

2-16-1995

Maine State Retirement System Annual Report for the Fiscal Year Ended June 30, 1994

Maine State Retirement System

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MAINE STATE RETIREMENT SYSTEM

Annual Report for the Fiscal Year Ended June 30, 1994

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MAINE STATE RETIREMENT SYSTEM

Annual Report for the Fiscal Year Ended June 30, 1994

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This report has been produced as required by 5 MRSA 17102 (10), which states that the MSRS Board of Trustees 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."

Costs for producing this report were paid from the Administrative Fund of the Maine State Retirement System.

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EXECUTIVE DIRECTOR'S REPORT



EXECUTIVE DIRECTOR'S REPORT

The year ended June 30, 1994, was one of change for the Retirement System. Although budget concerns were not at the forefront as they were one year earlier, the challenges confronting the System were significant nonetheless. On July 1, 1993, the MSRS became an independent agency, which resulted in significant operational and personnel changes that will continue to be implemented over the next few years. The end result will be a more efficient and responsive organization better suited to meet the needs of its constituency in the future.

In becoming an independent agency, the Retirement System effectively severed its administrative ties to State government. Underlying the Legislature's action in establishing the System's independence was the recognition that the System's Trustees required greater management flexibility in order to meet the needs of a broadly diversified constituency while maintaining administrative costs at reasonable levels.

Over the years, the Board has been committed to improving service to its constituency. It has had limited successes in recent years. However, the System is now on the threshold of significant change. Personnel and financial resources have been brought to bear to advance the process of

automating member records and benefit calculations. Once automation is complete, response times and accuracy will greatly improve, and the long-awaited objective of modernizing the Retirement System will be realized.

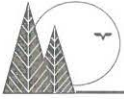
A notable result of the change in status was the creation of the preliminary benefits payout program. Implemented as a pilot program in May and June, the preliminary benefits program will be in full operation for the peak period of teacher retirements in July 1994. Under this program, the System will be able to issue checks to qualifying retirees in the first month of retirement, rather than the two or three months wait that has been the case for years. This accomplishment represents a milestone for the System as the first of many planned improvements to member service. Another high priority for improved service is the preparation and dissemination of up-to-date informational materials on the System's programs and processes. A third high priority is increased direct communication of Retirement System information to employers and members. A review is underway to assess current resources in an effort to improve the delivery of these services.

Notwithstanding the importance of administration and the changes taking place, the Board's

Legislative Summary

The following is an overview of changes made to MSRS statutes during the 1994 legislative session. It focuses on those changes that affect major portions of MSRS membership; it does not describe every change made. More information about 1994 legislative changes can be obtained from the MSRS's Communications Division.

- An 11-person committee has been created to "develop a comprehensive plan for changing the retirement benefits provided to State employees, including members of the special plans, and teachers." (This plan would not apply to PLD members or Legislative System or Judicial System members.) This committee has been created because, according to the statute, "improvements in the retirement benefits offered to State employees must be made in order to attract and retain qualified employees and address specific inequities in the current plan." Five labor union representatives, five employer representatives, and one public representative are to serve on the committee, which must present its plan to the Governor and the Legislature by January 1, 1996. The MSRS is authorized to spend up to \$100,000 over its fiscal year 1995 budget for actuarial services to assist the committee.
- A change has expanded what can be excluded from the cap on increases in earnable compensation for State and teacher members. The law previously excluded compensation paid under a collective bargaining agreement executed prior to July 1, 1993, for the initial term of that agreement; it now also excludes compensation paid under a collective bargaining agreement ratified in its final form by final vote of one party to the agreement prior to July 1,



other responsibilities demanded that its attention be directed to a number of different areas throughout the year.

Investments

The Board continued its constant oversight of the System's investment program throughout the year in order to maintain acceptable levels of return within a risk-controlled environment. Although returns for the fiscal year were less than expected, the System's investment performance was superior when compared to that of other pension funds on a nationwide basis. The Board recognizes that, in the short term, returns may fall short of expectations. However, given a reasonable period of time, the current investment strategy should produce superior returns.

The Board engaged several new investment managers during the year to further diversify the investment portfolio, and it invested excess cash in longer term assets in order to improve returns. Also, a new cash management and investment accounting system is scheduled for implementation in the fall of 1994. The new system will significantly enhance the accounting mechanisms relating to the investment portfolio and will provide MSRS staff with the ability to manage cash assets in order to maximize returns.

Experience Study and Valuation

In the legislative session that begins in January 1995, the Legislature and Administration will deal with the State's budget for the fiscal 1996-97 biennium. As part of the budget process, the Retirement System's Trustees prepare and submit the System's projections for the employer contributions required to properly fund the State employee and teacher plans for the biennium. The Trustees' funding request is based on the annual actuarial valuation. In addition, the Trustees bring to bear the results of an actuarial experience study, required by law to be prepared every three years.

Preliminary indications from the actuary are that employer contribution rates will need to be increased to obtain adequate funding. The anticipated rate increases appear to be driven by higher-than-expected rates of retirement and disability and lower-than-expected employer contributions. These indications and any necessary changes in actuarial assumptions will be finalized by early August 1994, when the Trustees must submit the System's funding requirements to the State Budget Office.

Legislative Summary (continued)

1993, for the initial term of that agreement.

- This new wording about ratification was also added to the section of the law that requires employers to pay additional actuarial and administrative costs arising from early retirement incentives, in effect expanding what can be excluded from these costs. Previously, an early retirement incentive that was part of a collective bargaining agreement executed prior to July 1, 1993, was not subject to these costs for the initial term of that agreement; now, an early retirement incentive that was part of a collective bargaining agreement ratified in its final form by final vote of one party to the agreement prior to July 1, 1993, is also not subject to these costs for the initial term of that agreement.
- A clarification was made to the 1993 law that called for a new cap on increases in earnable compensation for State and teacher members, which is referred to as the "5%/10% cap": any cap in effect before the 5%/10% cap became effective remains in effect in all cases in which the 5%/10% cap does not apply.
- The definition of *teacher* now also includes anyone released from teaching duties to serve as president of a recognized or certified collective bargaining agent. The service and release time must have happened after July 1, 1981, and must have been negotiated in a collective bargaining agreement. Earnable compensation now includes compensation paid for this release time, as long as the compensation does not exceed what the person would have received if he or she had remained teaching during this time. The employer retirement



Consolidated Plan for PLDs

In the Executive Director's Report in the System's last Annual Report, I wrote that the Consolidated Plan for Participating Local Districts (PLDs) "stands ready to be implemented" as of July 1, 1994. Actual implementation of the Consolidated Plan depended on whether the required minimum number of districts, employing the required minimum number of employees, joined the Plan by July 1, 1994. As of early June 1994, these minimums were more than met: it appears that the Plan will go into operation on July 1, 1994 with more than 60 participating local districts and more than 2,000 employees.

These numbers substantially exceed the necessary minimums; they also surpass the "best case" expectations for the Plan's first year. The response from the districts can only be taken to demonstrate that the design of the Consolidated Plan—the product of years of work by the PLD employer and employee representatives on the Consolidated Plan Advisory Committee—meets the needs of both employers and employees.

In accordance with the Consolidated Plan legislation, July 1, 1995, is the next date on which other existing districts and any new districts can join the Consolidated Plan.

Defined Contribution Plans

During the past few years, the Legislature charged the Board with the responsibility for establishing defined contribution plans for participating local district employees and for teachers, in order to provide these employers and employees with a broader range of retirement options for the future. Plans established under Sections 457 and 401(a) of the Internal Revenue Code will be offered initially to the participating local districts that are in the Consolidated Plan and will be extended to teachers within the next year.

The MSRS has contracted with an investment manager and a recordkeeper. The former will offer a range of investment vehicles into which participating employees can direct their contributions, and the latter will maintain individual account records and implement participating employees' instructions as to the investment of their contributions. For the most part, participating employees will remain members of the MSRS defined benefit plan with the defined contribution plans providing supplemental benefits for retirement purposes.

In addition to these defined contribution plan activities, the System has become involved with the State's Section 457 Deferred Compensation

Legislative Summary (continued)

- cost related to this release time must be paid by the collective bargaining agent or the school administrative unit.
- In the past, adult education teachers who taught for a full school year received a half year's service credit, and service credit for adult education teachers who taught for less than a full school year was prorated accordingly. This section of the law has been repealed, so that service credit provisions applicable to other teachers now apply to adult education teachers. Nine hundred instructional hours are considered the normal amount of hours in a full school year and so equate to a full year's service credit, and teachers who accrue less than 900 instructional hours receive a prorated amount of service credit based on the number of instructional hours accrued.
 - Those who became State Police officers after August 31, 1984, and complete 25 years of creditable service as State Police officers (those in the "new" or "open" plan) will now be able to retire before age 55 with no reduction in benefits, providing that, before retirement, they pay the full actuarial cost of retiring before age 55 plus any applicable interest.
 - New legislation allows certain persons to be designated as Ed Tech IIs or IIIs who were not designated as such at an earlier time because of a misinterpretation of an educational transcript from a foreign country.
 - Disability retirement benefits for those members under the "no-age" disability plan will remain at 59% of AFC until July 1, 1996. The MSRS must analyze the experience of the no-age plan and must submit a



Plan. In my position as Executive Director, I was named to the Deferred Compensation Advisory Committee charged with overseeing the State's Section 457 Plan, in order to provide technical expertise to the Committee and participate in the review and evaluation of the current program to determine if it meets the needs of State employees.

Study Commission

During the 116th Legislature, the Committee to Study the Maine State Retirement System, formed during the previous legislative session, submitted its report to the Legislature's Aging, Retirement and Veterans Committee. A number of recommendations were presented in the report, including one that urged the creation of a successor committee to formulate specific plan designs based on guidelines contained in the report. The Legislature agreed with the recommendation, and the new committee was established with a specific mandate to formulate alternative retirement plans, including one that incorporates Social Security.

Summary

The Board and staff believe that the System has a far brighter operational future in view of its new status as an independent agency and related recent developments. Although there is no doubt that the

budget problems experienced by the State in recent years have adversely affected the State employee and teacher plans and their participants, the increased attention and concern now being directed toward the System will, it is hoped, yield positive results in the future. The funding status of the System remains a concern, and the Board is determined to make every effort to improve that situation.

The Board expects to work closely with the new Legislature and Governor in an effort to maintain proper levels of funding for the System and avoid unnecessary disruptive changes to the System's benefit structure.

Claude R. Perrier
Executive Director

Legislative Summary (continued)

report about the plan to the Governor and the Legislature by January 15, 1996.

- Legislation was passed that clarifies that the MSRS is to apply COLAs to accidental death benefits and to the benefits of deceased members' beneficiaries if the retirement plans of the members included COLA provisions.
- All restrictions on and legislative mandates related to doing business in or with South Africa have been repealed.
- A separate actuarial evaluation of each amendment to the retirement law is now required only when this evaluation is considered necessary by the MSRS or by the legislative committee to which

the MSRS reports about the impact of those amendments on the System. In the past, this evaluation was required for each amendment.

- Administrative fees, penalties, and interest may now be charged when an employer has omitted or misrepresented information about a member's earnings or service or has improperly applied laws or rules governing earnings or service.
- The MSRS operating budget for fiscal year 1995 was established via a separate, free-standing bill, which is the process required now that the MSRS is a public instrumentality.

SYSTEM SUMMARY

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INTRODUCTION

As of June 30, 1994, the Maine State Retirement System administered over two hundred retirement systems. These include the Legislative Retirement System, the Judicial Retirement System, the system that covers both public school teachers and State employees, and the approximately 250 separate systems covering various political subdivisions that choose to participate in the MSRS, which under MSRS law are called participating local districts (PLDs). The MSRS is also responsible for the payment of benefits from the Governors Retirement Fund.

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

RETIREMENT PROGRAM

The membership in the MSRS for 1994 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.

	ACTIVE MEMBERS	INACTIVE MEMBERS	TOTAL MEMBERSHIP
State Employees*	14,705	12,489	27,194
Teachers	24,371	23,160	47,531
PLD Members*	8,862	5,991	14,853
Legislative System Members	159	0	159
Judicial System Members	50	1	51
	<hr/>	<hr/>	<hr/>
TOTAL	48,147	41,641	89,788

*This includes both regular and special plan members.

The MSRS benefits payroll continues to increase. Those on the benefits payroll include four categories of recipients:

- those who are receiving a service (or "regular") retirement benefit.
- those who are beneficiaries either of deceased service retirees or of active members and disability retirees who died from a work-related injury.
- those who are receiving a disability retirement benefit.
- those who are beneficiaries of active members or disability retirees who died before service retirement benefits became effective.

Below are the figures for the MSRS benefits payroll as of June 30, 1994:

	Number of People	Monthly Payroll
Service Retirees	20,722	\$16.6 million
Beneficiary	2,697	1.5 million
Disability Retirees	1,372	1.5 million
Ordinary Death Beneficiaries	1,019	.3 million
	<hr/>	<hr/>
TOTAL	25,810	\$19.9 million



Financial Summary

ASSETS

The following financial summaries are meant to provide a brief overview of the retirement program's financial picture. Detail about the MSRS's finances for 1994 can be found in the "Statistical and Financial Information" section.

As of June 30, 1994, the book value of the total assets of the Maine State Retirement System was \$2,497.2 million, an increase of \$203.5 million over the assets at the beginning of the fiscal year. The breakdown of the book value of assets as of the end of the last two fiscal years is as follows:

	<u>1993</u>	<u>1994</u>
Stock	\$1,296.5 million	\$1,401.6 million
Bonds	763.6 million	821.5 million
Mortgage-Type Investments	199.7 million	279.1 million
Cash Due from Other Funds	31.6 million	0 million
Other Assets	16.0 million	9.4 million
Assets Due the Legislative and Judicial Retirement Systems	(13.7) million	(14.4) million
TOTAL	\$2,293.7 million	\$2,497.2 million

TRUST FUND RESERVES

The System's trust fund reserves were \$2,481.9 million as of June 30, 1994, an increase of \$202.4 million over reserves at the beginning of the fiscal year. A comparison of these reserves by membership groups for the last two fiscal years is as follows:

	<u>June 30, 1993</u>	<u>June 30, 1994</u>
State Employees	\$ 688.3 million	\$ 729.8 million
Teachers*	NA	941.6 million
Teachers (post-July 1, 1924)	1,050.3 million	NA
Teachers (pre-July 1, 1924)**	(207.8) million	NA
Participating Local Districts	535.5 million	579.1 million
Consolidated (Disability and Survivor Benefits)	213.2 million	231.4 million
TOTAL	\$2,279.5 million	\$2,481.9 million

Employer contributions to the System for benefits during the past year were made as follows:

State Employees	\$ 58.5 million
Teachers	102.6 million
Participating Local Districts	29.2 million
TOTAL	\$190.3 million

Individual member contributions total \$88.7 million in 1994.

* Starting in fiscal 1994 the two previously separated teacher accounts were combined by action of the Legislature in the State budget for the fiscal 1994-95 biennium.

** This deficit represents the excess of benefit payments with interest charges over any funding or contributions made by the State and individual teachers in this particular category.



NET INCOME FROM INVESTMENTS

1. Net Gain/Sale of Securities		\$125.4 million
2. Income from Investments		
A. Bond Interest	\$ 40.1 million	
B. Stock Dividends	14.4 million	
C. Loan Premiums	0.5 million	
D. Cash Pools	1.1 million	
		<hr/>
TOTAL		\$ 56.1 million
3. Less: Investment/Management Fees		(\$ 6.5) million
4. Less: Administrative Expense Distribution		(\$ 2.7) million
		<hr/>
<u>TOTAL INCOME FROM INVESTMENTS</u>		<u>\$172.3 million</u>
5. Investment Income Distribution		
A. Maine State Retirement System	\$171.2 million	
B. Judicial Retirement System	0.9 million	
C. Legislative Retirement System	0.2 million	
		<hr/>
<u>TOTAL DISTRIBUTION OF INVESTMENT INCOME</u>		<u>\$172.3 million</u>

STATE GROUP LIFE INSURANCE PROGRAM

The State Group Life Insurance Program is available to all public school teachers, State employees, 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, supplemental coverage for the employee as well as coverage for dependents is also available to the program's participants.

Some specifics concerning the State Group Life Insurance Program's assets for the last fiscal year are as follows:

Cash	\$ 1.2 million
Bonds	27.1 million
Stocks	0 million
Accrued interest	.3 million
	<hr/>
TOTAL	\$ 28.6 million

Funds received during the last fiscal year are as follows:

Premiums from employees and employers	\$ 5.9 million
Earnings on investments	.6 million
	<hr/>
TOTAL	\$ 6.5 million

Charges to the program included:

Claims from active employees/dependents	\$ 2.9 million
Claims from retired persons	2.3 million
Administrative expenses	.6 million
	<hr/>
TOTAL	\$ 5.8 million



The Reserve for Future Premiums, which totaled \$5.6 million as of June 30, 1994, is held for payment of premiums of retired State employees and teachers. Retired persons who participated in the Group Life Insurance Program for 10 continuous years prior to their retirement carry into retirement approximately 40% of the level of life insurance coverage they had when employed at no cost. Premiums for retired State employees and teachers are paid from the Reserve for Future Premiums. Premiums for retired PLD employees are paid by their former employers.

Detail about the State Group Life Insurance Program's finances can be found on the statement of operations and balance sheet on the program provided in the "Statistical and Financial Information" section.

BOARD OF TRUSTEES

The responsibility for the operation of the Maine State Retirement System, including all the various retirement systems and the State 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 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, 1994 were:

David S. Wakelin, Chair	Governor's Appointment
John H. Kimball, Vice Chair	Maine Education Association
William C. Bullock Jr.	Governor's Appointment
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 employs an actuary, which as of June 30, 1994, is the firm of Milliman and Robertson. The actuary prepares annual valuations of the assets and liabilities of each of the more than two hundred systems administered by the Board. For the State employee and teacher system, and for the Judicial and Legislative systems, the actuary also provides information and recommendations as to sound and appropriate actuarial assumptions, which the Board utilizes, together with valuation information, to determine the Systems' 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, for asset allocation among investment types, for investment manager selection and evaluation, and for allotment of investment funds to investment managers. The Board employs the firm of Ennis and Knupp to assist in development and implementation of 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 the making of such decisions, through which the relevant factual information and legal requirements are identified and analyzed. In decisions on disability retirement appeals, a statutorily created three-person Medical Board provides recommendations as to the medical aspects of disability.



ADMINISTRATION

The Board of Trustees appoints the Executive Director of the MSRS, who is responsible for the work of the MSRS staff. The MSRS staff, in turn, is responsible for the direct delivery of service to the MSRS's members, retirees, and employers.

