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Maine State Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

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Comprehensive Annual Financial Report

MAINE STATE RETIREMENT SYSTEM

For the fiscal year ending June 30, 2003

APR 0 8 2004

MAINE STATE RETIREMENT SYSTEM
JUNE 30, 2003

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MSRS
MAINE STATE RETIREMENT SYSTEM

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 pleased to present the Annual Report of the Maine State Retirement System for the fiscal year ending June 30, 2003. The year continued the System's steady progress in its transformation of itself and marked a very significant milestone in that transformation: initiation of production of Member Statements. Investment markets improved significantly and with them the System's investment return. That change was very welcome but did not alter our perspective as a long-term investor.

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&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 (PLD) employers in the Consolidated Plan and their employees.

The System also is responsible for the administration of a group life insurance program that provides or makes available life insurance and accidental death and dismemberment 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&A and the financial statements and Notes thereto.

The System's responsibility for the investment of the funds of the Maine Learning Technology Fund (formerly, Endowment) (MLTF) was completed at the end of fiscal 2003 when, in accordance with the MLTF legislation, the funds were no longer identified as an endowment and were transferred back to the State. More detail on the MLTF can be found in the MD&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.

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 committee to discuss the audit and its findings as to the integrity of our financial reporting and adequacy of our internal controls.

LETTER OF TRANSMITTAL

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 underfunded judicial program to the more well-funded Consolidated Plan for 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, whose asset surplus had become smaller over the last few years because of both benefit improvements for judges and negative investment results, became slightly underfunded. The well-funded status of the Consolidated Plan for PLDs reflects the circumstances and timing 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&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&A, financial statements and Notes.

MAJOR INITIATIVES

Again in 2003, 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. A landmark demonstration of the translation of these efforts into meaningful new services for our members was the issuance in 2003 of the System's first-ever Member Statements. These Statements provided individualized pertinent retirement data on service credit and beneficiary designations to the 3,600 State employees who were in the first "wave" of Statement production. Successive waves will steadily follow until each of our members has received an initial Member Statement and all members are receiving periodic updated Statements.

Our priorities for the Automation Project that is at the base of our transformation were continually being re-thought and updated in 2003. While we concentrated tremendous effort on the production of Member Statements, we also focused intently on completing the document imaging project that was begun in 2002. We now have a fully functioning imaging system and conversion of all backfiles has been completed. We have begun our next major project, also time sensitive, which is to install a new benefits payroll system.

The System became a presence in cyberspace with the launch of its website (http://www.msrs.org) early in FY 2003. Several years ago we decided that we would establish a website only when our transformation had progressed far enough for us to have confidence in the accuracy and reliability of the information to be provided, and to have confidence that continuous improvement of the site would flow from other changes we were making, in particular in automation. We also were reasonably certain that, until fairly recently, only a relatively small proportion of our members, employers and retirees would in fact turn to a website for information. All of our criteria for making a site a high priority having been met, we are delighted to have added this resource.

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, notably adding in the last two years a Chief Investment Officer position and an Internal Auditor position. In a financial institution of the System's size and scope of responsibility, both are functionally necessary and contribute to fiduciary soundness. The absolute number of our staff positions did not change.

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 on the model we established with the 2002 Annual Report. We expect to make further changes, reflecting the continuing evolution of the way in which we carry out this part of our reporting responsibilities and our desire 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. Again this year, much of the detailed information appears in sections of the Report rather than in the Letter of Transmittal.

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, sets out the names and positions of the System's senior administrative staff, provides an organizational chart reflecting the System's entire administrative staff, lists the principal professional consultants that provided services to the System in FY 2003, and includes the Legislative Update for the first regular session of the 121st 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, 2003 with their Notes, Required Supplementary Information and other supplementary information. 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 Fund is also included.

The Investments Section presents detail, at June 30, 2003, of Retirement System, Group Life Insurance and Maine Learning Technology Fund assets. Additional information on investments is in the MD&A, financial statements and Notes.

The Actuarial Section includes the June 30, 2002 actuarial valuations for the four retirement programs administered by the System: the State employee and teacher program, the legislative program, the judicial program and the program of the Consolidated Plan for Participating Local Districts. (Valuations for the several non-Consolidated PLDs are not included but are available from the System.)

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

ACKNOWLEDGEMENTS

In last year's Report I said, "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." In 2003, this staff's wonderfully high output of effort and energy did not flag, nor did its real delight in its successes and their importance for our members. The staff's appetite for the challenges ahead is as impressive. The System's members, employers and retirees are well-served by its staff, as individuals and as contributors to a shared endeavor.

Respectfully submitted,

Kay R. H. Evans
Executive Director

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.

SENIOR ADMINISTRATIVE 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
Carl A. Cappello	Associate Deputy Executive Director
William E. Saufley	Director of Administration
Marlene McMullen-Pelsor	MERS Director for Service Programs
Kathy J. Morin	Assistant to Chief Deputy Executive Director
John F. Fleming	Internal Auditor

PRINCIPAL PROFESSIONAL CONSULTANTS

Actuary	**Investment Consultant**	**Auditors**
Milliman USA	Ennis Knupp & Associates	PricewaterhouseCoopers LLP

OVERVIEW OF MSRS ORGANIZATION

INTRODUCTION

By the authority granted to it by the Maine State Legislature, the Maine State Retirement System administers retirement programs that cover State employees, the State's public school teachers, judges, legislators, and employees of the approximately 260 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 or makes available life insurance benefits for active and retired System 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 AND CONTRIBUTIONS

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), those covered by an employer-sponsored qualified plan, employees not covered by the Municipal Public Employees Labor Relations Law, 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. Each employer also contributes to the System in an amount that is a percentage of total wages paid to members who are employees of that employer. The State pays the employer contribution on behalf of all teacher members as well as all State employee members. Employer contribution percentages are actuarially determined by plan and vary from year to year. MSRS membership terminates upon retirement, death, or refund of member contributions. Further details regarding plan provisions may be found elsewhere in this Report in the Actuarial Valuation for each plan.

GROUP LIFE INSURANCE PROGRAM

The Group Life Insurance Program is provided or made available to all State employees, public school teachers, and the employees of those PLDs that elect to offer the Program 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 employee's annual base compensation rounded up to the next $1,000), supplemental coverage for the employee and coverage for dependents are also available.

OVERVIEW OF MSRS ORGANIZATION

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 two-year term of the State Treasurer. The Board annually elects its chair and vice chair from its members.

The Board contracts for the services of an actuary, currently the firm of Milliman USA, to prepare 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. The policy states the Board's underlying investment objectives, sets out the investment strategies intended to realize the objectives and establishes guidelines and criteria for implementation of the strategies. The Board currently contracts with the firm of Ennis Knupp and Associates to advise in the development of the investment policy and the carrying out 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 decisions on disability retirement appeals, statutorily established medical boards and individual medical advisors provide recommendations as to the medical aspects of disability. The Board's final administrative decisions are appealable to Superior Court.

ADMINISTRATION

The Maine State Retirement System is a service organization with very significant financial and investment management and recordkeeping responsibilities. The Board of Trustees appoints the Executive Director of the MSRS. The work of the System is managed through the Office of the Executive Director and 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, the System's Chief Investment Officer, an investment consultant, other appropriate consultant services and investment managers. In addition, the Office manages day-to-day administration of the System, 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.

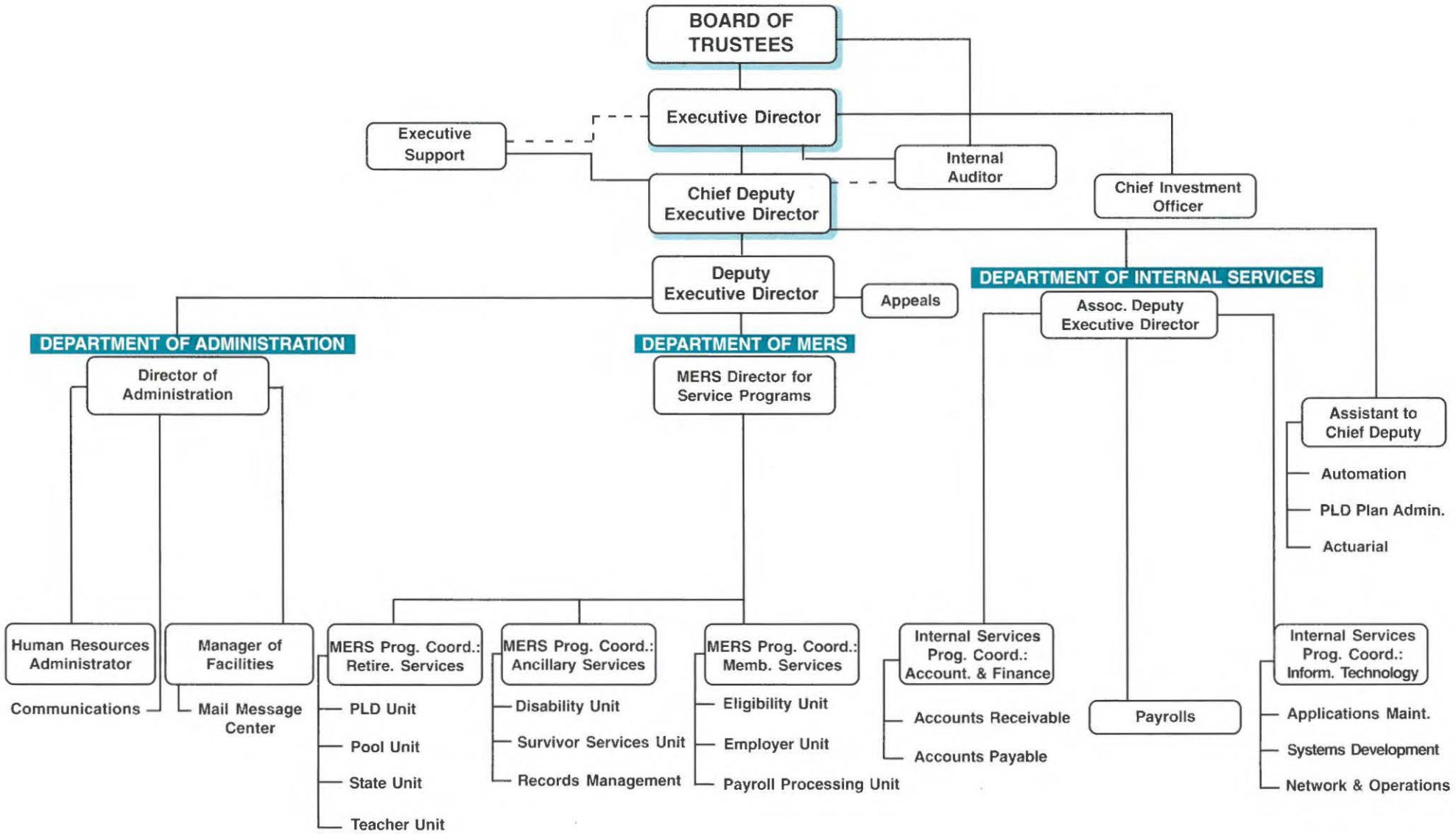
The Department of Internal Services includes three divisions: Accounting and Finance, Information Technology, and Benefits Payroll Administration and Supporting Services. The Accounting and Finance Division has primary responsibility for the MSRS accounting and financial management systems. This includes 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 Recordkeeping System. The Division's responsibilities include maintenance and

OVERVIEW OF MSRS ORGANIZATION

technical support of various software applications and operation of the computer network and related hardware. Primary computer operations occur in the MSRS Augusta office; a back-up site is located in the System's Portland office. The Payrolls Administration Division is responsible for the System's benefits payroll program and for the administration of member refunds.

The Department of Administration is responsible for the staff-centered aspects of the System's development as an organization and oversees the management of internal personnel, including labor relations, and of the staff payroll. Personnel information and 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 and safety requirements. The Department also administers the System's facilities management, the mail/message center and the Division of Communications.

ORGANIZATIONAL CHART by FUNCTION



Legislative Update

Legislation Enacted in the First Regular Session of the 121st Legislature

An Act Making Unified Appropriations and Allocations for the Expenditures of State Government... for the Fiscal Years Ending June 30, 2004 and June 30, 2005

PL 2003, Chapter 20 [LD 1319]
Effective Date: July 1, 2003

This bill is the "Part 1" State budget. Part NN of this bill changes the amortization period currently in place for payment of the unfunded actuarial liability associated with the retirement plan that covers State employees and teachers. *(See related article on page 1 of the Summer 2003 issue of Retirement News.)*

An Act Relating to Employees Whose Membership in the Maine State Retirement System is Optional

PL 2003, Chapter 261 [LD 672]
Amending: 5 MRSA §§17652, 17703, 17704-A
Effective Date: September 13, 2003
Members Affected: Some State Employees

This bill changes the purchase of service provisions that apply to optional members in the State employee/teacher retirement plan. It also makes a change to the membership eligibility provisions that apply to specific employees of the Maine Community College System. *(See related article on page 5 of the Summer 2003 issue of Retirement News.)*

An Act Pertaining to Former Members of the Maine State Retirement System

PL 2003, Chapter 273 [LD 831]
Amending: 5 MRSA §18203
Effective Date: September 13, 2003
Members Affected: Some PLD Employees

This bill permits a withdrawn participating local district to elect to amend the retirement plan by which its employees who remained MSRS members are covered. Any provision of retirement law, whether effective before or after the district's withdrawal, is available for adoption by the withdrawn district.

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

PL 2003, Chapter 324 [LD 1535]
Effective Date: May 27, 2003
Members Affected: Some Service Retired State and Teacher

This bill permits any retiree who in 2001, was working towards earning a sufficient amount of money to become restored to membership, but who was unable to become restored to membership as a result of the repeal of the restoration to service provision, to now make an election so as to accomplish that result.

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

PL 2003, Chapter 328 [LD 1248]
Amending: 5 MRSA §18530
Effective Date: September 13, 2003
Members Affected: Some Disability Retired PLD

This bill changes the amount of a disability retirement benefit that can be paid to a recipient who also receives a workers' compensation and/or a social security disability retirement benefit. *(See related article on page 1 of the Summer 2003 issue of Retirement News.)*

Legislative Update **continued**

An Act to Amend Laws Relating to the Maine State Retirement System

PL 2003, Chapter 387 [LD 1501]
Effective Date: September 13, 2003
Members Affected: State, Teacher and PLD

This bill makes a number of changes to various provisions of current MSRS statutes. The changes of particular interest include: 1) the period of time that a member may continue to earn creditable service while on a leave of absence in order to serve in the military is increased from four to five years in order to comply with federal law; 2) rehabilitation services are extended to additional disability benefit recipients and participation in those services is made optional *(See related article on page 1 of the Summer 2003 issue of Retirement News.)*; and 3) the withdrawal of contributions is made optional for certain participating local district members who terminate membership. *(See related article on page 5 of the Summer 2003 issue of Retirement News.)*

An Act to Update the Department of Defense, Veterans and Emergency Management Laws

PL 2003, Chapter 404 [LD 1513]
Amending: 5 MRSA §17652
Effective Date: September 13, 2003
Members Affected: Some State Employees

This bill makes membership optional for Maine National Guard members who are on active state service for more than 15 consecutive days. These employees were previously excluded from MSRS membership. *(See related article on page 5 of the Summer 2003 issue of Retirement News.)*

An Act to Make Supplemental Appropriations and Allocations for the Expenditures of State Government... for Fiscal Years Ending June 30, 2003, June 30, 2004 and June 30, 2005

PL 2003, Chapter 451 [LD 1614]
Effective Date: June 12, 2003
Members Affeeted: Some State Employees and Retired Teachers

This bill is the "Part 2" State budget. Part GG of this bill amends the plan coverage for liquor inspectors who were hired prior to September 1, 1984, who were laid off in 2003, and who meet certain eligibility requirements. Part OO of this bill increases the health insurance payment for retired teachers from 35% to 40% effective August 1, 2003.

An Act to Clarify Eligibility in the Maine State Retirement System Life Insurance Program

PL 2003, Chapter 485 [LD 1107]
Amending: 5 MRSA §18055
Effective Date: September 13, 2003
Members Affected: State, Teacher and PLD

This bill permits individuals who are covered by group life insurance as a retiree to also be covered by group life insurance as an active member of the System. In order to have the additional coverage, the individual must pay the premium associated with the active employee coverage, regardless of whether the employer normally pays the cost of the coverage.

An Act Concerning Retirement Benefits for State Employees

PL 2003, Chapter 486 [LD 1009]
Amending: 5 MRSA §§17001 and 17704-B
Effective Date: September 13, 2003
Members Affected: Active and Retired State Employees

This bill permits members in the judicial and state employee/teacher retirement plan who were required to take days off without pay during the fiscal year beginning July 1, 2002, to elect to pay member contributions and interest in order to include those earnings as earnable compensation. *(See related article on page 6 of the Summer 2003 issue of Retirement News.)*

FINANCIAL SECTION

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
130 Middle Street
P.O. Box 9741
Portland ME 04104-5059
Telephone (207) 791 5200
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, 2003 and 2002, 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information included [on pages 15-22 and pages 31-35] 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. 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 December 11, 2003, on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule [on page 35] is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

PricewaterhouseCoopers LLP

December 11, 2003

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis (MD & A) is prepared by the management staff of the Maine State Retirement System (MSRS, the System) for the purpose of providing an introduction to and overview of the System's financial statements and the financial activities represented by them. The MD & A is in effect an annotated table of contents for the financial statements, describing generally the functional and operational context in which the System's financial activities take place and providing a narrative discussion, 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," "MJRS"), the State's legislators ("Maine Legislative Retirement System," "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 (229 PLDs are in the "Consolidated Plan for PLDs," the remaining 31 are free-standing PLDs that no longer provide an MSRS retirement benefit plan to employees hired after a given date but continue to support liabilities relating to certain then-active and/or then-inactive MSRS members and/or benefit recipients.);

- 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 members covered under the System's defined benefit retirement programs and also to employees of some public entities that do not offer the System's retirement benefit programs; and

- The investment of the funds that comprise the Maine Learning Technology Fund (MLTF, formerly Maine Learning Technology Endowment, renamed by legislative enactment), 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 MLTF funds comprise an agency fund as that term is defined by the Government Accounting Standards Board (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 nonvested 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 amount, 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. The $1.4 million change in administrative expense from 2002 to 2003 reflected in the financial statements is due principally to costs related to the conversion from microfiche to electronic imaging for document receipt, retention and storage. The imaging-conversion costs were charged to the Imaging Reserve ($578,000) established at the close of fiscal year 2002 in light of the conversion project already underway, to the Social Security Reserve for the PLD share of conversion costs ($202,000) and to insurance monies ($118,000) related to the warehouse fire in late 2002 that destroyed backup paper and fiche records stored off-site. The balance of the imaging conversion cost was charged to the System's operating budget. The remaining amount of the 2002-2003 difference was made up of a number of different recurring and/or expected cost increases, e.g., wages and benefits, particularly health insurance; property rental and maintenance; phone system conversion; depreciation increase.

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 its financial statements and the notes, required supplementary information, and other additional supplementary information that comprise the financial statements. The statements, notes and supplementary material provide comprehensive information 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 plau responsibilities are administered as a single plan, notwithstanding that separate actuarial valuations are performed for each of tbe 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 witb its financial statements a 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 tbe Consolidated Plan for PLDs and the nonconsolidated PLDs combined.

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 Fund

The System's responsibilities with respect to the Maine Learning Technology Fund are to invest, account for the receipt and expenditures of, and provide for the annual audit of, Fund funds. All transactions involving MLTF funds are made under the aegis of legislative and/or State administrative directives. These are set out in statute, in an administrative Memorandum of Understanding between the State and the System and in other agreements between the State and the System based on their common understanding of legislative intent and their related but separate responsibilities. The terms of the Fund'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 MLTF funds were initially invested and continue to be invested.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Financial Statements

A statement of net assets and a statement of changes in net assets as of June 30, 2003 and for the year then ending, with comparative information as of June 30, 2002 and for the year then ending. In these statements, assets are shown at market value.

Notes to Financial Statements

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Note 2. Summary of Significant Accounting Policies
Note 2 explains the basis of accounting at MSRS and summarizes significant accounting policies relating to investments, cash, the use of estimates, risks and uncertainties and 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 percent 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 System's securities lending program, under which any type of security in the System's portfolio can be lent to broker-dealers and other entities.

Note 6. Contributions 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 2003 and 2002.

Note 7. Statutory and Constitutional Requirements
Note 7 explains that statutory changes enacted by the Maine Legislature in 1998 and 2000 shortened the period for the State to amortize the unfunded actuarial pension liability of the State employee and teacher plan from the amortization period of 31 years established by constitutional amendment in 1995. The Note also explains that a statutory change enacted in 2003 re-lengthened the period for the FYs 2004-2005 biennium and re-shortens it as of the beginning of FY 2006.

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 Participating Local Districts. The Note describes both employer and employee retirement contribution rates applicable to the System and its employees. The Note also discusses the provision of post-retirement medical benefits for employees who retire from the System.

Required Supplementary Information

Supplementary information required by GASB 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 defined benefit retirement programs administered by the System taken together with the actuarial accrued liabilities of all of these programs taken together, as of actuarial valuation dates over a period of eight 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 taken together.

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 eight years. It reports the difference between required contributions and actual contributions for each year.

MANAGEMENT DISCUSSION AND ANALYSIS

Unaudited Supplemental Information

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

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 foreign stocks and publicly traded fixed income securities. Less than 1 percent of the assets are invested otherwise than in these classes. The investment policy established by the System's Board of Trustees assigns strategic target allocations for each of the three asset classes. As of June 30, 2003 the targets are 50 percent for domestic stocks, 15 percent for foreign stocks and 35 percent for fixed income. Only minor variations, resulting from market activity and controlled by a formally approved rebalancing methodology, are allowed between actual allocations and the strategic targets. While strategic targets may be changed by the Board from time to time, such changes reflect carefully analyzed investment 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 nature of public pension investments and their long term investment horizon.

The System's investment strategy is designed to prudently accommodate the funding demands inherent in 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. This perspective would suggest that conservative investment strategies be used. However, conservative, i.e., low risk, strategies can be expected to provide low investment returns. If investment returns are low, contributions, the other source of benefits 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 that the current investment strategy provides a prudent compromise between low investment risk and high investment return for the plan. One way of describing the risk/return relationship reflected in the strategy is to say that on average over the long-term the strategy is expected to produce negative returns approximately one year out of the four. The risk/return balance is the fundamental element of the System's investment program and receives virtually constant attention from the Board and staff.

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, 2003 total assets in these portfolios (together with the very small amount otherwise managed) were $6.9 billion net of accruals for investment management fees and certain investment-related administrative expenses. The comparable number at June 30, 2002 was $6.6 billion. The investment return at June 30, 2003 was positive 5.3 percent. The return at June 30, 2002 was negative 7.5 percent. Over the 10-year period ending on June 30, 2003 the average annual investment return was positive 8.0 percent.

The System earns additional income by lending securities. The borrowers of the securities, generally securities broker-dealers, 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. The System's financial statements, including Note 5, specifically report the amounts on loan, the collateral held, and the income received for the lending program conducted on the System's behalf by its master custodian. For the fiscal year ended June 30, 2003, net securities lending income from this program was $1.4 million. The amount of securities on loan for this program at the end of the year was $516.3 million. For the prior fiscal year, net income was $1.6 million; the amount of securities on loan at year-end was $467.4 million. System assets held in common/collective trusts may participate in similar securities lending programs conducted by the trusts. Neither the lending income nor the collateral held by these common/collective trusts is included in the securities lending activity reported in the financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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, 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, 2003 the market value of the System's Augusta and Gardiner properties was $4.5 million based on current appraisals. The June 30, 2002 value was $3.4 million. Cash outside the investment portfolio fluctuates with the inflow of contributions and the outflow of benefit payments. At June 30, 2003 cash outside the portfolio was $9.1 million; at June 30, 2002 it was $31.3 million. The larger 2002 amount was the result of the payoff by each of several PLDs of its Initial Unpooled Unfunded Actuarial Liability (IUUAL). There were fewer, and smaller, such payoffs in 2003. Whether cash outside of the 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, 2003 were $41.5 million. The June 30, 2002 amount was $39.4 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 Fund Investments

The Maine Learning Technology Fund total assets at June 30, 2003 were $13.6 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 non-State contributions to the Fund and by net investment income. Total assets at the end of the preceding fiscal year were $31.0 million. The $17.4 million decrease was the net result of a $2.3 million non-State contribution, $0.5 million of net investment income and $20.2 million of withdrawals in accordance with legislative and administrative directives.

Defined Benefit Plan/Programs 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. Valuation of the plans requires the establishment of actuarial assumptions as to plan demographics and as to economic factors relevant to plan funding. Both kinds of assumptions are established by the Board of Trustees on recommendation of its actuaries. The actuaries' recommendations as to demographic assumptions are based on relevant generally-established expectations (as to, e.g., terminations of service, occurrence of disability, age at retirement and life expectancy) and on periodic review by the actuaries of the actual demographic experience of the plans. The actuaries' recommendations as to economic factors are based on information and analysis obtained from both actuarial and investment-related sources, as to expected return on investments, general salary growth, and inflation, and as to the interrelationship of these three factors. (By way of information, the Board's actuarial investment return assumption is 8 percent per year, its general salary growth assumption is 5.5 percent per year and its inflation assumption is 4 percent per year. All of these assumptions reflect on-average, over-the-long-term expectations. Given both their importance to plan funding and their very long-term nature, these assumptions are often reviewed and rarely changed. In 2003, the Board reviewed the assumptions and concluded that they remained appropriate.)

Within the framework of the demographic and economic assumptions, plan assets and plan liabilities accrued to date and expected to accrue in the future are actuarially measured as of the valuation date. Actuarial measurement of assets involved the application of actuarial smoothing techniques. Smoothing takes into account the following:

- earnings on invested assets are a fundamental element of plan funding;
- assets are invested in investment vehicles and markets whose constant movements and changes constantly affect asset values, sometimes dramatically;
- the System's plans and their funding requirements are very long-term in nature; and
- allowing the full brunt of near-term market movements to affect asset values and funding requirements as they occur in inconsistent with the long-term nature of the plans.

Thus, the purpose and effect of smoothing is to delay, or spread out over time, the recognition of near-term market fluctuations. The result of smoothing, with respect to funding progress and contribution requirements, is that the full effect of an increase in asset value does not fully "show up" at the time it occurs; neither, of course, does the full effect of a decrease in asset value. In 2003, the increase in asset value at the end of the fiscal year was smoothed, or dampened, by the flow-through of the decrease in asset value in recent prior years. Similarly, the effect of those prior-year decreases was itself smoothed or dampened, hy the flow-through of the effect of asset value increases in still earlier years.

MANAGEMENT DISCUSSION AND ANALYSIS

At the System level - that is, including all of its defined benefit programs taken together - at June 30, 2003 the System was actuarially funded at 74.4 percent, which is a decrease from its actuarial funding level of 77.0 percent at June 30, 2002. With respect to the several retirement programs, actuarial funding levels differ by program and are set out below. While smoothing affects all programs, actuarial valuation methodology for each program is also 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 nonconsolidated PLDs are valued by the entry age normal methodology; such plans can be over- or under-funded. The MLRS program is valued by the aggregate actuarial methodology, under which actuarial assets and actuarial liabilities are set equal to each other.

At June 30, 2003 the actuarial liabilities of the State employee and teacher program were $2.92 billion greater than its actuarial assets. At June 30, 2002, actuarial liabilities were $2.59 billion greater than assets. The increases in the unfunded actuarial liability (UAL) in 2001, 2002 and 2003 were preceded by eight successive 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 and the actuarial smoothing techniques described above. The actuarial funding level of the State employee and teacher program at June 30, 2003 was 67.4 percent. At June 30, 2002 it was 69.4 percent.

At June 30, 2003, the actuarial liabilities of the MJRS exceeded its actuarial assets by $898,247. At June 30, 2002, assets exceed liabilities by $1.32 million. The MJRS' actuarial surplus decreased over recent years because of both the decline in the value of investments and the enactment by the Legislature of benefit enhancements. In 2003 the actuarial surplus was eliminated and the program had an unfunded liability. The actuarial funding level of the MJRS program at June 30, 2003 was 97.6 percent. At June 30, 2002 it was 104 percent.

At June 30, 2003 the MLRS' actuarial assets of $6.4 million equaled its actuarial liabilities, as dictated by the program's actuarial funding methodology. At June 30, 2002 the program's actuarial assets and liabilities were $6.25 million. The change reflected the effect of actuarial smoothing.

At June 30, 2003, 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 $175.2 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 113 percent. Excluding the unfunded liability obligations, the Consolidated Plan's actuarial assets exceeded its actuarial liabilities by $153.6 million; on this basis the Plan's funding level was 111 percent. At June 30, 2002, actuarial assets including unfunded liability obligations exceeded actuarial liabilities by $260.5 million; the actuarial funding level on this basis was 120 percent. Excluding the unfunded liability obligations, the excess of assets over liabilities was $224.1 million and the actuarial funding level was 117 percent. As with the other retirement programs, the decreases in the actuarial funding levels between June 30, 2002 and June 30, 2003 were due to the continuing recognition in the actuarial value of assets, by actuarial smoothing techniques, of the losses in market value of recent prior years.

The actuarial funding status of each of the nonconsolidated PLDs is calculated separately for each such PLD and is available from the System.

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. That is, 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 such cases the employer contributions are paid by the respective employers, e.g., school administrative units, from the grant funds. (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, 2003 was 31,936 in the Regular and Special Plans, an increase of 1,332 over the June 30, 2002 membership. Regular Plan members contribute 7.65 percent of earnable compensation. Special Plan members

MANAGEMENT DISCUSSION AND ANALYSIS

contribute 8.65 percent of earnable compensation until Special Plan retirement eligibility requirements are met, after which they contribute 7.65 percent of earnable compensation. Total Regular and Special Plan member contributions were $34.5 million in fiscal year 2003; the fiscal year 2002 total was $33.4 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, 2003 was 90,557, an increase of 9,556 over the June 30, 2002 membership. Teacher members contribute 7.65 percent of earnable compensation. Total teacher member contributions were $73.3 million in fiscal year 2003; the fiscal year 2002 total was $71.1 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 increases in membership in both the State employee and teacher plans are largely due to improved data collection and management with respect to inactive nonvested members, one of the many fruits of the System's Automation Project, not to actual membership growth. Because inactive nonvested members do not constitute liabilities, this data change has no effect on plan funding.

The State's employer contributions to the Regular and Special Plans on behalf of State employees totaled $77.9 million in fiscal year 2003; in fiscal year 2002, its Regular and Special Plan contributions were $75.6 million. The State's employer contributions on behalf of teachers totaled $166.2 million in fiscal year 2003; in fiscal year 2002 it was $157.3 million. These employer contributions were augmented by the contribution of a portion of the State's unallocated fiscal year 2003 General Fund Surplus. This additional contribution is mandated by statute to be made when sufficient General Fund Surplus (GFS) monies exist at fiscal year end. GFS contribution monies in the amount of $10.5 million were accrued by the System at June 30, 2003 on the basis of a firm estimate by the State. The contribution was allocated according to System policy in equal parts to the State employee and teacher components of the program. Thus, total State employer contributions in 2003 on behalf of State employees were $83.1 million and on behalf of teachers were $171.5 million.

The actual GFS monies in the amount of $10,579,345 were received by the System after the close of the fiscal year. Upon receipt of the funds, calculations required by a separate legislative provision affecting allocation of the GFS monies could be made. These will be reflected in the System's fiscal year 2004 financial statements as adjustments to the fiscal year 2003 allocation. In summary, this legislative provision in effect required that the priority use of GFS monies was to reduce the remaining balance owed to pay the past service cost of benefit improvements enacted in 2002 for certain Special Plan groups. Under the provision, this allocation priority remained until that balance was paid in full. While at the end of fiscal year 2003 the GFS monies were clearly adequate to pay the balance in full, the exact amount of the balance could not be established until the date upon which the actual funds were received. Thus the fiscal year 2004 adjustments will reflect the actual amount of the GFS monies received, the allocation made to pay off the balance and the adjusted allocation of the GFS funds remaining after the priority allocation to the State employee and teacher components in equal parts.

The State's employer contribution 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 active 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. The Maine Legislature in 1998 and again in 2000 shortened the Constitutional amortization period by a total of nine years. Effective July 1, 2003 for the two years of the then-beginning FY 2004-2005 biennium, the Legislature re-lengthened the period to the full extent of the then-remaining Constitutional period of 25 and 24 years, respectively. The legislation that instituted this change also provides that effective July 1, 2005, the beginning of FY 2006, the amortization period returns to the shortened period at year 14 thereof.

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 $149.1 million in fiscal year 2003; the fiscal year 2002 total was $141.9 million. Total benefit payments under the teacher component of the program, including all of the above-listed categories, were $191.7 million in fiscal year 2003; the fiscal year 2002 amount was $180.1 million. The increase in benefit payments were principally the result of the application of the statutorily-required 1.1 percent cost of living adjustment (COLA) to the benefits of recipients eligible for the COLA, a 2.1 percent increase in number of service retirement benefit recipients and an increase of 3.3 percent in the number of disability benefit recipients.

Membership in the MJRS was 60 at June 30, 2003; at June 30, 2002 it was 57. Judicial members contribute at 7.65 percent of earnable compensation. Total member contributions in fiscal year 2003 were $425,926; in fiscal year 2002 the total was $414,655. Member contributions for purchases of creditable service (e.g., buybacks of refunded time/service; other categories of

MANAGEMENT DISCUSSION AND ANALYSIS

purchasable service credit) are included in these totals. The State's fiscal year 2003 employer normal cost contributions on behalf of judges were $821,222; in fiscal year 2002 contributions were $808,144. Benefits payments in all categories under the MJRS were $1.8 million in fiscal year 2003; in fiscal year 2002 payments were $1.7 million.

Membership in the MLRS was 346 at June 30, 2003; at June 30, 2002 it was 300. Legislative members contribute at 7.65 percent of earnable compensation. Total member contributions in fiscal year 2003 were $152,541; in fiscal year 2002 the total was $106,337. 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 2003 or in fiscal year 2002. Benefits payments in all categories under the MLRS were $119,143 in fiscal year 2003; in fiscal year 2002 they were $101,435.

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, 2003 was 14,546; at June 30, 2002 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 percent to 8.0 percent in fiscal year 2003 and 2002 both. Total Consolidated Plan member contributions in fiscal year 2003 were $20.1 million; in fiscal year 2002 the total was $17.3 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 2003 and in fiscal year 2002 was 1.7 percent to 6.5 percent. 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 what 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 $63.0 million in fiscal year 2003; in fiscal year 2002 the total was $59.8 million.

As with the State employee and teacher membership data, the changes in Consolidated Plan membership data are largely attributable to data management improvements with respect to inactive nonvested members, who do not represent plan liabilities. The data changes in PLD membership also included improvements in attribution as between the Consolidated Plan and the Nonconsolidated PLDs. PLDs represent particularly challenging data issues, as the histories of individual members and of the separate plans (within and outside of the Consolidated Plan), both before and after the establishment of the Consolidated Plan, are extremely complex and highly fluid.

Member, contribution and benefit data for the 31 nonconsolidated PLDs are specific to each PLD and are obtainable from the System.

At the System level, fiscal year 2003 was the second 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). While in fiscal year 2002, payoffs of their individual unfunded liability obligations by several PLDs resulted in an overall positive cash flow for the System, fewer and smaller such payoffs were made in fiscal year 2003 and the System's cash flow was negative for the fiscal year. This is not unexpected, is principally the result of evolution in member demographics occurring in the normal course of plan history and can be expected to continue. The System has a procedure in place by which it can raise cash from its investment portfolio when needed.

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

The System's defined benefit retirement programs are by far the dominant element in its financial activities and position. The design of defined benefit plans by nature presupposes that the return on invested contributions will supply a significant amount of the benefit-funding resources of such plans. When the investment markets do not provide the return expected, the resulting funding shortfall must be made up by employer contributions. Thus, the performance of the investment markets is the single most significant factor affecting the financial activities or position of the System, and the effects of market performance flow through to contributions made by its participating employers. As with all actuarially-funded defined benefit plans and as described earlier, the System utilizes actuarial methods and procedures that integrate short-term market behavior with the very long demographic time horizon of the plan. This actuarial 'smoothing' of market behavior moderates the volatility of employer contribution requirements and the budget effects thereof. Finally, while investment market performance affects plan funding requirements, it does not affect benefits being paid or to be paid in future.

MANAGEMENT DISCUSSION AND ANALYSIS

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 Executive Director, at 46 State House Station, Augusta, Maine 04333 or at (207) 512-3100 or toll-free at 1-800-451-9800.

STATEMENT OF FIDUCIARY NET ASSETS

	2003	2002
Assets		
Cash and cash equivalents (Note 3)	$ 193,294,289	$ 136,041,483
Investments at fair value (Notes 2 and 3)		
Debt securities		
U.S. Government and government agencies	544,194,527	429,427,767
Corporate	350,813,002	381,560,022
Foreign	118,883,146	78,496,919
Common equity securities	1,381,304,765	1,134,772,674
Preferred equity securities	102,240,851	44,067,509
Common/collective trusts	4,372,691,665	4,442,703,545
Other	15,713,385	7,770,136
Maine Learning Technology Fund (Note 3)	13,558,826	30,977,898
	6,899,400,167	6,549,776,470
Receivables		
State and local agency contributions (Note 6)	19,434,086	8,609,397
Accrued interest and dividends	12,995,028	14,565,476
	32,429,114	23,174,873
Due from brokers for securities sold	141,026,791	58,287,011
Collateral on loaned securities (Note 5)	425,561,811	378,847,024
Fixed assets, net of accumulated depreciation	1,468,176	598,742
Total assets	7,693,180,348	7,146,725,603
Liabilities		
Accounts payable	9,330,439	10,973,638
Due to brokers for securities purchased	260,841,188	84,397,808
Other liabilities	8,643,955	9,258,520
Maine Learning Technology Fund (Note 3)	13,558,826	30,946,862
	292,374,408	135,576,828
Obligations under securities lending activities (Note 5)	425,561,811	378,847,024
Total liabilities	717,936,219	514,423,852
Net assets held in trust for pension, disability, death and group life insurance benefits	$ 6,975,244,129	$ 6,632,301,751

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

	2003	2002
Additions		
Investment income		
Interest	$ 66,643,628	$ 72,797,999
Dividends	21,899,636	16,811,221
Net appreciation (depreciation) in the fair value of plan investments	272,384,573	(609,308,776)
Less: Investment expenses	(9,239,901)	(9,671,298)
Cost of securities lending	(347,345)	(699,517)
Net investment income (loss)	351,340,591	(530,070,371)
Contributions (Note 6)		
Members	136,970,842	130,262,842
State and local agencies	295,370,043	423,858,414
Total contributions	432,340,885	554,121,256
Total additions	783,681,476	24,050,885
Deductions		
Benefits paid, net	417,180,904	396,398,584
Refunds and withdrawals	13,834,163	15,822,142
Administrative expenses	9,724,031	8,307,131
Total deductions	440,739,098	420,527,857
Net increase (decrease)	342,942,378	(396,476,972)
Net assets held in trust for pension, disability, death and group life insurance benefits (Note 6)		
Beginning of year	6,632,301,751	7,028,778,723
End of year	$ 6,975,244,129	$ 6,632,301,751

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, disability and death 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 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, 2003 and 2002, the membership counts that are the basis on which liabilities are calculated are as follows:

	2003	2002
Active vested and nonvested members	51,848	52,480
Terminated vested participants	5,056	2,963
Retirees and benefit recipients	30,774	30,122
Total	87,678	85,565

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). In some cases, vesting occurs on 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 ten years of creditable service on June 30, 1993. For PLD members, normal retirement age is 60. The monthly benefit of members who 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 disability and death benefits, which are established by statute for State employee and teacher members 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 percent.

