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ACACIA REALTY ADVISORS	\$ 30,180,843	\$ 25,085,234	(\$ 5,095,609)
ALLIANCE CAPITAL - EQUITY	104,953,627	138,927,067	33,973,440
ALLIANCE CAPITAL - FIXED INCOME	108,212,190	111,011,075	2,798,885
ARK ASSET MANAGEMENT	165,618,288	179,119,155	13,500,867
BANKERS TRUST INTL - EAFE	79,984,304	105,377,673	25,393,369
BANKERS TRUST SMALL CAP EQUITY	50,000,000	65,271,371	15,271,371
COLUMBUS CIRCLE	177,704,910	222,517,201	44,812,291
CRAMER ROSENTHAL & MCGLYNN	54,647,131	62,034,838	7,387,707
FINANCE AUTHORITY OF MAINE	3,065,245	3,065,245	0
FIRST RESERVE ENERGY ADVISORS	1,972,545	1,697,116	(275,429)
GOUWS CAPITAL MANAGEMENT	175,812,034	184,125,455	8,313,421
CASH ACCOUNT - MSRS	178,593,145	179,469,519	876,374
MARTIN CURRIE	73,985,943	74,831,251	845,309
MORGAN GUARANTY - INTL BOND	10,711,680	9,345,868	(1,365,812)
MORGAN GUARANTY - MORTGAGES	196,710,700	228,049,073	31,338,373
MORGAN GUARANTY - MULTI MARKET I	30,092,486	32,570,438	2,477,952
MORGAN GUARANTY - MULTI MARKET II	14,523,256	14,946,434	423,178
MORGAN GUARANTY - PRIVATE PLACE	71,575,805	80,093,221	8,517,416
MORGAN GUARANTY - STEM	11,122,881	11,186,110	63,229
PANAGORA EQUITY CORE	354,914,067	827,254,622	472,340,555
PANAGORA FIXED INCOME CORE	496,945,682	697,007,599	200,061,917
PANAGORA VALUE INDEX	61,003,358	87,244,630	26,241,272
PEREGRINE ASSET MANAGEMENT	86,620,075	112,213,729	25,593,654
PUTNAM ADVISORY FIXED INCOME	102,372,895	109,113,621	6,740,726
WALTER SCOTT AND PARTNERS	66,264,842	81,062,318	14,797,476
TOTAL ASSETS	\$ 2,707,585,932	\$ 3,642,619,863	\$ 935,031,931

GROUP LIFE INSURANCE

MORGAN GUARANTY-GROUP LIFE	\$ 26,631,316	\$ 26,859,150	\$ 227,834
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ASSET ALLOCATION

June 30, 1995

	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
TOTAL ASSETS	100%	\$ 2,707,587,932	\$ 3,642,619,863	\$ 935,031,931
CASH	5.2%	\$ 189,716,026	\$ 190,655,629	\$ 939,603
CASH ACCOUNT		178,593,145	179,469,519	876,374
MORGAN GUARANTY - STEM		11,122,881	11,186,110	63,229
DOMESTIC EQUITY	52.9%	\$ 1,275,889,232	\$ 1,926,224,940	\$ 650,335,708
ALLIANCE CAPITAL - EQUITY		104,953,627	138,927,067	33,973,440
ARK ASSET MANAGEMENT		165,618,288	179,119,155	13,500,867
BANKERS TRUST SMALL CAP EQUITY		50,000,000	65,271,371	15,271,371
COLUMBUS CIRCLE		177,704,910	222,517,201	44,812,291
CRAMER ROSENTHAL & MCGLYNN		54,647,131	62,034,838	7,387,707
GOUWS CAPITAL MANAGEMENT		175,812,034	184,125,455	8,313,421
MORGAN GUARANTY - MULTI MARKET I		30,092,486	32,570,438	2,477,952
MORGAN GUARANTY - MULTI MARKET II		14,523,256	14,946,434	423,178
PANAGORA EQUITY CORE		354,914,067	827,254,622	472,340,555
PANAGORA VALUE INDEX		61,003,358	87,244,630	26,241,272
PEREGRINE ASSET MANAGEMENT		86,620,075	112,213,729	25,593,654
DOMESTIC FIXED INCOME	33.9%	\$ 986,528,952	\$ 1,234,620,457	\$ 248,091,505
ALLIANCE CAPITAL - FIXED INCOME		108,212,190	111,011,075	2,798,885
MORGAN GUARANTY - INTL BOND		10,711,680	9,345,868	(1,365,812)
MORGAN GUARANTY - MORTGAGES		196,710,700	228,049,073	31,338,373
MORGAN GUARANTY - PRIVATE PLACE		71,575,805	80,093,221	8,517,416
PANAGORA FIXED INCOME CORE		496,945,682	697,007,599	200,061,917
PUTNAM ADVISORY FIXED INCOME		102,372,895	109,113,621	6,740,726
INTERNATIONAL EQUITY	7.2%	\$ 220,235,089	\$ 261,271,242	\$ 41,036,153
BANKERS TRUST INTL - EAFE		79,984,304	105,377,673	25,393,369
MARTIN CURRIE		73,985,943	74,831,251	845,309
WALTER SCOTT AND PARTNERS		66,264,842	81,062,318	14,797,476
OTHER	0.8%	\$ 35,218,633	\$ 29,847,595	(\$ 5,371,038)
ACACIA REALTY ADVISORS		30,180,843	25,085,234	(5,095,609)
FINANCE AUTHORITY OF MAINE		3,065,245	3,065,245	0
FIRST RESERVE ENERGY ADVISORS		1,972,545	1,697,116	(275,429)



SYSTEM HOLDINGS

June 30, 1995

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CASH			
CASH ACCOUNT			
TBC INC POOLED EMPLOYEE FUNDS	\$ 189,716,026	\$ 189,716,026	\$ 0
JP MORGAN STEM			
FED HOME LN MTG CORP DISC	\$ 2,025,970	\$ 2,025,970	\$ 0
FEDERAL FARM CR BKS CONS SYS	1,013,500	1,000,650	(12,850)
FEDERAL HOME LN BK CONS DISC	2,091,359	2,091,359	0
FIRST INTL PETE TRANS SR 144A	1,000,000	990,090	(9,910)
TBC INC POOLED EMPLOYEE FUNDS	1,560	1,560	0
U S TREASURY NOTES	4,990,492	4,951,550	(38,942)
DOMESTIC EQUITY			
ALLIANCE CAPITAL			
ABBOTT LABS	\$ 1,415,211	\$ 2,025,000	\$ 609,789
AIRTOUCH COMMUNICATIONS INC	2,042,053	2,166,000	123,947
ALLIEDSIGNAL INC	2,277,956	2,714,500	436,544
AMERICAN INTL GROUP INC	1,766,022	3,591,000	1,824,978
APPLIED MATLS INC	677,250	779,625	102,375
AT & T CORP	1,940,348	2,014,000	73,652
AUTOZONE INC	967,660	979,875	12,215
AVON PRODS INC	757,497	877,700	120,203
BOEING CO	593,411	638,775	45,365
CARNIVAL CORP CL A	684,600	697,500	12,900
CISCO SYS INC	1,354,054	2,882,091	1,528,037
COLGATE PALMOLIVE CO	2,281,143	2,851,875	570,732
COLTEC INDS INC	1,140,612	1,242,000	101,388
COLUMBIA/HCA HEALTHCARE CORP	2,687,172	2,811,250	124,078
COMCAST CORP CL A SPL	1,949,339	3,155,691	1,206,352
COMPAQ COMPUTER CORP	1,886,734	2,262,500	375,766
CONRAIL INC	1,323,864	1,390,625	66,761
COX COMMUNICATIONS INC CL A	766,806	786,625	19,819
DISNEY WALT CO	2,567,729	3,885,000	1,317,271
DURACELL INTL INC	962,986	951,500	(11,486)
ENRON CORP	1,273,452	1,334,750	61,298
FEDERAL NATL MTG ASSN	2,220,036	2,929,500	709,464
FEDERATED DEPT STORES INC DEL	1,053,785	1,313,250	259,465
FOREST LABS INC CL A	1,016,431	1,344,563	328,132
GENERAL ELEC CO	3,491,005	4,961,000	1,469,995
GENERAL INSTR CORP NEW	2,042,676	3,060,000	1,017,324
GENERAL MTRS CORP CL E	1,313,625	1,348,500	34,875
GENERAL RE CORP	1,511,678	1,740,375	228,697
GILLETTE CO	2,207,013	2,848,000	640,987
HOME DEPOT INC	2,287,467	2,377,070	89,602
INFORMIX CORP	1,027,538	1,421,000	393,462
INTEL CORP	1,231,470	5,698,170	4,466,700
ITT CORP	706,000	705,000	(1,000)
KELLEY OIL & GAS SUB DEB CONV	910,000	746,200	(163,800)
KOHL'S CORP	1,463,594	1,551,250	87,656
LOUISIANA LD & EXPL CO	1,135,229	1,149,125	13,896
MAGNA INTL CLASS A	1,256,550	1,588,500	331,950
MAY DEPT STORES CO	1,234,370	1,540,125	305,755
MBNA CORP	1,556,772	2,082,375	525,603
MCDONALDS CORP	1,938,325	2,464,875	526,550
MCI COMMUNICATIONS CORP	1,302,755	1,254,000	(48,755)
MERCK & CO INC	2,976,337	4,273,875	1,297,538



SYSTEM HOLDINGS

(continued)

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
MONSANTO CO	\$ 1,711,966	\$ 1,982,750	\$ 270,784
MORGAN STANLEY GROUP INC	792,151	1,312,000	519,849
MORTON INTL INC IND	678,447	702,000	23,553
MOTOROLA INC	1,113,843	3,222,000	2,108,157
NAC RE CORP	1,066,129	1,089,375	23,246
NATIONAL SEMICONDUCTOR CORP	679,325	693,750	14,425
NATIONSBANK CORP	1,246,533	1,501,500	254,967
ORACLE CORP	2,682,386	3,959,063	1,276,677
PEPSICO INC	3,026,612	3,503,500	476,888
PFIZER INC	2,318,074	2,487,375	169,301
PHILIP MORRIS COS INC	4,610,587	5,503,750	893,163
PIONEER HI BRED INTL	819,596	924,000	104,405
PMI GROUP INC	68,000	86,750	18,750
PROCTER & GAMBLE CO	1,589,183	2,156,250	567,067
ROHM & HAAS CO	2,912,876	3,001,663	88,786
SCHERING PLOUGH CORP	1,095,615	1,235,500	139,885
SCOTT PAPER CO	534,096	594,000	59,904
SILICON GRAPHICS INC	595,680	677,875	82,195
SOUTHERN PACIFIC RAIL CORP	900,995	677,250	(223,745)
TBC INC POOLED EMPLOYEE FUNDS	1,746,972	1,746,972	0
TELE COMMUNICATIONS INC NEW A	1,440,497	1,640,660	200,163
THE TRAVELERS GROUP, INC	2,516,253	3,791,638	1,275,385
UNITED HEALTHCARE CORP	2,180,815	2,896,250	715,435
WENDYS INTL INC	1,129,729	1,430,000	300,271
WESTERN ATLAS INC	1,371,546	1,553,125	181,579
XEROX CORP	927,165	938,000	10,835
ARK ASSET MANAGEMENT			
ALLIED SIGNAL INC	\$ 3,322,543	\$ 4,245,300	\$ 922,757
ALLSTATE CORP	3,049,456	3,229,125	179,669
AMERADA HESS CORP	3,202,645	3,387,038	184,392
AMERICAN EXPRESS CO	983,729	1,445,250	461,521
AMERICAN INTL GROUP INC	779,140	1,060,200	281,060
AMERITECH CORP NEW	2,952,530	2,961,200	8,670
ARCHER DANIELS MIDLAND CO	479,330	480,525	1,195
AT & T CORP	6,299,116	6,439,500	140,384
ATLANTIC RICHFIELD CO	1,322,358	1,338,950	16,592
BANKAMERICA CORP	1,735,813	2,131,313	395,499
BETHLEHEM STL CORP	971,525	908,375	(63,150)
BRISTOL MYERS SQUIBB	3,530,617	3,631,063	100,446
CHEMICAL BKG CORP	2,497,848	3,350,025	852,177
CHUBB CORP	2,379,701	2,451,825	72,124
CITICORP	932,972	1,605,163	672,192
CITICORP DEP SH REPSTG 1/12	1,457,993	2,001,652	543,659
COLUMBIA/HCA HEALTHCARE CORP	983,414	986,100	2,686
CORNING INC	3,816,475	3,975,850	159,375
CSX CORP	822,640	901,500	78,860
DEAN WITTER DISCOVER & CO	2,020,542	2,606,761	586,219
DEERE & CO	620,673	813,438	192,765
DILLARD DEPT STORES INC CL A	4,074,238	3,786,438	(287,801)
DRESSER INDS INC	1,816,870	2,009,175	192,305
DU PONT E I DE NEMOURS & CO	2,054,662	2,612,500	557,838
DUN & BRADSTREET CORP	3,114,672	3,050,250	(64,422)
EASTMAN CHEM CO	1,085,117	1,466,675	381,558
ENTERGY CORP NEW	1,912,611	1,293,100	(619,511)
EXXON CORP	626,485	769,813	143,327
FEDERATED DEPT STORES INC DEL	2,827,509	3,571,525	744,016
FORD MTR CO DEL	3,950,711	4,281,025	330,314
GENERAL DYNAMICS CORP	1,977,674	1,961,375	(16,299)



SYSTEM HOLDINGS

(continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
GENERAL ELEC CO	\$ 2,328,635	\$ 3,173,913	\$ 845,277
GENERAL MTRS CORP	3,239,322	3,346,875	107,554
GENERAL PUB UTILS CORP	1,047,361	1,097,775	50,414
GOODYEAR TIRE & RUBR CO	1,190,031	1,394,138	204,106
GTE CORP	2,346,094	2,358,038	11,943
INTERNATIONAL PAPER CO	1,935,146	2,229,500	294,354
K MART CORP	2,201,671	2,236,163	34,492
KEYCORP NEW	1,101,256	1,212,707	111,450
LOEWS CORP	921,436	1,052,700	131,264
LTV CORP NEW	1,186,806	1,120,275	(66,531)
MASCO CORP	1,774,426	1,892,700	118,274
MAY DEPT STORES CO	3,695,417	4,054,275	358,858
MERCK & CO INC	696,343	1,021,800	325,457
NATIONSBANK CORP	1,626,374	1,876,875	250,501
NEWMONT MNG CORP	3,085,217	3,433,750	348,533
NYNEX CORP	2,406,597	2,366,700	(39,897)
OCCIDENTAL PETE CORP	2,263,976	2,701,538	437,561
ORYX ENERGY CO	1,020,054	743,875	(276,179)
PACIFIC GAS & ELEC CO	2,153,360	2,198,200	44,840
PANHANDLE EASTN CORP	2,549,152	3,078,563	529,410
PECO ENERGY CO COM	2,335,921	2,375,750	39,829
PENNEY J C INC	3,687,018	3,955,200	268,182
PEPSICO INC	962,951	1,178,450	215,499
PPG INDS INC	2,581,114	3,069,850	488,736
ROCKWELL INTL CORP	620,819	832,650	211,831
RYDER SYS INC	1,927,802	2,089,063	161,260
SONAT INC	1,843,527	2,058,750	215,223
SOUTHERN CO	370,046	447,500	77,454
SPRINT CORP	2,619,237	2,753,888	134,650
TBC INC POOLED EMPLOYEE FUNDS	12,241,201	12,241,201	0
TELE COMMUNICATIONS INC NEW A	3,326,980	3,539,138	212,158
TENET HEALTHCARE CORP COM	3,424,834	3,286,125	(138,709)
TENNECO INC	1,956,853	2,065,400	108,547
THE TRAVELERS GROUP, INC	797,481	1,058,750	261,269
TIME WARNER INC	1,937,326	2,219,250	281,924
UNION PAC CORP	3,250,045	3,272,663	22,617
UNITED HEALTHCARE CORP	457,828	463,400	5,572
UNOCAL CORP	2,616,257	2,679,625	63,368
UNUM CORP	3,663,578	3,914,063	250,485
USX-MARATHON GROUP NEW	2,897,729	2,911,150	13,421
WEYERHAEUSER CO	2,246,881	2,690,838	443,957
WMX TECHNOLOGIES INC	3,482,575	3,561,063	78,487
BANKERS TRUST SMALL CAP			
BT PYRAMID SMALL CAP FD	\$ 50,000,000	\$ 65,271,371	\$ 15,271,371
COLUMBUS CIRCLE			
ABBOTT LABS	\$ 2,633,604	\$ 2,741,850	\$ 108,246
AIRTOUCH COMMUNICATIONS INC	4,967,542	5,548,950	581,408
AMERICAN INTL GROUP INC	4,155,169	4,104,000	(51,169)
AMGEN INC	5,159,243	6,821,142	1,661,899
AMOCO CORP	4,543,859	5,250,050	706,191
ANADARKO PETE CORP	1,981,084	2,041,400	60,316
APPLIED MATLS INC	1,890,011	5,492,025	3,602,014
ATMEL CORP	2,056,026	2,425,425	369,400
BANK NEW YORK INC	3,062,620	2,983,713	(78,907)
BRITISH PETE PLC ADR	2,282,289	2,508,042	225,753



SYSTEM HOLDINGS (continued)

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BROWNING FERRIS INDS INC	\$ 2,040,086	\$ 2,059,200	\$ 19,115
CAPITAL CITIES ABC INC	3,504,865	5,400,000	1,895,135
CIGNA CORP	3,201,263	3,330,113	128,849
CISCO SYS INC	2,604,232	2,780,965	176,733
CITICORP	3,255,657	3,391,475	135,818
COLUMBIA/HCA HEALTHCARE CORP	5,436,101	5,497,075	60,974
CUC INTL INC	2,063,509	3,070,913	1,007,403
DIGITAL EQUIP CORP	2,041,003	1,825,600	(215,403)
DISNEY WALT CO	2,241,731	2,436,450	194,719
DSC COMMUNICATIONS CORP	2,635,809	4,743,000	2,107,191
EASTMAN KODAK CO	2,118,627	2,097,625	(21,002)
ELECTRONIC ARTS	2,424,583	2,612,138	187,555
EMC CORP MASS	1,699,207	1,629,600	(69,607)
ERICSSON L M TEL CO ADR CL B	3,746,618	3,926,000	179,383
FIRST FINL MGMT CORP	3,241,083	4,540,050	1,298,967
GENERAL MTRS CORP CL E	3,622,023	4,306,500	684,477
GILLETTE CO	2,688,225	3,417,600	729,375
GREAT WESTN FINL CORP	2,124,818	1,996,500	(128,318)
HALLIBURTON CO	4,442,198	4,561,700	119,502
HEALTH MGMT ASSOC INC NEW CL A	3,721,222	5,064,638	1,343,415
INFORMIX CORP	2,404,876	3,385,025	980,149
INTEL CORP	3,645,188	8,857,489	5,212,301
INTL BUSINESS MACHS CORP	4,558,017	6,566,400	2,008,383
JOHNSON & JOHNSON	5,120,206	6,621,750	1,501,544
MCDONALDS CORP	3,466,969	4,096,388	629,419
MEDTRONIC INC	2,872,812	5,506,725	2,633,913
MERCK & CO INC	2,937,682	2,922,938	(14,744)
MGIC INVT CORP WIS	2,044,499	2,165,625	121,126
MICROSOFT CORP	2,202,169	3,443,288	1,241,119
NYNEX CABLECOMMS GROUP ADR	1,923,642	1,786,050	(137,592)
OFFICEMAX INC	1,894,992	2,059,963	164,971
ORACLE CORP	1,296,773	3,908,850	2,612,077
PEPSICO INC	5,475,380	6,151,600	676,220
PFIZER INC	3,695,766	4,357,513	661,747
PMI GROUP INC	2,148,074	2,324,900	176,826
PROCTER & GAMBLE CO	3,939,798	4,664,688	724,889
ROYAL DUTCH PETE CO N Y REG SH	2,054,436	2,230,313	175,877
SAFEWAY INC NEW	2,855,479	4,167,313	1,311,834
SILICON GRAPHICS INC	2,416,850	2,619,788	202,938
SMITHKLINE BEECHAM P L C ADR	3,031,380	3,461,625	430,245
ST JUDE MED INC	2,234,705	2,215,525	(19,180)
TBC INC POOLED EMPLOYEE FUNDS	5,953,798	5,953,798	0
TELE COMMUNICATIONS INC NEW A	3,660,708	3,857,895	197,187
TEXAS INSTRS INC	1,886,285	3,561,075	1,674,790
TYCO INTL LTD	1,808,288	1,895,400	87,112
VIACOM INC CLASS B	4,037,289	4,887,925	850,636
WESTINGHOUSE ELEC CORP	3,537,526	3,530,475	(7,051)
XEROX CORP	3,017,021	3,587,850	570,829
CRAMER ROSENTHAL MCGLYNN			
ADDINGTON RES INC	\$ 517,500	\$ 885,000	\$ 367,500
ARMSTRONG WORLD INDS INC	1,505,401	1,503,750	(1,651)
BALL CORP	1,181,160	1,255,500	74,340
BEVERLY ENTERPRISES INC	1,517,133	1,355,063	(162,070)
CHELSEA GCA RLTY INC	731,199	675,000	(56,199)
COAST SVGS FINL INC	419,209	536,250	117,041
COMMONWEALTH ALUMINUM CORP	910,000	1,230,970	320,970
DSC COMMUNICATIONS CORP	683,287	1,511,250	827,963



SYSTEM HOLDINGS

(continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
ECI TELECOM LTD	\$ 790,625	\$ 752,840	(\$ 37,785)
EGGHEAD INC	1,204,938	2,006,250	801,313
FIRST FINL FD INC	1,388,332	1,249,875	(138,457)
FLORES & RUCKS INC	850,000	1,041,250	191,250
GLENDALE FED BK FED SVGS BK CA	767,776	1,000,000	232,224
GRACE W R & CO	1,092,812	1,657,125	564,313
HANCOCK JOHN BK & THRIFT	578,175	603,750	25,575
HARNISCHFEGER INDS INC	1,569,000	2,544,107	975,107
KANSAS CITY SOUTH N INDS INC	1,909,863	2,048,750	138,888
KENNAMETAL INC	920,088	1,200,600	280,512
LIBERTY PPTY LTD PARTNERSHIP	525,000	514,500	(10,500)
LONGVIEW FIBRE CO	1,412,300	1,360,000	(52,300)
LOUISIANA LD & EXPL CO	1,501,739	1,406,688	(95,052)
MALLINCKRODT GROUP INC	1,442,545	1,775,000	332,455
MANVILLE CORP NEW	1,258,264	2,062,500	804,236
MEYER FRED INC DEL	2,603,500	1,885,188	(718,313)
NINE WEST GROUP INC	1,426,493	1,825,000	398,507
NOBLE AFFILIATES INC	879,200	816,000	(63,200)
PENN TRAFFIC CO NEW	2,028,014	1,857,188	(170,826)
POLAROID CORP	1,851,865	2,037,500	185,635
PRIME RESIDENTIAL INC	426,955	423,500	(3,455)
RAYCHEM CORP	2,059,721	2,245,275	185,554
RAYONIER INC	1,490,693	1,881,500	390,807
RFS HOTEL INVS INC COM	742,250	686,250	(56,000)
SAFETY KLEEN CORP	1,604,214	1,644,750	40,536
SILICON VALLEY GROUP	790,187	1,504,375	714,188
SINGER CON V	1,344,025	1,339,000	(5,025)
STORAGE USA INC	1,385,633	1,501,038	115,405
SUNDSTRAND CORP	988,700	1,195,000	206,300
TBC INC POOLED EMPLOYEE FUNDS	5,378,427	5,378,427	0
TELEDYNE INC PFD SER E	12,256	19,305	7,049
UGI CORP NEW	1,773,476	1,911,813	138,336
UNION TEX PETE HLDGS INC	1,191,640	1,267,500	75,860
VONS COS INC	1,125,060	1,253,788	128,728
WESTERN GAS RES INC	868,480	776,250	(92,230)
GOUWS CAPITAL MANAGEMENT			
ALEXANDER & ALEXANDER SVCS INC	\$ 1,360,350	\$ 1,432,500	\$ 72,150
AMERICAN ELEC PWR INC	2,673,385	3,161,250	487,865
AMERICAN FINL GROUP INC	2,525,496	2,771,600	246,104
AMERICAN HOME PRODS CORP	922,357	1,160,625	238,268
AMETEK INC	530,018	748,800	218,782
AMOCO CORP	973,670	1,332,500	358,830
ANGELICA CORP	1,800,770	1,875,000	74,230
ARMCO INC	1,080,827	675,000	(405,827)
ATLANTIC RICHFIELD CO	2,056,400	2,195,000	138,600
BAXTER INTL INC	1,709,275	2,546,250	836,975
BRISTOL MYERS SQUIBB	1,096,400	1,362,500	266,100
BROWN GROUP INC	2,255,239	2,047,500	(207,739)
BRUNSWICK CORP	506,220	510,000	3,780
CABOT OIL & GAS CORP CL A	1,328,487	1,237,500	(90,987)
CALGON CARBON CORP	1,839,519	1,940,000	100,481
CBI INDS INC	2,328,830	2,512,500	183,670
CENTERIOR ENERGY CORP	698,151	426,388	(271,764)
CONSOLIDATED NAT GAS CO	3,694,188	3,375,000	(319,188)
COOPER INDS INC	3,052,182	3,160,000	107,818
COORS ADOLPH CO CL B	1,214,068	1,310,000	95,932
COX COMMUNICATIONS INC CL A	569,333	834,462	265,129



SYSTEM HOLDINGS (continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
CRANE CO	\$ 755,961	\$ 1,087,500	\$ 331,539
CROMPTON & KNOWLES CORP	704,510	706,250	1,740
CROSS A T CO CL A	830,216	892,500	62,284
CYPRUS AMAX MINERALS CO	2,882,171	3,420,000	537,829
DELUXE CORP	3,452,688	3,478,125	25,438
DEXTER CORP	3,263,583	3,425,625	162,042
DIGITAL EQUIP CORP	552,575	407,500	(145,075)
DILLARD DEPT STORES INC CL A	1,386,950	1,468,750	81,800
DOW CHEM CO	534,200	718,750	184,550
DRESSER INDS INC	2,017,000	2,225,000	208,000
DUFF & PHELPS UTILS INCOME INC	1,204,871	1,225,000	20,129
DUN & BRADSTREET CORP	2,572,875	2,625,000	52,125
EASTERN ENTERPRISES	3,129,120	3,734,375	605,255
EG & G INC	2,722,525	2,680,000	(42,525)
FEDERAL MOGUL CORP	2,503,113	2,555,000	51,887
FLEETWOOD ENTERPRISES INC	2,292,544	2,370,000	77,456
FORD MTR CO DEL	2,205,325	2,528,750	323,425
GENUINE PARTS CO	1,593,884	1,893,750	299,866
GERBER SCIENTIFIC INC	64,722	77,050	12,328
GLATFELTER P H CO	2,575,000	3,018,750	443,750
GOODRICH B F CO	432,733	536,250	103,517
GOODYEAR TIRE & RUBR CO	1,676,417	2,056,250	379,833
GTE CORP	3,763,200	4,095,000	331,800
HALLIBURTON CO	1,225,176	1,430,000	204,824
HANSON PLC ADR	2,872,954	2,800,000	(72,954)
HARTFORD STM BOILER INSP & INS	2,015,819	2,005,750	(10,069)
HECLA MNG CO	1,011,363	830,000	(181,363)
HELMERICH & PAYNE INC	1,978,067	2,212,500	234,433
HOMESTAKE MNG CO	1,472,392	1,801,250	328,858
INTERNATIONAL MULTIFOODS CORP	2,479,109	2,700,000	220,891
INTL BUSINESS MACHS CORP	1,699,085	1,440,000	(259,085)
JAMES RIV CORP VA	1,605,235	2,210,000	604,765
JOSTENS INC	2,653,190	2,622,250	(30,940)
K MART CORP	2,326,035	1,608,750	(717,285)
KAMAN CORP CL A	1,189,965	1,402,500	212,535
LONGS DRUG STORES CORP	2,872,248	3,187,500	315,252
MARION MERRELL DOW INC	1,922,175	2,295,000	372,825
MELVILLE CORP	3,644,188	3,253,750	(390,438)
MOORE LTD	2,263,278	2,544,375	281,097
NASHUA CORP	2,075,630	1,715,700	(359,930)
NATIONAL FUEL GAS CO N J	2,186,217	2,381,600	195,384
NATIONAL SVC INDS INC	2,372,167	2,887,500	515,333
OHIO EDISON CO	913,458	1,131,250	217,792
OSHKOSH B GOSH INC CL A	1,500,718	1,600,000	99,282
PENNEY J C INC	2,831,750	3,120,000	288,250
PHILLIPS VAN HEUSEN CORP	2,804,093	2,790,000	(14,093)
PROVIDIAN CORP	1,664,624	2,004,625	340,002
QUAKER ST CORP	1,339,600	1,500,000	160,400
RJR NABISCO HLDGS CORP COM NEW	2,171,000	2,220,000	49,000
ROADWAY SVCS INC	1,820,000	1,890,000	70,000
SAFETY KLEEN CORP	233,400	241,875	8,475
SARA LEE CORP	206,450	285,000	78,550
SEARS ROEBUCK & CO	991,847	1,487,500	495,653
SKYLINE CORP	1,118,411	1,203,500	85,089
SNAP ON INC	2,345,750	2,712,500	366,750
SOUTH JERSEY IND	665,767	780,066	114,299
SOUTHWESTERN PUBLIC SVC CO	1,883,404	2,065,000	181,596
STANDARD PRODS CO	258,723	293,625	34,903



SYSTEM HOLDINGS

(continued)

	COST	MARKET VALUE	UNREALIZED GAIN/
LOSS			
STANHOME INC VTG	\$ 2,848,425	\$ 3,135,000	\$ 286,575
STONE & WEBSTER INC	1,006,014	1,180,000	173,986
STRIDE RITE CORP	2,106,644	1,845,000	(261,644)
SUN INC	3,286,760	3,148,125	(138,635)
TBC INC POOLED EMPLOYEE FUNDS	11,962,437	11,962,437	0
TEXACO INC	1,490,813	1,640,625	149,813
THOMAS INDS INC	461,625	491,250	29,625
TIMES MIRROR CO CL A	2,385,300	2,865,000	479,700
U S WEST INC	3,523,023	3,746,250	223,227
US INDUSTRIES INC	106,671	109,000	2,329
USF&G CORP	493,575	243,750	(249,825)
USX-MARATHON GROUP NEW	2,865,961	2,567,500	(298,461)
ZERO CORP	1,072,024	1,333,500	261,476
ZURN INDS INC	2,258,131	1,600,000	(658,131)
 MORGANMULITMARKET I			
MGT MULTI MARKET COMMINGLED	\$ 30,092,486	\$ 32,570,438	\$ 2,477,952
 MORGANMULITMARKET II			
MGT MULTI MARKET FUND II	\$ 14,523,256	\$ 14,946,434	\$ 423,178
 PANAGORA EQUITY CORE			
US EQUITY MKT GR TRUST	\$ 354,914,067	\$ 827,254,622	\$ 472,340,555
 PANAGORA VALUE INDEX			
LARGE CAP VALUE GROUP TR	\$ 61,003,358	\$ 87,244,630	\$ 26,241,272
 PEREGRINE			
ADAPTEC INC	\$ 1,309,873	\$ 2,138,600	\$ 828,727
ALTERA CORP	666,410	1,911,650	1,245,240
BARNES & NOBLE INC COM	1,363,521	1,645,600	282,079
BAYBANKS INC	1,168,442	2,369,575	1,201,133
BMC SOFTWARE INC	1,198,202	2,070,300	872,098
BORDERS GROUP INC	1,942,538	1,889,350	(53,188)
BOWATER INC	1,371,754	1,696,275	324,521
BOX ENERGY CORP CL B NON VTG	766,523	621,350	(145,173)
CAPITAL RE CORP	624,000	832,000	208,000
CASE CORP	1,497,636	2,249,100	751,464
CENTENNIAL CELLULAR CORPCL A	1,568,520	1,663,861	95,341
COLE NATE CORP NEW CL A	1,048,473	1,179,638	131,165
COMMERCIAL FED CORP	483,912	839,300	355,388
COMMONWEALTH ALUMINUM CORP	989,800	1,338,917	349,117
COMMUNITY HEALTH SYS INC	758,256	1,158,525	400,269
CONSOLIDATED STORES CORP	1,428,562	1,607,375	178,813
CREDENCE SYS CORP	527,313	1,081,438	554,125
CYPRESS SEMICONDUCTOR CORP	448,849	1,012,500	563,651
ELAN PLC ADR	891,231	1,328,192	436,961
ELAN PLC UNIT 1 ADVANCED SYS	99,034	167,243	68,209
ELAN PLC WT EXP	50,980	127,500	76,520
ELTRON INTL INC	1,203,600	1,196,775	(6,825)
FRESENIUS USA INC	464,881	1,105,125	640,244
GENERAL NUTRITION COS INC	888,388	1,232,888	344,499
GENESIS HEALTH VENTURES INC	531,557	876,900	345,343
GENZYME CORP	1,004,724	1,268,000	263,276



SYSTEM HOLDINGS (continued)

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
GLENDAL FED BK FED SVGS BK CA	\$ 886,900	\$ 1,225,000	\$ 338,100
GLOBAL DIRECTMAIL CORP	1,093,750	1,234,375	140,625
GREENPOINT FINL CORP	1,112,674	1,256,850	144,176
HARMAN INTL INDS INC NEW	362,275	591,300	229,025
HEALTH SYS INTL INC	782,858	838,100	55,242
HEART TECHNOLOGY INC	1,281,661	1,400,813	119,152
HILLHAVEN CORP NEV COM NEW	503,247	850,890	347,643
HNC SOFTWARE	245,000	371,875	126,875
INTEGRATED DEVICE TECH INC	710,330	1,364,375	654,045
INTERNATIONAL RECTIFIER CORP	900,000	1,300,000	400,000
INTERPOOL INC	631,680	600,863	(30,818)
ITEL CORP NEW	1,399,867	1,610,700	210,833
IVAX CORP	714,305	1,216,229	501,924
KOMAG INC	865,928	1,960,400	1,094,472
LATTICE SEMICONDUCTOR CORP	602,613	1,031,250	428,637
LIFE PARTNERS GROUP INC	1,076,440	1,154,000	77,560
LOMAK PETE INC COM NEW	1,052,700	1,107,150	54,450
LONE STAR STEAKHOUSE SALOON	812,478	1,233,739	421,261
MICHIGAN NATL CORP	587,640	1,055,878	468,238
MIDLANTIC CORP	675,505	1,340,000	664,495
MOBILE TELECOMMUNICTNS TECH	1,303,015	1,995,638	692,622
MUELLER INDS INC	769,680	1,182,000	412,320
MUTUAL RISK MGMT LTD	677,989	1,092,100	414,111
OAKWOOD HOMES CORP	1,168,929	1,132,625	(36,304)
OMNICARE INC	991,567	1,339,975	348,408
PARAMETRIC TECHNOLOGY CORP	600,070	1,069,625	469,555
PARTNERRE HOLDINGS LTD	1,950,970	2,236,300	285,330
PETSMART INC	991,588	1,470,563	478,974
PMI GROUP INC	2,182,402	2,515,750	333,348
RAILTEX INC	1,203,488	1,137,625	(65,863)
RATIONAL SOFTWARE CORP	1,465,312	1,741,275	275,963
RAYONIER INC	2,302,690	2,350,100	47,410
READ-RITE CORP	634,500	963,000	328,500
ROOSEVELT FINL GROUP INC	1,533,390	1,535,029	1,639
SCANDINAVIAN BROADCASTING	1,076,625	880,875	(195,750)
SILICON GRAPHICS INC	465,200	1,272,013	806,812
SOFTKEY INTL INC	1,648,135	2,122,875	474,740
SPECIAL DEVICES INC	791,299	992,350	201,051
SPECTRUM HOLOBYTE INC	1,243,612	1,180,823	(62,790)
SPORTS AUTH INC	955,545	1,081,913	126,367
SPYGLASS INC	255,000	429,375	174,375
STEWART ENTERPRISES INC CL A	237,248	443,875	206,627
SYSTEM SOFTWARE ASSOC INC	1,376,571	1,078,000	(298,571)
SYSTEMS & COMPUTER TECHNOLOGY	1,365,218	1,370,000	4,782
TBC INC POOLED EMPLOYEE FUNDS	6,150,996	6,150,996	0
TCA CABLE TV INC	471,741	610,200	138,459
TEVA PHARMACEUTICAL INDS LTD	1,261,438	2,351,250	1,089,812
THERATX INC	832,198	854,663	22,464
TRACOR INC NEW NEW	1,339,580	1,532,813	193,233
TRIANGLE PAC CORP DEL	700,122	1,087,275	387,153
TRIGEN ENERGY CORP	1,055,454	978,188	(77,266)
UNITED WASTE SYSTEMS	222,827	658,800	435,973
US OFFICE PRODUCTS	492,286	567,600	75,314
USA WASTE SVCS INC	1,260,060	1,255,500	(4,560)
VANGUARD CELLULAR SYS INC CL A	953,838	1,550,400	596,562
VESTA INS GROUP INC	742,500	1,020,938	278,438
VLSI TECHNOLOGY INC	1,515,628	2,054,525	538,897
YORK INTL CORP NEW	1,037,400	1,111,500	74,100
ZILOG INC	799,136	1,371,563	572,426



SYSTEM HOLDINGS

(continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
FIXED INCOME			
ALLIANCE CAPITAL			
ARIZONA PUBLIC SVC	\$ 5,087,400	\$ 4,901,400	(\$ 186,000)
BORDEN INC DEBT CUST RCPT	5,906,110	6,154,750	248,640
CCP INS INC SR NT	5,031,750	5,175,000	143,250
FNMA POOL #0303404	10,541,462	10,548,261	6,799
GOLDMAN SACHS GROUP L P NT	4,000,000	4,004,560	4,560
LIBERTY MUTUAL 144A	4,986,800	5,245,800	259,000
QUEBEC PROV CDA	1,166,955	1,258,907	91,952
REPUBLIC OF ITALY	4,741,000	4,882,020	141,020
TBC INC POOLED EMPLOYEE FUNDS	18,920,879	18,920,879	0
TELE COMMUNICATIONS INC	4,877,786	4,835,417	(42,369)
U S TREASURY BONDS	2,513,990	2,486,472	(27,518)
U S TREASURY NOTES	18,596,250	18,545,580	(50,670)
U S TREASURY NOTES	5,286,639	5,253,991	(32,648)
U S TREASURY NOTES	11,029,269	11,732,160	702,891
UNITED AIR LINES INC DEB	5,525,900	5,680,350	154,450
MORGAN GUARANTY - INTERNATIONAL BOND			
MGT INTL BD FD	\$ 10,711,680	\$ 9,345,868	(\$ 1,365,812)
MORGAN GUARANTY - MORTGAGES			
MGT FIXED INCOME-MORTGAGE	\$ 196,710,700	\$ 228,049,073	\$ 31,338,374
MORGAN GUARANTY - PRIVATE PLACEMENTS			
MGT FIXED INCOME-CORPORATE	\$ 71,575,805	\$ 80,093,221	\$ 8,517,416
PANAGORA FIXED CORE			
BOND INDEX FUND GR TRUST	\$ 496,945,682	\$ 697,007,599	\$ 200,061,917
PUTNAM ADVISORY			
AMERICAN HSG TR A SR MTG CL 3	\$ 803,445	\$ 846,047	\$ 42,602
CHRYSLER FINL CORP MTN	1,517,009	1,538,696	21,688
FNMA POOL #0190840	225,120	235,542	10,422
FNMA POOL #0248753	360,644	364,117	3,472
FNMA POOL #0250060	1,298,761	1,356,167	57,405
FNMA POOL #0267862	46,774	47,224	450
FNMA POOL #0274380	44,373	44,801	427
FNMA POOL #0277530	360,413	363,883	3,470
FNMA POOL #0279412	553,503	558,833	5,329
FNMA POOL #0281914	363,398	366,897	3,499
FNMA POOL #0282592	151,453	158,465	7,012
FNMA POOL #0282820	552,979	558,303	5,324
FNMA POOL #0283141	364,543	368,053	3,510
FNMA POOL #0283412	555,503	560,851	5,349
FNMA POOL #0284762	200,366	209,097	8,731
FNMA POOL #0285685	1,497,882	1,567,230	69,347
FNMA POOL #0286312	50,378	50,863	485
FNMA POOL #0288554	222,048	231,724	9,676
FNMA POOL #0289202	26,685	27,921	1,235



SYSTEM HOLDINGS (continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
FNMA POOL #0289911	\$ 40,891	\$ 42,784	\$ 1,893
FNMA POOL #0290197	221,232	231,475	10,242
FNMA POOL #0291384	2,486,088	2,594,419	108,330
FNMA POOL #0291394	997,156	1,040,606	43,451
FNMA POOL #0292898	50,076	50,558	482
FNMA POOL #0296703	47,884	50,101	2,217
FNMA POOL #0303020	553,534	558,864	5,330
FNMA POOL #0303302	67,459	68,109	650
FNMA POOL #0305037	37,475	39,210	1,735
FNMA GTD REMIC P/T CTF 93-152A	260,720	273,088	12,369
FORD MTR CR CO NO	408,959	399,324	(9,635)
GENERAL MTRS ACCEP MTN#TR00257	1,460,685	1,509,885	49,200
GNMA POOL #0005208	171,342	166,631	(4,710)
GNMA POOL #0027246	150,159	146,890	(3,269)
GNMA POOL #0179455	32,259	33,684	1,425
GNMA POOL #0197385	69,025	72,074	3,049
GNMA POOL #0209491	46,670	48,770	2,101
GNMA POOL #0216472	69,000	72,048	3,048
GNMA POOL #0270652	293,446	303,887	10,441
GNMA POOL #0318423	393,827	418,071	24,245
GNMA POOL #0319637	257,859	273,733	15,874
GNMA POOL #0327407	402,711	427,503	24,791
GNMA POOL #0329822	314,826	334,207	19,381
GNMA POOL #0343817	425,766	451,977	26,211
GNMA POOL #0352543	401,008	425,694	24,687
GNMA POOL #0362565	380,605	394,148	13,543
GNMA POOL #0368872	296,673	286,474	(10,199)
GNMA POOL #0375180	406,187	392,223	(13,964)
GNMA POOL #0379376	280,377	270,738	(9,639)
GNMA POOL #0380179	431,333	416,504	(14,829)
GNMA POOL #0381625	473,353	457,080	(16,274)
GNMA POOL #0385781	229,862	244,012	14,151
GNMA POOL #0386407	216,793	230,139	13,346
GNMA POOL #0386972	430,593	457,101	26,508
GNMA POOL #0388655	1,094,248	1,152,670	58,422
GNMA POOL #0396338	253,320	268,914	15,595
K MART CORP CTF TR SER 95-K-3	800,000	800,000	0
LEHMAN BROS HLDGS MTN TR#00116	970,000	970,000	0
MANITOBA PROV CDA DEB	1,031,575	1,168,508	136,934
PRUDENTIAL SECS CMO S-15CL151D	30,215	29,359	(856)
QUEBEC(Province of)BDS	1,034,124	1,099,414	65,291
RODAMCO N V NT	1,025,120	1,020,930	(4,190)
TBC INC POOLED EMPLOYEE FUNDS	3,286,232	3,286,232	0
U S TREAS NT STRIP PRIN PMT	10,782,375	10,858,186	75,812
U S TREAS NT STRIPPED PRIN PMT	107,058	107,250	192
U S TREAS NT STRIPPED PRIN PMT	8,470,266	8,494,878	24,612
U S TREAS STRIP GENERIC TINT	2,904,940	2,925,315	20,376
U S TREAS STRIP GENERIC TINT	1,722,638	1,716,308	(6,329)
U S TREAS STRIP GENERIC TINT	4,704,595	4,746,125	41,530
U S TREAS STRIP GENERIC TINT	1,721,157	1,794,014	72,858
U S TREASURY BONDS	3,165,166	3,532,861	367,695
U S TREASURY BONDS	6,589,026	7,585,628	996,602
U S TREASURY NOTES	2,109,154	2,179,105	69,951
U S TREASURY NOTES	2,370,612	2,380,500	9,887
U S TREASURY NOTES	7,321,362	7,437,053	115,691
U S TREASURY NOTES	5,068,192	5,102,517	34,324
U S TREASURY NOTES	519,408	521,756	2,349
U S TREASURY NOTES	4,929,864	5,029,066	99,202



SYSTEM HOLDINGS

(continued)