As part of their ongoing effort to better address members' and retirees' needs, MSRS senior management and staff members worked on various administrative changes during fiscal 1994. In addition to some of the program changes outlined in the Executive Director's Report, there were also some organizational changes made to facilitate processing and thus to provide better service to members, retirees, and employers.

The new organization makes no change in the handling of investments and actuarial work, which continue to be handled through the office of the Executive Director. In addition to overseeing these responsibilities, the Executive Director works with the Deputy Directors on legislative matters; appeals; federal, state, and local issues; and other work for the Board of Trustees.

The two Deputy Directors also work with the Communications Division, which is responsible for media contacts, for publication of the System's various informational and administrative materials, and for telecommunications. Each Deputy Director individually also works with one of the two newly defined departments within the MSRS. These are:

Member, Retiree, and Employer Services

As its name states, this department focuses on providing service to members, retirees, and employers. The two divisions within the department include:

- **Basic Services** This division provides direct services to individual members about their service retirement benefits, provides those receiving benefits with assistance, and also provides employers with information and assistance. This division also includes staff responsible for special projects and for audit/compliance.
- **Ancillary Services** This division provides assistance to those applying for or participating in the System's disability retirement programs. It also provides assistance to all those participating in the State Group Life Insurance Program.

Internal Services

This department includes three divisions, each of which focuses primarily on how to better enable other staff to provide needed service to MSRS constituents. These divisions are:

- **Finance** This division has primary responsibility for the MSRS's accounting and financial recordkeeping systems, including its accounts payable.
- **Human Resources** This division takes care of all of the System's internal personnel and payroll responsibilities and its building management.
- **Information Systems** This division is responsible for the System's data systems and data processing.

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STATISTICAL DATA SUMMARY FOR FISCAL YEARS 1989 TO 1994

RETIREMENT AND SURVIVOR BENEFIT PAYMENTS

<u>Fiscal Year ending June 30</u>	<u>Retirement Payments</u>	<u>Survivor Benefit Payments</u>
1994	\$231,416,624	\$ 3,495,286
1993	215,595,268	3,406,212
1992	198,569,867	3,255,279
1991	180,240,581	3,094,169
1990	167,483,164	2,508,650
1989	155,286,147	2,186,009

EMPLOYEE AND EMPLOYER CONTRIBUTIONS

<u>Fiscal Year ending June 30</u>	<u>Employee</u>	<u>Employer</u>
1994	\$ 89,134,364	\$190,180,426
1993	78,481,972	232,135,989
1992	78,479,531	172,090,046
1991	72,350,546	168,770,434
1990	67,973,299	217,814,910
1989	61,303,632	187,138,244

NUMBERS OF RETIREMENT ALLOWANCE RECIPIENTS

<u>Fiscal Year ending June 30</u>	<u>Total</u>
1994	25,810
1993	25,127
1992	24,613
1991	23,791
1990	23,212
1989	22,806



BALANCE SHEET AS OF JUNE 30, 1994

ASSETS

1. Investments	
A. Bonds	\$ 821,419,665.14
B. Common Stocks	1,401,547,808.55
C. Mortgages	0.00
D. Commingled Funds	
1. Morgan Guaranty	276,929,777.73
2. Travelers	2,183,778.00
E. Insured Guaranteed Contract	0.00
F. Land and Buildings	2,677,662.86
G. Due Other Funds*	(15,246,583.67)
 Total Investments	 \$2,489,512,108.61

2. Other Assets	
A. Cash—Due from Other Funds	\$ 6,989,548.55
B. Cash—Fiduciary Due from Other Funds	(6,928,907.70)
C. Accrued Interest	4,062,805.51
D. Capital Equipment	1,739,871.62
E. Accounts Receivable	920,762.98
 Total Other Assets	 \$ 6,784,080.96

TOTAL ASSETS **\$ 2,496,296,189.57**

TRUST RESERVES AND LIABILITIES

1. Trust Reserves	
A. Members Contribution Fund—Current	\$ 1,017,462,395.82
B. Members Contribution Fund—Prior	39,514.36
C. Retirement Allowance Fund	1,416,617,927.42
D. Survivor Benefit Fund	48,239,928.97
 Total Trust Reserves	 \$ 2,482,359,766.57

2. Liabilities and Operating Reserves	
A. Withholding on Retiree Payroll	\$ 77,099.48
B. Reserve for Expenditures	3,896,580.43
C. Retirees Health Insurance	9,537,232.18
D. Suspense Account	425,510.91
 Total Liabilities and Operating Reserves	 \$ 13,936,423.00

TOTAL TRUST RESERVES AND LIABILITIES **\$ 2,496,296,189.57**

* Assets due the Judicial Retirement System \$13,526,492.40
 Assets due the Legislative Retirement System \$ 1,720,091.27



TRUST RESERVES AND LIABILITY DETAIL AS OF JUNE 30, 1994

1. TRUST RESERVES

A. Members Contribution Fund—Current		
1. State	\$303,806,490.29	
2. Teachers		
a. pre-July 1, 1924	0.00	
b. post-July 1, 1924	550,564,554.22	
3. Participating Districts	139,084,430.20	
4. Consolidated Disability Account	<u>24,006,921.11</u>	
Total		\$ 1,017,462,395.82
B. Members Contribution Fund—Prior		
1. Teachers pre-July 1, 1947		\$ 39,514.36
C. Retirement Allowance Fund		
1. State	\$426,462,726.44	
2. Teachers*	391,014,184.64	
3. Participating Districts	440,028,727.56	
4. Consolidated Accounts		
a. Accidental Death	8,491,794.03	
b. Disability	<u>150,620,494.75</u>	
Total		\$ 1,416,617,927.42
C. Survivor Benefit Fund		\$ 48,239,928.97

TOTAL TRUST RESERVES \$2,482,359,766.57

2. LIABILITIES AND OPERATING RESERVES

A. Withholding on Retiree Payroll	\$ 77,099.48
B. Reserve for Expenditures	3,896,580.43
C. Retirees Health Insurance	9,537,232.18
D. Suspense Account	<u>425,510.91</u>

TOTAL LIABILITIES AND OPERATING RESERVES \$ 13,936,423.00

TOTAL TRUST RESERVES AND LIABILITIES \$2,496,296,189.57

* Starting in fiscal 1994 the two previously separated teacher accounts were combined by action of the Legislature in the State budget for the fiscal 1994-95 biennium.



COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>at June 30, 1994</u>	<u>at June 30, 1993</u>	<u>Increase (Decrease)</u>
1. Investments			
A. Bonds	\$ 821,419,665.14	\$ 763,585,844.04	\$ 57,833,821.10
B. Common Stocks	1,401,547,808.55	1,296,526,886.14	105,020,922.41
C. Mortgages	0.00	0.00	0.00
D. Commingled Funds			
1. Morgan Guaranty	276,929,777.73	197,223,742.39	79,706,035.34
2. Travelers	2,183,778.00	2,583,448.39	(399,670.39)
E. Land and Building	2,677,662.86	2,677,565.85	97.01
F. Due Other Funds*	(15,246,583.67)	13,732,659.13	1,513,924.54
 Total Investments	 \$2,489,512,108.61	 \$2,248,864,827.68	 \$240,647,280.93
2. Other Assets			
A. Cash—Due from Other Funds	\$ 6,989,548.55	\$ 37,151,653.77	(\$ 30,162,105.22)
B. Cash—Fiduciary Due from Other Funds	(6,928,907.70)	(5,541,397.71)	(1,387,509.99)
C. Accrued Interest	4,062,805.51	5,791,629.13	(1,728,823.62)
D. Capital Equipment	1,739,871.62	1,750,051.43	(10,179.81)
E. Accounts Receivable	920,762.98	5,775,953.44	(4,855,190.46)
 Total Other Assets	 \$ 6,784,080.96	 \$ 44,927,890.06	 (\$ 38,143,809.10)
 TOTAL ASSETS	 \$2,496,296,189.57	 \$2,293,792,717.74	 \$202,503,471.83
TRUST RESERVES AND LIABILITIES			
1. Trust Reserves			
A. Members Contribution Fund—Current	\$1,017,462,395.82	\$ 935,290,172.84	\$ 82,172,222.98
B. Members Contribution Fund—Prior	39,514.36	39,449.14	65.22
C. Retirement Allowance Fund	1,416,617,927.42	1,299,402,664.75	117,215,262.67
D. Survivor Benefit	48,239,928.97	44,766,089.75	3,473,839.22
 Total Trust Reserves	 \$2,482,359,766.57	 \$2,279,498,376.48	 \$202,861,390.09
2. Liabilities and Operating Reserves			
A. Withholding on Retiree Payroll	\$ 77,099.48	\$ 259,521.35	\$ (182,421.87)
B. Reserve for Expenditures	3,896,580.43	3,863,387.38	33,193.05
C. Retirees Health Insurance	9,537,232.18	10,054,307.48	517,075.30
D. Suspense Account	425,510.91	117,125.05	308,385.86
 Total Liabilities and Operating Reserves	 \$ 13,936,423.00	 \$ 14,294,341.26	 (\$ 357,918.26)
 TOTAL TRUST RESERVES AND LIABILITIES	 \$2,496,296,189.57	 \$2,293,792,717.74	 \$202,503,471.83

* *Assets due Judicial Retirement System* (\$13,526,492.40)
Assets due Legislative Retirement System (\$ 1,720,091.27)

(\$12,258,137.08)
(\$ 1,474,522.05)



NET INCOME FROM INVESTMENT OPERATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 1994

Gains/Losses on Security Sales		
A. Gain on Sale of Stocks	\$129,643,794.81	
B. Gain on Sale of Bonds	(4,281,516.98)	
Net Gain on Security Sales		\$ 125,362,277.83
Income from Investments		
A. Interest on Bonds	\$ 40,126,568.14	
B. Cash Dividends on Stock	14,431,332.11	
C. Premiums Paid on Loan of Securities	470,728.38	
D. Interest on Cash Pools	1,109,704.29	
Total Income from Investments		\$ 56,138,332.92
Deductions from Investment Income		
A. Investment Advisor and Custodial Fees	\$ 6,123,688.75	
B. General Operating Expenses	344,396.11	
C. Miscellaneous Fees	297.00	
Total Deductions from Investment Income		(\$ 6,468,381.86)
<u>NET INCOME FROM INVESTMENTS</u>		<u>\$ 175,032,228.89</u>
Administration Expenses		(\$ 2,652,095.98)
<u>NET INCOME TO BE DISTRIBUTED*</u>		<u>\$ 172,380,132.91</u>

* Income due the Judicial Retirement System		\$927,853.30
Income due the Legislative Retirement System		\$114,960.31



INVESTMENT BOOK AND MARKET VALUES AS OF JUNE 30, 1994

<u>Investments</u>	<u>Book Value</u>	<u>Market Value</u>
Bonds	\$ 821,419,665.14	\$1,175,138,778.37
Stocks	1,680,661,364.28	1,876,633,526.20
Land and Buildings	2,677,662.86	2,677,662.86
Cash—Due from Other Funds	6,989,548.55	6,989,548.55
Cash—Fiduciary*	(6,928,907.70)	(6,928,907.70)
Accrued Interest	4,062,805.51	4,062,805.51
Capital Equipment	1,739,871.62	1,739,871.62
Accounts Receivable	920,762.98	920,762.98
	<hr/>	<hr/>
SUBTOTAL	\$ 2,511,542,773.24	\$3,061,234,048.39
Due Other Funds**	<hr/> (15,246,583.67)	<hr/> 0.00
<u>TOTAL</u>	<u>\$2,496,296,189.57</u>	<u>\$3,061,234,048.39</u>

* Adjusted for pending trades

** Assets due to Judicial and Legislative Retirement Systems



CHANGES IN TRUST FUND RESERVES

<u>BALANCE IN TRUST FUND RESERVES ON JULY 1, 1993</u>	<u>\$2,279,498,376.48</u>
 ADDITIONS	
A. Employer Contributions	
1. State Employees	\$ 58,469,037.67
2. Teachers	102,515,785.74
3. Participating Districts	<u>29,195,603.07</u>
Total Employer Contributions	\$ 190,180,426.48
B. Employee Contributions	
1. State Employees	\$ 26,352,899.42
2. Teachers	50,400,781.30
3. Participating Districts	<u>12,380,683.66</u>
Total Employee Contributions	\$ 89,134,364.38
C. Net Income from Investments	<u>\$ 171,337,319.30</u>
 TOTAL ADDITIONS	 \$ 450,652,110.16
 DEDUCTIONS	
A. Retirement Allowances Paid and COLA	\$231,416,624.16
B. Survivor Benefits	3,495,286.40
C. Refunds	<u>12,878,809.51</u>
TOTAL DEDUCTIONS	\$ <u>247,790,720.07</u>
 NET INCREASE	 \$ 202,861,390.09
 <u>BALANCE IN TRUST FUND RESERVES ON JUNE 30, 1994</u>	 <u>\$2,482,359,766.57</u>

**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

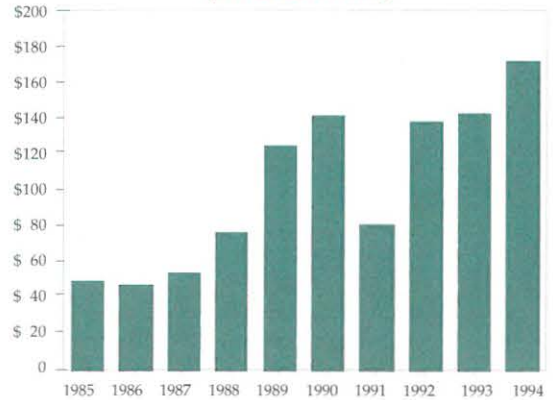


SUMMARY OF EARNINGS (continued)

Fiscal Year Ending June 30	Book Value of Investments	Net Increase in Investment Book Value	Earnings for the Year * (Accrual Basis)
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

* Earnings applicable to all trust fund reserves

**10-Year Summary of
Annual Earnings
1985 - 1994
(in millions)**



**10-Year Summary of
Assets at Book Value
1985-1994
(in millions)**



**TRUST FUND BALANCES AS OF JUNE 30, 1994**

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
1	State of Maine	\$303,806,490.29	\$426,462,726.43	\$730,269,216.72
2	Portland	24,884,204.10	47,013,017.15	71,897,221.25
3	Millinocket	1,491,735.24	5,415,741.84	6,907,477.08
4	Presque Isle	2,202,574.50	7,636,309.99	9,838,884.49
5	Cumberland County	1,187,277.23	3,232,107.66	4,419,384.89
6	Disability	24,006,921.11	150,620,494.75	174,627,415.86
7	Teachers (post-July 1, 1924)	550,604,068.58	391,014,184.64	941,618,253.22
8	Camden	430,753.27	966,460.63	1,397,213.90
9	South Portland	2,859,362.36	14,250,601.68	17,109,964.04
10	Houlton	392,143.75	1,385,302.55	1,777,446.30
11	Penobscot County	581,971.41	2,262,980.77	2,844,952.18
12	Kittery Water District	377,882.83	846,275.66	1,224,158.49
13	Ellsworth	586,593.39	1,689,235.36	2,275,828.75
14	Kittery	874,581.61	3,295,496.66	4,170,078.27
15	Bar Harbor	260,674.13	1,407,655.62	1,668,329.75
16	Mount Desert	381,390.69	1,181,624.78	1,563,015.47
17	Fort Fairfield	53,817.60	648,643.78	702,461.38
18	Rockland	1,006,137.70	5,374,170.53	6,380,308.23
19	Bath Water District	258,046.38	941,853.27	1,199,899.65
20	Bangor	13,237,533.93	40,267,939.12	53,505,473.05
21	Boothbay Harbor Water District	568.98	408,188.83	408,757.81
22	Bangor Public Library	494,355.00	1,300,841.86	1,795,196.86
23	Augusta	6,229,005.06	17,916,215.21	24,145,220.27
24	Gardiner	1,065,042.10	2,642,363.01	3,707,405.11
25	Teachers (pre-July 1, 1924)	0.00	0.00	0.00
26	Houlton Water District	686,114.27	2,478,799.97	3,164,914.24
27	Auburn	3,925,310.75	18,686,158.96	22,611,469.71
28	York	1,157,007.56	2,116,041.75	3,273,049.31
29	Limestone Water/Sewer	72,573.00	117,994.46	190,567.46
30	Saint Agatha	19,591.49	130,537.93	150,129.42
31	Kennebec Water District	261,907.82	1,111,578.63	1,373,486.45
32	Livermore Falls Water District	82,832.31	553,632.69	636,465.00
33	Knox County	50,859.97	353,634.13	404,494.10
34	Augusta Water District	291,654.89	1,389,235.85	1,680,890.74
35	Belfast	364,112.80	1,500,152.34	1,864,265.14
36	Calais	315,907.87	1,150,962.84	1,466,870.71
37	York County	368,839.95	1,818,186.62	2,187,026.57
38	Maine Maritime Academy	2,367,680.76	12,691,894.78	15,059,575.54
39	York Water District	197,025.92	434,676.27	631,702.19
40	Washington County	333,733.72	976,499.93	1,310,233.65
41	Portland Public Library	912,864.22	2,679,585.04	3,592,449.26
42	Brunswick	2,243,833.85	8,278,840.57	10,522,674.42
43	Auburn Public Library	133,914.62	357,900.11	491,814.73
44	Maine-NH Bridge Authority	0.00	0.00	0.00
45	Jay	621,040.74	1,881,268.67	2,502,309.41
46	Waldo County	230,033.55	774,170.70	1,004,204.25
47	Kennebec County	295,803.24	1,316,820.76	1,612,624.00
48	Lewiston	6,988,677.82	28,459,932.77	35,448,610.59