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 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. The System has sought to take appropriate steps to resolve any issue related to its accounting and reporting. Regardless of this question, each of its participating entities is responsible for the funding of benefits related to that entity.

NOTES TO BASIC FINANCIAL STATEMENTS

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 Fund

The System is responsible to invest and account for the funds that comprise the Maine Learning Technology Fund (formerly the Maine Learning Technology Endowment, renamed by Legislative enactment in 2003) 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 (which includes interest and dividend income from common/collective trusts), interest income and dividend income from actively managed direct investments, 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

Amounts due to/from brokers for securities purchased or sold include, 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 actuarial 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 accordance with the Trustees' investment policy, in a combination of equities, fixed income securities, derivative financial instruments, other investment securities and mutual funds and common/collective trusts holding such investments. 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.

NOTES TO BASIC FINANCIAL STATEMENTS

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.

Reclassifications

Certain balances from the 2002 financial statements have been reclassified to conform to the 2003 presentation.

3. Cash and Investments

The System is authorized to invest in 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, 2003 and 2002, cash and cash equivalents were comprised of the following:

	2003	2002
Cash on deposit with local banks	$ 9,090,689	$ 31,332,923
Short-term investment funds	173,327,519	88,523,440
Foreign currency deposits	10,876,081	16,185,120
Total	$ 193,294,289	$ 136,041,483

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, 2003 and 2002, 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.

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

Maine Learning Technology 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, 2003 and 2002, the value of this fund, which is invested in short-term high quality fixed income investments, was $13,558,826 and $30,977,898, respectively. The change in value was the net result of legislative and administrative withdrawals, gifts to the endowment and investment income. The amount remaining at June 30, 2003 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 depends 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 to 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

NOTES TO BASIC FINANCIAL STATEMENTS

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 unrealized 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, 2003 and 2002, the fair value of forward currency contracts held by the System was $372,778 and $0, 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, 2003 and 2002, the carrying value of the System's CMO holdings totaled $59,410,315 and $77,965,911, respectively.

The System also holds investments in futures and options, which are used to manage various risks within the portfolio. Futures and options of approximately $145,535,671 and $223,870,605 were held for investment purposes at June 30, 2003 and 2002, 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 (Note 5). Where derivatives are held in those funds/pools, risks and risk management are as described above.

5. Securities Lending

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 percent (105 percent 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. The System has minimal 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, 2003 and 2002 is $516,326,542 and $467,387,438, respectively. The market value of collateral received from borrowers as of the same date is $537,118,595 and $482,421,064. Gross investment income from loaned securities was $1,768,851 and $2,331,726, for the years ended June 30, 2003 and 2002, respectively. Cash collateral of $425,561,811 and $378,847,024 at June 30, 2003 and 2002, respectively, 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. Some of the System's assets are held in common/collective trusts and are subject to similar agreements arranged by those trusts. The income from those arrangements and the associated collateral are not included in the securities lending amounts reported.

6. Contributions 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

NOTES TO BASIC FINANCIAL STATEMENTS

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 period that cannot be longer than 31 years from July 1, 1997 but that may be, and at certain times has been, shorter than that period (Note 7). For participating local districts having separate (i.e., unpooled) unfunded liabilities, the level percentage of payroll method is also used. Amortization periods for these separate unfunded liabilities range from 7 years to 23 years.

The State of Maine is required by Maine law to remit a percentage of its unallocated General Fund Surplus, if sufficient, at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers. For fiscal 2003, this additional contribution was approximately $10,500,000. On the basis of the State's firm estimate this amount is included in the contributions receivable at June 30, 2003.

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 (pages 21-23).

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 2003 and 2002 are as follows:

	2003	2002
State		
Employees (1)	7.65 - 8.65%	7.65 - 8.65%
Employer (1)	12.43 - 37.12%	12.19 - 36.35%
Teachers		
Employees	7.65%	7.65%
Employer	17.71%	17.71%
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 but continue to have other liabilities 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 shortened the required amortization period of not more than 31 years from June 30, 1997, put in place by an amendment to the Maine Constitution 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. The two legislative changes made in 1998 and 2000 shortened the amortization period by a total of nine years. In 2003, the Legislature relengthened the period to the full extent of the then-remaining Constitutional years for the FYs 2004-2005 biennium and reshortened the period effective July 1, 2005, which is the start of FY 2006, to the 14 years that will then remain in the earlier shortened period.

NOTES TO BASIC FINANCIAL STATEMENTS

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, as PLD employees, to contribute 6.5 percent of their annual covered salaries. The System is required to contribute at an actuarially established normal cost rate under the 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 percent of annual covered payroll for 2003 and 2002, respectively, and the employer contribution on behalf of its employees was $534,672 and $326,736 for 2003 and 2002, respectively, including both normal cost and IUUAL payment. The 2003 contribution included payment in full of the System's $265,398 IUUAL balance. The actuarial assumptions used in the Consolidated Plan valuation 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 2003 and 2002 is a charge of $174,476 and $154,000, respectively, to cover all current expenses and to establish a liability for future benefits. As of June 30, 2003 and 2002, there is $1,611,151 and $1,390,451, 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 16 years remain. The present value of the future benefits for fiscal year 2003 and 2002 was $4,428,000 and $3,945,000, respectively.

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)
06/30/2003	7,787,205,499	10,470,578,120	2,683,372,621	74.4%	1,719,311,023	156.1%
06/30/2002	7,612,509,160	9,889,494,007	2,276,984,847	77.0%	1,681,418,956	135.4%
06/30/2001	7,389,558,862	9,425,021,636	2,035,462,774	78.4%	1,580,530,753	128.8%
06/30/2000	7,027,525,433	8,842,716,327	1,815,190,894	79.5%	1,515,172,430	119.8%
06/30/1999	6,236,229,331	8,332,753,666	2,096,524,335	74.8%	1,443,312,536	145.3%
06/30/1998	5,392,675,044	7,854,273,062	2,461,598,018	68.7%	1,389,139,818	177.2%
06/30/1997	4,602,973,536	7,291,821,034	2,616,847,498	63.8%	1,341,612,931	195.1%
06/30/1996	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
2003	261,213,019	285,646,014	109.4%
2002	252,503,429	415,551,283	164.6%
2001	271,795,411	271,795,411	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, 2003, 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 the legislative plan, 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 and/or in assets 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 of the state employee and teacher plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements (Note 7). The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 14 years remained at June 30, 2003.

The IUUAL of PLDs are amortized over periods established for each PLD separately. During fiscal years 2003 and 2002, various PLDs contributed in total approximately $13,933,000 and $163,054,000, respectively, to reduce or pay in full their Initial Unpooled Unfunded Actuarial Liabilities. The Consolidated Plan has no Pooled Unfunded Actuarial Liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2003 are as follows:

Investment Return - 8 percent per annum, compounded annually.

Salary Increases - State employee and teacher plan, 5.5 percent to 9.5 percent per year; judicial and legislative plans, 5 percent per year; Consolidated Plan for PLDs, 4.5 percent to 9 percent 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 nondisabled teacher retirees with retirement dates on or after July 1, 1998 - 85 percent 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 percent per annum.

NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

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 percent per year until the greater of 40 percent 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, 2003 and 2002, the net assets held in trust for group life insurance benefits were $39,042,736 and $36,629,817, respectively. At June 30, 2003 and 2002, the plan had the following actuarially determined liabilities:

(in millions)	2003	2002
Actuarial liabilities		
Active members	$ 44.6	$ 40.3
Retired members	42.7	42.9
Total	$ 87.3	$ 83.2

PRICEWATERHOUSECOOPERS

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Independent Auditors' 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, 2003 and have issued our report thereon dated December 11, 2003. 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

December 11, 2003

Supplemental Schedule of Statement of Changes in Plan Net Assets
For the Year Ended June 30, 2003
(Unaudited)

	STATE	TEACHER	JUDICIAL	LEGISLATIVE	PLD	TOTAL PENSION	GLI	TOTAL NET ASSETS
Balance, June 30, 2002	**$1,972,524,840**	**$3,119,594,944**	**$32,119,276**	**$5,411,912**	**$1,466,020,958**	**$6,595,671,930**	**$36,629,821**	**$6,632,301,751**
Additions:								
Net Investment (Loss) Income	100,862,857	170,795,641	1,654,386	290,576	75,586,774	349,190,234	2,150,357	351,340,591
Member Contributions	34,501,856	73,326,394	425,926	152,541	20,504,412	128,911,129	8,059,713	136,970,842
State and Local Agencies Contributions	83,100,261	179,287,665	821,222	0	22,436,864	285,646,012	0	285,646,012
Total (Deductions) Additions:	**$218,464,974**	**$423,409,700**	**$2,901,534**	**$443,117**	**$118,528,050**	**$763,747,375**	**$10,210,070**	**$773,957,445**
Deductions:								
Benefits Paid	148,996,694	191,693,334	1,831,036	119,143	66,628,931	409,269,138	7,779,960	417,049,098
Rehabilitation Services	69,618	40,517	0	0	21,671	131,806	0	131,806
Refunds	3,907,680	7,053,847	0	18,505	2,836,936	13,816,968	17,195	13,834,163
Total Deductions	**$152,973,992**	**$198,787,698**	**$1,831,036**	**$137,648**	**$69,487,538**	**$423,217,912**	**$7,797,155**	**$431,015,067**
Net (Decrease) Increase	**$65,490,982**	**$224,622,002**	**$1,070,498**	**$305,469**	**$49,040,512**	**$340,529,463**	**$2,412,915**	**$342,942,378**
Balance, June 30, 2003	**$2,038,015,822**	**$3,344,216,946**	**$33,189,774**	**$5,717,381**	**$1,515,061,470**	**$6,936,201,393**	**$39,042,736**	**$6,975,244,129**

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

JUNE 30, 2003 TRUST FUND BALANCES

EMPLOYER / PROGRAM	TRUST FUND BALANCE
STATE	2,037,456,491.48
TEACHERS	3,344,216,947.24
JUDICIAL	33,189,773.34
LEGISLATIVE	5,717,377.14
CONSOLIDATED PLAN - AC	737,724,644.87
CONSOLIDATED PLAN - AN	90,825,634.41
CONSOLIDATED PLAN - BC	99,940.47
CONSOLIDATED PLAN - 1C	280,489,391.41
CONSOLIDATED PLAN - 1N	18,710,756.29
CONSOLIDATED PLAN - 2C	173,407,258.36
CONSOLIDATED PLAN - 2N	9,690,073.56
CONSOLIDATED PLAN - 3C	44,569,452.08
CONSOLIDATED PLAN - 3N	17,265,575.98
CONSOLIDATED PLAN - 4C	9,046,232.03
CONSOLIDATED PLAN - 4N	513,451.79
AROOSTOOK COUNTY	440,326.39
AUBURN PUBLIC LIBRARY	310,004.67
BAILEYVILLE	597,914.32
BANGOR WATER DISTRICT	406,718.17
BATH	7,764,284.81
BELFAST	140,508.05
BERWICK	141,022.88
BERWICK SEWER DISTRICT	5,254.65
BETHEL	256,620.60
BIDDEFORD	510,281.04
BINGHAM WATER	37,688.49
BOOTHBAY HARBOR	300,258.91
BOOTHBAY REGION WATER	375,672.48
BRIDGTON	312,947.11
BRIDGTON WATER	61,036.15
BROWNVILLE	282,457.22
BRUNSWICK	364,647.37
BRUNSWICK FIRE & POLICE	391,193.63
BRUNSWICK SEWER	154,928.22
BUCKSPORT	510,387.61
CALAIS	321,664.52
CAPE ELIZABETH	6,425,339.02
CAPITOL COASTAL COUNC OF GOV'T	258,168.10
CARIBOU FIRE AND POLICE	1,608,906.82
CHINA	56,424.74
CORINNA	94,239.04
CORINNA SEWER	139,415.28
CSD #12 - TOPSFIELD	71,256.20
CSD #18 -WELLS/OGUNQUIT	232,100.47
CSD #3 - BOOTHBAY	522,736.28
CUMBERLAND	319,964.14
CUMBERLAND COUNTY	505,810.35
DAMRISCOTTA	251,784.89
DEXTER	122,380.75
DIXFIELD	356,042.15
DOVER FOXCROFT	278,307.45
DOVER FOXCROFT WATER	19,537.06

JUNE 30, 2003 TRUST FUND BALANCES

EMPLOYER / PROGRAM	TRUST FUND BALANCE
DURHAM	109,518.67
ELIOT	274,099.97
ELLSWORTH	75,180.30
ERSKINE ACADEMY	93,097.22
EXETER	16,142.59
FAIRFIELD	46,741.90
FALMOUTH MEMORIAL LIBRARY	96,926.09
FARMINGTON	100,281.49
FORT FAIRFIELD	53,687.30
FORT FAIRFIELD HOUSING	3,050.84
FORT FAIRFIELD UTILITIES	9,774.13
FORT KENT	1,216,853.55
FRANKLIN COUNTY	1,030,648.54
FREEPORT	736,217.18
FRENCHVILLE	58,757.70
FRYEBURG	31,320.81
GARDINER	739,842.79
GARDINER WATER	91,746.24
GEORGETOWN	49,520.65
GORHAM	555,551.08
GOULD ACADEMY	245,609.69
GREENVILLE	229,948.86
HALLOWELL	112,198.09
HAMPDEN	10,379.66
HAMPDEN WATER DISTRICT	22,682.90
HERMON	458,454.23
HODGDON	6,952.28
HOMESTEAD PROJECT	115,877.77
HOULTON	543,949.37
HOWLAND	77,709.08
INDIAN TOWNSHIP TRIBAL GOV'T	1,777,479.66
JACKMAN UTILITY DISTRICT	336.36
JUDICIAL	33,189,773.34
KENNEBEC COUNTY	10,334.02
KENNEBEC SANITARY	193,824.86
KENNEBEC WATER	847,578.07
KENNEBUNK	452,221.25
KENNEBUNK SEWER DISTRICT	279,855.58
KENNEBUNKPORT	685,068.30
KITTERY	159,690.81
KITTERY WATER	257,904.58
KNNBK,KENNPORT,WELLS WATER	71,885.42
KNOX COUNTY	462,586.28
LEBANON	131,887.68
LEGISLATIVE	5,717,377.14
LEW AUB WAT POLL CONTROL	36,771.48
LIMESTONE	481,911.25
LIMESTONE WATER AND SEWER	470,871.89
LINCOLN	1,331,681.09
LINCOLN ACADEMY	97,433.73
LINCOLN COUNTY	1,672,887.16
LINNEUS	3,606.36
LISBON	91,582.82

JUNE 30, 2003 TRUST FUND BALANCES

EMPLOYER / PROGRAM	TRUST FUND BALANCE
LISBON WATER	44,458.77
LIVERMORE FALL WATER	5,676.13
LIVERMORE FALLS	170,284.52
LOVELL	38,730.85
LUBEC	175,391.11
LUBEC WATER & ELECTRIC	516.50
MAINE COUNTY COMM ASSOC	23,032.59
MAINE HOUSING AUTH	1,716,097.87
MAINE MARITIME ACADEMY	4,474,978.44
MAINE MUNICIPAL ASSOCIATION	1,277,684.78
MARS HILL	320,830.06
MDI REGIONAL SCHOOL	125,018.54
ME STATE PRINCIPALS ASSOC	30,365.66
MECHANIC FALLS	223,351.62
MEDWAY	38,253.18
MEXICO	356,533.98
MILFORD	118,431.03
MILLINOCKET	639,155.32
MILO	218,001.49
MILO WATER DISTRICT	118,039.02
MONSON	13,226.37
MT. DESERT	65,394.03
NEW CANADA PLANTATION	14,051.94
NEW GLOUCESTER	194,943.08
NORTH BERWICK	105,356.41
NORWAY	171,359.04
NORWAY PARIS SOLID WASTE	76,444.48
OLD ORCHARD BEACH	7,174,257.63
OLD TOWN HOUSING	21,745.04
OLD TOWN WATER	67,554.91
ORLAND	290,762.65
ORONO	591,266.05
ORRINGTON	230,865.64
OXFORD	4,503.30
OXFORD COUNTY	54,645.43
PARIS	280,786.47
PARIS UTILITY	24,113.48
PENOBSCOT COUNTY	529,069.79
PHIPPSBURG	235,969.42
PISCATIQUIS COUNTY	42,290.13
PITTSFIELD	830,095.42
PORTLAND PUBLIC LIBRARY	3,287.20
PRESQUE ISLE	20,633,913.45
PRINCETON	196,553.95
PROJECT LODESTONE	45,953.06
REGION 4 - SO PENOBSCOT	59,657.60
REGION 7 - WALDO	186,905.58
RICHMOND	564,457.76
RICHMOND UTILITIES	14,946.42
ROCKPORT	24,653.31
RUMFORD MEXICO SEWAGE	55,911.51
SABATTUS	339,691.18
SACO	874,552.98

JUNE 30, 2003 TRUST FUND BALANCES

EMPLOYER / PROGRAM	TRUST FUND BALANCE
SAD#9 - FARMINGTON	144,278.65
SAD #13 - BINGHAM	166,277.18
SAD # 16 - HALLOWELL	237,136.73
SAD #21 - DIXFIELD	65,204.05
SAD #29	215,436.57
SAD #31 - HOWLAND	89,289.91
SAD #34 - BELFAST	3,078,924.49
SAD #41 - MILO	386,266.96
SAD #49 - FAIRFIELD	347,619.50
SAD #51- CUMBERLAND	529,784.94
SAD #53	102,763.01
SAD #54	118,704.82
SAD #56 - SEARSPORT	472,935.12
SAD #60 - NORTH BERWICK	768,654.73
SAD #66 - ELLSWORTH	542,544.17
SAD #67	246,796.79
SAD #71	762,176.55
SAGADAHOC COUNTY	554,808.16
SAINT AGATHA	217,034.24
SANFORD	2,834,800.43
SANFORD SEWERAGE	157,110.20
SANFORD WATER	341,819.42
SEARSPORT	425,521.61
SEARSPORT WATER	135,478.94
SKOWHEGAN	379,763.97
SO BERWICK WATER	4,867.58
SO PORTLAND HOUSING	83,916.59
SOUTH BERWICK	192,358.51
THOMASTON	559,541.60
TOPSHAM	342,240.51
TOWN OF MAPLETON	86,954.54
TRI-COMMUNITY LANDFILL	4,837.03
VAN BUREN	185,947.64
VAN BUREN HOUSING AUTH	137,459.26
VASSALBORO	157,065.86
WALLGRASS PLANTATION	12,763.75
WASHINGTON COUNTY	4,374.77
WATERVILLE FIRE AND POLICE	652,635.19
WELLS	159,601.08
WEST ME COMM ACTION COUNC	1,089,850.13
WESTBROOK	8,128,493.90
WESTBROOK FIRE AND POLICE	18,975,492.81
WILTON	1,211,172.15
WINSLOW	759,904.72
WINTER HARBOR UTILITIES	11,913.36
WINTHROP	528,880.09
YARMOUTH	322,179.16
YORK COUNTY	451,914.54
YORK WATER DISTRICT	80,536.20
JUNE 30, 2003 TRUST FUND BALANCES	**6,936,201,398.38**

GROUP LIFE INSURANCE PROGRAM
STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDING JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
RECEIPTS		
Total Premiums Collected	$8,042,517	$7,634,144
Earnings on Investments	2,150,357	2,762,099
TOTAL RECEIPTS	**$10,192,874**	**$10,396,243**
EXPENSES		
Claims Paid		
Basic	$1,684,414	$1,728,326
Supplemental	731,000	1,943,000
Dependent	314,224	240,086
Retired Employees	4,302,678	4,412,198
Total Claims Paid	$7,032,316	$8,323,610
Retention Expense	$679,744	$550,047
Conversion Expense	$67,900	$124,343
TOTAL EXPENSES	**$7,779,960**	**$8,998,000**
BALANCE OF RESERVES	**$39,042,731**	**$36,629,817**

MAINE LEARNING TECHNOLOGY ENDOWMENT
STATEMENT OF OPERATIONS
FOR THE FISCAL YEARS ENDING JUNE 30, 2003 AND JUNE 30, 2002

	2003	2002
REVENUES		
Contributions	$ 2,302,100	$ 1,000,000
Investment Income (Loss)	507,471	807,728
Total Revenues	**$ 2,809,571**	**$ 1,807,728**
EXPENDITURES		
Withdrawals	$ 20,174,505	$ 23,592,404
Investment Expense	23,102	31,036
Investment Expense Reimbursement	-	(56,194)
Total Expenditures	**$ 20,197,607**	**$ 23,567,246**
NET CHANGE	**$ (17,388,036)**	**$ (21,759,518)**
FUND BALANCE, BEGINNING OF PERIOD	**$ 30,946,862**	**$52,706,380**
FUND BALANCE, END OF PERIOD	**$ 13,558,827**	**$ 30,946,862**

INVESTMENTS SECTION

ASSETS BY MANAGER
at June 30, 2003

Maine State Retirement System

	Cost	Market Value	Unrealized
Alliance Capital - Fixed Income	$ 370,594,615	$ 384,973,851	$ 14,379,236
Cash Account	2,265,625	2,265,625	-
Finance Authority of Maine	3,090,562	3,090,562	-
JP Morgan - Multi Market I	742,746	453,945	(288,801)
JP Morgan - Multi Market II	3,457,362	2,413,401	(1,043,961)
JP Morgan Fixed Income	451,271,514	556,099,902	104,828,388
Jacobs Levy	172,004,518	182,321,298	10,316,779
Loomis Sayles	182,574,496	210,888,903	28,314,407
Martin Currie	216,461,608	223,880,902	7,419,294
Peregrine Asset Management	209,898,881	247,116,421	37,217,540
T. Rowe Price International	192,065,675	181,999,518	(10,066,157)
State Street Lehman Aggregate	414,320,060	624,862,512	210,542,452
State Street MSCI ACWI	343,144,269	399,450,732	56,306,462
State Street S&P 500	595,844,898	517,473,689	(78,371,210)
State Street Wilshire 5000	2,265,783,488	2,490,490,164	224,706,676
Trust Company of the West	504,747,007	521,545,498	16,798,491
Wellington-US	179,366,428	176,885,899	(2,480,529)
Wellington-International	182,605,369	193,100,308	10,494,939
Total Pension Assets	**$ 6,290,239,122**	**$ 6,919,313,129**	**$ 629,074,007**
Group Life Insurance			
SSGA Short Term Bond Fund	**$ 33,007,282**	**$ 41,476,282**	**$ 8,468,999**
Maine Learing Technology Endowment			
SSGA US Dollar Libor Plus Fund	**$ 13,655,993**	**$ 13,558,826**	**$ (97,167)**

ACTUAL ASSET ALLOCATION
Maine State Retirement System Pension Assets
at June 30, 2003

	PERCENT OF TOTAL	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
TOTAL ASSETS	**100%**	**$ 6,290,239,122**	**$ 6,919,697,515**	**$ 629,458,393**
TOTAL CASH	**0.0%**	**$ 2,265,625**	**$ 2,265,625**	**$ -**
TOTAL DOMESTIC EQUITY	**52.3%**	**$ 3,427,098,322**	**$ 3,617,154,817**	**$ 190,056,495**
JP Morgan - Multi Market I	0.0%	742,746	453,945	(288,801)
JP Morgan - Multi Market II	0.0%	3,457,362	2,413,401	(1,043,961)
Jacobs Levy	2.6%	172,004,518	182,321,298	10,316,779
Peregrine Asset Management	3.6%	209,898,881	247,116,421	37,217,540
State Street S&P 500	7.5%	595,844,898	517,473,689	(78,371,210)
State Street Wilshire 5000	36.0%	2,265,783,488	2,490,490,164	224,706,676
Wellington-US	2.6%	179,366,428	176,885,899	(2,480,529)
TOTAL DOMESTIC FIXED INCOME	**33.3%**	**$ 1,926,598,253**	**$ 2,301,845,614**	**$ 375,247,361**
Alliance Capital - Fixed Income	5.6%	370,594,615	384,973,851	14,379,236
FAME	0.1%	3,090,562	3,474,948	384,386
JP Morgan Fixed Income	8.0%	451,271,514	556,099,902	104,828,388
Loomis Sayles	3.0%	182,574,496	210,888,903	28,314,407
State Street Fixed Core	9.0%	414,320,060	624,862,512	210,542,452
TCW	7.5%	504,747,007	521,545,498	16,798,491
TOTAL INTERNATIONAL EQUITY	**14.4%**	**$ 934,276,922**	**$ 998,431,460**	**$ 64,154,538**
State Street MSCI ACWI	5.8%	343,144,269	399,450,732	56,306,462
Martin Currie	3.2%	216,461,608	223,880,902	7,419,294
Rowe Price Fleming	2.6%	192,065,675	181,999,518	(10,066,157)
Wellington International	2.8%	182,605,369	193,100,308	10,494,939

INVESTMENT PERFORMANCE
Maine State Retirement System Pension Assets
at June 30, 2003

	ONE YEAR	THREE YEARS	FIVE YEARS	SINCE INCEPTION	INCEPTION DATE
Total Fund	**5.3**	**(3.6)**	**1.8**	**10.6**	**1/31/1977**
Domestic Equity Consolidation	**0.8**	**(10.9)**	**(1.7)**	**12.4**	**1/31/1977**
Morgan Multi-Mkt I	(24.0)	(11.7)	(15.1)	0.9	4/30/1992
Morgan Multi-Mkt II	(18.7)	(18.7)	(8.1)	2.8	4/30/1994
Peregrine	(3.1)	(9.1)	(1.5)	11.0	4/30/1991
State Street S&P 500	0.3			(3.3)	10/31/2001
State Street Wilshire 5000	1.2	(10.9)	(1.3)	5.5	12/31/1996
Fixed Income Consolidation	**13.2**	**10.0**	**7.7**	**9.6**	**6/30/1978**
Alliance Fixed	11.6	9.8	7.1	9.2	8/31/1978
JP Morgan Fixed Income	10.4	9.0	7.2	7.3	11/30/1977
Loomis Sayles	23.9	10.6	8.2	8.1	6/30/1998
State Street Bond Index	10.6	10.2	7.6	8.0	12/31/1996
TCW	16.3	10.0		8.3	10/31/1998
Intl Equity Consolidation	**(4.5)**	**(13.1)**	**(4.0)**	**2.4**	**11/30/1988**
Martin Currie	(4.1)	(14.0)	(3.2)	3.0	4/30/1995
T. Rowe Price International	(5.8)	(13.7)	(3.3)	1.9	7/31/1995
State Street MSCI ACWI	(4.7)	(12.9)		(3.8)	7/31/1998
Wellington	(3.0)	(11.3)		(3.3)	1/31/1999

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CASH			
CASH ACCOUNT	**$ 2,265,625**	**$ 2,265,625**	**$ 0**
DOMESTIC EQUITY			
Jacobs Levy			
1ST AMERN CORP CAL COM	$ 121,223	$ 156,055	$ 34,832
1ST NIAGARA FINL GROUP INC	102,608	122,848	20,240
1ST TENN NATL CORP COM	379,163	477,468	98,305
3COM CORP COMMON STOCK	273,263	244,764	(28,499)
ADVANCED MICRO DEVICES INC COM	910,157	860,222	(49,935)
ADVO INC COM	134,941	137,640	2,699
AGL RES INC COM	219,115	221,328	2,213
ALBANY INTL CORP NEW CL A	127,579	120,802	(6,777)
ALBERTSON S INC COM	1,439,059	850,560	(588,499)
ALLIANCE GAMING CORP COM	107,454	111,569	4,115
ALLSTATE CORP COM	1,739,042	1,715,064	(23,978)
ALTRIA GROUP INC COM	2,751,624	3,626,496	874,872
AMERIGROUP CORP COM	254,782	286,440	31,658
AMERISOURCEBERGEN CORP COM	861,797	915,420	53,623
AMERN INTL GROUP INC COM	590,943	590,426	(517)
AMGEN INC COM	1,385,538	1,787,236	401,698
AMKOR TECH INC COM	84,361	149,796	65,435
ANALOG DEVICES INC COM	414,800	417,840	3,040
ANTEON INTL CORP COM	114,384	133,968	19,584
ANTHEM INC COM	1,154,610	1,411,845	257,235
AOL TIME WARNER INC COM	2,028,799	2,436,026	407,227
APPLE COMPUTER INC COM	470,556	514,328	43,772
APTARGROUP INC COM	115,102	122,400	7,298
ARCHER-DANIELS-MIDLAND CO COM	858,183	778,635	(79,548)
ASHLAND INC COM	705,753	478,608	(227,145)
ASTORIA FINL CORP COM	391,533	360,297	(31,236)
AT&T CORP COM NEW	1,246,411	1,251,775	5,364
AT&T WIRELESS SVCS INC COM	923,078	1,179,777	256,699
AUTONATION INC DEL COM	627,100	708,972	81,872
AVID TECH INC COM	249,074	315,630	66,556
AVISTA CORP COM ISIN # US05379B1070	106,553	96,220	(10,333)
BAUSCH & LOMB INC COM	226,336	218,254	(8,082)
BEAR STEARNS COS INC COM	575,588	680,748	105,160
BECTON DICKINSON & CO COM	774,516	777,000	2,484
BJ SVCS CO COM	483,731	485,680	1,949
BK AMER CORP COM	2,802,437	3,177,006	374,569
BLOCK H & R INC COM	515,002	451,672	(63,330)
BLOCKBUSTER INC CL A CL A ISIN	137,842	96,045	(41,797)

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
BOB EVANS FARMS INC COM	158,078	160,254	2,176
BRISTOL MYERS SQUIBB CO COM	1,655,149	1,914,075	258,926
BRUNSWICK CORP COM	234,486	327,762	93,276
BSTN SCIENTIFIC CORP COM	852,678	2,169,050	1,316,372
BURL NORTHN SANTA FE CORP COM	695,407	659,736	(35,671)
BURL RES INC COM	973,922	1,160,041	186,119
C H ROBINSON WORLDWIDE INC COM	301,949	342,144	40,195
CABOT CORP COM	148,204	192,290	44,086
CALLAWAY GOLF CO COM	356,743	240,604	(116,139)
CAP 1 FNCL COM	443,894	683,602	239,708
CAREMARK RX INC COM	883,222	880,824	(2,398)
CENTERPOINT ENERGY INC COM	702,833	501,225	(201,608)
CHARTER 1 FINCL INC COM	709,114	743,175	34,061
CHELSEA PPTY GROUP INC COM	190,123	253,239	63,116
CHEVRONTEXACO CORP COM	719,594	772,540	52,946
CHIQUITA BRANDS INTL INC COM	85,481	88,450	2,969
CISCO SYS INC COM	325,170	390,546	65,376
CITIGROUP INC COM	260,662	475,080	214,418
CLAIRES STORES INC	360,907	347,432	(13,475)
CLEAR CHANNEL COMMUNICATIONS INC	1,335,092	1,445,499	110,407
CLECO CORP NEW COM	122,622	133,364	10,742
CMS ENERGY CORP COM	649,810	289,980	(359,830)
COACH INC COM	758,307	1,442,460	684,153
COLE KENNETH PRODTNS INC CL A	88,619	81,858	(6,761)
COLONIAL BANCGROUP INC COM	118,618	110,960	(7,658)
COLTV STIF	3,280,026	3,281,703	1,677
COMCAST CORP NEW CL A	1,662,102	1,581,432	(80,670)
COMM BANCORP INC N J COM	745,522	652,960	(92,562)
COMVERSE TECH INC COM PAR $0.10	312,680	407,313	94,633
COMWLTH TEL ENTERPRISES INC	94,896	105,528	10,632
CONOCOPHILLIPS COM	1,439,561	1,556,320	116,759
COX COMMUNICATIONS INC NEW CL A	572,776	564,630	(8,146)
CVS CORP COM STK	746,168	843,703	97,535
DAVITA INC COM	202,570	216,918	14,348
DELPHI CORP COM	906,847	489,810	(417,037)
DENTSPLY INTL INC NEW COM	307,928	368,514	60,586
DEVON ENERGY CORP NEW COM	844,836	934,500	89,664
DILLARDS INC CL A COM	0	812	812
DOLLAR GEN CORP COM	355,068	343,288	(11,780)
DONNELLEY R R & SONS CO COM	420,378	381,644	(38,734)
DORAL FINL CORP COM	240,040	401,850	161,810
EASTMAN KODAK CO COM	748,643	666,700	(81,943)
EBAY INC COM	197,489	218,778	21,289
ECOLAB INC COM	1,027,595	1,134,725	107,129
ENERGEN CORP COM	101,415	119,880	18,465

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
ENGINEERED SUPPORT SYS INC COM	102,779	113,044	10,265
ENTERCOM COMMUNICATIONS CORP	577,715	544,011	(33,704)
EXXON MOBIL CORP COM	4,054,045	3,648,456	(405,589)
FED RLTY INVT TR SH BEN INT	158,987	178,668	19,680
FIRST DATA CORP COM	1,937,221	2,052,270	115,049
FLEETBOSTON FINL CORP COM STK	1,771,152	1,711,296	(59,856)
FNMA COM STK	1,586,427	1,402,752	(183,675)
FORTUNE BRANDS INC COM STK	1,114,157	1,169,280	55,123
FREDS INC CL A	269,722	275,132	5,410
FRKLN RES INC COM	251,552	250,048	(1,504)
GA PAC CORP	620,851	407,425	(213,426)
GABLES RESDNTL TR SH BEN INT	172,391	202,541	30,150
GEMSTAR-TV GUIDE INTL INC COM	132,380	213,780	81,400
GEN ELEC CO COM	5,334,245	5,820,269	486,024
GENENTECH INC COM STK	1,459,891	1,925,604	465,713
GOODYEAR TIRE & RUBBER CO COM	1,126,106	353,325	(772,781)
GTR BAY BANCORP COM	225,538	136,814	(88,724)
GUIDANT CORP COM STK	331,755	377,315	45,560
GUITAR CTR INC COM	167,282	208,800	41,518
HALLIBURTON CO COM	465,852	634,800	168,948
HANCOCK JOHN FINL SVCS INC	947,491	734,447	(213,044)
HARTE-HANKS INC COM (NEW)	142,658	140,600	(2,058)
HEALTH CARE REIT INC COM	149,870	167,750	17,880
HEWLETT PACKARD CO COM	2,444,475	2,818,718	374,243
HLTH MGMT ASSOC INC NEW CL A COM	794,323	787,815	(6,508)
HOME DEPOT INC COM	2,325,621	2,848,320	522,699
HOVNANIAN ENTERPRISES INC CL A	197,208	300,645	103,437
HRPT PPTYS TR COM SH BEN INT	109,476	114,080	4,604
HUMANA INC COM	281,181	324,650	43,469
HUNT J B TRANS SVCS INC COM	190,466	302,000	111,534
ICN PHARMACEUTICALS INC NEW COM	151,133	150,840	(293)
IKON OFFICE SOLUTIONS INC COM STK	149,644	108,580	(41,064)
INDEPENDENCE CMNTY BK CORP COM	182,077	183,430	1,353
INTEL CORP CAP	3,384,487	3,869,981	485,493
INTL BUSINESS MACHS CORP COM	917,531	932,250	14,719
INTL GAME TECH COM	519,795	552,582	32,787
ITT EDL SVCS INC COM	194,948	248,625	53,677
J P MORGAN CHASE & CO COM	2,255,287	2,447,288	192,001
JABIL CIRCUIT INC COM	425,790	419,900	(5,890)
JANUS CAP GROUP INC COM	647,653	651,080	3,427
JARDEN CORP COM	80,967	88,544	7,577
JOHNSON & JOHNSON COM	810,985	811,690	705
JONES APPAREL GROUP INC COM	307,247	330,638	23,391
JUNIPER NETWORKS INC COM	387,150	366,152	(20,998)
KELLOGG CO COM	1,028,034	1,062,033	33,999

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
KEYCORP NEW COM	826,456	780,843	(45,613)
KIMBERLY-CLARK CORP COM	2,046,577	1,679,360	(367,217)
LANDRYS RESTAURANTS INC	192,392	179,360	(13,032)
LIBERTY MEDIA CORP NEW COM SER A	1,134,533	1,169,872	35,339
LINCOLN NATL CORP COM	1,001,468	1,147,286	145,818
LINEAR TECH CORP DEL	901,494	898,659	(2,835)
LOCKHEED MARTIN CORP COM	1,567,473	1,403,315	(164,158)
LUCENT TECHNOLOGIES INC COM STK	894,210	706,440	(187,770)
MACERICH CO COM	168,969	207,267	38,298
MACROMEDIA INC COM	149,640	267,208	117,568
MANPOWER INC WIS COM	646,357	697,292	50,935
MARSHALL & ILSLEY CORP COM	455,005	452,584	(2,421)
MARVEL ENTERPRISES INC COM STK	217,156	213,920	(3,236)
MAY DEPT STORES CO COM	685,328	411,810	(273,518)
MC DONALDS CORP COM	1,078,284	1,526,552	448,268
MERCK & CO INC COM	3,597,264	3,916,513	319,249
MERRILL LYNCH & CO INC COM	1,979,072	1,759,836	(219,236)
METLIFE INC COM ISIN US59156R1086	594,682	804,288	209,606
MFA MTG INVTS INC COM	110,136	109,392	(744)
MICROSOFT CORP COM	6,231,540	5,552,248	(679,292)
MID ATLC MED SVCS INC COM	404,857	470,700	65,843
MONSANTO CO NEW COM	627,866	820,156	192,290
MORGAN STANLEY	1,088,360	1,526,175	437,815
MURPHY OIL CORP COM	65,954	84,160	18,206
MYLAN LAB INC COM	629,232	817,878	188,646
NATL CY CORP COM	1,165,659	1,249,522	83,863
NEW CENTY FINL CORP COM	195,250	375,390	180,140
NUVEEN INVTS INC CL A	67,537	84,444	16,907
NY CMNTY BANCORP INC COM	465,108	551,721	86,613
ODYSSEY HEALTHCARE INC COM	149,230	218,300	69,070
ONEOK INC COM STK	131,626	129,558	(2,068)
ORACLE CORP COM	1,388,569	1,236,858	(151,711)
OUTBACK STEAKHOUSE INC COM	118,361	136,500	18,139
OWENS & MINOR INC NEW COM	98,377	98,340	(37)
P F CHANGS CHINA BISTRO INC COM STK	341,223	570,836	229,613
PAC SUNWEAR CAL INC COM	316,698	491,436	174,738
PACIFICARE HLTH SYS INC DEL COM	135,161	226,918	91,757
PENNEY J.C CO INC COM	543,923	417,880	(126,043)
PERRIGO CO COM	95,152	98,532	3,380
PFIZER INC COM	6,362,838	6,276,770	(86,068)
PIER 1 IMPORTS INC COM	340,935	324,360	(16,575)
PK PL ENTMT CORP COM	453,930	400,869	(53,061)
PRIDE INTL INC DEL COM	341,284	353,816	12,532
PROCTER & GAMBLE CO COM	2,526,888	2,577,302	50,414
QUIKSILVER INC COM	222,271	372,674	150,403

