MAINE STATE RETIREMENT SYSTEM

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2004

A Component Unit of the State of Maine

MAINE STATE RETIREMENT SYSTEM

46 State House Station
Augusta, Maine 04333

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2004

Prepared by:
MSRS Communications Department

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MAINE STATE RETIREMENT SYSTEM
JUNE 30, 2004

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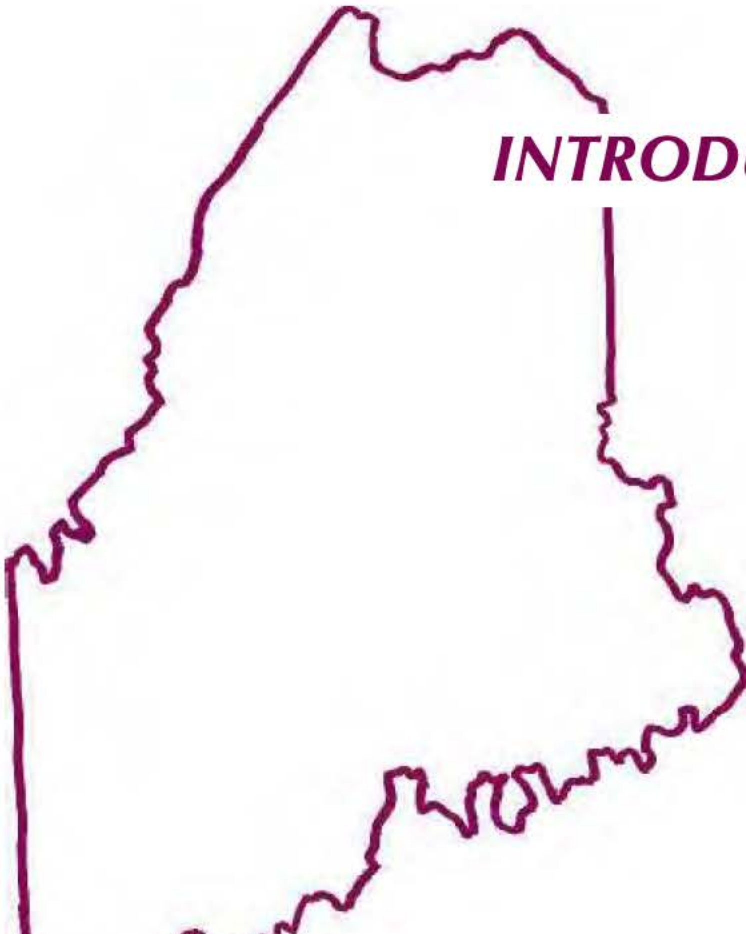


INTRODUCTORY SECTION

MSRS
MAINE STATE RETIREMENT SYSTEM

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

November 22, 2004

LETTER OF TRANSMITTAL

I am pleased to present this Comprehensive Annual Financial Report of the Maine State Retirement System ("MSRS" or the "System") for the fiscal year ended June 30, 2004 in accordance with the requirements of 5 M.R.S.A. § 17102. This report is written so as to conform to the requirements of the Governmental Accounting Standards Board (GASB). Management takes full responsibility for the accuracy, completeness and fairness of the representations made in this report.

OVERVIEW OF ANNUAL REPORT

This Comprehensive Annual Financial Report ("CAFR" or "Annual Report"), taken as a whole, provides detail on all aspects of the System. You will notice changes from last year's report due to the System's plan to submit this year's CAFR to the Government Finance Officers Association's (GFOA) Certificate of Achievement for Excellence in Financial Reporting Program. One significant change is that some of the detailed information about the System appears in this Letter of Transmittal rather than in the Management's Discussion and Analysis section of the financial statements.

The CAFR 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 administrative staff, lists the principal professional consultants that provided services to the System in FY 2004 and includes the Legislative Update for the second regular and second special sessions 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 ended June 30, 2004 with their Notes, Required Supplementary Information and notes to supplementary information. Management's Discussion and Analysis (MD&A) is contained in this section. The firm of KPMG has performed its first audit of the System's financial information. Trust fund balances by System employer/program are also included in this Section, as well as financial information on the Group Life Insurance program. The Investment Section presents detail, at June 30, 2004, of principal investments for the Retirement System defined benefit plan and Group Life Insurance program. Additional information on investments is found in the MD&A, financial statements and Notes. The Actuarial Section includes the June 30, 2003 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, or PLDs. (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 or useful to persons interested in the Retirement System.

OVERVIEW OF THE SYSTEM

INTRODUCTION

The Maine State Retirement System is an independent public agency of the State of Maine that traces its history to 1942. 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 267 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.

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 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 programs administered by the System. The actuary also provides information and recommendations as to sound and appropriate actuarial assumptions, which are utilized, together with valuation information, to determine the programs' 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 Office of the Executive Director has overall administrative responsibility for the System. The Executive Director oversees all actuarial work and investments and has administrative responsibility for the internal audit function. Actuarial work is carried out with the assistance of an actuary; investment operations are carried out with the assistance of the System's Chief Investment Officer, an investment consultant, investment managers and other appropriate consultants. In addition, the Office performs the executive functions of the System, prepares and manages the administrative budget, and has day-to-day responsibility for legislative matters; appeals; federal, state, and local governmental relations; planning; organizational development; and numerous special projects, including the System's long-term automation project.

The Department of Service Programs administers the service and disability retirement programs, employer programs, survivor benefit and group life insurance programs, and records management. The Department is the System's primary contact for members, employers, and benefit recipients, responding to requests for retirement or estimated benefits, as well as ensuring the appropriate processing of historical member data into the Membership Recordkeeping System.

The Department of Internal Services consists of three divisions. The Accounting and Finance Division has responsibility for MSRS accounting and financial management systems, as well as financial reporting and budget support. The Information Technology Division acquires, develops, and supports the technology and telecommunications resources used by staff to perform the work of the System, including programming and development of the Membership Recordkeeping System. The Payrolls Administration Division processes the benefits payroll and member refunds programs of contributions.

The Department of Administration includes the Human Resources, Support Services (mail and telephone reception), Facilities and Communications Divisions. The Department has principal accountability for staff-centered aspects of the System's management and development, including recruitment, labor relations, training, and employee payroll and benefits; administers the safety program; maintains the offices of MSRS; and provides mail and office services to the System.

RETIREMENT AND RELATED BENEFITS

The System's primary responsibility is the administration of retirement plans. 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.

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.

The System also administers two defined contribution retirement plans that are established under sections 401(a) and 457 of the Internal Revenue Code. These plans are available to employees of those employers in the Consolidated Plan for PLDs that have adopted one or both of the plans.

In addition to the System itself and all of its programs being established by and operating 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.

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 can be found elsewhere in this report in the actuarial valuation for each plan.

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 in excess of the amount supported by assets of the System. 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 extended the period to the full extent of the then-remaining Constitutional period, to 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 reverts to the shortened period at year 14 thereof, requiring full payment of the UAL by the end of FY 2019.

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.

OPERATING FUNDS

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 headcounts 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 employer component are appropriated for the System to the State and transferred to the System at a calculated rate. 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.

ACCOUNTING AND REPORTING

The System, through its management staff, is responsible for establishing and maintaining an internal control structure that protects assets from theft or misuse and 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 the System's 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 Report is consistent with the financial statements. The financial statements are prepared on the accrual basis of accounting.

The System also has an internal audit program, staffed by one internal auditor. This program is still in its infant stages and is focused on in-depth audits of internal controls in all of the departments at the System. The internal auditor presents audit reports to both management and the Audit Committee of the Board of Trustees.

The independent auditor, KPMG, has conducted an audit of the financial statements in accordance with, as stated in its audit report, generally accepted auditing standards and including those tests and procedures KPMG 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 with respect to the integrity of the System's financial reporting and adequacy of the System's internal controls.

The System's defined benefit retirement plan responsibilities are administered as an agent multiple employer plan. Separate actuarial valuations are performed for each of the retirement programs that the Retirement System administers; contributions, inflows, and benefits payments are separately tracked and recorded, and separate trust fund balances are attributed to each such program. The System's financial statements, notes thereto and required supplementary information are prepared accordingly. As additional supplementary information, the System includes with its financial statements 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 the Consolidated Plan for PLDs and the nonconsolidated PLDs combined.

FUNDING OF DEFINED BENEFIT RETIREMENT PROGRAMS

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. For this reason, 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, 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 investment results 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 the future.

The basic defined benefit retirement plan equation provides 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 plan's funded ratio and changes in funded ratios over time. While smoothing affects all programs, the 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.

The funded ratio of the State employee/teacher program has improved since the mid-1980s, though it has of course been affected by poor investment markets in very recent years. The funding ratio at June 30, 2004 was 68.3 percent compared to 67.4 percent in 2003. The judicial program, while slightly overfunded last year, has become slightly underfunded this year. The over 100% funded status of the Consolidated Plan for PLDs continues and reflects the circumstances and timing of its structure and relatively recent inception. Information regarding overall funding progress appears in the MD&A on page 14. More information on the funding levels of all of the System's retirement programs can be obtained from the System.

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 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, Treasury Inflation Protected Securities (TIPS), and fixed income securities. The System's Board of Trustees is responsible for establishing the policy that is the framework for investment of the System's assets. An Investment Advisory Committee of the Board, which includes investment experts in addition to Trustees, advises the Board on all investment matters, including policy. At its most basic level, the policy consists of allocations to asset classes. The choice of asset classes reflects the Board's thinking and decision with regard to expected investment return and with regard to the nature, level, and management of risk.

The defined benefit plan assets perform two functions. They collateralize the benefits owed to participants, and they provide investment earnings. All benefit payments must eventually be funded from contributions or from investment earnings. Last year the Board reviewed its investment strategy and considered the balance between more conservative investment strategies that provide more secure collateralization and more aggressive strategies that support adequate benefits at tolerable contribution levels. To address these conflicting goals it invested 30% of the assets in Treasury Inflation Protected Securities and the remainder in a diversified portfolio of equity investments.

The reserves of the group life insurance program are invested in short and medium term investment grade fixed income securities. The participants in the defined contribution plans determine their individual investment strategies by selecting among nine funds covering a wide variety of investment strategies.

Additional information, including information about performance, is contained in the Investment Section, beginning on page 39.

MAJOR INITIATIVES

Again in fiscal year 2004, the System focused on activities that will eventually allow it to provide service and retirement information to members on demand, that is, at the time of a request. This year a major milestone was achieved on this front. The first automation of determinations of service credit, in this case for State employees, was a giant step in the direction of being able to provide information on demand. While there are many more such steps to be taken to be able to provide this level of service to all the System's members, this step gives staff particular pride. This effort will continue as the priority initiative of the System in the coming year.

The System also began a major project to acquire a new Benefits Payroll system, thus ensuring its ability to make timely benefit payments as needed long into the future. The automated system on which the System currently processes service retirement benefit payments each month is obsolete and will lose technical support at the end of 2006, thus making a new system imperative. The Benefits Payroll project will stretch MSRS' human resources to the limit in the coming year. The System will also advance its automation of work processes and storage of more information in its in-house automated system, thereby allowing the System to enhance its responsiveness to members.

ACKNOWLEDGEMENTS

The preparation of this report has been a collaborative effort of senior management, the Finance and Accounting Department and the Communications Department. The System takes responsibility for all of the information it contains and confidently presents it as a basis for the many decisions of the Board of Trustees, staff and others who will rely on it.

I want to acknowledge the commitment and dedication that the Retirement System staff continue to demonstrate with respect to their work on behalf of members. Staff is uniformly committed to a collective vision of a future when MSRS members can get instant information about their service credit and their retirement benefits from the System. The work of staff reflects this commitment.

I also want to acknowledge, on behalf of all the MSRS staff, the absence of the System's Executive Director, Kay R.H. Evans, due to illness. Ms. Evans is of course responsible both for a great deal of the work that has gone into the preparation of this report and for the major initiatives of the System over the past year. We all wish Kay the very best.

Respectfully submitted,

Gail Drake Wright
Acting Executive Director

for Kay R. H. Evans
Executive Director

Carl A. Cappello
Associate Deputy Director
and Director of Finance and Accounting

BOARD OF TRUSTEES, MANAGEMENT STAFF and PRINCIPAL PROFESSIONAL CONSULTANTS
June 30, 2004

BOARD OF TRUSTEES

David S. Wakelin, Chair	Public Member, Governor's direct appointee
John H. Kimball, Vice Chair	Maine Education Association appointee by election
Peter M. Leslie	Public Member, Governor's direct appointee
John S. Eldridge, III	Maine Municipal Association 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
Benedetto Viola	Maine State Employees' Association appointee by election
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 & Legal Counsel
William E. Saufley	Deputy Executive Director
Rex W. Holsapple	Chief Investment Officer
Carl A. Cappello	Associate Deputy Executive Director
Marlene McMullen-Pelsor	MERS Director for Service Programs
Kathy J. Morin	Assistant to Chief Deputy Executive Director
John F. Fleming	Internal Auditor

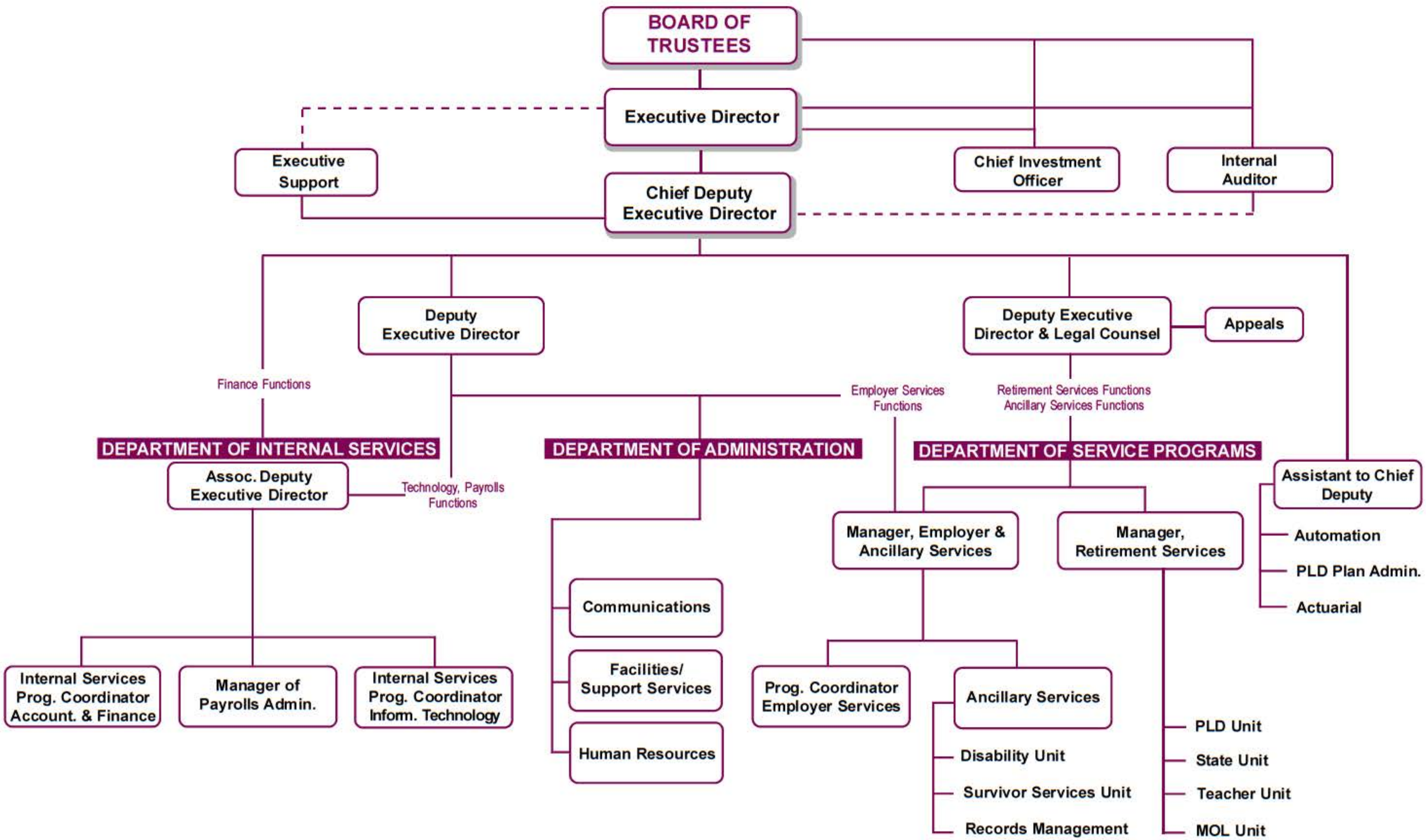
PRINCIPAL PROFESSIONAL CONSULTANTS

Actuary	Investment Consultant	Auditors
Milliman USA	Ennis Knupp & Associates	KPMG

See page 47 for a list of professional investment management firms.

Maine State Retirement System

Organizational Chart by Function



Legislative Update

Legislation Enacted in the Second Regular and Second Special Sessions of the 121st Legislature

An Act to Update Laws Affecting the Military

PL 2003, Chapter 583 [LD 1752]
Effective Date: July 30, 2004

This Act reduces from 15 to 5 the number of consecutive days that a member of the Maine National Guard must be on active state service in order for MSRS membership to be available under the optional membership provisions. All other requirements and limitations as previously enacted by PL 2003, Chapter 404 remain the same. *(See the Summer 2003 issue of Retirement News for in-depth article.)*

An Act To Amend the Laws Concerning Optional Membership for Participating Local Districts in the Maine State Retirement System

PL 2003, Chapter 630 [LD 1810]
Effective Date: July 30, 2004

This Act changes the purchase of service provisions that apply to optional members in participating local district (PLD) plans. It also removes the requirement that a member returning to MSRS membership must wait two years prior to being eligible to repay previously withdrawn member contributions. This change applies to all members.

An Act to Protect the Privacy of Home Information of Maine State Retirement System Members, Benefit Recipients and Staff

PL 2003, Chapter 632 [LD 1687]
Effective Date: July 30, 2004

This Act makes specific information pertaining to MSRS members, retirees and staff confidential. It also provides that the confidentiality of home contact information for members and retirees can be waived by signing a waiver form provided by the Retirement System. *(See related article in the Summer 2004 issue of Retirement News.)*

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

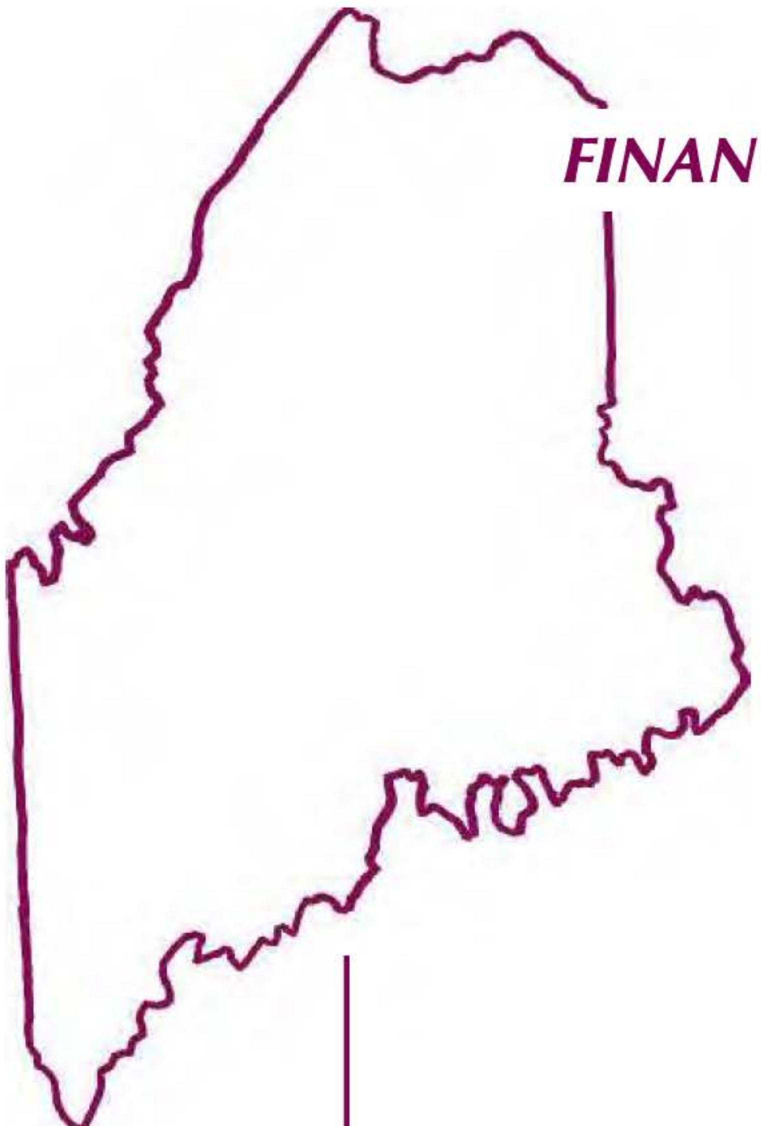
PL 2003, Chapter 675 [LD 1814]
Effective Date: July 30, 2004

This Act changes the standard by which it is determined whether a disability retirement benefit recipient is able to engage in substantially gainful activity (SGA). This bill changes that standard from 80% of Average Final Compensation (AFC) to either $20,000 or 80% of AFC, whichever is greater. *(See related article in the Summer 2004 issue of Retirement News.)*

An Act to Amend the Laws Governing Purchase of Military Time Service Under the Maine State Retirement System

PL 2003, Chapter 693 [LD 1836]
Effective Date: July 30, 2004

This Act provides the ability for the recipients of specific military awards to purchase military service credit at a subsidized rate under specific conditions. The changes do not apply to PLD members. *(See related article in the Summer 2004 issue of Retirement News.)*



FINANCIAL SECTION

KPMG LLP
99 High Street
Boston, MA 02110-2371

Telephone 617 988 1000
Fax 617 988 0800
Internet www.us.kpmg.com

Independent Auditors' Report

The Board of Trustees
Maine State Retirement System:

We have audited the accompanying statement of fiduciary net assets of the Maine State Retirement System (the System) (a component unit of the State of Maine) as of June 30, 2004 and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The accompanying financial statements of the System as of June 30, 2003, were audited by other auditors whose report thereon dated December 11, 2003, expressed an unqualified opinion on those statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2004 financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the System as of June 30, 2004, and the changes in its fiduciary net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2004 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 and the historical pension information on pages 24 through 28 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information presented on page 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

November 5, 2004

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Introduction

This Management Discussion and Analysis (MD&A) is prepared by the management staff of the Maine State Retirement System (MSRS or the System) for the purpose of providing an overview of the System's financial statements.

Financial Reporting Structure

The System's financial statements are prepared on an accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting requires the recognition and recording of financial transactions and other related events when they occur and not just in conjunction with the inflows and outflows of cash and other resources.

The total funds managed by the System are constitutionally restricted and 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 oversees 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 the System is administering an agent multiple employer plan for financial reporting purposes.

The Statement of Fiduciary Net Assets reports the balance of net assets held in trust for future pension and group life insurance benefits as of the fiscal year end, with comparative values reported as of the previous fiscal year end. The Statement of Changes in Fiduciary Net Assets reports the Net Increase (or Decrease) in Net Assets for the fiscal year, with comparative values reported for the previous fiscal year. This increase (or decrease) when added to the previous year's net assets results in the total net assets as reported in the Statement of Fiduciary Net Assets.

The Schedule of Funding Progress (required supplementary information) presents a summary of the defined benefit retirement programs administered by the System. This Schedule compares the value of pension assets with the actuarial accrued liabilities, as of actuarial valuation dates over a period of six years and presents the unfunded actuarial accrued liability (UAL). The Schedule also presents the actuarial funded ratio and the UAL as a percentage of the covered payroll of all members.

The Schedule of Employers' Contributions (required supplementary information) presents the annual required contribution as defined by GASB for all employers participating in MSRS and the actual employer contributions over a six year period, together with the percentage relationship of actual to required contributions for each year.

Financial Highlights and Analysis

The net assets of the System increased by $1,118 million (16%) from the prior year's net asset balance. This increase was due primarily to $1,144 million of Net Investment Income during fiscal year 2004. By comparison, Net Investment Income during fiscal year 2003 was $351 million. As of June 30, 2004, approximately 50% of the System's assets are invested in domestic common stocks and 15% in foreign common stocks either with direct holdings or through investment in common/collective trusts. Higher returns in stock markets in 2004 as compared to 2003 resulted in the increase in investment income.