TRUST FUND BALANCES AS OF JUNE 30, 1994 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
49	Maine Turnpike Authority	\$7,284,866.49	\$18,466,760.22	\$25,751,626.71
50	SAD 31	107,762.00	390,646.09	498,408.09
51	Auburn Sewer District	117,684.61	309,506.95	427,191.56
52	Auburn Water District	334,898.69	798,468.32	1,133,367.01
54	East Millinocket	656,200.14	1,910,030.25	2,566,230.39
55	Maine Municipal Association	162,646.84	459,331.02	621,977.86
56	Hancock County	312,619.73	1,272,161.64	1,584,781.37
57	Oxford County	453,085.64	1,580,111.43	2,033,197.07
58	Falmouth Memorial Library	31,786.80	154,533.51	186,320.31
59	Bangor Water District	279,775.72	968,742.43	1,248,518.15
60	Rumford Fire/Police	528,130.26	5,066,160.59	5,594,290.85
61	Orono	256,461.11	1,035,961.05	1,292,422.16
62	Kennebunk Light/Power	357,706.78	885,139.92	1,242,846.70
63	Brewer	1,888,304.80	4,362,088.59	6,250,393.39
64	Augusta Sanitary District	571,380.23	1,267,309.44	1,838,689.67
65	Rumford Water District	139,669.31	522,557.84	662,227.15
66	Waterville Fire/Police	1,486,472.52	5,468,903.97	6,955,376.49
67	Androscoggin County	529,530.86	2,255,627.57	2,785,158.43
68	Brewer Water District	83,450.16	212,818.05	296,268.21
69	Baileyville	43,615.16	326,051.25	369,666.41
70	Westbrook Fire/Police	1,152,604.97	8,362,028.02	9,514,632.99
71	Greater Portland Public Development	0.00	0.00	0.00
72	Brunswick Sewer District	150,491.83	608,438.95	758,930.78
73	Bath	2,797,034.28	13,254,439.28	16,051,473.56
74	Mexico	215,033.73	636,922.47	851,956.20
75	Accidental Death	0.00	8,491,794.03	8,491,794.03
76	Lincoln	295,038.47	1,081,070.95	1,376,109.42
77	SAD 34	245,570.53	1,364,481.67	1,610,052.20
78	SAD 28	0.00	25,959.08	25,959.08
79	Old Town Water District	252,269.92	426,247.04	678,516.96
80	Skowhegan	763,765.90	3,086,543.68	3,850,309.58
81	Topsham	248,411.59	678,600.05	927,011.64
82	Madawaska	889,912.94	2,249,072.12	3,138,985.06
83	Sanford	1,790,134.70	6,491,306.44	8,281,441.14
84	Kennebunk	341,453.86	1,255,357.86	1,596,811.72
85	Cape Elizabeth	739,890.98	3,051,606.75	3,791,497.73
86	Wilton	185,175.24	337,540.11	522,715.35
87	Falmouth	332,911.63	1,145,451.40	1,478,363.03
88	Lubec Water/Electric	35,402.45	260,761.76	296,164.21
89	Sanford Sewer District	156,657.83	379,864.40	536,522.23
90	Rumford	1,015,068.43	3,005,243.34	4,020,311.77
91	Fort Kent	207,440.64	415,150.13	622,590.77
92	Lincoln Water District	55,556.45	166,611.17	222,167.62
93	Maine Municipal Bond Bank	179,431.44	308,585.59	488,017.03
94	Greater Portland Council of Government	53,604.57	697,180.20	750,784.77
95	Lincoln County	140,212.65	945,134.75	1,085,347.40
96	Sagadahoc County	30,469.83	791,952.35	822,422.18
97	Dexter	65,980.94	404,033.09	470,014.03



TRUST FUND BALANCES AS OF JUNE 30, 1994 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
98	Frenchville	\$ 37,087.92	\$ 84,492.47	\$ 121,580.39
100	Farmington	381,916.34	2,205,940.31	2,587,856.65
101	Somerset County	243,126.69	688,615.84	931,742.53
102	Franklin County	141,678.53	477,315.36	618,993.89
103	Lisbon	665,532.13	2,154,348.47	2,819,880.60
104	Milo	46,222.76	149,468.97	195,691.73
105	Maine State Principals Association	153,548.03	415,285.56	568,833.59
106	Aroostook County	1,123,242.85	2,666,204.06	3,789,446.91
107	Wells	720,511.42	2,317,943.32	3,038,454.74
108	Berwick	186,280.81	261,918.64	448,199.45
109	Livermore Falls	164,366.17	281,983.76	446,349.93
110	Pittsfield	89,278.78	360,427.84	449,706.62
111	Old Town	325,718.04	2,636,902.31	2,962,620.35
112	Franklin County	185,912.82	581,242.79	767,155.61
113	SAD 66	0.00	214,155.36	214,155.36
114	Mechanic Falls	97,049.04	287,355.85	384,404.89
115	SAD 54	172,650.73	1,163,081.02	1,335,731.75
116	Yarmouth	792,556.96	3,267,299.99	4,059,856.95
117	Searsport	19,965.05	294,561.42	314,526.47
118	Farmington Village Corporation	50,296.19	66,425.90	116,722.09
119	SAD 9	498,424.53	1,933,913.65	2,432,338.18
120	Mount Desert Regional Schools	77,536.46	245,619.44	323,155.90
121	Piscataquis County	128,282.39	777,335.72	905,618.11
122	Westbrook	676,374.11	3,571,198.67	4,247,572.78
124	Searsport Water District	12,289.27	138,501.27	150,790.54
125	Norway	199,830.76	491,574.51	691,405.27
126	SAD 67	298,559.31	1,192,996.90	1,491,556.21
127	Paris	120,210.20	415,536.27	535,746.47
128	SAD 71	200,073.47	830,685.15	1,030,758.62
129	SAD 53	38,134.95	142,544.18	180,679.13
130	Bucksport	650,571.88	1,315,022.12	1,965,594.00
131	Fort Fairfield Utility District	48,388.29	323,964.95	372,353.24
132	Belfast Water District	72,220.78	370,867.40	443,088.18
133	Gorham	661,538.88	1,819,267.05	2,480,805.93
134	Lincoln Academy	112,681.34	296,655.39	409,336.73
135	So. Kennebec Valley Regional Planning	42,210.04	93,113.05	135,323.09
136	Norway Water District	71,041.15	162,187.89	233,229.04
137	Dover-Foxcroft Water District	1,100.36	37,698.78	38,799.14
138	Naples	19,226.79	99,603.16	118,829.95
139	York Sewage District	67,406.42	224,093.43	291,499.85
140	Old Orchard Beach	736,967.35	2,895,387.51	3,632,354.86
141	South Berwick	72,852.23	343,650.36	416,502.59
142	Freeport	62,987.70	513,394.90	576,382.60
143	SAD 41	567,007.02	1,731,090.88	2,298,097.90
144	Winslow	298,499.66	1,046,685.19	1,345,184.85
145	Auburn Housing Authority	248,100.83	621,907.53	870,008.36
146	Boothbay Harbor	68,359.32	328,382.47	396,741.79
147	Scarborough	359,870.37	2,016,334.86	2,376,205.23



TRUST FUND BALANCES AS OF JUNE 30, 1994 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
148	Cranberry Isles	\$ 0.00	\$ 567.48	\$ 567.48
149	Fryeburg	0.00	77,480.28	77,480.28
150	Hermon	68,954.04	415,084.50	484,038.54
151	Hampden	219,084.73	584,887.14	803,971.87
152	Sanford Housing Authority	98,002.29	338,940.19	436,942.48
153	Vassalboro	39,132.00	139,741.15	178,873.15
154	Lewiston Housing Authority	542,523.33	941,418.75	1,483,942.08
155	Garland	0.00	927.72	927.72
156	Exeter	6,839.66	7,671.39	14,511.05
157	Bingham Water District	83.46	25,758.88	25,842.34
158	Biddeford	1,550,672.14	3,495,852.28	5,046,524.42
159	Paris Utilities District	130,493.75	276,054.84	406,548.59
160	Hallowell	22,811.73	166,027.61	188,839.34
161	Rockport	70,552.26	259,525.47	330,077.73
162	Wallagrass Plantation	7.75	7,900.67	7,908.42
163	Lewiston-Auburn Water Pollution	116,081.10	284,939.75	401,020.85
164	Thomaston	42,507.40	340,013.28	382,520.68
165	Pleasant Point/Passamaquoddy Reserv.	112,606.40	169,022.48	281,628.88
166	Orland	38,843.84	177,176.94	216,020.78
167	Dover-Foxcroft	204,974.98	464,592.74	669,567.72
168	SAD 29	138,564.85	655,701.30	794,266.15
169	Maine Housing Authority	280,944.41	592,158.21	873,102.62
170	Sanford Water District	235,431.39	607,162.66	842,594.05
171	So Berwick Water District	25,123.48	54,871.12	79,994.60
172	New Canada Plantation	0.00	15,247.41	15,247.41
173	Indian Township/Passamaquoddy RHA	25.20	78,388.19	78,413.39
174	Glenburn	66,888.92	74,941.46	141,830.38
175	Sabattus	31,850.16	261,357.49	293,207.65
176	Bridgton	2,994.29	222,144.49	225,138.78
177	Brownville	39,398.41	151,061.45	190,459.86
178	SAD 2	0.00	0.00	0.00
179	Winthrop	411,063.23	931,397.28	1,342,460.51
180	Eliot	159,443.11	411,668.06	571,111.17
181	Lebanon	32,741.38	133,169.15	165,910.53
182	Van Buren	241,091.43	525,090.80	766,182.23
183	Hampden Water District	32,872.21	59,922.53	92,794.74
184	Monson	22,556.89	83,780.67	106,337.56
185	Portland Housing Authority	581,898.95	2,092,511.50	2,674,410.45
186	Milford	554.05	62,062.21	62,616.26
187	SAD 60	145,875.17	766,015.07	911,890.24
188	Kennebunkport	493,287.93	1,436,392.07	1,929,680.00
189	SAD 49	67,131.88	316,279.43	383,411.31
190	SAD 16	70,171.27	276,579.37	346,750.64
191	Damariscotta	36,646.18	112,534.35	149,180.53
192	Saco	741,354.22	2,686,488.15	3,427,842.37
193	Otisfield	17,356.90	82,459.59	99,816.49
194	Medway	153,538.09	276,121.92	429,660.01
195	Waldoboro	317,121.61	492,432.84	809,554.45



TRUST FUND BALANCES AS OF JUNE 30, 1994 (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	154,253.77	154,939.11
198	SAD 51	341,926.45	833,838.24	1,175,764.69
199	Bradford	0.00	10,954.03	10,954.03
200	Oxford	0.00	116,394.41	116,394.41
201	Kennebunk Sewer Authority	124,141.01	269,628.54	393,769.55
202	Phippsburg	75,449.49	177,667.82	253,117.31
203	Cheverus High School	159,367.38	387,082.70	546,450.08
204	Boothbay/Boothbay Harbor CSD	93,321.10	170,643.56	263,964.66
205	Gould Academy	101,662.55	263,638.37	365,300.92
206	South Portland Housing Authority	231,750.56	549,278.82	781,029.38
207	Berwick Sewer District	109,640.47	427,388.67	537,029.14
208	Caribou Fire and Police	553,381.51	1,581,363.93	2,134,745.44
209	Orrington	166,093.50	301,336.22	467,429.72
210	New Gloucester	239,821.29	415,506.31	655,327.60
211	SAD 21	285,178.74	527,070.32	812,249.06
212	Readfield	2,623.94	27,223.94	29,847.88
213	Richmond	55,955.80	244,762.24	300,718.04
214	Linneus	23,331.04	43,826.99	67,158.03
215	Hodgdon	29,058.00	107,546.65	136,604.65
216	Cumberland	388,390.11	841,553.37	1,229,943.48
217	Corinna	59,544.33	136,036.97	195,581.30
218	SAD 56	62,933.11	222,002.54	284,935.65
219	Lincoln Sanitary District	118,271.35	169,601.40	287,872.75
220	Kennebec Sanitary District	154,850.53	350,565.86	505,416.39
221	Gardiner Water District	88,750.75	125,384.36	214,135.11
222	Waterville Sewer District	201,174.15	342,782.97	543,957.12
223	SAD 13	183,534.95	438,364.30	621,899.25
224	Waldoboro Regional Voc. Region 7	17,069.71	92,993.77	110,063.48
225	Maine County Commissioners Assn.	132.31	24,430.70	24,563.01
226	Jackman Water District	1,458.85	74,221.68	75,680.53
227	Mars Hill	102,944.68	229,524.68	332,469.36
228	Lubec	27,971.83	88,400.91	116,372.74
229	Van Buren Housing Authority	28,179.50	101,814.33	129,993.83
230	Washburn	62,305.14	156,958.26	219,263.40
231	Androscoggin Valley Reg. Plg. Comm.	168,226.76	465,177.62	633,404.38
232	Howland	0.00	32,938.71	32,938.71
233	Community School District 915	65,431.43	361,260.27	426,691.70
234	Durham	69,971.54	103,238.82	173,210.36
235	China	0.00	77,485.02	77,485.02
236	Madawaska Water District	113,723.67	171,057.58	284,781.25
237	Penquis CAP	419,199.85	1,340,829.70	1,760,029.55
238	Milo Water District	69,372.86	168,875.83	238,248.69
239	Maine School Management Assoc.	308,194.80	1,154,632.14	1,462,826.94
240	Easton	259,512.35	661,530.31	921,042.66
241	Franklin County Comm. Action Council	161,837.41	436,170.54	598,007.95
242	Richmond Utilities District	47,449.20	82,013.78	129,462.98
243	Lisbon Water District	18,754.43	60,644.93	79,399.36



TRUST FUND BALANCES AS OF JUNE 30, 1994 (continued)

Ref Nbr	Plan or District Name	Members' Contribution	Retirement Allowance	Total Trust Fund Reserves
244	Indian Township Tribal Government	\$ 75,393.44	\$ 630,258.91	\$ 705,652.35
245	Limestone	100,018.01	114,529.47	214,547.48
246	Bethel	52,543.37	144,504.68	197,048.05
247	Rumford/Mexico Sewer District	(0.60)	70,788.36	70,787.76
248	Brewer Housing Authority	90,764.15	189,735.21	280,499.36
249	Erskine Academy	22,287.20	96,917.32	119,204.52
250	Winter Harbor Utility District	20,405.00	10,099.10	30,504.10
251	Corinna Sewer District	61,899.40	69,317.66	131,217.06
252	Community School District 912	21,685.11	51,957.55	73,642.66
253	Bridgton Water District	26,845.94	34,128.58	60,974.52
254	North Berwick	197,065.36	341,007.27	538,072.63
255	Kennebunk/Knbkprt/Wells Water District	854,825.39	1,575,835.16	2,430,660.55
256	Auburn-Lewiston Airport	8,163.72	187,847.51	196,011.23
257	Maine Development Foundation	0.00	0.00	0.00
258	Princeton	71,323.54	149,148.51	220,472.05
259	Westbrook Housing Authority	46,674.81	71,320.66	117,995.47
260	Fairfield	172,548.46	272,943.55	445,492.01
261	Georgetown	4,341.72	30,462.44	34,804.16
262	Old Town Housing Authority	111,386.49	186,453.29	297,839.78
265	Mapleton	90,876.01	235,264.58	326,140.59
266	Wells-Ogunquit CSD	147,868.26	323,443.93	471,312.19
267	Tri-Community Sanitary Landfill	51,510.76	65,892.95	117,403.71
268	Project Lodestone	2,538.82	17,212.91	19,751.73
269	So. Penobscot Voc. School Region 4	50,766.17	69,744.32	120,510.49
270	Harpwell	93,821.24	332,440.16	426,261.40
271	Maine Veterans Home	1,650,938.45	3,514,923.45	5,165,861.90
272	Sabattus Sanitary District	0.00	0.00	0.00
273	Brunswick Public Library	63,177.36	20,753.30	270,712.66
274	Eagle Lake Water/Sewer	23,227.22	118,973.67	142,200.89
275	Fort Fairfield Housing Authority	69,167.77	84,462.17	153,629.94
276	Lovell	0.00	53,299.99	53,299.99
277	Carabasset Valley	49,124.98	59,353.50	108,478.48
278	Yarmouth Water District	68,726.53	173,318.29	242,044.82
279	Preschool HCS Council	79,256.18	111,693.46	190,949.64
280	Harrison	36,677.11	86,402.59	123,079.70
281	Mid-Maine Waste Action Corp.	0.00	0.00	0.00
282	Mechanic Falls Sanitary District	24,158.17	28,663.72	52,821.89
283	Mars Hills Utility District	14,512.62	14,749.62	29,262.24
284	Norway/Paris Solid Waste Corp.	20,127.75	29,147.64	49,275.39
285	The Homestead Project	10,673.01	35,532.64	46,205.65
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	437,759.02	432,642.64	870,401.66
290	Maine State Retirement System	8,448.87	17,149.18	25,598.05
350	Judicial System	2,010,597.40	11,321,971.64	13,332,569.04
351	Legislative System	339,861.29	1,370,793.97	1,710,655.26



**GROUP LIFE INSURANCE PROGRAM
STATEMENT OF OPERATIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 1994**

RECEIPTS

Premiums Collected			
Employee Contributions—State	\$1,401,812.92		
Employer Contributions—State	1,418,903.49		
Teacher and PLD's	3,120,998.33		
	<hr/>		
Total Premiums Collected		\$5,941,714.74	
Earnings on Investments		\$ 633,948.58	
		<hr/>	
TOTAL RECEIPTS			<u>\$6,575,663.32</u>

EXPENSES

Claims Paid to Insurer			
Basic	\$1,604,108.49		
Supplemental	1,080,269.68		
Dependent	259,796.07		
Retired Employees	2,330,226.34		
	<hr/>		
Total Claims Paid to Insurer		\$5,274,400.58	
Program Administration		\$ 646,797.22	
Retention		\$ 398,548.00	
		<hr/>	
TOTAL EXPENSES			<u>\$6,319,745.80</u>



GROUP LIFE INSURANCE PROGRAM COMPARATIVE BALANCE SHEET

<u>ASSETS</u>	<u>at June 30, 1994</u>	<u>at June 30, 1993</u>	<u>Increase (Decrease)</u>
Cash	\$ 1,088,111.25	\$ 782,791.14	\$ 305,320.11
Cash (Fiduciary)	560,584.11	(757,913.50)	1,318,497.61
Investments—Bonds	26,520,194.38	23,144,129.43	3,376,064.95
Investments—Stock	0.00	250,000.00	(250,000.00)
Accrued Interest	277,692.19	149,896.40	127,795.79
	<hr/>	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$28,446,581.93</u>	<u>\$23,568,903.47</u>	<u>\$ 4,877,678.46</u>
<u>RESERVES AND WORKING CAPITAL</u>			
Reserves for Future Premiums	\$ 5,609,220.33	\$ 7,933,751.34	(2,324,531.01)
Reserves for Supplemental Distributions	22,268,577.02	422,946.96	21,845,630.06
Suspense Account	0.00	0.00	0.00
	<hr/>	<hr/>	<hr/>
<u>TOTAL RESERVES AND WORKING CAPITAL</u>	<u>\$27,877,797.35</u>	<u>\$ 8,356,698.30</u>	<u>\$19,521,099.05</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 646,794.22	\$ 814.00	\$ 645,980.22
Premiums Payable	(78,099.64)	12,771,639.28	(12,849,648.92)
	<hr/>	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	<u>\$ 568,784.58</u>	<u>\$12,772,453.28</u>	<u>(\$12,203,668.70)</u>
<u>TOTAL RESERVES, WORKING CAPITAL AND LIABILITIES</u>	<u>\$28,446,581.93</u>	<u>\$21,129,151.58</u>	<u>\$ 7,317,430.35</u>



EXECUTIVE SUMMARY

Overview

This report presents the results of our June 30, 1994, actuarial valuation of the Maine State Retirement System. These results provide a "snapshot" view of the System's financial condition on June 30, 1994 including the effect of the recently instituted changes in assumptions.