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
REDWOOD TR INC COM	18,184	20,280	2,097
REGAL ENTMT GROUP CL A	99,511	117,900	18,390
RELIANT RES INC COM	508,308	364,392	(143,916)
REYNOLDS & REYNOLDS CO CL A COM	223,380	228,480	5,100
REYNOLDS R J TOB HLDGS INC COM	1,574,835	1,236,384	(338,451)
ROHM & HAAS CO COM	557,677	440,626	(117,051)
RYDER SYS INC COM	287,541	256,200	(31,341)
SAFECO CORP COM	273,386	289,296	15,910
SBC COMMUNICATIONS INC COM	1,299,981	1,259,615	(40,366)
SCHERING-PLOUGH CORP COM	1,740,374	1,846,980	106,606
SCRIPPS E.W INC NEW CL A COM	305,404	319,392	13,988
SELECT MED CORP OC-COM	90,133	119,184	29,051
SENSIENT TECHNOLOGIES CORP COM	168,130	158,631	(9,499)
SERVICEMASTER CO COM	168,025	187,250	19,225
SHOPKO STORES INC COM	144,146	145,600	1,454
SRA INTL INC CL A	95,824	108,800	12,976
ST JUDE MED INC COM	925,759	1,466,250	540,491
ST STR CORP COM	1,219,965	1,289,004	69,039
STAPLES INC COM	578,722	537,673	(41,048)
STEELCASE INC CL A COM	122,978	85,848	(37,130)
STRAYER ED INC COM	125,445	150,955	25,510
SUPER VALU INC COM	24,422	21,320	(3,102)
SYBRON DENTAL SPECIALTIES INC COM	95,684	110,920	15,236
SYNOPSYS INC COM	502,802	531,910	29,108
TAKE-TWO INTERACTIVE SOFTWARE INC	438,049	464,776	26,727
TECO ENERGY INC COM	332,149	310,541	(21,608)
TOLL BROS INC COM	105,372	113,240	7,868
TORO CO COM	220,589	254,784	34,195
TOYS R US INC (HOLDING COMPANY)	296,012	342,996	46,984
TRAVELERS PPTY CAS CORP NEW CL B	1,049,432	1,178,918	129,486
TXU CORP COM	0	575	575
UGI CORP NEW COM	250,435	255,880	5,445
UNISYS CORP COM	363,319	362,260	(1,059)
UNITED STATES DOLLARS	691,860	691,860	0
UNITEDHEALTH GROUP INC COM	1,590,753	2,150,700	559,947
UNUMPROVIDENT CORP COM	752,584	855,558	102,974
UNVL HEALTH SERVICES INC CL B COM	246,678	221,872	(24,806)
US BANCORP	2,192,691	2,438,384	245,693
UTD DEFENSE INDS INC COM	160,102	184,174	24,072
UTD TECHNOLOGIES CORP COM	629,644	757,881	128,237
UTSTARCOM INC COM	319,652	490,866	171,214
VALERO ENERGY CORP COM STK NEW	1,029,643	1,169,826	140,183
VERIZON COMMUNICATIONS COM	2,850,074	3,171,780	321,706
VIACOM COM CL B	83,719	91,686	7,967
WA MUT INC COM	1,630,089	1,970,010	339,921

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
WADDELL & REED FINL INC CL A COM	205,334	220,762	15,428
WAL-MART STORES INC COM	3,225,290	3,085,824	(139,466)
WASH FED INC COM	148,867	147,569	(1,298)
WATSON PHARMACEUTICALS INC COM	863,382	888,140	24,758
WEST CORP COM	130,310	133,250	2,940
WESTN DIGITAL CORP COM	160,552	215,270	54,718
WYETH COM	2,353,791	2,514,360	160,569
XCEL ENERGY INC COM	623,469	1,034,752	411,283
XEROX CORP COM	528,932	582,450	53,518
Total Jacobs Levy	**$ 172,004,518**	**$ 182,321,298**	**$ 10,316,779**
Peregrine Capital			
ABLE LAB INC COM NEW	$ 836,614	$ 962,280	$ 125,666
ACTIVCARD CORP COM	918,540	874,200	(44,340)
ADR CHGO BRDG & IRON CO NV	2,320,503	2,746,548	426,045
ADR DANKA BUSINESS SYS	1,562,486	1,295,852	(266,634)
AFFILIATED MANAGERS GROUP INC	2,068,681	2,401,430	332,749
AMERN FINL RLTY TR COM	551,250	657,531	106,281
AMERN MED SYS HLDGS INC COM STK	1,740,832	2,042,957	302,125
AMYLIN PHARMACEUTICALS INC COM	1,152,273	1,477,575	325,302
ANNTAYLOR STORES CORP COM	1,154,315	1,444,605	290,290
ANTIGENICS INC DEL COM STK	933,975	1,041,408	107,433
ASTA FDG INC COM	1,000,150	1,156,800	156,650
ATMEL CORP COM	767,558	1,083,346	315,788
ATRIX LABS INC COM	697,025	1,070,913	373,888
BARR LABS INC COM	1,534,443	2,333,438	798,994
BEARINGPOINT INC COM	1,961,215	2,381,620	420,405
BELO CORP	1,681,149	2,061,592	380,443
BENCHMARK ELECTRS INC COM	643,256	722,860	79,605
BERKLEY W R CORP COM	1,903,322	3,096,720	1,193,398
BIOMARIN PHARMACEUTICAL INC	2,129,844	1,997,872	(131,972)
BRINKS CO COM STK	3,363,614	2,742,074	(621,540)
CELGENE CORP COM	1,826,179	2,033,760	207,581
CELL THERAPEUTICS INC CDT-COM	1,191,048	1,451,716	260,668
CEPHALON INC CON	4,250,698	3,383,352	(867,346)
CERNER CORP COM	1,822,139	2,327,130	504,991
CMNTY HLTH SYS INC NEW COM	2,169,595	2,316,729	147,134
CNF INC COM	2,162,071	1,845,126	(316,945)
COHERENT INC COM	2,757,021	2,742,378	(14,643)
COLTV STIF	3,522,389	3,522,389	0
COM KROLL INC DEL	2,069,066	2,833,182	764,116
CORRECTIONS CORP AMER	2,233,259	2,885,087	651,828
CRAY INC COM	2,128,162	2,452,950	324,788
CSK AUTO CORP COM	2,836,199	3,307,605	471,406

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CV THERAPEUTICS INC COM	1,324,915	1,554,184	229,269
CYBERONICS INC COM	1,715,934	1,942,353	226,419
DIGENE CORP COM	860,831	1,187,228	326,397
DOUBLECLICK INC COM	2,351,851	2,088,650	(263,201)
DSP GROUP INC COM	2,787,028	3,048,648	261,620
ELECTRONICS FOR IMAGING INC COM	2,269,249	2,566,685	297,436
ELKCORP COM	959,598	981,000	21,402
ENTEGRIS INC COM	2,018,764	1,997,184	(21,580)
EVERGREEN RES INC COM NO PAR	1,826,277	2,204,986	378,709
FIRSTFED FINL CORP DEL COM	2,441,609	2,809,084	367,475
FURNITURE BRANDS INTL INC COM	1,069,281	1,461,600	392,319
GAMESTOP CORP CL A	1,702,795	1,665,388	(37,407)
GART SPORTS CO COM	1,589,159	1,729,960	140,801
GENESEE & WYO INC CL A	2,034,985	2,223,617	188,632
GUITAR CTR INC COM	1,830,617	2,934,800	1,104,183
HARVEST NAT RES INC COM	1,080,287	1,007,734	(72,553)
HCC INS HLDGS INC COM	2,119,473	2,649,369	529,896
HUNT J B TRANS SVCS INC COM	1,439,707	2,057,375	617,668
IMAX CORP COM	650,723	837,000	186,277
INDEVUS PHARMACEUTICALS INC COM	464,486	667,056	202,570
INGRAM MICRO INC CL A	1,228,466	1,043,900	(184,566)
INTEGRATED CIRCUIT SYS INC COM	1,502,021	2,470,398	968,377
INVERESK RESH GROUP INC COM	467,320	590,072	122,752
IVAX CORP COM	2,579,198	3,594,990	1,015,792
KELLWOOD CO COM	1,256,321	1,290,504	34,183
KS CY SOUTHN	2,087,171	2,143,746	56,575
LIN TV CORP CL A	2,555,785	2,611,695	55,910
LINCARE HLDGS INC COM	1,944,961	2,605,877	660,916
LOUISIANA-PACIFIC CORP COM	2,157,575	3,055,796	898,221
MACROMEDIA INC COM	990,014	1,199,280	209,266
MAVERICK TUBE CORP COM	788,417	1,009,205	220,788
MAXTOR CORP COM NEW	1,120,059	1,453,936	333,877
MEDICINES COMPANY COM	2,604,989	2,756,600	151,611
MENTOR CORP COM	1,619,939	1,497,680	(122,259)
MICREL INC COM	636,757	890,423	253,666
MOORE WALLACE INC COM	2,688,627	3,426,312	737,685
MPS GROUP INC COM	1,676,313	1,916,080	239,767
NAVIGANT CONSULTING INC COM	950,292	1,193,295	243,003
NBTY INC COM	2,633,997	3,312,738	678,741
NEUROCRINE BIOSCIENCES INC COM	2,377,243	3,216,136	838,893
NOVA CHEMICALS CORP COM	2,733,396	2,526,608	(206,788)
NOVELLUS SYS INC COM	1,766,208	2,435,297	669,089
NUCOR CORP COM	1,479,939	1,888,425	408,486
OMI CORP NEW COM	1,453,986	1,898,512	444,526

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
OMNICARE INC COM	2,625,458	4,382,563	1,757,105
ORBITAL SCI CORP COM	1,837,418	1,864,420	27,002
PACER INTL INC TENN COM	1,060,636	1,318,314	257,678
PENWEST PHARMACEUTICALS CO COM	969,165	1,247,744	278,579
PEP BOYS-MANNY MOE & JACK COM	2,073,878	2,715,510	641,632
PETCO ANIMAL SUPPLIES INC COM NEW	1,749,012	1,880,510	131,498
PHARMACEUTICAL PROD DEV INC COM	2,688,488	2,916,095	227,607
PIONEER NAT RES CO COM STK	2,369,006	3,278,160	909,154
PLATINUM UNDERWRITERS HLDGS INC	1,652,904	1,831,950	179,046
PMC SIERRA INC COM	419,889	898,518	478,629
POLO RALPH LAUREN CORP CL A	3,394,981	3,348,864	(46,117)
POLYCOM INC COM	1,241,281	1,675,674	434,393
PROGRESS SOFTWARE CORP COM	1,441,682	2,037,759	596,077
QLOGIC CORP COM	1,172,097	1,706,049	533,952
QUICKSILVER RES INC COM	1,024,880	1,221,450	196,570
RED HAT INC COM	1,907,353	2,619,977	712,624
REGAL ENTMT GROUP CL A	1,645,953	1,966,572	320,619
RUBY TUESDAY INC COM	2,777,793	2,893,410	115,617
SAPIENT CORP COM	1,120,746	1,254,810	134,064
SAXON CAP INC COM	2,250,501	2,892,032	641,531
SCIENTIFIC GAMES CORP	1,522,371	1,882,820	360,449
SCOTTISH ANNUITY & LIFE HLDGS	344,096	361,759	17,663
SCS TRANSN INC COM	1,038,162	1,125,333	87,171
SELECT COMFORT CORP OC-CAP STK	1,563,813	1,841,112	277,299
SELECTIVE INS GROUP INC COM	2,561,692	2,582,655	20,963
SERENA SOFTWARE INC COM	1,860,556	2,520,216	659,660
SILICON LABORATORIES INC COM	1,616,167	1,720,944	104,777
SINCLAIR BROADCAST GROUP INC CL A	1,249,187	1,359,531	110,344
SKYWEST INC COM	1,357,763	2,091,168	733,405
SONOSITE INC COM	1,256,669	1,216,950	(39,719)
STAGE STORES INC COM NEW	3,243,196	3,167,800	(75,396)
STD MTR PRODS INC COM	1,946,700	2,057,940	111,240
STEINER LEISURE LTD COM STK USD0.01	1,131,602	1,252,680	121,079
TERADYNE INC COM	2,808,764	3,815,124	1,006,360
TREDEGAR CORP INC	1,220,387	1,232,651	12,264
ULTRA PETE CORP COM NPV	1,697,302	2,554,889	857,587
UNITEDGLOBALCOM CL A	1,165,660	2,001,307	835,647
UTD ONLINE INC COM	1,524,850	2,399,698	874,848
UTD THERAPEUTICS CORP DEL COM STK	2,392,308	2,382,732	(9,576)
VALERO ENERGY CORP COM STK NEW	1,359,063	1,445,934	86,871
VCA ANTECH INC COM STK	2,674,354	3,362,126	687,772
W HLDG CO INC COM	2,244,587	2,236,410	(8,177)
WASTE CONNECTIONS INC COM	2,274,388	2,428,965	154,577
WEBMD CORP COM STK COM	1,928,465	2,891,610	963,145
WET SEAL INC CL A	768,227	899,256	131,029

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Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
Total Peregrine Capital	**$ 209,898,881**	**$ 247,116,421**	**$ 37,217,540**
Wellington Management			
ABBOTT LAB COM	$ 3,308,219	$ 2,940,672	$ (367,547)
ACCENTURE LTD BERMUDA CLS A COM	783,834	640,386	(143,448)
ACE LTD ORD STK USD0.0416	2,307,579	1,861,920	(445,659)
ALCOA INC COM STK	801,809	532,950	(268,859)
ALTRIA GROUP INC COM	4,238,067	4,728,960	490,893
AMERN INTL GROUP INC COM	1,635,091	1,660,918	25,827
ANALOG DEVICES INC COM	1,760,419	1,929,028	168,609
ANTHEM INC COM	1,053,644	1,272,975	219,331
AOL TIME WARNER INC COM	4,694,548	1,571,993	(3,122,555)
APPLERA CORP COM CELERA GENOMICS	1,110,311	762,648	(347,663)
APPLIED MATERIALS INC COM	1,651,890	1,390,922	(260,968)
AT&T CORP COM NEW	895,579	752,231	(143,348)
BANK ONE CORP COM	2,164,775	2,131,230	(33,545)
BEAR STEARNS COS INC COM	764,591	731,442	(33,149)
BED BATH BEYOND INC COM	798,154	888,749	90,595
BK HAW CORP COM	1,372,835	1,717,170	344,335
BOEING CO COM	377,963	380,952	2,989
BOWATER INC COM	1,545,929	1,242,450	(303,479)
CAP 1 FNCL COM	379,798	737,700	357,902
CARDINAL HLTH INC	1,830,723	2,019,962	189,239
CATERPILLAR INC COM	299,643	322,828	23,185
CHEVRONTEXACO CORP COM	1,549,429	1,545,080	(4,349)
CISCO SYS INC COM	3,885,839	3,047,594	(838,245)
CITIGROUP INC COM	4,553,981	8,003,600	3,449,619
COLTV STIF	4,163,482	4,163,482	0
COMCAST CORP NEW CL A	1,051,698	1,240,398	188,700
CONOCOPHILLIPS COM	1,036,861	1,026,733	(10,129)
COSTCO WHSL CORP NEW COM	1,634,697	1,690,920	56,223
COUNTRYWIDE FINL CORP COM STK	233,671	236,538	2,867
DELL COMPUTER CORP COM	1,355,353	1,722,644	367,291
DELTA AIR LINES INC COM	508,338	731,064	222,726
DOMINION RES INC VA NEW COM	585,424	687,689	102,265
DU PONT E I DE NEMOURS & CO COM STK	1,244,197	1,099,296	(144,901)
ELI LILLY & CO COM	2,737,762	2,655,345	(82,417)
EXELON CORP COM	2,656,877	3,020,405	363,528
EXXON MOBIL CORP COM	5,087,864	4,714,983	(372,881)
FEDT DEPT STORES INC DEL COM	270,200	272,690	2,490
FHLMC COM	1,863,993	1,578,947	(285,046)
FIRST DATA CORP COM	3,636,325	3,573,852	(62,473)
FNMA COM STK	1,916,816	1,625,304	(291,512)
FOREST LAB INC COM	830,375	1,226,400	396,025

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Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
FRKLN RES INC COM	245,415	242,347	(3,069)
GAP INC COM	609,783	787,920	178,137
GEN DYNAMICS CORP COM	610,676	703,250	92,574
GEN ELEC CO COM	3,750,908	3,845,484	94,576
GEN MILLS INC COM	1,787,689	1,986,479	198,790
GENZYME CORP COM	2,452,546	2,148,520	(304,026)
GILLETTE CO COM	1,377,797	1,303,074	(74,723)
GOLDMAN SACHS GROUP INC COM	951,881	1,030,125	78,244
GUIDANT CORP COM STK	1,837,417	2,801,009	963,592
HALLIBURTON CO COM	806,265	1,140,800	334,535
INTEL CORP CAP	1,516,613	1,238,726	(277,887)
INTERACTIVECORP COM STK	919,109	1,155,444	236,335
INTL BUSINESS MACHS CORP COM	3,016,274	2,400,750	(615,524)
ITT INDS INC COM	3,205,017	3,182,570	(22,447)
JOHNSON CTL INC COM	447,202	428,000	(19,202)
KEYCORP NEW COM	1,085,489	972,895	(112,594)
KINDER MORGAN INC COM STK	280,320	333,365	53,045
KING PHARMACEUTICALS INC COM	1,137,750	659,772	(477,978)
LAB CORP AMER HLDGS COM NEW	38,099	36,180	(1,919)
LAMAR ADVERTISING CO CL A COM	1,296,565	1,330,938	34,373
LEHMAN BROS HLDGS INC COM	1,506,982	1,608,816	101,834
LIBERTY MEDIA CORP NEW COM SER A	492,344	716,905	224,561
LOWES COS INC COM	1,722,371	1,554,790	(167,581)
LUCENT TECHNOLOGIES INC COM STK	443,488	517,244	73,756
MARSH & MC LENNAN CO'S INC	1,685,139	1,567,849	(117,290)
MASCO CORP COM	1,906,584	1,793,520	(113,064)
MATTEL INC COM	1,314,776	1,226,016	(88,760)
MAXTOR CORP COM NEW	2,785,352	3,073,092	287,740
MBIA INC COM	2,383,595	2,217,435	(166,160)
MCKESSON CORP	2,286,692	2,255,400	(31,292)
MERRILL LYNCH & CO INC COM	2,804,660	2,478,708	(325,952)
MICROSOFT CORP COM	7,765,830	6,743,113	(1,022,717)
MILLENNIUM PHARMACEUTICALS INC COM	191,007	361,790	170,783
NEXTEL COMMUNICATIONS INC CL A COM STK	908,695	2,278,080	1,369,385
NIKE INC CL B	2,148,374	1,988,889	(159,485)
OMNICOM GROUP INC COM	1,135,122	1,603,370	468,248
PEOPLES BNK BRIDGEPORT CONN COM	920,166	1,101,620	181,454
PEPSI BOTTLING GROUP INC COM STK	3,971,114	2,428,426	(1,542,688)
PEPSICO INC COM	454,776	422,750	(32,026)
PFIZER INC COM	6,289,420	6,920,839	631,419
PINNACLE W. CAP CORP COM	1,191,094	1,071,070	(120,024)
PROCTER & GAMBLE CO COM	3,127,621	3,049,956	(77,665)
QUALCOMM INC COM	527,937	529,100	1,163
QWEST COMMUNICATIONS INTL INC	741,770	1,104,658	362,888
RAYTHEON CO COM NEW	470,034	535,292	65,258

ACTUAL HOLDINGS
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Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
REEBOK INTL COM	498,482	551,532	53,050
ROHM & HAAS CO COM	565,531	446,832	(118,699)
SABRE HLDGS CORP	1,234,973	665,550	(569,423)
SBC COMMUNICATIONS INC COM	1,173,745	1,134,420	(39,325)
SCHERING-PLOUGH CORP COM	4,927,838	3,666,060	(1,261,778)
SCHLUMBERGER LTD COM STK	874,516	1,007,683	133,168
SCRIPPS E.W INC NEW CL A COM	306,989	337,136	30,147
TARGET CORP COM	2,214,331	2,489,872	275,541
TEMPLE INLAND INC COM	996,476	819,581	(176,895)
THERMO ELECTRON CORP COM	659,329	704,170	44,841
TX INSTRS INC COM	1,129,484	1,073,600	(55,884)
TXU CORP COM	555,769	665,963	110,193
TYCO INTL LTD NEW COM	255,536	279,190	23,654
UNIONBANCAL CORP COM	2,036,423	1,954,792	(81,631)
USF CORP COM	659,695	481,727	(177,967)
UTD TECHNOLOGIES CORP COM	767,297	885,375	118,078
VERISIGN INC COM	1,314,434	1,027,569	(286,865)
VERIZON COMMUNICATIONS COM	3,261,422	2,911,410	(350,012)
WACHOVIA CORP 2ND NEW COM	971,743	1,078,920	107,177
WASTE MGMT INC DEL COM STK	884,525	778,107	(106,418)
WYETH COM	1,519,701	1,348,280	(171,421)
WYNN RESORTS LTD COM	409,358	557,235	147,877
YAHOO INC COM	540,706	602,784	62,078
YELLOW CORP COM	481,789	460,685	(21,104)
Total Wellington Management	**$ 179,366,428**	**$ 176,885,899**	**$ (2,480,529)**
JP Morgan Multi Markets			
CF JP MORGAN MULTI MKT I	$ 742,746	$ 453,945	$ (288,801)
CF JP MORGAN MULTI MKT II	$ 3,457,362	$ 2,413,401	$ (1,043,961)
Total JP Morgan Multi Markets	**$ 4,200,108**	**$ 2,867,347**	**$ (1,332,762)**
State Street S&P 500			
CF ST STR S&P 500	$ 595,844,898	$ 517,473,689	$ (78,371,210)
Total State Street S&P 500	**$ 595,844,898**	**$ 517,473,689**	**$ (78,371,210)**
State Street Wilshire 5000			
CF SSGA US TOTAL MKT INDEX	$ 2,265,783,488	$ 2,490,490,164	$ 224,706,676
Total State Street Wilshire 5000	**$ 2,265,783,488**	**$ 2,490,490,164**	**$ 224,706,676**
TOTAL DOMESTIC EQUITY	**$ 3,427,098,322**	**$ 3,617,154,817**	**$ 190,056,495**

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Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
FIXED INCOME			
Alliance Capital			
1ST COLL TR BD SER NO 8 7.875	$ 436,182	$ 530,642	$ 94,460
4 M CORP SR SECD NT SER B 12	77,344	77,250	(94)
ABITIBI-CONSOLIDATED FIN 07/26/1999 7.875	795,176	828,539	33,363
ADVANCED MED OPTICS INC SR SUB NT 9.25	138,660	152,233	13,574
AK STL CORP SR NT 7.875	155,469	160,155	4,686
ALCAN INC NT 4.5	361,013	358,462	(2,552)
ALLBRITTON COMMUNICATIONS SR SUB NT 7.75	217,023	222,728	5,705
ALLIANCE IMAGING INC DEL 10.375	182,148	197,377	15,229
ALLIED WASTE N AMER INC SR NT 8.5	101,370	108,208	6,838
ALLIED WASTE N AMER INC SR SUB NT 10	189,451	199,646	10,194
AMERADA HESS CORP NT 7.875	1,313,776	1,564,535	250,759
AMERISTAR CASINOS SR SUB 02/02/2001 10.75	159,053	170,282	11,229
AMERN GEN FIN CORP MEDIUM TERM SR NTS	518,544	555,784	37,240
AMERN MEDIA OPERATIONS INC	125,772	131,650	5,878
ANTHEM INC NT 2009 6.8	522,144	627,790	105,646
AOL TIME WARNER INC DEB DTD 04/08/2002 7.7	1,132,798	1,186,167	53,368
ARGOSY GAMING CO SR SUB NT 9	154,340	160,950	6,610
ASSD MATLS INC SR SUB NT 9.75	132,646	138,979	6,333
AT&T BROADBAND CORP NT 9.455	712,961	880,025	167,064
AT&T CORP USD SR NT 7.8	403,595	466,997	63,402
AT&T WIRELESS SVCS INC SR NT 8.75	1,031,591	1,227,275	195,684
AVIS GROUP HLDGS INC 11	113,138	119,525	6,388
B & G FOODS INC SR SUB NT 02/01/20029.625	145,061	149,815	4,753
BEAR STEARNS COS INC GLOBAL 12/26/2002 4	543,865	570,626	26,762
BEAZER HOMES USA INC SR NT 8.375	125,139	135,022	9,883
BERRY PLASTICS CORP SR SUB NT 10.75	187,408	206,923	19,515
BK AMER CORP BK AMER CORP SUB 6.25	1,260,793	1,411,873	151,079
BOYD GAMING CORP SR NT 9.25	36,400	40,199	3,799
BOYD GAMING CORP SR SUB NT 7.75	144,675	154,381	9,706
BRAZIL FEDERATIVE NTS 10.25% 17/06/2013	380,190	363,465	(16,725)
BRAZIL(FED REP OF) 11% BDS 17/08/2040	2,177,000	2,648,784	471,784
BRAZIL(FED REP OF) 4%-VAR 15/4/2014	3,381,390	3,382,118	728
BRISTOL MYERS SQUIBB CO NT 4.75	583,450	636,599	53,149
BRIT SKY BROADCASTING GROUP PLC GTD 6.875	568,431	594,539	26,108
BRIT TELECOMMUNICATIONS P L C NT 8.875	1,014,323	1,129,021	114,698
BULGARIA REP USD GLOBAL NT 144A 8.25	255,938	274,059	18,122
BULGARIA(NAT REP) 8.25% BDS 15/1/15	408,963	426,315	17,352
CAROLINA PWR & LT CO NT 6.5	576,783	670,495	93,712
CENT GARDEN & PET CO SR SUB NT 9.125	144,710	154,458	9,749
CHES ENERGY CORP SR NT 7.75	123,290	133,034	9,745
CHES ENERGY CORP SR NT 9	44,275	51,705	7,430
CHES ENERGY CORP SR NT DTD 04/06/2001 8.125	63,300	65,869	2,569
CIN GAS & ELEC CO DEB 5.7	399,856	446,178	46,322

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CIT GROUP INC 4.125	824,016	861,024	37,008
CIT GROUP INC 5.5	418,916	456,366	37,450
CITIBANK CR CARD ISSUANCE TR 2003-A7 NT 4.15	1,684,983	1,665,448	(19,535)
CITIGROUP INC SUB NT 7.25	2,565,247	2,914,486	349,239
CITIZENS COMMUNICATIONS CO SR NT 9	437,117	442,041	4,924
CLEAR CHANNEL COMMUNICATIONS INC 4.25	569,327	581,162	11,835
CLEAR CHANNEL COMMUNICATIONS INC NT 4.625	729,929	776,045	46,117
COAXIAL COMMUNICATIONS CENT OH INC	115,295	128,283	12,988
COINMACH CORP SR NT DTD 01/25/2002 9	134,738	143,975	9,237
COLLINS & AIKMAN FLOORCOVERINGS INC	142,209	156,866	14,657
COLOMBIA REP BD 10.75	925,455	984,256	58,801
COLOMBIA(REP OF) 11.75% BDS 25/2/20	388,750	447,869	59,119
COMCAST CABLE COMMUNICATIONS INC 6.2	1,242,956	1,508,202	265,245
COMCAST CORP NEW COMCAST CORP 7.05	388,120	441,325	53,205
CONCENTRA OPER CORP SR SUB NT SER B 13	196,912	209,811	12,899
CONOCO FDG CO NT 5.45	840,651	936,920	96,268
CONOCO INC NT DTD 04/20/1999 6.95	1,132,138	1,485,749	353,611
CONSTAR INTL INC NEW SR SUB NT 11	15,994	16,338	344
CORRECTIONS CORP AMER NEW SR NT 9.875	208,117	220,878	12,761
CORUS ENTMT INC SR SUB NT 8.75	269,028	281,563	12,535
COSTA RICA REP NT 144A 8.05	26,188	27,657	1,469
COUNTRYWIDE HOME LNS INC MEDIUM TERM	896,067	946,667	50,600
COX COMMUNICATIONS INC NEW NT 2012 7.125	513,459	624,152	110,693
CSC HLDGS INC 9.875 SR SUB DEB	330,666	411,276	80,610
CSX CORP 7.95 E-DOLLR DEB	1,134,620	1,222,377	87,757
DAIMLER CHRYSLER N AMER HLDG CORP 4.75	963,939	1,000,426	36,488
DANA CORP NT 10.125	183,127	203,816	20,689
DEAN FOODS CO SR NT 8.15 DUE 08-01-2007 BEO	241,060	257,391	16,331
DEERE JOHN CAP CORP GLOBAL NT 4.5	573,678	621,110	47,433
DEL MONTE SR SUB NT 9.25	26,188	27,045	858
DEVON ENERGY COPORATION 7.95	417,786	488,987	71,201
DEVON FING CORP U L C DEB 7.875	750,360	941,492	191,132
DEX MEDIA E LLC / DEX MEDIA E SR NT 9.875	41,227	45,105	3,878
DEX MEDIA E LLC / DEX MEDIA E SR SUB NT 12.125	171,732	185,689	13,956
DI INDS INC 8.875 SR NT DUE 07-01-2007 BEO	182,536	193,388	10,851
DIMON INC SR NT DTD 10/30/2001 9.625	37,100	39,211	2,111
DOLE FOOD INC SR NT 2009 8.625	138,631	150,063	11,432
DOMINION RES INC VA NEW DOMINION 5	583,070	615,695	32,625
DURA OPER CORP SR SUB NT DTD 06/15/2001 9	162,748	163,625	877
ECHOSTAR DBS CORP SR NT 9.375	243,550	254,222	10,672
EL SALVADOR 7.75 REGS BDS 24/01/23 7.75	32,025	32,664	639
EOP OPER LTD PARTNERSHIP EOP OPER LP 5.875	547,866	607,868	60,002
EQUISTAR CHEMICALS SR NT 10.125 9-1-08	214,566	234,025	19,459
ERP OPER LTD PARTNERSHIP ERP OPER 5.2	393,831	418,880	25,049
EXTD STAY AMER INC SR SUB NT 9.875	148,970	156,511	7,541

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
EXTENDICARE HLTH SVCS INC SR NT 9.5	173,662	191,785	18,123
FAIRCHILD SEMICONDUCTOR SR SUB NT 10.375	201,739	204,785	3,047
FAIRFAX FINANCIAL HLDGS 7.375% BDS 04-15-2018	17,281	22,264	4,983
FAIRFAX FINL HLDGS LTD NT 7.75	6,700	8,670	1,970
FELCOR LODGING LTD NT DTD06/04/2001 8.5	115,686	120,735	5,049
FHLMC 15 YR GOLD PARTN CTF (PC) 5 15	3,473,473	3,469,413	(4,060)
FHLMC 30 YR GOLD PARTN CTF (PC) 5.5 30	6,585,983	6,585,727	(256)
FHLMC 30 YR GOLD PARTN CTF (PC) 6 30	8,783,554	8,826,188	42,633
FHLMC 30 YR GOLD PARTN CTF (PC) 6 30	10,489,843	10,554,173	64,330
FHLMC GOLD 252911 7.5 09-01-2029	402,702	404,164	1,462
FHLMC GOLD SINGLE FAMILY 4.5 15 YEARS	7,763,147	7,759,333	(3,814)
FHLMC GOLD SINGLE FAMILY 5 30 YEARS	3,855,244	3,862,786	7,542
FHLMC POOL # E97148 4.5 07-01-2018 BEO	993,651	1,025,418	31,768
FHLMC POOL # G0-1477 6 12-01-2032 BEO	10,764,591	10,793,365	28,775
FIRSTENERGY CORP NT SER C 7.375	466,728	542,140	75,411
FLOWSERVE CORP 12.25	179,246	193,804	14,558
FMC CORP SR SECD NT 10.25	122,788	131,340	8,552
FNMA 15 YEARS SINGLE FAMILY MTG 5.5	7,519,649	7,523,281	3,632
FNMA 15 YEARS SINGLE FAMILY MTG 6	9,202,820	9,231,891	29,071
FNMA 30 YEARS SINGLE FAMILY MTG 6 30	12,003,640	12,032,997	29,356
FNMA 30 YR PASS-THROUGHS 6.5 30 YEARS	6,028,359	6,036,677	8,318
FNMA NT 2.5 06-15-2008	5,456,334	5,443,238	(13,095)
FNMA POOL # 253949 6.5 DUE 09-01-2031 REG	863,782	866,430	2,648
FNMA POOL # 254007 6.5 DUE 10-01-2031 REG	30,708	30,802	94
FNMA POOL # 323862 6.5 DUE 08-01-2029 REG	328,337	329,695	1,359
FNMA POOL # 456450 6.5 01-01-2029 BEO	385,983	387,496	1,514
FNMA POOL # 508588 6.5 DUE 08-01-2029 REG	44,110	44,293	183
FNMA POOL # 535996 7.5 DUE 06-01-2031 REG	1,917,692	1,930,048	12,356
FNMA POOL # 559454 7.5 DUE 01-01-2031 REG	357,672	359,133	1,461
FNMA POOL # 569485 7.5 DUE 01-01-2031 REG	352,639	354,079	1,440
FNMA POOL # 600852 6.5 08-01-2031 BEO	458,718	460,125	1,406
FNMA POOL # 600988 6.5 DUE 08-01-2031 REG	46,622	46,765	143
FNMA POOL # 602073 7.5 DUE 09-01-2031 REG	423,414	425,143	1,729
FNMA POOL # 627112 6.5 02-01-2032 BEO	755,818	758,135	2,317
FNMA POOL # 630401 6.5 DUE 03-01-2032 REG	32,381	32,510	130
FNMA POOL # 631459 6.5 DUE 04-01-2032 REG	615,644	648,164	32,520
FNMA POOL # 636389 6.5 DUE 04-01-2032 REG	2,563,138	2,698,107	134,969
FNMA POOL # 640093 6.5 DUE 04-01-2032 REG	59,638	62,788	3,150
FNMA POOL # 641382 6.5 DUE 04-01-2032 REG	68,109	71,706	3,598
FNMA POOL # 644126 6.5 DUE 05-01-2032 REG	4,598,161	4,807,788	209,627
FNMA POOL # 660132 7.5 DUE 09-01-2032 REG	585,778	588,530	2,752
FNMA POOL # 675964 7.5 DUE 02-01-2032 REG	373,304	374,396	1,093
FNMA SINGLE FAMILY MTG 4.5 15 YEARS	3,691,225	3,689,059	(2,166)
FNMA SINGLE FAMILY MTG 5 30 YEARS	9,333,748	9,281,858	(51,890)
FNMA SINGLE FAMILY MTG 5 30 YEARS	10,738,721	10,728,641	(10,080)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
FORD MTR CR CO NT 7.375 DUE 10-28-2009	2,729,586	3,088,145	358,559
FRONTIER OIL CORP SR NT 11.75	22,025	22,300	275
GA GULF CORP SR SUB NT 10.375	209,589	211,374	1,784
GEN ELEC CAP CORP TRANCHE # TR 00528 6.75	2,577,750	2,753,554	175,804
GEN ELEC CAP CORP TRANCHE # TR 00575 5.45	762,636	852,345	89,709
GEN ELEC CO NT 5 DUE 02-01-2013 BEO	657,532	711,155	53,623
GEN MTRS ACCEP CORP GM 8 DUE 11-01-2031 BEO	341,852	343,102	1,250
GEN MTRS ACCEP CORP NT DTD 09/12/2001 6.875	1,892,822	1,955,038	62,216
GEN MTRS CORP SR NT 8.375 DUE 07-15-2033REG	997,207	994,608	(2,599)
GNMA I 30 YR SINGLE FAMILY PASS-THRU 6.5 30 YR	9,545,156	9,573,330	28,174
GNMA I SINGLE FAMILY MTG 5.5 30 YEARS	7,504,514	7,522,112	17,598
GNMA POOL # 379655 7 DUE 08-15-2025 REG	5,127	5,379	252
GNMA POOL # 579908 SER 2032 6.5	725,576	762,688	37,113
GNT PRIDECO INC SR NT 9	159,846	167,100	7,254
GOLDMAN SACHS GROUP INC 6.125	874,639	975,310	100,672
GOLDMAN SACHS GROUP INC SR 03/31/2003 5.25	654,849	707,099	52,249
GRAPHIC PACKAGING CORP SR SUB NT 8.625	36,497	36,840	343
GREAT WESTN FINL TR II 8.206	1,689,601	2,011,020	321,419
GREIF BROS CORP SR SUB NT 8.875	147,131	155,677	8,546
GUATEMALA (REP OF) 10.25% BDS 8/11/11	11,425	12,376	951
H & E EQUIP SVCS LLC / H & E FIN CORP NT 11.125	39,119	48,672	9,553
HANGER ORTHOPEDIC GROUP INC SR NT 10.375	193,076	205,955	12,879
HARRAHS OPER INC GTD SR SUB NT 7.875	57,200	60,005	2,805
HCA-HEALTHCARE CO HCA HEALTHCARE 7.875	68,217	74,927	6,710
HCA-HEALTHCARE CO HCA-06/01/2006 7.125	760,602	781,547	20,945
HEWLETT PACKARD CO NT 7.15	615,917	615,490	(427)
HLTH NET INC SR NT 8.375 DUE 04-15-2011 BEO	581,808	628,914	47,106
HOLLINGER INTL PUBG INC GTD SR NT 9	170,785	177,210	6,425
HORSESHOE GAMING LLC SR SUB NT 8.625	58,064	58,906	842
HOST MARRIOTT L P SR NT SER I 9.5	304,663	335,642	30,979
HSEHD FIN CORP CRP HI 7 DUE 05-15-2012	497,847	566,482	68,635
HSEHD FIN CORP NT 6.5 DUE 11-15-2008 BEO	1,188,460	1,418,715	230,255
HUNTSMAN INTL LLC SR NT 9.875	259,226	268,229	9,003
ING CAP FDG TR III GTD TR PFD SECS VAR RATE	977,717	1,004,954	27,238
INTL PAPER CO NT 5.85 DUE 10-30-2012 BEO	537,193	571,896	34,703
INTRAWEST CORP SR NT 9.75	152,012	162,088	10,076
IRON MTN INC PA SR SUB NT 7.75	36,400	38,376	1,976
IRON MTN INC PA SR SUB NT 8.625	133,768	136,445	2,677
ISTAR FINL INC SR NT 8.75	263,429	286,379	22,950
ITALY REP REP OF ITALY 2.5	4,634,177	4,784,002	149,825
J P MORGAN CHASE & CO NT 6.75	1,265,632	1,508,287	242,654
JC PENNEY CO INC NT 8	64,572	69,835	5,263
JEFFSN SMURFIT CORP U S SR NT 8.25	206,536	218,625	12,089
JORGENSEN EARLE M SR SECD NT 9.75	163,964	170,900	6,936
JOSTENS INC SR SUB NT 12.75	262,112	276,288	14,175

