

5-1-2003

Maine State Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2002

Maine State Retirement System

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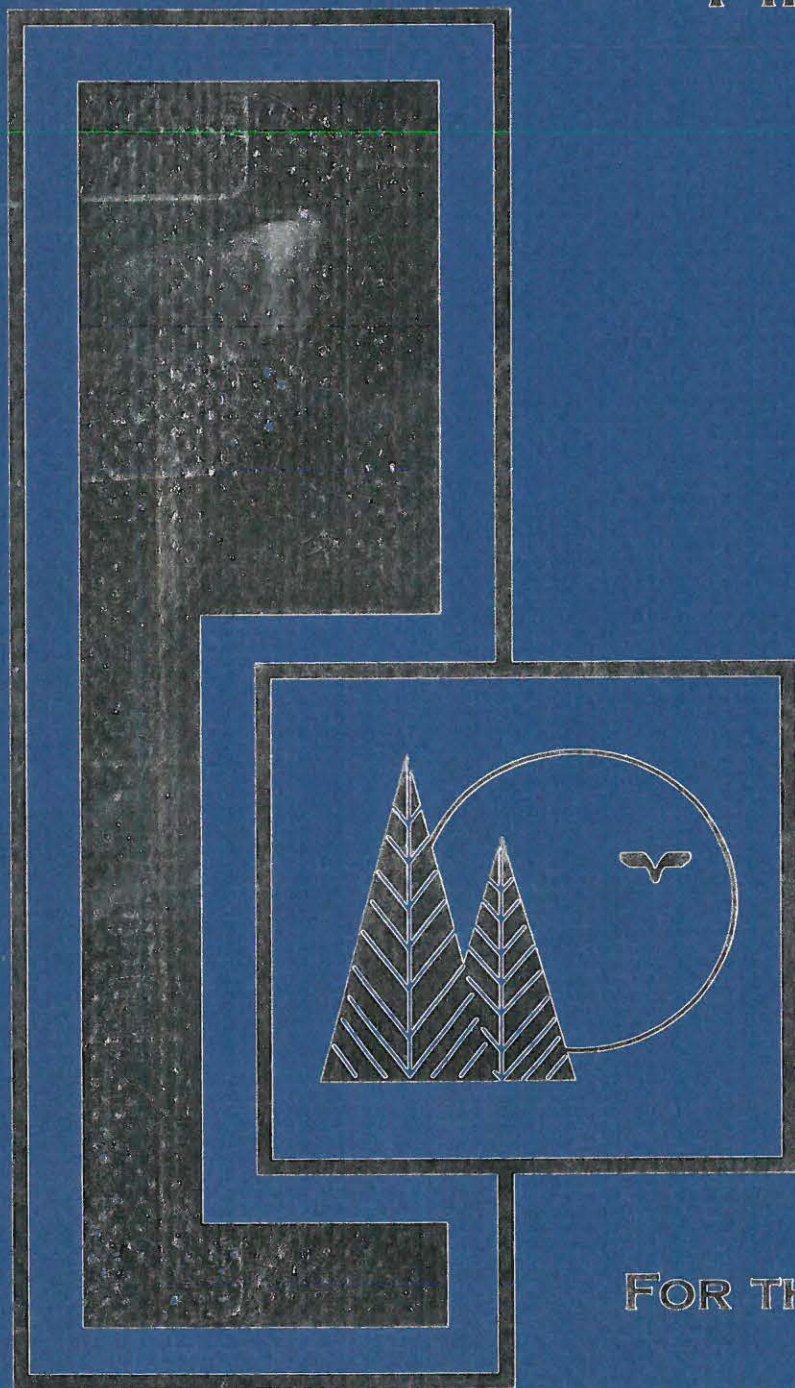
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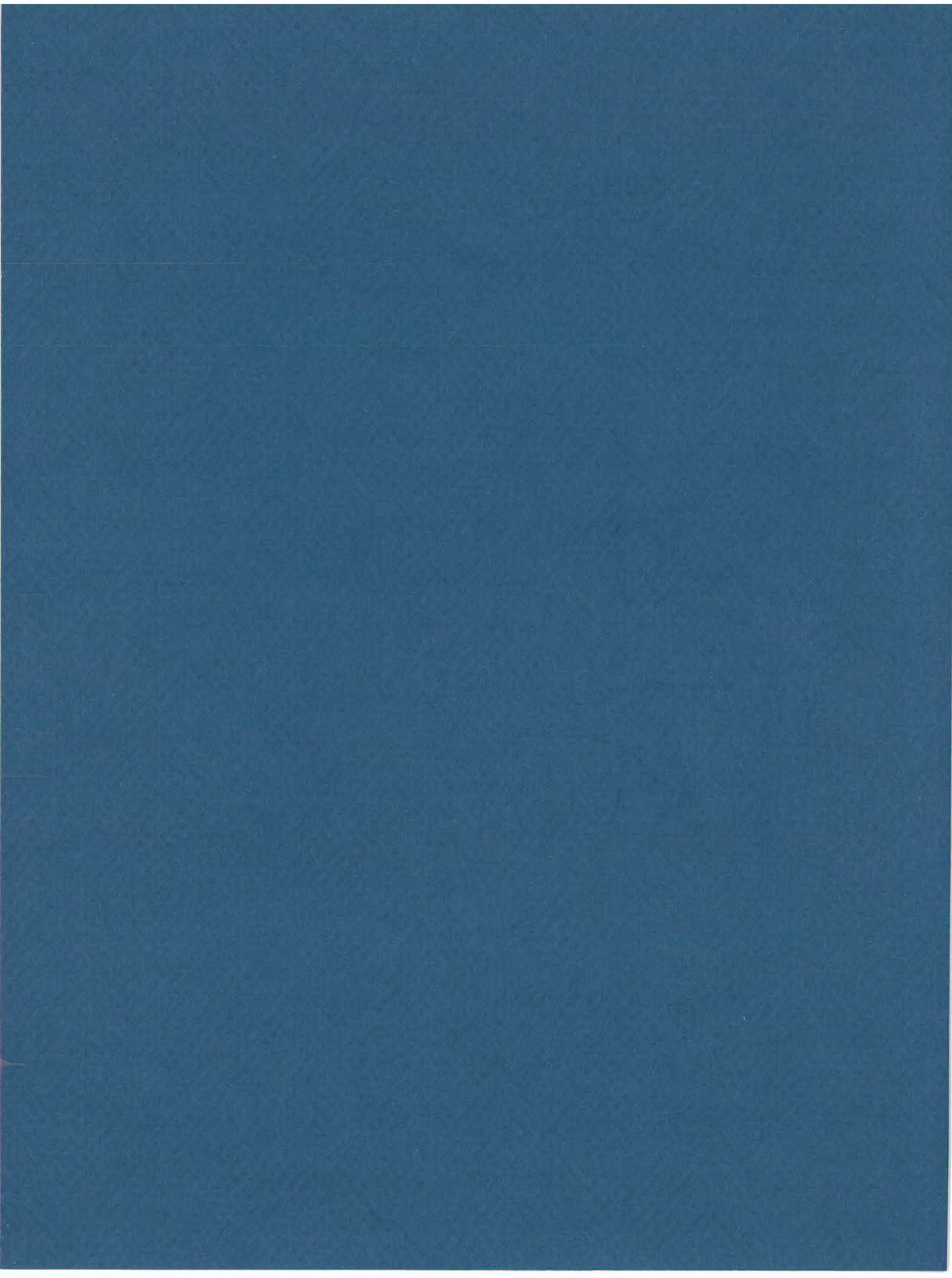
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MAINE STATE RETIREMENT SYSTEM COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDING
JUNE 30, 2002

MAY 22 2003



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



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MAINE STATE RETIREMENT SYSTEM
JUNE 30, 2002

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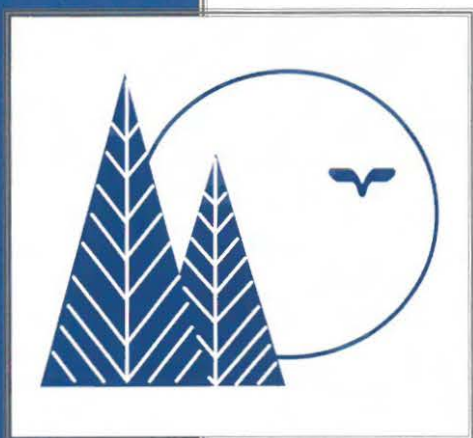
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INTRODUCTORY SECTION





INTRODUCTORY SECTION



Kay R. H. Evans, *Executive Director*
Gail Drake Wright, *Chief Deputy Executive Director*

BOARD OF TRUSTEES

David S. Wakelin, *Chair*
John H. Kimball, *Vice Chair*
George A. Burgoyne
John S. Eldridge III
Peter M. Leslie
Eunice C. Mercier
Catherine R. Sullivan

Ex-officio Member
Dale McCormick,
State Treasurer

LETTER OF TRANSMITTAL

I am once again pleased to present the Annual Report of the Maine State Retirement System for the most-recently ended fiscal year. I am pleased because the System stayed on course and continued to make significant progress in its transformation of itself. And, while our investment performance reflected the unhappy realities of the economy and the investment markets, the System steadfastly maintained its long-term investor perspective, taking no precipitous, short-focus action.

OVERVIEW OF THE PROGRAMS OF THE MAINE STATE RETIREMENT SYSTEM

The Maine State Retirement System's primary program responsibility is the administration of defined benefit retirement programs covering individuals who are employed in Maine's public sector, including State government, elementary and secondary education, and state- and local-level public sector entities (e.g., municipalities, authorities, utility districts, libraries, etc.). Administration of these programs includes financial administration, investment administration, recordkeeping of members' work and compensation data, and administration of retirement-related services provided to members, employers and retirees. More detail on these programs and responsibilities is presented in the Management Discussion and Analysis (MD and A) component of the System's audited financial statements and in the audited financial statements themselves and Notes thereto, all of which are found in the Financial Section of this Report.

In addition to its defined benefit programs, the System is responsible to administer a Section 457 deferred compensation program and a Section 401(a) defined contribution program that are available to its participating local district employers and employees.

The System also is responsible for the administration of a group life insurance program that provides or makes available life insurance and accidental dismemberment and death insurance to the employers, members and retirees included in the System's retirement programs and to certain entities and individuals not included in the retirement programs. More detail on the group life insurance program can also be found in the MD and A and the financial statements and Notes thereto.

The System also has responsibility for the investment of the funds of the Maine Learning Technology Endowment (MLTE). (The administration of MLTE program itself is the responsibility of the State's Department of Education and Department of Administrative and Financial Services). More detail on the MLTE can be found in the MD and A and the financial statements and Notes.

FUNDAMENTAL RESPONSIBILITIES

Accounting and Reporting. The System, through its management staff, is responsible for establishing and maintaining an internal control structure that protects assets from loss, theft or misuse and that ensures that financial recordkeeping is complete and accurate. Management is also responsible for the completeness, accuracy and fair presentation of financial information, and for all disclosures. This responsibility notably encompasses our financial statements themselves, including the amounts therein that, necessarily, are based on estimates and judgments. The System's financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, in accordance with the standards and requirements of the Governmental Accounting Standards Board (GASB). The financial statements are presented in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans*, and GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments*. Financial information presented throughout this Annual Report is consistent with the financial statements.

INTRODUCTORY SECTION



LETTER OF TRANSMITTAL

Our independent external auditor, PricewaterhouseCoopers, LLP, has conducted an audit of our financial statements in accordance with, as stated in its audit report, generally accepted auditing standards and including those tests and procedures PricewaterhouseCoopers deemed necessary to express its opinion in its audit report. The auditors have unrestricted access to the Board and the Board's audit subcommittee to discuss the audit and its findings as to the integrity of our financial reporting and adequacy of our internal controls.

Funding of defined benefit retirement programs. The funding of defined benefit retirement programs expresses the basic defined benefit retirement plan equation that over the long term contributions plus investment earnings must be equal to benefits. The interplay of liabilities (i.e., the obligation to pay benefits) and assets (i.e., contributions and investment earnings thereon) can be seen in the plans' funded ratios and changes in funded ratios over time. The retirement programs that the System administers vary in their funded ratios, from the underfunded State employee/teacher program to the slightly overfunded judicial program to the more well funded Consolidated Plan for Participating Local Districts (PLDs).

The funded ratio of the State employee/teacher program has improved since the mid-1980s, though not without the backsliding that has been the result of poor investment markets in very recent years. The judicial program's asset surplus has become smaller because of both benefit improvements for judges and negative investment results. The well-funded status of the Consolidated Plan for PLDs reflects the timing and circumstances of its structure and relatively recent inception. More information on the funding of all of the System's retirement programs is found in the MD and A and in the financial statements and Notes.

Investments. Both the necessary inflows of employer and member contributions and healthy long-term returns from the investment of assets are essential to the sound funding of the defined benefit retirement programs administered by the System. The System's Board of Trustees is responsible to establish the policy that is the framework for investment of System assets. The basic tenet of the policy is the mix of investment types in which assets are invested and the allocation of assets among the types. Under the policy, the System invests in domestic equities, international equities, and fixed income securities. The asset classes and the allocations of assets among the classes reflect the Board's thinking and decisions as to expected investment return and as to the nature, level and management of risk. More information on the System's investments is in the Investment Section of this Report and in the MD and A, financial statements and Notes.

MAJOR INITIATIVES

In 2002, the System maintained its intense and productive focus on its own transformation. Our capacity and capability to handle immense amounts of data by means of electronic systems and tools continued to expand and to become steadily more effective and efficient. The System's delivery of services, in a direct cause and effect relationship, thereby continues to become more effective and efficient, a fact that is as important to System staff as it is to our members, employers and retirees.

Some of our priorities for the Automation Project that is at the base of our transformation had to be re-thought when a fire at our off-site storage facility destroyed a very large number of paper documents that were backup to an equally large number of microfiche records. Further fiche reproduction having become irrevocably obsolete, we reassigned staff energy, effort and talent to the design and installation of an electronic document imaging system. Other, higher priority work had to be slowed or temporarily shunted to a siding as a result. An imaging system had been on our will-be-done list for a long time and had already been advanced on the list by the more rapid than expected approach of the demise of microfiche technology. By virtue of necessity, imaging moved to the head of our do-it-now list.

The opportunity to purchase two smaller buildings in our immediate neighborhood enabled us to address the crowded state of our office at 96 Sewall Street. The newly-acquired and newly-available space has enabled us to incorporate better computer tools for our staff. It has also advanced the productivity of our automation effort, giving us far more suitable and effective space for the design, development and testing of automated system modules and automation-related staff training.

We continued to welcome to our staff individuals whose skills and experience are commensurate with the nature and level of our responsibilities. We also continued to shape our organizational structure to better reflect and carry out our work. The absolute number of our staff positions did not change.



INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

OVERVIEW OF ANNUAL REPORT

This Annual Report, taken as a whole, provides detail on all aspects of the System. It is organized somewhat differently from our previous Annual Reports, reflecting the continuing evolution of the way in which we carry out this part of our reporting responsibilities. We intend to eventually publish our Annual Report in a form that meets the requirements for excellence in financial reporting established by the Government Finance Officers Association, and some of the changes in this Report are steps in that direction. Some of the changes reflect new requirements established by GASB and implemented by the System in its fiscal 2002 audited financial statements. One upshot of these latter changes is that much of the detailed information that was set out in the Letter of Transmittal in previous Annual Reports now appears in specific sections of the Report, notably the Financial Section and Investment Section.

The Report is made up of five sections:

The **Introductory Section** presents this Letter of Transmittal, identifies the members of the System's Board of Trustees, provides the names and positions of the System's senior administrative staff, sets out an organizational chart reflecting the System's entire administrative staff, lists the principal professional consultants that provided services to the System in FY 2002, and includes the Legislative Update for the 2002 session of the 120th Maine Legislature.

The **Financial Section** includes the report of the System's independent auditors and the System's audited financial statements for the fiscal year ending June 30, 2002 with their Notes, Required Supplementary Information and other supplementary information. As required by GASB Statement No. 34, the audited financial statements include the Management Discussion and Analysis. The MD and A will evolve and be updated each year and be a part of our audited financial statements henceforth. Trust Fund Balances by System employer/program are also included in this Section. Financial information on Group Life Insurance program operations and on the Maine Learning Technology Endowment is also included.

The **Investments Section** presents detail, at June 30, 2002, of Retirement System, Group Life Insurance and Maine Learning Technology Endowment assets. Additional information on investments is in the MD and A, financial statements and Notes.

The **Actuarial Section** includes the June 30, 2001 actuarial valuations for the four retirement programs administered by the System: the State employee/teacher program, the legislative program, the judicial program and the program of the Consolidated Plan for Participating Local Districts.

The **Statistical Section** includes selected data thought to be of interest and/or use to persons interested in the Retirement System.

ACKNOWLEDGEMENTS

I expect that one day I will run out of ways to acknowledge the work and commitment of the Retirement System staff, because I do not expect to ever see a time when such an acknowledgement will not be called for. This year I express my respect for and confidence in our staff in these two sentences: Our work is complex and challenging. This staff is up to it. In turn, the entire staff appreciates the trust and confidence placed in them by the Board of Trustees, whose support for the staff's work has been and continues to be absolutely essential in all of these years of effort.

Respectfully submitted,

Kay R. H. Evans
Executive Director

INTRODUCTORY SECTION



BOARD OF TRUSTEES, MANAGEMENT STAFF and PRINCIPAL PROFESSIONAL CONSULTANTS

BOARD OF TRUSTEES

David S. Wakelin, Chair	Public Member, Governor's direct appointee
John H. Kimball, Vice Chair	Maine Education Association appointee by election
George A. Burgoyne	Maine State Employees' Association appointee by election
John S. Eldridge, III	Maine Municipal Association appointee
Peter M. Leslie	Public Member, Governor's direct appointee
Eunice C. Mercier	Retired State Employee, Governor's appointee from retirees' groups nominees
Catherine R. Sullivan	Retired Teacher, Governor's appointment from Maine Retired Teachers Association
Dale McCormick	State Treasurer, Ex-officio Member

All appointed trustees are subject to gubernatorial posting and legislative confirmation.

MANAGEMENT STAFF

Kay R. H. Evans	Executive Director
Gail Drake Wright	Chief Deputy Executive Director
John C. Milazzo	Deputy Executive Director
Rex W. Holsapple	Chief Investment Officer
Keith E. Kolodgie	Associate Deputy Director
Carl A. Cappello	Associate Deputy Director
Muriel A. Littlefield	Director of Human Resources and Organizational Development
Marlene McMullen-Pelsor	Manager of Service Programs
Kathy J. Morin	Assistant to Chief Deputy Executive Director

PRINCIPAL PROFESSIONAL CONSULTANTS

Actuary

Milliman USA

Investment Consultant

Ennis Knupp & Associates

Auditors

PricewaterhouseCoopers LLP



INTRODUCTORY SECTION

OVERVIEW OF MSRS ORGANIZATION

INTRODUCTION

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

RETIREMENT AND RELATED BENEFITS

Retirement and related benefits provided by MSRS include:

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

MEMBERSHIP

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

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

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

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

INTRODUCTORY SECTION



GROUP LIFE INSURANCE PROGRAM

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

BOARD OF TRUSTEES

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

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

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

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



INTRODUCTORY SECTION

ADMINISTRATION

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

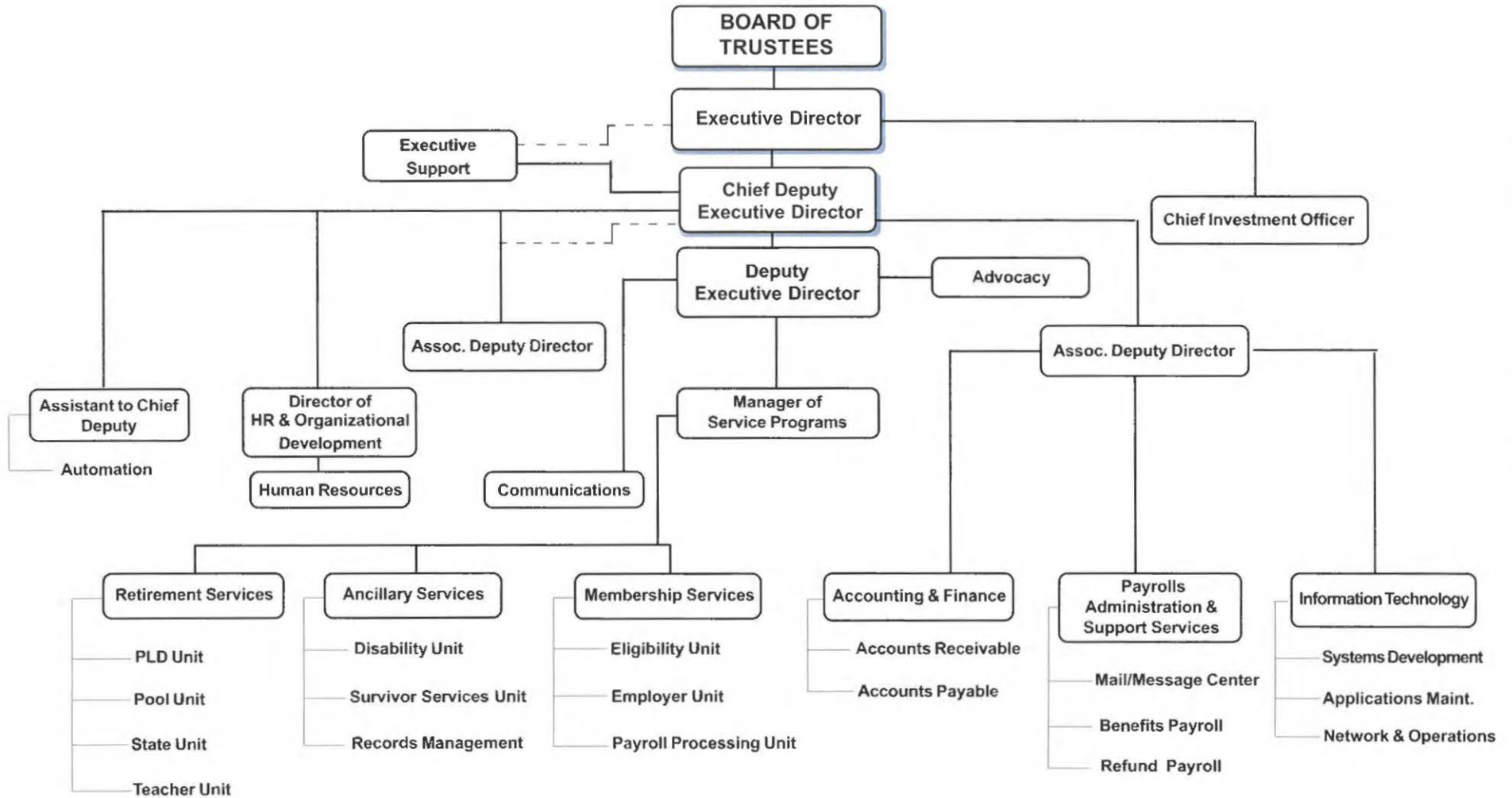
The *Office of the Executive Director* oversees all actuarial work and investments. Actuarial work and investment operations are carried out with the assistance of an actuarial consultant, an investment consultant, and investment managers. In addition, the Office manages day-to-day administration, budget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

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

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

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

Maine State Retirement System





INTRODUCTORY SECTION

Legislative Update

Legislation Enacted in the Second Regular Session of the 120th Legislature

An Act to Authorize Certain Former Members of the Maine State Retirement System to Rejoin the Maine State Retirement System

PL 2001, Chapter 545 [LD 1884]
Amending: 20-A M.R.S.A. §12722
Effective Date: July 25, 2002
Members Affected: Some State Employees

This bill permits certain employees of the Maine Technical College System (MTCS) to become members of and/or reinstate the making of contributions to the MSRS. Those MTCS employees who are covered by this provision are those who previously made an election to either terminate contributions to the Maine State Retirement System (MSRS) or to not contribute to the MSRS upon date of hire, and to instead make contributions to the defined contribution plan provided by MTCS. Employees who choose to again contribute to MSRS may repay any previously withdrawn MSRS contributions, plus applicable interest, to reinstate service credit. Additionally, service credit for the period during which contributions were not made to the MSRS can be purchased at its full actuarial cost.

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

PL 2001, Chapter 559 [LD 2080]
Members Affected: Retired Teacher Members and Some State Employees

This bill is the State supplemental budget bill. Included in this bill are provisions to amend the changes to special plan coverage for Inland Fisheries and Wildlife Officers and Marine Resource Officers that were enacted during the First Regular Session of the 120th Legislature. The current bill places those officers into an unreduced 25-year special retirement plan effective September 1, 2002, for service earned on and after that date. The inclusion of service in those capacities earned prior to September 1, 2002 is contingent upon additional funding of the new plan. Until full funding is reached, service that was earned by those officers prior to September 1, 2002 remains as service in the 1998 Special Plan.

An Act to Provide Retirement Equity for Capital Security Officers

PL 2001, Chapter 646 [LD 2028]
Amending: 5 M.R.S.A. §17851-A
Effective Date: July 1, 2002
Members Affected: Some State Employees

This bill extends coverage in the 1998 Special Plan to Capital Security Officers in the employment of the Department of Public Safety, Bureau of Capital Security on July 1, 2002, or hired thereafter. Service earned by these officers on and after July 1, 2002 will be under the new plan. Effective July 1, 2002, the employee contribution rate for this group of State employees is 8.65% of earnable compensation.

INTRODUCTORY SECTION



Legislative Update continued

An Act to Protect Retirement Income

PL 2001, Chapter 657 [LD 2006]

Amending: 3 M.R.S.A. §§801, 806, 5 M.R.S.A. §17701

Effective Date: July 1, 2002

Members Affected: Some Legislators

This bill applies to teachers and employees of the Maine Technical College System (MTCS) who are on a leave of absence in order to serve in the Legislature. This bill provides that in situations when a member's earnable compensation as a legislator is less than the earnable compensation that would have been earned in the teacher or MTCS position, absent the leave, the member may pay contributions on the difference between the two levels of earnable compensation. A legislator who chooses to pay contributions under this law must enter into an agreement with the Retirement System as to both the amount due and the method of payment.

An Act to Amend Maine State Retirement System Statutes

PL 2001, Chapter 699 [LD 2185]

Effective Date: July 25, 2002

Members Affected: Some Teachers and PLD members*

This bill amends the definition of teacher to include duties related to a school computer system that a certified teacher might perform in addition to the duties performed in the certified position. Earnable compensation and creditable service applicable to those additional duties will now be included in the total earnable compensation and creditable service of the teacher.

This bill also repeals the restoration to service provision currently in effect for certain retired participating local district members. Those members will no longer be limited in the amount that may be earned if restored to service after retirement.

* NOTE: The repeal of the restoration to service provision does not apply to members who have retired from the Consolidated Plan for Participating Local Districts until such time as the Advisory Committee that is responsible for the design of the Consolidated Plan elects to modify the plan accordingly.

An Act Concerning Disability Retirement Benefits Under the Maine State Retirement System

PL 2001, Chapter 701 [LD 2197]

Members Affected: Disability Retired State, Teacher and PLD

This bill extends until February 15, 2004 the suspension of the implementation of the permanent reduction to disability retirement benefits for "section 1122" disability recipients enacted in the First Regular Session of the 120th Legislature.

An Act to Address the Unfunded Liability of the Maine State Retirement System and the Equity of Retirement Benefits for State Employees and Teachers

PL 2001, Chapter 707 [LD 2199]

This bill establishes the minimum level of employer contributions that may be made to the State employee/teacher retirement plan. The bill also establishes a Task Force to study the benefits applicable to members of those plans.

FINANCIAL SECTION





FINANCIAL SECTION

PRICEWATERHOUSECOOPERS 

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Facsimile (207) 774 1297

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying basic financial statements present fairly, in all material respects, the fiduciary net assets of the Maine State Retirement System, which is a component unit of the State of Maine, as of June 30, 2002 and 2001, and the changes in fiduciary net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the System's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the basic financial statements, the System has adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended, for the year ended June 30, 2002.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included in pages 2 through 10 and pages 21 through 23 is not a required part of the basic financial statements but is supplemental information required under Government Auditing Standards Board (GASB) Statement No. 34, as amended and No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2002, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

PricewaterhouseCoopers LLP

September 24, 2002

FINANCIAL SECTION



MANAGEMENT DISCUSSION AND ANALYSIS

With this Management Discussion and Analysis ("MD and A"), the Maine State Retirement System has implemented its adoption of the Governmental Accounting Standards Board Statement No. 34 ("GASB 34") for State and local governments and agencies thereof. As required by GASB 34, a MD and A will hereafter accompany the System's annual basic financial statements. GASB 34 requires that the MD and A precede the statements in the basic financial statement reporting package introducing the financial statements and providing an analytical overview of the financial activities represented by them. The MD and A is intended to provide a kind of annotated table of contents for the basic financial statements, to describe generally the functional and operational context in which the System's financial activities take place and to provide descriptions, at an informative level, of those financial activities.

The Maine State Retirement System is an independent public agency of the State of Maine. The System's principal responsibility is the administration of retirement plans. The System also administers a group life insurance program and oversees the investment of a State endowment unrelated to its retirement and life insurance programs. More fully described, the System's responsibilities are:

- The administration of defined benefit retirement programs that encompass both pension and long-term disability benefits. These programs cover substantially all of the State's employees, all of the State's public school teachers ("teachers" includes school administrators and other certified/licensed school staff), the State's judges ("Maine Judicial Retirement System" or "MJRS"), the State's legislators ("Maine Legislative Retirement System" or "MLRS"), and employees of the 260 State and local level public entities ("participating local districts" or "PLDs") that contract with the System for the administration of their retirement programs (228 PLDs are participating entities in the "Consolidated Plan for PLDs"; the remaining 32 are non-consolidated PLDs each of which has its separate retirement program).
- The administration of two defined contribution retirement plans that are established under sections 457 and 401(a) respectively of the Internal Revenue Code. These plans are available to employees of those PLDs in the Consolidated Plan for PLDs that have adopted one or both of the plans.
- The administration of a group life insurance program that provides, or makes available, life insurance to most of those employees covered under its defined benefit retirement programs and also to employees of some public entities that do not utilize the System's retirement program administration.
- The investment of the funds that comprise the Maine Learning Technology Endowment ("MLTE"), an initiative of the State to accomplish dissemination and utilization of technology in the State's public schools. The System does not have policy or administrative responsibility for the MLTE program. Rather, the MLTE funds comprise an agency fund as that term is defined by GASB.

The System itself and all of its programs are established by and operate within the scope of Maine statutory law. The operation of the System's defined benefit retirement programs is also governed by provisions of the Maine Constitution, not all of which apply to all of the programs.

The System's operating funds are provided by its participating employers. Total operating expenses for staff and all other costs of operation, with the exception of certain investment-related expenses required by law to be paid directly from investments, are allocated among the System's three employer/employee groups (i.e., State employees, including for this purpose judges and legislators; teachers; PLDs). The allocation is based on the headcount of members, including all active and inactive members except inactive non-vested members, and of benefit recipients for each group. The allocation methodology produces an operating cost rate for each employer/employee group. Operating funds for the State employee component are appropriated, not as dollars but as the calculated rate, in the State budget bill; the rate is applied to the State employee payroll. For the teacher component, operating funds are appropriated as a dollar amounts calculated by the application of the rate to projected teacher payrolls, that is a part of the total state appropriation for teacher retirement. Operating funds for the PLD component are collected by assessment across all PLD programs. The System's authority to expend funds for its operations is provided via annual legislation that establishes, for a given fiscal year, the amount of its operating budget.



FINANCIAL SECTION

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REPORTING STRUCTURE AND HIGHLIGHTS

The System's financial and financial reporting obligations differ for its separate spheres of responsibility. These differences are reflected in the scope of its basic financial statements and their notes, required supplementary information, and other additional supplementary information. The statements, notes and supplementary material provide information in comprehensive detail on the System's defined benefit programs and on its group life insurance program. They report less comprehensively on the MLTE fund, in keeping with the System's narrower responsibility for the fund. They do not report on the defined contribution plans, for which the System has oversight responsibilities but whose financial flows and duties are between and held by the participating PLD employers and the plans' third party provider of investment, administration and recordkeeping services.

Defined Benefit Plan

The Maine State Retirement System's defined benefit retirement plan responsibilities are administered as a single plan, notwithstanding that separate actuarial valuations are performed for each of the retirement programs that the Retirement System administers, that contributions inflows and benefits payments are separately tracked and recorded, and that separate trust fund balances are attributed to each such program. The System's financial statements, notes thereto and required supplementary information are prepared accordingly. As additional supplementary information, the System includes with its financial statements an unaudited schedule that sets out in relevant detail the trust fund balances of the State employee and teacher program, the MJRS program, the MLRS program, and the program of the Consolidated Plan for PLDs and the non-consolidated PLDs combined. The schedule reflects the change in each trust fund balance for the year included in the financial statements.

Group Life Insurance Program

The Group Life Insurance program administered by the System provides or makes available to State employees, teachers and employees of some PLDs several categories of term life insurance coverage (i.e., basic and supplemental life coverages for employees; spousal life coverages; dependent life coverages; accidental death and dismemberment coverages for employees). Premiums, whether paid by the employer or employee, are transmitted to the System by the employer (except when, primarily for reasons of pay status, an employee is responsible to pay premiums directly). Claims are paid through the System's contracted insurance carrier to which the System pays the related administrative costs. Program reserves, principally resulting from the return to the System many years ago of funds from the demutualization of the System's then-insurance carrier, and earnings thereon, constitute the other element of the program's financial structure.

Maine Learning Technology Endowment

The System's responsibilities with respect to the Maine Learning Technology Endowment are to invest, account for the receipt and expenditures of, and provide for its inclusion in the annual audit of the System. All transactions involving Endowment funds are taken under the aegis of legislative and/or State administrative directives. These are set out in statute, a Memorandum of Understanding between the State and the System, and other understandings and agreements established between the State and the System based on their common understanding of legislative intent and their related but separate responsibilities. The terms of the Endowment's origin and continued existence are reflected in the nature of its spending plan. The nature of the spending plan is in turn reflected in the vehicle in which Endowment funds were initially and continue to be invested.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The System's financial statements, briefly described, comprise the following:

Fund Financial Statements

A statement of fiduciary net assets and a statement of changes in fiduciary net assets as of June 30, 2002 and for the year then ending, with comparative information as of June 30, 2001 and for the year then ending.

Notes to Fund Financial Statements

Notes that provide additional information that is essential to a full understanding of the data provided in the fund financial statement themselves.

Note 1. Plan Description

Note 1 provides a general overview of the Maine State Retirement System as the administrator of a defined benefit retirement plan and a group life insurance program and as the entity responsible to invest Maine Learning Technology Endowment funds.

FINANCIAL SECTION



MANAGEMENT DISCUSSION AND ANALYSIS

Note 2. Summary of Significant Accounting Policies

Note 2 explains the basis of accounting at MSRS, and summarizes information on investments, cash and the use of estimates. There are also sections on risks and uncertainties, and new accounting pronouncements.

Note 3. Cash and Investments

Note 3 provides detail on deposits, cash equivalents and other investments held in trust by the System. There are also disclosures on a certain type of investment-related risk and on holdings that comprise 5% or more of plan net assets.

Note 4. Derivative Securities

Note 4 explains derivative financial instruments and their use by the System in the normal course of investing. It also covers the management of market risk and compliance monitoring.

Note 5. Securities Lending Agreement

Note 5 discusses the securities lending program between the System and its master custodian, under which any type of security in the System's portfolio can be lent to broker-dealers and other entities, and of the similar agreement between the System and its index fund investment manager.

Note 6. Contribution and Reserves

Note 6 explains assumptions under which employer and employee contribution rates are actuarially determined and applied. It informs the reader how a percentage of a qualifying state budgetary surplus is provided to the System to reduce the unfunded pension liability of the State employee and teacher retirement program, and it lists employer contribution rates in effect in 2002 and 2001.

Note 7. Statutory and Constitutional Requirements

Note 7 explains that a statute enacted by the Maine Legislature in 1998 shortened the period for the State to amortize its unfunded actuarial pension liability from the amortization period of 31 years established by constitutional amendment in 1995.

Note 8. System Employees - Retirement and Retiree Health Benefits

Note 8 explains that the Maine State Retirement System is an employer participating in the Consolidated Retirement Plan for PLDs. The note describes both employer and employee rates applied to the System and its employees, and the provision of post-retirement medical benefits for employees who retire from the System.

Required Supplementary Information

Required supplementary information consists of two schedules and accompanying notes. The two schedules are the Schedule of Funding Progress and the Schedule of Employer Contributions. The notes provide additional disclosure on the two schedules and also provide information on the Group Life Insurance Program administered by the Maine State Retirement System.

Schedule of Funding Progress

The Schedule of Funding Progress presents an overview of all of the defined benefit retirement programs administered by the System, without regard to the funded status of the separate programs. It compares the value of pension assets attributable to all of the programs administered by the System with the actuarial accrued liabilities of all of the programs taken together, as of actuarial valuation dates over a period of seven years, and calculates the unfunded actuarial accrued liability for all of the programs taken together for each date. The schedule calculates the actuarial funded ratio of all of the programs taken together and illustrates it as a percentage of the covered payroll of all members of all programs.

Schedule of Employer Contributions

The Schedule of Employer Contributions compares the annual required contribution, as defined by GASB, for all employers participating in MSRS to actual employer contributions, over a period of seven years. It calculates the difference between required contributions and actual contributions.

Unaudited Supplemental Information

This supplemental schedule is a statement of changes in fiduciary net assets for each of the member/employer groups for which the Maine State Retirement System is the retirement program administrator. The schedule also includes a statement of changes in fiduciary net assets for the group life insurance program.



FINANCIAL SECTION

MANAGEMENT DISCUSSION AND ANALYSIS

SYSTEM INVESTMENTS

Defined Benefit Plan Investments

The assets of all the defined benefit retirement programs that the System administers are commingled for investment purposes. Essentially all of the assets are invested in three asset classes: publicly traded domestic stocks, publicly traded fixed income securities, and publicly traded foreign stocks. Less than 1% of the assets are invested in other than these classes. The investment policy established by the System's Board of Trustees assigns target allocations for each of the three asset classes. The current targets are 50% for domestic stocks, 35% for fixed income and 15% for foreign stocks. Only minor variations, resulting from market activity, are allowed between actual allocations and the targets. While allocation targets may be changed by the Board from time to time, such changes reflect carefully analyzed policy adjustments. The System does not shift funds between asset classes based on short term forecasts or results, believing that such "market timing" is a high cost and high risk strategy, inconsistent with the long term nature of pension investments.

The System's investment strategy is designed to prudently accommodate the funding demands inherent to a defined benefit plan, under which benefits are determined by a formula in which the factors are length of service, amount of compensation and benefit accrual rate. Retirement benefits under defined benefit plans do not increase or decrease with investment returns, hence the term "defined benefit." Plan assets can be said to exist to collateralize the promise to pay future retirement benefits, and this perspective would suggest that conservative investment strategies would be a good way of ensuring that benefits are collateralized. However, "conservative," i.e., low risk, strategies can be expected to give low investment returns. If investment returns are low, contributions, the other source of collateral, will need to be greater. Thus, an overly conservative investment strategy can place an unacceptable burden on the contributors, i.e., employees, employers and taxpayers, resulting in an underfunded plan, and serving the interests of neither the plan beneficiaries nor the plan contributors.

Thus, a prudent investment strategy for a defined benefit retirement plan requires accepting some level of investment risk. The System believes the current investment strategy provides a prudent compromise between low investment risk and high investment return for the plan. The System expects its current investment strategy to earn roughly 8% per annum on average over the long term and, on average over the long term, expects to have negative returns approximately one year out of four.

Essentially all of the assets of the defined benefit plan are in portfolios managed by professional investment management firms. These managers act as fiduciaries and invest the assets assigned to them in accordance with the System's investment policy and their separate contractual arrangements. At June 30, 2002 total assets in these portfolios, (together with the small amount committed under a bond program administered through the Financial Authority of Maine) were \$6.6 billion net of accruals for investment management fees and certain investment-related administrative expenses. The comparable number at June 30, 2001 was \$7.0 billion. The investment return at June 30, 2002 was negative 7.5%. The return at June 30, 2001 was negative 7.8%. Over the 10-year period ending on June 30, 2002 the average annual investment return was positive 9.0%.

The System earns additional income by lending securities through securities lending programs administered by its custodians. The borrowers of the securities, who are securities brokers, are obligated to return them to the System, either at the end of a specified period or on demand by the System. The borrowers provide collateral with value equal to or greater than the value of the securities borrowed. The System may keep the collateral if the borrower fails to return the security at the required time. The collateral is invested and, in return for lending the securities, the System retains a portion of the investment income earned on the collateral. For the fiscal year ended June 30, 2002, net securities lending income retained by the System was \$4.3 million. The amount of securities on loan at the end of the year was \$467.4 million. For the prior fiscal year, net income was \$4.2 million; the amount of securities on loan at year end was \$433.2 million.

In addition to its investment portfolio, System assets attributed across its defined benefit retirement programs include the three properties in Augusta, Maine that house the System's operations, two house lots abutting the System's principal Augusta property, a property in Gardiner, Maine (undeveloped land), and cash outside of the investment portfolio, which is held in short-term investments at the System's commercial and/or custodial bank(s). At June 30, 2002 the value of the System's Augusta and Gardiner properties was \$3.4 million. The June 30, 2001 value was \$1.6 million. The increase in value principally resulted from the purchase of two additional buildings in Augusta needed to accommodate operations.

The amount of cash outside the investment portfolio fluctuates with contributions inflow and benefit payments outgo. At June 30, 2002 this total cash was \$31.3 million; at June 30, 2001 it was \$544,102. This change in cash was largely the result of payoffs of their unfunded liabilities by several PLDs through pension obligation bonds or other means. Whether cash outside of the

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MANAGEMENT DISCUSSION AND ANALYSIS

investment portfolio is deposited at the System's commercial or custodial bank depends on the imminence and amount of cash needs and the interest rate currently payable at each institution.

Group Life Insurance Program investments

Group life insurance program investment assets at June 30, 2002 were \$39.4 million. The June 30, 2001 amount was \$36.6 million. The assets are invested in short- and medium-term fixed income securities in portfolios managed by an outside professional investment manager.

Maine Learning Technology Endowment Investments

The Maine Learning Technology Endowment total assets at June 30, 2002 were \$31.0 million. This amount represented the net result of the initial legislative appropriation of \$50.0 million, reduced by subsequent legislative and State administrative withdrawals and increased by a non-State contribution to the Endowment and by net investment income. Total assets at the end of the preceding fiscal year were \$52.8 million. The \$21.8 million decrease was the net result of a \$1.0 million non-State contribution, \$0.8 million of net investment income and \$23.6 million of withdrawals in accordance with legislative and administrative directives.