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
U S TREASURY NOTES	\$ 5,137,601	\$ 5,233,113	\$ 95,512
US TREAS NTS STRIP PRIN PMT	1,954,044	1,950,916	(3,128)
WAL MART STORES INC NT	1,269,478	1,291,443	21,965

INTERNATIONAL EQUITY

BANKERSTRUST

BANKERS TRUST EAFE INDEX	\$ 79,984,304	\$ 105,377,673	\$ 25,393,369
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MARTIN CURRIE

AMANO CORP Y50	\$ 413,623	\$ 377,559	(\$ 36,064)
AMOY PROPERTIES HK \$1	692,157	659,102	(33,055)
ARGYLL GROUP ORD 25P	513,630	587,867	74,237
ASAHI CHEMICAL INDUSTRY	919,198	854,345	(64,853)
ASAHI DIAMOND INDL Y50	382,314	343,579	(38,735)
AXA FF60	649,414	648,080	(1,334)
BANCO SANTANDER SA SPPT750-REG	562,489	591,331	28,842
BARRATT DEVELOPMENTS	772,025	727,677	(44,349)
BRITISH AIRWAYS ORD 25P	508,129	491,480	(16,650)
BRITISH TELECOMMUNICATIONS ORD	606,222	592,321	(13,902)
BROKEN HILL PROP ORD A\$1	1,027,845	984,815	(43,030)
BTR WTS 1995/96 TO SUB FOR ORD	154,501	117,383	(37,118)
CANON INC Y50	881,511	976,934	95,423
CHINA LIGHT & POWER CO HK\$5	672,433	668,666	(3,767)
COMPAGNIE DE ST-GOBAIN FF100	253,912	253,667	(245)
DDI CORP Y5000	902,747	882,544	(20,203)
DEV BANK SINGAPORE SG\$1 (F)	533,170	511,986	(21,184)
DIXONS GROUP ORD 10P	528,995	572,280	43,284
EAST MIDLANDS ELECTRICITY ORD	607,635	612,680	5,045
ELECTROLUX AB FREE SR'B'SWKR25	459,865	455,045	(4,820)
ELSEVIER NV NLG0.10-AMS	951,687	1,015,682	63,995
FIRST CAPITAL CORP	474,549	494,598	20,048
FLUGHAFEN WEIN AG AUSH100	337,482	399,691	62,209
FOMENTO CONSTRUCCIONES Y S	266,905	238,101	(28,804)
GKN ORD L1	692,551	683,094	(9,458)
GLAXO WELLCOME ORD 25P	790,605	858,977	68,372
GRANADA GROUP ORD 25P	737,640	773,644	36,004
GRAND METROPOLITAN ORD 25P	681,273	674,473	(6,800)
HITACHI LTD Y50	1,066,822	1,096,690	29,868
HITACHI METALS Y50	800,578	785,440	(15,138)
HONDA MOTOR CO Y50	760,864	782,255	21,391
HSBC HLDGS ORD HK\$10(HK REG)	931,611	959,433	27,822
HUTCHISON WHAMPOA HK\$0.25	1,177,314	1,135,853	(41,461)
IMETAL FF50	266,860	281,989	15,129
INDIAN OPPORTUNITIES FUND ORD	1,080,030	1,051,450	(28,580)
INTERNATIONALE NEDERLANDEN	783,046	829,622	46,577
ITO-YOKADO CO Y50	717,544	738,364	20,819
ITOCHU CORP Y50	894,104	817,651	(76,453)
JARDINE MATHESON HLDGS ORD US\$	848,611	752,640	(95,971)
KAMIGUMI CO Y50	635,970	651,879	15,909
KONINKLIJKE PTT NEDERLAND	831,848	826,783	(5,065)
KREDIETBANK NPV	399,545	403,994	4,448
KYOCERA CORP Y50	955,924	1,070,615	114,691
L'OREAL FF10	820,612	802,762	(17,850)
LADBROKE GROUP ORD 10P	455,491	430,085	(25,406)
LEX SERVICES ORD 25P	368,161	384,118	15,956
MANNESMANN AG DM50-FRANKFURT	811,069	855,480	44,411



SYSTEM HOLDINGS (continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
MARUI CO Y50	\$ 667,086	\$ 684,915	\$ 17,829
MCBT EMERGING AMERICAS FD	3,636,000	3,522,165	(113,835)
MCBT EMERGING ASIA FUND	4,000,000	4,048,222	48,222
MCBT JAPAN SMALL COS FD	3,150,000	3,111,654	(38,346)
MCKECHNIE ORD 25P	394,571	392,071	(2,501)
MITSUBISHI BANK CNV BDS	755,512	709,200	(46,312)
MITSUBISHI HEAVY IND Y50	1,025,735	1,019,409	(6,326)
MITSUMI FUDOSAN CO Y50	756,247	756,132	(114)
NESTLE SA SZF10(REGD)-ZUR	926,404	999,601	73,197
NFC VAR V ORD 5P	660,861	588,981	(71,881)
NIPPON EXPRESS CO Y50	938,671	966,315	27,643
NOMURA SECURITIES CO Y50	920,015	873,105	(46,911)
OESTERREICHISCHE EL WIRTSCH	274,022	293,827	19,805
POLYGRAM NTFL0.5	543,526	590,513	46,987
RECKITT & COLMAN ORD 10P	794,104	811,992	17,888
REPSOL SA SPPT500	402,874	393,189	(9,685)
RINASCENTE (LA) PERS LESDI	580,207	596,744	16,537
ROCHE HLDG AG GENUSCHEINE NPV I	761,242	837,690	76,448
ROHM CO Y50	1,052,776	1,291,959	239,184
SANKYO CO Y50	915,168	929,739	14,570
SCHNEIDER SA (EX SPEP) FF20	645,092	664,381	19,289
SEITA ORD FRF50	675,085	691,245	16,160
SEKISUI HOUSE WTS 28-JAN-97	135,804	96,000	(39,804)
SHIN-ETSU CHEMICALS CO Y50	1,012,707	966,905	(45,802)
SINGAPORE PRESS HD SG\$1(ALIEN	794,942	807,585	12,643
SOCIETE NATIONALE ELF	811,849	768,544	(43,305)
SONY CORP Y50	776,370	768,332	(8,038)
STORA KOPPARBERGS BERGSLAB SE	505,860	536,156	30,296
SUMITOMO ELECTRIC IND Y50	789,330	774,586	(14,745)
SUMITOMO FORESTRY CO Y50	960,732	948,263	(12,469)
SUMITOMO TRUST & BANK	1,000,404	874,993	(125,412)
SWIRE PACIFIC A HK \$0.60	1,076,850	1,143,736	66,886
TBC INC POOLED EMPLOYEE FUNDS	3,170,799	3,170,799	0
TELECOM ITALIA SPA ITL1000	618,180	610,135	(8,045)
TOKIO MARINE & FIRE INS CO	923,972	917,468	(6,504)
TOMKINS ORD STK 5P	881,227	823,110	(58,117)
TSB GROUP ORD 25P	670,611	650,503	(20,108)
UNILEVER ORD 5P	903,633	971,508	67,875
VEBA AG DM50	978,783	1,021,875	43,092
WASSALL ORD 5P	447,876	434,220	(13,656)
WOLSELEY I ORD 25P	674,711	634,709	(40,002)
ZURICH VERSICHERNGS SZF50 REGD	795,593	892,201	96,608
WALTERSCOTT			
ADVANTEST Y50	\$ 1,537,328	\$ 2,265,353	\$ 728,025
AHOLD (KON) NV NLG1.25	1,246,048	1,906,378	660,330
AMPOLEX LIMITED ORD A\$0.50	1,788,525	1,456,987	(331,537)
BINDING BRAUEREI DM50	1,160,726	1,498,003	337,276
BOBST AG SZF100 (BR)	802,245	1,276,596	474,351
CABLE & WIRELESS ORD 25P	1,489,248	1,641,448	152,200
CASTORAMA DUBOIS INVEST FF25	1,067,022	1,692,605	625,583
CHAIN STORE OKUWA Y50	1,416,597	1,161,041	(255,557)
CHINA LIGHT & POWER CO HK\$5	1,211,919	1,543,074	331,155
CHUDENKO CORP Y50	950,213	1,291,631	341,418
COLRUYT SA NPV	981,841	1,610,771	628,930
DAIFUKO MACHINERY Y 50	1,144,173	1,119,698	(24,476)



SYSTEM HOLDINGS

(continued)

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
DAIWA HOUSE INDUSTRY CO Y50	\$ 1,266,005	\$ 1,380,450	\$ 114,445
DEM/USD SPOT OPTION	717,600	624,000	(93,600)
DOCKS DE FRANCE FF10	1,027,796	1,584,251	556,455
DYCKERHOFF AG NON VTG PRF DM50	1,720,150	1,755,418	35,269
DYCKERHOFF AG NON VTG PRF DM50	69,578	87,500	17,922
FRIEDRICH GROHE AG NON VTG PRF	1,061,149	1,683,118	621,970
FROMAGERIES BEL FF50	1,125,856	1,183,200	57,344
FUJI MACHINE MANUFACTURING Y50	1,483,138	1,680,727	197,589
FUTABA INDUSTRIAL Y50	948,610	1,182,090	233,480
GEHE AG DM50	1,808,143	3,196,008	1,387,865
GUYENNE & GASCOGNE FF100	1,028,403	1,010,049	(18,354)
HEIDELBERG(PORTLAND-	1,594,903	1,706,620	111,717
HENNES & MAURITZ SWKR5 SER'B'	340,307	1,054,166	713,859
HIROSE ELECTRONICS	849,058	1,734,411	885,353
HONG KONG & CHINA GAS CO WTS	0	9,150	9,150
HONG KONG & CHINA GAS HK \$0.25	1,079,323	1,596,061	516,738
HORNBACH HLDG AG NON VTG PRF	878,521	1,546,806	668,285
ITO-YOKADO CO Y50	1,224,216	1,845,909	621,693
JARDINE MATHESON HLDGS ORD US\$	1,470,543	1,515,901	45,358
JPY/USD SPOT OPTION	1,288,000	1,271,900	(16,100)
KURITA WATER INDUSTRIES Y50	1,241,404	1,568,993	327,589
KYOCERA CORP Y50	1,576,712	1,976,521	399,809
MIKUNI COCA COLA Y50	974,695	778,715	(195,980)
NIPPON DENSO	989,187	1,544,452	555,265
NIPPON TEL & TEL CORP Y50000	1,198,035	1,507,876	309,841
OTRA N V NTFL20	1,126,258	1,570,668	444,410
REDLAND 25P	1,374,861	1,321,930	(52,931)
RHEINHOLD & MAHLA AG DM50	1,151,302	1,157,031	5,729
RMC GROUP ORD 25P	1,600,603	1,965,156	364,553
SAGA PETROLEUM NWKR15	1,616,993	1,988,152	371,160
SANKYO CO Y50	997,616	1,534,069	536,453
SANTEN PHARMACEUTICAL CO	953,064	1,419,650	466,586
SECOM CO Y50	1,207,955	1,635,066	427,110
SEMBAWANG CORPORATION LTD	1,312,799	1,216,458	(96,341)
SHARP CORP Y50	1,456,250	1,321,456	(134,794)
SHIMACHU CO Y50	1,646,830	1,268,362	(378,469)
SHIMANO INC Y50	1,236,126	780,485	(455,641)
SOPHUS BERENDEN 'B' DNKR20	1,541,073	1,791,589	250,517
SPAR HANDELS AG PFD NON VTG	1,361,614	1,614,058	252,444
SWIRE PACIFIC 'B' HK\$0.12	838,061	909,897	71,836
TBC INC POOLED EMPLOYEE FUNDS	1,002,963	1,002,963	0
TOKYO STEEL MFG CO Y50	1,264,027	940,947	(323,080)
VBH VEREINIGTE BAUBESCHLAG	1,128,136	1,539,213	411,076
WOODSIDE PETROLEUM ORD A\$0.50	671,424	1,177,002	505,578
YAMANOUCHI PHARMACEUTICAL CO	1,019,671	1,126,777	107,106

OTHER

FAME

KATINA FOODS/JORDAN MEATS LOAN	\$ 2,443,172	\$ 2,443,172	\$ 0
TBC INC POOLED EMPLOYEE FUNDS	622,073	622,073	0

FIRST RESERVE

CHAUVERDO II LOAN AGREEMENT	\$ 156,563	\$ 0	(\$ 156,563)
ESCO BOSTON 86-1 LTD PTSHIP	1,156,805	1,102,029	(54,776)
FAULCONE/BOSTON 85-1 LTD PTNRS	0	425,573	425,574



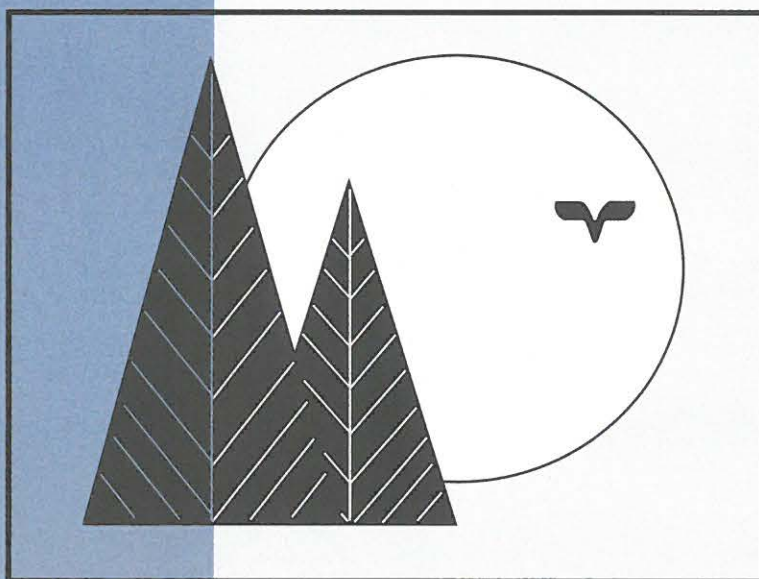
SYSTEM HOLDINGS

(continued)

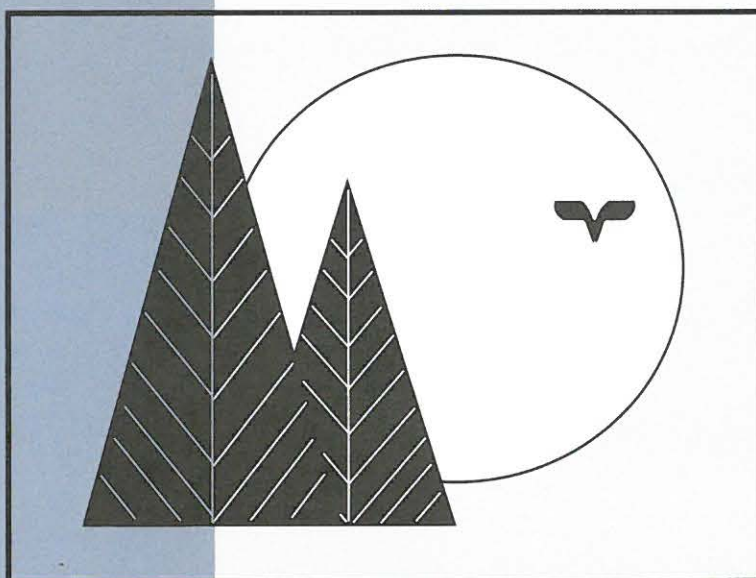
	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
RAY HOLIFELD & GARY T NANNEN	\$ 652,585	\$ 169,319	(\$ 483,266)
TBC INC POOLED EMPLOYEE FUNDS	6,591	6,591	0
ACACIA REALTY ADVISORS			
3 CANAL PLAZA	\$ 8,045,106	\$ 3,874,008	(\$ 4,171,098)
CORAL KEY APTS LTD PARTNERSHIP	9,320,000	8,851,390	(468,610)
ORCHARD PARKWAY/RIVER OAKS	12,815,736	12,359,834	(455,901)
GROUP LIFE INSURANCE			
ALL NIPPON AIRWAYS CO LTD PROM	\$ 400,664	\$ 400,130	(\$ 534)
BSDT-LMDA I ERISA-TRUSTEE	40,987	40,987	0
CHEVY CHASE AUTO REC TR 95-1	999,687	996,250	(3,438)
CIT GROUP HLDGS INC NT	1,027,100	1,024,160	(2,940)
FED HOME LN MTG CORP DISC	1,006,488	1,006,488	0
FED HOME LN MTG CORP DISC NTS	873,539	873,539	0
FEDERAL FARM CR BKs CONS SYS	1,013,500	1,000,650	(12,850)
FEDERAL HOME LN BK CONS	1,958,500	1,990,800	32,300
FEDERAL HOME LN BK CONS DISC	480,687	480,687	0
FEDERAL NATL MTG ASSN MTN	1,998,836	1,999,687	852
FHLMC MULTICL MTG P/C 1576 BP	986,718	991,200	4,481
FIRST INTL PETE TRANS SR 144A	500,000	495,045	(4,955)
GENERAL ELEC CAP CORP MTN	499,375	499,560	185
MEDIUM-TERM STR ENCD TR 93B-10	500,000	498,200	(1,800)
NBD BK N A MTN #TR 00026	1,006,380	1,011,040	4,660
NORWEST CORP MTN # TR 00145	990,610	992,290	1,680
PRUDENTIAL HOME 92-44 CL A-1	964,676	954,344	(10,332)
RESOLUTION TR CORP 92-CHF CLA1	29,302	29,038	(264)
SOCIETY NATL BK STN TR 00008	999,808	1,001,870	2,061
STANDARD CR CARD SER 6 CL A	998,600	1,011,870	13,270
STUDENT LN MARKETING ASSN	999,247	998,670	(577)
STUDENT LN MARKETING ASSN BD	1,503,750	1,498,470	(5,280)
STUDENT LN MARKETING ASSN NT	992,610	992,450	(160)
TBC INC POOLED EMPLOYEE FUNDS	438	438	0
U S TREASURY BILLS	1,909,054	1,909,054	0
U S TREASURY BILLS	321,782	321,782	0
U S TREASURY BILLS	138,257	138,257	0
U S TREASURY NOTES	3,490,716	3,522,960	32,243

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FINANCIAL
STATEMENTS,
TRUST FUND
BALANCES AND
INVESTMENTS



MSRS FINANCIAL STATEMENTS



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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees of
The Maine State Retirement System:

We have audited the accompanying balance sheets of the Maine State Retirement System, which is a component unit of the State of Maine, as of June 30, 1996 and 1995, and the related statements of revenues, expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 position of the Maine State Retirement System as of June 30, 1996 and 1995, and its revenues, expenses and changes in fund balances for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 10, 1997, on our consideration of the Maine State Retirement System's internal control structure and a report dated February 10, 1997, on its compliance with laws and regulations.

The supplementary schedule of historical trend information on page 24 is not a required part of the basic financial statements and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. As a result of such limited procedures, we believe the supplementary schedule of historical trend information is not in conformity with guidelines established by the Governmental Accounting Standards Board because only the current year's information is available of the required ten years of trend information.

Portland, Maine
February 10, 1997

Coopers & Lybrand L.L.P.



**MAINE STATE RETIREMENT SYSTEM
BALANCE SHEETS
June 30, 1996 and 1995**

<u>ASSETS</u>	<u>1996</u>	<u>1995</u>
Investments at cost (market value of \$4,216,491,478 in 1996 and \$3,659,555,926 in 1995) (Note 2)	\$ 2,971,757,189	\$ 2,734,178,261
Cash and cash equivalents	114,887,011	13,526,415
Receivables:		
State and local agency contributions	9,884,389	9,832,954
Due from brokers for securities sold	16,733,457	25,257,417
Accrued interest and dividends	4,158,585	6,668,473
Other	7,815,806	481,753
Total receivables	<u>38,592,237</u>	<u>42,240,597</u>
Fixed assets, net of accumulated depreciation	<u>2,668,956</u>	<u>2,102,397</u>
Total assets	<u>3,127,905,393</u>	<u>2,792,047,670</u>
 <u>LIABILITIES</u>		
Accounts Payable	8,406,857	8,962,577
Due to brokers for securities purchased	22,899,675	22,072,988
Other liabilities	<u>4,508,598</u>	<u>10,489,928</u>
Total Liabilities	<u>35,815,130</u>	<u>41,525,493</u>
Net assets available for benefits	<u>\$ 3,092,090,263</u>	<u>\$ 2,750,522,177</u>
 <u>FUND BALANCE</u>		
Actuarial present value of projected pension benefits payable to current retirees and beneficiaries and terminated vested participants	\$ 3,037,719,918	\$ 2,602,813,848
Actuarial present value of credited projected pension benefits for active employees:		
Accumulated member contributions	1,123,410,542	1,066,104,798
Employer-financed portion	<u>2,561,017,180</u>	<u>1,958,089,139</u>
Total actuarial present value of credited projected pension benefits	6,722,147,640	5,627,007,785
Present value of group life insurance benefits	<u>104,000,000</u>	<u>60,250,000</u>
	6,826,147,640	5,687,257,785
Unfunded actuarial present value of credited projected pension benefits and present value of group life insurance benefits (Notes 3 and 5)	<u>(3,734,057,377)</u>	<u>(2,936,735,608)</u>
Total fund balance	<u>\$ 3,092,090,263</u>	<u>\$ 2,750,522,177</u>

The accompanying notes are an integral
part of the financial statements



MAINE STATE RETIREMENT SYSTEM
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES

For the years ended June 30, 1996 and 1995

	<u>1996</u>	<u>1995</u>
Revenues:		
Investment income:		
Interest	\$ 23,411,161	\$ 54,244,460
Dividends	49,880,582	17,924,162
Other	7,561,471	2,769,892
Net gain on sale of investments	219,716,557	96,597,116
Less investment expense	(8,846,210)	(6,953,264)
Net investment income	<u>291,723,561</u>	<u>164,582,366</u>
Contributions (Note 4):		
Members	103,116,929	106,726,802
State and local agencies	253,646,796	244,105,817
Total contributions	<u>356,763,725</u>	<u>350,832,619</u>
Total revenues	<u>648,487,286</u>	<u>515,414,985</u>
Expenses:		
Benefits paid	285,528,562	273,021,392
Refunds and withdrawals	15,150,388	13,225,101
Administrative expenses	6,240,250	6,046,726
Total expenses	<u>306,919,200</u>	<u>292,293,219</u>
Net increase in fund balance	341,568,086	223,121,766
Fund balance:		
Beginning of year	<u>2,750,522,177</u>	<u>2,527,400,411</u>
End of year	<u>\$ 3,092,090,263</u>	<u>\$ 2,750,522,177</u>

The accompanying notes are an integral
part of the financial statements



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. Plan Description:

General

The Maine State Retirement System (System), which is a component unit of the State of Maine, is the administrator of an agent multiple-employer public employee retirement system established and administered under the Maine State Retirement System Laws of the State of Maine. The System provides pension, death and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution purposes, and employees of approximately 250 local municipalities and other public entities in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. At June 30, 1996, the approximate membership consisted of:

Active vested and nonvested members	47,494
Inactive members	51,366
Retirees and benefit recipients	27,031
Other benefit recipients	<u>1,989</u>

Total members, retirees and beneficiaries	<u>127,880</u>
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The System's retirement programs provide defined retirement benefits based on member's average final compensation and creditable service. Vesting occurs upon the earning of ten year's service credit or the earning of one year's service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether a member had at least 10 years of creditable service on June 30, 1993, and the monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides death and disability benefits, which are established by statute for State and public school employees, and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited for a five year period for non-vested members and through the date of refund for vested members. Withdrawal of accumulated contributions results in forfeiture of all benefits. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 6.5%

In the event that a participating entity withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The participating entity remains liable for contributions sufficient to fund benefits for its already retired former employee-members, for its terminated vested inactive members, and for those active employees, whether or not vested, who remain contributing System members.

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

The total funds managed by the System are constitutionally restricted as held in trust for the payment of pension and related benefits to its participants. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and its overall implementation.



NOTES TO FINANCIAL STATEMENTS (cont.)

1. Plan Description: (continued)

The System also provides group life insurance under a plan that is administered by a third party insurance company. Premiums are set and collected by the System. Benefit payments are made by the insurance company from premiums collected. Any shortfall of benefit payments over a premiums collected is remitted by the System to the insurance company.

Basis of Accounting

The financial statements are prepared in accordance with provisions of Statement No. 6, Pension Accounting and Financial Reporting, issued by the National Council on Government Accounting, Government Accounting Standards Board (GASB) Statement No. 5, Disclosures of Pension Information by Public Employee Retirement Systems and State and Local Government Employers, and other appropriate pronouncements of the GASB. The amount of employer's contributions are calculated at the employer's contribution rate which is actuarially determined. Investments are reported at cost subject to adjustment for market declines judged to be other than temporary. Discounts are accumulated to the bond maturity date and premiums are amortized to the earliest call date at par value. The method used to amortize the accumulated discount or premium is the interest method. Gains and losses on sales of securities are recognized on the trade date.

The financial statements report the total combined assets and liabilities for the state and all participating entities. Net assets available for benefits for individual participating entities are restricted by statute for use against the liabilities for each participating entity only.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash Equivalents and Investments:

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

Statutes authorize the System to invest in stocks, bonds, mortgages, real estate and other investments. The System maintains certain deposits, cash equivalents and other investments with financial institutions.

GASB Statement No. 3 requires disclosure of certain information about the market risks associated with the System's investments. In accordance with Statement No. 3, the System's investments would generally be categorized into one of three separate categories. Category 1 includes investments, including units in common collective trusts, that are insured or registered and for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, but not in the System's name. At June 30, 1996 and 1995, all of the System's investments are considered Category 1.

The fair market value of investments are based on published market prices and quotations from major investments brokers.



NOTES TO FINANCIAL STATEMENTS (cont.)

2. Cash Equivalents and Investments: (continued)

Investments are summarized as follows:

<u>Category</u>	June 30, 1996	
	<u>Amortized Cost, Net</u>	<u>Fair Market Value</u>
Debt securities:		
U.S. government	\$ 94,547,584	\$ 92,776,457
Corporate	30,387,061	30,427,320
Common equity securities	1,041,059,887	1,228,703,510
Common/collective trusts	1,785,015,299	2,843,628,526
Real estate	13,725,343	14,772,169
Limited partnerships	1,760,333	921,814
Other	5,261,682	5,261,682
Total investments	<u>\$ 2,971,757,189</u>	<u>\$ 4,216,491,478</u>

<u>Category</u>	June 30, 1995	
	<u>Amortized Cost, Net</u>	<u>Fair Market Value</u>
Debt securities:		
U.S. government	\$ 164,527,973	\$ 167,748,690
Corporate	58,221,242	58,690,853
Equity securities:		
Preferred	3,893,011	5,318,133
Common	1,335,252,125	2,003,777,614
Common/collective trusts	1,055,071,156	1,296,101,033
Registered investment companies	77,092,302	92,728,595
Limited partnerships	11,285,954	10,548,313
Real estate	20,860,843	16,233,844
Other	7,973,655	8,408,851
Total investments	<u>\$ 2,734,178,261</u>	<u>\$ 3,659,555,926</u>



NOTES TO FINANCIAL STATEMENTS (cont.)

2. Cash Equivalents and Investments: (continued)

At June 30, 1996, the System had certain investments representing 5% or more of total investments, as follows:

	Cost	Fair Market Value
Panagora Equity-Wilshire 5000 Index Fund	\$ 33,686,762	\$ 983,659,439
J.P. Morgan - Mortgage Private Placement Fund	215,010,778	240,292,054
Panagora Bond Index Fund	849,044,299	1,085,063,107
	<u>\$ 1,400,741,839</u>	<u>\$ 2,309,014,600</u>

3. Funding Status and Progress:

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the System, as discussed in Note 4.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1996 and 1995. Significant actuarial assumptions used include: a) a rate of return on the investment of assets of 8% a year compounded annually, b) projected cost of living increases for eligible benefit recipients of 4% a year compounded annually, attributable to inflation, and c) projected salary increases of 6% to 10% a year attributable to seniority/merit and inflation.

At June 30, 1996 and 1995, the unfunded pension benefit obligation was as follows (in millions):

	1996	1995
Pension benefit obligation:		
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 3,037.7	\$ 2,602.8
Current employees:		
Accumulated employee contributions, including allocated investment income	1,123.4	1,066.1
Employer-financed vested	1,200.5	848.7
Employer-financed nonvested	1,360.5	1,109.4
Total pension benefit obligation	<u>6,722.1</u>	<u>5,627.0</u>
Net assets available for benefits, at cost	<u>3,065.1</u>	<u>2,722.4</u>
Unfunded pension benefit obligation	<u>\$ 3,657.0</u>	<u>\$ 2,904.6</u>

**NOTES TO FINANCIAL STATEMENTS (cont.)****3. Funding Status and Progress: (continued)**

At June 30, 1996 and 1995, the unfunded Group Life Benefit obligation was as follows (in millions):

	1996	1995
Total Group Life Benefit obligation	\$ 104.0	\$ 60.2
Net assets available for benefits, at cost	27.0	28.1
Unfunded Group Life Benefit obligation	<u>\$ 77.0</u>	<u>\$ 32.1</u>

The present value of the benefit obligation was calculated with an assumed discount rate of 8%. The present value of benefit obligations at June 30, 1995, did not contain an amount relating to active participants in the Group Life Plan as certain data for its calculation was not available.

4. Contribution Requirements and Contributions Made:

The System's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan(s) over a closed 35 year period.

Contributions totaling \$356,763,725, (\$253,646,796 employer and \$103,116,929 employee) were made in accordance with actuarially determined contribution requirements established through an actuarial valuation performed at June 30, 1996.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in Note 3 above.

5. Contingencies:

The System's trustees and executive director are defendants in litigation involving individual benefit payment and participant eligibility issues under the Teachers' Plan. The suit seeks an injunction against the implementation of certain legislative changes to retirement system statutes. On August 1, 1996, the United States District Court for the District of Maine ruled in favor of the plaintiffs by invalidating certain amendments relating to vested members of the Teachers' Plan of the Retirement System as of July 1, 1993. Conversely, the court upheld the amendments as they applied to non-vested members of the Teachers' Plan of the Retirement System. The District Court's decision has been appealed by both parties to the lawsuit to the United States Court of Appeals for the First Circuit and a final decision is expected in 1997. Subsequently, in December 1996, a lawsuit was filed by a member of the State Plan. The lawsuit seeks the same relief as that sought by the above mentioned lawsuit under the Teachers' Plan. The ultimate outcome of this lawsuit is dependent upon the outcome of the Teachers' Plan lawsuit.

The System's actuaries have estimated that the financial statement impact of the Teachers' Plan case would cause the unfunded liabilities to increase by approximately \$276 million for the vested Teachers' Plan participants and approximately \$108 million for the non-vested Teachers' Plan participants. The State Plan's financial statement impact has been estimated at \$57 million for vested State Plan participants and \$36 million for non-vested State Plan participants. As the ultimate outcome of this case is unknown, no amounts have been recorded in the financial statements for any increase in the unfunded liability described above. In the event of an adverse decision, resulting costs would be recovered by the System through adjustments to the State's employer contribution rate.



NOTES TO FINANCIAL STATEMENTS (cont.)

6. New Accounting Standard:

In November of 1994 the GASB issued Statement No. 25 Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans which supersedes all previous authoritative guidance on accounting and financial reporting for defined benefit pension plans of state and local governmental entities. This statement defines the financial reporting model for financial statements of defined benefit pension plans and requires additional historical trend information. The statement is effective for fiscal years beginning after June 15, 1996, and therefore the System will adopt the provisions of this statement for the year ended June 30, 1997.

7. Constitutional Amendment:

In November 1995, voters in the State approved a constitutional amendment which requires the State to fund unfunded liabilities existing as of June 30, 1996, of the State and teacher plans over a period not to exceed 31 years, commencing June 30, 1997. The creation of new unfunded liabilities is prohibited, except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires use of actuarially sound current-cost accounting, reinforcing the existing statutory requirements.



MAINE STATE RETIREMENT SYSTEM SUPPLEMENTARY SCHEDULE OF HISTORICAL TREND INFORMATION

Revenues by Source:

June 30,	Member Contributions	State and Local Agency Contributions	Unaudited Member State and Local Agency Contributions as a Percentage of Annual Covered Payroll	Net Investment Income	Total Revenues
1996	\$ 103,116,929	\$ 253,646,796	27.1%	\$ 291,723,561	\$ 648,487,286
1995	106,726,802	244,105,817	(1)	164,582,366	515,414,985

Expenses by Type:

June 30,	Retirement, Death and Survivor Benefits	Administrative Expenses	Refunds and Withdrawals	Total Expenses
1996	\$ 285,528,562	\$ 6,240,250	\$ 15,150,388	\$ 306,919,200
1995	273,021,392	6,040,726	13,225,101	292,293,219

Analysis of Funding Progress:

Fiscal Year ended June 30,	(a) Net Assets Available for Benefits	(b) Pension and Group Life Benefit Obligation	Percentage Funded (a) / (b)	(d) Unfunded Pension and Group Life Benefit Obligation (b) - (a)	(e) Unaudited Annual Covered Payroll	(Unaudited) Unfunded Pension and Group Life Benefit Obligation as a Percentage of Covered Payroll (d) / (e)
1996	\$ 3,092,090,263	\$ 6,826,147,640	45.3%	\$ 3,734,057,377	\$ 1,316,462,200	283.6%
1995	2,750,522,177	5,687,257,785	48.4%	2,936,735,608	(1)	(1)

(1) Information regarding annual covered payroll is not available.

**REPORT ON THE INTERNAL CONTROL STRUCTURE BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Maine State Retirement Plan:

We have audited the financial statements of the Maine State Retirement System, which is a component unit of the State of Maine, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 10, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Maine State Retirement System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the Maine State Retirement System for the year ended June 30, 1996, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express an opinion.

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The following matter was identified as a reportable condition and has been communicated to the management of the Maine State Retirement System in a separate letter.

- Inadequacy of the computer software system in place at June 30, 1996, to generate timely and accurate financial and management reports. A new computer system is in the final process of being implemented at the date of this report.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Page two of the Report on the Internal Control Structure

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Maine State Retirement System in a separate letter.

This report is intended for the information of the Board of Trustees, management, and applicable government entities. However, this report is a matter of public record and its distribution is not limited.

Portland, Maine
February 10, 1997

Coopers & Lybrand L.L.P.

**REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Maine State Retirement System:

We have audited the financial statements of the Maine State Retirement System, which is a component unit of the State of Maine, as of and for the year ended June 30, 1996, and have issued our report thereon dated February 10, 1997.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to the Maine State Retirement System is the responsibility of the Maine State Retirement System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Maine State Retirement System's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

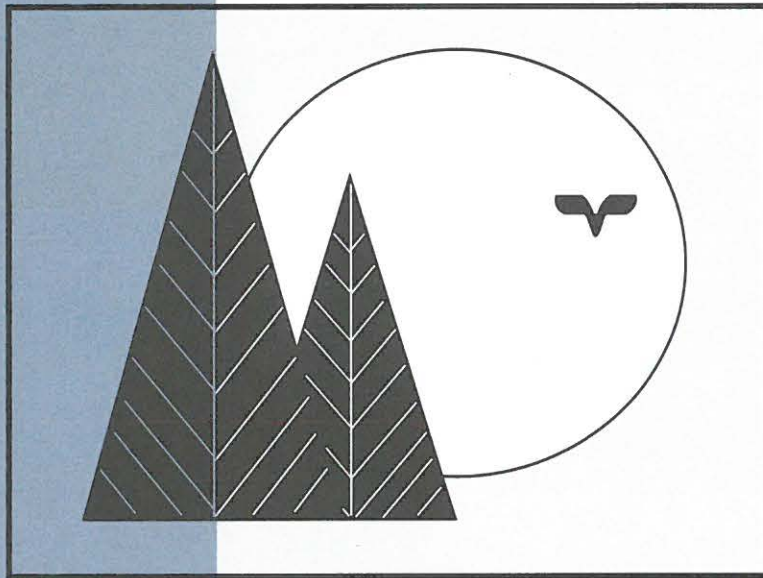
The results of our tests disclosed no instances that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Trustees, management, and applicable government entities. However, this report is a matter of public record and its distribution is not limited.

Portland, Maine
February 10, 1997

Coopers & Lybrand L.L.P.

TRUST FUND BALANCES FOR
THE YEAR ENDED JUNE 30, 1996





TRUST FUND BALANCES AS OF JUNE 30, 1996

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
1	State of Maine	\$ 361,427,729.67	\$ 857,398,858.13	\$ 1,218,826,587.80
2	Portland	0.00	0.00	0.00
3	Millinocket	1,429,723.87	9,795,909.34	11,225,633.21
4	Presque Isle	2,325,689.69	14,242,902.25	16,568,591.94
5	Cumberland County	1,290,773.80	6,561,934.22	7,852,708.02
6	Disability	25,304,221.21	269,954,892.89	295,259,114.10
7	Teachers (post-July 1, 1924)	615,998,764.73	1,099,212,692.89	1,715,211,457.62
8	Camden	0.00	0.00	0.00
9	South Portland	0.00	0.00	0.00
10	Houlton	402,837.03	2,384,957.41	2,787,794.44
11	Penobscot County	0.00	582,359.98	582,359.98
12	Kittery Water District	0.00	233,853.46	233,853.46
13	Ellsworth	0.00	119,759.24	119,759.24
14	Kittery	0.00	249,189.18	249,189.18
15	Bar Harbor	0.00	0.00	0.00
16	Mount Desert	394,866.87	2,141,783.06	2,536,649.93
17	Fort Fairfield	60,553.49	994,283.28	1,054,836.77
18	Rockland	0.00	0.00	0.00
19	Bath Water District	0.00	0.00	0.00
20	Bangor	13,147,767.65	76,852,046.56	89,999,814.21
21	Boothbay Harbor Water District	2,686.54	612,465.14	615,151.68
22	Bangor Public Library	511,203.36	2,496,117.90	3,007,321.26
23	Augusta	0.00	0.00	0.00
24	Gardiner	1,145,633.17	5,054,761.61	6,200,394.78
25	Teachers (pre-July 1, 1924)	0.00	0.00	0.00
26	Houlton Water District	(257.50)	257.50	0.00
27	Auburn	0.00	0.00	0.00
28	York	0.00	166,779.54	166,779.54
29	Limestone Water/Sewer	65,110.43	248,580.78	313,691.21
30	Saint Agatha	25,646.01	218,380.18	244,026.19
31	Kennebec Water District	267,144.42	2,004,634.42	2,271,778.84
32	Livermore Falls Water District	0.00	8,694.80	8,694.80
33	Knox County	35,567.10	561,091.63	596,658.73
34	Augusta Water District	0.00	0.00	0.00
35	Belfast	432,471.13	2,638,034.04	3,070,505.17
36	Calais	368,305.92	1,918,383.67	2,286,689.59
37	York County	370,282.52	3,167,962.26	3,538,244.78
38	Maine Maritime Academy	2,188,662.07	22,168,249.55	24,356,911.62
39	York Water District	226,932.06	861,776.00	1,088,708.06
40	Washington County	320,080.87	1,843,434.89	2,163,515.76
41	Portland Public Library	0.00	27,925.57	27,925.57
42	Brunswick	(473.58)	1,145,722.18	1,145,248.60
43	Auburn Public Library	134,318.08	688,328.09	822,646.17
44	Maine-NH Bridge Authority	0.00	0.00	0.00
45	Jay	0.00	0.00	0.00
46	Waldo County	0.00	0.00	0.00
47	Kennebec County	0.00	24,705.64	24,705.64
48	Lewiston	7,051,404.91	51,940,377.40	58,991,782.31



TRUST FUND BALANCES AS OF JUNE 30, 1996 (continued)

<u>Ref Nbr</u>	<u>Plan or District Name</u>	<u>Members' Contribution</u>	<u>Retirement Allowance</u>	<u>Total Trust Fund Reserves</u>
49	Maine Turnpike Authority	\$ 0.00	\$ 0.00	\$ 0.00
50	SAD 31	0.00	113,293.99	113,293.99
51	Auburn Sewer District	0.00	0.00	0.00
52	Auburn Water District	0.00	0.00	0.00
54	East Millinocket	658,258.64	3,645,450.14	4,303,708.78
55	Maine Municipal Association	140,188.54	857,916.79	998,105.33
56	Hancock County	0.00	0.00	0.00
57	Oxford County	0.00	78,795.79	78,795.79
58	Falmouth Memorial Library	25,732.95	251,612.42	277,345.37
59	Bangor Water District	258,267.31	1,711,696.59	1,969,963.90
60	Rumford Fire/Police	0.00	0.00	0.00
61	Orono	182,336.06	1,839,687.82	2,022,023.88
62	Kennebunk Light/Power	0.00	0.00	0.00
63	Brewer	2,028,944.12	8,668,504.39	10,697,448.51
64	Augusta Sanitary District	0.00	0.00	0.00
65	Rumford Water District	0.00	0.00	0.00
66	Waterville Fire/Police	1,478,376.98	9,523,209.63	11,001,586.61
67	Androscoggin County	0.00	0.00	0.00
68	Brewer Water District	98,438.13	385,418.83	483,856.96
69	Baileysville	50,875.03	550,978.03	601,853.06
70	Westbrook Fire/Police	1,018,058.69	14,401,948.37	15,420,007.06
71	Greater Portland Public Development	0.00	0.00	0.00
72	Brunswick Sewer District	183,509.58	1,078,784.22	1,262,293.80
73	Bath	2,635,873.95	23,583,264.13	26,219,138.08
74	Mexico	172,841.23	1,195,782.21	1,368,623.44
75	Accidental Death	0.00	0.00	0.00
76	Lincoln	315,182.82	1,859,179.60	2,174,362.42
77	SAD 34	258,500.65	2,270,220.31	2,528,720.96
78	SAD 28	0.00	43,495.29	43,495.29
79	Old Town Water District	0.00	82,314.03	82,314.03
80	Skowhegan	855,163.26	5,805,159.10	6,660,322.36
81	Topsham	274,673.44	1,311,027.28	1,585,700.72
82	Madawaska	974,279.72	4,342,975.90	5,317,255.62
83	Sanford	1,577.30	3,002,006.54	3,003,583.84
84	Kennebunk	342,975.31	2,368,190.49	2,711,165.80
85	Cape Elizabeth	664,680.48	5,329,148.31	5,993,828.79
86	Wilton	178,693.21	686,377.20	865,070.41
87	Falmouth	370,413.08	1,971,087.76	2,341,500.84
88	Lubec Water/Electric	18,982.54	418,186.89	437,169.43
89	Sanford Sewer District	0.00	147,852.47	147,852.47
90	Rumford	0.00	0.00	0.00
91	Fort Kent	233,369.81	788,860.79	1,022,230.60
92	Lincoln Water District	0.00	0.00	0.00
93	Maine Municipal Bond Bank	0.00	0.00	0.00
94	Greater Portland Council of Government	53,223.47	1,165,962.77	1,219,186.24
95	Lincoln County	95,440.46	1,592,625.27	1,688,065.73
96	Sagadahoc County	26,128.36	1,234,240.99	1,260,369.35
97	Dexter	52,800.07	653,600.33	706,400.40



