

6-1-2001

Maine State Retirement System Annual Report for the Fiscal Year Ended June 30, 2000

Maine State Retirement System

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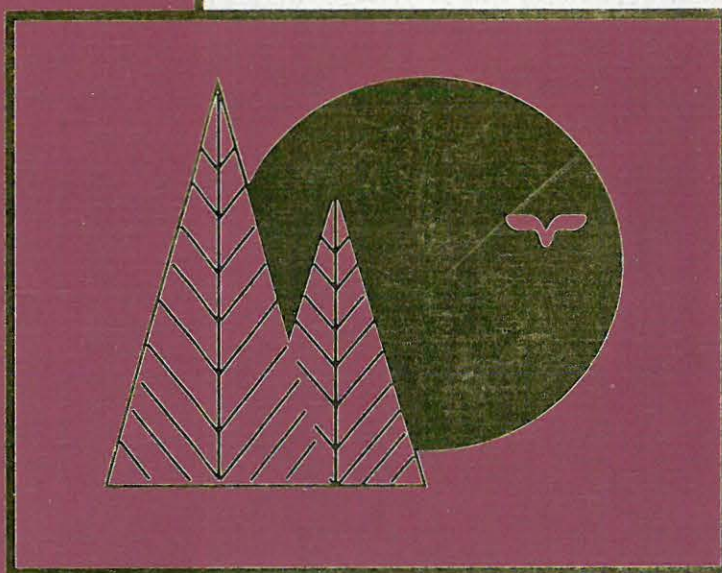
Maine State Retirement System, "Maine State Retirement System Annual Report for the Fiscal Year Ended June 30, 2000" (2001).
Public Employees Retirement System Documents. Paper 90.
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2000

Maine State Retirement System

Annual Report



For the fiscal year ended June 30, 2000

JUL 05 2001

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

Maine State Retirement System (MSRS)

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Letter of Transmittal and 2000 Legislative Summary



Letter of Transmittal



June 30, 2000

To: Parties Interested in the Maine State Retirement System

The Maine State Retirement System is pleased to publish its Annual Report for the fiscal year ending June 30, 2000. The Report fulfills the System's obligations, both legal and fiduciary, to periodically inform its members, employers and retirees and Maine taxpayers in general about its financial, actuarial and operating condition.

The Annual Report incorporates a summary of legislation affecting the Retirement System enacted by the Second Regular Session of the 119th Maine Legislature. The Report proper begins with an Overview that provides information about the System as an operating entity, including its programs, its Board of Trustees, its administrative organization and staff, and certain statistical information. The report of the System's independent auditor, including the System's audited financial statements, appears next. Next are trust fund balances for each employer, followed by information on the System's investment program and holdings and by the actuarial valuations for its State employee and teacher, legislative, judicial and participating local district plans. As detailed in the Note that introduces the valuation section, these June 30, 1999 valuations establish the actuarial bases for fiscal year 2000.

The following sections of this letter offer information and comments on several topics of interest to persons interested in the Retirement System.

ECONOMIC CONDITIONS AND OUTLOOK

The compelling economic facts in fiscal year 2000 were the increased volatility and, in the latter half of the year, the downward movement of the securities markets. While economic signals were mixed, signs of a slowdown in the U.S. economy gradually began to dominate, with attendant uncertainty both domestically and abroad. In Maine, State revenues fell off, focusing attention on an underlying structural gap that would complicate State budgeting and force hard choices. While the State is constitutionally obligated to fund its retirement plans on an actuarially sound basis and to pay off the unfunded actuarial liability (UAL) of the State employee and teacher plan not later than fiscal year 2028, the continued receipt of the additional contributions that have flowed to the System in recent years from unallocated General Fund surplus may become unlikely if surpluses shrink or disappear or the Legislature establishes other priorities for their use. The System's investment returns contributed again in FY 2000 to the reduction of the UAL, though less dramatically than in recent prior years. If the market downturn and volatility continue, smaller, possibly even negative, returns will result.

MAJOR INITIATIVES

The System's major initiative continues to be its transformation of itself into a public retirement organization that is excellent in every aspect of its work. The driver of the transformation is the System's Automation Project. At June 30, 2000, several Membership Record Keeping System (MRKS) modules had brought operational functionality to the MRKS database which in 2000, for the first time in the System's history, consolidated all of the System's member and employer information in-house and organized it in a single coherent structure. The database and all the modules created so far have been designed and developed collaboratively by the System's Information Technology and Programs staffs, who have continued to accomplish what outside contractors and off-the-shelf solutions could not.

The *result* of the automation project will be coherent, accessible and usable data; the *purpose* of the automation effort is to enable the System to provide excellent service to its members and employers. This is the System's other major transformative focus: its relationships with members, employers and retirees; its responses to their requests and its initiatives toward meeting their needs. Staff availability, turnaround times, information flows, follow-through, and understanding of why and how the System is important to its members, employers and retirees have all greatly improved in recent years and will continue to improve.

Letter of Transmittal



As automation goes forward and changes in delivery of services are created, the System's organizational structure and style are reshaped to reflect and support the new ways it does its work. The development among the System's staff members of an understanding of our common endeavor and a shared commitment to it have been of fundamental importance to all of the changes being made.

An Annual Report for fiscal year 2000 cannot fail to remark on Y2K, if only for the purpose of closure. Like the rest of the world, the Retirement System had no Year 2000 problems - because, like the rest of the world, it worked very hard not to. Our staff rose to the challenge, carrying out all of the assessments, adjustments, fixes and testing, using no external assistance and spending no additional funds in doing so. Had there been any problems, we are confident that our contingency plans would have done their jobs.

FINANCIAL INFORMATION

Accounting System and Financial Reporting

Shortly after its 1993 establishment by the Legislature as an independent public instrumentality, the System departed the State's financial and accounting systems, instituting accrual-based accounting to record assets, liabilities, revenues and expenses and installing appropriate supporting software and systems. Monthly and annual financial statements, investment recordkeeping and all financial disclosures are in accordance with applicable Governmental Accounting Standards Board standards and statements.

Revenues and Expenses

The reserves needed to finance the benefits provided under the retirement plans administered by the System are accumulated through the receipt of member and employer contributions and earnings on the investment of contributions. Income from these sources in fiscal year 2000 was \$1.05 billion and was principally from investment return.

The expenses of the System are the benefits it pays, refunds of member contributions, with interest, to terminated members who apply for refunds, and operating costs. In fiscal year 2000, these expenses totaled \$369.0 million and arose principally from benefits payments. Income exceeded expenses in fiscal year 2000 by \$685.4 million.

REVENUES (\$ Millions)

<u>Source</u>	<u>2000</u>	<u>1999</u>	<u>% Change</u>
Member Contributions	117.9	112.7	4.6
Employer Contributions	258.3	299.7	(13.8)
Investment Income	<u>678.2</u>	<u>692.1</u>	<u>(2.0)</u>
	1054.4	1104.5	(4.5)

EXPENSES (\$ Millions)

<u>Source</u>	<u>2000</u>	<u>1999</u>	<u>% Change</u>
Benefits	343.3	326.0	5.3
Refunds	17.7	19.2	(7.8)
Administrative	<u>8.0</u>	<u>7.6</u>	<u>5.2</u>
	369.0	352.8	4.6

Letter of Transmittal



FUNDING

The actuarial liability of the State employee and teacher plan at 6/30/2000 was \$7.45 billion, calculated by the entry age normal actuarial method. The plan's actuarial net assets at 6/30/2000 were \$5.49 billion. The amount by which the actuarial liability exceeds assets is the unfunded actuarial liability (UAL); at 6/30/2000, the UAL was \$1.96 billion. Future growth of the UAL, save that resulting from any experience losses, is prohibited by a Constitutional Amendment (Article IX, Section 18-A) passed at public referendum in 1995. While the amount of the UAL is significant, it is also significant that the funded ratio of the State employee and teacher plan has grown from 49.3% at June 30, 1990 to 73.6% at June 30, 2000. The Judicial retirement plan is funded on the entry age normal actuarial method. At 6/30/2000, the plan had actuarial assets in excess of its actuarial liabilities in the amount of \$3.91 million. The Legislative retirement plan is funded on the aggregate actuarial method, which does not incorporate or define an actuarial liability. By its terms, the plan is fully funded.

The retirement plan of the Consolidated Plan for PLDs is funded on the entry age normal actuarial method. The plan began operation in 1994 with no pooled unfunded actuarial liability. The existing Initial Unpooled Unfunded Actuarial Liability (IUUAL) of each of the individual PLDs that comprise the Plan are assets of the Plan as receivables; they are recognized as each PLD makes payments to the Plan as required by the amortization schedule for its IUUAL. The Plan had, at 6/30/2000, including the IUUAL receivables, assets in excess of its pooled liabilities in the amount of \$242 million. Detailed information on each plan's funding method and status is in the relevant valuation in this Report.

INVESTMENTS

Article IX, Section 18 of the Maine Constitution directs that the assets of the Maine State Retirement System be invested for the exclusive purpose of providing retirement and related benefits for the System's members and beneficiaries. In adhering to and carrying out this mandate, the Board of Trustees, staff, investment consultants, investment managers and custodians are charged as fiduciaries to act in accordance with Title 18-A MRSA §703-A, the Maine statute that governs trust relationships and trustee actions under the prudent person standard. Application of this standard enables the System to seek increased returns while mitigating risk through diversification by investing in different asset classes. In fiscal year 2000, the System's equity allocation was 63%, of which 48% was allocated to domestic equities and 15% to international equities; the allocation to fixed income was 35%.

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

Holdings as of June 30, 2000 are detailed in the Investments section of this Report.

INDEPENDENT AUDIT

Beginning with fiscal year 1994, the System instituted the practice of contracting with an outside certified public accounting firm for an annual independent professional audit of its financial statements. As in every year that this audit has been performed, the System received an unqualified audit opinion for fiscal year 2000. The independent auditor's report is in the Financial Statements section of this Report.



Letter of Transmittal

TRUSTEES OF THE SYSTEM

David S. Wakelin of South Portland was re-appointed to the Board of Trustees by Governor Angus King for a fifth consecutive three-year term. John S. Eldridge III of Brunswick, having been proposed by the Maine Municipal Association governing body, was appointed by the Governor to the seat in which Charles M. Jackson of Wayne had served for 11 years. At 6/30/2000, the Board's other appointed Trustee-members were John H. Kimball of Norway, Eunice C. Mercier of Augusta, George A. Burgoyne of Bangor, Catherine R. Sullivan of Portland, and Peter M. Leslie of Cape Elizabeth; its eighth member was State Treasurer Dale McCormick, ex officio.

Mr. Wakelin continued to serve as Chair of the Board and of its Investment Advisory Committee. Mr. Kimball continued to serve as Vice Chair of the Board.

ACKNOWLEDGEMENTS

The System's Annual Report sets out important factual information on the System as a financial institution responsible for the funding and administration of the retirement benefits, disability benefits and group life insurance programs that cover the System's members and retirees by virtue of their employers' participation in the System. This factual framework of the System omits its human side and thereby does incomplete justice to its character. The System is a more-than-50-year-old organization embarked on a course of change that is transforming its work and the way that work is done, and that is intended to move irreversibly toward excellence. Undertaking that change, much less its accomplishment, would not be possible without the skills and willing engagement of the System's staff members, and their pragmatic and caring understanding of the importance of their work to the System's members, employers and retirees. The System's Annual Report is not complete without recognition of all the System's staff members and their work.

Respectfully submitted,

Kay R.H. Evans
Executive Director

2000 Legislative Summary



An Act to Amend Maine State Retirement System Rules to Allow Monthly Partial Direct Service Payments to Purchase Service Credit PL 1999, Chapter 537

This law permits MSRS members to purchase service credit through payroll deduction on an ongoing basis. This is in addition to the current choices available to eligible members to purchase service credit through either a lump sum payment or an annual payment made in the month of May.

An Act to Amend the Laws Governing the Designation of a Beneficiary of Maine State Retirement System Benefits PL1999, Chapter 744

Effective May 3, 2000: This portion of the bill allows a service retiree to make a one-time change in his/her named beneficiary, provided that the named beneficiary is not the spouse or ex-spouse of the member, and that the original named beneficiary is alive at the time of the change.

Effective August 11, 2000: The bill also clarifies some existing language concerning retirement options; adds four new retirement options to the five existing options; and requires notification to a spouse when a retiring member has elected an option or designated a beneficiary that will result in no benefit being paid to the spouse upon the retiree's death. Three of the new options allow for a "pop up" to the full benefit amount for the retiree if the named beneficiary predeceases a retiree. Under all pop-up options, the benefit will be changed to a larger amount if the beneficiary predeceases the retiree. Because this bill is effective August 11, 2000, the new options are available to members whose effective retirement date is after that date.

An Act to Amend Requirements for Maine Technical College System Employees Participating in a Defined Contribution Plan PL 1999, Chapter 614

This bill changes the current requirement that MTCS employees with less than ten (10) years of creditable service, and who opt out of MSRS and join the MTCS defined contribution plan, must take a refund of MSRS contributions. The requirement will now apply to those members that have less than 5 years (i.e. not "vested") of creditable service.

An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2000 and June 30, 2001 PART CC PL 1999, Chapter 731

This section of the bill removes state police officers hired after September 15, 1984 from the 1998 Special Plan and places them in a newly established special plan that provides for retirement after 25 years of service, regardless of age. Also included are special agent investigators who are employees of the Bureau of State Police who were hired before June 21, 1982. State Police officers that had previously elected to participate in the "25 Years/No-Age Choice" plan are entitled to a refund of the additional contributions paid for that participation as well as interest on those contributions.



2000 Legislative Summary

PART CCC

PL 1999, Chapter 731 (continued)

This section of the bill allows employees of the Bangor Pre-Release Center who are covered by the 20-year retirement plan to remain in that plan upon the closing of the Center, provided that they are employed by the Center on June 30, 2000, and remain in a position that either previously would have been covered by the 20-year plan or is covered by the 1998 Special Plan. The member may also remain in the 20-year plan if retirement qualifications are met at the time that the Center closes.

An Act to Establish Consistent Requirements in Maine State Retirement System Plans for Minimum Creditable Service for Eligibility to Receive Retirement Benefits PL 1999, Chapter 756

This bill changes “vesting” (the amount of creditable service required by members to be eligible for an MSRS retirement benefit) for members of the Legislative Retirement System, Judicial Retirement System and PLD members from ten (10) years to five (5) years if an active member on or after October 1, 1999. It also allows for service in the Maine Legislative Retirement System to be combined with service in the Maine State Retirement System regardless of the order in which the service is earned. The bill is retroactively effective to the date that five-year vesting was effective for state employees and teacher members.

An Act to Repeal Certain Inactive Boards and Commissions and to Amend Certain Laws Governing Boards and Commissions PL 1999, Chapter 668

This bill eliminates the Early Retirement Incentives Panel. MSRS staff will continue the Panel’s charge of determining whether a payment or award made by an employer to an employee in connection with retirement is an incentive for early retirement.

Overview of the Maine State Retirement System



Overview of the Maine State Retirement System



INTRODUCTION

By the authority granted to it by the Maine State Legislature, the Maine State Retirement System (MSRS) administers retirement plans that cover State employees, the State's public school teachers, the State's judges and the State's legislators, and plans covering the employees of the approximately 227 municipalities and other public entities, called "participating local districts" (PLDs), that have chosen to provide retirement plans through the MSRS. The MSRS is also responsible for the payment of benefits from the Governor's Retirement Fund to former governors and their surviving spouses.

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

RETIREMENT PROGRAM

Membership in the MSRS as of June 30, 2000 and 1999 is outlined below. Membership numbers include both active and inactive members. Active members are those who are currently working for an MSRS participating employer and who are, therefore, 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 or are in a position in which membership is optional and have opted not to be a member.

	<u>2000</u>			<u>1999</u>		
Members	Active	Inactive	Total	Active	Inactive	Total
State*	14,520	14,420	28,940	14,326	13,988	28,314
Teachers	27,503	33,231	60,734	26,507	32,968	59,475
PLD*	8,754	8,396	17,150	8,500	7,947	16,447
Legislative	169	105	274	168	107	275
Judicial	57	3	60	52	2	54
Total	51,003	56,155	107,158	49,553	55,012	104,565

*Includes both regular and special plan members.

Recipients of MSRS benefits fall into five categories:

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



Overview of the Maine State Retirement System

Below are the total benefit recipients and total benefit dollars paid on June 30, 2000 and June 30, 1999:

BENEFITS PAYROLL

	2000 Benefit Recipients	2000 Benefit Dollars	1999 Benefit Recipients	1999 Benefit Dollars
Service Retirees	22,873	\$23,167,485	19,681	\$ 21,725,604
Retiree Beneficiaries	3,097	2,184,744	5,906	2,138,369
Disability Retirees	1,967	2,663,256	1,672	2,320,875
Ord./Accidental Death Benes.	1,007	405,244	1,113	398,587
Total	28,944	\$28,420,729	28,372	\$ 26,583,435

GROUP LIFE INSURANCE PROGRAM

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

BOARD OF TRUSTEES

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

The Board members as of June 30, 2000 were:

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

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

Overview of the Maine State Retirement System



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

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

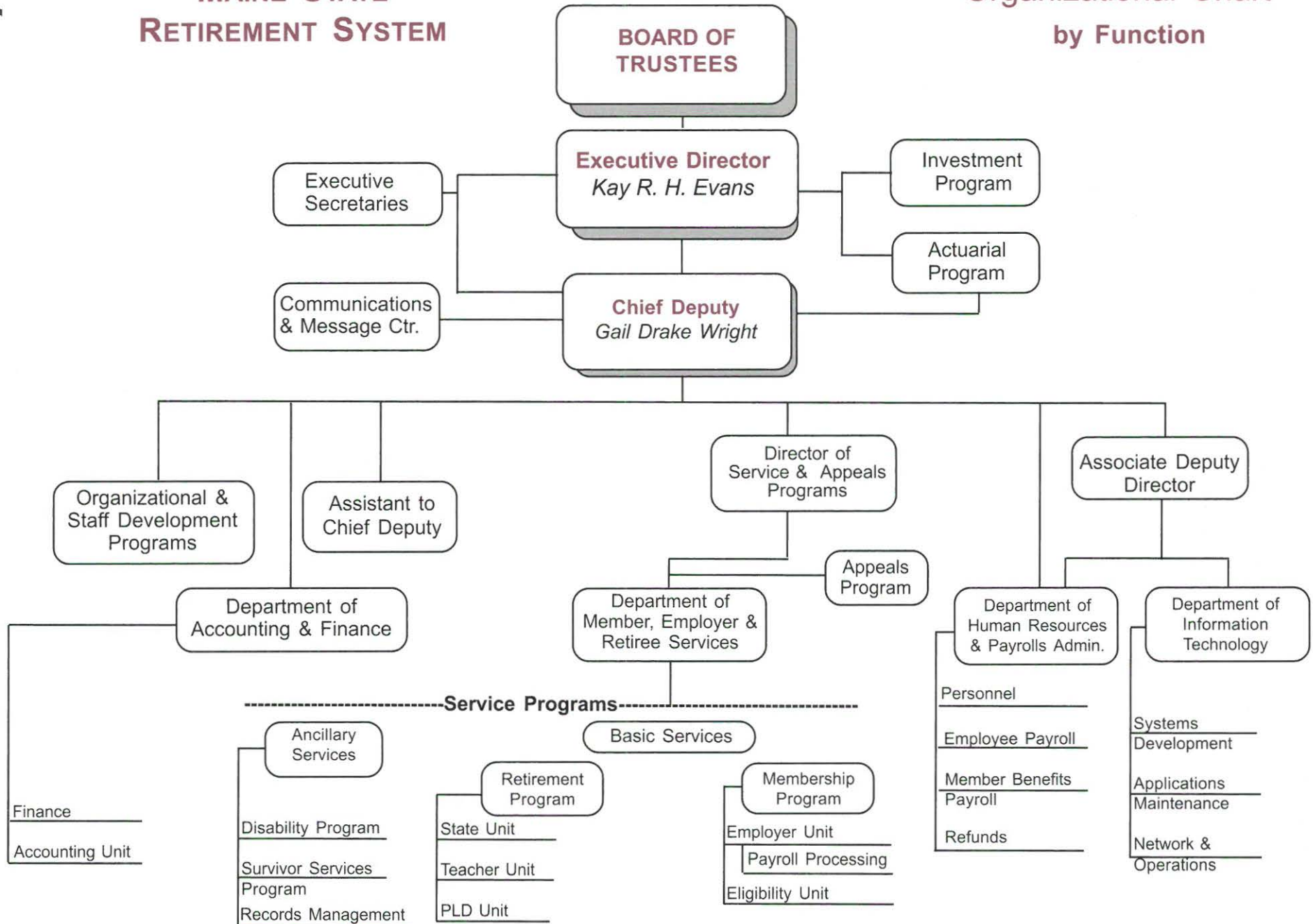
ADMINISTRATION

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

- **Office of the Executive Director**
Investments and actuarial work are managed through the Executive Director. In addition, the day-to-day administration, legislative matters, appeals, federal, state and local relations, planning, organizational development, special projects and similar work are managed through the office of the Executive Director.
- **Service Programs**
This department is responsible for service and disability retirement programs, membership and employer programs, and death benefit and group life insurance benefit programs. The department is the System's primary liaison with members, employers and retirees.
- **Accounting & Finance**
This department has primary responsibility for the MSRS's accounting and financial management systems.
- **Information Technology**
This department is responsible for acquisition and support of the technology used by MSRS staff in providing agency programs and services. Responsibilities include maintenance and technical support of various software applications, user-coordinated new application development and design, development, implementation and operation of the computer network and related hardware. Primary operations occur in the MSRS Augusta office; a back-up site is located in the System's Portland office.
- **Human Resources/Payroll Administration**
This department is responsible for the System's internal personnel, payroll and labor relations matters and for the System's benefits payroll and for refunds of member contributions.

MAINE STATE RETIREMENT SYSTEM

Organizational Chart by Function



Overview of the Maine State Retirement System



STATISTICAL DATA SUMMARY FOR FISCAL YEARS 1996 TO 2000

EMPLOYEE AND EMPLOYER CONTRIBUTIONS

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

NUMBERS OF BENEFITS RECIPIENTS

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

BENEFITS PAYMENTS

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

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



Overview of the Maine State Retirement System

GROUP LIFE INSURANCE PROGRAM STATEMENT OF OPERATIONS FOR THE FISCAL YEARS ENDING JUNE 30, 2000 AND JUNE 30, 1999

<u>RECEIPTS</u>	<u>2000</u>	<u>1999</u>
Total Premiums Collected	\$ 7,178,258	\$ 6,980,097
Earnings on Investments	<u>1,481,132</u>	<u>1,206,160</u>
TOTAL RECEIPTS	\$ 8,659,390	\$ 8,186,257
 <u>EXPENSES</u>		
Claims Paid		
Basic	\$ 1,468,062	\$ 2,510,925
Supplemental	1,754,294	1,506,040
Dependent	318,385	329,487
Retired Employees	<u>3,765,338</u>	<u>3,340,554</u>
Total Claims Paid	\$ 7,306,079	\$ 7,687,006
 Retention	\$ 473,915	\$ 426,432
 TOTAL EXPENSES	\$ <u>7,779,994</u>	\$ <u>8,113,438</u>
 BALANCE OF RESERVES	\$ <u>31,557,437</u>	\$ <u>30,678,041</u>

MSRS Financial Statements



REPORT OF INDEPENDENT ACCOUNTANTS

Board of Trustees of
The Maine State Retirement System:

In our opinion, the accompanying statements of plan net assets and the related statements of changes in plan net assets present fairly, in all material respects, the net assets of the Maine State Retirement System, which is a component unit of the State of Maine, as of June 30, 2000 and 1999, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2000, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

PricewaterhouseCoopers LLP

October 23, 2000



MSRS Financial Statements

MAINE STATE RETIREMENT SYSTEM STATEMENTS OF PLAN NET ASSETS June 30, 2000 and 1999

<u>ASSETS</u>	<u>2000</u>	<u>1999</u>
Cash and cash equivalents (Note 3)	\$ 127,141,184	\$ 100,835,445
Investments at fair value (Note 3):		
Debt securities:		
U. S. government and government agencies	400,182,084	359,030,167
Corporate	322,437,780	328,310,183
Foreign	68,829,254	36,039,834
Common equity securities	1,535,659,780	1,443,279,109
Preferred equity securities	38,781,768	70,312,319
Common/collective trusts	5,131,529,203	4,559,866,146
Other	5,984,655	4,264,433
	<u>7,503,404,524</u>	<u>6,801,102,191</u>
Receivables:		
State and local agency contributions	9,954,304	9,373,345
Accrued interest and dividends	14,361,060	12,824,935
Other (Note 6)	4,091,628	21,786,026
	<u>28,406,992</u>	<u>43,984,306</u>
Due from brokers for securities sold	216,563,844	42,781,964
Fixed assets, net of accumulated depreciation	<u>364,959</u>	<u>916,537</u>
Total assets	<u>7,875,881,503</u>	<u>6,989,620,443</u>
<u>LIABILITIES</u>		
Accounts Payable	5,755,294	6,593,528
Due to brokers for securities purchased	243,832,287	41,371,607
Other liabilities	<u>7,813,698</u>	<u>8,564,962</u>
Total liabilities	<u>257,401,279</u>	<u>56,530,097</u>
Net assets held in trust for pension, disability, death and group life insurance benefits (a schedule of funding progress is shown in the "Required Supplementary Information" section)	<u>\$ 7,618,480,224</u>	<u>\$ 6,933,090,346</u>

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

MSRS Financial Statements



MAINE STATE RETIREMENT SYSTEM STATEMENTS OF CHANGES IN PLAN NET ASSETS for the years ended June 30, 2000 and 1999

	2000	1999
Additions:		
Investment income:		
Interest	\$ 109,586,882	\$ 87,654,301
Dividends	18,324,655	21,189,978
Net appreciation in the fair value of plan investments	562,502,107	595,393,651
Less: investment expenses	(12,173,875)	(12,121,739)
Net investment income	<u>678,239,769</u>	<u>692,116,191</u>
Contributions (Note 6):		
Members	117,883,047	112,686,985
State and local agencies	258,261,090	299,694,267
Total contributions	<u>376,144,137</u>	<u>412,381,252</u>
Total additions	<u>1,054,383,906</u>	<u>1,104,497,443</u>
Deductions:		
Benefits paid, net	343,316,238	325,989,225
Refunds and withdrawals	17,728,820	19,156,890
Administrative expenses	7,948,970	7,615,420
Other (Note 2)	-	601,825
Total deductions	<u>368,994,028</u>	<u>353,363,360</u>
Net increase	685,389,878	751,134,083
Net assets held in trust for pension, disability, death and group life insurance benefits (Note 6):		
Beginning of year	<u>6,933,090,346</u>	<u>6,181,956,263</u>
End of year	<u>\$ 7,618,480,224</u>	<u>\$ 6,933,090,346</u>

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



MSRS Financial Statements

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. Plan Description:

General

The Maine State Retirement System (the System), which is a component unit of the State of Maine, is the administrator of an agent multiple-employer public employee retirement system established and administered under the Maine State Retirement System Laws of the State of Maine. The System provides pension, death and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution purposes, and employees of approximately 250 local municipalities and other public entities (participating local districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. At June 30, 2000 and 1999, the membership consisted of:

	2000	1999
Active vested and nonvested members	51,003	49,765
Terminated vested participants	2,019	1,859
Retirees and benefit recipients	29,033	28,509
Total	82,055	80,133

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

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

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

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



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

1. Plan Description (continued):

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

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

2. Summary of Significant Accounting Policies:

Basis of Accounting

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

Investments

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

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income, dividend income, foreign currency transaction gains and losses, securities lending income and investment expenses, which include investment management and custodial fees and all other significant investment related costs.