DEFINED BENEFIT PLAN/PROGRAM FUNDING STATUS

An actuarial valuation of the retirement assets and liabilities of the System taken as a whole and of those of each of the System's retirement programs is performed annually as of June 30 of the given year. The valuation process includes the application of actuarial smoothing techniques to the market value of assets to obtain the actuarial value of assets. This value is then compared to the actuarial liabilities to obtain the actuarial funding status.

Taking all of the System's retirement programs together, at June 30, 2002, the date of the most recent actuarial valuations of its programs, the System was actuarially funded at 77.0%, which is a decrease from its actuarial funded level of 78.4% at June 30, 2001. The funding levels of its programs, differ by program and are set out below. The actuarial valuation methodology for each program is relevant to its funded status. The State employee and teacher program, the MJRS program, the program of the Consolidated Plan for PLDs and the programs of the non-consolidated PLDs are valued by the entry age normal actuarial methodology. The MLRS program is valued by the aggregate actuarial methodology.

At June 30, 2002, the actuarial liabilities of the State employee and teacher program were \$2.59 billion greater than its actuarial assets. At June 30, 2001, actuarial liabilities were \$2.16 billion greater than assets. These two years of increases in the unfunded actuarial liability (UAL) were preceded by eight years of annual decreases. The changes in the UAL, both increases and decreases, were the direct result of the performance of the investment markets in the relevant years. The actuarial funding level of the State employee and teacher program at June 30, 2002 was 69.4%. At June 30, 2001 it was 72.9%.

At June 30, 2002, the actuarial assets of the MJRS exceeded its actuarial liabilities by \$1.32 million, a decrease from the program's actuarial surplus of \$3.68 million at June 30, 2001. The decrease reflected both the decline in the value of investments and benefit enhancements. The actuarial funding level of the MJRS program at June 30, 2002 was 104%. At June 30, 2001 was 111%.

At June 30, 2002, the MLRS' actuarial assets of \$6.25 million equaled its actuarial liabilities. Under the aggregate actuarial methodology used for the plan, actuarial assets and liabilities always equal each other.

At June 30, 2002, the actuarial assets of the Consolidated Plan for PLDs, including the unfunded liability obligations to the Plan of some of its participating PLDs, exceeded its actuarial liabilities by \$260.5 million (any PLD having such an obligation is required to make monthly payments to the consolidated Plan to reduce the obligation, in accordance with the amortization schedule established at the time the PLD entered the Consolidated Plan). The actuarial funding level of the Plan with these obligations included in its net assets was 120%. Excluding the unfunded liability obligations, the Consolidated Plan's actuarial assets exceeded its actuarial liabilities of \$224.1 million; on this basis the Plan's funding level was 117%. At June 30, 2001, actuarial assets including unfunded liability obligations exceeded actuarial liabilities by \$213.9 million; the actuarial funding level on this basis was 116%. Excluding the unfunded liability obligations, the excess of assets over liabilities was \$14.9 million and the funding was 101%. The changes between June 30, 2001 and June 30, 2002 were the net effect of revisions to the actuarial assumptions that resulted from an actuarial experience study and the decline in the value of investments.

The actuarial funding status of each of the non-consolidated PLDs is calculated separately and is available from the System.



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MANAGEMENT DISCUSSION AND ANALYSIS

MEMBERS, CONTRIBUTIONS AND BENEFITS PAYMENTS

The State employee component of the State employee and teacher retirement program administered by the System comprises (1) the Regular Plan that covers most State employee members and (2) the several Special Plans that cover employees who work in occupations considered by the Legislature to involve some degree of demand or hazard, thereby warranting a retirement plan that permits retirement with full benefits at an earlier age and/or with fewer years of service than does the Regular Plan.

The teacher component of the State employee and teacher program comprises a Regular Plan, the terms and benefits of which are identical to the Regular Plan for State employees. For purposes of retirement benefits, the State represents the "employer" of teachers, as the employer contribution on behalf of teachers is paid entirely by the State except for those contributions that are paid on behalf of teachers whose positions are funded by grants, in which case the contributions are paid from the grant funds by the respective school administrative units. (For almost all other purposes, the employers of teachers are the various school administrative units that make up the public elementary and secondary education system in Maine.)

Membership of State employees at June 30, 2002 was 28,434 in the Regular Plan, an increase of 590 over the June 30, 2001 membership. Membership in the State's Special Plans as a group at June 30, 2002 was 2,107, an increase of 204 over membership at June 30, 2001. Regular Plan members' contribution is 7.65% of earnable compensation. Special Plan members contribute 8.65% of earnable compensation until Special Plan retirement eligibility requirements are met, after which they contribute 7.65% of earnable compensation. Total Regular and Special Plan member contributions were \$33.4 million in fiscal year 2002; the fiscal year 2001 total was \$31.7 million. Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of purchasable service credit) are included in these totals.

Membership of teachers at June 30, 2002 was 80,910, an increase of 2,929 over the June 30, 2001 membership. Teacher members contribute 7.65% of earnable compensation. Total teacher member contributions were \$71.1 million in fiscal year 2002; the fiscal year 2001 total was \$66.8 million. Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of purchasable service credit) are included in these totals.

The State's employer contributions to the Regular and Special Plans on behalf of State employees totaled \$75.6 million in fiscal year 2002; in fiscal year 2001, its Regular and Special Plan contributions were \$83.3 million. (These employer contributions for fiscal year 2002 do not include \$1.7 million received in that year but designated in part to pay the increase in the normal cost in fiscal year 2003 resulting from prospective benefit enhancements for two Special Plan groups and in part to be held by the System until the full cost of extending the benefit enhancement to service previously rendered has been paid by the State.) The State's employer contributions on behalf of teachers totaled \$157.3 million in fiscal year 2002; in fiscal year 2001 it was \$155.6 million. The State's employer contributions on behalf of all State employees and all teachers has two components: (1) the normal cost contribution, which with current member contributions supports benefits currently being earned by members and (2) the unfunded actuarial liability (UAL) contribution, which is payment on the amortized debt that represents the liability for benefits insufficiently funded for in the past. The Maine Constitution requires that the UAL be fully funded in not more than 31 years from July 1, 1997. Current statutory law requires that the UAL be fully funded by the end of fiscal year 2018, a legislative shortening of the Constitutional amortization period.

Total benefit payments under the State employee component of the State employee and teacher program, including payments to retirees, beneficiaries of retirees, disability benefit recipients, survivor beneficiaries of deceased members not yet retired and survivor beneficiaries of deceased disability benefit recipients were \$141.9 million in fiscal year 2002; the fiscal year 2001 total was \$133.9 million. Total benefit payments under the teacher component of the program, including all of the above-listed categories, were \$180.1 million in fiscal year 2002; the fiscal year 2001 amount was \$166.7 million. Membership in the MJRS was 57 at June 30, 2002; at June 30, 2001 it was 60. Judicial members contribute at 7.65% of earnable compensation. Total member contributions in fiscal year 2002 were \$414,655; in fiscal year 2001 the total was \$410,062. Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of purchasable service credit) are included in these totals. The State's fiscal year 2002 employer normal cost contributions on behalf of judges were \$808,144; in fiscal year 2001 contributions were \$1.3 million. Benefits payments in all categories under the MJRS were \$1.7 million in fiscal year 2002; in fiscal year 2001 payments were \$1.5 million.

Membership in the MLRS was 300 at June 30, 2002; at June 30, 2001 it was 305. Legislative members contribute at 7.65% of earnable compensation. Total member contributions in fiscal year 2002 were \$106,337; in fiscal year 2001 the total was \$141,524.

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MANAGEMENT DISCUSSION AND ANALYSIS

Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of purchasable service credit) are included in these totals. Because of the funding methodology and funded status of the MLRS, no employer contribution was required in fiscal year 2002 or in fiscal year 2001. Benefits payments in all categories under the MLRS were \$101,435 in fiscal year 2002; in fiscal year 2001 they were \$93,977.

The Consolidated Plan for Participating Local Districts comprises 11 retirement plans. Each PLD in the Consolidated Plan chooses the plan or plans under which its employees will be covered. Total membership in the Consolidated Plan at June 30, 2002 was 18,221; at June 30, 2001 it was 17,690. Member contributions vary according to the covering plan. The range of member contributions as a percent of earnable compensation was 3.0% to 8.0% in both fiscal year 2002 and 2001. Total Consolidated Plan member contributions in fiscal year 2002 were \$17.3 million; in fiscal year 2001 the total was \$16.7 million. Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of purchasable service credit) are included in these totals. Employer normal cost contributions also vary according to the covering plan. The range of employer contributions as a percent of earnable compensation in fiscal year 2002 and in fiscal year 2001 was 1.7% to 6.5%. The net effect of the Consolidated Plan's funding status and the established funding approach is that Plan employers' normal cost contributions may be, and currently are, less than the true normal cost would otherwise require but will not be less than a floor level that reflects the then-current funding status. Benefits payments in all categories under the Consolidated Plan totaled \$59.8 million in fiscal year 2002; in fiscal year 2001 the total was \$56.1 million. Member, contribution and benefit data for the 32 non-consolidated PLDs are specific to each PLD and are obtainable from the System.

At the System level, fiscal year 2002 was the first year in which member and employer contributions inflows were insufficient to support outflows for benefits payments, member refunds and disability rehabilitation providers (the latter are required by State law to be treated as a specific outflow). Because of payoffs of their individual unfunded liability obligations by several PLDs, the System's cash flow was nonetheless positive for the fiscal year. Cash flow is expected to be negative in the near future, principally because of an evolution of member demographics occurring in the normal course of the plan's history. The System has a plan in place by which it will raise cash from its investment portfolio when needed.

OTHER INFORMATION THAT WILL OR COULD SIGNIFICANTLY AFFECT THE SYSTEM'S FINANCIAL ACTIVITIES OR POSITION

The performance of the investment markets is the most significant single element in the context in which actuarially funded retirement plans exist. Investment earnings are intended and expected to supply a significant amount of funding resources for such plans. When they do not, employers in defined benefit retirement plans must increase contributions to fund the shortfall. In public defined benefit plans, the "employer" ultimately is the taxpayers, including of course the System's members, who participate in plan funding both as taxpayers and via their member contributions. The performance of the investment markets in fiscal years 2002 and 2001 produced negative results for the System's investments. However, 10 years ago at June 30, 1993, the value of the System's investments was approximately \$2.0 billion. At June 30, 2002 the value was \$6.5 billion. Approximately \$4.0 billion of this increase resulted from appreciation in the value of investments, an average of approximately \$400 million per year. While near-term experience and outlook are instructive and must be factored in to long range policies and planning, the 10-year perspective is particularly relevant and appropriate given the very long time horizon for plan funding.

Requests for Information

Questions concerning this Management Discussion and Analysis, other parts of the System's financial statements or the System's financial activities should be directed to Maine State Retirement System, Carl A. Cappello, Associate Deputy Director, at 46 State House Station, Augusta, Maine 04333 or at (207) 512-3104 or toll-free at 1-800-451-9800.



FINANCIAL SECTION

STATEMENT OF FIDUCIARY NET ASSETS

	2002	2001
Assets		
Cash and cash equivalents (Note 3)	\$ 136,041,483	\$ 96,459,971
Investments at fair value (Note 3):		
Debt securities:		
U.S. Government and government agencies	429,427,767	311,378,592
Corporate	381,560,022	427,978,901
Foreign	78,496,919	102,984,692
Common equity securities	1,134,772,674	1,167,606,917
Preferred equity securities	44,067,509	48,285,886
Common/collective trusts	4,442,703,545	4,880,564,312
Other	7,770,136	6,295,678
Maine Learning Technology Endowment Fund (Note 3)	30,977,898	52,762,574
	<u>6,549,776,470</u>	<u>6,997,857,552</u>
Receivables:		
State and local agency contributions	8,609,397	9,475,992
Accrued interest and dividends	14,565,476	15,354,772
	<u>23,174,873</u>	<u>24,830,764</u>
Due from brokers for securities sold	58,287,011	18,206,444
Collateral on loaned securities (Note 5)	390,369,982	395,544,858
Fixed assets, net of accumulated depreciation	<u>598,742</u>	<u>386,655</u>
Total assets	7,158,248,561	7,533,286,244
Liabilities		
Accounts payable	10,973,638	9,931,042
Due to brokers for securities purchased	84,397,808	38,105,792
Other liabilities	9,258,520	8,219,449
Maine Learning Technology Endowment Fund (Note 3)	30,946,862	52,706,380
	<u>135,576,828</u>	<u>108,962,663</u>
Obligations under securities lending activities (Note 5)	<u>390,369,982</u>	<u>395,544,858</u>
Total liabilities	<u>525,946,810</u>	<u>504,507,521</u>
Net assets held in trust for pension, disability, death and group life insurance benefits	<u>\$ 6,632,301,751</u>	<u>\$ 7,028,778,723</u>

FINANCIAL SECTION



STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	2002	2001
Additions:		
Investment income:		
Interest	\$ 72,797,999	\$ 95,026,016
Dividends	16,811,221	19,142,213
Net depreciation in the fair value of of plan investments	(609,308,776)	(694,624,046)
Less: Investment expenses	(8,710,718)	(9,379,584)
Cost of securities lending	(1,660,097)	(1,402,294)
Net investment loss	<u>(530,070,371)</u>	<u>(591,237,695)</u>
Contributions (Note 6):		
Members	130,262,842	123,248,430
State and local agencies	<u>423,858,414</u>	<u>272,597,903</u>
Total contributions	<u>554,121,256</u>	<u>395,846,333</u>
Total additions (deductions)	<u>24,050,885</u>	<u>(195,391,362)</u>
Deductions:		
Benefits paid, net	396,398,584	368,816,383
Refunds and withdrawals	15,822,142	17,468,264
Administrative expenses	<u>8,307,131</u>	<u>8,025,492</u>
Total deductions	<u>420,527,857</u>	<u>394,310,139</u>
Net decrease	(396,476,972)	(589,701,501)
Net assets held in trust for pension, disability, death and group life insurance benefits (Note 6):		
Beginning of year	<u>7,028,778,723</u>	<u>7,618,480,224</u>
End of year	<u>\$ 6,632,301,751</u>	<u>\$ 7,028,778,723</u>



FINANCIAL SECTION

NOTES TO BASIC FINANCIAL STATEMENTS

1. Overview of the Maine State Retirement System Defined Benefit Plan

The Maine State Retirement System (the System), which is a component unit of the State of Maine, is the administrator of an agent multiple-employer public employee retirement system established and administered under the Maine State Retirement System Laws of the State of Maine. The System provides pension, death and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution and benefit purposes, and employees of approximately 260 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, 2002 and 2001, the membership counts that are the basis on which liabilities are calculated are as follows:

	2002	2001
Active vested and nonvested members	52,480	51,908
Terminated vested participants	2,963	2,291
Retirees and benefit recipients	<u>30,122</u>	<u>29,566</u>
Total	<u>85,565</u>	<u>83,765</u>

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

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

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

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

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

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NOTES TO BASIC FINANCIAL STATEMENTS

for financial reporting purposes. During fiscal 1999, the System became aware that the State Auditor has a different view with respect to this, believing that the System should report as the administrator of multiple plans. All parties have agreed that clarification should be sought, and the System has sought and continues to seek to take appropriate steps to resolve any issue related to accounting and reporting. Regardless of this question, each of its participating entities is responsible for the funding of benefits related to that entity.

Group Life Insurance Program

The System also administers a group life insurance program under a policy 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.

Maine Learning Technology

The System is responsible to invest and account for the funds that comprise the Maine Learning Technology Endowment as well as to provide for its inclusion in the audit of the System.

2. Summary of Significant Accounting Policies

Basis of Accounting

The System's basic 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.

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 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 and 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. Investment purchases and sales are recorded as of their trade date.

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

Due to/from Brokers

Due to/from brokers for securities purchased or 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, the actuarial information included in the required supplementary information as of the benefit information date, the changes in net assets during the reporting period and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The System makes investments in a combination of equities, fixed income securities, mutual funds, commingled mutual and



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NOTES TO BASIC FINANCIAL STATEMENTS

index funds, derivative financial instruments and other investment securities in accordance with the Trustees' investment policy. The System prohibits its investment managers from using leverage in its derivative financial instruments or from investing in speculative positions. Investment securities and investment securities underlying certain investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. 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 economic indicators (e.g. interest rates, inflation rates), and member and retiree compensation and demographics. By law, the assumptions are adopted by the Board of Trustees based on recommendation of the System's actuary. The System is required by Maine law to perform an actuarial experience study whenever the Board of Trustees, on recommendation of its actuary, determines such a study to be necessary for actuarial soundness or prudent administration. Such studies involve review of actuarial assumptions, including economic assumptions. If six or more years pass between studies, the Board is required to document in the official minutes of a meeting of the Board its decision not to conduct a study and its reasons for the decision. This change in the law, enacted in 2001, implicitly lengthens, particularly with respect to member demographics, the time expected to pass between studies; the prior law required a study every three years. Nothing requires that assumptions be changed whenever a study is conducted, and nothing prohibits changes in assumptions independent of a study. Such latter changes are very unlikely, but could occur and could be material to the financial statements.

GASB Statement No. 34 - MD&A

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", as amended. GASB Statement No. 34 provides a financial reporting model for governmental entities that addresses four basic reporting elements: management's discussion and analysis (MD&A), government wide and fund financial statements, notes to the financial statements, and required supplementary information. The System adopted GASB No. 34 for the year ended June 30, 2002. The adoption of GASB No. 34 required the system to present unaudited MD&A, which is considered to be required supplementary information that precedes the financial statements. The adoption of GASB No. 34 did not have an impact on the net assets of the System's funds.

3. Cash and Investments

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

At June 30, 2002 and 2001, cash and cash equivalents were comprised of the following:

	2002	2001
Cash on deposit with local banks	\$ 31,332,923	\$ 544,102
Short-term investment finds	88,523,440	79,373,826
Foreign currency deposits	<u>16,185,120</u>	<u>16,542,043</u>
Total	\$ 136,041,483	\$ 96,459,971

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 by 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, 2002 and 2001, all of the System's investments are considered Category 1, except for real estate and securities held by/through others (e.g., custodians; brokers) under securities lending agreements, which are uncategorized.



NOTES TO BASIC FINANCIAL STATEMENTS

The System has no single investment, whether a direct investment or an investment held through a commingled fund, that represents 5% or more of plan net assets.

Maine Learning Technology Endowment Fund

In fiscal year 2000, the Legislature established an endowment to be used to enable the full integration of appropriate learning technologies into teaching and learning for the State's elementary and secondary students. In fiscal year 2001, funds in the amount of \$50,000,000 were transferred to the System to be held in trust and invested on behalf of the State for endowment purposes. At June 30, 2002 and 2001, the value of this fund, which is invested in short-term high quality fixed income investments, was \$30,977,898 and \$52,726,574, respectively. In the change in value was the net result of legislative and administrative withdrawals, a gift to the endowment and investment income. The remaining amount is unrelated to and not available to pay plan benefits and therefore has been reflected as an asset and a liability in the accompanying statement of plan net assets.

4. Derivative Securities

Derivative financial instruments are financial contracts whose value depend on the value of one or more underlying assets, reference rates or financial indexes. They include futures, forwards, options and swap contracts. In addition, some traditional securities can have derivative-like characteristics, e.g., 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 investing to enhance returns on investments and to manage the risk of exposure to changes in value due to fluctuations in market conditions. The System's investments in derivatives are not leveraged, nor do they represent speculative investment activity. These investments may involve, to varying degrees, elements of credit and market risk. Credit risk, also called counterparty risk, is the possibility that loss may occur from the failure of a counterparty to perform according to the terms of the contract. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment/approval of counterparties. Market risk arises due to adverse changes in market price or to interest rate or foreign exchange rate fluctuations that may result in a decrease in the market value of a financial investment and/or increase its funding cost. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and senior management, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized in the statement of changes in plan net assets. The realized gain or loss on forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in the statement of changes in fiduciary net assets. As of June 30, 2002 and 2001, the fair value of forward currency contracts held by the System was \$0 and \$24,302,772, respectively.

The System's fixed income managers invest in CMOs to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2002 and 2001, the carrying value of the System's CMO holdings totaled \$77,965,911 and \$82,329,136, respectively.

The System also holds investments in futures and options. Futures and options of approximately \$223,870,605 and \$217,955,273 are held for investment purposes at June 30, 2002 and 2001, respectively. Gains and losses on futures and options are determined based upon quoted market prices and recorded in the statement of changes in plan net assets.

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 programs in which the System participates, in which some collateral pools may include derivatives (see Note 5). Where derivatives are held in those funds/pools, risks and risk management are as described above.



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NOTES TO BASIC FINANCIAL STATEMENTS

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 and custodied at the master custodian to broker-dealers and other entities. The agreements require that all loans be collateralized by cash, irrevocable letters of credit, or other securities in an amount at least equal to 102% (105% for international securities) of the market value of the securities loaned. Loaned securities are marked to market daily and collateral adjusted accordingly. The contract with the custodian requires it to indemnify the System if: a) the borrowers fail to return the securities and b) the custodian has failed to comply with its contractual obligations regarding the securities lent. The System is not permitted to pledge or sell collateral securities received unless the borrower defaults. Either the System or the borrower can terminate all securities loans on demand. The average term of the loans is 10 days, and the cash collateral received is invested in one of the master custodian's short-term investment pools, of which the average duration is 5 to 15 days. At year-end, the System has no credit risk to borrowers because the amount the System owes to the borrowers exceeds the amounts the borrowers owe the System. The market value of securities out on loan under this program at June 30, 2002 and 2001 is \$467,387,438 and \$433,203,854, respectively. The market value of collateral received from borrowers as of the same date is \$482,421,064 and \$450,799,567. Gross investment income from loaned securities was \$5,980,329 and \$5,609,075, for the years ended June 30, 2002 and 2001, respectively. Holdings in other common/collective trusts custodied elsewhere that are subject to lending are lent under similar terms established as part of investment contracts. Cash collateral received in securities lending arrangements is reported on the statement of plan net assets as an asset with a related liability as required under GASB 28.

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 plan under which legislators are covered, in which 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 eighteen-year period from June 30, 2001. For participating local districts, either the level percentage of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and amount of the unfunded liability. Amortization periods for PLDs range from 3 years to 25 years.

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NOTES TO BASIC FINANCIAL STATEMENTS

The State of Maine is required by Maine law to remit a percentage of its unallocated general fund surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers. In 2001, the law was amended by the Legislature in a manner that resulted in no additional contribution from this state budgetary surplus source in either fiscal year 2001 or 2002.

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 supplemental information in this section.

Retirement contribution rates for all employee-members are set by law. Employer retirement contribution rates as 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 2002 and 2001 are as follows:

	2002	2001
State:		
Employees (1)	7.65 - 8.65%	7.65 - 8.65%
Employer (1)	12.19 - 36.35%	14.81 - 43.90%
Teachers:		
Employees	7.65%	7.65%
Employer	17.71%	18.34%
Participating local districts:		
Employees (1)	3.0 - 8.0%	3.0 - 8.0%
Employers (1)	1.7 - 6.5%	1.7 - 6.5%

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

7. Statutory and Constitutional Requirements

In 1998, the State Legislature enacted a law that required 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 by the Legislature to 19 years, commencing June 30, 2000.

8. System Employees - Retirement and Retiree Health Benefits

The System, as the employer of its staff, is a participating employer (i.e., a PLD) in the Consolidated Plan for Participating Local Districts administered by the Maine State Retirement System. System employees are required by statute to contribute 6.5% of their annual covered salaries. The System is required to contribute at an actuarially determined normal cost rate established by annual actuarial valuation of the Consolidated Plan and also to make the payments required to amortize its Initial Unpooled Unfunded Actuarial Liability (IUUAL). The normal cost rate was 2.8% of annual covered payroll for 2002 and 2001, respectively, and the



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System's annual pension cost for its employees was \$326,736 and \$306,501 for 2002 and 2001, respectively, including both normal cost and IUUAL payment. The actuarial assumptions are described in the actuarial assumptions and methods footnote to the required supplementary information.

The System also offers post-retirement medical benefits for all of its employees who retire from the System with an immediate pension. The System pays the premium cost of these benefits for those first employed before July 1, 1991 and pays all or a portion of the premium cost for those employed after that date, depending on their years of participation in the health plan. Employees terminating employment with at least 25 years of service credit but not immediately retiring may defer eligibility for provision of health benefits at retirement. Included in administrative expenses in 2002 and 2001 is a charge of \$154,000 and \$140,000, respectively, to cover all current expenses and to establish a liability for future benefits. As of June 30, 2002 and 2001, there is \$1,390,451 and \$1,063,022, respectively, in other liabilities for the payment of future health insurance benefits. The charge is equal to the actuarially determined expense as calculated by amortizing, as a level percent of payroll, the present value of future benefits less assets over a 25-year period, of which 17 years remain. The present value of the future benefits for fiscal year 2002 and 2001 was \$3,566,000 and \$3,253,000, respectively. The present value of future benefits for fiscal year 2003 will be calculated as part of a new actuarial study of these liabilities that will be conducted in fiscal year 2003.

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)
June 30, 2002	\$ 7,612,509,160	\$ 9,889,494,007	\$ 2,276,984,847	77.0%	\$ 1,681,423,896	135.4%
June 30, 2001	7,389,558,862	9,425,021,636	2,035,462,774	78.4%	1,580,530,753	128.8%
June 30, 2000	7,027,525,433	8,842,716,327	1,815,190,894	79.5%	1,515,172,430	119.8%
June 30, 1999	6,236,229,331	8,332,753,666	2,096,524,335	74.8%	1,443,312,536	145.3%
June 30, 1998	5,392,675,044	7,854,273,082	2,461,598,038	68.7%	1,389,139,818	177.2%
June 30, 1997	4,602,973,536	7,291,821,034	2,688,847,498	63.1%	1,341,612,931	200.4%
June 30, 1996	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
2002	\$ 252,503,429	\$ 415,551,283	164.6%
2001	264,648,938	264,648,938	100.0%
2000	246,312,125	250,312,125	101.6%
1999	269,631,124	291,477,022	108.1%
1998	245,861,898	267,270,355	108.7%
1997	242,124,771	260,651,274	107.7%
1996	241,166,296	247,406,546	102.6%



NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

1. Basis of Presentation

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

2. Actuarial Assumptions and Methods

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2002, is as follows:

Funding Method

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

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

Asset Valuation Method

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

Amortization

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

During fiscal year 2002, various PLD's contributed approximately \$163,000,000 to decrease their initial unpooled unfunded actuarial liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2002 are as follows:

Investment Return - 8% per annum, compounded annually

Salary Increases - 5.5% to 9.5% per year

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

Cost of Living Benefit Increases - 4% per annum



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3. Group Life Program

The Group Life Insurance Program administered by the System provides for a life insurance benefit for certain active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements between employers and employees. Assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2002 and 2001, the net assets held in trust for group life insurance benefits were \$36,629,817 and \$35,231,575, respectively. At June 30, 2002 and 2001, the plan had the following actuarially determined liabilities:

	2002	2001
	(in millions)	
Actuarial liabilities:		
Active members	\$ 40.3	\$ 36.4
Retired members	42.9	43.1
Total	<u>\$ 83.2</u>	<u>\$ 79.5</u>

FINANCIAL SECTION



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**Independent Accountant's Report on Compliance and on
Internal Control over Financial Reporting Based on an Audit of Basic Financial
Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Trustees of
Maine State Retirement System:

We have audited the basic 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, 2002 and have issued our report thereon dated September 24, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the System's basic 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.

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

PricewaterhouseCoopers LLP

September 24, 2002



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Unaudited Supplemental Information

The supplemental schedule on the following page is the statement of changes in fiduciary net assets for the year ended June 30, 2002 for member/employer groups for which the Maine State Retirement System is the retirement program administrator. This schedule is presented for informational purposes only and has not been subjected to any auditing procedures and therefore no opinion is provided.

Supplemental Schedule of Statement of Changes in Fiduciary Net Assets
For the Year Ended June 30, 2002
(Unaudited)

	State	Teacher	Judicial	Legislative	PLD	Total pension	GLI	Total net assets
Balance, June 30, 2001	\$ 2,168,701,283	\$ 3,321,819,325	\$ 35,243,801	\$ 5,844,918	\$ 1,461,937,821	\$ 6,993,547,148	\$ 35,231,575	\$ 7,028,778,723
Additions:								
Net investment (loss) income	(160,876,174)	(250,808,854)	(2,615,724)	(438,458)	(118,093,261)	(532,832,471)	2,762,100	(530,070,371)
Members contributions	33,362,529	71,069,190	414,655	106,887	17,660,711	122,613,972	7,648,870	130,262,842
State and local agencies contributions*	<u>77,302,303</u>	<u>164,375,642</u>	<u>808,144</u>	<u>-</u>	<u>173,065,194</u>	<u>415,551,283</u>	<u>-</u>	<u>415,551,283</u>
Total (deductions) additions	<u>(50,211,342)</u>	<u>(15,364,022)</u>	<u>(1,392,925)</u>	<u>(331,571)</u>	<u>72,632,644</u>	<u>5,332,784</u>	<u>10,410,970</u>	<u>15,743,754</u>
Deductions:								
Benefits paid, net	141,858,387	180,123,205	1,731,600	101,435	63,465,707	387,280,334	8,998,000	396,278,334
Refunds and withdrawals	4,044,102	6,701,702	-	-	5,061,614	15,807,418	14,724	15,822,142
Rehabilitation Services	<u>62,612</u>	<u>35,452</u>	<u>-</u>	<u>-</u>	<u>22,186</u>	<u>120,250</u>	<u>-</u>	<u>120,250</u>
Total deductions	<u>145,965,101</u>	<u>186,860,359</u>	<u>1,731,600</u>	<u>101,435</u>	<u>68,549,507</u>	<u>403,208,002</u>	<u>9,012,724</u>	<u>412,220,726</u>
Net (decrease) increase	<u>(196,176,443)</u>	<u>(202,224,381)</u>	<u>(3,124,525)</u>	<u>(433,006)</u>	<u>4,083,137</u>	<u>(397,875,218)</u>	<u>1,398,246</u>	<u>(396,476,972)</u>
Balance, June 30, 2002	<u>\$ 1,972,524,840</u>	<u>\$ 3,119,594,944</u>	<u>\$ 32,119,276</u>	<u>\$ 5,411,912</u>	<u>\$ 1,466,020,958</u>	<u>\$ 6,595,671,930</u>	<u>\$ 36,629,821</u>	<u>\$ 6,632,301,751</u>

* Contributions for State and local agencies is shown net of administrative revenue and expenses.





FINANCIAL SECTION

JUNE 30, 2002 TRUST FUND BALANCES

<u>EMPLOYER / PROGRAM</u>	<u>TRUST FUND BALANCE</u>
STATE	1,972,524,840
TEACHERS	3,119,594,945
JUDICIAL	32,119,276
LEGISLATIVE	5,411,908
CONSOLIDATED PLAN - AC	706,575,007
CONSOLIDATED PLAN - AN	89,698,017
CONSOLIDATED PLAN - BC	82,604
CONSOLIDATED PLAN - 1C	271,831,563
CONSOLIDATED PLAN - 1N	18,755,436
CONSOLIDATED PLAN - 2C	166,322,989
CONSOLIDATED PLAN - 2N	9,208,660
CONSOLIDATED PLAN - 3C	43,660,530
CONSOLIDATED PLAN - 3N	17,071,518
CONSOLIDATED PLAN - 4C	8,348,455
CONSOLIDATED PLAN - 4N	344,515
AROOSTOOK COUNTY	487,350
AUBURN PUBLIC LIBRARY	300,551
BAILEYVILLE	569,332
BANGOR WATER DISTRICT	401,806
BATH	7,617,592
BELFAST	156,572
BERWICK	142,394
BERWICK SEWER DISTRICT	6,344
BETHEL	244,592
BIDDEFORD	533,350
BINGHAM WATER	37,539
BOOTHBAY HARBOR	296,363
BOOTHBAY HARBOR WATER	370,856
BRIDGTON	316,709
BRIDGTON WATER	57,952
BROWNVILLE	282,275
BRUNSWICK	409,639
BRUNSWICK FIRE & POLICE	438,504
BRUNSWICK SEWER	163,518
BUCKSPORT	505,228
CALAIS	327,881
CAPE ELIZABETH	6,553,533
CAPITOL COASTAL COUNC OF GOV'T	245,450
CARIBOU FIRE AND POLICE	1,544,275
CHINA	53,573
CORINNA	172,331

FINANCIAL SECTION



EMPLOYER / PROGRAM

TRUST FUND BALANCE

CORINNA SEWER	132,915
CSD #12 - TOPSFIELD	68,819
CSD #18 -WELLS/OGUNQUIT	227,550
CSD #3 - BOOTHBAY	509,347
CUMBERLAND	310,157
CUMBERLAND COUNTY	568,016
DAMRISCOTTA	254,415
DEXTER	117,172
DIXFIELD	341,090
DOVER FOXCROFT	271,316
DOVER FOXCROFT WATER	21,964
DURHAM	105,663
ELIOT	285,592
ELLSWORTH	85,772
ERSKINE ACADEMY	90,194
EXETER	16,447
FAIRFIELD	54,777
FALMOUTH MEMORIAL LIBRARY	94,180
FARMINGTON	138,663
FORT FAIRFIELD	62,575
FORT FAIRFIELD HOUSING	3,677
FORT FAIRFIELD UTILITIES	11,576
FORT KENT	1,219,580
FRANKLIN COUNTY	1,072,787
FREEPORT	776,823
FRENCHVILLE	56,441
FRYEBURG	32,034
GARDINER	747,675
GARDINER WATER	89,579
GEORGETOWN	50,984
GORHAM	546,720
GOULD ACADEMY	234,630
GREENVILLE	230,491
GRTR PORTLAND COUNC OF GOV'T	-
HALLOWELL	108,522
HAMPDEN	10,414
HAMPDEN WATER DISTRICT	26,145
HERMON	441,780
HODGDON	7,915
HOMESTEAD PROJECT	110,169
HOULTON	545,855
HOWLAND	74,012
INDIAN TOWNSHIP TRIBAL GOV'T	1,688,174
JACKMAN UTILITY DISTRICT	413
KENNEBEC COUNTY	11,704



FINANCIAL SECTION

JUNE 30, 2002 TRUST FUND BALANCES

<u>EMPLOYER / PROGRAM</u>	<u>TRUST FUND BALANCE</u>
KENNEBEC SANITARY	195,058
KENNEBEC WATER	818,016
KENNEBUNK	456,307
KENNEBUNK SEWER DISTRICT	284,803
KENNEBUNKPORT	680,823
KITTERY	179,325
KITTERY WATER	253,742
KNNBK,KENNPORT,WELLS WATER	219,500
KNOX COUNTY	503,946
LEBANON	126,705
LEW AUB WAT POLL CONTROL	42,379
LIMESTONE	463,297
LIMESTONE WATER AND SEWER	445,007
LINCOLN	1,269,011
LINCOLN ACADEMY	105,594
LINCOLN COUNTY	1,744,839
LINNEUS	3,632
LISBON	113,635
LISBON WATER	43,245
LIVERMORE FALL WATER	7,020
LIVERMORE FALLS	170,118
LOVELL	38,458
LUBEC	168,159
LUBEC WATER & ELECTRIC	616
MAINE COUNTY COMM ASSOC	23,541
MAINE HOUSING AUTH	1,699,301
MAINE MARITIME ACADEMY	4,332,563
MAINE MUNICIPAL ASSOCIATION	1,248,159
MARS HILL	307,207
MDI REGIONAL SCHOOL	123,988
ME STATE PRINCIPALS ASSOC	35,970
MECHANIC FALLS	217,560
MEDWAY	44,781
MEXICO	338,569
MILFORD	112,446
MILLINOCKET	669,461
MILO	238,114
MILO WATER DISTRICT	113,916
MONSON	13,648
MT. DESERT	75,068
NEW CANADA PLANTATION	16,659
NEW GLOUCESTER	191,269
NORTH BERWICK	118,632
NORWAY	170,775
NORWAY PARIS SOLID WASTE	79,230

FINANCIAL SECTION



JUNE 30, 2002 TRUST FUND BALANCES

<u>EMPLOYER / PROGRAM</u>	<u>TRUST FUND BALANCE</u>
OLD ORCHARD BEACH	7,117,443
OLD TOWN	-
OLD TOWN HOUSING	26,211
OLD TOWN WATER	68,826
ORLAND	276,534
ORONO	994,059
ORRINGTON	223,150
OXFORD	5,016
OXFORD COUNTY	62,702
PARIS	268,651
PARIS UTILITY	28,441
PENOBSCOT COUNTY	539,197
PHIPPSBURG	226,850
PISCATQUIS COUNTY	50,981
PITTSFIELD	791,713
PORTLAND PUBLIC LIBRARY	3,686
PRESQUE ISLE	20,467,074
PRINCETON	186,696
PROJECT LODESTONE	43,689
REGION 4 - SO PENOBSCOT	59,629
REGION 7 - WALDO	178,275
RICHMOND	565,206
RICHMOND UTILITIES	15,766
ROCKPORT	29,217
RUMFORD MEXICO SEWAGE	56,174
SABATTUS	323,500
SACO	872,039
SAD # 16 - HALLOWELL	227,534
SAD #13 - BINGHAM	171,803
SAD #21 - DIXFIELD	74,954
SAD #29	211,069
SAD #31 - HOWLAND	92,001
SAD #34 - BELFAST	3,049,060
SAD #41 - MILO	397,696
SAD #49 - FAIRFIELD	333,250
SAD #51- CUMBERLAND	509,060
SAD #53	97,593
SAD #54	135,063
SAD #56 - SEARSPORT	478,886
SAD #60 - NORTH BERWICK	733,634
SAD #66 - ELLSWORTH	515,816
SAD #67	249,549
SAD #71	733,914



FINANCIAL SECTION

JUNE 30, 2002 TRUST FUND BALANCES

<u>EMPLOYER / PROGRAM</u>	<u>TRUST FUND BALANCE</u>
SAD#9 - FARMINGTON	161,165
SAGadahoc COUNTY	1,501,193
SAINT AGATHA	207,749
SANFORD	2,903,540
SANFORD SEWERAGE	153,211
SANFORD WATER	333,402
SEARSPORT	405,730
SEARSPORT WATER	130,452
SKOWHEGAN	421,493
SO BERWICK WATER	5,876
SO PORTLAND HOUSING	98,407
SOUTH BERWICK	204,146
THOMASTON	569,432
TOPSHAM	347,833
TOWN OF MAPLETON	89,587
TRI-COMMUNITY LANDFILL	5,836
VAN BUREN	191,162
VAN BUREN HOUSING AUTH	130,513
VASSALBORO	181,846
WALLGRASS PLANTATION	11,417
WASHINGTON COUNTY	4,863
WATERVILLE FIRE AND POLICE	687,507
WELLS	171,837
WEST ME COMM ACTION COUNC	1,102,715
WESTBROOK	7,953,644
WESTBROOK FIRE AND POLICE	18,716,689
WILTON	1,166,544
WINSLOW	723,659
WINTER HARBOR UTILITIES	12,413
WINTHROP	518,756
YARMOUTH	341,662
YORK COUNTY	488,667
YORK WATER DISTRICT	92,790
TOTAL TRUST FUND BALANCES	6,595,671,934

FINANCIAL SECTION



GROUP LIFE INSURANCE PROGRAM STATEMENT OF OPERATIONS FOR THE FISCAL YEARS ENDING JUNE 30, 2002 AND JUNE 30, 2001

<u>RECEIPTS</u>	<u>2002</u>	<u>2001</u>
Total Premiums Collected	\$ 7,634,144	\$ 7,201,481
Earnings on Investments	<u>2,762,099</u>	<u>3,219,706</u>
TOTAL RECEIPTS	\$ 10,396,243	\$10,421,187
 <u>EXPENSES</u>		
Claims Paid		
Basic	\$ 1,728,326	\$ 1,227,841
Supplemental	1,943,000	1,030,982
Dependent	240,086	296,440
Retired Employees	<u>4,412,198</u>	<u>3,579,737</u>
Total Claims Paid	\$ 8,323,610	\$ 6,135,000
Retention Expense	\$ 550,047	\$ 525,600
Conversion Expense	\$ 124,343	\$ 86,450
TOTAL EXPENSES	\$ <u>8,998,000</u>	\$ <u>6,747,050</u>
 BALANCE OF RESERVES	 \$ <u><u>36,629,817</u></u>	 \$ <u><u>35,231,574</u></u>



FINANCIAL SECTION

MAINE LEARNING TECHNOLOGY ENDOWMENT STATEMENT OF OPERATIONS FOR THE FISCAL YEARS ENDING JUNE 30, 2002 AND JUNE 30, 2001

	<u>2002</u>	<u>2001</u>
REVENUES		
Contributions	\$ 1,000,000	\$ 50,000,000
Investment Income (Loss)	<u>807,728</u>	<u>2,762,574</u>
Total Revenues	\$ 1,807,728	\$ 52,762,574
EXPENDITURES		
Withdrawals	\$ 23,592,404	\$ -
Investment Expense	31,036	56,194
Investment Expense Reimbursement	<u>(56,194)</u>	<u>-</u>
Total Expenditures	\$ 23,567,246	\$ 56,194
NET CHANGE	\$ (21,759,518)	\$ 52,706,380
FUND BALANCE, BEGINNING OF PERIOD	\$ 52,706,380	\$ -
FUND BALANCE, END OF PERIOD	\$ 30,946,862	\$ 52,706,380

INVESTMENTS SECTION





INVESTMENTS SECTION

ASSETS BY MANAGER at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED</u>
Alliance Capital - Fixed Income	\$ 342,306,870	\$ 344,888,723	\$ 2,581,852
Cash	5,070,261	5,070,261	-
Finance Authority of Maine	4,254,112	4,254,112	-
JP Morgan - Multi Market I	742,746	596,984	(145,763)
JP Morgan - Multi Market II	6,278,476	5,373,837	(904,639)
JP Morgan Fixed Income	551,812,450	610,249,059	58,436,610
Jacobs Levy	187,860,735	180,376,126	(7,484,609)
Loomis Sayles	261,695,364	259,686,796	(2,008,568)
Martin Currie	240,531,339	233,445,886	(7,085,453)
Peregrine Asset Management	257,117,830	254,905,522	(2,212,308)
Rowe Price Fleming	203,256,828	193,233,155	(10,023,673)
State Street Lehman Aggregate	602,654,295	870,788,634	268,134,339
State Street International EAFE	270,290,736	268,190,044	(2,100,692)
State Street S&P 500	595,844,898	515,777,985	(80,066,913)
State Street Wilshire 5000	1,863,375,949	2,006,840,996	143,465,047
Trust Company of the West	461,958,258	448,354,029	(13,604,229)
Wellington-US	194,114,446	170,222,178	(23,892,268)
Wellington-International	207,755,021	199,026,485	(8,728,536)
Total Pension Assets	<u>6,256,920,614</u>	<u>6,571,280,811</u>	<u>314,360,197</u>