TRUST FUND BALANCES AS OF JUNE 30, 1996 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
98	Frenchville	\$ 41,255.49	\$ 167,516.57	\$ 208,772.06
100	Farmington	0.00	182,605.21	182,605.21
101	Somerset County	0.00	0.00	0.00
102	Franklin County	157,278.67	827,046.24	984,324.91
103	Lisbon	665,610.80	3,951,425.01	4,617,035.81
104	Milo	50,462.61	249,900.17	300,362.78
105	Maine State Principals Association	0.00	49,404.30	49,404.30
106	Aroostook County	0.00	638,302.87	638,302.87
107	Wells	0.00	218,159.07	218,159.07
108	Berwick	221,247.93	581,187.29	802,435.22
109	Livermore Falls	203,208.67	575,270.85	778,479.52
110	Pittsfield	73,510.99	649,657.72	723,168.71
111	Old Town	0.00	706,186.16	706,186.16
112	Franklin County	176,130.30	1,054,828.30	1,230,958.60
113	SAD 66	0.00	358,824.86	358,824.86
114	Mechanic Falls	0.00	208,036.52	208,036.52
115	SAD 54	205,840.28	1,958,652.16	2,164,492.44
116	Yarmouth	755,460.09	5,757,793.14	6,513,253.23
117	Searsport	19,875.05	462,228.37	482,103.42
118	Farmington Village Corporation	0.00	0.00	0.00
119	SAD 9	0.00	217,472.53	217,472.53
120	Mount Desert Regional Schools	75,256.26	453,016.70	528,272.96
121	Piscataquis County	0.00	70,934.89	70,934.89
122	Westbrook	659,026.70	5,995,305.45	6,654,332.15
124	Searsport Water District	21,013.88	222,308.05	243,321.93
125	Norway	237,290.60	857,138.77	1,094,429.37
126	SAD 67	291,892.13	2,100,765.02	2,392,657.15
127	Paris	135,493.44	685,210.45	820,703.89
128	SAD 71	205,934.63	1,429,683.40	1,635,618.03
129	SAD 53	21,586.45	271,310.71	292,897.16
130	Bucksport	0.00	521,370.01	521,370.01
131	Fort Fairfield Utility District	69,699.95	531,317.02	601,016.97
132	Belfast Water District	0.00	0.00	0.00
133	Gorham	575,076.78	3,578,451.00	4,153,527.78
134	Lincoln Academy	0.00	138,474.26	138,474.26
135	So. Kennebec Valley Regional Planning	36,486.75	183,521.35	220,008.10
136	Norway Water District	0.00	0.00	0.00
137	Dover-Foxcroft Water District	0.00	29,613.94	29,613.94
138	Naples	26,840.92	159,305.60	186,146.52
139	York Sewage District	0.00	0.00	0.00
140	Old Orchard Beach	748,706.51	5,222,211.16	5,970,917.67
141	South Berwick	91,535.20	570,328.89	661,864.09
142	Freeport	68,138.78	787,973.72	856,112.50
143	SAD 41	568,516.94	3,409,644.66	3,978,161.60
144	Winslow	273,414.12	1,819,693.01	2,093,107.13
145	Auburn Housing Authority	0.00	0.00	0.00
146	Boothbay Harbor	77,294.12	557,476.05	634,770.17
147	Scarborough	358,837.18	3,438,386.98	3,797,224.16



TRUST FUND BALANCES AS OF JUNE 30, 1996 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
148	Cranberry Isles	\$ 0.00	\$ 1,675.07	\$ 1,675.07
149	Fryeburg	0.00	116,106.21	116,106.21
150	Hermon	98,999.67	711,570.61	810,570.28
151	Hampden	171,206.26	1,082,628.84	1,253,835.10
152	Sanford Housing Authority	151,118.48	664,940.15	816,058.63
153	Vassalboro	36,221.72	257,628.94	293,850.66
154	Lewiston Housing Authority	0.00	0.00	0.00
155	Garland	0.00	691.04	691.04
156	Exeter	6,839.66	3,353.97	10,193.63
157	Bingham Water District	83.46	36,961.59	37,045.05
158	Biddeford	1,353,024.07	6,662,638.55	8,015,662.62
159	Paris Utilities District	45.24	42,860.06	42,905.30
160	Hallowell	24,332.95	273,145.99	297,478.94
161	Rockport	42,202.92	484,710.53	526,913.45
162	Wallagrass Plantation	7.75	11,795.13	11,802.88
163	Lewiston-Auburn Water Pollution	156,417.26	525,996.50	682,413.76
164	Thomaston	35,479.71	543,763.53	579,243.24
165	Pleasant Point/Passamaquoddy Reserv.	190,728.27	453,761.76	644,490.03
166	Orland	42,708.63	308,255.43	350,964.06
167	Dover-Foxcroft	0.00	257,958.93	257,958.93
168	SAD 29	125,621.88	1,145,481.67	1,271,103.55
169	Maine Housing Authority	269,783.97	1,175,110.63	1,444,894.60
170	Sanford Water District	242,895.61	1,117,861.38	1,360,756.99
171	So Berwick Water District	19,823.98	97,488.17	117,312.15
172	New Canada Plantation	0.00	23,407.94	23,407.94
173	Indian Township/Passamaquoddy RHA	25.20	131,334.09	131,359.29
174	Glenburn	0.00	0.00	0.00
175	Sabattus	35,765.37	431,093.70	466,859.07
176	Bridgton	2,994.29	317,744.97	320,739.26
177	Brownville	16,320.23	236,573.70	252,893.93
178	SAD 2	0.00	0.00	0.00
179	Winthrop	0.00	505,672.03	505,672.03
180	Eliot	0.00	300,932.74	300,932.74
181	Lebanon	37,006.32	238,339.77	275,346.09
182	Van Buren	0.00	217,494.70	217,494.70
183	Hampden Water District	40,116.42	120,582.09	160,698.51
184	Monson	30,736.64	146,961.55	177,698.19
185	Portland Housing Authority	0.00	0.00	0.00
186	Milford	554.05	97,585.60	98,139.65
187	SAD 60	0.00	607,686.25	607,686.25
188	Kennebunkport	510,014.57	2,773,359.91	3,283,374.48
189	SAD 49	0.00	282,967.14	282,967.14
190	SAD 16	0.00	183,891.76	183,891.76
191	Damariscotta	(3,676.00)	239,764.81	236,088.81
192	Saco	403.04	841,394.56	841,797.60
193	Otisfield	25,171.99	158,128.75	183,300.74
194	Medway	183,062.19	577,672.43	760,734.62
195	Waldoboro	0.00	0.00	0.00



TRUST FUND BALANCES AS OF JUNE 30, 1996

(continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
196	Waterville Urban Renewal Authority	\$ 0.00	\$ 0.00	\$ 0.00
197	Dixfield	685.34	249,974.33	250,659.67
198	SAD 51	273,025.37	1,606,097.61	1,879,122.98
199	Bradford	0.00	16,867.39	16,867.39
200	Oxford	0.00	157,063.59	157,063.59
201	Kennebunk Sewer Authority	0.00	272,045.28	272,045.28
202	Phippsburg	42,256.68	359,327.05	401,583.73
203	Cheverus High School	177,013.63	710,846.37	887,860.00
204	Boothbay/Boothbay Harbor CSD	42,532.44	371,938.12	414,470.56
205	Gould Academy	85,145.05	498,985.61	584,130.66
206	South Portland Housing Authority	251,692.45	1,050,463.24	1,302,155.69
207	Berwick Sewer District	0.00	5,761.28	5,761.28
208	Caribou Fire and Police	425,241.77	3,140,868.75	3,566,110.52
209	Orrington	0.00	210,722.00	210,722.00
210	New Gloucester	0.00	196,198.08	196,198.08
211	SAD 21	232,694.73	1,082,406.57	1,315,101.30
212	Readfield	(3,492.45)	46,361.51	42,869.06
213	Richmond	44,177.19	435,812.80	479,989.99
214	Linneus	26,835.47	87,137.30	113,972.77
215	Hodgdon	25,467.94	176,298.33	201,766.27
216	Cumberland	0.00	300,560.99	300,560.99
217	Corinna	64,158.82	237,809.79	301,968.61
218	SAD 56	69,357.29	361,577.69	430,934.98
219	Lincoln Sanitary District	0.00	0.00	0.00
220	Kennebec Sanitary District	0.00	219,660.51	219,660.51
221	Gardiner Water District	0.00	83,571.50	83,571.50
222	Waterville Sewer District	0.00	0.00	0.00
223	SAD 13	187,325.92	898,118.61	1,085,444.53
224	Waldoboro Regional Voc. Region 7	12,193.72	171,597.16	183,790.88
225	Maine County Commissioners Assn.	132.31	36,555.14	36,687.45
226	Jackman Water District	2,581.41	117,126.53	119,707.94
227	Mars Hill	112,624.27	455,168.32	567,792.59
228	Lubec	29,817.13	158,424.73	188,241.86
229	Van Buren Housing Authority	0.00	112,765.14	112,765.14
230	Washburn	0.00	0.00	0.00
231	Androscoggin Valley Reg. Plg. Comm.	238,630.90	954,329.13	1,192,960.03
232	Howland	0.00	53,526.76	53,526.76
233	Community School District 915	0.00	0.00	0.00
234	Durham	84,460.12	224,120.36	308,580.48
235	China	0.00	114,864.96	114,864.96
236	Madawaska Water District	0.00	0.00	0.00
237	Penquis CAP	0.00	0.00	0.00
238	Milo Water District	44,111.56	332,555.21	376,666.77
239	Maine School Management Assoc.	0.00	0.00	0.00
240	Easton	0.00	0.00	0.00
241	Franklin County Comm. Action Council	169,163.79	820,172.53	989,336.32
242	Richmond Utilities District	0.00	20,549.86	20,549.86
243	Lisbon Water District	24,911.14	104,922.85	129,833.99



TRUST FUND BALANCES AS OF JUNE 30, 1996 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
244	Indian Township Tribal Government	\$ 65,514.86	\$ 1,092,116.55	\$ 1,157,631.41
245	Limestone	88,370.30	273,926.98	362,297.28
246	Bethel	56,023.05	259,803.01	315,826.06
247	Rumford/Mexico Sewer District	2,465.82	110,857.86	113,323.68
248	Brewer Housing Authority	0.00	0.00	0.00
249	Erskine Academy	0.00	84,524.71	84,524.71
250	Winter Harbor Utility District	0.00	15,631.85	15,631.85
251	Corinna Sewer District	71,249.22	158,648.78	229,898.00
252	Community School District 912	23,962.89	99,792.27	123,755.16
253	Bridgton Water District	31,275.70	75,759.98	107,035.68
254	North Berwick	274,494.73	740,689.24	1,015,183.97
255	Kennebunk/Knbnkprt/Wells Water District	905,130.78	3,242,513.97	4,147,644.75
256	Auburn-Lewiston Airport	10,658.79	286,252.74	296,911.53
257	Maine Development Foundation	0.00	0.00	0.00
258	Princeton	54,158.48	291,553.70	345,712.18
259	Westbrook Housing Authority	54,247.22	170,624.58	224,871.80
260	Fairfield	0.00	284,666.54	284,666.54
261	Georgetown	(559.22)	49,649.93	49,090.71
262	Old Town Housing Authority	0.00	40,993.64	40,993.64
265	Mapleton	112,706.90	469,473.29	582,180.19
266	Wells-Ogunquit CSD	0.00	218,828.80	218,828.80
267	Tri-Community Sanitary Landfill	69,421.39	170,964.07	240,385.46
268	Project Lodestone	2,538.82	30,555.93	33,094.75
269	So. Penobscot Voc. School Region 4	65,066.08	151,307.71	216,373.79
270	Harpwell	0.00	0.00	0.00
271	Maine Veterans Home	0.00	0.00	0.00
272	Sabattus Sanitary District	0.00	0.00	0.00
273	Brunswick Public Library	0.00	0.00	0.00
274	Eagle Lake Water/Sewer	31,695.26	213,914.60	245,609.86
275	Fort Fairfield Housing Authority	0.00	4,000.36	4,000.36
276	Lovell	0.00	82,184.95	82,184.95
277	Carabasset Valley	0.00	0.00	0.00
278	Yarmouth Water District	0.00	0.00	0.00
279	Preschool HCS Council	77,450.16	234,173.96	311,624.12
280	Harrison	0.00	0.00	0.00
281	Mid-Maine Waste Action Corp.	0.00	0.00	0.00
282	Mechanic Falls Sanitary District	0.00	0.00	0.00
283	Mars Hills Utility District	0.00	0.00	0.00
284	Norway/Paris Solid Waste Corp.	2,291.11	79,832.98	82,124.09
285	The Homestead Project	10,673.01	66,398.32	77,071.33
286	No. Maine Regional Planning	0.00	0.00	0.00
287	Reserve Management Authority	0.00	0.00	0.00
288	Bangor Housing Authority	0.00	0.00	0.00
290	Maine State Retirement System	79,129.98	44,069.50	123,199.48
291	Lewiston-Auburn 911 Committee	0.00	0.00	0.00
350	Judicial System	2,646,418.53	19,950,763.33	22,597,181.86
351	Legislative System	509,176.45	2,679,190.90	3,188,367.35

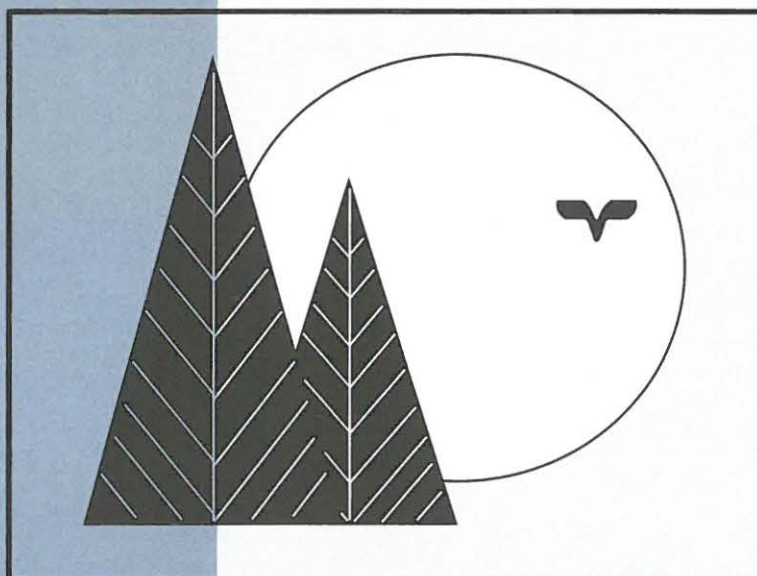


TRUST FUND BALANCES AS OF JUNE 30, 1996

(continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
370	Consolidated Regular Plan A - with COLA (AC)	\$ 53,283,581.94	\$ 215,496,292.15	\$ 268,779,874.09
371	Consolidated Regular Plan A - no COLA (AN)	7,094,715.94	29,650,782.21	36,745,498.15
372	Consolidated Regular Plan B - with COLA (BC)	0.00	0.00	0.00
373	Consolidated Special Plan 1 - with COLA (IC)	8,072,607.08	85,174,669.64	93,247,276.72
374	Consolidated Special Plan 1 - no COLA (1N)	1,555,044.41	10,057,558.06	11,612,602.47
375	Consolidated Special Plan 2 - with COLA (2C)	7,713,177.54	44,033,088.66	51,746,266.20
376	Consolidated Special Plan 2 - no COLA (2N)	737,483.47	2,936,255.12	3,673,738.59
377	Consolidated Special Plan 3 - with COLA (3C)	1,635,367.07	16,840,866.35	18,476,233.42
378	Consolidated Special Plan 3 - no COLA (3N)	0.00	0.00	0.00
379	Consolidated Special Plan 4 - with COLA (4C)	1,132,385.04	3,602,288.91	4,734,673.95
380	Consolidated Special Plan 4 - no COLA (4N)	59,379.78	30,981.04	90,360.82

INVESTMENTS AT JUNE 30, 1996



Assets By Manager	87
Asset Allocation	88
Investment Performance	89
System Holdings	90



ASSETS BY MANAGER

June 30, 1996

FORTHEMAINESTATE RETIREMENT SYSTEM

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
ALLIANCE CAPITAL - EQUITY	\$ 130,098,815	\$ 171,863,843	\$ 41,765,028
ALLIANCE CAPITAL - FIXED	117,644,186	115,897,375	(1,746,811)
AMRESCO	13,628,466	14,675,291	1,046,826
ARK ASSET MANAGEMENT	203,611,454	230,257,239	26,645,786
BANKERS TRUST - INTERNATIONAL EAFE	79,984,304	119,811,062	39,826,758
BANKERS TRUST - SMALL CAP EQUITY	50,003,469	97,675,260	47,671,791
CASH ACCOUNT	34,406,054	34,406,054	-
COLUMBUS CIRCLE	183,653,010	216,905,993	33,252,983
CRAMER, ROSENTHAL, & MCGLYNN	66,436,121	77,323,077	10,886,956
FINANCE AUTHORITY OF MAINE	5,437,392	5,437,392	-
FIRST RESERVE ENERGY ADVISORS	1,804,230	965,711	(838,519)
GOUWS CAPITAL MANAGEMENT	153,857,411	164,181,410	10,324,000
MARTIN CURRIE	79,186,597	88,953,263	9,766,667
MORGAN GUARANTY - INTERNATIONAL	17,863,471	17,402,142	(461,329)
MORGAN GUARANTY - MORTGAGES	209,341,231	234,622,507	25,281,276
MORGAN GUARANTY - MULTIMARKET I	32,262,166	36,845,237	4,583,071
MORGAN GUARANTY - MULTIMARKET II	21,873,068	25,173,416	3,300,348
MORGAN GUARANTY - PRIVATE PLACEMENT	77,593,734	85,258,608	7,664,874
PANAGORA EQUITY CORE	336,686,762	983,659,439	646,972,677
PANAGORA FIXED INCOME CORE	849,076,575	1,085,095,383	236,018,808
PANAGORA VALUE INDEX	61,003,358	108,758,328	47,754,970
PEREGRINE ASSET MANAGEMENT	149,442,767	177,052,056	27,609,289
ROWE PRICE FLEMING	76,839,299	86,365,617	9,526,318
WALTER SCOTT AND PARTNERS	75,613,943	93,480,692	17,866,749
TOTAL ASSETS	\$ 3,027,347,883	\$ 4,272,066,397	\$ 1,244,718,514

GROUP LIFE INSURANCE

MORGAN GUARANTY - GROUP LIFE	\$ 28,236,541	\$ 28,252,512	\$ 15,971
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ASSET ALLOCATION

June 30, 1996

	PERCENT OF TOTAL	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
TOTAL ASSETS	100%	\$ 3,027,347,883	\$ 4,272,066,397	\$ 1,244,718,514
TOTAL CASH	0.8%	\$ 34,406,054	\$ 34,406,054	-
TOTAL DOMESTIC EQUITY	53.6%	\$ 1,388,928,401	\$ 2,289,695,298	\$ 900,766,898
ALLIANCE CAPITAL - EQUITY	4.0%	130,098,815	171,863,843	41,765,028
ARK ASSET MANAGEMENT	5.4%	203,611,454	230,257,239	26,645,786
BANKERS TRUST - SMALL CAP EQUITY	2.3%	50,003,469	97,675,260	47,671,791
COLUMBUS CIRCLE	5.1%	183,653,010	216,905,993	33,252,983
CRAMER, ROSENTHAL, & MCGLYNN	1.8%	66,436,121	77,323,077	10,886,956
GOUWS CAPITAL MANAGEMENT	3.8%	153,857,411	164,181,410	10,324,000
MORGAN GUARANTY - MULTIMARKET I	0.9%	32,262,166	36,845,237	4,583,071
MORGAN GUARANTY - MULTIMARKET II	0.6%	21,873,068	25,173,416	3,300,348
PANAGORA EQUITY CORE	23.0%	336,686,762	983,659,439	646,972,677
PANAGORA VALUE INDEX	2.5%	61,003,358	108,758,328	47,754,970
PEREGRINE ASSET MANAGEMENT	4.1%	149,442,767	177,052,056	27,609,289
TOTAL DOMESTIC FIXED INCOME	36.0%	\$ 1,271,519,198	\$ 1,538,276,016	\$ 266,756,818
ALLIANCE CAPITAL - FIXED	2.7%	117,644,186	115,897,375	(1,746,811)
MORGAN GUARANTY - INTERNATIONAL	0.4%	17,863,471	17,402,142	(461,329)
MORGAN GUARANTY - MORTGAGES	5.5%	209,341,231	234,622,507	25,281,276
MORGAN GUARANTY - PRIVATE PLACEMENT	2.0%	77,593,734	85,258,608	7,664,874
PANAGORA FIXED INCOME CORE	25.4%	849,076,575	1,085,095,383	236,018,808
TOTAL INTERNATIONAL EQUITY	9.1%	\$ 311,624,143	\$ 388,610,635	\$ 76,986,492
BANKERS TRUST - INTERNATIONAL EAFE	2.8%	79,984,304	119,811,062	39,826,758
MARTIN CURRIE	2.1%	79,186,597	88,953,263	9,766,667
ROWE PRICE FLEMING	2.0%	76,839,299	86,365,617	9,526,318
WALTER SCOTT AND PARTNERS	2.2%	75,613,943	93,480,692	17,866,749
TOTAL OTHER INVESTMENTS	0.5%	\$ 20,870,088	\$ 21,078,394	\$ 208,307
AMRESO	0.3%	13,628,466	14,675,291	1,046,826
FINANCE AUTHORITY OF MAINE	0.1%	5,437,392	5,437,392	-
FIRST RESERVE ENERGY ADVISORS	0.0%	1,804,230	965,711	(838,519)



INVESTMENT PERFORMANCE

June 30, 1996

	<u>ONE YEAR</u>	<u>TWO YEARS</u>	<u>THREE YEARS</u>	<u>FOUR YEARS</u>	<u>FIVE YEARS</u>	<u>TEN YEARS</u>
TOTAL ASSETS	16.6	17.1	12.2	13.0	13.0	10.5
TOTAL CASH	9.3	4.5	2.4	0.7	(8.6)	(6.2)
TOTAL DOMESTIC EQUITY	25.2	24.7	17.2	17.6	17.1	13.0
ALLIANCE CAPITAL - EQUITY	23.9	24.5	16.9	17.4	16.0	13.7
ARK ASSET MANAGEMENT	29.1	25.2	19.6	20.2	18.7	0
BANKERS TRUST - SMALL CAP EQUITY	48.8	43.7	0	0	0	0
COLUMBUS CIRCLE	20.4	23.2	15.3	16.2	17.1	0
CRAMER, ROSENTHAL, & MCGLYNN	24.8	23.0	0	0	0	0
GOUWS CAPITAL MANAGEMENT	18.3	19.4	16.0	17.4	16.8	14.9
MORGAN GUARANTY - MULTIMARKET I	13.1	13.1	9.3	13.6	0	0
MORGAN GUARANTY - MULTIMARKET II	23.3	16.9	0	0	0	0
PANAGORA EQUITY CORE	25.3	24.9	16.6	16.5	15.9	13.1
PANAGORA VALUE INDEX	24.7	23.2	16.2	0	0	0
PEREGRINE ASSET MANAGEMENT	28.6	28.7	21.0	24.9	24.6	0
TOTAL DOMESTIC FIXED INCOME	5.3	8.8	5.5	7.2	8.7	8.7
ALLIANCE CAPITAL - FIXED	6.4	9.3	5.4	7.7	9.4	8.8
MORGAN GUARANTY - INTERNATIONAL	12.2	10.0	0	0	0	0
MORGAN GUARANTY - MORTGAGES	5.4	9.1	6.0	7.7	9.1	10.2
MORGAN GUARANTY - PRIVATE PLACEMENT	7.1	10.6	7.0	8.8	10.1	9.6
PANAGORA FIXED INCOME CORE	4.9	8.6	5.3	6.9	8.2	0
TOTAL INTERNATIONAL EQUITY	16.5	9.9	11.5	12.6	9.9	0
BANKERS TRUST - INTERNATIONAL EAFE	13.6	7.6	10.6	13.0	10.2	0
MARTIN CURRIE	22.0	0	0	0	0	0
ROWE PRICE FLEMING	15.4	0	0	0	0	0
WALTER SCOTT AND PARTNERS	15.5	10.2	12.8	11.8	0	0
TOTAL OTHER INVESTMENTS	10.2	13.6	15.9	10.6	8.3	4.4
AMRESKO	15.4	16.2	17.8	6.1	4.9	0
FIRST RESERVE ENERGY ADVISORS	(38.4)	(16.0)	10.5	10.0	10.6	5.5



SYSTEM HOLDINGS June 30, 1996

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CASH			
UNITED STATES DOLLARS	\$ 34,406,054	\$ 34,406,054	\$ 0
DOMESTIC EQUITY			
ALLIANCE CAPITAL			
AIRTOUCH COMMUNICATIONS INC COM	\$ 3,114,161	\$ 3,107,500	(\$6,661)
ALLIED SIGNAL INC COM	1,270,507	1,713,750	443,243
ALTERA CORP COM	1,508,845	1,178,000	(330,845)
AMER INTL GROUP INC COM	1,691,143	4,092,938	2,401,794
AMGEN INC COM	2,775,260	3,380,400	605,140
APPLIED MATERIALS INC COM	3,497,607	2,470,500	(1,027,107)
AT & T CORP COM STK	5,716,261	6,076,000	359,739
AUTOZONE INC COM	1,442,050	1,980,750	538,700
BAXTER INTL INC COM	793,584	850,500	56,916
BSTN SCIENTIFIC CORP COM	878,277	855,000	(23,277)
CHASE MANHATTAN CORP NEW COM	2,348,086	2,597,588	249,502
CISCO SYS INC COM	1,434,086	4,020,375	2,586,289
COLGATE-PALMOLIVE CO COM	3,061,571	4,237,500	1,175,929
COLUMBIA/HCA HEALTHCARE CORP COM	1,927,952	2,305,875	377,923
COMPAQ COMPUTER CORP COM	4,000,577	4,470,375	469,798
COX COMMUNICATIONS INC NEW CL A	2,190,784	2,400,375	209,591
CROWN CORK & SEAL CO INC COM	1,034,098	990,000	(44,098)
DEAN WITTER CORP	1,758,870	1,999,375	240,505
ELECTR DATA SYS CORP NEW COM	2,212,817	2,687,500	474,683
F.N.M.A. COM	1,662,577	2,847,500	1,184,923
FEDT DEPT STORES INC DEL COM	915,270	921,375	6,105
FIRST DATA CORP COM	2,521,970	3,030,500	508,530
GEN RE CORP COM	2,552,044	2,588,250	36,206
GENERAL ELECTRIC CO COM STK \$2.50 PAR	2,776,936	6,072,500	3,295,564
GILLETTE CO COM	2,731,043	4,678,125	1,947,082
HEWLETT-PACKARD CO COM	1,983,475	1,992,500	9,025
HOME DEPOT INC COM	3,147,674	4,212,000	1,064,326
INFORMIX CORP COM	1,753,925	1,462,500	(291,425)
INTEL CORP CAP	2,646,628	6,535,893	3,889,265
ITT CORP NEW COM	1,471,687	1,987,500	515,813
LA QUINTA INNS INC COM	1,247,315	1,370,150	122,835
LAM RESCH CORP COM	1,010,096	533,000	(477,096)
MBNA CORP COM	1,446,463	2,080,500	634,037
MCDONALDS CORP COM	3,411,940	4,441,250	1,029,310
MERCK & CO INC COM	4,330,354	5,945,500	1,615,146
MERRILL LYNCH & CO INC COM	3,941,563	4,558,750	617,187
MONSANTO CO COM	1,031,357	1,056,250	24,894
MORTON INTL INC	1,329,620	1,676,250	346,630
NABISCO HLDGS CORP CL A COM	907,041	951,588	44,547
NAC RE CORP COM	2,333,714	2,445,500	111,786
ORACLE CORP COM	3,051,823	6,211,328	3,159,504
PEPSICO INC COM	4,348,301	7,100,000	2,751,699
PFIZER INC COM	2,259,530	3,640,125	1,380,595
PHILIP MORRIS COMPANIES INC COM	4,686,147	7,800,000	3,113,853
SCHERING-PLOUGH CORP COM	1,882,256	2,761,000	878,744
SCIENTIFIC-ATLANTA INC COM	817,024	620,000	(197,024)
SOLECTRON CORP COM	2,059,411	1,893,750	(165,661)
TELE COMMUNICATIONS INC	2,536,393	2,509,550	(26,843)
TELE COMMUNICATIONS INC	2,595,625	2,392,500	(203,125)
THREE COM CORP COMMON STOCK	1,809,668	1,692,750	(116,918)



SYSTEM HOLDINGS
June 30, 1996
 (continued)

	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
TRAVELERS GROUP INC COM	\$ 2,684,733	\$ 6,159,375	\$ 3,474,642
UNITED HEALTH CARE CORP COM	3,190,671	4,040,000	849,329
UNITED STATES DOLLARS	(1,272,275)	(1,272,275)	0
UNITED STATES DOLLARS	1,561,781	1,561,781	0
UNITED STATES DOLLARS	5,838,529	5,838,529	0
UST INC COM	1,423,067	1,712,500	289,433
WALT DISNEY CO	2,816,906	4,401,250	1,584,344
TOTAL	\$ 130,098,815	\$ 171,863,843	\$ 41,765,028
ARK ASSET MANAGEMENT			
1ST CHGO NBD CORP COM	\$ 3,620,126	\$ 3,466,475	(\$ 153,651)
360 COMMUNICATIONS CO	565,320	725,592	160,272
ADR BRIT PETRO PLC	4,643,090	5,151,375	508,285
AETNA LIFE & CAS	3,236,411	3,296,150	59,739
AIR PROD & CHEM INC COM	1,549,576	1,676,888	127,312
ALLIED SIGNAL INC COM	3,007,016	4,570,000	1,562,984
ALLSTATE CORP COM	6,146,063	7,610,250	1,464,187
AMER EXPRESS CO COM	1,712,392	2,124,150	411,758
AMER INTL GROUP INC COM	2,187,800	2,643,150	455,350
AMERADA HESS CORP COM	2,787,607	3,126,338	338,731
AMP INC COM	3,061,982	2,949,188	(112,794)
ARCHER-DANIELS-MIDLAND CO COM	1,109,921	1,301,934	192,013
AT & T CORP COM STK	8,671,245	9,021,000	349,755
ATLC RICHFIELD CO COM	3,683,358	3,996,850	313,492
BRISTOL MYERS SQUIBB CO COM	5,611,949	6,849,000	1,237,051
BURL RES INC COM	1,461,379	1,659,800	198,421
CHAMPION INTL CORP COM	2,777,364	2,550,925	(226,439)
CHASE MANHATTAN CORP NEW COM	2,376,749	3,199,313	822,564
CHUBB CORP COM	3,983,043	4,374,038	390,995
COLUMBIA/HCA HEALTHCARE CORP COM	4,267,151	4,885,238	618,086
CPC INTL INC COM	2,619,661	2,736,000	116,339
CSX CORP COM	1,894,069	2,224,325	330,256
DEAN WITTER CORP	4,105,784	5,121,999	1,016,215
DEERE & CO COM	532,995	836,000	303,005
DIGITAL EQUIP CORP COM	4,439,599	4,205,650	(233,949)
DILLARDS DEPT STORES INC	1,520,108	1,770,250	250,142
DRESSER IND INC COM	733,758	1,000,050	266,292
DU PONT E IDE NEMOURS & CO COM	2,893,835	3,892,950	999,115
DUN & BRADSTREET CORP COM	2,555,577	2,712,500	156,923
EASTMAN CHEM CO COM	1,211,657	1,205,325	(6,332)
EASTMAN KODAK CO COM	921,349	1,142,925	221,576
EXXON CORP COM	2,854,528	2,962,438	107,910
FEDT DEPT STORES INC DEL COM	1,409,488	2,027,025	617,537
GEN DYNAMICS CORP COM	1,020,780	1,382,600	361,820
GEN RE CORP COM	3,814,333	4,049,850	235,517
GENERAL ELECTRIC CO	937,658	1,899,825	962,167
GENERAL MOTORS CORP	2,592,504	2,980,138	387,634
GOODYEAR TIRE & RUBBER CO COM	871,148	1,046,400	175,252
GTE CORP COM	2,278,070	2,367,275	89,205
HUMANA INC COM	2,857,374	2,320,175	(537,199)
INTL BUSINESS MACH CORP CAP	9,272,412	9,523,800	251,388
INTL PAPER CO COM	1,247,081	1,194,750	(52,331)
KIMBERLY-CLARK CORP COM	2,918,363	3,391,275	472,912
LOEWS CORP COM	2,140,513	2,492,450	351,937



SYSTEM HOLDINGS
June 30, 1996
(continued)

	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
LTV CORP NEW COM	\$ 1,148,073	\$ 842,888	(\$ 305,185)
MASCO CORP COM	2,312,345	2,677,125	364,780
MAY DEPT STORES CO COM	1,734,352	2,323,125	588,773
MCI COMMUNICATIONS CORP COM	1,898,075	2,062,813	164,738
MOBIL CORP COM	3,451,643	3,449,913	(1,730)
NATIONS BANK CORP COM	996,820	1,503,775	506,955
NEWMONT MNG CORP COM	2,118,650	2,444,063	325,412
NYNEX CORP COM	105,651	109,250	3,600
OCCIDENTAL PETRO CORP COM	3,170,807	3,947,625	776,818
ORYX ENERGY CO COM	452,519	390,000	(62,519)
PAC GAS & ELEC	0	0	0
PANENERGY CORP	1,812,681	2,889,713	1,077,032
PENNEY J C CO INC COM	1,421,786	1,711,500	289,714
PHARMACIA & UPJOHN INC COM	1,136,896	1,340,125	203,229
PPG IND INC COM	1,872,935	2,481,375	608,440
ROCKWELL INTL CORP	3,073,074	3,775,275	702,201
RYDER SYS INC COM	1,172,104	1,496,250	324,146
SBC COMMUNICATIONS INC COM	3,935,100	3,944,925	9,825
SPRINT CORP COM	3,750,474	5,229,000	1,478,526
TELE COMMUNICATIONS INC	4,607,091	4,650,875	43,784
TENET HEALTHCARE CORP COM	864,449	1,233,338	368,889
TEX INSTR INC COM	1,925,761	2,024,925	99,164
TIME WARNER INC COM	4,295,115	4,470,575	175,460
U S W INC COM-MEDIA GROUP	3,095,365	2,757,575	(337,790)
UN PAC CORP COM	1,585,459	1,991,438	405,978
UN PAC RES GROUP INC COM	889,865	1,123,500	233,635
UNITED STATES DOLLARS	(2,491,896)	(2,491,896)	0
UNITED STATES DOLLARS	2,550,203	2,550,203	0
UNITED STATES DOLLARS	13,081,982	13,081,982	0
UNOCAL CORP COM	1,188,443	1,482,863	294,420
UNUM CORP COM	2,220,084	3,149,850	929,766
USX - MARATHON GROUP	2,291,340	2,370,725	79,385
WMX TECH INC	2,853,926	3,356,875	502,949
XEROX CORP COM	4,988,104	6,222,050	1,233,946
TOTAL	\$ 203,611,454	\$ 230,257,239	\$ 26,645,786
BANKERS TRUST SMALL CAP			
BANKERS TR PYRAMID	\$ 3,485	\$ 3,485	\$ 0
BANKERS TR SMALL CAP FD	50,000,000	97,671,791	47,671,791
UNITED STATES DOLLARS	(16)	(16)	0
TOTAL	\$ 50,003,469	\$ 97,675,260	\$ 47,671,791
COLUMBUS CIRCLE			
ADAPTEC INC COM	\$ 3,149,191	\$ 2,960,938	(\$ 188,253)
ADR ERICSSON L M TEL CO CL B	4,518,215	4,972,950	454,735
AETNA LIFE & CAS	3,901,539	3,746,600	(154,939)
ALLSTATE CORP COM	4,278,300	4,589,875	311,575
AMER HOME PROD CORP COM	5,191,376	5,627,700	436,324
AMERADA HESS CORP COM	2,953,189	3,008,363	55,173
ASSOC IST CAP CORP CL A COM	2,957,982	3,209,175	251,193
ATMEL CORP COM	2,652,946	2,295,525	(357,421)
AUTOZONE INC COM	2,301,703	2,272,650	(29,053)
BOEING CO CAP	6,929,299	7,719,275	789,976



SYSTEM HOLDINGS

June 30, 1996

(continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
CAMPBELL SOUP CO COM	\$ 1,863,605	\$ 1,981,050	\$ 117,445
CARDINAL HLTH INC	3,247,497	3,736,075	488,578
CHASE MANHATTAN CORP	4,552,853	5,593,500	1,040,647
CISCO SYS INC COM	3,295,236	6,715,725	3,420,489
COLUMBIA/HCA HEALTHCARE	5,151,575	6,327,750	1,176,175
COMPUTER ASSOC INTL INC COM	3,672,044	5,246,900	1,574,856
CUC INTL INC COM	1,301,134	2,447,725	1,146,591
DAYTON-HUDSON CORP COM	2,820,938	3,135,000	314,062
DELTA AIR LINES INC COM	4,941,348	4,930,200	(11,148)
FEDT DEPT STORES INC DEL COM	2,798,429	3,450,038	651,608
FIRST DATA CORP COM	2,274,798	4,538,652	2,263,855
FLEET FINCL GROUP INC COM	2,332,824	2,401,200	68,376
GEN MTR CORP CL H COM	3,316,942	3,264,788	(52,155)
GEORGIA-PACIFIC CORP COM	3,362,241	3,116,900	(245,341)
GREENTREE FNCL CORP COM	4,868,437	4,668,750	(199,687)
HEWLETT-PACKARD CO COM	4,303,459	4,413,388	109,929
HILTON HOTELS CORP COM	2,500,603	2,387,650	(112,953)
HLTH MGMT ASSOC INC	1,016,177	2,167,635	1,151,459
HOME DEPOT INC COM	2,663,936	3,018,600	354,664
HONEYWELL INC COM	3,377,692	3,335,400	(42,292)
INTEL CORP CAP	6,192,063	6,403,706	211,643
JOHNSON & JOHNSON COM	4,863,677	7,910,100	3,046,423
KIMBERLY-CLARK CORP COM	2,971,952	3,453,075	481,123
LIZ CLAIBORNE INC COM	2,446,356	3,628,700	1,182,344
LOCKHEED MARTIN CORP COM	1,922,675	1,982,400	59,725
LUCENT TECHNOLOGIES INC COM	3,356,992	3,939,000	582,009
MCI COMMUNICATIONS CORP COM	5,360,388	5,317,188	(43,200)
MERRILL LYNCH & CO INC COM	2,223,192	2,207,738	(15,454)
MICROSOFT CORP COM	6,016,098	8,697,050	2,680,952
MIRAGE RESORTS INC COM	3,554,681	3,884,100	329,419
MOTOROLA INC COM	4,020,433	4,336,025	315,592
NIKE INC CL B COM	2,458,170	3,596,250	1,138,080
OXFORD HLTH PLANS INC COM	2,339,111	1,945,213	(393,899)
PEPSICO INC COM	4,184,011	7,092,900	2,908,889
QUALCOMM INC COM	1,864,226	2,565,938	701,712
S W AIRL CO COM	3,995,781	3,943,525	(52,256)
SAFEWAY INC COM NEW	1,425,178	3,672,900	2,247,722
SCHLUMBERGER LTD COM	6,048,852	6,369,300	320,448
SERVICE CORP INTL COM	1,937,933	2,104,500	166,567
TELE COMMUNICATIONS INC	2,263,651	2,423,425	159,774
U S ROBOTICS CORP	1,857,328	3,394,350	1,537,022
UNITED STATES DOLLARS	(3,949,353)	(3,949,353)	0
UNITED STATES DOLLARS	2,035,509	2,035,509	0
UNITED STATES DOLLARS	6,271,906	6,271,906	0
VIACOM COM CL B	2,282,820	2,219,763	(63,057)
WORLD COM INC GA COM	3,213,873	4,180,813	966,940
TOTAL	\$ 183,653,010	\$ 216,905,993	\$ 33,252,983
CRAMER ROSENTHAL MCGLYNN			
1ST FNCL FD INC COM	\$ 1,150,529	\$ 1,077,638	(\$ 72,891)
AMBASSADOR APT INC COM	359,862	398,250	38,388
ARMSTRONG WORLD IND I	742,665	852,850	110,185
BROOKLYN UN GAS CO COM	1,178,428	1,182,650	4,222
CENT GARDEN & PET CO COM	332,325	831,600	499,275
COASTAL CORP COM	2,339,151	2,417,325	78,174



SYSTEM HOLDINGS **June 30, 1996** **(continued)**

	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
DIAL CORP	\$ 2,815,801	\$ 2,653,538	(\$ 162,263)
EGGHEAD INC COM	1,005,465	1,408,425	402,960
ELSAG BAILEY PROC AUTOMA	1,777,046	2,134,650	357,604
FEDT DEPT STORES INC	2,372,782	2,934,750	561,968
FLORES & RUCKS INC	901,813	2,986,875	2,085,063
FOREST OIL CORP COM NEW	1,160,500	1,437,438	276,938
FURNITURE BRANDS INTL INC	1,077,534	1,366,200	288,666
GLENDALE FED BK	1,108,718	1,801,625	692,907
HARNISCHFEGER IND INC COM	1,281,235	1,995,000	713,765
HOUGHTON MIFFLIN CO COM	1,267,725	1,492,500	224,775
MALLINCKRODT GROUP INC	1,805,407	2,320,838	515,430
MASCO TECH INC COM	2,148,889	2,346,725	197,836
MEYER FRED INC DEL COM	2,778,227	2,276,563	(501,665)
MFC HANCOCK JOHN BK	1,975,838	2,083,200	107,362
NATL SERVICE IND INC COM	2,731,361	3,000,888	269,527
PAC ENTERPRISES COM	798,411	873,938	75,527
PENN TRAFFIC CO COM	1,935,304	425,850	(1,509,454)
PREMARK INTL INC COM	1,793,090	2,236,650	443,560
PWR CTL TECHNOLOGIES INC	1,371,529	1,419,850	48,321
RAYCHEM CORP COM	2,106,168	3,450,000	1,343,832
REYNOLDS & REYNOLDS CO	2,026,250	2,976,675	950,425
SCHULLER CORP	1,116,417	1,159,925	43,508
STERLING SOFTWARE INC COM	1,160,225	1,901,900	741,675
TRW INC COM	1,900,566	2,228,900	328,334
TUPPERWARE CORP COM	3,224,856	3,464,500	239,644
UCAR INTL INC COM	2,057,128	2,888,775	831,647
UGI CORP COM NEW	1,773,476	2,013,625	240,149
UNITED STATES DOLLARS	350,861	350,861	0
UNITED STATES DOLLARS	3,493,304	3,493,304	0
VARIETY CORP COM	1,883,092	2,464,000	580,908
WALTER INDS INC COM	1,430,989	1,476,063	45,074
WELLPOINT HLTH NETWORKS INC	141,499	114,594	(26,905)
WELLPOINT HLTH NETWORKS INC	518,325	471,875	(46,450)
WELLPOINT HLTH NETWORKS INC	2,426,815	1,469,469	(957,346)
WESTINGHOUSE ELEC CORP	2,616,516	3,442,800	826,284
TOTAL	\$ 66,436,121	\$ 77,323,077	\$ 10,886,956
GOUWS CAPITAL MANAGEMENT			
ADR HANSON PLC NEW	\$ 2,872,954	\$ 2,269,920	(\$ 603,034)
ALEXANDER & ALEXANDER INC	906,900	790,000	(116,900)
AMER ELEC PWR CO INC COM	2,131,588	2,557,500	425,912
AMER FINL GROUP INC COM	1,142,728	1,355,625	212,897
AMOCO CORP COM	1,348,392	1,803,125	454,733
ANGELICA CORP COM	2,305,270	2,362,500	57,230
ARMCO INC COM	1,080,827	500,000	(580,827)
ATLC RICHFIELD CO COM	2,667,075	2,956,250	289,175
AVNET INC COM	426,850	421,250	(5,600)
BASSETT FURNITURE IND INC COM	1,112,450	1,337,500	225,050
BETZ DEABORN INC COM	2,394,950	2,413,125	18,175
BOWATER INC COM	356,946	376,250	19,304
BROWN GROUP INC COM	1,503,493	1,042,500	(460,993)
BROWNING-FERRIS IND INC COM	2,735,917	2,755,000	19,083
BRUNSWICK CORP COM	403,540	400,000	(3,540)
CABOT OIL & GAS CORP CL A	1,069,016	1,250,125	181,109



SYSTEM HOLDINGS

June 30, 1996

(continued)