Due to/from Brokers

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

Cash and Cash Equivalents

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



MSRS Financial Statements

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies (continued):

Use of Estimates

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

Risks and Uncertainties

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

Employer contributions to the System are established on the basis of actuarial assumptions related to interest rates, inflation rates, and member and retiree compensation and demographics. By law, the assumptions are adopted by the Board of Trustees based on recommendation of the System's actuary. The System is required by Maine law to perform an actuarial experience study every three years and it is this study that triggers review of all assumptions, including economic assumptions. There is no statutory prohibition against changing assumptions more frequently, but such instances are extremely rare. There is no statutory requirement that assumptions must be changed with each three-year review. Thus, while near-term (i.e., shorter than three years) changes are very unlikely, such changes could occur and if they did could be material to the financial statements.

Depreciation and Other Deductions

Other deductions include immaterial adjustments related to corrections to accumulated depreciation on fixed assets and accounts receivable.

New Accounting Pronouncements

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

MSRS Financial Statements



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

3. Cash and Investments:

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

At June 30, 2000 and 1999, cash and cash equivalents were comprised of the following:

	<u>2000</u>	<u>1999</u>
Cash on deposit with local banks	\$ (2,097,748)	\$ (71,321)
Short-term investment funds	121,892,310	93,496,471
Foreign currency deposits	<u>7,346,622</u>	<u>7,410,295</u>
Total	<u>\$ 127,141,184</u>	<u>\$ 100,835,445</u>

The System's investments would generally be categorized into one of three separate categories. Category 1 includes investments, including units in common/collective trusts, that are insured or registered and for which the securities or units are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or agent, but not in the System's name. At June 30, 2000 and 1999, all of the System's investments are considered Category 1.

At June 30, 2000 and 1999, the System had certain investments representing 5% or more of plan net assets, as follows:

	<u>2000</u>	<u>1999</u>
Common/collective trusts:		
State Street-Wilshire 5000 Index Fund	\$ 2,245,667,688	\$ 1,652,977,680
State Street Standard & Poor's Large Growth Index Fund	327,144,741 *	542,746,187
State Street Bond Market Index Fund	1,144,816,198	1,004,015,332

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

4. Derivative Securities:

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

The System is a party, both directly and indirectly, to various derivative financial investments that are used in the normal course of business to enhance returns on investments and manage risk exposure to changes in value due to fluctuations in market conditions. The System's investments in derivatives are not leveraged, nor do they represent speculative investment activity. These investments may involve, to varying degrees, elements of credit and market risk. Credit risk is the possibility that loss may occur from the failure of a counterparty to perform according to the terms of the contract. Market risk arises due to adverse



MSRS Financial Statements

MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

4. Derivative Securities (continued):

changes in market price, interest rate and foreign exchange rate fluctuations that may result in a decrease in the market value of a financial investment and/or increase its funding cost. The market risk is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits.

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

The System's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2000 and 1999, the carrying value of the System's CMO holdings totaled \$72,682,977 and \$36,829,407, respectively.

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

5. Securities Lending Agreement:

The System has entered into agreements with its master custodian to lend any type of security held in the System's portfolio to broker-dealers and other entities. The agreements require that all loans be collateralized by cash, irrevocable letters of credit, or other securities in an amount at least equal to 102% (105% for international securities) of the market value of the securities loaned. The contract with the custodian requires it to indemnify the System if: a) the borrowers fail to return the securities and b) the custodian has failed to comply with its contractual obligations regarding the securities lent. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. Either the System or the borrower can terminate all securities loans on demand. The average term of the loans is 10 days, and the cash collateral received is invested in one of the master custodian's short-term investment pools, of which the average duration is 5 to 15 days. The market value of securities out on loan under this program at June 30, 2000 and 1999 is \$500,370,170 and \$435,244,768, respectively.

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

6. Contribution and Reserves:

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, based on certain assumptions and expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method, except for the coverage of legislators, where the aggregate method is used. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 19 year period from June 30, 2000. For participating local districts, either the level percentage of payroll method or the

MSRS Financial Statements



MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

6. Contribution and Reserves (continued):

level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and amount of the unfunded liability. Amortization periods range from 2 years to 28 years.

The State of Maine is required by Maine law to remit a percentage of its budgetary surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers. Accordingly, for the years ended June 30, 2000 and 1999, the System recorded \$4,000,000 and \$18,827,353 in additional contributions from the State of Maine, which were recorded as other receivables due from the State at June 30, 2000 and 1999.

Effective for fiscal year 1999, the State of Maine is also required to remit to the System all funds remaining at the end of the fiscal year in the statewide unfunded liability – retirement account. The funds are used to reduce any unfunded pension liability for state employees. As a result, the System has recorded \$2,018,645 in additional contributions from the State of Maine, all of which was recorded as other receivables at June 30, 1999.

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

Retirement contribution rates for all employee-members are set by law. Employee retirement contribution rates as in fact applied to State employee-members' and teacher-members' compensation are the actuarially determined rates, as adjusted in the State's budget process to reflect differences in e.g., salary growth projections. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2000 and 1999 are as follows:

	2000	1999
State:		
Employees ⁽¹⁾	7.65% - 8.65%	7.65% - 8.65%
Employer ⁽¹⁾	14.47% - 42.89%	9.20% - 84.82%
Teachers:		
Employees	7.65%	7.65%
Employers	18.34%	19.30%
Participating Local Districts:		
Employees	6.5% - 8.0%	6.5% - 8.0%
Employers ⁽¹⁾	1.8% - 7.7%	4.7% - 19%

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



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MAINE STATE RETIREMENT SYSTEM NOTES TO FINANCIAL STATEMENTS

7. Statutory and Constitutional Requirements:

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

8. System Employees – Retirement and Retiree Health Benefits:

The System, as the employer of its staff, is a participating employer (i.e., a PLD) in a consolidated plan of the Maine State Retirement System. System employees are required by statute to contribute 6.5% of their annual covered salaries. The System is required to contribute at an actuarially determined rate; the rate was 3.3% and 5.9% of annual covered payroll for 2000 and 1999, respectively. The actuarial assumptions are described in the actuarial assumptions and methods footnote to the required supplementary information. The contribution requirements of plan members are set by statute; the employer contribution is established by actuarial valuation. The System's annual pension cost for its employees was \$544,430 and \$713,170 for 2000 and 1999, respectively.

The System also offers post-retirement medical benefits for all of its employees who retire from the System with an immediate pension. The System pays the cost of these benefits for those first employed before July 1, 1991 and pays all or a portion of the cost for those employed after that date, depending on their years of participation in the health plan on a pay-as-you-go basis. Employees terminating employment with at least 25 years of service credit but not immediately retiring may defer eligibility for provision of health benefits at retirement. Included in administrative expenses in 2000 and 1999 is a charge of \$125,000 to cover all current expenses and to establish a liability for future benefits. As of June 30, 2000, there is \$957,904 in other liabilities for the payment of future benefits. The charge is equal to the actuarially determined expense as calculated by amortizing, as a level percent of payroll, the present value of future benefits less assets over a 25 year period, of which 18 years remain. The present value of the future benefits for fiscal year 2000 is \$2,948,000.

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MAINE STATE RETIREMENT SYSTEM REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress

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

Schedule of Employer Contributions

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



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MAINE STATE RETIREMENT SYSTEM NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Presentation:

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

Actuarial Assumptions and Methods:

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2000, is as follows:

Funding Method

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

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

Asset Valuation Method

For actuarial purposes, assets are valued by determining the total yield on the investments of the System using the full investment return (including unrealized capital gains), which is measured by the difference in the actuarial value of the assets at the beginning of the fiscal year and the market value of the assets at the end of the fiscal year. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. One third of the excess of the yield (using the full investment return) over the actuarially determined yield is added to the expected actuarial value to determine the actuarial valuation of assets.

Amortization

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

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2000 are as follows:

Investment Return - 8% per annum, compounded annually

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

Mortality Rates - Active State employee members and active participating local entity members - UP 1994 Tables; Active teacher members - 85% of UP 1994 Tables; Non-disabled State employee retirees and non-disabled participating local entity retirees - GAM 1971 Tables; Non-disabled teacher retirees - GAM 1971 Tables set back two years; All current recipients of disability benefits - 1964 Commissioners Disability Table; All disability benefit recipients who begin to receive benefits in 2000 and thereafter - RPA 1994 Table for pre-1995 Disabilities.

Cost of Living Benefit Increases - 4% per annum

MSRS Financial Statements



MAINE STATE RETIREMENT SYSTEM NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Group Life Plan:

The Group Life Insurance Program administered by the System provides for a life insurance benefit for certain active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements with employees. Assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2000 and 1999, the net assets held in trust for group life insurance benefits is \$31,557,437 and \$30,678,041, respectively. At June 30, 2000 and 1999, the plan had the following actuarially determined liabilities:

	(In millions)	
	2000	1999
Actuarial liabilities:		
Active members	\$ 52.7	\$ 47.4
Retired members	30.5	33.5
Total	<u>\$ 83.2</u>	<u>\$ 80.9</u>

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

Board of Trustees
Maine State Retirement System:

We have audited the financial statements of the Maine State Retirement System (the "System"), which is a component unit of the State of Maine, as of and for the year ended June 30, 2000 and have issued our report thereon dated October 23, 2000. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

We noted other matters involving the internal control structure and its operations that we have reported to the audit committee of the System in a separate letter dated November 6, 2000.

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

PricewaterhouseCoopers LLP

October 23, 2000

Trust Fund
Balances for the
Year Ended
June 30, 2000



Trust Fund Balances for the year ended June 30, 2000



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
1	STATE	\$ 2,378,242,692
7	TEACHERS	3,545,723,713
350	JUDICIAL	38,073,066
351	LEGISLATIVE	6,288,189
370	CONS - AC	774,472,193
371	CONS - AN	115,193,783
372	CONS - BC	69,397
373	CONS - 1C	246,590,284
374	CONS - 1N	23,864,648
375	CONS - 2C	187,396,691
376	CONS - 2N	10,007,752
377	CONS - 3C	54,038,758
378	CONS - 3N	21,213,814
379	CONS - 4C	9,877,739
380	CONS - 4N	401,108
106	AROOSTOOK COUNTY	707,741
43	AUBURN PUBLIC LIBRARY	365,072
69	BAILEYVILLE	672,309
59	BANGOR WATER DISTRICT	499,550
73	BATH	9,454,636
35	BELFAST	228,221
108	BERWICK	180,172
207	BERWICK SEWER DISTRICT	10,238
246	BETHEL	288,604
158	BIDDEFORD	704,046
157	BINGHAM WATER DISTRICT	48,159
146	BOOTHBAY HARBOR	356,706
21	BOOTHBAY HARBOR WATER	440,714
176	BRIDGTON	418,221
253	BRIDGTON WATER DISTRICT	67,966
177	BROWNVILLE	361,643
42	BRUNSWICK	625,000
292	BRUNSWICK FIRE & POLICE	654,512
72	BRUNSWICK SEWER	221,016
130	BUCKSPORT	637,073
36	CALAIS	427,772
85	CAPE ELIZABETH	8,590,103
135	CAPITOL COASTAL COUNC OF GOV'T	288,534
208	CARIBOU FIRE AND POLICE	1,841,423
235	CHINA	62,831
217	CORINNA	203,776
251	CORINNA SEWER DISTRICT	157,366



Trust Fund Balances for the year ended June 30, 2000

<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
252	CSD #12 - TOPSFIELD	83,018
266	CSD #18 - WELLS/OGUNQUIT	278,269
204	CSD #3 - BOOTHBAY	624,648
216	CUMBERLAND	378,844
5	CUMBERLAND COUNTY	848,869
191	DAMARISCOTTA	329,335
97	DEXTER	139,488
197	DIXFIELD	406,328
167	DOVER-FOXCROFT	331,406
137	DOVER-FOXCROFT WATER	32,111
234	DURHAM	126,496
180	ELIOT	377,797
13	ELLSWORTH	130,376
249	ERSKINE ACADEMY	109,268
156	EXETER	21,614
260	FAIRFIELD	366,860
58	FALMOUTH MEMORIAL LIBRARY	114,766
100	FARMINGTON	205,312
17	FORT FAIRFIELD	1,431,947
275	FORT FAIRFIELD HOUSING AUTH	5,867
131	FORT FAIRFIELD UTILITIES	18,309
91	FORT KENT	1,557,537
102	FRANKLIN COUNTY	1,442,169
142	FREEPORT	1,071,370
98	FRENCHVILLE	67,321
149	FRYEBURG	41,465
24	GARDINER	923,022
221	GARDINER WATER DISTRICT	109,398
261	GEORGETOWN	67,950
133	GORHAM	676,718
205	GOULD ACADEMY	279,552
112	GREENVILLE	294,247
94	GRTR PORTLAND COUNC OF GOV'T	1,962,168
160	HALLOWELL	132,453
151	HAMPDEN	14,047
183	HAMPDEN WATER DISTRICT	38,901
150	HERMON	530,837
215	HODGDON	11,937
285	HOMESTEAD PROJECT	129,597
10	HOULTON	1,575,113
232	HOWLAND	87,277
244	INDIAN TOWNSHIP TRIBAL GOV'T	1,980,800

Trust Fund Balances for the year ended June 30, 2000



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
226	JACKMAN WATER DISTRICT	658
255	KENNEBUNK, KENNPORT, WELLS WATER	327,625
47	KENNEBEC COUNTY	18,206
220	KENNEBEC SANITARY DIST	249,691
31	KENNEBEC WATER	986,151
84	KENNEBUNK	592,258
201	KENNEBUNK SEWER DIST	367,695
188	KENNEBUNKPORT	859,982
14	KITTERY	268,519
12	KITTERY WATER	310,715
33	KNOX COUNTY	722,307
181	LEBANON	255,338
163	LEW/AUB WATER POLL CNTRL AUTH	65,131
245	LIMESTONE	553,613
29	LIMESTONE WATER AND SEWER	517,172
76	LINCOLN	1,498,803
134	LINCOLN ACADEMY	147,906
95	LINCOLN COUNTY	2,322,087
214	LINNEUS	4,983
103	LISBON	567,151
243	LISBON WATER	52,808
109	LIVERMORE FALLS	217,929
32	LIVERMORE FALLS WATER	11,603
276	LOVELL	48,354
228	LUBEC	199,693
88	LUBEC WATER & ELECTRIC	982
225	MAINE CTY COMM ASSOC	30,612
169	MAINE HOUSING AUTHORITY	2,130,686
38	MAINE MARITIME ACADEMY	5,296,209
55	MAINE MUNICIPAL ASSOC	1,537,892
265	MAPLETON	119,092
227	MARSHILL	365,266
120	MDI REGIONAL SCHOOL DIST	153,520
105	ME STATE PRINCIPALS ASSOC	56,926
114	MECHANIC FALLS	266,043
194	MEDWAY	72,942
74	MEXICO	397,152
186	MILFORD	131,877
3	MILLINOCKET	841,224
104	MILO	349,985
238	MILO WATER DISTRICT	137,664
184	MONSON	18,155



Trust Fund Balances for the year ended June 30, 2000

<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
16	MT. DESERT	112,774
172	NEW CANADA PLANTATION	26,426
210	NEW GLOUCESTER	236,061
254	NORTH BERWICK	172,431
125	NORWAY	218,392
284	NORWAY PARIS SOLID WASTE CORP	106,723
140	OLD ORCHARD BEACH	8,965,043
111	OLD TOWN	1,017,859
262	OLD TOWN HOUSING	42,143
79	OLD TOWN WATER	90,451
166	ORLAND	324,545
61	ORONO	1,169,940
209	ORRINGTON	270,253
200	OXFORD	6,432
57	OXFORD COUNTY	93,594
127	PARIS	318,159
159	PARIS UTILITY DISTRICT	44,823
11	PENOBSCOT COUNTY	681,766
202	PHIPPSBURG	269,674
121	PISCATAQUIS COUNTY	79,528
110	PITTSFIELD	935,643
41	PORTLAND PUBLIC LIBRARY	5,493
4	PRESQUE ISLE	25,782,227
258	PRINCETON	219,000
268	PROJECT LODESTONE	51,363
269	REGION 4 - SO PENOBSCOT	75,895
224	REGION 7 - WALDO	210,571
213	RICHMOND	723,631
242	RICHMOND UTILITIES	21,485
161	ROCKPORT	48,516
247	RUMFORD MEXICO SEWAGE DISTRICT	73,259
175	SABATTUS	380,919
192	SACO	1,073,147
190	SAD #16 - HALLOWELL	269,626
223	SAD #13 - BINGHAM	230,374
211	SAD #21 - DIXFIELD	114,682
168	SAD #29	260,630
50	SAD #31 - HOWLAND	121,512
77	SAD #34 - BELFAST	3,830,446
143	SAD #41 - MILO	532,238
189	SAD #49 - FAIRFIELD	397,176
198	SAD #51 - CUMBERLAND	611,861

Trust Fund Balances for the year ended June 30, 2000



<u>Ref. Number</u>	<u>Plan or District Name</u>	<u>Trust Fund Balance</u>
129	SAD #53	115,777
115	SAD #54	203,951
218	SAD #56 - SEARSPORT	623,200
187	SAD #60 - NORTH BERWICK	869,358
113	SAD #66 - ELLSWORTH	606,360
126	SAD #67	321,667
128	SAD #71	877,611
119	SAD#9 - FARMINGTON	240,364
96	SAGADAHOC COUNTY	1,862,244
30	SAINT AGATHA	245,861
83	SANFORD	3,543,371
89	SANFORD SEWERAGE	188,412
170	SANFORD WATER DISTRICT	407,899
117	SEARSPORT	479,790
124	SEARSPORT WATER	156,399
80	SKOWHEGAN	617,129
141	SOUTH BERWICK	271,093
171	SOUTH BERWICK WATER DISTRICT	9,494
206	SOUTH PORTLAND HOUSING	708,510
164	THOMASTON	744,188
81	TOPSHAM	430,443
267	TRI-COMMUNITY LANDFILL	9,238
182	VAN BUREN	253,918
229	VAN BUREN HOUSING AUTH	153,065
153	VASSALBORO	227,800
162	WALLAGRASS PLANTATION	19,675
40	WASHINGTON COUNTY	7,392
66	WATERVILLE FIRE AND POLICE	933,349
107	WELLS	242,201
122	WESTBROOK	9,880,875
70	WESTBROOK FIRE AND POLICE	23,390,499
241	WESTERN ME COMM ACTION COUNC	1,435,464
86	WILTON	1,424,723
144	WINSLOW	853,413
250	WINTER HARBOR UTILITIES	16,846
179	WINTHROP	639,326
116	YARMOUTH	486,948
37	YORK COUNTY	671,310
39	YORK WATER DISTRICT	142,272
TOTAL		7,586,922,787

Investments at June 30, 2000



Investments at June 30, 2000



ASSETS BY MANAGER June 30, 2000

MAINE STATE RETIREMENT SYSTEM

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ALLIANCE CAPITAL - EQUITY	\$ 285,298,678	\$ 484,601,103	\$ 199,302,425
ALLIANCE CAPITAL - FIXED INCOME	287,929,950	291,124,611	3,194,660
FINANCE AUTHORITY OF MAINE	4,366,300	4,482,721	116,422
JP MORGAN - MULTI MARKET I	2,026,086	1,864,649	(161,437)
JP MORGAN - MULTI MARKET II	18,865,173	26,305,696	7,440,523
JP MORGAN FIXED INCOME	508,540,629	518,202,794	9,662,165
LOOMIS SAYLES	248,258,660	241,168,907	(7,089,752)
MARTIN CURRIE	286,299,699	350,365,432	64,065,733
PEREGRINE ASSET MANAGEMENT	282,313,946	328,511,172	46,197,226
STATE STREET INTERNATIONAL LEAF	293,893,031	366,121,051	72,228,020
STATE STREET LARGE GROWTH	141,310,731	327,144,741	185,834,011
STATE STREET LEHMAN AGGREGATE	959,197,059	1,146,233,024	187,035,965
STATE STREET RUSSELL 1000 VALUE	346,998,767	375,188,127	28,189,361
STATE STREET WILSHIRE 5000	1,372,943,622	2,245,667,414	872,723,792
T. ROWE PRICE	177,841,070	238,129,413	60,288,342
TRUST COMPANY OF THE WEST	391,659,698	392,931,502	1,271,804
WELLINGTON MANAGEMENT	212,890,969	234,693,448	21,802,479
TOTAL RETIREMENT ASSETS	\$ 5,820,634,067	\$ 7,572,735,806	\$ 1,752,101,738

GROUP LIFE INSURANCE

STATE STREET SHORT TERM BOND	\$ 33,789,430	\$ 34,355,103	\$ 565,672
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Investments at June 30, 2000

ASSET ALLOCATION June 30, 2000

	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
TOTAL RETIREMENT ASSETS	100%	\$ 5,823,148,353	\$ 7,575,293,371	\$ 1,752,145,018
TOTAL CASH	0.0%	\$ 2,514,286	\$ 2,557,566	\$ 43,280
TOTAL DOMESTIC EQUITY	50.0%	\$ 2,449,757,002	\$ 3,789,282,902	\$ 1,339,525,900
ALLIANCE CAPITAL - EQUITY	6.4%	285,298,678	484,601,103	199,302,425
JP MORGAN - MULTI MARKET I	0.0%	2,026,086	1,864,649	(161,437)
JP MORGAN - MULTI MARKET II	0.3%	18,865,173	26,305,696	7,440,523
PEREGRINE ASSET MANAGEMENT	4.3%	282,313,946	328,511,172	46,197,226
STATE STREET WILSHIRE 5000	29.6%	1,372,943,622	2,245,667,414	872,723,792
STATE STREET LARGE GROWTH	4.3%	141,310,731	327,144,741	185,834,011
STATE STREET RUSS 1000 VALUE	5.0%	346,998,767	375,188,127	28,189,361
TOTAL DOMESTIC FIXED INCOME	34.2%	\$ 2,399,952,295	\$ 2,594,143,559	\$ 194,191,264
ALLIANCE CAPITAL - FIXED INCOME	3.8%	287,929,950	291,124,611	3,194,660
FINANCE AUTHORITY OF MAINE	0.1%	4,366,300	4,482,721	116,422
JP MORGAN FIXED INCOME	6.8%	508,540,629	518,202,794	9,662,165
LOOMISSAYLES	3.2%	248,258,660	241,168,907	(7,089,752)
STATE STREET LEHMAN AGGREGATE	15.1%	959,197,059	1,146,233,024	187,035,965
TRUST COMPANY OF THE WEST	5.2%	391,659,698	392,931,502	1,271,804
TOTAL INTERNATIONAL EQUITY	15.7%	\$ 970,924,770	\$ 1,189,309,344	\$ 218,384,574
MARTIN CURRIE	4.6%	286,299,699	350,365,432	64,065,733
STATE STREET INTERNATIONAL EAFE	4.8%	293,893,031	366,121,051	72,228,020
T. ROWE PRICE	3.1%	177,841,070	238,129,413	60,288,342
WELLINGTON MANAGEMENT	3.1%	212,890,969	234,693,448	21,802,479

Investments at June 30, 2000



INVESTMENT PERFORMANCE June 30, 2000

	<u>ONE YEAR</u>	<u>THREE YEARS</u>	<u>FIVE YEARS</u>	<u>SINCE INCEPTION</u>	<u>INCEPTION DATE</u>
TOTAL RETIREMENT ASSETS	9.7	12.8	14.7	12.6	1/31/77
TOTAL DOMESTIC EQUITY	10.0	18.1	21.3	15.7	1/31/77
ALLIANCE EQUITY	15.0	26.8	28.4	18.3	7/31/78
CRAMER ROSENTHAL	5.2	15.2	18.3	18.1	4/30/94
MORGAN MULTI-MKT 1	(26.3)	(8.6)	2.2	6.0	4/30/92
MORGAN MULTI-MKT II	11.9	11.6	15.9	15.3	4/30/94
PEREGRINE ASSET MANAGEMENT	28.5	11.5	16.5	18.7	4/30/91
STATE STREET RUSSELL 1000 VALUE	(8.9)	-	-	11.0	9/30/98
STATE STREET LARGE GROWTH	18.6	27.0	-	30.6	12/31/96
STATE STREET WILSHIRE 5000	10.4	19.2	-	21.8	12/31/96
TOTAL FIXED INCOME	5.2	6.3	6.6	9.5	6/30/78
ALLIANCE FIXED	7.0	5.4	6.5	9.1	8/31/78
JP MORGAN FIXED INCOME	6.3	6.3	6.9	10.2	11/30/77
LOOMIS SAYLES	8.2	-	-	4.7	6/30/98
STATE STREET LEHMAN AGGREGATE	4.6	6.1	-	6.2	12/31/96
TRUST COMPANY OF THE WEST	5.5	-	-	5.6	10/31/98
INTERNATIONAL EQUITY	19.0	9.1	11.8	7.2	11/30/88
MARTIN CURRIE	23.8	12.9	-	14.4	4/30/95
STATE STREET INTERNATIONAL LEAF	17.3	-	-	12.5	7/31/98
T. ROWE PRICE	24.3	11.3	-	12.8	7/31/95
WELLINGTON MANAGEMENT	16.5	-	-	16.0	1/31/99