Group Life Insurance

State Street Short Term Bond Fund	\$ 33,031,585	\$ 36,595,412	\$ 3,563,826
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Maine Learning Technology Endowment

U.S. Dollar Libor Plus Fund	\$ 31,053,197	\$ 30,977,897	\$ (75,300)
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INVESTMENTS SECTION



ACTUAL ASSET ALLOCATION Maine State Retirement System Pension Assets at June 30, 2002

	<u>PERCENT OF TOTAL</u>	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
TOTAL ASSETS	100%	\$ 6,256,920,614	\$ 6,571,280,811	\$ 314,360,197
TOTAL CASH	0.1%	\$ 5,070,261	\$ 5,070,261	\$ -
TOTAL DOMESTIC EQUITY	47.7%	\$ 3,105,335,080	\$ 3,134,093,627	\$ 28,758,547
JP Morgan - Multi Market I	0.0%	742,746	596,984	(145,763)
JP Morgan - Multi Market II	0.1%	6,278,476	5,373,837	(904,639)
Jacobs Levy	2.7%	187,860,735	180,376,126	(7,484,609)
Peregrine Asset Management	3.9%	257,117,830	254,905,522	(2,212,308)
State Street S&P 500	7.8%	595,844,898	515,777,985	(80,066,913)
State Street Wilshire 5000	30.5%	1,863,375,949	2,006,840,996	143,465,047
Wellington-US	2.6%	194,114,446	170,222,178	(23,892,268)
TOTAL DOMESTIC FIXED INCOME	38.6%	\$ 2,224,681,349	\$ 2,538,221,353	\$ 313,540,004
Alliance Capital - Fixed Income	5.2%	342,306,870	344,888,723	2,581,852
FAME	0.1%	4,254,112	4,254,112	-
JP Morgan Fixed Income	9.3%	551,812,450	610,249,059	58,436,610
Loomis Sayles	4.0%	261,695,364	259,686,796	(2,008,568)
State Street Fixed Core	13.3%	602,654,295	870,788,634	268,134,339
TCW	6.8%	461,958,258	448,354,029	(13,604,229)
TOTAL INTERNATIONAL EQUITY	13.6%	\$ 921,833,924	\$ 893,895,570	\$ (27,938,354)
State Street International EAFE	4.1%	270,290,736	268,190,044	(2,100,692)
Martin Currie	3.6%	240,531,339	233,445,886	(7,085,453)
Rowe Price Fleming	2.9%	203,256,828	193,233,155	(10,023,673)
Wellington International	3.0%	207,755,021	199,026,485	(8,728,536)



INVESTMENTS SECTION

INVESTMENT PERFORMANCE Maine State Retirement System Pension Assets at June 30, 2002

	<u>ONE YEAR</u>	<u>THREE YEARS</u>	<u>FIVE YEARS</u>	<u>SINCE INCEPTION</u>	<u>INCEPTION DATE</u>
Total Fund	(7.5)	(2.2)	4.1	10.8	1/31/77
Domestic Equity Consolidation	(17.4)	(8.2)	3.0	12.8	1/31/77
Morgan Multi-Mkt I	(50.7)	(12.6)	(7.1)	3.8	4/30/92
Morgan Multi-Mkt II	(33.8)	(9.6)	(1.7)	5.8	4/30/94
Peregrine	(4.3)	6.3	9.8	16.2	4/30/91
State Street S&P 500	(18.0)			(10.7)	3/31/01
State Street Wilshire 5000	(16.9)	(8.2)	3.6	6.3	12/31/96
Fixed Income Consolidation	7.3	7.4	7.1	9.4	6/30/78
Alliance Fixed	6.3	8.2	6.8	9.1	8/31/78
JP Morgan Fixed Income	6.3	7.6	7.1	10.0	11/30/77
Loomis Sayles	2.9	5.7		4.6	6/30/98
State Street Bond Index	8.6	8.1	7.6	7.5	12/31/96
TCW	9.0	6.4		6.3	10/31/98
Intl Equity Consolidation	(9.5)	(6.5)	(2.2)	3.2	11/30/88
Martin Currie	(11.1)	(6.4)	(0.9)	4.0	4/30/95
Rowe Price	(8.2)	(5.3)	(1.2)	3.1	7/31/95
State Street EAFE Index	(9.4)	(6.7)		(3.5)	7/31/98
Wellington	(8.6)	(5.7)		(3.4)	1/31/99

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

		<u>IZED</u>	<u>COST</u>	<u>UNREAL-</u>
		<u>GAIN/LOSS</u>		<u>MARKET VALUE</u>
<u>CASH</u>				
CASH ACCOUNT	\$	5,070,261	\$	5,070,261 \$ -
<u>DOMESTIC EQUITY</u>				
Jacobs Levy				
1ST AMERN CORP CAL	\$	121,223	\$	135,700 \$ 14,477
1ST TENN NATL CORP		379,163		413,640 34,477
3COM CORP		273,263		230,120 (43,143)
3M CO		1,761,648		1,783,500 21,852
ACTIVISION INC		298,025		278,976 (19,049)
ADOBE SYS INC		477,768		339,150 (138,618)
AFFILIATED COMPUTER SVCS INC CL A		1,497,992		1,319,944 (178,048)
AGERE SYS INC CL A		640,501		217,812 (422,689)
AIRBORNE INC		328,627		280,320 (48,307)
ALBANY INTL CORP NEW CL A		127,579		118,404 (9,175)
ALBERTO-CULVER CO CL B		301,639		272,460 (29,179)
ALBERTSON S INC		1,439,059		1,349,378 (89,681)
ALLERGAN INC		1,574,119		1,635,375 61,256
ALLMERICA FINL CORP		276,925		291,060 14,135
ALTRIA GROUP INC		644,684		497,952 (146,732)
AMERISOURCEBERGEN CORP		565,446		615,600 50,154
AMERISTAR CASINOS INC		107,413		124,958 17,545
AMERN AXLE & MFG HOLDINGS INC		183,341		190,336 6,995
AMERN INTL GROUP INC		798,533		1,002,981 204,448
ANADARKO PETRO CORP		735,123		690,200 (44,923)
ANN TAYLOR STORES CORP		322,637		289,446 (33,191)
APPLEBEES INTL INC		102,710		99,833 (2,877)
APPLIED MATERIALS INC		2,187,247		1,650,936 (536,311)
APTARGROUP INC		182,809		166,050 (16,759)
ARCHER-DANIELS-MIDLAND CO		858,183		773,795 (84,388)
ASHLAND INC		705,753		631,800 (73,953)
ASTORIA FINL CORP		391,533		413,445 21,912
AT&T COMCAST CORP SEC #2000122		1,476,127		1,103,792 (372,335)
AUTO DATA PROCESSING INC		2,074,246		1,602,640 (471,606)
AUTODESK INC		212,332		124,550 (87,782)
AUTOLIV INC STK		117,263		118,440 1,177
AUTONATION INC DEL		627,100		653,950 26,850



INVESTMENTS SECTION

ACTUAL HOLDINGS

at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
AVERY DENNISON CORP	628,502	652,600	24,098
AVISTA CORP ISIN+A75	106,553	93,840	(12,713)
BARD C R INC CAP	639,712	633,696	(6,016)
BARNES & NOBLE INC	167,817	137,436	(30,381)
BAUSCH & LOMB INC	226,336	196,330	(30,006)
BEAR STEARNS COS INC	575,588	575,280	(308)
BEST BUY INC STK	1,173,174	822,195	(350,979)
BIO RAD LABS INC CL A	77,426	72,816	(4,610)
BISYS GROUP INC	503,652	496,170	(7,482)
BK AMER CORP	855,271	844,320	(10,951)
BLOCKBUSTER INC CL A	137,842	153,330	15,488
BOB EVANS FARMS INC	158,078	182,584	24,506
BOISE CASCADE CORP	393,430	359,112	(34,318)
BORG WARNER INC	870,136	791,312	(78,824)
BOWATER INC	181,939	190,295	8,356
BOYD GAMING CORP	126,130	159,840	33,710
BROAD CORP CL A	202,253	182,416	(19,837)
BROWN TOM INC NEW	175,523	184,275	8,752
BSTN SCIENTIFIC CORP	1,054,439	1,287,148	232,709
BURL NORTHN SANTA FE CORP	695,407	693,000	(2,407)
CABOT CORP	159,574	128,925	(30,649)
CALLAWAY GOLF CO	513,554	415,008	(98,546)
CAREER ED CORP	357,724	373,500	15,776
CBRL GROUP INC STK	363,904	401,676	37,772
CELGENE CORP	130,584	116,280	(14,304)
CH & DWIGHT INC	195,819	206,778	10,959
CHARLES RIV LAB INTL INC	375,695	410,085	34,390
CHARMING SHOPPES INC	145,830	156,384	10,554
CHARTER 1 FINCL INC	709,114	780,426	71,312
CHECKFREE CORP NEW	183,167	145,452	(37,715)
CHELSEA PPTY GROUP INC	190,123	207,390	17,267
CHICOS FAS INC	218,990	221,552	2,562
CHRISTOPHER & BANKS CORP	188,168	190,350	2,183
CISCO SYS INC	3,477,562	3,073,185	(404,377)
CITIGROUP INC	886,042	1,596,500	710,458
CLEAR CHANNEL COMMUNICATIONS INC	2,257,027	1,434,496	(822,531)
CLOROX CO COM	744,058	715,355	(28,703)
CMS ENERGY CORP COM	558,420	288,774	(269,646)
COACH INC COM	241,987	258,030	16,043

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
COCA COLA CO COM	3,533,232	3,813,600	280,368
COLONIAL BANCGROUP INC COM	118,618	120,000	1,382
COLTV STIF	272,446	1,932,865	1,660,419
COML FED CORP COM	165,906	179,800	13,894
COMPUTER ASSOC INTL INC COM	857,622	767,487	(90,135)
COMWLTH TEL ENTERPRISES INC NEW	94,896	96,576	1,680
CONAGRA FOODS INC	1,336,181	1,484,805	148,624
CONCORD EFS INC COM	1,004,323	907,214	(97,109)
COSTCO WHSL CORP NEW COM	1,168,331	1,077,498	(90,833)
DANA CORP COM	416,007	361,335	(54,672)
DANAHER CORP COM	616,433	577,245	(39,188)
DARDEN RESTAURANTS INC COM	732,486	700,245	(32,241)
DELPHI CORP COM	906,847	743,160	(163,687)
DENTSPLY INTL INC NEW COM	307,928	332,190	24,262
DIAGNOSTIC PRODS CORP COM	140,587	129,500	(11,087)
DIAL CORP NEW COM	193,479	242,242	48,763
DILLARDS INC CL A COM	789,828	841,280	51,452
DISNEY WALT CO DISNEY COM COM	2,290,449	1,823,850	(466,599)
DOLE FOOD DE	422,407	377,935	(44,472)
DOLLAR GEN CORP COM	646,192	669,856	23,664
DONNELLEY R R & SONS CO COM	420,378	402,230	(18,148)
DOWNEY FINL CORP COM	184,050	179,740	(4,310)
E*TRADE GROUP INC COM	173,789	118,482	(55,307)
EASTMAN KODAK CO COM	748,643	688,412	(60,231)
EBAY INC COM	738,024	813,384	75,360
ECOLAB INC COM	1,027,595	1,021,683	(5,912)
ELECTR ARTS COM	944,202	1,023,775	79,573
ENERGEN CORP COM	101,415	99,000	(2,415)
ESS TECH INC COM	151,084	164,876	13,792
EXXON MOBIL CORP COM	2,863,731	2,721,180	(142,551)
FAIRCHILD SEMICONDUCTOR INTL INC CL A	494,760	454,410	(40,350)
FHLMC COM	2,228,351	2,099,160	(129,191)
FIRST DATA CORP COM	1,690,921	1,584,720	(106,201)
FLAGSTAR BANCORP INC COM	99,795	110,880	11,085
FLEETBOSTON FINL CORP COM STK	2,006,521	1,902,180	(104,341)
FNMA COM STK	2,761,170	2,551,750	(209,420)
FOREST LAB INC COM	970,651	828,360	(142,291)
FORTUNE BRANDS INC COM STK	737,520	812,000	74,480
FREDS INC CL A	269,722	272,172	2,450



INVESTMENTS SECTION

ACTUAL HOLDINGS

at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FTI CONSULTING INC COM	156,576	178,551	21,975
FURNITURE BRANDS INTL INC COM	374,142	281,325	(92,817)
GA PAC CORP	620,851	528,470	(92,381)
GEN ELEC CO COM	2,957,841	2,936,955	(20,886)
GENERAL MOTORS CORP	2,055,641	1,817,300	(238,341)
GILEAD SCI INC COM	634,501	568,824	(65,677)
GOLDEN W. FNCL CORP COM	595,687	646,532	50,845
GOLDMAN SACHS GROUP INC COM	2,102,886	1,943,775	(159,111)
GOODYEAR TIRE & RUBBER CO COM	726,370	574,397	(151,973)
GROUP 1 AUTOMOTIVE INC COM	165,014	160,230	(4,784)
GTR BAY BANCORP COM	225,538	206,092	(19,446)
HALLIBURTON CO COM	618,454	599,344	(19,110)
HANCOCK JOHN FINL SVCS INC	947,491	841,280	(106,211)
HEALTH CARE REIT INC COM	149,870	164,725	14,855
HEWLETT PACKARD CO COM	2,806,032	2,312,460	(493,572)
HILB ROGAL & HAMILTON CO COM	244,089	325,800	81,711
HORMEL FOODS CORP COM	255,819	248,976	(6,843)
HOVNANIAN ENTERPRISES INC CL A	4,907	7,176	2,269
HRPT PPTYS TR COM SH BEN INT	109,476	109,740	264
HUDSON UTD BANCORP COM	193,319	177,072	(16,247)
HUMANA INC COM	281,181	336,045	54,864
ICN PHARMACEUTICALS INC NEW COM	188,600	150,102	(38,498)
IKON OFFICE SOLUTIONS INC COM STK	149,644	114,680	(34,964)
INDEPENDENCE CMNTY BK CORP COM	182,077	186,745	4,668
INGRAM MICRO INC CL A	299,133	261,250	(37,883)
INTEL CORP CAP	536,086	432,999	(103,087)
INTERSIL CORP	277,604	228,766	(48,838)
INTL BUSINESS MACHS CORP COM	584,468	396,000	(188,468)
IRON MTN INC COM STK	267,037	274,565	7,528
ISIS PHARMACEUTICALS COM	70,574	67,521	(3,053)
J P MORGAN CHASE & CO COM	2,456,504	2,527,040	70,536
JACK IN BOX INC COM	218,393	232,140	13,747
JDA SOFTWARE GROUP INC COM	111,727	115,866	4,139
JOHNSON & JOHNSON COM	954,815	951,132	(3,683)
KB HOME COM	476,712	566,610	89,898
KEYCORP NEW COM	826,456	843,570	17,114
KIMBERLY-CLARK CORP COM	2,046,577	1,984,000	(62,577)
KING PHARMACEUTICALS INC COM	513,108	331,525	(181,583)

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
KNIGHT-RIDDER INC COM STK	783,705	742,810	(40,895)
LA Z BOY INC COM	175,998	161,408	(14,590)
LANDRYS RESTAURANTS INC	192,392	193,876	1,484
LEAR CORP COM STK PAR \$0.01	254,499	240,500	(13,999)
LIBERTY MEDIA CORP NEW COM SER A	1,589,277	1,432,000	(157,277)
LOUISIANA-PACIFIC CORP COM	243,339	226,626	(16,713)
LOWES COS INC COM	2,047,967	2,111,100	63,133
LTD BRANDS	1,027,303	1,152,330	125,027
LUBRIZOL CORP COM	230,472	221,100	(9,372)
LUCENT TECHNOLOGIES INC COM STK	666,710	335,818	(330,892)
MANDALAY RESORT GROUP COM	129,816	121,308	(8,508)
MARSHALL & ILSLEY CORP COM	510,344	513,438	3,094
MAY DEPT STORES CO COM	685,328	609,205	(76,123)
MAYTAG CORP COM	251,046	238,840	(12,206)
MBNA CORP COM	694,586	1,759,324	1,064,738
MCKESSON CORP	839,629	761,910	(77,719)
MEDIA GEN INC CL A	159,235	150,000	(9,235)
MEDTRONIC INC COM	2,330,127	2,241,055	(89,072)
MERCK & CO INC COM	329,002	268,392	(60,610)
MERRILL LYNCH & CO INC COM	2,535,522	1,956,150	(579,372)
MICHAELS STORES INC COM	273,065	284,700	11,635
MICROCHIP TECH INC COM	592,505	580,145	(12,361)
MICRON TECH INC COM	1,457,983	901,812	(556,171)
MICROSOFT CORP COM	6,619,046	6,027,940	(591,106)
MID ATLC MED SVCS INC COM	235,792	219,450	(16,342)
MOODY'S CORP COM	942,376	1,074,600	132,224
MORGAN STANLEY	1,088,360	1,537,956	449,596
MOTOROLA INC COM	2,042,774	1,871,716	(171,058)
MYLAN LAB INC COM	249,135	247,665	(1,470)
NATL CY CORP COM	1,165,659	1,270,150	104,491
NAUTILUS GROUP INC COM	149,908	134,640	(15,268)
NETIQ CORP COM	121,670	115,413	(6,257)
NETWORKS ASSOC INC COM STK	289,561	194,627	(94,934)
NEW CENTY FINL CORP COM	110,878	192,335	81,457
NEWELL RUBBERMAID INC COM	767,180	855,464	88,284
NEWMONT MINING CORP NEW COM	468,866	521,334	52,468
NORTHWESTN CORP COM	137,959	100,005	(37,954)
NY CMNTY BANCORP INC COM	172,845	168,020	(4,825)



INVESTMENTS SECTION

ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
OFFICEMAX INC COM	116,091	114,855	(1,236)
ONEOK INC COM STK	131,626	144,870	13,244
OUTBACK STEAKHOUSE INC COM	236,722	245,700	8,978
PACIFICARE HLTH SYS INC DEL COM	179,551	190,400	10,849
PANERA BREAD CO CL A	404,139	475,686	71,547
PATINA OIL & GAS CORP COM	100,435	120,006	19,571
PENNEY J.C CO INC COM	543,923	546,096	2,173
PEP BOYS-MANNY MOE & JACK COM	164,066	160,075	(3,991)
PEPSI BOTTLING GROUP INC	901,746	1,102,640	200,894
PETSMART INC COM	325,590	295,136	(30,454)
PFIZER INC COM	4,818,855	4,830,000	11,145
PHARMACIA CORP COM	2,478,061	2,108,435	(369,626)
PIER 1 IMPORTS INC COM	340,935	333,900	(7,035)
PK PL ENTMT CORP COM	453,930	452,025	(1,905)
PROCTER & GAMBLE CO COM	3,267,818	3,420,190	152,372
PROGRESSIVE CORP OH COM	351,156	347,100	(4,056)
PUGET ENERGY INC NEW COM	303,823	303,555	(268)
RAYTHEON CO COM NEW	1,186,713	1,226,575	39,862
RELIANT ENERGY INC COM	678,872	763,880	85,008
RELIANT RES INC COM	401,732	208,250	(193,482)
RENT A CTR INC NEW COM	250,576	295,851	45,275
REYNOLDS R J TOB HLDGS INC COM	943,544	779,375	(164,169)
ROHM & HAAS CO COM	557,677	574,958	17,281
RYDER SYS INC COM	287,541	270,900	(16,641)
SAFECO CORP COM	273,386	253,298	(20,088)
SCHERING-PLOUGH CORP COM	2,296,206	1,677,720	(618,486)
SEALED AIR CORP NEW COM STK	777,067	676,536	(100,531)
SENSIENT TECHNOLOGIES CORP COM	168,130	157,044	(11,086)
SHOPKO STORES INC COM	222,471	214,120	(8,351)
SLM CORP COM	1,287,014	1,288,770	1,756
SMITH INTL INC COM	200,321	211,389	11,068
SONIC AUTOMOTIVE INC CL A	189,418	164,800	(24,618)
ST PAUL COS INC COM	595,980	505,960	(90,020)
STAPLES INC COM	578,722	577,230	(1,492)
STARBUCKS CORP COM	772,182	785,260	13,078
STATEN IS BANCORP INC COM	122,504	126,720	4,216
STEELCASE INC CL A COM	122,978	97,674	(25,304)
SUNGARD DATA SYS INC COM	941,592	754,680	(186,912)
SUPER VALU INC COM	428,257	407,198	(21,059)

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
SYMANTEC CORP COM	696,520	555,165	(141,355)
TARGET CORP COM	2,157,834	1,855,470	(302,364)
TECH DATA CORP COM	259,070	219,530	(39,540)
TEMPLE INLAND INC COM	352,039	352,946	907
T-HQ INC COM NEW	226,251	211,722	(14,529)
TIMKEN CO COM	207,702	200,970	(6,732)
TITAN CORP COM	291,255	237,770	(53,485)
TJX COS INC COM NEW	943,127	890,294	(52,833)
TOLL BROS INC COM	410,950	457,080	46,130
TRIAD HOSPS INC COM ISIN US89579K1097	170,575	220,376	49,801
TX INSTRS INC COM	878,887	616,200	(262,687)
TYSON FOODS INC CL A COM (DELAWARE)	420,091	516,483	96,392
UN PAC CORP COM	1,008,692	1,044,120	35,428
UNISYS CORP COM	363,319	265,500	(97,819)
UNITED PARCEL SVC INC CL B	1,464,039	1,500,525	36,486
UNITEDHEALTH GROUP INC COM	1,590,753	1,959,170	368,417
US BANCORP	2,192,691	2,304,645	111,955
UTD AUTO GROUP INC COM	122,835	119,130	(3,705)
VALERO ENERGY CORP COM STK NEW	513,409	400,394	(113,015)
VISTEON CORP COM	627,109	550,960	(76,149)
WA MUT INC COM	1,995,749	2,167,224	171,475
WAL-MART STORES INC COM	2,287,400	2,150,891	(136,509)
WASH FED INC COM	148,867	146,508	(2,359)
WELLPOINT HLTH NETWORKS INC CL A	1,044,970	1,143,807	98,837
WENDY S INTL INC COM	464,917	577,535	112,618
WESTN GAS RES INC COM	178,832	183,260	4,428
WILLIAMS SONOMA INC COM	600,340	705,180	104,840
XEROX CORP COM	670,193	453,050	(217,143)
XILINX INC COM	960,831	524,862	(435,969)
Total Jacobs Levy	\$ 187,860,735	\$ 180,376,126	\$ (7,484,609)
Peregrine Capital			
1 800 FLOWERS COM INC CL A COM STK	\$ 1,279,267	\$ 1,120,464	\$ (158,803)
ABGENIX INC COM	3,114,696	2,090,340	(1,024,356)
ABITIBI-CONS INC COM	2,695,790	2,971,137	275,347
ACCLAIM ENTMT INC COM PAR \$0.02	1,150,726	977,457	(173,269)
ADAPTEC INC COM	3,030,854	2,135,034	(895,820)
ADVANCED NEUROMODULATION SYS INC	1,904,543	1,857,450	(47,093)



INVESTMENTS SECTION

ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
AGCO CORP COM	2,725,843	3,100,500	374,657
AGRIUM INC COM	3,179,580	3,034,320	(145,260)
ALKERMES INC COM	2,992,400	1,932,407	(1,059,993)
AQUILA INC DEL NEW COM	2,069,875	2,207,200	137,325
ARCH COAL INC COM	2,848,689	2,836,479	(12,210)
ARMOR HLDGS INC COM	1,502,939	1,764,600	261,661
ASYST TECHNOLOGIES INC COM	2,205,516	2,824,580	619,064
AUTOLIV INC COM STK	2,871,836	3,711,960	840,124
BANKUNITED FINL CORP CL A	898,408	1,346,245	447,837
BARR LABS INC COM	2,817,879	2,900,145	82,265
BELO CORP	2,647,945	3,305,582	657,637
BENCHMARK ELECTRS INC COM	2,539,053	2,728,900	189,847
BERKLEY W R CORP COM	1,462,451	1,831,500	369,049
BOISE CASCADE CORP COM	1,887,203	2,047,629	160,426
BRUNSWICK CORP COM	3,794,229	3,897,600	103,371
CELGENE CORP COM	1,494,814	913,410	(581,404)
CELL GENESYS INC COM	1,993,777	1,239,639	(754,138)
CEPHALON INC CON	3,259,088	2,490,520	(768,568)
CHAMPION ENTERPRISES INC COM	990,207	641,242	(348,965)
CHARMING SHOPPES INC COM	2,674,384	2,917,728	243,344
CNF INC COM	2,231,435	2,913,066	681,631
COLLINS & AIKMAN CORP NEW COM NEW	1,877,500	1,706,250	(171,250)
COLTV STIF	6,236,268	4,143,279	(2,092,989)
CONMED CORP COM	1,752,439	2,139,214	386,775
CONSTELLATION BRANDS INC CL A	1,521,038	2,860,800	1,339,762
COOPER TIRE & RUBBER CO COM	2,533,762	2,591,355	57,593
CSK AUTO CORP COM	901,200	1,046,894	145,694
DOMTAR INC COM	1,464,370	1,920,140	455,770
DOUBLECLICK INC COM	2,601,807	1,683,598	(918,209)
DSP GROUP INC COM	2,229,321	2,163,840	(65,481)
E*TRADE GROUP INC COM	1,586,572	1,234,506	(352,066)
EXULT INC COM COM STK	1,048,590	622,700	(425,890)
FBR AST INVT CORP REIT	1,801,275	1,800,900	(375)
FERRO CORP COM	2,084,453	2,206,980	122,527
FIRSTFED FINL CORP DEL COM	2,711,536	2,563,600	(147,936)
FLOWSERVE CORP COM	2,751,054	2,607,500	(143,554)
FOOT LOCKER INC COM	2,939,773	2,637,125	(302,648)
FRONTIER AIRLS INC NEW COM	555,770	270,729	(285,041)

INVESTMENTS SECTION



ACTUAL HOLDINGS

at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FRONTIER OIL CORP COM	3,229,251	2,637,360	(591,891)
GENESEE & WYO INC CL A	2,037,020	2,463,552	426,532
GLOBAL INDS LTD COM	3,411,730	2,594,688	(817,042)
GRAFTECH INTL LTD COM	2,515,807	2,574,390	58,583
HARMAN INTL INDS INC NEW	933,558	1,344,525	410,967
HCC INS HLDGS INC COM	2,680,033	3,001,265	321,232
HEWITT ASSOCS INC COM	1,062,100	1,302,470	240,370
HLTH MGMT ASSOC INC NEW CL A COM	2,874,817	3,667,300	792,483
HUNT J B TRANS SVCS INC COM	3,173,973	3,539,448	365,475
INSIGHT COMMUNICATIONS INC CL A	3,363,175	1,671,525	(1,691,650)
INTEGRATED CIRCUIT SYS INC COM	1,910,027	2,115,912	205,885
INTEGRATED DEVICE TECH INC COM	2,457,810	1,594,506	(863,304)
INTERMUNE INC COM	2,461,043	1,588,830	(872,213)
INTERSTATE BAKERIES CORP DEL COM	2,568,684	2,836,016	267,332
INVERESK RESH GROUP INC COM	975,000	975,000	-
IPC HLDGS LTD	2,564,642	2,882,976	318,334
KEMET CORP COM	2,451,802	2,328,944	(122,858)
KS CY SOUTHN	1,680,355	2,585,700	905,345
LIGAND PHARMACEUTICALS INC CL B	3,874,216	3,258,150	(616,066)
LIN TV CORP CL A	662,399	735,488	73,089
LINCARE HLDGS INC COM	2,621,577	3,866,310	1,244,733
LYONDELL CHEMICAL CO COM STK	3,208,317	2,933,930	(274,387)
MACROMEDIA INC COM	1,924,448	982,796	(941,652)
MAGMA DESIGN AUTOMATION INC COM	1,225,605	1,268,400	42,795
MAGNETEK INC COM	1,041,646	942,480	(99,166)
MANOR CARE INC NEW COM STK	2,305,957	2,792,200	486,243
MAVERICK TUBE CORP COM	2,731,313	2,877,000	145,687
MOORE LTD COM	1,199,662	1,526,840	327,178
NBTY INC COM	3,802,903	3,438,108	(364,795)
NETIQ CORP COM	2,544,935	2,611,502	66,567
NEUROCRINE BIOSCIENCES INC COM	2,063,990	1,870,845	(193,145)
NORANDA INC COM COM STK	3,200,013	3,322,704	122,691
NUCOR CORP COM	3,410,104	3,915,408	505,304
OLD REP INTL CORP COM	732,182	1,080,450	348,268
OMNICARE INC COM	2,598,990	3,647,514	1,048,524
OPENWAVE SYS INC COM	2,276,587	1,613,436	(663,151)
PACER INTL INC TENN COM	1,326,174	1,506,776	180,602
PEDIATRIX MED GROUP COM	1,956,754	1,702,500	(254,254)



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ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PENN NATL GAMING INC COM	2,613,946	2,896,740	282,794
PHOTRONICS INC COM	1,415,551	1,195,114	(220,437)
PIONEER NAT RES CO COM STK	2,813,969	4,123,715	1,309,746
PITTSTON BRINKS GROUP COM	1,999,241	2,196,000	196,759
PIXAR COM	2,180,516	2,359,350	178,834
PLEXUS CORP COM	2,163,346	1,697,780	(465,566)
PMC SIERRA INC COM	2,159,931	1,055,853	(1,104,078)
POWER-ONE INC COM	1,757,037	1,425,002	(332,035)
POWERWAVE TECHNOLOGIES INC COM	2,632,517	1,727,576	(904,941)
PROGRESS SOFTWARE CORP COM	2,380,315	2,395,386	15,071
PROQUEST CO COM	2,019,563	1,998,650	(20,913)
RED HAT INC COM	1,444,383	1,531,483	87,100
SAXON CAP INC COM	1,528,268	1,731,128	202,860
SCHOOL SPECIALTY INC WI COM	2,369,361	2,355,872	(13,489)
SCOTTISH ANNUITY & LIFE HLDGS	1,418,463	1,400,472	(17,991)
SELECTIVE INS GROUP INC COM	2,573,914	2,881,161	307,247
SERENA SOFTWARE INC COM	1,046,115	897,173	(148,942)
SINCLAIR BROADCAST GROUP INC CL A	1,351,522	1,882,846	531,323
SKECHERS U S A INC CL A	1,117,357	1,458,675	341,318
SKYWEST INC COM	3,433,617	3,616,094	182,477
SMITH A O CORP COM	3,445,919	3,704,627	258,708
SONOSITE INC COM	1,736,676	1,216,449	(520,227)
SPINNAKER EXPL CO COM	2,700,978	2,672,684	(28,294)
STAGE STORES INC COM NEW	2,346,690	2,855,628	508,938
SUPERIOR ENERGY SVCS INC COM	2,445,192	2,575,055	129,863
SYLVAN LEARNING SYS INC	2,811,956	2,215,334	(596,622)
TOO INC COM STK	1,727,850	1,989,680	261,830
TREDEGAR CORP INC	2,814,301	2,939,055	124,754
UICI COM	1,439,780	2,318,960	879,180
VISHAY INTERTECHNOLOGY INC COM	1,420,397	1,210,000	(210,397)
WEBEX INC COM	1,338,514	1,386,480	47,966
WEBMD CORP COM STK COM	3,304,392	2,575,725	(728,667)
WEBSense INC COM STK	766,159	1,022,800	256,641
WESTN DIGITAL CORP COM	1,170,074	670,150	(499,924)
YOUNG BROADCASTING INC CL A	1,311,269	1,193,038	(118,231)
Total Peregrine Capital	\$ 257,117,830	\$ 254,905,522	\$ (2,212,308)

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Wellington Management			
ABBOTT LAB COM	\$ 4,845,179	\$ 3,588,045	\$ (1,257,134)
ACCENTURE LTD BERMUDA CLS A COM	783,834	672,600	(111,234)
ACE LTD ORD STK USD0.0416	2,666,536	1,971,840	(694,696)
ALCOA INC COM STK	801,809	692,835	(108,974)
ALLTEL CORP COM ISIN #US0200391037	519,944	427,700	(92,244)
ALTRIA GROUP INC SEC #2001306	2,352,748	1,965,600	(387,148)
AMERADA HESS CORP COM	1,518,293	1,542,750	24,457
AMERN INTL GROUP INC COM	1,635,091	2,053,723	418,632
ANTHEM INC COM	28,660	33,740	5,080
AOL TIME WARNER INC COM	5,256,740	1,609,274	(3,647,466)
APPLERA CORP COM	786,926	526,800	(260,126)
APPLIED MATERIALS INC COM	1,045,510	827,370	(218,140)
AT&T CORP NEW SEC	1,137,282	797,150	(340,132)
ATLC COAST AIRLINES HLDGS INC	1,108,882	896,210	(212,672)
BECTON DICKINSON & CO COM	637,371	595,985	(41,386)
BK HAW CORP COM	2,411,738	2,548,000	136,262
BOEING CO COM	578,510	540,000	(38,510)
BOWATER INC COM	878,507	918,853	40,346
CATERPILLAR INC COM	432,981	386,705	(46,276)
CHEVRONTXACO CORP COM	1,594,136	1,575,300	(18,836)
CIRCUIT CY STORES INC COM	3,535,992	3,380,625	(155,367)
CISCO SYS INC COM	4,557,003	2,951,820	(1,605,183)
CITIGROUP INC COM	4,139,476	6,808,375	2,668,899
CLEAR CHANNEL COMMUNICATIONS INC	679,859	419,462	(260,397)
COLTV STIF	1,095,729	1,077,671	(18,058)
CONOCO PHILIPS	946,268	911,840	(34,428)
COSTCO WHSL CORP NEW COM	786,419	776,262	(10,157)
CVS CORP COM STK	1,134,397	1,058,760	(75,637)
DELL COMPUTER CORP COM	607,732	716,236	108,504
DELPHI CORP COM	674,030	541,200	(132,830)
DILLARDS INC CL A COM	2,100,448	2,237,279	136,831
DU PONT E I DE NEMOURS & CO COM STK	1,244,197	1,172,160	(72,037)
EL PASO CORP COM	866,117	403,956	(462,161)
ELI LILLY & CO COM	2,432,763	1,754,040	(678,723)
EXELON CORP COM	2,559,324	2,536,550	(22,774)
EXXON MOBIL CORP COM	6,603,975	6,248,484	(355,491)
F P L GROUP INC COM	1,244,294	1,295,784	51,490
FHLMC COM	1,994,472	1,878,840	(115,632)



INVESTMENTS SECTION

ACTUAL HOLDINGS

at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FIRST DATA CORP COM	3,636,325	3,206,640	(429,685)
FNMA COM STK	2,232,984	2,028,125	(204,859)
FORD MTR CO DEL COM PAR \$0.01	326,554	316,800	(9,754)
FOREST LAB INC COM	720,078	679,680	(40,398)
GEN DYNAMICS CORP COM	631,020	723,180	92,160
GEN ELEC CO COM	3,601,397	3,509,240	(92,157)
GEN MILLS INC COM	1,598,360	1,648,592	50,232
GENERAL MOTORS CORP	356,714	315,355	(41,359)
GENZYME CORP COM	2,672,034	1,077,440	(1,594,594)
GILLETTE CO COM	1,899,945	1,910,268	10,323
GOLDMAN SACHS GROUP INC COM	1,485,973	1,298,295	(187,678)
HALLIBURTON CO COM	984,079	956,400	(27,679)
HCA INC COM	1,347,764	1,477,250	129,486
HEWLETT PACKARD CO COM	1,113,232	1,006,081	(107,151)
INTEL CORP CAP	3,275,355	2,117,493	(1,157,862)
INTL BUSINESS MACHS CORP COM	3,642,182	2,491,200	(1,150,982)
ITT INDS INC COM	2,918,450	3,035,800	117,350
JOHNSON CTL INC COM	309,403	277,474	(31,929)
KEYCORP NEW COM	1,085,489	1,051,050	(34,439)
KIMBERLY-CLARK CORP COM	1,016,893	985,800	(31,093)
KING PHARMACEUTICALS INC COM	956,666	738,700	(217,966)
KLA-TENCOR CORP	368,578	285,935	(82,643)
LEHMAN BROS HLDGS INC COM	1,185,465	1,181,628	(3,837)
LEXMARK INTL INC NEW CL A	1,170,014	1,147,840	(22,174)
LIBERTY MEDIA CORP NEW COM SER A	632,924	779,000	146,076
LOCKHEED MARTIN CORP COM	405,274	410,050	4,776
LOWES COS INC COM	1,722,371	1,643,480	(78,891)
MARSH & MC LENNAN CO'S INC	2,250,511	1,980,300	(270,211)
MASCO CORP COM	1,203,369	1,165,730	(37,639)
MAXTOR CORP COM NEW	2,785,352	1,849,584	(935,768)
MBIA INC COM	1,586,403	1,543,269	(43,134)
MC DONALDS CORP COM	1,827,365	1,798,040	(29,325)
MCKESSON CORP	2,048,274	1,782,150	(266,124)
MERCK & CO INC COM	673,537	551,976	(121,561)
MERRILL LYNCH & CO INC COM	4,115,092	3,138,750	(976,342)
MICROSOFT CORP COM	6,893,729	6,285,030	(608,699)
MOTOROLA INC COM	513,508	493,164	(20,344)
NEXTEL PARTNERS INC CL A	974,721	398,825	(575,896)

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
NIKE INC CL B	1,799,712	1,593,405	(206,307)
NOBLE CORPORATION COM	622,274	633,040	10,766
ORACLE CORP COM	1,068,186	780,328	(287,858)
PEOPLES BNK BRIDGEPORT CONN COM	920,166	992,180	72,014
PEPSI BOTTLING GROUP INC COM	3,764,808	3,532,760	(232,048)
PEPSICO INC COM	1,712,654	1,638,800	(73,854)
PFIZER INC COM	1,946,694	2,012,500	65,806
PHARMACIA CORP COM	6,575,524	5,422,760	(1,152,764)
PINNACLE W. CAP CORP COM	1,074,750	991,450	(83,300)
PNC FINANCIAL SERVICES GROUP	480,415	418,240	(62,175)
PROCTER & GAMBLE CO COM	2,363,409	2,473,610	110,201
RADIO 1 INC CL D NON VTG	165,654	175,466	9,812
REYNOLDS R J TOB HLDGS INC COM	501,084	413,875	(87,209)
ROHM & HAAS CO COM	565,531	583,056	17,525
ROYAL CARIBBEAN CRUISES COM	590,719	534,300	(56,419)
ROYAL DUTCH PETRO N.Y REGISTRY	103,763	105,013	1,250
SABRE HLDGS CORP	1,234,973	966,600	(268,373)
SAFEWAY INC COM NEW	2,471,849	1,608,369	(863,480)
SCI CORP	358,070	103,484	(254,586)
SBC COMMUNICATIONS INC COM	904,040	710,650	(193,390)
SCHERING-PLOUGH CORP COM	3,195,381	2,570,700	(624,681)
SCRIPPS E.W INC NEW CL A COM	2,496,308	2,379,300	(117,008)
SKYWEST INC COM	510,429	463,122	(47,307)
SOLECTRON CORP COM	259,063	142,680	(116,383)
SPX CORP COM	1,128,294	963,500	(164,794)
SUNOCO INC COM	908,889	929,943	21,054
TEMPLE INLAND INC COM	591,559	584,386	(7,173)
THERMO ELECTRON CORP COM	609,658	498,300	(111,358)
UNIONBANCAL CORP COM	2,118,922	2,286,280	167,358
USA INTERACTIVE COM STK	1,630,474	1,214,710	(415,764)
USFREIGHTWAYS CORP COM	659,695	674,086	14,391
UTD TECHNOLOGIES CORP COM	656,020	651,840	(4,180)
VERISIGN INC COM	1,182,410	275,377	(907,033)
VERIZON COMMUNICATIONS COM	4,650,601	3,910,610	(739,991)
VIASYS HEALTHCARE INC COM NEW	403,286	296,650	(106,636)
WACHOVIA CORP 2ND NEW COM	2,342,980	2,485,518	142,538
WAL-MART STORES INC COM	3,698,061	3,476,632	(221,429)
WASTE MGMT INC DEL COM STK	884,525	841,415	(43,110)



INVESTMENTS SECTION

ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
WYETH COM	1,780,739	1,510,400	(270,339)
XILINX INC COM	792,325	751,405	(40,920)
Total Wellington Management	\$ 194,114,446	\$ 170,222,178	\$ (23,892,268)
JP Morgan Multi Market I			
CF JP MORGAN MULTI MKT I	\$ 742,746	\$ 596,984	\$ (145,763)
Total JP Morgan Multi Market I	\$ 742,746	\$ 596,984	\$ (145,763)
JP Morgan Multi Market II			
CF JP MORGAN MULTI MKT II	\$ 6,278,476	\$ 5,373,837	\$ (904,639)
Total JP Morgan Multi Market II	\$ 6,278,476	\$ 5,373,837	\$ (904,639)
State Street S&P 500			
CF ST STR S&P 500	\$ 595,844,898	\$ 515,777,985	\$ (80,066,913)
Total State Street S&P 500	\$ 595,844,898	\$ 515,777,985	\$ (80,066,913)
State Street Wilshire 5000			
CF ST ST US TOTAL MKT INDEX	\$ 1,863,375,949	\$ 2,006,840,996	\$ 143,465,047
Total State Street Wilshire 5000	\$ 1,863,375,949	\$ 2,006,840,996	\$ 143,465,047
TOTAL DOMESTIC EQUITY	\$ 3,105,335,080	\$ 3,134,093,627	\$ 28,758,547
FIXED INCOME			
Alliance Capital			
ABBNEY NATL CAP TR I 8.963 TR PFD SECS	\$ 1,643,440	\$ 1,662,483	\$ 19,043
ADVANCE STORES INC SR SUB NT 10.25	108,000	110,250	2,250
AES CORP SR NT 9.375 DUE 09-15-2010 BEO	159,404	100,750	(58,654)
ALLIED WASTE N AMER INC SR NT 7.875	111,263	110,400	(863)
ALLIED WASTE N AMER INC SR NT 8.5	562,150	540,400	(21,750)
ALLIED WASTE N AMER INC SR SUB NT 10	460,563	442,161	(18,402)
AMERADA HESS CORP NT 7.875	1,313,776	1,382,228	68,452
AMERISOURCEBERGEN CORP SR NT 8.125	120,000	123,900	3,900
AMERN MEDIA OPERATIONS INC	71,538	73,500	1,963
AOL TIME WARNER INC	965,738	899,193	(66,545)
APPLIED EXTRUSION TECHNOLOGIES INC	449,556	387,000	(62,556)
ARGOSY GAMING CO SR SUB NT 9	175,175	169,331	(5,844)
ARVINMERITOR INC NT 8.75 DUE 03-01-2012	91,706	96,467	4,761
AT&T CORP NTS 6.5 DUE 03-15-2029 BEO	1,679,139	1,328,250	(350,889)