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
K & F INDS INC SR SUB NT 9.625	60,000	66,857	6,857
KB HOME SR SUB NT 7.75	178,381	195,020	16,640
KELLOGG CO 2.875	575,665	567,173	(8,492)
KEYSPAN CORP NT 7.25	1,446,868	1,640,502	193,634
LEHMAN BROS HLDGS INC 4	1,644,565	1,722,469	77,904
LEHMAN BROS HLDGS TRANCHE # TR 00387 6.625	592,181	673,329	81,147
LENFEST COMMUNICATIONS INC 8.375	947,625	953,951	6,326
LENNAR CORP LENNAR CORP 5.95 03-01-2013 BEO	206,403	234,907	28,504
LIBERTY MEDIA CORP NEW LIBERTY MEDIA 5.7	1,013,418	1,035,642	22,223
LNR PPTY CORP SR SUB NT 10.5	380,847	409,135	28,288
LOMAK PETE INC SR SUB NT 8.75	50,750	52,892	2,142
LTD BRANDS INC DEB 6.95 DUE 03-01-2033 BEO	294,434	333,621	39,187
LYON WILLIAM HOMES INC SR NT 10.75	144,512	158,566	14,053
LYONDELL CHEM CO SR SECD NT SER A 9.625	51,750	49,802	(1,948)
LYONDELL CHEM CO SR SECD NT SER B 9.875	106,943	104,628	(2,315)
LYONDELL CHEM CO SR SUB NT 10.875	57,924	61,628	3,705
M D C HLDGS INC SR NT 7 DUE 12-01-2012 BEO	39,577	44,500	4,923
MANDALAY RESORT GRP SR SUB NT SER B 10.25	319,445	345,949	26,504
MANUFACTURERS & TRADERS BUFFALO N Y	439,773	453,163	13,390
MARKEL CAP TR I CAP SECS SER B 8.71	73,800	98,038	24,238
MBNA MED TERM SRTRANCHE # SR 00009 6.5	915,348	939,474	24,126
MEDIACOM BROADBAND 11 BOND 15/07/2013	174,903	203,564	28,661
MERISTAR HOSPITALITY OPER SR NT 9.125	34,344	35,773	1,429
MERITAGE CORP SR NT 9.75	218,007	228,191	10,183
METLIFE INC SR NT 6.5	426,573	491,943	65,370
MEXICO(UTD MEX ST) 11.375% BDS 15/9/2016USD	381,288	412,773	31,486
MGM MIRAGE 08/01/00 8.375	10,625	11,724	1,099
MGM MIRAGE INC GTD SR SUB NT 9.75	189,712	200,047	10,335
MIDAMERICAN ENERGY HLDGS SR NT 5.875	399,908	448,545	48,637
MILLENNIUM AMER INC SR NT 9.25	59,385	59,351	(34)
MOHEGAN TRIBAL GAMING AUTH SR SUB NT 8	184,940	192,500	7,560
MORGAN STANLEY MORGAN STANLEY DEAN 7.25	627,533	771,341	143,809
N W PIPELN CORP SR NT 8.125	55,762	60,577	4,816
NATL CY CORP 3.2 DUE 04-01-2008 BEO	454,067	464,119	10,051
NATL RURAL UTILS COOP FIN CORP NT 2012 7.25	403,392	494,724	91,332
NATL WTRWKS INC DTD 11/22/2002SER B 10.5	30,623	33,450	2,827
NEXTEL COMMUNICATIONS INC SR SER NT 9.375	525,376	640,580	115,204
NISOURCE FIN CORP GTD NT DTD 11/14/2000 7.875	431,128	512,028	80,900
NORAM ENERGY CORP DEB 6.5 DUE 02-01-2008	742,279	753,193	10,915
NORSKE SKOG CDA LTD SR NT 8.625	60,632	62,930	2,298
NORTHROP GRUMMAN CORP NT 7.125	545,935	545,053	(882)
OMNICARE INC SR SUB NT SER B 8.125	179,113	182,972	3,860
ON SEMICONDUCTOR CORP SECD NT 12 3-15-10	219,512	251,973	32,462
OWENS-BROCKWAY GLASS SECD NT 8.875	304,488	329,966	25,478
PACIFICARE HLTH SYS INC DEL SR NT 10.75	155,750	167,686	11,936

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
PANAMA REP US$ GLOBAL BD DTD 07/13/2000 10.75	673,888	698,599	24,711
PANAMA(REP OF) 9.375% BDS 1/4/2029	138,900	139,013	113
PANAMSAT CORP NEW SR NT 8.5	153,296	173,277	19,981
PATHMARK STORES INC NEW SR SUB NT 8.75	55,270	64,288	9,018
PERU REP US$ BD 9.875 DUE 02-06-2015	696,182	693,737	(2,445)
PHILIPPINES REP GLOBAL BD DTD 03/16/200010.625	402,400	477,896	75,496
PK PL ENTMT CORP SR SUB NT 8.875	162,235	174,938	12,703
PK PL ENTMT CORP SR SUB NT 9.375	106,410	114,292	7,882
PLASTIPAK HLDGS INC SR NT 10.75	37,119	38,704	1,585
PLAYTEX PRODS INC SR SUB NT 9.375	127,222	115,898	(11,324)
PRAXAIR INC NT 2.75	433,134	432,288	(846)
PREMCOR REFNG GROUP INC SR NT 9.5	50,107	57,097	6,990
PREMIER PKS INC SR NT 9.75	256,913	253,555	(3,358)
PRIDE PETE SVCS INC 9.375 SR NT	168,123	167,700	(423)
PRIMEDIA INC SR NT 8.875	75,661	79,788	4,127
PVTPL AES CORP 2ND PRTY SR SECD NT 144A 8.75	15,000	15,793	793
PVTPL AES CORP BD1 44A 9	25,000	26,456	1,456
PVTPL AES CORP SR SECD NT 144A 10	69,950	72,917	2,967
PVTPL AMERN MEDIA OPERATIONSNT 144A 8.875	20,000	22,429	2,429
PVTPL ANCHOR GLASS CONTAINER 144A 11	137,778	153,428	15,649
PVTPL BARCLAYS BK PLC 144A VAR RATE 8.55	748,973	963,800	214,828
PVTPL CBRE ESCR INC SR NT 144A 9.75	25,000	26,545	1,545
PVTPL CINEMARK USA INC SR SUB NT 9	155,157	162,788	7,631
PVTPL CITGO PETE CORP SR NT 144A 11.375	218,348	248,149	29,801
PVTPL COLBS SOUTHN PWR SER A 144A 5.5	149,606	164,410	14,804
PVTPL COOP COMPUTING INC SR NT 144A 10.5	93,757	97,486	3,728
PVTPL CROWN EUROPEAN HLDGS NT 144A 9.5	87,338	94,604	7,266
PVTPL CSC HLDGS INC SR NT 7.625	119,790	149,214	29,424
PVTPL DANKA BUSINESS SYS PLC SR NT 144A 11	102,543	103,425	882
PVTPL DEL MONTE CORP SR SUB NT 144A 8.625	241,752	244,682	2,930
PVTPL DIRECTV HLDGS LLC SR NT 144A 8.375	214,471	234,346	19,875
PVTPL DOLE FOOD INC SR NT 144A 8.875	15,000	16,244	1,244
PVTPL DOMINOS INC SR SUB NT 144A 8.25	105,917	108,557	2,640
PVTPL DUKE ENERGY BD SER A 144A 3.75	718,558	750,568	32,010
PVTPL ELECTR DATA SYS CORP NEW NT 144A 6	310,067	307,146	(2,921)
PVTPL EQUISTAR CHEMICALS NT 144A 10.625	47,843	47,041	(802)
PVTPL FAIRPOINT COMM NT144A 11.875	50,000	59,897	9,897
PVTPL FASTEN TECH INC SR SUB NT 144A 11.5	30,100	30,725	625
PVTPL FRONTIER ESCR CORP 8	14,873	15,922	1,048
PVTPL GA PAC CORP SR NT 144A 9.375	226,900	251,201	24,301
PVTPL GERDAU AMERISTEEL CORP 144A 10.375	34,300	34,234	(66)
PVTPL GREENPOINT FINL CORP SR NT 144A 3.2	918,648	915,064	(3,583)
PVTPL HEXCEL CORP NEW SR SECD NT 144A 9.875	19,790	22,560	2,769
PVTPL HOUGHTON MIFFLIN CO SR NT 144A 8.25	137,403	147,097	9,693
PVTPL HOUGHTON MIFFLIN CO SR NT 144A 9.875	72,915	79,479	6,565

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PVTPL HSBC CAP FDG DLR SECS SER 2 144A	787,282	950,392	163,110
PVTPL HUNTSMAN ADV MATLS SECD NT 144A 11	70,263	72,821	2,559
PVTPL INSIGHT MIDWEST L P INC 9.75	199,787	216,375	16,588
PVTPL JACUZZI BRANDS SECD NT 144A9.625	65,288	65,000	(288)
PVTPL KAZKOMMERTS INTL B V 8.5	73,161	75,953	2,792
PVTPL LA QUINTA PPTYS INC 144A 8.875	154,140	163,522	9,382
PVTPL MERISANT CO SR SUB NT 144A 9.5	76,013	77,625	1,613
PVTPL NEWS AMER INC SRNT 144A 6.55	982,949	1,068,172	85,223
PVTPL NORSKE SKOG CDA LTD SR NT 144A 8.625	30,783	31,465	682
PVTPL NT 144A 10.75	65,000	64,777	(223)
PVTPL NY LIFE INS CO 144A NT 5.875	732,085	777,728	45,643
PVTPL PEABODY ENERGY SR NT 144A 6.875	163,465	170,656	7,191
PVTPL PETRONAS CAP LTD USD GTD NT 144A 7	933,671	1,007,174	73,503
PVTPL PSYCHIATRIC SOL 10.625 06 15 1 10.625	91,831	92,727	895
PVTPL QWEST CORP NT 144A 8.875	382,970	394,553	11,583
PVTPL R H DONNELLEY I SR SUB NT 144A 10.875	177,104	198,872	21,768
PVTPL RELIANT RES INC 9.5	0	(12)	(12)
PVTPL RENT A CTR INC NEW SR SUB NT 144A 7.5	40,560	42,458	1,898
PVTPL RITE AID CORP SR SECD NT 144A 9.5	245,298	266,803	21,505
PVTPL ROGERS CABLE INC 6.25	390,000	389,838	(163)
PVTPL SEALED AIR CORP NEW 144A 5.625	393,669	393,333	(336)
PVTPL SOUTHN NAT GAS CO SR NT 144A 8.875	59,231	67,116	7,885
PVTPL SR NT 144A 10.125	102,056	111,858	9,802
PVTPL TITAN CORP SR SUB NT 144A 8	25,475	26,756	1,281
PVTPL TRIMAS CORP SR 12-10-2002 144A 9.87	30,407	30,882	475
PVTPL TRUMP CASINO LLC 1ST MTG NT 144A 11.625	61,641	62,411	770
PVTPL TRW AUTOMOTIVE ACQSTN SR NT 144A 9.375	112,949	123,160	10,211
PVTPL TRW AUTOMOTIVE ACQSTN SR NT 144A 11	71,096	79,145	8,048
PVTPL TURNING STONE CASINO SR NT 144A 9.125	56,243	58,867	2,624
PVTPL UNICREDITO ITALIANO CAP TR I/II VAR RT	1,478,649	1,713,355	234,706
PVTPL UNVL CY DEV PTNR LTD SR NT 144A 11.75	142,334	157,900	15,566
PVTPL UTD RENTALS N AMER INC 10.75	36,225	39,032	2,807
PVTPL WESTPORT RES CORP NEW 144A 8.25	15,900	16,631	731
PXRE CAP TR I 8.85	147,861	158,522	10,661
QUE PROV CDA PROV DE QUE GLOBAL NT 7.5	1,459,752	2,018,730	558,978
RADIO 1 INC SR SUB NT 8.875	75,826	80,106	4,280
RBS CAP TR I TR PFD SECS	1,781,727	1,740,275	(41,452)
RESOLUTION PERF PRODS LLC SECD NT 9.5	124,425	125,433	1,008
RESORTS INC SR SUB NT 8.75	118,763	121,461	2,698
REXNORD CORP SR SUB NT 10.125	66,422	71,793	5,371
RIVIERA HLDGS CORP SR SECD NT 11	66,895	72,004	5,109
ROUNDYS INC SR SUB NT 8.875	177,661	183,565	5,905
ROYAL KPN NV 07/06/1998 8	678,518	704,459	25,941
RUSSIAN FEDERATION STP-UP BONDS	5,382,856	5,773,004	390,148
RYLAND GROUP INC SR NT 9.75	10,825	11,825	1,000

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
S AFRICA REP REP OF S AFRICA 7.375	378,269	377,332	(937)
SAKS INC 8.25 DUE 11-15-2008	76,500	80,103	3,603
SALTON INC SR SUB NT 12.25	176,583	178,948	2,366
SCHULER HOMES INC SR SUB NT 10.5	83,600	95,473	11,873
SEALY MATTRESS CO SR SUB NT SER B 9.875	92,023	89,945	(2,078)
SEQUA CORP SR NT 9	100,702	109,750	9,048
SILGAN HLDGS INC 9.0 SR SUB DEB NT	67,017	67,763	746
SINCLAIR BROADCAST GROUP SR SUB NT 8.75	230,769	242,306	11,536
SOUTHN NAT GAS CO 7.35 DUE 02-15-2031	61,990	78,395	16,405
SPRINT CAP CORP GTD NT 6	880,000	970,040	90,040
SPRINT CAP CORP NT 7.625	1,401,826	1,631,066	229,240
SPX CORP SR NT 7.5	50,127	56,042	5,914
ST JOHN KNITS INTL INC SR SUB NT DTD	51,490	57,625	6,135
STA CASINOS INC SR NT DTD 02/13/2001 8.375	158,802	166,746	7,944
STARWOOD HOTELS & RESORTS SR NT 7.875	221,580	243,788	22,207
STATER BROS HLDGS INC SR NT 10.75	169,271	180,363	11,092
STEWART ENTERPRISES INC SR SUB NT 10.75	182,103	192,844	10,740
STL DYNAMICS INC SR NT 9.5	177,380	177,453	73
STONE CONTAINER CORP SR NT DTD	32,663	34,069	1,406
SUN INTL HOTELS 8.875 BONDS 15 AUG 2011	73,179	83,702	10,523
SVC CORP INTL NT DTD 05/29/1996 7.2	159,224	166,815	7,591
TARGET CORP NT DTD 03/11/2002 5.875	509,152	586,322	77,169
TELUS CORP 7.5 DUE 06-01-2007 BEO	807,177	874,575	67,398
TEMBEC INDS INC GTD SR NT 8.625	160,017	153,100	(6,917)
TEMBEC INDS INC GTD SR NT DTD 01/19/20018.5	5,163	5,127	(35)
TEREX CORP NEW SR SUB NT DTD 03/29/2001 10.375	77,457	84,820	7,363
TIME WARNER ENTMT CO L P 8.375	2,461,470	2,942,732	481,262
TRANSDIGM INC SR SUB NT 10.375	302,369	316,847	14,478
TRCNTNTL GAS PIPE LINE CORP SR NT 8.875	10,700	11,709	1,009
TRIAD HOSPS HLDGS INC SR SUB NT 11.0	67,100	66,993	(107)
TRIAD HOSPS SR NT SER B 04/27/2001 8.75	149,488	156,358	6,870
TRIMAS CORP SR SUB NT 9.875	78,052	77,204	(848)
TRITON PCS INC GTD SR SUB NT 8.75	189,199	196,693	7,493
U S BK NATL ASSN MINNEAPOLIS MINN	1,463,558	1,701,342	237,784
UKRAINE GOVT 7.65	100,200	100,107	(93)
UKRAINE(REP OF) 11% BDS 15/3/2007	839,446	833,273	(6,173)
United States dollar	7,358,857	7,358,857	0
URUGUAY(REP OF) 7.5% BDS 15/03/2015	184,000	181,450	(2,550)
US TREAS BD STRIPPED PRIN PMT	6,300,309	6,148,123	(152,186)
US TREAS BDS BDS 5.375 DUE 02-15-2031 BEO	10,373,099	10,977,592	604,494
US TREAS NTS DTD 00007 2.25	33,087,285	33,419,489	332,204
US TREAS NTS DTD 00023 2	10,926,316	10,911,942	(14,374)
US TREAS NTS DTD 00024 2.625	3,431,627	3,396,916	(34,711)
US TREAS NTS DTD 00027 1.125	7,666,745	7,666,379	(366)
UTD AUTO GROUP INC SR SUB NT 9.625	169,105	181,226	12,121

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
UTD MEXICAN STS MED TERM NTS 7.5	1,906,264	2,094,130	187,866
UTD MEXICAN STS MEDIUM TERM NT 4.625	2,793,778	2,892,734	98,956
UTD RENTALS N AMER INC SR NT 10.75	149,481	161,703	12,222
VENETIAN CASINO RESORT / LAS VEGAS SMTG	193,154	209,492	16,338
VENTAS RLTY LTD NT 2012 9 5-1-12/4-30-12 BEO	184,031	193,375	9,344
VERIZON GLOBAL FDG CORP DTD 08/26/2002 7.375	1,414,806	1,561,582	146,776
VERIZON WIRELESS CAP LLC NT 5.375	950,976	990,660	39,684
VODAFONE AIRTOUCH PLC PLC 6/28/1999 7.875	526,852	579,909	53,058
VORNADO RLTY TR SR NT 5.625	536,040	564,624	28,584
WA MUT FIN CORP SR NT DTD 05/24/2001 6.25	2,311,995	2,574,511	262,517
WASTE MGMT INC DEL SR NT 6.875	888,185	944,028	55,843
WERNER HLDG CO DEL INC 10	58,800	61,967	3,167
WESTN FINL BK IRVINE CAL SUB CAP DEB 9.625	208,359	229,383	21,023
WESTPORT RES CORP NEW SR SUB NT 8.25	41,200	44,350	3,150
WESTVACO CORP DEL 8.2 DUE 01-15-2030 BEO	489,890	575,483	85,593
WILLIAMS SCOTSMAN INC 9.875 SR SUB NT	174,643	187,764	13,120
WINDMERE DURABLE HLDGS INC SR NT 10	300,017	316,664	16,647
XCEL ENERGY INC SR NT 7 DUE 12-01-2010 BEO	466,029	534,514	68,485
YOUNG BROADCASTING INC SR NT 8.5	104,612	107,378	2,766
Total Alliance Capital	**$ 370,594,615**	**$ 384,973,851**	**$ 14,379,236**
Loomis Sayles			
1ST INDL L P 7.6 BD DUE 07-15-2028 CALL	$ 3,035,082	$ 3,542,611	$ 507,529
AGILENT TECHNOLOGIES INC SR CONV DEB 3	449,375	487,500	38,125
AMAZON COM INC 6.875% CV BDS 16/2/2010 EUR	335,456	785,161	449,705
ANALOG DEVICES INC 4.75 DUE 10-01-2005 BEO	1,046,301	1,194,075	147,775
AT&T CORP 6.5%-VAR 21/11/06 EUR'REGS'	2,824,629	4,306,855	1,482,226
AT&T WIRELESS SVCS INC NT 8.125	1,243,750	1,522,996	279,246
AT&T WIRELESS SVCS INC SR NT 8.75	708,750	948,924	240,174
ATLAS AIR INC PASSTHRU CTF SER 1999-1 CLB 7.63	2,431,337	1,067,450	(1,363,888)
BAUSCH & LOMB INC BAUSCH-LOMB INC 7.125	5,129,823	5,189,297	59,474
BOISE CASCADE CORP DEB DTD 01/24/1996 7.35	940,590	1,091,335	150,745
BORDEN INC 7.875 DUE 02-15-2023 REG	628,750	679,750	51,000
BRAZIL FEDERATIVE REP GCB BRAZIL REP 8.875	756,438	756,899	462
BRAZIL(FED REP OF) 4%-VAR 15/4/2014 USD	1,170,756	1,480,019	309,264
CANADA(GOVT OF) 4.5% BDS 01/09/2007 CAD1000	8,028,278	9,109,479	1,081,201
CAP 1 BK MEDIUM TERM SR BK NTS 6.7	493,750	546,822	53,072
CAP 1 BK MEDIUM TERM SR BK NTS TR 00112 6.875	521,063	573,208	52,146
CASE CORP NT DTD 07/31/1995 7.25	814,831	933,470	118,639
CELESTICA INC LIQUID YIELD OPT NT 0	1,416,767	1,682,967	266,200
CMNTY PROGRAM LN TR 1987 SER 87-A5 CL A 4.5 BD	1,730,000	1,777,276	47,276
COASTAL CORP SR DEB DTD 06/05/1998 6.95	1,495,976	1,329,314	(166,662)
COLT TELECOM 2% CNV BDS 16/12/2006(REGS)	586,156	791,457	205,301
COMMSCOPE INC SUB NT 4	346,250	400,850	54,600

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CORNING GLASS WK 7.00 DEB	359,000	408,744	49,744
CORNING INC NT DTD 03/03/1999 6.85	190,313	241,333	51,021
CORNING INC SR NT CONV 3.5	363,248	415,763	52,515
COX COMMUNICATIONS INC 6.8	816,110	1,148,149	332,039
CUMMINS CAP TR I QRTLY INC PFD SECS 7	108,125	132,500	24,375
CYPRESS SEMICONDUCTOR CORP 3.75%	1,001,498	1,264,800	263,302
DANA CORP 9% BDS 15/8/2011 EUR(EXCH)	525,691	789,196	263,505
DANA CORP NT 7 DUE 03-01-2029 BEO	962,284	894,583	(67,700)
DELPHI CORP DEB 7.125	1,763,969	2,073,981	310,012
DELTA AIR LINES INC DEL NT 8.3	1,561,647	1,187,054	(374,593)
DOW CHEM CO 7.375 DUE 11-01-2029 BEO	1,594,018	1,887,492	293,474
EL PASO CORP 5.75% BDS 14/3/2006 EUR1000	608,192	746,507	138,315
EMPRESA NACIONAL DE ELECTRICIDAD CHILE 7.875	2,027,630	2,225,712	198,082
ENERSIS S A NT 7.4 DUE 12-01-2016 REG	1,376,600	1,565,996	189,396
EOP OPER LTD PARTNERSHIP NT 7.25	1,855,037	2,253,636	398,599
EQTY RESDNTL SER G CONV PFD	192,764	261,697	68,933
Euro	68,184	68,184	0
EUROFIMA 6.5% BDS 22/08/11 AUD	3,680,584	4,161,502	480,918
FD AMERN COS INC GTD SR NT 5.875	997,100	1,052,485	55,385
FHLMC GOLD C01258 6 11-01-2031	910,425	971,406	60,980
FHLMC GOLD C51783 6 07-01-2031	2,200,202	2,344,565	144,363
FNMA POOL # 581156 6 DUE 04-01-2031 REG	1,660,622	1,789,552	128,930
FNMA POOL # 607068 6 DUE 11-01-2031 REG	1,287,316	1,379,481	92,164
FNMA POOL # 623881 5.5 DUE 02-01-2017 REG	2,380,111	2,478,134	98,022
FNMA POOL # 630924 5.5 DUE 02-01-2017 REG	1,589,913	1,656,568	66,656
FORD MTR CO DEL DEB 6.625 DUE 10-01-2028BEO	1,711,556	1,702,084	(9,471)
FORD MTR CO DEL DEB DTD 02/09/1999 6.375	4,180,220	4,309,160	128,940
FORT JAMES CORP 4.75% BDS 29/6/2004 EUR1000	1,051,466	1,355,830	304,365
FT JAMES CORP NT DTD 11/15/1993 7.75	702,270	708,677	6,407
GA PAC CORP 7.25 DUE 06-01-2028 REG	1,229,763	1,233,458	3,696
GA PAC CORP DEB 7.75 DUE 11-15-2029 BEO	1,181,023	1,143,628	(37,395)
GDR PHILIPPINE LONG DISTANCE TEL CO	601,698	741,600	139,902
GEN MTRS ACCEP CORP SR NT DTD 08/29/20026.875	1,457,145	1,531,145	74,000
GENZYME CORP SUB DEB CONV 3	1,065,257	1,301,733	236,477
HASBRO INC 6.6 BD DUE 07-15-2028 BEO	580,313	752,200	171,888
HCA INC 6.25 DUE 02-15-2013/02-14-2013 BEO	1,592,120	1,644,176	52,056
HCA INC NT DTD 09-23-2002 6.3	1,095,451	1,141,919	46,468
HIGHWOODS RLTY LTD PARTNERSHIP 7.5	1,020,630	1,072,815	52,185
HMH PPTYS INC SR NT SER B 7.875	1,155,233	1,318,958	163,725
HUMAN GENOME SCIENCES INC SUB NT CONV 3.75	1,097,453	1,294,826	197,373
HUNTSMAN ICI CHEMS LLC SR SUB NT 10.125	604,500	656,906	52,406
HY HUNTSMAN INTL 10.125% BD 1/7/09 EUR1000	413,862	563,053	149,191
IMC GLOBAL INC 7.3 NT DUE 01-15-2028	822,125	801,844	(20,281)
IMC GLOBAL INC DEB 6.875 DUE 07-15-2007 BEO	870,125	954,994	84,869
INFINEON TECH HLDG 4.25% SB CV BDS 6/2/07 EUR	1,411,072	1,463,443	52,371

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
INTL BANK RECON&DV 0% EMTN 20/8/2007 NZD	4,692,417	8,052,894	3,360,476
INTL BANK RECON&DV 5.5% MTN 3/11/2008	937,852	1,192,531	254,678
INTL PAPER CAP TR PFD CONV 5.250	486,200	490,000	3,800
INTL PAPER CO NT DTD 04/12/1999 6.875	1,068,323	1,416,985	348,663
ITT CORP 7.375 DEB DUE 11-15-2015	651,525	730,222	78,697
IVAX CORP SR SUB NT CONV 4.5	1,703,313	2,026,364	323,051
JUNIPER NETWORKS INC SUB NT CONV 4.75	2,642,875	3,543,624	900,749
K N CAP TR III 7.63 DUE 04-15-2028 REG	1,842,400	2,277,922	435,522
KROGER CO KROGER CO NT 5.5	1,316,019	1,402,614	86,596
KULICKE & SOFFA INDS INC SUB NT CONV 4.75	354,000	629,929	275,929
LA QUINTA INNS INC TRANCHE # TR 2 7.27 MTN	717,323	797,642	80,320
LA QUINTA INNS INC TRANCHE # TR 3 7.33 MTN	441,250	526,900	85,650
LAM RESH CORP SUB NT CONV 4	1,119,328	1,413,146	293,818
LIBERTY PPTY LTD MEDIUM TERMNTS 7.5	906,650	1,234,723	328,073
LSI LOGIC CORP SUB NT CONV 4	330,000	397,990	67,990
LUCENT TECHNOLOGIES INC DEB 6.45	377,188	369,596	(7,592)
METHANEX CORP 7.75 NT 08-15-2005	789,375	809,458	20,083
MOTOROLA INC 6.5 DUE 11-15-2028 BEO	1,072,561	1,451,959	379,398
N W AIRLS CORP N W AIRLI 9.875	231,875	286,677	54,802
N W AIRLS INC 7.625 DUE 03-15-2005 REG	463,750	433,726	(30,024)
NEIMAN-MARCUS GROUP INC 7.125	1,058,902	1,482,621	423,719
NEXTEL COMMS INC NT 10-31-07 0 TIL 10-31-02 9.75	601,834	888,535	286,701
NEXTEL COMMS INC NT 2-15-08 0 TIL 2-15-03 9.95	310,625	541,294	230,669
NEXTEL COMMUNICATIONS INC SR SER NT 9.375	652,187	1,145,444	493,258
NEXTEL PARTNERS INC SR NT DTD 03/10/200011	531,563	584,004	52,442
NISOURCE FIN 6.15 PCT 03 01 13 6.15	1,000,000	1,095,615	95,615
NORDSTROM INC SR DEB 6.95 DUE 03-15-2028	1,144,737	1,246,359	101,622
NORTEL NETWORKS GTD SR NT CONV 4.25	852,975	952,438	99,463
ONTARIO(PROV OF) 5.9% DEB 08/03/06 CAD1000	6,064,536	6,825,018	760,482
PAC GAS & ELEC CO 1ST PFD 5	240,000	330,000	90,000
PAC GAS & ELEC CO 1ST PFD 6.30	146,250	280,000	133,750
PAC GAS & ELEC CO PFD 6.57	187,500	435,000	247,500
PARKER DRILLING CO SUB NT CONV 5.5	214,688	255,417	40,729
PDVSA FIN LTD NT 7.5 DUE 11-15-2028 BEO	183,333	198,646	15,313
PENNEY J C INC 7.95 DUE 04-01-2017 REG	1,075,750	1,312,838	237,088
PETROLEOS MEXICANOS GLOBAL GTD BD 9.25	1,839,188	2,509,932	670,745
PETROLEOS MEXICANOS MTN 8.625	287,438	362,939	75,502
PHILIPPINE LONG DISTANCE TEL CO MTN 8.35	1,220,105	1,393,348	173,243
PHILIPPINE LONG DISTANCE TEL CO NT 2012 11.375	599,928	688,083	88,155
PROVIDENT COS INC 7.25 DUE 03-15-2028 REG	1,660,531	1,804,846	144,315
PVTPL ANALOG DEVICES INC SUB NT 4.75	523,383	617,625	94,242
PVTPL HUMAN GENOME SCIENCES CONV 144A 3.75	589,467	877,844	288,377
PVTPL PECOM ENERGIA S A NT 144A 8.125	1,874,000	1,819,184	(54,816)
PVTPL PETROZUATA FIN INC SER B 8.22 BD	552,188	671,663	119,475
PVTPL PF EXPT RECEIVABLES MASTER 144A 6.436	500,000	511,165	11,165

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
PVTPL SEALED AIR CORP NEW SR NT 144A 6.875	767,243	782,459	15,215
PVTPL SIMON PPTY GROUP L P NT 144A 5.45	498,010	531,620	33,610
PVTPL TELEKOM MALAYSIA BERHAD DEB 144A 7.875	1,068,042	1,588,044	520,002
PVTPL TENAGA NASIONAL BERHAD DTD 10/31/1995 7.5	1,514,323	2,086,637	572,314
QUANTUM CORP 7 DUE 08-01-2004/08-01-2002	747,781	926,853	179,072
QWEST CAP FDG INC GTD NT 7.75	137,597	143,892	6,295
QWEST CAP FDG INC NT 7.75 DUE 02-15-2031REG	336,000	566,494	230,494
QWEST COMMUNICATIONS INTL INC SR NT 7.5	271,707	281,250	9,543
ROGERS CANTEL INC SR SUB NT 8.8	1,090,000	1,304,063	214,063
ROGERS COMMUNICATIONS INC DEB CONV 2	1,490,625	2,106,365	615,740
ROYAL CARIBBEAN CRUISES LTD 7.5	665,598	774,717	109,119
SAFECO CAP TR I SER B CAP SECS 8.072 BD	830,130	1,210,462	380,332
SEALED AIR CORP NEW 5.375	1,257,345	1,326,233	68,888
SEARS ROEBUCK SR NT DTD 11/24/1998 6.5	383,863	429,767	45,904
SEC CAP INDL 7.625 DEB DUE 07-01-2017 BEO	493,004	667,439	174,435
SOUTHN CAL EDISON CO PFD 4.78	236,698	281,729	45,030
SPIEKER PPTYS INC DEB DTD 09/29/1997 7.5	650,670	878,783	228,113
SPRINT CAP CORP 6.9 DUE 05-01-2019 BEO	328,300	518,885	190,585
SPRINT CAP CORP NT 6.125 DUE 11-15-2008 BEO	544,425	666,824	122,399
SPRINT CAP CORP SPRINT CAP CORP 6.875	3,265,773	3,796,451	530,678
SWEDISH GOVERNMENT 5.25% BOND 15/03/11	1,519,321	2,124,903	605,583
TCI COMMUNICATIONS INC 7.125	1,818,453	2,452,241	633,789
TELUS CORPORATION 7.5% NT 01/6/2006	529,942	582,979	53,038
TEMBEC INDS INC SR NT 7.75	497,500	496,410	(1,090)
TFM S A DE C V 6-15-09 6-15-02 0 2002 11.75	854,300	1,066,231	211,931
TIME WARNER INC 6.95 DUE 01-15-2028 REG	4,445,438	4,961,724	516,286
TN GAS PIPELN CO DEB 7 DUE 10-15-2028 BEO	1,479,615	1,449,042	(30,573)
TRANSGAS DE OCCIDENTE S A SR SECD NT 144A 9.79	720,704	848,144	127,440
TRICO MARINE SVCS INC SR NT 8.875	1,270,572	1,228,590	(41,983)
TRINET CORP RLTY TR INC 7.7 SR NT	1,453,801	1,644,729	190,927
TRIQUINT SEMICONDUCTOR INC SUB NT CONV 4	600,000	668,851	68,851
TYCO INTL GROUP S A GTD NT DTD 02/21/2001 6.75	1,213,625	1,487,135	273,510
U S W CAP FDG INC 6.875 DUE 07-15-2028 REG	3,094,441	2,613,455	(480,986)
U S W CAP FDG INC DEB 6.5 DUE 11-15-2018BEO	296,888	249,657	(47,231)
UN OIL CO CAL GTD SR NT 5.05	499,400	529,103	29,703
UN PAC CAP TR	240,315	238,445	(1,870)
United States dollar	4,414,321	4,414,321	0
UNUMPROVIDENT CORP SR DEB 7.375	445,405	460,650	15,245
US TREAS NTS BD INFLATION INDEXED TIPS 3	1,983,080	2,279,957	296,877
VALERO ENERGY CORP NEW NT 4.75	1,294,722	1,275,575	(19,147)
WEYERHAUSER CO 7.125 DEB DUE 7-15-2023	717,225	843,228	126,003
WILLIAMS COS INC 7.875 DUE 09-01-2021	495,000	500,625	5,625
Total Loomis Sayles	**$ 182,574,496**	**$ 210,888,903**	**$ 28,314,407**

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
TCW			
1ST UN NATL BK N C CHARLOTTE MTN 7.8	$ 837,009	$ 983,923	$ 146,915
AETNA INC TO 12/13/00 SR NT 7.875	479,655	527,998	48,343
ALCOA INC ALCON INC 7.375	435,616	492,691	57,075
AMERADA HESS CORP NT DTD 08/15/2001 5.9	961,461	1,038,874	77,413
ANHEUSER BUSCH COS INC 5.75	453,173	520,027	66,854
ASIAN DEV BK GLOBAL BD 6.75	1,182,805	1,262,271	79,466
AT&T CORP USD SR NT 7.8	452,268	518,885	66,617
AT&T WIRELESS SVCS INC NT 8.125	384,282	517,819	133,536
Australian dollar	16,758	16,758	0
BEAR STEARNS & CO INC 5.7 DUE 11-15-2014BEO	476,039	527,474	51,435
BEAR STEARNS TR 2003-4 MTG PASSTHRU CTF CL III-A	4,050,386	4,123,624	73,238
BELGIUM(KINGDOM) 6.25% BDS 28/3/2007 EUR'26'	1,264,328	1,662,769	398,441
BELLSOUTH CORP NT 6 DUE 10-15-2011 BEO	450,095	519,960	69,865
BK 1 CORP NTS 6.5000000 20060201 20010130 6.5	997,721	1,051,894	54,173
BK OF AMERICA CPN 5.875% BDS 15/2/09	1,233,664	1,304,428	70,765
BOEING CAP CORP SR NT 7.1	746,395	786,416	40,020
British pound sterling	106,882	106,882	0
CANADA(GOVT OF) 5% BDS SER'WU42'1/9/04 CAD	3,184,244	3,724,204	539,960
CANADA(GOVT OF) 5.5% BDS 1/6/2010 CAD1000	2,156,132	2,609,685	453,554
Canadian dollar	164,332	164,332	0
CAROLINA PWR & LT TRANCHE # TR 00001 MTN 6.65	849,507	989,409	139,902
CATERPILLAR INC 7.3	452,481	549,843	97,363
CDN NATL RY CO NT 6.375	461,181	528,094	66,913
CITIGROUP INC 5 DUE 03-06-2007	920,850	966,080	45,230
CMO CHASE MTG FIN TR 2001-S5 MC 6.75	1,661,030	1,647,957	(13,073)
CMO CR SUISSE 1ST BSTN MTG SECS 2001-26 6.25	5,078,125	5,166,189	88,064
CMO CWMBS PASS THRU 2001-30 CWHL CL 3-A-4 6.25	5,164,063	5,194,298	30,236
CMO CWMBS PASS THRU CTF CHL SER 98-23 CL A 6.5	354,580	377,419	22,839
CMO CWMBS PASS THRU CTF 2000 CL A-4 7.25	953,538	932,696	(20,842)
CMO CWMBS INC SER 02-J2 CL 1A11 6.5 06-25-32 BEO	4,192,500	4,164,595	(27,905)
CMO DLJ ACCEP MTG PASSTHRU CTF 98-3 CL I-A 6.5	2,946,685	3,247,204	300,519
CMO MASTR AST SECURTZTN TR 2003-4 MTG	5,032,570	5,191,867	159,297
CMO PNC MTG SECS CORP	114,507	122,175	7,668
CMO RESDNTL ACCREDIT MTG PASS THRU 99-QS13	245,669	243,652	(2,017)
CMO STRUCTURED AST SECS CORP 2003-10 CL A 6	5,071,540	5,078,270	6,730
CMO WAMU MTG PASS-THRU 2001-MS14 CL III-A-1 6.75	3,034,535	3,160,312	125,777
COCA COLA ENTERPRISES DEB 11/20/1996 6.95	379,338	484,442	105,103
COMCAST CABLE 6.75 DUE 01-30-2011 BEO	450,451	529,283	78,832
CONOCOPHILLIPS NT 4.75	53,396	53,343	(53)
CONS NAT GAS CO CONS NAT'L GAS 5.375	973,885	1,038,441	64,556
CORPORACION ANDINA DE FOMENTO 8.875	685,620	691,169	5,549
COUNTRYWIDE HOME MTN TRANCHE # TR 00279 5.625	1,254,078	1,301,106	47,028
COX COMMUNICATIONS INC NEW NT 2012 7.125	451,867	515,077	63,210
CWMBS INC SER 94-D 6.5 MTG PASSTHRU CTF	720,822	737,592	16,770