In 2003, the net assets of the System increased by $343 million (5%) from the prior year's net asset balance. This increase was due primarily to $351 million of Net Investment Income during fiscal year 2003. By comparison, Net Investment Income during fiscal year 2002 was a loss of $530 million. As of June 30, 2003, approximately 50% of the System's assets were targeted for domestic stocks, 15% for foreign common stocks, and 35% for fixed income securities. Higher returns in stock markets in 2003 as compared to 2002 resulted in the increase in investment income.

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

The following are the Condensed Fiduciary Net Assets and Condensed Changes in Fiduciary Net Assets for the System for the fiscal years ended June 30, 2004, 2003 and 2002.

Condensed Fiduciary Net Assets
(In millions)

		June 30	
	2004	2003	2002
Cash and receivables	$ 99.3	366.7	217.5
Investments at fair value	8,024.2	6,899.4	6,549.8
Securities lending collateral	230.6	440.4	378.8
Other assets	1.4	1.5	0.6
Total assets	8,355.5	7,708.0	7,146.7
Investment purchases	11.9	260.8	84.4
Securities lending payable	230.6	440.4	378.8
Other liabilities	19.5	31.6	51.2
Total liabilities	262.0	732.8	514.4
Net assets held in trust for benefits	$ 8,093.5	6,975.2	6,632.3

Condensed Changes in Fiduciary Net Assets
(In millions)

		Year ended June 30	
	2004	2003	2002
Additions:			
Members' contributions	$ 140.6	137.0	130.3
Employers' contributions	300.1	295.4	423.9
Net investment income (loss)	1,144.3	351.3	(530.1)
Total additions	1,585.0	783.7	24.1
Deductions:			
Benefits	441.5	417.2	396.4
Other	25.2	23.6	24.2
Total deductions	466.7	440.8	420.6
Net increase (decrease)	1,118.3	342.9	(396.5)
Net assets, beginning of year	6,975.2	6,632.3	7,028.8
Net assets, end of year	$ 8,093.5	6,975.2	6,632.3

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

Assets

Total assets increased $648 million (8.4%) during 2004. This increase is attributable to an increase in the Fair Value of Investments, offset by a decrease in Cash and Receivables and a decrease in Securities Lending Collateral. The $1,125 million (16.3%) increase in the Fair Value of Investments is attributable primarily to $1,144 million of Net Investment Income. The System records an Investment Purchase or Sale Receivable between the time it enters into a trade and the time that trade is settled. The receivable for outstanding trades at June 30, 2004 was approximately $130 million less than at June 30, 2003, due to the timing of investment sales by the System's investment managers. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. On June 30, 2004, the amount of loans outstanding in the securities lending program was $210 million less than at June 30, 2003.

Total assets increased $561 million (7.9%) during 2003. This increase is attributable to an increase in the Fair Value of Investments, Cash and Receivables and Securities Lending Collateral. The $350 million (5.3%) increase in the Fair Value of Investments is attributable primarily to $351 million of Net Investment Income. The custodian on behalf of the System records an Investment Purchase or Sale Receivable between the time it enters into a trade and the time that trade is settled. The receivable for outstanding trades at June 30, 2003 was approximately $83 million more than at June 30, 2002, due to the timing of investment sales by the System's investment managers. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. On June 30, 2003, the amount of loans outstanding in the securities lending program was $62 million more than at June 30, 2002.

Refer to investment section on page 39 for more information on the System's investments.

Liabilities

The System records an Investment Purchase or Sale Payable between the time it enters into a trade and the time that trade is settled. The payable for outstanding trades at June 30, 2004 was approximately $249 million less than at June 30, 2003, due to the timing of investment purchases by the System's investment manager. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. On June 30, 2004, the amount of loans outstanding in the securities lending program was $210 million less than at June 30, 2003.

The System records an Investment Purchase or Sale Payable between the time it enters into a trade and the time that trade is settled. The payable for outstanding trades at June 30, 2003 was approximately $176 million more than at June 30, 2002, due to the timing of investment purchases by the System's investment manager. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. On June 30, 2003, the amount of loans outstanding in the securities lending program was $62 million more than at June 30, 2002.

Additions to Fiduciary Net Assets

Additions to fiduciary net assets during fiscal year 2004 totaled $1,585 million, an increase of 102.2% over fiscal year 2003. The major part of this increase is attributable to a 225.7% ($793 million) increase in Net Investment Income. The improvement in investment results is due to improved returns in the stock market in 2004 as compared to 2003.

Additions to fiduciary net assets during fiscal year 2003 totaled $783 million, an increase of approximately $759 million over fiscal year 2002. The major part of this increase is attributable to Net Investment Income which was a positive $351 million in 2003 as opposed to a $530 million loss in 2002, offset by a decrease in employers' contributions. The improvement in investment results is due to improved returns in the stock market in 2003 as compared to 2002.

Contributions

The State's contributions to the Regular and Special Plans on behalf of State employees totaled $85.4 million, $77.4 million, and $75.6 million for fiscal years 2004, 2003, and 2002, respectively. The State's contributions on behalf of teachers totaled $156.6 million, $166.2 million, and $157.3 million for fiscal years 2004, 2003, and 2002, respectively.

An additional employer contribution is mandated by statute to be made when sufficient General Fund Surplus (GFS) monies exist at fiscal year end. Because GFS monies existed at June 30, 2004 and 2003, contributions of $22 million and $10.5 million,

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

respectively, were accrued from the System as an estimate of what the System would receive from the State. These additional contributions were allocated, according to System policy, in equal parts to the State employee and teacher components of the program. Thus, total State contributions in 2004 on behalf of State employees were $96.4 million and on behalf of teachers were $167.6 million.

The State's fiscal 2004 contribution on behalf of judges was $1.0 million; in fiscal year 2003 this contribution was $0.8 million. Because of the funding methodology and funded status of the Maine Legislative Retirement Plan, no employer contribution was required in fiscal year 2004 nor in fiscal year 2003. For Participating Local Districts (PLDs), the range of employer contributions as a percent of earnable compensation in fiscal year 2004 and in fiscal year 2003 was 1.5% to 6.5%. The net effect of the Consolidated Plan's funding status and 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. New entrants to the Consolidated Plan pay the true normal cost for a period of three years. The range of true normal costs in fiscal year 2004 was 3.6% to 16.8%.

Member and employer data, contribution and benefit data for the 29 non-consolidated PLDs are specific to each PLD and are obtainable from the System. Contribution amounts for all of these membership groups are available at the System.

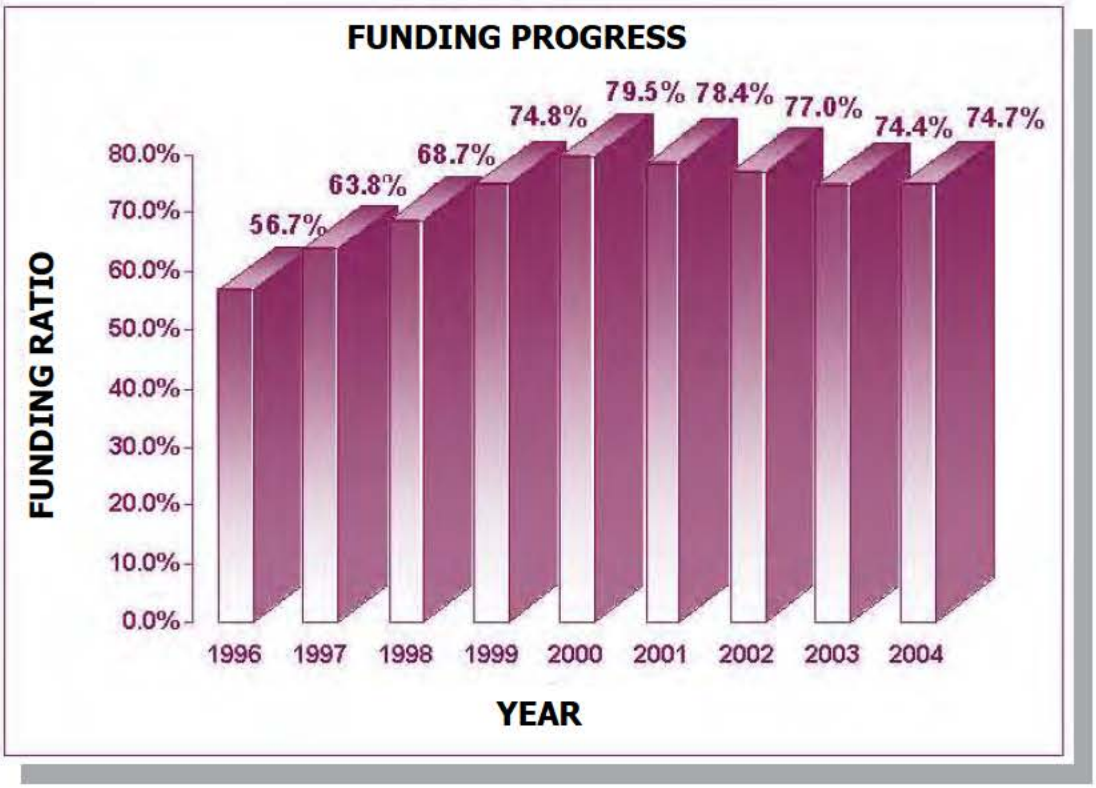
Deductions from Fiduciary Net Assets

Total deductions from fiduciary net assets during fiscal year 2004 increased by 5.9% ($25.9 million). The fiscal year 2004 increase is due to the increased cost of benefits paid. The increase in benefits is the result of the routine application of a cost-of-living adjustment of 2.1%, and a 2.2% increase in the number of retirees and beneficiaries receiving benefits. The System experienced no significant net changes in assets due to contributions and benefit payments in 2004. Contributions totaled $441 million, and benefit payments totaled $442 million.

Total deductions from fiduciary net assets during fiscal year 2003 increased by 4.8% ($20.2 million). The fiscal year 2003 increase is due to the increased cost of benefits paid. The increase in benefits is the result of the routine application of a cost-of-living adjustment and an increase in the number of retirees and beneficiaries receiving benefits.

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

System Funding Status

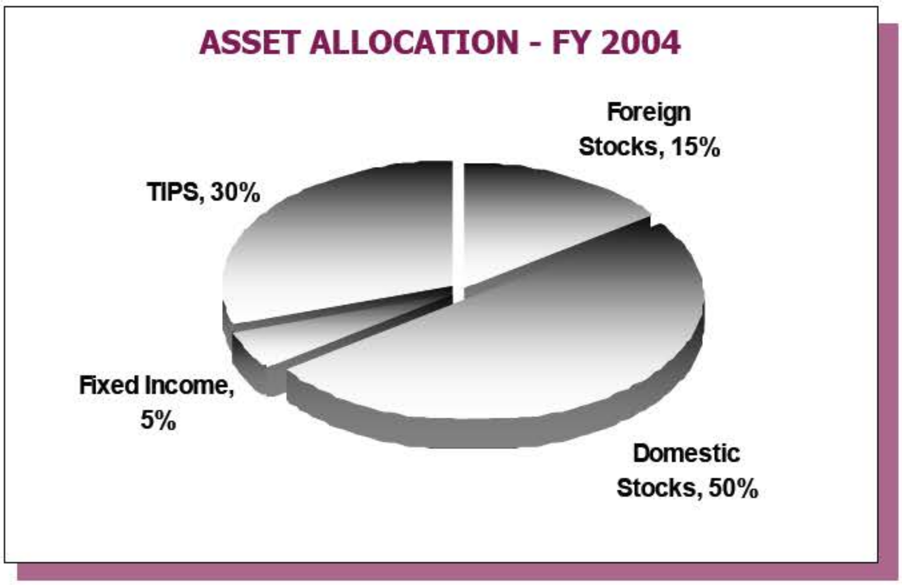


At June 30, 2004, the System was actuarially funded at 74.7%, which is an increase from its actuarial funding level of 74.4% at June 30, 2003. As illustrated in the chart, the funded ratio of the System increased steadily from 1996 to a peak of 79.5% in 2000, after which there was a decline over the following three years to 74.4% at the end of fiscal year 2003, with an increase in 2004. The increase in funding level for 2004 is due to the combination of the performance of the investment markets and actuarial smoothing techniques.

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

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 four asset classes: publicly traded domestic stocks, publicly traded foreign stocks, Treasury Inflation Protected Securities (TIPS), and other publicly traded fixed income securities. Less than 1% of the assets are invested other than in these classes. The investment policy established by the System's board of trustees assigns strategic target allocations for each of the four asset classes. As of June 30, 2004, the targets are 50% for domestic stocks, 15% for foreign stocks, 30% for TIPS, and 5% for other 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.



Essentially all of the assets of the System 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, 2004, total assets in these portfolios (together with the amounts otherwise managed) were $8.0 billion. The comparable number at June 30, 2003 was $6.9 billion. The investment return at June 30, 2004 was positive 16.6%. The return at June 30, 2003 was positive 5.3%. Because approximately 50% of the System's assets are invested in domestic common stocks and 15% in foreign common stocks, the increase in investment income is due to higher returns in stock markets. During fiscal year 2004, the System's U.S. stocks returned 21.3% compared to 0.9% in 2003. The System's foreign stocks returned 30.5% in 2004, compared to (4.5)% in 2003. Over the 10 year period ended June 30, 2004 the average annual investment return was positive 9.4%.

MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2004 and 2003

System Membership

The following membership counts derive from actuarial valuation data.

	June 30		Percentage
	2004	2003	change
Current participants:			
Vested and nonvested	52,029	51,848	0.3%
Terminated participants			
Vested	5,652	5,056	11.8
Retirees and beneficiaries receiving benefits	31,460	30,774	2.2
	89,141	87,678	1.7%

The number of State employees at June 30, 2004 in the Regular and Special plans was 14,611, an increase of 78 over June 30, 2003. The number of Teachers at June 30, 2004 was 28,205, a decrease of 124 over June 30, 2003. Membership for Judges was 56, which represents no change from the previous year. Membership for Legislators was 176, an increase of one over June 30, 2003. The Consolidated Plan for Participating Local Districts (PLD) offers 11 retirement plans. Each PLD in the Consolidated Plan chooses the plan or plans under which its employees will be covered. Membership in the Consolidated Plan at June 30, 2004 was 8,859, an increase of 139 over June 30, 2003.

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 (toll-free 1-800-451-9800).

STATEMENTS OF FIDUCIARY NET ASSETS
Years ended June 30, 2004 and 2003

	2004	2003
Assets:		
Cash and cash equivalents (note 3)	$ 53,493,675	193,294,289
Investments at fair value (notes 3 and 5):		
Debt securities:		
U.S. Government and government agencies	—	544,194,527
Corporate	—	350,813,002
Foreign	—	118,883,146
Common equity securities	1,399,810,029	1,381,304,765
Preferred equity securities	8,663,248	102,240,851
Common/collective trusts	6,608,558,667	4,372,691,665
Other	7,192,008	15,713,385
Maine Learning Technology Fund (note 3)	—	13,558,826
	8,024,223,952	6,899,400,167
Receivables:		
State and local agency contributions (note 6)	32,897,469	19,434,086
Accrued interest and dividends	2,311,044	12,995,028
Due from brokers for securities sold	10,559,928	141,026,791
	45,768,441	173,455,905
Securities lending short-term cash pool	230,631,813	440,392,171
Other assets	1,415,120	1,468,176
Total assets	8,355,533,001	7,708,010,708
Liabilities:		
Accounts payable	910,749	1,257,629
Due to brokers for securities purchased	11,871,226	260,841,188
Other liabilities	18,597,653	16,716,765
Maine Learning Technology Fund (note 3)	—	13,558,826
	31,379,628	292,374,408
Obligations under securities lending activities (note 5)	230,631,813	440,392,171
Total liabilities	262,011,441	732,766,579
Net assets held in trust for pension, disability, death, and group life insurance benefits (the information on funding progress is shown on page 32)	$ 8,093,521,560	6,975,244,129

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
Years ended June 30, 2004 and 2003

	2004	2003
Additions:		
Investment income:		
Interest	$ 25,106,311	66,643,628
Dividends	22,436,210	21,899,636
Net appreciation in the fair value of System investments	1,108,786,065	272,384,573
Less:		
Investment expenses	(11,660,589)	(9,239,901)
Cost of securities lending	(319,296)	(347,345)
Net investment income	1,144,348,701	351,340,591
Contributions (note 6):		
Members	140,599,869	136,970,842
State and local agencies	300,112,176	295,442,174
Total contributions	440,712,045	432,413,016
Total additions	1,585,060,746	783,753,607
Deductions:		
Benefits paid, net	441,546,149	417,180,904
Refunds and withdrawals	15,697,257	13,834,163
Administrative expenses	9,539,909	9,796,162
Total deductions	466,783,315	440,811,229
Increase in net assets	1,118,277,431	342,942,378
Net assets, beginning of year	6,975,244,129	6,632,301,751
Net assets, end of year	$ 8,093,521,560	6,975,244,129

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(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 a public employee retirement system established and administered under the State Retirement System Laws of the State of Maine. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes) and employees of 267 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.

The total funds managed by the System are constitutionally restricted and 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 oversees 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 the System is administering an agent multiple employer plan for financial reporting purposes.

At June 30, the membership counts are as follows:

System Membership

	2004	2003
Current participants:		
Vested and nonvested	52,029	51,848
Terminated participants:		
Vested	5,652	5,056
Retirees and beneficiaries receiving benefits	31,460	30,774
	89,141	87,678

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. The normal retirement age is 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%.

Individual PLDs are permitted by law to withdraw from participation in 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

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 each 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. Employers' contribution rates are determined by annual actuarial valuations.

(a) Group Life Insurance Program

The System offers 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 payments to the insurance company for the amount of benefits paid out and additional payments representing administrative fees.

(b) Maine Learning Technology Fund

The System was responsible to invest and account for the funds that comprised the Maine Learning Technology Fund (formerly the Maine Learning Technology Endowment, renamed by Legislative enactment in 2003) as well as to provide for its inclusion in the audit of the System. In October 2003, the State of Maine withdrew the balance of the fund, and in accordance with legislative directive, the System's responsibilities for the Maine Learning Technology Fund ended.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The System's financial statements are prepared using the accrual basis of accounting.

(b) Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned.

(c) Benefits and Refunds

Benefits and refunds to the System's members and beneficiaries are recognized as deductions when due and payable in accordance with the terms of the System.

(d) Investments

Investments are reported at fair value. Debt and equity securities that are traded on recognized exchanges are valued at the last sales price and the current exchange rates on the reporting date. Other regularly traded securities are valued by the System's custodians through a variety of external sources. Investments that do not have an established market are reported at estimated fair value. The fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest income and dividend income, 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.

(e) Due to/from Brokers

Amounts due to/from brokers for securities purchased or sold include trades not yet settled.

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

(f) Cash and Cash Equivalents

The System considers all highly liquid debt instruments that have a maturity of 90 days or less to be cash equivalents.

(g) 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. These estimates 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.

(h) Risks and Uncertainties

The System makes investments in accordance with the board of 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, changes in the values of investment securities are likely to occur in the near term and it is at least possible that such changes could materially affect the amounts reported in the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Employers' contributions to the System are established in an actuarial valuation 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 also 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.

(i) Reclassifications

Certain balances from the 2003 financial statements have been reclassified to conform to the 2004 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.

The following summary presents the amount of deposits as of June 30, 2004 and 2003 and the related category of custodial credit risk. Deposits that are fully insured or collateralized with securities held by the System or its agent in the System's name are shown in Category 1. Deposits collateralized with securities held by the pledging institutions or trust departments or their agent in the System's name are shown in Category 2. Deposits that are not insured or collateralized are shown in Category 3. Non-categorized cash and cash equivalents are those that do not meet the criteria set forth in Categories 1, 2 or 3.

NOTES TO FINANCIAL STATEMENTS
June 30, 2004 and 2003

At June 30, 2004 and 2003, cash and cash equivalents comprised the following:

2004

	Bank balance category 1	Bank balance category 2	Bank balance category 3	Total bank balance	Not categorized	Carrying amount
Cash on deposit with local bank	$ 13,593,734	—	—	13,593,734	—	13,593,734
Short-term investment funds	—	—	—	—	37,392,705	37,392,705
Foreign currency deposits	—	—	—	—	2,507,236	2,507,236
Total	$ 13,593,734	—	—	13,593,734	39,899,941	53,493,675

2003

	Bank balance category 1	Bank balance category 2	Bank balance category 3	Total bank balance	Not categorized	Carrying amount
Cash on deposit with local bank	$ 9,090,689	—	—	9,090,689	—	9,090,689
Short-term investment funds	—	—	—	—	173,327,519	173,327,519
Foreign currency deposits	—	—	—	—	10,876,081	10,876,081
Total	$ 9,090,689	—	—	9,090,689	184,203,600	193,294,289

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

The System's investments would generally be categorized into one of three separate categories of custodial credit risk. Category 1 includes investments that are insured or registered in the System's name or are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party or its agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party or its agent, but not in the System's name. Non-categorized investments (N/A) are those that do not meet the criteria set forth in Categories 1, 2 or 3 as they are not evidenced by physical securities.

The System's investments at June 30 were as follows:

		Fair value	
	Category	**2004**	**2003**
Investments:			
U.S. Government and government agencies	1	$ —	544,194,527
Corporate fixed-income securities	1	—	121,381,736
Foreign fixed-income securities	1	—	85,782,200
Common equity securities	1	1,091,036,979	1,127,510,433
Preferred equity securities	1	8,663,248	102,240,851
Common/collective trusts	N/A	6,608,558,667	4,372,691,665
Other	N/A	7,192,008	15,713,385
Maine Learning Technology Fund	N/A	—	13,558,826
		7,715,450,902	6,383,073,623
Securities on loan with noncash collateral:			
Corporate fixed-income securities	3	—	31,851,785
Foreign fixed-income securities	3	—	7,567,821
Common equity securities	3	85,025,168	51,345,126
		85,025,168	90,764,732
Securities on loan with short-term collateral investment pool (cash):			
Corporate fixed-income securities	N/A	—	197,579,481
Foreign fixed-income securities	N/A	—	25,533,125
Common equity securities	N/A	223,747,882	202,449,206
		223,747,882	425,561,812
		$ 8,024,223,952	6,899,400,167
Securities lending short-term collateral investment pool	N/A	$ 230,631,813	440,392,171

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(a) 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, 2004 and 2003, the value of this fund, which was invested in short-term high quality fixed income investments, was $0 and $13,558,826, respectively. The amount remaining at June 30, 2003 was unrelated to and not available to pay plan benefits and therefore was reflected as an asset and a liability in the accompanying 2003 statement of fiduciary net assets. In October 2003, the State of Maine withdrew the balance of the fund held in trust by the System, resulting in the decrease in value from 2003 to 2004.

(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 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 counter-party risk, is the possibility that loss may occur from the failure of a counter-party 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 and approval of counter-parties. 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 fiduciary 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 statements of changes in fiduciary net assets. As of June 30, 2004 and 2003, the fair value of forward currency contracts held by the System was $0 and $372,778, 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, 2004 and 2003, the carrying value of the System's CMO holdings totaled $0 and $59,410,315, respectively.

The System also holds investments in futures and options, which are used to manage various risks within the portfolio. A financial futures contract is an agreement between two parties to buy or sell units of a particular index or a certain amount of a security at a set price on a future date. The System may purchase and sell financial futures contracts to hedge against the effect of changes in the values of securities it owns or expects to purchase.

Upon entering into such a contract, the System is required to pledge to the broker an amount of cash or securities equal to a certain percentage of the contract amount (initial margin deposit). Pursuant to the contract, the System agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the custodial bank on behalf of the System as unrealized gains or losses. When the contract is closed, the custodial bank on behalf of the System records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The potential risk to the System is that the change in value of futures contracts primarily corresponds with the value of the underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that the System may not be able to close out its futures positions due to an illiquid secondary market or the potential inability of a counter-party to meet the terms of a contract.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

Futures and options of $47,818,005 and $145,535,671 were held for investment purposes at June 30, 2004 and 2003, respectively. Gains and losses on futures and options are determined based upon quoted market prices and recorded in the statements 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. Securities are loaned versus collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

Noncash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower, although the average term of Maine State Retirement System's loans was approximately 63 days as of June 30, 2004.

Cash open collateral is invested in a short-term investment pool, the Global Core Collateral Section, which had an interest sensitivity of 24 days as of June 30, 2004. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent.

There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and the master custodian has failed to live up to its contractual responsibilities relating to the lending of those securities. The master custodian's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

Due to the nature of the program's collateralization of loans at 102% plus accrued interest for fixed income securities, the System believes that there is no credit risk as defined in GASB 28, as the amount that the borrower owes the lender versus the amount that the lender owes the borrower.

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.