INVESTMENTS SECTION



ACTUAL HOLDINGS

at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
AT&T WIRELESS SVCS INC NT 8.125	980,075	803,206	(176,869)
AT&T WIRELESS SVCS INC SR NT 8.75	2,074,725	1,558,337	(516,388)
AVECIA GROUP PLC SR NT 11	184,375	189,050	4,675
BANC 1 CORP 7.625 DUE 10-15-2026 REG	959,316	1,029,494	70,178
BK 1 CORP SUB NT 7.875 DUE 08-01-2010	980,139	1,038,008	57,869
BOYD GAMING CORP SR NT 9.25	135,200	138,450	3,250
BRISTOL MYERS SQUIBB CO NT 4.75	852,734	857,221	4,487
CHARTER COMMUNICATIONS HLDGS LLC	722,713	489,375	(233,338)
CHARTER COMMUNICATIONS HLDGS LLC	210,031	140,500	(69,531)
CILCORP INC SR BD 9.375	1,409,829	1,571,357	161,528
CITIBANK CR CARD ISS TR NT 2000-A3 6.875	3,888,920	4,172,864	283,944
CITIGROUP INC SUB NT 7.25	2,565,247	2,579,726	14,479
CMO COML MTG AST TR 99-C1 A3 6.64	3,120,315	3,253,781	133,466
CMO GE CAP COML MTG CORP 2002-1	1,457,192	1,504,400	47,208
CMO MORGAN STANLEY DEAN WITTER CAP	3,039,826	3,088,483	48,657
CMO MSDW CAP I TR 2002-HQ MTG PASSTHRU	3,076,509	3,235,427	158,918
COLLINS & AIKMAN PRODS CO SR NT 144A 10.75	305,000	306,525	1,525
CONOCO FDG CO NT 5.45	840,651	860,521	19,870
CONOCO INC NT DTD 04/20/1999 6.95	1,497,357	1,681,152	183,795
D R HORTON INC SR NT 8 DUE 02-01-2009	149,625	149,250	(375)
DAIMLERCHRYSLER N AMER HLDG CORP	1,500,049	1,562,583	62,534
DEL MONTE SR SUB NT 9.25	94,275	93,600	(675)
DEVON ENERGY COPORATION 7.95	417,820	451,789	33,968
DEVON FING CORP U L C DEB 7.875	1,135,818	1,178,349	42,530
DI INDS INC 8.875 SR NT DUE 07-01-2007	114,425	117,875	3,450
DIMON INC SR NT DTD 10/30/2001 9.625	47,700	47,138	(563)
DISCOVER CARD MASTER TR I SER 2000-9	2,868,797	2,996,392	127,595
DURA OPER CORP SR SUB NT DTD 06/15/2001 9	91,600	92,150	550
ECHOSTAR DBS CORP SR NT 9.375	405,738	374,625	(31,113)
EQUISTAR CHEMICALS	112,600	105,050	(7,550)
EXTD STAY AMER INC SR SUB NT 9.875	150,600	147,900	(2,700)
FAIRFAX FINANCIAL HLDGS 7 3/4% SNR NOTES	20,100	18,596	(1,504)
FAIRFAX FINANCIAL HLDGS 7.375%	20,738	19,731	(1,007)
FELCOR LODGING LTD PARTNERSHIP	277,682	274,400	(3,282)
FERRO CORP SR NT 9.125 DUE 01-01-2009	93,791	102,080	8,289
FHLMC TBA 30 YR GOLD PARTN	10,829,295	10,896,638	67,343
FIRSTENERGY CORP NT SER B 6.45	996,510	970,896	(25,614)
FNMA 6 TBA POOL 30YR JULY	12,810,000	12,765,934	(44,066)
FNMA 7 TBA POOL 30YR JULY	1,722,755	1,723,275	520
FNMA 7.5 30 YEARS JUL	2,004,466	2,008,356	3,890
FNMA POOL # 0607013 6.5 DUE 10-01-2031 REG	877,672	901,819	24,146
FNMA POOL # 0608008 6.5 DUE 11-01-2031 REG	2,556,296	2,592,386	36,090



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Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FNMA POOL # 0609625 6.5 DUE 11-01-2031 REG	1,686,308	1,732,701	46,394
FNMA POOL # 0610434 6.5 DUE 10-01-2031 REG	983,863	1,010,772	26,909
FNMA POOL # 0631459 6.5 DUE 04-01-2032 REG	876,961	900,979	24,018
FNMA POOL # 0632283 6.5 DUE 02-01-2032 REG	1,635,076	1,657,646	22,569
FNMA POOL # 0634243 6.5 DUE 04-01-2032 REG	1,036,570	1,045,480	8,910
FNMA POOL # 0636389 6.5 DUE 04-01-2032 REG	4,957,535	5,092,512	134,977
FNMA POOL # 0638124 6.5 DUE 04-01-2032 REG	3,968,229	4,076,271	108,042
FNMA POOL # 0638487 6.5 DUE 04-01-2032 REG	1,631,569	1,663,439	31,870
FNMA POOL # 0640066 6.5 DUE 04-01-2032 REG	99,083	101,098	2,014
FNMA POOL # 0640093 6.5 DUE 04-01-2032 REG	96,178	98,812	2,634
FNMA POOL # 0641382 6.5 DUE 04-01-2032 REG	88,145	90,559	2,414
FNMA POOL # 0644126 6.5 DUE 05-01-2032 REG	6,996,616	7,138,852	142,236
FNMA POOL # 254218 7 DUE 02-01-2032 REG	1,390,594	1,409,799	19,205
FNMA POOL # 254263 6.5 DUE 04-01-2032 REG	98,423	101,103	2,680
FNMA POOL # 545280 6.5 DUE 11-01-2031 REG	16,811,501	16,960,117	148,616
FNMA POOL # 545485 7 DUE 02-01-2032 REG	18,875,410	19,203,579	328,169
FNMA POOL # 545609 7.5 DUE 03-01-2032 REG	10,913,436	11,038,566	125,130
FNMA POOL # 545613 7.5 DUE 03-01-2032 REG	5,853,964	5,908,640	54,677
FNMA POOL # 545640 7 DUE 04-01-2032 REG	2,213,198	2,218,757	5,560
FNMA POOL # 545697 6.5 DUE 06-01-2032 REG	19,949,153	20,198,908	249,754
FNMA TBA 30 YR PASS-THROUGHS 6.5	1,452,387	1,451,719	(668)
FORD MTR CO DEL GLOBAL LANDMARK	3,852,389	3,816,473	(35,916)
FORD MTR CR CO FORD MTR CR CO CPN 6.5	1,877,722	1,926,759	49,037
FORD MTR CR CO GLOBAL LANDMARK	1,910,964	1,935,231	24,267
FOX FAMILY WORLDWIDE INC 9.25	317,652	327,825	10,173
GA GULF CORP SR SUB NT 10.375	47,475	48,150	675
GEN ELEC CAP CORP MEDIUM TERM NTS	3,270,255	3,279,372	9,117
GEN MLS INC GEN MLS 6 DUE 02-15-2012 BEO	946,846	941,056	(5,790)
GEN MTRS ACCEP CORP GM 8	1,498,365	1,549,466	51,101
GEN MTRS ACCEP CORP NT DTD 09/12/2001	1,645,034	1,638,148	(6,885)
GNMA POOL # 0485859 SER 2031 6.5	976,318	997,366	21,048
GNMA POOL # 379655 7 DUE 08-15-2025 REG	12,074	12,419	345
GNMA POOL # 579908 SER 2032 6.5	1,022,142	1,041,565	19,423
GNMA POOL # 781038 SER 2029 6.5	7,686,979	8,277,052	590,073
GNMA POOL # 781216 SER 2030 6.5	998,416	1,015,936	17,519
GREAT WESTN FINL TR II 8.206	1,295,899	1,378,127	82,229
HARRAHS OPER INC GTD SR SUB NT 7.875	400,400	395,588	(4,813)
HCA-HEALTHCARE CO HCA HEALTHCARE 7.875	200,394	212,822	12,428
HEALTHSOUTH CORP SR NT 8.375	453,650	449,350	(4,300)
HOST MARRIOTT L P SR NT SER G 9.25	186,838	185,925	(913)
HOST MARRIOTT L P SR NT SER I 9.5	480,000	484,200	4,200
HSEHD FIN CORP NT 6.5 DUE 11-15-2008 BEO	1,261,510	1,339,260	77,750

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
INTERTEK FIN PLC SR SUB NT SER B 10.25	115,575	120,865	5,290
INTRAWEST CORP SR NT 9.75	229,800	233,450	3,650
IRON MTN INC PA SR SUB NT 8.625	512,500	511,250	(1,250)
ISTAR FINL INC SR NT 8.75	422,441	416,325	(6,116)
J P MORGAN CHASE & CO NT 6.75	2,501,011	2,570,547	69,537
JOSTENS INC SR SUB NT 12.75	155,400	156,800	1,400
KEYSPAN CORP NT 7.25 DUE 11-15-2005	1,446,868	1,567,814	120,946
KRAFT FOODS INC KRAFT FOODS INC	2,083,475	2,066,197	(17,277)
LNR PPTY CORP SR SUB NT 10.5	412,000	408,000	(4,000)
LYONDELL CHEM CO SR SECD NT SER A 9.625	103,500	95,500	(8,000)
LYONDELL CHEM CO SR SECD NT SER B 9.875	360,963	339,913	(21,050)
MANDALAY RESORT GROUP SR SUB NT	89,288	89,144	(144)
MARKEL CAP TR I CAP SECS SER B 8.71	73,800	73,923	123
MBNA CR CARD MASTER NT TR	2,867,539	2,951,163	83,624
MERITAGE CORP SR NT 9.75	130,663	129,688	(975)
MGM GRAND INC GTD SR SUB NT 9.75	143,775	142,425	(1,350)
MISSION ENERGY HLDG CO SR SECD NT 13.5	172,675	150,750	(21,925)
MORGAN STANLEY DEAN 7.25	829,195	845,955	16,760
NATL RURAL UTILS COOP FIN CORP NT	403,392	430,864	27,472
NEXTEL COMMUNICATIONS INC SR SER NT	615,029	380,625	(234,404)
NOMURA AST SECS CORP SER 1998-D6	2,937,104	3,047,313	110,209
PAXSON COMMUNICATIONS CORP SR SUB NT	316,690	288,000	(28,690)
PENNZOIL-QUAKER ST CO SR NT 10	84,000	93,700	9,700
PG&E NATL ENERGY GROUP INC SR NT 10.375	296,800	285,600	(11,200)
PK PL ENTMT CORP SR SUB NT 8.875	86,913	87,656	744
PK PL ENTMT CORP SR SUB NT 9.375	159,750	156,750	(3,000)
PLASTIPAK HLDGS INC SR NT 10.75	48,600	49,388	788
PLAYTEX PRODS INC SR SUB NT 9.375	159,950	164,300	4,350
POWERGEN 4.5 DUE 10-15-2004 BEO	1,798,686	1,811,621	12,935
PREMIER PKS INC SR NT 9.75	193,600	194,750	1,150
PRIDE PETE SVCS INC 9.375 SR NT	94,650	93,825	(825)
PROGRESS ENERGY INC SR NT 7.75	199,760	214,512	14,752
PVTPL ADVANCED MED OPTICS INC SR SUB NT	29,579	29,625	46
PVTPL AT&T CORP USD SR NT 144A	2,017,973	1,680,750	(337,223)
PVTPL BARCLAYS BK PLC 144A	1,458,000	1,680,421	222,421
PVTPL BEAZER HOMES USA INC SR NT 144A	65,000	65,650	650
PVTPL COINMACH CORP SR NT 144A 9	45,000	45,675	675
PVTPL CORRECTIONS CORP AMER NEW SR NT	30,000	30,900	900
PVTPL DANA CORP SR NT 144A 10.125	69,760	71,400	1,640
PVTPL ECHOSTAR DBS CORP SR NT 144A 9.125	196,950	178,425	(18,525)
PVTPL EXTENDICARE HLTH SVCS INC SR NT	29,925	30,038	113
PVTPL FLEMING COS INC SR SUB NT 144A	192,740	187,200	(5,540)



INVESTMENTS SECTION

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Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PVTPL JORGENSEN EARLE M CO	65,000	64,025	(975)
PVTPL MERISTAR HOSPITALITY OPER 1-15-2011	44,156	42,975	(1,181)
PVTPL MERISTAR HOSPITALITY OPER 6-15-05	84,463	85,850	1,387
PVTPL OWENS-BROCKWAY GLASS CONTAINER	391,400	380,000	(11,400)
PVTPL PACIFICARE HLTH SYS INC	104,358	107,494	3,135
PVTPL ROTECH HEALTHCARE INC	97,713	96,900	(813)
PVTPL SCI APPLICATIONS INTL CORP	791,725	781,683	(10,042)
PVTPL SILGAN HLDGS INC 9	56,650	56,650	-
PVTPL STD CHARTERED BK	1,140,570	1,206,176	65,606
PVTPL STONERIDGE INC SR NT 144A	45,000	45,450	450
PVTPL TESORO PETE CORP SR SUB NT 144A	65,000	59,475	(5,525)
PVTPL TRIMAS CORP SR SUB NT 2012 144A	44,646	45,450	804
PVTPL UNICREDITO ITALIANO CAP TR I/II	1,715,685	1,770,821	55,136
PVTPL UTD AUTO GROUP INC SR SUB NT 144A	71,000	70,350	(650)
PVTPL UTD STS STL LLC SR NT 144A	335,910	353,600	17,690
PVTPL WEYERHAEUSER CO DEB 144A	355,331	365,398	10,067
PVTPL WEYERHAEUSER CO NT 144A	684,427	709,328	24,901
QUE PROV CDA PROV DE QUE GLOBAL	1,459,752	1,706,090	246,339
RESOLUTION PERFORMANCE PRODS LLC	61,100	61,600	500
RESORTS INC SR SUB NT 8.75	55,550	55,000	(550)
ROYAL BK SCOTLAND GROUP PLC	1,450,000	1,515,823	65,823
ROYAL KPN NV 07/06/1998 8	850,573	838,576	(11,996)
RURAL CELLULAR CORP SR SUB NT 9.75	110,000	52,800	(57,200)
SEALY MATTRESS CO SR SUB NT SER B 9.875	137,802	135,675	(2,127)
SEQUA CORP SR NT 9 DUE 08-01-2009	247,771	246,225	(1,546)
SINCLAIR BROADCAST GRP INC SR SUB NT 8.75	137,375	135,000	(2,375)
SINCLAIR BROADCAST GRP INC SR SUB NT 8	45,000	44,325	(675)
SPRINT CAP CORP NT 7.625 DUE 01-30-2011	1,074,290	852,039	(222,251)
STEWART ENTERPRISES INC SR SUB NT 10.75	163,875	165,750	1,875
SUN INTL HOTELS LTD INC 8.875	278,081	291,056	12,975
SVC CORP INTL 6.875 DUE 10-01-2007 REG	135,025	140,663	5,638
SVC CORP INTL NT DTD 05/29/1996 7.2	255,625	257,813	2,188
SVC CORP INTL NT DTD 12/11/1998 6	139,613	146,400	6,788
TARGET CORP NT DTD 03/11/2002 5.875	1,013,313	1,026,477	13,163
TECO ENERGY INC NT 6.125	708,104	731,252	23,148
TESORO PETE CORP SR SUB NT 9.625	301,889	268,250	(33,639)
TIME WARNER ENTMT CO L P 8.375	3,227,427	2,986,251	(241,176)
TIME WARNER ENTMT CO L P SR	761,601	736,311	(25,290)
TIME WARNER TELECOM INC SR NT	138,094	86,950	(51,144)
TRIAD HOSPS INC SR NT SER B	110,000	114,950	4,950
TRITON PCS INC GTD SR SUB NT 8.75	136,654	83,025	(53,629)
TYSON FOODS INC NT 8.25 DUE 10-01-2011	772,303	855,023	82,720
U S BK NATL ASSN MINNEAPOLIS MINN MEDIUM	1,353,166	1,376,634	23,468

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
United States dollar	7,357,588	7,357,588	-
US TREAS BDS BDS 5.375 DUE 02-15-2031	12,827,435	12,940,379	112,945
US TREAS BILLS 11-29-2002 0 29/11/2002	5,729,441	5,739,268	9,827
US TREAS NTS DTD 00003 4.375	4,892,029	4,916,688	24,659
US TREAS NTS DTD 00004 3.25	38,726,939	38,673,837	(53,102)
US TREAS NTS DTD 00900 4.875	2,470,256	2,539,488	69,232
US TREAS NTS INFLATION INDEX 3.625 TIPS	6,914,423	6,913,133	(1,290)
UTD MEXICAN STS MED TERM NTS BOOK	1,619,001	1,611,255	(7,746)
VANGUARD HLTH SYS INC SR SUB NT 9.75	144,013	140,738	(3,275)
VERIZON WIRELESS CAP LLC	5,325,000	5,238,506	(86,494)
WA MUT FIN CORP SR NT DTD 05/24/2001 6.25	2,311,995	2,397,759	85,764
WAL-MART STORES INC NT 6.875	931,184	1,032,570	101,386
WERNER HLDG CO DEL INC 10	88,200	91,238	3,038
WESTN FINL BK IRVINE CAL SUB CAP	59,711	60,000	289
WESTN GAS RES INC SR SUB NT 10	46,856	48,600	1,744
Total Alliance Capital	\$ 342,306,870	\$ 344,888,723	\$ 2,581,852

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1ST INDL L P 7.6 BD DUE 07-15-2028 CALL	\$ 6,020,409	\$ 6,259,917	\$ 239,508
1ST INDL L P TRANCHE # TR 7 7.5 MTN	435,285	516,840	81,555
ABITIBI-CONSOLIDATED FIN	394,648	407,427	12,779
ABITIBI-CONSOLIDATED INC 7.5	417,420	426,517	9,097
AES CORP 8.875 DUE 02-15-2011/02-09-2001	922,500	640,000	(282,500)
AMAZON COM INC 6.875% CV BDS 16/2/2010	1,006,369	1,269,925	263,556
ANALOG DEVICES INC 4.75 DUE 10-01-2005	6,029,758	6,384,175	354,417
ASPECT TELECOMMUNICATIONS CORP	303,750	376,750	73,000
AT&T CORP 6.5%-VAR 21/11/06 EUR*REGS*	2,824,629	2,850,708	26,078
AT&T WIRELESS SVCS INC NT 8.125	1,243,750	1,019,298	(224,453)
AT&T WIRELESS SVCS INC SR NT 7.35	637,072	565,500	(71,572)
ATLAS AIR INC PASSTHRU CTF SER 1999-1	2,522,351	2,312,845	(209,506)
BAKER HUGHES INC NT 6.875	1,169,875	1,170,457	582
BANGKO SENTRAL NG PILIPINAS BD 8.6	525,000	611,250	86,250
BAUSCH & LOMB INC BAUSCH-LOMB INC 7.125	5,129,823	4,328,588	(801,234)
BOISE CASCADE CORP DEB DTD 01/24/1996 7.35	940,590	941,159	569
BORDEN INC 7.875 DUE 02-15-2023 REG	628,750	630,000	1,250
BRAZIL(FED REP OF) 8% BDS 15/4/2014 USD	2,688,402	2,395,782	(292,620)
CALL-NET SR SECD NT 10.625% 31/12/2008	425,833	127,913	(297,919)
CALPINE CANADA ENE 8.75% BD 15/10/2007	400,524	299,165	(101,359)
CALPINE CORP 8.5 DUE 02-15-2011 BEO	340,000	335,000	(5,000)
CAP 1 BK MEDIUM TERM SR BK NTS	1,834,383	1,857,727	23,344
CELESTICA INC LIQUID YIELD OPT NT 0	1,101,392	1,095,250	(6,142)
CHARTER COMM HLDGS LLC/CAP CORP	3,526,713	2,532,000	(994,713)



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CHARTER COMM HLDGS LLC / CORP 8.625	812,906	619,750	(193,156)
CHARTER COMM HLDGS LLC	669,549	414,750	(254,799)
CHES ENERGY CORP SR NT SER B 8.5	459,375	497,500	38,125
CIT GROUP INC 5.5% MTN 16/5/2005	666,429	687,309	20,881
COASTAL CORP 6.375 DUE 02-01-2009	455,285	464,441	9,156
COASTAL CORP 6.5 DUE 06-01-2008 REG	467,420	480,728	13,308
COASTAL CORP SR DEB DTD 06/05/1998 6.95	1,495,976	1,374,332	(121,644)
COLONIAL RLTY LTD PARTNERSHIP 7	994,150	1,020,538	26,388
COLT TELECOM 2% CNV BDS 16/12/2006	2,310,143	1,368,075	(942,067)
COLT TELECOM GROUP 2% CNV BDS 3/4/07	2,198,257	1,287,581	(910,675)
COLT TELECOM GROUP 2% SNR CNV NTS	184,182	145,177	(39,005)
COMCAST CABLE COMMUNICATIONS INC	590,919	563,258	(27,661)
COX COMMUNICATIONS INC NEW COX	816,110	754,647	(61,463)
CRESCENT REAL ESTATE EQUITIES LTD	505,008	579,703	74,695
CYPRESS SEMICONDUCTOR CORP 3.75%	689,376	716,100	26,724
DANA CORP 7 DUE 03-15-2028 REG	601,007	584,000	(17,007)
DANA CORP 9% BDS 15/8/2011 EUR(EXCH)	525,691	630,165	104,474
DANA CORP NT 7 DUE 03-01-2029 BEO	2,213,252	1,679,000	(534,252)
DELL COMPUTER CORP 7.1 DUE 04-15-2028	1,146,207	1,140,533	(5,675)
DELPHI CORP DEB 7.125	3,527,938	3,954,648	426,710
DELTA AIR LINES INC DEL NT 8.3	1,561,647	1,335,176	(226,471)
DEVON FING CORP U L C DEB 7.875	2,049,229	2,186,077	136,848
DIAMOND OFFSHORE DRILLING INC COM	1,514,417	1,231,457	(282,961)
DOLE FOOD INC NT DTD 10/06/1998 6.375	3,390,480	3,464,988	74,508
EDISON MISSION ENERGY SR NT 7.73	1,049,000	1,075,125	26,125
EL PASO CORP 5.75% BDS 14/3/2006	608,192	642,531	34,339
EL PASO ENERGY CORP DEL SR NT 6.75	477,600	479,453	1,853
EMPRESA NACIONAL DE ELECTRICIDAD CHILE	2,027,630	2,054,351	26,721
EOP OPER LTD PARTNERSHIP NT 6.75	832,175	879,615	47,440
EOP OPER LTD PARTNERSHIP NT 7.25	3,014,435	3,121,856	107,421
EQTY RESDNTL SER G CONV PFD	192,764	250,500	57,736
EQTY RESDNTL SER L PFD 7.625 5/15/02	347,813	427,350	79,538
ERP OPER LTD PARTNERSHIP 7.125	434,205	509,199	74,994
ESPIRITO SANTO CENTRAIS ELETRICAS	839,313	874,500	35,188
Euro	11,110	11,110	-
EURO BK RECON&DEV 0% NTS 10/02/2028	2,495,355	2,613,084	117,729
EVI INC SUB DEB CONV 5	802,435	1,187,781	385,347
FHLMC GOLD C0-1258 6 11-01-2031	1,594,428	1,634,490	40,062
FHLMC GOLD C5-1783 6 07-01-2031	5,184,315	5,307,772	123,457
FNMA POOL # 0581156 6 DUE 04-01-2031 REG	2,761,780	2,845,672	83,893
FNMA POOL # 0607068 6 DUE 11-01-2031 REG	2,117,997	2,170,091	52,094
FNMA POOL # 0623881 5.5 DUE 02-01-2017 REG	3,402,063	3,404,599	2,536
FNMA POOL # 0630924 5.5 DUE 02-01-2017 REG	1,963,476	1,964,395	919

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FNMA PREASSIGN 00068 5.5 03-15-2011	2,030,080	2,028,548	(1,532)
FORD MTR CO DEL DEB 6.625	1,711,556	1,686,460	(25,096)
FORD MTR CO DEL DEB DTD 02/09/1999 6.375	4,990,340	5,017,979	27,639
FORD MTR CR CO FORD MTR CR CO CPN 6.5	2,428,635	2,502,285	73,650
FORT JAMES CORP 4.75% BDS 29/6/2004	2,102,932	2,298,629	195,697
FT JAMES CORP NT DTD 11/15/1993 7.75	702,270	633,710	(68,561)
GA PAC CORP 7.25 DUE 06-01-2028 REG	1,229,763	1,141,245	(88,518)
GA PAC CORP DEB 7.75 DUE 11-15-2029 BEO	3,543,070	3,106,826	(436,244)
GA PAC CORP DEB DTD 12/08/1995 7.375	213,700	204,990	(8,711)
GDR PHILIPPINE LONG DISTANCE TEL CO	601,698	387,840	(213,858)
GLOBAL MARINE INC 7 DUE 06-01-2028 REG	1,173,838	1,240,301	66,463
HIGHWOODS RLTY LTD PARTNERSHIP 7.125	979,630	1,019,202	39,572
HIGHWOODS RLTY LTD PARTNERSHIP 7.5	1,020,630	936,769	(83,861)
HMH PPTYS INC SR NT SER B 7.875	1,323,000	1,428,750	105,750
HUMAN GENOME SCIENCES INC SUB NT	1,097,453	1,040,438	(57,015)
HUNTSMAN ICI CHEMS LLC SR SUB NT 10.125	604,500	581,750	(22,750)
HUNTSMAN INTL 10.125% BD 1/7/09 EUR1000	413,862	404,914	(8,948)
IMC GLOBAL INC 7.625 DUE 11-01-2005 BEO	212,500	235,995	23,495
IMC GLOBAL INC DEB 6.875 DUE 07-15-2007 BEO	395,000	456,365	61,365
INTL BANK RECON&DV 0% EMTN 20/8/2007	7,038,626	8,877,836	1,839,211
INTL BANK RECON&DV 5.5% MTN 3/11/2008	937,852	901,558	(36,294)
INTL PAPER CO 7.625	353,160	404,598	51,438
INTL PAPER CO NT DTD 04/12/1999 6.875	1,068,323	1,223,640	155,318
ITT CORP 7.375 DEB DUE 11-15-2015	651,525	646,603	(4,922)
JUNIPER NETWORKS INC SUB NT CONV 4.75	2,642,875	2,266,250	(376,625)
K MART CORP PASS THRU TR SER 1995-K 3	245,020	155,344	(89,676)
K MART FDG CORP ABS	301,638	214,109	(87,528)
K N CAP TR III 7.63 DUE 04-15-2028 REG	3,454,501	3,650,591	196,091
LA QUINTA INNS INC TRANCHE # TR 2 7.27	1,434,645	1,447,500	12,855
LA QUINTA INNS INC TRANCHE # TR 3 7.33	441,250	478,750	37,500
LIBERTY PPTY LTD PARTNERSHIP 7.5	906,650	991,312	84,662
LOEWS CORP	3,789,029	4,225,563	436,534
LSI LOGIC CORP 4	361,563	360,188	(1,375)
LUCENT TECHNOLOGIES INC 6.5	349,250	283,250	(66,000)
LUCENT TECHNOLOGIES INC 7.25	458,250	374,000	(84,250)
LUCENT TECHNOLOGIES INC DEB 6.45	1,695,574	1,313,250	(382,324)
MAXTOR CORP 5.75	272,700	266,400	(6,300)
MICROCELL TELECOMS STP	462,698	32,875	(429,823)
MOTOROLA INC 5.8 DUE 10-15-2008 BEO	357,000	369,513	12,513
MOTOROLA INC 6.5 DUE 11-15-2028 BEO	565,061	540,418	(24,643)
MOTOROLA INC NT 7.625 DUE 11-15-2010 BEO	716,875	704,475	(12,400)
MOTOROLA INC NT DTD 01/31/2001 6.75	123,438	119,675	(3,763)
MOTOROLA INC SR NT 8	1,842,722	1,829,754	(12,968)



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
N W AIRLS INC 7.625 DUE 03-15-2005 REG	463,750	445,000	(18,750)
NEIMAN-MARCUS GROUP INC 7.125	2,647,255	3,176,560	529,305
NEXTEL COMMS INC SR DISC NT 9.75	1,001,250	750,000	(251,250)
NEXTEL COMMUNICATIONS INC SR DISC NT 9.95	310,625	240,000	(70,625)
NEXTEL COMMUNICATIONS INC SR SER NT 9.375	788,188	647,063	(141,125)
NUEVO ENERGY CO SR SUB NT SER B 9.5	1,139,000	1,209,000	70,000
PAC GAS & ELEC CO 1ST PFD 5	240,000	224,550	(15,450)
PAC GAS & ELEC CO 1ST PFD 6.30	146,250	231,600	85,350
PAC GAS & ELEC CO PFD 6.57	187,500	368,250	180,750
PARKER DRILLING CO 5.5	214,688	236,563	21,875
PDVSA FIN LTD NT 7.5 DUE 11-15-2028 BEO	183,333	173,750	(9,583)
PENNEY J C INC 7.125 DUE 11-15-2023 REG	691,750	729,000	37,250
PENNEY J C INC 7.65 BD DUE 08-15-2016	92,059	110,625	18,566
PENNEY J C INC 7.95 DUE 04-01-2017 REG	1,075,750	1,176,500	100,750
PENNEY J C INC MTN 6.875 DUE 10-15-2015	1,080,612	1,170,300	89,688
PENNZOIL-QUAKER ST CO DEB 7.375	2,006,672	2,148,302	141,630
PETROLEOS MEXICANOS GLOBAL GTD BD 9.25	2,742,965	3,099,494	356,528
PETROLEOS MEXICANOS MTN 8.625	287,438	315,000	27,563
PHILIPPINE LNG DIS 8.35% SB MTN 6/3/17	1,220,105	1,202,737	(17,368)
PHILIPPINES REP GLOBAL	2,399,299	2,530,523	131,224
PHILLIPS 66 CAP TR II 8.0 CO GUARNT	1,119,338	1,395,320	275,982
PIONEER NAT RES CO 7.2 DUE 01-15-2028	2,531,195	2,326,077	(205,118)
PROLOGIS SER D PFD	209,046	268,380	59,334
PROLOGIS TR NT DTD 04/26/1999 7.1	473,100	525,046	51,946
PROVIDENT COS INC 7.25 DUE 03-15-2028	1,154,781	1,156,512	1,731
PTC INTL FIN BV GTD SR SUB DISC NT	653,063	688,500	35,438
PTC INTL FIN II 11.25% BDS 1/12/09	175,896	209,555	33,659
PVTPL ANALOG DEVICES INC	523,383	573,000	49,617
PVTPL BANGKOK BK PUB LTD NT 144A 9.025	3,119,500	4,416,000	1,296,500
PVTPL ERAC USA FIN CO GTD NT 144A 7.35	998,320	1,076,652	78,332
PVTPL GLOBE TELECOM INC SR NT 144A 9.75	1,300,000	1,313,000	13,000
PVTPL HUMAN GENOME SCIENCES INC	589,467	704,813	115,346
PVTPL PECOM ENERGI S.A 8.125	1,874,000	1,000,000	(874,000)
PVTPL PETROZUATA FIN INC SER B 8.22 BD	552,188	502,500	(49,688)
PVTPL PHILIPPINE LONG DISTANCE TEL CO	599,928	588,000	(11,928)
PVTPL SEABULK INTL INC WT EXP	-	6,774	6,774
PVTPL TELEKOM MALAYSIA BERHAD DEB 144A	1,850,490	2,412,300	561,810
PVTPL TENAGA NASIONAL BERHAD DEB	1,514,323	1,786,000	271,677
PVTPL THAI FMRS BK PUB LTD SUB BD 144A 8.25	2,054,826	3,219,114	1,164,288
PVTPL WESTN DIGITAL CORP	406,608	675,750	269,142
QUANTUM CORP 7	1,495,563	1,678,500	182,938
QWEST CAP FDG INC GTD NT 5.875	556,250	406,250	(150,000)
QWEST CAP FDG INC GTD NT 7	192,040	119,325	(72,715)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
QWEST CAP FDG INC GTD NT 7.75	137,597	91,500	(46,097)
QWEST CAP FDG INC NT 7.25	276,795	159,600	(117,195)
QWEST COMMUNICATIONS INTL INC SR NT 7.5	271,707	181,500	(90,207)
RAYTHEON CO DEB DTD 12/14/1998 6.4	1,867,990	2,150,892	282,902
REP S AFRICA 8.5 YANKEE NT	1,194,688	1,750,375	555,688
RF MICRO DEVICES INC	626,452	614,263	(12,190)
ROGERS CANTEL INC SR SECD DEB 9.75	446,250	350,000	(96,250)
ROGERS CANTEL INC SR SUB NT 8.8	1,090,000	812,500	(277,500)
ROGERS COMMUNICATIONS INC DEB CONV 2	1,211,250	1,330,000	118,750
ROYAL CARIBBEAN CRUISES LTD 7.5	1,101,233	1,064,000	(37,233)
S3 INC 5.75 DUE 10-01-2003/10-01-2002	602,200	373,000	(229,200)
SAFECO CAP TR I SER B CAP SECS 8.072 BD	830,130	944,910	114,780
SANMINA CORP ZERO CPN \	591,313	584,000	(7,313)
SEABULK INTL INC COM	474,988	13,940	(461,049)
SEABULK INTL INC SR SECD NT SER B 12.5	360,000	405,164	45,164
SEABULK INTL INC WT CL A EXP 12-14-2003	3,362	487	(2,875)
SEAGULL ENERGY CORP 7.5 SR NT	1,131,963	1,345,456	213,494
SEC CAP INDL 7.625 DEB DUE 07-01-2017	493,004	564,862	71,859
SOUTHN CAL EDISON CO PFD 4.78	236,698	231,695	(5,003)
SPIEKER PPTYS INC DEB DTD 09/29/1997 7.5	650,670	726,387	75,717
SPRINT CAP CORP GTD NT 6	1,526,937	1,353,000	(173,937)
SPRINT CAP CORP GTY REG 5.875	457,500	433,124	(24,376)
SPRINT CAP CORP SPRINT CAP CORP 6.875	2,202,273	1,662,065	(540,209)
SUSA PARTNERSHIP L P DEB 7.5	887,580	1,072,980	185,400
SWEDISH GOVERNMENT 5.25% BOND 15/03/11	1,519,321	1,679,252	159,931
TCI COMMUNICATIONS INC 7.125	1,818,453	1,765,430	(53,022)
TELEWEST COMMS 5.25% CV BD 19/2/07GBP	734,100	527,391	(206,709)
TFM S A DE C V 11.75 EXP 05-21-02	-	104,000	104,000
TFM S A DE C V SR DISC DEB	854,300	977,600	123,300
TIME WARNER INC 6.95 DUE 01-15-2028 REG	4,445,438	3,670,277	(775,161)
TIME WARNER INC DEB DTD 11/23/1998 6.625	1,362,311	1,227,952	(134,359)
TN GAS PIPELN CO 7.5 DUE 04-01-2017 REG	820,862	843,876	23,014
TN GAS PIPELN CO DEB 7 DUE 10-15-2028	1,479,615	1,348,131	(131,484)
TRANS GAS DE OCCIDENTE S A SR SECD NT 9.79	805,880	842,952	37,072
TRANSOCEAN SEDCO FOREX INC 7.5	933,619	996,184	62,565
TRANSOCEAN SEDCO FOREX INC NT 7.375	1,672,196	1,793,427	121,231
TRINET CORP RLTY TR INC 7.7 SR NT	1,453,801	1,363,725	(90,076)
TRIQUINT SEMICONDUCTOR INC	600,000	604,000	4,000
TRITON PCS INC SR SUB DISC NT	564,375	403,000	(161,375)
TRW INC 6.65 DUE 01-15-2028 REG	1,307,599	1,445,316	137,717
TRW INC DEB 7.75 DUE 06-01-2029 BEO	703,536	769,349	65,813
U S W CAP FDG INC 6.875 DUE 07-15-2028	4,862,693	2,805,000	(2,057,693)
U S W CAP FDG INC DEB 6.5	296,888	175,000	(121,888)



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Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
United States dollar	7,526,007	7,526,007	-
US UNWIRED INC SR SUB DISC NT SER B	957,712	368,400	(589,312)
UTD MEXICAN STS MED TERM NTS	541,750	543,675	1,925
VITESSE SEMICONDUCTOR CORP	2,153,899	2,092,500	(61,399)
WEYERHAUSER CO 7.125 DEB	717,225	753,597	36,372
WILLIAMS COS INC 7.75	915,880	740,000	(175,880)
WILLIAMS HLDGS DEL INC SR NT 6.5	837,404	746,636	(90,767)
XEROX CAPITAL EURO 5.25%	655,543	937,095	281,552
XEROX CORP 3.5% NTS 4/2/04	905,655	1,171,098	265,443
Total Loomis Sayles	\$ 261,695,364	\$ 259,686,796	\$ (2,008,568)
TCW			
1ST UN NATL BK N C CHARLOTTE MTN 7.8	\$ 831,149	\$ 876,145	\$ 44,997
1ST USA CRED CARD 5.28% BD 18/9/06	986,055	1,036,500	50,445
ALBERTSONS INC ALBERTSON'S INC 7.5	450,224	463,055	12,831
ALCOA INC 7.375% BOND 01.08.2010	435,616	444,936	9,320
AMERADA HESS CORP NT DTD 08/15/2001 5.9	506,045	516,820	10,775
AMERN AIRLS PASS THRU TR 7.024	403,536	407,896	4,360
ANADARKO PETE CORP DEB 7.2	425,527	437,759	12,232
ANHEUSER BUSCH COS INC 5.75	418,574	431,452	12,878
ASIAN DEV BK GLOBAL BD 6.75	1,058,782	1,073,963	15,181
ASSOC CORP 5.8% BONDS 20.04.2004	882,802	886,601	3,800
AT&T CORP 6 DUE 03-15-2009 BEO	191,394	177,750	(13,644)
AT&T WIRELESS SVCS INC NT 8.125	411,621	344,250	(67,371)
Australian dollar	(55,614)	(55,614)	-
Australian dollar	75,221	75,221	-
BANKAMERICA CORP 6.625 DUE 06-15-2004	897,150	900,320	3,171
BELGIUM(KINGDOM) 6.25% BDS 28/3/2007	1,796,938	1,904,897	107,960
BELLSOUTH CORP NT 6 DUE 10-15-2011 BEO	414,107	427,202	13,094
BK 1 CORP BK 1 CORP NTS 6.5000000	444,975	451,231	6,256
BOEING CAP CORP SR NT 7.1	902,301	922,004	19,703
British pound sterling	906	906	-
British pound sterling	3,225,315	3,225,315	-
British pound sterling	360,000	359,117	(883)
CANADA(GOVT OF) 5% BDS SER'WU42'1/9/04	3,389,020	3,478,075	89,054
CANADA(GOVT OF) 5.5% BDS 1/6/2010	2,369,296	2,388,796	19,500
Canadian dollar	(295,734)	(295,734)	-
Canadian dollar	308,370	308,370	-
Canadian dollar	715,000	711,333	(3,667)
CAP AUTO RECEIVABLES AST TR 2002-1	1,299,779	1,317,212	17,433
CAROLINA PWR & LT CO	849,507	899,453	49,946
CATERPILLAR INC 7.3	452,481	466,625	14,144

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
CDN NATL RY CO NT 6.375	403,116	415,564	12,448
CMO ABN AMRO MTG CORP 1999-4 MC	2,920,837	3,146,949	226,112
CMO BA MTG SECS INC 6.75 DUE 08-25-2028	2,012,500	2,089,860	77,360
CMO CWMBS INC PASS THRU SER 98-23 CL A 6.5	1,482,555	1,587,597	105,042
CMO CWMBS INC PASS THRU CTF2000-11 CL A	3,082,500	3,162,870	80,370
CMO DLJ MTG ACCEP CORP 98-3 CL I-A	5,088,100	5,434,384	346,283
CMO GE CAP MTG SVCS INC REMIC 1996-3	2,666,081	2,944,988	278,907
CMO GE CAP MTG SVCS INC SER 1999-15	4,690,625	5,131,650	441,025
CMO GE CAP MTG SVCS REMIC	1,766,615	1,786,492	19,877
CMO NORWEST AST SECS CORP SER 1997-7	2,490,849	2,581,021	90,172
CMO PNC MTG SECS CORP	2,497,400	2,718,681	221,282
CMO PNC MTG SECS CORP PASS 2000-2 CL A	331,288	330,189	(1,099)
CMO RESDNTL ACCREDIT LNS INC MTG	1,726,833	1,759,875	33,042
CMO RESDNTL FDG MTG SECS I INC	573,567	600,882	27,315
CMO WAMU MTG PASS-THRU CTFS SER 2001	4,930,031	4,943,930	13,899
COASTAL CORP SR DEB DTD 06/05/1998 6.95	642,579	579,544	(63,035)
COCA COLA ENTERPRISES INC	359,460	415,828	56,368
COLTV STIF	10,676,956	10,676,956	-
COMCAST CABLE COMMUNICATIONS INC	455,585	397,044	(58,541)
CONAGRA FOODS INC	431,464	448,320	16,856
CONS NAT GAS CO CONS NAT'L GAS 5.375	421,524	428,715	7,191
CORPORACION ANDINA DE FOMENTO NT	548,020	546,745	(1,275)
COUNTRYWIDE HOME LNS INC	813,048	821,544	8,496
CR SUISSE 1ST BSTN USA INC NTS 5.75	426,811	435,472	8,662
CWMBS INC SER 94-D 6.5 MTG PASSTHRU CTF	983,750	1,012,120	28,370
DAIMLERCHRYSLER N AMER HLDG CORP	633,288	647,406	14,119
Danish krone	(199,392)	(199,392)	-
Danish krone	208,857	208,857	-
DENMARK(KINGDOM) 7% BDS 15/12/04 DKK0.01	997,247	911,464	(85,783)
DEUTSCHE TELEKOM INTL FIN B V GTD NT 8.5	440,929	421,953	(18,976)
DOW CHEM CO NT DTD 02/08/2001 6.125	422,833	429,203	6,371
Euro	(789,440)	(789,440)	-
Euro	2,784,033	2,784,033	-
Euro	5,395,500	5,382,397	(13,103)
FEDT DEPT STORES INC DEL SR DEB 6.9	400,074	406,517	6,443
FHLMC DEB 7 03-15-2010	3,071,396	3,129,504	58,108
FHLMC DEB DTD 07/10/2000 7 07-15-2005	2,337,179	2,351,004	13,825
FHLMC DTD 01/16/2001 5.25 01-15-2006	3,022,471	3,124,530	102,059
FHLMC MULTICLASS 2097 PZ 6 11-15-2028	3,689,988	3,680,592	(9,397)
FHLMC MULTICLASS PREASSIGN 00506 7.5	2,520,453	2,767,991	247,538
FHLMC MULTICLASS SER 1661 CL SD	1,057,305	1,517,036	459,730
FHLMC MULTICLASS SER 1897 CL 1897-H 6.5	1,401,094	1,571,595	170,501
FHLMC MULTICLASS SER 1969 CL PE 7.5	2,584,375	2,662,025	77,650