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
DAIMLERCHRYSLER N AMER HLDG CORP NT 6.4	958,282	1,017,699	59,417
Danish krone	407	407	0
DENMARK(KINGDOM) 7% BDS 15/12/04 DKK0.01	920,359	1,022,959	102,601
DEUTSCHE TELEKOM INTL FIN B V GTD NT 8.5	440,929	523,667	82,738
DTE ENERGY CO DTE ENERGY CO NTS NCL 7.05	482,668	498,113	15,444
Euro	988,968	988,968	0
EXELON CORP 6.75 DUE 05-01-2011 BEO	664,032	700,942	36,910
FEDT DEPT STORES INC DEL SR NT 6.625	498,591	523,059	24,468
FHLMC DEB DTD 07/10/2000 7 07-15-2005	4,181,385	4,345,672	164,287
FHLMC MULTICLASS 2097 PZ 6 11-15-2028	3,937,625	4,600,640	663,015
FHLMC MULTICLASS FH 2526I SC 11-15-2032	1,087,500	963,055	(124,445)
FHLMC MULTICLASS PREASSIGN 00506 7.5	2,720,032	3,050,367	330,335
FHLMC MULTICLASS SER 1661 CL SD VAR RT MTG	574,319	881,046	306,727
FHLMC MULTICLASS SER 1897 CL 1897-H 6.5	761,961	838,954	76,993
FHLMC MULTICLASS SER 1969 CL PE 7.5	1,092,806	1,077,057	(15,749)
FHLMC MULTICLASS SER 2059 CL Z 5.95	2,664,115	3,053,631	389,516
FHLMC MULTICLASS SER 2107 CL Z 6	3,755,312	4,148,782	393,471
FHLMC MULTICLASS SER 2415 CL ZA 6.5	5,885,152	5,961,898	76,746
FNMA NT 5.25 04-15-2007	4,221,849	4,374,877	153,028
FNMA POOL # 323606 6.5 DUE 03-01-2029 REG	751,205	780,487	29,283
FNMA POOL # 323812 6 DUE 07-01-2029 REG	361,906	396,443	34,537
FNMA POOL # 392168 ADJ RT DUE 08-01-2027REG	202,003	207,741	5,738
FNMA POOL # 683352 4.75 DUE 02-01-2033 BEO	4,837,342	4,929,423	92,082
FNMA PREASSIGN 00224 3.25 11-15-2007	6,654,646	6,800,556	145,909
FNMA REMIC TR 1997-58 CL-DZ 7.5	2,124,932	2,193,364	68,432
FORD MTR CR CO FORD MTR CR CO 7.25	478,730	520,682	41,952
FORD MTR CR CO FORD MTR CR CO CPN 6.5	737,372	810,217	72,845
FRANCE(GOVT OF) 5.25% OAT 25/4/2008 EUR1	13,189,795	17,046,625	3,856,830
GE CAP MTG SVCS INC SER 1998-10 CL1A10 6.75	870,559	912,174	41,614
GEN ELEC CAP MTN TRANCHE # TR 00521 5.875	440,210	513,361	73,152
GEN MLS INC GEN MLS 6 DUE 02-15-2012 BEO	489,659	518,231	28,573
GEN MTRS ACCEP CORP NOTES 7.5	708,047	746,789	38,742
GERMANY(FED REP) 5.25% BDS 4/1/08	11,917,292	15,829,324	3,912,032
GNMA 2001-38 REMIC TR CL MX-S FLTG RATE	3,251,061	1,248,633	(2,002,428)
GNMA SER 2002-20 CL-HS 03-20-2032	2,362,927	951,921	(1,411,006)
GOLDMAN SACHS GROUP INC NT 6.65	696,557	778,869	82,311
GREECE(REP OF) 6% BDS 19/02/06 EUR0.01	1,682,916	2,210,155	527,239
HSEHD FIN CORP NT 8 DUE 05-09-2005 BEO	711,837	788,017	76,180
HYDRO-QUEBEC QUE HYDRO 6.3	445,503	503,744	58,241
HYPOBANK ESSEN 4.25% BDS 6/7/2009 EUR'533'	181,143	261,754	80,611
HYPOTHEKENBANK IN ESSEN A G 4.25	335,299	434,889	99,590
INTL BK FOR RECON & DEV US$ GLOBAL NT 5	1,207,420	1,295,674	88,254
INTL BUSINESS MACHS CORP 6.5	421,893	499,996	78,103
INTL LEASE FIN NT5.6250000 20070601 5.625	456,242	491,503	35,262
INTL PAPER CO NT DTD 08/27/2001 6.75	670,414	766,431	96,016

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
IRELAND(REP OF) 4% TSY BDS 18/04/2010	1,404,096	1,958,649	554,553
ITALY REP GLOBAL NT DTD 10/25/2001 4.375	501,303	514,761	13,458
ITALY(REP OF) 5% BTP 1/5/08 EUR0.01	6,230,427	8,292,560	2,062,132
Japanese yen	4,008,510	4,008,510	0
KELLOGG CO DEB DTD 03/29/2001 SER B 7.45	424,988	515,027	90,039
KOREA DEV BK NT 4.25 DUE 11-13-2007 BEO	549,791	570,996	21,206
KOREA REP BD DTD 04/17/1998 8.875	528,303	569,626	41,324
KROGER CO KROGER CO NT 5.5	499,244	512,494	13,250
LEHMAN BROS HLDGS 7.75	1,004,964	1,045,568	40,605
LILLY ELI & CO NT 6 DUE 03-15-2012 BEO	500,481	527,746	27,265
LOCKHEED MARTIN CORP NT 8.2	662,487	762,870	100,383
MAN PROV CDA DEB SER EF DTD 09/29/1998 5.5	425,548	486,407	60,859
MELLON FDG CORP MELLON FDG CORP 4.875	959,500	1,006,594	47,094
METLIFE INC METLIFE INC 6.125	451,460	517,337	65,877
MFO TCW GALILEO FDS INC CONV SECS FD	31,684,155	32,629,298	945,143
MFO TCW GALILEO FDS INC EMERGING MKTS	27,821,871	31,764,853	3,942,982
MFO TCW GALILEO FDS INC HI YIELD BD FD	145,689,414	132,749,635	(12,939,780)
MORGAN STANLEY DEAN WITTER GLOBAL NT 6.75	676,139	769,555	93,416
NATL RURAL UTILS COOP FIN CORP CRP NRUC 8	434,292	495,496	61,204
NEW STH WALES TSY 7% GBL EXCH BDS 1/4/04	432,167	472,444	40,277
NEWS AMER HLDGS INC 9.25 DUE 02-01-2013 REG	465,548	513,734	48,187
NORTHROP GRUMMAN CORP DEB 7.75	454,155	492,014	37,859
OCCIDENTAL PETE CORP 8.45 DUE 02-15-2029	453,922	499,409	45,487
PEMEX PROJ FDG MASTER TR NT 9.125	488,219	522,653	34,434
PHILLIPS PETE CO NT 8.75 DUE 05-25-2010 BEO	629,948	720,662	90,714
PORTUGAL(REP OF) 5.375% BDS 23/6/08 EUR0.01	998,101	1,325,380	327,279
PROCTER & GAMBLE CO PROCTER 6.875	458,650	524,000	65,350
PROGRESSIVE CORP OH SRNT 6.375	437,911	502,306	64,395
PRUDENTIAL HOME MTG SECS 1993-57 CL A14 11.8162	1,674,892	2,371,276	696,384
QUE PROV CDA PROV DE QUE GLOBAL NT 7.5	600,398	643,555	43,157
ROHM & HAAS CO NT 7.4	465,609	501,840	36,231
SARA LEE CORP NT 3.875	516,170	511,385	(4,785)
SBC COMMUNICATIONS INC GLOBAL NT 5.875	451,800	516,197	64,397
SIMON PPTY GROUP L P 6.375	960,306	1,039,539	79,233
SPAIN(KINGDOM OF) 5.15% BDS 30/7/2009	5,844,986	8,171,912	2,326,926
SPRINT CAP CORP GTD NT 6	486,875	523,601	36,726
SWEDEN(KINGDOM OF) 5% BDS 15/1/04 SEK '1042'	1,614,516	1,875,500	260,984
Swedish krona	97,730	97,730	0
Swiss franc	64	64	0
TELEFONICA EUROPE B V U S NT 7.75	238,910	282,765	43,856
TIME WARNER ENTMT CO L P 7.25	645,651	774,199	128,548
TREASURY 7 1/2% STK 2006 GBP	2,569,971	2,794,058	224,087
UN PAC CORP 6.625 DUE 02-01-2029 BEO	408,740	491,393	82,653
United States dollar	17,734,137	17,734,137	0
US TREAS BDS 11 1/4 15/2/2015 USD1000 11.25	7,493,507	8,033,105	539,598

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
US TREAS BDS 8 1/2 15/2/2020 USD1000 8.5	8,190,738	9,177,445	986,708
US TREAS BDS DTD 02/15/1993 7.125	7,751,297	8,610,884	859,587
US TREAS BDS DTD 11/15/1997 6.125	5,515,284	6,186,698	671,414
US TREAS NTS 3 DUE 02-29-2004 REG	7,008,101	7,163,570	155,470
US TREAS NTS 4.75 DUE 11-15-2008 REG	9,443,254	9,697,337	254,083
US TREAS NTS 5 DUE 08-15-2011	5,547,070	5,702,518	155,447
US TREAS NTS DTD 04/30/2003 1.625	11,905,000	11,909,737	4,737
US TREAS NTS DTD 05/15/2002 4.375	10,440,508	10,373,940	(66,568)
US TREAS NTS DTD 06/30/2002 2.875	3,253,760	3,258,501	4,741
US TREAS NTS DTD 11/30/2002 2	7,061,654	7,095,998	34,344
UTD MEXICAN STS MTN US91086QAD07 9.875	461,200	532,458	71,258
UTD TECHNOLOGIES CORP 6.1	495,101	522,308	27,207
VERIZON GLOBAL FDG CORP NT 7.75	699,552	763,632	64,080
VIACOM INC NT 7.875 DUE 07-30-2030 BEO	722,882	740,181	17,300
WAL-MART STORES INC 7.55 DUE 02-15-2030 BEO	699,545	742,068	42,523
WELLS FARGO BK NA 6.45 DUE 02-01-2011 BEO	912,950	1,055,164	142,214
Total TCW	**$ 504,747,007**	**$ 521,545,498**	**$ 16,798,491**
FAME			
PINNETTE FILLION MORTON 5.60%	$ 961,856	$ 961,856	$ 0
DWYER, LYNCH, & MCCURDY, INC.	1,521,393	1,521,393	0
MB/JB REAL ESTATE LLC-2000 SERIES 7.38%	607,313	607,313	0
Total FAME	**$ 3,090,562**	**$ 3,090,562**	**$ 0**
JP Morgan Fixed Income			
CF JPMCB CORP HI YIELD FD	$ 29,053,299	$ 30,109,495	$ 1,056,196
CF JPMCB CORP PVT PLMT FD	83,356,051	100,744,097	17,388,046
CF JPMCB EMERGING MARKETS BD FD	22,882,875	24,471,384	1,588,509
CF JPMCB MTG PVT PLMT FD	315,979,283	400,774,920	84,795,637
CF JPMCB LIQUIDITY FD CV OVER 1 BIL	6	6	0
Total JP Morgan Fixed Income	**$ 451,271,514**	**$ 556,099,902**	**$ 104,828,388**
State Street Bond Index			
CF ST ST BD MKT INDEX FD	$ 414,320,060	$ 624,862,512	$ 210,542,452
Total State Street Bond Index	**$ 414,320,060**	**$ 624,862,512**	**$ 210,542,452**
TOTAL FIXED INCOME	**$ 1,926,598,253**	**$ 2,301,461,228**	**$ 374,862,974**

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
INTERNATIONAL EQUITY			
T. Rowe Price International			
ABBEY NATIONAL ORD GBP0.10	$ 481,784	$ 276,721	$ (205,064)
ADECCO SA CHF1(REGD)	2,526,346	2,032,948	(493,398)
ADR AMER MOVIL S A DE C V	860,729	1,019,677	158,948
ADR COCA-COLA FEMSA S A DE C V	435,717	494,500	58,783
ADR COMPANHIA BRASILEIRA DE DISTR DE	607,333	344,544	(262,789)
ADR COMPANHIA VALE DO RIO DOCE	442,978	521,700	78,722
ADR EMBRAER-EMPRESA BRASILEIRA DE	664,207	377,378	(286,830)
ADR KT CORP SPONSORED ADR	1,428,826	1,137,957	(290,869)
ADR MOBILE TELESYSTEMS OJSC	336,362	802,400	466,038
ADR OIL CO LUKOIL SPONSORED ADR	1,017,516	1,134,663	117,147
ADR PETROLEO BRASILEIRO SA PETROBAS	1,186,501	995,963	(190,538)
ADR POSCO SPONSORED ADR	863,161	1,135,249	272,088
ADR SK TELECOM LTD SPONSORED	1,456,849	1,433,360	(23,489)
ADR TELEFONICA S A SPONSORED	400,112	401,496	1,384
ADR TEVA PHARMACEUTICAL INDS LTD	283,390	576,132	292,742
ADR WAL-MART DE MEX S A DE C V	604,424	761,676	157,252
ADR YUKOS CORP SPONSORED ADR	421,714	699,259	277,545
ADVANTECH CO LTD TWD10	529,860	437,735	(92,126)
AKZO NOBEL NV EUR2	76,918	61,277	(15,641)
ALCAN INC COM STK (CAN QUOTE)	1,096,423	1,018,752	(77,671)
ALLEANZA ASSICURAZ EUR0.5	1,081,949	1,014,925	(67,023)
ALLIANZ AG NPV(REGD)(VINKULIERT)	1,178,583	389,242	(789,341)
ANGLO AMERICAN USD0.50	412,988	444,425	31,437
ASML HLDG EUR0.02	992,486	553,195	(439,291)
ASTRAZENECA USD PAR .25	1,810,683	2,071,080	260,396
Australian dollar	3,393	3,393	0
AUTONOMY CORP ORD GBP0.003333	215,179	50,238	(164,941)
AVENTIS SA EUR3.82	2,508,584	2,226,843	(281,741)
AXA EUR2.29	1,786,831	952,453	(834,378)
BANGKOK BANK THB10 (NVDR)	832,860	933,777	100,917
BAYER AG ORD NPV	272,207	184,255	(87,952)
BAYER HYPO-VEREINS ORD NPV	275,856	78,807	(197,049)
BBVA(BILB-VIZ-ARG) EUR0.49	1,359,192	1,312,854	(46,338)
BCA INTESA EUR0.52	880,353	798,321	(82,032)
BCO SANT CENT HISP EUR0.50(REGD)	1,181,925	1,285,879	103,953
BG GROUP ORD GBP0.10	266,091	333,683	67,593
BHP BILLITON LTD NPV	829,520	869,252	39,732
BK OF NOVA SCOTIA COM NPV	605,547	788,635	183,088
BNP PARIBAS EUR2	2,393,131	2,802,434	409,303
BP ORD USD0.25	1,332,318	1,242,200	(90,118)
BRAMBLES INDS (UK) ORD GBP0.05	638,445	381,280	(257,164)
British pound sterling	43,605	43,605	0

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CADBURY SCHWEPPES ORD GBP0.125	702,401	730,733	28,333
Canadian dollar	1,581	1,581	0
CANON INC JPY50	789,262	1,426,013	636,751
CARNIVAL PLC ORD	295,434	387,849	92,415
CARREFOUR EUR2.50	218,316	245,549	27,233
CELESIO AG NPV	724,917	695,356	(29,561)
CELESTICA INC SUB VTG SHS	1,241,085	410,532	(830,552)
CELLTECH GROUP ORD GBP0.50	630,473	234,713	(395,759)
CENTRICA ORD GBX5.555555	439,915	518,541	78,626
CHECK PT SOFTWARE TECHNOLOGIES	681,397	436,747	(244,650)
CHEUNG KONG(HLDGS) HKD0.50	484,298	294,698	(189,600)
CHINA MOBILE (HK) HKD0.10	677,871	790,444	112,573
CHINA TELECOM CORP 'H'CNY1	645,270	810,842	165,572
CHINATRUST FIN HOL TWD10	788,307	826,279	37,972
CIE DE ST-GOBAIN EUR4	1,026,434	1,108,056	81,622
COMPASS GROUP ORD GBP0.10	2,707,597	1,964,134	(743,463)
CREDIT SAISON CO COM STK	660,793	441,108	(219,684)
CREDIT SUISSE GRP CHF1(REGD)	417,748	294,769	(122,978)
D S SMITH PLC ORD GBP0.10	204,151	114,008	(90,143)
Danish krone	22	22	0
DENSO CORP JPY50	391,290	412,059	20,769
DEUTSCHE BANK AG NPV(REGD)	1,174,151	1,093,785	(80,366)
DEXIA NPV558,053	606,125	48,072	
DIAGEO ORD GBX28.935185	917,861	1,068,696	150,835
E.ON AG NPV	337,950	350,526	12,576
Egyptian pound	224,701	224,701	0
ELECTROCOMPONENTS ORD GBP0.10	939,910	795,945	(143,965)
ELECTROLUX AB SER'B'SEK5	545,026	718,850	173,824
ENDESA SA EUR1.2	855,236	744,697	(110,540)
ENI EUR1 1,582,943	2,025,870	442,927	
EQUANT NV NLG0.02	286,959	21,769	(265,191)
ERICSSON(LM)TEL SEK1 SER'B'	994,606	212,913	(781,693)
Euro	3,881,726	3,881,726	0
FANUC JPY50	375,112	327,046	(48,066)
FOMENTO ECON MEXIC UNITS	598,525	666,305	67,780
FORTIS UNIT(FORTIS SA/NV NPV/0.42)	358,629	272,046	(86,583)
FORTIS UNIT(FORTIS SA/NV NPV/0.42)	936,154	671,788	(264,366)
FRANCE TELECOM EUR4	1,308,240	1,623,812	315,573
FRIENDS PROVIDENT ORD GBP0.10	162,610	94,544	(68,066)
FUJI TELEVISION JPY5000	868,765	307,208	(561,557)
FUJISAWA PHARMA CO Y50	1,067,896	1,030,606	(37,291)
GAS NATURAL SDG EUR1	656,436	728,086	71,650
GF BBVA BANCOMER SER'B'NPV	1,060,341	1,069,437	9,097
GKN PLC ORD GBP0.50	21,237	29,372	8,136
GLAXOSMITHKLINE ORD GBP0.25	6,919,997	5,942,813	(977,184)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
GOLD FIELDS ZAR0.50	417,569	491,383	73,813
GRANADA ORD GBP0.10	141,555	81,107	(60,447)
GROUPE DANONE EUR1	219,956	258,765	38,809
HAYS ORD GBP0.01	1,121,100	482,653	(638,446)
HENNES & MAURITZ SEK0.25'B'	936,767	1,331,566	394,799
HERMES INTL NPV	825,087	876,278	51,190
HILTON GRP ORD 10P	114,112	112,001	(2,110)
HITACHI CHEMICAL JPY50	69,029	62,435	(6,594)
HONDA MOTOR CO Y50	1,722,580	1,697,606	(24,974)
Hong Kong dollar	5	5	0
HSBC HLDGS USD0.50(HONGKONG REG)	382,487	398,556	16,070
Hungarian forint	0	722	722
IMPALA PLATINUM ZAR0.20	311,320	330,194	18,874
INCO LTD COM NPV (CAD)	1,107,492	1,518,100	410,608
INDITEX EUR0.15	731,824	912,909	181,084
ING GROEP NV CVA EUR0.24	2,527,275	1,651,980	(875,295)
ITO-YOKADO CO Y50	858,020	407,037	(450,983)
JAPAN TELECOM HOLDINGS CO NPV	621,446	601,874	(19,573)
Japanese yen	497,841	497,841	0
KEYENCE CORP JPY50	376,278	403,081	26,803
KINGFISHER ORD GBP0.1375	1,407,971	1,460,946	52,976
KON KPN NV EUR0.24	618,109	839,615	221,505
KYOCERA CORP JPY50	406,737	297,514	(109,223)
LAFARGE EUR4	69,136	55,958	(13,178)
LAFARGE EUR4 (S/R 02/07/2003)	0	2,480	2,480
LAFARGE EUR4 (STK DIV 04/07/2003)	0	2,670	2,670
L'OREAL EUR0.20	536,840	573,591	36,751
LVMH MOET HENNESSY EUR0.30	1,046,835	1,034,852	(11,983)
MAGNUM CP BHD MYR0.50	579,935	678,039	98,104
MARUI CO JPY50	976,409	533,167	(443,243)
MEDIA TEK INCORP TWD10	469,586	501,300	31,714
MEDIASET EUR0.52	593,807	464,369	(129,438)
MEDIOLANUM EUR0.1	478,541	236,244	(242,296)
Mexican peso	80	80	0
MITSUBISHI EST CO Y50	678,981	568,745	(110,236)
MITSUI FUDOSAN JPY50	1,380,639	970,927	(409,713)
MOBILEONE SGD0.20	292,923	303,612	10,688
MURATA MFG CO JPY50	430,568	227,991	(202,577)
NEDCOR ZAR1	1,387,055	1,290,230	(96,825)
NESTLE SA CHF1(REGD)	3,442,931	3,831,557	388,626
New Taiwan dollar	627,747	627,747	0
NEWS CORPORATION PRF AUD0.50	1,206,539	813,799	(392,740)
NISSAN MOTOR CO Y50	320,603	385,296	64,693
NOKIA OYJ EUR0.06	2,738,380	2,792,168	53,788
NOMURA HOLDINGS JPY50	1,289,324	1,243,823	(45,502)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
NORDEA ORD EUR0.39632	495,374	418,980	(76,393)
Norwegian krone	20	20	0
NOVO-NORDISK AS DKK2 SER B	794,793	889,183	94,390
NTT DOCOMO NPV	1,335,838	1,491,901	156,063
OLIVETTI SPA EUR1	378,777	246,074	(132,703)
ORANGE SA EUR1	621,954	684,667	62,713
ORKLA ASA NOK6.25 ORD	449,367	511,713	62,346
PHILIPS ELEC(KON) EUR0.20	1,845,226	1,258,568	(586,658)
PIN-PRINTEMPS-REDO EUR4	400,106	261,553	(138,553)
RECKITT BENCKISER ORD GBP0.105263	198,079	287,244	89,164
REED ELSEVIER NV EUR0.06	531,397	537,435	6,038
REED ELSEVIER ORD GBP0.125	2,699,898	2,779,154	79,256
REPSOL YPF SA EUR1	408,967	428,476	19,508
RESORTS WORLD BHD MYR0.50	790,199	1,002,179	211,980
RHOEN-KLINIKUM AG ORD NPV	230,278	234,349	4,070
RICHTER GEDEON VEG HUF1000	609,105	761,797	152,692
RIO TINTO PLC ORD 10P(REGD)	1,679,772	1,986,728	306,956
ROCHE HLDGS AG GENUSSCHEINE NPV	1,245,537	1,176,590	(68,947)
ROHM CO JPY50	1,063,660	959,334	(104,327)
ROYAL BANK CANADA COM NPV (CAD)	1,195,639	1,815,045	619,406
ROYAL BK SCOTLAND ORD GBP0.25	2,180,190	4,779,923	2,599,733
ROYAL DUTCH PETROL EUR0.56 (BR)	868,232	869,846	1,614
SAMSUNG ELECTRONIC KRW5000	921,309	1,292,800	371,491
SANDVIK AB SEK6	113,980	142,372	28,392
SANOFI-SYNTHELABO EUR2	1,775,740	2,416,733	640,993
SAP AG ORD NPV	439,371	373,858	(65,514)
SCHNEIDER ELECTRIC EUR8	1,190,294	943,001	(247,293)
SECOM Y50	1,876,989	1,392,463	(484,526)
SECURITAS SER'B'SEK1	3,645,563	2,094,511	(1,551,052)
SEVEN ELEVEN NPV	2,366,220	1,170,352	(1,195,868)
SHELL TRNSPT&TRDG ORD GBP0.25(REGD)	2,736,543	2,804,766	68,223
SHIN-ETSU CHEM CO Y50	373,986	437,060	63,075
SHISEIDO CO Y50	862,197	680,325	(181,872)
SIAM COMMERCIAL BK THB10 (NVDR)	952,451	1,320,142	367,691
SIEMENS AG NPV(REGD)	159,469	188,088	28,618
Singapore dollar	3	3	0
SMC CORP JPY50	519,830	395,728	(124,102)
SOC GENERALE EUR1.25	536,405	652,149	115,744
SODEXHO ALLIANCE EUR4	1,983,124	1,417,513	(565,611)
SONY CORP Y50	636,675	323,714	(312,961)
South African rand	11,397	11,397	0
STANDARD CHARTERED ORD USD0.50	463,887	422,646	(41,240)
STATOIL ASA NOK2.50	169,820	191,442	21,622
STMICROELECTRONICS EUR1.04	520,867	473,123	(47,744)
SUMITOMO CORP JPY50	271,879	156,869	(115,010)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
SUZUKI MOTOR CORP JPY50	433,088	533,350	100,262
Swiss franc	118,288	118,288	0
T ROWE PRICE T ROWE PRICE INDIA TR	2,687,072	2,887,991	200,919
T.I.M.SPA EUR0.06	1,343,994	1,313,958	(30,037)
TAIWAN SEMICON MAN TWD10	994,941	924,253	(70,688)
TAKEDA CHEMICAL IN Y50	687,797	590,298	(97,499)
TELECOM ITALIA SPA DI RISP EUR0.55	456,688	520,378	63,689
TELECOM ITALIA SPA EUR0.55	780,529	956,032	175,502
TELEFONICA SA EUR1	912,850	833,311	(79,539)
TESCO ORD 5P	1,652,553	1,791,742	139,189
TF1 - TV FRANCAISE EUR0.20	1,376,558	1,375,439	(1,120)
Thai baht	(250,912)	(250,584)	328
THOMSON SA EUR3.75	485,501	336,209	(149,292)
TOMKINS ORD GBP0.05	854,094	926,969	72,875
TOTAL SA EUR10	3,731,854	5,208,024	1,476,170
TOYOTA MOTOR CORP JPY50	1,363,629	1,354,595	(9,034)
TURKCELL ILETISIM TRL1000	112,810	115,441	2,632
Turkish lira	(22,319)	(22,319)	0
UBS AG CHF0.80(REGD)	1,744,738	2,273,489	528,751
UCB NPV	251,858	170,372	(81,486)
UNICREDITO ITALIAN EUR0.50	1,340,085	1,665,261	325,177
UNILEVER PLC ORD GBP0.014	1,474,723	1,316,479	(158,244)
United States dollar	700,702	700,702	0
UTD BUSINESS MEDIA ORD GBP0.25	215,749	115,008	(100,741)
UTD O/S BANK SGD1	1,191,350	1,282,615	91,265
VIVENDI UNIVERSAL EUR5.50	930,428	248,814	(681,614)
VNU NV EUR0.20	1,196,958	734,890	(462,069)
VODAFONE GROUP ORD USD0.10	5,727,487	4,581,958	(1,145,528)
WOLTERS KLUWER CVA EUR0.12	951,145	420,514	(530,632)
WOOLWORTHS GROUP ORD GBP0.125	72,406	80,672	8,266
WPP GROUP ORD 10P	3,137,145	1,838,821	(1,298,324)
YAMANOUCHI PHARM JPY50	1,482,257	1,068,749	(413,508)
YAMATO TRANSPORT COM ST	433,302	376,315	(56,987)
Total Rowe Price Fleming	**$ 192,065,675**	**$ 181,999,518**	**$ (10,066,157)**
Martin Currie			
ABBEY NATIONAL ORD GBP0.10	$ 2,888,881	$ 2,367,989	$ (520,892)
ABN-AMRO HLDGS NV EUR0.56	2,019,327	2,492,710	473,383
AEON CO LTD Y50	809,932	840,516	30,584
ASSA ABLOY SEK1 SER'B'	4,368,324	3,565,700	(802,624)
Australian dollar	73	73	0
AVIVA ORD GBP0.25	3,124,573	2,416,148	(708,425)
BARCLAYS ORD GBP0.25	2,600,933	2,554,413	(46,520)
BBVA(BILB-VIZ-ARG) EUR0.49	3,207,305	2,472,941	(734,364)

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	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
BCE INC COM NPV	743,090	801,200	58,110
BCO SANT CENT HISP EUR0.50(REGD)	1,909,543	2,461,672	552,129
BHP BILLITON LTD NPV	1,126,650	1,215,167	88,517
BHP STL COM STK	1,005,064	1,003,666	(1,398)
BNP PARIBAS EUR2	2,879,980	3,146,297	266,317
BRIDGESTONE CORP Y50	1,220,897	1,389,222	168,325
British pound sterling	39	39	0
BRITISH SKY BROADC ORD GBP0.50	3,078,611	3,077,037	(1,574)
Canadian dollar	23,676	23,676	0
CANON INC JPY50	996,342	1,702,015	705,673
CDN NATURAL RESOUR COM	1,145,078	1,274,440	129,362
CENTRICA ORD GBX5.555555	2,791,950	3,050,923	258,973
CREDIT AGRICOLE SA EUR3	2,196,382	2,445,373	248,991
CREDIT SAISON CO COM STK	1,081,049	1,057,676	(23,372)
DENSO CORP JPY50	1,852,540	1,962,035	109,495
DEUTSCHE BANK AG NPV(REGD)	2,233,873	2,498,764	264,890
EAST JAPAN RAILWAY JPY50000	1,290,017	1,254,116	(35,900)
ELECTROLUX AB SER'B'SEK5	2,239,188	2,550,122	310,934
ENCANA CORP COM NPV	1,395,623	1,722,966	327,343
ENI EUR1	2,588,828	2,906,139	317,310
Euro	1,840	1,840	0
FUJI PHOTO FILM CO Y50	1,568,751	1,271,539	(297,213)
GLAXOSMITHKLINE ORD GBP0.25	4,530,700	4,958,813	428,113
GUS ORD GBP0.25	1,964,104	2,733,882	769,778
HENKEL KGAA NON-VTG PRF NPV	2,262,226	2,205,159	(57,067)
HONDA MOTOR CO Y50	2,132,199	2,144,743	12,544
HOYA CORP JPY50	1,006,201	1,170,852	164,651
IBERDROLA SA EUR3	1,774,810	2,327,295	552,484
Japanese yen	372,778	371,706	(1,071)
Japanese yen	(828,979)	(819,161)	9,818
KAO CORP JPY50	1,187,014	1,005,122	(181,892)
LAGARDERE SCA EUR6.10(REGD)	2,321,258	2,513,901	192,643
LOBLAW COS COM STK NPV	1,086,435	1,600,920	514,485
L'OREAL EUR0.20	2,457,374	2,767,763	310,389
LVMH MOET HENNESSY EUR0.30	3,407,973	3,566,854	158,880
MCBT JAPAN SMALL CO FD SHS NPV	10,359,672	8,789,023	(1,570,650)
MCBT GLOBAL EMERGING MARKETS	39,679,978	41,906,015	2,226,037
MARUI CO JPY50	1,910,025	1,172,078	(737,947)
MCBT PAN EUROPEAN MID CAP FND	6,642,198	7,251,946	609,749
MILLEA HOLDINGS IN NPV	1,604,900	1,483,173	(121,727)
NEWCREST MINING NPV	878,496	1,164,618	286,122
NEWS CORPORATION NPV(AUST LISTING)	1,082,529	1,082,181	(348)
NIPPON TEL&TEL CP NPV	2,962,078	1,984,809	(977,269)
NORDEA ORD EUR0.39632	2,413,654	2,415,830	2,176
NORSK HYDRO AS NOK20	2,190,439	2,631,123	440,684

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
PHILIPS ELEC(KON) EUR0.20	3,650,202	3,482,105	(168,097)
PORSCHE AG NON VTG PRF NPV	3,761,199	3,929,796	168,598
PORTUGAL TCOM SGPS EUR1(REGD)	2,274,068	2,244,568	(29,499)
ROCHE HLDGS AG GENUSSCHEINE NPV	3,536,354	4,488,299	951,945
ROHM CO JPY50	1,427,793	1,340,887	(86,907)
ROYAL BANK CANADA COM NPV (CAD)	1,920,737	3,303,990	1,383,253
ROYAL BK SCOTLAND ORD GBP0.25	3,678,979	4,292,008	613,030
SECOM Y50	1,949,914	1,304,518	(645,396)
SEKISUI HOUSE Y50	734,128	788,174	54,046
SHIN-ETSU CHEM CO Y50	1,373,204	1,485,322	112,117
SMFG FINANCE CONV BDS 2.25% 11/07/2005	981,792	1,023,547	41,754
SUMITOMO CORP JPY50	1,846,047	1,610,210	(235,837)
Swiss franc	62,814	62,814	0
T.I.M.SPA EUR0.06	2,223,316	2,466,362	243,046
TAKEDA CHEMICAL IN Y50	1,985,286	1,770,893	(214,393)
TELECOM ITALIA SPA DI RISP EUR0.55	3,146,922	3,398,252	251,329
TELEFONICA SA EUR1	2,817,820	3,812,592	994,772
TESCO ORD 5P	2,438,326	2,583,200	144,874
UNICREDITO ITALIAN EUR0.50	3,255,371	3,315,210	59,839
United States dollar	9,513,751	9,513,751	0
VNU NV EUR0.20	3,270,782	3,109,200	(161,582)
VODAFONE GROUP ORD USD0.10	6,525,484	6,023,598	(501,886)
WESTPAC BKG CORP NPV	1,456,630	1,734,278	277,648
WPP GROUP ORD 10P	3,513,126	3,119,992	(393,134)
YAMATO TRANSPORT COM ST	1,354,815	796,902	(557,913)
ZURICH FIN SVS GRP CHF9	1,976,324	2,925,373	949,049
Total Martin Currie	**$ 216,461,608**	**$ 223,880,902**	**$ 7,419,294**
Wellington Management			
ABITIBI-CONS INC COM	$ 1,999,089	$ 1,523,554	($ 475,535)
ABN-AMRO HLDGS NV EUR0.56	1,537,849	1,709,971	172,122
ACCOR EUR3	1,206,699	1,360,113	153,414
ADIDAS-SALOMON AG NPV	562,066	564,419	2,353
ADR ALCATEL ALSTHOM	443,398	533,420	90,022
ADR ASML HLDG ASML HLDG NV EUR0.02	2,193,220	1,338,859	(854,361)
ADR ASTRAZENECA PLC	4,177,274	4,174,848	(2,426)
ADR BP P L C	733,525	777,370	43,845
ADR CHINA PETE & CHEM CORP	1,504,280	1,966,625	462,345
ADR CONVERIUM HLDG AG	5,146,969	6,190,733	1,043,764
ADR ELAN PLC ADR REPSTG SHS	816,073	778,884	(37,189)
ADR NEWS CORP LTD	1,910,770	1,530,555	(380,215)
ADR OIL CO LUKOIL SPONSORED ADR	1,146,232	1,476,116	329,884
ADR PETROLEO BRASILEIRO SA PETROBRAS	1,495,059	1,689,480	194,421
ADR REED ELSEVIER P L C	1,442,137	1,462,146	20,009

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
ADR RYANAIR HLDGS PLC	369,233	1,382,920	1,013,687
ADR TOTAL SA	5,052,094	5,614,506	562,412
AEGON NV EUR0.12	3,015,613	642,347	(2,373,267)
AKZO NOBEL NV EUR2	1,719,245	1,073,414	(645,831)
ALLIED IRISH BANKS PLC	1,760,069	1,674,787	(85,283)
AMERSHAM PLC	828,009	924,493	96,484
AMVESCAP PLC ORD 25P	544,221	689,758	145,537
AVENTIS SA EUR3.82	3,712,667	3,922,765	210,099
AXA EUR2.29	2,100,573	964,989	(1,135,584)
BAYER AG ORD NPV	1,959,448	1,216,626	(742,822)
BAYER MOTOREN WERK EUR1	711,801	904,043	192,243
BILLITON ORD USD0.50	2,516,779	3,262,727	745,948
BOC GROUP ORD 25P	1,160,980	1,014,839	(146,141)
BRIAN MCGUIGAN WNS NPV	1,280,569	1,133,705	(146,864)
BRITISH AIRWAYS ORD 25P	1,772,274	1,830,000	57,725
BRITISH SKY BROADC ORD GBP0.50	1,378,002	1,475,946	97,944
BURBERRY GROUP ORD GBP0.0005	614,701	704,799	90,099
Canadian dollar	1,163	1,163	0
CAP GEMINI EUR8	559,905	170,434	(389,471)
CARREFOUR EUR2.50	3,052,586	3,523,902	471,316
CHUBU ELEC POWER JPY500	1,854,565	1,865,809	11,244
COCA-COLA HELL BOT ORD EUR0.3	586,466	569,711	(16,755)
COGNOS INC COM	426,217	545,400	119,183
CREDIT SUISSE GRP CHF1(REGD)	996,019	1,042,800	46,781
DAIMLERCHRYSLER AG ORD NPV(REGD)	1,679,195	1,923,542	244,347
DEUTSCHE TELEKOM NPV(REGD)	513,641	731,033	217,392
E.ON AG NPV	3,075,463	3,557,704	482,241
EASYJET ORD GBP0.25	1,511,217	1,175,649	(335,569)
EISAI CO JPY50	2,374,351	2,427,316	52,966
Euro	31,185	31,185	(0)
FORENINGSSPARBK SEK20 SER'A'	1,689,127	1,642,671	(46,455)
FRANCE TELECOM EUR4	965,492	1,117,659	152,167
FUJI PHOTO FILM CO Y50	1,263,173	1,271,539	8,366
FUJISAWA PHARMA CO Y50	1,763,600	1,967,520	203,920
GAMBRO AB SER'A'SEK2	2,008,075	2,089,822	81,747
GAMBRO AB SER'B'SEK2	14,283	13,970	(313)
HBOS ORD GBP0.25	4,998,175	5,845,542	847,367
HENNES & MAURITZ SEK0.25'B'	2,167,274	2,383,395	216,121
HONDA MOTOR CO Y50	2,039,841	2,216,740	176,899
HOYA CORP JPY50	1,478,081	1,494,558	16,476
HSBC HLDGS ORD USD0.50(UK REG)	1,748,466	1,841,070	92,605
HUTCHISON WHAMPOA HKD0.25	486,491	487,295	804
IHC CALAND NV EUR1	1,387,092	1,574,820	187,728
INDITEX EUR0.15	886,403	1,402,258	515,855
ING GROEP NV CVA EUR0.24	1,714,660	973,257	(741,402)