As a result of an experience study, the Board adopted several changes to the assumptions used in the annual actuarial valuation effective July 1, 1994. Taken together, these changes serve to increase the employer contribution rate.

Assumption changes include:

- a return to the 8.0% investment return which was changed to 8.2% by legislation in the last biennium
- an increase in assumed rates of early retirement
- a decrease in the incidence of disability for Teachers and an increase in disability for State Employees

The combined effect of these changes has been to increase the combined rate otherwise payable by 0.99%, from 17.13% to 18.12% of payroll. This compares to a rate of 16.49% from the last actuarial valuation. The increase from 16.49% to 17.13% is primarily attributable to gains and losses, as detailed on page 41.

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*



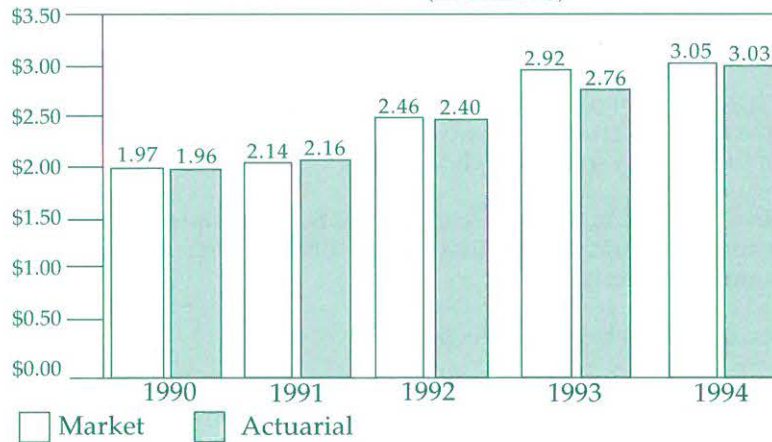
The contribution rate increased in the past year due to the cumulative effect of losses along with changes to the actuarial assumptions. Without these assumption changes, the contribution rate would have increased over the 1993 rate to 17.13%.

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

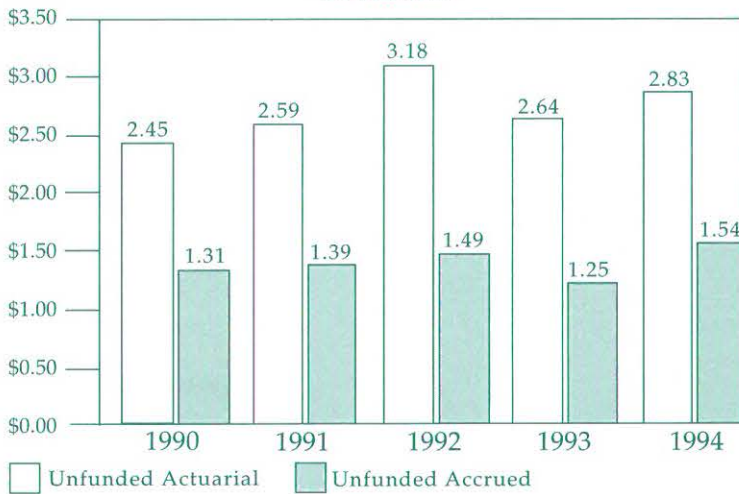


The System's assets earned about 3.2% from 1993 to 1994 when measured on a Market Value basis. For funding purposes we use a smoothed value of assets known as the Actuarial Value. On this basis, the assets returned 8.6% over the year, thanks to previous year's returns in excess of the assumption.

System Assets
(in billions)



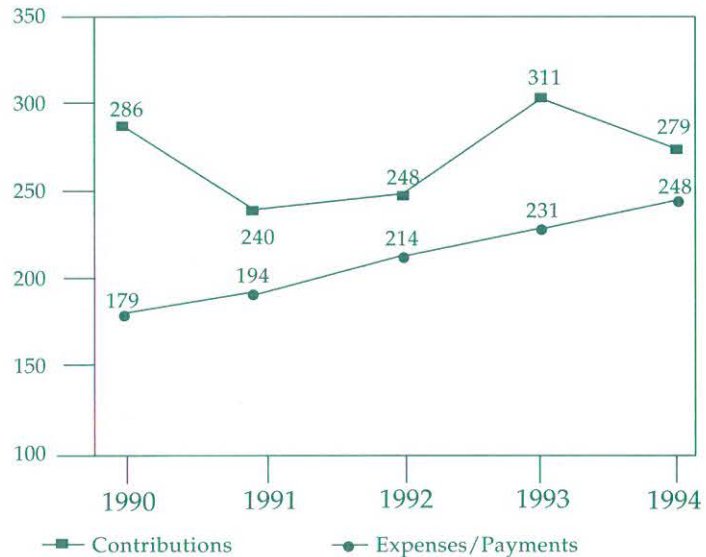
Unfunded Liabilities
(in billions)



The unfunded liability increased by \$82 million over what was expected between 1993 and 1994. This was primarily due to assumption changes and liability losses.

Contributions over the past year were lower than expected due to the fact that total payroll growth did not meet the 6% increase implicit in the contribution rates. We have taken steps this year to avoid this happening in the next biennium.

Cash Flows
(in millions)





System Experience

July 1, 1993 - June 30, 1994

The key indicator of overall experience in the System is 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 or specific changes, during the previous year.

The rate increased from 16.49% to 18.12% due to the combined effect of changes in assumptions and payroll growth not keeping up with the 6% assumption. The overall experience of the System during the year ending June 30, 1994 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, 1994, the System has present funds, when measured on a market value basis, of \$3.05 billion, an increase of \$0.13 billion from a 1993 figure of \$2.92 billion. When measured on an actuarial basis, using a method which smooths market fluctuations, System assets increased by \$.27 billion to \$3.03 billion in 1994 from \$2.76 billion in 1993. The components of this change are:

+	\$279 million from employer and member contributions
-	\$248 million from payment of benefits and expenses
+	\$227 million from expected investment experience (i.e., 8.2%)
+	\$ 11 million from asset gain (i.e., actual rate was 8.58%)
<hr/>	
=	\$269 million total increase in assets

The asset gain for state and teachers excluding participating local districts was \$7.1 million.

The next section of this report presents more detailed information on System assets.

Liabilities

Throughout this report we discuss three types of liability: actuarial liability, accrued benefit liabilities, and 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, 1994, the State's unfunded actuarial liability was \$2.83 billion. This compares to a June 30, 1993, unfunded actuarial liability of \$2.64 billion, an increase of \$185 million. This compares with an expected increase of \$103 million. The components of this increase are as follows:



Unfunded Actuarial Liability, June 30, 1993	\$2,643 million
• increase expected	103 million
• decrease due to asset gain	(7) million
• increase due to contributions less than expected	19 million
• other (gains)/losses (see below)	(109) million
• increase due to changes in assumptions	179 million
Unfunded Actuarial Liability, June 30, 1994	<u>\$2,828 million</u>

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
- we recognized the flat nature of the payroll in the current climate and refrained from making our usual adjustment to payroll for the period from data collection to the valuation date.

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, 1994. The difference between this figure and the market value of System assets represents the unfunded accrued benefit liability. As of June 30, 1994, the unfunded accrued benefit liability was \$1.54 billion, as compared to a June 30, 1993, unfunded accrued benefit liability of \$1.25 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 \$2.57 billion on June 30, 1993, and is \$2.82 billion on June 30, 1994.

Contributions

In the "Contributions" section of this report, we present detailed information on the development of State contribution rates to the System, calculated as of June 30, 1994. In addition, this section 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 projected liabilities allocated to service to date 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



- 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 16.49% of payroll as of June 30, 1993, to 18.12% of payroll as of June 30, 1994. The primary components of this change are shown below.

Contribution Rate as of June 30, 1993	16.49 %
Contributions less than expected	0.08
Asset Gain	(0.03)
Net effect Liability Gains, Membership Growth, and Shifts in Payroll Among the State Employee and Teacher Groups	(0.28)
Effect of Total Payroll Growth not meeting the 6.0% Target	0.87
Assumption Changes	0.99
Contribution Rate as of June 30, 1994	<u>18.12 %</u>

The fact that the unfunded liability is amortized as a level percentage of payroll means that payroll shrinkage causes an increase in the contribution rate.



SUMMARY OF PRINCIPAL RESULTS

TOTAL (State and Teacher)*

1. Participant Data	<u>June 30, 1994</u>	<u>June 30, 1993</u>
Number of:		
Active Members	39,076	42,019
Retired Members and Beneficiaries	18,046	17,597
Vested Deferred Members	774	715
Annual Salaries of Active Members	\$1,034,904,207	\$1,061,911,835
Annual Retirement Allowances for Retired Members and Beneficiaries	\$186,300,854	\$172,294,050
2. Assets and Liabilities		
Actuarial Value of Assets	\$2,025,193,386	\$1,852,948,650
Unfunded Actuarial Liability	\$2,828,457,537	\$2,643,416,082
Market Value of Assets	\$2,039,381,434	\$1,966,911,644
Unfunded Accrued Liability	\$1,535,237,852	\$1,246,275,890
Accrued Benefit Funding Ratio	57.05%	61.21%
3. Contribution Results as a Percent of Payroll (composite rate for all State Employees and Teachers)**		
Normal Cost	5.42%	4.85%
Unfunded Actuarial Liability	10.86%	9.97%
Disability	1.43%	1.29%
Death Benefits	<u>0.41%</u>	<u>0.38%</u>
Total	18.12%	16.49%

* Excludes participating local districts

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



SUMMARY OF PRINCIPAL RESULTS TEACHERS (MTRA)*

1. Participant Data	<u>June 30, 1994</u>	<u>June 30, 1993</u>
Number of:		
Active Members	24,371	27,296
Retired Members and Beneficiaries	8,948	8,734
Vested Deferred Members	496	472
Annual Salaries of Active Members	\$ 630,310,158	\$ 619,824,232
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 100,688,922	\$ 93,618,046
 2. Assets and Liabilities		
Actuarial Value of Assets	\$1,140,891,379	\$1,037,127,537
Unfunded Actuarial Liability	\$1,889,648,980	\$1,726,183,778
Market Value of Assets	\$1,148,884,206	\$1,105,974,747
Unfunded Accrued Liability	\$ 999,259,489	\$ 790,638,468
Accrued Benefit Funding Ratio	53.48%	58.31%
 3. Contribution Results as a Percent of Payroll		
Normal Cost	5.83%	4.97%
Unfunded Actuarial Liability	11.91%	11.16%
Disability	1.28%	1.30%
Death Benefits	0.34%	0.34%
Total	<u>19.36%</u>	<u>17.77%</u>

* Excludes charges for retiree health insurance and administrative expenses.



SUMMARY OF PRINCIPAL RESULTS

STATE REGULAR*

	<u>June 30, 1994</u>	<u>June 30, 1993</u>
1. Participant Data		
Number of:		
Active Members	13,957	13,916
Retired Members and Beneficiaries	8,367	8,182
Vested Deferred Members	271	236
Annual Salaries of Active Members**	\$380,463,963	\$413,522,071
Annual Retirement Allowances for Retired Members and Beneficiaries	\$ 73,680,977	\$ 67,911,675
2. Assets and Liabilities		
Actuarial Value of Assets	\$765,863,997	\$710,940,359
Unfunded Actuarial Liability	\$815,893,644	\$789,928,305
Market Value of Assets	\$771,229,468	\$750,256,123
Unfunded Accrued Liability	\$435,631,385	\$359,366,910
Accrued Benefit Funding Ratio	63.90%	67.61%
3. Contribution Results as a Percent of Payroll (State Portion only)***		
Normal Cost	4.27%	4.14%
Unfunded Actuarial Liability	8.52%	7.65%
Disability	1.68%	1.30%
Death Benefits	0.50%	0.44%
Total	14.97%	13.53%

* Excludes eight special groups and charges for retiree health insurance and administrative expenses.

** June 30, 1994 payroll was not increased to the valuation date by the usual 1-1/2 year factor.

*** Excludes eight special groups, and charges for retiree health insurance and administrative expenses.



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, 1994, and June 30, 1993, 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, 1994, 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 (9.34%).

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. ($9.34\% - 8.20\% = 1.14\%$)

Step 3: Calculate an adjusted rate equal to the expected rate plus one-third of the rate determined in Step 2. ($8.20\% + (1/3 * 1.14\%) = 8.58\%$)

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, 1994, in proportion to System reserves (provided at book 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, 1994</u>	<u>June 30, 1993</u>	<u>Increase (Decrease)</u>
Bonds & Cash Equivalents	\$ 821,499,754	\$ 795,196,100	\$ 26,303,654
Stocks	1,401,547,808	1,296,526,886	105,020,922
Commingled Funds	279,113,555	199,807,191	79,306,364
Mortgages	0	0	0
Land & Buildings	2,677,663	2,677,566	97
Other Assets	6,723,441	13,317,634	(6,594,193)
Other Liabilities	(14,379,172)	(14,294,341)	(84,831)
TOTAL	\$ 2,497,183,049	\$ 2,293,231,036	\$ 203,952,013

**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	\$ 821,439,113	\$ 877,109,280	28.79%
Cash Equivalents	60,641	60,641	0.00
Stocks	1,401,547,808	1,876,633,526	61.59
Commingled Funds	279,113,555	298,029,501	9.78
Mortgages	0	0	0.00
Land & Buildings	2,677,663	2,677,663	0.09
Other Assets	6,723,441	6,723,441	0.22
Other Liabilities	(14,379,172)	(14,379,172)	(0.47)
TOTAL	\$ 2,497,183,049	\$ 3,046,854,880	100.00%



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

	Allocation to:		<u>Total</u>
	<u>Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	
RETIREMENT RESERVES			
State Employees	\$ 303,806,490	\$ 426,039,425	\$ 729,845,915
MRTA Teachers	550,604,069	391,014,180	941,618,249
Old System Teachers	0	0	0
Judges	2,204,525	11,321,972	13,526,497
Legislators	349,297	1,370,794	1,720,091
Subtotal State	\$ 856,964,381	\$ 829,746,371	\$1,686,710,752
Participating Districts	139,084,430	440,028,728	579,113,158
TOTAL	\$ 996,048,811	\$1,269,775,099	\$2,265,823,910
COMMINGLED RESERVES			
Disability	\$ 24,006,921	\$ 150,620,495	\$ 174,627,416
Death	0	56,731,723	56,731,723
TOTAL	24,006,921	207,352,218	231,359,139
TOTAL RESERVES	<u>\$1,020,055,732</u>	<u>\$1,477,127,317</u>	<u>\$2,497,183,049</u>

**TABLE II-4
ALLOCATION OF MARKET VALUE OF ASSETS**

	Allocation to:		<u>Total</u>
	<u>Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	
RETIREMENT RESERVES			
State Employees	\$ 303,806,490	\$ 586,690,738	\$ 890,497,228
MRTA Teachers	550,604,069	598,280,137	1,148,884,206
Old System Teachers	0	0	0
Judges	2,204,525	14,299,381	16,503,906
Legislators	349,297	1,749,415	2,098,712
Subtotal State	\$ 856,964,381	\$1,201,019,671	\$ 2,057,984,052
Participating Districts	139,084,430	567,501,236	706,585,666
TOTAL	\$ 996,048,811	\$1,768,520,907	\$2,764,569,718
COMMINGLED RESERVES			
Disability	\$ 24,006,921	\$ 189,058,915	\$ 213,065,836
Accidental Death	0	10,360,980	10,360,980
Survivor Benefits	0	58,858,346	58,858,346
TOTAL	\$ 24,006,921	\$ 258,278,241	\$ 282,285,162
TOTAL RESERVES	<u>\$1,020,055,732</u>	<u>\$2,026,799,148</u>	<u>\$3,046,854,880</u>



TABLE II-5
ALLOCATION OF ACTUARIAL VALUE OF ASSETS

	Allocation to:		<u>Total</u>
	<u>Member</u> <u>Contribution Fund</u>	<u>Retirement</u> <u>Allowance Fund</u>	
RETIREMENT RESERVES			
State Employees	\$ 303,806,490	\$ 580,495,517	\$ 884,302,007
MRTA Teachers	550,604,069	590,287,310	1,140,891,379
Old System Teachers	0	0	0
Judges	2,204,525	14,184,563	16,389,088
Legislators	349,297	1,734,814	2,084,111
Subtotal State	\$ 856,964,381	\$ 1,186,702,204	\$ 2,043,666,585
Participating Districts	139,084,430	562,585,494	701,669,924
TOTAL	\$ 996,048,811	\$ 1,749,287,698	\$ 2,745,336,509
COMMINGLED RESERVES			
Disability	\$ 24,006,921	\$ 187,576,608	\$ 211,583,529
Accidental Death	0	10,288,898	10,288,898
Survivor Benefits	0	58,448,866	58,448,866
TOTAL	\$ 24,006,921	\$ 256,314,372	\$ 280,321,293
TOTAL RESERVES	<u>\$ 1,020,055,732</u>	<u>\$ 2,005,602,070</u>	<u>\$ 3,025,657,802</u>



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, 1994, and the amounts that were unfunded.