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FHLMC MULTICLASS SER 2059 CL Z 5.95 MTG	2,495,803	2,738,344	242,541
FHLMC MULTICLASS SER G029 CL ZC 8 MTG	990,474	995,841	5,367
FNMA NT 6 05-15-2008	3,088,789	3,194,730	105,941
FNMA POOL # 323606 6.5 DUE 03-01-2029 REG	1,680,803	1,710,355	29,552
FNMA POOL # 323812 6 DUE 07-01-2029 REG	645,600	679,778	34,178
FNMA POOL # 392168 ADJ RT DUE 08-01-2027 REG	206,625	211,025	4,400
FNMA PREASSIGN 00067 4.75 03-15-2004	2,976,343	2,991,118	14,775
FNMA PREASSIGN 00132 5.5	3,123,002	3,064,226	(58,776)
FNMA PREASSIGN 00147 4.75 01-02-2007	2,986,172	3,019,290	33,118
FNMA REMIC TR 1997-58 CL-DZ 7.5	2,235,293	2,326,731	91,439
FNMA SER 1999-24 CL J 6	706,093	735,381	29,289
FNMA-GNMA REMIC TR SER 1994-9 CL Z 6.25	1,569,393	1,650,671	81,278
FORD MTR CO DEL GLOBAL LANDMARK 7.45	435,846	441,660	5,814
FORD MTR CR CO CPN 6.5 MAT 1/25/07 6.5	665,476	676,006	10,530
FRANCE(GOVT OF) 5.25% OAT 25/4/2008	16,967,259	17,558,352	591,092
GE CAP MTG SVCS INC SER 1998-10 CL1A10	2,406,641	2,609,375	202,734
GEN ELEC CAP CORP MTN BO	414,214	425,582	11,369
GEN MTRS ACCEP CORP NOTES 7.5	630,000	642,090	12,090
GEN MTRS CORP 6.75 DUE 05-01-2028 REG	178,294	178,804	510
GERMANY(FED REP) 5.25% BDS 4/1/08	14,429,411	15,333,741	904,330
GNMA 2001-38 REMIC TR CL MX-S FLTG RATE	3,486,473	2,680,056	(806,417)
GNMA POOL # 577434 SER 2032 6.5	7,848,742	8,093,290	244,548
GNMA REMIC SER 1999-10	9,815,625	9,994,900	179,275
GNMA REMIC SER 1999-40 CL UT FLT RT	93,601	103,822	10,220
GNMA SER 2002-20 CL-HS 03-20-2032	2,362,927	2,678,129	315,202
GNMAII POOL # 0080579 SER 2032 5	6,981,762	7,001,847	20,085
GOLDMAN SACHS GROUP INC NT 6.65	634,338	643,119	8,781
GREECE(REP OF) 6% BDS 19/02/06 EUR0.01	2,290,905	2,439,752	148,846
HSEHD FIN CORP NT 8 DUE 05-09-2005 BEO	600,294	642,630	42,336
HYDRO-QUEBEC QUE HYDRO 6.3	438,621	451,465	12,844
HYPOBANK ESSEN 4.25% BDS 6/7/2009	379,537	411,946	32,409
HYPOTHEKENBANK IN ESSEN A G 4.25	335,299	327,443	(7,856)
INTL BK FOR RECON & DEV US\$ GLOBAL NT 5	1,067,701	1,085,343	17,642
INTL BUSINESS MACHS CORP 6.5	409,747	406,181	(3,566)
INTL PAPER CO NT DTD 08/27/2001 6.75	633,263	649,794	16,531
IRELAND(REP OF) 4% TSY BDS 18/04/2010	1,920,941	2,081,210	160,269
ITALY(REP OF) 5% BTP 1/5/08 EUR0.01	7,718,818	8,286,768	567,950
Japanese yen	5,390,879	5,390,879	-
Japanese yen	500,000	499,333	(667)
KELLOGG CO DEB DTD 03/29/2001 SER B 7.45	451,550	464,211	12,661
KOREA REP BD DTD 04/17/1998 8.875	843,081	856,225	13,144
LEHMAN BROS HLDGS INC LEHMAN BROS	674,075	677,806	3,731
LOCKHEED MARTIN CORP NT 8.2	619,034	659,979	40,946

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
MANITOBA PROV CDA DEB SER EF	425,548	442,961	17,412
MELLON FDG CORP MELLON FDG CORP 4.875	424,176	425,259	1,084
MERCK & CO INC 6.4 DUE 03-01-2028 REG	418,621	426,564	7,943
METLIFE INC METLIFE INC 6.125	397,872	407,128	9,256
MFO TCW GALILEO FDS INC CONV SECS FD	6,778,376	4,092,594	(2,685,782)
MFO TCW GALILEO FDS INC EMERGING MKTS	22,007,537	21,166,656	(840,881)
MFO TCW GALILEO FDS INC HI YIELD BD FD CL I	124,272,403	104,673,469	(19,598,934)
MORGAN STANLEY DEAN WITTER & CO	635,906	644,738	8,831
NATL RURAL UTILS COOP FIN CORP COLL TR BD	846,090	879,223	33,133
NEW STH WALES TSY 7% GBL EXCH BDS 1/4/04	591,051	533,823	(57,229)
NORWEST AST SECS CORP SER 1997-10 CL A4 7	848,261	846,669	(1,592)
PHILLIPS PETE CO NT 8.75 DUE 05-25-2010 BEO	629,948	651,420	21,472
PORTUGAL(REP OF) 5.375% BDS 23/6/08	1,520,915	1,628,348	107,433
PROCTER & GAMBLE CO PROCTER 6.875	453,501	465,277	11,777
PROGRESSIVE CORP OH PROGRESSIVE CORP	427,142	437,297	10,155
PRUDENTIAL HOME MTG SECS CO SER 1993-57	3,346,138	4,477,451	1,131,313
QUE PROV CDA GLOBAL NT SER PN 5.5	399,052	416,120	17,068
RESNTL AST SEC CORP MTG	1,345,842	1,381,346	35,503
RESNTL FDG MTG SECS I INC SER 97-S8	657,232	648,893	(8,339)
SAXON AST SECS TR MTG LN AST BKD CTF	164,531	166,045	1,514
SBC COMMUNICATIONS INC GLOBAL NT 5.875	451,800	448,344	(3,456)
SEARS ROEBUCK 6.7	645,463	666,978	21,515
SIMON PPTY GROUP L P 6.375	424,800	438,868	14,068
SLMA PREASSIGN 00021 4.75 04-23-2004	3,989,760	4,124,680	134,920
SPAIN(KINGDOM OF) 5.15% BDS 30/7/2009 EUR	7,279,779	7,785,686	505,906
SPRINT CAP CORP GTY REG 5.875	399,186	368,155	(31,030)
SWEDEN(KINGDOM OF) 5% BDS 15/1/04 SEK	1,690,179	1,655,447	(34,732)
Swedish krona	(163,122)	(163,122)	-
Swedish krona	164,519	164,519	-
Swiss franc	58	58	-
TELEFONICA EUROPE B V U S NT 7.75	451,274	439,888	(11,386)
TENET HEALTHCARE CORP 6.5 DUE 06-01-2012	421,494	431,949	10,455
TIME WARNER ENTMT CO L P 7.25	639,984	641,355	1,372
TREASURY 7 1/2% STK 2006 GBP	471,491	501,860	30,369
TXU CORP SR NT 6.375 DUE 06-15-2006 BEO	832,459	846,046	13,587
UN PAC CORP 6.625 DUE 02-01-2029 BEO	432,783	433,935	1,152
United States dollar	12,853,958	12,853,958	-
US TREAS BDS 12 15/8/2013 USD1000 12	1,095,181	1,118,392	23,211
US TREAS BDS 7.25 BD 05/15/2016	2,852,031	2,945,350	93,319
US TREAS BDS 8 1/2 15/2/2020 USD1000 8.5	3,782,679	3,842,703	60,024
US TREAS BDS DTD 02/15/1993 7.125	4,188,656	4,236,264	47,608
US TREAS BDS DTD 11/15/1997 6.125	5,262,467	5,393,913	131,446
US TREAS NTS 3 DUE 02-29-2004 REG	11,416,087	11,522,479	106,391



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
US TREAS NTS 4.75 DUE 11-15-2008 REG	3,439,606	3,563,280	123,674
US TREAS NTS 5.5 DUE 05-31-2003 REG	1,966,454	1,961,750	(4,704)
US TREAS NTS DTD 00878 5.75	3,984,469	4,055,664	71,195
US TREAS NTS DTD 02/15/2001 5	2,601,016	2,643,914	42,898
UTD MEXICAN STS MTN	490,025	476,000	(14,025)
VERIZON GLOBAL FDG CORP NT 6.75	436,373	438,711	2,338
VIACOM INC 5.625 DUE 05-01-2007 BEO	458,987	454,019	(4,968)
WAL-MART STORES INC NT 6.55	660,550	665,450	4,900
WELLS FARGO BK NA 6.45 DUE 02-01-2011	868,309	890,690	22,381
Total TCW	\$ 461,958,258	\$ 448,354,029	\$ (13,604,229)
FAME			
COLTV STIF	\$ 123,440	\$ 123,440	\$ -
DWYER, LYNCH, & MCCURDY, INC.	1,628,474	1,628,474	-
HARDWOOD MANAGEMENT INC.	791,233	791,233	-
MB/JBREAL ESTATE LLC-2000 SERIES, 7.38%	627,299	627,299	-
PINETTE FILLION MORTON, 5.60%	1,083,665	1,083,665	-
Total FAME	\$ 4,254,112	\$ 4,254,112	\$ -
JP Morgan Fixed Income			
CF JPMCB CORP HI YIELD FD	\$ 80,075,446	\$ 71,622,341	\$ (8,453,105)
CF JPMCB CORP PVT PLMT FD	99,082,707	106,563,280	7,480,573
CF JPMCB EMERGING MARKETS BD FD	17,971,000	17,419,742	(551,258)
CF JPMCB MTG PVT PLMT FD	354,673,177	414,633,577	59,960,399
CF JPMCB LIQUIDITY FD CV OVER 1 BIL	10,119	10,119	-
Total JP Morgan Fixed Income	\$ 551,812,450	\$ 610,249,059	\$ 58,436,610
State Street Bond Index			
CF ST ST BD MKT INDEX FD	\$ 602,654,295	\$ 870,788,634	\$ 268,134,339
Total State Street Bond Index	\$ 602,654,295	\$ 870,788,634	\$ 268,134,339
TOTAL FIXED INCOME	\$ 2,224,681,349	\$ 2,538,221,353	\$ 313,540,004
INTERNATIONAL EQUITY			
Rowe Price Fleming			
ABBEY NATIONAL ORD GBP0.10	\$ 481,784	\$ 419,407	\$ (62,377)
ADECCO SA CHF1(REGD)	2,465,217	2,604,630	139,413

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ADR AMER MOVIL S A DE C V	808,162	676,700	(131,462)
ADR COCA-COLA FEMSA S A DE C V	568,327	720,000	151,673
ADR COMPANHIA BRASILEIRA DE DISTR DE	1,087,678	700,926	(386,752)
ADR COMPANHIA VALE DO RIO DOCE	824,693	908,250	83,557
ADR EMBRAER-EMPRESA BRASILEIRA DE	664,207	422,821	(241,386)
ADR GRUPO IUSACELL S A DE C V	47,269	5,053	(42,216)
ADR KT CORP SPONSORED ADR	1,354,699	1,034,827	(319,872)
ADR MOBILE TELESYSTEMS OJSC	380,880	466,466	85,586
ADR OIL CO LUKOIL SPONSORED ADR	1,017,516	919,843	(97,674)
ADR POSCO SPONSORED ADR	674,530	945,669	271,139
ADR SK TELECOM LTD SPONSORED	993,936	1,189,920	195,984
ADR TELEFONICA S A SPONSORED	400,147	277,425	(122,722)
ADR TELEFONOS DE MEX S A	139,005	220,422	81,417
ADR TEVA PHARMACEUTICAL INDS LTD	721,357	860,126	138,770
ADR WAL-MART DE MEX S A DE C V	456,068	527,723	71,654
AHOLD(KON)NV EUR0.25	515,889	378,644	(137,245)
AKZO NOBEL NV EUR2	76,918	100,672	23,753
ALCAN INC COM STK (CAN QUOTE)	1,029,779	1,162,802	133,022
ALLEANZA ASSICURAZ EUR0.5	925,456	845,134	(80,322)
ALLIANZ AG NPV(REGD)(VINKULIERT)	2,101,735	1,494,769	(606,966)
ALTRAN TECHNOLOGIE EUR0.50	504,010	233,364	(270,646)
ASML HLDG EUR0.02	992,486	922,165	(70,321)
ASSIC GENERALI SPA EUR1	493,873	358,189	(135,684)
ASTRAZENECA USD PAR .25	1,810,683	2,138,240	327,557
ASUSTEK COMPUTER TWD10	678,161	583,568	(94,593)
AUTONOMY CORP ORD GBP0.003333	215,179	69,871	(145,307)
AVENTIS SA EUR3.82	2,772,737	3,170,064	397,327
AXA EUR2.29	1,786,831	1,122,877	(663,954)
BANGKOK BANK THB10 (NVDR)	736,951	829,280	92,329
BAYER AG ORD NPV	272,207	254,810	(17,397)
BAYER HYPO-VEREINS ORD NPV	275,856	155,425	(120,431)
BBVA(BILB-VIZ-ARG) EUR0.49	1,299,407	1,340,277	40,870
BCA INTESA EUR0.52	2,556,292	2,157,959	(398,333)
BCO SANT CENT HISP EUR0.50(REGD)	1,065,991	1,030,703	(35,289)
BG GROUP ORD GBP0.10	64,593	101,778	37,186
BHP BILLITON LTD NPV	864,107	844,158	(19,949)
BK OF NOVA SCOTIA COM NPV	605,547	581,776	(23,771)
BNP PARIBAS EUR2	2,393,131	3,050,091	656,960



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BP ORD USD0.25	1,332,318	1,504,428	172,110
BRAMBLES INDS (UK) ORD GBP0.05	1,266,600	1,302,323	35,723
BRAMBLES INDS LTD A\$0.50	691,454	706,159	14,704
British pound sterling	427	427	-
British pound sterling	926,745	926,745	-
British pound sterling	(899,744)	(904,069)	(4,324)
CABLE & WIRELESS ORD GBP0.25	1,016,822	252,705	(764,117)
CADBURY SCHWEPPES ORD GBP0.125	652,447	868,257	215,811
Canadian dollar	571	571	-
Canadian dollar	178,841	178,841	-
Canadian dollar	(179,111)	(179,413)	(301)
CANON INC JPY50	1,350,982	2,040,881	689,899
CAP GEMINI (FR) EUR8	342,983	90,115	(252,868)
CELESTICA INC SUB VTG SHS	1,733,631	826,349	(907,282)
CELLTECH GROUP ORD GBP0.50	630,473	328,688	(301,785)
CENTRICA ORD GBX5.555555	139,762	182,869	43,107
CHECK PT SOFTWARE TECHNOLOGIES	681,397	302,930	(378,466)
CHEUNG KONG(HLDGS) HKD0.50	1,051,633	850,005	(201,627)
CIE DE ST-GOBAIN EUR4	1,026,434	1,263,817	237,383
COMPASS GROUP ORD GBP0.10	2,707,597	2,209,911	(497,686)
CREDIT SAISON CO COM STK	660,793	638,499	(22,294)
CREDIT SUISSE GRP CHF1(REGD)	432,711	355,585	(77,126)
D S SMITH PLC ORD GBP0.10	204,151	111,392	(92,759)
DAIICHI PHARM CO JPY50	373,622	347,155	(26,467)
Danish krone	15	15	-
DBS GROUP HLDGS SGD1	269,126	238,630	(30,496)
DEUTSCHE BANK AG NPV(REGD)	1,174,151	1,172,499	(1,652)
DEUTSCHE TELEKOM NPV(REGD)	174,360	49,641	(124,719)
DEXIA NPV	558,053	741,902	183,849
DIAGEO ORD GBX28.935185	1,094,274	1,549,797	455,523
DIMENSION DATA HLD ORD USD0.01	167,185	13,436	(153,749)
E.ON AG NPV	809,985	941,163	131,177
EGYPTIAN MOBILE SERV SHS	892,751	321,479	(571,272)
Egyptian pound	17,599	17,599	-
ELECTROCOMPONENTS ORD GBP0.10	645,873	450,482	(195,390)
ELECTROLUX AB SER'B'SEK5	453,532	634,181	180,649
ENDESA SA EUR1.2	855,236	646,156	(209,081)
ENI EUR1	1,547,573	2,201,427	653,854
EQUANT NV NLG0.02	286,959	20,220	(266,739)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
ERICSSON(LM)TEL SEK1 SER'B'	2,627,701	377,339	(2,250,362)
Euro	222	222	-
Euro	2,773,169	2,773,169	-
Euro	899,744	903,263	3,519
Euro	179,111	179,812	700
FANUC JPY50	375,112	331,487	(43,625)
FINECOGROUP EUR0.09	255,064	90,794	(164,270)
FLEXTRONICS INTL LTD COM STK	933,079	274,947	(658,132)
FOMENTO ECON MEXIC UNITS	951,364	1,007,085	55,722
FORTIS UNIT(FORTIS SA/NV NPV/0.42)	358,629	335,469	(23,160)
FORTIS UNIT(FORTIS SA/NV NPV/0.42)	936,154	831,180	(104,974)
FRIENDS PROV ORD GBP0.10	162,610	111,377	(51,233)
FUJI TELEVISION JPY5000	754,892	300,651	(454,241)
FUJISAWA PHARMA CO Y50	895,321	1,077,507	182,187
GAS NATURAL SDG EUR1	592,375	636,673	44,298
GEHE AG NPV	671,937	694,117	22,180
GF BBVA BANCOMER COM SER'O'NPV	1,060,341	1,027,429	(32,911)
GKN PLC ORD GBP0.50	21,237	37,527	16,290
GLAXOSMITHKLINE ORD GBP0.25	6,525,475	5,906,251	(619,224)
GRANADA ORD GBP0.10	1,058,561	686,470	(372,091)
GROUPE DANONE EUR1	219,956	257,075	37,119
HAYS ORD GBP0.01	1,121,100	715,189	(405,910)
HENDERSON LAND DEV HKD2	742,676	672,927	(69,749)
HENNES & MAURITZ SEK0.25'B'	635,266	909,544	274,278
HERMES INTL NPV	398,087	519,072	120,984
HILTON GRP ORD 10P	114,112	128,337	14,226
HITACHI CHEMICAL JPY50	367,776	363,341	(4,435)
HON HAI PRECISION TWD10	473,072	478,016	4,943
Hong Kong dollar	5	5	-
Hong Kong dollar	66,411	66,411	-
HSBC HLDGS USD0.50(HONGKONG REG)	788,350	794,031	5,680
HUTCHISON WHAMPOA HKD0.25	442,251	452,561	10,310
INCO LTD COM NPV (CAD)	968,085	1,459,498	491,413
INDUSTRIA DE DISENO TEXTIL	368,188	392,735	24,548
ING GROEP NV CVA EUR0.24	3,003,864	2,901,813	(102,050)
ITO-YOKADO CO Y50	858,020	850,993	(7,028)
Japanese yen	372,955	372,955	-
JERONIMO MARTINS EUR5	361,302	109,257	(252,045)
KDDI CORP JPY5000	611,232	567,996	(43,236)



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
KEYENCE CORP JPY50	175,304	190,647	15,343
KINGFISHER ORD GBP0.1375	900,789	571,300	(329,490)
KON KPN NV EUR0.24	408,418	401,647	(6,770)
KOOKMIN BANK KRW5000	409,237	823,328	414,092
KYOCERA CORP JPY50	516,243	481,812	(34,431)
LAFARGE EUR4	69,136	91,668	22,532
LAFARGE EUR4 (STK DIV 21/06/2002)	-	3,335	3,335
LATTICE GROUP ORD GBP0.10	40,368	59,399	19,031
L'OREAL EUR0.20	61,267	94,950	33,684
LVMH MOET HENNESSY EUR0.30	720,161	585,168	(134,992)
MAGNUM CP BHD MYR0.50	579,935	680,579	100,644
MALAYAN BKG BERHAD MYR 1	850,322	889,958	39,636
MARUI CO JPY50	976,409	760,387	(216,022)
MEDIASET EUR0.52	421,077	139,370	(281,707)
MEDIOLANUM EUR0.1	478,541	252,084	(226,457)
MITSUMI FUDOSAN JPY50	809,474	716,336	(93,138)
MURATA MFG CO JPY50	935,372	809,444	(125,927)
NATL AUSTRALIA BK NPV	414,007	466,987	52,980
NEDCOR ZAR1	1,154,098	997,507	(156,591)
NESTLE SA CHF1(REGD)	2,836,560	3,625,634	789,074
New Taiwan dollar	869,627	869,627	-
New Zealand dollar	323	323	-
NEWS CORPORATION PRF AUD0.50	1,721,968	865,319	(856,649)
NIPPON TEL&TEL CP NPV	527,953	197,430	(330,523)
NOKIA OYJ EUR0.06	2,447,094	2,206,271	(240,823)
NOMURA HOLDINGS JPY50	909,347	895,712	(13,635)
NORDEA ORD EUR0.39632	495,374	472,714	(22,660)
Norwegian krone	98	98	-
Norwegian krone	42,642	42,642	-
NOVO-NORDISK AS DKK2 SER B	571,606	556,136	(15,469)
NTT DOCOMO NPV	1,241,101	1,565,326	324,226
OLIVETTI SPA EUR1	330,411	155,053	(175,358)
ORANGE SA EUR1	385,329	201,254	(184,075)
ORBOTECH LTD SH COM	482,947	397,250	(85,697)
ORKLA ASA NOK6.25 ORD	449,367	570,973	121,605
OTE(HELLENIC TLCM) EUR2.39(CR)	239,801	258,829	19,029
PETROL BRASILEIROS PRF NPV	1,193,898	883,283	(310,615)
PHILIPS ELEC(KON) EUR0.20	2,295,562	2,298,710	3,149
PIN-PRINTEMPS-REDO EUR4	400,106	411,815	11,708

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
PORTUGAL TCOM SGPS EUR1(REGD)	509,913	461,506	(48,407)
QUANTA COMPUTER TWD10	473,491	444,538	(28,954)
RECKITT BENCKISER ORD GBP0.105263	198,079	280,840	82,760
REED ELSEVIER NV EUR0.06	531,397	621,065	89,668
REED ELSEVIER ORD GBP0.125	2,699,898	3,174,237	474,339
REPSOL YPF SA EUR1	351,892	250,790	(101,102)
RESORTS WORLD BHD MYR0.50	666,566	998,632	332,066
RHOEN-KLINIKUM AG ORD NPV	166,899	193,811	26,912
RICHTER GEDEON VEG HUF1000	609,105	618,662	9,557
RIO TINTO PLC ORD 10P(REGD)	1,524,535	1,786,548	262,013
ROCHE HLDGS AG GENUSSSCHEINE NPV	1,157,526	1,043,172	(114,354)
ROHM CO JPY50	363,196	373,144	9,948
ROYAL BANK CANADA COM NPV (CAD)	1,195,639	1,483,628	287,989
ROYAL BK SCOTLAND ORD GBP0.25	2,180,190	4,830,823	2,650,634
ROYAL DUTCH PETROL EUR0.56(BR)	868,232	1,043,826	175,593
SAINSBURY J ORD GBP0.25	497,915	449,192	(48,723)
SAMSUNG ELECTRONIC KRW5000	1,669,180	2,187,864	518,683
SANDVIK AB SEK6	113,980	135,845	21,865
SANOFI-SYNTHELABO EUR2	1,438,781	2,172,693	733,912
SANPAOLO IMI SPA EUR2.80	122,173	95,032	(27,141)
SAP AG ORD NPV	661,136	467,550	(193,586)
SCHNEIDER ELECTRIC EUR8	1,190,294	1,078,611	(111,683)
SECOM Y50	432,630	441,515	8,885
SECURITAS SER'B'SEK1	3,115,625	3,300,017	184,392
SES FDR EACH REP 1 'A'NPV	192,098	125,148	(66,950)
SEVEN ELEVEN NPV	1,920,205	1,220,758	(699,448)
SHELL TRNSPT&TRDG ORD GBP0.25(REGD)	2,567,752	3,008,208	440,456
SHIN-ETSU CHEM CO Y50	373,986	549,975	175,989
SHINHAN FIN GROUP KRW5000	485,858	546,883	61,024
SHISEIDO CO Y50	409,380	439,963	30,584
SIAM COMMERCIAL BK THB10 (NVDR)	701,539	866,578	165,040
SIEMENS AG NPV(REGD)	159,469	230,140	70,671
SIME DARBY BHD MYR0.50	986,618	980,263	(6,355)
SKILLSOFT PUB LTD CU 830928107	348,864	35,527	(313,338)
SMC CORP JPY50	369,096	378,308	9,212
SOC GENERALE EUR1.25	482,390	609,849	127,459
SODEXHO ALLIANCE EUR4	1,794,199	1,684,835	(109,364)
SONY CORP Y50	2,107,970	1,938,186	(169,784)
South African rand	60	60	-



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
South African rand	28,322	28,322	-
STANDARD CHARTERED ORD USD0.50	463,887	371,308	(92,579)
STATOIL ASA NOK2.50	82,420	98,835	16,415
STMICROELECTRONICS EUR1.04	520,867	562,649	41,782
SUMITOMO CORP JPY50	591,737	448,223	(143,514)
Swedish krona	42	42	-
Swedish krona	88,570	88,570	-
Swiss franc	55	55	-
Swiss franc	11,423	11,423	-
T ROWE PRICE T ROWE PRICE INDIA TR	2,502,072	2,338,279	(163,793)
T.I.M.SPA EUR0.06	1,626,651	1,315,605	(311,045)
TAIWAN SEMICON MAN TWD10	1,209,301	1,392,565	183,265
TAKEDA CHEMICAL IN Y50	687,797	702,153	14,356
TAKEFUJI CORP JPY50	459,041	454,515	(4,525)
TDC A/S DKK5	424,032	311,728	(112,304)
TELECOM ITALIA SPA DI RISP EUR0.55	456,688	503,822	47,134
TELECOM ITALIA SPA EUR0.55	698,324	752,542	54,218
TELEFONICA SA EUR1	1,350,057	891,108	(458,949)
TESCO ORD 5P	1,563,317	1,703,774	140,457
TF1 - TV FRANCAISE EUR0.20	1,664,709	1,441,952	(222,757)
Thai baht	18	18	-
Thai baht	59,981	59,981	-
THOMSON SA EUR3.75	405,217	404,465	(753)
TOMKINS ORD GBP0.05	854,094	956,210	102,116
TOSHIBA CORP Y50	651,584	370,499	(281,085)
TOTAL FINA ELF EUR10	3,366,669	5,180,769	1,814,100
TOYOTA MOTOR CORP JPY50	1,295,170	1,307,976	12,806
Turkish lira	1,718	1,718	-
UBS AG CHF0.80(REGD)	1,799,895	2,055,515	255,619
UCB NPV	251,858	228,133	(23,725)
UNICREDITO ITALIAN EUR0.50	1,247,085	1,484,004	236,919
UNILEVER PLC ORD GBP0.014	1,037,411	1,072,902	35,491
United States dollar	1,143,134	1,143,134	-
UTD BUSINESS MEDIA ORD GBP0.25	215,749	152,515	(63,235)
UTD MICRO ELECT TWD10	1,139,992	1,157,031	17,038
UTD O/S BANK SGD1	1,191,350	1,309,371	118,021
VIVENDI UNIVERSAL EUR5.50	1,304,777	414,237	(890,540)
VNU NV EUR0.20	3,056,730	1,692,802	(1,363,928)
VODAFONE GROUP ORD USD0.10	5,178,542	2,726,163	(2,452,379)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
WOLTERS KLUWER CVA EUR0.12	951,145	661,983	(289,162)
WOOLWORTHS GROUP ORD GBP0.125	72,406	80,231	7,825
WPP GROUP ORD 10P	3,137,145	1,965,845	(1,171,300)
YAMANOUCHI PHARM JPY50	1,128,509	726,514	(401,995)
Total Rowe Price Fleming	\$ 203,256,828	\$ 193,233,155	\$ (10,023,673)
Martin Currie			
3I GROUP ORD GBP0.50	\$ 4,197,888	\$ 2,398,317	\$ (1,799,572)
AEON CO LTD Y50	883,915	1,067,913	183,997
ALLIANZ AG NPV(REGD)(VINKULIERT)	4,977,914	3,159,550	(1,818,365)
AMADEUS GLOB TRAVE SER'A'PREF	2,175,372	1,262,498	(912,874)
ANGLO AMERICAN ORD USD0.50	2,597,602	2,675,632	78,030
ASML HLDG EUR0.02	1,477,315	1,222,197	(255,118)
ASSA ABLOY SEK1 SER'B'	2,268,903	2,494,056	225,154
ATLAS COPCO AB SER'A'SEK5	1,835,355	1,795,342	(40,013)
AUTOSTRIDE SPA EUR0.52	2,444,309	3,069,589	625,280
AVENTIS SA EUR3.82	3,549,463	4,028,391	478,928
AVIVA ORD GBP0.25	2,744,990	2,074,429	(670,561)
BAE SYSTEMS ORD GBP0.025	2,764,921	2,629,714	(135,207)
BARCLAYS ORD GBP0.25	1,748,437	1,842,636	94,200
BBVA(BILB-VIZ-ARG) EUR0.49	3,864,193	3,056,669	(807,524)
BCE INC COM NPV	743,090	602,342	(140,748)
BHP BILLITON LTD NPV	2,086,885	2,132,459	45,574
BK OF IRELAND ORD STK EUR0.64	2,321,403	3,284,608	963,205
BNP PARIBAS EUR2	2,152,496	2,190,590	38,095
BP ORD USD0.25	6,469,843	6,676,905	207,062
BRIDGESTONE CORP Y50	2,119,368	1,294,010	(825,358)
BRITISH SKY BROADC ORD GBP0.50	2,945,232	2,556,939	(388,293)
Canadian dollar	(943,681)	(938,376)	5,305
CANON INC JPY50	1,777,259	2,494,410	717,151
CATHAY PACIFIC AIR HKD0.20	2,035,495	2,144,886	109,390
CDN NATL RAILWAYS COM NPV	2,902,504	3,300,854	398,350
CIE DE ST-GOBAIN EUR4	2,226,788	2,576,290	349,502
DENSO CORP JPY50	1,674,866	1,770,490	95,623
DIAGEO ORD GBX28.935185	2,777,721	3,428,467	650,745
ELECTROLUX AB SER'B'SEK5	2,310,295	2,607,772	297,477
ENCANA CORP COM NPV	943,681	958,012	14,331
ENI EUR1	2,696,347	3,310,361	614,015



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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
FUJI PHOTO FILM CO Y50	1,406,105	1,226,931	(179,174)
GUS ORD GBP0.25	1,757,501	1,974,476	216,975
HANG SENG BANK HKD5	2,192,554	2,087,513	(105,041)
HONDA MOTOR CO Y50	1,825,777	1,905,723	79,946
HUTCHISON WHAMPOA HKD0.25	2,262,092	1,889,403	(372,689)
ING GROEP NV CVA EUR0.24	5,895,516	4,830,758	(1,064,759)
ITO-YOKADO CO Y50	1,157,280	1,051,226	(106,054)
KAO CORP JPY50	1,968,737	2,026,364	57,627
LOBLAW COS COM STK NPV	1,086,435	1,438,523	352,088
MARTIN CURRIE BUSINESS TR JAPAN SMALL	12,290,302	10,988,926	(1,301,376)
MARTIN CURRIE BUSINESS TRUST GLOBAL EM	40,649,563	42,301,209	1,651,646
MARUI CO JPY50	1,856,241	1,482,755	(373,486)
MCBT PAN EUROPEAN MID CAP FND	7,555,025	7,655,727	100,702
MILLEA HOLDINGS IN NPV	1,401,120	1,297,113	(104,006)
NESTLE SA CHF1(REGD)	3,459,985	3,718,898	258,913
NEWS CORPORATION NPV(AUST LISTING)	1,643,060	1,119,779	(523,282)
NIPPON TEL&TEL CP NPV	2,216,915	1,209,261	(1,007,654)
NOMURA HOLDINGS JPY50	1,653,503	1,160,020	(493,483)
PEUGEOT SA EUR1	2,314,327	2,552,559	238,232
PORTUGAL TCOM SGPS EUR1(REGD)	1,611,488	1,394,114	(217,373)
PROMISE CO JPY50	1,278,006	1,209,411	(68,595)
RAS EUR0.6	2,194,700	2,223,326	28,627
ROHM CO JPY50	1,100,140	1,343,317	243,178
ROYAL BANK CANADA COM NPV (CAD)	1,920,737	2,700,700	779,963
ROYAL BK SCOTLAND ORD GBP0.25	3,516,374	4,139,256	622,882
SANOFI-SYNTHELABO EUR2	1,659,195	1,819,723	160,528
SCHNEIDER ELECTRIC EUR8	1,782,931	1,973,958	191,026
SECOM Y50	1,549,778	1,667,946	118,168
SHIN-ETSU CHEM CO Y50	1,511,419	2,071,000	559,580
SONY CORP Y50	1,195,358	1,616,035	420,677
SUEZ EUR2	1,416,442	1,174,090	(242,351)
TALISMAN ENERGY IN COM NPV (CAD)	1,547,618	1,677,553	129,934
TDK CORP JPY50	1,320,181	1,166,377	(153,803)
TELECOM ITALIA SPA DI RISP EUR0.55	2,919,352	2,840,708	(78,645)
THOMSON SA EUR3.75	2,358,451	1,988,146	(370,304)
TOPPAN PRINTING CO Y50	1,968,833	1,715,251	(253,582)
TOTAL FINA ELF EUR10	4,851,010	5,939,643	1,088,633
TOYOTA MOTOR CORP JPY50	1,125,614	1,114,300	(11,314)

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	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
UNICREDITO ITALIAN EUR0.50	2,808,652	2,702,013	(106,639)
United States dollar	6,131,335	6,131,335	-
UPM-KYMMENE CORP NPV	2,641,289	3,066,460	425,170
VIVENDI UNIVERSAL EUR5.50	3,989,021	2,714,493	(1,274,527)
VNU NV EUR0.20	3,429,480	2,367,955	(1,061,525)
VODAFONE GROUP ORD USD0.10	5,860,289	3,146,004	(2,714,285)
WESTPAC BKG CORP NPV	843,251	820,469	(22,782)
WOLSELEY ORD 25P	2,337,654	2,229,979	(107,675)
WPP GROUP ORD 10P	3,447,670	2,811,968	(635,701)
YAMANOUCHI PHARM JPY50	1,931,808	1,738,445	(193,363)
YAMATO TRANSPORT COM ST	921,057	856,791	(64,266)
Total Martin Currie	\$ 240,531,339	\$ 233,445,886	\$ (7,085,453)
Wellington Management			
ABITIBI-CONS INC COM	\$ 1,023,574	\$ 1,010,685	\$ (12,889)
ADR ASML HLDG ASML HLDG NV	1,285,156	772,632	(512,524)
ADR ASTRAZENECA PLC	4,177,274	4,198,400	21,126
ADR BP P L C	2,417,598	2,524,500	106,902
ADR ELAN PLC ADR REPSTG SHS	816,073	755,407	(60,666)
ADR ENI S P A SPONSORED ADR	2,538,380	3,302,320	763,940
ADR KOREA ELEC PWR CORP	2,168,539	2,263,614	95,075
ADR NEWS CORP LTD	2,664,446	1,682,700	(981,746)
ADR PETROLEO BRASILEIRO	419,009	325,380	(93,629)
ADR REED ELSEVIER P L C	1,442,137	1,692,600	250,463
ADR RYANAIR HLDGS PLC	877,528	2,552,557	1,675,030
ADR SIBERIAN OIL CO	2,041,722	2,279,777	238,055
ADR SURGUTNEFTEGAZ JSC	2,147,646	2,294,093	146,447
ADR TECHNIP SPONSORED ADR	158,868	274,275	115,407
ADR TOTAL FINA ELF S A	3,257,380	3,864,593	607,213
ADR YUKOS CORP SPONSORED ADR	987,733	1,437,353	449,619
AEGON NV EUR0.12	7,039,387	3,001,716	(4,037,670)
AKZO NOBEL NV EUR2	1,719,245	1,763,496	44,250
ALLIED IRISH BANKS ORD EUR0.32	8,784	8,511	(274)
ALLIED IRISH BANKS PLC	1,319,713	1,649,224	329,511
AXA EUR2.29	7,652,571	4,144,576	(3,507,995)
BANYU PHARM JPY50	2,925,939	2,102,436	(823,503)
BAYER AG ORD NPV	1,959,448	1,682,493	(276,955)
BAYER MOTOREN WERK EURI	866,277	1,161,162	294,885



INVESTMENTS SECTION

ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
BCO POPULAR ESP EUR0.5	1,046,668	1,372,600	325,932
BILLITON ORD USD0.50	2,516,779	3,127,839	611,060
BNP PARIBAS EUR2	4,978,736	5,978,510	999,774
BOC GROUP ORD 25P	1,160,980	1,228,590	67,611
BOMBARDIER INC CLASS'B'SUB	1,377,338	1,277,480	(99,858)
BRIAN MCGUIGAN WNS NPV	76,891	74,855	(2,035)
BRITISH AIRWAYS ORD 25P	764,212	377,610	(386,602)
British pound sterling	1,445,395	1,443,549	(1,846)
British pound sterling	143,246	142,513	(733)
British pound sterling	454,968	453,733	(1,235)
BRL HARDY LTD NPV	899,992	897,854	(2,138)
BT GROUP ORD GBP1.15	1,935,024	941,764	(993,261)
CAP GEMINI (FR) EUR8	1,773,033	604,211	(1,168,822)
CENT COM CARREFOUR EUR0.6	2,460,017	2,439,322	(20,695)
COMPASS GROUP ORD GBP0.10	868,121	560,152	(307,969)
CREDIT SUISSE GRP CHF1(REGD)	5,213,461	4,682,806	(530,655)
EASYJET NEW ORD 25P(NPD 08/07/2002)	-	126,773	126,773
EASYJET ORD GBP0.25	1,482,885	1,499,095	16,210
EISAI CO JPY50	3,863,350	4,933,756	1,070,406
ENDESA SA EUR1.2	424,409	399,740	(24,669)
Euro	79,313	79,313	-
Euro	159,209	158,773	(435)
Euro	144,825	145,139	314
Euro	46,430	46,714	284
Euro	(840,221)	(837,924)	2,297
Euro	(44,664)	(44,761)	(97)
FUJISAWA PHARMA CO Y50	1,763,600	2,514,183	750,583
GAMBRO AB SER'A'SEK2	2,008,075	2,077,833	69,758
GAMBRO AB SER'B'SEK2	14,283	13,890	(394)
GRANADA ORD GBP0.10	303,083	156,927	(146,156)
HENNES & MAURITZ SEK0.25'B'	3,786,302	3,626,765	(159,538)
Hong Kong dollar	(457,487)	(457,484)	3
Hong Kong dollar	(58,835)	(58,835)	(0)
HUTCHISON WHAMPOA HKD0.25	134,769	97,084	(37,685)
IHC CALAND NV EUR1	871,501	1,112,260	240,759
INDUSTRIA DE DISENO TEXTIL	1,772,552	2,354,300	581,748
ING GROEP NV CVA EUR0.24	4,266,354	3,578,852	(687,503)
INMOBILIA COLONIAL EUR3	1,765,644	1,954,518	188,873

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
INVESTOR AB SEK6.25'A'	332,194	207,990	(124,204)
INVESTOR AB SEK6.25'B'	6,540,770	4,486,057	(2,054,714)
Japanese yen	(431,033)	(427,530)	3,503
KIMBERLY CLARK MEX 'A'NPV	847,824	735,178	(112,645)
KOMATSU Y50	460,435	501,085	40,650
KON KPN NV EUR0.24	2,280,435	2,341,585	61,151
KOREA ELEC POWER KRW5000	1,607,809	1,526,833	(80,976)
KT FREETEL KRW5000	1,241,730	1,163,970	(77,760)
LG TELECOM CO KRW5000	1,537,713	1,414,216	(123,497)
LLOYDS TSB GROUP ORD GBP0.25	5,125,433	4,900,536	(224,898)
LOGICACMG ORD GBP0.10	781,690	165,909	(615,781)
L'OREAL EUR0.20	1,353,296	1,482,381	129,086
MICHELIN (CGDE) EUR2 (REGD)	1,503,273	1,600,582	97,309
MITSUBISHI TOKYO F JPY50000	1,720,701	1,489,805	(230,896)
MOOLEN (VAN DER) EUR0.08	755,620	622,497	(133,123)
NIPPON TEL&TEL CP NPV	2,065,732	797,948	(1,267,784)
NISSAN MOTOR CO Y50	2,837,817	2,901,468	63,652
NOKIA OYJ EUR0.06	3,654,612	2,275,924	(1,378,688)
NOVARTIS AG CHF0.50(REGD)	2,460,314	3,049,422	589,108
PEUGEOT SA EUR1	879,184	1,546,565	667,381
PHILIPS ELEC(KON) EUR0.20	860,066	871,083	11,018
PROMISE CO JPY50	1,633,812	1,577,273	(56,538)
RENTOKIL INITIAL ORD GBP0.01	1,895,620	2,127,217	231,597
RIO TINTO PLC ORD 10P(REGD)	1,705,180	1,718,152	12,972
ROHM CO JPY50	196,117	194,035	(2,083)
ROYAL BK SCOTLAND ORD GBP0.25	3,879,770	4,448,282	568,512
RWE AG (NEU) NPV 'A'	2,067,020	2,139,886	72,867
SAINSBURY J ORD GBP0.25	2,940,585	2,657,666	(282,919)
SAP AG ORD NPV	1,053,420	686,132	(367,288)
SHIN-ETSU CHEM CO Y50	511,042	687,469	176,427
SIEMENS AG NPV(REGD)	583,930	612,266	28,335
SIMEON WINES NPV	1,136,759	1,004,483	(132,275)
SMITH & NEPHEW ORD GBP0.1222	500,651	686,793	186,142
SMITHS GROUP ORD GBP0.25	620,164	686,992	66,828
SMURFIT(JEFFERSON) ORD EUR0.30	410,958	691,800	280,842
SOFTBANK CORP JPY50	2,546,933	127,722	(2,419,210)
SONY CORP Y50	4,164,923	4,071,775	(93,148)
SSL INTERNATIONAL ORD GBP0.10	1,297,848	975,938	(321,910)



INVESTMENTS SECTION

ACTUAL HOLDINGS at June 30, 2002

Maine State Retirement System Pension Assets

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
STMICROELECTRONICS EUR1.04	1,626,733	1,356,562	(270,172)
SUMITOMO MITSUI BK JPY50	983,592	1,073,753	90,161
Swedish krona	(236,237)	(235,903)	334
SWEDISH MATCH SEK2.40	2,875,433	4,794,629	1,919,196
Swiss franc	34,827	34,930	103
Swiss franc	(35,048)	(34,930)	118
SYNGENTA CHF10 (REGD)	897,967	861,894	(36,074)
T.I.M.SPA EUR0.06	1,385,087	1,364,808	(20,279)
TAKEFUJI CORP JPY50	1,575,354	1,208,566	(366,788)
TECHNIP - COFLEXIP NPV	553,560	600,083	46,523
TELECOM ITALIA SPA DI RISP	2,479,745	2,507,973	28,228
TELEKOM AUSTRIA(TA NPV(BR)	1,421,990	1,449,685	27,695
TESCO ORD 5P	3,811,372	3,740,930	(70,441)
TOHOKU ELEC POWER Y500	1,209,324	1,366,594	157,270
TOMKINS ORD GBP0.05	636,841	623,259	(13,581)
TOYOTA MOTOR CORP JPY50	2,738,941	2,480,644	(258,297)
UNIBAL UNION CREDIT PROV	2,090,504	2,730,888	640,383
UNICREDITO ITALIAN EUR0.50	4,359,552	5,012,489	652,938
United States dollar	6,195,431	6,195,431	-
VIRIDIAN GROUP ORD GBP0.25	1,263,914	1,254,854	(9,060)
VIVENDI ENVIRONNEM EUR13.50	1,001,151	1,114,132	112,980
VOLVO(AB) SEK6 SER'B'	2,000,441	1,862,870	(137,571)
WELLA AG NON VTG PRF NPV	933,999	915,279	(18,720)
WESTPAC BKG CORP NPV	1,875,530	2,174,881	299,351
Total Wellington Management	\$ 207,755,021	\$ 199,026,485	\$ (8,728,536)
State Street EAFE Index			
CF SSGA MSCI EAFE INDES SL	\$ 270,290,736	\$ 268,190,044	\$ (2,100,692)
Total State Street EAFE Index	\$ 270,290,736	\$ 268,190,044	\$ (2,100,692)
TOTAL INTERNATIONAL EQUITY	\$ 921,833,924	\$ 893,895,570	\$ (27,938,354)
TOTAL MAINE STATE RETIREMENT SYTEM PENSION ASSETS	\$ 6,256,920,614	\$ 6,571,280,811	\$ 314,360,197

INVESTMENTS SECTION



ACTUAL HOLDINGS at June 30, 2002

Group Life Insurance Reserves

	<u>COST</u>	<u>MARKET VALUE</u>	<u>UNREALIZED GAIN/LOSS</u>
Group Life Insurance			
State Street Short Term Investment Fund	\$ 33,007,282	\$ 39,329,667	\$ 6,322,385
Total Group Life Insurance	\$ 33,007,282	\$ 39,329,667	\$ 6,322,385

Maine Learning Technology Endowment

State Street Short Term Bond Fund	\$ 31,053,197	\$ 30,977,897	\$ (75,300)
Total Maine Learning Technology Endowment	\$ 31,053,197	\$ 30,977,897	\$ (75,300)

ACTUARIAL SECTION

The System's Comprehensive Annual Financial Report (CAFR) includes the actuarial valuations for its plans prepared as of June 30th of the fiscal year prior to the fiscal year of the CAFR itself. These are presented in order to better align the data contained in the valuation with its resulting effect on the System's financial condition, as described by the financial statements.