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
INMOBILIA COLONIAL EUR3	495,967	719,955	223,988
Japanese yen	8	8	0
KIA MOTORS CORP KRW5000	1,673,314	1,816,506	143,192
KOMATSU Y50	387,795	432,896	45,101
KON KPN NV EUR0.24	1,452,647	2,018,689	566,043
METRO AG ORD NPV	1,094,008	1,952,504	858,496
MITSUBISHI TOKYO F NPV	1,575,122	1,126,021	(449,100)
MOBISTAR NPV	3,049,634	5,206,547	2,156,912
NATL GRID TRANSCO ORD GBP0.10	2,014,466	2,148,611	134,144
NESTLE SA CHF1(REGD)	5,052,815	4,950,135	(102,680)
NISSAN MOTOR CO Y50	1,393,172	1,966,634	573,463
NOKIA OYJ EUR0.06	4,111,033	3,158,074	(952,960)
NOMURA HOLDINGS JPY50	1,135,823	1,243,823	108,000
NTT DOCOMO NPV	1,989,760	2,126,338	136,577
PROMISE CO JPY50	2,548,512	2,163,202	(385,310)
PVTPL ADR OIL CO LUKOIL	818,400	1,070,590	252,190
RECKITT BENCKISER ORD GBP0.105263	292,438	294,235	1,797
RENTOKIL INITIAL ORD GBP0.01	1,787,698	1,546,110	(241,588)
RIO TINTO PLC ORD 10P(REGD)	1,705,180	1,762,644	57,464
ROCHE HLDGS AG GENUSSCHEINE NPV	951,793	1,260,442	308,649
ROHM CO JPY50	533,112	446,962	(86,150)
ROYAL BK SCOTLAND ORD GBP0.25	6,738,531	8,025,214	1,286,683
ROYAL DUTCH PETRO N.Y	4,976,251	5,277,384	301,133
SAMSUNG ELECTRONIC KRW5000	623,651	600,335	(23,316)
SAP AG ORD NPV	1,495,458	1,462,409	(33,049)
SCHNEIDER ELECTRIC EUR8	1,168,433	1,180,044	11,611
SERONO SA 'B'CHF25 BR	857,550	1,107,718	250,169
SHIN-ETSU CHEM CO Y50	570,864	614,616	43,752
SHIONOGI & CO JPY50	742,046	975,590	233,544
SMITH & NEPHEW ORD GBP0.1222	500,651	711,343	210,692
SMITHS GROUP ORD GBP0.25	827,341	832,914	5,572
SNAM RETE GAS EUR1	1,061,048	1,191,959	130,911
SONY CORP Y50	4,324,312	2,327,928	(1,996,383)
SSL INTERNATIONAL ORD GBP0.10	1,297,848	871,312	(426,536)
SWEDISH MATCH SEK2.40	2,692,533	4,103,294	1,410,761
Swiss franc	104,966	104,966	0
SYNGENTA CHF10 (REGD)	897,967	718,826	(179,141)
TELECOM ITALIA SPA DI RISP EUR0.55	2,479,745	2,590,385	110,640
TELEKOM AUSTRIA(TA NPV(BR)	1,934,583	2,721,791	787,208
TF1 - TV FRANCAISE EUR0.20	796,828	830,950	34,123
TOKYO ELECTRON Y50	1,455,074	1,516,386	61,312
TOMKINS ORD GBP0.05	2,068,241	2,160,012	91,771
UBS AG CHF0.80(REGD)	2,945,071	3,516,760	571,689
UCB NPV	65,257	81,651	16,394
UNIBAIL HOLDING	1,599,099	2,506,716	907,617

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
UNICREDITO ITALIAN EUR0.50	4,827,710	5,930,634	1,102,923
United States dollar	1,278,561	1,278,561	0
WELLA AG NON VTG PRF NPV	2,129,927	3,052,165	922,238
Total Wellington Management	**$ 182,605,369**	**$ 193,100,308**	**$ 10,494,939**
State Street MSCI ACWI Index			
CF SSGA ARA MSCI EMG MKTS CTF	$ 126,851	$ 212,451	$ 85,600
CF SSGA BRC MSCI EMG MKTS CTF	2,098,459	2,806,667	708,208
CF SSGA CDA MSCI INDEX	17,820,000	21,834,820	4,014,820
CF SSGA CHP EMG MKTS CTF	533,831	693,441	159,610
CF SSGA CNY MSCI EMG MKTS CTF	2,306,591	2,518,387	211,796
CF SSGA COP MSCI EMG MKTS CTF	28,012	35,641	7,629
CF SSGA CSK EMG MKTS CTF	127,719	170,774	43,055
CF SSGA EGYPT MSCI EMG MKTS INDEX	60,903	77,576	16,672
CF SSGA HUF MSCI EMG MKTS CTF	339,090	369,301	30,211
CF SSGA IDR MSCI EMG MKTS CTF	353,377	534,408	181,031
CF SSGA ILS MSCI EMG MKTS CTF	1,011,185	1,487,063	475,878
CF SSGA INR MSCT EMG MKTS CTF	1,350,247	1,618,166	267,920
CF SSGA JOD MSCI EMG MKTS CTF	47,607	58,569	10,962
CF SSGA KRW MSCI EMG MKTS CTF	7,013,174	6,924,673	(88,501)
CF SSGA MALAYSIA MSCI CTF	1,848,457	1,970,933	122,476
CF SSGA MOROCCO MSCI EMG MKTS	73,081	96,199	23,119
CF SSGA MXP MSCI EMG MKTS CTF	2,515,905	2,789,934	274,029
CF SSGA PEN IFIC EMG MKTS CTD	119,159	168,160	49,002
CF SSGA PHP MSCI EMG MKTS CTF	141,167	158,044	16,877
CF SSGA PKR EMG MKTS CTF	62,950	81,993	19,043
CF SSGA PLZ MSCI EMG MKTS CTF	389,134	421,949	32,815
CF SSGA RUR MSCI EMG MKTS CTF	1,489,490	2,102,874	613,384
CF SSGA THB MSCI EMG MKTS CTF	612,100	801,091	188,991
CF SSGA TRL MSCI EMG MKTS CTF	410,896	493,647	82,751
CF SSGA TWD MSCI EMG MKTS CTF	4,589,781	4,498,376	(91,405)
CF SSGA VEB MSCI EMG MKTS CTF	42,078	58,098	16,020
CF ST ST AUSTRALIA MSCI FD	14,138,394	17,826,850	3,688,456
CF ST ST AUSTRIA MSCI FD	461,182	602,751	141,569
CF ST ST BELGIUM MSCI FD	2,971,121	3,681,750	710,629
CF ST ST DENMARK MSCI FD	2,079,731	2,623,447	543,716
CF ST ST FINLAND MSCI FD	5,239,334	6,470,783	1,231,449
CF ST ST FRANCE MSCI FD	26,629,665	33,472,400	6,842,735
CF ST ST GERMAN MSCI FD	16,532,511	22,073,216	5,540,705
CF ST ST HONG KONG MSCI FD	4,935,430	5,211,081	275,652
CF ST ST IRELAND MSCI FD	2,179,687	2,762,851	583,164
CF ST ST ITALY MSCI FD	10,119,873	13,451,916	3,332,044
CF ST ST JAPAN MSCI FD	69,774,748	69,450,908	(323,840)
CF ST ST NETH MSCI FD	15,323,311	17,630,556	2,307,245

ACTUAL HOLDINGS
at June 30, 2003

Maine State Retirement System Pension Assets

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
CF ST ST NEW ZEALAND MCSI FD	575,370	775,493	200,122
CF ST ST NORWAY MSCI FD	1,240,757	1,505,629	264,871
CF ST ST PORTUGAL MSCI FD	884,918	1,199,693	314,775
CF ST ST SINGAPORE MSCI FD	2,492,215	2,761,022	268,807
CF ST ST SPAIN MSCI FD	9,015,236	12,959,897	3,944,661
CF ST ST SWEDEN MSCI FD	5,236,915	7,269,172	2,032,257
CF ST ST SWITZERLAND MSCI FD	23,004,881	25,667,049	2,662,168
CF ST ST UNITED KGDM MSCI FD	79,838,752	92,935,657	13,096,904
CF ST STR ZAR MSCI EMG MKTS CTF	3,874,914	4,819,286	944,373
STATE STR GREECE MSCI INDEX	1,084,080	1,316,090	232,010
Total State Street MSCI ACWI Index	**$ 343,144,269**	**$ 399,450,732**	**$ 56,306,462**
TOTAL INTERNATIONAL EQUITY	**$ 934,276,922**	**$ 998,431,460**	**$ 64,154,538**
TOTAL MAINE STATE RETIREMENT SYSTEM PENSION ASSETS	**$ 6,290,239,122**	**$ 6,919,313,129**	**$ 629,074,007**

ACTUAL HOLDINGS
at June 30, 2003

Group Life Insurance Reserves

	COST	MARKET VALUE	UNREALIZED GAIN/LOSS
Group Life Insurance			
State Street Short Term Bond Fund	$ 33,007,282	$ 41,476,282	$ 8,468,999
Total Group Life	**$ 33,007,282**	**$ 41,476,282**	**$ 8,468,999**

Maine Learning Technology Endowment

State Street US Dollar Libor Plus Fund	$ 13,655,993	$ 13,558,826	$ (97,167)
Total Maine Learning Technology Endowment	**$ 13,655,993**	**$ 13,558,826**	**$ (97,167)**

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 2003 Comprehensive Annual Financial Report are for the year ending June 30, 2002. 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, 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, 2002
ACTUARIAL VALUATION

STATE EMPLOYEE
AND TEACHER PLAN

A MILLIMAN GLOBAL FIRM

Milliman USA
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Vienna, VA 22182-2700
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www.milliman.com

December 13, 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. Any distribution of this report must be in its entirety including this cover letter, unless prior written consent from Milliman USA is obtained.

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 Board of Trustees has the final decision regarding the appropriateness of the assumptions.

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 census data and financial information. We reviewed the census data for reasonableness, and for consistency with the prior year's data. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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 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

I, Theresa Leatherbury, 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.

Theresa Leatherbury

Theresa Leatherbury, F.S.A.
Principal

I, Althea Schwartz, 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.

Althea Schwartz

Althea Schwartz, F.S.A.
Principal

SECTION I
BOARD SUMMARY

OVERVIEW

This report presents the results of the June 30, 2002 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, will be paid by the State effective July 1, 2003 (fiscal year 2004), and effective July 1, 2004 (fiscal year 2005);

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, (7.55%), considerably below the 8% investment return assnmption, the Plan has an unfunded actuarial liability of $2,593 million as of June 30, 2002 compared to an unfunded actuarial liability of $2,157 million measured at the June 30, 2001 valuation. This experience results in an increase in the State contribution rate of 2.02% of payroll, from 17.30% at June 30, 2001, to 19.32% at June 30, 2002.

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 somewhat mitigated. The actuarial, or smoothed, rate of return measured from this past year was a positive 1.18%, or 6.8% less than our assumption. This explains why the overall Plan funding ratio of assets to liabilities decreased only slightly from 72.9% at June 30, 2001, to 69.4% at June 30, 2002.

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 $402 million. Combined with a liability loss of $34 million, due largely to pay increases above assumed levels, this resulted in a Plan experience net loss of $436 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 plan 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.

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, 2002, while the total assets of the System earned a negative 7.55% on a market value basis, on a smoothed basis the return was a positive 1.18%. Compared to an expected asset growth, using the 8% investment return assumption, the market value of assets fell short by $1,098 million. A similar comparison using actuarial or smoothed basis produced a loss of $508 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, 2001 value	$ 6,994	$ 7,390
Employer Contributions	415	415
Member Contributions	123	123
Benefit Payments	(403)	(403)
Expected Investment Earnings (8%)	565	596
Expected Value June 30, 2002	$ 7,694	$ 8,121
INVESTMENT GAIN (LOSS)	(1,098)	(508)
June 30, 2002 value	$ 6,596	$ 7,613

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, 2002 was $5,092 million and the corresponding actuarial value was $5,877 million. The Plan's share of the $508 million loss on the actuarial assets was $402 million.

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, 2001 value	$ 5,491	$ 5,801
Employer Contributions	242	242
Member Contributions	104	104
Benefit Payments	(333)	(333)
Expected Investment Earnings (8%)	440	465
Expected Value June 30, 2002	$ 5,944	$ 6,279
INVESTMENT GAIN (LOSS)	(852)	(402)
June 30, 2002 value	$ 5,092	$ 5,877

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, 2002, the actuarial liabilities experienced an overall loss of $34 million, which is 0.5% 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, 2001	$9,340	$7,959	$6,393
June 30, 2002	$9,923	$8,470	$6,992

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, 2001 and June 30, 2002, as well as the corresponding funding ratios (assets divided by liabilities) at each date.

(IN MILLIONS)	ACTUARIAL	ACCRUED (PVAB)
6/30/2001 Net (Surplus) Unfunded	$ 2,157	$ 902
Funding Ratio	72.9%	85.9%
6/30/2002 Net (Surplus) Unfunded	$ 2,593	$ 1,899
Funding Ratio	69.4%	72.8%

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, 2001 actuarial valuation. In summary, due to both investment losses and liability losses, the overall State contribution rate has increased by 2.02% of payroll. Because of the State's biennial budgeting practice, contribution rates resulting from this valuation will set rates for the next (FY 2004 and FY 2005) biennium.

RATE AS PERCENT OF COVERED PAYROLL	
June 30, 2001 State Contribution Rate	17.30%
Increase due to Investment Loss	1.89%
Increase due to Liability Loss	0.13%
June 30, 2002 State Contribution Rate	19.32%

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, 2001 and 2002.

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

	6/30/2002	6/30/2001	CHANGE
Active Members	43,246	42,575	1.6%
Terminated "Vested" Members	2,448	1,894	29.3%
Benefit Recipients	23,228	22,819	1.8%
TOTAL	68,922	67,288	2.4%

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 10 years worth of trend information 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 - STATE AND TEACHER ONLY

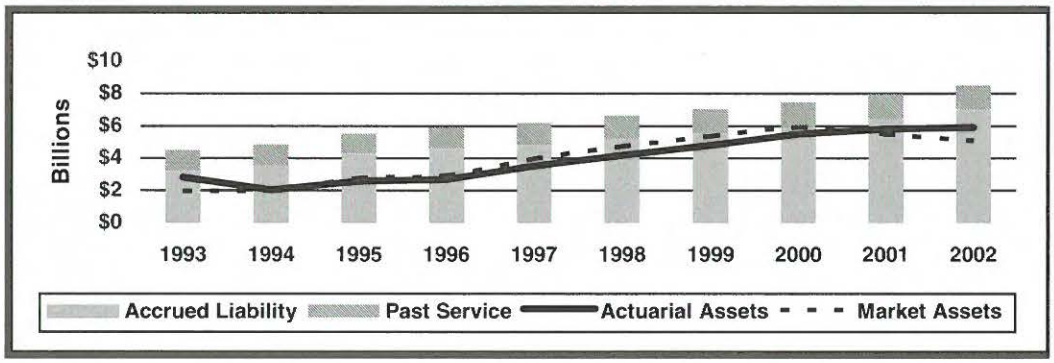


CHART B: CASH FLOWS - TOTAL SYSTEM

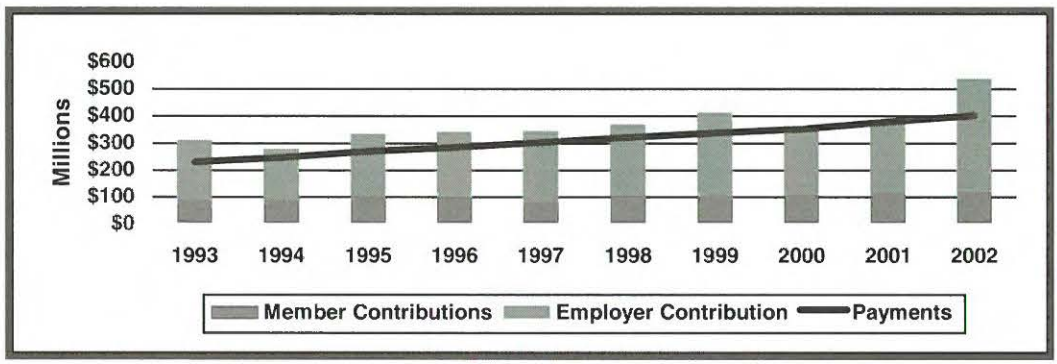
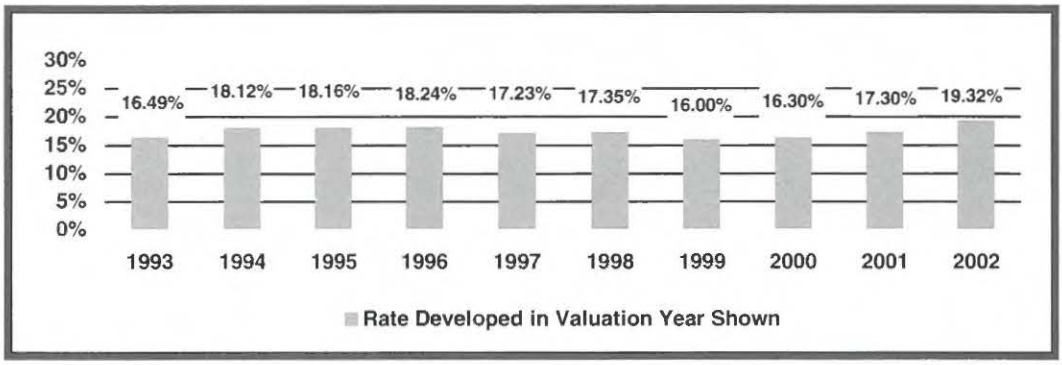


CHART C: STATE CONTRIBUTION RATE - STATE AND TEACHER ONLY



COMMENTS

Chart A depicts the aforementioned investment and liability performance losses of the year ending June 30, 2002. Despite those losses, the ratio of assets to liabilities, wbich has continuously improved since early 1980's, is the third best ever for the State Employee and Teacher Plan.

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. The 2002 entry reflects the one-time impact of several of the State's participating local districts paying off their unfunded liability obligations to the System's Consolidated Plan for Participating Local Districts.

Finally, Chart C, looks at changes in the State's overall contribution rate for the State Employee and Teacher Plan. It shows the impact of the past decade's sustained investment gains. After two years of market downturn, this year's rate is the highest of the range shown.

TOTAL STATE EMPLOYEE AND TEACHER PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2002	6/30/2001	% change
PARTICIPANT COUNTS			
Actives	43,246	42,575	1.6%
Retired Members	15,916	15,563	2.3%
Beneficiaries of Retirees	4,674	4,605	1.5%
Survivors of Deceased Members	843	908	-7.2%
Disabled Members	1,795	1,743	3.0%
Deferred "Vested" Members	2,448	1,894	29.3%
TOTAL	68,922	67,288	2.4%
Annual Salaries of Active Members	$ 1,405,943,887	$ 1,318,999,535	6.6%
Annual Payments to Benefit Recipients	$ 330,969,987	$ 309,844,558	6.8%
ASSETS & LIABILITIES			
Total Actuarial Liability	$ 8,469,835,410	$ 7,958,809,863	6.4%
Assets /Actuarial (Smoothed)	5,877,158,371	5,801,422,994	1.3%
Unfunded Actuarial Liability	$ 2,592,677,039	$ 2,157,386,869	20.2%
Funding Ratio	69.39%	72.89%	N/A
Present Value of Accrued Benefits	$ 6,991,657,417	$ 6,393,493,572	9.4%
Assets/Market Value	5,092,119,785	5,490,520,609	-7.3%
Unfunded PVAB	$ 1,899,537,632	$ 902,972,963	110.4%
Accrued Benefit Funding Ratio	72.83%	85.88%	N/A

CONTRIBUTIONS AS % OF PAYROLL

	Fiscal Year 2004	Fiscal Year 2003
Normal Cost Contribution	6.17%	6.16%
Unfunded Actuarial Liability Contribution	13.15	11.14
Total State Contribution	19.32%	17.30%

TEACHERS

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2002	6/30/2001	% change
Actives	28,344	27,905	1.6%
Retired Members	8,864	8,541	3.8%
Beneficiaries of Retirees	1,892	1,820	4.0%
Survivors of Deceased Members	279	308	- 9.4%
Disabled Members	699	674	3.7%
Deferred "Vested" Members	1,446	1,092	32.4%
TOTAL	**41,524**	**40,340**	**2.9%**
Annual Salaries of Active Members	$ 889,647,463	$ 843,950,689	5.4%
Annual Payments to Benefit Recipients	$ 184,710,816	$ 170,243,549	8.5%
Total Actuarial Liability	$ 5,442,042,898	$ 5,102,063,770	6.7%
Assets/Actuarial (Smoothed)	3,600,534,614	3,509,918,347	2.6%
Unfunded Actuarial Liability	$ 1,841,508,284	$ 1,592,145,423	15.7%
Funding Ratio	66.16%	68.79%	N/A
Present Value of Accrued Benefits	$ 4,279,369,714	$ 3,970,997,626	7.8%
Assets/Market Value	3,119,594,945	3,321,819,326	-6.1%
Unfunded PVAB	$ 1,159,774,769	$ 649,178,300	78.7%
Accrued Benefit Funding Ratio	72.90%	83.65%	N/A

	Fiscal Year 2004	Fiscal Year 2003
Normal Cost Contribution	6.04%	6.04%
Unfunded Actuarial Liability Contribution	14.76	12.84
Total State Contribution	20.80%	18.88%

TOTAL STATE EMPLOYEES (Regular and Special Plans)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2002	6/30/2001	% change
Actives	14,902	14,670	1.6%
Retired Members	7,052	7,022	0.4%
Beneficiaries of Retirees	2,782	2,785	-0.1%
Survivors of Deceased Members	564	600	-6.0%
Disabled Members	1,096	1,069	2.5%
Deferred "Vested" Members	1,002	802	24.9%
TOTAL	**27,398**	**26,948**	**1.7%**
Annual Salaries of Active Members	$ 516,296,424	$ 475,048,847	8.7%
Annual Payments to Benefit Recipients	$ 146,259,171	$ 139,601,009	4.8%
Total Actuarial Liability	$ 3,027,792,512	$ 2,856,746,093	6.0%
Assets/Actuarial (Smoothed)	2,276,623,757	2,291,504,647	-0.6%
Unfunded Actuarial Liability	$ 751,168,755	$ 565,241,446	32.9%
Funding Ratio	75.19%	80.21%	N/A
Present Value of Accrued Benefits	$ 2,712,287,703	$ 2,422,495,946	12.0%
Assets/Market Value	1,972,524,840	2,168,701,283	-9.0%
Unfunded PVAB	$ 739,762,863	$ 253,794,663	191.5%
Accrued Benefit Funding Ratio	72.73%	89.52%	N/A

	Fiscal Year 2004	Fiscal Year 2003
Normal Cost Contribution	6.39%	6.38%
Unfunded Actuarial Liability Contribution	10.38	8.10
Total State Contribution	16.77%	14.48%

STATE EMPLOYEE REGULAR PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2002	6/30/2001	% change
Actives	12,921	12,831	0.7%
Retired Members	6,396	6,375	0.3%
Beneficiaries of Retirees	2,516	2,530	-0.6%
Survivors of Deceased Members	561	596	-5.9%
Disabled Members	1,072	1,050	2.1%
Deferred "Vested" Members	1,002	802	24.9%
TOTAL	**24,468**	**24,184**	**1.2%**
Annual Salaries of Active Members	$ 436,276,144	$ 405,661,653	7.5%
Annual Payments to Benefit Recipients	$ 127,701,103	$ 121,997,834	4.7%
Total Actuarial Liability	$ 2,565,431,125	$ 2,433,381,539	5.4%
Assets/Actuarial (Smoothed)	1,965,408,425	1,976,450,779	-0.6%
Unfunded Actuarial Liability	$ 600,022,700	$ 456,930,760	31.3%
Funding Ratio	76.61%	81.22%	N/A
Present Value of Accrued Benefits	$ 2,148,384,393	$ 2,039,057,299	5.4%
Assets/Market Value	1,702,879,946	1,870,531,375	-9.0%
Unfunded PVAB	$ 445,504,447	$ 168,525,924	164%
Accrued Benefit Funding Ratio	79.26%	91.74%	N/A

	Fiscal Year 2004	Fiscal Year 2003
Normal Cost Contribution	6.04%	6.04%
Unfunded Actuarial Liability Contribution	9.81	7.67
Total State Contribution	15.85%	13.71%

STATE EMPLOYEE SPECIAL PLANS (COMPOSITE)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2002	6/30/2001	% change
Actives	1,981	1,839	7.7%
Retired Members	656	647	1.4%
Beneficiaries of Retirees	266	255	4.3%
Survivors of Deceased Members	3	4	-25%
Disabled Members	24	19	26.3%
Deferred "Vested" Members	0	0	0.0%
TOTAL	**2,930**	**2,764**	**6.0%**
Annual Salaries of Active Members	$ 80,020,280	$ 69,387,194	15.3%
Annual Payments to Benefit Recipients	$ 18,558,068	$ 17,603,175	5.4%
Total Actuarial Liability	$ 462,361,387	$ 423,364,554	9.2%
Assets/Actuarial (Smoothed)	311,215,332	315,053,868	-1.2%
Unfunded Actuarial Liability	$ 151,146,055	$ 108,310,686	39.5%
Funding Ratio	67.31%	74.42%	N/A
Present Value of Accrued Benefits	$ 563,903,310	$ 383,438,647	47.1%
Assets/Market Value	269,644,894	298,169,908	-9.6%
Unfunded PVAB	$ 294,258,416	$ 85,268,739	245%
Accrued Benefit Funding Ratio	47.82%	77.76%	N/A

	Fiscal Year 2004	Fiscal Year 2003
Normal Cost Contribution	8.29%	8.37%
Unfunded Actuarial Liability Contribution	13.47	10.63
Total State Contribution	21.76%	19.00%

SECTION II
ASSETS

The purpose of an actuarial valuation is to assess the funded status of a pension plan at a certain date and to establish, on the basis of that assessment, the plan's funding requirements. On the asset side of a plan's funded status, the relevant measure is net assets available for benefits. "Assets" includes the System's investment portfolio, committed for investment management to outside professionals, buildings and land owned by the System outside of the investment portfolio, and cash managed by the System outside of the investment portfolio.

The investment portfolio is by far the largest of these assets in dollar value, so much so, that its value is often used, in contexts, other than the actuarial valuation, as a kind of proxy for total assets. The investment policy of the System's Board of Trustees governs the investment portfolio and it is to the portfolio that the Trustees' asset allocation policy applies. However, for purposes of evaluating fairly the relationship of plan assets to plan liabilities, the value of all assets is properly to be included.

The value of plan assets for actuarial valuation purposes must be established and disclosed on a market value basis. Thereafter, for purposes of establishing rational plan funding requirements, the market value may be, and in the case of the System's plans is, smoothed. Market value represents a "snap-shot" or "cash-out" value which provides a basis for measuring investment performance from one year to the next. Market value, however, can fluctuate widely, particularly in the short term. As a result, market value is usually not suitable for long range planning.

In an ongoing pension plan, the long range is the important perspective. Actuarial value, or "carrying value" is market value that has been smoothed and is the actuary's best estimate of long term asset value, providing a more useful evaluation of the fund's ongoing ability to meet its obligations. The actuarial smoothing methodology employed in the valuation of the System's plans is explained later in this section.

In this section we present the following information on assets:

- Disclosure of the value of plan assets on a market basis as measured at June 30, 2002 and June 30, 2001;
- Statement of the changes in asset value on a market basis during the year;
- Application to market value of the actuarial smoothing methodology that results in the actuarial value of assets;
- Attribution of the actuarial value of assets among the System's plans; and
- A statement of the return on plan assets for the year, on both a market value basis and an actuarial value basis.

Disclosure of Plan Market Value Of Assets

STATEMENT OF ASSETS AT MARKET VALUE
(In Millions)

	June 30, 2002	June 30, 2001*
Net Value of Investment Portfolio	$ 6,566	$ 6,992
Buildings, land	3	2
Cash external to portfolio	27	0
Net Assets Available for Benefits	$ 6,596	$ 6,994

* Characterization of assets differs from 6/30/2001 valuation because of clarifications and corrections. Total amount of Net Assets Available for benefits is unchanged.

CHANGES IN ASSET VALUE (MARKET VALUE BASED) IN VALUATION YEAR:

The components of asset change are:

- Contributions received from members and employers
- Benefits paid out
- Investment Income/(Loss) (realized and unrealized)

The specific changes during 2002 are presented below:

CHANGES IN MARKET VALUES	
Plan Assets/Market Value – June 30, 2001	$ 6,993,547,146
Member Contributions Received	122,613,975
Employer Contributions Received	415,551,283
Benefits Paid Out	(403,208,003)
Investment Income/(Loss)	(532,832,468)
Plan Assets/Market Value – June 30, 2002	**$ 6,595,671,933**

ALLOCATION OF ACTUARIAL VALUE OF ASSETS:

In the investment portfolio, assets for all of the System's plans are commingled for investment purposes. Other assets are in effect commingled in that their value is attributed across all of the plans. The actuarial smoothing methodology is applied on the market value of total assets. This produces a smoothing factor which is then applied to the market value of assets attributable to each of the plans. The smoothing factor derived in this valuation is 1.15417 ($7,612,509,160 $6,595,671,933). The allocation of actuarial value of assets to each of the System's plans is shown in the following chart.

ALLOCATION OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2002		
	Market Value	**Actuarial Value**
Teachers	$ 3,119,594,945	$ 3,600,534,614
State (Regular and Special)	1,972,524,840	2,276,623,757
Judges	32,119,276	37,071,019
Legislators	5,411,908	6,246,247
Participating Local Districts (Consolidated and Non-Consolidated)	1,466,020,964	1,692,033,523
Total Fund	$ 6,595,671,933	$ 7,612,509,160

INVESTMENT PERFORMANCE:

The Market Value of Assets (MVA) returned (7.6%) during 2002. This is lower than the plan's assumed return of 8% but not unexpected in a year, the second in a row, in which investment markets performed poorly.

On the basis of tbe actuarial value of assets, the return at June 30, 2002 was 1.2%. This return, as compared to the return on a market value basis, demonstrates the effect of smoothing which, while dampening the effect of market gains in good times, serves to cushion the effect of losses in periods of market decline.

APPLICATION TO MARKET VALUE OF SMOOTHING METHODOLOGY TO PRODUCE THE ACTUARIAL VALUE OF ASSETS:

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce the volatility evident in the investment markets, particularly over short time periods. Because the System's plans are properly regarded as virtually perpetual in nature, it is appropriate to manage their funding with strategies that in effect require that short term events be seen within the longer perspective. For tbe System, the actuarial value of assets at a given valuation date is calculated by adding to the Adjusted Actuarial Value as Expected at the given valuation date an amount that is 33% of the difference between the Adjusted Actuarial Value as Expected at the valuation date and the Market Value of Assets at that date. The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2002 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2002		
1.	Actuarial Value of Assets at June 30, 2001	$ 7,389,558,863
2.	Amount in (1) with interest to June 30, 2002 at 8.00% per year	7,980,723,572
3.	Employer & member contributions for the Plan Year ended June 30, 2002	538,165,258
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2002 at 8.00% per year	20,920,977
5.	Disbursements from Trust during the period June 30, 2001 through June 30, 2002	403,208,003
6.	Interest on disbursements to June 30, 2002 at 8.00% per year	15,674,029
7.	Expected adjusted Actuarial Value of Assets at June 30, 2002 = (2) + (3) + (4) - (5) - (6)	8,120,927,775
8.	Actual Market Value of Assets at June 30, 2002	6,595,671,933
9.	Difference Between (8) and (7)	(1,525,255,842)
10.	Actuarial Value of Assets at June 30, 2002 = (7) + 33% of (9)	$7,612,509,160

SECTION III
LIABILITIES

In this section we present detailed information on liabilities of the State Employee and Teacher Plan including:

- Disclosure of Plan liabilities as measured at June 30, 2002 and June 30, 2001;
- 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 reflects the needs of persons ultimately using the figures and the purpose for which they are using them.

- Total Future Obligations: Used for analyzing the financial outlook of the Plan, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Plan, 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 for the State Employee and Teacher Plan 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 Plan, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and are used to assess whether a plan can meet its current benefit commitments.

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

LIABILITIES/NET (SURPLUS) UNFUNDED	6/30/2002	6/30/2001
Total Obligations		
Active Participant Benefits	$ 6,208,946,580	$ 5,840,233,305
Retiree and Inactive Benefits	3,714,368,070	3,499,338,199
Total Obligations	**$ 9,923,314,650**	**$ 9,339,571,504**
Market Value of Assets	5,092,119,785	5,490,520,609
Future Member Contributions	810,325,166	770,137,523
Future State Contributions	4,020,869,699	3,078,913,372
Total Resources	**$ 9,923,314,650**	**$ 9,339,571,504**
Actuarial Liability		
Total Liabilities	$ 9,923,314,650	$ 9,339,571,504
Present Value of Future Normal Costs Under Entry Age Method	643,154,074	610,624,118
Present Value Of Future Member Contributions	810,325,166	770,137,523
Actuarial Liability	**$ 8,469,835,410**	**$ 7,958,809,863**
Actuarial Value of Assets	5,877,158,371	5,801,422,994
Net (Surplus) Unfunded	**$ 2,592,677,039**	**$ 2,157,386,869**
Accrued Liability		
Total Liabilities	$ 9,923,314,650	$ 9,339,571,504
Less Present Value of Future Benefit Accruals	(2,931,657,233)	(2,946,077,932)
Accrued Liability	**$ 6,991,657,417**	**$ 6,393,493,572**
Market Value of Assets	5,092,119,785	5,490,520,609
Net (Surplus) Unfunded	**$ 1,899,537,632**	**$ 902,972,963**

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 Plan. Below we present the key changes in liabilities since the last valuation.

	$ IN MILLIONS		
	TOTAL OBLIGATION	**ACTUARIAL LIABILITY**	**ACCRUED LIABILITY**
Liabilities 6/30/2001	$ 9,340	$ 7,959	$ 6,393
Liabilities 6/30/2002	$ 9,923	$ 8,470	$ 6,992
Liability Increase (Decrease)	$ 583	$ 511	$ 599
Change due to:			
Plan Amendment	$ 0	$ 0	$ 0
Assumption Change	$ 0	$ 0	$ 0
Actuarial (Gain)/Loss	N/A	$ 34	N/A
Benefits Accumulated and Other Sources	$ 583	$ 477	$ 599

ACTUARIAL LIABILITY
AS OF JUNE 30, 2002

	TOTAL PLAN	TEACHERS	STATE REGULAR	SPECIAL PLANS
1. Actuarial Liabilities for:				
a. Active Members	$ 4,755,467,340	$ 3,288,166,790	$ 1,232,012,787	$ 235,287,763
b. Retired, Disabled and Beneficiary Members	3,594,668,294	2,079,988,493	1,287,606,177	227,073,624
c. Vested Deferred and Inactive Status Members	119,699,776	73,887,615	45,812,161	0
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	$ 8,469,835,410	$ 5,442,042,898	$ 2,565,431,125	$ 462,361,387
3. Actuarial Value of Assets	5,877,158,371	3,600,534,614	1,965,408,425	311,215,332
4. Unfunded Actuarial Liability (2 – 3)	$ 2,592,677,039	$ 1,841,508,284	$ 600,022,700	$ 151,146,055

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 is both stable and predictable.

For this Plan, the funding approach employed is the Entry Age Normal 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 Plan. 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	7/1/2002	7/1/2001
Entry Age Normal Cost	6.17%	6.16%
Amortization Payment	13.15%	11.14%
Actuarially Determined Contribution	19.32%	17.30%

The following pages display tables of the contribution rates developed for each of the member/plan groups within the Plan.

TABLE IV-1
STATE EMPLOYER CONTRIBUTION RATES
FISCAL YEAR 2004 - ENTRY AGE NORMAL

	Total State	Teachers	State Regular	State Police Marine Resources Inland Fish & Wildlife (Closed Plans)	Prison Employees	Liquor Inspectors	Forest Rangers	25 & Out Plan	1998 Special Plan
New Entrant Normal Cost Contributions as Percent of Payroll	6.17%	6.04%	6.04%	17.84%	9.04%	8.24%	7.34%	9.15%	6.89%
Unfunded Actuarial Liability Contribution as Percent of Payroll	13.15	14.76	9.81	28.98	14.68	13.39	11.92	14.86	11.19
Total Contributions as Percent of Payroll	19.32%	20.80%	15.85%	46.82%	23.72%	21.63%	19.26%	24.01%	18.08%

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	25 & Out Plan	1998 Special Plan
1.	Present Value of Future Benefits	6,396,854,754	2,997,227,558	238,421,827	41,143,610	4,662,903	22,996,479	54,584,473	167,423,046
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	6,974,520,498	3,154,101,051	472,620	3,957,300	690,888	3,358,376	130,669,585	271,169,470
4.	Present Value of Future Normal Cost (2) x (3)	421,261,038	190,507,703	84,315	357,740	56,929	246,505	11,956,267	18,683,576
5.	Present Value of Future Member Contributions	533,550,818	241,288,730	40,881	342,306	52,853	290,500	11,302,919	23,456,159
6.	Actuarial Liability: (1) – (4) – (5)	5,442,042,898	2,565,431,125	238,296,631	40,443,564	4,553,121	22,459,474	31,325,287	125,283,311
7.	Actuarial Value of Assets	3,600,534,614	1,965,408,425	213,778,033	35,631,323	3,988,634	20,024,042	(5,590,789)	43,384,090
8.	Unfunded Actuarial Liability: (6) – (7)	1,841,508,284	600,022,700	24,518,598	4,812,241	564,487	2,435,432	36,916,076	81,899,221
9.	Estimated Payroll	889,647,463	436,276,144	6,033,323	2,336,871	300,734	1,456,585	17,711,292	52,181,475
10.	Amortization Factor	14.0232	14.0232	14.0232	14.0232	14.0232	14.0232	14.0232	14.0232
11.	Unfunded Actuarial Liability Rate: (8)/(9)/(10)	14.76%	9.81%	28.98%	14.68%	13.39%	11.92%	14.86%	11.19%

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, 2002 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, 2001, to the liabilities as of June 30, 2002.