	COST	MARKETVALUE	UNREALIZED GAIN/LOSS
CALGON CARBON CORP COM	\$ 1,789,141	\$ 2,092,500	\$ 303,359
CALIBER SYS INC COM	2,262,975	2,040,000	(222,975)
CONS NAT GAS CO COM	1,665,785	2,090,000	424,215
COOPER IND INC COM	2,638,908	2,905,000	266,092
CORNING INC COM	864,112	1,178,113	314,001
CROSS A T CO CL A COM	830,216	1,065,000	234,784
CYPRUS AMAX MIN CO COM STK	2,924,044	2,745,000	(179,044)
DELUXE CORP COM	2,301,792	2,485,000	183,208
DEXTER CORP COM	2,813,433	3,718,750	905,317
DIGITAL EQUIP CORP COM	783,075	676,875	(106,200)
DILLARDS DEPT STORES INC	1,470,830	1,825,000	354,170
DRESSER IND INC COM	204,620	295,000	90,380
DUN & BRADSTREET CORP COM	2,544,550	2,812,500	267,950
EASTN ENTERPRISES COM	1,098,947	1,459,675	360,728
EVANS BOB FARM INC COM	1,233,725	1,360,000	126,275
FEDERAL-MOGUL CORP COM	2,327,475	2,388,750	61,275
FERRO CORP COM	2,155,676	2,385,000	229,324
FORD MTR CO DEL COM	1,316,938	1,618,750	301,813
GEN RE CORP COM	1,549,895	1,674,750	124,855
GENUINE PT CO COM	978,542	1,372,500	393,958
GERBER SCIENTIFIC INC COM	1,062,151	1,088,438	26,287
GLATFELTER P H CO COM	2,398,017	2,520,000	121,983
GOODYEAR TIRE & RUBBER CO	1,800,954	2,400,000	599,046
GTE CORP COM	1,568,000	2,237,500	669,500
HARTFORD STM BLR INSPCTN & INS	2,635,759	2,908,200	272,441
HECLA MINING CO COM	1,011,363	560,000	(451,363)
HELMERICH & PAYNE INC COM	791,368	1,098,750	307,382
HOMESTAKE MNG CO CAP	1,897,867	2,311,875	414,008
INTL BUSINESS MACH CORP	2,143,185	1,980,000	(163,185)
INTL MULTIFOODS CORP COM	2,449,080	2,190,000	(259,080)
JAMES RIV CORP VA COM	460,258	527,500	67,242
JOSTENS INC COM	2,653,190	2,437,150	(216,040)
KAMAN CORP CL A COM	1,189,965	1,113,750	(76,215)
LAWTER INTL INC COM	1,944,364	2,125,000	180,636
LONG DRUG STORES CORP COM	1,858,513	2,454,375	595,862
LONGVIEW FIBRE CO COM	1,471,400	1,530,000	58,600
MELVILLE CORP COM	3,055,630	3,240,000	184,370
MFC DUFF & PHELPS UTILS	1,293,071	1,312,500	19,429
MINN MNG & MFG CO COM	2,766,679	3,450,000	683,321
MOORE CORP LTD	2,066,471	1,981,875	(84,596)
NALCO CHEM CO COM	2,203,755	2,205,000	1,245
NASHUA CORP COM	2,255,080	1,278,825	(976,255)
NATL FUEL GAS CO COM	2,225,300	2,995,200	769,900
NYNEX CORP COM	461,950	475,000	13,050
OSHKOSH B GOSH INC CL A COM	750,359	900,000	149,641
PARKER-HANNIFIN CORP COM	1,527,563	1,906,875	379,313
PENNEY J C CO INC COM	2,198,070	2,625,000	426,930
PHILLIPS-VAN HEUSEN CORP COM	2,946,656	2,422,500	(524,156)
PROVIDIAN CORP COM	761,573	1,084,738	323,165
QUAKER ST CORP CAP	1,539,302	1,725,000	185,698
QUESTAR CORP COM	2,459,445	2,890,000	430,555
RJR NABISCO HLDGS CORP	2,062,638	2,381,250	318,612
ROADWAY EXPRESS INC	721,250	706,250	(15,000)
S JERSEY IND INC COM	665,767	789,353	123,586
S WESTN PUB SERVICE CO COM	1,614,346	1,957,500	343,154
SAFECO CORP COM	349,750	353,750	4,000



SYSTEM HOLDINGS
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(continued)

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SAFETY-KLEEN CORP COM	\$ 2,712,522	\$ 3,150,000	\$ 437,478
SKYLINE CORP COM	368,296	537,500	169,204
SNAP-ON INC COM	301,596	426,375	124,779
STANHOME INC VTG COM	2,529,560	2,252,500	(277,060)
STD PROD CO COM	419,089	530,100	111,011
STONE & WEBSTER INC COM	616,184	836,063	219,879
STRIDE RITE CORP COM	2,106,644	1,485,000	(621,644)
SUN CO INC COM	2,667,408	2,858,531	191,123
TEXACO INC COM	933,581	1,258,125	324,544
U S W INC COM-MEDIA GROUP	476,548	547,500	70,952
UNITED STATES DOLLARS	(2,928,890)	(2,928,890)	0
UNITED STATES DOLLARS	11,177,872	11,177,872	0
U S W COMMUNICATIONS GROUP	1,731,187	2,240,000	508,813
USF & G CORP COM	493,575	243,750	(249,825)
USX - MARATHON GROUP COM	2,645,503	2,415,000	(230,503)
WEINGARTEN RLTY INVESTORS	2,179,135	2,325,000	145,865
WEST CO INC COM \$.25 PAR	1,620,175	2,100,000	479,825
WEYERHAEUSER CO COM	2,152,200	2,125,000	(27,200)
ZURN IND INC COM	2,181,564	1,660,000	(521,564)
TOTAL	\$ 153,857,411	\$ 164,181,410	\$ 10,324,000
MORGAN MULTI MARKET I			
J P MORGAN MULTI MKT	\$ 32,262,166	\$ 36,845,237	\$ 4,583,071
TOTAL	\$ 32,262,166	\$ 36,845,237	\$ 4,583,071
MORGAN MULTI MARKET II			
J P MORGAN INVT MGMT MULTI MKT FD II	\$ 21,872,627	\$ 25,172,975	\$ 3,300,348
UNITED STATES DOLLARS	440	440	0
TOTAL	\$ 21,873,068	\$ 25,173,416	\$ 3,300,348
PANAGORA EQUITY CORE			
PANAGORA U S EQTY GRP TRST FD	\$ 336,686,762	\$ 983,659,439	\$ 646,972,677
TOTAL	\$ 336,686,762	\$ 983,659,439	\$ 646,972,677
PANAGORA VALUE INDEX			
PANAGORA LARG CAP VALUE	\$ 61,003,358	\$ 108,758,328	\$ 47,754,970
TOTAL	\$ 61,003,358	\$ 108,758,328	\$ 47,754,970
PEREGRINE			
ADAPTEC INC COM	\$ 1,772,964	\$ 2,719,325	\$ 946,361
ADR ELAN PLC	1,425,532	2,421,332	995,800
ADR PORTUGAL TELECOM	1,877,463	2,155,125	277,662
ADR TEVA PHARMACEUTICAL INDS LTD	967,477	1,325,625	358,148
ADVANCED THERAPEUTIC SYS COM	99,034	150,633	51,600
AETRIUM INC COM	1,947,378	1,962,000	14,622
AK AIR GROUP INC COM	1,875,712	2,502,075	626,363
ALBERMARLE CORP COM	2,638,658	2,553,175	(85,483)



SYSTEM HOLDINGS
June 30, 1996
 (continued)

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
AMERIN CORP COM	\$ 1,806,646	\$ 2,404,825	\$ 598,179
ANIXTER INTL INC COM	1,051,837	853,825	(198,012)
APPLE S INC COM	1,525,533	2,233,625	708,092
BARRETT RES CORP COM	1,787,559	1,954,575	167,016
BMC SOFTWARE INC COM	546,901	1,021,725	474,824
BORDERS GROUP INC COM	1,425,843	2,886,375	1,460,532
BOX ENERGY CORP NON VTG CL B	494,909	433,438	(61,471)
CAL FED BANCORP INC	3,337,366	3,586,125	248,759
CASE CORP COM	846,277	1,771,200	924,923
CENT EUROPEAN MEDIA ENTERPRISES	1,948,040	2,140,000	191,960
CENTENNIAL CELLULAR CORP CL A COM	2,025,270	2,101,528	76,258
CERION TECHNOLOGIES INC COM	1,770,796	1,130,025	(640,771)
CIBER INC COM	333,900	638,000	304,100
CNS INC COM	1,563,211	1,884,225	321,014
COGNEX CORP COM	2,425,338	2,113,988	(311,351)
COML FED CORP COM	769,080	1,476,450	707,370
COMPUTERVISION CORP COM NEW	2,545,279	2,119,000	(426,279)
COMSHARE INC COM	2,054,667	2,994,600	939,933
CONS STORES CORP COM	1,698,648	3,002,475	1,303,827
DIME BANCORP INC NEW COM	3,504,032	4,183,025	678,993
EIS INTL INC COM	1,385,327	1,514,700	129,373
ELTRON INTL INC COM STK	1,577,183	1,746,725	169,542
ENDOSONICS CORP COM	2,374,512	2,958,313	583,801
EVEREST REINS HLDGS INC COM STK	2,082,704	2,993,738	911,034
FRESENIUS USA INC COM	651,981	1,655,500	1,003,519
GENESIS HLTH VENTURES INC COM	1,080,706	1,902,894	822,188
GENZYME CORP COM	2,433,561	2,477,325	43,764
GIBRALTAR STL CORP COM	2,023,200	2,276,100	252,900
GIDDINGS & LEWIS INC WIS COM	3,040,800	2,650,375	(390,425)
GILEAD SCI INC COM	1,989,327	1,881,125	(108,202)
GLENDALE FED BK	1,122,626	1,839,688	717,062
GTECH HLDG CORP COM	2,633,616	2,704,763	71,146
HEARTPORT INC COM	2,436,355	2,014,650	(421,705)
HMT TECH CORP COM STK	1,013,568	1,466,325	452,757
IMC MORTGAGE CO COM	2,111,699	2,551,500	439,801
INTERNEURON PHARMACEUTICALS INC	2,925,085	2,331,000	(594,085)
INTERPOOL INC COM	732,392	901,550	169,158
KOMAG INC COM	1,955,046	2,619,038	663,992
LEAR CORP COM STK PAR \$0.01	2,338,574	2,760,075	421,501
LEXMARK INTL GROUP INC	1,665,815	1,654,275	(11,540)
LOMAK PETE INC COM	1,493,000	2,594,925	1,101,925
MARINER HLTH GROUP INC COM	2,715,207	2,566,988	(148,219)
MARTEK BIOSCIENCES CORP COM	2,299,538	2,015,325	(284,213)
MENTOR CORP COM	1,827,000	1,836,000	9,000
MICROCHIP TECH INC COM	1,433,272	1,571,625	138,353
MUT RISK MGMT LTD COM	940,492	1,383,333	442,841
NOBLE DRILLING CORP COM	2,094,300	2,235,263	140,963
OAKWOOD HOMES CORP COM	1,553,632	2,095,500	541,868
OLYMPIC FINL LTD CORP	2,293,437	2,647,300	353,863
ORNDA HEALTHCORP COM	2,655,992	3,343,200	687,208
PARKER & PARSELEY PETE CO	2,267,187	2,644,575	377,388
PETSMART INC COM	1,267,159	2,757,563	1,490,404
PHILLIP ENVIRNMNTL INC	2,197,749	2,160,900	(36,849)
PMI GROUP INC COM	2,861,321	3,089,750	228,429
RAYONIER INC COM	3,371,762	3,674,600	302,838
READING & BATES CORP COM NEW	1,535,465	2,380,650	845,185
SANGSTAT MED CORP COM	1,525,929	1,778,200	252,271



SYSTEM HOLDINGS

June 30, 1996

(continued)

	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SCANDINAVIAN BROADCASTING SYS	\$ 1,309,000	\$ 1,335,250	\$ 26,250
SILICON VAL GROUP INC COM	1,148,432	862,500	(285,932)
SOFTKEY INTL INC COM	1,741,933	1,424,062	(317,870)
SONAT OFFSHORE DRILLING INC COM	2,759,599	3,782,450	1,022,851
STERIS CORP COM	1,526,909	1,345,408	(181,501)
SUN INTL HOTELS LTD COM	1,999,638	2,662,650	663,012
TITANIUM METALS CORP COM	2,042,400	2,297,700	255,300
TRACOR INC NEW COM	1,339,580	1,940,625	601,045
TRANS WORLD AIRL INC	1,044,446	1,311,000	266,554
TRIGEN ENERGY CORP COM	1,320,675	1,313,700	(6,975)
UNITED STATES DOLLARS	(6,581,943)	(6,581,943)	0
UNITED STATES DOLLARS	4,553,822	4,553,822	0
UNITED STATES DOLLARS	5,163,849	5,163,849	0
USA WASTE SVCS INC COM	2,291,722	3,895,688	1,603,966
VANGUARD CELLULAR SYS INC	1,381,190	1,794,375	413,185
VARCO INTL INC CAP	2,996,310	3,244,375	248,065
VESTA INS GROUP INC COM	915,436	1,488,525	573,089
WARNACO GROUP INC CL A COM	2,058,537	2,284,025	225,488
YORK INTL CORP NEW COM	1,666,725	2,002,725	336,000
ZILOG INC COM STK	792,642	537,600	(255,042)
TOTAL	\$ 149,442,767	\$ 177,052,056	\$ 27,609,289

FIXED INCOME

ALLIANCE CAPITAL

CORPORACION ANDINA DE FOMENTO	\$ 3,997,360	\$ 3,841,560	(\$ 155,800)
FNMA POOL #250554 6.5 GTD MTG	10,174,813	10,101,299	(73,513)
FNMA POOL #303890 7.0 GTD MTG	11,542,028	11,370,609	(171,419)
GNMA POOL # 417223	4,868,992	4,855,881	(13,111)
HANCOCK JOHN SER 144A 7.375	4,092,750	4,174,785	82,035
POLAND REP PDI B EURO CLEAR	333,875	37,938	(295,938)
PVTPL ST GEORGE BK LTD 7.15	3,987,840	3,868,640	(119,200)
QUE PROV CDA 7.125 BD DUE 02-09-2024	4,023,315	4,111,965	88,650
REPUBLIC POLAND STEP UP	4,476,109	4,540,594	64,484
TIME WARNER 9.15 BD DUE 2-1-23 REG	4,136,460	4,135,760	(700)
U S TREAS NT 6.125 NT DUE 07-31-2000	4,675,781	4,697,323	21,541
UNITED STATES DOLLARS	10,471,453	10,471,453	0
U S TREAS 5.875 NT DUE 08-15-1998 REG	6,056,719	5,963,460	(93,259)
U S TREAS 5.875 NT DUE 3-31-1999	8,101,664	7,920,000	(181,664)
U S TREAS 6.5 NT DUE 08-15-2005 REG	8,707,912	8,427,051	(280,861)
U S TREAS 6.75 NT DUE 4-30-2000	12,615,458	12,428,781	(186,677)
U S TREAS SER B 5.75 DUE 8-15-2003 REG	5,023,041	5,004,547	(18,494)
U S TREAS SER B-2002 6.375 NT	3,426,250	3,472,105	45,855
U S TREAS SER C-2004 7.25 NT	6,932,365	6,473,625	(458,740)
TOTAL	\$ 117,644,186	\$ 115,897,375	(\$ 1,746,811)

MORGAN GUARANTY - INTERNATIONAL BOND

J P MORGAN INTL BD FD	\$ 12,188,427	\$ 11,727,097	(\$ 461,329)
UNITED STATES DOLLARS	5,675,045	5,675,045	0
TOTAL	\$ 17,863,471	\$ 17,402,142	(\$ 461,329)



SYSTEM HOLDINGS
June 30, 1996
 (continued)

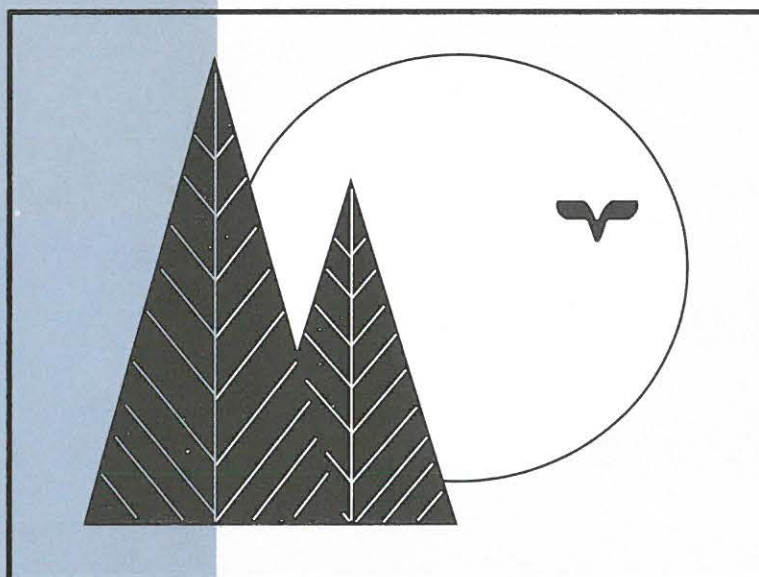
	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
MORGAN GUARANTY - MORTGAGES			
J P MORGAN MGT LIQUIDITY FD	\$ 5,000	\$ 5,000	\$ 0
MGT FIXED INCOME-MORTGAGE	215,010,778	240,292,054	25,281,276
UNITED STATES DOLLARS	(5,674,665)	(5,674,665)	0
UNITED STATES DOLLARS	(380)	(380)	0
UNITED STATES DOLLARS	498	498	0
TOTAL	\$ 209,341,231	\$ 234,622,507	\$ 25,281,276
MORGAN GUARANTY - PRIVATE PLACEMENTS			
J P MORGAN MGT FXD INCOME - CORP PVT	\$ 77,593,734	\$ 85,258,608	\$,664,874
TOTAL	\$ 77,593,734	\$ 85,258,608	\$ 7,664,874
PANAGORA FIXED CORE			
PANAGORA BD INDEX	\$ 849,044,299	\$ 1,085,063,107	\$ 236,018,808
UNITED STATES DOLLARS	32,276	32,276	0
TOTAL	\$ 849,076,575	\$ 1,085,095,383	\$ 236,018,808
FIXED INCOME			
BANKERSTRUST			
C F BANKERS TR INTL EQTY INDEX FD	\$ 79,984,304	\$ 119,811,062	\$ 39,826,758
TOTAL	\$ 79,984,304	\$ 119,811,062	\$ 39,826,758
MARTINCURRIE			
FOREIGN ASSETS AT TNT-LDN FOR MARTIN CURRIE	\$ 79,186,597	\$ 88,953,264	\$ 9,766,667
TOTAL	\$ 79,186,597	\$ 88,953,264	\$ 9,766,667
ROWE PRICE			
FOREIGN ASSETS AT TNT-LDN FOR ROWE PRICE	\$ 76,839,299	\$ 86,365,617	\$ 9,526,318
TOTAL	\$ 76,839,299	\$ 86,365,617	\$ 9,526,318
WALTERSCOTT			
FOREIGN ASSETS AT TNT-LDN FOR WALTER SCOTT	\$ 75,613,943	\$ 93,480,692	\$ 17,866,749
TOTAL	\$ 75,613,943	\$ 93,480,692	\$ 17,866,749
OTHER			
AMRESCO			
PCA SAN JOSE ASSOCIATES LP	\$ 13,676,904	\$ 14,723,730	\$ 1,046,826
UNITED STATES DOLLARS	(48,439)	(48,439)	0
TOTAL	\$ 13,628,466	\$ 14,675,291	\$ 1,046,826



SYSTEM HOLDINGS
June 30, 1996
(continued)

	<u>COST</u>	<u>MARKETVALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FAME			
KATINA FOODS INC 6.25% PROM NT DTD	\$ 2,323,382	\$ 2,323,382	\$ 0
SPENCER PRESS ME INC 6.5% PROM	3,024,892	3,024,892	0
UNITED STATES DOLLARS	89,118	89,118	0
TOTAL	\$ 5,437,392	\$ 5,437,392	\$ 0
FIRSTRESERVE			
ESCO BOSTON 86-1 LTD PTSHIP	\$ 1,150,194	\$ 633,372	(\$ 516,822)
FAULCONE/BOSTON 85-1 LTD PTRNS	0	156,890	156,890
RAY HOLIFELD & GARY T NANNEN	652,586	173,999	(478,587)
UNITED STATES DOLLARS	(40,997)	(40,997)	0
UNITED STATES DOLLARS	6,611	6,611	0
UNITED STATES DOLLARS	35,836	35,836	0
TOTAL	\$ 1,804,230	\$ 965,711	(\$ 838,519)

OTHER STATISTICAL AND FINANCIAL INFORMATION



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Group Life Insurance Program Statement of Operations for the Fiscal Year ending June 30, 1995 and June 30, 1996	106



STATISTICAL DATA SUMMARY FOR FISCAL YEARS 1992 TO 1996

EMPLOYEE AND EMPLOYER CONTRIBUTIONS

<u>Fiscal Year ending June 30</u>	<u>Employee*</u>	<u>Employer*</u>
1996	\$ 97,141,014	\$252,229,179
1995	101,863,132	242,627,047
1994	89,134,364	190,180,426
1993	78,481,972	232,135,989
1992	78,479,531	172,090,046

NUMBERS OF BENEFITS RECIPIENTS

<u>Fiscal Year ending June 30</u>	<u>Total</u>
1996	26,921
1995	26,310
1994	25,810
1993	25,127
1992	24,613

BENEFITS PAYMENTS

<u>Fiscal Year ending June 30</u>	<u>Benefits Payments*</u>
1996	\$ 277,030,590
1995	265,421,392
1994	234,911,910
1993	219,001,480
1992	201,825,146

**Does not include the Group Life Insurance Program. See page 106 for the Group Life Insurance Program information.*



SUMMARY OF EARNINGS

<u>Fiscal Year Ending June 30</u>	<u>Book Value of Investments</u>	<u>Net Increase in Investment Book Value</u>	<u>Earnings for the Year * (Accrual Basis)</u>
1943	\$ 576,142.97	\$ 318,000.00	\$ 1,884.35
1944	1,026,142.97	450,000.00	12,154.46
1945	1,486,142.97	460,000.00	25,560.90
1946	1,930,142.97	444,000.00	50,140.29
1947	2,489,142.97	559,000.00	52,522.09
1948	7,263,648.72	4,774,505.75	159,487.91
1949	9,038,648.72	1,775,000.00	206,934.14
1950	11,023,648.72	1,985,000.00	256,688.07
1951	12,934,768.72	1,911,120.00	317,497.98
1952	15,432,488.89	2,497,720.17	368,620.65
1953	17,823,719.34	2,391,230.45	464,578.19
1954	21,346,256.29	3,522,536.95	576,314.21
1955	24,801,155.43	3,454,899.14	713,411.34
1956	20,012,312.28	4,211,156.85	820,511.51
1957	33,137,935.09	4,125,622.81	1,014,162.82
1958	38,302,811.29	4,164,876.20	1,233,750.20
1959	44,511,070.88	6,208,259.59	1,473,324.30
1960	50,880,174.72	6,359,103.84	1,781,368.02
1961	57,633,773.71	6,753,598.99	2,145,427.31
1962	66,498,248.08	8,864,474.37	2,540,623.88
1963	75,022,765.44	8,524,517.36	2,925,300.13
1964	85,913,758.52	10,890,993.08	3,328,056.40
1965	96,930,762.57	11,017,004.05	3,870,496.12
1966	108,555,742.38	11,624,979.81	4,475,359.34
1967	120,564,775.29	12,009,032.91	5,070,389.31
1968	135,081,371.78	14,516,596.49	5,741,943.99
1969	150,501,422.09	15,420,050.31	6,103,338.79
1970	163,500,431.87	12,999,009.76	6,310,034.78
1971	175,261,654.19	11,761,222.32	6,357,344.92
1972	184,789,453.85	9,527,799.66	6,593,475.25
1973	185,867,989.22	1,078,535.37	6,651,554.76
1974	188,846,484.91	2,978,495.69	8,344,366.67
1975	188,397,103.61	(449,381.30)	9,386,916.98
1976	193,878,411.56	5,481,307.95	8,861,728.87
1977	206,401,915.73	12,523,504.17	10,751,249.86
1978	230,676,904.21	24,274,988.48	12,899,069.24
1979	247,923,507.81	17,246,603.60	16,314,180.33
1980	272,523,379.27	24,599,871.46	21,918,345.94
1981	346,806,884.82	74,283,505.55	28,628,894.51
1982	383,750,315.90	36,943,431.08	37,883,766.72
1983**	558,616,451.76	174,866,135.86	39,351,815.31
1984	608,064,138.37	49,447,686.61	38,999,433.27

*Earnings applicable to all trust fund reserves

**Includes \$105,000,000 in "New Cash" for Fiscal Year 1983



SUMMARY OF EARNINGS

(continued)

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Book Value of</u> <u>Investments*</u>	<u>Net Increase in</u> <u>Investment Book Value</u>	<u>Earnings for the</u> <u>Year ** (Accrual Basis)</u>
1985	\$ 739,717,509.89	\$ 116,892,719.22	\$ 49,530,863.11
1986	985,219,232.88	245,501,722.99	47,093,860.43
1987	1,133,419,105.21	148,199,872.33	53,417,394.28
1988	1,232,019,924.16	98,600,818.95	76,190,284.72
1989	1,493,743,313.45	261,723,389.29	124,309,924.44
1990	1,720,957,778.06	227,214,464.61	142,029,430.02
1991	1,904,213,003.29	183,255,224.23	80,859,162.94
1992	2,077,718,170.26	173,505,166.97	137,769,913.30
1993	2,307,525,376.87	229,807,206.61	142,442,506.68
1994	2,511,542,773.24	204,017,396.37	172,380,132.91
1995	2,707,546,945.00	196,004,171.00	163,082,366.00
1996	2,943,523,172.00	233,976,227.00	290,208,753.00

*Excludes the Group Life Insurance Program. See page 106 for the Group Life Insurance Program information.

**Earnings applicable to all trust fund reserves



**GROUP LIFE INSURANCE PROGRAM
STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDING JUNE 30, 1995 AND JUNE 30, 1996**

<u>RECEIPTS</u>	<u>1995</u>	<u>1996</u>
Premiums Collected		
Employee Paid	\$ 4,863,670	\$ 4,558,298
Employer Paid	<u>1,478,770</u>	<u>1,417,617</u>
Total Premiums Collected	\$ 6,342,440	\$ 5,975,915
Earnings on Investments	<u>1,481,687</u>	<u>1,651,604</u>
<u>TOTAL RECEIPTS</u>	<u>\$ 7,824,127</u>	<u>\$ 7,627,519</u>
 <u>EXPENSES</u>		
Claims Paid		
Basic	\$ 2,294,961	\$ 2,584,916
Supplemental	2,151,421	2,212,421
Dependent	286,000	378,000
Retired Employees	<u>2,395,190</u>	<u>2,824,321</u>
Total Claims Paid	\$ 7,127,572	\$ 7,996,658
Retention	\$ 472,428	\$ 501,314
<u>TOTAL EXPENSES</u>	<u>\$ 7,600,000</u>	<u>\$ 8,497,972</u>
 <u>BALANCE OF RESERVES</u>	<u>\$ 27,860,861</u>	<u>\$26,990,408</u>

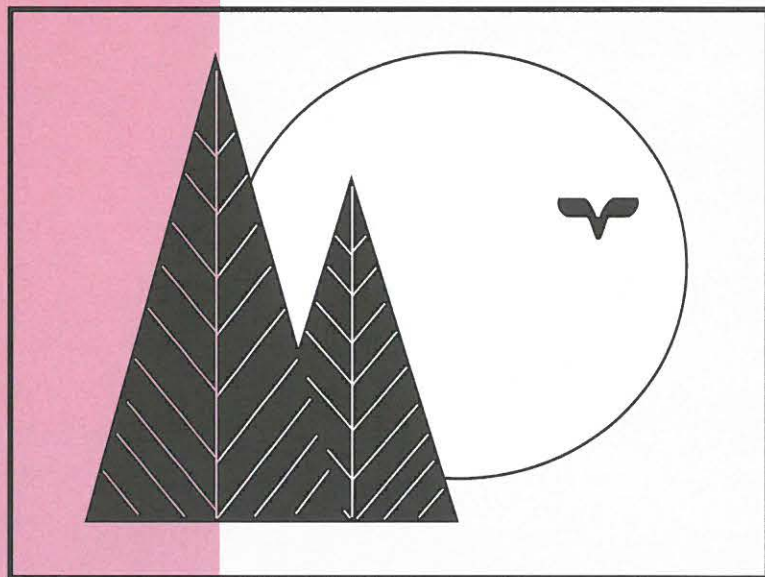
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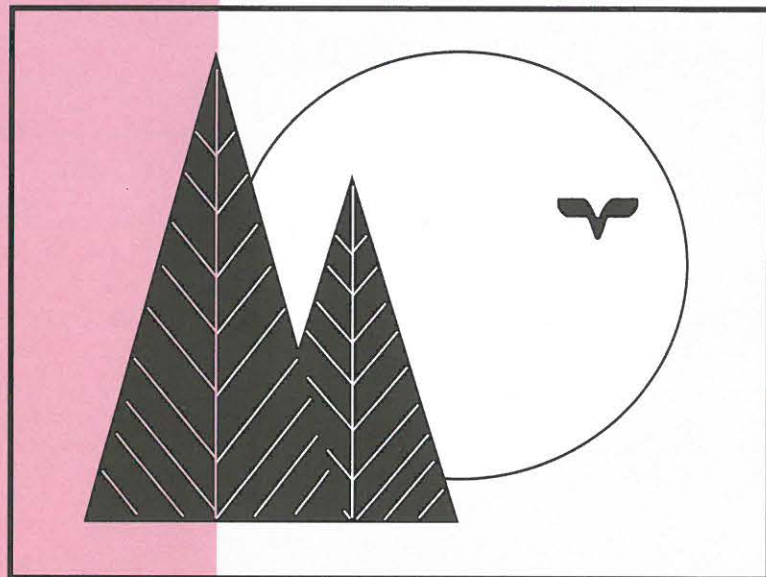
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ACTUARIAL REPORTS



ACTUARIES' REPORT: STATE/TEACHER - 1995



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SECTION I BOARD SUMMARY

Overview

This report presents the results of our June 30, 1995, actuarial valuation of the retirement plan(s) for state employees and teachers administered by the Maine State Retirement System. These results provide a "snapshot" view of the System's financial condition with respect to the plan(s) on June 30, 1995.

One of the purposes of the annual actuarial valuation is to determine the amount that the State, as the employer, would need to contribute to the plan, given its funded status and its actuarial assumptions. For the MSRS state and teacher plans, the employer contribution is expressed as a contribution rate, an approach largely dictated by the way in which the State establishes and manages its budget. Because neither the plan provisions nor the actuarial assumptions were changed in the year ending June 30, 1995, the change that appears in the employer contribution rate is entirely attributable to the plans' experience during the year.

Largely as a result of the effect of two experience factors, the combined employer contribution rate was higher than that produced in last year's valuation by 0.04% of payroll. One of the experience factors was a higher than expected rate of investment return and the other was a slower than expected growth in the aggregate wage base. Both of these factors give rise to experience gains, which serve to reduce the contribution rate.

However, the second factor, slower than expected growth in the aggregate wage base, has another, direct effect on the contribution rate that is unrelated to experience gains and losses. This second effect caused an increase in the contribution rate which more than offset the two experience gains, resulting in the net increase of 0.04% of payroll. This effect requires further explanation.

The MSRS state employee and teacher plans have significant unfunded liabilities that call for sizable contributions each year, as required by the statutorily prescribed amortization schedule intended to fully fund the plans within the schedule's remaining 33 years and the actuarial assumption that the dollar amount of the payments will increase at 6% per year. The amortization payment is calculated in dollar terms and then converted to a contribution rate by dividing the payment dollars by the total aggregate wage base for state employees and teachers.

The aggregate wage base is the total amount of compensation expected to be paid in the coming year to each group of employees. The size of the aggregate wage base can be affected by individual pay raises and by the growth or shrinkage in the number of employees covered by the plan. The actuarial valuation assumes that the aggregate wage base will grow at 6% per year. If this growth assumption is met and the unfunded liability payment also grows at 6% over the year then each year's valuation will produce the same contribution rate. If, however, there is no growth in the aggregate wage base, and if the unfunded liability payment increases by 6%, then the resulting rate will increase by 6% as well. This is the direct "rate effect" of slow wage base growth which was introduced earlier.

To summarize, the combined employer contribution rate produced by the actuarial valuation is higher than the rate produced in the prior year's valuation by 0.04% of payroll. This change was caused by a combination of investment and liability experience gains, which served to reduce the rate, and the "rate effect" of slower than expected wage base growth which caused an increase in the contribution rate, but not an increase in the dollar amount of the contribution.

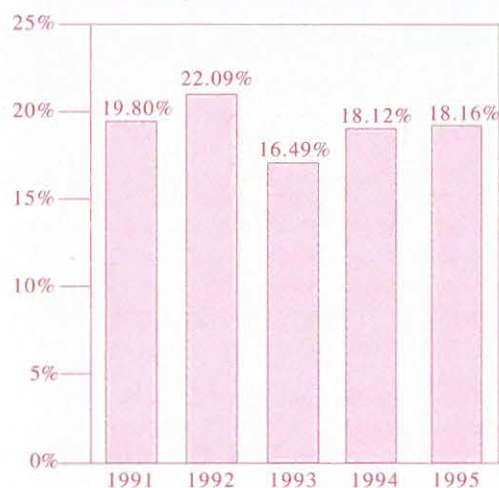
It is difficult to assess, and unwise to predict, the long term effects of the slowdown in aggregate wage base growth over the past couple of years. For example, if the slow aggregate wage base growth is the result of lower than anticipated individual pay raises, then the long range effect will depend on whether the lower pay raises are made up in future years. If, on the other hand, the slow aggregate wage base growth is the result of a change in the profile of the underlying workforce, then the effects can be more safely predicted to be longer term. The nature of the slow growth becomes clear only with the accumulation of data over a longer time frame. Thus, while we have discussed at length the effect of one actuarial assumption not being met, this does not mean that we believe the assumption should be changed. Actuarial assumptions are established as a package with the intent that they work together in the long run to produce a stable contribution rate which will fund the liabilities of the System. The fact that the rate change from 1994 to 1995 was very small demonstrates that the assumption package is working to produce offsetting gains and losses.

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



System Trends

Retirement System Contribution Rates*

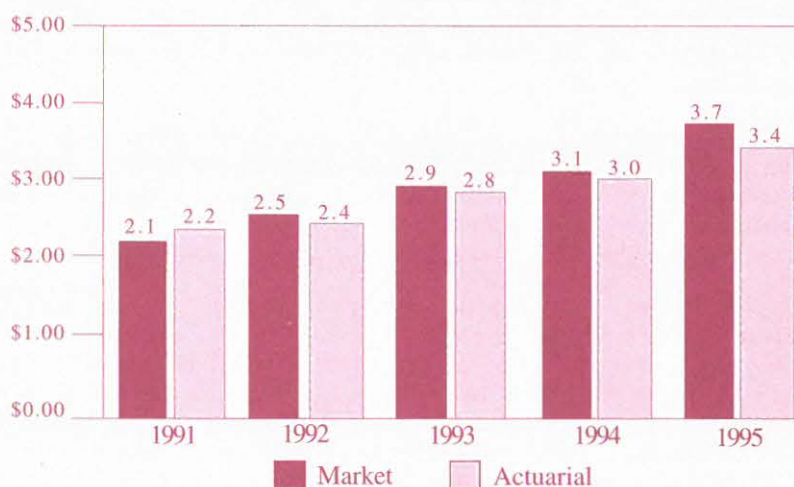


The contribution rate increased slightly in the past year due to the investment and payroll effects discussed on the prior page.

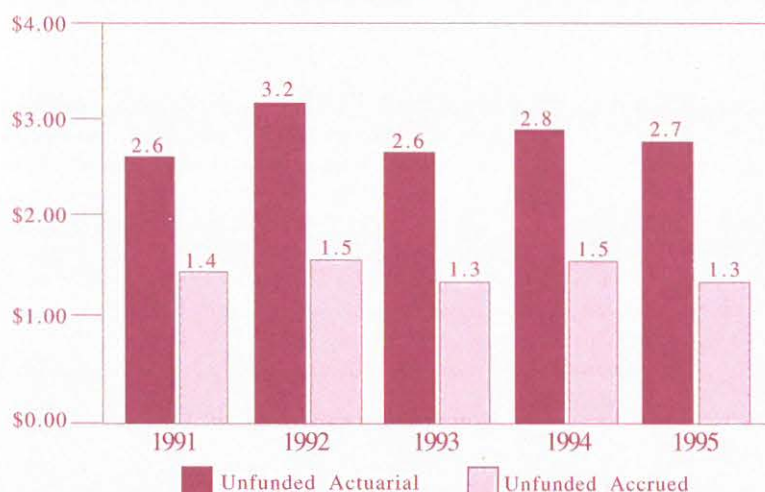
* Rates do not include retiree health insurance charges or administrative expenses. Rates shown are composite rates for the State Regular employees, Teachers, and the State special groups: State Police, Game Wardens, Sea and Shore Wardens, Prison Wardens, Liquor Inspectors, and Forest Rangers.

The System's assets earned about 17.6% from 1994 to 1995 when measured on a Market Value basis. For funding purposes we use a smoothed value of assets known as the Actuarial Value. On this basis, the assets returned 11.5% over the year.

System Assets (in billions)



Unfunded Liabilities (in billions)

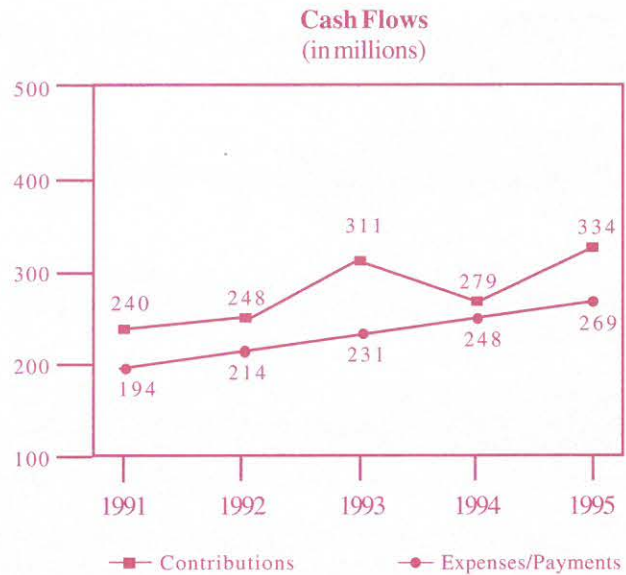


The unfunded actuarial liability decreased by \$36 million between 1994 and 1995. This was due to a combination of investment and liability gains.



Payments have steadily grown over the past few years as more members achieve retired status. The contributions have fluctuated due in part to timing differences and in part to budgetary adjustments.

Note: \$10 million in employer contributions that should have been paid in 1994 were delayed until 1995. If the contributions had been made on a timely basis, the 1994 contribution would have been \$289 million and the 1995 contribution would have been \$324 million.



System Experience

July 1, 1994 - June 30, 1995

The key indicator of overall experience in the System is the stability in the composite State contribution rate. The rate is set so that it will be stable from year to year if experience is exactly as expected. An increase in the rate indicates unfavorable experience and a decrease, favorable experience during the previous year.

The rate increased from 18.12% to 18.16% due to the combined effect of higher than expected investment returns and payroll growth not keeping up with the 6% assumption. The overall experience of the System during the year ending June 30, 1995 was slightly better than expected as explained in the following sections.

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

Assets

As of June 30, 1995, the System has present funds, when measured on a market value basis, of \$3.65 billion, an increase of \$0.6 billion from a 1994 figure of \$3.05 billion. When measured on an actuarial basis, using a method which smooths market fluctuations, System assets increased by \$0.41 billion to \$3.44 billion in 1995 from \$3.03 billion in 1994. The components of this change are:

- + \$334 million from employer and member contributions,
 - \$269 million from payment of benefits and expenses,
 - + \$245 million from expected investment experience, (i.e. 8.0%)
 - + \$106 million from asset gain (i.e. actual rate was 11.5%)
-
- = \$416 million total increase in assets.

The asset gain for State and Teachers excluding participating local districts was \$71.3 million.

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



Liabilities

Throughout this report we discuss three types of liabilities:

- Actuarial Liabilities
- Accrued Benefit Liabilities
- Pension Benefit Obligation

Actuarial Liability

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

As of June 30, 1995, the State's Unfunded Actuarial Liability was \$2.79 billion. This compares to a June 30, 1994 Unfunded Actuarial Liability of \$2.83 billion, a decrease of \$36 million. This compares with an expected increase of \$106 million. The components of this decrease are as follows:

Unfunded Actuarial Liability, June 30, 1994	\$ 2,828million
• increase expected	106million
• decrease due to asset gain	(71)million
• other (gains)/losses (see below)	(71)million
Unfunded Actuarial Liability, June 30, 1995	\$ 2,792million

The unexpected decrease in unfunded liabilities from "other (gains)/losses" is attributable to the combined effect of the following factors:

- differences between assumed and actual rates of members retiring, terminating employment or dying
- average salary increases were lower than expected

Accrued Benefit Liability

The second type of liability is the Accrued Benefit Liability. This represents the liabilities for all future benefits, based on members' earnings and service credits as of the valuation date June 30, 1995. The difference between this figure and the market value of System assets represents the Unfunded Accrued Benefit Liability. As of June 30, 1995 the Unfunded Accrued Benefit Liability was \$1.34 billion, as compared to a June 30, 1994 Unfunded Accrued Benefit Liability of \$1.54 billion.

Pension Benefit Obligation

The third type of liability is the Pension Benefit Obligation (PBO). This is similar to the Accrued Benefit Liability, but it reflects anticipated pay increases. The PBO is a liability disclosure required by the Governmental Accounting Standards Board and is compared with the book value of System assets to determine the amount unfunded. The unfunded PBO was \$2.82 billion on June 30, 1994 and is \$2.91 billion on June 30, 1995.



Contributions

In Section IV of this report, we present detailed information on the development of State contribution rates to the System, calculated as of June 30, 1995. In addition, Section IV discusses the application of the State contribution rate for fiscal year budget purposes.

Contributions to the System consist of:

- a "normal contribution" for the portion of projected liabilities attributable to service of members during the year following the valuation date,
- an "unfunded actuarial liability contribution" for the excess of actuarial liability over assets on hand,
- a "disability benefit" contribution for the expected value of future disability (new law) benefits to be paid as a result of disablements occurring during the year following the valuation date, and
- a "death benefit" contribution (consisting of two parts: survivor benefits and accidental death benefits) for the expected value of future death benefits to be paid as a result of deaths occurring during the year following the valuation date.

The composite contribution rate for all State employees and Teachers increased from 18.12% of payroll as of June 30, 1994 to 18.16% of payroll as of June 30, 1995. The primary components of this change are shown below.

Contribution Rate as of June 30, 1994	18.12%
Asset Gain (Due to Higher than Expected Investment Returns)	(0.28)
Net effect Liability Gains, Membership Growth, and Shifts in Payroll Among the State Employee and Teacher Groups	(0.22)
Effect of Aggregate Payroll Growth not meeting the 6.0% Assumption	0.54
Contribution Rate as of June 30, 1995	18.16%

The effect of aggregate payroll growth not meeting the 6% assumption is discussed in the introduction to this section. Simply put, the dollar amount of the unfunded liability payment increased while the aggregate payroll which is divided into this contribution in order to create a rate did not grow. The net result is an increase in the contribution rate, but not necessarily an increase in the dollar amount of contribution.