Actuarial valuations presented in this FY 2002 Comprehensive Annual Financial Report are for the year ending June 30, 2001. The valuations are used to establish employer contribution rates. Four valuations are presented:

- ◆ State Employee and Teacher Plan
- ◆ Legislative Retirement System
- ◆ Judicial Retirement System
- ◆ Consolidated Plan for Participating Local Districts

State and Teacher, Legislative and Judicial Plans – Results of plan valuations prepared as of June 30 of an even-numbered year are implemented as employer contribution rates in the State's biennial budget that covers the two-year period beginning July 1st of the following year of the valuations. For example, the results of the June 30, 2000 valuations established the employer contribution rates for the 2002-2003 biennium which began July 1, 2001. The State of Maine makes the employer contribution for all non-grant funded employees who are members under the State Employee and Teacher Plan and the Legislative and Judicial plans. Valuation results as of June 30 of odd-numbered years, such as the June 30, 2001 valuation included herein, while comprising important information, are not used to set State employer contributions rates.



Consolidated Plan for Participating Local Districts (PLD) – The Consolidated Plan valuation is prepared each year, reporting results as of June 30th. These results are then implemented in PLD budgets covering a twelve month period that begins as of July 1st one year later. For example, the valuation results for the period ending June 30, 2001 established the participating employer rates for the twelve month period beginning July 1, 2002. Each participating local district that is in the Consolidated Plan makes the employer contribution required by the Consolidated Plan valuation for the plan(s) covering its employee members.

JUNE 30, 2001
ACTUARIAL VALUATION:

STATE EMPLOYEE
AND TEACHER PLAN





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March 22, 2002

Board of Trustees
Maine State Retirement System
#46 State House Station
Augusta, ME 04333-0046

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the State Employee and Teacher Plan of the Maine State Retirement System. The results of the valuation are contained in the following report.

The actuarial assumptions used in performing this valuation have been recommended by the actuary and adopted by the Board of Trustees based on Milliman's most recent review of the System's experience completed during Fiscal Year 1998. We believe the assumptions used, in the aggregate, reflect our best estimate of anticipated future experience of the plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from these assumptions, the true cost of the plan could vary from our results.

The assumptions and methods used in performing this valuation meet the parameters set by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contributions Plans.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Retirement System. This information includes, but is not limited to, plan provisions, employee, and financial information. Census data provided to us has been reviewed for reasonableness, and for consistency with prior year's data.

I, Gene Kalwarski, am a consulting actuary for Milliman USA. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

MILLIMAN USA

Gene M. Kalwarski, F.S.A.
Principal

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



SECTION I BOARD SUMMARY

OVERVIEW

This report presents the results of the June 30, 2001 actuarial valuation of the State Employee and Teacher Plan of the Maine State Retirement System (MSRS). The primary purposes of performing the annual actuarial valuation are to:

- 1) determine the contributions that, but for the State's biennial budgeting practice and the incorporation in it of retirement contributions, would be paid by the State effective July 1, 2002 (fiscal year 2003);
- 2) measure and disclose, as of the valuation date, the financial condition of the Plan;
- 3) indicate trends in the financial progress of the Plan;
- 4) provide specific information and documentation required by the Government Accounting Standards Board (GASB).

In this section of the report, we present a summary of the above information in the form of:

- the actuary's comments;
- the prior year's experience of the Plan's assets, liabilities, contributions, and membership;
- a series of graphs highlighting key trends experienced by the Plan; and
- a tabular summary, intended for quick reference purposes, of all the principal results from this year's valuation, compared to the prior year's.

ACTUARY'S COMMENTS

As a result of assets earning a negative return, (7.83%), considerably below the 8% investment return assumption, the Plan has an unfunded actuarial liability of \$2,157 million as of June 30, 2001 compared to an unfunded actuarial liability of \$1,996 million measured at the June 30, 2000 valuation. This experience would result in an increase in the State contribution rate of 1.00% of payroll, from 16.30% at June 30, 2000, to 17.30% at June 30, 2001.

However, thanks to the Plan's asset smoothing method adopted by the Board, which dampened the prior decade's asset run-up, the resulting impact from this year's investment performance was mitigated. The actuarial, or smoothed, rate of return measured from this past year was a positive 5.18%, or only 2.8% less than our assumption. This explains why the overall Plan funding ratio of assets to liabilities decreased only slightly from 73.6% at June 30, 2000, to 72.9% at June 30, 2001.

The State contribution rate increase was mainly attributable to the investment loss, relative to the assumed investment return of 8% and on a smoothed basis, of \$156 million. Combined with a liability loss of \$15 million, due largely to pay increases above assumed levels, this resulted in a plan experience net loss of \$171 million.

Finally, while the results are not on the favorable side this year, we emphasize again, as we have so often in the past, that the financing of any retirement system is a long term proposition, and that annual fluctuations are to be expected and should not by themselves be cause for concern. We continue to maintain that the overall financial condition of the Plan is healthy, and that there are procedures, assumptions and methods in place, which in our opinion adequately and appropriately finance the emerging long-term liabilities of the Plan.

The balance of this section summarizes Plan trends, and provides the principal details on this year's experience.



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

PRIOR YEAR EXPERIENCE

ASSETS

The actuarial value of assets is calculated on the total invested assets of the System, that is, assets attributable to the State Employee and Teacher Plan, the Judicial Plan, the Legislative Plan and the participating local district plans, Consolidated and non-consolidated.

Total System assets are measured on both a market value and an actuarial or smoothed value basis. The actuarial smoothing method, described in Appendix B, reflects 33% of a current year's actual market performance. In periods of high returns, this method significantly dampens the amount of asset gains above the assumed return of 8%. Conversely, in periods of returns less than the assumed return, losses are dampened. The primary advantage of this smoothing technique is contribution stability.

As stated earlier, for the year ending June 30, 2001, while the total assets of the System earned a negative 7.83% on a market value basis, on a smoothed basis the return was a positive 5.18%. Compared to an expected asset growth, using the 8% investment return assumption, the market value of assets fell short by \$1,200 million. A similar comparison using actuarial or smoothed basis produced a loss of \$198 million. The specific changes between the prior year and this year, for the System's plans combined, are presented below.

ALL PLANS OF SYSTEM		
ITEM (IN MILLIONS)	MARKET VALUE	ACTUARIAL VALUE
June 30, 2000 value	\$ 7,589	\$ 7,027
Employer Contributions	262	262
Member Contributions	116	116
Benefit Payments	(380)	(380)
Expected Investment Earnings (8%)	607	563
Expected Value June 30, 2001	\$ 8,194	\$ 7,588
INVESTMENT GAIN (LOSS)	(1,200)	(198)
June 30, 2001 value	\$ 6,994	\$ 7,390

Market value, actuarial value and asset loss (or gain) are next allocated to the separate plans. For the State Employee and Teacher plan, the market value of assets at June 30, 2001 was \$5,491 million and the corresponding actuarial value was \$5,802 million. The plan's share of the \$198 million loss on the actuarial assets was \$156 million.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



The specific changes for the State Employee and Teacher Plan are presented below.

STATE EMPLOYEE AND TEACHER PLAN		
Item (In Millions)	Market Value	Actuarial Value
June 30, 2000 value	\$ 5,927	\$ 5,488
Employer Contributions	246	246
Member Contributions	98	98
Benefit Payments	(313)	(313)
Expected Investment Earnings (8%)	475	438
Expected Value June 30, 2001	\$ 6,433	\$ 5,957
INVESTMENT GAIN (LOSS)	(942)	(156)
June 30, 2001 value	\$ 5,491	\$ 5,801

LIABILITIES

Three different measures of liabilities are calculated for the Plan: a present value of future obligations (PVB), an actuarial liability (using the Entry Age Normal, or EAN, actuarial method), and an accounting, or accrued benefit, liability (PVAB). Section III of this report describes the development of each. Only the actuarial liability is analyzed in terms of gain and/or loss experience, which then is used to determine the Plan's funding and accounting (GASB) disclosures. During the plan year ending June 30, 2001, the actuarial liabilities experienced an overall loss of \$15 million, which is 0.2% of the Plan's measured actuarial liability. The primary cause for liability experience being worse than anticipated this past year was pay increases greater than expected by the relevant assumption. We will continue to monitor gains and losses to assure that no significant new patterns emerge unexpectedly.

LIABILITIES (In Millions)	Total Value (PVB)	Actuarial (EAN)	Accounting (PVAB)
June 30, 2000	\$8,794	\$7,454	\$5,913
June 30, 2001	\$9,340	\$7,959	\$6,393



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

UNFUNDED LIABILITIES AND FUNDING RATIOS

When a retirement plan's benefit liabilities are greater than its assets, the difference between the two is the unfunded liability. This difference is measured in two ways: unfunded actuarial liabilities, which compares the actuarial liabilities to the actuarial asset value, and unfunded accrued benefits, which compares the present value of benefits accrued as of the valuation date to the market value of assets. These measures are shown below for the State Employee and Teacher Plan at June 30, 2000 and June 30, 2001, as well as the corresponding funding ratios (assets divided by liabilities) at each date.

(IN MILLIONS)	ACTUARIAL	ACCRUED (PVAB)
6/30/2000 Net (Surplus) Unfunded	\$ 1,966	\$ (13)
Funding Ratio	73.6%	100.2%
6/30/2001 Net (Surplus) Unfunded	\$ 2,157	\$ 902
Funding Ratio	72.9%	85.9%

Because the accrued benefit, or PVAB, measure reflects the full (unsmoothed) impact of investment gains and losses, changes in this related funding ratio are also unsmoothed, appearing as larger movements.

CONTRIBUTIONS

In Section IV, we show the various contribution rates by plans within the State Employee and Teacher Plan. Below we present overall the State contribution rate for all of these plans, and compare it to the rate developed in the June 30, 2000 actuarial valuation. In summary, due to both investment losses and liability losses, the overall State contribution rate has increased by 1.00% of payroll. Because of the State's biennial budgeting practice and the way in which retirement contributions are incorporated into it, contribution rates resulting from this interim-year valuation will not affect the State's budget. The June 30, 2002 valuation will set rates for the next (FY 2004 and FY 2005) biennium.

RATE AS PERCENT OF COVERED PAYROLL	
June 30, 2000 State Contribution Rate	16.30%
Increase due to Investment Loss	0.80%
Increase due to Liability Loss	0.20%
June 30, 2001 State Contribution Rate	17.30%

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



MEMBERSHIP

There are three types of plan participants: current active members, terminated members who retain a right to a deferred "vested" benefit, and benefit recipients, who may be retired former members, disabled members or beneficiaries of deceased active, retired or disabled members. In Appendix A, we present extensive details on membership statistics. Below, we compare totals in each group between June 30, 2000 and 2001.

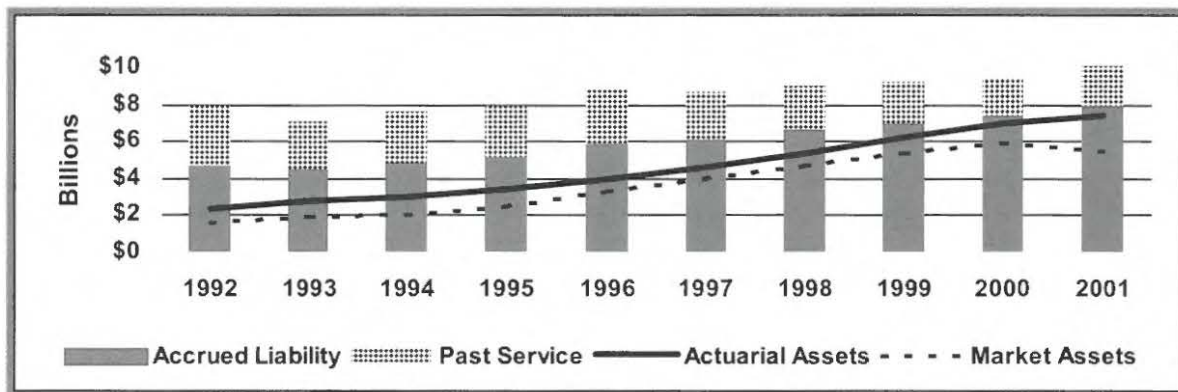
As shown below, there was an overall increase in participation during the year of 2%.

	6/30/2001	6/30/2000	Change
Active Members	42,575	42,023	1.3%
Terminated "Vested" Members	1,894	1,606	17.9%
Benefit Recipients	22,819	22,306	2.3%
TOTAL	67,288	65,935	2.1%

TRENDS

One of the best ways to measure or evaluate the financial condition of a retirement plan is to examine the historical trends that are evolving. Below, we present three charts which present trend information from 1992 through June 30, 2001 on the assets and liabilities of the State Employee and Teacher Plan, annual cash flows in and out, and the State's overall contribution rate. Our comments on each follow.

CHART A: ASSETS / LIABILITIES





ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

CHART B: CASH FLOWS

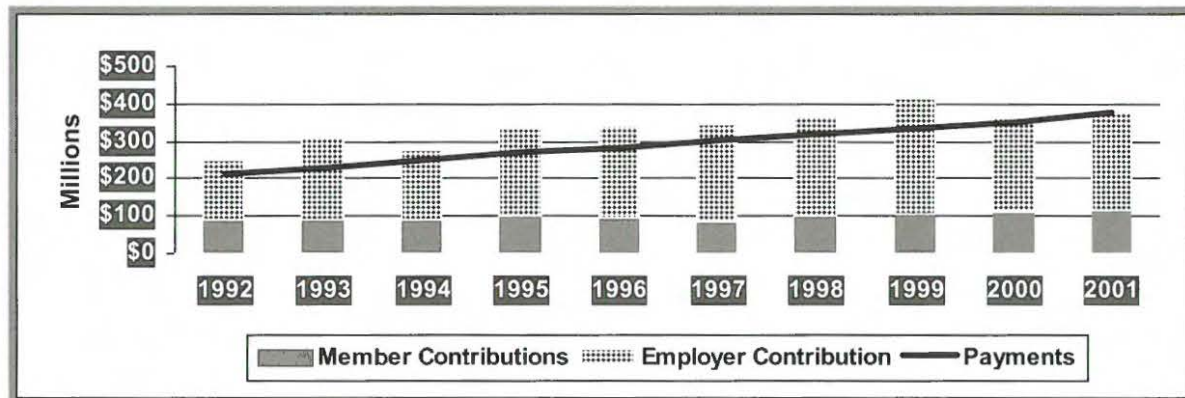
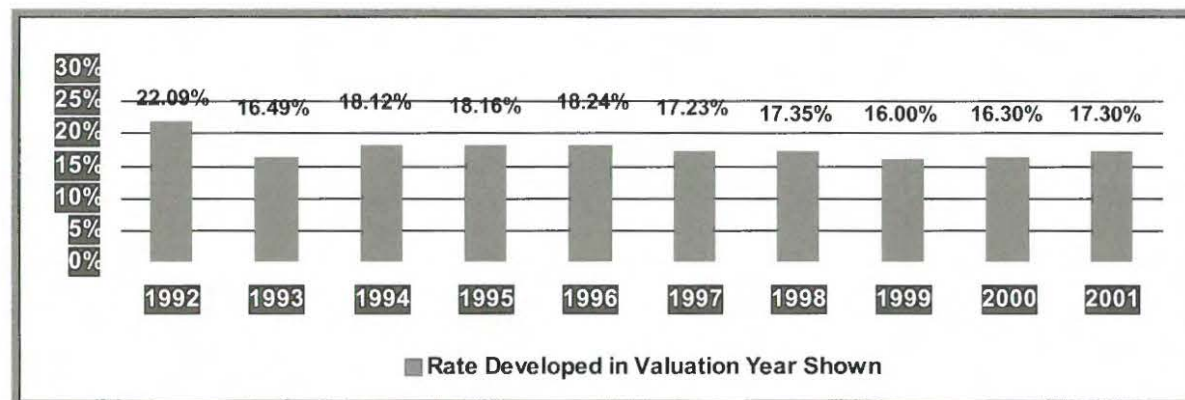


CHART C: STATE CONTRIBUTION RATE



COMMENTS

Chart A depicts the aforementioned investment and liability performance losses of the year ending June 30, 2001. Despite those losses, the ratio of assets to liabilities, which has continuously improved since early 1980's, is the second best ever for the State.

Chart B presents an emerging trend being faced by many retirement systems with the aging of the baby boomer generation. Payments to retirees are on the increase, while cash into plans from employer and employee contributions is stable or declining. This is not unanticipated, and essentially is the reason for funding and investment strategies that seek to build plan assets in earlier years when contributions being paid in exceed benefit payments out.

Finally, Chart C, looks at changes in the State's overall contribution rate. It shows the impact of the past decade's sustained investment gains. Even after the market downturn, this year's rate is still within the range of contribution rates over the past decade.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



TOTAL STATE EMPLOYEE AND TEACHER PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of: 6/30/2001 6/30/2000 % change

PARTICIPANT COUNTS

Actives	42,575	42,023	1.3%
Retired Members	15,563	15,295	1.8%
Beneficiaries of Retirees	4,605	4,469	3.0%
Survivors of Deceased Members	908	920	-1.3%
Disabled Members	1,743	1,622	7.5%
Deferred "Vested" Members	1,894	1,606	17.9%
TOTAL	67,288	65,935	2.1%

Annual Salaries of Active Members	\$ 1,318,999,535	\$ 1,263,818,345	4.4%
Annual Payments to Benefit Recipients	\$ 309,844,558	\$ 286,252,637	8.2%

ASSETS & LIABILITIES

Total Actuarial Liability	\$ 7,958,809,863	\$ 7,453,914,536	6.8%
Assets /Actuarial (Smoothed)	5,801,422,994	5,487,720,169	5.7%
Unfunded Actuarial Liability	\$ 2,157,386,869	\$ 1,966,194,367	9.7%
Funding Ratio	72.89%	73.62%	N/A
Present Value of Accrued Benefits	\$ 6,393,493,572	\$ 5,913,174,325	8.1%
Assets/Market Value	5,490,520,609	5,926,693,594	-7.4%
Unfunded PVAB	\$ 902,972,963	\$ (13,519,269)	678%
Accrued Benefit Funding Ratio	85.88%	100.23%	N/A

CONTRIBUTIONS AS % OF PAYROLL

	Fiscal Year 2003	Fiscal Year 2002	
Normal Cost Contribution	6.16%	6.16%	0.0%
Unfunded Actuarial Liability Contribution	11.14	10.14	9.9%
Total State Contribution	17.30%	16.30%	6.1%



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

TEACHERS

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of: 6/30/2001 6/30/2000 % change

PARTICIPANT COUNTS			
Actives	27,905	27,503	1.5%
Retired Members	8,541	8,344	2.4%
Beneficiaries of Retirees	1,820	1,729	5.3%
Survivors of Deceased Members	308	311	- 1.07%
Disabled Members	674	626	7.7%
Deferred "Vested" Members	1,092	914	19.5%
TOTAL	40,340	39,427	2.3%
Annual Salaries of Active Members	\$ 843,950,689	\$ 817,116,771	3.3%
Annual Payments to Benefit Recipients	\$ 170,243,549	\$ 156,066,088	9.1%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 5,102,063,770	\$ 4,792,441,102	6.5%
Assets/Actuarial (Smoothed)	3,509,918,347	3,283,102,199	6.9%
Unfunded Actuarial Liability	\$ 1,592,145,423	\$ 1,509,338,903	5.5%
Funding Ratio	68.79%	68.51%	N/A
Present Value of Accrued Benefits	\$ 3,970,997,626	\$ 3,671,756,408	8.1%
Assets/Market Value	3,321,819,326	3,545,723,938	-6.3%
Unfunded PVAB	\$ 649,178,300	\$ 126,032,470	415%
Accrued Benefit Funding Ratio	83.65%	96.57%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2003	Fiscal Year 2002	
Normal Cost Contribution	6.04%	6.04%	0.0%
Unfunded Actuarial Liability Contribution	12.84	12.05	6.6%
Total State Contribution	18.88%	18.09%	4.4%

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



TOTAL STATE EMPLOYEES (Regular and Special Plans)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of:	6/30/2001	6/30/2000	% change
PARTICIPANT COUNTS			
Actives	14,670	14,520	1.0%
Retired Members	7,022	6,951	1.0%
Beneficiaries of Retirees	2,785	2,740	1.6%
Survivors of Deceased Members	600	609	-1.5%
Disabled Members	1,069	996	7.3%
Deferred "Vested" Members	802	692	15.9%
TOTAL	26,948	26,508	1.7%
Annual Salaries of Active Members	\$ 475,048,847	\$ 446,701,574	6.3%
Annual Payments to Benefit Recipients	\$ 139,601,009	\$ 130,186,549	7.2%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 2,856,746,093	\$ 2,661,473,434	7.3%
Assets/Actuarial (Smoothed)	2,291,504,647	2,204,617,970	3.9%
Unfunded Actuarial Liability	\$ 565,241,446	\$ 456,855,464	23.7%
Funding Ratio	80.21%	82.83%	N/A
Present Value of Accrued Benefits	\$ 2,422,495,946	\$ 2,241,417,917	8.1%
Assets/Market Value	2,168,701,283	2,380,969,656	8.9%
Unfunded PVAB	\$ 253,794,663	\$ (139,551,739)	282%
Accrued Benefit Funding Ratio	89.52%	106.23%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2003	Fiscal Year 2002	
Normal Cost Contribution	6.38%	6.39%	-0.2%
Unfunded Actuarial Liability Contribution	8.10	6.67	21.4%
Total State Contribution	14.48%	13.06%	10.9%



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

STATE EMPLOYEE REGULAR PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of: 6/30/2001 6/30/2000 % change

PARTICIPANT COUNTS			
Actives	12,831	12,703	1.0%
Retired Members	6,375	6,321	0.9%
Beneficiaries of Retirees	2,530	2,497	1.3%
Survivors of Deceased Members	596	609	-2.1%
Disabled Members	1,050	984	6.7%
Deferred "Vested" Members	802	692	15.9%
TOTAL	24,184	23,806	1.6%
Annual Salaries of Active Members	\$ 405,661,653	\$ 383,842,691	5.7%
Annual Payments to Benefit Recipients	\$ 121,997,834	\$ 113,953,054	7.1%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 2,433,381,539	\$ 2,270,256,873	7.2%
Assets/Actuarial (Smoothed)	1,976,450,779	1,899,143,726	4.1%
Unfunded Actuarial Liability	\$ 456,930,760	\$ 371,113,147	23.1%
Funding Ratio	81.22%	83.65%	N/A
Present Value of Accrued Benefits	\$ 2,039,057,299	\$ 1,888,565,666	8.0%
Assets/Market Value	1,870,531,375	2,051,059,932	-8.8%
Unfunded PVAB	\$ 168,525,924	\$ (162,494,266)	204%
Accrued Benefit Funding Ratio	91.74%	108.60%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2003	Fiscal Year 2002	
Normal Cost Contribution	6.04%	6.04%	0.0%
Unfunded Actuarial Liability Contribution	7.67	6.30	21.8%
Total State Contribution	13.71%	12.34%	11.1%

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



STATE EMPLOYEE SPECIAL PLANS (COMPOSITE)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of:	6/30/2001	6/30/2000	% change
PARTICIPANT COUNTS			
Actives	1,839	1,817	1.2%
Retired Members	647	630	2.7%
Beneficiaries of Retirees	255	243	4.9%
Survivors of Deceased Members	4	0	N/A
Disabled Members	19	12	58.3%
Deferred "Vested" Members	0	0	0.0%
TOTAL	2,764	2,702	2.3%
Annual Salaries of Active Members	\$ 69,387,194	\$ 62,858,883	10.4%
Annual Payments to Benefit Recipients	\$ 17,603,175	\$ 16,233,495	8.4%
ASSETS & LIABILITIES			
Total Actuarial Liability	\$ 423,364,554	\$ 391,216,561	8.2%
Assets/Actuarial (Smoothed)	315,053,868	305,474,244	3.1%
Unfunded Actuarial Liability	\$ 108,310,686	\$ 85,742,317	26.3%
Funding Ratio	74.42%	78.08%	N/A
Present Value of Accrued Benefits	\$ 383,438,647	\$ 352,852,251	8.7%
Assets/Market Value	298,169,908	329,909,724	-9.6%
Unfunded PVAB	\$ 85,268,739	\$ 22,942,527	272%
Accrued Benefit Funding Ratio	77.76%	93.50%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2003	Fiscal Year 2002	
Normal Cost Contribution	8.37%	8.52%	1.8%
Unfunded Actuarial Liability Contribution	10.63	8.89	19.6%
Total State Contribution	19.00%	17.41%	9.1%



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

SECTION II ASSETS

Pension plan assets play a key role in the financial operation of the plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, contributions, and may affect plan design.

In this section we present detailed information on plan assets including:

- Disclosure of plan assets as measured at June 30, 2001 and June 30, 2000;
- Statement of the changes in market values during the year;
- Development of the Actuarial Value of Assets; and
- An assessment of investment performance.

DISCLOSURE

Market values represent "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not suitable for long range planning.

Actuarial values, or "carrying values," are market values that have been smoothed and are the actuary's best estimate of long term asset values. They are used for evaluating the fund's ongoing ability to meet its obligations.

Current methods employed by this fund set the actuarial values equal to the expected adjusted market value plus 33% of the difference between a smoothed value of assets and the actual market value.

Disclosure of Plan Market Value Of Assets

STATEMENT OF ASSETS AT MARKET VALUE (In Millions)		
	June 30,	
	2001	2000*
INVESTMENTS		
Equities	\$ 4,370	\$ 4,975
Fixed Income	2,622	2,605
Real Estate	2	2
Total Investments	\$ 6,994	\$ 7,582
OTHER ASSETS		
Additional Employer Contributions	\$ 0	\$ 4
Unfunded Liability Payment for Benefit Improvement	0	3
Total Other Assets	\$ 0	\$ 7
Net Assets Available for Benefits	\$ 6,994	\$ 7,589

* Characterization of assets differs from 6/30/2000 valuation because of clarifications and corrections.
Total amount of Net Assets Available for benefits is unchanged.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



CHANGES IN MARKET VALUE

The components of asset change are:

- Contributions
- Benefit payments
- Expenses
- Investment Income (realized and unrealized)

The specific changes during 2001 are presented below:

CHANGES IN MARKET VALUES		
Value of Assets – June 30, 2000	\$	7,589,357,682
RECEIPTS		
Member Contributions	\$	116,032,261
Employer Contributions		<u>261,845,196</u>
Total Receipts	\$	377,877,457
DISBURSEMENTS		
Benefit Payments	\$	379,522,223
Investment Returns		<u>594,165,770</u>
Total Disbursements	\$	973,687,993
TOTAL		
Value of Assets – June 30, 2001	\$	6,993,547,146



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

ACTUARIAL VALUE OF ASSETS

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce, or eliminate, erratic results which could develop from short term ups and downs in the Market Value of Assets. For this fund, the Actuarial Value has been calculated by adding 33% of any deviation from Market Value and Expected Adjusted Market Value to the Expected Adjusted Market Value. The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2001 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2001		
1.	Actuarial Value of Assets at June 30, 2000	\$ 7,027,235,433
2.	Amount in (1) with interest to June 30, 2001	7,587,341,086
3.	Employer & member contributions for the Plan Year ended June 30, 2001	377,877,457
4.	Interest on Employer contributions assuming payments made uniformly throughout the year to June 30, 2001	15,115,098
5.	Disbursements from Trust except investment expenses, June 30, 2000 through June 30, 2001	379,522,223
6.	Interest on disbursements to June 30, 2001 at 8.00% per year	15,180,889
7.	Expected adjusted Actuarial Value of Assets at June 30, 2001 = (2) + (3) + (4) - (5) - (6)	7,585,630,529
8.	Actual Market Value of Assets at June 30, 2001	6,993,547,146
9.	Excess of (8) over (7)	(594,156,565)
10.	Actuarial Value of Assets at June 30, 2001 = (7) + 33% of (9)	\$7,389,558,863

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



Since assets for all plans are co-mingled for investment purposes, the asset smoothing method is applied on the entire fund balance. This results in a smoothing factor which is then applied to the market value of each of the subsystems. The smoothing factor derived in this valuation is 1.05663 (\$7,389,558,863 / \$6,993,547,146). Actuarial value for each subsystem is developed in the following chart.

ALLOCATION OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2001			
	Market Value		Actuarial Value
Teachers	\$	3,321,819,326	\$ 3,509,918,326
State (Regular and Special)		2,168,701,283	2,291,504,647
Judges		35,243,801	37,239,491
Legislators		5,844,914	6,175,884
Participating Local Districts		1,461,937,822	1,544,720,515
Total Fund	\$	6,993,547,146	\$ 7,389,558,863

INVESTMENT PERFORMANCE

The Market Value of Assets (MVA) returned (7.83%) during 2001. This is lower than the assumed 8% and is due to the poor asset performance in 2001, a year in which investment markets performed poorly.

A return of 5.18% on the Actuarial Value of Assets (AVA) is primarily the result of the Asset Valuation method being utilized for the calculation of the Actuarial Value of Assets because only 33% of the "gain" from the performance of the fund is recognized in a given year. In periods of very good performance, the AVA can lag significantly behind the MVA. In a subsequent period of poor performance, the use of an actuarial smoothing method means that the AVA investment return remains stable thanks to the 67% of the gains that had previously built up.



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

SECTION III LIABILITIES

In this section we present detailed information on plan liabilities including: disclosure of plan liabilities as measured at June 30, 2001 and June 30, 2000; statement of changes in these liabilities during the year; and a projection of future liabilities.

DISCLOSURE

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Total Future Obligations:** Used for analyzing the financial outlook of the System, this represents the amount of money needed today to fully pay off all future benefits and expenses of the System, assuming participants continue to accrue benefits.
- **Actuarial Liabilities:** Used for funding calculations and GASB disclosures, this liability is calculated by taking the Total Future Obligations above and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. The method employed here is referred to as the Entry Age Normal funding method.
- **Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the fund, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and are used to assess whether the plan can meet its current benefit commitments.

The table below discloses each of these liabilities for the current, and prior, valuation. With respect to each disclosure, a subtraction of the appropriate value of System assets yields, for each respective type, a net surplus or an unfunded liability.

LIABILITIES/NET (SURPLUS) UNFUNDED	6/30/2001	6/30/2000
Total Obligations		
Active Participant Benefits	\$ 5,840,233,305	\$ 5,621,982,134
Retiree and Inactive Benefits	3,499,338,199	3,172,453,849
Total Obligations	\$ 9,339,571,504	\$ 8,794,435,983
Market Value of Assets	5,490,520,609	5,926,693,594
Future Member Contributions	770,137,523	747,624,361
Future State Contributions	3,078,913,372	2,120,118,028
Total Resources	\$ 9,339,571,504	\$ 8,794,435,983
Actuarial Liability		
Total Liabilities	\$ 9,339,571,504	\$ 8,794,435,983
Present Value of Future Normal Costs Under Entry Age Method	610,624,118	592,897,086
Present Value Of Future Member Contributions	770,137,523	747,624,361
Actuarial Liability	\$ 7,958,809,863	\$ 7,453,914,536
Actuarial Value of Assets	5,801,422,994	5,487,720,169
Net (Surplus) Unfunded	\$ 2,157,386,869	\$ 1,966,194,367
Accrued Liability		
Total Liabilities	\$ 9,339,571,504	\$ 8,794,435,983
Less Present Value of Future Benefit Accruals	(2,946,077,932)	(2,881,261,658)
Accrued Liability	\$ 6,393,493,572	\$ 5,913,174,325
Market Value of Assets	5,490,520,609	5,926,693,594
Net (Surplus) Unfunded	\$ 902,972,963	\$ (13,519,269)

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



CHANGES IN LIABILITIES

Each of the liabilities disclosed in the prior table is expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- new hires since the last valuation;
- benefits accrued since the last valuation;
- plan amendments increasing benefits;
- passage of time during which interest accrues to the prior liability;
- benefits paid to retirees since the last valuation;
- participants retiring, terminating, or dying at rates different than expected;
- a change in actuarial or investment assumptions; and
- a change in the actuarial funding method.

Unfunded liabilities or surpluses will change because of all the above, and also due to changes in fund assets resulting from:

- employer contributions different than expected;
- investment earnings different than expected; and
- a change in the method used to measure plan assets.

In each valuation we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the fund. Below we present the key changes in liabilities since the last valuation.

	\$ IN MILLIONS		
	TOTAL OBLIGATION	ACTUARIAL LIABILITY	ACCRUED LIABILITY
Liabilities 6/30/2000	\$ 8,794	\$ 7,454	\$ 5,913
Liabilities 6/30/2001	\$ 9,340	\$ 7,959	\$ 6,393
Liability Increase (Decrease)	\$ 546	\$ 505	\$ 480
Change due to:			
Plan Amendment	\$ 0	\$ 0	\$ 0
Assumption Change	\$ 0	\$ 0	\$ 0
Actuarial (Gain)/Loss	N/A	\$ 15	N/A
Benefits Accumulated and Other Sources	\$ 546	\$ 490	\$ 480



**ACTUARIAL LIABILITY BY PLAN
AS OF JUNE 30, 2001**

	TOTAL SYSTEMS	TEACHERS	STATE REGULAR	SPECIAL PLANS
1. Actuarial Liabilities for:				
a. Active Members	\$ 4,459,471,664	\$ 3,108,182,524	\$ 1,147,029,622	\$ 204,259,518
b. Retired, Disabled and Beneficiary Members	3,374,950,025	1,911,731,068	1,244,113,921	219,105,036
c. Vested Deferred and Inactive Status Members	<u>124,388,174</u>	<u>82,150,178</u>	<u>42,237,996</u>	<u>0</u>
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	\$ 7,958,809,863	\$ 5,102,063,770	\$ 2,433,381,539	\$ 423,364,554
3. Actuarial Value of Assets	<u>5,801,422,994</u>	<u>3,509,918,347</u>	<u>1,976,450,779</u>	<u>315,053,868</u>
4. Unfunded Actuarial Liability (2 - 3)	\$ <u>2,157,386,869</u>	\$ <u>1,592,145,423</u>	\$ <u>456,930,760</u>	\$ <u>108,310,686</u>

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly fund the Plan. Typically, the actuarial process will utilize a funding approach that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the funding approach employed is the Entry Age Actuarial Cost Method. Under this method there are two components to the total contribution, a normal cost and, given the Plan's unfunded actuarial liability, an amortization payment. A normal cost is determined for each individual participant which, when added up for all participants, represents the Plan's total normal cost. Each year's normal cost represents the cost to fund that portion of the total future obligations which has been allocated to the current year, based upon the actuarial cost method in use.

The amortization payment, on the other hand, is not calculated for individual participants but calculated for the Plan as a whole, and represents an annual installment to fund the unfunded actuarial liability (UAL) for the System. The UAL represents the amount of additional funds that would have been accumulated by the valuation date had all prior normal cost contributions been made and all actuarial assumptions been realized.

In Appendix B we describe more fully this technical topic.

The table below presents and compares the actuarially determined contributions for the Plan for this valuation and the prior one, and includes a calculation of the average annual normal cost rate per participant for each year.