Securities Lending

	June 30	
	2004	2003
Short-term collateral investment pool	$ 230,631,813	440,392,171
Noncash collateral	90,552,061	96,726,424
Total	$ 321,183,874	537,118,595

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(6) Contributions

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 are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method, except for the contribution rate for legislators, which is based on the aggregate method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan. For participating local districts having separate (i.e., unpooled) unfunded liabilities, the level percentage of payroll method is also used.

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 years 2004 and 2003, this additional contribution was approximately $22,000,000 and $10,500,000, respectively. This amount is included as contributions receivable at June 30th.

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 2004 and 2003 are as follows:

Contribution Rates

(Effective July 1 through June 30 of each fiscal year)

	2004	2003
State:		
Employees (1)	7.65 – 8.65%	7.65 – 8.65%
Employer (1)	13.39 – 38.18%	12.43 – 37.12%
Teachers:		
Employees	7.65%	7.65%
Employer	16.05%	17.71%
Participating local districts:		
Employees (1)	3.0 – 8.0%	3.0 – 8.0%
Employers (1)	1.5 – 6.5%	1.5 – 6.5%
Employer other (2)	5.1 – 9.0%	5.8 – 9.0%

(1) Employer and Employee retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or in the case of PLDs, on 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.

(2) "Employer Other" retirement contribution rates vary depending on specific terms of plan benefits in the benefit plan options selected by the PLD. These rates are assessed for a three year period to previously withdrawn PLDs who choose to return to participation in the System, and to public entities who newly elect to participate in the System as a PLD employer.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 and 2003

(7) Statutory and Constitutional Requirements

In 1998, the State Legislature enacted a law that required the State to fund the unfunded actuarial liabilities of the State and teacher plans existing on June 30, 1998, 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 that was put in place by an amendment to the Maine Constitution approved 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 fiscal years 2004-2005 biennium and re-shortened the period to the 14 years that will then remain in the earlier shortened period effective July 1, 2005, which is the start of fiscal year 2006.

(8) System Employees – Retirement

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. As such, System employees are required by statute to contribute 6.5% 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 was required to make the payments required to amortize its Initial Unpooled Unfunded Actuarial Liability (IUUAL), which the System paid in full in 2003. The normal cost rate was 2.8% of annual covered payroll for 2004 and 2003, respectively, and the employer contribution on behalf of its employees was $160,022 and $534,672 for 2004 and 2003, respectively, including both normal cost and IUUAL payment in 2003. 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.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF HISTORICAL PENSION INFORMATION
JUNE 30, 2004 and 2003
(unaudited)

SCHEDULE OF FUNDING PROGRESS

Actuarial valuation date	(a) Actuarial value of assets	(b) Actuarial Accrued Liability (AAL) entry age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded ratio	(c) Annual covered payroll	((b-a)/c) UAAL as a percentage of covered payroll
June 30, 2004	$ 8,273,559,503	11,068,596,692	2,795,037,189	74.7%	1,764,751,029	158.4%
June 30, 2003	7,787,205,499	10,470,578,120	2,683,372,621	74.4	1,719,311,023	156.1
June 30, 2002	7,612,509,160	9,889,494,007	2,276,984,847	77.0	1,681,423,896	135.4
June 30, 2001	7,389,558,862	9,425,021,636	2,035,462,774	78.4	1,580,530,753	128.8
June 30, 2000	7,027,525,443	8,842,716,327	1,815,190,884	79.5	1,515,172,430	119.8
June 30, 1999	6,236,229,331	8,332,753,666	2,096,524,335	74.8	1,443,312,536	145.3

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS

	Annual required contribution	Annual contribution	Percentage contributed
Year ended:			
2004	$ 259,147,805	290,572,267	112.1%
2003	261,213,019	285,646,014	109.4
2002	252,503,429	415,551,283	164.6
2001	264,648,938	264,648,938	100.0
2000	246,312,125	250,312,125	101.6
1999	269,631,124	291,477,022	108.1

See notes to historical pension information.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2004 and 2003
(unaudited)

(1) Basis of Presentation

For reporting purposes, the historical pension information includes combined amounts for all participating entities: State employees, teachers, judicial and legislative employees, as well as employees of participating local districts.

(2) Actuarial Methods and Assumptions – State, Teacher, Judicial, and PLD Plans

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2004, is as follows:

(a) Actuarial Cost 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. The aggregate method does not technically define an actuarial accrued liability. For purposes of the schedule of funding progress disclosure, in which all plans are combined, the accrued actuarial liability of approximately $6.8 million equals the actuarial value of assets. 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, affect the unfunded actuarial accrued liability.

(b) 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.

(c) 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 to the Financial Statements). The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 13 years remained at June 30, 2004.

The Initial Unpooled Unfunded Actuarial Liabilities (IUUALs) of PLDs are amortized over periods established for each PLD separately. During fiscal years 2004 and 2003, various PLDs contributed in total approximately $9,424,000 and $13,933,000, respectively, to reduce or pay in full their IUUALs. The Consolidated Plan has no Pooled Unfunded Actuarial Liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2004 are as follows:

Investment Return – 8% per annum, compounded annually.

Salary Increases – State employee and teacher plan, 5.5% to 9.5% per year; judicial and legislative plans, 5% per year; Consolidated Plan for PLDs, 4.5% to 9% per year.

Mortality Rates – For active State employee members, active participating local district members, non-disabled State employee retirees, nondisabled participating local district members, judges with retirement dates on or after July 1, 1998, UP 1994 Tables are used; for active teacher members and nondisabled teacher retirees with retirement dates on or after July 1, 1998, 85% of UP 1994 Tables are used; for nondisabled State employee retirees, nondisabled

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2004 and 2003
(unaudited)

participating local district members, judges, with retirement dates before July 1, 1998, GAM 1971 Tables are used; for nondisabled teacher retirees with retirement dates before July 1, 1998, GAM 1971 Tables with ages set back two years are used; for all recipients of disability benefits with retirement dates on or after July 1, 1998, 1964 Commissioners Disability Table is used; and for all recipients of disability benefits with retirement dates before July 1, 1998, RPA 1994 Table for pre-1995 Disabilities is used.

Cost of Living Benefit Increases – 4% per annum.

(3) Actuarial Methods and Assumptions – Legislative Plan

The historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2004, is as follows:

(a) Actuarial Cost 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 fiduciary assets and dividing the 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.

(b) Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens 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.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2004 are as follows:

Investment Return – 8% per annum, compounded annually.

Salary Increases – 5% per year.

Mortality Rates – For legislators with retirement dates on or after July 1, 1998, UP 1994 Tables are used; for legislators with retirement dates before July 1, 1998, GAM 1971 Tables are used; for all recipients of disability benefits with retirement dates before July 1, 1998, 1964 Commissioners Disability Table is used; and for all recipients of disability benefits with retirement dates on or after July 1, 1998, RPA 1994 Table for pre1995 Disabilities is used.

Cost of Living Benefit Increases – 4% per annum.

REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2004 and 2003
(unaudited)

(4) Group Life Insurance Program

The Group Life Insurance Program offered by the System provides for a life insurance benefit for certain active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or $2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of $0.30 per $1,000 of coverage per month for active state employees. Active teachers and employees of participating local districts, as well as retired members 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, 2004 and 2003, the net assets held in trust for group life insurance benefits were approximately $40.014 million and $39.043 million, respectively. At June 30, 2004 and 2003, the plan had the following actuarially determined liabilities:

		2004	2003
		(In millions)	
Actuarial liabilities:			
Active participants	$	49.2	44.6
Retired participants		42.5	42.7
Total	$	91.7	87.3

SUPPLEMENTAL SCHEDULE OF STATEMENT OF CHANGES IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2004

		STATE	TEACHER	JUDICIAL	LEGISLATIVE	PLD	TOTAL PENSION	GLI	TOTAL NET ASSETS
Financial statement 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
Inter-fund transfers, June 30, 2003		(559,331)	0	0	0	559,331	0	0	0
Beginning balance, July 1, 2003		2,037,456,491	3,344,216,946	33,189,774	5,717,381	1,515,620,801	6,936,201,393	39,042,736	6,975,244,129
Additions:									
Net investment income		335,927,669	553,423,248	5,458,208	938,308	248,209,381	1,143,956,814	391,887	1,144,348,701
Member contributions		35,703,776	75,233,454	418,610	120,759	20,778,029	132,254,628	8,345,241	140,599,869
State and local agencies contributions *		96,456,763	176,013,256	1,012,829	0	17,089,419	290,572,267	0	290,572,267
Total additions		468,088,208	804,669,958	6,889,647	1,059,067	286,076,829	1,566,783,709	8,737,128	1,575,520,837
Deductions:									
Benefits paid		157,023,877	204,551,287	1,911,316	130,560	70,181,788	433,798,828	7,747,321	441,546,149
Refunds		4,458,402	7,446,092	0	0	3,773,228	15,677,722	19,535	15,697,257
Total deductions		161,482,279	211,997,379	1,911,316	130,560	73,955,016	449,476,550	7,766,856	457,243,406
Net increase		306,605,929	592,672,579	4,978,331	928,507	212,121,813	1,117,307,159	970,272	1,118,277,431
Balance, June 30, 2004	$	2,344,062,420	3,936,889,525	38,168,105	6,645,888	1,727,742,614	8,053,508,552	40,013,008	8,093,521,560

* Contributions for state and local agencies are shown net of administrative revenue and expenses.

See accompanying independent auditors' report.

GROUP LIFE INSURANCE PROGRAM
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 and 2003

	2004	2003
Additions		
Total Premiums Collected	$ 8,325,711	$ 8,042,517
Earnings on Investments	310,187	2,150,357
Total additions	**$ 8,635,898**	**$ 10,192,874**
Deductions		
Claims Paid		
Basic	1,594,290	1,684,414
Supplemental	1,612,704	731,000
Dependent	211,500	314,224
Retired Employees	3,649,726	4,302,678
Total Claims Paid	$ 7,068,221	$ 7,032,316
Retention Expense	643,200	679,744
Conversion Expense	35,900	67,900
Total Deductions	**$ 7,747,321**	**$ 7,779,960**
Net increase (decrease)	**888,578**	**2,412,914**
Net Assets held in trust for Group Life Insurance benefits		
Beginning of Year	$ 39,042,731	$ 36,629,817
End of Year	**$ 40,013,009**	**$ 39,042,731**

MAINE LEARNING TECHNOLOGY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE FISCAL YEARS ENDED JUNE 30, 2004 and 2003

	2004	2003
Additions		
Contributions	$ 200,000	$ 2,302,100
Investment Income (Loss)	68,675	507,471
Total additions	**$ 268,675**	**$ 2,809,571**
Deductions		
Withdrawals	13,819,306	20,174,505
Investment Expense	8,194	23,102
Total Deductions	**$ 13,827,501**	**$ 20,197,607**
Net increase (decrease)	**(13,558,826)**	**(17,388,036)**
Net assets held in trust for Maine Learning Technology Fund		
Beginning of Year	$ 13,558,826	$ 30,946,862
End of Year	**$ 0**	**$ 13,558,826**

SUPPORTING SCHEDULES

INVESTMENT EXPENSES

(in thousands)

Investment Management Fees		2004		2003
Equity Investments:				
Domestic	$	5,434	$	3,382
International		3,585		2,545
Fixed Income Investments:				
General Domestic Fixed Income		940		2,636
Treasury Inflation Protected Securities		55		0
Other Investments:				
Cash		2		3
Total Investment Management Fees	**$**	**10,016**	**$**	**8,566**
Investment Service Fees				
Custodial Fees	$	125	$	125
Investment Advisor Fees		246		230
Security Lending Management Fees		319		347
Other Service Fees		1,200		319
Total Investment Management and Service Fees	**$**	**11,907**	**$**	**9,587**

ADMINISTRATIVE EXPENSES

(in millions)

		2004 Expense	2004 Budget	Over (Under) Budget	2003 Expense	2003 Budget	Over (Under) Budget
Personal Services	$	7.1	7.1	0.0	6.7	6.7	0.0
Depreciation		0.4	0.6	(0.2)	0.3	0.5	(0.2)
All Other		2.0	2.6	(0.6)	2.8	2.7	0.1
Total	**$**	**9.5**	**10.3**	**(0.8)**	**9.8**	**9.9**	**(0.1)**

PROFESSIONAL EXPENSES

(in thousands)

		Year Ended June 30 2004	2003
Actuarial Fees	$	103.0	107.7
Audit Fees		90.0	77.1
Legal Fees		99.1	80.3
Total	$	**189.1**	**157.4**

INVESTMENT SECTION

ENNISKNUPP

March 2, 2005

Board of Trustees
Maine State Retirement System
46 State House Station
Augusta, ME 04333-046

As independent investment advisor to the Board of Trustees of the Maine State Retirement System ("MSRS"), we comment on the reporting of MSRS investment results, MSRS investment policy and the Board's oversight of System investments.

Investment Results. MSRS investment results, as presented in this report, fairly represent, in our opinion, the investment performance of MSRS assets. All measurements and comparisons have been made using standard performance evaluation methods, and results are presented in a manner consistent with the Performance Presentation Standards of the Association for Investment Management and Research.

Investment Policy. MSRS assets are managed under well-articulated policies, which, in our opinion, are appropriate to the circumstances of MSRS. Investment policy is progressive, yet prudent. The policies ensure diversification and exhibit attention to risk control generally. Throughout the year the Board, Executive Director and Chief Investment Officer have taken appropriate measures to ensure that investments have conformed with the Board's policies.

Prudent Oversight. While delegating day-to-day investment management responsibility to its staff, the Board retains the responsibility to monitor all aspects of investment. In our opinion, the Board has established and executed an appropriately comprehensive process for overseeing the management of assets. Through regular reviews by the Board, quarterly performance appraisals by an independent firm, and the day-to-day oversight activities of the staff, the Board has achieved a high degree of awareness and critical oversight of MSRS investments.

Very truly yours,

Richard Ennis

Richard M. Ennis, CFA
Principal

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Ennis Knupp + Associates
10 South Riverside Plaza, Suite 1600
Chicago, Illinois 60606-3709

vox 312 715 1700
fax 312 715 1952
www.ennisknupp.com

DEFINED BENEFIT PLANS

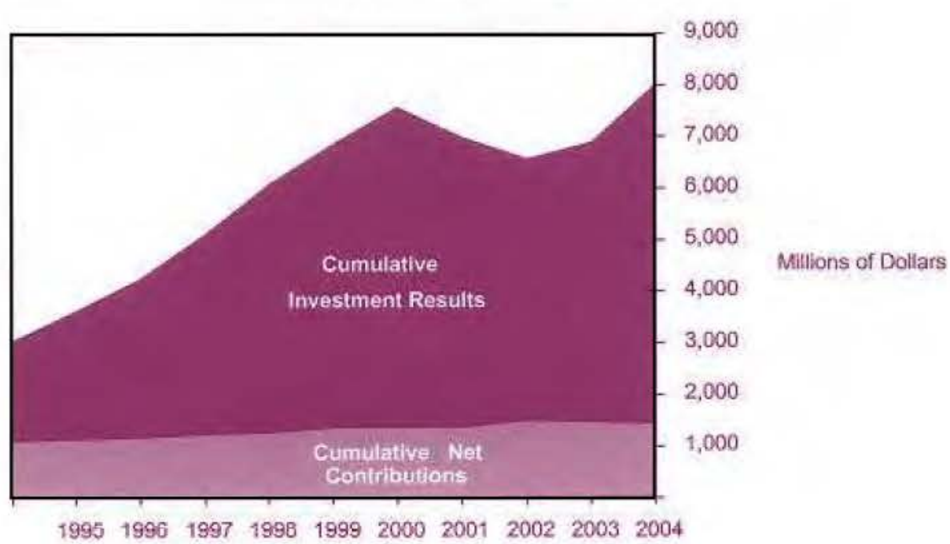
INVESTMENT ACTIVITY

The table and graph below summarize portfolio activity for the ten years ended June 30, 2004. During this period, assets increased by more than two and one half times from approximately $3 billion to $8 billion. Approximately $4.5 billion of the increase is attributable to net investment gains, with the remainder attributable to contributions in excess of benefit payments over the period. In the year ended June 30, 2004, however, benefit payments exceeded contributions, and this is expected to continue in the future.

The rates of return displayed in the table are time weighted rates of return, based on the market value of the assets. The table displays the net invested assets of the investment portfolio. Securities lending liabilities are netted against securities lending collateral. Certain assets, such as cash in the System's operating bank accounts and office buildings are not considered part of the investment portfolio, and are therefore not included in the table or graph.

SUMMARY OF INVESTMENT ACTIVITY

FY Ended June 30	Opening Market Value	Closing Market Value	Rate of Return
2004	6,919	8,021	16.6%
2003	6,574	6,919	5.3%
2002	7,001	6,574	-7.5%
2001	7,587	7,001	-7.8%
2000	6,885	7,587	9.7%
1999	6,104	6,885	11.2%
1998	5,141	6,104	17.8%
1997	4,213	5,141	18.8%
1996	3,645	4,273	16.6%
1995	3,066	3,645	17.6%
10-year period	3,066	8,021	9.4%



INVESTMENT PORTFOLIO

The previous graph illustrates the importance of investment returns to the financing of the System's defined benefit plans. In this section, the investment strategy that MSRS has adopted to optimize the financial health of the plans is reviewed.

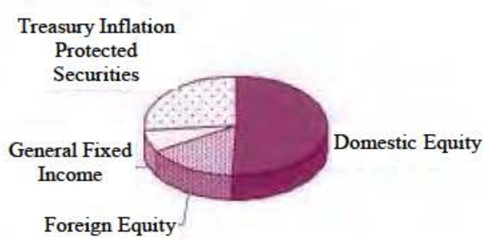
The System invests essentially all of the defined benefit plan assets in four major asset classes: publicly traded domestic stocks, publicly traded foreign stocks, publicly traded bonds, and Treasury Inflation Protected Securities (TIPS). Currently, less than 0.5% of the assets are invested in assets outside of these four categories. The table and pie charts below display the actual allocations at June 30 for the years ended June 30, 2004 and 2003. MSRS assigns target allocations for each asset class, with minor variations permitted between actual allocations and the targets. The current targets are 50% for domestic stocks, 15% for foreign stocks, 5% for general fixed income securities, and 30% for TIPS.

The Board of Trustees believes a prudent investment strategy for a defined benefit plan requires accepting some level of investment risk. The Board believes that allocating 65% to 70% of assets to equities provides a prudent compromise between low risk and high return for the plans.

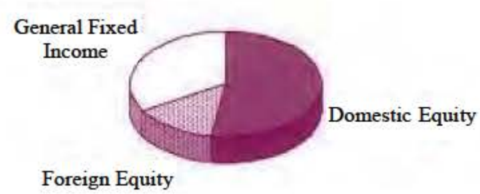
STRATEGIC ASSET ALLOCATION

FY Ended June 30	Domestic Equity	Foreign Equity	General Fixed Income	Treasury Inflation Protected Securities
2004	50%	16%	7%	26%
2003	52%	14%	33%	0%

STRATEGIC ASSET ALLOCATION
At June 30, 2004



STRATEGIC ASSET ALLOCATION
At June 30, 2003



The System does not shift funds between asset classes based on short-term forecasts or results. The Board believes such "market timing" is a high-cost and high-risk strategy, inconsistent with the long-term nature of pension investments. In 2004, the System reduced its target allocation for general fixed income investments from 35% to 5% and created a target allocation of 30% for long maturity TIPS. Because the plans' benefit payments are tied to inflation, and because the payments are due many years into the future, the Board believes this change to TIPS will better ensure that there are sufficient assets to pay these liabilities than would general fixed income instruments.

Because most of its benefit payments are not due for several decades into the future, the System has concluded that it is prudent to invest a substantial portion of its assets in equities. For the past ten years, the System has invested between 60% and 65% of its assets in equities. Over this period, the return on equities exceeded that on fixed income investments. (See *Performance: Actual Returns vs. Benchmark Returns* on page 46.) The System expects that relationship to hold in the future.

Essentially all of the assets of the System's plans 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 policies and the agreements between MSRS and the investment managers.

Approximately 80% of assets were invested in passively managed index funds (including TIPS funds) at June 30, 2004. The Board of Trustees believes that index funds are a cost-effective way of investing in most of the world's capital markets. However, the System does make use of actively managed portfolios where it believes it has identified managers who can add value over an index fund, net of all costs. At June 30, 2003, 58% of the investments were passively managed. The increase during FY 2004 was the result of replacing actively managed general fixed income investments with TIPS funds. It is anticipated that the System's proportion of passively managed assets will return to its historical level of 50% to 60%.

The System uses a single firm to manage all of its passive investments. This enables the System to obtain very attractive fees and also provides other cost savings on certain kinds of transactions. Since passively managed portfolios have extremely low risk of underperforming their benchmarks, the Board does not believe this represents an excessive concentration of risk.

DEFINED BENEFIT PLANS
INVESTMENT PORTFOLIO

	at 6/30/2004		at 6/30/2003	
	millions of dollars	% of assets	millions of dollars	% of Assets
Domestic Equity				
State Street Global Advisors (Index Funds)	3,283	41%	3,008	38%
Peregrine Capital Management	324	4%	247	3%
Jacobs Levy Equity Management	215	3%	182	2%
Wellington Management Company	209	3%	177	2%
Other	1	0%	3	0%
Domestic Equity	4,033	50%	3,617	52%
Foreign Equity				
State Street Global Advisors (Index Funds)	528	7%	399	6%
Martin Currie and Company	296	4%	224	3%
T. Rowe Price	230	3%	182	3%
Wellington Management Company	250	3%	193	3%
Foreign Equity	1,304	16%	998	14%
Treasury Inflation Protected Securities				
State Street Global Advisors (Index Fund)	2,095	26%	0	0%
General Fixed Income				
State Street Global Advisors (Index Funds)	585	7%	625	9%
Alliance Capital Management	0	0%	385	6%
J.P. Morgan Fleming Asset Management	0	0%	556	8%
Loomis Sayles and Company	0	0%	211	3%
TCW Management	0	0%	522	8%
Other	3	0%	3	0%
General Fixed Income	588	7%	2,301	33%
Other	2	0%	2	0%
Total Assets	8,021	100%	6,919	100%

DEFINED BENEFIT PLANS
LARGEST HOLDINGS
At June 30, 2004

Largest Equity Holdings

	$ Millions	% of Assets
General Electric	102	1.3%
Microsoft	91	1.1%
Pfizer	83	1.0%
Citigroup	77	1.0%
Exxon Mobil	73	0.9%
Bank of America	57	0.7%
Intel	48	0.6%
AIG	45	0.6%
Johnson and Johnson	44	0.6%
Cisco	34	0.4%

Largest Fixed Income Holdings

	$ Millions	% of Assets
TIPS 3.875% of 04/15/2029	1,011	12.6%
TIPS 3.625% of 2028	837	10.4%
TIPS 3.375% of 2029	234	2.9%
FNMA 5.5% due 02/01/2033	23	0.3%
FNMA 5% due 04/01/2033	21	0.3%
FNMA 4.5% due 05/01/2018	13	0.2%
FHLM 5.5% due 01/01/2034	9	0.1%
FNMA 6% due 04/01/2032	9	0.1%
FNMA 6 due 04/01/2033	7	0.1%
GNMA 5.5% due 01/01/2033	7	0.1%

The System holds large positions in three Treasury Inflation Protected Securities (TIPS) issues. While the positions in these securities are large relative to other holdings, the Board does not believe they constitute an inappropriate concentration of risk, since they are marketable securities carrying the full faith and credit of the government of the United States. As explained earlier, long maturity TIPS have economic characteristics that mirror those of the System's long-term benefit liabilities. Therefore, the TIPS represent unusually low risk assets in terms of funding the plans' benefit obligations. Other than TIPS, the holdings list is dominated by securities held in various index funds.

The System's index fund investments are made through commingled funds, with MSRS owning units in the funds, and beneficial, rather than direct ownership of the securities. The largest holdings list reports beneficially owned securities as well as direct holdings held outside of the commingled funds. A complete list of securities holdings is available on request.

SECURITIES LENDING

MSRS earns additional income on its investment portfolio by lending its securities. The System pays its custodian for managing the securities lending program. Information regarding the results of the securities lending program for the current and prior fiscal year may be found in the *Financial Section* at page 11.

Several of the collective trusts through which the System holds interests in commingled funds also lend securities. Because these trusts are legal entities separate from MSRS, their lending activities are not reflected in the securities lending results reported in the financial statements. Of course, the System shares in the income and the risks of the securities lending activity in the commingled funds, and the income is included in the total income and return figures in this Investment Section and the Financial Statements.

INVESTMENT PERFORMANCE

The table on the following page displays the rates of return on the System's investments over the last ten years, and for the 3 , 5-, and 10-year periods ended June 30, 2004. Because the System's investment strategy has changed very little from year to year, these results are determined almost entirely by the behavior of the capital markets. Negative returns for the years ended June 30, 2001 and 2002 were the result of declines in domestic and foreign stock markets, partially offset by gains in the domestic bond market.