SUMMARY OF PRINCIPAL RESULTS

TOTAL (State and Teacher)*

1. Participant Data	June 30, 1995	June 30, 1994
Number of:		
Active Members	37,447	39,076
Retired Members and Beneficiaries	18,256	18,046
Vested Deferred Members	920	774
Total Membership	56,623	57,896
Annual Salaries of Active Members	\$ 1,044,437,321	\$ 1,034,904,207
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 195,732,536	\$ 186,300,854
2. Assets and Liabilities		
Actuarial Liability	\$ 5,111,985,326	\$ 4,853,650,923
Actuarial Value of Assets	2,320,244,566	2,025,193,386
Unfunded Actuarial Liability	\$ 2,791,740,760	\$ 2,828,457,537
Accrued Liability	\$ 3,801,934,030	\$ 3,574,619,286
Market Value of Assets	2,463,229,285	2,039,381,434
Unfunded Accrued Liability	\$ 1,338,704,745	\$ 1,535,237,852
Accrued Benefit Funding Ratio	64.79%	57.05%
3. Contribution Results as a Percent of Payroll (composite rate for all State Employees and Teachers)**		
Normal Cost	5.45%	5.42%
Unfunded Actuarial Liability	10.85%	10.86%
Disability	1.46%	1.43%
Death Benefits	0.40%	0.41%
Total	18.16%	18.12%

*Excludes participating local districts

**Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS TEACHERS (MTRA)

	<u>June 30, 1995</u>	<u>June 30, 1994</u>
1. Participant Data		
Number of:		
Active Members	23,145	24,371
Retired Members and Beneficiaries	9,085	8,948
Vested Deferred Members	<u>467</u>	<u>496</u>
Total Membership	32,697	33,815
Annual Salaries of Active Members	\$ 648,701,692	\$ 630,310,158
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 106,128,775	\$ 100,688,922
2. Assets and Liabilities		
Actuarial Liability	\$ 3,233,057,136	\$ 3,030,540,359
Actuarial Value of Assets	<u>1,334,306,466</u>	<u>1,140,891,379</u>
Unfunded Actuarial Liability	\$ 1,898,750,670	\$ 1,889,648,980
Accrued Liability	\$ 2,313,848,964	\$ 2,148,143,695
Market Value of Assets	<u>1,416,532,899</u>	<u>1,148,884,206</u>
Unfunded Accrued Liability	\$ 897,316,065	\$ 999,259,489
Accrued Benefit Funding Ratio	61.22%	53.48%
3. Contribution Results as a Percent of Payroll*		
Normal Cost	5.87%	5.83%
Unfunded Actuarial Liability	11.88%	11.91%
Disability	1.34%	1.28%
Death Benefits	<u>0.33%</u>	<u>0.34%</u>
Total	19.42%	19.36%

*Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

TOTAL STATE

1.	Participant Data	June 30, 1995	June 30, 1994
	Number of:		
	Active Members	14,302	14,705
	Retired Members and Beneficiaries	9,171	9,098
	Vested Deferred Members	453	278
	Total Membership	23,926	24,081
	Annual Salaries of Active Members	\$ 395,735,629	\$ 404,594,049
	Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 89,603,761	\$ 85,611,932
2.	Assets and Liabilities		
	Actuarial Liability	\$ 1,878,928,190	\$ 1,823,110,564
	Actuarial Value of Assets	985,938,100	884,302,007
	Unfunded Actuarial Liability	\$ 892,990,090	\$ 938,808,557
	Accrued Liability	\$ 1,488,085,066	\$ 1,426,475,591
	Market Value of Assets	1,046,696,386	890,497,228
	Unfunded Accrued Liability	\$ 441,388,680	\$ 535,978,363
	Accrued Benefit Funding Ratio	70.34%	62.43%
3.	Contribution Results as a Percent of Payroll*		
	Normal Cost	4.76%	4.75%
	Unfunded Actuarial Liability	9.16%	9.22%
	Disability	1.65%	1.65%
	Death Benefits	0.52%	0.51%
	Total	16.09%	16.13%

*Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

STATE REGULAR

	<u>June 30, 1995</u>	<u>June 30, 1994</u>
1. Participant Data		
Number of:		
Active Members	13,561	13,957
Retired Members and Beneficiaries	8,413	8,367
Vested Deferred Members	434	271
Total Membership	<u>22,408</u>	<u>22,595</u>
Annual Salaries of Active Members	\$ 372,044,559	\$ 380,463,963
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 76,991,768	\$ 73,680,977
2. Assets and Liabilities		
Actuarial Liability	\$ 1,631,962,288	\$ 1,581,757,641
Actuarial Value of Assets	856,346,616	765,863,997
Unfunded Actuarial Liability	<u>\$ 775,615,672</u>	<u>\$ 815,893,644</u>
Accrued Liability	\$ 1,260,285,110	\$ 1,206,860,853
Market Value of Assets	909,118,847	771,229,468
Unfunded Accrued Liability	<u>\$ 351,166,263</u>	<u>\$ 435,631,385</u>
Accrued Benefit Funding Ratio	72.14%	63.90%
3. Contribution Results as a Percent of Payroll (State Portion only)*		
Normal Cost	4.27%	4.27%
Unfunded Actuarial Liability	8.46%	8.52%
Disability	1.68%	1.68%
Death Benefits	<u>0.51%</u>	<u>0.50%</u>
Total	14.92%	14.97%

*Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

COMPOSITE SPECIALS

1.	Participant Data	<u>June 30, 1995</u>	<u>June 30, 1994</u>
	Number of:		
	Active Members	741	748
	Retired Members and Beneficiaries	758	731
	Vested Deferred Members	<u>19</u>	<u>7</u>
	Total Membership	1,518	1,486
	Annual Salaries of Active Members	\$ 23,691,070	\$ 24,130,086
	Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 12,611,993	\$ 11,930,955
2.	Assets and Liabilities		
	Actuarial Liability	\$ 246,965,902	\$ 241,352,923
	Actuarial Value of Assets	<u>129,591,484</u>	<u>118,438,010</u>
	Unfunded Actuarial Liability	\$ 117,374,418	\$ 122,914,913
	Accrued Liability	\$ 227,799,956	\$ 219,614,738
	Market Value of Assets	<u>137,577,539</u>	<u>119,267,760</u>
	Unfunded Accrued Liability	\$ 90,222,417	\$ 100,346,978
	Accrued Benefit Funding Ratio	60.39%	54.31%
3.	Contribution Results as a Percent of Payroll*		
	Normal Cost	12.48%	12.47%
	Unfunded Actuarial Liability	20.12%	20.24%
	Disability	1.23%	1.19%
	Death Benefits	<u>0.69%</u>	<u>0.67%</u>
	Total	34.52%	34.57%

*Excludes charges for retiree health insurance and administrative expenses.



SECTION II ASSETS

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

Book Value of Assets

Table II-1 is a comparison, on a book value basis, of System assets as of June 30, 1995, and June 30, 1994, in total and by investment category. The book value is essentially the purchase price for equity investments and amortized value for fixed income investments such as bonds.

Market Value of Assets

For accounting statement purposes, System assets are valued at current market values. Briefly stated, these values represent the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, the market value of assets provides a reference point for comparison purposes. Table II-2 presents both book value and market value of total System assets by investment category as of June 30, 1995, and also shows the proportion of total assets by investment category for market value.

Actuarial Value of Assets

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

As a consequence, actuarial valuations employ a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted sets the actuarial value of assets by the following method:

Step 1: Determine the total yield on the investments of the System using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended and the market value of assets at the end of the year (18.39%).

Step 2: Calculate the excess of the yield determined in Step 1 over the expected yield for the same year according to the actuarial assumptions. ($18.39\% - 8.00\% = 10.39\%$)

Step 3: Calculate an adjusted rate equal to the expected rate plus one-third of the rate determined in Step 2. ($8.00\% + (1/3 * 10.39\%) = 11.46\%$)

Step 4: The actuarial value of assets used in this valuation equals the amount that would have existed if the actual yield on the assets had been at the rate determined in Step 3.

Allocation by Group

Since retirement benefit costs are calculated separately for State Employees, Teachers and other Special Groups, total assets (market and actuarial values) must be allocated to each of these groups. We have made this allocation as of June 30, 1995, in proportion to System reserves (provided at market value). These are shown in Table II-3. The total for each group has been further allocated between the Member Contribution Fund and the Retirement Allowance Fund. The resulting allocations are shown in Tables II-4 and II-5.



TABLE II-1
ASSET COMPARISON AT BOOK VALUE

<u>Asset Category</u>	<u>June 30, 1995</u>	<u>June 30, 1994</u>	<u>Increase (Decrease)</u>
Bonds & Cash Equivalents	\$ 1,265,946,418	\$ 1,100,613,309	\$ 165,333,109
Stocks	1,485,295,391	1,401,547,808	83,747,583
Land & Buildings	2,677,633	2,677,663	0
Other Assets	20,076,288	6,723,441	13,352,847
Other Liabilities	(45,446,814)	(14,379,172)	(31,067,642)
TOTAL	\$ 2,728,548,946	\$ 2,497,183,049	\$ 231,365,897

TABLE II-2
BOOK AND MARKET VALUES BY ASSET CATEGORY

<u>Asset Category</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Market Value % to Total</u>
Bonds	\$ 1,250,149,284	\$ 1,495,616,843	40.93%
Cash Equivalents	15,797,134	15,797,134	0.43
Stocks	1,485,295,391	2,165,204,673	59.26
Land & Buildings	2,677,663	2,677,663	0.07
Other Assets	20,076,288	20,076,288	0.55
Other Liabilities	(45,446,814)	(45,446,814)	(1.24)
TOTAL	\$ 2,728,548,946	\$ 3,653,925,787	100%



TABLE II-3
ALLOCATION OF BOOK VALUE OF ASSETS

	Allocation to:		
	Member Contribution Fund	Retirement Allowance Fund	Total
RETIREMENT RESERVES			
State Employees	\$ 335,658,296	\$ 445,956,462	\$ 781,614,758
MTRA Teachers	587,561,313	470,226,823	1,057,788,136
Judges	2,247,666	12,253,261	14,500,927
Legislators	419,730	1,536,440	1,956,170
Subtotal State	\$ 925,887,005	\$ 929,972,986	\$ 1,855,859,991
Participating Districts	139,902,995	482,187,072	622,090,067
TOTAL	\$ 1,065,790,000	\$ 1,412,160,058	\$ 2,477,950,058
COMMINGLED RESERVES			
Disability	\$ 24,453,386	\$ 163,876,063	\$ 188,329,449
Death	0	62,269,439	62,269,439
TOTAL	\$ 24,453,386	\$ 226,145,502	\$ 250,598,888
TOTAL RESERVES	<u>\$ 1,090,243,386</u>	<u>\$ 1,638,305,560</u>	<u>\$ 2,728,548,946</u>

TABLE II-4
ALLOCATION OF MARKET VALUE OF ASSETS

	Allocation to:		
	Member Contribution Fund	Retirement Allowance Fund	Total
RETIREMENT RESERVES			
State Employees	\$ 335,658,296	\$ 711,038,090	\$ 1,046,696,386
MTRA Teachers	587,561,313	828,971,586	1,416,532,899
Judges	2,247,666	17,171,194	19,418,860
Legislators	419,730	2,199,867	2,619,597
Subtotal State	\$ 925,887,005	\$ 1,559,380,737	\$ 2,485,267,742
Participating Districts	139,902,995	693,166,516	833,069,511
TOTAL	\$ 1,065,790,000	\$ 2,252,547,253	\$ 3,318,337,253
COMMINGLED RESERVES			
Disability	\$ 24,453,386	\$ 227,747,269	\$ 252,200,655
Accidental Death	0	83,387,879	83,387,879
TOTAL	\$ 24,453,386	\$ 311,135,148	\$ 335,588,534
TOTAL RESERVES	<u>\$ 1,090,243,386</u>	<u>\$ 2,563,682,401</u>	<u>\$ 3,653,925,787</u>



TABLE II-5
ALLOCATION OF ACTUARIAL VALUE OF ASSETS

	Allocation to: Member Contribution Fund	Retirement Allowance Fund	Total
RETIREMENT RESERVES			
State Employees	\$ 335,658,296	\$ 650,279,804	\$ 985,938,100
MTRA Teachers	587,561,313	746,745,153	1,334,306,466
Judges	2,247,666	16,043,974	18,291,640
Legislators	419,730	2,047,805	2,467,535
Subtotal State	\$ 925,887,005	\$ 1,415,116,736	\$ 2,341,003,741
Participating Districts	139,902,995	644,808,772	784,711,767
TOTAL	\$ 1,065,790,000	\$ 2,059,925,508	\$ 3,125,715,508
COMMINGLED RESERVES			
Disability	\$ 24,453,386	\$ 213,107,610	\$ 237,560,996
Accidental Death	0	78,547,407	78,547,407
TOTAL	\$ 24,453,386	\$ 291,655,017	\$ 316,108,403
TOTAL RESERVES	\$ 1,090,243,386	\$ 2,351,580,525	\$ 3,441,823,911



SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

After the amount of the unfunded actuarial liability has been determined, a schedule of contributions is established to amortize that amount over a given period. Effective with the 1987 valuation, a 30 year amortization period was adopted for the Maine State Retirement System. Effective with the June 30, 1993 valuation the amortization period was extended to 35 years. Payments to fund the actuarial liability will be a level percentage of payroll.

In Table III-1 we have summarized the actuarial liabilities as of June 30, 1995, and the amounts that were unfunded.

Accounting Statement Information

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

Statement No. 5 of the Governmental Accounting Standards Board, issued during 1986, establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. This statement specifies that a comparison of the present value of accrued (accumulated) plan benefits with the value of plan assets must be provided by the System.

As directed by the above referenced accounting statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases. The liabilities shown in Table III-3, GASB Disclosure, are based on current creditable service but include future pay projections.

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



**TABLE III-1
ACTUARIAL LIABILITIES**

	State Employees	MTRA* Teachers	All State Employees
1. Active employees			
(a) Current accrued benefits	\$ 498,977,894	\$ 1,161,920,813	\$ 1,660,898,707
(b) Future benefit accruals	814,896,703	1,728,822,972	2,543,719,675
(c) Total active projected benefits	\$ 1,313,874,597	\$ 2,890,743,785	\$ 4,204,618,382
2. Inactive Employees	\$ 989,107,172	\$ 1,151,928,151	\$ 2,141,035,323
3. Total Present Value of Projected Benefits (1 + 2)	\$ 2,302,981,769	\$ 4,042,671,936	\$ 6,345,653,705
4. Future Contributions	\$ 424,053,579	\$ 809,614,800	\$ 1,233,668,379
5. Actuarial Liability (3 - 4)	\$ 1,878,928,190	\$ 3,233,057,136	\$ 5,111,985,326
6. Invested Assets (Actuarial Value)	\$ 985,938,100	\$ 1,334,306,466	\$ 2,320,244,566
7. Unfunded Actuarial Liability (5 - 6)	\$ 892,990,090	\$ 1,898,750,670	\$ 2,791,740,760

*Includes Old System Teachers

**TABLE III-2
ACCRUED BENEFIT LIABILITIES**

	State Employees	MTRA* Teachers	All State Employees
1. Present Value of Accrued Benefits			
(a) Employees terminated with vested rights	\$ 29,183,765	\$ 15,158,080	\$ 44,341,845
(b) Retired employees	959,923,407	1,136,770,071	2,096,693,478
(c) Active employees	498,977,894	1,161,920,813	1,660,898,707
(d) Total	\$ 1,488,085,066	\$ 2,313,848,964	\$ 3,801,934,030
2. Invested Assets (Market Value)	\$ 1,046,696,386	\$ 1,416,532,899	\$ 2,463,229,285
3. Unfunded Present Value of Accrued Benefits (1-2)	\$ 441,388,680	\$ 897,316,065	\$ 1,338,704,745
4. Accrued Benefit Funding Ratio (2/1)	70.3%	61.2%	64.8%

*Includes Old System Teachers



**TABLE III-3
GASB DISCLOSURE**

	<u>State Employees</u>	<u>MTRA* Teachers</u>	<u>All State Employees</u>
1. Pension Benefit Obligation:			
(a) Retirees and disabled members, and beneficiaries, currently receiving benefits and vested deferred members	\$ 989,107,172	\$ 1,151,928,151	\$ 2,141,035,323
(b) Current Employees			
(1) Accumulated employee contributions including allocated investment earnings	335,658,296	587,561,313	923,219,609
(2) Employer-financed vested	135,274,059	531,863,972	667,138,031
(3) Employer-financed nonvested	313,017,113	704,070,737	1,017,087,850
(c) Total Pension Benefit Obligation	\$ 1,773,056,640	\$ 2,975,424,173	\$ 4,748,480,813
2. Net Assets Available for Benefits (at cost)	\$ 781,614,758	\$ 1,057,788,136	\$ 1,839,402,894
3. Unfunded Pension Benefit Obligation (not less than \$0)	\$ 991,441,882	\$ 1,917,636,037	\$ 2,909,077,919

*Includes Old System Teachers



SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, contribution rates based on this June 30, 1995 actuarial valuation will be used to determine Fiscal Year 1997 State appropriations to the Maine State Retirement System. In this context, the term "employer contribution rate" means the percentage which is applied to a particular active member payroll to determine the actual contribution amount (i.e., in dollars) for the group.

Description of Rate Components

Except for ancillary benefits (disability and death benefits), the entry age normal method was used to develop the contribution rates in this section. Under this funding method, as with most other actuarial funding methods, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability rate. The contribution rates for ancillary benefits were determined separately using a term cost method. These elements are described in more detail below.

Normal Cost Rate

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

Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the entry age normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions, and current assets. The unfunded actuarial liability rate (or amortization rate) is the level percent of active member payroll which, when applied to each year's payroll, is sufficient to amortize the unfunded actuarial liability over 35 years from June 30, 1993.

Ancillary Benefit Rate

For each separate cost group (State employees, teachers, etc.) the cost of claims expected to be incurred during the year was determined as a percent of active member payroll. The State appropriation for ancillary benefits will then be determined by applying the ancillary benefit rate to the appropriate active member payroll.

Total Contribution Rate Summary

In Table IV-1 we present total contribution rates, determined as of June 30, 1995, applicable for determining the Fiscal Year 1997 State appropriations to the System, using the cost methods described above. These were developed using actuarial assumptions and methods described in the "Actuarial Assumptions and Methods" section.

The derivations of the unfunded actuarial liability rates for each group are shown in Table IV-2.



TABLE IV-1
RECOMMENDED STATE CONTRIBUTION RATES*
FOR FISCAL YEAR 1996/1997

	RETIREMENT BENEFITS		ANCILLARY BENEFITS		
	<u>Normal Cost**</u>	<u>Unfunded Actuarial Liability</u>	<u>Disability</u>	<u>Death</u>	<u>All Benefits</u>
State Employees	4.27%	8.46%	1.68%	0.51%	14.92%
Special Groups					
State Police (Closed Plan)	18.25%	44.01%	1.01%	0.58%	63.85%
State Police (Open Plan)	18.25%	0.00%	0.91%	0.37%	19.53%
Sea and Shore Wardens (Closed Plan)	16.00%	36.72%	0.97%	0.60%	54.29%
Game Wardens (Closed Plan)	18.25%	61.76%	0.66%	0.39%	81.06%
Prison Wardens (Closed Plan)	6.75%	15.59%	1.80%	1.20%	25.34%
Prison Wardens (Open Plan)	6.75%	0.00%	1.38%	0.61%	8.74%
Liquor Inspectors (Closed Plan)	6.75%	16.15%	1.14%	0.72%	24.76%
Forest Rangers (Closed Plan)	6.10%	16.53%	1.56%	1.18%	25.37%
MTRA Teachers	5.87%	11.88%	1.34%	0.33%	19.42%

*These rates do not include charges to cover retiree health insurance or administrative expenses.

**Includes cost of Automatic Option 2.



TABLE IV-2
DERIVATION OF UNFUNDED ACTUARIAL LIABILITY RATES

	STATE REGULAR	STATE POLICE*	SEA AND SHORE WARDENS	GAME WARDENS	PRISON WARDENS*	LIQUOR INSPECTORS	FOREST RANGERS	MTRA TEACHERS
1. Present Value of Future Benefits	2,027,424,764	139,238,928	15,818,920	55,050,701	44,175,997	3,392,745	17,879,714	4,042,671,936
2. Normal Cost Rate**	3.85%	18.25%	16.00%	18.25%	6.75%	6.75%	6.10%	5.50%
3. Present Value of Future Payroll	3,438,804,140	53,930,133	1,508,804	2,586,715	73,346,962	1,679,868	10,025,878	6,156,766,542
4. Present Value of Future Normal Costs: (2) x (3)	132,393,959	9,842,249	241,409	472,075	4,950,920	113,391	611,579	338,622,160
5. Present Value of Future Member Contributions	263,068,517	4,664,956	130,512	223,751	6,344,513	128,510	867,238	470,992,640
6. Actuarial Liability: (1) - (4) - (5)	1,631,962,288	124,731,723	15,446,999	54,354,875	32,880,564	3,150,844	16,400,897	3,233,057,136
7. Actuarial Value of Assets	856,346,616	65,451,015	8,105,570	28,521,868	17,253,560	1,653,356	8,606,113	1,334,306,466
8. Unfunded Actuarial Liability: (6) - (7)	775,615,672	59,280,708	7,341,429	25,833,007	15,627,004	1,497,488	7,794,784	1,898,750,670
9. Estimated Payroll	372,044,559	5,469,519	811,787	1,698,336	4,071,385	376,428	1,915,255	648,701,692
10. Amortization Factor	24.6278	24.6278	24.6278	24.6278	24.6278	24.6278	24.6278	24.6278
11. Unfunded Actuarial Liability Rate (8)/(9)/(10)	8.46%	44.01%	36.72%	61.76%	15.59%	16.15%	16.53%	11.88%

*Includes liabilities for both closed and open plans. Unfunded actuarial liability is attributable to closed plan only.

**Does not include cost of Automatic Option 2



SECTION V

RESERVES FOR DISABILITY, SURVIVOR, AND ACCIDENTAL DEATH BENEFITS

Retirement benefits under the System are funded on a basis expected to result in level percent of pay contributions over the members' working lives. This funding method involves projecting the expected benefits payable in all future years and spreading the costs to produce a level pattern.

In contrast, employer contributions for certain ancillary benefits are determined on a "term cost" basis. Under this funding method, the annual cost for a year is determined as the value of benefit claims expected to be "incurred" during the year.

For example, the value (or cost) of a death benefit expected to become payable during a year is the present value of all the future monthly payments expected because of a member's death. Under the term cost method, the employer contribution reflects only the cost of events (deaths or disabilities) expected to occur in the current year.

Types of benefits under the System which are funded using the term cost method are the "new" disability benefit (effective in 1977) and death benefits. The cost of benefits for members who became disabled under the old provisions is funded along with retirement benefits.

For each of these benefits funded by the term cost method, a separate trust fund reserve is maintained. Each fund is increased by employer contributions and investment earnings and decreased by benefits paid.

Each year, as a part of the actuarial valuation we compare the present value of benefits payable (theoretical reserve) with the trust fund reserve (actual reserve). Under ideal circumstances the actual reserve will exceed the theoretical reserve to allow for a margin or "cushion" to absorb future experience losses. We show the trust fund at "actuarial value", as described in the "Assets" section.

Both the Disability and Death Benefit Reserve Funds are adequately funded. We reduce the calculated contribution rate for disability benefits by approximately 15% to reflect on-going favorable experience in that fund. Currently, we do not make a similar adjustment to the cost of death benefits.

The following sections compare the actual reserves with theoretical reserves based on an assumed rate of investment return of 8%.

A. Disability Benefits Reserve

1. Theoretical Reserve	
a. State Employees	\$ 90,191,272
b. Teachers	75,146,224
c. Participating Districts	9,187,712
d. Total	\$ 174,525,208
2. Actual Reserve (Actuarial Value)	\$ 237,560,996
3. Ratio: (2)/(1)	136.12%

B. Death Benefits Reserve

1. Theoretical Reserve	
a. State Employees	\$ 20,902,656
b. Teachers	10,545,507
c. Participating Districts	5,497,258
d. Accidental Death	3,739,347
e. Total	\$ 40,684,768
2. Actual Reserve (Actuarial Value)	\$ 78,547,407
3. Ratio: (2)/(1)	193.06%



ACTIVE MEMBER DATA

	<u>Count</u>	<u>Average Current Age</u>	<u>Average Service</u>	<u>Average Valuation Pay</u>
Teachers	23,145	43.4	13.2	\$28,028
State Regular*	13,558	43.2	11.7	\$27,432
Airplane Pilots	3	44.7	15.7	\$42,676
Forest Rangers (Closed Plan)	57	44.8	19.8	\$33,601
Game Wardens (Closed Plan)	45	44.1	19.7	\$37,741
Liquor Inspectors (Closed Plan)	10	48.7	23.3	\$37,643
Prison Wardens (Closed Plan)	124	46.5	17.4	\$32,834
Prison Wardens (Open Plan)	213	36.2	4.7	\$24,703
State Police (Closed Plan)	132	42.3	17.3	\$41,436
State Police (Open Plan)	138	32.2	6.6	\$29,613
Sea and Shore Wardens (Closed Plan)	22	42.7	18.0	\$36,899
State Totals	14,302	43.1	11.7	\$27,670

* Includes Forest Rangers, Game Wardens, Liquor Inspectors, and Sea and Shore Wardens hired after August 31, 1984, plus seasonal employees.

NON-ACTIVE MEMBER DATA

	<u>Teachers (MTRA)</u>	<u>State Regular</u>	<u>Special Groups</u>
<u>Retired</u> (Options 0-4)			
Count	7,595	6,060	588
Total Annual Benefit	97,542,821	64,332,881	11,594,062
Average Annual Benefit	\$ 12,843	\$ 10,616	\$ 19,718
<u>Retired</u> (Option 4 Concurrent Beneficiary)			
Count	882	1,053	101
Total Annual Benefit	2,868,251	3,277,880	373,511
Average Annual Benefit	\$ 3,252	\$ 3,113	\$ 3,698
<u>Disabilities</u> (Options 7, 8, 9)			
Count	19	29	4
Total Annual Benefit	273,098	358,774	45,786
Average Annual Benefit	\$ 14,374	\$ 12,372	\$ 11,447
<u>Beneficiaries</u>			
Count	589	1,270	66
Total Annual Benefit	5,444,605	8,997,672	623,195
Average Benefit	\$ 9,244	\$ 7,085	\$ 9,442
<u>Terminated Vested</u>			
Count	467	433	20
Total Annual Benefit	2,038,267	3,980,810	194,038
Average Annual Benefit	\$ 4,365	\$ 9,194	\$ 9,702



NON-ACTIVE MEMBER DATA RESERVE GROUPS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Disabilities</u> (Options 6, A-E)			
State Employees	734	\$ 8,859,717	\$ 12,070
Teachers	438	\$ 7,042,235	\$ 16,078
Participating Districts	83	\$ 926,665	\$ 11,165
<u>Ordinary Death Benefits</u> (Options A2, C1-3, P1, S1-4, X1-2)			
State Employees	603	\$ 2,395,130	\$ 3,972
Teachers	338	\$ 1,331,096	\$ 3,938
Participating Districts	214	\$ 663,212	\$ 3,099
<u>Accidental Death</u> * (Option BC)			
State Employees	13	\$ 138,887	\$ 10,684
Participating Districts	18	\$ 134,356	\$ 7,464

* Can include multiple beneficiaries for one deceased member.



SUMMARY OF PLAN PROVISIONS FOR STATE EMPLOYEES AND TEACHERS

1. Membership.

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

2. Member Contributions.

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

Contribution requirements for special groups:

- State police, inland fisheries and wildlife officers (game wardens), and marine resources officers (sea and shore wardens) employed before 9/1/84 - 8.65% of earnable compensation for 20 years; 7.65% thereafter.
- State police and prison employees employed after 8/31/84 - 8.65% of earnable compensation for 25 years; 7.65% thereafter.
- Forest rangers and state prison employees employed before 9/1/84 - 8.65% of earnable compensation until eligible for retirement; 7.65% thereafter.

3. Average Final Compensation.

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

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

The definition of compensation will no longer include sick and vacation pay for those members who have less than 10 years of service at July 1, 1993.

4. Creditable Service.

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

5. Service Retirement Benefits.

Except as otherwise described below:

Eligibility for members in service: 25 years of creditable service, or attainment of age 60 with either 10 years of creditable service or one year of service immediately before retirement.

Eligibility for members not in service: 25 years of creditable service, or attainment of age 60 with 10 years of creditable service.

Benefit: 1/50 of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced for retirement before age 60.

Form of payment: life annuity.



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

For participants who have less than 10 years of service at July 1, 1993, the eligibility age is increased to age 62 and early retirement benefits are reduced 6% for each year before 62.

If greater than the benefits produced by the standard formulas, the following benefits are available for special groups:

State police, inland fisheries and wildlife officers (game wardens), and marine resources officers (sea and shore wardens) employed before 9/1/84.

Eligibility: 20 years of creditable service in named positions.

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

Form of payment: 50% joint and survivor annuity.

State police employed after 8/31/84.

Eligibility: 25 years of creditable service as a state police officer.

Benefit: same as for general employees, reduced for payment before age 55 rather than age 60.

Form of payment: life annuity.

Forest rangers employed before 9/1/84.

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

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

Form of payment: life annuity.

Airplane pilots employed before 9/1/84.

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

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

Form of payment: life annuity.

Liquor inspectors employed before 9/1/84.

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

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

Form of payment: life annuity.



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

State prison employees employed before 9/1/84.

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

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

Form of payment: life annuity.

State prison employees employed after 8/31/84:

Eligibility: 25 years of creditable service as a prison employee.

Benefit: same as for general employees, reduced for retirement before age 55 rather than age 60.

Form of payment: life annuity

6. Disability Retirement Benefits.

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

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

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

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

7. No Age Disability Retirement Benefits.

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

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

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

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



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

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

Benefit: option 2 (see item 12) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect survivor benefits payable to a surviving spouse, children, parents, or other beneficiaries in monthly amounts varying by number of eligible survivors. Otherwise, accumulated contributions are payable.

9. Pre-Retirement Accidental Death Benefits.

Eligibility: death while active or disabled resulting from a job-related injury, as defined in the MSRS statutes.

Benefit: if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's final average compensation shared between dependent children and surviving spouse (if any). Benefits are reduced by amounts payable under Workers' Compensation.

10. Refund of Contributions.

Eligibility: termination of service other than by retirement or death.

Benefit: member's accumulated contributions with interest.

11. Cost-of-living Adjustments

All retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index, based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for 12 months. The maximum annual increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

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

12. Methods of Payment of Service Retirement Benefits.

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Any other method of benefit payment which provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.



ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

		State Employees	Teachers
1. Rate of Investment Return		8.0%	8.0%
2. Cost-of-living Increases in Benefits		4.0%	4.0%
3. Rates of Salary Increase (% at Selected Ages)	Age		
	20	10.0	10.0
	25	8.8	8.8
	30	7.7	7.7
	35	7.2	7.2
	40	6.7	6.7
	45	6.2	6.2
	50	6.0	6.0
	55	6.0	6.0
	60	6.0	6.0
	65	6.0	6.0

The above rates include a 6% across-the-board increase at each age. Calculations have been adjusted to account for the 5% per year/10% over three-years cap on final pay.

		State Employees			Teachers		
4. Rates of Termination at Select and Ultimate Service (% at Selected ages)*	Age	Service			Service		
		0-1	1-2	2+	0-1	1-2	2+
	20	40.0	20.0	15.0	30.0	20.0	15.0
	25	35.0	20.0	10.0	25.0	20.0	10.0
	30	30.0	15.0	8.0	25.0	20.0	8.0
	35	25.0	15.0	6.0	25.0	20.0	6.0
	40	25.0	15.0	4.5	25.0	20.0	4.5
	45	25.0	10.0	3.0	25.0	20.0	3.0
	50	25.0	10.0	2.5	25.0	20.0	2.5
	55	20.0	10.0	2.0	25.0	20.0	2.0

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

	Age	Male	Female	Male	Female
5. Rates of Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)*					
	20	5	3	5	2
	25	6	3	6	3
	30	8	5	7	4
	35	11	7	10	6
	40	16	9	14	8
	45	29	14	23	12
	50	53	22	42	18
	55	85	33	71	27
	60	131	55	109	44
	65	213	96	174	77
	70	361	165	292	129

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



ACTUARIAL ASSUMPTIONS AND METHODS

(continued)

	<u>Age</u>	<u>State Employees</u>		<u>Teachers</u>	
		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
6. Rates of Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)					
	45	349	191	349	191
	50	376	207	376	207
	55	420	240	420	240
	60	488	288	488	288
	65	595	366	595	366
	70	763	487	763	487

	<u>Age</u>	<u>State Employees*</u>	<u>Teachers</u>
7. Rates of Retirement at Selected Ages (number retiring per 1,000 members)			
	45	35	46
	50	57	70
	55	150	151
	59	180	175
	60	225	240
	61	100	150
	62	350	400
	63	250	250
	64	250	250
	65	750	750
	70	1000	1000
8. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)**			
	25	6.8	4.6
	30	7.6	5.0
	35	8.8	5.8
	40	13.2	8.8
	45	26.4	17.6
	50	50.4	33.6
	55	86.3	57.5
	60	149.0	99.4

*Members of special plans are assumed to retire when first eligible for unreduced benefits.

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

- | | |
|-----------------------------------|---|
| 9. Family Composition Assumptions | 80% of active members are married with two children born at ages 24 and 28 (dependent until age 18); female spouse is three years younger than male spouse; no dependent parents; unmarried members have beneficiaries Assumptions entitled to benefits worth 80% as much as those of married members' beneficiaries. |
| 10. Vacation/Sick Leave Credits | For members who had 10 years of service on July 1, 1993, credits for unused vacation and sick leave may be used to increase average final compensation and/or creditable service. In order to reflect this, projected benefits are increased by 1.0% for state employees and 1.3% for teachers. |



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Actuarial Methods

1. Funding Method

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

For teachers (MTRA) and State employees, including each of the eight State special groups, a normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of his expected future salary.

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

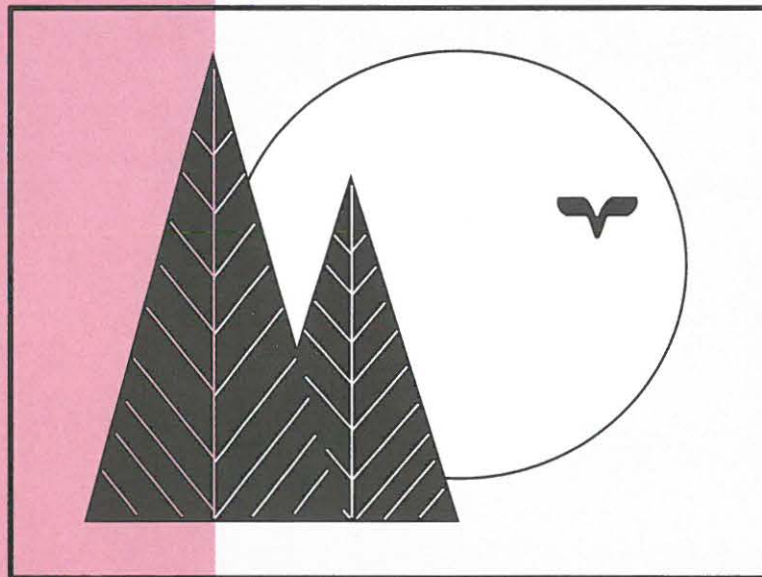
The unfunded actuarial liability is amortized by annual payments over a 35 year period from July 1, 1993. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 6% per year.

Costs for ancillary benefits (death and disability) are determined using a term cost method.

2. Asset Valuation Method

For purposes of the June 30, 1995, actuarial valuation, assets are valued at an "actuarial value" as described in the "Assets" section in this report.

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PARTICIPANT DATA

1. Number of Active Employees	155
2. Active Payroll	\$ 1,582,725
3. Number of Retired Members*	37
4. Annual Retiree Benefits	\$ 35,994
5. Number of Vested and Inactive Members	64

COST RESULTS

1. Retirement Benefits	
A. Employer Normal Cost	1.70%
B. Unfunded Actuarial Liability	<u>0.00%</u>
Total Retirement Cost	1.70%
2. Disability Cost	1.55%
3. Survivor Benefit Cost	<u>1.16%</u>
Total Costs	4.41%

ACCOUNTING INFORMATION

1. GASB Disclosure	
A. Pension Benefit Obligation:	
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 794,413
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	419,730
- Employer-financed vested contributions	0
- Employer-financed non-vested contributions	<u>277,389</u>
Total Pension Benefit Obligation	\$ <u>1,491,532</u>
B. Net Assets Available for Benefits (at cost)	\$ 1,956,170
Unfunded Pension Benefit Obligation (not less than \$0)	0
2. Other Accounting Information	
A. Actuarial Value of Assets	\$ 2,467,535
B. Unfunded Actuarial Liability	0
C. Market Value of Assets	2,619,597
D. Unfunded Accrued Liability	0
E. Amortization Period	N/A

*Includes three concurrent beneficiaries.



SUMMARY OF PLAN PROVISIONS

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation. Prior to July 1, 1993 members were required to contribute 4% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

Eligibility for members with more than 10 years of creditable service on July 1, 1993: 25 years of creditable service or attainment of age 60.

Eligibility for members with less than 10 years of creditable service on July 1, 1993: 25 years of creditable service, or attainment of age 62.

Eligibility for members not in service: attainment of age 60 with 10 years of creditable service (or five full terms as a legislator)

For eligibility, creditable service includes service under the Maine State Retirement System after termination of legislative service.

Benefit: $1/50$ of average final compensation multiplied by years of creditable service, reduced for retirement before age 60 for members with at least 10 years creditable service on July 1, 1993; reduced for retirement before age 62 for members with less than 10 years creditable service on July 1, 1993; minimum \$100 per month if at least 10 years of creditable service.

Form of payment: life annuity.

6. Disability Retirement Benefits.

Eligibility: permanently mentally or physically incapacitated before normal retirement age while in service; unable to perform duties of own position; employed prior to October 16, 1992 and did not elect No Age Disability Option.



SUMMARY OF PLAN PROVISIONS

(continued)

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

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

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

7. **No Age Disability Retirement Benefits.**

Eligibility: permanently mentally or physically incapacitated while in service; unable to perform duties of own position; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

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

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

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

8. **Ordinary Death Benefits Before Eligibility for Service Retirement.**

Eligibility: death while active or disabled before eligibility for service retirement.

Benefit: member's accumulated contributions at time of death. A surviving spouse, children, parents, or other beneficiaries may be eligible to elect (in lieu of contributions) survivor benefits in monthly amounts varying by number of eligible survivors.

9. **Ordinary Death Benefits After Eligibility for Service Retirement.**

Eligibility: death while active or disabled after eligibility for retirement but before benefit commencement date.

Benefit: Option 2 (see item 13) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect benefit in item 5 instead. Otherwise, accumulated contributions are payable to the estate.

10. **Accidental Death Benefits.**

Eligibility: death while active or disabled resulting from injury related to employment.



SUMMARY OF PLAN PROVISIONS

(continued)

Benefit: if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's final average compensation shared between dependent children and surviving spouse (if any). Benefits are reduced by amounts payable under Workers' Compensation.

11. Refund of Contributions.

Eligibility: termination of service except by retirement or death.

Benefit: member's accumulated contributions with interest.

12. Cost-of-living Adjustments.

All retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index, based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. For members with less than 10 years creditable service on July 1, 1993 who were active on July 1, 1993 cost-of-living adjustments are applied to all benefits which have been in payment for 12 months. The maximum increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

13. Optional Methods of Payment.

- Option 1: Cash refund equal to the excess of accumulated contributions at date of retirement over total payments made to date of death which are attributable to member contributions.
- Option 2: 100% joint and survivor annuity.
- Option 3: 50% joint and survivor annuity.
- Option 4: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board.



SUMMARY OF ACTUARIAL ASSUMPTIONS

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

ACTUARIAL ASSUMPTIONS

1. Annual Rate of Investment Return: 8.0%
2. Annual Rate of Salary Increase: 6.0%
3. Annual Cost-of-living Increase: 4.0%
4. Expense Allowance: None
5. Retirement Age: Age 60 for members with at least 10 years creditable service on July 1, 1993.
Age 62 for members with less than 10 years creditable service on July 1, 1993.
6. Probabilities of employment termination:

<u>at Age</u>	<u>due to:</u>	<u>Death</u>	<u>Disability</u>	<u>Quitting</u>
25		.0006	.0006	.07
30		.0008	.0006	.06
35		.0011	.0007	.05
40		.0016	.0011	.04
45		.0029	.0022	.03
50		.0053	.0042	.02
55		.0085	.0072	.01

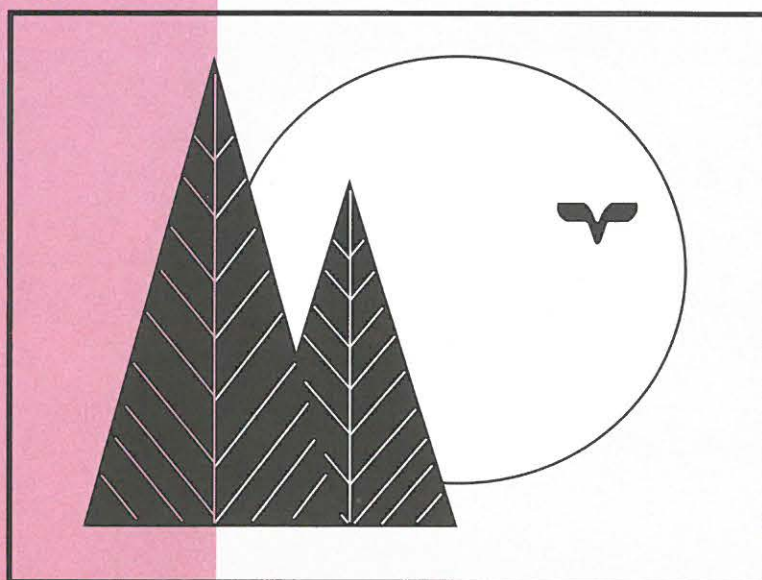
FUNDING METHOD

1. Retirement Benefits: Aggregate
2. Ancillary Benefits: Term Cost Method
3. Amortization Period: Future Service Lifetime
(Level Percent of Payroll)

ASSET VALUATION METHOD

Assets are valued at actuarial value. See the "Assets" section of the "Actuaries' Report: MSRS" for a detailed description.

1995 ACTUARIES' REPORT: JUDICIAL RETIREMENT SYSTEM



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PARTICIPANT DATA

1. Number of Active Employees	48
2. Active Payroll	\$ 3,762,265
3. Number of Retired Members and Beneficiaries*	31
4. Annual Retiree and Beneficiary Benefits	\$ 1,395,735
5. Number of Vested and Inactive Members	2

COST RESULTS

1. Retirement Benefits	
A. Employer Normal Cost	14.06%
B. Unfunded Actuarial Liability	11.53%
Total Retirement Cost	25.59%
2. Disability Cost	2.60%
3. Survivor Benefit Cost	0.29%
Total Cost	28.48%

ACCOUNTING INFORMATION

1. GASB Disclosure	
A. Pension Benefit Obligation:	
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 16,638,130
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	2,247,666
- Employer-financed vested contributions	4,730,332
- Employer-financed non-vested contributions	1,408,557
Total Pension Benefit Obligation	\$ 25,024,685
B. Net Assets Available for Benefits (at cost)	\$ 14,500,927
Unfunded Pension Benefit Obligation (not less than \$0)	\$ 10,523,758
2. Other Accounting Information	
A. Actuarial Value of Assets	\$ 18,291,640
B. Unfunded Actuarial Liability	\$ 8,054,168
C. Market Value of Assets	\$ 19,418,860
D. Unfunded Accrued Liability	\$ 3,622,014
E. Amortization Period	22 years

*Includes four concurrent beneficiaries.



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation. Prior to July 1, 1993 members were required to contribute 6.5% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

Eligibility: 25 years of creditable service, or attainment of age 60 (62 if less than 10 years creditable service on July 1, 1993) with 10 years of creditable service, or attainment of age 70 and one year of service immediately before retirement.

Benefit: sum of (A) 1/50 of average final compensation multiplied by years of membership service and creditable service transferred from the Retirement System, and (B) 75% of November 30, 1984 salary for the position held at retirement, pro-rated for prior service less than 10 years. The benefit is reduced for retirement before age 60 if at least 10 years creditable service on July 1, 1993; reduced before age 62 if less than 10 years creditable service on July 1, 1993.

Maximum Benefit: 60% of average final compensation.

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

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

6. Disability Retirement Benefits.

Eligibility: permanently mentally or physically incapacitated while in service before eligibility for unreduced retirement; unable to perform duties of own position; a member prior to October 16, 1992 and did not elect No Age Disability option.



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

(continued)

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

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

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

7. No Age Disability Retirement Benefits

Eligibility: permanently mentally or physically incapacitated while in service; unable to perform duties of own position; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

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

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

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

8. Ordinary Death Benefits Before Eligibility for Service Retirement.

Eligibility: death while active or disabled before eligibility for service retirement.

Benefit: member's accumulated contributions at time of death. A surviving spouse, children, parents or other beneficiaries may be eligible to elect (in lieu of contributions) survivor benefits in monthly amounts varying by number of eligible survivors.

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

9. Ordinary Death Benefits After Eligibility for Service Retirement.

Eligibility: death after eligibility for retirement but before benefit commencement date.



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

(continued)

Benefit: option 2 (see item 13) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect benefit described in item 5 instead. Otherwise, accumulated contributions are payable to the estate.

10. Accidental Death Benefits.

Eligibility: death while active or disabled resulting from injury related to employment.

Benefit: if the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's average final compensation shared between dependent children and surviving spouse (if any).

11. Refund of Contributions.

Eligibility: termination of service except by retirement or death.

Benefit: member's accumulated contributions with interest.

12. Cost-of-living Adjustments.

Except as described below, all retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index (CPI), based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. For members with less than 10 years creditable service on July 1, 1993, who were active on July 1, 1993, the cost-of-living adjustments are applied to all benefits which have been in payment for 12 months. The maximum increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

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

13. Optional Methods of Payment.

- Option 1: Cash refund equal to the excess of accumulated contributions at date of retirement over total payments made to date of death which are attributable to member contributions.
- Option 2: 100% joint and survivor annuity.
- Option 3: 50% joint and survivor annuity.
- Option 4: Any other benefit which is actuarially equivalent to the retirement allowance and is approved by the Board.

Retirement Prior to December 1, 1984

(Administered by the Court System)

1. Currently Effective Annual Salary.

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



SUMMARY OF PLAN PROVISIONS
Retirement Prior to December 1, 1984
(Administered by the Court System)
(continued)

2. Regular Retirement Benefits.

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

Benefit: three-quarters of currently effective annual salary.

3. Disability Benefits.

Three-quarters of currently effective annual salary.