ACTUARIALLY DETERMINED CONTRIBUTION	7/1/2001	7/1/2000
Entry Age Normal Cost	6.16%	6.16%
Amortization Payment	<u>11.14%</u>	<u>10.14%</u>
Actuarially Determined Contribution	17.30%	16.30%

**TABLE IV-1
STATE CONTRIBUTION RATES
FISCAL YEAR 2003 - ENTRY AGE NORMAL**

	Total State	Teachers	State Regular	State Police Marine Resources Inland Fish & Wildlife (Closed Plans)	Prison Employees	Liquor Inspectors	Forest Rangers	State Police (25 & Out)	1998 Special Plan
New Entrant Normal Cost Contributions as Percent of Payroll	6.16%	6.04%	6.04%	17.84%	9.04%	8.24%	7.34%	9.15%	6.89%
Unfunded Actuarial Liability Contribution as Percent of Payroll	<u>11.14</u>	<u>12.84</u>	<u>7.67</u>	<u>22.65</u>	<u>11.48</u>	<u>10.46</u>	<u>9.32</u>	<u>11.62</u>	<u>8.75</u>
Total Contributions as Percent of Payroll	<u>17.30%</u>	<u>18.88%</u>	<u>13.71%</u>	<u>40.49%</u>	<u>20.52%</u>	<u>18.70%</u>	<u>16.66%</u>	<u>20.77%</u>	<u>15.64%</u>



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN

TABLE IV-2
DERIVATION OF UNFUNDED ACTUARIAL LIABILITY RATES

Valuation Date June 30	Teachers	State Regular	State Police, Marine Resource & Inland Fish	Prison Employees	Liquor Inspectors	Forest Rangers	Police 20 & Out	1998 Special Plan
1. Present Value of Future Benefits	6,020,457,080	2,839,481,368	236,580,515	43,543,031	4,550,390	23,089,037	30,526,723	141,353,360
2. Normal Cost Rate	6.04%	6.04%	17.84%	9.04%	8.24%	7.34%	9.15%	6.89%
3. Present Value of Future Payroll	6,708,497,522	2,966,397,577	4,336,656	5,311,868	833,657	4,194,131	76,648,416	255,685,490
4. Present Value of Future Normal Cost (2) x (3)	405,193,250	179,170,414	773,659	480,193	68,693	307,859	7,013,330	17,616,730
5. Present Value of Future Member Contributions	513,200,060	226,929,415	375,121	459,477	63,775	362,792	6,630,088	22,116,795
6. Actuarial Liability: (1) - (4) - (5)	5,102,063,770	2,433,381,539	235,431,735	42,603,361	4,417,922	22,408,396	16,883,305	101,619,835
7. Actuarial Value of Assets	3,509,918,347	1,976,450,779	213,360,451	37,543,548	3,973,022	20,291,484	(173,467)	40,058,829
8. Unfunded Actuarial Liability: (6) - (7)	1,592,145,423	456,930,760	22,071,284	5,059,813	444,900	2,116,912	17,056,772	61,561,006
9. Estimated Payroll	843,950,689	405,661,653	6,634,930	3,001,716	289,560	1,546,715	9,997,222	47,917,051
10. Amortization Factor	14.6870	14.6870	14.6870	14.6870	14.6870	14.6870	14.6870	14.6870
11. Unfunded Actuarial Liability Rate: (8)/(9)/(10)	12.84%	7.67%	22.65%	11.48%	10.46%	9.32%	11.62%	8.75%

ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN





ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

SECTION V ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board (FASB) requires the System to disclose certain information regarding the Plan's funded status. Statement No. 25 of the Governmental Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures are intended to provide a "snap shot" view of how the Plan's assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to satisfy these claims if the Plan were to terminate

The GASB 25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the plan is ongoing and participants continue to terminate employment, retire, and otherwise act in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits to the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability to be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2001 are exhibited in Table V-1, Table V-2, and Table V-3. As directed by FASB-35, the liabilities shown in Section A of Table V-1 and Table V-2 do not include any projection for future service and salary. Finally, Table V-4 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2000, to the liabilities as of June 30, 2001.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



TABLE V-1
ACCOUNTING STATEMENT INFORMATION
STATE EMPLOYEE AND TEACHER PLAN TOTAL

	2001	2000
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	\$ 3,374,950,025	\$ 3,086,703,816
b. Former Vested Members	124,388,174	85,750,033
c. Active Members	<u>2,894,155,373</u>	<u>2,740,720,476</u>
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	<u>\$ 6,393,493,572</u>	<u>\$ 5,913,174,325</u>
3. Assets at Market Value	<u>5,490,520,609</u>	<u>\$ 5,926,693,594</u>
4. Unfunded Value to Value of Benefits (3 / 2)	\$ 902,972,963	(\$13,519,269)
5. Ratio of Assets to Value of Benefits (3)/(2)	85.88%	100.23%
B. GASB No. 25 Basis		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 3,499,338,199	\$ 3,172,453,849
2. Actuarial accrued liabilities for current employees	<u>4,459,471,664</u>	<u>4,281,460,687</u>
3. Total actuarial accrued liability (1)+(2)	\$ 7,958,809,863	\$ 7,453,914,536
4. Net actuarial assets available for benefits	<u>5,801,422,994</u>	<u>5,487,720,169</u>
5. Unfunded actuarial accrued liability (3)-(4)	<u>\$ 2,157,386,869</u>	<u>\$ 1,966,194,367</u>

TABLE V-2
ACCOUNTING STATEMENT INFORMATION - FASB NO. 35
AS OF JUNE 30, 2001

	Total System	Teachers	State Regular	State Special
Present Value of Benefits Accrued to Date:				
a. Members Currently Receiving Payments	\$ 3,374,950,025	\$ 1,911,731,068	\$ 1,244,113,921	\$ 219,105,036
b. Former Vested Members	124,388,174	82,150,178	42,237,996	0
a. Active Members	<u>2,894,155,373</u>	<u>1,977,116,380</u>	<u>752,705,382</u>	<u>164,333,611</u>
1. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	\$ 6,393,493,572	\$ 3,970,997,626	\$ 2,039,057,299	\$ 383,438,647
3. Assets at Market Value	<u>5,490,520,609</u>	<u>3,321,819,326</u>	<u>1,870,531,375</u>	<u>298,169,908</u>
4. Unfunded Value of Accrued Benefits (2)-(3)	\$ 902,972,963	\$ 649,178,300	\$ 168,525,924	\$ 85,268,739
Ratio of Assets to Value of Accrued Benefits (3)/(2)	85.88%	83.65%	91.74%	77.76%



ACTUARIAL VALUATION JUNE 30, 2001:
 STATE EMPLOYEE AND TEACHER PLAN

TABLE V-3
ACCOUNTING STATEMENT INFORMATION - GASB NO. 25
AS OF JUNE 30, 2001

	Total System	Teachers	State Regular	State Special
1. Actuarial Accrued Liability:				
a. Members Currently Receiving Payments	\$ 3,374,950,025	\$ 1,911,731,068	\$ 1,244,113,921	\$ 219,105,036
b. Former Vested Members	124,388,174	82,150,178	42,237,996	0
c. Active Members	4,459,471,664	3,108,182,524	1,147,029,622	204,259,518
2. Total Actuarial Accrued Liability (1(a) + 1(b) + 1(c))	\$ 7,958,809,863	\$ 5,102,063,770	\$ 2,433,381,539	\$ 423,364,554
3. Actuarial Value of Assets	5,801,422,994	3,509,918,347	1,976,450,779	315,053,868
4. Unfunded Actuarial Accrued Liability (2 - 3)	\$ 2,157,386,869	\$ 1,592,145,423	\$ 456,930,760	\$ 108,310,686
5. Funded Ratio	72.89%	68.79%	81.22%	74.42%
6. Annual Payroll	\$ 1,318,999,536	\$ 843,950,689	\$ 405,661,653	\$ 69,387,194
7. UAAL as % of Payroll	163.56%	188.65%	112.64%	156.10%

ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN





ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

TABLE V-4
Statement of Changes in Total Actuarial
Present Value of All Accrued Benefits

(In millions)	Accumulated Benefit Obligation (FASB No. 35)
Actuarial Present Value of Accrued Benefits at June 30, 2000	\$ 5,913
Increase (Decrease) During years Attributable to:	
Passage of Time (Interest Accrual)	461
Benefits Paid – FY 2001	(313)
Benefits Accrued, Other Gains/Losses	332
Plan Amendment	<u>0</u>
Net Increase (Decrease)	480
Actuarial Present Value of Accrued Benefits at June 30, 2001	\$ <u>6,393</u>

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX A MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2001	
TEACHERS	
Count	27,905
Average Current Age	44.7
Average Service	13.5
Average Valuation Pay	\$ 30,244
STATE REGULAR	
Count	12,831
Average Current Age	45.2
Average Service	12.7
Average Valuation Pay	\$ 31,616
FOREST RANGERS (CLOSED PLAN)	
Count	35
Average Current Age	48.1
Average Service	23.5
Average Valuation Pay	\$ 44,192
INLAND FISHERIES & WILDLIFE OFFICERS (CLOSED PLAN)	
Count	29
Average Current Age	50.6
Average Service	26.2
Average Valuation Pay	\$ 45,744
LIQUOR INSPECTORS (CLOSED PLAN)	
Count	7
Average Current Age	51.3
Average Service	25.7
Average Valuation Pay	\$ 41,366



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX A MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2001	
PRISON EMPLOYEES (CLOSED PLAN)	
Count	68
Average Current Age	51.0
Average Service	23.0
Average Valuation Pay	\$ 44,143
STATE POLICE (CLOSED PLAN)	
Count	90
Average Current Age	46.3
Average Service	21.2
Average Valuation Pay	\$ 52,819
MARINE RESOURCES OFFICERS (CLOSED PLAN)	
Count	12
Average Current Age	47.5
Average Service	24.2
Average Valuation Pay	\$ 46,218
STATE POLICE 25 & OUT	
Count	236
Average Current Age	34.1
Average Service	8.4
Average Valuation Pay	\$ 42,361
1998 SPECIAL PLAN	
Count	1,362
Average Current Age	41.8
Average Service	9.7
Average Valuation Pay	\$ 35,181
STATE TOTALS (EXCLUDES TEACHERS)	
Count	14,670
Average Current Age	44.8
Average Service	12.5
Average Valuation Pay	\$32,382

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX A MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2001 TEACHERS			
	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	8,541	\$ 143,056,081	\$ 16,749
(Option 4 Concurrent Beneficiary)	1,142	\$ 4,602,075	\$ 4,030
Disabilities/1122	8	\$ 136,473	\$ 17,059
Disabilities/3 and 3-A	666	\$ 13,130,648	\$ 19,716
Beneficiaries	678	\$ 7,844,733	\$ 11,570
Pre-Retirement Death Benefits	308	\$ 1,473,539	\$ 4,784
Terminated Vested	1,092	\$ 10,344,469	\$ 9,473

MAINE STATE RETIREMENT SYSTEM NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2001 STATE REGULAR			
	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	6,375	\$ 86,732,013	\$ 13,605
(Option 4 Concurrent Beneficiary)	1,141	\$ 4,180,469	\$ 3,664
Disabilities/1122	15	\$ 216,488	\$ 14,433
Disabilities/3 and 3-A	1,035	\$ 15,390,408	\$ 14,870
Beneficiaries	1,389	\$ 12,620,829	\$ 9,086
Pre-Retirement Death Benefits	596	\$ 2,857,627	\$ 4,795
Terminated Vested	802	\$ 7,229,186	\$ 9,014



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX A MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2001 SPECIAL PLANS			
	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	647	\$ 15,291,220	\$ 23,634
(Option 4 Concurrent Beneficiary)	138	\$ 574,582	\$ 4,164
Disabilities/1122	3	\$ 42,752	\$ 14,251
Disabilities/3 and 3-A	16	\$ 278,235	\$ 17,390
Beneficiaries	117	\$ 1,348,522	\$ 11,526
Pre-Retirement Death Benefits	4	\$ 67,864	\$ 16,966
Terminated Vested	0	\$ 0	\$ 0

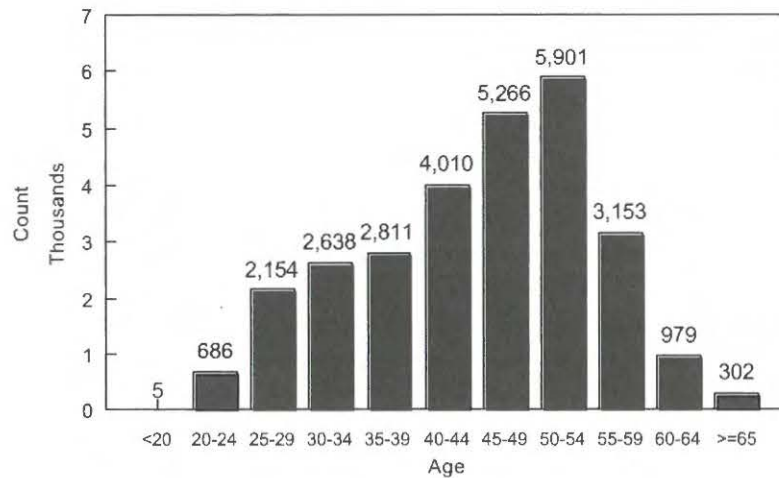
MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2001

Appendix A - Membership Information

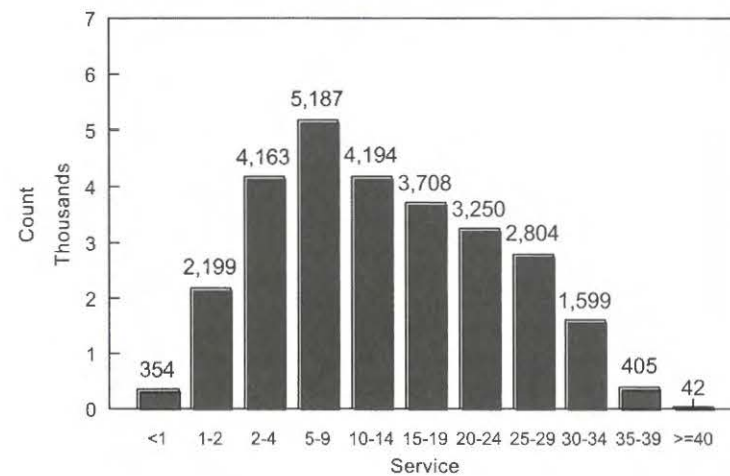
Teachers

Age	Years of Service											Total
	Under 1	1 TO 2	2 TO 4	5 TO 9	10 TO 14	15 TO 19	20 TO 24	25 TO 29	30 TO 34	35 TO 39	40 & UP	
Under 20	2	3										5
20 TO 24	61	302	301	22								686
25 TO 29	65	401	860	822	6							2,154
30 TO 34	42	280	563	1,217	525	11						2,638
35 TO 39	43	293	544	559	795	570	7					2,811
40 TO 44	56	342	688	771	656	917	572	8		4		4,010
45 TO 49	33	269	523	862	822	734	1,229	787	7		5	5,266
50 TO 54	26	168	374	601	873	829	736	1,449	840	5		5,901
55 TO 59	15	83	191	208	378	460	509	396	657	256		3,153
60 TO 64	6	37	88	75	103	151	154	133	79	130	23	979
65 & UP	5	21	31	50	36	36	43	31	16	14	19	302
Total	354	2,199	4,163	5,187	4,194	3,708	3,250	2,804	1,599	405	42	27,905

Age Distribution



Service Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN



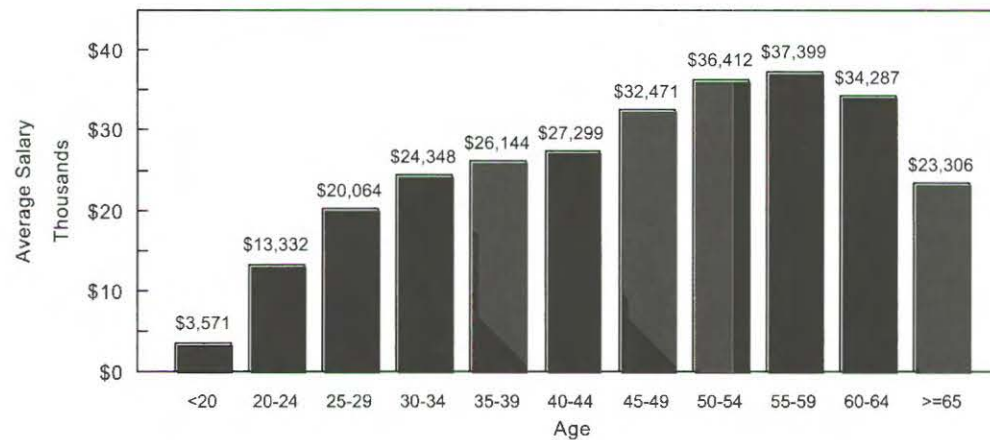


MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2001

Teachers

Age	Average Salary Years of Service											Total
	Under 1	1 TO 2	2 TO 4	5 TO 9	10 TO 14	15 TO 19	20 TO 24	25 TO 29	30 TO 34	35 TO 39	40 & UP	
Under 20	2,590	4,224										\$3,571
20 TO 24	6,316	12,196	15,435	19,621								\$13,332
25 TO 29	8,088	15,860	19,990	23,063	30,569							\$20,064
30 TO 34	7,024	16,485	20,558	26,383	29,353	20,593						\$24,348
35 TO 39	8,724	14,302	18,039	24,765	32,025	34,414	27,315					\$26,144
40 TO 44	9,967	12,815	16,679	22,948	31,441	35,450	38,285	41,084				\$27,299
45 TO 49	12,781	14,860	18,144	23,369	32,269	36,586	40,332	42,846	38,598			\$32,471
50 TO 54	14,634	17,641	20,753	25,485	31,929	35,216	39,636	44,180	45,185	46,083		\$36,412
55 TO 59	7,429	16,889	19,912	27,549	31,688	34,235	38,279	43,661	46,273	46,759		\$37,399
60 TO 64	12,659	15,168	18,333	18,707	30,381	33,380	37,128	39,051	45,061	47,284	48,913	\$34,287
65 & UP	3,608	9,657	5,270	14,966	18,633	33,084	23,484	32,265	40,683	40,399	43,024	\$23,306
Total	\$8,904	\$14,721	\$18,624	\$24,364	\$31,439	\$35,161	\$39,090	\$43,349	\$45,552	\$46,700	\$46,249	\$30,244

Average Salary Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN

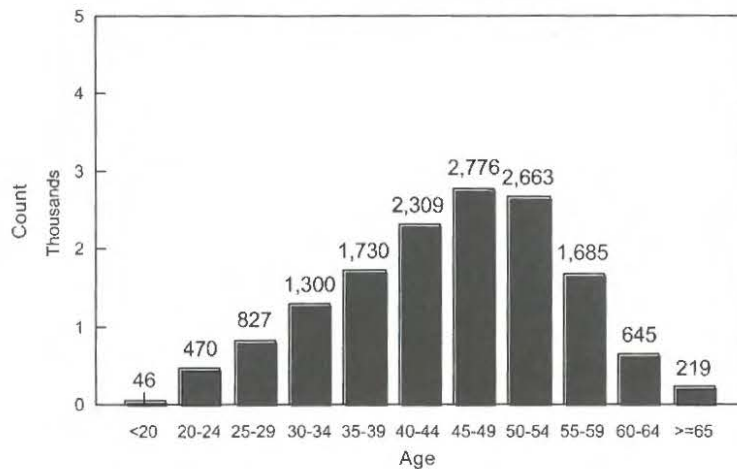
MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2001

Appendix A - Membership Information

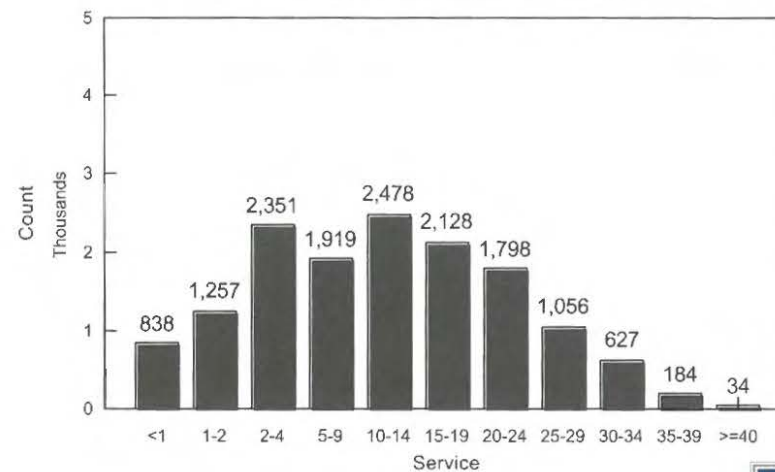
State

Age	Years of Service											Total
	Under 1	1 TO 2	2 TO 4	5 TO 9	10 TO 14	15 TO 19	20 TO 24	25 TO 29	30 TO 34	35 TO 39	40 & UP	
Under 20	34	10	2									46
20 TO 24	191	144	129	6								470
25 TO 29	118	199	371	123	16							827
30 TO 34	108	198	395	332	249	18						1,300
35 TO 39	88	170	347	294	500	308	23					1,730
40 TO 44	107	177	317	297	474	512	382	43				2,309
45 TO 49	81	161	342	315	434	486	585	335	37			2,776
50 TO 54	55	105	231	284	387	417	413	415	326	30		2,663
55 TO 59	43	66	156	161	262	236	262	177	196	120	6	1,685
60 TO 64	7	20	46	80	127	113	104	57	49	28	14	645
65 & UP	6	7	15	27	29	38	29	29	19	6	14	219
Total	838	1,257	2,351	1,919	2,478	2,128	1,798	1,056	627	184	34	14,670

Age Distribution



Service Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN



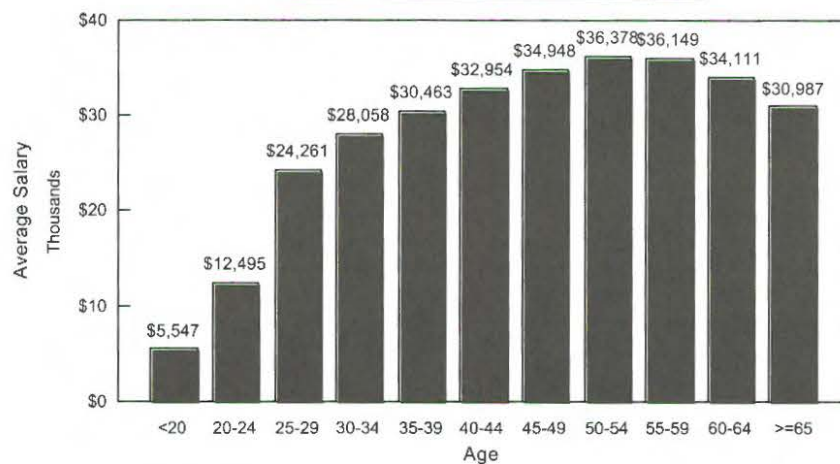


MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2001

State

Age	Average Salary Years of Service											Total
	Under 1	1 TO 2	2 TO 4	5 TO 9	10 TO 14	15 TO 19	20 TO 24	25 TO 29	30 TO 34	35 TO 39	40 & UP	
Under 20	4,921	6,471	11,571									\$5,547
20 TO 24	7,162	16,946	14,996	21,732								\$12,495
25 TO 29	16,435	23,033	26,759	27,230	16,482							\$24,261
30 TO 34	17,084	23,514	26,862	32,817	31,726	31,619						\$28,058
35 TO 39	14,271	21,531	26,921	33,157	34,053	35,533	31,496					\$30,463
40 TO 44	17,198	23,846	27,713	32,351	35,367	37,942	36,709	33,105				\$32,954
45 TO 49	17,963	25,134	28,907	32,309	36,569	37,138	40,282	37,460	38,320			\$34,948
50 TO 54	18,522	25,619	28,644	33,470	34,508	37,083	38,977	41,482	41,800	42,885		\$36,378
55 TO 59	17,761	21,793	27,492	32,272	35,282	35,285	38,072	41,471	44,624	44,672	38,377	\$36,149
60 TO 64	14,242	19,701	26,902	30,562	32,918	33,955	34,726	39,710	39,916	43,224	54,764	\$34,111
65 & UP	6,072	10,257	15,864	24,911	32,755	27,384	32,552	36,451	45,204	32,043	51,769	\$30,987
Total	\$14,068	\$22,487	\$26,750	\$32,166	\$34,526	\$36,493	\$38,343	\$39,629	\$42,433	\$43,748	\$50,639	\$32,382

Average Salary Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN

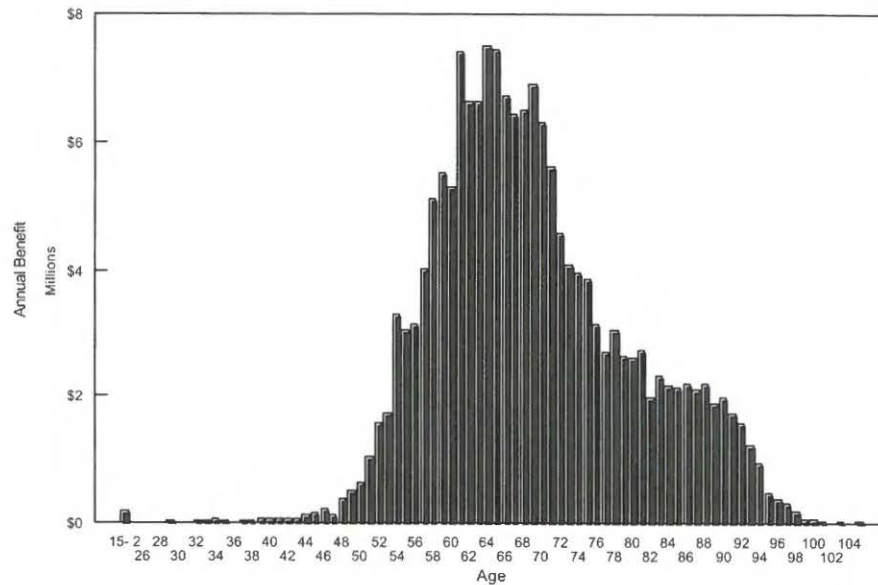
MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS,
BENEFICIARIES AND SURVIVORS
as of June 30, 2001

Teachers

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	53	\$194,124	65	430	\$7,454,171
25	1	7,695	66	405	6,710,753
26	2	11,613	67	425	6,445,934
27	0	0	68	403	6,506,271
28	1	3,389	69	425	6,918,394
29	3	13,539	70	411	6,316,911
30	2	7,644	71	385	5,638,637
31	0	0	72	339	4,603,211
32	6	27,425	73	307	4,072,340
33	1	15,770	74	283	3,945,651
34	5	55,292	75	298	3,870,302
35	3	30,059	76	257	3,131,794
36	3	8,944	77	225	2,687,645
37	5	22,077	78	255	3,052,267
38	2	36,084	79	215	2,630,141
39	6	69,136	80	222	2,621,315
40	5	54,762	81	233	2,733,243
41	7	47,161	82	176	1,969,701
42	8	74,060	83	183	2,308,467
43	5	49,285	84	173	2,170,466
44	12	131,850	85	184	2,149,356
45	10	153,812	86	171	2,210,477
46	15	219,707	87	162	2,120,244
47	11	113,084	88	178	2,193,803
48	21	362,476	89	145	1,883,449
49	30	490,614	90	142	1,972,731
50	48	630,380	91	130	1,740,979
51	74	1,046,597	92	127	1,554,116
52	104	1,574,532	93	93	1,222,893
53	115	1,737,819	94	67	949,555
54	190	3,294,757	95	43	480,188
55	179	3,036,368	96	34	376,051
56	175	3,146,753	97	28	313,621
57	227	4,031,098	98	13	189,674
58	276	5,126,225	99	5	48,266
59	282	5,545,794	100	4	50,967
60	303	5,306,230	101	4	31,260
61	379	7,414,000	102	1	7,069
62	362	6,613,726	103	2	25,775
63	376	6,641,738	104	3	10,135
64	443	7,509,349	over 104	7	70,358

Total 11,343 \$170,243,549

Annual Benefit Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN



MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS,
BENEFICIARIES AND SURVIVORS
as of June 30, 2001

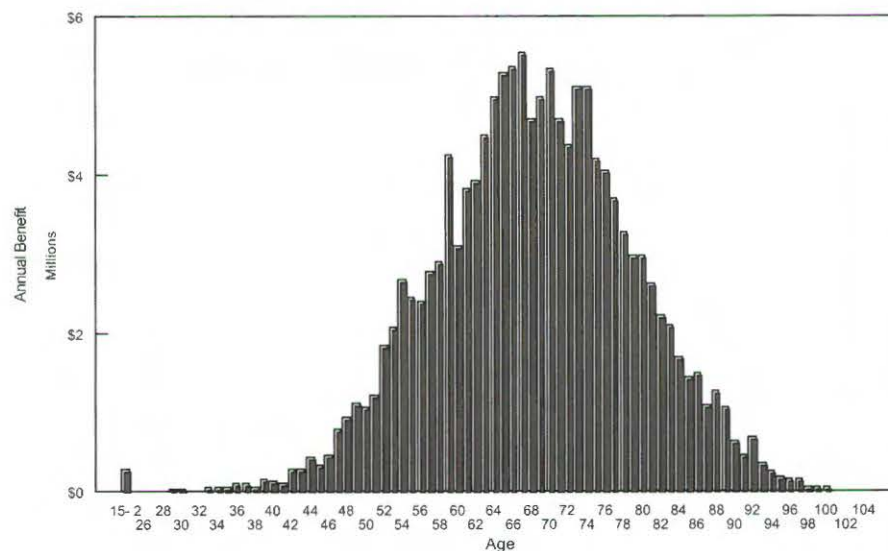


State

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	77	\$276,289	65	375	\$5,278,460
25	3	6,352	66	389	5,353,108
26	2	5,465	67	421	5,530,280
27	2	4,786	68	368	4,698,041
28	0	0	69	410	4,991,744
29	4	25,661	70	400	5,336,457
30	6	37,345	71	379	4,716,201
31	1	4,133	72	374	4,369,110
32	5	8,801	73	421	5,111,682
33	4	55,316	74	419	5,105,535
34	6	44,476	75	366	4,209,380
35	10	60,235	76	368	4,055,359
36	13	115,218	77	349	3,704,254
37	11	112,351	78	307	3,270,819
38	11	48,697	79	297	2,966,307
39	21	157,642	80	294	2,977,001
40	16	137,752	81	267	2,616,947
41	10	101,870	82	234	2,227,076
42	20	293,928	83	217	2,099,635
43	27	280,719	84	186	1,684,505
44	44	422,763	85	165	1,442,852
45	30	333,056	86	177	1,495,433
46	39	466,581	87	123	1,083,813
47	60	791,369	88	126	1,269,369
48	66	941,151	89	121	1,053,870
49	80	1,124,051	90	89	645,826
50	84	1,066,116	91	67	452,374
51	85	1,202,963	92	69	681,372
52	125	1,854,112	93	44	364,166
53	131	2,055,784	94	31	257,236
54	176	2,674,189	95	29	172,617
55	165	2,450,908	96	18	165,619
56	139	2,401,089	97	18	148,773
57	189	2,772,870	98	5	53,676
58	194	2,897,369	99	8	63,381
59	260	4,242,354	100	11	59,766
60	196	3,108,243	101	2	4,421
61	263	3,840,994	102	1	3,537
62	275	3,938,042	103	1	4,924
63	322	4,512,470	104	0	0
64	354	4,987,919	over 104	4	14,650

Total 11,476 \$139,601,009

Annual Benefit Distribution



ACTUARIAL VALUATION JUNE 30, 2001:
STATE EMPLOYEE AND TEACHER PLAN

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS

	State Employees	Teachers
1. Rate of Investment Return	8.0%	8.0%
2. Cost-of-Living Increases in Benefits	4.0%	4.0%
3. Rates of Salary Increase (% at Selected Ages)	Age	State Employees and Teachers
	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.



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

		STATE EMPLOYEES			TEACHERS		
		Age	Service			Service	
			0-1	1-2	2+	0-1	1-2 2+
4.	Rates of	20	25.0	17.5	18.8	33.0	24.0 18.8
	Termination at	25	25.0	17.5	12.5	27.5	24.0 12.5
	Select and	30	25.0	17.5	10.0	27.5	24.0 10.4
	Ultimate Service	35	25.0	17.5	7.5	27.5	24.0 8.3
	(% at Selected	40	25.0	17.5	5.0	27.5	24.0 6.1
	Ages) *	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 ten or more years of service and whose age plus service totals 60 or more are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds

		Age	Male	Female	Male	Female
5.	Rates of Active Healthy	20	5	3	5	3
	Life Mortality at	25	7	3	6	3
	Selected Ages (number	30	9	4	7	3
	of deaths per 10,000	35	9	5	8	4
	members)*	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 arise out of and in the course of employment; for State Special 20% of deaths are assumed to arise out of and in the course of employment.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

		STATE EMPLOYEES			TEACHERS	
		Age	Male	Female	Male	Female
6.	Rates of Inactive	20	5	3	5	2
	Health/Life Mortality at	25	6	3	6	3
	Selected Ages (number	30	8	5	7	4
	of deaths per 10,000	35	11	7	10	6
	members)	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
		Age	Male	Female	Male	Female
7.	Rates of Mortality for	25	92	72	92	72
	Future Anticipated	30	112	89	112	89
	Disableds at Selected	35	134	109	134	109
	Ages (number of deaths	40	160	126	160	126
	per 10,000 members)	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 JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

		STATE EMPLOYEES		TEACHERS	
	Age	Male	Female	Male	Female
8. Rates of Inactive Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)	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

	Age	STATE EMPLOYEES*	TEACHERS
9. Rates of Retirement at Selected Ages (number retiring per 1,000 members)	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

	Age	STATE EMPLOYEES	TEACHERS
10. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)**	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 offsetting disability benefit; also, rates for State Special groups are higher by 7 per 10,000 at all ages.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

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 final average 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 VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

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 and State Employees, including each of the State Special Plans, 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 are 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 an 18 year period from July 1, 2001. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 5.5% per year.

2. Asset Valuation Method

For purposes of this June 30, 2001 actuarial valuation, assets are valued at an "actuarial value" as described in Part II.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX C 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 9/1/84 - 8.65% of earnable compensation for 20 years; 7.65% thereafter.

Forest rangers and state prison employees employed before 9/1/84 - 8.65% of earnable compensation until eligible for retirement; 7.65% thereafter.

1998 Special Plan employees employed after 8/31/84 which include state prison employees, airplane pilots, forest rangers, inland fisheries and wildlife officers, marine resources officers, liquor inspectors and defense, veterans and emergency management firefighters employed at Bangor International Airport - 8.65% of earnable compensation for 25 years; 7.65% thereafter.

State police employed on or after 9/16/84 and special agent investigators hired before 6/21/82 - 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.



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

5. Service Retirement Benefits

A. Regular Plan (State Employees and Teachers)

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

Normal Retirement Age: 60

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

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

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

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

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

Form of payment - life annuity.

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

Normal Retirement Age: 62

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

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

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

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

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

Form of payment - life annuity.

B. Special Plans (state employees)

State police employed before 9/16/84; inland fisheries and wildlife officers and marine resource officers employed before 9/1/84:

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX C SUMMARY OF PLAN PROVISIONS

Eligibility - 20 years of creditable service in named positions.

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

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

Forest rangers employed before 9/1/84:

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 9/1/84:

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 qualification for retirement, and (2) if retiring after age 60, the benefit under the general formula.

Form of payment - life annuity.

Liquor inspectors employed before 9/1/84:

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

Benefit - $\frac{1}{2}$ 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 9/1/84:

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 prison employees, airline pilots, forest rangers, inland fisheries and wildlife officers, marine resources officers and liquor inspectors, employed after 8/31/84; defense, veterans and emergency management firefighters employed on and after 7/1/98.



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

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

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

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

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

Form of payment - life annuity.

State Police New 25 & Out Plan

State police employed on or after 9/16/84 and special agent investigators hired before 6/21/82.

Eligibility - 25 years of creditable service in named positions.

Benefit - 1/50 of average final compensation multiplied by years of service.

Form of payment - life annuity.

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

6. Disability Retirement Benefits other than No Age Benefits

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

Benefit - 66-2/3% of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.

Form of payment - payment begins on termination of service and ceases on cessation of disability or after five 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.

ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN



APPENDIX C SUMMARY OF PLAN PROVISIONS

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 the specified statutory limit, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.

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

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



ACTUARIAL VALUATION JUNE 30, 2001: STATE EMPLOYEE AND TEACHER PLAN

10. Refund of Contributions

Eligibility - termination of service without retirement or death.

Benefit - member's accumulated contributions with interest.

11. Cost-of-Living Adjustments

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

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

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

12. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

Option 8: Option 4 with pop-up*.

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

JUNE 30, 2001
ACTUARIAL VALUATION:

LEGISLATIVE
RETIREMENT SYSTEM





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March 22, 2002

Board of Trustees
Maine State Retirement System
#46 State House Station
Augusta, Maine 04333-0046

Re: Maine Legislative Retirement System

Dear Members of the Board:

At your request, we have produced this report containing the full results of the June 30, 2001 actuarial valuation of the Maine Legislative Retirement System.

The actuarial assumptions used in this valuation are described in Schedule C. The actuarial assumptions used in this valuation have been recommended by the actuary and adopted by the Board of Trustees based upon the most recent review of the System's experience completed in 1998. We believe that the assumptions used, in the aggregate, represent our best estimate of anticipated future experience of the plan. The assumptions and methods used in performing this valuation meet the parameters set for disclosure presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

We have relied, without audit, on employee census data and asset data provided by the Retirement System. We reviewed the census and asset data for reasonableness, and for consistency with the data provided for the last valuation.

The results contained in this report are only applicable to the 2003 fiscal year. Future years results may differ significantly.

I, Fiona Liston, am a consulting actuary for Milliman USA. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

Milliman USA

Jennifer R. Treasure

Jennifer R. Treasure
Actuarial Assistant

Fiona E. Liston

Fiona E. Liston, F.S.A.
Consulting Actuary

ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM



INTRODUCTION

This report presents the results, as of June 30, 2001, of the actuarial valuation of the Maine Legislative Retirement System. Schedule A, following this introduction, contains the cost results, assets, liabilities, and accounting disclosure information. Schedule B presents a summary of plan provisions and Schedule C presents a description of actuarial assumptions and methods used in determining costs, including a description of the funding method.



ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM

SCHEDULE A PARTICIPANT DATA

Number of:	June 30, 2001
Active Members	171
Retired Members	66
Beneficiaries of Retired Members	8
Survivors of Deceased Members	2
Disabled Members	0
Vested Deferred Members	6
Inactive Non-Vested Members	128
Active Payroll	\$ 1,856,472
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 95,636

COST RESULTS

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

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

ACCOUNTING INFORMATION

1. GASB Disclosure

a. Actuarial Accrued Liability*

Retirees and beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	\$ 1,564,522
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Current employees

- Accumulated employee contributions including allocated investment earnings	\$ 993,948
- Employer-financed vested	\$ 0
- Employer-financed non-vested	\$ 3,617,414

Total Actuarial Accrued Liability (AAL)*	\$ 6,175,884
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b. Actuarial Value of Assets (AVA)	\$ 6,175,884
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c. Unfunded Actuarial Accrued Liability	\$ 0
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2. Other Accounting Information

a. Market Value of Assets	\$ 5,844,914
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b. Unfunded Accrued Liability (not less than \$0)	\$ 0
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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 JUNE 30, 2001: 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 with at least 10 years of creditable service on July 1, 1993:

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

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

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

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



ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM

SUMMARY OF PLAN PROVISIONS (continued)

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

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

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

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

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

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

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

Form of payment - life annuity.

6. Disability Retirement Benefits Other Than No Age Benefits

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

Benefit - $66\frac{2}{3}\%$ of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.

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

Conversion to service retirement - during the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of $66\frac{2}{3}\%$ 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 the specified statutory limit, and to the extent that the benefit, in combination with worker's compensation and Social Security, exceeds 80% of average final compensation.

ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM



SUMMARY OF PLAN PROVISIONS (continued)

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.

7. No Age Disability Retirement Benefits (continued)

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

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 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 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

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



ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM

SUMMARY OF PLAN PROVISIONS (continued)

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

11. Cost-of-Living Adjustments (continued)

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

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

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

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

Option 8: Option 4 with pop-up*.

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

ACTUARIAL VALUATION JUNE 30, 2001: 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 at Selected Ages:

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

6. Rates of Healthy Life Mortality at Selected Ages:

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



ACTUARIAL VALUATION JUNE 30, 2001: LEGISLATIVE RETIREMENT SYSTEM

SUMMARY OF ACTUARIAL ASSUMPTIONS (continued)

7. Rates of Disabled Life Mortality at Selected Ages:

<u>Age</u>	<u>Currently Active Employees</u>		<u>Currently Retired Employees</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	.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

1. Funding Method

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

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

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 different from the 8.00% actuarial assumption for investment return.

JUNE 30, 2001
ACTUARIAL VALUATION:

JUDICIAL
RETIREMENT SYSTEM





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March 22, 2002

Board of Trustees
Maine State Retirement System
#46 State House Station
Augusta, Maine 04333-0046

Re: Maine Judicial Retirement System

Dear Members of the Board:

At your request, we have produced this report containing the full results of the June 30, 2001 actuarial valuation of the Maine Judicial Retirement System.

The actuarial assumptions used in this valuation are described in Schedule C. The actuarial assumptions used in this valuation have been recommended by the actuary and adopted by the Board of Trustees based upon the most recent review of the System's experience completed in 1998. We believe that the assumptions used, in the aggregate, represent our best estimate of anticipated future experience of the plan. The assumptions and methods used in performing this valuation meet the parameters set for disclosure presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

We have relied, without audit, on employee census data and asset data provided by the Retirement System. We reviewed the census and asset data for reasonableness, and for consistency with the data provided for the last valuation.

The results contained in this report are only applicable to the 2003 fiscal year. Future years results may differ significantly.

I, Fiona Liston, am a consulting actuary for Milliman USA. I am also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

I hereby certify that, to the best of my knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the American Academy of Actuaries.

Sincerely,

Milliman USA

Jennifer R. Treasure

Jennifer R. Treasure
Actuarial Assistant

Fiona E. Liston

Fiona E. Liston, F.S.A.
Consulting Actuary

ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM



INTRODUCTION

This report presents the results, as of June 30, 2001, 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.

This report reflects legislation passed last year which applies the 70% maximum benefit limitation to all years of service, replacing the prior 60%/70% "split" limitation.



ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM

SCHEDULE A PARTICIPANT DATA

Number of:

Active Members	56
Retired Members	24
Beneficiaries of Retired Members	9
Survivors of Deceased Members	0
Disabled Members	0
Vested Deferred Members	2
Inactive Non-Vested Members	2
Annual Salaries of Active Members	\$ 5,324,725
Annual Retirement Allowance for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 1,536,407

COST RESULTS

Employer Normal Cost ¹	20.04%
Unfunded Actuarial Liability	- 5.05%
Total Cost	14.99%

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

ACCOUNTING INFORMATION

1. GASB Disclosure

a. Actuarial Accrued Liability

Retirees and beneficiaries currently receiving benefits and
terminated employees not yet receiving benefits \$ 15,870,559

Current employees

- Accumulated employee contributions including allocated investment earnings	\$ 4,853,273
- Employer-financed vested	\$ 8,430,137
- Employer-financed non-vested	\$ 4,401,499

Total Actuarial Accrued Liability \$ 33,555,469

b. Actuarial Value of Assets \$ 35,253,102

c. Unfunded Actuarial Accrued Liability \$ (3,684,023)

2. Other Accounting Information

a. Market Value of Assets	\$ 35,243,801
b. Unfunded Accrued Liability (not less than \$0)	\$ 0
c. Amortization Period	16

ACTUARIAL VALUATION JUNE 30, 2001: 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 his own and the employer's contributions on behalf of the service transferred to the judicial system.

5. Service Retirement Benefits

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

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

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

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

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

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

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



ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM

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

Eligibility alternative for members in active service

- attainment of age 70 with at least one year of service immediately before retirement.

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999

- attainment of age 62 with 10 years of creditable service.

Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999

- attainment of age 62 and 5 years of creditable service.

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 - 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 6/30/84 for the position held at retirement, increased by 6% per year from 6/30/84 to 6/30/89 or retirement date if earlier, and increased beyond 6/30/89 by the cost-of-living increase granted the previous September.

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

6. Disability Retirement Benefits Other Than No Age Benefits

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

Benefit - 66-2/3% of average final compensation, reduced by the amount by which employment earnings plus the disability allowance exceeds the current salary of the position held at disability, and to the extent that the benefit, in combination with worker's compensation, exceeds 80% of average final compensation. A member in service on 11/30/84 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 2 years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of attainment of age 70 and date the service retirement benefit exceeds the disability benefit.

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

7. No Age Disability Retirement Benefits

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

ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM



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

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 worker's compensation exceeds 80% of average final compensation. A member in service on 11/30/84 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 2 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 12/1/84, ? of the judge's retirement benefit determined on date of death, payable to the spouse and/or dependent children.

9. Pre-Retirement Accidental Death Benefits

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

Benefit - if the member leaves no dependent children, 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 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.



ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM

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

11. Cost-of-Living Adjustments

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, 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.)

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

Option 8: Option 4 with pop-up*.

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

ACTUARIAL VALUATION JUNE 30, 2001:
JUDICIAL RETIREMENT SYSTEM



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 6/30/84 for the position last held, increased by 6% per year each July 1, beginning 7/1/84.

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 - $\frac{3}{4}$ of currently effective annual salary.

3. Disability Benefits

$\frac{3}{4}$ of currently effective annual salary.

4. Survivor Benefits

$\frac{3}{8}$ of currently effective annual salary, payable to the surviving spouse or dependent children.



ACTUARIAL VALUATION JUNE 30, 2001: JUDICIAL RETIREMENT SYSTEM

SCHEDULE C SUMMARY OF ACTUARIAL ASSUMPTIONS

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

A. ACTUARIAL ASSUMPTIONS

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

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

6. Rates of Healthy Life Mortality at Selected Ages:

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

ACTUARIAL VALUATION JUNE 30, 2001: 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 a 16-year period from June 30, 2001. 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 different from the 8.00% actuarial assumption for investment return.

JUNE 30, 2001

ACTUARIAL VALUATION:

CONSOLIDATED PLAN FOR
PARTICIPATING LOCAL
DISTRICTS





Milliman USA
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8000 Towers Crescent Drive, Suite 1000
Vienna, VA 22182-2700
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www.milliman.com

March 22, 2002

Board of Trustees
Maine State Retirement System
#46 State House Station
Augusta, Maine 04333-0046

Dear Members of the Board:

At your request, we have conducted an actuarial valuation of the Consolidated Plan for Participating Local Districts of the Maine State Retirement System as of the June 30, 2001. The results of the valuation are contained in the following report.