**TABLE III-1
ACTUARIAL LIABILITIES**

	<u>State Employees</u>	<u>MTRA* Teachers</u>	<u>All State Employees</u>
1. Active employees			
(a) Current accrued benefits	\$ 495,611,468	\$ 1,062,751,544	\$ 1,558,363,012
(b) Future benefit accruals	\$ 833,160,363	\$ 1,685,468,471	\$ 2,518,628,834
(c) Total active projected benefits	\$ 1,328,771,831	\$ 2,748,220,015	\$ 4,076,991,846
2. Inactive Employees	\$ 930,864,122	\$ 1,085,392,152	\$ 2,016,256,274
3. Total Present Value of Projected Benefits (1 + 2)	\$ 2,259,635,953	\$ 3,833,612,167	\$ 6,093,248,120
4. Future Contributions	\$ 436,525,389	\$ 803,071,808	\$ 1,239,597,197
5. Actuarial Liability (3 - 4)	\$ 1,823,110,564	\$ 3,030,540,359	\$ 4,853,650,923
6. Invested Assets (Actuarial Value)	\$ 884,302,007	\$ 1,140,891,379	\$ 2,025,193,386
7. Unfunded Actuarial Liability (5 - 6)	\$ 938,808,557	\$ 1,889,648,980	\$ 2,828,457,537

*Includes Old System Teachers



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-2
ACCRUED BENEFIT LIABILITIES**

	<u>State Employees</u>	<u>MTRA* Teachers</u>	<u>All State Employees</u>
1. Present Value of Accrued Benefits			
(a) Employees terminated with vested rights	\$ 9,787,023	\$ 15,835,914	\$ 25,622,937
(b) Retired employees	921,077,099	1,069,556,238	1,990,633,337
(c) Active employees	495,611,468	1,062,751,544	1,558,363,012
(d) Total	\$ 1,426,475,590	\$ 2,148,143,696	\$ 3,574,619,286
2. Invested Assets (Market Value)	\$ 890,497,228	\$ 1,148,884,206	\$ 2,039,381,434
3. Unfunded Present Value of Accrued Benefits (1-2)	\$ 535,978,362	\$ 999,259,490	\$1,535,237,852
4. Accrued Benefit Funding Ratio (2/1)	62.4%	53.5%	57.1%

*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	\$ 930,864,122	\$ 1,085,392,152	\$ 2,016,256,274
(b) Current Employees			
(1) Accumulated employee contributions including allocated investment earnings	303,806,490	550,604,069	854,410,559
(2) Employer-financed vested	162,728,329	469,850,806	632,579,135
(3) Employer-financed nonvested	316,288,249	670,866,196	987,154,445
(c) Total Pension Benefit Obligation	\$ 1,713,687,190	\$ 2,776,713,223	\$ 4,490,400,413
2. Net Assets Available for Benefits (at cost)	\$ 729,845,915	\$ 941,618,249	\$ 1,671,464,164
3. Unfunded Pension Benefit Obligation (not less than \$0)	\$ 983,841,275	\$ 1,835,094,974	\$ 2,818,936,249

*Includes Old System Teachers



CONTRIBUTIONS

General Comments

Under established procedures, contribution rates based on this June 30, 1994 actuarial valuation will be used to determine Fiscal Year 1996 State appropriations to the Maine State Retirement System. In this context, the term "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, survivors' and accidental 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, 1994, applicable for determining the Fiscal Year 1996 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 1995/1996

	RETIREMENT BENEFITS		ANCILLARY BENEFITS		
	Normal Cost**	Unfunded Actuarial Liability	Disability	Death	All Benefits
State Employees	4.27%	8.52%	1.68%	0.50%	14.97%
Special Groups					
State Police (Closed Plan)	18.25%	41.68%	0.91%	0.52%	61.36%
State Police (Open Plan)	18.25%	0.00%	0.89%	0.31%	19.45%
Sea and Shore Wardens (Closed Plan)	16.00%	36.32%	0.87%	0.55%	53.74%
Game Wardens (Closed Plan)	18.25%	57.16%	0.72%	0.44%	76.57%
Prison Wardens (Closed Plan)	6.75%	14.12%	1.80%	1.24%	23.91%
Prison Wardens (Open Plan)	6.75%	0.00	1.28%	0.55%	8.58%
Liquor Inspectors (Closed Plan)	6.75%	15.51%	1.04%	0.65%	23.95%
Forest Rangers (Closed Plan)	6.10%	16.34%	1.65%	1.11%	25.20%
MTRA Teachers	5.83%	11.91%	1.28%	0.34%	19.36%

* 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	1,989,280,605	135,932,737	16,041,691	55,229,653	42,236,973	3,149,040	17,765,254	3,833,612,167
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	3,543,677,942	51,450,242	1,668,973	4,295,585	75,804,383	1,811,013	11,259,228	6,107,009,952
4. Present Value of Future Normal Costs: (2) x (3)	136,431,601	9,389,669	267,036	783,944	5,116,796	122,243	686,813	335,885,547
5. Present Value of Future Member Contributions	271,091,363	4,450,446	144,366	371,568	6,557,079	138,542	973,923	467,186,261
6. Actuarial Liability: (1) - (4) - (5)	1,581,757,641	122,092,622	15,630,289	54,074,141	30,563,098	2,888,255	16,104,518	3,030,540,359
7. Actuarial Value of Assets	765,863,997	59,863,993	7,682,268	26,582,953	14,983,975	1,420,419	7,904,402	1,140,891,379
8. Unfunded Actuarial Liability: (6) - (7)	815,893,644	62,228,629	7,948,021	27,491,188	15,579,123	1,467,836	8,200,116	1,889,648,980
9. Estimated Payroll	380,463,963	5,933,208	869,636	1,911,453	4,384,617	376,097	1,994,330	630,310,158
10. Amortization Factor	25.1624	25.1624	25.1624	25.1624	25.1624	25.1624	25.1624	25.1624
11. Unfunded Actuarial Liability Rate (8)/(9)/(10)	8.52%	41.68%	36.32%	57.16%	14.12%	15.51%	16.34%	11.91%

* 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



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.

Trends in the ratio of actual to theoretical reserves may indicate a need to change the assumptions used to value benefits which, in turn, will lead to a change in employer contribution rates. For example, this year we reduced the calculated contribution rate for disability benefits by approximately 15% to reflect ongoing favorable experience in that fund.

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	\$ 80,073,695
b. Teachers	67,524,908
c. Participating Districts	7,918,748
d. Total	\$155,517,351
2. Actual Reserve (Actuarial Value)	\$211,583,529
3. Ratio: (2) / (1)	136.05%

B. Death Benefits Reserve

1. Theoretical Reserve	
a. State Employees	\$ 20,603,411
b. Teachers	10,149,739
c. Participating Districts	3,005,704
d. Accidental Death	3,655,823
e. Total	\$ 37,414,677
2. Actual Reserve (Actuarial Value)	\$ 68,737,764
3. Ratio: (2) / (1)	183.72%



ACTIVE MEMBER DATA

	<u>Count</u>	<u>Average Current Age</u>	<u>Average Average Service</u>	<u>Valuation Pay</u>
Teachers	24,371	43.0	12.7	\$25,863
State Regular*	13,954	43.2	11.5	\$27,256
Airplane Pilots	3	43.7	14.7	\$42,150
Forest Rangers (Closed Plan)	61	44.1	19.0	\$32,694
Game Wardens (Closed Plan)	53	42.7	18.1	\$36,065
Liquor Inspectors (Closed Plan)	10	47.7	22.7	\$37,610
Prison Wardens (Closed Plan)	136	46.2	16.5	\$32,240
Prison Wardens (Open Plan)	208	35.3	4.3	\$24,450
State Police (Closed Plan)	149	41.8	16.9	\$39,820
State Police (Open Plan)	107	32.5	7.4	\$33,412
Sea and Shore Wardens (Closed Plan)	24	42.4	18.1	\$36,235
State Totals	14,705	43.0	11.5	\$27,514

* 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>Old System Teachers</u>	<u>State Regular</u>	<u>Special Groups</u>
<u>Retired</u> (Options 0-4)				
Count	7,166	353	6,065	574
Average Benefit	\$12,481	\$9,629	\$10,181	\$19,228
<u>Retired</u> (Option 4 Concurrent Beneficiary)				
Count	838	---	1,034	96
Average Benefit	\$ 3,144	---	\$ 3,011	\$ 3,675
<u>Disabilities</u> (Options 7, 8, 9)				
Count	20	---	36	4
Average Benefit	\$14,693	---	\$11,715	\$11,178
<u>Beneficiaries</u>				
Count	496	75	1,229	60
Average Benefit	\$ 9,232	\$4,562	\$ 6,792	\$ 9,135
<u>Terminated Vested</u>				
Count	496	---	270	8
Average Benefit	\$ 4,385	---	\$ 6,284	\$ 6,248
<u>Disabilities C622 and C409</u> (Options 6, A-E)				
Count	400	---	681	---
Average Benefit	\$15,806	---	\$11,562	---



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: 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.

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 5 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 average final compensation 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.



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

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.

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 to the estate.

9. Accidental Death Benefits.

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

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 except 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 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. 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.



ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

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

	<u>Age</u>	<u>State Employees</u>			<u>Teachers</u>		
		<u>Service</u>			<u>Service</u>		
		0-1	1-2	2+	0-1	1-2	2+
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.

	<u>Age</u>	<u>Male</u> <u>Female</u>		<u>Male</u> <u>Female</u>	
		5. Rates of Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)*	20	5	3
	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 Employee		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	Teachers
		Employees*	
	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	State	Teachers
		Employees*	
	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 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, 1994, actuarial valuation, assets are valued at an "actuarial value" as described in the "Assets" section in this report.

ACTUARIES' REPORT: LEGISLATIVE RETIREMENT SYSTEM

The Maine State Retirement System has retained the firm of Milliman and Robertson, Inc., as consulting actuaries. The following report is Milliman and Robertson's actuarial valuation of the Maine Legislative Retirement System for the fiscal year ending June 30, 1994. The report includes the following sections:

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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 7 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.

10. Refund of Contributions.

Eligibility: termination of service except by retirement or death.

Benefit: member's accumulated contributions.

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 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.

12. 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:

at Age	due to:	Death	Disability	Quitting
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.

ACTUARIES' REPORT: JUDICIAL RETIREMENT SYSTEM

The Maine State Retirement System has retained the firm of Milliman and Robertson, Inc., as consulting actuaries. The following report is Milliman and Robertson's actuarial valuation of the Maine Judicial Retirement System for the fiscal year ending June 30, 1994. The report includes the following sections:

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PARTICIPANT DATA

1. Number of Active Employees	50
2. Active Payroll	\$ 3,913,428
3. Number of Retired Members and Beneficiaries*	27
4. Annual Retiree and Beneficiary Benefits	\$ 1,167,063
5. Number of Vested and Inactive Members	2

COST RESULTS

1. Retirement Benefits	
A. Employer Normal Cost	13.99%
B. Unfunded Actuarial Liability	<u>12.13%</u>
Total Retirement Cost	26.12%
2. Disability Cost	2.37%
3. Survivor Benefit Cost	<u>0.23%</u>
Total Cost	28.72%

ACCOUNTING INFORMATION

1. GASB Disclosure	
A. Pension Benefit Obligation:	
1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 14,234,919
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	2,204,525
- Employer-financed vested contributions	5,276,409
- Employer-financed non-vested contributions	<u>2,683,307</u>
Total Pension Benefit Obligation	\$ 24,399,160
B. Net Assets Available for Benefits (at cost)	<u>\$ 13,526,497</u>
Unfunded Pension Benefit Obligation (not less than \$0)	\$ 10,872,663
2. Other Accounting Information	
A. Actuarial Value of Assets	\$ 16,389,088
B. Unfunded Actuarial Liability	\$ 9,138,878
C. Market Value of Assets	\$ 16,503,906
D. Unfunded Accrued Liability	\$ 5,964,412
E. Amortization Period	23 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.

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 7 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.

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: 23 Years

ASSET VALUATION METHOD

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

INVESTMENTS



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INVESTMENT SUMMARY BY MANAGER

FOR THE MAINE STATE RETIREMENT SYSTEM

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Alliance Capital - Equity	\$ 99,736,234.26	\$ 110,378,485.63	\$ 10,642,251.37
Alliance Capital - Fixed Income	94,182,805.94	88,002,506.59	(6,180,299.35)
ARK Asset Management	150,115,878.41	147,784,630.00	(2,331,248.41)
Bankers Trust Small Cap Equity Fund	50,010,239.00	46,648,641.74	(3,361,597.26)
Bankers Trust - (EAFE)	102,145,814.24	131,741,494.16	29,595,679.92
Boston Co Institutional Investors - STEM	46,315,690.20	45,946,658.00	(369,032.20)
Brinson Partners	75,372,060.16	87,433,283.15	12,061,222.99
Columbus Circle Investors	159,198,825.47	174,331,749.70	15,132,924.23
Cramer Rosenthal McGlynn	49,958,193.72	50,561,918.50	603,724.78
Finance Authority of Maine	2,855,124.82	2,855,124.82	0.00
First Reserve Energy Advisors	1,965,954.29	1,577,723.58	(388,230.71)
Gouws Capital Management	158,077,539.18	156,524,986.00	(1,552,553.18)
MSRS Liquidity	5,039,795.00	5,037,069.33	(2,725.67)
Morgan Guaranty - Private Placements	65,990,111.29	70,117,087.78	4,126,976.49
Morgan Guaranty Multi Market II	3,761,781.31	3,847,153.67	85,372.36
Morgan Guaranty - Mortgage	162,172,926.74	183,524,539.68	21,351,612.94
Morgan Guaranty - Intl Bond Fund	31,088,378.59	26,810,342.34	(4,278,036.25)
Morgan Guaranty Multi Market I	27,852,035.93	28,834,802.83	982,766.90
Panagora - Equity Core	377,837,358.01	705,846,938.69	328,009,580.68
Panagora (Fixed Core)	496,945,679.82	620,211,251.69	123,265,571.87
Panagora (Value Eq)	61,003,358.34	71,712,089.73	10,708,731.39
Peregrine Asset Management	81,870,898.83	88,014,102.25	6,143,203.42
Prentiss Property	39,486,114.69	30,736,007.64	(8,750,107.05)
Putnam Advisory	96,298,216.32	92,456,404.84	(3,841,811.48)
Travelers	1,050,637.24	769,143.00	(281,494.24)
Walter Scott and Partners (Intl Eq)	63,357,306.41	76,977,623.78	13,620,317.37

FOR THE STATE GROUP LIFE INSURANCE PROGRAM

Boston Co Institutional Investors	\$ 27,132,600.33	\$ 26,952,242.76	(\$ 180,357.57)
TOTAL	\$2,530,821,558.54	\$ 3,075,634,001.88	\$ 544,812,443.34

INVESTMENT SUMMARY BY TYPE OF ASSET

FOR THE MAINE STATE RETIREMENT SYSTEM

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
Cash and Equivalents	\$ 108,224,829.25	\$ 108,288,622.59	\$ 63,794.69
Convertible Securities	910,000.00	796,250.00	(113,750.00)
International Equity Securities	61,564,861.70	75,121,431.44	13,556,569.74
Oil and Gas Investments	1,965,954.29	1,577,723.58	(388,230.71)
Pooled Funds			
US Equity and Fixed Income	1,245,563,251.44	1,730,732,266.81	485,169,015.37
International Equity and Fixed Income	198,820,963.90	236,200,460.55	37,379,496.65
Real Estate	40,536,751.93	31,504,472.69	(9,032,279.24)
US Equity Securities	641,487,049.42	670,236,378.21	28,749,327.44
US Fixed Income Securities	204,615,296.28	194,224,153.25	(10,391,143.03)
TOTAL	\$2,503,688,958.21	\$ 3,048,681,759.12	\$ 544,992,800.91

FOR THE STATE GROUP LIFE INSURANCE PROGRAM

Cash and Equivalents	\$ 6,720,176.00	\$ 6,720,176.00	\$ 0.00
Fixed Income Securities	20,412,424.33	20,232,066.76	(180,357.57)
TOTAL	\$ 27,132,600.33	\$ 26,952,242.76	(\$ 180,357.57)



CASH AND EQUIVALENTS

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Foreign Currency Trading		\$ 1,607,928.25		\$ 1,671,721.59	\$63,794.69
TBC Inc Pooled Employee Funds	106,616,901	106,616,901.00	1.000	106,616,901.00	0.00
TOTAL CASH AND EQUIVALENTS		\$108,224,829.25		\$108,288,622.59	\$63,794.69

CONVERTABLE SECURITIES

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Kelley Oil & Gas Sub Deb Conv	910,000	\$910,000.00	87.500	\$796,250.00	(\$113,750.00)
TOTAL CONVERTABLE SECURITIES		\$910,000.00		\$796,250.00	(\$113,750.00)

INTERNATIONAL EQUITY SECURITIES

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Ahold (KON) NV NLG1.25	51,665	\$ 1,217,613.72	25.176	\$ 1,300,718.39	\$ 83,104.67
Ampolex Limited Ord A\$0.50	400,000	1,165,108.39	2.984	1,193,707.40	28,599.01
Aoyama Trading Y50	22,500	946,274.52	39.156	881,010.31	(65,264.21)
Ava Allgemeine Handels-Der Ver	2,400	1,173,741.02	365.700	877,679.70	(296,061.32)
Barmag AG DM50	2,200	750,663.27	245.902	540,983.61	(209,679.66)
Binding Brauerei DM50	3,517	1,160,726.35	346.784	1,219,640.61	58,914.26
Bobst AG SZF100 (BR)	840	802,244.77	1,296.852	1,089,355.32	287,110.55
Castorama Dubois Invest FF25	10,113	1,053,755.14	124.249	1,256,527.29	202,772.15
Chain Store Okuwa Y50	67,400	1,416,597.38	21.302	1,435,788.13	19,190.75
Cheung Kong (Hldgs) HK\$0.50	500,000	1,567,188.97	4.366	2,183,194.25	616,005.28
China Light and Power Co HK\$5	420,000	1,571,856.10	5.110	2,146,322.52	574,466.42
Chudenko Corp Y50	31,030	950,212.65	41.489	1,287,408.14	337,195.49
Colruyt SA NPV	5,800	981,841.47	223.176	1,294,420.59	312,579.12
Daifuko Machinery Y50	100,000	1,144,173.48	13.897	1,389,734.17	245,560.69
Daiwa House Industry Co Y50	75,000	1,039,099.15	15.622	1,171,637.20	132,538.05
Docks De France FF10	10,400	1,027,796.19	117.264	1,219,548.96	191,752.77
Dyckerhoff AG New DM50 (Sub)	15,000	0.00	13.934	209,016.39	209,016.39
Dyckerhoff AG Non Vtg PRF DM50	5,000	1,642,932.35	345.523	1,727,616.65	84,684.30
Friedrich Grohe AG Non Vtg PRF	5,000	1,061,148.53	265.132	1,325,662.04	264,513.51
Fromageries BEL FF50	1,400	1,125,856.36	877.644	1,228,702.19	102,845.83
Futaba Industrial Y50	72,600	948,610.05	20.795	1,509,738.22	561,128.17
Gehe AG DM50	6,960	1,808,143.11	340.479	2,369,735.185	61,592.07
Guyenne & Gascogne FF100	3,500	1,028,402.79	262.834	919,918.39	(108,484.40)
Hennes & Mauritz SWKR5 SER'B'	50,000	945,295.94	49.909	2,495,459.83	1,550,163.89
Herlitz AG DM50 (RFD1/1/94)	500	94,099.08	221.942	110,971.00	16,871.92
Herlitz AG DM50	4,500	786,258.10	226.356	1,018,600.25	232,342.15
Hirose Electronics	28,000	849,057.64	65.835	1,843,375.86	994,318.22
Hong Kong & China Gas HK \$0.25	20,000	859,980.03	1.915	1,378,614.39	518,634.36
Hong Kong & China Gas WTS	60,000	0.00	0.078	4,657.48	4,657.48
Hornbach Baumarkt AG DM50	524	275,569.47	602.144	315,523.33	39,953.86
Hornbach Hldg. AG Non Vtg PRF	1,400	1,069,503.67	1,040.353	1,456,494.33	386,990.66
ISS Intl. Service System AS 'B'	37,000	1,036,168.70	34.718	1,284,577.67	248,408.97
Ito-Yokado Co Y50	45,000	1,573,991.80	55.285	2,487,827.04	913,835.24
Jardine Matheson Hldgs Ord	204,332	1,454,605.15	7.698	1,572,903.03	118,297.88
Kurita Water Industries Y50	61,000	1,241,404.09	29.316	1,788,293.69	546,889.60
Mikuni Coca Cola Y50	60,000	974,694.96	16.636	998,174.03	23,479.07