Over the ten-year period, the average annual rate of return on the System's assets was 9.4%. MSRS experienced eight years of positive returns and two years of negative returns. These results are consistent with the long-term risk/return strategy that forms the basis of the System's policies. At 9.4%, the ten-year return exceeds the 8% investment return assumption utilized in the actuarial process throughout this period.

Because the Board of Trustees rarely changes its asset class allocation targets, most of the System's investment return is determined by the choice of targets, i.e., by the System's choice of investment strategy and, as mentioned above, the behavior of the capital markets in general. A minor portion of the investment return is determined by how well the investment managers perform their assignments. To measure this, the Board compares the return on each manager's portfolio to appropriate benchmarks. Over the ten years ended June 30, 2004, the return on the System's actual total portfolio equaled the return on its total performance benchmark. Positive performance in five of the ten years was offset by negative performance in five of the ten years. In terms of asset classes, negative performance in domestic equities over the ten years was offset by positive performance in other categories.

The total return figures in the table below are net of all expenses that can be directly attributed to the investment program. (See *Expenses*, page 47.) The table reports time weighted rates of return based on the market value of the assets.

The Board of Trustees believes that the return information provided here complies with the AIMR Performance Presentation Standards, except where the explicitly described methods are not consistent with those standards.

DEFINED BENEFIT PLANS

PERFORMANCE: ACTUAL RETURNS vs. BENCHMARK RETURNS

	TOTAL FUND			DOMESTIC EQUITY			FOREIGN EQUITY			GENERAL FIXED INCOME			TREASURY INFLATION PROTECTED SECURITIES		
	Actual Return	Benchmark Return	Performance	Actual Return	Benchmark Return	Performance	Actual Return	Benchmark Return	Performance	Actual Return	Benchmark Return	Performance	Actual Return	Benchmark Return	Performance
2004	16.6%	15.9%	0.7%	21.3%	21.2%	0.1%	30.5%	32.0%	-1.5%	3.1%	1.0%	2.1%	4.5%	4.8%	-0.3%
2003	5.3%	4.3%	1.0%	0.9%	1.3%	-0.4%	-4.5%	-4.6%	0.1%	13.1%	11.0%	2.1%			
2002	-7.5%	-6.8%	-0.7%	-17.4%	-16.6%	-0.9%	-9.5%	-8.4%	-1.1%	7.3%	8.6%	-1.4%			
2001	-7.8%	-7.8%	0.0%	-14.8%	-15.3%	0.6%	-24.0%	-24.1%	0.1%	9.6%	11.2%	-1.6%			
2000	9.7%	9.1%	0.6%	10.0%	9.5%	0.5%	19.0%	17.8%	1.1%	5.2%	4.6%	0.6%			
1999	11.2%	12.7%	-1.5%	18.2%	19.6%	-1.3%	4.6%	9.2%	-4.7%	3.3%	3.1%	0.2%			
1998	17.8%	18.7%	-0.9%	26.6%	28.9%	-2.2%	4.5%	2.2%	2.3%	10.5%	10.5%	-0.1%			
1997	18.8%	19.0%	-0.2%	27.5%	29.3%	-1.8%	16.1%	12.8%	3.3%	8.7%	8.2%	0.6%			
1996	16.6%	16.2%	0.4%	25.1%	26.2%	-1.1%	15.8%	13.3%	2.5%	5.3%	5.0%	0.3%			
1995	17.6%	17.3%	0.3%	24.2%	24.7%	-0.5%	3.9%	1.8%	2.1%	12.5%	12.5%	0.0%			
3 years ended 2004	4.3%	4.1%	0.2%	0.3%	0.8%	-0.5%	4.1%	4.9%	-0.8%	7.7%	6.8%	0.9%			
5 years ended 2004	2.8%	2.5%	0.3%	-1.1%	-1.0%	-0.1%	0.4%	0.6%	-0.2%	7.6%	7.2%	0.4%			
10 years ended 2004	9.4%	9.4%	0.0%	10.9%	11.5%	-0.6%	4.5%	4.1%	0.4%	7.8%	7.5%	0.3%			

Note: Returns for TIPS and their benchmark are for the period from October 1, 2003 to June 30, 2004, and are not annualized

Benchmarks:

Total Fund:	A combination of the benchmarks for asset classes using the target asset class weights
Domestic Equity:	DJ Wilshire 5000
Foreign Equity:	Morgan Stanley Capital International All Country World Ex-U.S. Free, since January 1, 1998
	Morgan Stanley Capital International Europe, Australia, and Far East Index, prior to January 1, 1998
Gen. Fixed Inc.:	Lehman Bros. Aggregate Bond Index, since December 31, 2003
	Lehman Bros. Universal Bond Index, from March 31, 2003 to December 31, 2003
	Lehman Bros. Aggregate Bond Index, prior to March 31, 2003
TIPS:	Lehman Bros. U.S. Treasury Inflation Notes 10+ Year Index since December 31, 2003

INVESTMENT EXPENSES

The table below displays investment management expenses that are directly attributable to the investment program and that are paid directly by the System. Examples of directly attributable expenses include fees paid to investment managers and compensation and expenses of the System's own investment staff. Examples of expenses that are not directly attributable to the investment program and therefore not included in expenses include office space expense and time spent on investment matters by anyone other than full-time investment staff. Other expenses not paid directly by the System include the expenses of securities lending programs conducted by managers of the commingled funds.

INVESTMENT MANAGEMENT EXPENSES

Total for FY Ended June 30		$ Millions	% of Assets
	2004	12.0	0.16%
	2003	9.6	0.14%
	2002	10.4	0.15%
	2001	10.8	0.15%
	2000	12.2	0.17%
	1999	12.1	0.19%
	1998	10.6	0.19%
	1997	10.7	0.23%
	1996	8.8	0.22%
	1995	7.0	0.21%

Detail for FY ended June 30, 2004		$ Millions	% of Assets
Investment management fees			
Domestic Equity			
	State Street Global Advisors	0.1	0.00%
	Peregrine Capital Management	3.4	1.18%
	Jacobs Levy Equity Management	1.0	0.50%
	Wellington Management Company	0.9	0.45%
		5.4	0.14%
Foreign Equity			
	State Street Global Advisors	0.2	0.04%
	Martin Currie	1.1	0.44%
	T. Rowe Price	0.9	0.45%
	Wellington Management Company	1.1	0.50%
		3.3	0.29%
General Fixed Income			
	Morgan Fleming Asset Management	0.7	0.23%
	TCW	0.4	0.17%
	Alliance Capital Management	0.1	0.07%
	Loomis Sayles	0.2	0.19%
		1.5	0.10%
Treasury Inflation Protected Securities			
	State Street Global Advisors	0.1	0.01%
Subtotal Investment Management Fees		10.2	0.13%
Other		1.7	0.02%
Total for FY ended June 30, 2004		12.0	0.16%

Where the table displays an expense as a percentage of assets, the percentage is calculated with respect to the assets associated with the particular expense item. For example, Jacob Levy's $1.0 million of management fees in 2004 was 0.51% of the average assets managed by Jacobs Levy.

Expenses as a percentage of assets have been less than 0.25% of assets annually throughout the ten-year period ended June 30, 2004. This compares favorably to, for example, typical investment expenses of 1% or more annually for typical mutual funds.

DEFINED BENEFIT PLANS
BROKERAGE COMMISSIONS
Year Ended June 30, 2004

	Commissions $ Millions	Amount Traded $ Millions	Commissions % Amt Traded	Amount Traded Millions of Shares	Commissions Cents per Share
Investment Technology Group	0.114	348.44	0.03%	12.4	0.9
Wedbush Morgan Securities	0.112	24.04	0.47%	2.2	5.0
Credit Suisse First Boston	0.110	41.64	0.26%	2.2	4.9
U.S. Bancorp Piper Jaffray	0.106	33.09	0.32%	2.2	4.9
Lehman Brothers	0.097	40.45	0.24%	2.0	4.9
Morgan Stanley	0.094	159.75	0.06%	5.5	1.7
Jeffries & Co.	0.092	27.53	0.33%	1.9	4.9
Citigroup Global Markets/Smith Barney	0.092	32.47	0.28%	1.9	4.8
Bear, Stearns Securities	0.092	26.91	0.34%	1.9	5.0
Wachovia Capital Markets	0.086	32.14	0.27%	1.7	5.0
Others	3.647	1578.94	0.23%	818.5	0.4
	4.642	2345.4	0.20%	852.4	0.5

Commissions reported above are those paid directly by MSRS. The table does not include other transaction costs that the System may incur, nor does it include brokerage commissions incurred indirectly through its investment in commingled funds. Brokerage commissions and other transaction costs are excluded from the expense table on page 47. Those commissions and expenses are accounted for in the net income and total return figures reported elsewhere in this report.

Selection of brokers is at the discretion of the System's investment managers, subject to their fiduciary obligations. MSRS does not have any directed brokerage programs, commission recapture programs, or similar arrangements. Some of the System's managers have soft dollar arrangements with brokers, in which the broker agrees to provide additional services to the manager beyond trade execution.

GROUP LIFE INSURANCE PROGRAM

INVESTMENT ACTIVITIES

The Group Life Insurance program is supported by premiums paid by its participants and by reserves. Substantially all the reserves are maintained in an investment portfolio, for which the summary results are displayed below. (Certain assets, such as the cash in the operating bank account, are not considered part of the investment portfolio.) Over this period, there has been a small net cash outflow from the investment portfolio, and the increase in portfolio value is solely attributable to investment return.

SUMMARY OF INVESTMENT ACTIVITIES

FY Ended June 30	Opening Market Value	Closing Market Value	Rate of Return
2004	41.5	41.8	0.7%
2003	39.3	41.5	5.5%
2002	36.6	39.3	7.5%
2001	34.4	36.6	9.5%
2000	32.9	34.4	3.8%
1999	29.7	32.9	3.9%
1998	28.0	29.7	6.1%
1997	28.3	28.0	6.1%
1996	26.9	28.3	5.2%
1995		*(not available)*	
9-year period	26.9	41.8	5.4%

The assets are invested in a medium term, investment grade, fixed income portfolio. Although there have been only small net outflows from the investment portfolio for many years, based on the actuarial information available to the System at this time, MSRS does not believe that strategies including equities and long term fixed income investments are appropriate.

The assets are managed by State Street Global Advisors in a commingled fund. Because the assets are invested in a commingled fund, they are not available for the System's own securities lending program. Any securities lending undertaken by the commingled fund is not covered in this report, although any results are reflected in the total return and gain/loss figures.

Over the nine-year period ended June 30, 2004, the actual return on the portfolio was slightly higher than the return on the performance benchmark. Positive performance in six of the nine years exceeded negative performance in the remaining three years. The table displays time weighted rates of return. These results are consistent with the long term risk/return strategy of the System's investment policies.

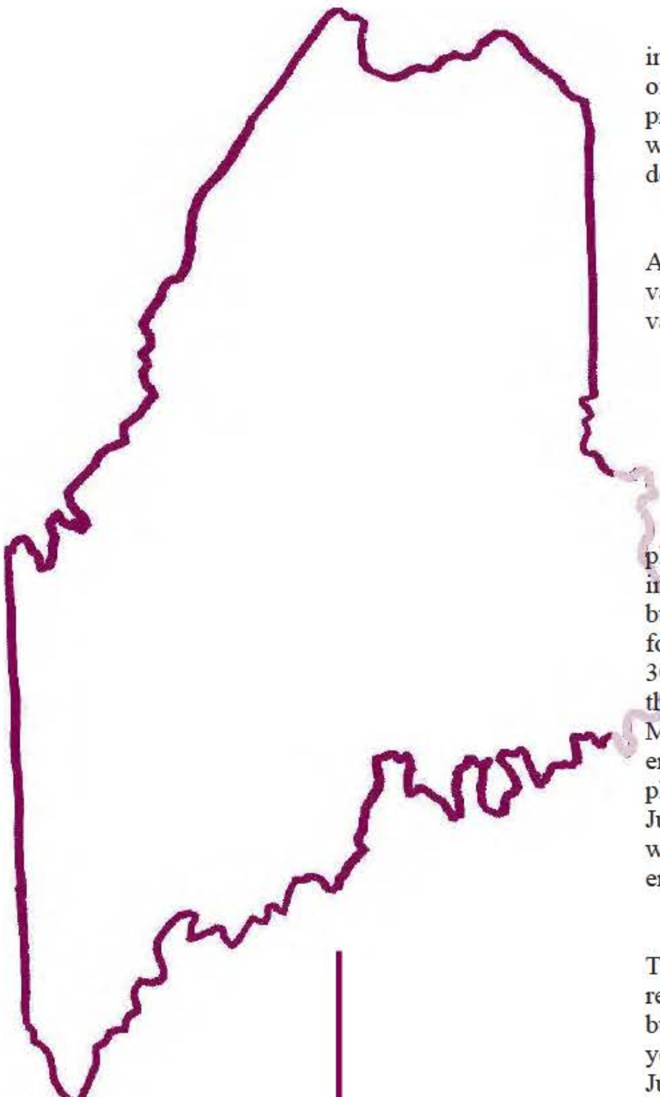
A minor portion of investment return is determined by how well the investment manager performs its assignment. To measure this, MSRS compares the returns on the portfolio to an appropriate benchmark. Over the nine year period ended June 30, 2004, the return on the actual portfolio was slightly lower than the return on the performance benchmark. Positive performance in six of the nine years was offset by negative performance in three of the nine years.

The portfolio has been afforded attractive pricing due to the System's overall relationship with the investment manager, which has been substantial and longstanding. This portfolio's portion of the System's compensation to the investment manager is negligible, as is its allocated portion of other direct investment costs incurred by the System. Because the assets are invested in a commingled fund, there are no brokerage commissions paid directly by the System. Investment results reflect commissions and other transaction costs incurred by the commingled fund.

GROUP LIFE INSURANCE PROGRAM
PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS
Fiscal Years Ended June 30

	Actual Return	Benchmark Return	Performance
2004	0.7%	0.5%	0.2%
2003	5.5%	4.9%	0.6%
2002	7.5%	7.0%	0.6%
2001	9.5%	9.3%	0.2%
2000	3.8%	5.5%	-1.7%
1999	3.9%	4.7%	-0.8%
1998	6.1%	5.3%	0.8%
1997	6.1%	5.3%	0.8%
1996	5.2%	5.4%	-0.2%
1995		*(not available)*	
3 Years Ended 2004	4.6%	4.1%	0.5%
5 Years Ended 2004	5.4%	5.4%	0.0%
9 Years Ended 2004	5.3%	5.3%	0.1%
10 Years Ended 2004		*(not available)*	

Benchmarks:
- Merrill Lynch 1 to 3-year Treasury Index prior to January 1, 2000
- Lehman Brothers 1 to 3-year Government Bond Index since January 1, 2000



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 2004 Comprehensive Annual Financial Report are for the year ended June 30, 2003. 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, 2002 valuations established the employer contribution rates for the FY 2004-2005 biennium which began July 1, 2003. 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, 2003 valuation, while comprising important information, are not used to set State employer contribution 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, 2003 established the participating employer rates for the twelve month period beginning July 1, 2004. 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.

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JUNE 30, 2003
ACTUARIAL VALUATION

STATE EMPLOYEE
AND TEACHER PLAN

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

February 27, 2004

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.

In performing this valuation, Milliman used assumptions and methods that 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. The actuarial assumptions 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. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience. The Board of Trustees has the final decision regarding the appropriateness of the assumptions.

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 did not audit this data. However, we compared the census data and financial information with the previous year's information and reviewed the results for reasonableness. We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We understand this report is considered a public document and, as such, may be subject to disclosure to third parties. However, we do not intend to benefit, and assume no liability to, any third party who receives the report in this fashion. Any distribution of this report must be in its entirety including this cover letter, unless prior written consent from Milliman USA is obtained.

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, 2003 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 would have been paid by the State effective July 1, 2004 (fiscal year 2005) absent the State's biennial budgeting practice and the incorporation in it of retirement contributions;

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 principal results from this year's valuation, compared to the prior year.

ACTUARY'S COMMENTS

As of the June 30, 2003 actuarial valuation, the Plan's unfunded actuarial liability was \$2,921 million. This is an increase from last year's unfunded actuarial liability of \$2,593 million. The main cause of the increase in unfunded actuarial liability is the lower return on assets than is expected by the actuarial investment return assumption. During the year ended June 30, 2003, the Plan's assets earned 5.3% on a market value basis. Due to the Plan's asset-smoothing technique, the return on the actuarial asset value was 2.4%. This return is below the assumed rate of return of 8.0% and resulted in an actuarial loss on investments of \$325 million. The actuarial loss on investments is slightly offset by a \$15 million actuarial gain on plan liabilities.

The actuarially determined contribution rate for FY 2004 (which began on July 1, 2003) that was established on the basis of the June 30, 2002 valuation was 19.32%. At the time of the 2002 valuation, the 19-year amortization period was in place. At the start of FY 2004, there would have been 16 years remaining in that amortization period. The FY 2004 contribution rate established by the 2002 valuation was therefore based on a 16-year amortization of the unfunded actuarial liability. However, late in FY 2003, the Legislature established a 25-year amortization period effective July 1, 2003. Under this enactment, instead of being year 16 of the 19-year period, FY 2004 became year 25 of the 25-year period. At July 1, 2003 (FY 2004), there were 25 years remaining in the period and at July 1, 2004 (FY 2005), there will be 24 years remaining in the period. As a result of this lengthened amortization period, the actuarially determined contribution rate established for FY 2004 by the June 30, 2002 valuation decreases from 19.32% to 15.92%. The effect of this longer amortization period carries into FY 2005, resulting in a lower employer contribution rate in FY 2005 than would have been required had the shorter amortization period not been changed by the Legislature. The actuarially determined contribution rate for FY 2005 is 17.26%. Without the enactment by the Legislature to lengthen the amortization period, the contribution rate would have been 21.43%. The Legislature also provided, in the same enactment, that at July 1, 2005 (FY 2006) the amortization period reverts to the prior shorter period, at the same year thereof that FY 2006 would have been had the shorter period not been lengthened for FY 2004 and FY 2005: at July 1, 2005 (FY 2006) there will be 14 years remaining in the amortization period.

The Plan's funded ratio (actuarial assets divided by actuarial liability) decreased to 67.4% as of June 30, 2003 from 69.4% as of June 30, 2002. The main reason for the decrease is the lower than assumed return on assets. While the results are not favorable this year, we emphasize that the financing of any retirement plan is a long-term proposition. 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 that 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 of this year's experience.

PRIOR YEAR EXPERIENCE

ASSETS

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

There are two relevant measures of the plans' assets: (i) the market value and (ii) the actuarial value. The market value is a snapshot of the asset value as of June 30, 2003.

The actuarial value is a smoothed asset value that recognizes 33% of the difference between the expected actuarial value and the market value of assets. The expected actuarial value equals the prior year's actuarial value adjusted with contributions, payments and investment earnings of 8.0%. This method tempers the volatile fluctuations in market value.

The actuarial value of assets for all of the System's plans as of June 30, 2003 exceeds the market value by $851 million. This represents the accumulation of investment losses resulting from three years of investment performance below the assumed 8.0% return, not fully recognized in the years of their occurrence because of smoothing. Even if the assets earn 8% on their market value in the upcoming fiscal year, the return on the actuarial value will lag the return on the market value due to the smoothed recognition of these losses. While the accumulated losses decreased in 2003, it would take a market return of 8.0% for approximately 10 years (or a one year return that far exceeds 8.0%) for the remaining losses in the actuarial value to be eliminated.

For the plan year ending June 30, 2003, the assets earned 5.30% on a market value basis and 2.41% on an actuarial value basis. These returns are lower than the assumption of 8.0% and resulted in an actuarial loss to the fund of $178 million on a market value basis and $425 million on an actuarial value basis. The specific changes between the prior year amounts and this year's are presented as follows:

ALL PLANS OF SYSTEM		
Item (In Millions)	**Market Value**	**Actuarial Value**
June 30, 2002 value	$ 6,596	$ 7,613
Employer Contributions	286	286
Member Contributions	129	129
Benefit Payments	(423)	(423)
Expected Investment Earnings (8%)	526	607
Expected Value June 30, 2003	$ 7,114	$ 8,212
Actuarial Gain (Loss) on Investments	(178)	(425)
June 30, 2003 value	$ 6,936	$ 7,787

Market value, actuarial value and asset loss (or gain) are allocated to the separate plans. For the State Employee and Teacher Plan, the market value of assets at June 30, 2003 was $5,382 million and the corresponding actuarial value was $6,042 million. The Plan's share of the $425 million loss on the actuarial assets was $325 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, 2002 value	$	5,092	$	5,877
Employer Contributions		262		262
Member Contributions		108		108
Benefit Payments		(352)		(352)
Expected Investment Earnings (8%)		408		472
Expected Value June 30, 2003	$	5,518	$	6,367
Actuarial Gain (Loss) on Investments		(136)		(325)
June 30, 2003 value	$	5,382	$	6,042

LIABILITIES

Three different measures of liabilities are calculated for the State Employee and Teacher Plan: a total present value of future obligations, an actuarial liability, and an accrued benefit liability. The actuarial liability is used to determine the Plan's contribution rate and the GASB disclosures. Plan experience is expressed by changes in the actuarial liability. During the plan year ending in 2003, the actuarial liability experienced a gain of $15 million for funding purposes, which is 0.2% of the total actuarial liability. We will continue to monitor gains and losses to assure that no significant new patterns of liability gains and losses emerge unexpectedly.

LIABILITIES (IN MILLIONS)	TOTAL VALUE	ACTUARIAL	ACCRUED BENEFIT
June 30, 2002	$9,923	$8,470	$6,992
June 30, 2003	$10,438	$8,963	$7,293

UNFUNDED LIABILITIES AND FUNDING RATIOS

When the liabilities of an actuarially funded retirement plan are greater than the plan's assets, the plan is said to have an unfunded liability. This is the case with the State Employee and Teacher Plan. The unfunded liability is measured in two ways: (i) unfunded actuarial liability, which compares the actuarial liability to the actuarial asset value, and (ii) unfunded accrued benefit liability, which compares the accrued benefit liability to the market value of assets. Here we show the June 30, 2002 and June 30, 2003 unfunded liability/(surplus) amounts for the Plan, as well as the corresponding funding ratios for each (assets divided by liabilities).

(IN MILLIONS)	ACTUARIAL	ACCRUED BENEFIT
6/30/2002 Net (Surplus) Unfunded	$ 2,593	$ 1,899
Funding Ratio	69.4%	72.8%
6/30/2003 Net (Surplus) Unfunded	$ 2,921	$ 1,911
Funding Ratio	67.4%	73.8%

CONTRIBUTIONS

In Section IV, we show the various contribution rates by the plans within the State Employee and Teacher Plan. Below we present the State contribution rate for all of these plans combined, and compare it to the rate developed in the June 30, 2002 actuarial valuation.

In summary, the overall State contribution rate decreased by 2.06% of payroll. This is mostly due to the lengthening of the amortization period. The actuarial loss on investments and the actuarial gain on liabilities also affected the overall contribution rate. Because of the State's biennial budgeting practice and the way in which retirement contributions are incorporated into it, contribution rates resulting from this interim-year valuation will not affect the State's budget. The June 30, 2004 valuation will set rates for the next biennium (fiscal year 2006 and fiscal year 2007).

RATE AS PERCENT OF COVERED PAYROLL	
June 30, 2002 State Contribution Rate	19.32%
(Normal cost: 6.17%; UAL payment: 13.15%)	
Increase / (Decrease) in UAL component due to:	
Investments	1.70%
Liabilities	(0.11%)
Payroll Growth	0.52%
Change in Amortization Period	(4.17%)
June 30, 2003 State Contribution Rate	17.26%
(Normal cost: 6.17%; UAL payment: 11.09%)	

The increase / (decrease) due to payroll growth reflects the difference between the actual aggregate payroll increase and the assumed 5.5% increase used in the valuation. We assume the unfunded liability payment will increase 5.5% per year. Since aggregate payroll growth was less than 5.5%, the unfunded liability payment increases when expressed as a % of payroll. However, the change in the length of the amortization period more than offsets both this increase and the increase due to investments.

MEMBERSHIP

There are three types of plan participants: (i) current active members; (ii) terminated members who retain a right to a deferred "vested" benefit; and (iii) benefit recipients, who may be retired former members, concurrent beneficiaries of living retired 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, 2002 and 2003.

As shown below, there was an overall increase in participation during the year of 2.7%. Part of the increase in Terminated "Vested" Members is due to the recently enacted shorter "vesting" requirement.