4. Survivor Benefits.

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



SUMMARY OF ACTUARIAL ASSUMPTIONS

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

ACTUARIAL ASSUMPTIONS

1. Annual Rate of Investment Return: 8.0%
2. Annual Rate of Salary Increase: 6.0%
3. Annual Cost-of-living Increase: 4.0%
4. Expense Allowance: None
5. Retirement Age: 60
6. Probabilities of employment termination:

<u>at Age</u>	<u>due to:</u>	<u>Death</u>	<u>Disability</u>	<u>Quitting</u>
25		.0006	.0006	.07
30		.0008	.0006	.06
35		.0011	.0007	.05
40		.0016	.0011	.04
45		.0029	.0022	.03
50		.0053	.0042	.02
55		.0085	.0072	.01

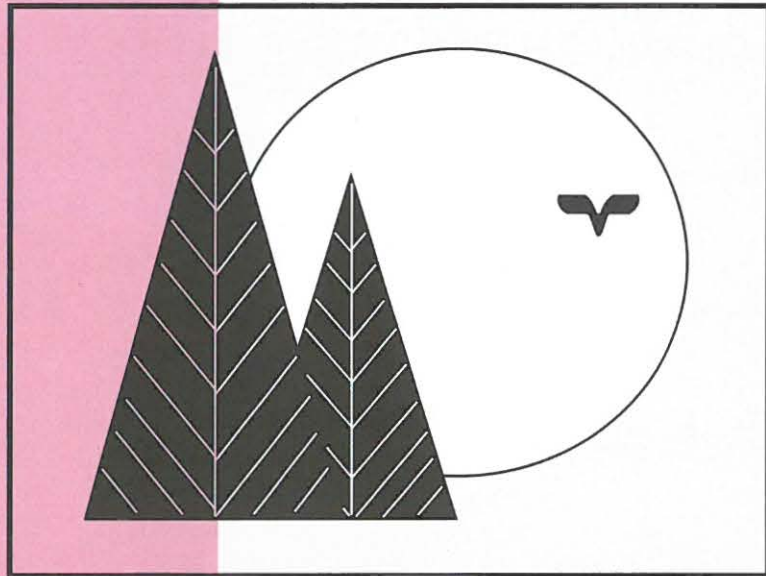
FUNDING METHOD

1. Retirement Benefits: Entry Age Normal
2. Ancillary Benefits: Term Cost Method
3. Amortization Period: 22 Years

ASSET VALUATION METHOD

Assets are valued at actuarial value. See the "Assets" section of the "Actuaries' Report: MSRS" for a detailed description.

1995 ACTUARIES' REPORT: CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS



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SECTION I EXECUTIVE SUMMARY

Overview

As of June 30, 1995, there were 63 participating districts in the Consolidated Plan for Participating Local Districts (PLDs) of the Maine State Retirement System. On July 1, 1995, an additional 40 PLDs entered the plan making a total of 103. This report presents the results of our June 30, 1995, actuarial valuation for this Plan. Comments on the findings of our valuation are presented below. Following our comments are detailed tables of the June 30, 1995, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

For GASB disclosure purposes, this report covers the 63 PLDs that were in the Plan on June 30, 1995. For purposes of 1996 cost projections, the report covers the 103 PLDs that were in the Plan on July 1, 1995. (The cost projections do not actually affect the 1996 rate, which is fixed through the Plan's three-year startup phase.)

In the following sections of the report we present detailed results on Plan Assets (Section II), Plan Liabilities (Section III), and Plan Contributions (Section IV). This report also contains four Appendices. Appendix A displays a list of the 63 PLDs which entered the plan on July 1, 1994, and their benefit plan elections. Appendix B presents membership data and profiles and Appendix C provides a summary of Plan benefit provisions. Finally, an outline of all actuarial assumptions and procedures used in our valuation is contained in Appendix D.

Valuation Comments

Assets

As of June 30, 1995, the Plan had assets, when measured on a market value basis, of \$184 million. Of this total, \$140 million was in the Regular Plans and \$44 million was in the Special Plans. When measured on a book value basis (cost), the Plan's assets were \$138 million of which \$105 million was allocated to the Regular Plans and \$33 million to the Special Plans. On an actuarial basis, using a method which smooths market fluctuations, the assets were valued at \$174 million. Of this total, \$132 million was in the Regular Plans and \$42 million was in the Special Plans.

Liabilities

Throughout this report we discuss three types of liabilities (1) Unfunded Actuarial Liabilities, (2) Unfunded Accrued Benefit Liabilities and (3) Unfunded Pension Benefit Obligation. In Section III, we discuss in detail the different uses and definitions of these terms.

In general, Actuarial Liabilities are calculated for purposes of determining future contributions. Since actuarial funding methods are used to determine costs for future retirement benefits, unfunded actuarial liabilities will include future increases in pay and service credits. The calculated amount of a plan's actuarial liabilities is directly dependent on the particular funding method used by the actuary; use of different funding methods would provide entirely different results, even though none of the factors (e.g., inflation, salary growth, etc.) is different. In this valuation, the "Entry Age Normal" method of funding was used. The Unfunded Actuarial Liability calculations this year are for information only, as this liability will not be a factor in establishing contribution rates until the June 30, 1996, valuation.

The second type of liability presented in this report is the Accrued Benefit Liability. This represents the liabilities for all benefits to be paid in the future, based on members' earnings and service credits as of the valuation date. The difference between this figure and plan assets represents the Unfunded Accrued Benefit Liability. As of June 30, 1995, there is no Unfunded Accrued Benefit Liability.

The third type of liability is the Pension Benefit Obligation. This represents the liabilities for benefits to be paid in the future, based on projected pay, and service as of the valuation date. The Unfunded Pension Obligation is \$38 million as of June 30, 1995. More detailed information on plan liabilities is presented in Section III.



Contributions

In Section IV of this report, we present detailed information on the development of Plan contribution rates, calculated as of June 30, 1995. In addition, Section IV discusses the application of the contribution rate for fiscal year budget purposes.

Contributions to the Plan consist of:

- a “normal cost contribution”, for the portion of projected liabilities attributable to service of members during the year following the valuation date,
- a “pooled unfunded actuarial liability contribution”, for the excess of projected liabilities allocated to service to date over assets on hand and receivables from PLDs entering the Plan with IUUALs,
- an “ancillary benefit” contribution for the expected value of future death and disability benefits to be paid as a result of deaths and disabilities occurring during the year following the valuation date.

These rates, as a percentage of payroll, are summarized on Table IV-1.

Membership

The total Consolidated Plan membership, in both Regular and Special Plans, as of June 30, 1995, consisted of 2,545 actives, 1,021 retirees, and 55 vested inactive members. The total annual payroll of active members, in all plans, was \$55 million as of June 30, 1995.

In Appendix A, we present more information on the membership of the Plan.



SUMMARY OF PRINCIPAL RESULTS TOTAL

1. Participant Data	<u>June 30, 1995</u>	<u>June 30, 1994</u>
Number of:		
Active Members	2,545	N/A
Retired Members and Beneficiaries	1,021	N/A
Vested Inactive Members	<u>55</u>	<u>N/A</u>
Total Membership	3,621	N/A
 Annual Salaries of Active Members	 \$ 55,056,793	 N/A
 Annual Benefits to Recipients	 \$ 6,605,378	 N/A
 2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995)		
Actuarial Liability	\$ 529,957,956	N/A
Actuarial Value of Assets	<u>\$ 394,664,766</u>	<u>N/A</u>
Unfunded Actuarial Liability	\$ 135,293,189	N/A
Unpooled Portion (IUUAL)	132,112,444	N/A
Pooled Portion	<u>\$ 3,180,746</u>	<u>N/A</u>
 Accounting Liability (Based on 63 PLDs at June 30, 1995)		
Accrued Benefit Liability	\$ 148,005,801	N/A
Market Value of Assets	<u>184,337,950</u>	<u>N/A</u>
Unfunded Accrued Benefit Liability	\$ 0	N/A
 Accrued Benefit Funding Ratio	125%	N/A
 GASB #5 PBO (Based on 63 PLDs at June 30, 1995)		
Pension Benefit Obligation	\$ 175,386,875	N/A
Book Value of Assets	<u>137,653,348</u>	<u>N/A</u>
Unfunded Pension Benefit Obligation	\$ 37,733,527	N/A



SUMMARY OF PRINCIPAL RESULTS

REGULAR PLANS A, A-1, & B

1. Participant Data	June 30, 1995	June 30, 1994
Number of:		
Active Members	2,310	N/A
Retired Members and Beneficiaries	864	N/A
Vested Inactive Members	49	N/A
Total Membership	3,223	N/A
Annual Salaries of Active Members	\$ 47,949,123	N/A
Annual Benefits to Recipients	\$ 4,996,071	N/A
2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995)		
Actuarial Liability	\$ 312,069,483	N/A
Actuarial Value of Assets	244,769,815	N/A
Unfunded Actuarial Liability	\$ 67,299,668	N/A
Unpooled Portion (IUUAL)	63,513,819	N/A
Pooled Portion	\$ 3,785,849	N/A
FASB Accounting Liability (Based on 63 PLDs at June 30, 1995)		
Accrued Benefit Liability	\$ 106,854,660	N/A
Market Value of Assets	140,375,474	N/A
Unfunded Accrued Benefit Liability	\$ 0	N/A
Accrued Benefit Funding Ratio	131%	N/A
GASB #5 PBO (Based on 63 PLDs at June 30, 1995)		
Pension Benefit Obligation	\$ 130,397,925	N/A
Book Value of Assets	104,824,611	N/A
Unfunded Pension Benefit Obligation	\$ 25,573,314	N/A



SUMMARY OF PRINCIPAL RESULTS SPECIAL PLANS 1-4 & 1A-4A

1. Participant Data	June 30, 1995	June 30, 1994
Number of:		
Active Members	235	N/A
Retired Members and Beneficiaries	157	N/A
Vested Inactive Members	6	N/A
Total Membership	398	N/A
Annual Salaries of Active Members	\$ 7,107,670	N/A
Annual Benefits to Recipients	\$ 1,609,307	N/A
2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995)		
Actuarial Liability	\$ 217,888,473	N/A
Actuarial Value of Assets	149,894,951	N/A
Unfunded Actuarial Liability	\$ 67,993,522	N/A
Unpooled Portion (IUUAL)	68,598,625	N/A
Pooled Portion	(\$ 605,103)	N/A
Accounting Liability (Based on 63 PLDs at June 30, 1995)		
Accrued Benefit Liability	\$ 41,151,141	N/A
Market Value of Assets	43,962,476	N/A
Unfunded Accrued Benefit Liability	\$ 0	N/A
Accrued Benefit Funding Ratio	107%	N/A
GASB #5 PBO (Based on 63 PLDs at June 30, 1995)		
Pension Benefit Obligation	\$ 44,988,950	N/A
Book Value of Assets	32,828,737	N/A
Unfunded Pension Benefit Obligation	\$ 12,160,213	N/A



SECTION II ASSETS

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

Book Value of Assets

Book value is the purchase price for equity investments and the amortized value for fixed income investments such as bonds.

Market Value of Assets

For accounting statement purposes, Plan assets are valued at current market values. Briefly stated, these values represent the "snapshot" or "cash-out" value of Plan assets as of the valuation date. In addition, the market value of assets provides a reference point for comparison purposes.

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

Actuarial Value of Assets

Actuarial valuations employ a technique for determining the actuarial value of assets that dampens the volatility in market value. The specific technique employed in this valuation establishes the actuarial value of assets by the following method:

- Step 1:** Determine the total yield on the investments of the plan using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended and the market value of assets at the end of the year (18.39%).
- Step 2:** Calculate the excess of the yield determined in Step 1 over the expected yield for the same year according to the actuarial assumptions. ($18.39\% - 8.00\% = 10.39\%$)
- Step 3:** To mitigate the effect on the employer contribution rate of variation in investment yields over any one year without creating an artificial long term effect, calculate an adjusted rate equal to the expected rate plus one-third of the rate determined in Step 2. ($8.00\% + (1/3 \times 10.39\%) = 11.46\%$)
- Step 4:** The actuarial value of assets used in this valuation equals the amount that would have existed if the actual yield on the assets had been at the rate determined in Step 3.



ASSET ALLOCATION TABLE II-1

	Regular Plans	Special Plans	Total
Book Value	\$ 104,824,611	\$ 32,828,737	\$ 137,653,348
Market Value	140,375,474	43,962,476	184,337,950
Actuarial Value	132,227,004	41,410,557	173,637,561



SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

Upon entering the Consolidated Retirement Plan, each PLD had its separate, individual, existing unfunded actuarial liability calculated. Each PLD will pay this Initial Unpooled Unfunded Actuarial Liability (IUUAL) on a scheduled basis, in addition to making the Normal Cost Contribution to the Plan. Each year this valuation will calculate the Pooled Unfunded Actuarial Liability under the Plan and, beginning with the June 30, 1996, valuation, adjust the employer contribution rates accordingly. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and methodologies, if any, will have an effect on the total actuarial liability under the Plan and on the portion of it that is unfunded.

In Table III-1 we have summarized the actuarial liabilities as of July 1, 1995, and the amounts that were unfunded. This exhibit is being presented for informational purposes only. The Pooled Unfunded Actuarial Liability will not become an element of cost until the June 30, 1996, valuation which, because it is the valuation that establishes the FY 98 rates, will be based on the total number of PLDs that come into the Consolidated Plan during the three-year window. The last group of "window" PLDs will join the Consolidated Plan effective July 1, 1996. The actuarial liability in Table III-1 is not based on the 63 PLDs in the Consolidated Plan as of June 30, 1995, but on the 103 PLDs that are in the Consolidated Plan as of July 1, 1995. When we perform the next valuation it will be important to base the future contribution rate on the entire population of PLDs who are then in the Consolidated Plan and will pay the related rate. That population will include the 103 PLDs and all PLDs that join the Consolidated Plan effective July 1, 1996.

Accounting Statement Information

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

Statement No. 5 of the Governmental Accounting Standards Board, issued during 1986, establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. These Statements specify that a comparison of the present value of accrued (accumulated) plan benefits with the value of plan assets must be provided by the plan.

As directed by the above-referenced accounting Statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases. The liabilities shown in Table III-3, GASB Disclosure, are based on current creditable service but include future pay projections.

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

Tables III-2 and III-3 are based on the 63 PLDs which entered the Consolidated Plan on July 1, 1994. This is consistent with the requirements of year-end disclosure.



LIABILITIES

(continued)

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



TABLE III-1
ACTUARIAL LIABILITIES*

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Benefit	\$ 416,768,605	\$ 249,078,440	\$ 665,847,045
2. Present Value of Future Contributions			
a. Employer Normal Cost	\$ 48,883,157	\$ 18,711,889	\$ 67,595,047
b. Employee Contributions	55,815,965	12,478,078	68,294,043
3. Actuarial Liability (1) - (2)	\$ 312,069,483	\$ 217,888,473	\$ 529,957,956
4. Actuarial Value of Assets			
a. Total Invested Assets	\$ 254,632,068	\$ 152,240,243	\$ 406,872,311
b. IUUAL Surpluses in Individual PLD Accounts	9,862,253	2,345,292	12,207,545
c. Valuation Assets (a) - (b)	\$ 244,769,815	\$ 149,894,951	\$ 394,664,765
5. Unfunded Actuarial Liability			
a. Total Unfunded Liability (3) - (4c)	\$ 67,299,668	\$ 67,993,522	\$ 135,293,190
b. Individual PLD Unpooled Liability (IUUAL)	63,513,819	68,598,625	132,112,444
c. Pooled Unfunded Actuarial Liability (a) - (b)	\$ 3,785,849	(\$ 605,103)	\$ 3,180,746
6. Amortization over 15 Years	\$ 442,299	(\$ 70,694)	\$ 371,605
7. Payroll	\$ 94,337,348	\$ 27,225,112	\$ 121,562,460
8. Pooled Unfunded Liability Contribution Rate (6) ÷ (7)	0.47%	-0.26%	0.31%

*Based on 103 PLDs in Consolidated Plan as of July 1, 1995

TABLE III-2
ACCRUED BENEFIT LIABILITY*

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	\$ 915,845	\$ 66,861	\$ 982,706
b. Retired Members and Beneficiaries	\$ 50,925,332	\$ 21,368,282	\$ 72,293,614
c. Active Members	\$ 55,013,483	\$ 19,715,998	\$ 74,729,481
d. Total	\$ 106,854,660	\$ 41,151,141	\$ 148,005,801
2. Invested Assets (Market Value)	\$ 140,375,474	\$ 43,962,476	\$ 184,337,949
3. Unfunded Present Value of Accrued Benefits (1) - (2) \$	0	\$ 0	\$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	131%	107%	125%

*Based on 63 PLDs in Consolidated Plan as of June 30, 1995



TABLE III-3
GASB DISCLOSURE*

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Pension Benefit Obligation			
a. Retired members and beneficiaries currently receiving benefits and vested inactive members not yet receiving benefits	\$ 51,841,177	\$ 21,435,143	\$ 73,276,320
b. Active members			
(i) Accumulated employee contributions including earnings	28,289,651	5,445,780	33,735,431
(ii) Employer-financed vested	23,204,037	13,731,138	36,935,175
(iii) Employer-financed nonvested	27,063,060	4,376,889	31,439,949
c. Total Pension Benefit Obligation	\$ 130,397,925	\$ 44,988,950	\$ 175,386,875
2. Net Assets Available for Benefits (at Book)	\$ 104,824,611	\$ 32,828,737	\$ 137,653,348
3. Unfunded Pension Benefit Obligation [(1) - (2), but not less than \$0]	\$ 25,573,314	\$ 12,160,213	\$ 37,733,527

*Based on 63 PLDs in Consolidated Plan as of June 30, 1995

NOTE: All PLDs that enter the Consolidated Plan cease to be individual sponsors of a "Single-Employer Defined Benefit Pension Plan" and instead become participants in a "Cost-Sharing Multiple-Employer Defined Benefit Pension Plan". As such, the disclosures made by individual PLDs should reflect the assets and liabilities of the Consolidated Plan and not those of the PLD itself.



SECTION IV CONTRIBUTIONS

General Comments

Under normal procedures, employer contribution rates based on this June 30, 1995, actuarial valuation would be used to determine Fiscal Year 1997 contributions. In this context, the term "employer contribution rate" means the percentage which is applied by each PLD to its active member payroll to determine the PLD's actual employer contribution amount. However, during the three-year window period during which PLDs may decide to enter the Consolidated Plan there is no redetermination of the employer contribution rate. As of July 1, 1996, the window period will have closed and the June 30, 1996, valuation, which will be used to produce Fiscal Year 1998 contributions, will reflect this redetermination.

In addition to the applicable employer contribution rate each individual PLD will be provided with a dollar payment/(credit) based on their IUUAL to be added to (or subtracted from) the amount derived from applying the employer contribution rate to the participant payroll.

Description of Rate Components

Except for ancillary benefits (disability and death benefits), the Entry Age Normal funding method was used to develop the employer contribution rates in this section. Under this funding method, as with most other actuarial funding methods, a total contribution rate is determined which consists of two elements: the normal cost rate and the pooled unfunded actuarial liability rate. The contribution rates for ancillary benefits were determined separately using a term cost method. These elements are described in more detail below.

Normal Cost Rate

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

Pooled Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions, future IUUAL payments and current assets. Under the Consolidated Plan, a Pooled Unfunded Actuarial Liability Rate is calculated for the Regular Plans as a group and for the Special Plans as a group. For the Plan's start-up phase, the Pooled Unfunded Actuarial Liability Rate is 0% for both the RegularPlans' pool and the Special Plans' pool. The June 30, 1996, valuation will establish the rate for each pool to be effective July 1, 1997.

IUUAL Payments/(Credits)

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



Ancillary Benefit Rate

The cost of claims for disability and death expected to be incurred during the year was determined as a percent of active member payroll. The cost for ancillary benefits is determined by applying the ancillary benefit rate to the active member payroll of each PLD.

Employer Contribution Rate Summary

In Table IV-1 we present employer contribution rates applicable for determining the Fiscal Year 1997 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix C.



**TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 1997**

	<u>Pooled Unfunded Actuarial Liability</u>					
	<u>Normal Cost</u>	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Disability Benefits</u>	<u>Death Benefits</u>	<u>All Benefits</u>
<u>Plans with COLA</u>						
Regular Employees Plan A	6.0%	0%		1.3%	0.7%	8.0%
Regular Employees Plan B	3.0%	0%		1.3%	0.7%	5.0%
Special Plan 1	17.0%		0%	1.3%	0.7%	19.0%
Special Plan 2	9.7%		0%	1.3%	0.7%	11.7%
Special Plan 3	13.4%		0%	1.3%	0.7%	15.4%
Special Plan 4	6.4%		0%	1.3%	0.7%	8.4%
<u>Plans with No COLA</u>						
Regular Employees Plan A-1	3.2%	0%		1.0%	0.5%	4.7%
Special Plan 1-A	10.2%		0%	1.0%	0.5%	11.7%
Special Plan 2-A	5.0%		0%	1.0%	0.5%	6.5%
Special Plan 3-A	7.2%		0%	1.0%	0.5%	8.7%
Special Plan 4-A	3.2%		0%	1.0%	0.5%	4.7%

*IUUAL payments are made in addition to these costs.



APPENDIX A

PARTICIPATING LOCAL DISTRICTS IN THE CONSOLIDATED PLAN AS OF JUNE 30, 1995

PLDName	PLD#	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Androscoggin County	67	A	1		Yes	7/1/94
Aroostook County	106	A			Yes	7/1/94
Auburn Housing Authority	145	A			Yes	7/1/94
Auburn Water and Sewer District	52	A			Yes	7/1/94
Augusta Sanitary District	64	A			Yes	7/1/94
Augusta Water District	34	A			Yes	7/1/94
Bangor Housing Authority	288	A			Yes	7/1/94
Bath Water District	19	A			Yes	7/1/94
Berwick Sewer District	207	A			Yes	7/1/94
Brewer Housing Authority	248	A			Yes	7/1/94
Carrabassett Valley	277	A			FO	7/1/94
City of Auburn	27	A	2		Yes	7/1/94
City of Augusta	23	A	1	2	Yes	7/1/94
Dover-Foxcroft Water District	137	A			Yes	7/1/94
Erskine Academy	249	A-1			No	7/1/94
Farmington Village Corp.	118	A-1			No	7/1/94
Fort Fairfield Housing Authority	275	A			FO	7/1/94
Gardiner Water District	221	A-1			No	7/1/94
Hancock County	56	A			Yes	7/1/94
Kennebunk Light and Power Co.	62	A			Yes	7/1/94
Kennebunk Sewer District	201	A-1			No	7/1/94
Kittery Water District	12	A			Yes	7/1/94
Lewiston Housing Authority	154	A			Yes	7/1/94
Lewiston-Auburn 9-1-1	291	A			Yes	7/1/94
Lincoln Academy	134	A			Yes	7/1/94
Lincoln Sanitary District	219	A			Yes	7/1/94
Livermore Falls Water District	32	A			Yes	7/1/94
Madawaska Water District	236	A			Yes	7/1/94
Maine Sardine Council	289	A			Yes	7/1/94
Maine School Management Association	239	A			Yes	7/1/94
Maine State Retirement System	290	A			Yes	7/1/94
Maine Turnpike Authority	49	A			Yes	7/1/94
Maine Veterans Home	271	A			Yes	7/1/94
Mars Hill Utility District	283	A			Yes	7/1/94
ME Secondary School Principals Assn	105	A			Yes	7/1/94
Mechanic Falls Sanitary District	282	A-1			No	7/1/94
Old Town Housing Authority	262	A			FO	7/1/94
Old Town Water District	79	A-1			No	7/1/94
Oxford County	57	A			Yes	7/1/94
Penobscot County	11	A			Yes	7/1/94
Piscataquis County	121	A			Yes	7/1/94
Portland Housing Authority	185	A			Yes	7/1/94
Richmond Utilities District	242	A-1			No	7/1/94
Sanford Sewerage District	89	A-1			No	7/1/94
School Administrative District No. 16	190	A-1			No	7/1/94
School Administrative District No. 31	50	A			FO	7/1/94
School Administrative District No. 60	187	A-1			No	7/1/94
Somerset County	101	A			Yes	7/1/94



**PARTICIPATING LOCAL DISTRICTS
IN THE CONSOLIDATED PLAN
AS OF JUNE 30, 1995
(continued)**

PLDName	PLD#	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Town of Camden	8	A-1			No	7/1/94
Town of Easton	240	A			Yes	7/1/94
Town of Eliot	180	A	4		Yes	7/1/94
Town of Glenburn	174	A			Yes	7/1/94
Town of Harpswell	270	A			Yes	7/1/94
Town of Harrison	280	B*			Yes	7/1/94
Town of Jay	45	A			Yes	7/1/94
Town of Mechanic Falls	114	A			FO	7/1/94
Town of Washburn	230	A-1			No	7/1/94
Town of Winthrop	179	A-1			No	7/1/94
Town of York	28	A	4		Yes	7/1/94
Waldo County	46	A			Yes	7/1/94
Waterville Sewerage District	222	A			Yes	7/1/94
Yarmouth Water District	278	A			Yes	7/1/94
York Sewer District	139	A-1			No	7/1/94

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

**Applicable to all new hires after July 1, 1994. All members in PLD at 7/1/94 elected to remain in 1/50 Plan under Regular Plan A.*



APPENDIX B

MEMBERSHIP AND DATA PROFILE

ACTIVE MEMBER DATA AS OF JUNE 30, 1995

Regular Plans Members

Count	2,310
Average Current Age	44.8
Average Service	7.6
Average Valuation Pay	\$ 20,757

Special Plans Members

Count	235
Average Current Age	39.8
Average Service	11.7
Average Valuation Pay	\$ 30,245

All Plans Members

Count	2,545
Average Current Age	44.3
Average Service	8.0
Average Valuation Pay	\$ 21,633

**BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA
AS OF JUNE 30, 1995**REGULAR PLANSRetired Members and Beneficiaries

Count	864
Total Annual Benefit	\$ 4,996,071
Average Annual Benefit	\$ 5,782

Inactive Vested

Count	49
Total Annual Benefit	\$ 149,173
Average Annual Benefit	\$ 3,044

SPECIAL PLANSRetired Members and Beneficiaries

Count	157
Total Annual Benefit	\$ 1,609,307
Average Annual Benefit	\$ 10,250

Inactive Vested

Count	6
Total Annual Benefit	\$ 14,409
Average Annual Benefit	\$ 2,402



BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA **AS OF JUNE 30, 1995** **(continued)**

ALL PLANS

Retired Members and Beneficiaries

Count	1,021
Total Annual Benefit	\$ 6,605,378
Average Annual Benefit	\$ 6,470

Inactive Vested

Count	55
Total Annual Benefit	\$ 163,582
Average Annual Benefit	\$ 2,974



APPENDIX C

SUMMARY OF PLAN PROVISIONS

1. Member Contributions

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

Regular A & A-1	6.5%
Regular B	3.0%
Special 1 & 1-A	6.5%
Special 2 & 2-A	6.5%
Special 3 & 3-A	8.0% for first 25 years, 6.5% after
Special 4 & 4-A	7.5% for first 25 years, 6.5% after

2. Average Final Compensation

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

3. Creditable Service

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

4. Service Retirement Benefits

Regular Plan A

Eligibility: 25 years of creditable service, or attainment of age 60 with either 10 years of creditable service or one year of service immediately before retirement.

Benefit: 1/50 of average final compensation multiplied by years of membership service under Consolidated Plan A plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2-1/4% for each year that a member is younger than age 60 at retirement.

Form of payment: life annuity

Cost of Living Adjustment: See item 10.

Regular Plan A-1

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



SUMMARY OF PLAN PROVISIONS (continued)

Regular Plan B

Eligibility: 25 years of creditable service, or attainment of age 60 with either 10 years of creditable service or one year of service immediately before retirement.

Benefit: 1/100 of average final compensation multiplied by years of membership service under Consolidated Plan B plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2-1/4% for each year that a member is younger than age 60 at retirement.

Form of payment: life annuity

Cost of Living Adjustment: See item 10.

Special Plan 1

Eligibility: 20 years of creditable service in named positions.

Benefit: 1/2 of average final compensation plus 2% for each year of service in excess of 20.

Form of payment: life annuity.

Cost of Living Adjustment: See item 10.

Special Plan 1-A

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

Special Plan 2

Eligibility: 25 years of creditable service in named positions.

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

Form of payment: life annuity.

Cost of Living Adjustment: See item 10.

Special Plan 2-A

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



SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 3

Eligibility: 25 years of creditable service in named positions.

Benefit: $2/3$ of average final compensation plus 2% for each year of service in excess of 25.

Form of payment: life annuity

Cost of Living Adjustment: See item 10.

Special Plan 3-A

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

Special Plan 4

Eligibility: Age 55 with 25 years of creditable service in named positions.

Benefit: 2% of average final compensation for each year of service.

Form of payment: life annuity

Cost of Living Adjustment: See item 10.

Special Plan 4-A

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

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

5. Pre-Retirement Accidental Death Benefits

Eligibility: death resulting from a "job-related" injury, as defined in the MSRS statutes.

Benefit: A surviving spouse receives $66\frac{2}{3}\%$ of average final compensation. If there are surviving dependent child(ren), regardless of whether there is a surviving spouse, the benefit is 100% of average final compensation.

6. Pre-Retirement Ordinary Death Benefits

Eligibility: death resulting from a cause other than a "job-related" injury.

Benefit: Option 2 (see item 11) is automatically available, with benefits payable to designated beneficiary, spouse, child(ren), or parents; however, beneficiary may elect survivor benefits in monthly amounts varying by the number of eligible survivors. Otherwise, accumulated contributions are payable.



SUMMARY OF PLAN PROVISIONS (continued)

7. Age-Limit Disability Benefits

- Eligibility: Disabled as defined in the MSRS statutes, prior to normal retirement age, employed prior to October 16, 1992 and did not elect No-Age Disability Benefits.
- Benefit: 66-2/3% of average final compensation paid so long as remain disabled until the service retirement benefit is equal or until 10 years after normal retirement age, whichever comes first.

8. No-Age Disability Benefits

- Eligibility: Disabled as defined in the MSRS statutes, employed on or after October 16, 1992, or employed prior to October 16, 1992 and elected No-Age Disability.
- Benefit: 59% of average final compensation paid so long as remain disabled until service retirement benefit is equal.

9. Refund of Contributions

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

10. Cost of Living Adjustments

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

11. Methods of Payment of Service Retirement Benefits

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

- Full Benefit: Unadjusted benefit paid for the life of the member only.
- Option 1: Cash payment equal to the remaining employee contribution balance, if any, at the date of death (the employee contribution balance having been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions).
- Option 2: Reduced retirement benefit payable for life to member; after death, benefit of same amount as the retiree's benefit payable to beneficiary for beneficiary's life.
- Option 3: Reduced retirement benefit payable for life to member; after death, benefit of one-half the amount of the retiree's benefit payable to beneficiary for beneficiary's life.
- Option 4: Any other method of benefit payment that provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.



APPENDIX D

ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1.	Annual Rate of Investment Return	8.0%
2.	Cost of Living Increases in Benefits	4.0%
3.	Annual Rate of Salary Increase	6.0%
4.	Rates of Termination at Selected Ages*	Regular & Special Plan Members % Leaving
	Age	
	25	7.0%
	30	6.0
	35	5.0
	40	4.0
	45	3.0
	50	2.0
	55	1.0

*Members with ten or more years of service are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.

5.	Rates of Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	Male & Female
		25	6
		30	8
		35	11
		40	16
		45	29
		50	53
		55	85

6.	Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	Regular Plan Members	Special Plan Members
		45	25	*
		50	38	
		55	50	
		59	60	
		60	1000	

*Assumed to retire when eligible for retirement. - i.e., after 20 years of service in Special Plan 1, after 25 years of service in Special Plans 2 and 3, and at the later of age 55 or 25 years of service in Special Plan 4.



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

7. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)	Age	Regular Plan Members
	25	6.0
	30	8.0
	35	11.0
	40	16.0
	45	29.0
	50	53.0
	55	85.0

8. Family Composition Assumptions	100% of active members are married with two children receiving benefits for an average of five years apiece; spouses are same age; no dependent parents.
-----------------------------------	--

B. Actuarial Methods

1. Funding Method

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

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

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

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

Costs for ancillary benefits (death and disability) are determined using a term cost method.

2. Asset Valuation Method

For purposes of the June 30, 1995, actuarial valuation, assets are valued at an "actuarial value" as described in Part II.

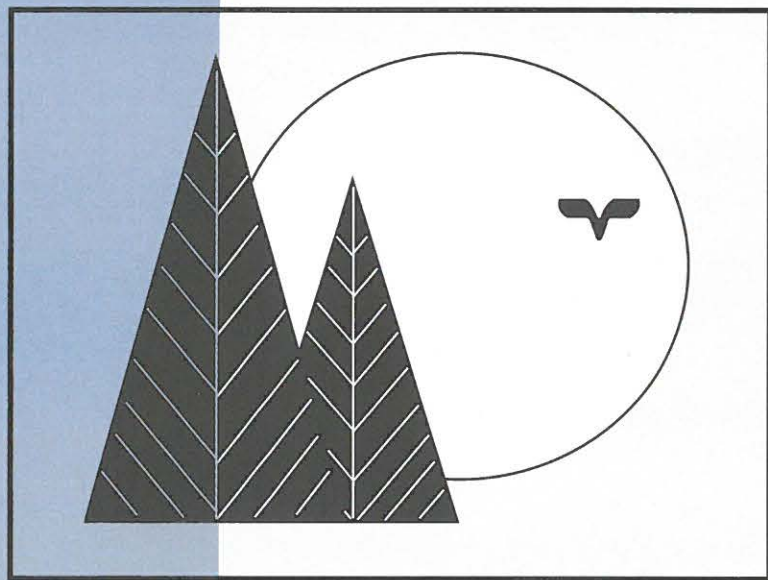
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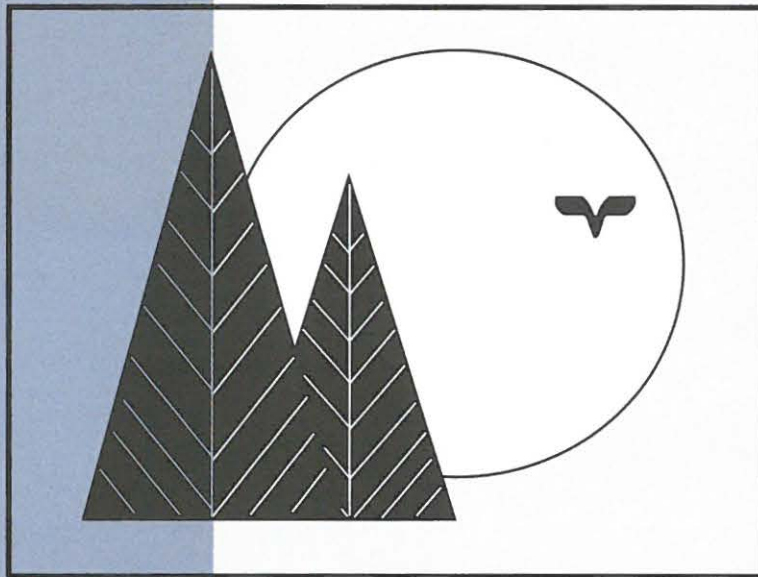
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ACTUARIAL REPORTS



ACTUARIES' REPORT: STATE/TEACHER- 1996



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SECTION I BOARD SUMMARY

Overview

This report presents the results of our June 30, 1996, actuarial valuation of the retirement plan(s) for state employees and teachers administered by the Maine State Retirement System (MSRS). These results provide a "snapshot" view of the System's financial condition on June 30, 1996.

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

This year's valuation produces a combined employer contribution rate for the state employee and teacher plans of 18.24%, slightly higher than the 18.16% produced in last year's valuation. The increase is due to adverse liability experience, chiefly lower than expected growth in membership and members' pay, which was not fully offset by investment results even though these were higher than anticipated. The combined contribution rate was also influenced, to a small degree, by a change in the methodology used to calculate the cost of death and disability benefits. This change was dictated by new GASB requirements.

On June 30, 1996, the total actuarial liability for the System's state employee and teacher plans stood at \$5.9 billion, up from \$5.1 billion at the end of the previous year. Similarly, the total actuarial value of assets increased from \$2.3 billion on June 30, 1995 to \$3.0 billion on June 30, 1996. The increase in actuarial liability, \$0.8 billion, was larger than that anticipated by the valuation assumptions. Much of the larger than expected increase is attributable to the recognition of death and disability benefits on an accrued basis. A portion of this increase was offset by recognizing assets attributable to these benefits and so the net impact on the contribution rate was minimal.

Even though individual members' pay increased in fiscal 1996, total payroll did not grow by the 6% expected by the valuation assumptions. There was a net shrinkage in the number of active employees and therefore in aggregate payroll. As a result, the unfunded actuarial liability contribution rate increased because the required dollar amount was spread over a smaller base.

Two items of note for this valuation report are as follows. First, the liabilities in this report do not anticipate any potential liabilities attributable to Parker v. Wakelin and related litigation*. Should the need to include such additional liabilities arise, a complete restatement of this June 30, 1996, valuation report will be issued.

Second, this is the first valuation following the adoption of the recent constitutional amendment providing that the State must proceed on an orderly 31-year course to retire the July 1, 1996, unfunded liability of its state employee and teacher plans and that it may not create any new unfunded liabilities except those resulting from experience losses. Experience losses must be amortized over 10 years. The Board defines "experience losses" for this purpose as experience losses in excess of experience gains.

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

**For a concise statement of the nature of this litigation and the related potential liabilities, see the Maine State Retirement System financial statements for fiscal year 1996 and notes thereto.*



System Trends

Retirement System Contribution Rates*

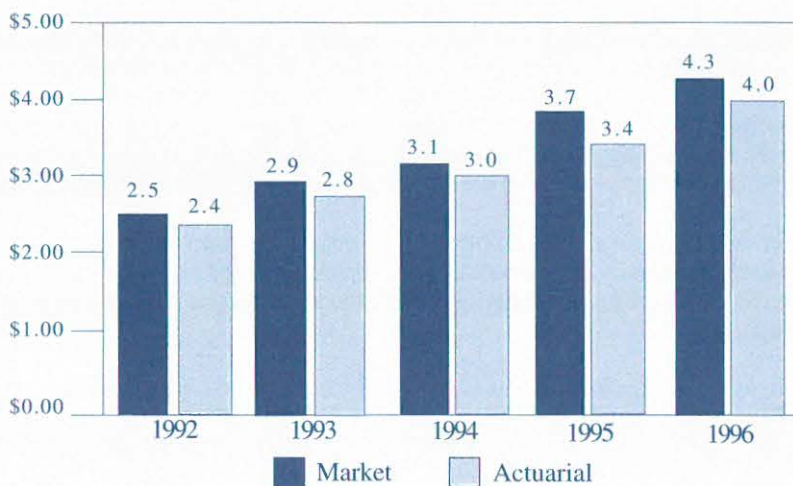


The contribution rate increased slightly in the past year due to (1) liability losses which were not offset by better than expected investment gains and (2) a change in the method used to fund ancillary benefits.

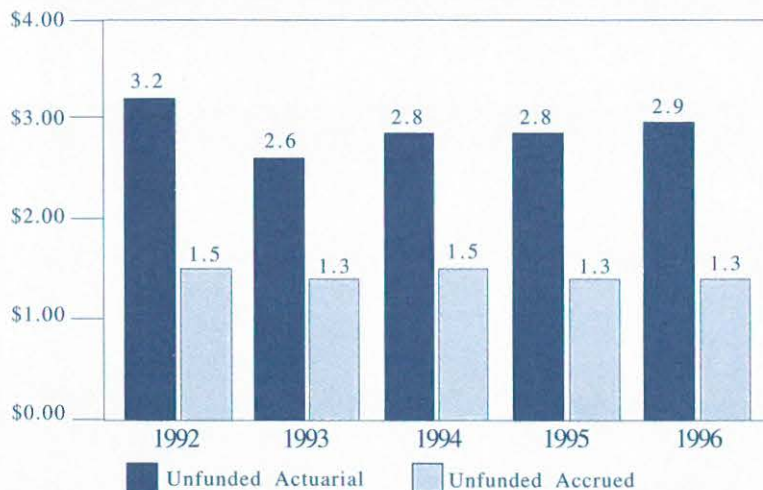
* Rates do not include retiree health insurance charges or administrative expenses. Rates shown are composite rates for the State Regular employees, Teachers, and the State special groups: State Police, Game Wardens, Sea and Shore Wardens, Prison Wardens, Liquor Inspectors, and Forest Rangers.

The System's assets earned about 16.5% from 1995 to 1996 when measured on Market Values. For funding purposes we use a smoothed value of assets known as the Actuarial Value. On this basis, the assets returned 13.2% over the year.

System Assets (in billions)



Unfunded Liabilities (in billions)



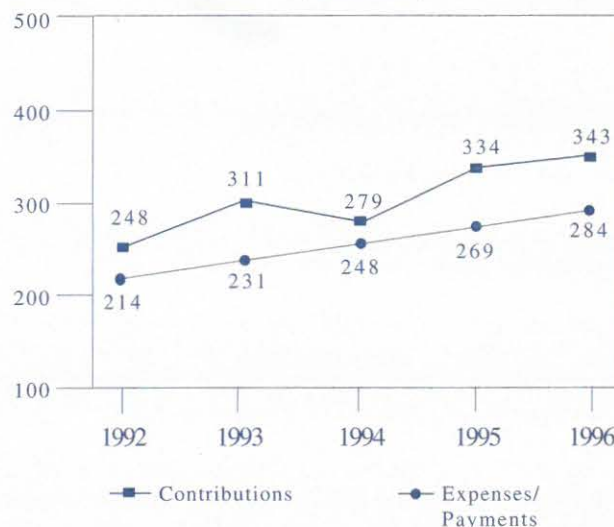
The unfunded actuarial liability increased by \$0.10 billion between 1995 and 1996. This was also due to the combined effect of liability losses and investment gains.



Payments have steadily grown over the past few years as more members achieve retired status. Contributions have fluctuated up and down due to timing differences and budgetary adjustments.

Note: \$10 million in employer contributions that should have been paid in 1994 were delayed until 1995. If the contributions had been made on a timely basis, the 1994 contribution would have been \$289 million and the 1995 contribution would have been \$324 million.

Cash Flows
(in millions)



System Experience

July 1, 1995 - June 30, 1996

The key indicator of overall experience in the System is the stability in the composite State contribution rate. The rate is set so that it will be stable from year to year if experience is exactly as expected. An increase in the rate indicates unfavorable experience and a decrease, favorable experience during the previous year.

The rate increased from 18.16% to 18.24% due to the effect of (1) liability losses and smaller than expected payroll growth which were not offset by expected investment returns and (2) a change in the funding method used for death and disability benefits. The net experience of the System during the year ending June 30, 1996 was slightly worse than expected, resulting in an increase in contribution rate of 8 basis points.

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

Assets

As of June 30, 1996, the market value of System assets was \$4.32 billion, an increase of \$0.67 billion from a 1995 figure of \$3.65 billion.

When measured on a method which smooths market fluctuations, the actuarial value of System assets increased by \$0.52 billion to \$3.96 billion in 1996 from \$3.44 billion in 1995. The components of this change, in millions, are:

Actuarial	Market
+ \$343 employer and member contributions,	+ \$343
- \$284 payment of benefits and expenses,	- 284
+ \$278 expected investment experience, (i.e. 8.0%)	+ 295
+ \$181 investment gain (i.e. actual rate was 13.2% on actuarial basis and 16.5% on market basis)	+ 313
= \$518 total increase in assets.	= \$667

The investment gain for State and Teachers excluding participating local districts was \$138.1 million on an actuarial value basis. Section II of this report presents more detailed information on System assets.



Liabilities

Throughout this report we discuss three types of liabilities:

- Actuarial Liabilities
- Accrued Benefit Liabilities
- Pension Benefit Obligation.

Actuarial Liability

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

As of June 30, 1996, the State's Unfunded Actuarial Liability was \$2.89 billion. This compares to a June 30, 1995 Unfunded Actuarial Liability of \$2.79 billion, an increase of \$97 million. This compares with an expected increase of \$101 million. The components of this increase, in millions, are as follows:

Unfunded Actuarial Liability, June 30, 1995	\$ 2,792
• increase expected	101
• decrease due to asset gain	(127)
• increase due to prefunding ancillary benefits	89
• other (gains)/losses (see below)	34
Unfunded Actuarial Liability, June 30, 1996	\$ 2,889

The unexpected increase in unfunded liabilities from "other sources (gains)/losses" of \$34 million, is attributable to the differences between assumed and actual rates of pay increases, members retiring, terminating employment, or dying. Of this amount \$44 million is attributable to State teachers. Therefore all other groups would have experienced a net *gain* from this "other source" item of \$10 million. The effect of teacher payroll, and retirement, termination and mortality experience being more adverse than expected, are the primary reasons for that group experiencing a loss from this source.