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

	2002	2001
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	$ 3,594,668,294	$ 3,374,950,025
b. Former Vested Members	119,699,776	124,388,174
c. Active Members	3,277,289,347	2,894,155,373
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	$ 6,991,657,417	$ 6,393,493,572
3. Assets at Market Value	5,092,119,785	$ 5,490,520,609
4. Unfunded Value of Benefits (2) – (3)	$ 1,899,537,632	$ 902,972,963
5. Ratio of Assets to Value of Benefits (3)/(2)	72.83%	85.88%
B. GASB No. 25 Basis		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 3,714,368,070	$ 3,499,338,199
2. Actuarial accrued liabilities for current employees	4,755,467,340	4,459,471,664
3. Total actuarial accrued liability (1)+(2)	$ 8,469,835,410	$ 7,958,809,863
4. Net actuarial assets available for benefits	5,877,158,371	5,801,422,994
5. Unfunded actuarial accrued liability (3)–(4)	$ 2,592,677,039	$ 2,157,386,869

TABLE V-2
ACCOUNTING STATEMENT INFORMATION - FASB NO. 35
AS OF JUNE 30, 2002

	TOTAL SYSTEM	TEACHERS	STATE REGULAR	STATE SPECIAL
1. Present Value of Benefits Accrued to Date:				
a. Members Currently Receiving Payments	$ 3,594,668,294	$ 2,079,988,493	$ 1,287,606,177	$ 227,073,624
b. Former Vested Members	119,699,776	73,887,615	65,812,161	0
a. Active Members	3,277,289,347	2,125,493,606	814,966,055	336,829,686
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	$ 6,991,657,417	$ 4,279,369,714	$ 2,148,384,393	$ 563,903,310
3. Assets at Market Value	5,092,119,785	3,119,594,945	1,702,879,946	269,644,894
4. Unfunded Value of Accrued Benefits (2)–(3)	$ 1,899,537,632	$ 1,159,774,769	$ 445,504,447	$ 294,258,416
5. Ratio of Assets to Value of Accrued Benefits (3)/(2)	72.83%	72.90%	79.26%	47.82%

TABLE V-3
ACCOUNTING STATEMENT INFORMATION - GASB NO. 25
AS OF JUNE 30, 2002

	TOTAL SYSTEM	TEACHERS	STATE REGULAR	STATE SPECIAL
1. Actuarial Accrued Liability:				
a. Members Currently Receiving Payments	$ 3,594,668,294	$ 2,079,988,493	$ 1,287,606,177	$ 227,073,624
b. Former Vested Members	119,699,776	73,887,615	45,812,161	0
c. Active Members	4,755,467,340	3,288,166,790	1,232,012,787	235,287,763
2. Total Actuarial Accrued Liability (1(a) + 1(b) + 1(c))	$ 8,469,835,410	$ 5,442,042,898	$ 2.565.431.125	$ 462,361,387
3. Actuarial Value of Assets	5,877,158,371	3,600,534,614	1,965,408,425	311,215,332
4. Unfunded Actuarial Accrued Liability (2 – 3)	$ 2,592,677,039	$ 1,841,508,284	$ 600,022,700	$ 151,146,055
5. Funded Ratio	69.39%	66.16%	76.61%	67.31%
6. Annual Payroll	$ 1,405,943,887	$ 889,647,463	$ 436,276,144	$ 80,020,280
7. UAAL as % of Payroll	184.41%	206.99%	137.53%	188.88%

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, 2001	$ 6,393
Increase (Decrease) During years Attributable to:	
Passage of Time (Interest Accrual)	498
Benefits Paid – FY 2002	(333)
Benefits Accrued, Other Gains/Losses	434
Plan Amendment	0
Net Increase (Decrease)	599
Actuarial Present Value of Accrued Benefits at June 30, 2002	$ 6,992

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2002	
TEACHERS	
Count	28,344
Average Current Age	44.9
Average Service	13.5
Average Valuation Pay	$ 31,388
STATE REGULAR	
Count	12,921
Average Current Age	45.5
Average Service	12.7
Average Valuation Pay	$ 33,765
FOREST RANGERS (CLOSED PLAN)	
Count	32
Average Current Age	48.3
Average Service	24.9
Average Valuation Pay	$ 45,518
INLAND FISHERIES & WILDLIFE OFFICERS (CLOSED PLAN)	
Count	26
Average Current Age	51.3
Average Service	27.7
Average Valuation Pay	$ 48,420
LIQUOR INSPECTORS (CLOSED PLAN)	
Count	7
Average Current Age	52.3
Average Service	26.2
Average Valuation Pay	$ 42,962

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2002	
PRISON EMPLOYEES (CLOSED PLAN)	
Count	50
Average Current Age	51.1
Average Service	23.6
Average Valuation Pay	$ 46,737
STATE POLICE (CLOSED PLAN)	
Count	73
Average Current Age	47.8
Average Service	23.2
Average Valuation Pay	$ 59,003
MARINE RESOURCES OFFICERS (CLOSED PLAN)	
Count	9
Average Current Age	48.6
Average Service	24.5
Average Valuation Pay	$ 51,915
25 AND OUT PLAN	
Count	387
Average Current Age	35.5
Average Service	9.3
Average Valuation Pay	$ 45,766
1998 SPECIAL PLAN	
Count	1,397
Average Current Age	42.2
Average Service	9.4
Average Valuation Pay	$ 37,353

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2002	
STATE TOTALS (EXCLUDES TEACHERS)	
Count	14,902
Average Current Age	45.0
Average Service	12.5
Average Valuation Pay	$34,646

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2002
TEACHERS

	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	8,864	$ 155,557,732	$ 17,549
(Option 4 Concurrent Beneficiary)	1,196	$ 5,040,682	$ 4,215
Disabilities/1122	7	$ 137,848	$ 19,693
Disabilities/3 and 3-A	692	$ 14,132,360	$ 20,422
Beneficiaries	696	$ 8,427,848	$ 12,109
Pre-Retirement Death Benefits	279	$ 1,414,346	$ 5,069
Terminated Vested	1,446	$ 10,403,086	$ 7,194

MAINE STATE RETIREMENT SYSTEM
NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2002
STATE REGULAR

	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	6,396	$ 90,957,022	$ 14,221
(Option 4 Concurrent Beneficiary)	1,137	$ 4,329,929	$ 3,808
Disabilities/1122	14	$ 213,772	$ 15,269
Disabilities/3 and 3-A	1,058	$ 16,218,480	$ 15,329
Beneficiaries	1,379	$ 13,176,996	$ 9,555
Pre-Retirement Death Benefits	561	$ 2,804,904	$ 5,000
Terminated Vested	1,002	$ 8,052,750	$ 8,037

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2002 SPECIAL PLANS	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	656	$ 16,009,283	$ 24,404
(Option 4 Concurrent Beneficiary)	143	$ 616,091	$ 4,308
Disabilities/1122	3	$ 44,119	$ 14,706
Disabilities/3 and 3-A	21	$ 375,053	$ 17,860
Beneficiaries	123	$ 1,471,664	$ 11,965
Pre-Retirement Death Benefits	3	$ 41,858	$ 13,953
Terminated Vested	0	$ 0	$ 0

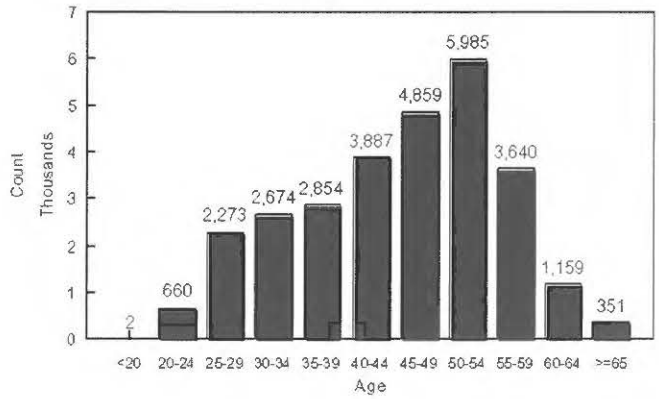
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2002

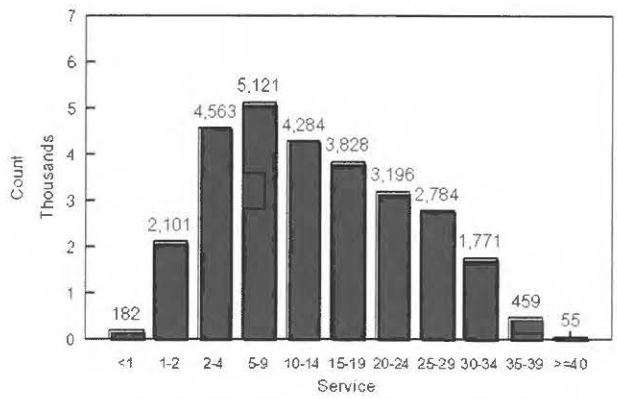
Teachers

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										2
20 TO 24	35	296	305	24								660
25 TO 29	36	406	963	848	20							2,273
30 TO 34	26	277	616	1,110	638	7						2,674
35 TO 39	16	296	600	573	819	542	8					2,854
40 TO 44	21	289	702	748	597	943	578	9				3,887
45 TO 49	14	213	560	803	780	666	1,094	724	5			4,859
50 TO 54	18	169	432	603	860	882	741	1,418	853	9		5,985
55 TO 59	9	92	233	263	419	561	535	445	792	291		3,640
60 TO 64	5	35	104	89	116	189	192	155	97	144	33	1,159
65 & UP	2	26	48	60	35	38	48	33	24	15	22	351
Total	182	2,101	4,563	5,121	4,284	3,828	3,196	2,784	1,771	459	55	28,344

Age Distribution



Service Distribution

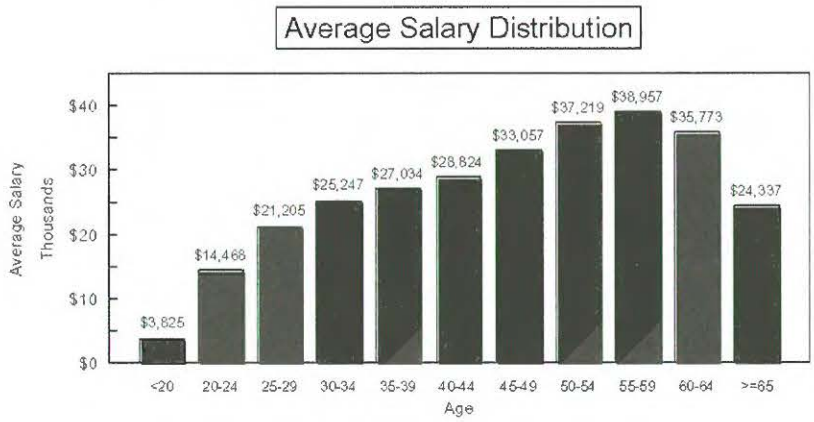


APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2002

Teachers

	Average Salary Years of Service											
Age	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	Total
Under 20		3,825										$3,825
20 TO 24	9,879	13,854	15,239	18,931								$14,468
25 TO 29	13,708	17,193	20,894	23,685	25,921							$21,205
30 TO 34	11,098	17,419	21,586	26,823	30,003	26,355						$25,247
35 TO 39	12,059	14,963	18,668	26,355	32,894	35,164	28,953					$27,034
40 TO 44	9,068	16,187	17,560	23,943	32,226	36,689	39,274	44,333				$28,824
45 TO 49	12,785	15,976	18,772	24,023	31,883	36,906	41,568	44,357	40,258			$33,057
50 TO 54	14,853	18,924	21,762	27,086	31,708	36,359	40,399	45,597	46,019	41,083		$37,219
55 TO 59	6,262	18,900	20,920	29,129	31,244	36,083	40,051	45,576	48,321	48,666		$38,957
60 TO 64	15,749	14,371	17,545	22,860	27,839	34,722	39,530	42,282	44,324	49,269	51,236	$35,773
65 & UP	2,873	9,264	7,199	14,009	25,247	30,232	27,112	30,025	43,866	45,784	47,514	$24,337
Total	$11,529	$16,233	$19,407	$25,285	$31,555	$36,166	$40,257	$44,898	$46,910	$48,613	$49,748	$31,388



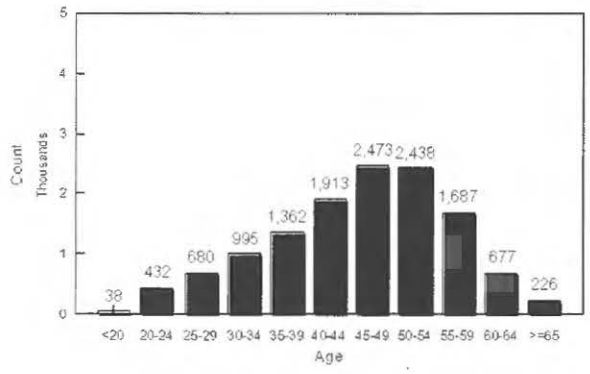
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2002

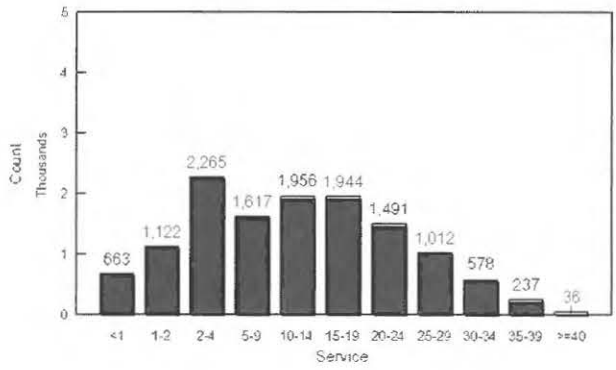
State

	Years of Service											
Age	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	Total
Under 20	26	12										38
20 TO 24	153	150	123	6								432
25 TO 29	85	183	327	75	10							680
30 TO 34	72	146	352	224	180	21						995
35 TO 39	65	149	326	228	328	240	26					1,362
40 TO 44	68	122	333	263	379	411	287	50				1,913
45 TO 49	77	148	324	311	350	438	465	322	38			2,473
50 TO 54	58	123	248	240	332	419	329	379	269	41		2,438
55 TO 59	37	63	150	177	219	245	268	181	207	138	2	1,687
60 TO 64	15	16	68	70	125	131	90	48	50	47	17	677
65 & UP	7	10	14	23	33	39	26	32	14	11	17	226
Total	663	1,122	2,265	1,617	1,956	1,944	1,491	1,012	578	237	36	12,921

Age Distribution



Service Distribution



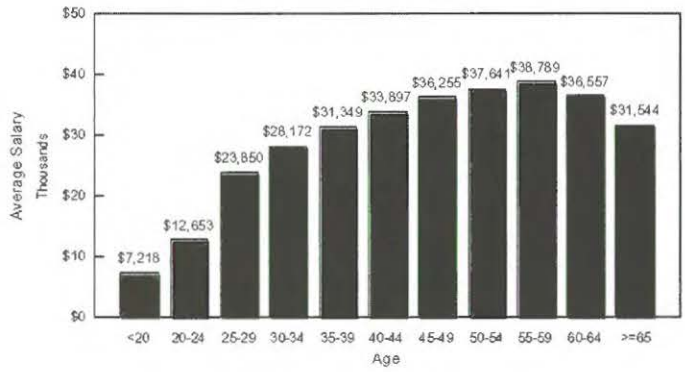
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2002

State

	Average Salary Years of Service											
Age	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	Total
Under 20	7,615	6,358										$7,218
20 TO 24	8,024	14,862	15,308	21,003								$12,653
25 TO 29	17,149	22,074	25,914	26,021	29,508							$23,850
30 TO 34	15,840	25,242	27,159	31,951	32,211	32,882						$28,172
35 TO 39	18,796	26,717	26,251	33,595	35,788	35,892	35,592					$31,349
40 TO 44	20,221	24,325	28,016	35,341	35,760	38,305	37,669	35,438				$33,897
45 TO 49	18,933	27,080	30,475	33,211	38,474	38,468	42,812	38,235	38,316			$36,255
50 TO 54	18,781	27,121	30,466	34,904	37,440	38,671	42,173	42,409	41,473	40,845		$37,641
55 TO 59	18,781	27,734	29,213	35,007	36,696	37,146	40,186	44,221	48,479	46,288	41,170	$38,789
60 TO 64	24,249	29,211	25,846	35,039	35,425	37,082	38,122	41,378	44,107	42,839	46,211	$36,557
65 & UP	8,652	5,782	14,958	33,569	27,784	28,467	33,776	37,495	43,418	36,584	53,742	$31,544
Total	$15,516	$23,703	$27,189	$33,590	$36,126	$37,638	$40,643	$40,856	$44,050	$44,212	$49,487	$33,765

Average Salary Distribution

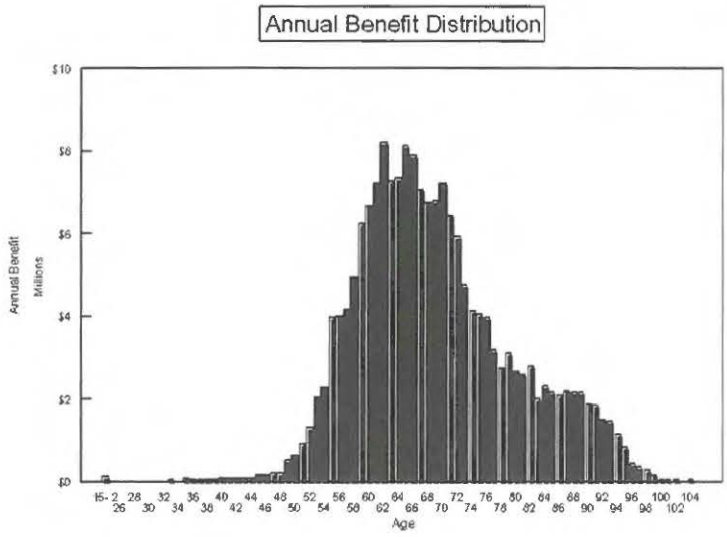


APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS, BENEFICIARIES AND SURVIVORS
as of June 30, 2002

Teachers

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	30	$123,736	65	464	$8,119,527
25	1	1,789	66	444	7,906,443
26	1	7,941	67	414	7,083,070
27	2	11,985	68	435	6,774,071
28	0	0	69	409	6,806,403
29	1	3,498	70	430	7,206,012
30	3	13,972	71	411	6,446,460
31	2	7,889	72	388	5,941,954
32	0	0	73	339	4,739,437
33	6	28,303	74	303	4,132,040
34	1	16,274	75	281	4,031,047
35	5	57,062	76	297	3,981,000
36	5	47,891	77	253	3,192,118
37	4	21,435	78	222	2,744,089
38	5	22,783	79	251	3,115,803
39	3	55,738	80	211	2,670,136
40	6	71,349	81	214	2,609,700
41	5	58,196	82	229	2,792,786
42	8	75,787	83	173	2,009,706
43	8	76,361	84	180	2,328,632
44	7	81,224	85	164	2,158,378
45	12	151,355	86	171	2,080,690
46	10	168,066	87	164	2,191,430
47	15	213,180	88	156	2,138,569
48	16	195,867	89	171	2,155,708
49	28	514,365	90	140	1,893,690
50	38	622,955	91	131	1,851,316
51	63	909,498	92	109	1,507,875
52	85	1,310,664	93	117	1,459,241
53	123	2,044,620	94	83	1,149,435
54	139	2,281,201	95	58	826,575
55	220	3,953,949	96	38	426,579
56	223	3,994,513	97	31	358,552
57	218	4,179,269	98	23	276,731
58	266	4,963,238	99	11	164,652
59	319	6,249,046	100	4	29,059
60	319	6,671,412	101	3	43,466
61	392	7,236,795	102	3	26,060
62	408	8,188,156	103	1	7,295
63	398	7,273,188	104	2	29,700
64	403	7,339,115	over 104	7	57,989
			Total	11,733	$184,707,089

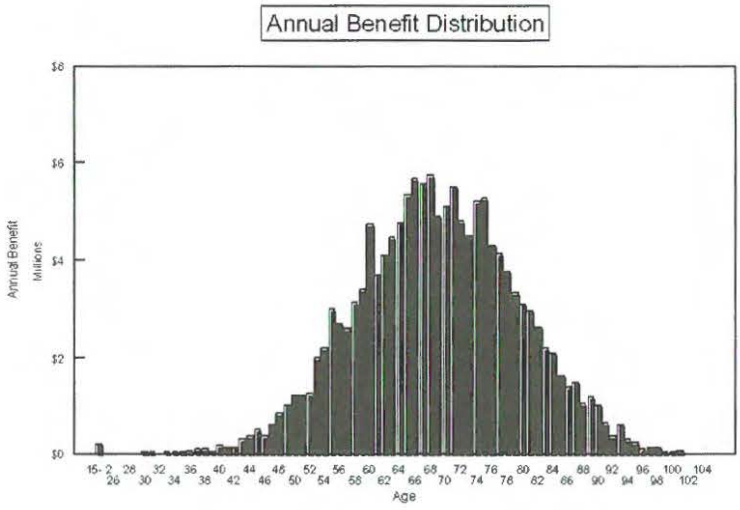


APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS, BENEFICIARIES AND SURVIVORS
as of June 30, 2002

State

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	54	$210,522	65	364	$5,335,237
25	2	11,748	66	388	5,675,328
26	3	6,555	67	390	5,557,974
27	2	5,640	68	423	5,749,924
28	2	4,939	69	370	4,886,939
29	0	0	70	401	5,094,916
30	4	26,482	71	399	5,492,228
31	5	37,583	72	374	4,816,116
32	1	4,133	73	368	4,489,149
33	8	31,632	74	415	5,196,003
34	4	57,149	75	414	5,257,778
35	6	45,784	76	364	4,304,194
36	12	83,500	77	363	4,139,628
37	12	106,322	78	342	3,754,675
38	12	121,547	79	299	3,319,356
39	11	49,379	80	296	3,091,500
40	22	164,186	81	283	2,954,037
41	16	141,023	82	258	2,635,130
42	12	145,016	83	223	2,191,282
43	21	309,062	84	211	2,101,911
44	32	369,651	85	175	1,628,000
45	49	515,824	86	157	1,399,340
46	34	376,167	87	169	1,484,181
47	46	626,699	88	114	1,050,725
48	62	855,241	89	113	1,184,205
49	67	1,015,428	90	110	1,005,915
50	84	1,212,328	91	84	633,237
51	91	1,220,519	92	54	383,958
52	87	1,236,369	93	56	613,253
53	130	1,986,353	94	37	321,793
54	133	2,173,183	95	27	238,973
55	190	3,003,410	96	21	93,392
56	175	2,681,855	97	15	145,956
57	147	2,599,395	98	15	137,689
58	204	3,116,327	99	4	50,758
59	216	3,410,700	100	6	46,618
60	279	4,721,906	101	11	61,678
61	230	3,702,357	102	2	4,563
62	272	4,105,273	103	0	0
63	307	4,465,886	104	0	0
64	331	4,759,556	over 104	4	15,001
			Total	11,494	$146,259,173



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.

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	35	25.0	17.5	7.5	27.5	24.0	8.3
	Service (% at	40	25.0	17.5	5.0	27.5	24.0	6.1
	Selected	45	25.0	17.5	5.0	27.5	24.0	4.0
	Ages) *	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	20	5	3	5	3
	Healthy Life	25	7	3	6	3
	Mortality at Selected	30	9	4	7	3
	Ages (number of	35	9	5	8	4
	deaths per 10,000	40	12	8	10	6
	members)*	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.*

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

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

		AGE	MALE	FEMALE	MALE	FEMALE
7.	Rates of Mortality for Future Anticipated Disableds at Selected Ages (number of deaths per 10,000 members)	25	92	72	92	72
		30	112	89	112	89
		35	134	109	134	109
		40	160	126	160	126
		45	193	144	193	144
		50	236	165	236	165
		55	295	191	295	191
		60	362	226	362	226
		65	446	272	446	272
		70	576	331	576	331

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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

		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.

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 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 a 17 year period from July 1, 2002. 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, 2002 actuarial valuation, assets are valued at an "actuarial value" as described in Part II.

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.

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 2-1/4% 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:

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. 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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Forest rangers employed before 9/1/84:

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

Benefit - ½ 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) ½ 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 - ½ 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 - ½ 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 and liquor inspectors, employed after 8/31/84; defense, veterans and emergency management firefighters employed on and after 7/1/98.

2001 entrants: Baxter State Park Authority rangers, correctional employees and state fire marshals employed on or after 1/1/2001.

2002 entrants: Capitol security officers.

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 (2001 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, 2001 (2001 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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

-AND-

for service starting on July 1, 1998 (1998 entrants) or on January 1, 2001 (2001 entrants), 1/50 of average final compensation multiplied by years of service reduced for retirement before age 55.

Form of payment - life annuity.

25 & Out Plan

1998 entrants: State police employed on or after 9/16/84 and special agent investigators hired before 6/21/82.

2002 entrants: Inland fisheries and wildlife officers and marine resources officers employed on and after 8/31/84.

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.

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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, inactive eligible to retire, or disabled.

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

9. Pre-Retirement Accidental Death Benefits

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

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

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

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

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

10. Refund of Contributions

Eligibility - termination of service without retirement or death.

Benefit - member's accumulated contributions with interest.

11. Cost-of-Living Adjustments

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

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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, 2002
ACTUARIAL VALUATION

LEGISLATIVE
RETIREMENT SYSTEM

A MILLIMAN GLOBAL FIRM

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December 10, 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, 2002 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 2004 fiscal year. Future years results may differ significantly.

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 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

I, Theresa Leatherbury, 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.

Theresa Leatherbury

Theresa Leatherbury, FSA
Principal

I, Althea Schwartz, 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.

Althea Schwartz

Althea Schwartz, FSA
Principal

INTRODUCTION

This report presents the results, as of June 30, 2002, 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.

SCHEDULE A

A. PARTICIPANT DATA:

Number of:		
Active Members		169
Retired Members		63
Beneficiaries of Retired Members		13
Survivors of Deceased Members		2
Disabled Members		0
Vested Deferred Members		27
Inactive Non-Vested Members		103
Active Payroll	$	1,901,011
Annual Benefits for Retired Members, Beneficiaries, Survivors and Disabled Members	$	103,835

B. COST RESULTS:

Employer Normal Cost [1]	0.00%
Unfunded Actuarial Liability	NA
Total Cost	0.00%

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

C. ACCOUNTING INFORMATION:

1. GASB DISCLOSURE

a. Actuarial Accrued Liability *		
- Retirees and beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	$	1,636,000
- Current employees		
-- Accumulated employee contributions including allocated investment earnings	$	1,100,836
-- Employer-financed vested	$	193,762
-- Employer-financed nonvested	$	3,315,649
- Total Actuarial Accrued Liability (AAL) *	$	6,246,247
b. Actuarial Value of Assets (AVA)	$	6,246,247
c. Unfunded Actuarial Accrued Liability	$	0

* The Aggregate actuarial funding method used for this plan does not technically define an AAL. For purposes of GASB No. 25 disclosure, in which all plans are combined, we have shown an Accrued Actuarial Liability exactly equal to the Actuarial Value of Assets.

2. OTHER ACCOUNTING INFORMATION:

a. Market Value of Assets	$	5,411,908
b. Unfunded Accrued Liability, (not less than $0)		0
c. Amortization Period		N/A

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.

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.

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

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 2¼% 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 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 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 the date that the service retirement benefit equals or exceeds the disability benefit.

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

7. No Age Disability Retirement Benefits

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

Benefit - 59% of average final compensation, reduced by employment earnings over 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 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.

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

8. Pre-Retirement Ordinary Death Benefits

Eligibility - death while active, inactive eligible to retire 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 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.

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.

Cost-of-Living adjustments are effective September 1 and are applied to all benefits which have been in payment for 12 months. The maximum increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipients service retirement benefit if and when the recipient moves to service retirement.

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

12. Methods of Payment of Service Retirement Benefits

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

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

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

Methods of Payment of Service Retirement Benefits ***continued***

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.

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%

2. Annual Rate of Salary Increase: 5%

3. Annual Cost-of-Living Increase: 4%

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 due to:

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

6. Rate of Healthy Life Mortality at Selected Ages:

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

SCHEDULE C
SUMMARY OF ACTUARIAL ASSUMPTIONS

7. Rates of Disabled Life Mortality at Selected Ages

	Currently Active Employees		Currently Retired Employees	
Age	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

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, 2002
ACTUARIAL VALUATION

JUDICIAL
RETIREMENT SYSTEM

A MILLIMAN GLOBAL FIRM

Milliman USA
Consultants and Actuaries

8000 Towers Crescent Drive, Suite 1000
Vienna, VA 22182-2700
Tel 1-703-917-0143
Fax 1-703-827-9266
www.milliman.com

December 10, 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, 2002 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 2004 fiscal year. Future years results may differ significantly.

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 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

I, Theresa Leatherbury, 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.

Theresa Leatherbury

Theresa Leatherbury, FSA
Principal

I, Althea Schwartz, 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.

Althea Schwartz

Althea Schwartz, FSA
Principal

INTRODUCTION

This report presents the results, as of June 30, 2002, 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.

SCHEDULE A

A. PARTICIPANT DATA:

Number of:		
Active Members		54
Retired Members		26
Beneficiaries of Retired Members		9
Survivors of Deceased Members		3
Disabled Members		0
Vested Deferred Members		1
Inactive Non-Vested Members		1
Active Payroll	$	5,224,201
Annual Benefits for Retired Members, Beneficiaries, Survivors and Disabled Members	$	1,798,065

B. COST RESULTS:

Employer Normal Cost [1]	20.04%
Unfunded Actuarial Liability	-1.94%
Total Cost	18.10%

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

C. ACCOUNTING INFORMATION:

1. GASB DISCLOSURE

a. Actuarial Accrued Liability		
- Retirees and beneficiaries currently receiving benefits and terminated vested employees not yet receiving benefits	$	17,628,455
- Current employees		
-- Accumulated employee contributions including allocated investment earnings	$	4,755,522
-- Employer-financed vested	$	8,801,272
-- Employer-financed nonvested	$	4,567,721
- Total Actuarial Accrued Liability (AAL)	$	35,752,970
b. Actuarial Value of Assets (AVA)	$	37,071,019
c. Unfunded Actuarial Accrued Liability	$	(1,318,049)

2. OTHER ACCOUNTING INFORMATION:

a. Market Value of Assets	$	32,119,276
b. Unfunded Accrued Liability, (not less than $0)		0
c. Amortization Period		15

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.

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

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 at the rate of approximately 2¼% for each year retirement age is less than 60, for members with 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 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 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 the date that 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.

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

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

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, inactive eligible to retire 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, ½ 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.

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.

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

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.

SCHEDULE C
SUMMARY OF ACTUARIAL ASSUMPTIONS

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 - 3/4 of currently effective annual salary.

3. Disability Benefits

3/4 of currently effective annual salary.

4. Survivor Benefits

3/8 of currently effective annual salary, payable to the surviving spouse or dependent children.

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%
2. Annual Rate of Salary Increase: 5%
3. Annual Cost-of-Living Increase: 4%
4. Normal Retirement: 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 due to:

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

6. Rates of Healthy Life Mortality at Selected Ages:

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

SCHEDULE C
SUMMARY OF ACTUARIAL ASSUMPTIONS

7. Rates of Disabled Life Mortality at Selected Ages

	Currently Active Employees		Currently Retired Employees	
Age	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

1. 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 he 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.

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, 2002
ACTUARIAL VALUATION

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS

A MILLIMAN GLOBAL FIRM

Milliman USA
Consultants and Actuaries

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December 16, 2003

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, 2002. The results of the valuation are contained in the following report.

The actuarial assumptions used in this valuation were recommended by the actuary and adopted by the Board of Trustees based on Milliman's review of the Plan's experience completed in Fiscal Year 2002. These assumptions are described in Appendix D. We believe the assumptions used, in the aggregate, represent 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 future experience deviates from these assumptions, the true cost of the plan could vary from these results. The results contained in this report are only applicable to the 2004 fiscal year. Future years results may differ significantly.

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.

In preparing our report, 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. If any data or other information is inaccurate or incomplete, our calculations may need to be revised.

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

I, Althea Schwartz, 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.

Althea Schwartz

Althea Schwartz, F.S.A.
Principal and Consulting Actuary

I, Theresa Leatherbury, 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.

Theresa Leatherbury

Theresa Leatherbury, F.S.A.
Principal and Consulting Actuary

SECTION I
EXECUTIVE SUMMARY

OVERVIEW

As of June 30, 2002, 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, 2002, 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, 2002, results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

Two significant changes are reflected in this valuation. First, we recommended and the Board adopted several actuarial assumption changes after completion of the first experience study performed on this plan. The changes, recommended to and accepted by the Board at its June 2002 meeting, are detailed in a separate report and itemized in Appendix D.

Secondly, several PLDs paid off the outstanding balances of their individual Initial Unpooled Unfunded Actuarial Liability (IUUAL) this year. This group included the City of Portland, whose IUUAL constituted about half of the total IUUAL amount reported as of last year's valuation for all PLDs having IUUALs. IUUAL balances in the course of being paid off are assets of the Plan. While reduction or elimination does not affect valuation results, funding ratios are affected, as can be seen in comparing last year's results to this year's on pages I-6 through I-8. The assumption changes noted above also affected funding ratios.

For the sixth year in a row, the Pooled Unfunded Actuarial Liability (PUAL) is negative (that is, the Plan's pooled assets exceed its pooled liabilities) as of this valuation date because, while investment returns were negative for the year ending June 30, 2002, they were on average over the last six years greater than the investment return assumption of 8%. 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 employer contribution rate less than zero, the Board, based on our recommendation and its own policy decisions, reduced slightly the then-existing rates and initiated 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 is never less than a given minimum rate, except when the Board identifies compelling circumstances dictating otherwise. The "base rate" represents the aggregate of the rates related to the various plans within the Consolidated Plan. The rates for the various plans reflect the payroll-weighted normal cost and pooled UAL contributions under each plan. The Board decided that the base rate be set at 3% of payroll, that the upper and lower limits of the range he 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 and unchanged in the 2001 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.

EXECUTIVE SUMMARY

VALUATION COMMENTS

ASSETS

As of June 30, 2002, the Plan had assets, when measured on a market value basis, of $1,332 million as compared to $1,307 million as of June 30, 2001.

On an actuarial basis, using a method which smooths market fluctuations, the Plan's assets were valued at $1,537 million on June 30, 2002, as compared to $1,381 million as of June 30, 2001. The components of this change, in millions, are:

ACTUARIAL		MARKET
+ 191	employer and member contributions	+ 191
- 68	payment of benefits and expenses	- 68
+ 115	investment return per 8.0% assumption	+ 109
- 82	actuarial investment loss (actuarial rate of return @ positive 1.2%)	
	market investment loss (market rate of return @ minus 7.6%)	- 207
156	total change in assets	25

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

LIABILITIES

Throughout this report we discuss two types of liabilities: (1) Unfunded Actuarial Accrued 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, 2002, the total actuarial liability for the Plan was $1,313 million, as compared to $1,366 million as of June 30, 2001. Comparing this to the actuarial value of assets of $1,537 million produces an unfunded actuarial liability (or surplus) of ($224) million. An additional $36 million is owed to the Plan by those PLDs having IUUALs (described in detail on page III-1). Thus the Plan has a pooled surplus of $260 million as of June 30, 2002. As of June 30, 2001 the pooled surplus was $214 million. The components of the decrease in the unfunded actuarial liability (or increase in the surplus), in millions, are as follows:

Pooled Unfunded Actuarial Liability, June 30, 2001	$ (214)
increase expected	3
decrease due to assumption changes	(104)
increase due to lower than expected investment return	82
decrease due to other (gains)	(27)
Pooled Unfunded Actuarial Liability, June 30, 2002	$ (260)

EXECUTIVE SUMMARY

The unexpected decrease in unfunded actuarial liabilities from "other (gains)" of $27 million is attributable to the difference between assumed and actual rates of pay increases, retirements, terminations and deaths.

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, 2002, 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, 2002.

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 -10.1% of payroll as of June 30, 2001, to -11.6% of payroll as of June 30, 2002. The primary components of this change are shown below.

Pooled UAL Rate as of June 30, 2001	-10.1%
Change in actuarial assumptions	-3.2%
Investment loss (due to lower than expected investment returns)	2.5%
Other (gains)/losses	-0.8%
Pooled UAL Rate as of June 30, 2002	-11.6%

The PUAL rate as calculated above would normally be reflected in the FY 2004 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 funding methodology 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: Employee contribution rates are detailed in Appendix C-1.

MEMBERS AND BENEFIT RECIPIENTS

The total active membership of the Consolidated Plan increased from 8,753 as of June 30, 2001 to 8,843 as of June 30, 2002. The number of benefit recipients increased from 6,289 as of June 30, 2001 to 6,325 on June 30, 2002. The number of vested inactive members increased from 318 on June 30, 2001 to 363 on June 30, 2002.

The total annual payroll of active members in all plans increased from $248 million as of June 30, 2001 to $262 million as of June 30, 2002. Appendix B of this report presents more detail regarding members and benefit recipients.