	6/30/2003	6/30/2002	CHANGE
Active Members	42,862	43,246	-0.9%
Terminated "Vested" Members	4,179	2,448	70.7%
Benefit Recipients	23,768	23,228	2.3%
Total	70,809	68,922	2.7%

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 of trend information on the assets and liabilities of the State Employee and Teacher Plan, annual cash flows in and out of the State's plans as a whole, and the State's overall contribution rate to the State Employee and Teacher Plan. Our comments on each follow.

CHART A: ASSETS / LIABILITIES - STATE AND TEACHER ONLY

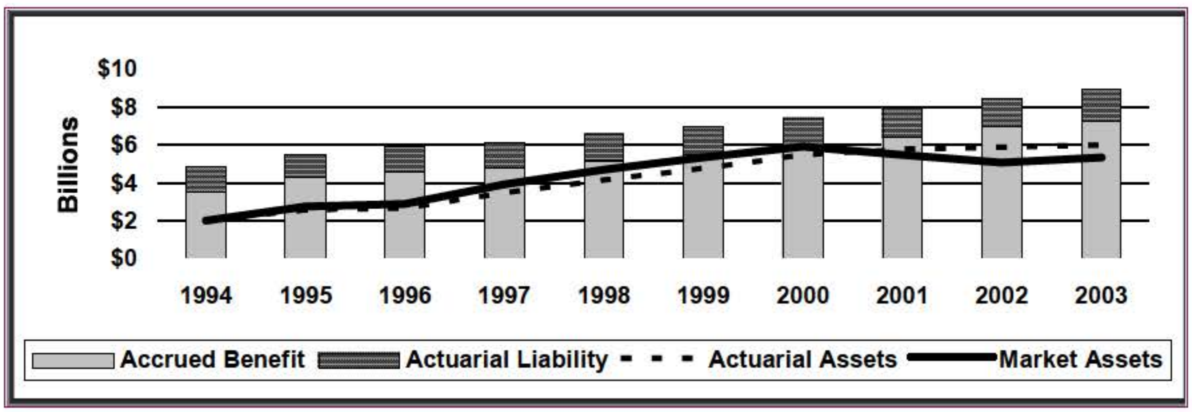


CHART B: CASH FLOWS - TOTAL SYSTEM

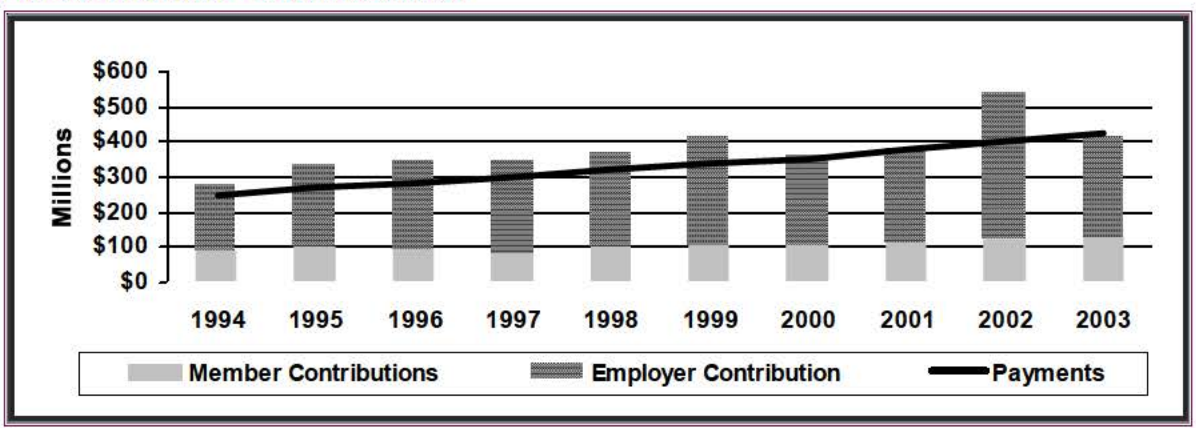
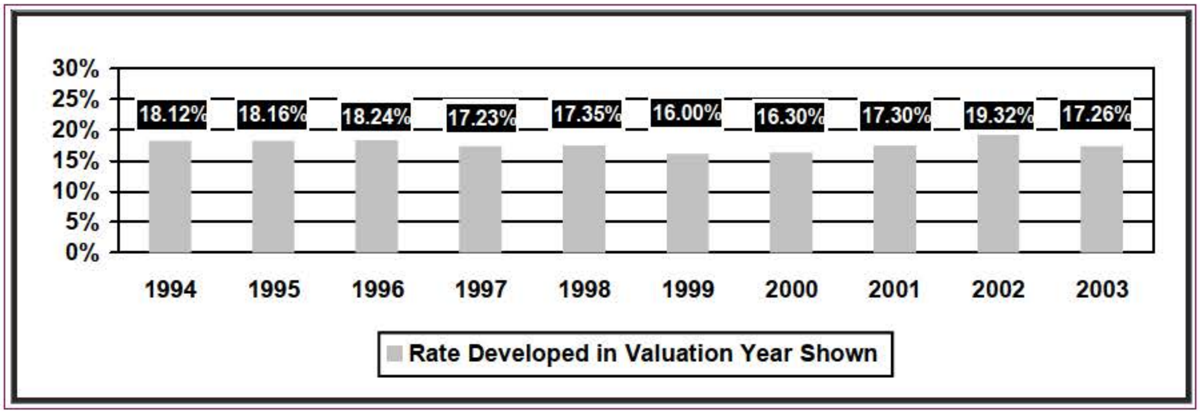


CHART C: STATE CONTRIBUTION RATE - STATE AND TEACHER ONLY



COMMENTS

Chart A depicts the investment performance losses of the past three years. These losses have caused the funded ratio (the ratio of assets to liabilities) of the State Employee and Teacher Plan to decrease in each of the last three years. The liabilities have grown but the assets have remained relatively level.

Chart B presents an emerging trend being faced by many retirement systems due to 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.

Chart C looks at changes in the State's overall contribution rate for the State Employee and Teacher Plan. It shows the State's commitment to pay off the unfunded actuarial liability. In years when investment performance helped reduce the unfunded actuarial liability and the State's economy and budget were in favorable condition, the State responded by shortening the amortization period. Now, when the lower than expected investment return created increases in the unfunded actuarial liability and the economy and budget present challenges, the State re-lengthened the amortization period for the 2004-2005 biennium.

TOTAL STATE EMPLOYEE AND TEACHER PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2003	6/30/2002	% change
PARTICIPANT COUNTS			
Actives	42,862	43,246	-0.9%
Retired Members	16,267	15,916	2.2%
Beneficiaries of Retirees	4,756	4,674	1.8%
Survivors of Deceased Members	843	843	0.0%
Disabled Members	1,902	1,795	6.0%
Deferred "Vested" Members	4,179	2,448	70.7%
TOTAL	70,809	68,922	2.7%
Annual Salaries of Active Members	$ 1,434,596,605	$ 1,405,943,887	2.0%
Annual Payments to Benefit Recipients	$ 350,388,824	$ 330,969,987	5.9%
ASSETS & LIABILITIES			
Total Actuarial Liability	$8,963,272,498	$8,469,835,410	5.8%
Assets /Actuarial (Smoothed)	6,041,952,157	5,877,158,371	2.8%
Unfunded Actuarial Liability	$ 2,921,320,341	$ 2,592,677,039	12.7%
Funding Ratio	67.41%	69.39%	N/A
Present Value of Accrued Benefits	$ 7,292,512,668	$ 6,991,657,417	4.3%
Assets/Market Value	5,381,673,439	5,092,119,785	5.7%
Unfunded PVAB	$ 1,910,839,229	$ 1,899,537,632	0.6%
Accrued Benefit Funding Ratio	73.80%	72.83%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2005	Fiscal Year 2004	
Normal Cost Contribution	6.17%	6.17%	
Unfunded Actuarial Liability Contribution	11.09	13.15	
Total State Contribution	17.26%	19.32%	

TEACHERS

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →		6/30/2003		6/30/2002	% change
PARTICIPANT COUNTS					
Actives		28,329		28,344	-0.1%
Retired Members		9,044		8,864	2.0%
Beneficiaries of Retirees		1,963		1,892	3.8%
Survivors of Deceased Members		301		279	7.9%
Disabled Members		751		699	7.4%
Deferred "Vested" Members		2,692		1,446	86.2%
TOTAL		43,080		41,524	3.7%
Annual Salaries of Active Members	$	913,142,237	$	889,647,463	2.6%
Annual Payments to Benefit Recipients	$	195,641,297	$	184,710,816	5.9%
ASSETS & LIABILITIES					
Total Actuarial Liability	$	5,737,908,352	$	5,442,042,898	5.4%
Assets/Actuarial (Smoothed)		3,754,519,672		3,600,534,614	4.3%
Unfunded Actuarial Liability	$	1,983,388,680	$	1,841,508,284	7.7%
Funding Ratio		65.43%		66.16%	N/A
Present Value of Accrued Benefits	$	4,557,125,703	$	4,279,369,714	6.5%
Assets/Market Value		3,344,216,947		3,119,594,945	7.2%
Unfunded PVAB	$	1,212,908,756	$	1,159,774,769	4.6%
Accrued Benefit Funding Ratio		73.38%		72.90%	N/A
CONTRIBUTIONS AS % OF PAYROLL					
		Fiscal Year 2005		Fiscal Year 2004	
Normal Cost Contribution		6.04%		6.04%	
Unfunded Actuarial Liability Contribution		11.83		14.76	
Total State Contribution		17.87%		20.80%	

TOTAL STATE EMPLOYEES (Regular and Special Plans)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2003	6/30/2002	% change
PARTICIPANT COUNTS			
Actives	14,533	14,902	-2.5%
Retired Members	7,223	7,052	2.4%
Beneficiaries of Retirees	2,793	2,782	0.4%
Survivors of Deceased Members	542	564	-3.9%
Disabled Members	1,151	1,096	5.0%
Deferred "Vested" Members	1,487	1,002	48.4%
TOTAL	27,729	27,398	1.2%
Annual Salaries of Active Members	$ 521,454,368	$ 516,296,424	1.0%
Annual Payments to Benefit Recipients	$ 154,747,527	$ 146,259,171	5.8%
ASSETS & LIABILITIES			
Total Actuarial Liability	$ 3,225,364,146	$ 3,027,792,512	6.5%
Assets/Actuarial (Smoothed)	2,287,432,485	2,276,623,757	0.5%
Unfunded Actuarial Liability	$ 937,931,661	$ 751,168,755	24.9%
Funding Ratio	70.92%	75.19%	N/A
Present Value of Accrued Benefits	$ 2,735,386,965	$ 2,712,287,703	0.9%
Assets/Market Value	2,037,456,492	1,972,524,840	3.3%
Unfunded PVAB	$ 697,930,473	$ 739,762,863	-5.7%
Accrued Benefit Funding Ratio	74.49%	72.73%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2005	Fiscal Year 2004	
Normal Cost Contribution	6.40%	6.39%	
Unfunded Actuarial Liability Contribution	9.80	10.38	
Total State Contribution	16.20%	16.77%	

STATE EMPLOYEE REGULAR PLAN

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2003	6/30/2002	% change
PARTICIPANT COUNTS			
Actives	12,611	12,921	-2.4%
Retired Members	6,522	6,396	2.0%
Beneficiaries of Retirees	2,515	2,516	0.0%
Survivors of Deceased Members	539	561	-3.9%
Disabled Members	1,118	1,072	4.3%
Deferred "Vested" Members	1,487	1,002	48.4%
TOTAL	24,792	24,468	1.3%
Annual Salaries of Active Members	$ 440,628,719	$ 436,276,144	1.0%
Annual Payments to Benefit Recipients	$ 134,469,725	$ 127,701,103	5.3%
ASSETS & LIABILITIES			
Total Actuarial Liability	$ 2,729,464,467	$ 2,565,431,125	6.4%
Assets/Actuarial (Smoothed)	1,981,118,251	1,965,408,425	0.8%
Unfunded Actuarial Liability	$ 748,346,216	$ 600,022,700	24.7%
Funding Ratio	72.58%	76.61%	N/A
Present Value of Accrued Benefits	$ 2,297,868,032	$ 2,148,384,393	7.0%
Assets/Market Value	1,764,616,999	1,702,879,946	3.6%
Unfunded PVAB	$ 533,251,0	$ 445,504,4	19.7%
Accrued Benefit Funding Ratio	76.79%	79.26%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2005	Fiscal Year 2004	
Normal Cost Contribution	6.04%	6.04%	
Unfunded Actuarial Liability Contribution	9.25	9.81	
Total State Contribution	15.29%	15.85%	

STATE EMPLOYEE SPECIAL PLANS (COMPOSITE)

SUMMARY OF PRINCIPAL RESULTS

Valuation As Of →	6/30/2003	6/30/2002	% change
PARTICIPANT COUNTS			
Actives	1,9221	1,981	-3.0%
Retired Members	701	656	6.9%
Beneficiaries of Retirees	278	266	4.5%
Survivors of Deceased Members	3	3	0.0%
Disabled Members	33	24	37.5%
Deferred "Vested" Members	0	0	0.0%
TOTAL	2,937	2,930	0.2%
Annual Salaries of Active Members	$ 80,825,649	$ 80,020,280	1.0%
Annual Payments to Benefit Recipients	$ 20,277,802	$ 18,558,068	9.3%
ASSETS & LIABILITIES			
Total Actuarial Liability	$ 495,899,679	$ 462,361,387	7.3%
Assets/Actuarial (Smoothed)	306,314,234	311,215,332	-1.6%
Unfunded Actuarial Liability	$ 189,585,445	$ 151,146,055	25.4%
Funding Ratio	61.77%	67.31%	N/A
Present Value of Accrued Benefits	$ 437,518,933	$ 563,903,310	-22.4%
Assets/Market Value	272,839,493	269,644,894	1.2%
Unfunded PVAB	$ 164,679,440	$ 294,258,416	-44.0%
Accrued Benefit Funding Ratio	62.36%	47.82%	N/A
CONTRIBUTIONS AS % OF PAYROLL			
	Fiscal Year 2005	Fiscal Year 2004	
Normal Cost Contribution	8.34%	8.29%	
Unfunded Actuarial Liability Contribution	12.78	13.47	
Total State Contribution	21.12%	21.76%	

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 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 proxy for total assets. However, for purposes of evaluating fairly the relationship of plan assets to plan liabilities, the value of all assets is 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 System's case 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. It provides 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 market value of plan assets measured at June 30, 2003 and June 30, 2002;
- Statement of the changes during the year in the market value of assets;
- Development of the actuarial value of assets by applying the smoothing methodology;
- Allocation 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,	
	2003	**2002**
Net Value of Investment Portfolio	$ 6,917	$ 6,566
Buildings, land	5	3
Cash external to portfolio	14	27
Net Assets Available for Benefits	$ 6,936	$ 6,596

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

The components of asset value change are:

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

The specific changes during 2003 are presented below:

CHANGES IN MARKET VALUES		
Plan Assets/Market Value – June 30, 2002	$	6,595,671,933
Member Contributions Received		128,911,129
Employer Contributions Received		285,646,013
Benefits Paid Out		(423,217,912)
Investment Income/(Loss)		349,190,235
Plan Assets/Market Value – June 30, 2003	$	6,936,201,398

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce the volatility in the investment markets, particularly over short time periods. Because the System's plans are regarded as virtually perpetual in nature, it is appropriate to manage their funding with strategies designed to place short-term events within the longer perspective. For the System, the actuarial value of assets at a given valuation date equals the Expected Actuarial Value at that date plus 33% of the difference between the Expected Actuarial Value and the Market Value of Assets at that date. The Expected Actuarial Value is the previous year's actuarial asset value adjusted by contributions, payments and investment earnings of 8.0%.

The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2003 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2003		
1.	Actuarial Value of Assets at June 30, 2002	$ 7,612,509,160
2.	Amount in (1) with interest to June 30, 2003 at 8.00% per year	8,221,509,893
3.	Employer & member contributions for the Plan Year ended June 30, 2003	414,557,143
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2003 at 8.00% per year	16,582,286
5.	Disbursements from the Trust during the period June 30, 2002 through June 30, 2003	423,217,912
6.	Interest on disbursements to June 30, 2003 at 8.00% per year	16,928,716
7.	Expected Actuarial Value of Assets at June 30, 2003 = (2) + (3) + (4) - (5) - (6)	8,212,502,694
8.	Actual Market Value of Assets at June 30, 2003	6,936,201,398
9.	Difference Between (8) and (7)	(1,276,301,296)
10.	Actuarial Value of Assets at June 30, 2003 = (7) + 33% of (9)	$7,787,205,499

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 allocated among 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 1.12269 ($7,787,205,499$ / 6,936,201,398). 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, 2003**

	Market Value	Actuarial Value
Teachers	$ 3,344,216,947	$ 3,754,519,672
State (Regular and Special)	2,037,456,492	2,287,432,485
Judges	33,189,773	37,261,834
Legislators	5,717,377	6,418,843
Participating Local Districts (Consolidated Plan and non-Consolidated)	1,515,620,809	1,701,572,665
Total Assets	$ 6,936,201,398	$ 7,787,205,499

INVESTMENT PERFORMANCE:

The Market Value of Assets (MVA) returned 5.30% during 2003. This is lower than the plan's assumed return of 8% but not unexpected. This year's return was an improvement over the 2002 return of (7.6)%.

On an actuarial value of assets basis, the return at June 30, 2003 was 2.41%. This return is less than the return on a market value basis because of the ongoing recognition in the actuarial value of losses in prior years not then fully recognized because of smoothing. As of June 30, 2003, these accumulated losses amounted to $851 million. This is a decrease in the accumulated losses of $1,017 million as of June 30, 2002.

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, 2003 and June 30, 2002;
- Statement of changes in these liabilities during the year; and
- A projection of future liabilities.

DISCLOSURE

This report discloses three types of liabilities. Each liability has a specific purpose depending on the nature of the liability and the purpose for which the liability information is used.

- 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 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 the Entry Age Normal funding method.

- Accrued Liabilities: Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the fund, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Plan can meet its current benefit commitments.

The table below discloses each of these liabilities for the current and immediately prior State Employee and Teacher Plan valuations. With respect to the actuarial liability and accrued liability disclosures, a subtraction of the appropriate value of assets yields a net surplus or an unfunded liability.

LIABILITIES		6/30/2003		6/30/2002
Total Obligations				
Active Participant Benefits	$	6,376,031,676	$	6,208,946,580
Retiree and Inactive Benefits		4,062,300,865		3,714,368,070
Total Obligations	$	**10,438,332,541**	$	**9,923,314,650**
Market Value of Assets		5,381,673,439		5,092,119,785
Future Member Contributions		822,225,055		810,325,166
Future State Contributions		4,234,434,047		4,020,869,699
Total Resources	$	**10,438,332,541**	$	**9,923,314,650**
Actuarial Liability				
Total Liabilities	$	10,438,332,541	$	9,923,314,650
Present Value of Future Normal Costs Under Entry Age Method		652,834,988		643,154,074
Present Value Of Future Member Contributions		822,225,055		810,325,166
Actuarial Liability	$	**8,963,272,498**	$	**8,469,835,410**
Actuarial Value of Assets		6,041,952,157		5,877,158,371
Net (Surplus) Unfunded	$	**2,921,320,341**	$	**2,592,677,039**
Accrued Liability				
Total Liabilities	$	10,438,332,541	$	9,923,314,650
Less Present Value of Future Benefit Accruals		(3,145,819,873)		(2,931,657,233)
Accrued Liability	$	**7,292,512,668**	$	**6,991,657,417**
Market Value of Assets		5,381,673,439		5,092,119,785
Net (Surplus) Unfunded	$	**1,910,839,229**	$	**1,899,537,632**

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:

- Benefits accrued since the last valuation;
- Passage of time which adds interest to the prior liability;
- Benefits paid to retirees since the last valuation;
- Participants retiring, terminating, or dying at rates different than expected;
- New hires since the last valuation;
- Plan amendments increasing benefits;
- 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 because of changes in expected 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 6/30/2002	$	9,923	$	8,470	$	6,992
Liabilities 6/30/2003	$	10,438	$	8,963	$	7,293
Liability Increase (Decrease)	$	515	$	493	$	301
Change due to:						
Plan Amendment	$	0	$	0	$	0
Assumption Change	$	0	$	0	$	0
Actuarial (Gain)/Loss		N/A	$	(15)		N/A
Benefits Accumulated and Other Sources	$	515	$	508	$	301

ACTUARIAL LIABILITY
AS OF JUNE 30, 2003

	TOTAL PLAN	TEACHERS	STATE REGULAR	SPECIAL PLANS
1. Actuarial Liabilities for:				
a. Active Members	$ 4,900,971,633	$ 3,383,388,945	$ 1,273,064,834	$ 244,517,854
b. Retired, Disabled and Beneficiary Members	3,878,586,652	2,239,526,660	1,387,678,167	251,381,825
c. Vested Deferred and Inactive Status Members	183,714,213	114,992,747	68,721,466	0
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	$ 8,963,272,498	$ 5,737,908,352	$ 2,729,464,467	$ 495,899,679
3. Actuarial Value of Assets	6,041,952,157	3,754,519,672	1,981,118,251	306,314,234
4. Unfunded Actuarial Liability (2 – 3)	$ 2,921,320,341	$ 1,983,388,680	$ 748,346,216	$ 189,585,445

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 the State Employee and Teacher 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 as a percent of compensation for a typical new entrant. 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) of the Plan. The UAL is the excess of the actuarial liability over the actuarial value of assets. The unfunded actuarial liability amount represents the amount of 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	7/1/2003	7/1/2002
Entry Age Normal Cost	6.17%	6.17%
Amortization Payment	11.09%	13.15%
Actuarially Determined Contribution	17.26%	19.32%

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

TABLE IV-1
STATE EMPLOYER CONTRIBUTION RATES
FISCAL YEAR 2005 - 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	11.09	11.83	9.25	27.32	13.84	12.62	11.24	14.01	10.55
Total Contributions as Percent of Payroll	17.26%	17.87%	15.29%	45.16%	22.88%	20.86%	18.58%	23.16%	17.44%

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	6,708,227,205	3,161,760,335	245,677,359	46,907,271	4,636,824	23,754,647	62,265,608	185,103,292
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	7,087,792,938	3,157,749,222	1,274,519	2,509,270	309,635	2,802,557	140,350,987	297,194,377
4.	Present Value of Future Normal Cost (2) x (3)	428,102,693	190,728,053	227,374	226,838	25,514	205,708	12,842,115	20,476,693
5.	Present Value of Future Member Contributions	542,216,160	241,567,815	110,246	217,052	23,687	242,421	12,140,360	25,707,314
6.	Actuarial Liability: (1) – (4) – (5)	5,737,908,352	2,729,464,467	245,339,739	46,463,381	4,587,623	23,306,518	37,283,133	138,919,285
7.	Actuarial Value of Assets	3,754,519,672	1,981,118,251	213,400,155	42,757,993	4,196,091	20,644,887	(12,593,691)	37,908,798
8.	Unfunded Actuarial Liability: (6) – (7)	1,983,388,680	748,346,216	31,939,584	3,705,388	391,532	2,661,631	49,876,824	101,010,487
9.	Estimated Payroll	913,142,237	440,628,719	6,368,547	1,458,046	169,023	1,289,905	19,390,261	52,149,867
10.	Amortization Factor	18.3590	18.3590	18.3590	18.3590	18.3590	18.3590	18.3590	18.3590
11.	Unfunded Actuarial Liability Rate: (8)/(9)/(10)	11.83%	9.25%	27.32%	13.84%	12.62%	11.24%	14.01%	10.55%

SECTION V
ACCOUNTING STATEMENT INFORMATION

Two types of liabilities are disclosed for accounting purposes:

- Statement No. 35 of the Financial Accounting Standards Board (FASB) requires the Plans to disclose certain information regarding its 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 provide a quasi "snap shot" view of how the plan's assets compare to its liability as of the valuation date. The liability is determined as if contributions stopped and the 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 buy the benefits for all members if the plan were to terminate. The FASB-35 liability is compared to the market value of assets to determine the funding ratio.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes. The GASB-25 liability is compared to the actuarial value of assets to determine the funding ratio.

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, 2003 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, 2002, to the liabilities as of June 30, 2003.