Accrued Benefit Liability

The second type of liability is the Accrued Benefit Liability. This represents the liabilities for all future benefits, based on members' earnings and service credits as of the valuation date June 30, 1996. The difference between this figure and the market value of System assets represents the Unfunded Accrued Benefit Liability. As of June 30, 1996 the Unfunded Accrued Benefit Liability was \$1.34 billion, unchanged from the June 30, 1995 figure.

Pension Benefit Obligation

The third type of liability is the Pension Benefit Obligation (PBO). This is similar to the Accrued Benefit Liability, but it reflects anticipated pay increases. The PBO is a liability disclosure required by the Governmental Accounting Standards Board Statement #5 and is compared with the book value of System assets to determine the amount unfunded. The unfunded PBO was \$2.91 billion on June 30, 1995 and is \$3.37 billion on June 30, 1996.



Contributions

In Section IV of this report, we present detailed information on the development of State contribution rates to the System, calculated as of June 30, 1996. In addition, Section IV discusses the application of the State contribution rate for fiscal year budget purposes.

Contributions to the System consist of:

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

In years prior to 1996 the contribution rate also contained two additional components:

- a "disability benefit" contribution for the expected value of future disability (new law) benefits to be paid as a result of disablements occurring during the year following the valuation date, and
- a "death benefit" contribution (consisting of two parts: survivor benefits, and accidental death benefits) for the expected value of future death benefits to be paid as a result of deaths occurring during the year following the valuation date.

In prior valuations, we have used the term "cost method" to make sure that liabilities which we expect to come into pay status over the next year are funded. This method did not anticipate deaths or disabilities which are likely to occur in future years. The combined pressure of the Constitutional Amendment, requiring full funding of the System's liabilities, and the new GASB pronouncement, which also requires full disclosure of liabilities, leads us to recommend that future anticipated death and disability claims be included in the valuation process. The change in funding method for these ancillary benefits resulted in an increased unfunded liability and a slight increase in the required contribution.

The composite contribution rate for all State employees and Teachers increased from 18.16% of payroll as of June 30, 1995 to 18.24% of payroll as of June 30, 1996. The primary components of this change are shown below.

Contribution Rate as of June 30, 1995	18.16%
Investment Gain (Due to Higher than Expected Investment Returns)	(0.47)
Net of effect Liability Losses, Membership Growth, and Shifts in Payroll Among the State Employee and Teacher Groups	(0.24)
Effect of Aggregate Payroll Growth not meeting the 6.0% Assumption	0.18
Pre-funding of ancillary benefits	0.13
Contribution Rate as of June 30, 1996	18.24%

The effect of aggregate payroll growth not meeting the 6% assumption was discussed in detail in the 1995 valuation report. Simply put, the dollar amount of the unfunded liability payment increased while the aggregate payroll (which is divided into this contribution in order to create a rate) did not grow. The net result is an increase in the contribution rate, but not necessarily an increase in the dollar amount of contribution.



SUMMARY OF PRINCIPAL RESULTS

TOTAL (State and Teacher)*

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	38,417	37,447
Retired Members and Beneficiaries	18,598	18,256
Survivors and Disabled Members	2,202	N/A
Vested Deferred Members	1,609	920
Total Membership	60,826	56,623
Annual Salaries of Active Members	\$ 1,088,516,507	\$ 1,044,437,321
Annual Retirement Allowances for Retired Members and Beneficiaries (1996 amount includes survivors and disabled employees)	\$ 230,010,886	\$ 195,732,536
2. Assets and Liabilities		
Actuarial Liability	\$ 5,907,100,991	\$ 5,111,985,326
Actuarial Value of Assets	3,018,115,219	2,320,244,566
Unfunded Actuarial Liability	\$ 2,888,985,772	\$ 2,791,740,760
Accrued Liability	\$ 4,636,863,161	\$ 3,801,934,030
Market Value of Assets	3,294,019,681	2,463,229,285
Unfunded Accrued Liability	\$ 1,342,843,480	\$ 1,338,704,745
Accrued Benefit Funding Ratio	71.04%	64.79%
3. Contribution Results as a Percent of Payroll (composite rate for all State Employees and Teachers)**		
Normal Cost	7.22%	5.45%
Unfunded Actuarial Liability	11.02%	10.85%
Disability	N/A	1.46%
Death Benefits	N/A	0.40%
Total	18.24%	18.16%

*Excludes participating local districts

**Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS TEACHERS (MTRA)*

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	24,705	23,145
Retired Members and Beneficiaries	9,245	9,085
Survivors and Disabled Members	790	N/A
Vested Deferred Members	1,005	467
Total Membership	35,745	32,697
Annual Salaries of Active Members	\$ 692,611,420	\$ 648,701,692
Annual Retirement Allowances for Retired Members and Beneficiaries (1996 amount includes survivors and disabled employees)	\$ 121,954,080	\$ 106,128,775
2. Assets and Liabilities		
Actuarial Liability	\$ 3,719,637,088	\$ 3,233,057,136
Actuarial Value of Assets	1,709,701,925	1,334,306,466
Unfunded Actuarial Liability	\$ 2,009,935,163	\$ 1,898,750,670
Accrued Liability	\$ 2,797,645,636	\$ 2,313,848,964
Market Value of Assets	1,865,996,286	1,416,532,899
Unfunded Accrued Liability	\$ 931,649,350	\$ 897,316,065
Accrued Benefit Funding Ratio	66.70%	61.22%
3. Contribution Results as a Percent of Payroll**		
Normal Cost	7.25%	5.87%
Unfunded Actuarial Liability	12.05%	11.88%
Disability	N/A	1.34%
Death Benefits	N/A	0.33%
Total	19.30%	19.42%

*Maine Teachers Retirement Association

**Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

TOTAL STATE

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	13,712	14,302
Retired Members and Beneficiaries	9,353	9,171
Survivors and Disabled Members	1,412	N/A
Vested Deferred Members	604	453
Total Membership	25,081	23,926
Annual Salaries of Active Members	\$ 395,905,087	\$ 395,735,629
Annual Retirement Allowances for Retired Members and Beneficiaries (1996 amount includes survivors and disabled employees)	\$ 108,056,806	\$ 89,603,761
2. Assets and Liabilities		
Actuarial Liability	\$ 2,187,463,903	\$ 1,878,928,190
Actuarial Value of Assets	1,308,413,294	985,938,100
Unfunded Actuarial Liability	\$ 879,050,609	\$ 892,990,090
Accrued Liability	\$ 1,839,217,525	\$ 1,488,085,066
Market Value of Assets	1,428,023,395	1,046,696,386
Unfunded Accrued Liability	\$ 411,194,130	\$ 441,388,680
Accrued Benefit Funding Ratio	77.64%	70.34%
3. Contribution Results as a Percent of Payroll*		
Normal Cost	7.17%	4.76%
Unfunded Actuarial Liability	9.22%	9.16%
Disability	N/A	1.65%
Death Benefits	N/A	0.52%
Total	16.39%	16.09%

*Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS STATE REGULAR

1. Participant Data	<u>June 30, 1996</u>	<u>June 30, 1995</u>
Number of:		
Active Members	12,954	13,561
Retired Members and Beneficiaries	8,580	8,413
Survivors and Disabled Members	1,408	N/A
Vested Deferred Members	589	434
Total Membership	<u>23,531</u>	<u>22,408</u>
Annual Salaries of Active Members	\$ 371,078,137	\$ 372,044,559
Annual Retirement Allowances for Retired Members and Beneficiaries (1996 amount includes survivors and disabled employees)	\$ 94,744,724	\$ 76,991,768
2. Assets and Liabilities		
Actuarial Liability	\$ 1,928,498,890	\$ 1,631,962,288
Actuarial Value of Assets	1,167,921,222	856,346,616
Unfunded Actuarial Liability	\$ 760,577,668	\$ 775,615,672
Accrued Liability	\$ 1,595,605,644	\$ 1,260,285,110
Market Value of Assets	1,274,688,079	909,118,847
Unfunded Accrued Liability	\$ 320,917,565	\$ 351,166,263
Accrued Benefit Funding Ratio	79.89%	72.14%
3. Contribution Results as a Percent of Payroll (State Portion only)*		
Normal Cost	6.65%	4.27%
Unfunded Actuarial Liability	8.51%	8.46%
Disability	N/A	1.68%
Death Benefit	N/A	0.51%
Total	<u>15.16%</u>	<u>14.92%</u>

*Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

COMPOSITE SPECIALS

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	758	741
Retired Members and Beneficiaries	773	758
Survivors and Disabled Members	4	N/A
Vested Deferred Members	15	19
Total Membership	1,550	1,518
Annual Salaries of Active Members	\$ 24,826,950	\$ 23,691,070
Annual Retirement Allowances for Retired Members and Beneficiaries (1996 amount includes survivors and disabled employees)	\$ 13,312,082	\$ 12,611,993
2. Assets and Liabilities		
Actuarial Liability	\$ 258,965,013	\$ 246,965,902
Actuarial Value of Assets	140,492,072	129,591,484
Unfunded Actuarial Liability	\$ 118,472,941	\$ 117,374,418
Accrued Liability	\$ 243,611,881	\$ 227,799,956
Market Value of Assets	153,335,316	137,577,539
Unfunded Accrued Liability	\$ 90,276,565	\$ 90,222,417
Accrued Benefit Funding Ratio	62.94%	60.39%
3. Contribution Results as a Percent of Payroll*		
Normal Cost	14.93%	12.48%
Unfunded Actuarial Liability	19.81%	20.12%
Disability	N/A	1.23%
Death Benefits	N/A	0.69%
Total	34.74%	34.52%

*Excludes charges for retiree health insurance and administrative expenses.



SECTION II ASSETS

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

Book Value of Assets

Table II-1 is a comparison, on a book value basis, of System assets as of June 30, 1996, and June 30, 1995, in total and by investment category. The book value is essentially the purchase price for equity investments and amortized value for fixed income investments such as bonds.

Market Value of Assets

For accounting statement purposes, System assets are valued at current market values. Briefly stated, these values represent the "snapshot" or "cash-out" value of System assets as of the valuation date. In addition, the market value of assets provides a reference point for comparison purposes. Table II-2 presents both book value and market value of total System assets by investment category as of June 30, 1996, and also shows the proportion of total assets by investment category for market value.

Actuarial Value of Assets

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

As a consequence, actuarial valuations employ a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted sets the actuarial value of assets by the following method:

Step 1: Determine the total yield on the investments of the System using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended and the market value of assets at the end of the year (23.65%).

Step 2: Calculate the excess of the yield determined in Step 1 over the expected yield for the same year according to the actuarial assumptions. ($23.65\% - 8.00\% = 15.65\%$)

Step 3: Calculate an adjusted rate equal to the expected rate plus one-third of the rate determined in step 2. ($8.00\% + (1/3 * 15.65\%) = 13.22\%$)

Step 4: The actuarial value of assets used in this valuation equals the amount that would have existed if the actual yield on the assets had been at the rate determined in Step 3.

Allocation by Group

Since retirement benefit costs are calculated separately for State Employees, Teachers and other Special Groups, total assets (market and actuarial values) must be allocated to each of these groups. We have made this allocation as of June 30, 1996, in proportion to System reserves (provided at market value). These are shown in Table II-3. The total for each group has been further allocated between the Member Contribution Fund and the Retirement Allowance Fund. The resulting allocations are shown in Tables II-4 and II-5.

Tables II-3 through II-5 reflect the allocation of funds formerly held for Death and Disability reserves into the retirement reserve accounts. This allocation was performed on the basis of actuarial liabilities for these ancillary benefits as measured using the Entry Age Normal funding method.



TABLE II-1
ASSET COMPARISON AT BOOK VALUE

<u>Asset Category</u>	<u>June 30, 1996</u>	<u>June 30, 1995</u>	<u>Increase (Decrease)</u>
Bonds & Cash Equivalents	\$ 1,136,020,534	\$ 1,265,946,418	(\$ 129,925,884)
Stocks	1,430,057,243	1,485,295,391	(55,238,148)
Commingled Funds	453,801,671	0	453,801,671
Land & Buildings	13,676,904	2,677,663	10,999,241
Other Assets	47,157,421	20,076,288	27,081,133
Other Liabilities	(8,166,338)	(45,446,814)	37,280,476
TOTAL	\$ 3,072,547,435	\$ 2,728,548,946	\$ 343,998,489

TABLE II-2
BOOK AND MARKET VALUES BY ASSET CATEGORY
June 30, 1996

<u>Asset Category</u>	<u>Book Value</u>	<u>Market Value</u>	<u>Market Value % to Total</u>
Bonds	\$ 1,046,001,066	\$ 1,289,345,559	29.84
Cash Equivalents	90,019,468	90,466,843	2.09
Stocks	1,430,057,243	2,371,833,161	54.89
Commingled Funds	453,801,671	515,957,479	11.94
Land & Buildings	13,676,904	14,723,730	0.34
Other Assets	47,157,421	47,157,421	1.09
Other Liabilities	(8,166,338)	(8,166,338)	(0.19)
TOTAL	\$ 3,072,547,435	\$ 4,321,317,855	100%



TABLE II-3
ALLOCATION OF BOOK VALUE OF ASSETS

	Allocation to: Member Contribution Fund	Retirement Allowance Fund	Total
State Employees	\$ 361,427,730	\$ 653,926,791	\$ 1,015,354,521
MTRA Teachers	615,998,765	710,763,647	1,326,762,412
Judges	2,646,419	13,808,660	16,455,079
Legislators	509,176	2,000,714	2,509,890
Subtotal State	\$ 980,582,090	\$ 1,380,499,812	\$ 2,361,081,902
Participating Districts	142,828,452	568,637,081	711,465,533
TOTAL	\$ 1,123,410,542	\$ 1,949,136,893	\$ 3,072,547,435

TABLE II-4
ALLOCATION OF MARKET VALUE OF ASSETS

	Allocation to: Member Contribution Fund	Retirement Allowance Fund	Total
State Employees	\$ 361,427,730	\$ 1,066,595,665	\$ 1,428,023,395
MTRA Teachers	615,998,765	1,249,997,521	1,865,996,286
Judges	2,646,419	20,496,471	23,142,890
Legislators	509,176	3,020,804	3,529,980
Subtotal State	\$ 980,582,090	\$ 2,340,110,461	\$ 3,320,692,551
Participating Districts	142,828,452	857,796,852	1,000,625,304
TOTAL	\$ 1,123,410,542	\$ 3,197,907,313	\$ 4,321,317,855



TABLE II-5
ALLOCATION OF ACTUARIAL VALUE OF ASSETS

	Allocation to: Member <u>Contribution Fund</u>	Retirement <u>Allowance Fund</u>	<u>Total</u>
State Employees	\$ 361,427,730	\$ 946,985,564	\$ 1,308,413,294
MTRA Teachers	615,998,765	1,093,703,160	1,709,701,925
Judges	2,646,419	18,558,041	21,204,460
Legislators	509,176	2,725,136	3,234,312
Subtotal State	<u>\$ 980,582,090</u>	<u>\$ 2,061,971,901</u>	<u>\$ 3,042,553,991</u>
Participating Districts	142,828,452	773,985,274	916,813,726
TOTAL	<u>\$ 1,123,410,542</u>	<u>\$ 2,835,957,175</u>	<u>\$ 3,959,367,717</u>



SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

After the amount of the unfunded actuarial liability has been determined, a schedule of contributions is established to amortize that amount over a given period. Effective with the 1987 valuation, a 30 year amortization period was adopted for the Maine State Retirement System. Effective with the June 30, 1993 valuation the amortization period was extended to 35 years. Payments to fund the actuarial liability will be a level percentage of payroll.

In Table III-1 we have summarized the actuarial liabilities as of June 30, 1996, and the amounts that were unfunded.

Accounting Statement Information

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

Statement No. 5 of the Governmental Accounting Standards Board, issued during 1986, establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. This statement specifies that a comparison of the present value of accrued (accumulated) plan benefits with the value of plan assets must be provided by the System.

As directed by the above referenced accounting statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases. The liabilities shown in Table III-3, GASB #5 Disclosure, are based on current creditable service but include future pay projections.

The GASB has released a new pronouncement which will replace the disclosures formerly required by Statement #5. The new Statement #25 must be used for disclosure periods beginning on or after 6/15/96. The figures shown in Table III-1 are suitable for this disclosure.

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



**TABLE III-1
ACTUARIAL LIABILITIES**

	State Employees	MTRA* Teachers	All State Employees
1. Active employees			
(a) Current accrued benefits	\$ 658,014,898	\$ 1,461,137,708	\$ 2,119,152,606
(b) Future benefit accruals	865,706,953	1,887,460,919	2,753,167,872
(c) Total active projected benefits	\$ 1,523,721,851	\$ 3,348,598,627	\$ 4,872,320,478
2. Inactive Employees	\$ 1,181,202,627	\$ 1,336,507,928	\$ 2,517,710,555
3. Total Present Value of Projected Benefits (1 + 2)	\$ 2,704,924,478	\$ 4,685,106,555	\$ 7,390,031,033
4. Future Contributions	\$ 517,460,575	\$ 965,469,467	\$ 1,482,930,042
5. Actuarial Liability (3 - 4)	\$ 2,187,463,903	\$ 3,719,637,088	\$ 5,907,100,991
6. Invested Assets (Actuarial Value)	\$ 1,308,413,294	\$ 1,709,701,925	\$ 3,018,115,219
7. Unfunded Actuarial Liability (5 - 6)	\$ 879,050,609	\$ 2,009,935,163	\$ 2,888,985,772

*Includes Old System Teachers

**TABLE III-2
ACCRUED BENEFIT LIABILITIES**

	State Employees	MTRA* Teachers	All State Employees
1. Present Value of Accrued Benefits			
(a) Employees terminated with vested rights	\$ 38,583,498	\$ 34,361,120	\$ 72,944,618
(b) Retired employees	1,142,619,129	1,302,146,808	2,444,765,937
(c) Active employees	658,014,898	1,461,137,708	2,119,152,606
(d) Total	\$ 1,839,217,525	\$ 2,797,645,636	\$ 4,636,863,161
2. Invested Assets (Market Value)	\$ 1,428,023,395	\$ 1,865,996,286	\$ 3,294,019,681
3. Unfunded Present Value of Accrued Benefits (1-2)	\$ 411,194,130	\$ 931,649,350	\$ 1,342,843,480
4. Accrued Benefit Funding Ratio(2/1)	77.6%	66.7%	71.0%

*Includes Old System Teachers



**TABLE III-3
GASB DISCLOSURE**

	State Employees	MTRA* Teachers	All State Employees
1. Pension Benefit Obligation:			
(a) Retirees and disabled members, and beneficiaries, currently receiving benefits and vested deferred members	\$ 1,181,202,627	\$ 1,336,507,928	\$ 2,517,710,555
(b) Current Employees			
(1) Accumulated employee contributions including allocated investment earnings	361,427,730	615,998,765	977,426,495
(2) Employer-financed vested	224,652,260	754,753,732	979,405,992
(3) Employer-financed nonvested	394,206,187	843,153,822	1,237,360,009
(c) Total Pension Benefit Obligation	\$ 2,161,488,804	\$ 3,550,414,247	\$ 5,711,903,051
2. Net Assets Available for Benefits (at cost)	\$ 1,015,354,521	\$ 1,326,762,412	\$ 2,342,116,933
3. Unfunded Pension Benefit Obligation (not less than \$0)	\$ 1,146,134,283	\$ 2,223,651,835	\$ 3,369,786,118

*Includes Old System Teachers



SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 1996 actuarial valuation will be used to determine Fiscal Year 1998 State appropriations to the Maine State Retirement System. In this context, the term "employer contribution rate" means the percentage which is applied to a particular active member payroll to determine the actual contribution amount (i.e., in dollars) for the group.

Description of Rate Components

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

Normal Cost Rate

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

Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions and current assets. The unfunded actuarial liability rate (or amortization rate) is the level percent of active member payroll which, when applied to each year's payroll, is sufficient to amortize the unfunded actuarial liability over 35 years from June 30, 1993.

Total Contribution Rate Summary

In Table IV-1 we present total contribution rates, determined as of June 30, 1996, applicable for determining the Fiscal Year 1998 State appropriations to the System, using the cost methods described above. These were developed using actuarial assumptions and methods described in the "Actuarial Assumptions and Methods" section.

The derivations of the unfunded actuarial liability rates for each group are shown in Table IV-2.



**TABLE IV-1
RECOMMENDED STATE CONTRIBUTION RATES*
FOR FISCAL YEAR 1997/1998**

	<u>NORMAL COST</u>	<u>UNF ACTRL LIAB</u>	<u>TOTAL CONTRIBUTION RATE</u>
State Employees	6.65%	8.51%	15.16%
Special Groups			
State Police (Closed Plan)	20.10%	46.05%	66.15%
State Police (Open Plan)	20.10%	0.00%	20.10%
Sea and Shore Wardens (Closed Plan)	18.10%	39.58%	57.68%
Game Wardens (Closed Plan)	20.10%	62.41%	82.51%
Prison Wardens (Closed Plan)	9.20%	17.30%	26.50%
Prison Wardens (Open Plan)	9.20%	0.00%	9.20%
Liquor Inspectors (Closed Plan)	9.20%	21.04%	30.24%
Forest Rangers (Closed Plan)	8.30%	17.94%	26.24%
MTRA Teachers	7.25%	12.05%	19.30%

**These rates do not include charges to cover retiree health insurance or administrative expenses.*



TABLE IV-2
June 30, 1996, Valuation
DERIVATION OF UNFUNDED ACTUARIAL LIABILITY RATES

	<u>STATE REGULAR</u>	<u>STATE POLICE*</u>	<u>SEA AND SHORE WARDENS</u>	<u>GAME WARDENS</u>	<u>PRISON WARDENS*</u>	<u>LIQUOR INSPECTORS</u>	<u>FOREST RANGERS</u>	<u>MTRA TEACHERS</u>
1. Present Value of Future Benefits	2,412,155,613	148,022,535	16,974,343	56,414,728	48,717,269	4,002,212	18,637,778	4,685,106,555
2. Normal Cost Rate	6.65%	20.10%	18.10%	20.10%	9.20%	9.20%	8.30%	7.25%
3. Present Value of Future Payroll	3,382,214,845	64,264,477	1,094,974	1,968,909	71,313,093	1,610,822	8,660,987	6,479,660,856
4. Present Value of Future Normal Costs: (2) x (3)	224,917,287	12,917,160	198,190	395,751	6,560,805	148,196	718,862	469,775,412
5. Present Value of Future Member Contributions	258,739,436	5,558,877	94,715	170,311	6,168,582	123,228	749,175	495,694,055
6. Actuarial Liability: (1) - (4) - (5)	1,928,498,890	129,546,498	16,681,438	55,848,666	35,987,882	3,730,788	17,169,741	3,719,637,088
7. Actuarial Value of Assets	1,167,921,222	70,280,752	9,049,909	30,298,668	19,523,920	2,024,004	9,314,820	1,709,701,925
8. Unfunded Actuarial Liability: (6) - (7)	760,577,668	59,265,746	7,631,529	25,549,998	16,463,962	1,706,784	7,854,921	2,009,935,163
9. Estimated Payroll	371,078,137	5,343,884	800,556	1,699,931	3,950,913	336,798	1,818,168	692,611,420
10. Amortization Factor	24.0831	24.0831	24.0831	24.0831	24.0831	24.0831	24.0831	24.0831
11. Unfunded Actuarial Liability Rate (8)/(9)/(10)	8.51%	46.05%	39.58%	62.41%	17.30%	21.04%	17.94%	12.05%

*Includes liabilities for both closed and open plans. Unfunded actuarial liability is attributable to closed plan only.



ACTIVE MEMBER DATA

	<u>Count</u>	<u>Average Current Age</u>	<u>Average Service</u>	<u>Average Valuation Pay</u>
Teachers	24,705	43.6	13.4	\$28,035
State Regular*	12,951	44.0	12.5	\$28,642
Airplane Pilots	3	45.7	16.7	\$45,430
Forest Rangers (Closed Plan)	53	44.7	20.8	\$34,305
Game Wardens (Closed Plan)	44	45.0	20.5	\$38,635
Liquor Inspectors (Closed Plan)	9	48.7	22.7	\$37,422
Prison Wardens (Closed Plan)	121	46.9	18.5	\$32,652
Prison Wardens (Open Plan)	212	36.7	5.5	\$25,302
State Police (Closed Plan)	125	43.2	18.1	\$42,751
State Police (Open Plan)	173	31.9	6.2	\$31,865
Sea and Shore Wardens (Closed Plan)	21	43.7	18.9	\$38,122
State Totals (Excludes Teachers)	13,712	43.8	12.5	\$28,873

* Includes Forest Rangers, Game Wardens, Liquor Inspectors, and Sea and Shore Wardens hired after August 31, 1984, plus seasonal employees.

NON-ACTIVE MEMBER DATA TEACHERS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	7,737	\$ 103,927,262	\$ 13,433
<u>Retired</u> (Option 4 Concurrent Beneficiary)	908	\$ 3,083,981	\$ 3,396
<u>Disabilities</u> (Options 7, 8, 9)	16	\$ 244,129	\$ 15,258
<u>Beneficiaries</u>	600	\$ 5,790,644	\$ 9,651
<u>Ordinary Death Benefits</u> (Options A2, C1-3, P1, S1-4, X1-2)	322	\$ 1,323,029	\$ 4,109
<u>Accidental Death</u> (Option BC)	0	\$ 0	\$ 0
<u>Disabilities</u> (Options 6A-E)	452	\$ 7,585,035	\$ 16,781
<u>Terminated Vested</u>	1,005	\$ 4,764,915	\$ 4,741



NON-ACTIVE MEMBER DATA STATE REGULAR

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	6,196	\$ 69,072,202	\$ 11,148
<u>Retired</u> (Option 4 Concurrent Beneficiary)	1,091	\$ 3,507,353	\$ 3,215
<u>Disabilities</u> (Options 7, 8, 9)	26	\$ 336,010	\$ 12,923
<u>Beneficiaries</u>	1,292	\$ 9,525,485	\$ 7,373
<u>Ordinary Death Benefits</u> (Options A2, C1-3, P1, S1-4, X1-2)	597	\$ 2,447,185	\$ 4,099
<u>Accidental Death</u> (Option BC)	13	\$ 143,189	\$ 11,015
<u>Disabilities</u> (Options 6A-E)	772	\$ 9,687,975	\$ 12,549
<u>Terminated Vested</u>	588	\$ 5,319,525	\$ 9,047

NON-ACTIVE MEMBER DATA SPECIAL GROUPS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	594	\$ 12,120,823	\$ 20,405
<u>Retired</u> (Option 4 Concurrent Beneficiary)	103	\$ 392,946	\$ 3,815
<u>Disabilities</u> (Options 7, 8, 9)	4	\$ 47,206	\$ 11,802
<u>Beneficiaries</u>	77	\$ 776,432	\$ 10,084
<u>Terminated Vested</u>	16	\$ 183,977	\$ 11,499



SUMMARY OF PLAN PROVISIONS FOR STATE EMPLOYEES AND TEACHERS

1. **Membership.**

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

2. **Member Contributions.**

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

Contribution requirements for special groups:

- State police, inland fisheries and wildlife officers (game wardens), and marine resources officers (sea and shore wardens) employed before 9/1/84 - 8.65% of earnable compensation for 20 years; 7.65% thereafter.
- State police and prison employees employed after 8/31/84 - 8.65% of earnable compensation for 25 years; 7.65% thereafter.
- Forest rangers and state prison employees employed before 9/1/84 - 8.65% of earnable compensation until eligible for retirement; 7.65% thereafter.

3. **Average Final Compensation.**

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

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

The definition of compensation will no longer include sick and vacation pay for those members who have less than 10 years of service at July 1, 1993.

4. **Creditable Service.**

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

5. **Service Retirement Benefits.**

Except as otherwise described below:

Eligibility for members in service: 25 years of creditable service, or attainment of age 60 with either 10 years of creditable service or one year of service immediately before retirement.

Eligibility for members not in service: 25 years of creditable service, or attainment of age 60 with 10 years of creditable service.

Benefit: 1/50 of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced for retirement before age 60.

Form of payment: life annuity.



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

For participants who have less than 10 years of service at July 1, 1993, the eligibility age is increased to age 62 and early retirement benefits are reduced 6% for each year before 62.

If greater than the benefits produced by the standard formulas, the following benefits are available for special groups:

State police, inland fisheries and wildlife officers (game wardens), and marine resources officers (sea and shore wardens) employed before 9/1/84:

Eligibility: 20 years of creditable service in named positions.

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

Form of payment: 50% joint and survivor annuity.

State police employed after 8/31/84:

Eligibility: 25 years of creditable service as a state police officer.

Benefit: same as for general employees, reduced for payment before age 55 rather than age 60.

Form of payment: life annuity.

Forest rangers employed before 9/1/84:

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

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

Form of payment: life annuity.

Airplane pilots employed before 9/1/84:

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

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

Form of payment: life annuity.

Liquor inspectors employed before 9/1/84:

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

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

Form of payment: life annuity.



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

State prison employees employed before 9/1/84:

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

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

Form of payment: life annuity.

State prison employees employed after 8/31/84:

Eligibility: 25 years of creditable service as a prison employee.

Benefit: same as for general employees, reduced for retirement before age 55 rather than age 60.

Form of payment: life annuity

6. Disability Retirement Benefits.

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

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

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

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

7. No Age Disability Retirement Benefits.

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

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

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

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



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

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

Benefit: option 2 (see item 12) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect survivor benefits payable to a surviving spouse, children, parents, or other beneficiaries in monthly amounts varying by number of eligible survivors. Otherwise, accumulated contributions are payable.

9. Pre-Retirement Accidental Death Benefits.

Eligibility: death while active or disabled resulting from a job-related injury, as defined in the MSRS statutes.

Benefit: if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's final average compensation shared between dependent children and surviving spouse (if any). Benefits are reduced by amounts payable under Workers' Compensation.

10. Refund of Contributions.

Eligibility: termination of service other than by retirement or death.

Benefit: member's accumulated contributions with interest.

11. Cost-of-living Adjustments

All retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index, based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for 12 months. The maximum annual increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

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

12. Methods of Payment of Service Retirement Benefits.

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Any other method of benefit payment which provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.



ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

		State Employees	Teachers
1. Rate of Investment Return		8.0%	8.0%
2. Cost-of-living Increases in Benefits		4.0%	4.0%
3. Rates of Salary Increase (% at Selected Ages)	Age		
	20	10.0	10.0
	25	8.8	8.8
	30	7.7	7.7
	35	7.2	7.2
	40	6.7	6.7
	45	6.2	6.2
	50	6.0	6.0
	55	6.0	6.0
	60	6.0	6.0
	65	6.0	6.0

The above rates include a 6% across-the-board increase at each age. Calculations have been adjusted to account for the 5% per year/10% over three-years cap on final pay.

		State Employees			Teachers		
	Age	Service			Service		
		0-1	1-2	2+	0-1	1-2	2+
4. Rates of Termination at Select and Ultimate Service (% at Selected ages)*	20	40.0	20.0	15.0	30.0	20.0	15.0
	25	35.0	20.0	10.0	25.0	20.0	10.0
	30	30.0	15.0	8.0	25.0	20.0	8.0
	35	25.0	15.0	6.0	25.0	20.0	6.0
	40	25.0	15.0	4.5	25.0	20.0	4.5
	45	25.0	10.0	3.0	25.0	20.0	3.0
	50	25.0	10.0	2.5	25.0	20.0	2.5
	55	20.0	10.0	2.0	25.0	20.0	2.0

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

	Age	Male	Female	Male	Female
5. Rates of Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)*	20	5	3	5	2
	25	6	3	6	3
	30	8	5	7	4
	35	11	7	10	6
	40	16	9	14	8
	45	29	14	23	12
	50	53	22	42	18
	55	85	33	71	27
	60	131	55	109	44
	65	213	96	174	77
	70	361	165	292	129

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



ACTUARIAL ASSUMPTIONS AND METHODS

(continued)

6. Rates of Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	State Employees		Teachers	
		Male	Female	Male	Female
	45	349	191	349	191
	50	376	207	376	207
	55	420	240	420	240
	60	488	288	488	288
	65	595	366	595	366
	70	763	487	763	487

7. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	State Employees*	Teachers
	45	35	46
	50	57	70
	55	150	151
	59	180	175
	60	225	240
	61	100	150
	62	350	400
	63	250	250
	64	250	250
	65	750	750
	70	1000	1000

8. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)**	Age		
	25	6.8	4.6
	30	7.6	5.0
	35	8.8	5.8
	40	13.2	8.8
	45	26.4	17.6
	50	50.4	33.6
	55	86.3	57.5
	60	149.0	99.4

*Members of special plans are assumed to retire when first eligible for unreduced benefits.

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

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



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Actuarial Methods

1. Funding Method

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

For teachers (MTRA) and State employees, including each of the eight State special groups, a normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of his expected future salary.

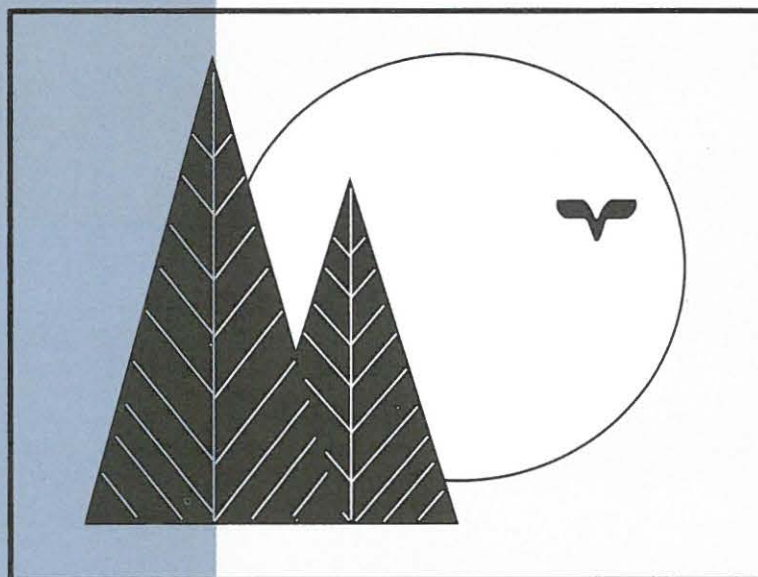
In addition to contributions required to meet the System's normal cost, contributions will be required to fund the System's unfunded actuarial liability. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs and future member contributions.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

The unfunded actuarial liability is amortized by annual payments over a 35 year period from July 1, 1993. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 6% per year.

2. Asset Valuation Method

For purposes of the June 30, 1996, actuarial valuation, assets are valued at an "actuarial value" as described in Section II of this report.

1996 ACTUARIES' REPORT: LEGISLATIVE RETIREMENT SYSTEM



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PARTICIPANT DATA

1. Number of Active Employees	153
2. Active Payroll	\$ 1,560,300
3. Number of Retired Members*	38
4. Annual Retiree Benefits	\$ 37,017
5. Number of Vested and Inactive Members**	58

COST RESULTS

1. Employer Normal Cost***	0.47%
2. Unfunded Actuarial Liability	0.00%
3. Total Cost	0.47%

ACCOUNTING INFORMATION

1. GASB Disclosure	
A. Pension Benefit Obligation:	
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 713,108
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	509,176
- Employer-financed vested	0
- Employer-financed non-vested	632,789
Total Pension Benefit Obligation	\$ 1,855,073
B. Net Assets Available for Benefits (at cost)	\$ 2,509,890
C. Unfunded Pension Benefit Obligation (not less than \$0)	0
2. Other Accounting Information	
A. Actuarial Value of Assets	\$ 3,234,312
B. Unfunded Actuarial Liability	0
C. Market Value of Assets	3,529,980
D. Unfunded Accrued Liability	0
E. Amortization Period	N/A

*Includes three concurrent beneficiaries.

**Includes 51 terminated legislators due a refund of contributions.

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



SUMMARY OF PLAN PROVISIONS

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation. Prior to July 1, 1993 members were required to contribute 4% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

Eligibility for members with more than 10 years of creditable service on July 1, 1993: 25 years of creditable service, or attainment of age 60.

Eligibility for members with less than 10 years of creditable service on July 1, 1993: 25 years of creditable service, or attainment of age 62.

Eligibility for members not in service: attainment of age 60 with 10 years of creditable service (or five full terms as a legislator).

For eligibility, creditable service includes service under the Maine State Retirement System after termination of legislative service.

Benefit: $1/50$ of average final compensation multiplied by years of creditable service, reduced for retirement before age 60 for members with at least 10 years creditable service on July 1, 1993; reduced for retirement before age 62 for members with less than 10 years creditable service on July 1, 1993; minimum \$100 per month if at least 10 years of creditable service.

Form of payment: life annuity.

6. Disability Retirement Benefits.

Eligibility: permanently mentally or physically incapacitated before normal retirement age while in service; unable to perform duties of own position; employed prior to October 16, 1992 and did not elect No Age Disability Option.



SUMMARY OF PLAN PROVISIONS

(continued)

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

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

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

7. No Age Disability Retirement Benefits.

Eligibility: permanently mentally or physically incapacitated while in service; unable to perform duties of own position; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

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

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

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

8. Ordinary Death Benefits Before Eligibility for Service Retirement.

Eligibility: death while active or disabled before eligibility for service retirement.

Benefit: member's accumulated contributions at time of death. A surviving spouse, children, parents, or other beneficiaries may be eligible to elect (in lieu of contributions) survivor benefits in monthly amounts varying by number of eligible survivors.

9. Ordinary Death Benefits After Eligibility for Service Retirement.

Eligibility: death while active or disabled after eligibility for retirement but before benefit commencement date.

Benefit: Option 2 (see item 13) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect benefit in item 5 instead. Otherwise, accumulated contributions are payable to the estate.

10. Accidental Death Benefits.

Eligibility: death while active or disabled resulting from injury related to employment.



SUMMARY OF PLAN PROVISIONS

(continued)

Benefit: if the member leaves no dependent children, 2/3 of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's final average compensation shared between dependent children and surviving spouse (if any). Benefits are reduced by amounts payable under Workers' Compensation.

11. Refund of Contributions.

Eligibility: termination of service except by retirement or death.

Benefit: member's accumulated contributions with interest.

12. Cost-of-living Adjustments.

All retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index, based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. For members with less than 10 years creditable service on July 1, 1993 who were active on July 1, 1993 cost-of-living adjustments are applied to all benefits which have been in payment for 12 months. The maximum increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

13. Methods of Payment of Service Retirement Benefits.

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Any other method of benefit payment which provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.



SUMMARY OF ACTUARIAL ASSUMPTIONS

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

ACTUARIAL ASSUMPTIONS

1. Annual Rate of Investment Return: 8.0%
2. Annual Rate of Salary Increase: 6.0%
3. Annual Cost-of-living Increase: 4.0%
4. Expense Allowance: None
5. Retirement Age: Age 60 for members with at least 10 years creditable service on July 1, 1993.
Age 62 for members with less than 10 years creditable service on July 1, 1993.
6. Probabilities of employment termination:

<u>Age</u>	due to: <u>Death</u>	<u>Disability</u>	<u>Quitting</u>
25	.0006	.0006	.07
30	.0008	.0006	.06
35	.0011	.0007	.05
40	.0016	.0011	.04
45	.0029	.0022	.03
50	.0053	.0042	.02
55	.0085	.0072	.01

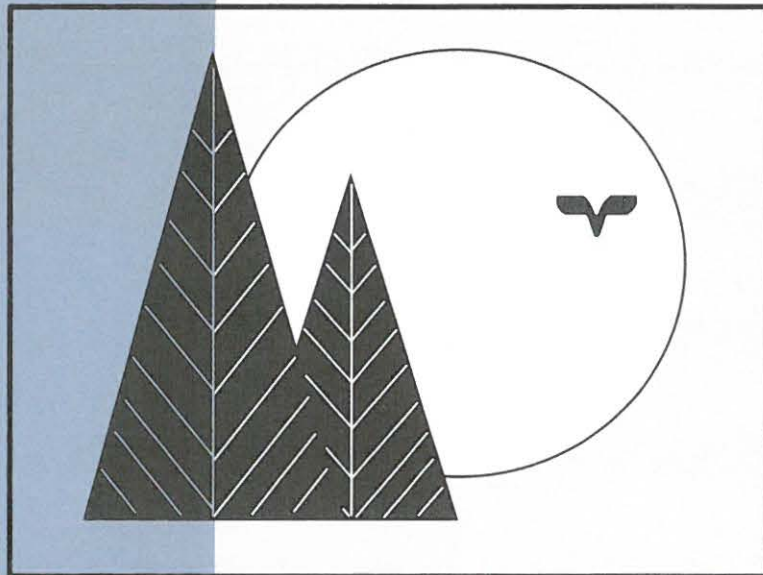
FUNDING METHOD

1. Aggregate
2. Amortization Period: Future service lifetime (level percent of payroll)

ASSET VALUATION METHOD

Assets are valued at actuarial value. See Section II of the "Actuaries' Report: MSRS" for a detailed description.

1996 ACTUARIES' REPORT: JUDICIAL RETIREMENT SYSTEM



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PARTICIPANT DATA

1. Number of Active Employees	50
2. Active Payroll	\$ 4,023,182
3. Number of Retired Members and Beneficiaries*	30
4. Annual Retiree and Beneficiary Benefits	\$ 1,439,560
5. Number of Vested and Inactive Members	2

COST RESULTS

1. Employer Normal Cost**	16.00%
2. Unfunded Actuarial Liability	9.57%
3. Total Cost	25.57%

ACCOUNTING INFORMATION

1. GASB Disclosure	
A. Pension Benefit Obligation:	
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 16,568,111
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	2,646,419
- Employer-financed vested	5,900,889
- Employer-financed non-vested	2,108,721
Total Pension Benefit Obligation	\$ 27,224,140
B. Net Assets Available for Benefits (at cost)	\$ 16,455,079
C. Unfunded Pension Benefit Obligation (not less than \$0)	\$ 10,769,061
2. Other Accounting Information	
A. Actuarial Value of Assets	\$ 21,204,460
B. Unfunded Actuarial Liability	\$ 6,880,893
C. Market Value of Assets	\$ 23,142,890
D. Unfunded Accrued Liability	\$ 1,937,142
E. Amortization Period	21 years

*Includes three concurrent beneficiaries.

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



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation. Prior to July 1, 1993 members were required to contribute 6.5% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

Eligibility: 25 years of creditable service, or attainment of age 60 (62 if less than 10 years creditable service on July 1, 1993) with 10 years of creditable service, or attainment of age 70 and one year of service immediately before retirement.

Benefit: sum of (1) $1/50$ of average final compensation multiplied by years of membership service and creditable service transferred from the Retirement System, and (2) 75% of November 30, 1984 salary for the position held at retirement, pro-rated for prior service less than 10 years. The benefit is reduced for retirement before age 60 if at least 10 years creditable service on July 1, 1993; reduced before age 62 if less than 10 years creditable service on July 1, 1993.

Maximum Benefit: 60% of average final compensation.

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

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

6. Disability Retirement Benefits.

Eligibility: permanently mentally or physically incapacitated while in service before eligibility for unreduced retirement; unable to perform duties of own position; a member prior to October 16, 1992 and did not elect No Age Disability option.



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

(continued)

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

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

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

7. No Age Disability Retirement Benefits

Eligibility: permanently mentally or physically incapacitated while in service; unable to perform duties of own position; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

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

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

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

8. Ordinary Death Benefits Before Eligibility for Service Retirement.

Eligibility: death while active or disabled before eligibility for service retirement.

Benefit: member's accumulated contributions at time of death. A surviving spouse, children, parents or other beneficiaries may be eligible to elect (in lieu of contributions) survivor benefits in monthly amounts varying by number of eligible survivors.

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

9. Ordinary Death Benefits After Eligibility for Service Retirement.

Eligibility: death after eligibility for retirement but before benefit commencement date.

Benefit: option 2 (see item 13) is automatically effective with benefits payable to designated beneficiary, spouse, or parents; however, beneficiary may elect benefit described in item 5 instead. Otherwise, accumulated contributions are payable to the estate.



SUMMARY OF PLAN PROVISIONS

Retirement On or After December 1, 1984

(continued)

10. Accidental Death Benefits.

Eligibility: death while active or disabled resulting from injury related to employment.

Benefit: if the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death; if there remain surviving dependent children, an annual sum of the member's average final compensation shared between dependent children and surviving spouse (if any).