The actuarial assumptions and methods used in this valuation are described in Appendix D. We believe that the assumptions used, in the aggregate, represent our best estimate of anticipated future experience of the plan. The assumptions and methods used in performing this valuation meet the parameters set for disclosure presented in the financial section by Government Accounting Standards Board (GASB) Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

We have relied, without audit, on employee census data and asset data provided by the Retirement System. We reviewed the census and asset data for reasonableness, and for consistency with the data provided for the last valuation.

The results contained in this report are only applicable to the 2003 fiscal year. Future years results may differ significantly.

I, Fiona Liston, am a Consulting Actuary for Milliman USA, and also a member of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion contained herein.

We hereby certify that, to the best of our knowledge, this report is complete and accurate, and has been prepared in accordance with generally recognized and accepted actuarial principles and practices as promulgated by the American Academy of Actuaries.

Sincerely,

Milliman USA

Jennifer R. Treasure

Jennifer R. Treasure
Actuarial Assistant

Fiona E. Liston

Fiona E. Liston, F.S.A.
Consulting Actuary

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



SECTION I EXECUTIVE SUMMARY

OVERVIEW

As of June 30, 2001, there were 228 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, 2001, 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, 2001, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

For the fifth year in a row, the Pooled Unfunded Actuarial Liability (PUAL) is negative as of this valuation date because, while investment returns were negative for the year ending June 30, 2001, they were on average greater than the investment return assumption of 8% over the last five years. The negative PUAL is translated into a reduction in the normal cost rates otherwise payable. The amount of the reduction varies by plan; however, mathematically, the result is a net employer contribution rate that is less than zero in all Regular Plans and all Special Plans.

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

We prepared and the Board examined multiple scenarios illustrating the application of selected funding approaches and their results. The Board ultimately decided on the methodology that establishes an employer contribution rate that is fixed within a given range of full-funded status ("base rate"), is incrementally adjusted when the funded status falls outside of the upper or lower limits of the range and, except when the Board identifies compelling circumstances dictating otherwise, is never less than a given minimum rate. The Board further decided that the base rate, representing the aggregate of the rates related to the various plans within the Consolidated Plan that reflect the payroll-weighted normal cost and pooled UAL contributions under each plan, be set at 3% of payroll, that the upper and lower limits of the range be set at 130% and 90% of full funding, respectively, that the factor for incremental adjustments when funded status falls above or below the range be set at 10% of the difference between the calculated rate and the rate then in effect, and that the minimum base rate be set at 1% of payroll. As neither limit of the range is crossed in this current valuation, the base rate of 3% (which is the same as that set in the 2000 valuation) is in effect and the resulting rates for each plan in the Consolidated Plan are those shown in the chart in Section IV of this report.

In the following sections of the report we present detailed results on Plan Assets (Section II), Plan Liabilities (Section III), and Plan Contributions (Section IV). This report also contains four Appendices. Appendix A displays a list of the 228 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 JUNE 30, 2001: CONSOLIDATED PLAN

EXECUTIVE SUMMARY (continued)

VALUATION COMMENTS

ASSETS

As of June 30, 2001, the Plan had assets, when measured on a market value basis, of \$1,307 million as compared to \$1,443 million as of June 30, 2000.

On an actuarial basis, using a method which smooths market fluctuations, the assets were valued at \$1,381 million on June 30, 2001, as compared to \$1,336 million as of June 30, 2000. The components of this change, in millions, are:

Actuarial			Market
+	34	employer and member contributions	+ 34
-	65	payment of benefits and expenses	- 65
+	107	investment return per 8.0% assumption	+ 115
-	<u>31</u>	actuarial investment loss (actuarial rate of return @ positive 5.8%) market investment loss (market rate of return @ minus 7.8%)	<u>-220</u>
=	45	total change in assets	-136

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, 2001, the total actuarial liability for the Plan was \$1,366 million, as compared to \$1,290 million as of June 30, 2000. Comparing this to the actuarial value of assets of \$1,381 million produces an unfunded actuarial liability of (\$15) million. \$199 million has been allocated to PLDs as their Initial Unfunded Unpooled Actuarial Liabilities (IUUAL) (described in detail on page III-1). Thus the Plan has a pooled surplus of \$214 million as of June 30, 2001. As of June 30, 2000 the pooled surplus was \$242 million. The components of the decrease in the surplus, in millions, are as follows:

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



EXECUTIVE SUMMARY (continued)

Pooled Unfunded Actuarial Liability, June 30, 2000	\$ (242)
♦ decrease expected	2
♦ decrease due to asset loss (investment return)	31
♦ other (gains)/losses	<u>(5)</u>
Pooled Unfunded Actuarial Liability, June 30, 2001	\$ (214)

The unexpected increase in unfunded actuarial liabilities from "other (gains)/losses" of \$5 million is attributable to the difference between assumed and actual rates of pay increases, members retiring, terminating employment or dying.

The second type of liability presented in this report is the Accrued Benefit Liability. This represents the liabilities for all benefits to be paid in the future, based on members' earnings and service credits as of the valuation date. The difference between this figure and plan assets represents the Unfunded Accrued Benefit Liability. As of June 30, 2001, 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, 2001.

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 (PUAL) rate for all employees changed from -11.9% of payroll as of June 30, 2000, to -10.1% of payroll as of June 30, 2001. The primary components of this change are shown below.

Pooled UAL Rate as of June 30, 2000	-11.9%
• investment loss (due to lower than expected investment returns)	-2.2%
• other (gains)/losses	<u>-0.4%</u>
Pooled UAL Rate as of June 30, 2001	-10.1%



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

EXECUTIVE SUMMARY (continued)

The PUAL rate as calculated above would normally be reflected in the FY 2003 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 completely offset the Normal Cost rate for the respective individual plans, resulting in rates less than zero, and because of our recommendation against that result, the ensuing study and the Board's decision not to establish zero rates, the rates summarized in Table IV-1 are based on the PUAL rate as developed in the 1999 valuation

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 increased from 8,569 as of June 30, 2000 to 8,753 as of June 30, 2001. The number of benefit recipients increased from 6,169 as of June 30, 2000 to 6,289 on June 30, 2001. The number of vested inactive members increased from 284 on June 30, 2000 to 318 on June 30, 2001.

The total annual payroll of active members in all plans increased from \$238 million as of June 30, 2000 to \$248 million as of June 30, 2001. Appendix B of this report presents more detail regarding members and benefit recipients.

ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN



SUMMARY OF PRINCIPAL RESULTS TOTAL

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
1. Participant Data		
Number of:		
Active Members	8,753	8,559
Retired Members	4,797	4,742
Beneficiaries of Retired Members	907	881
Survivors of Deceased Members	231	221
Disabled Members	354	325
Vested Deferred Members	318	284
Total Membership	<u>15,360</u>	<u>15,012</u>
Annual Salaries of Active Members	\$ 248,220,217	\$ 237,703,542
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 58,880,257	\$ 54,637,091
2. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 1,366,485,266	\$ 1,290,545,355
Actuarial Value of Assets	<u>1,381,355,851</u>	<u>1,336,237,898</u>
Unfunded Actuarial Liability	(\$ 14,870,585)	\$ 45,692,543
Unpooled Portion (IUUAL)	<u>199,077,115</u>	<u>196,136,516</u>
Pooled Portion (PUAL)	(\$ 213,947,700)	(\$ 241,829,059)
Actuarial Liability Funding Ratio	101%	104%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 1,126,532,468	\$ 1,062,048,069
Market Value of Assets	<u>1,307,328,009</u>	<u>1,443,126,169</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	116%	136%



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

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

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
3. Participant Data		
Number of:		
Active Members	7,146	6,937
Retired Members	3,397	3,385
Beneficiaries of Retired Members	730	715
Survivors of Deceased Members	210	204
Disabled Members	282	252
Vested Deferred Members	<u>311</u>	<u>279</u>
Total Membership	12,076	11,772
Annual Salaries of Active Members	\$ 184,640,948	\$ 175,722,439
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 33,944,059	\$ 31,977,576
4. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 811,398,536	\$ 762,441,191
Actuarial Value of Assets	<u>851,997,503</u>	<u>823,835,193</u>
Unfunded Actuarial Liability	(\$ 40,598,967)	(\$ 61,394,002)
Unpooled Portion (IUUAL)	<u>90,929,764</u>	<u>90,011,505</u>
Pooled Portion (PUAL)	(\$ 131,528,731)	(\$ 115,540,865)
Actuarial Liability Funding Ratio	105%	108%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 634,382,036	\$ 594,039,938
Market Value of Assets	<u>806,338,351</u>	<u>889,735,374</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	127%	150%

ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN



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

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
5. Participant Data		
Number of:		
Active Members	1,607	1,622
Retired Members	1,400	1,357
Beneficiaries of Retired Members	177	166
Survivors of Deceased Members	21	17
Disabled Members	72	73
Vested Deferred Members	<u>7</u>	<u>5</u>
Total Membership	3,284	3,240
Annual Salaries of Active Members	\$ 63,579,269	\$ 61,981,103
Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	\$ 24,936,198	\$ 22,659,515
6. Assets and Liabilities		
Funding Liability		
Actuarial Liability	\$ 555,086,730	\$ 528,104,164
Actuarial Value of Assets	<u>529,358,348</u>	<u>512,402,705</u>
Unfunded Actuarial Liability	\$ 25,728,382	\$ 15,701,459
Unpooled Portion (IUUAL)	<u>108,147,351</u>	<u>106,125,011</u>
Pooled Portion (PUAL)	(\$ 82,418,969)	(\$ 90,423,552)
Actuarial Liability Funding Ratio	95%	97%
FASB Accounting Liability		
Accrued Benefit Liability	\$ 492,150,432	\$ 468,008,131
Market Value of Assets	<u>500,989,658</u>	<u>553,390,795</u>
Unfunded Accrued Benefit Liability	\$ 0	\$ 0
Accrued Benefit Funding Ratio	102%	118%



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

SECTION II ASSETS

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

Market Value of Assets

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

Actuarial Value of Assets

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

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

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

(a) Increase in assets = Market value of assets at the end of the year minus actuarial value of assets at the end of the prior year adjusted for net cash flow for the current year (contributions minus benefit payments) [= \$32,043,521].

(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 [= \$7,026,413,050].

(c) Return = (a) (Increase in assets) divided by (b) (Adjusted actuarial value of assets) [= (0.46%)].

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%). [(0.46) - 8.00% = (8.46%)]

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 (8.46%)) = 5.18%]

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.

ACTUARIAL VALUATION JUNE 30, 2001:
CONSOLIDATED PLAN



TABLE II-1
ASSET ALLOCATION

	Regular Plans	Special Plans	Total
Market Value	\$806,338,351	\$500,989,658	\$1,307,328,009
Actuarial Value	\$851,997,503	\$529,358,348	\$1,381,355,852



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

SECTION III LIABILITIES

Actuarial Liabilities

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

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. This cost 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 PLD having negative IUUALs (i.e., positive balance) will use this balance to pay part or all of its employer contribution. Each year the valuation for the Consolidated Plan will calculate the Pooled Unfunded Actuarial Liability (PUAL) 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 portions of these that are unfunded. In Table III-1 we have summarized the actuarial liabilities as of June 30, 2001.

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 Governmental Accounting Standards Board (GASB) released a new pronouncement (Statement No. 25) which replaced the disclosures formerly required by Statement No. 5. The figures shown in Table III-1 are suitable for the new Statement No. 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 JUNE 30, 2001:

CONSOLIDATED PLAN



TABLE III-1 ACTUARIAL LIABILITIES

	<u>Regular Plans</u>	<u>Special Plans</u>	<u>Total</u>
1. Present Value of Benefits	\$ 1,042,045,479	\$ 638,017,577	\$ 1,680,063,056
2. Present Value of Future Contributions			
a. Employer Normal Cost	130,561,572	51,059,074	181,620,656
b. Employee Contributions	<u>100,085,364</u>	<u>31,871,773</u>	<u>131,957,137</u>
3. Actuarial Liability (1) - (2)	\$ 811,398,536	\$ 555,086,730	\$ 1,366,485,266
4. Actuarial Value of Assets			
a. Total Invested Assets	\$ 892,792,402	\$ 550,934,052	\$ 1,443,663,454
b. IUUAL Surpluses in Individual PLD Accounts	<u>40,731,899</u>	<u>21,575,704</u>	<u>62,307,603</u>
c. Valuation Assets (a)-(b)	\$ 851,997,503	\$ 529,358,348	\$ 1,381,355,851
5. Unfunded Actuarial Liability			
a. Total Unfunded Liability (3) - (4c)	(\$ 40,598,967)	\$ 25,728,382	(\$ 14,870,585)
b. Individual PLD Unpooled Liability (IUUAL)	<u>90,929,764</u>	<u>108,147,351</u>	<u>199,077,115</u>
c. Pooled Unfunded Actuarial Liability (a) - (b)	(\$ 131,528,731)	(\$ 82,418,969)	(\$ 213,947,700)
6. Amortization over 15 Years	(\$ 15,528,731)	(\$ 9,628,971)	(\$ 24,995,413)
7. Payroll	\$ 184,640,948	\$ 63,579,269	\$ 248,220,217
8. Pooled Unfunded Liability Contribution Rate	-8.3%	-15.1%	-10.1%

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	\$ 13,837,120	\$ 107,646	\$ 13,944,766
b. Retired Members, Beneficiaries Disabled Members and Survivors	333,148,630	304,970,535	638,119,165
c. Active Members	<u>287,396,286</u>	<u>187,072,251</u>	<u>474,468,537</u>
d. Total	\$ 634,382,036	\$ 492,150,432	\$ 1,126,532,468
2. Market Value of Assets	\$ <u>806,338,351</u>	\$ <u>500,989,658</u>	\$ <u>1,307,328,009</u>
3. Unfunded Accrued Benefit Liability (1) - (2)	\$ 0	\$ 0	\$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	127%	102%	116%



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

SECTION IV CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 2001, actuarial valuation, including our recommendation and the Board's decision not to establish zero rates, are used to determine Fiscal Year 2003 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 each 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 came into the Plan with liabilities in excess of assets 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 2003 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix D.

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



**TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 2003**

	Pooled Unfunded Actuarial Liability			
	Normal Cost**	Regular Plans	Special Plans	Total Rates
<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 JUNE 30, 2001:

CONSOLIDATED PLAN

APPENDIX A

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
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
Brewer Housing Authority	248	A			Yes	7/1/94
Brewer Water District	68	A			No	7/1/96
Bridgton Water District	253	A			No	7/1/96
Brunswick Fire and Police	292		1	2	FO	7/1/97
Brunswick Public Library	273	A			FO	7/1/95
Brunswick Sewer District	72	A			Yes	7/1/96
Caribou Police and Fire	208	A	1	2	No	7/1/96
Carrabassett Valley	277	A			FO	7/1/94
City of Auburn	27	A	2		Yes	7/1/94
City of Augusta	23	A	1	2	Yes	7/1/94
City of 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
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

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Eagle Lake Water & Sewer District	274	A			Yes	7/1/96
Erskine Academy	249	A			No	7/1/94
Falmouth Memorial Library	58	A			Yes	7/1/96
Farmington Village Corp.	118	A			No	7/1/94
Fort Fairfield Housing Authority	275	A			FO	7/1/94
Fort Fairfield Utilities District	131	A			Yes	7/1/96
Gardiner Water District	221	A			No	7/1/94
Gould Academy	205	A			No	7/1/96
Hampden Water District	183	A			No	7/1/96
Hancock County	56	A			Yes	7/1/94
Houlton Water District	26	A			Yes	7/1/95
Indian Township Tribal Gov't	244	A			No	7/1/96
Jackman Water District	294	A			Yes	7/1/96
Kennebec County	47	A			Yes	7/1/95
Kennebec Sanitary Treatment District	220	A			FO	7/1/95
Kennebec Water District	31	A			Yes	7/1/96
Kennebunk Light and Power Co.	62	A			Yes	7/1/94
Kennebunk Sewer District	201	A			No	7/1/94
Kennebunk, Kennebunkport & Wells Water District	255	A			FO	7/1/96
Kittery Water District	12	A			Yes	7/1/94
Lew/Aub. Water Pollution Control Authority	163	A			FO	7/1/96
Lewiston Housing Authority	154	A			Yes	7/1/94
Lewiston-Auburn 9-1-1	291	A			Yes	7/1/94
Lincoln Academy	134	A			Yes	7/1/94
Lincoln Sanitary District	219	A			Yes	7/1/94
Lincoln Water District	92	A			Yes	7/1/95
Lisbon Water Department	243	A			No	7/1/96
Livermore Falls Water District	32	A			Yes	7/1/94
Lubec Water And Electric District	88	A			Yes	7/1/96
MADSEC	297	A			Yes	7/1/99
Madawaska Water District	236	A			Yes	7/1/94
Maine County Commissioners Assoc.	225	A			No	7/1/96
Maine International Trade Center	293	A			Yes	7/1/98
Maine Maritime Academy	38	A		2	Yes	7/1/96
Maine Municipal Bond Bank	93	A			Yes	7/1/95
Maine School Management Association	239	A			Yes	7/1/94
Maine State Retirement System	290	A			Yes	7/1/94
Maine Turnpike Authority	49	A			Yes	7/1/94
Maine Veterans Home	271	A			Yes	7/1/94
Mars Hill Utility District	283	A			Yes	7/1/94
ME Secondary School Principals Assoc.	105	A			Yes	7/1/94
Mechanic Falls Sanitary District	282	A			No	7/1/94
Milo Water District	238	A			No	7/1/96



ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
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. 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
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
Town of Brunswick	42	A			FO	7/1/95
Town of Bucksport	130	A			No	7/1/95
Town of Camden	8	A			FO	7/1/94
Town of Chesterville	295	B			Yes	7/1/99

ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

<u>PLD Name</u>	<u>PLD #</u>	<u>Regular Plan</u>	<u>Special Plan</u>	<u>Special Plan</u>	<u>COLA</u>	<u>Entry Date</u>
Town of China	235	A			No	7/1/96
Town of Corinna	217	A			No	7/1/96
Town of Cumberland	216	B ⁴			Yes	7/1/95
Town of Dexter	97	A			Yes	7/1/96
Town of Dover-Foxcroft	167	A			No	7/1/95
Town of Durham	234	A			No	7/1/96
Town of East Millinocket	54	A	2		Yes	7/1/96
Town of Easton	240	A			Yes	7/1/94
Town of Eliot	180	A	4		Yes	7/1/94
Town of Fairfield	260	A	2		No	7/1/95
Town of Falmouth	87	A			Yes	7/1/96
Town of Farmington	100	A	1	4	Yes	7/1/95
Town of Fayette	296	A			Yes	7/1/99
Town of Fort Fairfield	17	A			Yes	7/1/01
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 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
Town of Monson	184	A			No	7/1/96
Town of Mt. Desert	16	A			Yes	7/1/96



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

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

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



PARTICIPATING LOCAL DISTRICTS PLAN ELECTIONS (continued)

Notes:

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

- ¹ Employees hired prior to July 1, 1997 and who are members of the System are covered under Special Plan #1. Corrections Officers and Law Enforcement Officers hired on or after July 1, 1997, will be covered under Special Plan #2. All other employees hired on or after July 1, 1997, will be covered under Regular Plan A.
- ² applicable to all new hires on or after July 1, 1996. All members in the PLD at July 1, 1996 elected to remain in the 1/50 Plan under Regular Plan A.
- ³ applicable to all new police hires on or after July 1, 1998.
- ⁴ applicable for future service only from July 1, 2001.
- ⁵ applicable to all new hires on or after July 1, 1995. All members in the PLD at July 1, 1995 elected to remain in the 1/50 Plan under Regular Plan A.
- ⁶ applicable to all new hires on or after July 1, 1994. All members in the PLD at July 1, 1994 elected to remain in the 1/50 Plan under Regular Plan A.



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

APPENDIX B MEMBER AND BENEFITS RECIPIENTS DATA AND PROFILES ACTIVE MEMBER DATA AS OF JUNE 30, 2001

Regular Plans Members

Count	7,146
Average Current Age	45.3
Average Service	8.4
Average Valuation Pay	\$ 25,838

Special Plans Members

Count	1,607
Average Current Age	34.2
Average Service	9.1
Average Valuation Pay	\$ 39,564

All Plans Members

Count	8,753
Average Current Age	43.2
Average Service	8.6
Average Valuation Pay	\$ 28,358

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA AS OF JUNE 30, 2001

REGULAR PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	4,619
Total Annual Benefit	\$ 38,944,059
Average Annual Benefit	\$ 7,349

Inactive Vested

Count	311
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 2,052,313
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 6,599

SPECIAL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	1,670
Total Annual Benefit	\$ 24,407,143
Average Annual Benefit	\$ 14,932

Inactive Vested

Count	7
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 26,505
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 3,786

ALL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count	6,289
Total Annual Benefit	\$ 58,880,257
Average Annual Benefit	\$ 9,362

Inactive Vested

Count	318
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 2,078,818
Avg. Annual Deferred Benefit (Payable at Normal Retirement Age)	\$ 6,537



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Member Contributions

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

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

2. Average Final Compensation

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

3. Creditable Service

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

4. Service Retirement Benefits

Regular Plan AC

Normal Retirement Age: 60

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

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

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 2000: 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, 2000: at least 5 years of creditable service and at least normal retirement age.

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

ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN



SUMMARY OF PLAN PROVISIONS (continued)

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

Cost of living Adjustment: See item 10.

Regular Plan AN

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

Regular Plan BC

Normal Retirement Age: 60

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

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

Eligibility for members not in active service at retirement, and not in active service on or after October 1, 2000: 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, 2000: at least 5 years of creditable service and at least normal retirement age.

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

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

Cost of living Adjustment: See item 10.

Special Plan 1C

Eligibility: 20 years of creditable service in named positions.

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

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

Cost of Living Adjustment: See item 10.



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 1N

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

Special Plan 2C

Eligibility: 25 years of creditable service in named positions.

Benefit: $\frac{1}{2}$ average final compensation plus 2% for each year of service in excess of 25.

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

Cost of Living Adjustment: See item 10.

Special Plan 2N

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

Special Plan 3C

Eligibility: 25 years of creditable service in named positions.

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

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

Cost of Living Adjustment: See item 10.

Special Plan 3N

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

Special Plan 4C

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

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

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

Cost of Living Adjustment: See item 10.

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



SUMMARY OF PLAN PROVISIONS (continued)

Special Plan 4N

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

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

5. Pre-Retirement Accidental Death Benefits

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

6. Pre-Retirement Ordinary Death Benefits

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

7. Disability Benefits Other Than No Age Benefits

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



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

SUMMARY OF PLAN PROVISIONS (continued)

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

8. No-Age Disability Benefits

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

9. Refund of Contributions

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

ACTUARIAL VALUATION JUNE 30, 2001:

CONSOLIDATED PLAN



SUMMARY OF PLAN PROVISIONS (continued)

10. Cost of Living Adjustments

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

11. Methods of Payment of Service Retirement Benefits

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

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

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



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

APPENDIX D ACTUARIAL ASSUMPTIONS AND METHODS

A. Actuarial Assumptions

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

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

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

5. Rates of 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

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

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

ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN



ACTUARIAL ASSUMPTIONS AND METHODS (continued)

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



ACTUARIAL VALUATION JUNE 30, 2001: CONSOLIDATED PLAN

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; spouses are same age; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries. |
|--|--|

B. Actuarial Methods

1. Funding Method

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

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

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

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

2. Asset Valuation Method

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

STATISTICAL SECTION





STATISTICAL SECTION

ACTIVE and INACTIVE MEMBERS

Data reflecting comprehensive membership in the MSRS as of June 30th as contained in the System's Membership Record Keeping System Database (MRKS) are presented below. These membership numbers include both active and inactive members. Active members are those who are currently working for an MSRS participating employer and who are therefore making member contributions to the MSRS. Inactive members are those who made member contributions in the past and whose contributions remain with the System. These members are not making contributions presently because either they are not working for an MSRS participating employer or they are now in positions in which membership is optional and have opted not to be active members.

The comprehensive membership numbers below are broader and therefore somewhat different from the participants counts included in both the Actuarial Valuation and Statistical Sections of this report. Teacher membership presents a particularly interesting data management matter. By statute, any person employed as a teacher is a mandatory member under the State and Teacher plan. Consequently, all substitute teachers, even if employed for only a brief period, are members. When a teacher member appears on a payroll for the first time, a MSRS membership record is established and exists until such time as the member either takes a refund, retires or dies. It is not unusual for a substitute teacher to appear sporadically, if at all, on payrolls in any given year. Therefore, for actuarial reasons having to do with the calculation of liabilities, teacher members with annual earnings of less than \$2,000 are excluded from actuarial valuation data. However, these same teacher members represent recordkeeping and member service responsibilities for MSRS staff and are therefore included in the comprehensive membership numbers below. Likewise, non-vested inactive members are not included in the annual valuation, but are included in the comprehensive membership numbers.

Comprehensive Membership Counts

Members	FY 2002			FY2001			FY2000		
	Active	Inactive	Total	Active	Inactive	Total	Active	Inactive	Total
State*	14,935	15,606	30,541	14,692	15,505	29,747	14,567	14,432	28,999
Teachers	34,629	46,281	80,910	34,064	43,917	77,981	33,463	41,455	74,918
PLD*	9,022	9,199	18,221	9,208	8,622	17,690	8,759	8,396	17,155
Legislative	170	130	300	171	134	305	169	105	274
Judicial	54	3	57	56	4	60	57	3	60
Total	58,810	71,219	130,029	58,011	67,772	125,783	57,015	64,391	121,406

*Includes both regular and special plan members

Source: June 30 Raw Data Files

STATISTICAL SECTION



BENEFIT RECIPIENTS

Recipients of MSRS benefits fall into five categories:

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

The figures below show the categories of benefits paid and the total benefits in each category paid in the month of June for the years 2000, 2001 and 2002.

	June 2002 Benefit Recipients	June 2002 Benefit Dollars	June 2001 Benefit Recipients	June 2001 Benefit Dollars	June 2000 Benefit Recipients	June 2000 Benefit Dollars
Service Retirees/Current Beneficiaries	23,626	\$ 26,535,656	23,287	\$ 25,066,916	22,873	\$ 23,167,485
Retiree Beneficiaries	3,265	2,534,788	3,175	2,413,792	3,097	2,184,744
Disability Retirees	2,218	3,213,780	2,096	2,842,590	1,967	2,663,256
Ord./Accidental Death Beneficiaries	989	412,091	1,008	414,780	1,007	405,244
Total	30,098	\$ 32,696,315	29,566	\$ 30,738,078	28,944	\$ 28,420,729



STATISTICAL SECTION

LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

PROGRAM: STATE EMPLOYEE
Employer: State of Maine
Reporting Entity: State of Maine

PROGRAM: STATE EMPLOYEE
Employer: Various
Reporting Entity: (as follows)

Central Maine Technical College
Eastern Maine Technical College
Governor Baxter School
Kennebec Valley Technical College
Maine Career Advantage - MTC
Maine Dairy & Nutrition Council
Maine Potato Board
Maine Technical College System - Administration
Northern Maine Technical College
Northern NE Passenger Rail Authority
Southern Maine Technical College
University of Maine
Washington County Technical College
Wild Blueberry Commission of Maine
York County Technical College

PROGRAM: TEACHER
Employer: State of Maine; School Administrative
Units for Grant-funded Teachers
Reporting Entity: (as follows)

Acton School Department
Arundel School Department
Auburn School Department
Augusta School Department
Bangor School Department
Bath School Department
Biddeford School Department
Brewer School Department
Bridgewater School Department
Brunswick School Department
Bucksport School Department
Cape Elizabeth School Department
Caribou School Department
Caswell School Department
Caswell School Department
CSD #3 Boothbay Harbor
CSD #4 Flanders Bay

TEACHER *(continued)*

CSD #7 Mt. Desert
CSD #8-Airline CSD
CSD #9 South Aroostook
CSD #10 Maranacook
CSD #11 Schoodic
CSD #12 East Range
CSD #13 Deer Isle - Stonington
CSD #14 Great Salt Bay - Damariscotta
CSD #15 Oak Hill
CSD #17 Moosabec
CSD #18 Wells-Ogunquit
CSD # 19 Five Town CSD
Dedham School Department
Easton School Department
Ellsworth School Department
Erskine Academy
Falmouth School Department
Fayette School Department
Foxcroft Academy
Freeport School Department
Fryeburg Academy
George Stevens Academy
Glenburn School Department
Gorham School Department
Gould Academy
Grand Isle School District
Harmony School Department
Hermon School Department
Indian Island
Indian Township
Isle Au Haut School Department
Islesboro School Department
Jay School Department
Kittery School Department
Lee Academy
Lewiston School Department
Limestone School Department
Lincoln Academy
Lincolntonville School Department
Long Island School Department
Madawaska School Department
Maine Central Institute
Maine Education Association
Maine Indian Education
Maine School of Science & Math
Millinocket School Department
Monhegan Plantation School Department

STATISTICAL SECTION



LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

TEACHER *(continued)*

Monmouth School Department

MSAD #1 Presque Isle

MSAD #3 Unity

MSAD #4 Guilford

MSAD #5 Rockland

MSAD #6 Bar Mills

MSAD #7 North Haven

MSAD #8 Vinalhaven

MSAD #9 Farmington

MSAD #10 Allagash

MSAD #11 Gardiner

MSAD #12 Jackman

MSAD #13 Bingham

MSAD #14 Danforth

MSAD #15 Gray

MSAD #16 Hallowell

MSAD #17 South Paris

MSAD #18 Bucksport

MSAD #19 Lubec

MSAD #20 Fort Fairfield

MSAD #21 Dixfield

MSAD #22 Hampden

MSAD #23 Carmel

MSAD #24 Van Buren

MSAD #25 Sherman Station

MSAD #26 Ellsworth

MSAD #27 Fort Kent

MSAD #28 Camden

MSAD #29 Houlton

MSAD #30 Lee

MSAD #31 Howland

MSAD #32 Ashland

MSAD #33 St. Agatha

MSAD #34 Belfast

MSAD #35 Eliot

MSAD #36 Livermore Falls

MSAD #37 Harrington

MSAD #38 Etna

MSAD #39 Buckfield

MSAD #40 Waldoboro

MSAD #41 Milo

MSAD #42 Mars Hill

MSAD #43 Mexico

MSAD #44 Bethel

MSAD #45 Washburn

MSAD #46 Dexter

MSAD #47 Oakland

MSAD #48 Newport

MSAD #49 Fairfield

MSAD #50 Thomaston

MSAD #51 Cumberland Center

MSAD #52 Turner

MSAD #53 Pittsfield

MSAD #54 Skowhegan

MSAD #55 Cornish

MSAD #56 Searsport

MSAD #57 Waterboro

MSAD #58 Kingfield

MSAD #59 Madison

MSAD #60 North Berwick

MSAD #61 Bridgton

MSAD #62 Pownal

MSAD #63 East Holden

MSAD #64 East Corinth

MSAD #65 Matinicus

MSAD #67 Lincoln

MSAD #68 Dover-Foxcroft

MSAD #70 Hodgdon

MSAD #71 Kennebunk

MSAD #72 Fryeburg

MSAD #74 North Anson

MSAD #75 Topsham

MSAD #76 Swans Island

MSAD #77 Machias

Old Orchard Beach School Department

Old Town School Department

Peru School Department

Pleasant Point School

Portland School Department

Raymond School Department

Region 2 Southern Aroostook County

Region 3 Northern Penobscot County

Region 4 Southern Penobscot County

Region 7 Waldo County Technical Center

Region 8 Knox County Vocational School

Region 9 No. Oxford Vocational School

Region 10 Cumberland-Sagadahoc County

Region 11 So. Oxford County Vocation

Richmond School Department

Sanford School Department

Scarborough School Department

So. Portland School Department

Thornton Academy

Union 7 Dayton

Union 7 Saco

Union 29 Mechanic Falls



STATISTICAL SECTION

LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

TEACHER *(continued)*

Union 29 Minot	Union 91 Orrington
Union 29 Poland	Union 92 Hancock
Union 30 Durham	Union 92 Lamoine
Union 30 Lisbon	Union 92 Otis
Union 37 Lincoln Plantation	Union 92 Surry
Union 37 Rangeley	Union 92 Trenton
Union 42 Manchester	Union 93 Blue Hill
Union 42 Mount Vernon	Union 93 Brooksville
Union 42 Readfield	Union 93 Castine
Union 42 Wayne	Union 93 Penobscot
Union 44 Litchfield	Union 96 Gouldsboro
Union 44 Sabattus	Union 96 Steuben
Union 44 Wales	Union 96 Winter Harbor
Union 47 Administration	Union 98 Administration
Union 47 Georgetown	Union 98 Bar Harbor
Union 47 Phippsburg	Union 98 Cranberry Isle
Union 47 West Bath	Union 98 Frenchboro
Union 47 Woolwich	Union 98 Mount Desert
Union 48 Alna	Union 98 Southwest Harbor
Union 48 Dresden	Union 98 Tremont
Union 48 Westport	Union 102 Jonesboro
Union 49 Edgecomb	Union 102 Machias
Union 49 Southport	Union 102 Marshfield
Union 51 Chelsea	Union 102 Wesley
Union 51 Jefferson	Union 102 Whitneyville
Union 51 Whitefield	Union 103 Beals
Union 52 China	Union 103 Jonesport
Union 52 Winslow	Union 104 Charlotte
Union 52 Vassalboro	Union 104 Eastport
Union 60 Greenville	Union 104 Pembroke
Union 60 Shirley	Union 104 Perry
Union 69 Appleton	Union 106 Alexander
Union 69 Hope	Union 106 Calais
Union 74 Bristol	Union 106 Robbinston
Union 74 Damariscotta	Union 107 Baileyville
Union 74 Nobleboro	Union 107 Princeton
Union 74 South Bristol	Union 108 Vanceboro
Union 76 Brooklin	Union 110 Reed Plantation
Union 76 Sedgewick	Union 113 East Millinocket
Union 87 Orono	Union 113 Medway
Union 87 Veazie	Union 122 New Sweden
Union 90 Alton	Union 122 Stockholm
Union 90 Bradley	Union 122 Westmanland
Union 90 Greenbush	Union 122 Woodland
Union 90 Greenfield	Union 132, Central office
Union 90 Milford	Union 133, Central office
Union 91 Orland	Union 132 Chelsea
	Union 132 Jefferson
	Union 132 Whitefield

STATISTICAL SECTION



LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

TEACHER *(continued)*

Union 133 Palermo
Union 133 Somerville
Union 133 Windsor
Washington Academy
Waterville School Department
Westbrook School Department
Windham School Department
Winthrop School Department
Wiscasset School Department
Yarmouth School Department
York School Department

PROGRAM: LEGISLATORS
Employer: State of Maine
Reporting Entity: Legislative Retirement System

PROGRAM: JUDGES
Employer: State of Maine
Reporting Entity: Judicial Retirement System

PROGRAM: CONSOLIDATED PLAN FOR
PARTICIPATING LOCAL DISTRICTS
Employer: Participating Local Districts
Reporting Entity: (as follows)

Androscoggin County
Androscoggin Valley Council of Governments
Aroostook County
Auburn Housing Authority
Auburn Lewiston Airport
Auburn Public Library
Auburn School Support
Auburn, City of
Augusta Sanitary District
Augusta School Support
Augusta Water District
Augusta, City of
Baileyville School Support
Baileyville, Town of
Bangor Housing Authority

Bangor Water District
Bar Harbor - School Support
Bar Harbor School Lunch
Bar Harbor, Town of
Bath School Support
Bath Water District
Bath, City of
Belfast Water District
Belfast, City of
Berwick Sewer District
Berwick, Town of
Bethel, Town of
Biddeford School Support
Biddeford, City of
Boothbay Harbor, Town of
Boothbay Region Water District
Brewer Housing Authority
Brewer School Support
Brewer Water District
Brewer, City of
Bridgton Water District
Brunswick Fire And Police
Brunswick Public Library Association
Brunswick School Support
Brunswick Sewer District
Brunswick, Town of
Bucksport School Food Service
Bucksport School Support
Bucksport, Town of
Calais School Support
Calais, City of
Camden, Town of
Caribou Fire & Police
Carrabasset Valley, Town of
Chesterville, Town of
China, Town of
Community School District #915 - Oak Hill
Community School District, #912
Corinna Sewer District
Corinna, Town of
Cumberland County
Cumberland, Town of
Dexter, Town of
Dover-Foxcroft Water District
Dover-Foxcroft, Town of
Durham School Support
Durham, Town of
E. Millinocket School Support
Eagle Lake Water & Sewer District



STATISTICAL SECTION

LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

East Millinocket
Easton School Support
Easton, Town of
Eliot, Town of
Ellsworth School Support
Ellsworth, City of
Erskine Academy
Fairfield, Town of
Falmouth Memorial Library
Falmouth School Support
Falmouth, Town of
Farmington Village Corp.
Farmington, Town of
Fayette, Town of
Fort Fairfield Housing Authority
Fort Fairfield Utilities District
Fort Fairfield, Town of
Frenchville, Town of
Gardiner Water District
Gardiner, City of
Glenburn School Lunch
Glenburn School Support
Glenburn, Town of
Gould Academy
Greenville School Support
Greenville, Town of
Hallowell, City of
Hampden Water District
Hampden, Town of
Hancock County
Harrison, Town of
Hermon School Support
Hermon, Town of
Hodgdon, Town of
Houlton Water Company
Houlton, Town of
Indian Township Tribal Government
Jackman Utility District
Jay School Support
Jay, Town of
Kennebec County
Kennebec Sanitary Treatment District
Kennebec Water District
Kennebunk Kennebunkport Wells Water District
Kennebunk Light & Power District
Kennebunk Sewer District

Kennebunk, Town of
Kennebunkport, Town of
Kittery - School Support
Kittery Water District
Kittery, Town of
Lebanon, Town of
Lewiston Auburn 911
Lewiston Auburn Water Pollution
Lewiston Housing Authority
Lewiston School Support
Lewiston, City of
Lincoln Academy
Lincoln Sanitary District
Lincoln Water District
Lincoln, Town of
Linneus, Town of
Lisbon School Support
Lisbon Water Department
Lisbon, Town of
Livermore Falls Water District
Livermore Falls, Town of
Lovell, Town of
Lubec Water & Electric District
Lubec, Town of
Madawaska School Support
Madawaska Water District
Madawaska, Town of
MADSEC
Maine County Commissioners Association
Maine International Trade Center
Maine Maritime Academy
Maine Municipal Bond Bank
Maine Principals' Association
Maine School Management Association
Maine State Retirement System
Maine Turnpike Authority
Maine Veterans Home - Augusta
Maine Veterans Home - Bangor
Maine Veterans Home - Caribou
Maine Veterans Home - Central Office
Maine Veterans Home - Scarborough
Maine Veterans Home - So. Paris
Mapleton, Town of
Mars Hill Utility District
Mars Hill, Town of
Mechanic Falls Sanitary District
Mechanic Falls School Support
Mechanic Falls, Town of
Medway School Support

STATISTICAL SECTION



LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Medway, Town of	Phippsburg School Food Service
Mexico, Town of	Phippsburg School Support
Milford, Town of	Phippsburg, Town of
Millinocket School Support	Piscataquis County
Millinocket, Town of	Pittsfield, Town of
Milo Water District	Pleasant Point Passamaquoddy Reservation Housing Authority
Monson, Town of	Portland Housing Authority
Mount Desert Island Regional	Portland Public Library
MSAD #13 Bingham	Portland School Support
MSAD #16 Hallowell	Portland, City of
MSAD #21 Dixfield	Princeton School Support
MSAD #29 Houlton	Princeton, Town of
MSAD #31 Howland	Region 4 So. Penobscot
MSAD #41 Milo	Richmond Utility District
MSAD #49 Fairfield	Rockland, City of
MSAD #51 Cumberland	Rockport, Town of
MSAD #53 Pittsfield	Rumford Fire & Police
MSAD #54 Skowhegan	Rumford Mexico Sewerage District
MSAD #60 Berwick	Rumford School Support
MSAD #67 Lincoln	Rumford Water District
MSAD #71 Kennebunk	Rumford, Town of
Mt. Desert School Support	Sabattus School Support
Mt. Desert, Town of	Sabattus, Town of
New Gloucester, Town of	Saco School Support
North Berwick, Town of	Saco, City of
Norway Water District	Sagadahoc County
Norway, Town of	Sanford Housing Authority
Old Town Housing Authority	Sanford School Support
Old Town School Support	Sanford Sewerage District
Old Town Water District	Sanford Water District
Old Town, City of	Sanford, Town of
Orland School Food Service	Scarborough School Food Service
Orland School Support	Scarborough School Support
Orland, Town of	Scarborough, Town of
Orono School Support	Searsport Water District
Orono, Town of	Searsport, Town of
Orrington School Lunch Program	Skowhegan, Town of
Orrington School Support	South Berwick Water District
Orrington, Town of	South Berwick, Town of
Otisfield, Town of	South Portland Housing Authority
Oxford County	South Portland School Support
Oxford, Town of	South Portland, City of
Paris Utility District	St. Agatha, Town of
Paris, Town of	Topsham, Town of
Penobscot County	Training And Development Corp.
Penquis C.A.P.	Tri-Community Sanitary Landfill
	Van Buren Housing Authority
	Van Buren, Town of
	Vassalboro, Town of



STATISTICAL SECTION

LIST OF EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Waldo County Technical Center
Waldoboro, Town of
Washburn, Town of
Washington County
Waterville Fire & Police
Waterville Sewer District
Wells-Ogunquit CSD 918
Westbrook Housing Authority
Winslow School Support
Winslow, Town of
Winter Harbor Utility District
Winthrop School Support
Winthrop, Town of
Yarmouth School Support
Yarmouth Water District
Yarmouth, Town of
York County
York School Support
York Sewer District
York Water District
York, Town of

New Canada Plantation
Norway Paris Solid Waste Corp
Somerset County
Town of Bridgton
Town of Brownville
Town of Cape Elizabeth
Town of Damariscotta
Town of Dixfield
Town of Fort Kent
Town of Freeport
Town Of Fryeburg
Town of Georgetown
Town Of Gorham
Town of Harpswell
Town of Howland
Town of Limestone
Town of Milo
Town Of Wells
Waldo County Commissioners

PROGRAM: NON-CONSOLIDATED PARTICIPATING LOCAL DISTRICTS

Employer: Participating Local Districts

Reporting Entity: (as follows)

Auburn Water/Sewer District
Bangor Public Library
Bangor School Support
Cheverus High School
City of Bangor
City of Presque Isle
City of Westbrook
CSD 3 Boothbay/Boothbay Harbor
Franklin County
Gorham School Support
Knox County
Limestone Water/ Sewer District
Lincoln County
Maine Municipal Association
Maine State Housing Authority
MSAD 34
MSAD 56
MSAD 9



Maine State Retirement System

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