Investments at June 30, 2000

SYSTEM HOLDINGS

June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CASH			
CASH ACCOUNT	\$ 2,514,286	\$ 2,557,566	\$ 43,280
DOMESTIC EQUITY			
ALLIANCE CAPITAL			
ADR NOKIA CORP	\$ 15,467,400	\$ 15,830,188	\$ 362,788
ALTERA CORP COM	5,496,526	13,812,531	8,316,005
AMDOCS LTD COM	5,185,116	5,679,500	494,384
AMER INTL GROUP INC COM	4,921,327	12,734,063	7,812,736
AMER ON-LINE COM	1,499,849	1,735,475	235,626
AMFM INC	2,086,305	2,718,600	632,296
APPLIED MATERIALS INC COM	3,545,181	3,176,406	(368,774)
AT&T CORP COM LIBERTY MEDIA	3,126,891	17,227,200	14,100,309
AT&T WIRELESS GROUP COM	4,676,404	4,192,400	(484,004)
BK AMER CORP COM	4,725,861	3,182,000	(1,543,861)
CHASE MANHATTAN CORP	9,123,661	10,810,408	1,686,747
CISCO SYS INC COM	4,409,168	25,800,019	21,390,851
CITIGROUP INC COM	4,428,421	17,713,380	13,284,958
COLGATE-PALMOLIVE CO COM	3,073,751	8,047,200	4,973,449
COLTV STIF	129,922	138,072	8,150
COMCASTCORPCLASPL	3,608,029	3,163,050	(444,979)
DELLCOMPUTERCORPCOM	8,621,299	22,141,313	13,520,014
FLEXTRONICSINTLLTDCOMSTK	3,647,319	4,396,000	748,681
GENELECCOCOM	2,840,247	13,886,000	11,045,753
GUIDANTCORPCOMSTK	4,429,287	3,757,050	(672,237)
HARLEYDAVIDSONINCCOM	3,581,586	8,277,500	4,695,914
HOMEDEPOTINCCOM	4,148,511	12,434,438	8,285,926
HONEYWELLINTLINCCOM	4,828,971	3,041,981	(1,786,990)
INTELCORPCAP	9,821,060	29,077,031	19,255,971
JDSUNIPHASECORP	4,888,522	5,442,325	553,803
KOHLSCORPCOM	5,923,919	15,897,625	9,973,706
KROGERCOCOM	6,000,601	5,471,500	(529,101)
MASCOCORPCOM	6,482,868	4,044,194	(2,438,674)
MBNACORPCOM	4,501,362	11,206,420	6,705,058
MEDTRONICINCCOM	4,737,075	9,529,131	4,792,057
MICROSOFTCORPCOM	6,280,536	10,904,000	4,623,464
MORGANSTANLEYDEANWITTER	4,947,419	18,531,450	13,584,031

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ORACLE CORP COM	\$ 11,415,257	\$ 17,249,625	\$ 5,834,368
PFIZER INC COM	19,922,399	28,630,800	8,708,401
PMC SIERRA INC COM	5,633,853	5,952,531	318,678
SANMINA CORP COM	1,262,372	2,838,600	1,576,228
SCHERING-PLOUGH CORP	9,983,197	17,437,650	7,454,453
SOLECTRON CORP COM	4,002,411	17,956,000	13,953,589
SPRINT CORP COM	10,158,862	8,175,300	(1,983,562)
SUN MICROSYSTEMS INC	5,993,523	5,892,750	(100,773)
TIFFANY & CO COM	4,488,539	4,244,024	(244,515)
TIME WARNER INC COM	6,845,975	7,797,600	951,625
TYCO INTL LTD NEW COM	19,671,244	19,286,713	(384,532)
VERISIGN INC COM	6,665,471	6,530,500	(134,971)
VERITAS SOFTWARE CORP	6,072,970	5,944,622	(128,348)
VODAFONE AIRTOUCH PLC	5,628,943	3,947,514	(1,681,429)
WAL-MART STORES INC COM	2,802,391	5,745,426	2,943,035
YAHOO INC COM	3,566,877	2,973,000	(593,877)
TOTAL ALLIANCE CAPITAL	\$ 285,298,678	\$ 484,601,103	\$ 199,302,425
PEREGRINEASSETMANAGEMENT			
ADAPTEC INC COM	\$ 3,326,210	\$ 3,881,150	\$ 554,940
ADR TEVA PHARMACEUTICAL	2,252,029	5,144,600	2,892,571
ALKERMES INC COM	4,281,812	4,985,825	704,013
AMERISOURCE DISTR CORP	2,138,266	2,535,800	397,534
AMERN FINL HLDGS INC	1,443,387	1,900,238	456,850
AMERN ITALIAN PASTA CO CL A	1,649,077	1,363,306	(285,771)
ANADIGICS INC COM	1,705,100	1,713,344	8,244
ANTEC CORP COM	3,293,362	3,146,281	(147,081)
APPLIED SCI & TECH INC	1,546,966	1,834,538	287,571
ARROW ELECTR INC COM	3,337,140	2,979,100	(358,040)
ASPECT COMMUNICATIONS INC	2,307,265	2,331,231	23,966
ASYST TECHNOLOGIES INC COM	3,553,643	3,678,450	124,807
ATLC COAST AIRLINES HLDG COM	1,975,069	2,381,250	406,181
AUTODESK INC COM	3,657,454	3,742,781	85,328
AVANT CORP COM	1,127,566	1,393,838	266,272
AWARE INC MASS COM	3,536,782	4,090,000	553,218
BARR LABS INC COM	1,212,844	2,345,934	1,133,090
BIOVAIL CORP COM	3,983,614	5,671,256	1,687,643
BORDERS GROUP INC	3,573,532	3,481,331	(92,201)
CAPSTONE TURBINE CORP	320,000	901,250	581,250



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CAREER ED CORP COM	\$ 1,666,304	\$ 2,473,500	\$ 807,196
CAREMARK RX INC COM	5,183,297	5,600,556	417,259
CEC ENTMT INC COM	1,990,600	2,029,500	38,900
CEPHALON INC CON	1,341,844	3,179,363	1,837,519
CLARENT CORP	1,049,140	1,394,250	345,110
COLTV STIF	13,390,198	13,472,173	81,975
CONCORD EFS INC COM	1,953,925	1,913,600	(40,325)
CONS STORES CORP COM	2,348,092	2,167,200	(180,892)
COOPER COS INC COM NEW	1,948,993	2,260,130	311,136
COPART INC COM	2,864,336	2,571,200	(293,136)
COPPER MTN NETWORKS INC	1,675,149	2,326,500	651,351
COR THERAPEUTICS INC	1,045,342	2,738,531	1,693,189
CORE LAB COM	3,209,230	3,587,300	378,070
CORSAIR COMMUNICATIONS	1,153,286	1,535,250	381,964
CUBIST PHARMACEUTICALS	3,334,849	4,560,550	1,225,701
CYMER INC COM	650,003	1,365,650	715,647
DAIN RAUSCHER CORP COM	1,460,797	1,914,000	453,203
DALLAS SEMICONDUCTOR	2,216,171	2,294,225	78,054
DAL-TILE INTL INC COM	1,028,874	911,625	(117,249)
DEVON ENERGY CORPORATION	2,883,600	4,000,550	1,116,950
DIGIMARC CORP COM STK	500,000	962,500	462,500
DIRECT FOCUS INC	1,814,549	3,189,900	1,375,351
ELECTROGLAS INC COM	1,085,153	956,750	(128,403)
ELOYALTY CORP COM	3,242,935	1,763,325	(1,479,610)
EVEREST RE GROUP LTD	1,858,873	2,610,275	751,402
FAIRCHILD SEMICONDUCTOR	3,320,195	4,398,300	1,078,105
GASONICS INTL CORP COM	832,476	1,999,481	1,167,005
GEN SEMICONDUCTOR INC COM	2,041,695	2,144,650	102,955
GENZYME CORP COM	4,086,817	6,163,669	2,076,852
GSI LUMONICS INC COM	297,897	646,300	348,403
GUILFORD PHARMACEUTICALS	1,914,872	1,629,763	(285,109)
HAEMONETICS CORP MASS COM	2,896,280	2,249,100	(647,180)
HARRIS CORP COM	4,454,720	4,421,250	(33,470)
HLTH MGMT ASSOC INC	4,308,320	4,624,125	315,805
HOUGHTON MIFFLIN CO COM	3,563,964	3,903,075	339,111
IMRGLOBAL CORP COM STK	1,431,691	1,226,569	(205,123)
INFOCUS CORP COM	3,434,638	3,466,594	31,956
INFORMIX CORP COM	2,690,963	2,183,650	(507,313)
INGRAM MICRO INC CL A	3,268,314	3,886,819	618,505

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
INTEGRATED DEVICE TECH	\$ 1,503,887	\$ 3,718,238	\$ 2,214,351
INTEGRATED SILICON SOLUTION	1,044,078	1,527,600	483,522
ITC DELTACOM INC COM	3,490,031	3,108,131	(381,900)
IVAX CORP COM	541,760	2,546,025	2,004,265
JACK IN BOX INC COM	2,895,431	3,193,863	298,431
KING PHARMACEUTICALS INC COM	770,983	2,371,444	1,600,460
KULICKE & SOFFA INDS INC COM	2,001,024	3,111,250	1,110,226
LINCARE HLDGS INC COM	2,812,458	2,378,775	(433,683)
LINENS N THINGS INC COM	1,790,379	2,140,163	349,783
LOUISIANA-PACIFIC CORP COM	2,737,398	2,340,300	(397,098)
LTX CORP COM	805,814	1,771,331	965,517
MASTEC INC COM	1,786,376	1,833,000	46,624
MATTSON TECH INC COM	683,405	1,384,500	701,095
MIAMI COMPUTER SUP CORP	1,983,276	1,785,375	(197,901)
MICHAELS STORES INC COM	1,580,304	2,263,138	682,833
MICROWAVE N/C TO DMC STRATEX	1,713,862	2,466,688	752,826
MODIS PROFESSIONAL SVCS INC COM	1,888,495	1,257,588	(630,908)
MYLAN LAB INC COM	1,264,481	951,080	(313,401)
NEUROCRINE BIOSCIENCES INC COM	1,102,992	2,172,869	1,069,877
NOVA CORP GA COM	4,322,131	3,707,306	(614,824)
ORBOTECH LTD SH COM	1,756,941	3,362,075	1,605,134
ORTHODONTIC CTRS AMER INC COM	1,166,924	1,771,538	604,614
OSHKOSH TRUCK CORP COM	1,815,501	2,445,300	629,799
OUTBACK STEAKHOUSE INC COM	2,864,323	2,720,250	(144,073)
PAC SUNWEAR CAL INC COM	1,288,931	1,578,750	289,819
PACKAGING CORP AMER COM	1,844,543	1,858,950	14,407
PARADYNE CORP COM	676,637	788,013	111,376
PENTAIR INC COM	3,621,536	3,347,650	(273,886)
PEREGRINE SYS INC COM	2,288,304	3,326,531	1,038,228
PHOTRONICS INC COM	2,027,350	2,060,025	32,675
PLX TECH INC COM	1,265,590	1,751,300	485,710
PRECISION DRILLING CORP COM	4,324,720	5,558,138	1,233,417
PROFESSIONAL DETAILING INC COM	1,740,527	2,105,063	364,536
PWR INTEGRATIONS INC COM	2,759,767	2,410,444	(349,323)
RADIAN GROUP INC COM	2,732,838	3,596,625	863,787
RENAL CARE GROUP INC COM	2,869,523	3,650,852	781,329
RENT-WAY INC COM	11	12	1
RHYTHMS NETCONNECTIONS INC COM	2,962,128	1,081,631	(1,880,497)
ROSLYN BANCORP INC COM	3,774,962	3,662,367	(112,595)
RUBY TUESDAY INC COM	2,733,555	3,217,256	483,701



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SANTA FE INTL CORP COM STK	\$ 3,780,939	\$ 4,210,388	\$ 429,449
SAWTEK INC COM	3,162,423	3,401,944	239,521
SCG HLDG N/C TO ON SEMICONDUCTOR	2,430,300	2,513,438	83,138
SCICLONE PHARMACEUTICALS INC COM	639,062	711,563	72,501
SENSORMATIC ELECTRS CORP COM	1,457,036	1,484,794	27,758
SKYWEST INC COM	1,669,063	2,548,942	879,879
SONIC CORP COM	1,397,982	1,465,813	67,830
SPECTRASITE HLDGS INC COM	972,177	1,518,063	545,885
SYBRON INTL CORP COM	3,106,546	2,325,988	(780,558)
TCF FNCL CORP COM	2,622,401	2,442,881	(179,520)
TECH DATA CORP COM	1,863,765	2,866,413	1,002,647
TEKELEC COM	981,445	1,966,050	984,605
THREE-FIVE SYS INC COM	876,669	1,289,150	412,481
TIDEWATER INC COM	2,842,837	3,474,000	631,163
TOWER AUTOMOTIVE INC COM	1,614,960	1,278,750	(336,210)
TWINLAB CORP COM	628,372	525,300	(103,072)
UNIONBANCAL CORP COM	2,011,199	1,175,781	(835,418)
UNITED STATES DOLLARS	783,968	783,968	-
UNITEDGLOBALCOM GL A	1,501,574	2,646,050	1,144,476
VALERO ENERGY CORP COM STK NEW	3,749,126	4,432,300	683,174
VANS INC COM	1,535,945	1,490,288	(45,657)
VARIAN MED SYS INC	1,782,981	2,554,863	771,881
VARIAN SEMICONDUCTOR EQUIPMENT	1,053,075	1,293,938	240,862
VINTAGE PETE INC COM	3,011,113	3,413,727	402,614
WATCHGUARD TECHNOLOGIES INC	1,066,281	1,302,019	235,738
WHOLE FOOD MKT INC COM	4,880,032	4,850,088	(29,944)
TOTAL PEREGRINE ASSET MANAGEMENT	\$ 282,313,946	\$ 328,511,172	\$ 46,197,226
JP MORGAN MULTI MARKET I			
CF JP MORGAN MULTI MKT I	\$ 2,026,086	\$ 1,864,649	(\$ 161,437)
TOTAL JP MORGAN MULTI MARKET I	\$ 2,026,086	\$ 1,864,649	(\$ 161,437)
JP MORGAN MULTI MARKET II			
CF JP MORGAN MULTI MKT II	\$ 18,865,173	\$ 26,305,696	\$ 7,440,523
TOTAL JP MORGAN MULTI MARKET II	\$ 18,865,173	\$ 26,305,696	\$ 7,440,523
STATE STREET WILSHIRE 5000			
CF ST STR U S TOTAL MKT	\$ 1,372,943,622	\$ 2,245,667,414	\$ 872,723,792
TOTAL STATE STREET WILSHIRE 5000	\$ 1,372,943,622	\$ 2,245,667,414	\$ 872,723,792

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
STATE STREET RUSS 1000 VALUE			
CF STATE STREET RUSSELL 1000 VALUE	\$ 346,998,767	\$ 375,188,127	\$ 28,189,361
TOTAL STATE STREET RUSS 1000 VALUE	\$ 346,998,767	\$ 375,188,127	\$ 28,189,361
 TOTAL DOMESTIC EQUITY	 \$ 2,449,757,002	 \$ 3,789,282,902	 \$ 1,339,525,900
 FIXED INCOME			
ALLIANCE CAPITAL			
CARCO AUTO LN MASTER	\$ 3,999,436	\$ 3,970,204	\$ (29,232)
CBS CORP SN NT 7.15 DUE 05-20-2005 BEO	1,235,037	1,247,914	12,877
CHASE MANHATTAN CORP	1,585,879	1,629,773	43,894
CILCORP INC SR BD 9.375	1,409,829	1,414,242	4,413
CLEARNET COMMUNICATIONS INC	1,922,401	1,872,849	(119,553)
CLEARNET COMMUNICATIONS INC	5,009,689	4,899,777	(109,911)
CONOCO INC 6.95% SNR NTS 15.04.2029	1,294,560	1,339,383	44,823
FNMA POOL #0323545 8	3,288,761	3,217,074	(71,687)
FNMA POOL #253112 7	2,872,314	2,899,108	26,794
FNMA POOL #323600 8 DUE 11-01-2028 REG	2,013,729	1,970,177	(43,553)
FNMA POOL #323937 7 DUE 09-01-2014 REG	6,686,478	6,576,435	(110,043)
FNMA POOL #490109 6 DUE 03-01-2029 REG	5,862,732	5,558,730	(304,002)
FNMA POOL #495507 6 DUE 04-01-2029 REG	4,747,571	4,481,938	(265,633)
FNMA POOL #535040 7.5 DUE 12-01-2029	6,382,865	6,341,376	(41,489)
FNMA POOL #535159 7 DUE 02-01-2030 REG	11,951,960	12,046,629	94,669
FNMA POOL #535165 7 DUE 02-01-2015 REG	8,008,236	8,027,666	19,430
FNMA POOL #535271 8 DUE 05-01-2030 REG	15,863,181	15,991,588	128,407
FNMA TBA POOL #9999999 6.5	7,385,133	7,401,059	15,926
FNMA TBA POOL #9999999 8.5	12,074,354	12,207,801	133,447
FORD MOTOR CREDIT 7.25%	4,988,150	5,129,382	141,232
GNMA POOL #167424 SER 2028 7	11,487,005	11,006,638	(480,367)
GNMA POOL #379655 7 DUE 08-15-2025 REG	18,171	17,547	(624)
GNMA POOL #460758 7 DUE 02-15-2028 REG	2,348,718	2,264,359	(84,360)
GNMA POOL #462554 7 DUE 02-15-2028 REG	2,404,475	2,318,113	(86,362)
GNMA POOL #510302 SER 2029 7	2,896,367	2,917,489	21,122
GNMA POOL #510394 SER 2029 7	2,381,572	2,417,921	36,349
GNMA POOL #462543	2,601,362	2,507,928	(93,434)
GNMA POOL #780601	2,140,642	2,065,591	(75,051)
HSEHD FIN CORP NT 6.5	1,543,209	1,560,779	17,570
INT BK RECON & DEV 7.0%	3,675,502	3,813,569	138,067
MC-CUERNAVACA TRST 9.25% BDS	819,396	1,471,206	597,810



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
MEXICO (UTD MEX ST) 10.375% BDS	\$ 145,460	\$ 154,507	\$ 9,047
NATIONSBANK CORP 6.8	862,127	859,225	(2,903)
NTL COMMUNICATIONS 9.75% BDS	3,488,775	3,172,152	(316,623)
PVTPL KBC BK FDG TR III	3,071,274	3,014,870	(56,404)
PVTPL RAS LAFFAN GAS 8.294 BD	3,778,680	3,870,885	92,205
PVTPL RAYTHEON CO NT 7.9	3,840,615	3,969,299	128,684
QUE PROV CDA NT 7.5 DUE 09-15-2029	1,301,279	1,352,178	50,900
TIME WARNER INC 8.375% BDS	1,385,978	1,399,936	13,959
UNITED AIR LINES INC 9.750 DEB	8,123,325	7,550,125	(573,200)
UNITED STATES DOLLAR	38,175,566	38,434,407	258,841
US T BOND 6.25% (WI) BDS 15/05/2030	6,138,025	6,448,934	310,909
US TREAS BDS 6.125 DUE 08-15-2029	519,897	547,518	27,621
US TREAS NTS DTD 00865 6.5	15,510,680	16,204,003	693,322
USA TREASURY BDS 12% 15/8/2013	10,846,631	11,426,400	579,769
USA TREASURY BDS 8.125% 15/5/21	2,078,398	2,153,440	75,041
USA TREASURY BDS 8.125% 15/8/19	24,412,052	26,085,075	1,673,023
USA TREASURY NTS 6.25% 30/4/01	7,980,000	8,067,999	87,999
UTD MEXICAN STATES BD 10.375	8,597,463	9,043,345	445,883
UTD MEXICAN STS MTN 9.875	448,025	489,136	41,111
VIACOM INC 7.75 BD DUE 06-01-2005	2,110,290	2,120,682	10,392
WAL MART STORES INC NT 6.875	2,638,413	2,710,768	72,355
WORLD COM INC GA NT 6.95	1,508,284	1,519,486	11,201
TOTAL ALLIANCE CAPITAL	\$ 287,929,950	\$ 291,124,611	\$ 3,194,660
LOOMIS SAYLES			
1ST INDL L P 7.6 BD DUE 07-15-2028 CALL	\$ 6,020,409	\$ 5,267,157	(\$ 753,252)
1ST INDL L P TRANCHE # TR 7 7.5	435,285	432,475	(2,810)
1ST UN NATL BK N C CHARLOTTE	1,033,268	996,183	(37,084)
AMB PPTY CORP PFD SER A 8.50	53,719	54,141	422
ANADARKO PETE CORP 6.625 BD	206,773	210,625	3,852
ANADARKO PETE CORP DEB 7.2	1,405,203	1,470,152	64,949
APP FINANCE (VII) 3 1/2% CNV NTS	1,726,648	1,738,249	11,602
ARGENTINA REP DEB DUE 03-01-2029	2,456,220	2,249,420	(206,800)
ATLAS AIR INC PASSTHRU CTF SER 1999-1	2,689,981	2,578,190	(111,791)
BAKER HUGHES INC NT 6.875	1,169,875	1,060,003	(109,872)
BAKER HUGHES ZERO CPN	2,166,735	2,572,020	405,285
BANGKOK BANK 4.589% CNV BDS	434,375	681,302	246,927
BAUSCH & LOMB INC BAUSCH-LOMB INC	5,129,823	4,168,592	(961,231)
BRAZIL C EUROCLEAR BD 8	4,512,197	4,826,802	314,604

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 1999

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BRIT COLUMBIA PROV 0% DEB 19/11/27	\$ 1,607,770	\$ 1,602,447	\$ (5,323)
CANADA GEN RESID ZERO CPN	1,390,189	1,687,251	297,062
CAP 1 BK 6.7 SR MTN DUE 05-15-2008	2,461,935	2,274,909	(187,026)
CARRAMERICA RLTY CORP PFD SER B 8.57	108,035	128,650	20,615
CARRAMERICA RLTY CORP SR NT 6.625	1,373,818	1,392,658	18,841
CHES ENERGY CORP 8.5	459,375	420,014	(39,361)
CHES ENERGY CORP PFD CONV 7	895,000	1,280,000	385,000
CHESAPEAK ENERGY SR SER B 7.875	236,250	237,047	797
CIRRUS LOGIC INC 6	1,151,750	1,414,267	262,517
COLONIAL RLTY LT PARTNERSHIP 7.0 NT	994,150	931,172	(62,978)
COLTEC CAP TR TERM INC	1,152,875	1,456,797	(56,078)
COLUMBIA/HCA HEALTHCARE CORP 7.69	614,708	608,188	(6,519)
COLUMBIA/HCA HEALTHCARE CORP	918,755	827,319	(91,436)
COLUMBIA/HCA HEALTHCARE CORP MED	634,050	672,589	38,539
CONAGRA INC CONAGRA INC BONDS 7.000	2,953,936	2,591,240	(362,697)
CRESCENT REAL ESTATE EQUITIES LTD	505,008	506,168	1,160
DANA CORP NT 7 DUE 03-01-2029 BEO	4,936,286	4,223,117	(713,169)
DELL COMPUTER CORP 7.1 DEB	5,325,300	4,860,497	(464,803)
DELPHI AUTOMOTIVE 7.125% DEB 01.05.2029	3,355,374	3,305,119	(50,255)
DELTA AIR LINES INC DEL NT 8.3	917,517	807,376	(110,141)
DIAMOND OFFSHORE DRILLING INC 3.75	1,514,448	1,858,914	344,467
DOLE FOOD INC NT DTD 10/06/1998 6.375	3,390,480	2,817,062	(573,419)
DURA PHARMACEUTICALS INC 3.5	986,938	1,070,174	83,236
EMP NAC ELECTRICID 7.875%	2,027,630	2,101,406	73,776
ENRON CORP 6.95 DUE 07-15-2028 REG	933,110	915,777	(17,333)
ENSCO INTL INC 7.2 DUE 11-15-2027	2,431,475	2,251,100	(180,375)
EOP OPER LTD PARTNERSHIP NT 6.375	490,605	493,202	2,597
EOP OPER LTD PARTNERSHIP NT 7.25	3,014,435	2,738,782	(275,653)
EQTY OFFICE PPTYS TR PFD SER C	21,738	23,875	2,138
EQTY RESDNTL PPTYS TR PFD SER L 7.625	347,813	341,250	(6,563)
EQTY RESDNTL PPTYS TR SER G PFD STK	192,764	229,531	36,767
ERP OPER LTD PARTNERSHIP 7.125 DEB	434,205	432,451	(1,754)
EVI INC CONV PFD STK	1,770,375	1,316,679	(453,696)
FED MOGUL CORP 7.875 NT DUE 07-01-2010	685,500	543,281	(142,219)
FOX FAMILY WORLDWIDE INC	988,750	945,000	(43,750)
GA PAC CORP 7.25 BD DUE 06-01-2028	1,021,380	999,375	(22,005)
GA PAC CORP 7.375 DUE 12-01-2025 REG	213,700	221,354	7,654
GA PAC CORP DEB 7.75 DUE 11-15-2029	1,985,380	1,821,906	(163,474)
GLOBAL MARINE INC 7.0 NT DUE 06-01-2028	1,173,838	1,125,466	(48,372)
HERCULES TR II UNIT \$1000 PFD SEC & I	294,475	271,875	(22,600)



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
HIGHWOODS REALITY 7% NTS 1/12/2006	\$ 477,735	\$ 459,092	(\$ 18,643)
HIGHWOODS REALITY 7.125% NTS 1/2/2006	979,630	932,278	(47,353)
HIGHWOODS/FORSYTH LTD PARTNERSHIP	1,020,630	856,603	(164,027)
HVIDE MARINE INC NEW COM	555,133	12,338	(542,795)
HVIDE MARINE INC WT CL A	3,362	1,949	(1,414)
HVIDE MARINE INC NEW WT EXP WT	-	5,645	5,645
INTEVAC INC 6.5 SUB NT CONV	590,313	368,667	(221,646)
INTL BK FOR RECON & DEV EURO MTN 5.5	937,852	838,181	(99,672)
INTL BK FOR RECON & DEV MEDIUM	7,038,626	7,111,843	73,217
KENT ELECTRS CORP 4.5 SUB NT	1,695,438	1,829,933	134,495
KEY ENERGY GROUP INC 5.0 CONV	1,537,755	1,559,458	21,703
KEYCORP CAP II KEYCORP CAP II 6.875	597,075	599,003	1,928
KOREA ELEC PWR CO 7.0 DEB	280,643	355,731	75,089
LA QUINTA INSS INC TRANCHE #TR 2 7.27	1,434,645	1,040,284	(394,361)
LEAR CORP ST NT SER B 7.96	1,850,000	1,754,006	(95,994)
LEHMAN BROS HLDGS INC LEHMAN BROS	922,863	949,390	26,527
LEHMAN BROS INC 6.625	481,415	466,174	(15,241)
LEHMAN INC 6.5 BD DUE 04-15-2008	5,197,958	4,744,076	(453,882)
LENNAR CORP 0 DUE 07-29-2018/07	405,000	412,190	7,190
LENNAR CORP SR NT 7.625 DUE 03-01-2009	2,964,750	2,589,950	(374,800)
LIBERTY PPTY LTD PARTNERSHIP 7.25	726,750	718,522	(8,228)
LIBERTY PPTY LTD PARTNERSHIP	906,650	880,276	(26,374)
LOCKHEED MARTIN CORP BD 8.5	486,545	508,432	21,887
LOEWS CORP 3.125	3,789,029	4,216,403	427,374
LORAL CORP 7.00 DEB	1,282,900	1,318,337	35,437
LORAL CORP 8.375 SECD NTS	535,744	596,933	61,189
MAXTOR CORP 5.75	378,750	359,583	(19,167)
MCCAW INTL LTD STEP UP SR DISC	1,333,125	1,653,750	320,625
MURPHY OIL CORP NT 7.05 DUE 05-01-2029	655,718	683,130	27,413
NEXTEL COMMNS INC 0%/STP	1,001,250	1,125,000	123,750
NEXTLINK COMM INC SR DISC NT	1,415,000	1,406,250	(8,750)
NTL INC SR DEFD CPN NT	1,794,375	1,718,750	(75,625)
NUEVO GRUPO IUSACELL S A DE C V	1,000,000	1,061,975	61,975
ONT PROV REGL 0.00001 DUE 06-02-2027	4,116,319	4,723,561	607,242
OWENS CORNING 7.5 DUE 08-01-2018	3,445,995	2,725,313	(720,683)
OWENS-CORNING CAPI 6.5% CNV	451,750	310,518	(141,232)
PAC GAS & ELEC CO 1ST PFD 5	240,000	232,500	(7,500)
PENNEY J C INC 7.125 DEB DUE 11-15-2023	219,000	214,186	(4,814)
PENNEY J C INC TRANCHE # TR 00004 6.875	896,298	845,080	(51,218)