11. Refund of Contributions.

Eligibility: termination of service except by retirement or death.

Benefit: member's accumulated contributions with interest.

12. Cost-of-living Adjustments.

Except as described below, all retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index (CPI), based on the Index. Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. For members with less than 10 years creditable service on July 1, 1993, who were active on July 1, 1993, the cost-of-living adjustments are applied to all benefits which have been in payment for 12 months. The maximum increase or decrease is 4%. Earnable compensation used in determining benefits for disabled members is indexed similarly.

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

13. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

Option 4: Any other method of benefit payment which provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.

Retirement Prior to December 1, 1984

1. Currently Effective Annual Salary.

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



SUMMARY OF PLAN PROVISIONS

Retirement Prior to December 1, 1984

(continued)

2. Regular Retirement Benefits.

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

Benefit: three-quarters of currently effective annual salary.

3. Disability Benefits.

Three-quarters of currently effective annual salary.

4. Survivor Benefits.

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



SUMMARY OF ACTUARIAL ASSUMPTIONS

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

ACTUARIAL ASSUMPTIONS

- | | |
|---|------|
| 1. Annual Rate of Investment Return: | 8.0% |
| 2. Annual Rate of Salary Increase: | 6.0% |
| 3. Annual Cost-of-living Increase: | 4.0% |
| 4. Expense Allowance: | None |
| 5. Retirement Age: | 60 |
| 6. Probabilities of employment termination: | |

<u>Age</u>	<u>due to:</u>	<u>Death</u>	<u>Disability</u>	<u>Quitting</u>
25		.0006	.0006	.07
30		.0008	.0006	.06
35		.0011	.0007	.05
40		.0016	.0011	.04
45		.0029	.0022	.03
50		.0053	.0042	.02
55		.0085	.0072	.01

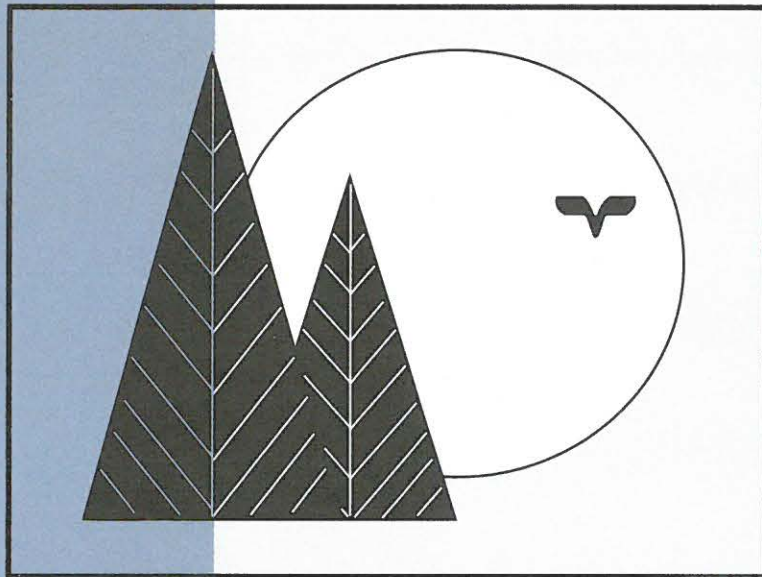
FUNDING METHOD

1. Entry Age Normal
2. Amortization Period: 21 years

ASSET VALUATION METHOD

Assets are valued at actuarial value. See Section II of the "Actuaries' Report: MSRS" for a detailed description.

1996 ACTUARIES' REPORT: CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS



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SECTION I BOARD SUMMARY

Overview

As of June 30, 1996, there were 103 participating districts in the Consolidated Plan for Participating Local Districts (PLDs) of the Maine State Retirement System. On July 1, 1996, an additional 121 PLDs entered the plan, making a total of 224. This report presents the results of our June 30, 1996, actuarial valuation for this Plan. Comments on the findings of our valuation are presented below. Following our comments are detailed tables of the June 30, 1996, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

For GASB disclosure purposes, this report covers the 103 PLDs that were in the Plan on June 30, 1996. For purposes of 1997 cost projections, the report covers the 224 PLDs that were in the Plan on July 1, 1996. (The cost projections do not actually affect the 1997 rate, which is fixed through the Plan's three-year start-up phase; for the purposes of the Plan's actuarial valuations, that phase ends with this valuation.)

In the following sections of the report we present detailed results on Plan Assets (Section II), Plan Liabilities (Section III), and Plan Contributions (Section IV). This report also contains five Appendices. Appendix A displays a list of the 103 PLDs that entered the plan through June 30, 1996, and their benefit plan elections. Appendix B displays a list of the 121 PLDs that entered the Plan on July 1, 1996, and their benefit plan elections. Appendix C presents membership data and profiles and Appendix D provides a summary of benefit provisions of the plans within the Plan. Finally, an outline of all actuarial assumptions and procedures used in our valuation is contained in Appendix E.

Valuation Comments

Assets

As of June 30, 1996, the Plan had assets, when measured on a market value basis, of \$523 million. Of this total, \$339 million was allocated to the Regular Plans and \$184 million to the Special Plans. When measured on a book value basis (cost), the Plan's assets were \$372 million of which \$241 million was allocated to the Regular Plans and \$131 million to the Special Plans. On an actuarial basis, using a method which smooths market fluctuations, the assets were valued at \$479 million. Of this total, \$311 million was in the Regular Plans and \$168 million was in the Special Plans.

Liabilities

Throughout this report we discuss three types of liabilities: (1) Unfunded Actuarial Liabilities, (2) Unfunded Accrued Benefit Liabilities and (3) Unfunded Pension Benefit Obligation. In Section III, we discuss in detail the different uses and definitions of these terms.

In general, Actuarial Liabilities are calculated for purposes of determining future contributions. Since actuarial funding methods are used to determine costs for future retirement benefits, unfunded actuarial liabilities will include future increases in pay and service credits. The calculated amount of a plan's actuarial liabilities is directly dependent on the particular funding method used by the actuary; use of different funding methods would provide entirely different results, even though none of the factors (e.g., inflation, salary growth, etc.) is different. In this valuation, the "Entry Age Normal" method of funding was used. The Unfunded Actuarial Liability calculations this year are for information only, as this liability will not be a factor in establishing contribution rates until the June 30, 1997, valuation.

The second type of liability presented in this report is the Accrued Benefit Liability. This represents the liabilities for all benefits to be paid in the future, based on members' earnings and service credits as of the valuation date. The difference between this figure and plan assets represents the Unfunded Accrued Benefit Liability. As of June 30, 1996, there is no Unfunded Accrued Benefit Liability.

The third type of liability is the Pension Benefit Obligation. This represents the liabilities for benefits to be paid in the future, based on projected pay, and service as of the valuation date. The Unfunded Pension Obligation is \$202 million as of June 30, 1996. More detailed information on plan liabilities is presented in Section III.



Contributions

In Section IV of this report, we present detailed information on the development of Plan contribution rates, calculated as of June 30, 1996. In addition, Section IV discusses the application of the contribution rate for fiscal year budget purposes.

Contributions to the Plan consist of:

- a “normal cost contribution”, for the portion of projected liabilities attributable to service of members during the year following the valuation date.
- a “pooled unfunded actuarial liability contribution”, for the excess of projected liabilities allocated to service to date over assets on hand and receivables from PLDs entering the Plan with Initial Unfunded Unpooled Actuarial Liabilities (IUUALs).
- an “ancillary benefit” contribution for the expected value of future death and disability benefits. In future valuation reports this contribution will be included with the normal cost contribution as explained in the “Summary of Principal Results” section.

This year’s pooled unfunded actuarial liability reflects the recognition of death and disability on an accrued basis. The change in methodology from prior years was dictated by new GASB requirements which necessitate recognizing a liability for these benefits as they accrue over each member’s career, rather than the prior method which only recognized them as they arose upon the occurrence of death or disability. The increase in liability was partially offset by recognizing assets attributable to these benefits, formerly held in a side fund.

The pooled unfunded actuarial liability (UAL) will not affect the contribution rates for fiscal year 1998 because the Plan is still in the three year start-up phase as of this June 30, 1996 valuation. The fiscal year 1998 contribution rates, as a percentage of payroll, are summarized in Table IV-1. Any pooled UAL that exists on June 30, 1997 will be reflected in the fiscal year 1999 contribution rates.

Membership

The total Consolidated Plan membership, in both Regular and Special Plans, as of June 30, 1996, consisted of 5,278 actives, 3,257 retirees, and 155 vested inactive members. The total annual payroll of active members, in all plans, was \$132 million as of June 30, 1996.

In Appendix A, we present more information on the membership of the Plan.



SUMMARY OF PRINCIPAL RESULTS TOTAL

	June 30, 1996	June 30, 1995
1. Participant Data		
Number of:		
Active Members	5,278	2,545
Retired Members and Beneficiaries	3,257	1,021
Vested Inactive Members	155	55
Total Membership	8,690	3,621
Annual Salaries of Active Members	\$ 132,071,920	\$ 55,056,793
Annual Benefits to Recipients	\$ 24,317,401	\$ 6,605,378
2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995 and 224 PLDs at July 1, 1996)		
Actuarial Liability	\$ 1,006,597,165	\$ 529,957,956
Actuarial Value of Assets	806,819,972	\$ 394,664,766
Unfunded Actuarial Liability	\$ 199,777,193	\$ 135,293,190
Unpooled Portion (IUUAL)	184,513,630	132,112,444
Pooled Portion	\$ 15,263,563	\$ 3,180,746
FASB Accounting Liability (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Accrued Benefit Liability	\$ 507,269,145	\$ 148,005,801
Market Value of Assets	522,524,066	184,337,950
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	103%	125%
GASB #5 PBO (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Pension Benefit Obligation	\$ 573,819,946	\$ 175,386,875
Book Value of Assets	371,525,547	137,653,348
Unfunded Pension Benefit Obligation	\$ 202,294,399	\$ 37,733,527



SUMMARY OF PRINCIPAL RESULTS

REGULAR PLANS A, A-1, & B

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	4,425	2,310
Retired Members and Beneficiaries	2,475	864
Vested Inactive Members	141	49
Total Membership	7,041	3,223
Annual Salaries of Active Members	\$ 103,426,291	\$ 47,949,123
Annual Benefits to Recipients	\$ 14,817,706	\$ 4,996,071
2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995 and 224 PLDs at July 1, 1996)		
Actuarial Liability	\$ 602,333,205	\$ 312,069,483
Actuarial Value of Assets	499,225,379	244,769,815
Unfunded Actuarial Liability	\$ 103,107,826	\$ 67,299,668
Unpooled Portion (IUUAL)	88,311,326	63,513,819
Pooled Portion	\$ 14,796,500	\$ 3,785,849
FASB Accounting Liability (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Accrued Benefit Liability	\$ 289,577,113	\$ 106,854,660
Market Value of Assets	338,942,914	140,375,474
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	117%	131%
GASB #5 PBO (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Pension Benefit Obligation	\$ 341,597,589	\$ 130,397,925
Book Value of Assets	240,995,506	104,824,611
Unfunded Pension Benefit Obligation	\$ 100,602,083	\$ 25,573,314



SUMMARY OF PRINCIPAL RESULTS SPECIAL PLANS 1-4 & 1A-4A

1. Participant Data	June 30, 1996	June 30, 1995
Number of:		
Active Members	853	235
Retired Members and Beneficiaries	782	157
Vested Deferred Members	14	6
Total Membership	1,649	398
Annual Salaries of Active Members	\$ 28,645,629	\$ 7,107,670
Annual Benefits to Recipients	\$ 9,499,695	\$ 1,609,307
2. Assets and Liabilities		
Funding Liability (Based on 103 PLDs at July 1, 1995 and 224 PLDs at July 1, 1996)		
Actuarial Liability	\$ 404,263,960	\$ 217,888,473
Actuarial Value of Assets	307,594,593	149,894,951
Unfunded Actuarial Liability	\$ 96,669,367	\$ 67,993,522
Unpooled Portion (IUUAL)	96,202,304	68,598,625
Pooled Portion	\$ 467,063	(\$ 605,103)
Accounting Liability (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Accrued Benefit Liability	\$ 217,692,032	\$ 41,151,141
Market Value of Assets	183,581,152	43,962,476
Unfunded Accrued Benefit Liability	\$ 34,110,880	\$ 0
Accrued Benefit Funding Ratio	84%	107%
GASB #5 PBO (Based on 63 PLDs at June 30, 1995 and 103 PLDs at June 30, 1996)		
Pension Benefit Obligation	\$ 232,222,357	\$ 44,988,950
Book Value of Assets	130,530,041	32,828,737
Unfunded Pension Benefit Obligation	\$ 101,692,316	\$ 12,160,213



SECTION II ASSETS

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

Book Value of Assets

Book value is the purchase price for equity investments and the amortized value for fixed income investments such as bonds.

Market Value of Assets

For accounting statement purposes, Plan assets are valued at current market values. Briefly stated, these values represent the "snapshot" or "cash-out" value of Plan assets as of the valuation date. In addition, the market value of assets provides a reference point for comparison purposes.

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

Actuarial Value of Assets

Actuarial valuations employ a technique for determining the actuarial value of assets that dampens the volatility in market value. The specific technique employed in this valuation establishes the actuarial value of assets by the following method:

- Step 1:** Determine the total yield on the investments of the plan using the full investment return (including capital gains) measured by the difference in the actuarial value of the assets at the beginning of the fiscal year just ended and the market value of assets at the end of the year (23.65%).
- Step 2:** Calculate the excess of the yield determined in Step 1 over the expected yield for the same year according to the actuarial assumptions. $(23.65\% - 8.00\% = 15.65\%)$
- Step 3:** To mitigate the effect on the employer contribution rate of variation in investment yields over any one year without creating an artificial long term effect, calculate an adjusted rate equal to the expected rate plus one-third of the rate determined in Step 2. $(8.00\% + (1/3 \times 15.65\%) = 13.22\%)$
- Step 4:** The actuarial value of assets used in this valuation equals the amount that would have existed if the actual yield on the assets had been at the rate determined in Step 3.

**TABLE II-1
ASSET ALLOCATION**

	Regular Plans	Special Plans	Total
Book Value	\$240,995,506	\$130,530,041	\$371,525,547
Market Value	338,942,914	183,581,152	522,524,066
Actuarial Value	310,553,326	168,204,541	478,757,867



SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

Upon entering the Consolidated Plan, each PLD had its individual actuarial liability calculated. PLDs having an Initial Unpooled Unfunded Actuarial Liability (IUUAL) will pay this liability on a scheduled basis, in addition to making the Normal Cost Contribution required by the plan(s) in which it participates. Each year the valuation for the Consolidated Plan will calculate the Pooled Unfunded Actuarial Liability of the Regular and of the Special Plans under the Plan and, beginning with the June 30, 1997, valuation, adjust the employer contribution rates accordingly. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and methodologies, if any, will have an effect on the total actuarial liability of the Regular and of the Special Plans under the Plan and on the portion of these that are unfunded.

In Table III-1 we have summarized the actuarial liabilities as of July 1, 1996, and the amounts that were unfunded. This exhibit is being presented for informational purposes only. The Pooled Unfunded Actuarial Liability will not become an element of cost until the June 30, 1997, valuation which, because it is the valuation that establishes the fiscal year 1999 rates, will be based on the total number of PLDs that come into the Consolidated Plan during the three-year window. The last group of "window" PLDs joined the Consolidated Plan effective July 1, 1996. The actuarial liability in Table III-1 is not based on the 103 PLDs in the Consolidated Plan as of June 30, 1996, but on the 224 PLDs that are in the Consolidated Plan as of July 1, 1996. When we perform the next valuation it will be important to base the future contribution rate on the entire population of PLDs that are then in the Consolidated Plan and will pay the related rate.

Accounting Statement Information

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

Statement No. 5 of the Governmental Accounting Standards Board, issued during 1986, establishes standards for disclosure of pension information by public employee retirement systems and governmental employers in notes to financial statements and supplementary information. These statements specify that a comparison of the present value of accrued (accumulated) plan benefits with the value of plan assets must be provided by the plan.

As directed by the above-referenced accounting statements, the liabilities shown in Table III-2, Accrued Benefit Liabilities, do not include any projections for future creditable service and pay increases. The liabilities shown in Table III-3, GASB Disclosure, are based on current creditable service but include future pay projections.

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

Tables III-2 and III-3 are based on the 103 PLDs that had entered the Consolidated Plan on June 30, 1996. This is consistent with the requirements of year-end disclosure.



LIABILITIES

(continued)

GASB Statement #25 will supersede Statement #5 for plan years commencing after June 15, 1996. The disclosures in Table III-3 should be replaced by those in Table III-1 if early adoption is anticipated.

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



**TABLE III-1
ACTUARIAL LIABILITIES***

	Regular Plans	Special Plans	Total
1. Present Value of Benefit	\$ 816,925,439	\$ 467,173,629	\$ 1,284,099,068
2. Present Value of Future Contributions			
a. Employer Normal Cost	115,397,283	39,803,899	155,201,182
b. Employee Contributions	99,194,951	23,105,770	122,300,721
3. Actuarial Liability (1) - (2)	\$ 602,333,205	\$ 404,263,960	\$ 1,006,597,165
4. Actuarial Value of Assets			
a. Total Invested Assets	\$ 528,535,824	\$ 322,653,755	\$ 851,189,579
b. IUUAL Surpluses in Individual PLD Accounts	29,310,445	15,059,162	44,369,607
c. Valuation Assets (a) - (b)	\$ 499,225,379	\$ 307,594,593	\$ 806,819,972
5. Unfunded Actuarial Liability			
a. Total Unfunded Liability (3) - (4c)	\$ 103,107,826	\$ 96,669,367	\$ 199,777,193
b. Individual PLD Unpooled Liability (IUUAL)	88,311,326	96,202,304	184,513,630
c. Pooled Unfunded Actuarial Liability (a) - (b)	\$ 14,796,500	\$ 467,063	\$ 15,263,563
6. Amortization over 15 Years	\$ 1,728,668	\$ 54,567	\$ 1,783,235
7. Payroll	\$ 164,497,679	\$ 49,135,272	\$ 213,632,951
8. Pooled Unfunded Liability Contribution Rate (6) ÷ (7)	1.05%	0.11%	0.83%

*Based on 224 PLDs in Consolidated Plan as of July 1, 1996

**TABLE III-2
ACCRUED BENEFIT LIABILITY***

	Regular Plans	Special Plans	Total
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	\$ 3,482,837	\$ 307,026	\$ 3,789,863
b. Retired Members (and Beneficiaries)	148,320,060	124,164,267	272,484,327
c. Active Members	137,774,216	93,220,739	230,994,955
d. Total	\$ 289,577,113	\$ 217,692,032	\$ 507,269,145
2. Invested Assets (Market Value)	338,942,914	183,581,152	522,524,066
3. Unfunded Present Value of Accrued Benefits (1) - (2)	\$ 0	\$ 34,110,880	\$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	117%	84%	103%

*Based on 103 PLDs in Consolidated Plan as of June 30, 1996



TABLE III-3
GASB DISCLOSURE*

	Regular Plans	Special Plans	Total
1. Pension Benefit Obligation			
a. Retired members and beneficiaries currently receiving benefits and vested inactive members not yet receiving benefits	\$ 151,802,897	\$ 124,471,293	\$ 276,274,190
b. Active members			
(i) Accumulated employee contributions including earnings	60,457,428	20,905,444	81,362,872
(ii) Employer-financed vested	55,252,308	67,844,630	123,096,938
(iii) Employer-financed nonvested	74,084,956	19,000,990	93,085,946
c. Total Pension Benefit Obligation	\$ 341,597,589	\$ 232,222,357	\$ 573,819,946
2. Net Assets Available for Benefits (at Book)	\$ 240,995,506	\$ 130,530,041	\$ 371,525,547
3. Unfunded Pension Benefit Obligation [(1) - (2), but not less than \$0]	\$ 100,602,083	\$ 101,692,316	\$ 202,294,399

*Based on 103 PLDs in Consolidated Plan as of June 30, 1996

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



SECTION IV CONTRIBUTIONS

General Comments

Under normal procedures, employer contribution rates based on this June 30, 1996, actuarial valuation would be used to determine Fiscal Year 1998 contributions. In this context, the term "employer contribution rate" means the percentage which is applied by each PLD to its active member payroll to determine the PLD's actual employer contribution amount. However, during the three-year window period during which PLDs could decide to enter the Consolidated Plan there is no redetermination of the employer contribution rate. As of July 1, 1996, the window period closed and the June 30, 1997, valuation, which will be used to produce Fiscal Year 1999 contributions, will, we anticipate, reflect this redetermined employer contribution rates.

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

Description of Rate Components

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

Normal Cost Rate

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

Pooled Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions, future IUUAL payments and current assets. Under the Consolidated Plan, a Pooled Unfunded Actuarial Liability Rate is calculated for the Regular Plans as a group and for the Special Plans as a group. For the Plan's start-up phase, the Pooled Unfunded Actuarial Liability Rate is 0% for both the Regular Plans' pool and the Special Plans' pool. The June 30, 1997, valuation will establish the rate for each pool to be effective July 1, 1998 (FY 1999).

IUUAL Payments/(Credits)

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



Ancillary Benefit Rate

The normal cost of claims for disability and death expected to be incurred in the future is determined for a typical new entrant in the same manner as the cost for retirement benefits.

Because the normal cost and ancillary benefit rates are fixed during the three year window period, we have continued to show them as separate items. Starting with the June 30, 1997 valuation report, the ancillary normal cost rate will be included with the retirement benefit normal cost rate.

Employer Contribution Rate Summary

In Table IV-1 we present employer contribution rates applicable for determining the Fiscal Year 1998 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix C.



TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 1998

	<u>Pooled Unfunded</u> <u>Actuarial Liability</u>					
	<u>Normal</u> <u>Cost</u>	<u>Regular</u> <u>Plans</u>	<u>Special</u> <u>Plans</u>	<u>Disability</u> <u>Benefits</u>	<u>Death</u> <u>Benefits</u>	<u>All</u> <u>Benefits</u>
<u>Plans with COLA</u>						
Regular Employees Plan A	6.0%	0%		1.3%	0.7%	8.0%
Regular Employees Plan B	3.0%	0%		1.3%	0.7%	5.0%
Special Plan 1	17.0%		0%	1.3%	0.7%	19.0%
Special Plan 2	9.7%		0%	1.3%	0.7%	11.7%
Special Plan 3	13.4%		0%	1.3%	0.7%	15.4%
Special Plan 4	6.4%		0%	1.3%	0.7%	8.4%
<u>Plans with No COLA</u>						
Regular Employees Plan A-1	3.2%	0%		1.0%	0.5%	4.7%
Special Plan 1-A	10.2%		0%	1.0%	0.5%	11.7%
Special Plan 2-A	5.0%		0%	1.0%	0.5%	6.5%
Special Plan 3-A	7.2%		0%	1.0%	0.5%	8.7%
Special Plan 4-A	3.2%		0%	1.0%	0.5%	4.7%

*IUUAL payments are made in addition to these costs.



APPENDIX A **PLAN(S) ELECTED BY THE 103 PARTICIPATING LOCAL DISTRICTS** **THAT WERE IN THE CONSOLIDATED PLAN** **AS OF JUNE 30, 1996**

<u>PLDName</u>	<u>PLD#</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Androscoggin County	67	A	1		Yes	7/1/94
Aroostook County	106	A			Yes	7/1/94
Auburn Housing Authority	145	A			Yes	7/1/94
Auburn Water and Sewer District	52	A			Yes	7/1/94
Augusta Sanitary District	64	A			Yes	7/1/94
Augusta Water District	34	A			Yes	7/1/94
Bangor Housing Authority	288	A			Yes	7/1/94
Bath Water District	19	A			Yes	7/1/94
Belfast Water District	132	A			Yes	7/1/95
Berwick Sewer District	207	A			Yes	7/1/94
Brewer Housing Authority	248	A			Yes	7/1/94
Brunswick Public Library	273	A			FO	7/1/95
Carrabassett Valley	277	A			FO	7/1/94
City of Auburn	27	A	2		Yes	7/1/94
City of Augusta	23	A	1	2	Yes	7/1/94
City of Ellsworth	13	A	4		Yes	7/1/95
City of Old Town	111	A-1	2-A		No	7/1/95
City of Portland	2	A	1	2	Yes	7/1/95
City of Rockland	18	A	3		Yes	7/1/95
City of Saco	192	A-1	2-A		No	7/1/95
City of South Portland	9	A	2		Yes	7/1/95
Community School District No. 915	233	A			Yes	7/1/95
Dover-Foxcroft Water District	137	A			Yes	7/1/94
Erskine Academy	249	A-1			No	7/1/94
Farmington Village Corp.	118	A-1			No	7/1/94
Fort Fairfield Housing Authority	275	A			FO	7/1/94
Gardiner Water District	221	A-1			No	7/1/94
Hancock County	56	A			Yes	7/1/94
Houlton Water District	26	A			Yes	7/1/95
Kennebec County	47	A			Yes	7/1/95
Kennebec Sanitary Treatment District	220	A			FO	7/1/95
Kennebunk Light and Power Co.	62	A			Yes	7/1/94
Kennebunk Sewer District	201	A-1			No	7/1/94
Kittery Water District	12	A			Yes	7/1/94
Lewiston Housing Authority	154	A			Yes	7/1/94
Lewiston-Auburn 9-1-1	291	A			Yes	7/1/94
Lincoln Academy	134	A			Yes	7/1/94
Lincoln Sanitary District	219	A			Yes	7/1/94
Lincoln Water District	92	A			Yes	7/1/95
Livermore Falls Water District	32	A			Yes	7/1/94
Madawaska Water District	236	A			Yes	7/1/94
Maine Municipal Bond Bank	93	A			Yes	7/1/95
Maine Sardine Council	289	A			Yes	7/1/94
Maine School Management Association	239	A			Yes	7/1/94
Maine State Retirement System	290	A			Yes	7/1/94
Maine Turnpike Authority	49	A			Yes	7/1/94
Maine Veterans Home	271	A			Yes	7/1/94
Mars Hill Utility District	283	A			Yes	7/1/94



**PARTICIPATING LOCAL DISTRICTS
IN THE CONSOLIDATED PLAN
AS OF JUNE 30, 1996
(continued)**

<u>PLDName</u>	<u>PLD#</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
ME Secondary School Principals Assoc.	105	A			Yes	7/1/94
Mechanic Falls Sanitary District	282	A-1			No	7/1/94
Norway Water District	136	A-1			No	7/1/95
Old Town Housing Authority	262	A			FO	7/1/94
Old Town Water District	79	A-1			No	7/1/94
Oxford County	57	A			Yes	7/1/94
Paris Utility District	159	A			Yes	7/1/95
Penobscot County	11	A			Yes	7/1/94
Penquis Cap Inc.	237	A-1			No	7/1/95
Piscataquis County	121	A			Yes	7/1/94
Portland Housing Authority	185	A			Yes	7/1/94
Portland Public Library	41	A			Yes	7/1/95
Richmond Utilities District	242	A-1			No	7/1/94
Rumford Fire and Police	60	A	3	4	Yes	7/1/95
Rumford Water District	65	A			Yes	7/1/95
Sanford Sewerage District	89	A-1			No	7/1/94
School Administrative District No. 9	119	A			Yes	7/1/95
School Administrative District No. 16	190	A-1			No	7/1/94
School Administrative District No. 31	50	A			FO	7/1/94
School Administrative District No. 49	189	A-1			No	7/1/95
School Administrative District No. 60	187	A-1			No	7/1/94
Somerset County	101	A			Yes	7/1/94
Town of Bar Harbor	15	A	4		Yes	7/1/95
Town of Brunswick	42	A-1	1-A	2-A	No	7/1/95
Town of Bucksport	130	A-1			No	7/1/95
Town of Camden	8	A-1			No	7/1/94
Town of Cumberland	216	B*			Yes	7/1/95
Town of Dover-Foxcroft	167	A-1			No	7/1/95
Town of Easton	240	A			Yes	7/1/94
Town of Eliot	180	A	4		Yes	7/1/94
Town of Fairfield	260	A-1	2-A		No	7/1/95
Town of Farmington	100	A	1	4	Yes	7/1/95
Town of Glenburn	174	A			Yes	7/1/94
Town of Harpswell	270	A			Yes	7/1/94
Town of Harrison	280	B**			Yes	7/1/94
Town of Jay	45	A			Yes	7/1/94
Town of Kittery	14	A	1	2	Yes	7/1/95
Town of Mechanic Falls	114	A			FO	7/1/94
Town of New Gloucester	210	A-1			No	7/1/95
Town of Orrington	209	A-1			No	7/1/95
Town of Rumford	90	A			Yes	7/1/95
Town of Sanford	83	A-1	1-A	4-A	No	7/1/95
Town of Van Buren	182	A			Yes	7/1/95
Town of Waldoboro	195	A	3		Yes	7/1/95
Town of Washburn	230	A-1			No	7/1/94
Town of Wells	107	A	3		Yes	7/1/95
Town of Winthrop	179	A-1			No	7/1/94



**PARTICIPATING LOCAL DISTRICTS
IN THE CONSOLIDATED PLAN
AS OF JUNE 30, 1996
(continued)**

<u>Regular PLDName</u>	<u>Special PLD #</u>	<u>Special Plan</u>	<u>Plan</u>	<u>Entry Plan</u>	<u>COLA</u>	<u>Date</u>
Town of York	28	A	4		Yes	7/1/94
Van Buren Housing Authority	229	A			Yes	7/1/95
Waldo County	46	A			Yes	7/1/94
Waterville Sewerage District	222	A			Yes	7/1/94
Wells Ogunquit CSD	266	A			FO	7/1/95
Winter Harbor Utility District	250	A			Yes	7/1/95
Yarmouth Water District	278	A			Yes	7/1/94
York Sewer District	139	A-1			No	7/1/94

FO = Future Service COLA only, that is, for benefit attributable to service rendered after the PLD's entry date.

**Applicable to all new hires after July 1, 1995. All members in PLD at 7/1/95 elected to remain in 1/50 Plan under Regular Plan A.*

***Applicable to all new hires after July 1, 1994. All members in PLD at 7/1/94 elected to remain in 1/50 Plan under Regular Plan A.*



APPENDIX B **PLAN(S) ELECTED BY THE 121 PARTICIPATING LOCAL DISTRICTS** **THAT ENTERED THE CONSOLIDATED PLAN** **ON JULY 1, 1996**

<u>PLDName</u>	<u>PLD#</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Androscoggin Valley Council of Governments	231	A			Yes	7/1/96
Auburn Lewiston Airport	256	A			Yes	7/1/96
Auburn Public Library	43	A-1			No	7/1/96
Bangor Public Library	22	A			Yes	7/1/96
Bangor Water District	59	B*			Yes	7/1/96
Boothbay Harbor Water District	21	A			Yes	7/1/96
Brewer Water District	68	A-1			No	7/1/96
Bridgton Water District	253	A-1			No	7/1/96
Brunswick Sewer District	72	A			Yes	7/1/96
Caribou Police and Fire	208	A-1	1-A	2-A	No	7/1/96
Cheverus High School	203	2-A			No	7/1/96
City of Bangor	20	A	1	2	Yes	7/1/96
City of Bath	73	2	3		Yes	7/1/96
City of Belfast	35	A	2		Yes	7/1/96
City of Biddeford	158	A-1			No	7/1/96
City of Brewer	63	A	2		Yes	7/1/96
City of Calais	36	A			FO	7/1/96
City of Gardiner	24	A-1	3-A		No	7/1/96
City of Hallowell	160	A			Yes	7/1/96
City of Lewiston	48	A	1	2	Yes	7/1/96
Community School District #12	252	A			Yes	7/1/96
Corinna Sewer District	251	A-1			No	7/1/96
Cumberland County	5	A			Yes	7/1/96
Eagle Lake Water & Sewer District	274	A			Yes	7/1/96
Falmouth Memorial Library	58	A			Yes	7/1/96
Fort Fairfield Utilities District	131	A			Yes	7/1/96
Gould Academy	205	A-1			No	7/1/96
Hampden Water District	183	A-1			No	7/1/96
Indian Township Tribal Government	244	A-1			No	7/1/96
Jackman Water District	226	A			Yes	7/1/96
Kennebec Water District	31	A			Yes	7/1/96
Kennebunk, Kennebunkport & Wells Water District	255	A-1			No	7/1/96
Lewiston/Auburn Water Pollution Control Authority	163	A			FO	7/1/96
Lisbon Water Department	243	A-1			No	7/1/96
Lubec Water and Electric District	88	A			Yes	7/1/96
Maine County Commissioners Assoc.	225	A-1			No	7/1/96
Maine Maritime Academy	38	A	2		Yes	7/1/96
Milo Water District	238	A-1			No	7/1/96
Mt. Desert Island Reg. School District	120	A			Yes	7/1/96
Pleasant Point Passamaquoddy	165	A			Yes	7/1/96
Rumford/Mexico Sewerage District	247	A			Yes	7/1/96
Sanford Housing Authority	152	A			Yes	7/1/96
Sanford Water District	170	A-1			No	7/1/96
School Administrative District No. 13	223	A			Yes	7/1/96



**PARTICIPATING LOCAL DISTRICTS
THAT ENTERED THE CONSOLIDATED PLAN
ON JULY 1, 1996**

<u>PLDName</u>	<u>PLD#</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
School Administrative District No. 21	211	A-1			No	7/1/96
School Administrative District No. 29	168	A			Yes	7/1/96
School Administrative District No. 41	143	A			Yes	7/1/96
School Administrative District No. 51	198	A-1			No	7/1/96
School Administrative District No. 53	129	A-1			No	7/1/96
School Administrative District No. 54	115	A			Yes	7/1/96
School Administrative District No. 67	126	A			Yes	7/1/96
School Administrative District No. 71	128	A-1			No	7/1/96
Searsport Water District	124	A-1			No	7/1/96
So. Penobscot Voc. School Reg. No. 4	269	A-1			No	7/1/96
So. Portland Housing Authority	206	A-1			No	7/1/96
South Berwick Water	171	2			Yes	7/1/96
Town of Baileyville	69	A-1	3-A		No	7/1/96
Town of Berwick	108	A-1			No	7/1/96
Town of Bethel	246	A			Yes	7/1/96
Town of Boothbay Harbor	146	A			FO	7/1/96
Town of China	235	A-1			No	7/1/96
Town of Corinna	217	A-1			No	7/1/96
Town of Dexter	97	A			Yes	7/1/96
Town of Durham	234	A-1			No	7/1/96
Town of East Millinocket	54	A	2		Yes	7/1/96
Town of Falmouth	87	A			Yes	7/1/96
Town of Frenchville	98	A-1			No	7/1/96
Town of Fryeburg	149	A-1			No	7/1/96
Town of Gorham	133	A	2	4	Yes	7/1/96
Town of Greenville	112	A			Yes	7/1/96
Town of Hampden	151	A-1			No	7/1/96
Town of Hermon	150	A-1			No	7/1/96
Town of Hodgdon	215	A-1			No	7/1/96
Town of Houlton	10	A-1			No	7/1/96
Town of Kennebunk	84	A	2		Yes	7/1/96
Town of Kennebunkport	188	A-1	1-A		No	7/1/96
Town of Lebanon	181	A-1			No	7/1/96
Town of Lincoln	76	A-1	3-A		No	7/1/96
Town of Linneus	214	A-1			No	7/1/96
Town of Lisbon	103	A			Yes	7/1/96
Town of Livermore Falls	109	A-1			No	7/1/96
Town of Lovell	276	A			Yes	7/1/96
Town of Lubec	228	A-1			No	7/1/96
Town of Madawaska	82	A			Yes	7/1/96
Town of Mapleton	265	A			Yes	7/1/96
Town of Mars Hill	227	A			Yes	7/1/96
Town of Medway	194	A			Yes	7/1/96
Town of Mexico	74	A			Yes	7/1/96
Town of Milford	186	A-1			No	7/1/96
Town of Millinocket	3	A	3	4	Yes	7/1/96
Town of Monson	184	A-1			No	7/1/96
Town of Mount Desert	16	A			Yes	7/1/96



**PARTICIPATING LOCAL DISTRICTS
THAT ENTERED THE CONSOLIDATED PLAN
ON JULY 1, 1996**

<u>PLDName</u>	<u>PLD#</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of Naples	138	A-1			No	7/1/96
Town of North Berwick	254	A-1	1-A		No	7/1/96
Town of Norway	125	A-1			No	7/1/96
Town of Orland	166	A-1			No	7/1/96
Town of Orono	61	A-1	4-A		No	7/1/96
Town of Otisfield	193	A			FO	7/1/96
Town of Oxford	200	A-1			No	7/1/96
Town of Paris	127	A-1			No	7/1/96
Town of Phippsburg	202	A			Yes	7/1/96
Town of Pittsfield	110	A-1			No	7/1/96
Town of Princeton	258	A-1			No	7/1/96
Town of Rockport	161	A-1			No	7/1/96
Town of Sabattus	175	A-1			No	7/1/96
Town of Scarborough	147	A	2		Yes	7/1/96
Town of Searsport	117	A-1			No	7/1/96
Town of Skowhegan	80	A	3		Yes	7/1/96
Town of South Berwick	141	A			FO	7/1/96
Town of St. Agatha	30	A-1			No	7/1/96
Town of Topsham	81	A	2		Yes	7/1/96
Town of Vassalboro	153	A			Yes	7/1/96
Town of Winslow	144	A-1			No	7/1/96
Town of Yarmouth	116	A	2		Yes	7/1/96
Tri Community Sanitary Landfill	267	A			Yes	7/1/96
Waldo Regional Vocational Center						
Region No. 7	224	A-1			No	7/1/96
Washington County	40	A			Yes	7/1/96
Waterville Fire and Police	66	A-1	3-A		No	7/1/96
Westbrook Housing Authority	259	A			Yes	7/1/96
York County	37	A	2**		Yes	7/1/96
York Water District	39	A			Yes	7/1/96

FO = Future Service COLA only, that is, for benefit attributable to service rendered after the PLD's entry date.

*Applicable to all new hires after July 1, 1996. All members in PLD at 7/1/96 elected to remain in 1/50 Plan under Regular Plan A.

**Applicable to deputy sheriff future service only as of July 1, 1996.



APPENDIX C
MEMBERSHIP AND DATA PROFILE
ACTIVE MEMBER DATA AS OF JUNE 30, 1996

Regular Plans Members

Count	4,425
Average Current Age	44.3
Average Service	7.8
Average Valuation Pay	\$ 23,373

Special Plans Members

Count	853
Average Current Age	38.7
Average Service	12.0
Average Valuation Pay	\$ 33,582

All Plans Members

Count	5,278
Average Current Age	43.4
Average Service	8.5
Average Valuation Pay	\$ 25,023

**BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA
AS OF JUNE 30, 1996**REGULAR PLANSRetired Members and Beneficiaries

Count	2,475
Total Annual Benefit	\$ 14,817,706
Average Annual Benefit	\$ 5,987

Inactive Vested

Count	141
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 482,151
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 3,420

SPECIAL PLANSRetired Members and Beneficiaries

Count	782
Total Annual Benefit	\$ 9,499,695
Average Annual Benefit	\$ 12,148

Inactive Vested

Count	14
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 70,743
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 5,053



BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA **AS OF JUNE 30, 1996** **(continued)**

ALL PLANS

Retired Members and Beneficiaries

Count	3,257
Total Annual Benefit	\$ 24,317,401
Average Annual Benefit	\$ 7,466

Inactive Vested

Count	155
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 552,894
Avg. Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 3,567



APPENDIX D SUMMARY OF PLAN PROVISIONS

1. Member Contributions

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

Regular A & A-1	6.5%
Regular B	3.0%
Special 1 & 1-A	6.5%
Special 2 & 2-A	6.5%
Special 3 & 3-A	8.0% for first 25 years, 6.5% after
Special 4 & 4-A	7.5% for first 25 years, 6.5% after

2. Average Final Compensation

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

3. Creditable Service

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

4. Service Retirement Benefits

Regular Plan A

Eligibility: *if in active service* - 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

if not in active service - at least 10 years of creditable service and at least normal retirement age.

Benefit: 1/50 of average final compensation multiplied by years of membership service under Consolidated Plan A plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2-1/4% for each year that a member is younger than age 60 at retirement.

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

Cost of Living Adjustment: See item 10.

Regular Plan A-1

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



SUMMARY OF PLAN PROVISIONS (continued)

Regular Plan B

Eligibility: *if in active service* - 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

if not in active service - at least 10 years of creditable service and at least normal retirement age.

Benefit: 1/100 of average final compensation multiplied by years of membership service under Consolidated Plan B plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2-1/4% for each year that a member is younger than age 60 at retirement.

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

Cost of Living Adjustment: See item 10.

Special Plan 1

Eligibility: 20 years of creditable service in named positions.

Benefit: 1/2 of average final compensation plus 2% for each year of service in excess of 20.

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

Cost of Living Adjustment: See item 10.

Special Plan 1-A

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

Special Plan 2

Eligibility: 25 years of creditable service in named positions.

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

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

Cost of Living Adjustment: See item 10.

Special Plan 2-A

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



SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 3

Eligibility: 25 years of creditable service in named positions.

Benefit: $\frac{2}{3}$ of average final compensation plus 2% for each year of service in excess of 25.

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

Cost of Living Adjustment: See item 10.

Special Plan 3-A

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

Special Plan 4

Eligibility: Age 55 with 25 years of creditable service in named positions.

Benefit: 2% of average final compensation for each year of service.

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

Cost of Living Adjustment: See item 10.

Special Plan 4-A

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

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

5. Pre-Retirement Accidental Death Benefits

Eligibility: death resulting from a "job-related" injury, as defined in the MSRS statutes.

Benefit: A surviving spouse receives $66\frac{2}{3}\%$ of average final compensation. If there are surviving dependent child(ren), regardless of whether there is a surviving spouse, the benefit is 100% of average final compensation.

6. Pre-Retirement Ordinary Death Benefits

Eligibility: death resulting from a cause other than a "job-related" injury.

Benefit: Option 2 (see item 11) is automatically available, with benefits payable to designated beneficiary, spouse, child(ren), or parents; however, beneficiary may elect survivor benefits in monthly amounts varying by the number of eligible survivors. Otherwise, accumulated contributions are payable.



SUMMARY OF PLAN PROVISIONS (continued)

7. Age-Limit Disability Benefits

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

Benefit: 66-2/3% of average final compensation paid so long as remain disabled until the service retirement benefit is equal or until 10 years after normal retirement age, whichever comes first.

8. No-Age Disability Benefits

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

Benefit: 59% of average final compensation paid so long as remain disabled until service retirement benefit is equal.

9. Refund of Contributions

Eligibility: termination of service other than by retirement or death.

Benefit: member's accumulated contributions with interest.

10. Cost of Living Adjustments

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

11. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: Reduced retirement benefit payable for life to member; after death, benefit of same amount as the retiree's benefit payable to beneficiary for beneficiary's life.

Option 3: Reduced retirement benefit payable for life to member; after death, benefit of one-half the amount of the retiree's benefit payable to beneficiary for beneficiary's life.

Option 4: Any other method of benefit payment that provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.



APPENDIX E ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

1. Annual Rate of Investment Return 8.0%
2. Cost of Living Increases in Benefits 4.0%
3. Annual Rate of Salary Increase 6.0%

4. Rates of Termination at Selected Ages*	Age	Regular & Special Plan Members % Leaving
	25	7.0%
	30	6.0
	35	5.0
	40	4.0
	45	3.0
	50	2.0
	55	1.0

5. Rates of Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)**	Age	Male & Female
	25	6
	30	8
	35	11
	40	16
	45	29
	50	53
	55	85

6. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	Regular Plan Members	Special Plan Members
	45	25	***
	50	38	
	55	50	
	59	60	
	60	1000	

*Members with ten or more years of service are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.

**For Regulars, 5% of deaths are assumed to be accidental; for Specials, 20% of deaths are assumed to be accidental.

***Assumed to retire when eligible for retirement. - i.e., after 20 years of service in Special Plan 1, after 25 years of service in Special Plans 2 and 3, and at the later of age 55 or 25 years of service in Special Plan 4.



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

7. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)*	Age	Regular Plan Members
	25	6.0
	30	8.0
	35	11.0
	40	16.0
	45	29.0
	50	53.0
	55	85.0

8. Family Composition Assumptions	100% of active members are married with two children receiving benefits for an average of five years apiece; spouses are same age; no dependent parents.
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* Disabilities are assumed to be 75% non-service connected for Regular employees and 25% non-service connected for Police and Fire.

B. Actuarial Methods

1. Funding Method

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

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

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

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

2. Asset Valuation Method

For purposes of the June 30, 1996, actuarial valuation, assets are valued at an "actuarial value" as described in Section II.