INTERNATIONAL EQUITY SECURITIES (continued)

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
Nippon Denso	85,000	\$ 989,186.76	20.998	\$ 1,784,844.72	\$ 795,657.96
Nippon Tel & Tel Corp Y50000	180	1,198,034.77	8,876.039	1,597,687.09	399,652.32
Otra N V NTFL20	7,500	1,126,257.80	154.323	1,157,420.45	31,162.65
RMC Group Ord 25P	117,000	1,600,602.85	12.782	1,495,486.63	(105,116.22)
Redland 25P	198,273	1,348,930.72	7.583	1,503,406.01	154,475.29
Rheinhold & Mahla AG DM50	5,000	1,151,301.67	216.898	1,084,489.28	(66,812.39)
Sankyo Co Y50	60,000	997,615.51	22.317	1,339,013.94	341,398.43
Santen Pharmaceutical Co	8,400	953,063.74	24.346	1,178,332.27	225,268.53
Secom Co Y50	1,000	932,382.43	69.487	1,459,220.87	526,838.44
Sembawang Corporation Ltd	150,000	968,746.59	7.214	1,082,073.65	113,327.06
Senshukai Y50	38,000	1,097,276.34	34.997	1,329,884.30	232,607.96
Shimachu Co Y50	8,000	1,016,782.16	40.272	1,127,612.04	110,829.88
Shimano Inc Y50	45,000	1,236,126.36	22.418	1,008,825.28	(227,301.08)
Skand Ensk Bk Fdg Stock TD	23,273,767	3,069,769.88	13.065	3,040,772.32	(28,997.56)
Spar Handels AG PFD Non Vtg	6,200	1,361,613.73	230.139	1,426,860.03	65,246.30
Sun Hung Kai Properties	319,000	1,381,903.45	5.757	1,836,535.35	454,631.90
Tokyo Steel Mfg Co Y50	42,000	992,626.15	26.375	1,107,729.71	115,103.56
VBH Vereinigte Baubeschlag	2,400	1,259,314.63	581.652	1,395,964.69	136,650.06
Woodside Petroleum Ord A\$0.50	500,000	1,119,040.41	3.356	1,678,195.00	559,154.59
Yamanouchi Pharmaceutical Co	50,000	1,019,671.36	19.071	953,540.23	(66,131.13)
TOTAL INTERNATIONAL EQUITY SECURITIES		\$61,564,861.70		\$75,121,431.44	\$13,556,569.74

OIL AND GAS INVESTMENTS

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
Chaverdo II Loan Agreement	156,563	\$ 156,563.18	56.37	\$ 88,268.00	(\$ 68,295.18)
Esco Boston 86-1 Ltd Ptship	1,156,805	1,156,805.28	86.497	1,000,600.31	(156,204.97)
Faulcone/Boston 85-1 Ltd Ptners	100	0.00	321,633.540	321,633.54	321,633.54
Ray Holifield and Gary T Nannen	652,586	652,585.83	25.624	167,221.73	(485,364.10)
TOTAL OIL AND GAS INVESTMENTS		\$1,965,954.29		\$1,577,723.58	(\$388,230.71)

POOLED FUNDS

US EQUITY AND FIXED INCOME

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
BT Pyramid Small Cap Fd	170,421	\$ 50,000,000.00	273.666	\$ 46,638,402.74	(\$ 3,361,597.26)
Bond Index Fund Gr Trust	639,703,002	496,945,679.82	0.970	620,211,251.69	123,265,571.87
Large Cap Value Group Tr	71,035,125	61,003,358.34	1.010	71,712,089.73	10,708,731.39
Mgt Comm Fd Private Placement	169,847	65,990,111.29	412.825	70,117,087.78	4,126,976.49
Mgt Multi Market Commingled	222,611	27,852,035.93	129.530	28,834,802.83	982,766.90
Mgt Multi Market Fund II	36,747	3,761,781.31	104.693	3,847,153.67	85,372.36
Mgt Commingled Fd Mtg Fd	504,216	162,172,926.74	363.980	183,524,539.68	21,351,612.94
US Equity Market Gr Trust	722,981,603	377,837,358.01	0.976	705,846,938.69	328,009,580.68
TOTAL U.S. POOLED FUNDS		\$1,245,563,251.44		\$1,730,732,266.81	\$485,169,015.37


INTERNATIONAL EQUITY AND FIXED INCOME

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
Bankers Tr Intl Equity Indx Fd	819,941	\$102,145,814.24	160.672	\$131,741,494.16	\$29,595,679.92
Mgt Intl Bd Fd	60,593	31,088,378.59	442.466	26,810,342.34	(4,278,036.25)
State Street MSCI Australia Fd	292,679	3,349,647.42	16.663	4,876,912.86	1,527,265.44
State Street MSCI Belgium Fd	114,053	1,552,477.12	18.524	2,112,712.55	560,235.43
State Street MSCI Canada Fd	500,524	5,171,000.00	10.360	5,185,431.33	14,431.33
State Street MSCI France Fd	248,955	4,297,068.13	21.027	5,234,772.68	937,704.55
State Street MSCI Germany Fd	108,377	1,873,473.88	21.389	2,318,081.60	444,607.72
State Street MSCI Hong Kong Fd	60,399	2,172,097.37	41.051	2,479,455.07	307,357.70
State Street MSCI Italy Fd	140,939	1,800,000.00	13.599	1,916,630.05	116,630.05
State Street MSCI Japan	2,760,380	25,698,808.25	10.864	29,988,765.76	4,289,957.51
State Street MSCI Netherlands Fd	172,509	3,053,383.02	24.294	4,190,923.47	1,137,540.45
State Street MSCI New Zealand Fd	90,343	756,208.39	12.419	1,121,963.97	365,755.58
State Street MSCI Spain Fd	204,437	2,028,322.96	10.575	2,161,918.92	133,595.96
State Street MSCI Switzerland Fd	114,319	1,535,656.83	22.324	2,552,060.44	1,016,403.61
State Street MSCI UK Fd	727,268	12,298,627.70	18.575	13,508,995.35	1,210,367.65
TOTAL INTERNATIONAL POOLED FUNDS		\$198,820,963.90		\$236,200,460.55	\$37,379,496.65

REAL ESTATE

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
Brookside Plaza Additions	136,095	\$ 136,095.13	100.000	\$ 136,095.13	\$ 0.00
Canal Plaza	7,671,098	7,671,097.84	0.469	3,600,000.19	(4,071,097.65)
Coral Key Apts Ltd Partnership	9,311,367	9,311,367.00	0.950	8,843,629.10	(467,737.90)
Orchard Parkway / River Oaks	12,815,736	12,815,736.06	89.782	11,506,287.97	(1,309,448.09)
Real Estate Brookside Plaza	9,551,819	9,551,818.66	0.696	6,649,995.25	(2,901,823.41)
Travelers Separate A/C R Equity	7,847	1,050,637.24	97.927	768,465.05	(282,172.19)
TOTAL REAL ESTATE		\$40,536,751.93		\$31,504,472.69	(\$9,032,279.24)

US EQUITY SECURITIES

<u>NAME</u>	<u>UNITS SHARES/PAR</u>	<u>BOOK VALUE</u>	<u>UNIT PRICE</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/(LOSS)</u>
A T & T Corp	112,800	\$6,180,837.80	54.375	\$6,133,500.00	(\$ 47,337.80)
Air Touch Communications	120,700	2,942,794.40	23.625	2,851,537.50	(91,256.90)
Alexander & Alexander Svcs Inc	60,000	1,360,350.00	16.250	975,000.00	(385,350.00)
Allied Signal Inc	155,100	5,564,482.99	34.625	5,370,337.50	(194,145.49)
AllState Corp	155,400	4,347,572.98	23.750	3,690,750.00	(656,822.98)
Aluminum Co Amer	15,000	981,050.00	73.125	1,096,875.00	115,825.00
Amerada Hess Corp	27,500	1,253,967.71	49.250	1,354,375.00	100,407.29
American Express Co	129,700	3,111,943.93	25.750	3,339,775.00	227,831.07
American Home Prods Corp	55,000	3,381,975.00	56.750	3,121,250.00	(260,725.00)
American Intl Group Inc	72,200	5,009,521.79	86.625	6,254,325.50	1,244,803.71
American Mobile Satellite Corp	32,100	674,100.00	12.500	401,250.00	(272,850.00)
American Premier Underwriters	80,000	1,881,971.41	25.375	2,030,000.00	148,028.59
American Elec Pwr Inc	80,000	2,233,095.42	28.250	2,260,000.00	26,904.58
Ametek Inc.	150,000	1,911,123.08	14.750	2,212,500.00	301,376.92
Amoco Corp	160,200	8,646,719.00	56.875	9,111,375.00	464,656.00
AMR Corp Del	32,200	1,979,293.55	59.375	1,911,875.00	(67,418.55)
Angelica Corp	75,000	1,800,770.00	26.375	1,978,125.00	177,355.00
Anheuser Busch Cos Inc	26,400	1,416,658.55	50.750	1,339,800.00	(76,858.55)
Apple Computer Inc	85,700	2,945,808.68	26.500	2,271,050.00	(674,758.68)
Applied Mat's Inc	88,100	2,311,249.90	42.750	3,766,275.00	1,455,025.10
Archer Daniels Midland Co	77,300	1,829,207.69	23.375	1,806,887.50	(22,320.19)



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Armco Inc	100,000	\$ 1,080,826.95	5.625	\$ 562,500.00	(\$ 518,326.95)
Atlantic Richfield Co	64,200	6,629,900.80	102.250	6,564,450.00	(65,450.80)
Atmel Corp	27,800	307,217.55	23.750	660,250.00	353,032.45
Autozone Inc	65,000	1,622,469.89	24.375	1,584,375.00	(38,094.89)
Avnet Inc	35,000	1,108,895.00	31.500	1,102,500.00	(6,395.00)
Avon Prods Inc	25,000	1,363,703.05	58.875	1,471,875.00	108,171.95
BMC Software Inc	20,500	1,179,321.32	43.750	896,875.00	(282,446.32)
Ball Corp	90,000	2,396,300.00	26.000	2,340,000.00	(56,300.00)
Banctec Inc	24,900	439,363.53	20.0004	98,000.00	58,636.47
Bank America Corp	40,500	1,753,737.42	45.750	1,852,875.00	99,137.58
Barnes & Noble Inc Com	26,600	738,289.28	24.000	638,400.00	(99,889.28)
Baxter Intl Inc	140,000	3,418,550	26.250	3,675,000.00	256,450.00
Baybanks Inc	30,200	1,127,837.05	60.250	1,819,550.00	691,712.95
Benchmark Electrs Inc	40,600	600,571.50	25.500	1,035,300.00	434,728.50
Birmingham Stl Corp	31,350	664,994.43	27.000	846,450.00	181,455.57
Boeing Co	112,000	5,164,445.70	46.250	5,180,000.00	15,554.30
Bowater Inc	70,000	1,522,400.00	24.625	1,723,750.00	201,350.00
Box Energy Corp Cl B Non Vtg	73,100	766,522.78	9.125	667,037.50	(99,485.28)
Brown Group Inc	35,000	839,934.27	37.625	1,316,875.00	476,940.73
Browning Ferris Inds Inc	110,000	2,597,400.00	30.375	3,341,250.00	743,850.00
Burlington Res Inc	63,200	2,846,044.40	41.375	2,614,900.00	(231,144.40)
CBS Inc	3,600	935,113.40	313.000	1,126,800.00	191,686.60
CKE Restaurants Inc	95,000	1,114,326.55	8.500	807,500.00	(306,826.55)
CPC Intl Inc	21,400	885,622.28	48.250	1,032,550.00	146,927.72
CUC Intl Inc	94,700	2,680,580.69	27.000	2,556,900.00	(123,680.69)
Cablevision Sys Corp Cl A	36,000	1,508,690.19	46.750	1,683,000.00	174,309.81
Cadence Design Sys Inc	50,400	698,831.28	16.7508	44,200.00	145,368.72
Calgon Carbon Corp	40,000	521,430.00	13.7505	50,000.00	28,570.00
Canandaigua Wine Inc Cl A	40,000	898,750.00	25.000	1,000,000.00	101,250.00
Capital Cities ABC Inc	64,000	4,486,227.60	71.125	4,552,000.00	65,772.40
Capital Re Corp	32,000	624,000.00	21.000	672,000.00	48,000.00
Centennial Cellular Corp Cla	62,300	1,037,655.05	16.750	1,043,525.00	5,869.95
Centerior Energy Corp	44,300	698,151.00	10.125	448,537.50	(249,613.50)
Champion Intl Corp	50,000	1,498,664.07	32.875	1,643,750.00	145,085.93
Chelsea GCA Rlty Inc	17,000	506,638.57	27.375	465,375.00	(41,263.57)
Chemical Bkg Corp	101,300	3,536,221.82	38.500	3,900,050.00	363,828.18
Chrysler Corp	33,000	1,543,935.00	47.500	1,567,500.00	23,565.00
Chubb Corp	44,500	3,469,042.90	76.625	3,409,812.50	(59,230.40)
Cisco Sys Inc	83,000	1,845,387.32	23.375	1,940,125.00	94,737.68
Citicorp Dep Sh Repstg 1/12	162,100	2,390,975.00	19.625	3,181,212.50	790,237.50
Coast Svgs Finl Inc	57,000	919,035.04	16.875	961,875.00	42,839.96
Coltec Inds Inc	87,000	1,378,240.00	18.625	1,620,375.00	242,135.00
Columbia/HCA Healthcare Corp	78,200	2,721,156.00	37.500	2,932,500.00	211,344.00
Comcast Corp Cl A Spl	177,999	1,986,228.89	18.000	3,203,982.00	1,217,753.11
Commercial Fed Corp	32,900	477,504.54	23.500	773,150.00	295,645.46
Compaq Computer Corp	142,500	2,633,725.20	32.375	4,613,437.50	1,979,712.30
Compuware Corp	17,400	471,654.11	41.375	719,925.00	248,270.89
Conrail Inc	20,000	1,087,732.00	54.750	1,095,000.00	7,268.00
Consolidated Nat Gas Co	70,000	2,956,675.00	37.750	2,642,500.00	(314,175.00)
Continental Corp	120,000	3,201,157.93	15.500	1,860,000.00	(1,341,157.93)
Cooper Inds Inc	75,000	2,882,457.04	36.000	2,700,000.00	(182,457.04)
Coors Adolph Co Clb	70,000	1,053,287.53	17.500	1,225,000.00	171,712.47
Corning Inc	44,400	1,308,679.98	32.625	1,448,550.00	139,870.02
Crane Co	90,000	2,264,270.00	26.375	2,373,750.00	109,480.00
Crescent Real Estate Equities	28,000	716,854.00	27.000	756,000.00	39,146.00
Cross A T Co Cl A	60,000	830,216.20	16.000	960,000.00	129,783.80
Curtice-Burns Inc Cl A	35,400	572,808.70	16.000	566,400.00	(6,408.70)
Cypress Semiconductor Corp	78,700	1,255,800.65	16.250	1,278,875.00	23,074.35
Cyprus Amax Minerals Co	124,000	3,166,905.33	29.750	3,689,000.00	522,094.67
D R Horton Inc	58,703	630,021.30	12.500	733,785.00	103,763.70
DSC Communications Corp	120,900	2,471,328.00	19.563	2,365,167.00	(106,161.00)
Dayton Hudson Corp	42,100	3,197,575.60	81.000	3,410,100.00	212,524.40
Dean Witter Discover & Co	78,663	2,885,527.16	37.500	2,949,862.50	64,335.34