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

	2003	2002
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued to Date:		
a. Members Currently Receiving Payments	$ 3,878,586,652	$ 3,594,668,294
b. Former Vested Members	183,714,213	119,699,776
c. Active Members	3,230,211,803	3,277,289,347
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	$ 7,292,512,668	$ 6,991,657,417
3. Assets at Market Value	5,381,673,439	5,092,119,785
4. Unfunded Value of Benefits (2) – (3)	$ 1,910,839,229	$ 1,899,537,632
5. Ratio of Assets to Value of Benefits (3)/(2)	73.80%	72.83%
B. GASB No. 25 Basis		
1. Actuarial accrued liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$ 4,062,300,865	$ 3,714,368,070
2. Actuarial accrued liabilities for current employees	4,900,971,633	4,755,467,340
3. Total actuarial accrued liability (1)+(2)	$ 8,963,272,498	$ 8,469,835,410
4. Net actuarial assets available for benefits	6,041,952,157	5,877,158,371
5. Unfunded actuarial accrued liability (3)–(4)	$ 2,921,320,341	$ 2,592,677,039

TABLE V-2
ACCOUNTING STATEMENT INFORMATION - FASB NO. 35
AS OF JUNE 30, 2003

	TOTAL SYSTEM	TEACHERS	STATE REGULAR	STATE SPECIAL
1. Present Value of Benefits Accrued to Date:				
a. Members Currently Receiving Payments	$ 3,878,586,652	$ 2,239,526,660	$ 1,387,678,167	$ 251,381,825
b. Former Vested Members	183,714,213	114,992,747	68,721,466	0
a. Active Members	3,230,211,803	2,202,606,296	841,468,399	186,137,108
2. Total Present Value of Accrued Benefits (1(a) + 1(b) + 1(c))	$ 7,292,512,668	$ 4,557,125,703	$ 2,297,868,032	$ 437,518,933
3. Assets at Market Value	5,381,673,439	3,344,216,947	1,764,616,999	272,839,493
4. Unfunded Value of Accrued Benefits (2)–(3)	$ 1,910,839,229	$ 1,212,908,756	$ 533,251,033	$ 164,679,493
5. Ratio of Assets to Value of Accrued Benefits (3)/(2)	73.80%	73.38%	76.79%	62.36%

TABLE V-3
ACCOUNTING STATEMENT INFORMATION - GASB NO. 25
AS OF JUNE 30, 2003

	TOTAL SYSTEM	TEACHERS	STATE REGULAR	STATE SPECIAL
1. Actuarial Accrued Liability:				
a. Members Currently Receiving Payments	$ 3,878,586,652	$ 2,239,526,660	$ 1,387,678,167	$ 251,381,825
b. Former Vested Members	183,714,213	114,992,747	68,721,466	0
c. Active Members	4,900,971,633	3,383,388,945	1,273,064,834	244,517,854
2. Total Actuarial Accrued Liability (1(a) + 1(b) + 1(c))	$ 8,963,272,498	$ 5,737,908,352	$ 2,729,464,467	$ 495,899,679
3. Actuarial Value of Assets	6,041,952,157	3,754,519,672	1,981,118,251	306,314,234
4. Unfunded Actuarial Accrued Liability (2 – 3)	$ 2,921,320,341	$ 1,983,388,680	$ 748,346,216	$ 189,585,445
5. Funded Ratio (3/2)	67.41%	65.43%	72.58%	61.77%
6. Annual Payroll	$ 1,434,596,605	$ 913,142,237	$ 440,628,719	$ 80,825,649
7. UAAL as % of Payroll (4/6)	203.63%	217.20%	169.84%	234.56%

TABLE V-4
STATEMENT OF CHANGES IN TOTAL ACTUARIAL PRESENT VALUE OF ALL ACCRUED BENEFITS FOR FASB 35
(IN MILLIONS)

Actuarial Present Value of Accrued Benefits at June 30, 2002	$ 6,992
Increase (Decrease) During years attributable to:	
Passage of Time (Interest Accrual)	545
Benefits Paid – FY 2003	(352)
Benefits Accrued, Other Gains/Losses	108
Plan Amendment	0
Net Increase (Decrease)	301
Actuarial Present Value of Accrued Benefits at June 30, 2003	$ 7,293

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM ACTIVE MEMBER DATA AS OF JUNE 30, 2003	
TEACHERS	
Count	28,329
Average Current Age	45.2
Average Service	13.7
Average Valuation Pay	$ 32,233
STATE REGULAR	
Count	12,611
Average Current Age	45.9
Average Service	13.0
Average Valuation Pay	$ 34,940
FOREST RANGERS (CLOSED PLAN)	
Count	28.0
Average Current Age	49.0
Average Service	25.5
Average Valuation Pay	$ 46,068
INLAND FISHERIES & WILDLIFE OFFICERS (CLOSED PLAN)	
Count	23
Average Current Age	52.3
Average Service	28.2
Average Valuation Pay	$ 49,575
LIQUOR INSPECTORS (CLOSED PLAN)	
Count	4.0
Average Current Age	53.0
Average Service	25.7
Average Valuation Pay	$ 42,256

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
ACTIVE MEMBER DATA AS OF JUNE 30, 2003

PRISON EMPLOYEES (CLOSED PLAN)	
Count	33
Average Current Age	50.8
Average Service	23.6
Average Valuation Pay	$ 44,183
STATE POLICE (CLOSED PLAN)	
Count	75
Average Current Age	47.9
Average Service	22.8
Average Valuation Pay	$ 64,800
MARINE RESOURCES OFFICERS (CLOSED PLAN)	
Count	7
Average Current Age	49.7
Average Service	24.6
Average Valuation Pay	$ 52,615
25 & OUT PLAN	
Count	391
Average Current Age	36.2
Average Service	9.8
Average Valuation Pay	$ 49,591
1998 SPECIAL PLAN	
Count	1,361
Average Current Age	42.5
Average Service	9.8
Average Valuation Pay	$ 38,317

MAINE STATE RETIREMENT SYSTEM
ACTIVE MEMBER DATA AS OF JUNE 30, 2003

STATE TOTALS (EXCLUDES TEACHERS)	
Count	14,533
Average Current Age	45.4
Average Service	12.8
Average Valuation Pay	$35,881

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2003
TEACHERS

	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	9,044	$ 164,467,713	$ 18,185
(Option 4 Concurrent Beneficiary)	1,212	$ 5,193,749	$ 4,285
Disabilities/1122	6	$ 120,303	$ 20,051
Disabilities/3 and 3-A	745	$ 15,304,516	$ 20,543
Beneficiaries	751	$ 9,071,974	$ 12,080
Pre-Retirement Death Benefits	301	$ 1,483,042	$ 4,927
Terminated Vested	2,692	$ 16,087,094	$ 5,976

MAINE STATE RETIREMENT SYSTEM
NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2003
STATE REGULAR

	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	6,522	$ 96,785,437	$ 14,840
(Option 4 Concurrent Beneficiary)	1,122	$ 4,367,078	$ 3,892
Disabilities/1122	11	$ 172,078	$ 15,643
Disabilities/3 and 3-A	1,107	$ 17,016,326	$ 15,372
Beneficiaries	1,393	$ 13,612,320	$ 9,772
Pre-Retirement Death Benefits	539	$ 2,516,486	$ 4,669
Terminated Vested	1,487	$ 10,933,933	$ 7,353

APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
NON-ACTIVE MEMBER DATA AS OF JUNE 30, 2003
SPECIAL PLANS

	Count	Total Annual Benefit	Average Annual Benefit
Retired			
(Option 0-4)	701	$ 17,445,289	$ 24,886
(Option 4 Concurrent Beneficiary)	150	$ 657,973	$ 4,386
Disabilities/1122	3	$ 45,612	$ 15,204
Disabilities/3 and 3-A	30	$ 563,516	$ 18,784
Beneficiaries	128	$ 1,558,970	$ 12,179
Pre-Retirement Death Benefits	3	$ 6,442	$ 2,147
Terminated Vested	0	$ 0	$ 0

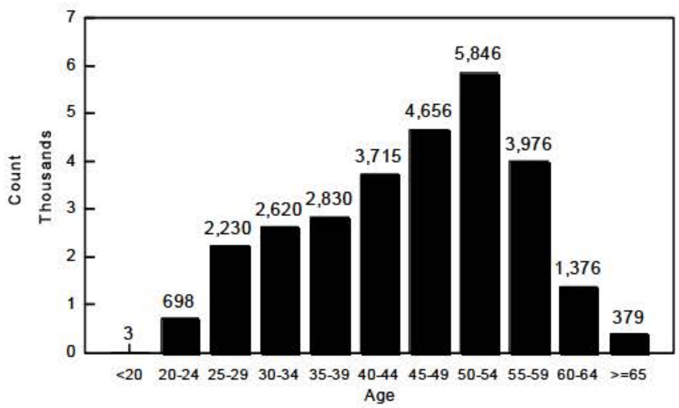
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2003

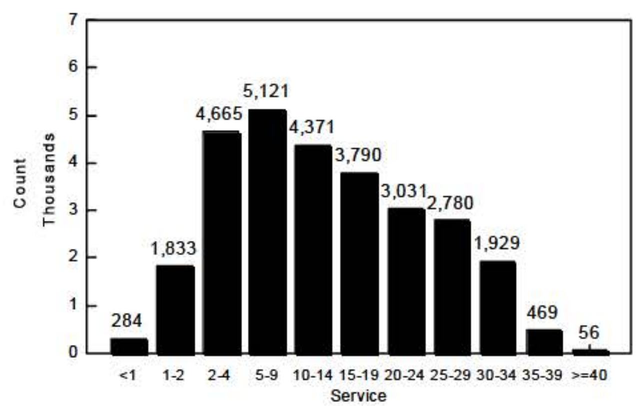
Teachers

	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	2	1										3
20 TO 24	57	288	321	32								698
25 TO 29	53	331	982	831	33							2,230
30 TO 34	28	247	581	1,022	740	2						2,620
35 TO 39	33	221	619	603	897	452	5					2,830
40 TO 44	32	238	691	717	567	906	560	4				3,715
45 TO 49	30	206	562	788	744	644	970	704	8			4,656
50 TO 54	28	156	471	612	810	886	694	1,341	839	9		5,846
55 TO 59	15	86	263	337	416	640	531	498	915	275		3,976
60 TO 64	6	38	111	116	126	213	224	195	143	172	32	1,376
65 & UP		21	64	63	38	47	47	38	24	13	24	379
Total	284	1,833	4,665	5,121	4,371	3,790	3,031	2,780	1,929	469	56	28,329

Age Distribution



Service Distribution



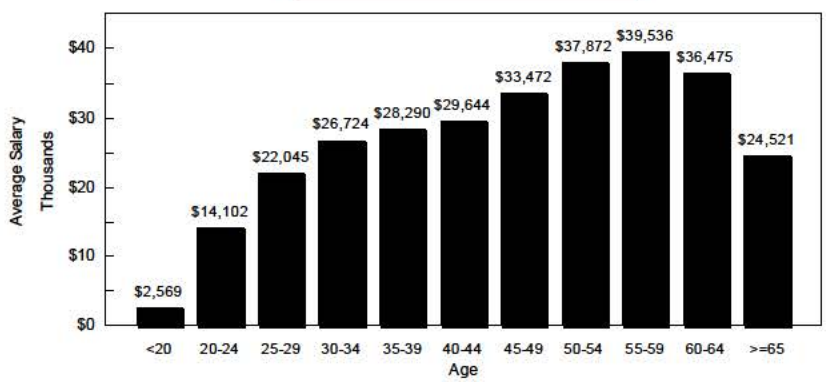
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2003

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	2,599	2,509										$2,569
20 TO 24	4,687	12,931	16,403	18,335								$14,102
25 TO 29	7,219	16,688	22,537	24,365	26,515							$22,045
30 TO 34	8,774	17,833	22,667	28,400	31,253	22,964						$26,724
35 TO 39	6,058	15,253	20,709	27,329	34,060	36,338	42,891					$28,290
40 TO 44	4,173	13,271	19,681	24,551	33,073	38,033	39,738	42,114				$29,644
45 TO 49	5,491	16,156	19,684	24,746	31,573	38,700	42,450	45,245	43,591			$33,472
50 TO 54	12,385	18,557	22,275	27,526	32,276	38,006	42,272	45,941	47,273	44,308		$37,872
55 TO 59	11,026	17,817	22,814	27,631	32,744	37,634	41,779	45,947	48,511	47,368		$39,536
60 TO 64	3,971	10,038	15,152	25,428	29,737	35,167	40,928	42,254	46,411	48,460	48,006	$36,475
65 & UP		5,852	11,066	13,793	26,956	30,030	27,779	31,613	38,614	46,479	46,663	$24,521
Total	$6,813	$15,518	$20,778	$26,053	$32,334	$37,602	$41,451	$45,306	$47,673	$47,685	$47,430	$32,233

Average Salary Distribution

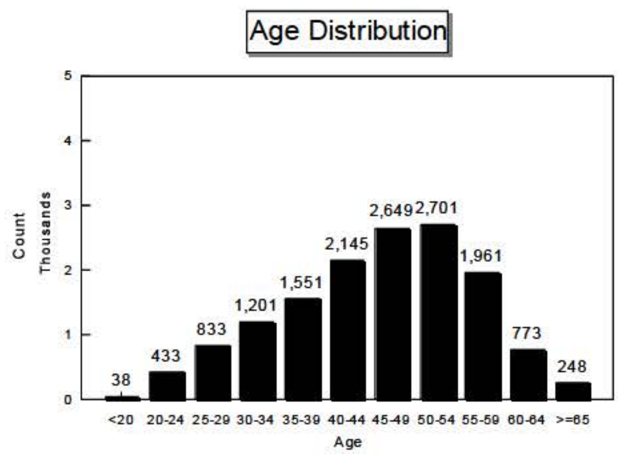


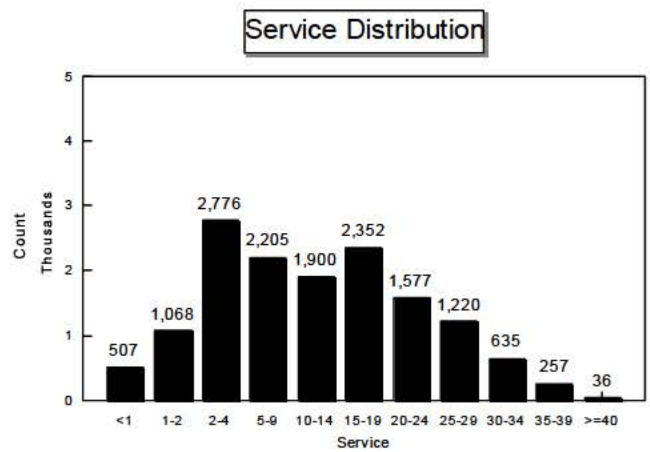
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2003

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	24	13	1									38
20 TO 24	129	143	152	9								433
25 TO 29	76	165	417	170	5							833
30 TO 34	59	137	430	382	169	24						1,201
35 TO 39	49	121	390	348	315	316	12					1,551
40 TO 44	60	129	395	318	356	540	294	53				2,145
45 TO 49	46	134	379	359	346	524	448	371	42			2,649
50 TO 54	36	113	329	289	312	473	381	457	280	31		2,701
55 TO 59	18	76	196	194	256	287	294	243	232	162	3	1,961
60 TO 64	8	29	69	100	110	145	115	63	66	50	18	773
65 & UP	2	8	18	36	31	43	33	33	15	14	15	248
Total	507	1,068	2,776	2,205	1,900	2,352	1,577	1,220	635	257	36	14,533





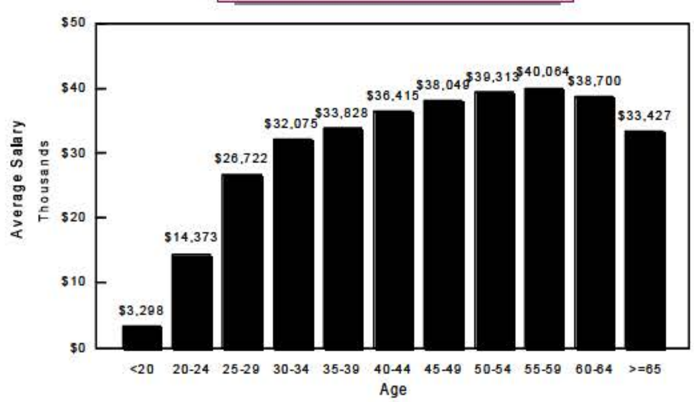
APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF ACTIVE MEMBERS
as of June 30, 2003

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	779	7,852	4,525									$3,298
20 TO 24	3,462	17,016	20,663	22,558								$14,373
25 TO 29	6,397	23,979	29,006	32,798	29,164							$26,722
30 TO 34	8,908	25,762	29,925	38,541	35,427	37,057						$32,075
35 TO 39	6,439	25,526	29,994	36,153	39,725	37,614	32,032					$33,828
40 TO 44	8,959	26,895	30,381	36,606	39,088	41,709	40,165	41,783				$36,415
45 TO 49	7,748	25,981	31,380	36,669	38,813	40,997	44,793	40,931	41,257			$38,049
50 TO 54	8,893	24,176	32,024	36,626	38,577	41,176	44,452	44,403	42,850	41,093		$39,313
55 TO 59	9,422	24,495	31,579	37,089	37,624	39,370	42,404	44,626	48,768	46,124	40,191	$40,064
60 TO 64	6,643	22,889	31,348	34,670	37,342	38,292	40,543	45,358	49,263	46,738	44,440	$38,700
65 & UP	39,644	13,193	17,660	26,007	36,445	30,118	33,929	36,492	44,669	38,862	59,209	$33,427
Total	$6,526	$23,805	$29,865	$36,313	$38,366	$40,138	$42,768	$43,113	$45,617	$45,241	$50,240	$35,881

Average Salary Distribution

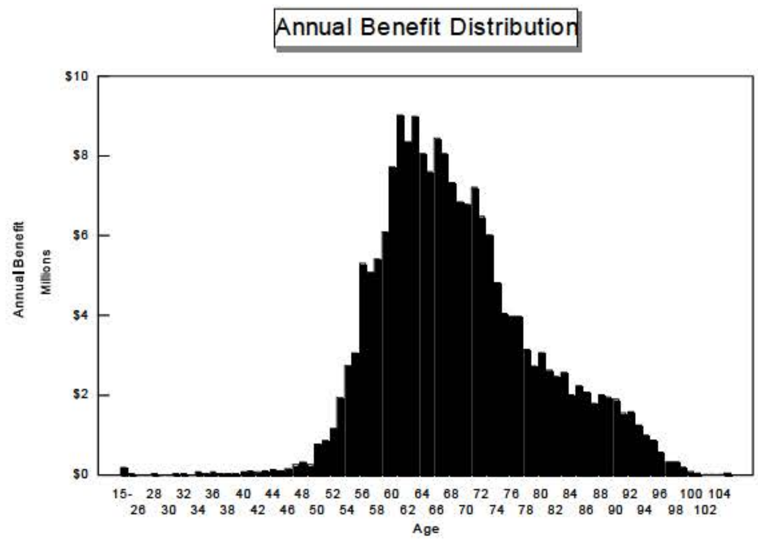


APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS, BENEFICIARIES AND SURVIVORS
as of June 30, 2003

Teachers

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	54	$191,312	65	414	$7,600,981
25	2	12,923	66	477	8,409,808
26	2	3,150	67	450	8,056,907
27	1	8,028	68	417	7,324,810
28	2	12,116	69	434	6,833,339
29	0	0	70	402	6,760,107
30	1	3,536	71	429	7,200,694
31	3	14,126	72	406	6,449,846
32	4	19,291	73	389	5,977,488
33	0	0	74	340	4,797,236
34	9	43,003	75	288	4,006,822
35	1	16,453	76	273	3,963,066
36	7	63,860	77	291	3,964,240
37	4	36,149	78	243	3,131,085
38	5	24,112	79	211	2,688,941
39	5	21,934	80	240	3,053,212
40	4	58,671	81	203	2,596,573
41	7	96,004	82	204	2,454,191
42	7	64,145	83	205	2,550,773
43	9	95,426	84	166	2,007,166
44	10	115,354	85	169	2,222,512
45	8	84,348	86	153	2,051,236
46	13	158,065	87	149	1,788,275
47	14	226,254	88	148	1,986,368
48	18	294,279	89	136	1,925,298
49	21	252,432	90	149	1,883,313
50	42	756,277	91	113	1,540,127
51	50	863,925	92	108	1,568,400
52	76	1,158,394	93	87	1,224,479
53	118	1,944,896	94	81	988,302
54	156	2,738,142	95	62	854,387
55	175	3,036,904	96	35	555,777
56	277	5,283,895	97	26	293,235
57	267	5,051,925	98	26	306,234
58	264	5,393,060	99	16	194,059
59	318	6,095,498	100	4	49,490
60	385	7,700,182	101	3	11,488
61	433	9,012,048	102	0	0
62	442	8,332,610	103	0	0
63	457	8,981,845	104	1	7,375
64	437	8,061,420	over 104	3	37,657
			Total	12,059	$195,641,297

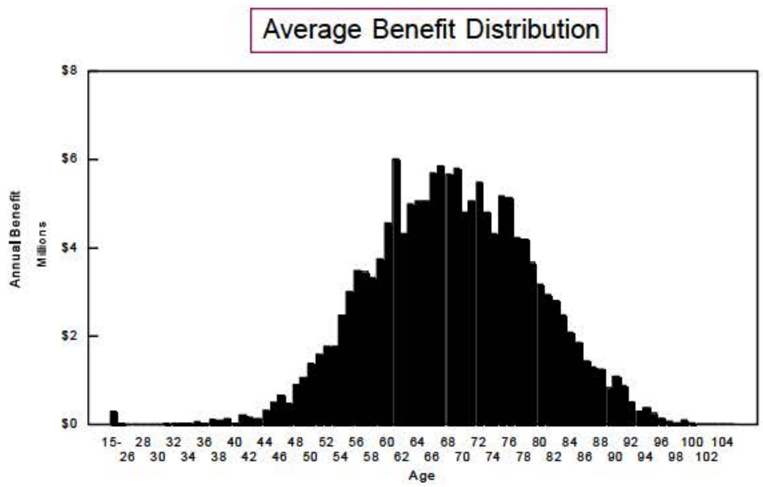


APPENDIX A
MEMBERSHIP INFORMATION

MAINE STATE RETIREMENT SYSTEM
DISTRIBUTION OF RETIREES, DISABLED MEMBERS, BENEFICIARIES AND SURVIVORS
as of June 30, 2003

State

Age	Count	Annual Benefit	Age	Count	Annual Benefit
Under 25	76	$286,310	65	353	$5,047,860
25	4	21,746	66	385	5,690,743
26	2	11,878	67	396	5,841,816
27	3	6,627	68	395	5,668,046
28	2	5,702	69	425	5,781,642
29	2	4,994	70	365	4,800,965
30	1	1,474	71	395	5,049,538
31	5	28,377	72	390	5,469,605
32	7	42,733	73	368	4,798,479
33	3	24,816	74	350	4,319,654
34	8	21,115	75	406	5,161,667
35	9	53,560	76	393	5,132,478
36	6	46,288	77	352	4,203,513
37	15	118,392	78	352	4,189,587
38	13	98,176	79	330	3,650,140
39	13	130,064	80	280	3,150,879
40	11	39,900	81	278	2,918,597
41	25	208,215	82	263	2,788,162
42	17	155,913	83	237	2,472,042
43	12	138,381	84	208	2,073,996
44	27	321,354	85	189	1,847,689
45	42	494,214	86	151	1,432,876
46	57	658,977	87	140	1,294,081
47	41	472,053	88	137	1,227,227
48	62	907,157	89	90	832,088
49	72	1,048,426	90	96	1,075,096
50	85	1,362,180	91	94	876,961
51	103	1,571,875	92	68	518,778
52	123	1,775,205	93	37	294,334
53	113	1,762,658	94	39	363,794
54	158	2,463,796	95	24	245,446
55	170	3,013,356	96	14	133,473
56	214	3,485,072	97	12	50,844
57	209	3,447,784	98	7	32,994
58	177	3,310,748	99	9	71,375
59	238	3,741,576	100	2	38,842
60	266	4,539,015	101	1	3,510
61	339	6,001,931	102	4	16,208
62	267	4,327,071	103	1	3,428
63	335	4,961,447	104	0	0
64	340	5,063,006	over 104	1	5,518
			Total	11,709	$154,747,527



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

	AGE	STATE EMPLOYEES SERVICE			TEACHERS SERVICE		
		0-1	1-2	2+	0-1	1-2	2+
4. Rates of Termination (% at Selected Ages) *	20	25.0	17.5	18.8	33.0	24.0	18.8
	25	25.0	17.5	12.5	27.5	24.0	12.5
	30	25.0	17.5	10.0	27.5	24.0	10.4
	35	25.0	17.5	7.5	27.5	24.0	8.3
	40	25.0	17.5	5.0	27.5	24.0	6.1
	45	25.0	17.5	5.0	27.5	24.0	4.0
	50	25.0	17.5	5.0	27.5	24.0	4.0
	55	20.0	17.5	5.0	27.5	24.0	4.0

** Members with 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	STATE EMPLOYEES SERVICE		TEACHERS SERVICE	
		MALE	FEMALE	MALE	FEMALE
5. Rates of Mortality for Active Healthy Lives and post-7/1/1998 Retired Healthy Lives at selected Ages (number of deaths per 10,000 members)*	20	5	3	5	3
	25	7	3	6	3
	30	9	4	7	3
	35	9	5	8	4
	40	12	8	10	6
	45	17	10	14	9
	50	28	15	24	13
	55	48	25	40	21
	60	86	48	73	41
	65	156	93	133	79
	70	255	148	217	125

** For State Regular and Teachers 5% of deaths assumed to 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

6. Rates of Mortality for pre-7/1/1998 Retired Healthy Lives at Selected Ages (number of deaths per 10,000 members)

	State Employees		Teachers	
Age	Male	Female	Male	Female
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

7. Rates of Mortality for Future Disabled Lives and post-7/1/98 Retired Disabled Lives at Selected Ages (number of deaths per 10,000 members)

	State Employees		Teachers	
Age	Male	Female	Male	Female
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

8. Rates of Mortality for pre-7/1/98 Retired Disabled Lives at Selected Ages (number of deaths per 10,000 members)

	State Employees		Teachers	
Age	Male	Female	Male	Female
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

APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

*** 10% assumed to receive Workers' Compensation benefits offsetting disability benefit; also, rates for State Special groups are higher by 7 per 10,000 at all ages.*

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.