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PENNY J C INC 7.95 DEB	\$ 353,250	\$ 374,168	\$ 20,918
PENNZOIL-QUAKER ST CO DEB 7.375	7,173,852	5,240,967	(1,932,885)
PEPSI BOTTLING GROUP INC GTD SR NT 7	462,520	460,376	(2,144)
PERU (REP OF) 3.75 NTS 7/3/2017	233,000	248,110	15,110
PETROLEOS MEXICANOS GLOBAL GTD	2,742,965	2,933,880	190,914
PHILIPPINE LNG DIS GDS REPR 1 SER'3'	377,520	367,500	(10,020)
PHILIPPINES REP GLOBAL BD	4,106,395	3,581,170	(525,226)
PHILLIPS 66 CAP TR II 8.0 CO GUARNT	809,875	897,989	88,114
PINDO DELI FIN MAURITIUS LTD 10.75 GTD	1,393,000	1,535,844	142,844
PINDO DELI FIN MAURITIUS LTD 11.75	858,125	636,719	(221,406)
PIONEER NAT RES CO 7.2	2,452,495	1,983,000	(469,495)
PROLOGIS TR NT DTD 04/26/1999 7.1	473,100	466,778	(6,322)
PROLOGIS TR PFD SH BEN INT SER D	132,086	145,550	13,464
PROLOGIS TR PFD SH BEN INT SER E	214,865	220,500	5,635
PROVIDENT COS INC 7.25 DUE 03-15-2028	1,154,781	909,727	(245,054)
PUB STORAGE INC	17,240	19,350	2,110
PVTPL BANGKOK BK PUB LTD NT 144A 9.025	2,462,625	2,989,808	527,183
PVTPL EFFICIENT NETWORKS INC	880,488	1,027,125	146,638
PVTPL ESPIRITO SANTO CENTRAIS	700,188	955,778	255,590
PVTPL EXIDE CORP SR SUB NT CONV 144A	357,977	291,773	(66,204)
PVTPL HUMAN GENOME SCIENCES INC	589,467	879,703	290,237
PVTPL HVIDE MARINE INC NEW SR SECD	360,000	360,222	222
PVTPL PEREZ COMPANC S A 8.125 BD	1,874,000	1,814,931	(59,069)
PVTPL SIAM COML BK PUB LTD 7.5 SUB	1,436,250	1,704,167	267,917
PVTPL TELEKOM MALAYSIA BERHAD 7.875	2,347,345	2,784,068	436,723
PVTPL TENAGA NASIONAL BERHAD 7.5	1,992,530	2,081,225	88,695
PVTPL THAI FMRS BK PUB LTD 8.25	2,366,163	3,001,208	635,046
PVTPL THERMO ELECTRON CORP	3,415,612	3,680,625	265,013
PVTPL THERMO INSTR SYS INC 4.5	955,000	982,575	27,575
PVTPL TOTAL ACCESS COMMUNICATION	472,500	643,695	171,195
PVTPL WESTN DIGITAL CORP	895,050	665,000	(230,050)
QUANTUM CORP 7	391,250	414,583	23,333
QUE PROV CDA NT 7.5 DUE 09-15-2029	894,679	926,492	31,814
R & B FALCON CORP SR NT SER B 7.375	4,647,663	3,770,999	(876,664)
RAYTHEON CO 6.75 DEB DUE 03-15-2018	1,982,177	2,037,559	55,382
RAYTHEON CO 7.2 DUE 08-15-2027 REG	264,732	274,137	9,405
RAYTHEON CO DEB DTD 11/05/1998 7	848,185	874,827	26,642
RAYTHEON CO DEB DTD 12/14/1998 6.4	1,867,990	1,855,788	(12,203)
RCN CORP 0 DUE 07/01/2008/07/01/2003	2,147,658	2,235,625	87,968
RCN CORP STEP UP SR DISC NT SER B	154,063	138,125	(15,938)



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
REP S AFRICA 8.5 YANKEE NT	\$ 1,194,688	\$ 1,489,726	\$ 295,039
ROGERS COMMS INC 2/5.75%	635,000	978,674	343,674
S3 INC 5.75 DUE 10-10-2003/10-08-1999	715,113	937,873	222,761
SEAGATE TECH 7.45 DEB DUE 03-01-2037	1,813,690	1,808,367	(5,323)
SEAGATE TECH INC 7.125 SR NT	1,299,675	1,246,297	(53,378)
SEAGATE TECH INC 7.37 SR NT	1,482,810	1,379,935	(102,875)
SEAGULL ENERGY CORP 7.5 SR NT	1,131,963	1,170,779	38,817
SEC CAP GROUP INC NT 7.7	2,239,910	1,910,210	(329,700)
SEC CAP INDL 7.625 DEB DUE 07-01-2017	493,004	504,254	11,250
SHURGARD STORAGE CTRS INC PFD SER	97,633	103,204	5,571
SIMON DEBARTOLO GROUP L P NT 6.75	1,993,880	1,875,420	(118,460)
S-OIL 3% CNV BDS 31/12/04 USD5000	140,250	196,525	56,275
SOUTHN CAL EDISON CO PFD 4.78	236,698	269,413	32,714
SPIEKER PPTYS INC DEB DTD 09/29/1997 7.5	650,670	641,588	(9,083)
SPIEKER PPTYS INC PFD SER E 8	20,238	22,125	1,888
SUSA PARTNERSHIP L P 7.45 BD	1,843,860	1,779,540	(64,320)
SUSA PARTNERSHIP L P DEB 7.5	887,580	829,860	(57,720)
TENET HEALTHCARE 6% CNV	1,795,383	1,732,625	(62,758)
TIME WARNER INC 6.95 GTD DEB	4,445,438	4,056,918	(388,520)
TIME WARNER INC DEB DTD 11/23/1998 6.65	1,362,311	1,313,385	(48,925)
TJIWI KIMIA FIN MAURITIUS LTD 10.0 BD	332,500	340,833	8,333
TN GAS PIPELN CO DEB 7 DUE 10-15-2028	1,479,615	1,347,957	(131,658)
TOLL CORP 7.75	1,736,875	1,589,297	(147,578)
TOSCO CORP	2,874,540	3,003,360	128,820
TRANSGAS DE OCCIDENTE S A	862,960	717,095	(145,865)
TRICO MARINE SVCS INC SR NT SER G 8.5	491,875	480,208	(11,667)
TRINET CORP RLTY TR INC 7.7 SR	1,453,801	1,147,062	(306,739)
TRW INC 6.65 DUE 01-15-2028 REG	1,203,523	1,155,018	(48,505)
TRW INC DEB 7.75 DUE 06-01-2029 BEO	961,360	903,827	(57,533)
U S W CAP FDG INC 6.875 CO GUARNT	1,759,920	1,784,663	24,743
UN PAC RES GROUP INC	3,694,203	3,659,969	(34,233)
UN PAC RES GROUP INC	953,730	950,253	(3,477)
UNITED STATES DOLLAR	4,951,259	4,955,195	3,937
US TREAS BDS BD 5.25 DUE 02-15-2029	20,271	22,681	2,410
VENEZUELA (REP OF) 9.25% BDS 15/9/27	4,386,135	4,217,277	(168,858)
TOTAL LOOMIS SAYLES	\$ 248,258,660	\$ 241,168,960	(\$ 7,089,700)

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
TRUST COMPANY OF THE WEST			
ABBEEY NATL PLC MEDIUM TERM	\$ 1,424,580	\$ 1,380,472	\$ (44,108)
AMERN AIRLS PASS THRU TR 7.024	605,304	578,297	(27,007)
AT&T CORP 5.625 DUE 03-15-2004	1,681,758	1,724,063	42,305
BELGIUM (KINGDOM) 6.25% BDS	1,622,597	1,620,727	(1,870)
BK AMER CORP 7.875 DUE 05-16-2005 BEO	1,107,997	1,120,208	12,211
BRITISH POUND STERLING	75,692	75,958	265
CAROLINA PWR & LT CO 5.875	1,024,030	980,770	(43,260)
CDA GOVT CDN BD 5 DUE 09-01-2004	4,159,786	4,224,968	65,181
CHEVRON CORP NT 6.625 DUE 10-01-2004	1,394,862	1,398,534	3,672
CIT GROUP INC NT 7.375 DUE 03-15-2003	1,997,880	2,020,731	22,851
CMO ABN AMRO MTG CORP 1999-4	4,784,375	4,224,968	62,058
CMO BA MTG SECS INC 6.75	2,012,500	1,398,534	(107,510)
CMO CITICORP MTG SECS INC REMIC	4,564,558	2,020,731	98,329
CMO CWMBS INC PASS THRU CTFS CHL	2,491,832	4,846,433	(11,168)
CMO FNMA FNW 99-W5 A3 CGDI	500,000	1,904,990	(23,001)
CMO GE CAP MTG SVCS INC	3,531,224	4,662,887	53,735
CMO GE CAP MTG SVCS INC SER 1999	4,690,625	2,480,665	160,392
CMO GE CAP MTG SVCS REMIC MC	1,950,110	476,999	(105,651)
CMO NORWEST AST SECS CORP SER 1997-7	2,497,656	3,584,960	(150,273)
CMO PNC MTG SECS CORP	4,193,263	4,851,017	15,483
CMO RESDNTL FDG MTG SECS I INC	3,403,492	1,844,459	54,217
COLTV STIF	6,665,171	2,347,383	41,964
COMDISCO INC MEDIUM TERM NTS	994,070	4,208,746	22,170
CONTINENTAL AIRLS	500,000	3,457,708	(20,737)
COX COMMUNICATIONS INC NT 7.875	657,137	6,707,1351	16,211
COX ENTERPRISES INC NT 7.5	498,315	1,016,240	11,327
CWMBS INC SER 94-D 6.5	983,750	479,263	(81,773)
DANISH KRONE	79,924	673,348	200
DAYTON HUDSON CORP DEBS 6.65	1,317,075	509,642	7,243
DENMARK (KINGDOM) 7%	1,274,355	901,977	(167,696)
DISNEY WALT CO NEW MEDIUM TERM NTS	1,497,525	80,124	55,376
DU PONT E I DE NEMOURS & CO NT 6.875	740,295	1,324,318	(1,595)
DUTCH GOVT 6.5% BDS 15/4/2003 EUR	2,171,214	1,106,660	(150,713)
ENRON CORP 6.75 BD DUE 08-01-2009	1,790,320	1,552,901	133,690
FHLMC DEB 5 01-15-2004	7,024,598	738,700	145,846
FHLMC DEB 5.5 05-15-2002	4,363,807	2,020,501	49,685
FHLMC MULTICLASS 2097 PZ 6 11-15-2028	3,237,039	1,924,010	(543,238)
FHLMC MULTICLASS SER 1661 CL	1,057,305	7,170,444	(38,503)



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SYSTEM HOLDINGS June 30, 2000

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
FHLMC MULTICLASS SER 1897 CL 1897-H	\$ 1,401,094	\$ 1,376,875	\$ (24,219)
FHLMC MULTICLASS SER 1969 CL PE 7.5	2,584,375	2,475,000	(109,375)
FHLMC MULTICLASS SER 2052 CL C 6.5	3,829,535	4,054,391	224,855
FHLMC MULTICLASS SER 2059 CL Z 5.95	2,187,726	1,890,396	(297,330)
FHLMC MULTICLASS SER 2061 CL CD 7.5	1,851,685	1,838,186	(13,499)
FHLMC MULTICLASS SER 2211 CL SD	2,092,745	2,333,911	241,166
FHLMC MULTICLASS SER G029 CL ZC 8.0	3,178,354	3,147,488	(30,865)
FIRST USA CR CARD MASTER TR 1998-9	986,055	941,377	(44,678)
FLEET FINL GROUP INC NEW 6.5 NTS	517,585	467,579	(50,006)
FNMA 5.25 BD DUE 01-15-2003 BEO REG	7,381,014	7,434,397	53,383
FNMA NT 5.25 01-15-2009	4,190,356	4,317,576	127,220
FNMA NT 5.625 05-14-2004	6,795,757	6,790,567	(5,189)
FNMA NT 6 05-15-2008	3,705,325	3,762,347	57,021
FNMA NTS 5.125 02-13-2004	814,085	791,056	(22,901)
FNMA POOL #323606 6.5 DUE 03-01-2029	2,503,290	2,362,129	(141,161)
FNMA POOL #323812 6 DUE 07-01-2029	819,557	791,184	(28,501)
FNMA POOL #392168 ADJ RT DUE 08-01-2027	638,139	653,803	15,664
FNMA POOL #510299 ADJ RT DUE 08-01-2029	2,784,160	2,798,372	14,212
FNMA POOL #526990 6.832 DUE 09-01-2026	2,873,696	2,971,451	97,755
FNMA REMIC TR 1997-58 CL-DZ 7.5	1,936,270	1,786,718	(149,552)
FNMA SER 1999-24 CL J 6	1,905,000	1,926,540	21,540
FNMA-GNMA REMIC TR SER 1994-9	3,373,386	3,214,015	(159,371)
FORD MTR CR CO GLOBAL LANDMARK	1,846,966	1,848,147	1,181
FRANCE (GOVT OF) 5.25% BDS 25/4/08 FRF	7,559,199	6,727,555	(831,644)
GE CAP MTG SVCS INC SER 1998-10-CL1A10	2,406,641	2,370,313	(36,328)
GE GLOBAL INS HLDG CORP 7	1,469,672	1,482,423	12,751
GERMANY (FED REP) 6% BDS 4/7/2007 EUR	926,202	975,354	49,152
GERMANY (FED REP) 6.5% BDS	7,854,945	8,060,810	205,865
GNMA POOL #441710 SER 2028 7	699,731	674,703	(25,029)
GNMA POOL #450296 SER 2027 7	882,975	851,556	(31,419)
GNMA POOL #454386 7 DUE 04-15-2028	875,660	843,948	(31,711)
GNMA POOL #462490 SER 2028 7	679,080	650,582	(28,498)
GNMA POOL #463475 SER 2028 7	886,124	853,509	(32,616)
GNMA POOL #464696 SER 2028 7	2,525,584	2,427,927	(97,657)
GNMA POOL #466950 SER 2028 7	809,540	779,743	(29,797)
GNMA POOL #466951 SER 2028 7	848,951	817,702	(31,249)
GNMA POOL #469918 SER 2029 7	174,636	176,079	1,443
GNMA POOL #471857 SER 2028 7	1,469,900	1,415,580	(54,320)
GNMA POOL #473523 SER 2028 7	682,396	657,987	(24,409)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
GNMA POOL #781080 SER 2029 7.5	\$ 3,211,816	\$ 3,180,012	(\$ 31,804)
GNMA REMIC SER 1999-40 CL UT F	1,939,276	2,134,754	195,478
GNMA REMIC TR 1997-7 CL PB 7 05-16-2023	2,202,176	2,182,914	(19,262)
GNMA POOL #465908 SERIES 2028	2,587,758	2,487,918	(99,840)
GNMAII POOL #080376 SER 2030 6	9,743,923	9,829,270	85,347
GOLDMAN SACHS GROUP INC NT 6.65	598,794	553,294	(45,500)
HEWLETT PACKARD CO NT 7.15	996,660	1,008,199	11,539
HONEYWELL INTL INC 7.5	1,395,142	1,437,912	42,770
HSEHD FIN CORP NT 8	2,101,029	2,140,227	39,198
IMC GLOBAL INC NT DTD 08/11/1998	1,005,030	988,433	(16,597)
ISR ST BD 7.75 DUE 03-15-2010	1,791,468	1,820,196	28,728
ITALY (REP OF) 6.25% BTP 01/03/2002	4,682,941	4,249,153	(433,788)
JAPANESE YEN	5,224,776	5,224,782	6
LEHMAN BROS HLDGS INC LEHMAN BROS	997,690	1,022,658	24,968
LILLY ELI & CO 7.125 DEB DUE 06-01-2025	1,102,510	975,288	(127,223)
LUCENT TECHNOLOGIES INC 5.5	995,620	899,848	(95,772)
MAN PROV CDA DEB SER EF	1,001,290	905,970	(95,320)
MELLON FINL CO 5.75 DUE 11-15-2003	499,075	476,114	(22,961)
MFO TCW GALILEO FDS INC CONV SECS FD	5,326,403	7,346,847	2,020,444
MFO TCW GALILEO FDS INC EMERGING MKTS	43,025,634	47,560,411	4,534,777
MFO TCW GALILEO FDS INC HI YIELD BD FD	49,635,750	46,548,900	(3,086,850)
NEW STH WALES TSY 7%	807,135	794,687	(12,447)
NORWEST AST SECS CORP SER 1997-10	2,163,544	2,036,902	(126,641)
PHILLIPS PETE CO SR NT DTD 03/31/1999	999,340	919,355	(79,985)
PNC FDG CORP MEDIUM TERM	517,950	468,572	(49,378)
PP&L CAP FDG INC MEDIUM TERM	1,498,200	1,501,232	3,032
PVTPL HYPOTHEKENBANK IN ESSEN 144A	455,392	427,239	(28,152)
QUE PROV CDA 7 DUE 01-30-2007 REG	1,842,230	1,819,622	(22,608)
RESNTL AST SEC CORP	1,600,000	1,577,653	(22,347)
RESNTL FDG MTG SECS I INC SER 97-S8	2,035,000	1,976,860	(58,140)
SALOMON SMITH BARNEY HLDGS INC 6.25	1,201,584	1,134,309	(67,275)
SAXON AST SECS TR MTG LN AST BKD CTF	750,000	733,666	(16,334)
SPAIN (KINGDOM OF) 5.25% BD 31/01/03	2,560,143	2,447,320	(112,823)
SPRINT CAP CORP GTY REG 5.875	1,690,668	1,713,819	23,151
SWEDEN (KINGDOM OF) 5% BDS 15/1/04 SEK	2,125,588	2,124,581	(1,007)
TIME WARNER ENTMT CO L P 7.25	1,378,426	1,381,459	3,033
TIME WARNER INC DEB DTD 11/23/1998 6.625	1,153,254	1,113,418	(39,836)
TRANSCANADA PIPELINES LTD MEDIUM TERM	1,767,120	1,746,454	(20,666)
TREASURY 7% STK 2002 GBP	1,543,676	1,462,757	(80,919)
UNITED STATES DOLLAR	7,788,433	7,793,541	5,108



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
UNITED STATES DOLLARS	\$ 199,938	\$ 199,938	\$ -
US TREAS 10.625 BD DUE 8-15-2015	2,705,859	2,753,255	47,395
US TREAS 6.125 BD DUE 11-15-2027	10,578,808	10,909,207	330,400
US TREAS 6.5 NT DUE 08-15-2005 REG	3,507,337	3,608,813	101,476
US TREAS 7.5 BD DUE 11-15-2024 REG	741,656	703,379	(38,277)
US TREAS BDS 12	944,387	958,444	14,058
US TREAS BDS 8.5 DUE 02-15-2020 REG	5,011,130	5,007,763	(3,367)
US TREAS NTS 6.25 DUE 02-15-2007	987,109	1,024,173	37,064
US TREAS NTS 6.5 DUE 02-28-2002 REG	4,988,672	5,111,678	123,006
US TREAS NTS DTD 00858 5.875	976,078	992,953	16,875
US TREAS NTS DTD 05-15-2000 6.75	1,835,227	1,857,566	22,339
US TREAS NTS DTD 06/30/1999 5.75	3,969,054	3,971,865	2,811
US TREAS NTS DTD 10/31/99 5.875	4,150,250	4,208,560	58,310
UTD TECHNOLOGIES CORP DEB 7.5	409,668	404,317	(5,351)
WELLS FARGO & CO 7.2	1,198,668	1,211,436	12,768
TOTAL TRUST COMPANY OF THE WEST	\$ 391,659,698	\$ 392,931,502	\$ 1,271,804
FINANCE AUTHORITY OF MAINE			
ACORN COMPANY	\$ 434,409	\$ 434,409	\$ -
COLTV STIF	65,767	65,767	-
DWYER, LYNCH, & MCCURDY, INC	1,751,425	1,751,425	-
HARDWOOD MANAGEMENT INC	881,120	881,120	-
PINETTE FILLION MORTON	1,233,578	1,350,000	116,422
TOTAL FINANCE AUTHORITY OF MAINE	\$ 4,366,300	4,482,721	116,422
JP MORGAN FIXED INCOME			
CF JP MORGAN INTL BD FD	\$ 7,154,482	\$ 7,237,287	\$ 82,804
CF JP MORGAN MGT LIQUIDITY FD	27,644	27,644	-
CF MGT CORP HIGH YIELD FUND	33,688,071	31,367,259	(2,320,813)
CF MGT CORP PVT PLMT FD	94,508,034	94,384,689	(123,345)
CF MGT EMERGING MKT OPPORTUNITY FD	36,534,122	36,356,260	(177,862)
CF MGT MORTGAGE PRIVATE PLACEMENT	336,628,275	348,829,656	12,201,381
TOTAL JP MORGAN FIXED INCOME	\$ 508,540,629	\$ 518,202,794	\$ 9,662,165
STATE STREET LEHMAN AGGREGATE			
CF ST ST BD MKT INDEX FD	\$ 959,197,059	\$ 1,146,233,024	\$ 187,035,965
TOTAL STATE STREET LEHMAN AGGREGATE	\$ 959,197,059	\$ 1,146,233,024	\$ 187,035,965
TOTAL FIXED INCOME	\$ 2,399,952,295	\$ 2,594,143,611	\$ 194,191,316

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
INTERNATIONAL EQUITY			
T. ROWE PRICE			
ABB LTD CHF10(RG)	\$ 584,069	\$ 994,081	\$ 410,012
ABB LTD COMM STK	409,850	597,050	187,200
ABBNEY NATIONAL ORD GBPO.10	338,083	334,862	(3,221)
ABN-AMRO HLDGS NV NLG1.25	159,962	270,610	110,648
ADECCO SA CHF10 (REGD)	1,677,960	2,695,118	1,017,159
ADR CBT GROUP PUB LTD	350,686	535,152	184,466
ADR EMBRATTEL PARTICIPACOES S	263,586	236,469	(27,117)
ADR GRUPO TELEVISA SA DE CV REP	1,914,767	2,125,688	210,921
ADR ICICI LTD SPONSORED ADR	459,473	616,800	157,327
ADR KOREA TELECOM SPONSORED	664,615	856,238	191,623
ADR NEUVO GRUPO IUSACELL S A	259,219	265,625	6,406
ADR POHANG IRON & STL LTD	217,742	153,161	(64,581)
ADR TELE DE MEX SA CV L RPSTG SH	1,419,718	2,413,874	994,156
ADR TELE SUDESTE CELULAR	131,584	151,189	19,605
ADR TELECOMUNICACOES	391,566	458,541	66,975
ADR TELECOMUNICACOES BRASILEIRAS	1,312,123	2,425,930	1,113,807
ADR TELEFONICA DE ARGENTINA	257,651	297,498	39,847
AKZO NOBEL NV NLG5 (NL EXCH)	76,918	98,620	21,701
ALCAN ALUMIN COM STK (CAN QUOTE)	270,601	265,438	(5,162)
ALCATEL EUR2 SER'A'	1,478,668	2,925,499	1,446,831
ALLEANZA ASSICURAZ EURO.5	806,186	1,056,372	250,186
ALLIANZ AG DEM5(REGD)(VINKULIERT)	809,465	1,234,807	425,342
ALTRAN TECHNOLOGIE EUR1	501,443	344,048	(157,385)
ASM LITHOGRAPHY HL EURO.5	642,099	1,755,506	1,113,407
ASTRANZENEC A USD PAR .25	1,202,111	1,829,508	627,397
ATLAS COPCO AB SER'B'SEK5	108,062	112,119	4,058
AVENTIS SA EUR3.82	200,975	357,993	157,017
AVENTIS SA FRANCE EUR3.82	1,720,726	2,141,207	420,480
AXA EUR9.15	2,043,579	2,835,987	792,408
BALTIMORE TECH ORD GBP0.001	1,183,153	537,415	(645,739)
BAYER AG ORD NPV	237,465	285,534	48,069
BAYER HYPO-VEREINS ORD NPV	1,176,249	1,327,416	151,167
BBVA(BILB-VIZ-ARG) EURO.49	1,102,372	1,586,167	483,795
BCA INTESA SPA LIRE1000	1,767,935	2,094,595	326,660
BCO ITAU SA PREF (REGD)(PN)	80,550	179,331	98,781
BCO SANT CENT HISP EUR0.50(REGD)	1,031,875	1,387,563	355,688
BG GROUP ORD GBP0.10	146,386	227,466	81,080
BIPOP-CARIRE EURO.26	529,414	1,105,786	576,372



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BNP PARIBAS EUR4	\$ 1,982,317	\$ 2,223,274	\$ 240,957
BP AMOCO ORD USD0.25	757,188	1,066,581	309,393
BRAMBLES INDS LTD A\$0.50	454,423	647,263	192,841
BRIDGESTONE CORP Y50	428,112	340,392	(87,720)
BRITISH POUND STERLING	31,379	35,6134	4,234
CABLE & WIRELESS ORD GBP0.25	1,924,857	2,810,332	885,475
CABLE & WIRELESS HKT HKD0.50	531,854	464,649	(67,205)
CADBURY SCHWEPPE'S ORD GBP0.125	527,382	678,033	150,651
CANAL PLUS EUR0.75	344,017	200,759	(143,258)
CANON INC JPY50	1,573,767	3,248,142	1,674,375
CAP GEMINI EUR8	795,483	746,319	(49,164)
CARREFOUR EUR2.5	232,125	236,919	4,794
CELESTICA INC COM NPV (USD)	1,012,735	1,333,523	320,788
CELLTECH GROUP ORD GBP0.50	467,118	581,316	114,198
CENTRICA ORD GBX5.555555	139,762	197,277	57,515
CHEUNG KONG(HLDGS) HKD0.50	1,080,358	1,150,693	70,335
CHINA MOBILE (HK) HKD0.10	629,009	2,284,229	1,655,220
CHINA UNICOM HKD0.10	667,709	709,107	41,398
CIE DE ST-GOBAIN EUR16	801,307	760,107	(41,213)
CMNWLTH BK OF AUST NPV	462,506	620,513	158,007
COMPASS GROUP ORD GBP0.025	1,558,629	2,068,948	510,319
CREDIT SUISSE GRP CHF20(REGD)	697,434	903,994	206,561
CSM NV CVA(PART EXCH) EUR0.25	276,576	229,530	(47,047)
DANONE EUR1	143,839	190,531	46,692
DAO HENG BK GROUP COM STCK	455,611	469,129	13,518
DDI CORP JPY5000	263,379	375,975	112,596
DEUT TELEK REGD NPV(REGD)	641,650	1,112,373	470,722
DEUTSCHE BANK AG NPV(REGD)	1,248,133	1,502,666	254,533
DEXIA NPV	328,580	487,829	159,250
DEXIA SUB RIGHTS 13/06/2000	-	6,315	6,315
DIAGEO ORD GBX28.935185	1,091,523	1,125,584	34,061
E.ON AG NPV	759,881	775,011	15,130
EAST JAPAN RAILWAY JPY50000	231,987	279,457	47,471
ELECTROCOMPONENTS ORD GBP0.10	278,158	341,355	63,198
ELECTROLUX AB SER'B'SEK5	348,109	380,040	31,931
ENDESA SA EUR1.2	1,125,886	1,099,259	(26,627)
ENI ITL 1000(REGD)	946,699	1,059,550	112,851
EQUANT NV NLG0.02	759,127	364,023	(395,105)
ERICSSON(LM)TEL SEK1 SER'B'	2,286,448	2,985,858	609,410