SUMMARY OF PRINCIPAL RESULTS
TOTAL

		June 30, 2002	June 30, 2001
1.	Participant Data		
	Number of:		
	Active Members	8,843	8,753
	Retired Members	4,821	4,797
	Beneficiaries of Retired Members	918	907
	Survivors of Deceased Members	222	231
	Disabled Members	364	354
	Vested Deferred Members	363	318
	Total Membership	15,531	15,360
	Annual Salaries of Active Members	$ 262,143,592	$ 248,220,217
	Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	$ 61,854,927	$ 58,880,257
2.	Assets and Liabilities		
	Funding Liability		
	Actuarial Accrued Liability	$ 1,313,083,223	$ 1,366,485,266
	Actuarial Value of Assets	1,537,234,672	1,381,355,851
	Unfunded Actuarial Liability	$ (224,151,449)	$ (14,870,585)
	Unpooled Portion (IUUAL)	36,305,153	199,077,115
	Pooled Portion (PUAL)	$ (260,456,602)	$ (213,947,700)
	Actuarial Liability Funding Ratio	117%	101%
	FASB Accounting Liability		
	Accrued Benefit Liability	$ 1,100,814,701	$ 1,126,532,468
	Market Value of Assets	1,331,899,294	1,307,328,009
	Unfunded Accrued Benefit Liability	$ 0	$ 0
	Accrued Benefit Funding Ratio	121%	116%

SUMMARY OF PRINCIPAL RESULTS
REGULAR PLANS AC, AN & BC

		June 30, 2002	June 30, 2001
1.	Participant Data		
	Number of:		
	Active Members	7,197	7,146
	Retired Members	3,419	3,397
	Beneficiaries of Retired Members	733	730
	Survivors of Deceased Members	202	210
	Disabled Members	289	282
	Vested Deferred Members	354	311
	Total Membership	12,194	12,076
	Annual Salaries of Active Members	$ 194,991,715	$ 184,640,948
	Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	$ 35,646,957	$ 33,944,059
2.	Assets and Liabilities		
	Funding Liability		
	Actuarial Accrued Liability	$ 764,529,514	$ 811,398,536
	Actuarial Value of Assets	919,127,660	851,997,503
	Unfunded Actuarial Liability	$ (154,598,146)	$ (40,598,967)
	Unpooled Portion (IUUAL)	21,122,263	90,929,764
	Pooled Portion (PUAL)	$ (175,720,409)	$ (131,528,731)
	Actuarial Liability Funding Ratio	120%	105%
	FASB Accounting Liability		
	Accrued Benefit Liability	$ 621,353,716	$ 634,382,036
	Market Value of Assets	796,355,628	806,338,351
	Unfunded Accrued Benefit Liability	$ 0	$ 0
	Accrued Benefit Funding Ratio	128%	127%

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

		June 30, 2002	June 30, 2001
1.	Participant Data		
	Number of:		
	Active Members	1,646	1,607
	Retired Members	1,402	1,400
	Beneficiaries of Retired Members	185	177
	Survivors of Deceased Members	20	21
	Disabled Members	75	72
	Vested Deferred Members	9	7
	Total Membership	3,337	3,284
	Annual Salaries of Active Members	$ 67,151,877	$ 63,579,269
	Annual Benefits to Recipients	$ 26,207,970	$ 24,936,198
2.	Assets and Liabilities		
	Funding Liability		
	Actuarial Accrued Liability	$ 548,553,709	$ 555,086,730
	Actuarial Value of Assets	618,107,012	529,358,348
	Unfunded Actuarial Liability	$ (69,553,303)	$ 25,728,382
	Unpooled Portion (IUUAL)	15,182,891	108,147,351
	Pooled Portion (PUAL)	$ (84,736,194)	$ (82,418,969)
	Actuarial Liability Funding Ratio	113%	95%
	FASB Accounting Liability		
	Accrued Benefit Liability	$ 479,460,985	$ 492,150,432
	Market Value of Assets	535,543,666	500,989,658
	Unfunded Accrued Benefit Liability	$ 0	$ 0
	Accrued Benefit Funding Ratio	112%	102%

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: market value and 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 Plan's ongoing ability to meet its obligations. Ongoing funding requirements established using market values are subject to significant variability because of the volatility of market values.

As a consequence, actuarial valuations employ a technique for determining the actuarial value of assets that 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) [=($928,844,185)].

(b) Adjusted actuarial value of assets = Actuarial value of assets at the end of the prior year plus one-half of net cashflow for the current year [=$7,457,037,491].

(c) Return = (a) (Increase in assets) divided by (b) (Adjusted actuarial value of assets) [=(12.46%)].

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%). [(12.46%) - 8.00% = (20.46%)]

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 (20.46%)) = 1.18%]

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 the PLD Consolidated Retirement Plan is based on the reported market value applicable to the Plan.

TABLE II-1
ASSET ALLOCATION

	Regular Plans	Special Plans	Total
Market Value	$796,355,628	$535,543,666	$1,331,899,294
Actuarial Value	$919,127,660	$618,107,012	$1,537,234,672

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 tbis 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 tbe Regular and of the Special Plans under tbe 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 tbe Plan and on the portions of these that are unfunded. In Table III-1 we have summarized the actuarial liabilities as of June 30, 2002.

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.

TABLE III-1

ACTUARIAL LIABILITIES

	Regular Plans	Special Plans	Total
1. Present Value of Benefits	$ 951,652,147	$ 635,956,035	$ 1,587,608,182
2. Present Value of Future Contributions			
a. Employer Normal Cost	99,778,205	51,169,654	150,947,859
b. Employee Contributions	87,344,428	36,232,672	123,577,100
3. Actuarial Accrued Liability (1) - (2)	$ 764,529,514	$ 548,553,709	$ 1,313,083,223
4. Actuarial Value of Assets			
a. Total Invested Assets	$ 958,911,842	$ 638,436,265	$ 1,597,348,107
b. IUUAL Surpluses in Individual PLD Accounts	39,784,182	20,329,253	60,113,435
c. Valuation Assets (a)-(b)	$ 919,127,660	$ 618,107,012	$ 1,537,234,672
5. Unfunded Actuarial Accrued Liability			
a. Total Unfunded Liability (3) - (4c)	$ (154,598,146)	$ (69,553,303)	$ (224,151,449)
b. Individual PLD Unpooled Liability (IUUAL)	21,122,263	15,182,891	36,305,153
c. Pooled Unfunded Actuarial Liability (a) - (b)	$ (175,720,409)	$ (84,736,194)	$ (260,456,602)
6. Amortization over 15 Years	$ (20,529,284)	$ (9,899,666)	$ (30,428,950)
7. Payroll	$ 194,991,715	$ 67,151,877	$ 262,143,592
8. Pooled Unfunded Actuarial Liability Contribution Rate	-10.5%	-14.7%	-11.6%

TABLE III-2

ACCRUED BENEFIT LIABILITY

	Regular Plans	Special Plans	Total
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	$ 14,251,417	$ 197,446	$ 14,448,863
b. Retired Members, Beneficiaries Disabled Members and Survivors	344,447,953	315,178,023	659,625,976
c. Active Members	262,654,346	164,085,516	426,739,862
d. Total	$ 621,353,716	$ 479,460,985	$ 1,100,814,701
2. Market Value of Assets	796,355,628	535,543,666	1,331,899,294
3. Unfunded Accrued Benefit Liability (1) - (2)	$ 0	$ 0	$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	128%	112%	121%

SECTION IV

CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 2002, actuarial valuation, including our recommendation and the Board's decision not to establish zero rates, are used to determine Fiscal Year 2004 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: Employee contribution rates are detailed in 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, disability and death 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 2004 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix D.

TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 2004

	Normal Cost**	Pooled Unfunded Actuarial Liability: Regular Plans	Pooled Unfunded Actuarial Liability: Special Plans	Total Rates
Plans with COLA				
Regular Employees Plan AC	7.9%	-5.1%		2.8%
Regular Employees Plan BC	5.3%	-3.6%		1.7%
Special Plan 1C	16.8%		-10.3%	6.5%
Special Plan 2C	9.6%		-5.6%	4.0%
Special Plan 3C	12.6%		-7.3%	5.3%
Special Plan 4C	7.9%		-4.4%	3.5%
Plans with No COLA				
Regular Employees Plan AN	4.1%	-2.6%		1.5%
Special Plan 1N	9.2%		-5.6%	3.6%
Special Plan 2N	4.9%		-2.7%	2.2%
Special Plan 3N	6.5%		-3.6%	2.9%
Special Plan 4N	3.6%		-1.7%	1.9%

* IUUAL payments are made in addition to these costs and IUUAL credits are taken against these costs.
** Includes costs of ancillary benefits.

APPENDIX A
PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Androscoggin County	67	A[1]	1	2	Yes	7/1/1994
Androscoggin Valley Council of Governments	231	A			Yes	7/1/1996
Aroostook County	106	A			Yes	7/1/1994
Auburn Housing Authority	145	A			Yes	7/1/1994
Auburn Lewiston Airport	256	A			Yes	7/1/1996
Auburn Public Library	43	A			No	7/1/1996
Auburn Water and Sewer District	52	A			Yes	7/1/1994
Augusta Sanitary District	64	A			Yes	7/1/1994
Augusta Water District	34	A			Yes	7/1/1994
Bangor Housing Authority	288	A			Yes	7/1/1994
Bangor Public Library	22	A			Yes	7/1/1996
Bangor Water District	59	B[2]			Yes	7/1/1996
Bath Water District	19	A			Yes	7/1/1994
Belfast Water District	132	A			Yes	7/1/1995
Berwick Sewer District	207	A			Yes	7/1/1994
Boothbay Region Water District	298		2		Yes	1/1/2002
Brewer Housing Authority	248	A			Yes	7/1/1994
Brewer Water District	68	A			No	7/1/1996
Bridgton Water District	253	A			No	7/1/1996
Brunswick Fire and Police	292		1	2	FO	7/1/1997
Brunswick Public Library	273	A			FO	7/1/1995
Brunswick Sewer District	72	A			Yes	7/1/1996
Caribou Police and Fire	208	A	1	2	No	7/1/1996
Carrabasett Valley	277	A			FO	7/1/1994
Cheverus High School	203		2		No	7/1/1996
City of Auburn	27	A	2		Yes	7/1/1994
City of Augusta	23	A	1	2	Yes	7/1/1994
City of Bangor	20	A	1	2	Yes	7/1/1996
City of Bath	73		2	3	Yes	7/1/1996
City of Belfast	35	A	2		Yes	7/1/1996
City of Biddeford	158	A			No	7/1/1996
City of Brewer	63	A	2		Yes	7/1/1996
City of Calais	36	A			FO	7/1/1996
City of Ellsworth	13	A	4		Yes	7/1/1995
City of Gardiner	24	A	3		No	7/1/1996
City of Hallowell	160	A			Yes	7/1/1996
City of Lewiston	48	A	1	2	Yes	7/1/1996
City of Old Town	111	A	2		No	7/1/1995
City of Portland	2	A	1	2	Yes	7/1/1995
City of Rockland	18	A	3	2[3]	Yes	7/1/1995
City of Saco	192	A	2		No	7/1/1995
City of South Portland	9	A	2		Yes	7/1/1995
Community School District #12	252	A			Yes	7/1/1996
Community School District #915	233	A			Yes	7/1/1995
Corinna Sewer District	251	A			No	7/1/1996
Cumberland County	5	A			Yes	7/1/1996
Dover - Foxcroft Water District	137	A			Yes	7/1/1994
Eagle Lake Water & Sewer District	274	A			Yes	7/1/1996
Erskine Academy	249	A			No	7/1/1994
Falmouth Memorial Library	58	A			Yes	7/1/1996
Farmington Village Corp.	118	A			No	7/1/1994
Fort Fairfield Housing Authority	275	A			FO	7/1/1994
Fort Fairfield Utilities District	131	A			Yes	7/1/1996

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Gardiner Water District	221	A			No	7/1/1994
Gould Academy	205	A			No	7/1/1996
Hampden Water District	183	A			Yes	7/1/1996
Hancock County	56	A			Yes	7/1/1994
Houlton Water District	26	A			Yes	7/1/1995
Indian Township Tribal Gov't	244	A			No	7/1/1996
Jackman Utility District	294	A			Yes	7/1/1996
Kennebec County	47	A			Yes	7/1/1995
Kennebec Sanitary Treatment District	220	A			FO	7/1/1995
Kennebec Water District	31	A			Yes	7/1/1996
Kennebunk Light and Power Co.	62	A			Yes	7/1/1994
Kennebunk Sewer District	201	A			FO	7/1/1994
Kennebunk, Kennebunkport & Wells Water District	255	A			FO	7/1/1996
Kittery Water District	12	A			Yes	7/1/1994
Lew Aub Water Pollution Control Authority	163	A			FO	7/1/1996
Lewiston - Auburn 9-1-1	291	A			Yes	7/1/1994
Lewiston Housing Authority	154	A			Yes	7/1/1994
Lincoln Academy	134	A			Yes	7/1/1994
Lincoln Sanitary District	219	A			Yes	7/1/1994
Lincoln Water District	92	A			Yes	7/1/1995
Lisbon Water Department	243	A			No	7/1/1996
Livermore Falls Water District	32	A			Yes	7/1/1994
Lubec Water and Electric District	88	A			Yes	7/1/1996
Madawaska Water District	236	A			Yes	7/1/1994
MADSEC	297	A			Yes	7/1/1999
Maine County Commissioners Assoc.	225	A			No	7/1/1996
Maine International Trade Center	293	A			Yes	7/1/1998
Maine Maritime Academy	38	A	2		Yes	7/1/1996
Maine Municipal Bond Bank	93	A			Yes	7/1/1995
Maine School Management Association	239	A			Yes	7/1/1994
Maine State Retirement Agency	290	A			Yes	7/1/1994
Maine Turnpike Authority	49	A			Yes	7/1/1994
Maine Veterans Home	271	A			Yes	7/1/1994
Mars Hill Utility District	283	A			Yes	7/1/1994
Me Secondary School Principals Association	105	A			Yes	7/1/1994
Mechanic Falls Sanitary District	282	A			FO	7/1/1994
Milo Water District	238	A			No	7/1/1996
Mt Desert Island Reg. School District	120	A			Yes	7/1/1996
Norway Water District	136	A			FO	7/1/1995
Old Town Housing Authority	262	A			FO	7/1/1994
Old Town Water District	79	A			No	7/1/1994
Oxford County	57	A			Yes	7/1/1994
Paris Utility District	159	A			Yes	7/1/1995
Penobscot County	11	A			Yes	7/1/1994
Penquis Cap Inc	237	A			No	7/1/1995
Piscataquis County	121	A			Yes	7/1/1994
Pleasant Point Passamaquoddy	165	A			Yes	7/1/1996
Portland Housing Authority	185	A			Yes	7/1/1994
Portland Public Library	41	A			Yes	7/1/1995
Richmond Utilities District	242	A			No	7/1/1994
Rumford Fire and Police	60	A	3	4	Yes	7/1/1995
Rumford Mexico Sewerage District	247	A			Yes	7/1/1996
Rumford Water District	65	A			Yes	7/1/1995

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Sanford Housing Authority	152	A			Yes	7/1/1996
Sanford Sewerage District	89	A			No	7/1/1994
Sanford Water District	170	A			No	7/1/1996
School Administrative District No. 13	223	A			Yes	7/1/1996
School Administrative District No. 16	190	A			No	7/1/1994
School Administrative District No. 21	211	A			FO	7/1/1996
School Administrative District No. 29	168	A			Yes	7/1/1996
School Administrative District No. 31	50	A			FO	7/1/1994
School Administrative District No. 41	143	A			Yes	7/1/1996
School Administrative District No. 49	189	A			No	7/1/1995
School Administrative District No. 51	198	A			No	7/1/1996
School Administrative District No. 53	129	A			No	7/1/1996
School Administrative District No. 54	115	A			Yes	7/1/1996
School Administrative District No. 60	187	A			No	7/1/1994
School Administrative District No. 67	126	A			Yes	7/1/1996
School Administrative District No. 71	128	A			No	7/1/1996
School Administrative District No. 9	119	A			Yes	7/1/1995
Searsport Water District	124	A			No	7/1/1996
So Penobscot Voc School Reg. #4	269	A			No	7/1/1996
So Portland Housing Authority	206	A			Yes	7/1/1996
Somerset County	101	A			Yes	7/1/1994
South Berwick Water	171		2		Yes	7/1/1996
Town of Baileyville	69	A	3		Yes	7/1/1996
Town of Bar Harbor	15	A	4		Yes	7/1/1995
Town of Berwick	108	A			No	7/1/1996
Town of Bethel	246	A			Yes	7/1/1996
Town of Boothbay Harbor	146	A			FO	7/1/1996
Town of Brunswick	42	A			FO	7/1/1995
Town of Bucksport	130	A			No	7/1/1995
Town of Camden	8	A			Yes	7/1/1994
Town of Chesterville	295	A[4]			Yes	7/1/1999
Town of China	235	A			No	7/1/1996
Town of Corinna	217	A			Yes	7/1/1996
Town of Cumberland	216	B[5]			Yes	7/1/1995
Town of Dexter	97	A			Yes	7/1/1996
Town of Dover Foxcroft	167	A			No	7/1/1995
Town of Durham	234	A			No	7/1/1996
Town of East Millinocket	54	A	2		Yes	7/1/1996
Town of Easton	240	A			Yes	7/1/1994
Town of Eliot	180	A	4		Yes	7/1/1994
Town of Fairfield	260	A	3		Yes	7/1/1995
Town of Falmouth	87	A			Yes	7/1/1996
Town of Farmington	100	A	1	2	Yes	7/1/1995
Town of Fayette	296	A			Yes	7/1/1999
Town of Fort Fairfield	17	A			Yes	7/1/2000
Town of Frenchville	98	A			No	7/1/1996
Town of Fryeburg	149	A			No	7/1/1996
Town of Glenburn	174	A			Yes	7/1/1994
Town of Gorham	133	A	2	4	Yes	7/1/1996
Town of Greenville	112	A			Yes	7/1/1996
Town of Hampden	151	A			No	7/1/1996
Town of Harpswell	270	A			Yes	7/1/1994
Town of Harrison	280	B[6]			Yes	7/1/1994

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS (continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Town of Hermon	150	A			No	7/1/1996
Town of Hodgdon	215	A			No	7/1/1996
Town of Houlton	10	A	4 [7]		Yes	7/1/1996
Town of Jay	45	A			Yes	7/1/1994
Town of Kennebunk	84	A	2		Yes	7/1/1996
Town of Kennebunkport	188	A	1		No	7/1/1996
Town of Kittery	14	A	1	2	Yes	7/1/1995
Town of Lebanon	181	A			Yes	7/1/1996
Town of Lincoln	76	A	3		No	7/1/1996
Town of Linneus	214	A			No	7/1/1996
Town of Lisbon	103	A	2		Yes	7/1/1996
Town of Livermore Falls	109	A			No	7/1/1996
Town of Lovell	276	A			Yes	7/1/1996
Town of Lubec	228	A			No	7/1/1996
Town of Madawaska	82	A			Yes	7/1/1996
Town of Mapleton	265	A			Yes	7/1/1996
Town of Mars Hill	227	A			Yes	7/1/1996
Town of Mechanic Falls	114	A			FO	7/1/1994
Town of Medway	194	A			Yes	7/1/1996
Town of Mexico	74	A			Yes	7/1/1996
Town of Milford	186	A			No	7/1/1996
Town of Millinocket	3	A	3	4	Yes	7/1/1996
Town of Monson	184	A			No	7/1/1996
Town of Mount Desert	16	A			Yes	7/1/1996
Town of New Gloucester	210	A			No	7/1/1995
Town of North Berwick	254	A	1		No	7/1/1996
Town of Norway	125	A			FO	7/1/1996
Town of Orland	166	A			No	7/1/1996
Town of Orono	61	A	4		FO	7/1/1996
Town of Orrington	209	A			No	7/1/1995
Town of Otisfield	193	A			FO	7/1/1996
Town of Oxford	200	A			No	7/1/1996
Town of Paris	127	A			No	7/1/1996
Town of Phippsburg	202	A			Yes	7/1/1996
Town of Pittsfield	110	A			No	7/1/1996
Town of Princeton	258	A			No	7/1/1996
Town of Rockport	161	A			No	7/1/1996
Town of Rumford	90	A			Yes	7/1/1995
Town of Sabattus	175	A			No	7/1/1996
Town of Sanford	83	A	1		FO	7/1/1995
Town of Scarborough	147	A	2		Yes	7/1/1996
Town of Searsport	117	A			No	7/1/1996
Town of Skowhegan	80	A	3		Yes	7/1/1996
Town of South Berwick	141	A			FO	7/1/1996
Town of St. Agatha	30	A			No	7/1/1996
Town of Topsham	81	A	2		Yes	7/1/1996
Town of Van Buren	182	A			Yes	7/1/1995
Town of Vassalboro	153	A			Yes	7/1/1996
Town of Waldoboro	195	A	3		Yes	7/1/1995
Town of Washburn	230	A			No	7/1/1994
Town of Wells	107	A	3		Yes	7/1/1995
Town of Winslow	144	A			No	7/1/1996
Town of Winthrop	179	A			No	7/1/1994

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS (continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Town of Yarmouth	116	A	2		Yes	7/1/1996
Town of York	28	A	2		Yes	7/1/1994
Tri Community Sanitary Landfill	267	A			Yes	7/1/1996
Van Buren Housing Authority	229	A			Yes	7/1/1995
Waldo County	46	A			Yes	7/1/1994
Waldo County Technical Center	224	A			No	7/1/1996
Washington County	40	A			Yes	7/1/1996
Waterville Fire and Police	66	A	3		No	7/1/1996
Waterville Sewerage District	222	A			Yes	7/1/1994
Wells Ogunquit CSD	266	A			FO	7/1/1995
Westbrook Housing Authority	259	A			Yes	7/1/1996
Winter Harbor Utility District	250	A			Yes	7/1/1995
Yarmouth Water District	278	A			Yes	7/1/1994
York County	37	A	2		Yes	7/1/1996
York Sewer District	139	A			No	7/1/1994
York Water District	39	A			Yes	7/1/1996

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.

[7] applicable for future service rendered by the Town's Firefighters and Police Officers from July 1, 2001.

APPENDIX B
MEMBER AND BENEFITS RECIPIENTS DATA AND PROFILES
as of June 30, 2002

ACTIVE MEMBER DATA

Regular Plans Members	
Count	7,197
Average Current Age	45.5
Average Service	8.5
Average Valuation Pay	$ 27,094
Special Plans Members	
Count	1,646
Average Current Age	39.6
Average Service	11.2
Average Valuation Pay	$ 40,797
All Plans Members	
Count	8,843
Average Current Age	44.4
Average Service	9.0
Average Valuation Pay	$ 29,644

BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA as of June 30, 2002

REGULAR PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		4,643
Total Annual Benefit	$	35,646,957
Average Annual Benefit	$	7,678

Inactive Vested

Count		354
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	2,283,787
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	6,451

SPECIAL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		1,682
Total Annual Benefit	$	26,207,970
Average Annual Benefit	$	15,581

Inactive Vested

Count		9
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	39,742
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	4,416

ALL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		6,325
Total Annual Benefit	$	61,854,927
Average Annual Benefit	$	9,779

Inactive Vested

Count		363
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	2,323,529
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	6,401

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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 three 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 service credit of which there are several types, 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 2-¼% for each year that a member is younger than age 60 at retirement.

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

Cost-of-Living Adjustment: See item 10.

Regular Plan AN

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

ACTUAL HOLDINGS
at June 30, 2003

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 2-1/4% for each year that a member is younger than age 60 at retirement.

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

Cost-of-Living Adjustment: See item 10.

Note: Under certain circumstances, Regular Plan service can count, on a pro-rata basis, toward meeting Special Plan benefit eligibility requirements.

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.

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:	½ 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.

ACTUAL HOLDINGS
at June 30, 2003

Special Plan 3C

Eligibility:	25 years of creditable service in named positions.
Benefit:	2/3 of average final compensation plus 2% for each year of service in excess of 25.
Form of payment:	life annuity ("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:	1/50 of average final compensation multiplied by years of membership service under Consolidated Plan A plus a variable percentage of average final compensation multiplied by years of service under any previous plans (the percentage depends on the previous plan(s)), the sum of which is reduced by approximately 2-¼% for each year that a member is younger than age 55 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 4N

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

Note: 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".

ACTUAL HOLDINGS
at June 30, 2003

6. Pre-Retirement Ordinary Death Benefits

Eligibility: Death while active, inactive eligible to retire, 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.

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 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 the date that 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 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 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.

ACTUAL HOLDINGS
at June 30, 2003

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.

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. Rates of Termination at Selected Ages*

	Prior Assumption	**Revised**	
	Regular & Special Plan Members		
Age	% Leaving	Regular	Special
25	7.0%	19.5%	7.5%
30	6.0	12.5	7.5
35	5.0	10.0	4.2
40	4.0	7.5	3.2
45	3.0	5.3	2.2
50	2.0	3.6	2.0
55	1.0	2.3	2.0

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

4. 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 arise out of and in the course of employment; for Specials, 20% of deaths are assumed to arise out of and in the course of employment.*

5. Rates of Inactive Health 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 ASSUMPTIONS AND METHODS (continued)

7. Rates of Disabled Life Mortality at Selected Ages (number of deaths per 10,000 members)

Age	Male	Female
25	391	528
30	315	467
35	321	326
40	332	215
45	349	191
50	376	207
55	420	240
60	488	288
65	595	366
70	763	487

8. Rates of Retirement at Selected Ages (number retiring per 1,000 members)

	Age	Prior Assumption	Revised Assumption
Regular Plans	45	25	50
	50	38	50
	55	50	100
	56	52	100
	57	55	100
	58	57	150
	59	60	250
	60	1,000	400
	63	1,000	250
	70	1,000	1,000

Special Plans

Prior assumption is that 100% retire when first 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 age of 55 or 25 years of service in Special Plan 4.

Revised assumption: 50% of those eligible to retire in each year.

9. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members) **

Age	Regular Plan	Special Plan
25	6	13
30	6	13
35	7	14
40	11	18
45	22	29
50	42	49
55	72	79

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

ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

10. 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.

11. Salary Growth Assumption

Prior Assumption: 5½% per annum

Revised Assumption

Rates of Increase at Selected Ages

Age	Increase
25	9.0%
30	7.5%
35	5.5%
40	5.5%
45	5.0%
50	4.5%
55	4.5%
60	4.5%

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

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

	FY 2003			FY 2002			FY2001		
Members	Active	Inactive	Total	Active	Inactive	Total	Active	Inactive	Total
State*	14,567	17,217	31,784	14,935	15,606	30,541	14,692	15,505	29,747
Teachers	35,148	55,225	90,373	34,629	46,281	80,910	34,064	43,917	77,981
PLD*	8,869	10,544	19,413	9,022	9,199	18,221	9,208	8,622	17,690
Legislative	175	171	346	170	130	300	171	134	305
Judicial	56	4	60	54	3	57	56	4	60
Total	58,815	83,161	141,976	58,810	71,219	130,029	58,011	67,772	125,783

**Includes both regular and special plan members*

Source: June 30 Raw Data Files

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 2001, 2002 and 2003.

	June 2003 Benefit Recipients	June 2003 Benefit Dollars	June 2002 Benefit Recipients	June 2002 Benefit Dollars	June 2001 Benefit Recipients	June 2001 Benefit Dollars
Service Retirees/Current Beneficiaries	24,127	$ 27,940,415	23,626	$ 26,535,656	23,287	$ 25,066,916
Retiree Beneficiaries	3,300	2,614,681	3,265	2,534,788	3,175	2,413,792
Disability Retirees	2,292	3,194,465	2,218	3,213,780	2,096	2,842,590
Ord./Accidental Death Beneficiaries	1,072	441,019	989	412,091	1,008	414,780
Total	30,791	$ 34,190,580	30,098	$ 32,696,315	29,566	$ 30,738,078

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 Community College
Eastern Maine Community College
Governor Baxter School
Kennebec Valley Community College
Maine Career Advantage - MCC
Maine Dairy & Nutrition Council
Maine Developmental Disabilities Council
Maine Potato Board
Maine Community College System - Administration
Northern Maine Community College
Northern NE Passenger Rail Authority
Southern Maine Community College
University of Maine
Washington County Community College
Wild Blueberry Commission of Maine
York County Community 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
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
Lincolnville School Department
Long Island School Department
Madawaska School Department
Maine Central Institute
Maine Education Association
Maine Indian Education
Maine School of Science & Mathematics
Millinocket School Department
Monhegan Plantation School Department
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

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

TEACHER *(continued)*

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 - School of Applied Technology
Region 10 - Cumberland-Sagadahoc County
Region 11 - So. Oxford County Vocation
Richmond School Department
Sanford School Department
Scarborough School Department
School Union 52 - Winslow
School Union 132 - Central Office
School Union 133 - Central Office
South Portland School Department
Thornton Academy
Union 7 - Dayton
Union 7 - Saco
Union 29 - Mechanic Falls
Union 29 - Minot
Union 29 - Poland
Union 30 - Durham
Union 30 - Lisbon
Union 37 - Lincoln Plantation
Union 37 - Rangeley
Union 42 - Manchester
Union 42 - Mount Vernon
Union 42 - Readfield
Union 42 - Wayne
Union 44 - Litchfield
Union 44 - Sabattus
Union 44 - Wales
Union 47 - Administration
Union 47 - Georgetown
Union 47 - Phippsburg
Union 47 - West Bath
Union 47 - Woolwich
Union 48 - Alna
Union 48 - Dresden
Union 48 - Westport
Union 49 - Edgecomb
Union 49 - Southport
Union 51 - Chelsea
Union 51 - Jefferson
Union 51 - Palermo
Union 51 - Somerville
Union 51 - Whitefield
Union 5 1 - Windsor
Union 52 - China
Union 52 - Vassalboro
Union 60 - Greenville

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

TEACHER *(continued)*

Union 60 - Shirley
Union 69 - Appleton
Union 69 - Hope
Union 74 - Bristol
Union 74 - Damariscotta
Union 74 - Nobleboro
Union 74 - South Bristol
Union 76 - Brooklin
Union 76 - Sedgewick
Union 87 - Orono
Union 87 - Veazie
Union 90 - Alton
Union 90 - Bradley
Union 90 - Greenbush
Union 90 - Greenfield
Union 90 - Milford
Union 91 - Orland
Union 91 - Orrington
Union 92 - Hancock
Union 92 - Lamoine
Union 92 - Otis
Union 92 - Surry
Union 92 - Trenton
Union 93 - Blue Hill
Union 93 - Brooksville
Union 93 - Castine
Union 93 - Penobscot
Union 96 - Gouldsboro
Union 96 - Steuben
Union 96 - Winter Harbor
Union 98 - Administration
Union 98 - Bar Harbor
Union 98 - Cranberry Isle
Union 98 - Frenchboro
Union 98 - Mount Desert
Union 98 - Southwest Harbor
Union 98 - Tremont
Union 102 - Jonesboro
Union 102 - Machias
Union 102 - Marshfield
Union 102 - Wesley
Union 102 - Whitneyville
Union 103 - Beals
Union 103 - Jonesport
Union 104 - Charlotte
Union 104 - Eastport
Union 104 - Pembroke
Union 104 - Perry
Union 106 - Alexander
Union 106 - Calais
Union 106 - Robbinston
Union 107 - Baileyville
Union 107 - Princeton
Union 108 - Vanceboro
Union 110 - Reed Plantation
Union 113 - East Millinocket
Union 113 - Medway
Union 122 - New Sweden
Union 122 - Stockholm
Union 122 - Westmanland
Union 122 - Woodland
Union 132 - Chelsea
Union 132 - Jefferson
Union 132 - Whitefield
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 (Active and Withdrawn)**
Reporting Entity: **(as follows)**

Androscoggin County
Androscoggin Valley Council of Governmnt
Aroostook County
Ashland, Town of
Auburn Housing Authority
Auburn Lewiston Airport
Auburn Public Library
Auburn, City of
Auburn - School Support
Augusta Sanitary District
Augusta Water/Sewer District
Augusta, City of
Augusta - School Support
Baileyville, Town of
Baileyville - School Support
Bangor, City of
Bangor Housing Authority
Bangor Public Library
Bangor School Support
Bangor Water District
Bar Harbor - School Support

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

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Bar Harbor, Town of
Bar Harbor - School Lunch
Bath Water District
Bath, City of
Bath - School Support
Belfast Water District
Belfast, City of
Berwick Sewer District
Berwick, Town of
Bethel, Town of
Biddeford School Department
Biddeford, City of
Boothbay Harbor Water District
Boothbay Harbor, Town of
Boothbay Region Water District
Brewer Housing Authority
Brewer, City of
Brewer - School Support
Bridgton Water District
Brunswick & Topsham Water District
Brunswick Fire And Police
Brunswick Public Library Association
Brunswick Sewer District
Brunswick, Town of
Brunswick - School Support
Bucksport, Town of
Bucksport-School Food Service
Bucksport - School Support
Calais, City of
Calais - School Support
Camden, Town of
Caribou Fire & Police
Carrabasset Valley, Town of
Castine, Town of
Chesterville, Town of
Cheverus High School
China, Town of
Coastal Counties Workforce Incorporated
Community School District #912
Community School District #915
Community School District #918
Corinna Sewer District
Corinna, Town of
Cumberland County
Cumberland, Town of
Dexter, Town of
Dover-Foxcroft Water District
Dover-Foxcroft, Town of
Durham, Town of
Durham - School Support
E. Millinocket - School Support
Eagle Lake Water & Sewer District
East Millinocket
Easton, Town of
Easton - School Support
Eliot, Town of
Ellsworth, City of
Ellsworth - School Support
Erskine Academy
Fairfield, Town of
Falmouth Memorial Library
Falmouth, Town of
Falmouth - School Support
Farmington Village Corporation
Farmington, Town of
Fayette, Town of
Fort Fairfield Housing Authority
Fort Fairfield Utilities District
Fort Fairfield, Town of
Freeport, Town of
Frenchville, Town of
Fryeburg Academy
Fryeburg, Town of
Gardiner Water District
Gardiner, City of
Glenburn, Town of
Glenburn-School Lunch
Glenburn - School Support
Gorham School Support
Gorham, Town of
Gould Academy
Greenville, Town of
Greenville - School Support
Hallowell Water District
Hallowell, City of
Hampden Water District
Hampden, Town of
Hancock County
Harpswell, Town of
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, Town of
Jay - School Support
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

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

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Lewiston Auburn 911
Lewiston Housing Authority
Lewiston, City of
Lewiston-Auburn Water Pollution Cont. Au
Lewiston - School Support
Lincoln Academy
Lincoln County Sheriffs
Lincoln Sanitary District
Lincoln Water District
Lincoln, Town of
Linneus, Town of
Lisbon Water Department
Lisbon, Town of
Lisbon - School Support
Livermore Falls Water District
Livermore Falls, Town of
Lovell, Town of
Lubec Water & Electric District
Lubec, Town of
M.A.D.S.E.C.
Madawaska Water District
Madawaska, Town of
Madawaska - School Support
Maine County Commissioners Association
Maine International Trade Center
Maine Maritime Academy
Maine Municipal Bond Bank
Maine Principals' Association
Maine School Management Association
Maine State Employees 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 - South 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
Medway, Town of
Mexico, Town of
Milford, Town of
Millinocket, Town of
Millinocket - School Support
Milo Water District
Monson, Town of
Mount Desert Island Regional
Mount Desert Water District
MSAD #1 Presque Isle
MSAD #13 Bingham
MSAD #16 Hallowell
MSAD #17 South Paris
MSAD #21 Dixfield
MSAD #29 Houlton
MSAD #31 Howland
MSAD #36 Livermore Falls
MSAD #40 Waldoboro
MSAD #41 Milo
MSAD #49 Fairfield
MSAD #50 Thomaston
MSAD #51 Cumberland
MSAD # 52 Turner
MSAD #53 Pittsfield
MSAD #54 Skowhegan
MSAD #60 Berwick
MSAD #67 Lincoln
MSAD #68 Dover-Foxcroft
MSAD #71 Kennebunk
MSAD #74 North Anson
Mt. Desert - School Support
Mt. Desert, Town of
New Gloucester, Town of
North Berwick, Town of
Norway Water District
Norway, Town of
Old Orchard Beach, Town of
Old Orchard Beach - School Support
Old Town Housing Authority
Old Town Water District
Old Town, City of
Old Town - School Support
Orland, Town of
Orland-School Food Service
Orland - School Support
Orono, Town of
Orono - School Support
Orrington School Lunch Program
Orrington, Town of
Orrington - School Support
Otisfield, Town of
Oxford County
Oxford, Town of
Paris Utility District
Paris, Town of
Penobscot County
Penquis C.A.P.
Phippsburg, Town of
Phippsburg-School Food Service
Phippsburg - School Support
Piscataquis County
Pittsfield, Town of
Pl Pt Passamaquoddy Resv Housing Auth
Portland Housing Authority
Portland Public Library
Portland, City of

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

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Portland - School Support
Presque Isle Water & Sewer District
Presque Isle Water District
Princeton, Town of
Princeton - School Support
Region 4 So. Penobscot
Region 8 Coop. Board for Voc. Ed.
Richmond Utility District
Rockland, City of
Rockport, Town of
Rumford Fire & Police
Rumford Mexico Sewerage District
Rumford Water District
Rumford, Town of
Rumford - School Support
Sabattus, Town of
Sabattus - School Support
Saco, City of
Saco - School Support
Sagadahoc County
Sanford Housing Authority
Sanford Sewerage District
Sanford Water District
Sanford, Town of
Sanford - School Support
Scarborough, Town of
Scarborough-School Food Service
Scarborough - School Support
Searsport Water District
Searsport, Town of
Skowhegan, Town of
South Berwick Sewer District
South Berwick Water District
South Berwick, Town of
South Portland Housing Authority
South Portland, City of
South Portland - School Support
St. Agatha, Town of
Topsham, Town of
Training and Development Corporation
Tri-Community Sanitary Landfill
Van Buren Housing Authority
Van Buren, Town of
Vassalboro, Town of
Waldo County
Waldo County Commissioners
Waldo County Technical Center
Waldoboro, Town of
Washburn, Town of
Washington County
Waterville Fire & Police
Waterville Sewer District
Wells, Town of
West Paris, Town of
Westbrook Housing Authority
Winslow, Town of
Winslow - School Support
Winter Harbor Utility District
Winthrop, Town of
Winthrop - School Support
Wiscasset, Town of
Yarmouth Water District
Yarmouth, Town of
Yarmouth - School Support
York County
York Sewer District
York Water District
York, Town of
York - School Support

PROGRAM: **WITHDRAWN (NON-CONSOLIDATED) PARTICIPATING LOCAL DISTRICTS**
Employer: **Participating Local Districts**
Reporting Entity: **(as follows)**

Presque Isle, City of
Westbrook, City of
CSD 3 Boothbay/Boothbay Harbor
Franklin County
Knox County
Limestone Water/ Sewer District
Lincoln County
Maine Municipal Association
Maine State Housing Authority
MSAD 34
MSAD 56
MSAD 9
New Canada Plantation
Norway Paris Solid Waste Corp
Somerset County
Bridgton, Town of
Brownville, Town of
Cape Elizabeth, Town of
Damariscotta, Town of
Dixfield, Town of
Exeter, Town of
Fort Kent, Town of
Freeport, Town of
Georgetown, Town of
Howland, Town of
Limestone, Town of
Milo, Town of
Richmond, Town of
Wilton, Town of
Wallagrass Plantation
Westbrook Fire and Police
Western Maine Community Action Council