APPENDIX B
ACTUARIAL ASSUMPTIONS
AND METHODS

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 25-year period from July 1, 2003. For this valuation report, the amortization period is 24 years because this valuation would, absent the State's biennial budgeting practice, set the rate for FY 2005 (which begins July 1, 2004). 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, 2003 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.

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

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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.

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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.

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

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 (2000 entrants), and the attainment of age 55 – OR – 25 years of creditable service in one or a combination of the covered capacities.

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

-AND-

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

Form of payment – life annuity.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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.

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.

APPENDIX C
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), 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 child(ren), 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.

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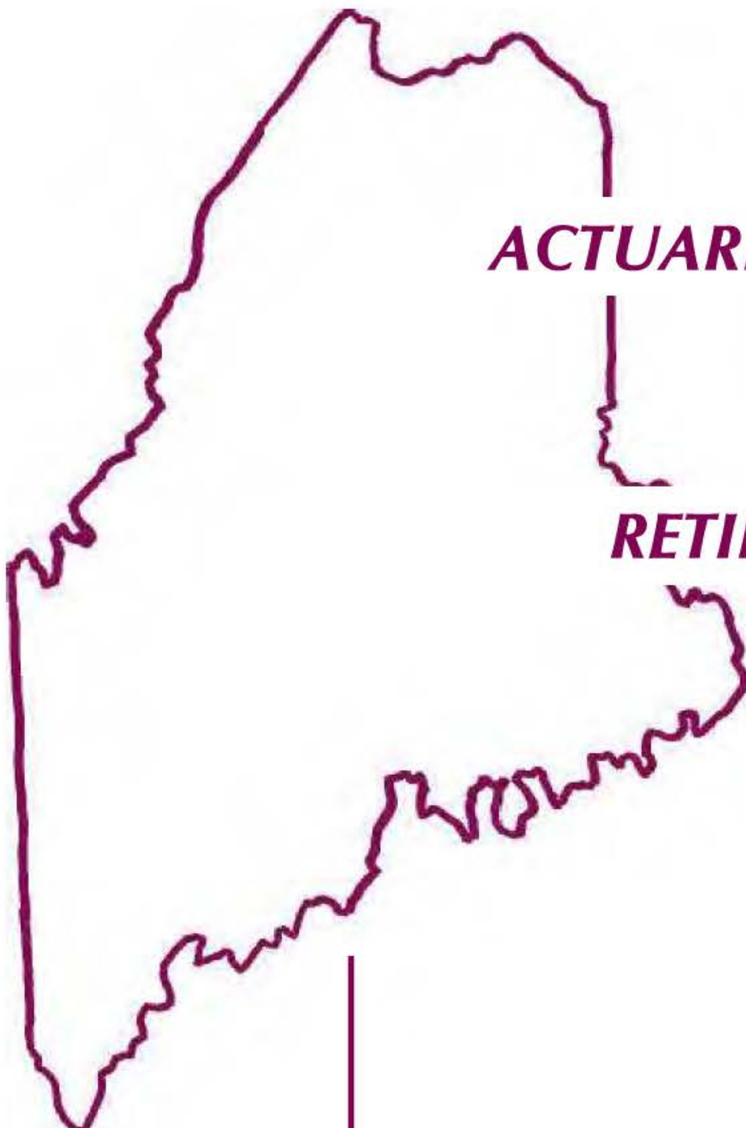

JUNE 30, 2003
ACTUARIAL VALUATION

LEGISLATIVE
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

February 6, 2004

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, 2003 actuarial valuation of the Maine Legislative Retirement System.

In performing this valuation, Milliman used assumptions and methods that 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. 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 results of this report are dependent upon future experience conforming to these assumptions. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience. The Board of Trustees has the final decision regarding the appropriateness of the assumptions.

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 did not audit this data. However, we reviewed the census data for reasonableness, and for consistency with the prior year's data. We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

The results contained in this report are only applicable to the 2005 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, 2003, 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		175
Retired Members		77
Beneficiaries of Retired Members		13
Survivors of Deceased Members		2
Disabled Members		0
Vested Deferred Members		56
Inactive Non-Vested Members		113
Total		436
Active Payroll	$	1,980,328
Annual Benefits for Retired Members, Beneficiaries, Survivors and Disabled Members	$	124,843

B. COST RESULTS:

Employer Normal Cost [1]	0.00%
Unfunded Actuarial Liability	*N/A*
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	$	2,226,900
- Current employees		
-- Accumulated employee contributions including allocated investment earnings	$	1,239,072
-- Employer-financed vested	$	0
-- Employer-financed nonvested	$	2,952,871
- Total Actuarial Accrued Liability (AAL) *	$	6,418,843
b. Actuarial Value of Assets (AVA)	$	6,418,843
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	$	5,717,377
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.

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

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

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

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

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

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

Form of payment - life annuity.

6. Disability Retirement Benefits Other Than No Age Benefits

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

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

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

Conversion to service retirement - during the period of disability average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 66 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 twelve months. The maximum increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipients service retirement benefit if and when the recipient moves to service retirement.

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

SCHEDULE B
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 is paid for the life of the member only.

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

Option 8: Option 4 with pop-up*.

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

SCHEDULE C
SUMMARY OF ACTUARIAL ASSUMPTIONS

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 and Currently Retired Employees who retired on or after 7/1/1998		Currently Retired Employees who retired prior to 7/1/1998	
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

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, 2003
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

February 6, 2004

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, 2003 actuarial valuation of the Maine Judicial Retirement System.

In performing this valuation, Milliman used assumptions and methods that 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. 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 results of this report are dependent upon future experience conforming to these assumptions. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience. The Board of Trustees has the final decision regarding the appropriateness of the assumptions.

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 did not audit this data. However, we reviewed the census data for reasonableness, and for consistency with the prior year's data. We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

The results contained in this report are only applicable to the 2005 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, 2003, 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		56
Retired Members		26
Beneficiaries of Retired Members		11
Survivors of Deceased Members		0
Disabled Members		1
Vested Deferred Members		1
Inactive Non-Vested Members		1
Total		96
Active Payroll	$	5,498,574
Annual Benefits for Retired Members, Beneficiaries, Survivors and Disabled Members	$	1,846,018

B. COST RESULTS:

Employer Normal Cost [1]	20.04%
Unfunded Actuarial Liability	1.33%
Total Cost	21.37%

[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	$	17,693,897
- Current employees		
-- Accumulated employee contributions including allocated investment earnings	$	5,181,447
-- Employer-financed vested	$	10,373,661
-- Employer-financed nonvested	$	4,911,076
- Total Actuarial Accrued Liability (AAL)	$	38,160,081
b. Actuarial Value of Assets (AVA)	$	37,261,834
c. Unfunded Actuarial Accrued Liability	$	898,247

2. Other Accounting Information:

a. Market Value of Assets	$	33,189,773
b. Unfunded Accrued Liability, (not less than $0)		697,081
c. Amortization Period		14

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, prorated 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 date the service retirement benefit exceeds the disability benefit.

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

7. No Age Disability Retirement Benefits

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

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

Benefit - 59% of average final compensation, reduced by the amount by which employment earnings plus the disability allowance exceeds the current salary of the position held at disability, and to the extent that the benefit, in combination with worker's compensation exceeds 80% of average final compensation. A member in service on 11/30/84 may elect benefits applicable for retirement before December 1, 1984.

Form of payment - payment begins on termination of service and ceases on cessation of disability or after 2 years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit exceeds the disability benefit.

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

8. Pre-Retirement Ordinary Death Benefits

Eligibility - death while active, 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, 1/2 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.

SCHEDULE B
SUMMARY OF PLAN PROVISIONS

11. Cost-of-Living Adjustments

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

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

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

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

12. Methods of Payment of Service Retirement Benefits

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

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

Option 8: Option 4 with pop-up*.

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

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

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 and Currently Retired Employees who retired on or after 7/1/1998		Currently Retired Employees who retired prior to 7/1/1998	
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

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

The unfunded liability is amortized by annual payments over a 14-year period from June 30, 2003. 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.

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JUNE 30, 2003
ACTUARIAL VALUATION

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS

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

March 31, 2004

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 June 30, 2003. The results of the valuation are contained in the following report.

In performing this valuation, Milliman used assumptions and methods that 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. 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, 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. It is certain that actual experience will not conform exactly to these assumptions. Actual amounts will differ from projected amounts to the extent actual experience differs from expected experience. The Board of Trustees has the final decision regarding the appropriateness of the assumptions. The results contained in this report are only applicable to the 2005 fiscal year. Future years results may differ significantly.

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 did not audit this data. However, we compared the census data and financial information with the previous year's information and reviewed the results for reasonableness. We found the data to be reasonably consistent and comparable with data used in the prior valuation. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We understand this report is considered a public document and, as such, may be subject to disclosure to third parties. However, we do not intend to benefit, and assume no liability to, any third party who receives the report in this fashion. Any distribution of this report must be in its entirety including this cover letter, unless prior written consent from Milliman USA is obtained.

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, 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, 2003, there were 234 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, 2003, 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, 2003 results for the Regular Plans and Special Plans that comprise the Consolidated Plan.

Several PLDs paid off their IUUALs in the period covered by this valuation; there were fewer such payoffs than in each of the previous two years. Since IUUAL balances in the course of being paid are assets of the Plan, their reduction or elimination affects funding ratios but does not otherwise affect valuation results.

For the seventh year in a row, the Pooled Unfunded Actuarial Liability (PUAL) is negative (that is, the Plan's pooled assets exceed its pooled liabilities). 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 a study to develop a funding methodology that would help 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.

The Board decided on a methodology that establishes a fixed employer contribution rate if the Plan's funded status (the ratio of actuarial assets to actuarial accrued liability) remains within a given range ("base rate"). The base rate is 3% of payroll and the range of funded status is 90% to 130%. If the funded status falls outside of this range, the employer contribution rate will be incrementally adjusted, but will never be less than a given minimum rate, unless the Board identifies compelling circumstances dictating otherwise. The factor for incremental adjustments when funded status falls outside the range is 10% of the difference between the calculated rate and the rate then in effect. The minimum base rate is 1% of payroll.

The "base rate" represents the aggregate of the rates of 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. 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 and 2002 valuations) is in effect. The resulting rates for each plan in the Consolidated Plan are shown 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 234 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

There are two relevant measures of the Plan's assets: (i) the market value and (ii) the actuarial value. The market value is a snapshot of the asset value as of June 30, 2003.

The actuarial value is a smoothed asset value that recognizes 33% of the difference between the expected actuarial value and the market value of assets. The expected actuarial value equals the prior year's actuarial value adjusted with contributions, payments and investment earnings of 8.0%. This method tempers the volatile fluctuations in market value.

As of June 30, 2003, the market value of assets allocated to the Consolidated Plan was $1,382 million as compared to $1,332 million as of June 30, 2002.

On an actuarial basis, Plan's assets were $1,552 million on June 30, 2003, as compared to $1,537 million as of June 30, 2002.

For the plan year ending June 30, 2003, the assets earned 5.30% on a market value basis and 2.41% on an actuarial value basis. These returns are lower than the assumption of 8.0% and resulted in an actuarial loss on investments of $31 million on a market value basis and $82 million on an actuarial value basis.

The components of the changes in market value and actuarial value, in millions, are:

ACTUARIAL		MARKET
+ 40	Employer and member contributions	+ 40
- 63	Payment of benefits and expenses	- 63
+ 122	Investment return per 8.0% assumption	+ 106
- 84	Investment loss	- 33
15	Total change in assets	50

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

LIABILITIES

Throughout this report we discuss two types of liabilities: (1) actuarial accrued liabilities and (2) accrued benefit liabilities. In Section III, we discuss in detail the different uses and definitions of these terms.

Actuarial accrued liability

In general, actuarial accrued liabilities are calculated for purposes of determining future contributions. Since actuarial funding methods are used to determine costs for future retirement benefits, actuarial accrued liabilities will include expected future increases in pay and service credits. The unfunded actuarial accrued liability (or surplus) equals the actuarial accrued liability minus the actuarial value of assets.

As of June 30, 2003, the total actuarial liability for the Plan was $1,408 million, as compared to $1,313 million as of June 30, 2002. Comparing this to the actuarial value of assets of $1,552 million produces an unfunded actuarial liability (surplus) of ($144) million. An additional $22 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 $166 million as of June 30, 2003. As of June 30, 2002 the pooled surplus was $260 million.

EXECUTIVE SUMMARY

The components of the increase in the unfunded actuarial liability (or decrease in the surplus), in millions, are as follows:

Pooled Unfunded Actuarial Liability, June 30, 2002	$	(260)
decrease expected		(10)
increase due to lower than expected investment return		84
increase due to other (losses)		20
Pooled Unfunded Actuarial Liability, June 30, 2003	$	(166)

The unexpected increase in unfunded actuarial liabilities from "other (losses)" of $20 million is attributable to the difference between assumed and actual rates of pay increases, retirements, terminations and deaths.

Accrued benefit liability

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 liability and the market value of plan assets represents the unfunded accrued benefit liability. As of June 30, 2003, the unfunded accrued benefit liability equals zero.

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, 2003.

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, and
- a "pooled unfunded actuarial liability contribution", for a payment to amortize the excess of actuarial accrued liabilities over assets on hand and receivables from PLDs entering the Plan with IUUALs.

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

The Pooled UAL (PUAL) rate for all employees changed from -11.6% of payroll as of June 30, 2002, to -7.0% of payroll as of June 30, 2003. The primary components of this change are shown below.

Pooled UAL Rate as of June 30, 2002	-11.6%
investment loss (due to lower than expected investment returns)	3.5%
other (gains)/losses	1.1%
Pooled UAL Rate as of June 30, 2003	-7.0%

EXECUTIVE SUMMARY

The PUAL rate as calculated above would normally be reflected in the FY 2005 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. The PUAL rate would completely offset the Normal Cost rate for the respective individual plans, resulting in rates less than zero. Because of our recommendation against that result and the Board's policy 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

There are three types of plan participants: (i) current active members; (ii) terminated members who retain a right to a deferred "vested" benefit; and (iii) benefit recipients, who may be retired former members, concurrent beneficiaries of living retired members, disabled members or beneficiaries of deceased active, retired or disabled members. Appendix B of this report presents more detail regarding members and benefit recipients. Below, we compare totals in each group between June 30, 2002 and 2003.

	6/30/2003	6/30/2002	CHANGE
Active Members	8,720	8,843	-1.4%
Terminated "Vested" Members	686	363	89.0%
Benefit Recipients	6,483	6,325	2.5%
Total	15,889	15,531	2.3%
Annual Payroll for actives (in millions)	$276	$262	5.3%

SUMMARY OF PRINCIPAL RESULTS
TOTAL

		June 30, 2003	June 30, 2002
1.	**Participant Data**		
	Number of:		
	Active Members	8,720	8,843
	Retired Members	4,920	4,821
	Beneficiaries of Retired Members	955	918
	Survivors of Deceased Members	220	222
	Disabled Members	388	364
	Vested Deferred Members	686	363
	Total Membership	15,889	15,531
	Annual Salaries of Active Members	$ 276,384,548	$ 262,143,592
	Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	$ 66,065,496	$ 61,854,927
2.	**Assets and Liabilities**		
	Funding Liability		
	Actuarial Accrued Liability	$ 1,407,728,801	$ 1,313,083,223
	Actuarial Value of Assets	1,551,942,311	1,537,234,672
	Unfunded Actuarial Liability	$ (144,213,510)	$ (224,151,449)
	Unpooled Portion (IUUAL)	21,634,300	36,305,153
	Pooled Portion (PUAL)	$ (165,847,810)	$ (260,456,602)
	Actuarial Liability Funding Ratio	110%	117%
	FASB Accounting Liability		
	Accrued Benefit Liability	$ 1,183,539,319	$ 1,100,814,701
	Market Value of Assets	1,382,342,410	1,331,899,294
	Unfunded Accrued Benefit Liability	$ 0	$ 0
	Accrued Benefit Funding Ratio	117%	121%

SUMMARY OF PRINCIPAL RESULTS
REGULAR PLANS AC, AN & BC

			June 30, 2003		June 30, 2002
1.	**Participant Data**				
	Number of:				
	Active Members		6,913		7,197
	Retired Members		3,468		3,419
	Beneficiaries of Retired Members		764		733
	Survivors of Deceased Members		202		202
	Disabled Members		305		289
	Vested Deferred Members		668		354
	Total Membership		12,320		12,194
	Annual Salaries of Active Members	$	200,827,248	$	194,991,715
	Annual Retirement Allowances for Retired Members, Beneficiaries, Survivors and Disabled Members	$	37,557,169	$	35,646,957
2.	**Assets and Liabilities**				
	Funding Liability				
	Actuarial Accrued Liability	$	821,214,867	$	764,529,514
	Actuarial Value of Assets		930,317,501		919,127,660
	Unfunded Actuarial Liability	$	(109,102,634)	$	(154,598,146)
	Unpooled Portion (IUUAL)		13,887,535		21,122,263
	Pooled Portion (PUAL)	$	(122,990,169)	$	(175,720,409)
	Actuarial Liability Funding Ratio		113%		120%
	FASB Accounting Liability				
	Accrued Benefit Liability	$	670,246,140	$	621,353,716
	Market Value of Assets		828,650,219		796,355,628
	Unfunded Accrued Benefit Liability	$	0	$	0
	Accrued Benefit Funding Ratio		124%		128%

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

			June 30, 2003		June 30, 2002
1.	**Participant Data**				
	Number of:				
	Active Members		1,807		1,646
	Retired Members		1,452		1,402
	Beneficiaries of Retired Members		191		185
	Survivors of Deceased Members		18		20
	Disabled Members		83		75
	Vested Deferred Members		18		9
	Total Membership		3,569		3,337
	Annual Salaries of Active Members	$	75,557,300	$	67,151,877
	Annual Benefits to Recipients	$	28,508,327	$	26,207,970
2.	**Assets and Liabilities**				
	Funding Liability				
	Actuarial Accrued Liability	$	586,513,934	$	548,553,709
	Actuarial Value of Assets		621,624,810		618,107,012
	Unfunded Actuarial Liability	$	(35,110,876)	$	(69,553,303)
	Unpooled Portion (IUUAL)		7,746,765		15,182,891
	Pooled Portion (PUAL)	$	(42,857,641)	$	(84,736,194)
	Actuarial Liability Funding Ratio		106%		113%
	FASB Accounting Liability				
	Accrued Benefit Liability	$	513,293,179	$	479,460,985
	Market Value of Assets		553,692,191		535,543,666
	Unfunded Accrued Benefit Liability	$	0	$	0
	Accrued Benefit Funding Ratio		108%		112%

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 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 proxy for total assets. However, for purposes of evaluating fairly the relationship of plan assets to plan liabilities, the value of all assets is 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 System's case 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. It provides 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 market value of plan assets measured at June 30, 2003 and June 30, 2002;
- Statement of the changes during the year in the market value of assets;
- Development of the actuarial value of assets by applying the smoothing methodology;
- Allocation 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.

STATEMENT OF SYSTEM ASSETS AT MARKET VALUE (IN MILLIONS)		
	June 30,	
	2003	2002
Net Value of Investment Portfolio	$ 6,917	$ 6,566
Buildings, land	5	3
Cash external to portfolio	14	27
Net Assets Available for Benefits	$ 6,936	$ 6,596

Changes in Asset Value (market value based) in Valuation Year:

The components of asset value change are:

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

The specific changes during 2003 are presented below:

CHANGES IN MARKET VALUES		
Plan Assets/Market Value – June 30, 2002	$	6,595,671,933
Member Contributions Received		128,911,129
Employer Contributions Received		285,646,013
Benefits Paid Out		(423,217,912)
Investment Income/(Loss)		349,190,235
Plan Assets/Market Value – June 30, 2003	$	6,936,201,398

Development of the Actuarial Value of Assets:

The Actuarial Value of Assets represents a "smoothed" value developed by the actuary to reduce the volatility in the investment markets, particularly over short time periods. Because the System's plans are regarded as virtually perpetual in nature, it is appropriate to manage their funding with strategies designed to place short-term events within the longer perspective. For the System, the actuarial value of assets at a given valuation date equals the Expected Actuarial Value at that date plus 33% of the difference between the Expected Actuarial Value and the Market Value of Assets at that date. The Expected Actuarial Value is the previous year's actuarial asset value adjusted by contributions, payments and investment earnings of 8.0%. The following table illustrates the calculation of the Actuarial Value of Assets for the June 30, 2003 valuation.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2003		
1.	Actuarial Value of Assets at June 30, 2002	$7,612,509,160
2.	Amount in (1) with interest to June 30, 2003 at 8.00% per year	8,221,509,893
3.	Employer & member contributions for the Plan Year ended June 30, 2003	414,557,143
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2003 at 8.00% per year	16,582,286
5.	Disbursements from the Trust during the period June 30, 2002 through June 30, 2003	423,217,912
6.	Interest on disbursements to June 30, 2003 at 8.00% per year	16,928,716
7.	Expected Actuarial Value of Assets at June 30, 2003 = (2) + (3) + (4) - (5) - (6)	8,212,502,694
8.	Actual Market Value of Assets at June 30, 2003	6,936,201,398
9.	Difference Between (8) and (7)	(1,276,301,296)
10.	Actuarial Value of Assets at June 30, 2003 = (7) + 33% of (9)	$7,787,205,499

Allocation of Market Value and 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 allocated among 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 1.12269 ($7,787,205,499 ÷ $6,936,201,398). The allocation of actuarial value of assets to each of the System's plans is shown in the following chart.

ALLOCATION OF MARKET VALUE AND ACTUARIAL VALUE OF ASSETS AS OF JUNE 30, 2003

	Market Value	Actuarial Value
Teachers	$ 3,344,216,947	$ 3,754,519,672
State (Regular and Special)	2,037,456,492	2,287,432,485
Judges	33,189,773	37,261,834
Legislators	5,717,377	6,418,843
Consolidated Plan	1,382,342,410	1,551,942,311
Non-Consolidated Participating Local Districts	133,278,399	149,630,354
Total Assets	$ 6,936,201,398	$ 7,787,205,499

Investment Performance:

The Market Value of Assets (MVA) returned 5.30% during 2003. This is lower than the plan's assumed return of 8% but not unexpected. This year's return was an improvement over the 2002 return of (7.6)%.

On an actuarial value of assets basis, the return at June 30, 2003 was 2.41%. This return is less than the return on a market value basis because of the ongoing recognition in the actuarial value of losses in prior years not then fully recognized because of smoothing. As of June 30, 2003, these accumulated losses amounted to $851 million. This is a decrease in the accumulated losses of $1,017 million as of June 30, 2002.

SECTION III
LIABILITIES

Actuarial Liabilities

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

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

The actuarial liability is that portion of the total benefit obligation 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 established its individual actuarial liability. Each PLD with 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 with negative IUUALs (i.e., positive balance) will use this balance to pay part or all of its employer contribution. In each year's valuation for the Consolidated Plan, we calculate the Pooled Unfunded Actuarial Liability (PUAL) of the Regular and of the Special Plans under the Plan, and adjust the employer contribution rates accordingly. Benefit improvements, actuarial gains and losses, and changes in actuarial assumptions and methodologies, if any, will have an effect on the total actuarial liabilities of the Regular and of the Special Plans under the Plan and on the portions of these that are unfunded. In Table III-1 we have summarized the actuarial liabilities as of June 30, 2003.