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
EURO	\$ 1,474,077	\$ 1,483,394	\$ 9,318
FANUC JPY50	549,308	989,207	439,899
FORMENTO ECON MEXIC	606,141	674,790	68,649
FORTIS B NPV	536,744	739,123	202,379
FORTIS NL EUR0.24	662,577	884,971	222,394
FUJI BANK Y50	1,921,451	1,531,175	(390,275)
FUJI TELEVISION JPY5000	1,350,095	1,459,099	109,004
FUJITSU Y50	990,775	1,560,890	570,115
GDR HON HAI PRECISION IND	244,319	313,969	69,650
GDR UNIAO DE BANCOS	240,451	230,000	(10,451)
GEHE AG NPV	479,078	348,731	(130,347)
GIVAUDAN AG CHF10	18,106	21,068	2,962
GKN ORD GBP0.50	51,463	102,094	50,631
GLAXO WELLCOME ORD GBP0.25	3,188,859	4,171,564	982,705
HAYS ORD 1P	125,828	124,959	(869)
HENDERSON LAND DEV HKD2	359,194	321,206	(37,988)
HENNES & MAURITZ SEK0.25'B'	451,523	781,649	330,125
HERMES INTL FRF10 (POST SPLIT)	313,929	404,193	90,264
HILTON GRP ORD 10P	173,234	196,679	23,445
HITACHI JPY50	309,595	419,356	109,761
HONG KONG DOLLAR	12,187	12,226	39
HSBC HLDGS USD0.50	306,267	333,380	27,113
HUTCHINSON WHAMPOA HKD0.25	1,047,995	1,880,723	832,728
INFINEON TECHNOLOG ORD NPV	955,527	1,241,690	286,164
ING GROEP NV CVA EUR0.48	1,764,691	2,782,825	1,018,134
ITO YOKADO CO Y50	379,506	422,097	42,591
JAPANESE YEN	250,008	249,585	(423)
JERONIMO MARTINS EUR5	361,302	255,631	(105,671)
KAO CORP JPY50	202,465	398,091	195,626
KIMBERLY CLARK MEX 'A'NPV	-	1,561	1,561
KINGFISHER ORD GBP0.125	806,512	901,471	94,960
KOKUYO CO Y50	269,116	262,974	(6,142)
KON KPN NV EUR0.24	324,891	592,159	267,268
KYOCERA CORP COM	1,099,770	2,720,476	1,620,706
LAFARGE FR25 (BR)	98,542	104,312	5,770
LAING(JOHN) ORD'A'NON V GBP0.25	-	2,907	2,907
LEGRAND EUR2	855,826	871,755	15,929
LEND LEASE CORP ORD A\$0.50	173,155	253,230	80,075
L'OREAL EUR2	192,459	392,972	200,513



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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
LVMH MOET HENNESSY EUR1.5	\$ 560,854	\$ 562,210	\$ 1,356
MAKITA CORP Y50	236,782	238,883	2,101
MARCONI ORD GBP0.05	830,618	1,016,887	186,270
MARUI CO JPY50	902,637	1,016,871	114,234
MATSUSHITA ELC IND Y50	1,560,993	2,079,297	518,304
MEDIASET ITL 1000	421,077	276,063	(145,014)
MEDIOLANUM ITL200	856,870	1,241,363	384,493
MFC KOREA FD INC CLOSED END FD	521,060	374,639	(146,421)
mitsui FUDOSAN JPY50	1,317,184	1,456,453	139,269
MURATA MFG CO JPY50	1,756,043	3,164,690	1,408,647
NEC CORP Y50	1,457,337	3,084,353	1,627,017
NESTLE SA CHF10(REGD)	1,782,966	2,278,934	495,968
NEWS CORPORATION NPV	1,023,016	1,266,715	243,699
NEWS CORPORATION PRF AUD0.50	1,815,812	2,118,284	302,471
NIPPON TEL&TEL CP JPY	3,260,695	3,304,948	44,253
NOKIA (AB) OY EUR0.05	1,767,638	6,501,673	4,734,035
NOMURA SECURITIES Y50	1,261,644	2,158,310	896,667
NORDEA SEK3.50	117,581	213,336	95,754
NORDEA SEK3.50(SEK QUOTE)	890,960	1,231,202	340,242
NORTEL NETWORKS CP COM NPV	623,020	970,372	347,352
NTT DOCOMO INC NPV	1,521,717	2,549,785	1,028,068
ORKLA ASA NOK6.25 ORD	368,154	506,294	138,140
PACIFIC CENTURY	625,645	800,097	174,453
PACIFIC DISC TRST RPF	1,818	2,436	618
PETROL BRASILEIROS PRF NPV	1,135,790	1,488,750	352,961
PHILIPS ELEC (KON) EURO.25	1,443,283	2,910,757	1,467,474
PUBLISHING & BROAD NPV	510,062	663,501	153,439
REED INTERNATIONAL	2,573,323	2,785,473	212,150
REPSOL YPF SA EUR1	558,379	693,168	134,789
RHON-KLINIKUM AG ORD 10P(REGD)	136,488	155,142	18,654
RIO TINTO PLC ORD 10P(REGD)	925,363	1,013,670	88,307
ROCHE HLDG AG GENUSSSCHEINE	606,668	680,037	73,369
ROYAL BANK CAN MONTREAL QUE	160,209	255,107	94,898
ROYAL BK SCOT GRP ORD 25P	2,493,978	3,881,121	1,387,143
ROYAL DUTCH PETROL NLG1.25	1,072,453	1,575,020	502,567
SAMSUNG ELECTRONIC KRW5000	1,943,973	2,478,698	534,725
SAN PAOLO-IMI SPA EUR2.80	122,173	168,768	46,595
SANDVIK AB SEK6	155,885	156,926	1,041
SANKYO CO JPY50	774,124	679,079	(95,045)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SANOFI-SYNTHELABO EUR2	\$ 1,169,806	\$ 1,757,817	\$ 588,011
SAP AG NON-VTG PRF NPV	242,994	166,932	(76,062)
SAP AG ORD NPV	1,884,419	1,948,674	64,255
SCHNEIDER ELECTRIC EUR8 (BR)	237,156	281,507	44,351
SECURITAS SER'B'SEK1	1,688,952	1,798,236	109,284
SEVEN ELEVEN NPV	1,443,315	1,257,502	(185,813)
SHELL TRNSPT & TRDG ORD CBP0.25	2,488,274	3,364,587	876,313
SHIN-ETSU CHEM CO Y50	414,321	813,572	399,251
SHISEIDO CO Y50	372,110	465,006	92,896
SIEMENS AG NPV (REGD)	159,469	385,884	226,415
SMITH (DAVID S.) HLD ORD CBP0.10	204,151	100,777	(103,374)
SMITHKLINE BEECHAM ORD GBP0.0625	1,767,840	2,350,085	582,245
SOC EUROPEENNE FIDUCIARY	192,098	194,348	2,251
SOC GENERALE EUR1.25	250,798	418,374	167,575
SODEXHO ALLIANCE EUR16	250,945	311,434	60,488
SOFTBANK CORP JPY50	1,203,192	789,377	(413,815)
SONY CORP Y50	1,426,863	3,125,183	1,698,320
STANDARD CHARTERED ORD CBP0.25	807,782	747,536	(60,246)
STMICROELECTRONICS	430,856	1,353,986	923,130
SUMITOMO BANK JPY50	1,683,810	1,449,837	(233,973)
SUMITOMO CORP JPY50	510,866	665,252	154,386
SUMITOMO ELECT IND Y50	226,123	309,286	83,163
SUN HUNG KAI PROP HKD0.50	211,649	215,514	3,866
SWISSCOM AG CHR25(REGD)	261,413	307,500	46,087
T.I.M.SPA EUR0.06	1,422,691	3,198,851	1,776,160
TABCORP HLDGS LTD NPV	306,766	253,608	(53,157)
TDK CORP JPY50	501,890	1,008,270	506,379
TECNOST SPA EUR1	87,752	313,504	225,752
TELE DANMARK A/S DKK5	308,049	392,360	84,311
TELECOM CORP OF NEW ZEAL	584,456	459,428	(125,028)
TELECOM ITALIA SPA ITL 1000	931,403	1,934,167	1,002,764
TELEFONICA SA EUR1	1,378,120	2,436,968	1,058,848
TELESP CELLULAR PAR PRF NPV	163,026	170,473	7,447
TELESP TEL SAO PAU PRF NPV	215,751	134,575	(81,177)
TELSTRA CORP INS	91,090	68,445	(22,644)
TELSTRA CORP NPV	584,352	578,015	(6,337)
TESCO ORD 5P	311,556	399,446	87,890
TF1-TV FRANCAISE EUR0.20	1,427,537	3,351,769	1,924,233
TNT POST GROEP NV NLG1	48,785	93,233	44,449



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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
TOMKINS ORD GBP0.05	\$ 873,015	\$ 680,586	\$ (192,429)
TOSHIBA CORP Y50	1,729,474	2,534,171	804,697
TOTAL FINA ELF EUR10	2,394,961	4,004,532	1,609,571
UBS AG COM STK	1,542,225	1,741,683	199,458
UCB AG COM STK	224,718	192,909	(31,809)
UNICREDITO ITALIA ITL500	734,469	1,090,267	355,798
UNILEVER ORD CBP0.014	863,838	575,909	(287,930)
UNITED NEWS & MEDI ORD 25P	333,000	501,915	168,915
UNITED PAN EUROPE COM	572,826	442,340	(130,486)
UNITED STATES DOLLAR	5,178,522	5,219,440	40,917
UTD O/S BANK SGD1	901,728	889,831	(11,897)
VIVENDI EUR5.5	2,592,299	3,480,035	887,736
VNU NV EUR0.2	2,684,561	2,391,157	(293,404)
VODAFONE GROUP PLC ORD USD0.10	5,247,389	6,830,933	1,583,544
WOLTERS KLUWER CVA EUR0.12	784,690	756,978	(27,712)
WPP GROUP ORD 10P	2,524,649	2,137,496	(387,152)
YAMANOUCHI PHARM JPY50	1,311,108	1,641,699	330,591
TOTAL T. ROWE PRICE	\$ 177,841,070	\$ 238,129,413	\$ 60,288,342
MARTIN CURRIE			
3I GROUP ORD GBP0.50	\$ 3,950,986	\$ 3,992,821	\$ 41,835
ADR EMBRATEL PARTICIPACOES SA	3,230,232	3,026,765	(203,467)
ADR GRUPO TELEVISA SA DE CV	1,039,796	1,999,188	959,391
ADR TELE DE MEX SA CV L RPSTG	2,793,157	3,621,725	828,568
ADR TELECOM DE SAO PAULO	-	61,158	61,158
ALBERTA ENERGY CO	3,116,739	3,570,287	453,548
ALCATEL EUR2 SER'A'	4,119,996	5,926,267	1,806,271
ALLEANZA ASSICURAZ EUR0.5	1,906,845	2,388,565	481,720
ALLIANZ AG DEM5	4,584,475	4,543,288	(41,187)
ALSTOM EUR6	1,732,572	1,476,015	(256,557)
AMADEUS GLOB TRAVE	2,060,382	2,085,500	25,118
ASAHI CHEM INDUST Y50	1,535,871	1,998,960	463,089
ASTRAZENECA USD PAR .25	1,526,293	1,681,275	154,982
AVENTIS SA FRANCE EUR3.82	3,639,012	4,519,405	880,394
AXA EUR9.15	5,011,604	7,980,968	2,969,364
BBVA(BILB-VIZ-ARG) EUR0.49	3,487,960	3,654,327	166,367
BCO SANT CENT HISP EUR0.50	2,519,712	2,744,568	224,856
BOMBARDIER INC CLASS'B'SUB	3,972,154	5,094,984	1,122,830
BP AMOCO ORD USD0.25	2,028,437	2,380,247	351,811

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
BRIDGESTONE CORP Y50	\$ 2,237,242	\$ 1,591,434	(\$ 645,808)
BUSI ASIA PACIFIC EX JAPAN FUND	28,454,073	30,441,762	1,987,689
BUSI EURO MID-EAST AFRICA FD SHS	11,778,211	12,309,886	531,675
BUSI JAPAN SMALL COMPANIES FUND	7,687,874	12,482,185	4,794,311
CABLE & WIRELESS ORD GBP0.25	1,619,975	2,557,927	937,953
CANADIAN DOLLAR	20,922	20,927	5
CANON INC JPY50	2,235,900	4,797,255	2,561,356
CAP GEMINI EUR8	3,152,250	3,492,024	339,774
CARREFOUR EUR2.5	5,771,669	5,200,272	(571,396)
DAIWA HOUSE IND CO 50	1,279,548	1,111,932	(167,616)
ELSEVIER NV EURO.06	4,043,188	4,288,951	245,763
ERICSSON(LM)TEL SEK1 SER'B'	7,758,547	8,913,009	1,154,462
EURO	1,305,246	1,349,310	44,064
FORENINGSSPARKBK SEK20 SER'A'	5,004,344	2,022,289	(2,982,055)
FUJI PHOTO FILM CO Y50	1,327,536	1,435,660	108,124
FUJITSU Y50	1,628,634	3,572,705	1,944,071
GKN ORD GBP0.50	1,251,940	1,684,545	432,605
GLAXO WELLCOME ORD GBP0.25	5,883,552	6,126,073	242,521
GPO FIN BANAMEX-AC	2,148,779	1,808,503	(340,276)
HILTON GRP ORD 10P	1,269,195	1,162,511	(106,684)
HITACHI JPY50	2,026,849	3,383,772	1,356,923
HOECHST AG ORD NPV	824,709	596,143	(228,566)
HOLDERBK FN GLARUS CHF50(BR)	2,790,498	2,570,568	(219,930)
HONDA MOTOR CO Y50	2,254,584	2,115,401	(139,183)
HSBC HLDGS ORD USD0.50(UK REG)	2,005,089	1,898,557	(106,532)
INDIAN OPP FUND USD0.01	3,800,100	4,674,182	874,082
ING GROEP NV CVA EUR0.48	1,717,587	1,935,592	218,005
ITO-YOKADO CO Y50	1,596,021	1,628,089	32,068
JAPANESE YEN	134,316	135,180	864
KAO CORP JPY50	1,975,274	2,786,636	811,362
MARCONI ORD GBP0.05	2,831,742	3,685,889	854,147
MARUI CO JPY50	1,743,488	1,976,183	232,694
MATSUSHITA COMM JPY50	1,345,831	1,322,187	(23,644)
NETSUI MARINE FIRE JPY50	783,454	698,927	(84,527)
NOKIA (AB) OY EUR0.06	2,919,046	8,803,541	5,884,495
NORTEL NETWORKS CP COM NPV	5,192,051	6,241,640	1,049,588
NTT DOCOMO INC NPV	1,574,752	5,316,573	3,741,821
PETROL BRASILEIROS	1,957,171	3,660,000	1,702,829
PRUDENTIAL PLC 5P	3,391,622	3,370,423	(21,200)



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ROHM CO JPY50	\$ 2,075,592	\$ 5,420,349	\$ 3,344,757
ROYAL BANK CAN MONTREAL QUE COM	3,293,618	3,429,378	135,761
ROYAL BK SCOTLAND ORD GBP0.25	548,817	816,562	267,745
SAGE GROUP ORD GBP0.01	3,923,063	3,118,140	(804,923)
SAN PAOLO-IMI SPA EUR2.80	3,592,484	4,646,965	1,054,481
SANWA INTERNL FINA UNIT	1,509,219	1,644,535	135,316
SECOM Y50	1,345,989	2,563,678	1,217,689
SECURITAS SER'B'SEK1	909,642	1,215,255	305,613
SEMA GRP ORD GBP0.10	536,519	540,745	4,226
SHELL TRNSPT&TRDG ORD GBP0.25	2,550,828	2,963,842	413,013
SHIN-ETSU CHEM CO Y50	2,509,131	4,728,888	2,219,757
SMITHKLINE BEECHAM ORD GBP0.25	1,840,626	1,879,320	38,694
SMITHS GROUP ORD GBP0.25	1,637,825	1,644,450	6,625
SOC GENERALE EUR1.25	2,452,755	3,046,494	593,739
SODEXHO ALLIANCE EUR16	1,670,803	2,052,184	381,381
SONY CORP Y50	101,595	2,601,200	2,499,605
SUEZ LYONN EAUX EUR10	4,484,401	4,956,526	472,126
SUMITOMO ELECT IND Y50	1,995,168	2,577,383	582,215
T.I.M.SPA EUR0.06	3,630,416	5,250,902	1,620,486
TAKEFUJI CORP JPY50	1,455,967	1,707,112	251,146
TB FINANCE (CAYMAN) 2.75% MAND	509,553	564,246	54,693
TELECOM ITALIA SPA ITL 1000	1,934,922	2,653,559	718,637
TELEFONICA SA EUR1	4,873,478	5,934,040	1,060,562
TELEGLOBE INC COM	3,477,448	3,035,342	(442,106)
TIETOENATOR OYJ ORD NPV	1,165,378	790,901	(374,477)
TOPPAN PRINTING CO Y50	3,317,587	2,841,983	(475,604)
TOTAL FINA ELF EUR10	5,713,734	6,900,209	1,186,474
UNITED STATES DOLLAR	11,873,620	11,943,726	70,106
VIVENDI EUR5.5	4,932,148	6,745,259	1,813,111
VNU NV EUR0.2	5,583,363	7,198,830	1,615,468
VODAFONE GROUP PLC ORD USD0.10	5,903,032	10,508,708	4,605,677
WALMART DE MEXICO SERIES V NPV	1,751,378	2,011,988	260,610
WPP GROUP ORD 10P	1,709,902	1,756,846	46,945
YAMANOUCHI PHARM JPY50	2,510,666	4,760,928	2,250,262
TOTAL MARTIN CURRIE	\$ 286,299,699	\$ 350,365,432	\$ 64,065,734

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
WELLINGTON MANAGEMENT			
3I GROUP ORD GBP0.50	\$ 1,873,541	\$ 1,785,391	\$ (88,150)
ABITIBI-CONS INC COM NPV	891,734	874,556	(17,178)
ADR ASIA PULP & PAPER LTD	344,172	193,388	(150,785)
ADR CHINA UNICOM LTD	1,639,745	1,706,375	66,630
ADR COFLEXIP SPONSORED	709,025	1,337,050	628,025
ADR COMPANHIA VALE DO RIO	1,054,079	1,740,200	686,121
ADR DE BEERS CONS MINES LTD	1,385,094	1,342,050	(43,044)
ADR GUCCI GROUP N V SHS-N Y	1,013,357	1,023,714	10,357
ADR NEWS CORP LTD SPONSORED	1,921,039	2,926,000	1,004,961
ADR NOKIA CORP SPONSORED FINLAND	4,714,135	10,911,344	6,197,209
ADR PETROCHINA CO LTD	2,695,462	2,795,156	99,694
ADR PRIMACOM AG SPONSORED ADR	344,755	351,500	6,745
ADR REED INTL PLC NEW	1,207,302	1,284,500	77,198
ADR REPSOL YPF S A SPONSORED ADR	1,769,974	1,828,694	58,720
ADR RYANAIR HLDGS PLC	1,705,770	3,259,450	1,553,680
ADR TAIWAN SEMICONDUCTOR MFG	2,376,764	2,454,735	77,971
ADR TELEFONICA DE ESPANA	2,745,116	3,686,733	941,617
ADR TOTAL FINA S A SPONSORED ADR	1,535,628	1,913,881	378,253
ADR UTD PAN-EUROPE COMMUNICATIONS	552,308	664,200	111,892
AEGON NV EUR0.12	6,334,718	4,347,047	(1,987,670)
AKZO NOBEL NV NLG5 (NL EXCH)	1,010,988	1,027,999	17,011
ASTRAZENECA SPON ADR REP 1	3,494,750	4,026,900	532,150
AXA EUR9.15	6,584,549	7,575,917	991,369
BANYU PHARM JPY50	3,092,439	4,218,515	1,126,076
BAYER AG ORD NPV	1,826,487	1,869,407	42,920
BAYER MOTOREN WERK EUR1	1,907,351	1,962,808	55,457
BCO POPULAR ESP EUR0.5	2,497,376	2,456,616	(40,760)
BCO SANT CENT HISP EUR0.50 (REGD)	3,605,057	3,552,557	(52,499)
BK OF IRELAND ORD STK EUR0.64	4,464	3,927	(537)
BK OF IRELAND ORD STK EUR0.64(DUBLIN)	305,801	275,985	(29,817)
BNP PARIBAS EUR4	2,843,468	3,042,242	198,775
BOC GROUP ORD 25P	690,015	629,911	(60,104)
BRIAN MCGUIGAN WNS	420,690	366,269	(54,421)
BRIT AMER TOBACCO ORD GBP0.25	5,313,219	3,903,488	(1,409,731)
BRITISH AIRWAYS ORD 25P	1,699,688	1,700,736	1,408
BRITISH TELECOM ORD 25P	2,525,194	1,847,444	(677,751)
BRL HARDY LTD NPV	206,184	218,376	12,193
CANADIAN SATELLITE COM NPV	707,852	1,820,746	1,112,895



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CARREFOUR EUR2.5	\$ 1,527,498	\$ 1,278,071	(\$ 249,427)
CDN NATL RAILWAYS COM NPV	969,964	1,009,888	39,924
CIBA SPEZIALITATEN CHF10 (REGD)	749,816	705,962	(43,854)
CNH GLOBAL N V	99,232	58,800	(40,432)
COGNOS INC COM NPV	1,202,255	3,467,225	2,264,970
COLT TELECOM GROUP ORD GBP0.025	4,283,267	5,611,820	1,328,553
CREDIT SUISSE GRP CHF20(REGD)	1,126,142	1,279,162	153,020
DEUT TELEK REGD NPV(REGD)	6,346,703	4,433,266	(1,913,437)
DEUTSCHE BANK AG NPV(REGD)	2,887,248	3,323,854	436,606
EISAI CO JPY50	2,623,129	4,370,304	1,747,175
ENDESA SA EUR1.2	4,864,381	4,078,460	(785,921)
FUJISAWA PHARMA CO Y50	1,927,009	4,825,008	2,897,999
FUJITSU Y50	3,745,136	4,370,493	625,357
FURUKAWA ELEC CO Y50	278,295	376,825	98,530
GAMBRO AB SER'A'SEK2	887,883	1,099,332	211,449
GAMBRO AB SER'B'SEK2	14,283	16,840	2,556
GILAT SATELLITE NETWORKS	1,878,432	2,275,500	397,068
GRANADA GROUP ORD GBP0.125	1,025,866	1,038,414	12,548
HITACHI JPY50	3,628,743	4,396,012	767,268
HONDA MOTOR CO Y50	1,892,226	1,671,849	(220,377)
IMPERIAL CHEM INDS ORD G8P1	553,725	529,605	(24,120)
ING GROEP NV CVA EURO.48	3,551,430	3,998,092	446,662
INMOBILIA COLONIAL EUR3	1,220,997	1,117,823	(103,173)
INMOBILIA COLONIAL NEW SHARES	-	55,880	55,880
INVENSYS ORD G8P0.25	617,697	544,754	(72,943)
JAPANESE YEN	84,922	84,011	(910)
KANEKA CORP JPY50	388,114	375,653	(12,461)
KIMBERLY CLARK MEX'A'NPV	723,459	669,910	(53,549)
KON KPN NV EURO.24	4,724,373	3,305,241	(1,419,132)
KONINKLIJKE PHILIPS ELECTR	1,307,843	2,875,080	(1,567,237)
KPNQWEST NV NY REG ADR STK	1,662,661	1,585,000	(77,661)
LLOYDS TSB GROUP ORD G8P0.25	3,613,248	3,439,014	(174,234)
LOGICA ORD G8P0.10	470,853	442,751	(28,102)
L'OREAL EUR2	1,854,743	2,260,458	405,715
MATSUSHITA ELC IND Y50	3,836,224	3,950,664	114,440
MICHELIN CGDE EUR2(REGD)	1,498,852	1,227,465	(271,387)
MITSUBISHI ELECT Y50	331,875	651,009	319,134
MORITEX CORP JPY50	252,408	273,617	21,208
NESTLE SA CHF10(REGD)	4,653,445	4,879,128	225,683

Investments at June 30, 2000



SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
NIKKO SECURITIES Y50	\$ 1,404,826	\$ 1,111,479	\$ (293,347)
NIPPON TEL & TEL CP JPY50000	7,209,239	5,823,638	1,385,601
PETRO-CANADA EURO COM	1,834,677	2,186,305	351,628
PEUGEOT SA EUR6	2,019,825	2,619,340	599,514
PIN-PRINTEMPS-REDO FRF20	3,606,619	3,635,798	29,179
PROMISE CO JPY50	1,141,967	1,924,616	782,649
REUTERS GROUP ORD GBP0.25	334,823	414,583	79,760
ROYAL BK SCOT GRP ORD 25P	2,310,955	2,919,882	608,927
ROYAL BK SCOTLAND ORD GBP0.25	203,643	201,955	(1,688)
SAN PAOLO-IMI SPA EUR2.80	2,297,808	3,132,808	835,000
SCOT POWER ORD GBP05.0	2,323,167	2,159,226	(163,941)
SEMA GRP ORD GBP0.10	2,582,548	3,003,935	421,387
SIMEON WINES NPV	1,015,606	769,440	(246,166)
SKAND ENSKILDA BKN SER'A'SEK10	3,592,520	4,206,450	613,930
SMITH & NEPHEW ORD 10P	1,346,297	1,585,921	239,624
SMITHKLINE BEECHAM ADR	1,235,396	1,222,997	(12,399)
SMURFIT(JEFFERSON) ORD EUR0.30	335,403	331,890	(3,514)
SOFTBANK CORP JPY50	2,511,757	1,061,576	(1,450,182)
SOUTHCORP LTD NPV	655,996	517,654	(138,342)
SUEZ LYONN EAUX EUR10	2,153,404	2,075,553	(77,851)
SUNCOR ENERGY COM NPV	5,209,703	6,107,875	898,172
TECHNIP FRF20	469,133	667,967	198,834
TECK CORP CL B COM	317,578	304,431	(13,146)
TELEWEST COMMS ORD GBP0.10	598,008	513,565	(84,443)
TOKYO ELEC POWER JPY500	1,233,657	1,355,961	122,304
TOMKINS ORD GBP0.05	2,576,565	2,771,786	195,221
TOYOTA MOTOR CORP JPY50	2,142,711	2,875,951	733,240
UNIBAIL FRF100	1,596,854	1,665,240	68,386
UNITED STATES DOLLAR	4,960,664	5,009,043	48,379
VODAFONE GROUP PLC ORD USD0.10	3,135,825	2,199,566	(936,260)
VOLVO SERIES'B' ACCEPTANCE SHARES	168,013	195,518	27,505
VOLVO(AB) SEK6 SER'B'	1,512,116	1,243,451	(268,665)
TOTAL WELLINGTON MANAGEMENT	\$ 212,890,969	\$ 234,693,448	\$ 21,802,479



Investments at June 30, 2000

SYSTEM HOLDINGS June 30, 2000

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
STATE STREET INTERNATIONAL EAFE			
CF ST ST EAFE INTL INDEX	\$ 293,893,031	\$ 366,121,051	\$ 72,228,020
TOTAL STATE STREET	\$ 293,893,031	\$ 366,121,051	\$ 72,228,020
 TOTAL INTERNATIONAL EQUITY	 \$ 970,924,770	 \$ 1,189,309,344	 \$ 218,384,575
 TOTAL RETIREMENT ASSETS	 \$ 5,823,148,353	 \$ 7,575,293,423	 \$1,752,145,070
 GROUP LIFE RESERVES			
STATE STREET SHORT TERM BOND FUND	\$ 33,789,430	\$ 34,355,103	\$ 565,672
TOTAL GROUP LIFE	\$ 33,789,430	\$ 34,355,103	\$ 565,672

Actuarial Valuations

NOTE

Starting with this Annual Report, the System's Annual Reports will henceforth include the actuarial valuations for its plans prepared as of June 30th of the fiscal year prior to the fiscal year of the Annual Report itself. The System is making this change to better align information that a reader of any given year's annual report would expect to find. Until now, the Report has included valuations prepared as of the June 30th of the same fiscal year as the Annual Report. An actuarial valuation is a snapshot at a particular point in time; the snapshot is the basis for the upcoming, not the just-completed, year. Because of this, it is more appropriate that the Annual Report, which covers a just-completed fiscal year, include the actuarial valuations related to the same period.