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Delta Airlines Inc Del	45,300	\$ 2,457,058.08	45.250	\$ 2,049,825.00	(\$ 407,233.08)
Deluxe Corp	90,000	3,036,687.50	26.375	2,373,750.00	(662,937.50)
Devry Inc Del	35,000	865,620.00	29.000	1,015,000.00	149,380.00
Dexter Corp	130,000	2,934,282.80	24.250	3,152,500.00	218,217.20
Diagnostek Inc	134,100	2,776,492.50	21.750	2,916,675.00	140,182.50
Digital Equip Corp	10,000	552,575.00	19.500	195,000.00	(357,575.00)
Dillard Dept Stores Inc Cla	178,000	6,058,977.29	30.875	5,495,750.00	(563,227.29)
Discount Auto Pts Inc	28,000	611,853.20	21.250	595,000.00	(16,853.20)
Disney Walt Co	71,000	2,584,631.89	41.625	2,955,375.00	370,743.11
Dow Chem Co	30,000	1,602,600.00	65.375	1,961,250.00	358,650.00
Duff & Phelps Utils Income Inc	100,000	849,770.95	8.250	825,000.00	(24,770.95)
EG & G Inc	150,000	2,571,025.00	15.000	2,250,000.00	(321,025.00)
Eastern Enterprises	125,000	3,129,120.00	22.875	2,859,375.00	(269,745.00)
Eastman Chem Co	99,750	4,094,807.41	47.750	4,763,062.50	668,255.09
Eastman Kodak Co	77,000	2,778,202.45	48.125	3,705,625.00	927,422.55
Egghead Inc	125,000	1,035,000.00	7.250	906,250.00	(128,750.00)
Elan Plc Adr	32,494	891,231.43	34.750	1,129,166.50	237,935.07
Elan Plc Unit 1 Advanced Sys	4,582	99,033.65	25.125	115,122.75	16,089.10
Elan Plc Wt Exp	5,000	50,980.42	20.375	101,875.00	50,894.58
Enron Corp	82,000	2,747,974.80	32.750	2,685,500.00	(62,474.80)
Entergy Corp New	109,400	3,903,725.53	24.750	2,707,650.00	(1,196,075.53)
Exabyte Corp	49,600	788,783.50	14.250	706,800.00	(81,983.50)
Excel Inds Inc	50,600	952,280.72	15.500	784,300.00	(167,980.72)
Exxon Corp	23,200	1,335,786.94	56.750	1,316,600.00	(19,186.94)
Fabri Ctrs Amer Inc	59,600	864,472.00	15.000	894,000.00	29,528.00
Farm & Home Finl Corp	28,400	947,850.00	31.750	901,700.00	(46,150.00)
Federal Express Corp	34,900	2,460,216.50	74.750	2,608,775.00	148,558.50
Federal Mogul Corp	21,200	410,750.00	29.125	617,450.00	206,700.00
Federal Natl Mtg Assn	35,000	2,509,001.59	83.500	2,922,500.00	413,498.41
Federated Dept Stores Inc	136,300	2,802,158.01	20.000	2,726,000.00	(76,158.01)
First Brands Corp	40,000	1,041,357.14	36.625	1,465,000.00	423,642.86
First Finl Fd Inc	71,300	946,750.00	14.250	1,016,025.00	69,275.00
First Finl Mgmt Corp	48,500	2,780,531.80	55.500	2,691,750.00	(88,781.80)
First USA Inc	79,600	2,100,471.90	38.375	3,054,650.00	954,178.10
Fleet Finl Group Inc New	175,500	6,542,130.06	37.750	6,625,125.00	82,994.94
Fleetwood Enterprises Inc	100,000	1,880,323.56	19.125	1,912,500.00	32,176.44
Fluor Corp	53,800	2,712,020.90	50.750	2,730,350.00	18,329.10
Ford Mtr Co Del	129,800	6,975,592.39	59.000	7,658,200.00	562,705.61
Forest Labs Inc Cla	67,000	2,247,553.20	43.500	2,914,500.00	666,946.80
Fresenius USA Inc	209,900	1,104,002.13	6.250	1,311,875.00	207,872.87
GTE Corp	171,600	5,651,994.25	31.000	5,319,600.00	(332,394.25)
GAP Inc	78,600	3,310,271.00	42.750	3,360,150.00	49,879.00
Gen Datacomm Inds Inc	80,000	987,875.00	16.125	1,290,000.00	302,125.00
General Dynamics Corp	61,900	2,783,058.93	40.875	2,530,162.50	(252,896.43)
General Elec Co	284,800	12,534,969.41	46.625	13,278,800.00	743,830.59
General Instr Corp New	48,000	2,375,100.68	57.000	2,736,000.00	360,899.32
General Mls Inc	17,200	967,516.41	54.625	939,550.00	(27,966.41)
General Mtrs Corp	42,000	2,472,686.00	50.250	2,110,500.00	(362,186.00)
General Mtrs Corp Cle	86,400	3,120,907.10	34.875	3,013,200.00	(107,707.10)
General Pub Utils Corp	65,500	1,870,150.51	26.250	1,719,375.00	(150,775.51)
General Re Corp	15,000	1,744,244.12	108.875	1,633,125.00	(111,119.12)
General Signal Corp Wt Exp	24	0.00	0.00	0.00	0.00
Genesis Health Ventures Inc	33,300	577,007.49	25.375	844,987.50	267,980.01
Genuine Parts Co	37,500	1,096,975.67	36.125	1,354,687.50	257,711.83
Georgia Pac Corp	34,000	2,168,029.50	59.875	2,035,750.00	(132,279.50)
Glatfelter P H Co	110,000	1,932,675.00	16.000	1,760,000.00	(172,675.00)
Goodrich B F Co	20,000	872,400.00	43.500	870,000.00	(2,400.00)
Grace W R & Co	48,000	1,944,317.70	39.875	1,914,000.00	(30,317.70)
Halliburton Co	166,700	5,345,752.71	33.875	5,646,963.00	301,209.29
Harman Intl Inds Inc New	18,100	432,024.85	25.125	454,762.50	22,737.65
Hartford Stm Boiler Insp & Ins	35,200	1,590,529.00	44.750	1,575,200.00	(15,329.00)
Health Mgmt Assoc Inc New Cla	189,150	4,065,083.50	20.500	3,877,575.00	(187,508.50)



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Health Source Inc	41,400	\$ 1,201,074.50	28.500	\$ 1,179,900.00	(\$ 21,174.50)
Health Trust Inc The Hospital Co	43,200	1,230,979.15	27.750	1,198,800.00	(32,179.15)
Heart Technology Inc	74,000	1,235,500.00	16.625	1,230,250.00	(5,250.00)
Hecla Mng Co	80,000	1,011,362.50	10.625	850,000.00	(161,362.50)
Helmerich & Payne Inc	65,000	1,728,175.00	26.500	1,722,500.00	(5,675.00)
Hercules Inc	22,400	2,303,841.26	107.000	2,396,800.00	92,958.74
Hillhaven Corp Nev Com New	37,620	628,557.66	18.000	677,160.00	48,602.34
Home Depot	52,333	1,977,464.09	42.125	2,204,527.63	227,063.54
Home Shopping Network	150,600	1,868,044.56	12.000	1,807,200.00	(60,844.56)
Homestake Mng Co	100,000	1,317,941.66	18.750	1,875,000.00	557,058.34
Host Marriott Corp	207,700	2,525,739.60	9.625	1,999,112.50	(526,627.10)
Humana Inc	325,400	4,298,160.60	16.125	5,247,075.00	948,914.40
Immune Response Corp Del	45,000	445,896.60	10.000	450,000.00	4,103.40
Intel Corp	131,100	4,915,451.42	58.500	7,669,350.00	2,753,898.58
Intelligent Electrs Inc	42,400	796,257.97	15.125	641,300.00	(154,957.97)
International Business Machs Corp	104,100	7,575,837.70	58.750	6,115,875.00	(1,459,962.70)
International Multifoods Corp	120,000	2,479,108.80	15.875	1,905,000.00	(574,108.80)
Interpool	44,100	631,680.00	11.500	507,150.00	(124,530.00)
JWP Inc	824	3,708.00	0.040	32.55	(3,675.45)
James Riv Corp Va	130,000	2,597,012.50	17.000	2,210,000.00	(387,012.50)
Johnstown Amer Inds Inc	44,500	1,172,743.82	20.250	901,125.00	(271,618.82)
Jostens Inc	110,000	2,392,138.88	16.125	1,773,750.00	(618,388.88)
Kaman Corp Cl A	110,000	1,189,965.00	9.125	1,003,750.00	(186,215.00)
Kellwood Co	50,050	1,252,573.86	21.375	1,069,818.75	(182,755.11)
Keycorp New	70,852	2,095,862.34	31.875	2,258,407.50	162,545.16
Kmart Corp	110,000	2,326,035.00	15.500	1,705,000.00	(621,035.00)
Kohls Corp	20,000	872,254.50	47.000	940,000.00	67,745.50
Komag Inc	68,200	1,545,947.12	18.500	1,261,700.00	(284,247.12)
LTV Corp New	90,800	1,282,508.02	15.375	1,396,050.00	113,541.98
Landstar Sys Inc Com	38,400	530,950.44	29.500	1,132,800.00	601,849.56
Leasing Solutions Inc	130,500	1,240,760.35	8.500	1,109,250.00	(131,510.35)
Legent Corp	49,200	1,482,655.00	27.000	1,328,400.00	(154,255.00)
Lennar Corp	75,150	1,475,016.00	18.875	1,418,456.25	(56,559.75)
Liberty Pty Ltd Partnership	525,000	525,000.00	99.750	523,687.50	(1,312.50)
Life Partners Group Inc	67,800	1,259,324.00	17.500	1,186,500.00	(72,824.00)
Lockheed Corp	10,000	440,622.25	65.375	653,750.00	213,127.75
Loews Corp	9,300	984,982.81	86.000	799,800.00	(185,182.81)
Lomak Pete Inc Com New	181,500	1,315,875.00	7.875	1,429,312.50	113,437.50
Lonestar Steak House Saloon	62,000	1,221,614.38	17.500	1,085,000.00	(136,614.38)
Longs Drug Stores Corp	80,000	2,715,648.00	35.750	2,860,000.00	144,352.00
Longview Fibre Co	80,000	1,412,300.00	17.500	1,400,000.00	(12,300.00)
Louisiana Ld & Expl Co	30,000	1,313,650.00	42.500	1,275,000.00	(38,650.00)
Lowe's Cos Inc	92,200	2,656,973.50	34.250	3,157,850.00	500,876.50
Lubrizol Corp	49,000	1,685,927.10	34.250	1,678,250.00	(7,677.10)
MCI Communications Corp	136,000	3,108,326.90	22.125	3,009,000.00	(99,326.90)
MK Rail Corp	69,300	1,108,800.00	19.500	1,351,350.00	242,550.00
Mac Frugals Bargains Close	62,000	1,041,283.75	17.375	1,077,250.00	35,966.25
Magna Group Inc	60,700	819,450.00	19.375	1,176,062.50	356,612.50
Mariner Health Group Inc	51,100	749,954.03	19.375	990,062.50	240,108.47
Marion Merrell Dow Inc	120,000	2,562,900.00	18.375	2,205,000.00	(357,900.00)
Maxus Energy Corp	100,000	720,750.00	4.875	487,500.00	(233,250.00)
May Dept Stores Co	137,800	4,996,451.18	39.250	5,408,650.00	412,198.82
McDonalds Corp	90,000	2,560,553.32	28.875	2,598,750.00	38,196.68
McGraw Hill Inc	30,000	1,735,057.50	66.500	1,995,000.00	259,942.50
Medaphis Corp	29,900	617,725.45	27.500	822,250.00	204,524.55
Medical Imaging Ctrs Amer Inc	1,687	0.00	0.563	949.78	949.78
Medtronic Inc	47,400	3,814,322.10	80.125	3,797,925.00	(16,397.10)
Mellon Bk Corp	24,000	1,349,430.69	56.250	1,350,000.00	569.31
Melville Corp	65,000	2,603,337.50	38.750	2,518,750.00	(84,587.50)
Merck & Co Inc	119,600	3,949,196.00	29.750	3,558,100.00	(391,096.00)
Meyer Fred Inc Del	42,000	1,719,360.00	36.375	1,527,750.00	(191,610.00)
Michaels Stores Inc	32,700	1,198,025.68	33.625	1,099,537.50	(98,488.18)



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Michigan Natl Corp	21,200	\$ 1,255,084.79	72.000	\$ 1,526,400.00	\$ 271,315.21
Microage Inc	11,550	188,178.08	15.750	181,912.50	(6,265.58)
Mid Ocean Ltd	3,300	95,482.20	25.125	82,912.50	(12,569.70)
Midlantic Corp	38,100	721,369.06	29.250	1,114,425.00	393,055.94
Millipore Corp	27,300	1,248,302.86	52.750	1,440,075.00	191,772.14
Minerais Technologies Inc	38,000	988,140.00	29.000	1,102,000.00	113,860.00
Mobil Corp	10,500	682,785.46	81.500	855,750.00	172,964.54
Mobile Telecommunications Tech	50,000	856,250.00	18.000	900,000.00	43,750.00
Moore Ltd	135,000	2,656,891.50	16.875	2,278,125.00	(378,766.50)
Morgan Stanley Group Inc	40,000	1,980,377.80	56.875	2,275,000.00	294,622.20
Morton Intl Inc Ind	14,000	1,196,329.00	78.000	1,092,000.00	(104,329.00)
Motorola Inc	194,000	4,841,327.09	44.625	8,657,250.00	3,815,922.91
Mueller Inds Inc	30,000	962,100.00	29.125	873,750.00	(88,350.00)
Musicland Stores Corp	27,200	514,580.14	16.000	435,200.00	(79,380.14)
Mutual Risk Mgmt Ltd	38,500	778,894.54	23.500	904,750.00	125,855.46
NAC Re Corp	58,900	1,794,143.35	29.500	1,737,550.00	(56,593.35)
Nashua Corp	70,000	1,624,200.00	25.500	1,785,000.00	160,800.00
National Re Corp	30,200	950,706.09	25.875	781,425.00	(169,281.09)
National Svc Inds Inc	100,000	2,372,166.66	26.000	2,600,000.00	227,833.34
Nations Bank Corp	142,900	6,916,638.32	51.375	7,341,488.00	424,848.68
Navistar Intl Corp New	61,400	1,301,303.34	13.375	821,225.00	(480,078.34)
Newmont Mng Corp	23,200	903,687.48	40.250	933,800.00	30,112.52
Nike Inc Clb	71,200	4,210,189.50	59.750	4,254,200.00	44,010.50
Nine West Group Inc	50,000	1,426,493.00	26.250	1,312,500.00	(113,993.00)
Nucor Corp	71,500	4,102,198.00	68.500	4,897,750.00	795,552.00
Nynex Corp	37,600	1,375,949.06	37.875	1,424,100.00	48,150.94
Occidental Pete Corp	116,100	2,248,837.42	18.875	2,191,387.50	(57,449.92)
Ohio Edison Co	50,000	913,458.33	17.875	893,750.00	(19,708.33)
Omni Ins Group Inc	39,700	580,612.50	13.750	545,875.00	(34,737.50)
Oracle Sys Corp	175,400	4,031,000.03	37.500	6,577,500.00	2,546,499.97
Oryx Energy Co	67,700	1,276,481.58	15.000	1,015,500.00	(260,981.58)
Oshkosh B Gosh Inc Cla	100,000	1,500,717.78	14.000	1,400,000.00	(100,717.78)
Pacific Gas & Elec Co	79,800	2,286,789.00	23.750	1,895,250.00	(391,539.00)
Pacific Telesis Group	87,800	2,742,622.34	30.750	2,699,850.00	(42,772.34)
Panhandle Eastn Corp	108,300	2,203,437.61	19.750	2,138,925.00	(64,512.61)
Parker & Parsley Pete Co Del	27,400	463,483.16	25.500	698,700.00	235,216.84
Partnerre Holdings Ltd	85,600	1,950,969.52	20.250	1,733,400.00	(217,569.52)
Peco Energy Co Pfd Com	70,900	1,964,901.11	26.250	1,861,125.00	(103,776.11)
Penn Traffic Co New	26,500	1,063,435.00	35.250	934,125.00	(129,310.00)
Pep Boys Manny Moe & Jack	88,200	2,851,544.50	31.875	2,811,375.00	(40,169.50)
Pepsi Co Inc	92,900	3,454,693.42	30.625	2,845,062.50	(609,630.92)
Perkin Elmer Corp	70,000	1,995,609.00	29.500	2,065,000.00	69,391.00
Pet Smart Inc	48,500	1,359,993.10	28.250	1,370,125.00	10,131.90
Physician Corp Amer	30,800	622,272.36	22.500	693,000.00	70,727.64
Polaroid Corp	51,500	1,546,065.35	31.875	1,641,562.50	95,497.15
Price/Costco Inc	61,000	1,180,132.00	14.938	911,218.00	(268,914.00)
Prime Retail Inc	16,900	338,000.00	19.500	329,550.00	(8,450.00)
Prime Retail Inc Pfd Conv Ser	39,300	1,012,603.80	24.625	967,762.50	(44,841.30)
Procter & Gamble Co	45,000	2,383,775.00	53.375	2,401,875.00	18,100.00
Providian Corp	55,300	1,664,623.50	30.250	1,672,825.00	8,201.50
Quaker St Corp	60,000	790,650.00	14.000	840,000.00	49,350.00
RFS Hotel Invs Inc Com	34,000	563,500.00	17.750	603,500.00	40,000.00
Raychem Corp	70,000	2,400,393.00	36.000	2,520,000.00	119,608.00
Rayonier Inc	53,000	1,490,693.05	28.875	1,530,375.00	39,681.95
Reliance Elec Co New Cla	62,000	1,132,904.27	18.125	1,123,750.00	(9,154.27)
Rite Aid Corp	150,000	2,727,087.50	20.250	3,037,500.00	310,412.50
Rockwell Intl Corp	10,000	252,904.86	37.375	373,750.00	120,845.14
Rohm & Haas Co	41,000	2,135,125.18	62.250	2,552,250.00	417,124.82
Roosevelt Finl Group Inc	9,400	157,215.00	16.000	150,400.00	(6,815.00)
Safecard Svcs Inc	84,400	1,540,314.48	17.125	1,445,350.00	(94,964.48)
Safeway Inc New	111,500	2,855,478.50	23.750	2,648,125.00	(207,353.50)
Scandinavian Broadcasting	43,500	1,076,625.00	24.500	1,065,750.00	(10,875.00)