To accomplish this transition, the valuations included in this Annual Report are those prepared as of June 30, 1999 and are the same valuations that appeared in the System's FY1999 Annual Report. Actuarial valuations prepared as of June 30, 2000 are separately available from the System and will appear in the System's FY2001 Annual Report.



Actuarial
Valuation
at 6/30/99:

State Employee
and
Teacher



Actuarial Valuation: State/Teacher



SECTION I BOARD SUMMARY

OVERVIEW

This report presents the results of our June 30, 1999, actuarial valuation of the retirement plans for state employees and teachers administered by the Maine State Retirement System (MSRS). These results provide a “snapshot” view of the System’s financial condition on June 30, 1999 including the effect of the recent changes in benefits and additional contributions as outlined below.

Benefit Changes

- Effective October 1, 1999, the minimum creditable service required for eligibility for benefits when qualified was reduced from 10 to 5 years.
- Membership in the 1998 Special Plan was expanded to include employees in the following capacities: Baxter State Park Authority Rangers, State Fire Marshals, and employees of the Department of Corrections.
- Members of the State Police 38th training troop were granted membership in the pre-84 State Police Special Plan.

Additional Contributions

- General Fund Surplus funds of \$18.8 million, as required by 5 MRSA Section 1517.
- \$15.5 million which had been reserved out of earlier General Fund Surplus contributions pending judgement in Parker v Wakelin was transferred into the System's assets.
- An additional \$1 million of General Fund Surplus resulting from reprojected revenues was contributed under 5 MRSA Section 1517.
- \$2 million from a State General Fund retirement account was transferred to the System.

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

This year's valuation produces a combined employer contribution rate for the State employee and teacher plans of 16.00%, which is lower than the 17.35% produced in last year's valuation. The benefit changes resulted in an increased employer contribution rate which was offset by investment returns at greater than the actuarially assumed rate of 8% by liabilities not increasing as much as expected, and by additional contributions, resulting in the 1.35% decrease in the rate.

On June 30, 1999, the total actuarial liability for the System's State employee and teacher plans stood at \$7.0 billion, up from \$6.6 billion at the end of the previous year. Similarly, the total actuarial value of assets increased from \$4.2 billion on June 30, 1998 to \$4.8 billion on June 30, 1999. Finally, the unfunded actuarial liability decreased from \$2.4 billion on June 30, 1998 to \$2.2 billion on June 30, 1999.

This is the third year in which we measure experience gains/losses for purposes of the 1995 Constitutional amendment. In 1999, the plans experienced a net gain of \$298 million. Therefore, the Constitutional requirement regarding the amortization of experience losses and the Board of Trustees' policy regarding the treatment of experience gains were not called into play in this year's valuation.

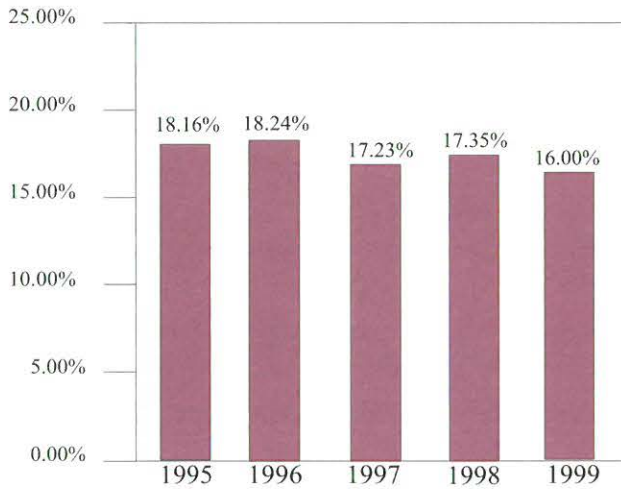
The balance of this section summarizes recent trends in the System's finances, analyzes the actuarial experience in the System during the past year, and concludes with summary tables useful for reference purposes.



Actuarial Valuation: State/Teacher

SYSTEM TRENDS

Retirement System Contribution Rates*

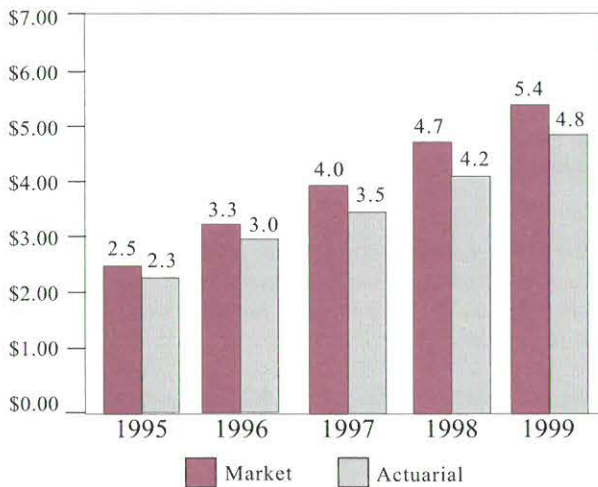


The State contribution rate dropped by 135 basis points this year, primarily due to greater than expected investment returns, coupled with additional State contributions.

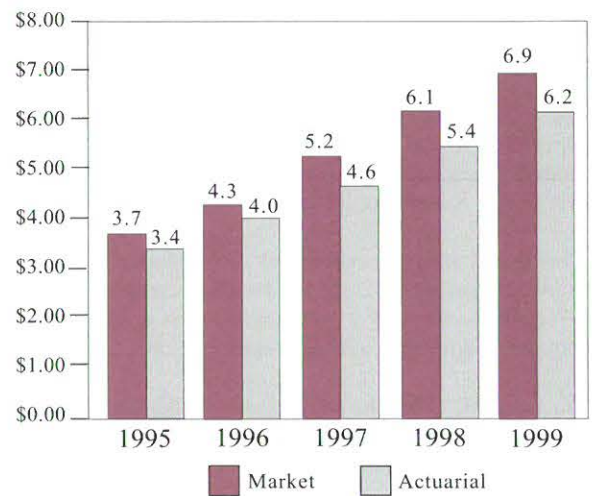
*Rates do not include retiree health insurance (separately established by the State) or costs of System operations. Rates shown are composite rates for the State Regular employees, Teachers, and the State special plan groups.

Retirement System Assets

State Employee and Teacher Assets (in billions)



System Total Assets** (in billions)



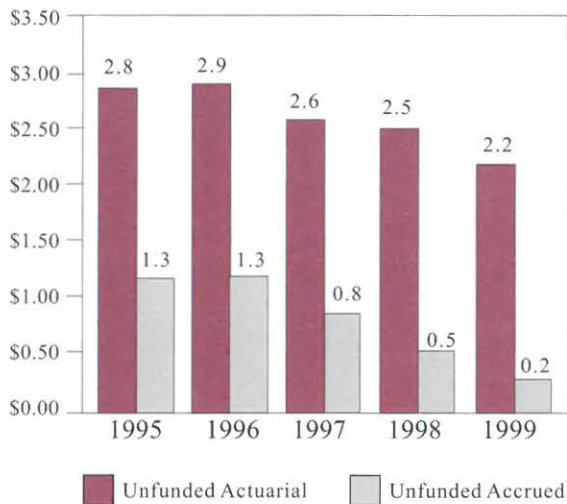
The System's assets earned about 11.2% from 1998 to 1999 when measured on Market Values. For funding purposes we use a smoothed value of assets known as the Actuarial Value. On this basis, the assets returned 14.1% over the year.

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

Actuarial Valuation: State/Teacher

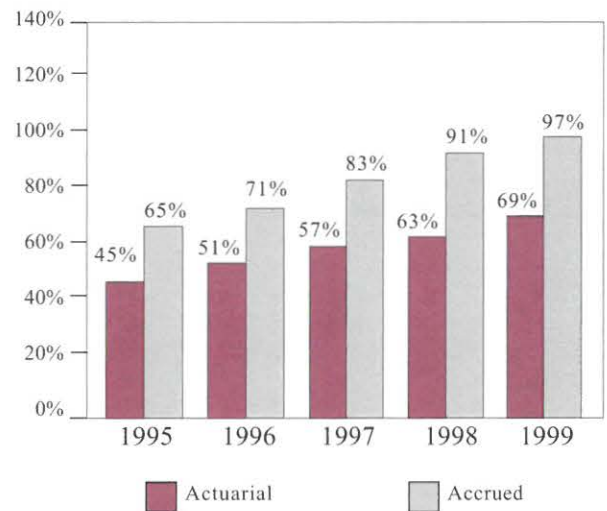


**State Employee and Teacher Plans
Unfunded Liabilities
(in billions)**



Unfunded actuarial liabilities have generally decreased over the past few years.

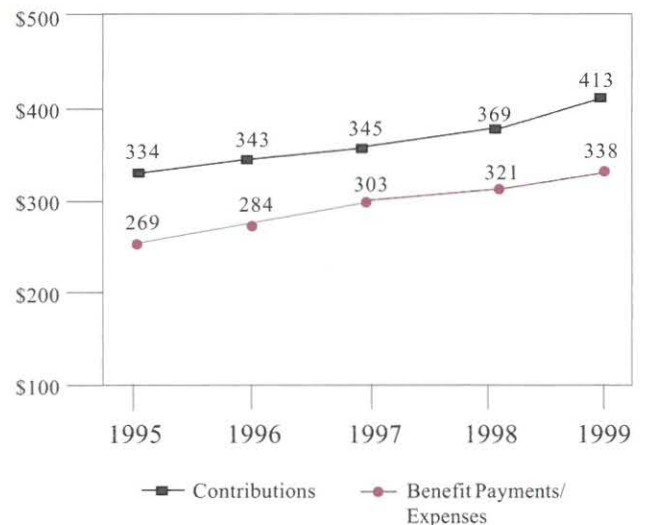
Funding Ratios



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

The net cash flow of the System, excluding investments, has maintained a positive balance over the past few years.

**Cash Flows
(in millions)**





Actuarial Valuation: State/Teacher

SYSTEM EXPERIENCE

July 1, 1998 – June 30, 1999

The key indicator of overall experience of the System is the stability of the composite (i.e., State employer regular and special plans and teacher plan) State contribution rate. The rate is set so that it will be stable from year to year if experience is exactly as expected. An increase in the rate indicates unfavorable experience and a decrease, favorable experience, during the year covered by the valuation. The net experience of the System during the year ending June 30, 1999, was better than expected and even coupled with the benefit improvements resulted in a significant decrease in the contribution rate of 1.35%.

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

ASSETS

As of June 30, 1999, the market value of System assets was \$6.90 billion, an increase of \$0.76 billion from the 1998 figure of \$6.14 billion.

When measured on a method that smooths market fluctuations, the actuarial value of System assets increased by \$0.85 billion, to \$6.24 billion in 1999 from \$5.39 billion in 1998. The components of this change, in millions, are:

Actuarial		Market
+	\$413 employer and member contributions	+ \$ 413
-	337 payment of benefits and expenses,	- 337
+	434 investment return per 8.0% assumption,	+ 494
+	<u>333</u> actuarial investment gain (actuarial rate of return @ 14.1%)	
	market investment gain (market rate of return @ 11.2%)	+ <u>197</u>
=	\$843 total increase in assets	= \$ 767

The investment gain for the State employee and teacher plans only, excluding participating local districts, was \$259.0 million on an actuarial value basis.

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

Actuarial Valuation: State/Teacher



LIABILITIES

Throughout this report we discuss two types of liabilities:

- Actuarial Liabilities
- Accrued Benefit Liabilities

ACTUARIAL LIABILITY

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

As of June 30, 1999, the State's unfunded actuarial liability was \$2.18 billion. This compares to June 30, 1998, unfunded actuarial liability of \$2.45 billion, a decrease of \$270 million. This compares with an expected increase of \$58 million. The components of this decrease, in millions, are as follows:

Unfunded Actuarial Liability, June 30, 1998	\$ 2,454
• increase expected	58
• decrease due to asset gain (investment return)	(256)
• decrease due to extra contributions	(39)
• other (gains)/losses (see below)	(42)
Unfunded Actuarial Liability, June 30, 1999	\$ 2,175

The unexpected decrease in unfunded actuarial liabilities from "other (gains)/losses" of \$42 million is attributable to the differences between assumed and actual rates of pay increases and of members retiring, terminating employment, or dying.

ACCRUED BENEFIT LIABILITY

The second type of liability is the accrued benefit liability. This represents the liabilities for all future benefits, based on members' earnings and service credits as of the valuation date June 30, 1999. The difference between this figure and the market value of System assets represents the unfunded accrued benefit liability. As of June 30, 1999, the unfunded accrued benefit liability was \$0.16 billion, down from \$0.46 billion on June 30, 1998.

CONTRIBUTIONS

In Section IV of this report, we present detailed information on the development of State employer contribution rates, calculated as of June 30, 1999. In addition, Section IV discusses the application of the State contribution rate for State budget purposes.



Actuarial Valuation: State/Teacher

CONTRIBUTIONS (continued)

Contributions to the System consist of:

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

The composite contribution rate for all State employees and teachers decreased from 17.35% of payroll as of June 30, 1998, to 16.00% of payroll as of June 30, 1999. The primary components of this change are shown below.

Contribution Rate as of June 30, 1998	17.35%
Investment Gain (Due to Higher than Expected Investment Returns)	(1.12)
Extra Contributions	(0.17)
Net effect of Other Losses and Gains	(0.14)
Effect of Aggregate Payroll Growth at less than the 5.5% Assumption	<u>0.08</u>
Contribution Rate as of June 30, 1999	16.00%

The effect of aggregate payroll growth at less than the actuarial assumption was discussed in detail in the 1995 valuation report. Simply put, the dollar amount of the unfunded actuarial liability payment increased according to the amortization schedule for its ultimate paydown, while the aggregate payroll (which is divided into this contribution in order to create a rate) did not grow as much as anticipated. As a result, this factor acts to increase the contribution rate (but not necessarily resulting in an increase in the amount of the contribution). As shown above, the combination of this factor with other factors that acted to increase or decrease the rate resulted in total in a decrease in the contribution rate of 1.35%.

Actuarial Valuation: State/Teacher



SUMMARY OF PRINCIPAL RESULTS TOTAL (State and Teacher)*

1. Participant Data	June 30, 1999	June 30, 1998
Number of:		
Active Members	40,833	39,681
Retired Members and Beneficiaries	19,426	19,055
Survivors and Disabled Members	2,451	2,398
Vested Deferred Members	1,489	1,186
Total Membership	64,199	62,320
Annual Salaries of Active Members	\$ 1,202,943,859	\$ 1,152,172,667
Annual Retirement Allowances for Retired Members and Beneficiaries (includes survivors and disabled employees)	\$ 270,410,313	\$ 256,882,183
2. Assets and Liabilities		
Actuarial Liability	\$ 7,020,347,666	\$ 6,612,948,281
Actuarial Value of Assets	4,844,937,706	4,158,926,645
Unfunded Actuarial Liability	\$ 2,175,409,960	\$ 2,454,021,636
Actuarial Liability Funding Ratio	69.01%	62.89%
Accrued Liability	\$ 5,523,871,144	\$ 5,189,989,996
Market Value of Assets	5,362,496,450	4,732,073,875
Unfunded Accrued Liability	\$ 161,374,694	\$ 457,916,121
Accrued Benefit Funding Ratio	97.08%	91.18%
3. Contribution Results as a Percent of Payroll (composite rate for all State Employees and Teachers)**		
Normal Cost	6.15%	6.10%
Unfunded Actuarial Liability	9.85	11.25
Total	16.00%	17.35%

* Excludes participating local districts

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



Actuarial Valuation: State/Teacher

SUMMARY OF PRINCIPAL RESULTS TEACHERS*

1. Participant Data

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Number of:		
Active Members	26,507	25,876
Retired Members and Beneficiaries	9,790	9,585
Survivors and Disabled Members	891	864
Vested Deferred Members	870	685
Total Membership	<u>38,058</u>	<u>37,010</u>
Annual Salaries of Active Members	\$ 769,074,585	\$ 739,432,766
Annual Retirement Allowances for Retired Members and Beneficiaries (includes survivors and disabled employees)	\$ 145,527,510	\$ 137,618,253

2. Assets and Liabilities

Actuarial Liability	\$ 4,481,506,659	\$ 4,208,845,895
Actuarial Value of Assets	<u>2,865,201,085</u>	<u>2,429,005,004</u>
Unfunded Actuarial Liability	\$ 1,616,305,574	\$ 1,779,840,891
Actuarial Liability Funding Ratio	63.93%	57.71%
Accrued Liability	\$ 3,398,477,619	\$ 3,171,165,276
Market Value of Assets	<u>3,171,275,170</u>	<u>2,763,749,424</u>
Unfunded Accrued Liability	\$ 227,202,449	\$ 407,415,852
Accrued Benefit Funding Ratio	93.31%	87.15%

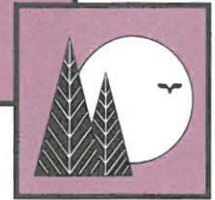
3. Contribution Results as a Percent of Payroll**

Normal Cost	6.04%	6.00%
Unfunded Actuarial Liability	<u>11.45</u>	<u>12.72</u>
Total	17.49%	18.72%

* Includes both MRTA and Old System teachers.

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

Actuarial Valuation: State/Teacher



SUMMARY OF PRINCIPAL RESULTS TOTAL STATE

1. Participant Data	June 30, 1999	June 30, 1998
Number of:		
Active Members	14,326	13,805
Retired Members and Beneficiaries	9,636	9,470
Survivors and Disabled Members	1,560	1,534
Vested Deferred Members	619	501
Total Membership	26,141	25,310
Annual Salaries of Active Members	\$ 433,869,274	\$ 412,739,901
Annual Retirement Allowances for Retired Members and Beneficiaries (includes survivors and disabled employees)	\$ 124,882,803	\$ 119,263,930
2. Assets and Liabilities		
Actuarial Liability	\$ 2,538,841,007	\$ 2,404,102,386
Actuarial Value of Assets	1,979,736,621	1,729,921,641
Unfunded Actuarial Liability	\$ 559,104,386	\$ 674,180,745
Actuarial Liability Funding Ratio	77.98%	71.96%
Accrued Liability	\$ 2,125,393,525	\$ 2,018,824,720
Market Value of Assets	2,191,221,280	1,968,324,451
Unfunded Accrued Liability	(\$ 65,827,755)	\$ 50,500,269
Accrued Benefit Funding Ratio	103.10%	97.50%
3. Contribution Results as a Percent of Payroll*		
Normal Cost	6.35%	6.27%
Unfunded Actuarial Liability	7.02	8.63
Total	13.37%	14.90%

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



Actuarial Valuation: State/Teacher

SUMMARY OF PRINCIPAL RESULTS STATE REGULAR

1. Participant Data

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Number of:		
Active Members*	12,546	12,857
Retired Members and Beneficiaries	8,780	8,646
Survivors and Disabled Members	1,552	1,526
Vested Deferred Members	619	501
Total Membership	<u>23,497</u>	<u>23,530</u>
Annual Salaries of Active Members	\$ 373,681,749	\$ 379,492,795
Annual Retirement Allowances for Retired Members and Beneficiaries (includes survivors and disabled employees)	\$ 109,408,298	\$ 104,476,166

2. Assets and Liabilities

Actuarial Liability	\$ 2,172,470,681	\$ 2,108,012,840
Actuarial Value of Assets	<u>1,714,643,391</u>	<u>1,514,558,021</u>
Unfunded Actuarial Liability	\$ 457,827,290	\$ 593,454,819
Actuarial Liability Funding Ratio	78.93%	71.85%
Accrued Liability	\$ 1,802,697,740	\$ 1,746,968,824
Market Value of Assets	<u>1,897,809,560</u>	<u>1,723,281,283</u>
Unfunded Accrued Liability	(\$ 95,111,820)	\$ 23,687,541
Accrued Benefit Funding Ratio	105.28%	98.64%

3. Contribution Results as a Percent of Payroll (State Portion only)**

Normal Cost	6.04%	6.00%
Unfunded Actuarial Liability	<u>6.67</u>	<u>8.26</u>
Total	12.71%	14.26%

* The 1998 number reflects re-pooling of 179 members who were transferred by law to the 1998 Special Plan and had previously been included in the State Regular Plan. The 1999 numbers reflect the transfer of additional members to the 1998 Special Plan, effective January 1, 2000.

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

Actuarial Valuation: State/Teacher



SUMMARY OF PRINCIPAL RESULTS COMPOSITE SPECIALS

1. Participant Data

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
Number of:		
Active Members*	1,780	948
Retired Members and Beneficiaries	856	824
Survivors and Disabled Members	8	8
Vested Deferred Members	<u>0</u>	<u>0</u>
Total Membership	2,644	1,780
Annual Salaries of Active Members	\$ 60,187,525	\$ 33,247,106
Annual Retirement Allowances for Retired Members and Beneficiaries (includes survivors and disabled employees)	\$ 15,474,505	\$ 14,787,764

2. Assets and Liabilities

Actuarial Liability	\$ 366,370,326	\$ 296,089,546
Actuarial Value of Assets	<u>265,093,230</u>	<u>215,363,620</u>
Unfunded Actuarial Liability	\$ 101,277,096	\$ 80,725,926
Actuarial Liability Funding Ratio	72.36%	72.74%
Accrued Liability	\$ 322,695,785	\$ 271,855,896
Market Value of Assets	<u>293,411,720</u>	<u>245,043,168</u>
Unfunded Accrued Liability	\$ 29,284,065	\$ 26,812,728
Accrued Benefit Funding Ratio	90.93%	90.14%

3. Contribution Results as a Percent of Payroll**

Normal Cost	8.29%	9.32%
Unfunded Actuarial Liability	<u>9.17</u>	<u>12.83</u>
Total	17.46%	22.15%

* The 1998 number reflects re-pooling of 179 members who were transferred by law to the 1998 Special Plan and had previously been included in the State Regular Plan. The 1999 numbers reflect the transfer of additional members to the 1998 Special Plan, effective January 1, 2000.

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



Actuarial Valuation: State/Teacher

SECTION II ASSETS

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

Market Value of Assets

For accounting statement purposes, System assets are valued at current market values. Briefly stated, these values represent the “snapshot” or “cash-out” value of System assets as of the valuation date. Table II-1 shows the market value of System assets as of June 30, 1999, by investment category.

Actuarial Value of Assets

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

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

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

- (a) Increase in assets = Market value of assets at the end of the year minus actuarial value of assets at the end of the prior year adjusted for net cash flow for the current year (contributions minus benefit payments) [= \$1,434,057,766].
- (b) Adjusted actuarial value of assets = Actuarial value of assets at the end of the prior year plus one-half of net cash flow for the current year [= \$5,430,514,792].
- (c) Return = (a) Increase in assets divided by (b) Adjusted actuarial value of assets [= 26.41%].

Step 2: Calculate the excess of the actual return determined in Step 1 over the expected return for the same year according to the actuarial assumption (8.00%). [26.41% - 8.00% = 18.41%]

Step 3: Calculate an adjusted rate equal to the rate expected by the actuarial assumption (8.00%) plus one-third of the rate determined in step 2. [8.00% + (1/3 * 18.41%) = 14.41%]

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

Allocation by Group

Since retirement benefit costs are calculated separately for State Employees, Teachers and other Special Groups, total assets (market and actuarial values) must be allocated to each of these groups. We have made this allocation as of June 30, 1999, in proportion to System reserves (provided at market value). The total for each group has been further allocated between the Member Contribution Fund and the Retirement Allowance Fund. The resulting allocations are shown in Tables II-2 and II-3.

Actuarial Valuation: State/Teacher



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

<u>Asset Category</u>	<u>June 30, 1999 (In Millions)</u>
Bonds & Cash Equivalents	\$ 2,306
Stocks	\$ 4,583
Land & Buildings	\$ 13
TOTAL	\$ 6,902

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

	<u>Allocation to: Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	<u>Total</u>
State Employees	\$ 467,784,515	\$ 1,723,436,765	\$ 2,191,221,280
MRTA Teachers	706,445,190	2,464,829,980	3,171,275,170
Judges	4,062,395	30,563,705	34,626,100
Legislators	813,691	4,905,501	5,719,192
Subtotal State	\$ 1,179,105,791	\$ 4,223,735,951	\$ 5,402,841,742
Participating Districts	150,116,641	1,349,453,922	1,499,570,563
TOTAL	\$ 1,329,222,432	\$ 5,573,189,873	\$ 6,902,412,305

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

	<u>Allocation to: Member Contribution Fund</u>	<u>Retirement Allowance Fund</u>	<u>Total</u>
State Employees	\$ 467,784,515	\$ 1,511,952,106	\$ 1,979,736,621
MRTA Teachers	706,445,190	2,158,755,895	2,865,201,085
Judges	4,062,395	27,221,784	31,284,179
Legislators	813,691	4,353,516	5,167,207
Subtotal State	\$ 1,179,105,791	\$ 3,702,283,301	\$ 4,881,389,092
Participating Districts	150,116,641	1,204,723,597	1,354,840,238
TOTAL	\$ 1,329,222,432	\$ 4,907,006,898	\$ 6,236,229,330



Actuarial Valuation: State/Teacher

SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

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

In Table III-1 we have summarized the actuarial liabilities as of June 30, 1999, and the amounts that were unfunded.

Accounting Statement Information

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

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

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

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

Actuarial Valuation: State/Teacher



**TABLE III-1
ACTUARIAL LIABILITIES**

	State Employees	Teachers*	All State Employees
1. Active employees			
(a) Current accrued benefits	\$ 789,825,292	\$ 1,746,152,724	\$ 2,535,978,016
(b) Future benefit accruals	852,868,391	1,942,345,036	2,795,213,427
(c) Total active projected benefits	\$ 1,642,693,683	\$ 3,688,497,760	\$ 5,331,191,443
2. Inactive Employees	\$ 1,335,568,233	\$ 1,652,324,895	\$ 2,987,893,128
3. Total Present Value of Projected Benefits (1 + 2)	\$ 2,978,261,916	\$ 5,340,822,655	\$ 8,319,084,571
4. Future Contributions	\$ 439,420,909	\$ 859,315,996	\$ 1,298,736,905
5. Actuarial Liability (3 - 4)	\$ 2,538,841,007	\$ 4,481,506,659	\$ 7,020,347,666
6. Invested Assets (Actuarial Value)	\$ 1,979,736,621	\$ 2,865,201,085	\$ 4,844,937,706
7. Unfunded Actuarial Liability (5 - 6)	\$ 559,104,386	\$ 1,616,305,574	\$ 2,175,409,960
8. Actuarial Benefit Funding Ratio (6 / 5)	78.0%	63.9%	69.0%

**TABLE III-2
ACCRUED BENEFIT LIABILITIES**

	State Employees	Teachers*	All State Employees
1. Present Value of Accrued Benefits			
(a) Employees terminated with vested rights	\$ 28,537,636	\$ 60,785,782	\$ 89,323,418
(b) Retired employees	1,307,030,597	1,591,539,113	2,898,569,710
(c) Active employees	789,825,292	1,746,152,724	2,535,978,016
(d) Total	\$ 2,125,393,525	\$ 3,398,477,619	\$ 5,523,871,144
2. Invested Assets (Market Value)	\$ 2,191,221,280	\$ 3,171,275,170	\$ 5,362,496,450
3. Unfunded Present Value of Accrued Benefits (1-2)	(\$ 65,827,755)	\$ 227,202,449	\$ 161,374,694
4. Accrued Benefit Funding Ratio (2/1)	103.1%	93.3%	97.1%

* Includes both MRTA and Old System Teachers



Actuarial Valuation: State/Teacher

SECTION IV CONTRIBUTIONS

General Comments

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

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

Member contribution rates are set by statute.

Employer Contribution Rate

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

Description of Rate Components

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

Normal Cost Rate

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

Unfunded Actuarial Liability Rate

The unfunded actuarial liability under the Entry Age Normal method equals the present value, at time of valuation, of future benefits less the present value of future normal costs, future member contributions and current assets. The unfunded actuarial liability rate (or amortization rate) is the level percent of active member payroll that, when applied to each year's payroll, is sufficient to amortize the unfunded actuarial liability over 24 years from June 30, 1999.

Total Contribution Rate Summary

In Table IV-1 we present total contribution rates, determined as of June 30, 1999. These were developed using actuarial assumptions and methods described in Appendix C. The State's budget cycle and process are such that this FY 1999 actuarial valuation provides information only, since the State's contributions for the biennium were developed last year. The derivations of the unfunded actuarial liability rates for each group are shown in Table IV-2.

Actuarial Valuation: State/Teacher



TABLE IV-1
RECOMMENDED STATE CONTRIBUTION RATES*,**
FOR FISCAL YEAR 2000/2001

	<u>NORMAL COST</u>	<u>UNF ACTRL LIAB</u>	<u>TOTAL CONTRIBUTION RATE</u>
STATE EMPLOYEES	6.04%	6.67%	12.71%
SPECIAL GROUPS			
State Police (Closed Plan)	17.84%	19.72%	37.56%
Marine Resources Officers (Closed Plan)	17.84%	19.72%	37.56%
Inland Fisheries & Wildlife Officers (Closed Plan)	17.84%	19.72%	37.56%
Prison Employees (Closed Plan)	9.04%	9.99%	19.03%
Liquor Inspectors (Closed Plan)	8.24%	9.11%	17.35%
Forest Rangers (Closed Plan)	7.34%	8.11%	15.45%
1998 Special Plan	6.89%	7.62%	14.51%
MRTA TEACHERS	6.04%	11.45%	17.49%

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

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



Actuarial Valuation: State/Teacher

TABLE IV-2
June 30, 1999, Valuation
DERIVATION OF UNFUNDED ACTUARIAL LIABILITY RATES

	STATE REGULAR	SP, MRO IF&WO ¹	PRISON EMPLOYEES	LIQUOR INSPECTORS	FOREST RANGERS	1998 SPECIAL PLAN	ALL STATE EMPLOYEES	MRTA TEACHERS
1. Present Value of Future Benefits	2,557,121,310	224,064,254	39,067,293	3,984,513	20,500,036	133,524,510	2,978,261,916	5,340,822,655
2. Normal Cost Rate	6.04%	17.84%	9.04%	8.24%	7.34%	6.89%	6.35% ²	6.04%
3. Present Value of Future Payroll	2,809,719,711	7,903,483	8,298,898	1,074,645	5,830,733	322,429,076	3,155,256,546	6,276,961,260
4. Present Value of Future Normal Costs: (2) x (3)	169,707,071	1,409,981	750,220	88,551	427,976	22,215,363	194,599,162	379,128,460
5. Present Value of Future Member Contributions	214,943,558	683,651	717,855	82,210	504,358	27,890,115	244,821,747	480,187,536
6. Actuarial Liability: (1) - (4) - (5)	2,172,470,681	221,970,622	37,599,218	3,813,752	19,567,702	83,419,032	2,538,841,007	4,481,506,659
7. Actuarial Value of Assets	-	-	-	-	-	-	1,979,736,621	2,865,201,085
8. Unfunded Actuarial Liability (UAL): (6) - (7)	-	-	-	-	-	-	559,104,386	1,616,305,574
9. Estimated Payroll	-	-	-	-	-	-	433,869,274	769,074,585
10. Amortization Factor	-	-	-	-	-	-	18.3590	18.3590
11. Unfunded Actuarial Liability Rate: (8)/(9)/(10)	-	-	-	-	-	-	7.02% ³	11.45%
12. Allocation of UAL Rate to Plans	6.67%	19.71%	9.99%	9.11%	8.11%	7.62%	N/A	N/A

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

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

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

Actuarial Valuation: State/Teacher



APPENDIX A SUMMARY OF MEMBERSHIP DATA ACTIVE MEMBER DATA

	<u>Count</u>	<u>Average Current Age</u>	<u>Average Service</u>	<u>Average Valuation Pay</u>
Teachers	26,507	44.3	13.6	\$ 29,014
State Regular	12,546	44.7	14.6	\$ 29,785
Forest Rangers (Closed Plan)	42	46.8	21.8	\$ 38,800
Inland Fisheries & Wildlife Officers (Closed Plan)	30	48.6	24.4	\$ 42,021
Liquor Inspectors (Closed Plan)	9	51.7	26.1	\$ 38,945
Prison Employees (Closed Plan)	87	49.3	21.7	\$ 39,540
State Police (Closed Plan)	107	44.5	19.8	\$ 46,756
Marine Resources Officers (Closed Plan)	15	46.5	22.8	\$ 43,342
1998 Special Plan	1,490	40.2	9.2	\$ 32,117
State Totals (Excludes Teachers)	14,326	44.3	12.6	\$ 30,285

NON-ACTIVE MEMBER DATA TEACHERS

	<u>Count</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
<u>Retired</u> (Options 0-4)	8,252	\$ 125,034,392	\$ 15,152
<u>Retired</u> (Option 4 Concurrent Beneficiary)	1,047	\$ 3,894,227	\$ 3,719
<u>Disabilities/1122</u>	10	\$ 166,791	\$ 16,679
<u>Disabilities/3 and 3-A</u>	320	\$ 6,644,354	\$ 20,764
<u>Beneficiaries</u>	706	\$ 7,558,360	\$ 10,706
<u>Pre-Retirement Death Benefits</u>	309	\$ 1,368,951	\$ 4,430
<u>Terminated Vested</u>	870	\$ 4,526,160	\$ 5,202



Actuarial Valuation: State/Teacher

NON-ACTIVE MEMBER DATA STATE REGULAR

	Count	Total Annual Benefit	Average Annual Benefit
<u>Retired</u> (Options 0-4)	6,448	\$ 80,096,168	\$ 12,422
<u>Retired</u> (Option 4 Concurrent Beneficiary)	1,126	\$ 3,887,222	\$ 3,452
<u>Disabilities/1122</u>	18	\$ 243,759	\$ 13,542
<u>Disabilities/3 and 3-A</u>	594	\$ 9,037,498	\$ 15,215
<u>Beneficiaries</u>	1,489	\$ 12,328,674	\$ 8,280
<u>Pre-Retirement Death Benefits</u>	608	\$ 2,845,917	\$ 4,681
<u>Terminated Vested</u>	619	\$ 3,849,811	\$ 6,219

NON-ACTIVE MEMBER DATA SPECIAL GROUPS

	Count	Total Annual Benefit	Average Annual Benefit
<u>Retired</u> (Options 0-4)	628	\$ 13,714,658	\$ 21,839
<u>Retired</u> (Option 4 Concurrent Beneficiary)	126	\$ 486,250	\$ 3,859
<u>Disabilities/1122</u>	3	\$ 40,380	\$ 13,460
<u>Disabilities/3 and 3-A</u>	5	\$ 78,171	\$ 15,634
<u>Beneficiaries</u>	103	\$ 1,155,046	\$ 11,214
<u>Terminated Vested</u>	0	\$ 0	\$ N/A



APPENDIX B

SUMMARY OF PLAN PROVISIONS

STATE EMPLOYEES AND TEACHERS

1. Membership.

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

2. Member Contributions.

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

Contribution requirements for special groups:

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

3. Average Final Compensation.

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

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

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

4. Creditable Service.

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

5. Service Retirement Benefits.

A. Regular plan (state employees and teachers)

At least 10 years of creditable service on July 1, 1993

Normal Retirement Age: 60



Actuarial Valuation: State/Teacher

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

Eligibility for members in active service: 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

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

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

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

Form of payment - life annuity.

Less than 10 years of creditable service on July 1, 1993

Normal Retirement Age: 62

Eligibility for members in active service: 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

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

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

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

Form of payment - life annuity.

B. Special Plans (state employees)

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

Eligibility - 20 years of creditable service in named positions.

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

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



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

Forest rangers employed before September 1, 1984:

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

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

Form of payment - life annuity.

Airplane pilots employed before September 1, 1984:

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

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

Form of payment - life annuity.

Liquor inspectors employed before September 1, 1984:

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

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

Form of payment - life annuity.

State prison employees employed before September 1, 1984:

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

Benefit - $\frac{1}{2}$ of average final compensation plus 2% for each year of service earned after qualification for retirement.

Form of payment - life annuity.

1998 Special Plan

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

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



Actuarial Valuation: State/Teacher

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

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

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

- AND -

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

Form of payment - life annuity.

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

6. Disability Retirement Benefits other than No Age Benefits

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

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

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

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

7. No Age Disability Retirement Benefits

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

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

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



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 the service and average final compensation at that point.

8. Pre-Retirement Ordinary Death Benefits

Eligibility - death while active or disabled.

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

9. Pre-Retirement Accidental Death Benefits

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

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

- if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive 2/3 of member's average final compensation until death.

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

- if the member leaves no spouse, the dependent child(ren) shall be paid an annual sum equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

10. Refund of Contributions

Eligibility - termination of service without retirement or death.

Benefit - member's accumulated contributions with interest.

11. Cost-of-Living Adjustments

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



Actuarial Valuation: State/Teacher

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

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

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

12. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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



APPENDIX C ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

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

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

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

		<u>State Employees</u>			<u>Teachers</u>		
	<u>Age</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	25.0	17.5	18.8	33.0	24.0	18.8
	25	25.0	17.5	12.5	27.5	24.0	12.5
	30	25.0	17.5	10.0	27.5	24.0	10.4
	35	25.0	17.5	7.5	27.5	24.0	8.3
	40	25.0	17.5	5.0	27.5	24.0	6.1
	45	25.0	17.5	5.0	27.5	24.0	4.0
	50	25.0	17.5	5.0	27.5	24.0	4.0
	55	20.0	17.5	5.0	27.5	24.0	4.0

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



Actuarial Valuation: State/Teacher

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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

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

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

	<u>Age</u>	<u>State Employees</u>		<u>Teachers</u>	
		<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
7. Rates of Mortality for Future Anticipated Disabled Employees at Selected Ages (number of deaths per 10,000 members)	25	92	72	92	72
	30	112	89	112	89
	35	134	109	134	109
	40	160	126	160	126
	45	193	144	193	144
	50	236	165	236	165
	55	295	191	295	191
	60	362	226	362	226
	65	446	272	446	272
	70	576	331	576	331

Actuarial Valuation: State/Teacher



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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

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

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

10. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)**	<u>Age</u>	<u>State Employees</u>	<u>Teachers</u>
	25	6.8	4.6
	30	7.6	5.0
	35	10.2	5.0
	40	19.0	6.8
	45	27.9	15.5
	50	42.7	24.3
	55	81.0	33.0
	60	119.3	41.8

** 10% assumed to receive Workers' Compensation benefits of 66-2/3% of pay; also, rates for State Special groups are higher by 7 per 10,000 at all ages.



Actuarial Valuation: State/Teacher

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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

Actuarial Methods

1. Funding Method

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

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

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

The unfunded actuarial liability is amortized by annual payments over a 24 year period from July 1, 1999. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 5.5% per year.

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

2. Asset Valuation Method

For purposes of this June 30, 1999 actuarial valuation, assets are valued at an "actuarial value" as described in Part II.

Actuarial
Valuation
at 6/30/99:

Legislative
Retirement
System



Actuarial Valuation: Legislative Retirement System



INTRODUCTION

This report presents the results, as of June 30, 1999, of the actuarial valuation of the Maine Legislative Retirement System.

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



Actuarial Valuation: Legislative Retirement System

SCHEDULE A PARTICIPANT DATA

Number of:	June 30, 1999
Active Employees	168
Retired Members and Beneficiaries	70
Survivors and Disabled Members	2
Vested Deferred Members	2
Inactive Non-Vested Members	105
Active Payroll	\$ 1,781,449
Annual Retiree Allowances for Retired Members and Beneficiaries (Includes survivors and disabled)	\$ 84,147

COST RESULTS

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

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

ACCOUNTING INFORMATION

1. GASB Disclosure

A. Actuarial Accrued Liability*

1. Retirees and beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	\$ 1,266,572
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	\$ 813,691
- Employer-financed vested	\$ 0
- Employer-financed non-vested	\$ 3,086,944

Total Actuarial Accrued Liability (AAL)* \$ 5,167,207

B. Actuarial Value of Assets (AVA)	\$ 5,167,207
C. Unfunded Actuarial Accrued Liability	\$ 0

2. Other Accounting Information

A. Market Value of Assets	\$ 5,719,192
B. Unfunded Accrued Liability (not less than \$0)	\$ 0
C. Amortization Period	N/A

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

Actuarial Valuation: Legislative Retirement System



SCHEDULE B SUMMARY OF PLAN PROVISIONS

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

Eligibility for members in service at retirement having at least 10 years of creditable service on July 1, 1993: 25 years of creditable service, or attainment of age 60.

Eligibility for members in service at retirement having 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 at retirement having less than 10 years of credited service on July 1, 1993: attainment of age 60.

Eligibility for members not in service at retirement having less than 10 years of credited service on July 1, 1993: attainment of age 62 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: $\frac{1}{50}$ of average final compensation multiplied by years of creditable service, reduced for retirement before age 60 at the rate of approximately $2\frac{1}{4}\%$ for each year retirement age is less than age 60, for members with at least 10 years creditable service on July 1, 1993; reduced for retirement before age 62 at a rate of 6% for each year retirement age is less than age 62, for members with less than 10 years creditable service on July 1, 1993; minimum benefit \$100 per month if at least 10 years of creditable service.

Form of payment: life annuity.



Actuarial Valuation: Legislative Retirement System

SUMMARY OF PLAN PROVISIONS (continued)

6. Disability Retirement Benefits Other Than No Age Benefits

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

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

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

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

7. No Age Disability Retirement Benefits.

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

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

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

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

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

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

9. Pre-Retirement Accidental Death Benefits.

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



SUMMARY OF PLAN PROVISIONS (continued)

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

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

10. Refund of Contributions.

Eligibility: termination of service without retirement or death.

Benefit: member's accumulated contributions with interest.

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

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

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

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

12. Methods of Payment of Service Retirement Benefits.

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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



Actuarial Valuation: Legislative Retirement System

SCHEDULE C SUMMARY OF ACTUARIAL ASSUMPTIONS

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

A. ACTUARIAL ASSUMPTIONS

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

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

6. Rates of Healthy Life Mortality at Selected Ages:

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

Actuarial Valuation: Legislative Retirement System



SUMMARY OF ACTUARIAL ASSUMPTIONS (continued)

7. Rates of Disabled Life Mortality at Selected Ages:

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

B. ACTUARIAL METHODS

FUNDING METHOD

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

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

ASSET VALUATION METHOD

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

Actuarial
Valuation
at 6/30/99:

Judicial
Retirement
System



Actuarial Valuation: Judicial Retirement System



INTRODUCTION

This report presents the results, as of June 30, 1999, of the actuarial valuation of the Maine Judicial Retirement System.

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



Actuarial Valuation: Judicial Retirement System

SCHEDULE A PARTICIPANT DATA

Number of:

Members	52
Retired Members and Beneficiaries	32
Vested and Deferred Members	2
Annual Salaries of Active Members	\$ 4,898,053
Annual Retirement Allowance for Retired Members and Beneficiaries (includes Survivors and Disableds)	\$ 1,553,589

COST RESULTS

Employer Normal Cost ¹	20.04%
Unfunded Actuarial Liability	- 3.64%
Total Cost	16.40%

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

ACCOUNTING INFORMATION

1. GASB Disclosure

A. Actuarial Accrued Liability

1. Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 16,099,119
2. Current employees	
- Accumulated employee contributions including allocated investment earnings	\$ 4,062,395
- Employer-financed vested	\$ 5,540,700
- Employer-financed non-vested	\$ 2,892,657

Total Actuarial Accrued Liability \$ 28,594,871

B. Actuarial Value of Assets	\$ 31,284,179
C. Unfunded Actuarial Accrued Liability	\$ (2,689,308)

2. Other Accounting Information

A. Market Value of Assets	\$ 34,626,100
B. Unfunded Accrued Liability (not less than \$0)	\$ 0
C. Amortization Period	18

Actuarial Valuation: Judicial Retirement System



SCHEDULE B **SUMMARY OF PLAN PROVISIONS** **Retirement On or After December 1, 1984**

1. Membership.

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

2. Member Contributions.

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation.

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

4. Creditable Service.

Creditable service includes the following:

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

5. Service Retirement Benefits.

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

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

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

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

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



Actuarial Valuation: Judicial Retirement System

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

6. Disability Retirement Benefits Other Than No Age Benefits.

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

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

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

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

7. No Age Disability Retirement Benefits.

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

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

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

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

8. Pre-Retirement Ordinary Death Benefits.

Eligibility: death while active or disabled.

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

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

Actuarial Valuation: Judicial Retirement System



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

9. Pre-Retirement Accidental Death Benefits.

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

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

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

10. Refund of Contributions.

Eligibility: termination of service without retirement or death.

Benefit: member's accumulated contributions with interest.

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

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

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

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

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

12. Methods of Payment of Service Retirement Benefits

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

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

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



Actuarial Valuation: Judicial Retirement System

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

- Option 2: 100% joint and survivor annuity.
- Option 3: 50% joint and survivor annuity.
- Option 4: Any other method of benefit payment which provides a benefit that is actuarially equivalent to the full benefit and is approved by the Board.

SUMMARY OF PLAN PROVISIONS **Retirement Prior to December 1, 1984**

1. Currently Effective Annual Salary.

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

2. Regular Retirement Benefits.

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

Benefit: three-quarters of currently effective annual salary.

3. Disability Benefits.

Three-quarters of currently effective annual salary.

4. Survivor Benefits.

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

Actuarial Valuation: Judicial Retirement System



SCHEDULE C SUMMARY OF ACTUARIAL ASSUMPTIONS

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

A. ACTUARIAL ASSUMPTIONS

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

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

6. Rates of Healthy Life Mortality at Selected Ages:

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



Actuarial Valuation: Judicial Retirement System

SUMMARY OF ACTUARIAL ASSUMPTIONS (continued)

7. Rates of Disabled Life Mortality at Selected Ages:

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

B. ACTUARIAL METHODS

FUNDING METHOD

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

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

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

The unfunded liability is amortized by annual payments over an 18 year period from June 30, 1999. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 5.5% per year.

ASSET VALUATION METHOD

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

Actuarial
Valuation
at 6/30/99:

Consolidated Plan
for Participating
Local Districts



Actuarial Valuation: Participating Local Districts



SECTION I EXECUTIVE SUMMARY

OVERVIEW

As of June 30, 1999, there were 224 participating local districts in the Consolidated Plan for Participating Local Districts (PLDs) of the Maine State Retirement System. This report presents the results of our June 30, 1999, actuarial valuation for this Plan. Comments on the findings of our valuation are presented below. Following our comments are detailed tables of the June 30, 1999, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

For the third year in a row, the Pooled Unfunded Actuarial Liability (PUAL) is negative as of this valuation date, due to investment returns greater than the assumed 8.0% and employee salary increases and post-retirement COLAs at less than the actuarially assumed rates. The negative PUAL is translated into a reduction in the normal cost rates otherwise payable. The reduction varies by the plan elected, however, mathematically, it produces a net contribution rate of 0.1% of payroll in all Regular Plans and a less-than-zero rate in all Special Plans.

We strongly recommended that the Board of Trustees not establish near-zero and zero employer contribution rates for the plans in the Consolidated Plan, notwithstanding the valuation results. Our reasons are as follows:

Rate volatility. Rate stability is a goal of the Board and employers, as explicitly stated and as reflected in the actuarial methodology established for performing annual valuations. As the rate approaches and reaches zero, volatility is magnified. We understand, anecdotally, that some PLD employers have expressed concern about volatility even at the rates currently in effect.

Budget concerns. The disappearance from an employer's operating budget of a retirement contribution line item can produce an illusion of no cost, and a more painful adjustment if and when the line item reappears.

Duration of zero rate circumstances. This reason is linked to the volatility reason discussed above. The June 30, 1999 valuation is the first Consolidated Plan valuation in which the asset/liability calculation has yielded near zero and zero rates. At this time, there is no basis for any expectation that these rates reflect circumstances that will prevail over a long enough time that establishing these rates would be reasonable. While the question of duration is not the only or controlling consideration in determining if and when such rates would be appropriate, it is an important consideration.

Investment gains. The growth in assets has largely been fueled by investment gains in the years since the Consolidated Plan went into operation. Arguably, the longer the market that has produced the strong returns persists, the less reason there is to expect that it will continue.

The Board accepted our recommendation that the Consolidated Plan rates not be those arising from the valuation, and set the employer contribution rates at levels that represent a reasonable, small decrease from current rates, thus acknowledging the Plan's present funded status. The amount of the decrease is consistent across all of the plans within the Consolidated Plan. The resulting rates are shown in the chart in Section IV of this report.

The Board also directed that a study be undertaken to identify and address actuarial and policy issues that arise in the context of a well - or fully - funded retirement plan and with respect to the Consolidated Plan, which has several unique features, in particular.

In the following sections of the report we present detailed results on Plan Assets (Section II), Plan Liabilities (Section III), and Plan Contributions (Section IV). This report also contains four Appendices. Appendix A displays a list of the 224 PLDs that have entered the Plan and each PLD's benefit plan elections. Appendix B presents membership data and profiles and Appendix C provides a summary of benefit provisions of the plans within the Plan. Finally, an outline of all actuarial assumptions and procedures used in our valuation is contained in Appendix D.



Actuarial Valuation: Participating Local Districts

EXECUTIVE SUMMARY (continued)

VALUATION COMMENTS

ASSETS

As of June 30, 1999, the Plan had assets, when measured on a market value basis, of \$1,334 million as compared to \$1,214 million as of June 30, 1998.

On an actuarial basis, using a method which smooths market fluctuations, the assets were valued at \$1,205 million on June 30, 1999, as compared to \$1,067 million as of June 30, 1998. The components of this change in millions are:

Actuarial			Market	
+	39	employer and member contributions	+	39
-	58	payment of benefits and expenses	-	58
+	85	investment return per 8.0% assumption	+	96
+	<u>72</u>	actuarial investment gain (actuarial rate of return @ 14.1%)		
		market investment gain (market rate of return @ 11.2%)	+	<u>43</u>
=	138	total increase in assets	=	120

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

LIABILITIES

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

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

As of June 30, 1999, the total actuarial liability for the Plan was \$1,218 million, as compared to \$1,148 million as of June 30, 1998. Comparing this to the actuarial value of assets of \$1,205 million produces an unfunded actuarial liability of \$13 million. \$192 million has been allocated to PLDs as their Initial Unfunded Unpooled Actuarial Liabilities (IUUAL) (described in detail in Section III) which yields a pooled surplus of \$179 million. As of June 30, 1998 the pool surplus was \$108 million. The components of the increase in the surplus, in millions, are as follows:

Actuarial Valuation: Participating Local Districts



EXECUTIVE SUMMARY

(continued)

Pooled Unfunded Actuarial Liability, June 30, 1998	\$ (108)
◆ increase expected	(2)
◆ decrease due to asset gain (investment return)	(65)
◆ increase due to assumption change	0
◆ other (gains)/losses	(4)
Pooled Unfunded Actuarial Liability, June 30, 1999	\$ (179)

The second type of liability presented in this report is the Accrued Benefit Liability. This represents the liabilities for all benefits to be paid in the future, based on members' earnings and service credits as of the valuation date. The difference between this figure and plan assets represents the Unfunded Accrued Benefit Liability. As of June 30, 1999, there is no Unfunded Accrued Benefit Liability.