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Schuler Homes Inc	37,200	\$ 902,100.00	17.250	\$ 641,700.00	(\$ 260,400.00)
Scott Paper Co	27,800	1,038,103.76	52.250	1,452,550.00	414,446.24
Seagull Energy Corp	46,000	1,222,336.37	25.875	1,190,250.00	(32,086.37)
Sears Roebuck & Co	45,000	1,492,082.93	48.000	2,160,000.00	667,917.07
Shaw Inds Inc	40,000	886,214.22	16.500	660,000.00	(226,214.22)
Sholodge Inc	43,866	518,663.95	20.500	899,253.00	380,589.05
Silicon Graphics Inc	127,300	1,904,375.71	22.125	2,816,512.50	912,136.79
Skyline Corp	20,000	301,827.00	18.500	370,000.00	68,173.00
Smith A O Corp	24,800	347,603.34	25.500	632,400.00	284,796.66
Snap On Inc	25,000	897,600.00	37.250	931,250.00	33,650.00
South Jersey Ind	37,146	665,766.73	18.000	668,628.00	2,861.27
Southern Co	75,200	1,384,949.65	18.750	1,410,000.00	25,050.35
Southern Pacific Rail Corp	135,000	2,935,047.00	19.625	2,649,375.00	(285,672.00)
Southwest Airls Co	61,000	2,020,649.50	26.250	1,601,250.00	(419,399.50)
Southwestern Public Svc Co	70,000	1,883,403.57	24.875	1,741,250.00	(142,153.57)
Sprint Corp	206,100	7,170,037.94	34.875	7,187,738.00	17,700.06
St. Jude Med Inc	90,000	2,444,975.00	32.500	2,925,000.00	480,026.00
Stanhope Inc Vtg	90,000	2,707,450.00	33.000	2,970,000.00	262,550.00
Stant Corp Com	47,300	756,800.00	17.500	827,750.00	70,950.00
Stewart Enterprises Inc Cla	23,550	421,675.00	21.750	512,212.50	90,537.50
Stone & Webster Inc	70,000	1,760,525.00	32.750	2,292,500.00	531,975.00
Storage USA Inc	52,900	1,385,632.50	26.500	1,401,850.00	16,217.50
Stride Rite Corp	80,000	1,000,631.00	13.000	1,040,000.00	39,369.00
Student Loan Marketing Assn New	4,400	266,544.49	36.000	158,400.00	(108,144.49)
Summit Care Corp	36,000	641,035.00	18.250	657,000.00	15,965.00
Sun Health Care Group Inc	37,120	707,600.00	18.625	691,360.00	(16,240.00)
Sun Inc	85,000	2,453,410.00	26.875	2,284,375.00	(169,035.00)
Sunstrand Corp	76,800	3,697,664.70	47.000	3,609,600.00	(88,064.70)
Symantec Corp	68,500	950,934.86	10.750	736,375.00	(214,559.86)
TCA Cable TV Inc	22,600	471,741.24	22.625	511,325.00	39,583.76
TCF Finl Corp	24,000	381,093.57	33.875	813,000.00	431,906.43
Tele Communications Inc Cla	219,200	5,007,281.33	20.375	4,466,200.00	(541,081.33)
Teledyne Inc	60,000	1,006,100.00	16.000	960,000.00	(46,100.00)
Temple Inland Inc	53,600	2,656,810.70	47.625	2,552,700.00	(104,110.70)
Tenneco Inc	15,700	718,483.06	46.375	728,087.50	9,604.44
Teva Pharmaceutical Inds Ltd	78,400	1,486,159.91	24.000	1,881,600.00	395,440.09
Texas Instrs Inc	30,900	1,977,843.39	79.500	2,456,550.00	478,706.61
Therax Inc	83,800	1,005,600.00	11.250	942,750.00	(62,850.00)
Thomas Inds Inc	40,000	615,500.00	14.125	565,000.00	(50,500.00)
TIG Hldgs Inc	129,600	2,830,002.50	20.000	2,592,000.00	(238,002.50)
Time Warner Inc	47,000	1,130,480.73	35.500	1,668,500.00	538,019.27
Times Mirror Co Ser A	70,000	2,036,150.00	30.125	2,108,750.00	72,600.00
Toys R Us Inc	51,000	1,844,203.00	32.750	1,670,250.00	(173,953.00)
Travelers Inc	186,866	5,729,803.72	32.250	6,026,529.00	296,624.28
Triangle Pac Corp Del	80,700	863,912.50	11.750	948,225.00	84,312.50
Tribune Co New	43,700	2,673,050.80	53.250	2,327,025.00	(346,025.80)
Union Pac Corp	39,800	2,304,201.23	56.625	2,253,675.00	(50,526.23)
United Waste Systems	28,000	317,732.80	18.750	525,000.00	207,267.20
United Health Care Corp	211,200	3,164,585.89	45.125	9,530,400.00	6,365,814.11
Unocal Corp	79,800	2,169,215.05	28.625	2,284,275.00	115,059.95
UNUM Corp	48,100	2,243,446.24	44.750	2,152,475.00	(90,971.24)
US West Inc	50,000	1,962,458.89	41.875	2,093,750.00	131,291.11
USF & G Corp	15,000	493,575.00	12.250	183,750.00	(309,825.00)
USX-Marathon Group New	120,000	2,699,111.34	16.750	2,010,000.00	(689,111.34)
Vanguard Cellular Sys Inc Cla	47,000	951,750.00	33.000	1,551,000.00	599,250.00
Vesta Ins Group Inc	37,200	930,000.00	28.500	1,060,200.00	130,200.00
Vons Cos Inc	88,000	1,589,169.50	17.000	1,496,000.00	(93,169.50)
Wendys Intl Inc	137,000	1,934,660.50	15.625	2,140,625.00	205,964.50
Weyerhaeuser Co	36,800	1,515,161.39	40.000	1,472,000.00	(43,161.39)
Williams Cos Inc	65,900	1,703,465.64	28.625	1,886,387.50	182,921.86
Xerox Corp	43,500	4,079,455.22	97.750	4,252,125.00	172,669.78
Xilinx Inc	18,400	581,416.65	34.125	627,900.00	46,483.35



US EQUITY SECURITIES (continued)

NAME	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
Zenith Labs Inc New	65,200	\$ 1,156,908.64	14.000	\$ 912,800.00	(\$ 244,180.64)
Zero Corp	80,000	952,363.79	12.375	990,000.00	37,636.21
Zurn Inds Inc	80,000	2,258,130.58	20.250	1,620,000.00	(638,130.58)
TOTAL U.S. EQUITY SECURITIES		\$641,487,049.42		\$670,236,378.21	\$28,749,327.44

US FIXED INCOME SECURITIES

NAME	MATURITY DATE MO/DY/YR	COUPON	UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
American Hsg Tr A Sr Mtg Cl 3		7.625%	1,056,390.00	\$ 928,057.01	93.143	\$ 983,953.52	\$ 55,896.51
Bank Nova Scotia		6.875%	600,000.00	615,408.00	93.561	561,366.00	(54,042.00)
Chrysler Finl Corp Mtn	01/27/98	5.410%	1,575,000.00	1,517,008.50	94.297	1,485,177.75	(31,830.75)
Cit Group Hldgs Inc Mtn	06/05/95	VAR/RT	1,000,000.00	1,000,000.00	100.190	1,001,900.00	1,900.00
Citicorp Bds	08/14/11	FLTG/RT	1,650,000.00	1,518,000.00	92.875	1,532,437.50	14,437.50
Commit To Pur FNMA		7.500%	5,643,000.00	5,501,400.47	95.906	5,411,975.58	(89,424.89)
Discover Card Tr 91-B P/T Cl A	07/15/96	8.625%	415,000.00	431,243.36	103.281	428,616.15	(2,627.21)
Federal Home Ln Bks Cons Bd	06/10/96	3.500%	2,000,000.00	1,990,000.00	100.240	2,004,800.00	14,800.00
Federal Farm Cr Bks Cons Sys	08/15/95	FLTG/RT	1,000,000.00	1,013,500.00	100.888	1,008,880.00	(4,620.00)
First Chicago Master Tr II S90	06/15/95	9.250%	2,000,000.00	2,141,250.00	103.068	2,061,360.00	(79,890.00)
First Intl Pete Trans Sr 144A	03/31/96	4.800%	1,000,000.00	1,000,000.00	97.132	971,320.00	(28,680.00)
First Dep Master Tr ABC 93-1		5.750%	1,185,000.00	1,182,963.28	95.312	1,129,447.20	(53,516.08)
FNMA Gtd Remic P/T CTF 93-152A		ZERO/CPN	583,264.00	541,706.57	93.094	542,982.45	1,275.88
Ford Mtr Cr Co Nt	05/15/99	7.250%	895,000.00	881,190.15	98.988	885,942.60	4,752.45
Ford Mtr Cr Co No	12/15/98	5.625%	410,000.00	408,948.60	93.076	381,611.60	(27,347.00)
General Elec Cap Corp Mtn	10/06/94	FLTG/RT	1,000,000.00	987,000.00	99.125	991,250.00	4,250.00
GNMA Pool #0380179		7.500%	481,646.89	501,289.06	95.375	459,370.72	(41,918.34)
GNMA Pool #0379376		7.500%	295,936.36	308,005.01	95.375	282,249.30	(25,755.71)
GNMA Pool #0379224		7.000%	342,561.07	351,767.41	92.062	315,368.57	(36,398.84)
GNMA Pool #0376372		7.000%	590,788.44	602,604.20	92.062	543,891.65	(58,712.55)
GNMA Pool #0375180		7.500%	395,161.59	411,276.77	95.375	376,885.37	(34,391.40)
GNMA Pool #0376348		7.000%	6,025,223.77	6,160,791.30	92.062	5,546,941.51	(613,849.79)
GNMA Pool #0372810		7.500%	4,795,745.55	5,002,562.07	95.375	4,573,942.32	(428,619.75)
GNMA Pool #0366658		7.000%	4,364,773.01	4,449,340.48	92.062	4,018,297.33	(431,043.15)
GNMA Pool #0389504		7.000%	420,503.03	427,336.20	92.062	387,123.50	(40,212.70)
GNMA Pool #0389945		7.000%	511,355.06	519,664.57	92.062	470,763.70	(48,900.87)
GNMA Pool #0352109		7.000%	4,285,705.21	4,378,115.72	92.062	3,945,505.93	(432,609.79)
GNMA Pool # 0381625		7.500%	471,872.24	491,115.79	95.375	450,048.15	(41,067.64)
GNMA Pool #0381995		7.000%	803,659.01	819,732.19	92.062	739,864.56	(79,867.63)
GNMA Pool #0368872		7.500%	287,827.60	299,565.57	95.375	274,515.57	(25,050.00)
GNMA Pool #0005208		9.000%	177,576.00	192,364.90	103.562	183,901.40	(8,463.50)
GNMA Pool #0027246		9.000%	165,049.78	178,795.34	103.520	170,859.53	(7,935.81)
GNMA Pool #0183582		7.500%	107,836.93	113,582.62	99.031	106,791.99	(6,790.63)
GNMA Pool #0210486		7.500%	213,600.03	224,980.90	99.031	211,530.25	(13,450.65)
GNMA Pool #0235959		7.500%	902,013.16	950,073.55	99.031	893,272.65	(56,800.90)
GNMA Pool #0266892		7.000%	373,208.87	366,444.45	92.062	343,583.55	(22,860.90)
GNMA Pool #0301554		7.500%	128,339.74	135,177.84	99.031	127,096.13	(8,081.71)
GNMA Pool #0316133		7.500%	802,999.04	845,783.83	99.031	795,217.98	(50,565.85)
GNMA Pool #0333503		6.500%	497,610.19	497,610.19	88.531	440,539.28	(57,070.91)
GNMA Pool #0338014		7.500%	288,918.57	304,312.51	99.031	286,118.95	(18,193.56)
GNMA Pool #0338533		7.000%	414,775.20	407,257.40	92.062	381,850.34	(25,407.06)
GNMA Pool #0340763		7.500%	949,545.59	1,000,138.56	99.031	940,344.49	(59,794.07)
GNMA Pool #0345535		6.500%	248,757.54	247,669.21	88.531	220,227.54	(27,441.67)
GNMA Pool #0354720		7.000%	288,871.41	293,565.56	92.062	265,940.80	(27,624.76)
GNMA Pool #0354743		6.500%	582,740.00	580,190.30	88.531	515,905.37	(64,284.93)
GNMA Pool #0355287		7.000%	579,520.53	588,937.73	92.062	533,518.19	(55,419.54)
GNMA Pool #0356193		7.500%	487,649.08	507,536.02	95.375	465,095.31	(42,441.71)
GNMA Pool #0368272		7.500%	485,338.55	505,131.25	95.375	462,891.64	(42,239.61)
GNMA Pool #0368305		6.500%	1,004,654.45	1,007,166.09	88.531	889,430.63	(117,735.46)



US FIXED INCOME SECURITIES (continued)

NAME	MATURITY DATE		UNITS SHARES/PAR	BOOK VALUE	UNIT PRICE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
	MO/DY/YR	COUPON					
GNMA Pool #0368667		7.500%	487,385.18	\$ 507,261.34	95.375	\$ 464,843.62	(\$ 42,417.72)
Goldman Sachs Group L P Nt	02/23/98	FLTG/RT	4,000,000.00	4,000,000.00	100.573	4,022,920.00	22,920.00
Hitachi America Ltd Mtn	05/24/95	FLTG/RT	1,000,000.00	1,000,000.00	97.550	975,500.00	(24,500.00)
Household Fin Ltd	04/30/99	7.125%	1,410,000.00	1,404,740.70	98.299	1,386,015.90	(18,724.80)
IBM CR Corp Med Term Nts	03/05/95	VAR/RT	3,000,000.00	3,000,000.00	100.163	3,004,890.00	4,890.00
ITT Finl Corp Mtn #TR00131	05/25/95	VAR/RT	1,000,000.00	1,000,000.00	97.551	975,510.00	(24,490.00)
Katina Foods/Jordan Meats Laon		6.025%	2,575,764.82	2,575,764.82	100.000	2,575,764.82	0.00
LA Caisse Centrale Desjardins	04/28/95	VAR/RT	2,000,000.00	2,000,000.00	98.350	1,967,000.00	(33,000.00)
Lehman Bros Hldgs Inc Mtn		5.000%	1,000,000.00	1,000,000.00	100.095	1,000,950.00	950.00
Lehman Brothers Hldgs Inc Mtn	02/10/96	FLTG/RT	5,750,000.00	5,635,000.00	100.413	5,773,747.50	138,747.50
London & Scottish Marine Oil	12/07/96	9.500%	685,000.00	711,893.10	103.250	707,262.50	(4,630.60)
Long Island Ltg Co Deb		7.125%	4,000,000.00	3,953,360.00	80.386	3,215,440.00	(737,920.00)
Manitoba Prv Cda Cdns Db Sr Az		7.750%	980,000.00	1,087,182.60	99.511	975,207.80	(111,974.80)
Manuf Hanover Corp Sub Cap Nt	02/15/99	8.500%	750,000.00	787,117.50	103.393	775,447.50	(11,670.00)
Natl Westminster Bk Plc Pfd Ser A		7.875%	95,000.00	2,322,750.00	21.625	2,054,375.00	(268,375.00)
News Amer Hldgs		9.250%	3,000,000.00	2,999,310.00	99.423	2,982,690.00	(16,620.00)
Orange Cnty Calif Taxabel-Nts	07/01/94	3.950%	1,000,000.00	1,000,000.00	100.000	1,000,000.00	0.00
Prudential Secs Cmo S-15CL151D		8.400%	111,515.97	114,809.18	101.184	112,836.32	(1,972.86)
Prudential Home Mtg 92-39 Cla1		5.150%	164,460.00	164,923.80	99.187	163,122.94	(1,800.86)
Santander A Ped 73/8%			200,000.00	4,807,500.00	20.125	4,025,000.00	(782,500.00)
Shawmut Natl Home Equity 90-AB		VAR/RT	2,000,000.00	2,033,750.00	101.222	2,024,440.00	(9,310.00)
Standard Cr Card Master Tr 91-6A		7.875%	305,000.00	334,689.84	102.218	311,764.90	(22,924.94)
Standard Cr Card Master Tri-3	09/07/99	8.875%	675,000.00	765,492.19	105.605	712,833.75	(52,658.44)
Standard Cr Card Master Tr Ia	08/07/97	8.500%	455,000.00	472,808.98	103.281	469,928.55	(2,880.43)
Suntrust Bks Inc Sub Nt	02/15/04	6.125%	900,000.00	860,202.00	87.500	787,500.00	(72,702.00)
TKR Cable I Inc Sr Deb		10.500%	3,000,000.00	3,659,580.00	106.729	3,201,870.00	(457,710.00)
Texas Utilities Elec Co 1st Mtg	04/01/98	5.875%	700,000.00	689,955.00	95.262	666,834.00	(23,121.00)
Thailand Kingdom Nt		8.250%	1,300,000.00	1,400,776.00	100.072	1,300,936.00	(99,840.00)
United Airlines Inc Nt		9.125%	4,000,000.00	4,274,500.00	83.103	3,324,120.00	(950,380.00)
US Treasury Bonds		8.875%	4,530,000.00	5,232,906.74	111.812	5,065,083.60	(167,823.14)
US Treasury Notes	01/31/96	4.000%	6,225,000.00	6,108,254.69	97.109	6,045,035.25	(63,219.44)
US Treasury Notes	05/31/95	4.125%	1,800,000.00	1,788,679.69	98.781	1,778,058.00	(10,621.69)
US Treasury Notes	11/30/95	4.250%	5,295,000.00	5,198,238.67	97.891	5,183,328.45	(14,910.22)
US Treasury Notes	11/30/98	5.125%	7,620,000.00	7,629,081.67	93.375	7,115,175.00	(513,906.67)
US Treasury Notes	12/31/98	5.125%	3,350,000.00	13,316,161.25	93.219	12,444,736.50	(871,424.75)
US Treasury Notes		5.875%	920,000.00	854,593.75	89.891	826,997.20	(27,596.55)
US Treasury Notes		7.250%	3,195,000.00	3,241,926.56	99.437	3,177,012.15	(64,914.41)
US Treasury Notes		7.750%	2,380,000.00	2,639,568.75	103.109	2,453,994.20	(185,574.55)
US Treasury Notes	05/15/96	7.375%	2,645,000.00	2,774,770.31	102.203	2,703,269.35	(71,500.96)
US Treasury Notes	01/31/95	4.250%	4,000,000.00	4,030,625.00	99.516	3,980,640.00	(49,985.00)
US Treasury Notes	10/31/95	3.875%	1,200,000.00	1,174,312.50	97.594	1,171,128.00	(3,184.50)
US Treasury Notes	01/31/96	4.000%	5,000,000.00	4,990,492.20	97.109	4,855,450.00	(135,042.20)
US Treasury Notes	03/31/98	5.125%	5,500,000.00	5,632,343.75	94.703	5,208,665.00	(432,678.75)
US Treasury Notes	07/31/97	5.500%	2,000,000.00	2,051,250.00	97.156	1,943,120.00	(108,130.11)
US Treasury Notes	10/31/96	6.875%	5,000,000.00	5,018,945.31	101.141	5,057,050.00	38,104.69
US Treasury Notes	04/15/98	7.875%	8,250,000.00	8,627,695.31	103.703	8,555,497.50	(72,197.81)
US Treasury Notes	08/31/95	3.875%	1,190,000.00	1,168,803.13	98.016	1,166,390.40	(2,412.73)
US Treasury Notes	03/31/95	3.875%	3,007,000.00	3,013,542.42	99.000	2,976,930.00	(36,612.42)
US Treasury Notes	08/31/95	3.875%	1,000,000.00	980,625.00	98.016	980,160.00	(465.00)
US Treasury Strip Generic Tint			4,000,000.00	949,560.00	19.7357	89,400.00	(160,160.00)
US Treasury Strip Generic Tint			16,300,000.00	4,307,542.00	23.099	3,765,137.00	(542,405.00)
Xerox Corp Mtn #TR00018	05/10/99	VAR/RT	4,000,000.00	3,994,440.00	100.531	4,021,240.00	26,800.00
TOTAL US FIXED INCOME SECURITIES				\$204,615,296.28		\$194,224,153.25	(\$10,391,143.03)