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

CONTRIBUTIONS

In Section IV of this report, we present detailed information on the development of Plan employer contribution rates, calculated as of June 30, 1999.

Employer contributions to the Plan consist of:

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

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

The Pooled UAL rate for all employees changed from -5.7% of payroll as of June 30, 1998, to -9.3% of payroll as of June 30, 1999. The primary components of this change are shown below.

Pooled UAL Rate as of June 30, 1998	-5.7%
• investment gain (due to higher than expected investment returns)	-3.3%
• other (gains)/losses	-0.3%
Pooled UAL Rate as of June 30, 1999	-9.3%



Actuarial Valuation: Participating Local Districts

EXECUTIVE SUMMARY **(continued)**

The PUAL rate as calculated above would normally be reflected in the FY 2001 contribution rates. The PUAL rate is allocated to the individual plans and is used to offset the individual plans' normal costs to develop the ultimate rate for each plan. Because the PUAL rate would nearly or completely offset the Normal Cost rate for the respective individual plans, resulting in rates of near-zero or zero, and because of our recommendation against that result and the Board's adoption of it, the rates summarized in Table IV-1 are based on the PUAL rate as developed in the 1998 valuation, with the ultimate contribution rates reduced to acknowledge the favorable plan experience since that valuation date.

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

MEMBERS AND BENEFIT RECIPIENTS

The total active membership of the Consolidated Plan decreased from 8,689 as of June 30, 1998 to 8,500 as of June 30, 1999. With respect to members who are no longer active, the number of benefit recipients increased from 5,933 as of June 30, 1998 to 6,071 on June 30, 1999. The number of vested inactive members increased from 219 on June 30, 1998 to 239 on June 30, 1999.

The total annual payroll of active members in all plans increased from \$224 million as of June 30, 1998 to \$227 million as of June 30, 1999. Appendix B of this report presents more detail regarding members and benefit recipients.

Actuarial Valuation: Participating Local Districts



SUMMARY OF PRINCIPAL RESULTS TOTAL

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
1. Participant Data		
Number of:		
Active Members	8,500	8,689
Retired Members, Beneficiaries, Disabled Members and Survivors	6,071	5,933
Vested Inactive Members	239	219
Total Members and Benefit Recipients	<u>14,810</u>	<u>14,841</u>
Annual Salaries of Active Members	\$ 226,798,019	\$ 223,525,533
Annual Benefits to Recipients	\$ 51,752,017	\$ 48,558,212
2. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 1,218,062,143	\$ 1,147,660,148
Actuarial Value of Assets	<u>1,205,489,778</u>	<u>1,066,810,947</u>
Unfunded Actuarial Liability	\$ 12,572,365	\$ 80,849,201
Unpooled Portion (IUUAL)	191,937,217	189,197,598
Pooled Portion (PUAL)	<u>(\$ 179,364,852)</u>	<u>(\$ 108,348,397)</u>
Actuarial Liability Funding Ratio	99%	93%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 1,002,151,078	\$ 949,422,499
Market Value of Assets	<u>1,334,265,793</u>	<u>1,213,829,587</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	133%	128%



Actuarial Valuation: Participating Local Districts

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

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
1. Participant Data		
Number of:		
Active Members	6,968	7,163
Retired Members, Beneficiaries, Disabled Members and Survivors	4,488	4,423
Vested Inactive Members	<u>232</u>	<u>211</u>
Total Members and Benefit Recipients	11,688	11,797
Annual Salaries of Active Members	\$ 170,167,242	\$ 168,835,178
Annual Benefits to Recipients	\$ 30,194,635	\$ 28,539,254
2. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 718,132,755	\$ 670,251,928
Actuarial Value of Assets	\$ 743,838,429	\$ 657,739,451
Unfunded Actuarial Liability	(\$ 25,705,674)	\$ 12,512,477
Unpooled Portion (IUUAL)	<u>89,835,191</u>	<u>89,152,234</u>
Pooled Portion (PUAL)	(\$ 115,540,865)	(\$ 76,639,757)
Actuarial Liability Funding Ratio	104%	98%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 557,367,921	\$ 522,787,262
Market Value of Assets	<u>823,298,704</u>	<u>748,383,402</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	148%	143%

Actuarial Valuation: Participating Local Districts



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

	<u>June 30, 1999</u>	<u>June 30, 1998</u>
1. Participant Data		
Number of:		
Active Members	1,532	1,526
Retired Members, Beneficiaries, Disabled Members and Survivors	1,583	1,510
Vested Inactive Members	<u>7</u>	<u>8</u>
Total Members and Benefit Recipients	3,122	3,044
Annual Salaries of Active Members	\$ 56,630,777	\$ 54,690,355
Annual Benefits to Recipients	\$ 21,557,382	\$ 20,018,958
2. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 499,929,388	\$ 477,408,220
Actuarial Value of Assets	<u>461,651,349</u>	<u>409,071,496</u>
Unfunded Actuarial Liability	\$ 38,278,039	\$ 68,336,724
Unpooled Portion (IUUAL)	<u>102,102,026</u>	<u>100,045,364</u>
Pooled Portion (PUAL)	(\$ 63,823,987)	(\$ 31,708,640)
Actuarial Liability Funding Ratio	92%	86%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 444,783,157	\$ 426,635,237
Market Value of Assets	<u>510,967,090</u>	<u>465,446,185</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	115%	109%



Actuarial Valuation: Participating Local Districts

SECTION II ASSETS

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

Market Value of Assets

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

Actuarial Value of Assets

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

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

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

- (a) Increase in assets = Market value of assets at the end of the year minus actuarial value of assets at the end of the prior year adjusted for net cash flow for the current year (contributions minus benefit payments) [= \$1,434,057,766].
- (b) Adjusted actuarial value of assets = Actuarial value of assets at the end of the prior year plus one-half of net cash flow for the current year [= \$5,430,514,792].
- (c) Return = (a) (Increase in assets) divided by (b) (Adjusted actuarial value of assets) [= 26.41%].

Step 2: Calculate the excess of the actual return determined in Step 1 over the expected return for the same year according to the actuarial assumption (8.00%). [26.41% - 8.00% = 18.41%]

Step 3: Calculate an adjusted rate that is equal to the rate expected by the actuarial assumption (8.00%) plus one-third of the rate determined in Step 2. [8.00% + (1/3 X 18.41%) = 14.14%]

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

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



**TABLE II-1
ASSET ALLOCATION**

	Regular Plans	Special Plans	Total
Market Value	\$823,298,704	\$510,967,090	\$1,334,265,794
Actuarial Value	\$743,838,429	\$461,651,349	\$1,205,489,778



Actuarial Valuation: Participating Local Districts

SECTION III LIABILITIES

Actuarial Liabilities

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

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

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

Upon entering the Consolidated Plan, each PLD had its individual actuarial liability calculated. Each PLD having an Initial Unpooled Unfunded Actuarial Liability (IUUAL) will pay this liability on a scheduled basis, in addition to making the Normal Cost Contribution required by the plan(s) in which it participates. Each year the valuation for the Consolidated Plan will calculate the Pooled Unfunded Actuarial Liability of the Regular and of the Special Plans under the Plan, and adjust the employer contribution rates accordingly. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and methodologies, if any, will have an effect on the total actuarial liabilities of the Regular and of the Special Plans under the Plan and on the portion of these that are unfunded. In Table III-1 we have summarized the actuarial liabilities as of June 30, 1999.

Accounting Statement Information

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

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

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

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

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

Actuarial Valuation: Participating Local Districts



**TABLE III-1
ACTUARIAL LIABILITIES**

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Benefits	\$ 936,667,117	\$ 571,866,408	\$ 1,508,533,525
2. Present Value of Future Contributions			
a. Employer Normal Cost	123,383,257	44,383,595	167,766,852
b. Employee Contributions	95,151,105	27,553,425	122,704,530
3. Actuarial Liability (1) - (2)	\$ 718,132,755	\$ 499,929,388	\$ 1,218,062,143
4. Actuarial Value of Assets			
a. Total Invested Assets	\$ 783,087,894	\$ 481,427,586	\$ 1,264,515,480
b. IUUAL Surpluses in Individual PLD Accts.	39,249,465	19,776,237	59,025,702
c. Valuation Assets (a) - (b)	\$ 743,838,429	\$ 461,651,349	\$ 1,205,489,778
5. Unfunded Actuarial Liability			
a. Total Unfunded Liability (3) - (4c)	(\$ 25,705,674)	\$ 38,278,039	\$ 12,572,365
b. Individual PLD Unpooled Liability (IUUAL)	89,835,191	102,102,026	191,937,217
c. Pooled Unfunded Actuarial Liability (a) - (b)	(\$ 115,540,865)	(\$ 63,823,987)	(\$ 179,364,852)
6. Amortization over 15 Years	(\$ 13,498,587)	(\$ 7,456,527)	(\$ 20,955,114)
7. Payroll	\$ 170,167,242	\$ 56,630,777	\$ 226,798,019
8. Pooled Unfunded Liability Contribution Rate (6) ÷ (7)	(7.9%)	(13.2%)	(9.3%)

**TABLE III-2
ACCRUED BENEFIT LIABILITY**

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	\$ 9,167,082	\$ 114,724	\$ 9,281,806
b. Retired Members, Beneficiaries Disabled Members and Survivors	296,413,684	266,047,146	562,460,830
c. Active Members	251,787,155	178,621,287	430,408,442
d. Total	\$ 557,367,921	\$ 444,783,157	\$ 1,002,151,078
2. Market Value of Assets	\$ 832,298,704	\$ 510,967,090	\$ 1,334,265,793
3. Unfunded Accrued Benefit Liability (1) - (2)	\$ 0	\$ 0	\$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	148%	115%	133%



Actuarial Valuation: Participating Local Districts

SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 1999, actuarial valuation, including our recommendation not to establish the near-zero and zero rates and the Board's adoption of the recommendation, are used to determine Fiscal Year 2001 contributions. In this context, the term "employer contribution rate" means the percentage that is applied by each PLD to its active member payroll to determine the PLD's actual employer contribution amount.

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

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

Description of Rate Components

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

Normal Cost Rate

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

Pooled Unfunded Actuarial Liability Rate

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

IUUAL Payments/(Credits)

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

Employer Contribution Rate Summary

In Table IV-1 we present employer contribution rates applicable for determining the Fiscal Year 2001 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix D.

Actuarial Valuation: Participating Local Districts



**TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 2001**

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

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

** Includes costs of ancillary benefits.



Actuarial Valuation: Participating Local Districts

APPENDIX A PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS

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

Actuarial Valuation: Participating Local Districts



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Corinna Sewer District	251	A			No	7/1/96
Cumberland County	5	A			Yes	7/1/96
Dover-Foxcroft Water District	137	A			Yes	7/1/94
Eagle Lake Water & Sewer District	274	A			Yes	7/1/96
Erskine Academy	249	A			No	7/1/94
Falmouth Memorial Library	58	A			Yes	7/1/96
Farmington Village Corp.	118	A			No	7/1/94
Fort Fairfield Housing Authority	275	A			FO	7/1/94
Fort Fairfield Utilities District	131	A			Yes	7/1/96
Gardiner Water District	221	A			No	7/1/94
Gould Academy	205	A			No	7/1/96
Hampden Water District	183	A			No	7/1/96
Hancock County	56	A			Yes	7/1/94
Houlton Water District	26	A			Yes	7/1/95
Indian Township Tribal Gov't	244	A			No	7/1/96
Jackman Water District	226	A			Yes	7/1/96
Kennebec County	47	A			Yes	7/1/95
Kennebec Sanitary Treatment District	220	A			FO	7/1/95
Kennebec Water District	31	A			Yes	7/1/96
Kennebunk Light and Power Co.	62	A			Yes	7/1/94
Kennebunk Sewer District	201	A			No	7/1/94
Kennebunk, Kennebunkport & Wells Water District	255	A			FO	7/1/96
Kittery Water District	12	A			Yes	7/1/94
Lew/Aub. Water Pollution Control Authority	163	A			FO	7/1/96
Lewiston Housing Authority	154	A			Yes	7/1/94
Lewiston-Auburn 9-1-1	291	A			Yes	7/1/94
Lincoln Academy	134	A			Yes	7/1/94
Lincoln Sanitary District	219	A			Yes	7/1/94
Lincoln Water District	92	A			Yes	7/1/95
Lisbon Water Department	243	A			No	7/1/96
Livermore Falls Water District	32	A			Yes	7/1/94
Lubec Water And Electric District	88	A			Yes	7/1/96
Madawaska Water District	236	A			Yes	7/1/94
Maine County Commissioners Assoc.	225	A			No	7/1/96
Maine International Trade Center	293	A			Yes	7/1/98
Maine Maritime Academy	38	A		2	Yes	7/1/96
Maine Municipal Bond Bank	93	A			Yes	7/1/95
Maine School Management Association	239	A			Yes	7/1/94
Maine State Retirement System	290	A			Yes	7/1/94
Maine Turnpike Authority	49	A			Yes	7/1/94
Maine Veterans Home	271	A			Yes	7/1/94
Mars Hill Utility District	283	A			Yes	7/1/94
ME Secondary School Principals Assoc.	105	A			Yes	7/1/94



Actuarial Valuation: Participating Local Districts

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Mechanic Falls Sanitary District	282	A			No	7/1/94
Milo Water District	238	A			No	7/1/96
Mt. Desert Island Reg. School District	120	A			Yes	7/1/96
Norway Water District	136	A			No	7/1/95
Old Town Housing Authority	262	A			FO	7/1/94
Old Town Water District	79	A			No	7/1/94
Oxford County	57	A			Yes	7/1/94
Paris Utility District	159	A			Yes	7/1/95
Penobscot County	11	A			Yes	7/1/94
Penquis Cap Inc.	237	A			No	7/1/95
Piscataquis County	121	A			Yes	7/1/94
Pleasant Point Passamaquoddy	165	A			Yes	7/1/96
Portland Housing Authority	185	A			Yes	7/1/94
Portland Public Library	41	A			Yes	7/1/95
Richmond Utilities District	242	A			No	7/1/94
Rumford Fire and Police	60	A	3	4	Yes	7/1/95
Rumford/Mexico Sewerage District	247	A			Yes	7/1/96
Rumford Water District	65	A			Yes	7/1/95
Sanford Housing Authority	152	A			Yes	7/1/96
Sanford Sewerage District	89	A			No	7/1/94
Sanford Water District	170	A			No	7/1/96
School Administrative District No. 9	119	A			Yes	7/1/95
School Administrative District No. 13	223	A			Yes	7/1/96
School Administrative District No. 16	190	A			No	7/1/94
School Administrative District No. 21	211	A			No	7/1/96
School Administrative District No. 29	168	A			Yes	7/1/96
School Administrative District No. 31	50	A			FO	7/1/94
School Administrative District No. 41	143	A			Yes	7/1/96
School Administrative District No. 49	189	A			No	7/1/95
School Administrative District No. 51	198	A			No	7/1/96
School Administrative District No. 53	129	A			No	7/1/96
School Administrative District No. 54	115	A			Yes	7/1/96
School Administrative District No. 60	187	A			No	7/1/94
School Administrative District No. 67	126	A			Yes	7/1/96
School Administrative District No. 71	128	A			No	7/1/96
Searsport Water District	124	A			No	7/1/96
So. Penobscot Voc. School Reg. #4	269	A			No	7/1/96
So. Portland Housing Authority	206	A			No	7/1/96
Somerset County	101	A			Yes	7/1/94
South Berwick Water	171		2		Yes	7/1/96
Town of Baileyville	69	A	3		Yes	7/1/96
Town of Bar Harbor	15	A	4		Yes	7/1/95
Town of Berwick	108	A			No	7/1/96
Town of Bethel	246	A			Yes	7/1/96
Town of Boothbay Harbor	146	A			FO	7/1/96

Actuarial Valuation: Participating Local Districts



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of Brunswick	42	A	1	2	No	7/1/95
Town of Bucksport	130	A			No	7/1/95
Town of Camden	8	A			FO	7/1/94
Town of China	235	A			No	7/1/96
Town of Corinna	217	A			No	7/1/96
Town of Cumberland	216	B ⁴			Yes	7/1/95
Town of Dexter	97	A			Yes	7/1/96
Town of Dover-Foxcroft	167	A			No	7/1/95
Town of Durham	234	A			No	7/1/96
Town of East Millinocket	54	A	2		Yes	7/1/96
Town of Easton	240	A			Yes	7/1/94
Town of Eliot	180	A	4		Yes	7/1/94
Town of Fairfield	260	A	2		No	7/1/95
Town of Falmouth	87	A			Yes	7/1/96
Town of Farmington	100	A	1	4	Yes	7/1/95
Town of Frenchville	98	A			No	7/1/96
Town of Fryeburg	149	A			No	7/1/96
Town of Glenburn	174	A			Yes	7/1/94
Town of Gorham	133	A	2	4	Yes	7/1/96
Town of Greenville	112	A			Yes	7/1/96
Town of Hampden	151	A			No	7/1/96
Town of Harpswell	270	A			Yes	7/1/94
Town of Harrison	280	B ⁵			Yes	7/1/94
Town of Hermon	150	A			No	7/1/96
Town of Hodgdon	215	A			No	7/1/96
Town of Houlton	10	A			No	7/1/96
Town of Jay	45	A			Yes	7/1/94
Town of Kennebunk	84	A	2		Yes	7/1/96
Town of Kennebunkport	188	A	1		No	7/1/96
Town of Kittery	14	A	1	2	Yes	7/1/95
Town of Lebanon	181	A			No	7/1/96
Town of Lincoln	76	A	3		No	7/1/96
Town of Linneus	214	A			No	7/1/96
Town of Lisbon	103	A			Yes	7/1/96
Town of Livermore Falls	109	A			No	7/1/96
Town of Lovell	276	A			Yes	7/1/96
Town of Lubec	228	A			No	7/1/96
Town of Madawaska	82	A			Yes	7/1/96
Town of Mapleton	265	A			Yes	7/1/96
Town of Mars Hill	227	A			Yes	7/1/96
Town of Mechanic Falls	114	A			FO	7/1/94
Town of Medway	194	A			Yes	7/1/96
Town of Mexico	74	A			Yes	7/1/96
Town of Milford	186	A			No	7/1/96
Town of Millinocket	3	A	3	4	Yes	7/1/96



Actuarial Valuation: Participating Local Districts

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of Monson	184	A			No	7/1/96
Town of Mt. Desert	16	A			Yes	7/1/96
Town of New Gloucester	210	A			No	7/1/95
Town of North Berwick	254	A	1		No	7/1/96
Town of Norway	125	A			No	7/1/96
Town of Orland	166	A			No	7/1/96
Town of Orono	61	A	4		No	7/1/96
Town of Orrington	209	A			No	7/1/95
Town of Otisfield	193	A			FO	7/1/96
Town of Oxford	200	A			No	7/1/96
Town of Paris	127	A			No	7/1/96
Town of Phippsburg	202	A			Yes	7/1/96
Town of Pittsfield	110	A			No	7/1/96
Town of Princeton	258	A			No	7/1/96
Town of Rockport	161	A			No	7/1/96
Town of Rumford	90	A			Yes	7/1/95
Town of Sabattus	175	A			No	7/1/96
Town of Sanford	83	A	1	4	No	7/1/95
Town of Scarborough	147	A	2		Yes	7/1/96
Town of Searsport	117	A			No	7/1/96
Town of Skowhegan	80	A	3		Yes	7/1/96
Town of South Berwick	141	A			FO	7/1/96
Town of St. Agatha	30	A			No	7/1/96
Town of Topsham	81	A	2		Yes	7/1/96
Town of Van Buren	182	A			Yes	7/1/95
Town of Vassalboro	153	A			Yes	7/1/96
Town of Waldoboro	195	A	3		Yes	7/1/95
Town of Washburn	230	A			No	7/1/94
Town of Wells	107	A	3		Yes	7/1/95
Town of Winslow	144	A			No	7/1/96
Town of Winthrop	179	A			No	7/1/94
Town of Yarmouth	116	A	2		Yes	7/1/96
Town of York	28	A	4		Yes	7/1/94
Tri Community Sanitary Landfill	267	A			Yes	7/1/96
Van Buren Housing Authority	229	A			Yes	7/1/95
Waldo County	46	A			Yes	7/1/94
Waldo Reg. Voc. Ctr. Region #7	224	A			No	7/1/96
Washington County	40	A			Yes	7/1/96
Waterville Fire and Police	66	A	3		No	7/1/96
Waterville Sewerage District	222	A			Yes	7/1/94
Wells Ogunquit CSD	266	A			FO	7/1/95
Westbrook Housing Authority	259	A			Yes	7/1/96
Winter Harbor Utility District	250	A			Yes	7/1/95
Yarmouth Water District	278	A			Yes	7/1/94
York County	37	A	2		Yes	7/1/96

Actuarial Valuation: Participating Local Districts



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
York Sewer District	139	A			No	7/1/94
York Water District	39	A			Yes	7/1/96

Notes:

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

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



Actuarial Valuation: Participating Local Districts

APPENDIX B **MEMBER AND BENEFITS RECIPIENTS** **DATA AND PROFILES** **ACTIVE MEMBER DATA AS OF JUNE 30, 1999**

Regular Plans Members

Count	6,968
Average Current Age	45.1
Average Service	8.7
Average Valuation Pay	\$ 24,421

Special Plans Members

Count	1,532
Average Current Age	39.4
Average Service	11.6
Average Valuation Pay	\$ 36,965

All Plans Members

Count	8,500
Average Current Age	44.1
Average Service	9.2
Average Valuation Pay	\$ 26,682

Actuarial Valuation: Participating Local Districts



BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA AS OF JUNE 30, 1999

REGULAR PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	4,488
Total Annual Benefit	\$ 30,194,635
Average Annual Benefit	\$ 6,728

Inactive Vested

Count	232
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 1,356,329
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 5,846

SPECIAL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	1,583
Total Annual Benefit	\$ 21,557,382
Average Annual Benefit	\$ 13,618

Inactive Vested

Count	7
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 21,991
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 3,142

ALL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	6,071
Total Annual Benefit	\$ 51,752,017
Average Annual Benefit	\$ 8,524

Inactive Vested

Count	239
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 1,378,320
Avg. Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 5,767



Actuarial Valuation: Participating Local Districts

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Member Contributions

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

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

2. Average Final Compensation

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

3. Creditable Service

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

4. Service Retirement Benefits

Regular Plan AC

Eligibility: *if in active service* - 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

if not in active service - at least 10 years of creditable service and at least normal retirement age.

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

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

Cost of Living Adjustment: See item 10.

Regular Plan AN

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



SUMMARY OF PLAN PROVISIONS (continued)

Regular Plan BC

Eligibility: *if in active service* - 25 years of creditable service or at least one year of creditable service immediately before retirement and at least normal retirement age.

if not in active service - at least 10 years of creditable service and at least normal retirement age.

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

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

Cost of Living Adjustment: See item 10.

Special Plan 1C

Eligibility: 20 years of creditable service in named positions.

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

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

Cost of Living Adjustment: See item 10.

Special Plan 1N

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

Special Plan 2C

Eligibility: 25 years of creditable service in named positions.

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

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

Cost of Living Adjustment: See item 10.

Special Plan 2N

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



Actuarial Valuation: Participating Local Districts

SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 3C

Eligibility: 25 years of creditable service in named positions.

Benefit: $\frac{2}{3}$ of average final compensation plus 2% for each year of service in excess of 25.

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

Cost of Living Adjustment: See item 10.

Special Plan 3N

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

Special Plan 4C

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

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

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

Cost of Living Adjustment: See item 10.

Special Plan 4N

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

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

5. Pre-Retirement Accidental Death Benefits

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

- Benefit:
- if the member leaves no dependent children, $\frac{2}{3}$ of the member's average final compensation to the surviving spouse until death,
 - if the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child(ren), the surviving spouse shall receive $\frac{2}{3}$ of member's average final compensation until death,
 - if the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's final average compensation. When there is no longer any dependent child(ren), the surviving spouse shall receive $\frac{2}{3}$ of member's average final compensation until death.

Actuarial Valuation: Participating Local Districts



SUMMARY OF PLAN PROVISIONS (continued)

- if the member leaves no spouse, the dependent child(ren) shall be paid an annual amount equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

6. Pre-Retirement Ordinary Death Benefits

Eligibility: Death while active or disabled.

Benefit: designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 11); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent child(ren), parents, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise, accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parent or estate.

7. Disability Benefits Other Than No Age Benefits

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

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 substantially gainful activity, in which case payments cease on the earlier of 10 years following normal retirement age or date the service retirement benefit equals or exceeds the disability benefit.

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

8. No-Age Disability Benefits

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

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

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

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



Actuarial Valuation: Participating Local Districts

SUMMARY OF PLAN PROVISIONS (continued)

9. Refund of Contributions

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

Benefit: member's accumulated contributions with interest.

10. Cost of Living Adjustments

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

11. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: Reduced retirement benefit payable for life to member; after death, benefit of same amount as the retiree's benefit payable to beneficiary for beneficiary's life.

Option 3: Reduced retirement benefit payable for life to member; after death, benefit of one-half the amount of the retiree's benefit payable to beneficiary for beneficiary's life.

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



APPENDIX D ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

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

4. Rates of Termination at Selected Ages*	Age	Regular & Special Plan Members % Leaving
	25	7.0%
	30	6.0
	35	5.0
	40	4.0
	45	3.0
	50	2.0
	55	1.0

5. Rates of Active Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)**	Age	Male	Female
	25	7	3
	30	9	4
	35	9	5
	40	12	8
	45	17	10
	50	28	15
	55	48	25

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

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

** For Regulars, 5% of deaths are assumed to be accidental; for Specials, 20% of deaths are assumed to be accidental.



Actuarial Valuation: Participating Local Districts

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

7. Rates of Mortality for Future Anticipated Disableds at Selected Ages (number of deaths per 10,000 members)	Age	Male	Female
	25	92	72
	30	112	89
	35	134	109
	40	160	126
	45	193	144
	50	236	165
	55	295	191
	60	362	226
	65	446	272
	70	576	331
8. Rates of Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)	Age	Male	Female
	25	391	528
	30	315	467
	35	321	326
	40	332	215
	45	349	191
	50	376	207
	55	420	240
	60	488	288
	65	595	366
	70	763	487
9. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	Age	Regular Plan	Special Plan
	45	25	*
	50	38	
	55	50	
	59	60	
	60	1000	

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

10. Rates of Disability at Selected Ages (number becoming disabled per 10,000 members)**	Age	Regular Plan	Special Plan
	25	6	13
	30	6	13
	35	7	14
	40	11	18
	45	22	29
	50	42	49
	55	72	79

** Disabilities are assumed to be 75% non-service connected for Regular employees and 25% non-service connected for Police and Fire.

Actuarial Valuation: Participating Local Districts



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 11. Family
Composition
Assumptions | 80% of active members are married and have two children born when the member is 24 and 28; children are dependent until age 18; spouses are same age; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries. |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

B. Actuarial Methods

1. Funding Method

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

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

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

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

2. Asset Valuation Method

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