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	$ 1,013,027,097	$ 688,022,271	$ 1,701,049,368
2. Present Value of Future Contributions			
a. Employer Normal Cost	103,060,535	59,474,440	162,534,975
b. Employee Contributions	88,751,695	42,033,897	130,785,592
3. Actuarial Accrued Liability (1) - (2)	$ 821,214,867	$ 586,513,934	$ 1,407,728,801
4. Actuarial Value of Assets			
a. Total Invested Assets			
b. IUUAL Surpluses in Individual PLD Accounts	$ 969,000,797 38,683,296	$ 643,273,283 21,648,473	$ 1,612,274,080 60,331,769
c. Valuation Assets (a)-(b)	$ 930,317,501	$ 621,624,810	$ 1,551,942,311
5. Unfunded Actuarial Accrued Liability			
a. Total Unfunded Liability (3) - (4c)	$ (109,102,634)	$ (35,110,876)	$ (144,213,510)
b. Individual PLD Unpooled Liability (IUUAL)	13,887,535	7,746,765	21,634,300
c. Pooled Unfunded Actuarial Liability (a) - (b)	$ (122,990,169)	$ (42,857,641)	$ (165,847,810)
6. Amortization over 15 Years	$ (14,368,885)	$ (5,007,039)	$ (19,375,924)
7. Payroll	$ 200,827,248	$ 75,557,300	$ 276,384,548
8. Pooled Unfunded Actuarial Liability Contribution Rate	-7.2%	-6.6%	-7.0%

TABLE III-2

ACCRUED BENEFIT LIABILITY

	REGULAR PLANS	SPECIAL PLANS	TOTAL
1. Present Value of Accrued Benefits			
a. Vested Inactive Members	$ 20,783,193	$ 369,900	$ 21,153,093
b. Retired Members, Beneficiaries Disabled Members and Survivors	365,562,627	345,698,653	711,261,280
c. Active Members	283,900,320	167,224,626	451,124,946
d. Total	$ 670,246,140	$ 513,293,179	$ 1,183,539,319
2. Market Value of Assets	828,650,219	553,692,191	1,382,342,410
3. Unfunded Accrued Benefit Liability (1) - (2)	$ 0	$ 0	$ 0
4. Accrued Benefit Funding Ratio (2)/(1)	124%	108%	117%

SECTION IV

CONTRIBUTIONS

General Comments

Under established procedures, employer contribution rates based on this June 30, 2003 actuarial valuation are used to determine Fiscal Year 2005 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 is determined for a typical new entrant. This rate equals the value, as of age at entry into the plan, of the typical member's projected future benefits (including retirement, disability and death benefits), minus the value of future member contributions, divided by the value, also as of the member's entry age, of the member's expected future salary. The normal cost rate is determined separately for each Regular and each Special Plan and is 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 will make payments on its IUUAL until it is fully paid off. 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.

SECTION IV

CONTRIBUTIONS

Employer Contribution Rate Summary

In Table IV-1 we present employer contribution rates applicable for determining the Fiscal Year 2005 contributions to the Plan, using the cost methods described above. These were developed using actuarial assumptions and methods described in Appendix D.

New Entrant/Re-Entrant Rate

While the above description of the employer rate components and calculation applies to all PLDs' rates, there is an additional rate-calculation step for PLDs that join the Consolidated Plan after the three-year "window period" that was in place at the outset of the Plan and for PLDs that rejoin the Plan, having previously withdrawn from it.

An entity that becomes a PLD, having not before been one, and joins the Consolidated Plan (as all such new PLDs must) is required to pay a new entrant rate to the Plan, as is a PLD that existed when the Plan was established but that did not then join the Plan (a so-called "withdrawn" PLD), and thereafter does so. The new entrant rate is calculated as the higher of the difference between the Normal Cost and the Total Rate, and the Total Rate. The Normal Cost and the Total Rate are those in effect at the time the PLD enters the Plan, for the plan or plans that the PLD adopts. The new entrant rate must be paid for a period of three years, after which the PLD henceforth pays the then-applicable Total Rate.

A PLD that joined the Consolidated Plan, subsequently becomes a "withdrawn" PLD, and later rejoins the Plan may be required to pay a "new" entrant rate (more properly called a re-entrant rate in these circumstances). The rate is calculated as stated above and is in effect for the rejoining PLD for the difference between the number of years that the PLD previously participated in the Consolidated Plan prior to withdrawal and three years. At the end of the established period, the PLD henceforth pays the then-applicable Total Rate.

The new entrant/re-entrant rate takes into account the fact that in the first three years of the Consolidated Plan's existence, then-existing PLDs who joined the Plan paid a Normal Cost rate that could only be an estimated rate until the population of plan participants at the end of the three-year period was established. The population having been established, the Normal Cost rate could be actuarially calculated. The actuarial Normal Cost rate proved to be lower than the estimated rate, which meant that those PLDs had made higher employer contributions than were necessary during the three-year period, thereby increasing the Plan's assets. Later-joining PLDs benefit in terms of the employer contribution rate from the higher Plan assets that resulted from the earlier-joining PLDs' larger-than-necessary contributions. The new entrant/re-entrant rate is intended to create equivalence, if not perfect equality, among all PLDs as to the degree to which they participate in building Plan assets.

The new entrant/re-entrant rate is in addition to any IUUAL payment required from the PLD.

TABLE IV-1
EMPLOYER CONTRIBUTION RATES*
FISCAL YEAR 2004

	NORMAL COST**	POOLED UNFUNDED ACTUARIAL LIABILITY		TOTAL RATES
		REGULAR PLANS	SPECIAL PLANS	
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	A	2		Yes	1/1/2002
Brewer Housing Authority	248	A			Yes	7/1/1994
Bridgton Water District	253	A			No	7/1/1996
Brunswick Fire and Police	292	A	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	A	2		No	7/1/1996
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	A	2	3	Yes	7/1/1996
City of Belfast	35	A	2		Yes	7/1/1996
City of Biddeford	158	A	3 [3]		No	7/1/1996
City of Brewer	63	A [4]	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 [5]	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
Coastal Counties Workforce, Inc.	301	A [6]			Yes	7/1/2003
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

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
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			Yes	7/1/2002
Fort Fairfield Utilities District	131	A			Yes	7/1/1996
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 County Sheriffs	302	A	2 [6]		Yes	7/1/2003
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 Principals' Association	105	A			Yes	7/1/1994
Maine School Management Association	239	A			Yes	7/1/1994
Maine State Retirement System	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
Mechanic Falls Sanitary District	282	A			FO	7/1/1994
Milo Water District	238	A			No	7/1/1996
Mount Desert Water District	300	A [6]			Yes	7/1/2003

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Mt Desert Island Reg. School District	120	A			Yes	7/1/1996
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	2 [3]		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
Sagadahoc County	96	A	2	3 [7]	Yes	7/1/2002
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 Sewer District	299	A [6]			Yes	7/1/2003
South Berwick Water	171	A	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

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS (continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
Town of Bucksport	130	A	4 [8]		No	7/1/1995
Town of Camden	8	A			Yes	7/1/1994
Town of Chesterville	295	A [9]			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 [10]			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 Freeport	142	A	2 [6]		Yes	7/1/2003
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 [11]			Yes	7/1/1994
Town of Hermon	150	A			No	7/1/1996
Town of Hodgdon	215	A			No	7/1/1996
Town of Houlton	10	A	4 [12]		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			Yes	7/1/1994
Town of Medway	194	A			Yes	7/1/1996
Town of Mexico	74	A			Yes	7/1/1996

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
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 Old Orchard Beach	140	A	2		Yes	7/1/2003
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	3	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			FO	7/1/1994
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

PARTICIPATING LOCAL DISTRICT PLAN ELECTIONS
(continued)

PLD Name	PLD #	Regular Plan	Special Plan	Special Plan	COLA	Entry Date
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 for future service only rendered by law enforcement from July 1, 2003.

[4] Brewer Water District (P0068) ceased to exist as a separate entity on January 15, 2003 and became part of the City of Brewer (P0063). All Brewer Water District Regular Plan AN members became members of the Regular Plan AC for future service only.

[5] Applicable to all new police hires on or after July 1, 1998.

[6] Applicable for future service only from July 1, 2003.

[7] Applicable for future service only rendered by law enforcement from July 1, 2002.

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

[9] Applicable for future service only from July 1, 2000.

[10] 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.

[11] 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.

[12] 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, 2003

ACTIVE MEMBER DATA

Regular Plans Members

Count	6,913
Average Current Age	46.3
Average Service	8.9
Average Valuation Pay	$ 29,051

Special Plans Members

Count	1,807
Average Current Age	39.7
Average Service	10.3
Average Valuation Pay	$ 41,814

All Plans Members

Count	8,720
Average Current Age	44.9
Average Service	9.2
Average Valuation Pay	$ 31,695

BENEFIT RECIPIENT AND INACTIVE VESTED MEMBER DATA as of June 30, 2003

REGULAR PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		4,739
Total Annual Benefit	$	37,557,169
Average Annual Benefit	$	7,925

Inactive Vested

Count		668
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	3,620,215
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	5,419

SPECIAL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		1,744
Total Annual Benefit	$	28,508,327
Average Annual Benefit	$	16,347

Inactive Vested

Count		18
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	94,985
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	5,277

Benefit Recipient and Inactive Vested Member Data

ALL PLANS

Retired Members, Beneficiaries, Disabled Members and Survivors

Count		6,483
Total Annual Benefit	$	66,065,496
Average Annual Benefit	$	10,191

Inactive Vested

Count		686
Total Annual Deferred Benefit (Payable at Normal Retirement Age)	$	3,715,200
Average Annual Deferred Benefit (Payable at Normal Retirement Age)	$	5,416

APPENDIX C
SUMMARY OF PLAN PROVISIONS

1. Member Contributions

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

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

2. Average Final Compensation

For purposes of determining benefits payable under the plan, average final compensation is the average annual rate of earnable compensation for the 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, 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 under Consolidated Plan A reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.

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

Cost-of-living Adjustment: See item 10.

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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, 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: 1/100 of average final compensation multiplied by years of membership service under Consolidated Plan B reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.

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

Cost-of-living Adjustment: See item 10.

Regular Plan Notes:

1. Under certain circumstances, Regular Plan service can count, on a pro rata basis, toward meeting Special Plan benefit eligibility requirements.
2. The actual benefit for service earned prior to coverage under the Consolidated Plan may be based on a variable percentage of average final compensation multiplied by years of service under any previous plan(s) (the percentage depends on the previous plan(s)).

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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

Special Plan 2N

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

Special Plan 3C

Eligibility: 25 years of creditable service in named positions.

Benefit: 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 4 reduced by approximately 2¼% 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.

Special Plan Notes:

1. 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.

2. Service in all Special Plans counts, on a percentage basis, toward meeting the benefit eligibility requirements of any Special Plan.

3. The actual benefit for service earned prior to coverage under the Consolidated Plan may be based on a variable percentage of average final compensation multiplied by years of service under any previous plan(s) (the percentage depends on the previous plan(s)).

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 child(ren), 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,

APPENDIX C
SUMMARY OF PLAN PROVISIONS

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

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

6. Pre-Retirement Ordinary Death Benefits

Eligibility: Death while active, 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 5 years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of 10 years following normal retirement age or date the service retirement benefit equals or exceeds the disability benefit.

Conversion to service retirement: During the period of disability, service is credited and average final compensation may be increased with cost of living adjustments (see item #10). 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 workers' compensation and Social Security, exceeds 80% of average final compensation.

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

Conversion to service retirement: During the period of disability, service is credited and average final compensation may be increased with cost-of-living adjustments (see item #10). 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.

APPENDIX C
SUMMARY OF PLAN PROVISIONS

9. Refund of Contributions

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

Benefit: member's accumulated contributions with interest.

10. Cost-of-Living Adjustments

All service and disability 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 elected Ages*

Age	Regular	Special
25	19.5 %	7.5 %
30	12.5	7.5
35	10.0	4.2
40	7.5	3.2
45	5.3	2.2
50	3.6	2.0
55	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 Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)

Age	Male	Female
25	6	3
30	8	5
35	11	7
40	16	9
45	29	14
50	53	22
55	85	33

ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

6. Rates of Mortality for Future Anticipated Disableds at Selected Ages (number of deaths per 10,000 members)

Age	Male	Female
25	92	72
30	112	89
35	134	109
40	160	126
45	193	144
50	236	165
55	295	191
60	362	226
65	446	272
70	576	331

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	Assumption
Regular Plans	45	50
	50	50
	55	100
	56	100
	57	100
	58	150
	59	250
	60	400
	63	250
	70	1,000

ACTUARIAL ASSUMPTIONS AND METHODS (continued)

Special Plans

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

*** 10% assumed to receive Workers' Compensation benefits offsetting disability benefit.*

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

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%

ACTUARIAL ASSUMPTIONS AND METHODS
(continued)

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 PUAL, 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 PUAL 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, IUUALs are amortized by annual payments over a fixed number of years. Additional unpooled unfunded liability amounts that arise for a given PLD after its entry to the Consolidated Plan are amortized over a period of not more than 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.

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STATISTICAL SECTION

SCHEDULE OF ADDITIONS TO FIDUCIARY NET ASSETS BY SOURCE

Fiscal Year Ending June 30:	Contributions: Member	Contributions: Employer*	Investment Income (Net)	Total Additions to Fiduciary Net Assets
2004	$140,599,869	$299,675,177	$1,144,348,701	$1,584,623,747
2003	136,970,842	295,370,043	351,340,591	783,681,476
2002	130,262,842	423,858,414	(530,070,371)	24,050,885
2001	123,248,430	272,597,903	(591,237,695)	(195,391,362)
2000	117,883,047	258,261,090	678,239,769	1,054,383,906
1999	112,686,985	299,694,267	692,116,191	1,104,497,443

* See Notes to Financial Statements beginning on page 23 for current Employer rates as a percentage of covered payroll.

SCHEDULE OF DEDUCTIONS FROM FIDUCIARY NET ASSETS BY TYPE

Fiscal Year Ending June 30:	Benefits Paid (Net)	Refunds and Withdrawals	Administrative Expenses	Other Deductions+	Total Deductions from Fiduciary Net Assets
2004	$441,546,149	$15,697,257	$9,102,910	NA	$466,346,316
2003	417,180,904	13,834,163	9,724,031	NA	440,739,098
2002	396,398,584	15,822,142	8,307,131	NA	420,527,857
2001	368,816,383	17,468,264	8,025,492	NA	394,310,139
2000	343,316,238	17,728,820	7,948,970	NA	368,994,028
1999	325,989,225	19,156,890	7,615,420	601,825	353,363,360

+ Other Deductions include immaterial adjustments related to corrections to accumulated depreciation on fixed assets and accounts receivables.

SCHEDULE OF BENEFIT EXPENSES BY TYPE
NET OF ACCRUALS

	Retirement Benefit Payments				Refunds of Contributions			Group Life Insurance		
Fiscal Year Ended June 30:	Service Retirees Benefits	Service Retiree Beneficiary Recipients Benefits	Disability Benefits	Pre-Retirement Death Benefits	Death (Lump Sum)	Contributions in Error Refunds	Employee Withdrawals upon Termination	Premium Error Refunds	Claims Benefits	Total Benefits and Refunds Expense
2004	$354,977,743	$32,393,365	$41,322,458	$5,304,351	$2,209,683	$1,781,147	$11,686,892	$19,535	$7,068,221	$456,763,395
2003	333,776,178	31,243,729	39,429,493	5,105,915	2,481,807	1,219,184	10,116,914	16,257	7,032,316	430,421,793
2002	315,942,837	29,789,595	36,753,183	5,046,469	1,690,232	3,056,473	11,062,723	12,714	8,998,000	412,352,225
2001	295,733,000	27,848,153	33,923,432	4,978,918	1,359,147	2,640,562	13,450,714	17,841	6,747,050	386,698,817

Note: Statistics are not available for FY 2000 and 1999.

SCHEDULE OF RETIREES BY BENEFIT TYPE

Fiscal Year Ended June 30:	Service Retirees	Service Retiree Beneficiary Recipients	Disability Benefit Recipients	Pre-Retirement Death Benefits Recipients	Total Pension Benefit Recipients
2004	22,067	5,874	2,403	1,116	31,460
2003	21,675	5,735	2,292	1,072	30,774
2002	21,226	5,689	2,218	989	30,122
2001	20,887	5,575	2,096	1,008	29,566
2000	20,673	5,297	1,967	1,007	28,944
1999	19,681	5,906	1,672	1,113	28,372

Recipients of MSRS benefits fall into four categories:

- *Service Retirees* - those who are receiving a service retirement benefit and their concurrent beneficiaries.
- *Service Retiree Beneficiary Recipients* - those who are the beneficiaries of deceased service retirees.
- *Disability Retirees* - those who are receiving a disability retirement benefit.
- *Pre-Retirement 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.

SCHEDULE OF AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates **July 1, 1998 to June 30, 2004**	Years of Creditable Service					
	5-10	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Period 7/1/1998 to 6/30/1999						
Average Monthly Benefit	268.78	411.70	689.43	1,141.65	1,320.03	1,856.48
Average Final Average Salary	16,058.33	14,767.83	18,320.80	22,697.39	26,449.10	27,179.83
Number of Active Retirees	1095	3004	2451	3387	4733	4530
Period 7/1/1999 to 6/30/2000						
Average Monthly Benefit	276.01	421.17	709.18	1,173.61	1,355.18	1,924.90
Average Final Average Salary	16,703.80	15,385.97	18,931.20	23,465.70	27,264.93	28,803.15
Number of Active Retirees	1068	2968	2431	3431	4861	4696
Period 7/1/2000 to 6/30/2001						
Average Monthly Benefit	288.63	438.54	739.63	1,232.90	1,424.13	2,027.97
Average Final Average Salary	17,346.65	16,093.24	19,592.53	24,287.65	28,405.39	30,555.31
Number of Active Retirees	1029	2986	2400	3428	5038	4895
Period 7/1/2001 to 6/30/2002						
Average Monthly Benefit	300.16	456.37	768.28	1,279.12	1,479.46	2,109.00
Average Final Average Salary	17,827.94	16,542.47	20,259.35	24,903.68	29,146.34	31,792.32
Number of Active Retirees	1001	2989	2401	3450	5191	5111
Period 7/1/2002 to 6/30/2003						
Average Monthly Benefit	305.27	468.22	791.04	1,312.00	1,515.02	2,169.99
Average Final Average Salary	18,880.61	17,360.61	21,472.05	26,136.63	30,468.61	33,730.50
Number of Active Retirees	970	2935	2397	3473	5417	5366
Period 7/1/2003 to 6/30/2004						
Average Monthly Benefit	320.10	486.81	818.26	1,347.20	1,566.11	2,246.79
Average Final Average Salary	19,873.98	18,134.31	22,388.59	26,957.68	31,601.89	35,365.97
Number of Active Retirees	950	2868	2420	3526	5631	5610

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
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
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
MSAD #20 Fort Fairfield
MSAD #21 Dixfield

EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

TEACHER *(continued)*

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
Oxford Hill Technical School #11
Peninsula Community School District
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
Richmond School Department
Sanford School Department
Scarborough School Department
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 51 - Windsor
Union 52 - China
Union 52 - Vassalboro
Union 52 - Winslow
Union 60 - Greenville
Union 60 - Shirley
Union 69 - Appleton
Union 69 - Hope

EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

TEACHER *(continued)*

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: **LEGISLATIVE**
Employer: **State of Maine**
Reporting Entity: **Office of the Executive Director of the Maine Legislature**

PROGRAM: **JUDICIAL**
Employer: **State of Maine**
Reporting Entity: **Administrative Office of the Courts**

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

Androscoggin County
Androscoggin Valley Council of Government
Aroostook County
Ashland, Town of
Auburn Housing Authority
Auburn Lewiston Airport
Auburn Public Library
Auburn School Support
Auburn, City of
Augusta Sanitary District
Augusta School Support
Augusta Water District
Augusta, City of
Baileyville School Support
Baileyville, Town of
Bangor Housing Authority
Bangor Water District
Bar Harbor School Lunch
Bar Harbor School Support
Bar Harbor, Town of
Bath School Support
Bath Water District
Bath, City of

EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

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 School Support
Brewer, City of
Bridgton Water District
Brunswick & Topsham Water District
Brunswick Fire And Police
Brunswick Public Library Association
Brunswick School Support
Brunswick Sewer District
Brunswick, Town of
Bucksport School Food Service
Bucksport School Support
Bucksport, Town of
Calais School Support
Calais, City of
Camden, Town of
Caribou Fire & Police
Carrabasset Valley, Town of
Castine, Town of
Chesterville, Town of
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 School Support
Durham, Town of
Eagle Lake Water & Sewer District
East Millinocket
East Millinocket School Support
Easton School Support
Easton, Town of
Eliot, Town of
Ellsworth School Support
Ellsworth, City of
Erskine Academy
Fairfield, Town of
Falmouth Memorial Library
Falmouth School Support
Falmouth, Town of
Farmington Village 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
Gardiner Water District
Gardiner, City of
Glenburn School Lunch
Glenburn School Support
Glenburn, Town of
Gould Academy
Greenville School Support
Greenville, Town of
Hallowell Water District
Hallowell, City of
Hampden Water District
Hampden, Town of
Hancock County
Harrison, Town of
Hermon School Support
Hermon, Town of
Hodgdon, Town of
Houlton Water Company
Houlton, Town of
Indian Township Tribal Government
Jackman Utility District
Jay School Support
Jay, Town of
Kennebec County
Kennebec Sanitary Treatment District
Kennebec Water District
Kennebunk Kennebunkport Wells Water District
Kennebunk Light & Power District
Kennebunk Sewer District
Kennebunk, Town of
Kennebunkport, Town of
Kittery School Support
Kittery Water District
Kittery, Town of
Lebanon, Town of
Lewiston Auburn 911
Lewiston Auburn Water Pollution Control
Lewiston Housing Authority
Lewiston School Support
Lewiston, City of
Lincoln & Sagadahoc Multi County Jail Authority
Lincoln Academy
Lincoln County
Lincoln County Sheriffs
Lincoln Sanitary District

EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Lincoln Water District
Lincoln, Town of
Linneus, Town of
Lisbon School Support
Lisbon Water Department
Lisbon, Town of
Livermore Falls Water District
Livermore Falls, Town of
Lovell, Town of
Lubec Water & Electric District
Lubec, Town of
M.A.D.S.E.C.
Madawaska School Support
Madawaska Water District
Madawaska, Town of
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
Milford, Town of
Millinocket School Support
Millinocket, Town of
Milo Water District
Monson, Town of
Mount Desert Island Regional
Mount Desert Water District
MSAD #1 Presque Isle
MSAD #9 Farmington
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
Ogunquit, Town of
Old Orchard Beach School Support
Old Orchard Beach, Town of
Old Town Housing Authority
Old Town School Support
Old Town Water District
Old Town, City of
Orland School Food Service
Orland School Support
Orland, Town of
Orono School Support
Orono, Town of
Orrington School Lunch Program
Orrington School Support
Orrington, Town of
Otisfield, Town of
Oxford County
Oxford, Town of
Paris Utility District
Paris, Town of
Penobscot County
Penquis C.A.P.
Phippsburg School Food Service
Phippsburg School Support
Phippsburg, Town of
Piscataquis County
Pittsfield, Town of
Pl Pt Passamaquoddy Resv Housing Authority
Portland Housing Authority
Portland Public Library
Portland School Support
Portland, City of
Presque Isle Water & Sewer District
Presque Isle Water District
Princeton School Support
Princeton, Town of
Region 4 So. Penobscot
Region 8 Coop. Board for Voc. Ed.

EMPLOYERS FOR WHOM THE MAINE STATE RETIREMENT SYSTEM ADMINISTERS RETIREMENT PROGRAMS

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Richmond Utility District
Rockland, City of
Rockport, Town of
Rumford Fire & Police
Rumford Mexico Sewerage District
Rumford School Support
Rumford Water District
Rumford, Town of
Sabattus School Support
Sabattus, Town of
Saco School Support
Saco, City of
Sagadahoc County
Sanford Housing Authority
Sanford School Support
Sanford Sewerage District
Sanford Water District
Sanford, Town of
Scarborough School Food Service
Scarborough School Support
Scarborough, Town of
Searsport Water District
Searsport, Town of
Skowhegan, Town of
Somerset County
South Berwick Sewer District
South Berwick Water District
South Berwick, Town of
South Portland, City of
South Portland Housing Authority
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
Veazie Police
Waldo County
Waldo County Technical Center
Waldoboro, Town of
Washburn, Town of
Washington County
Waterville Fire & Police
Waterville Sewer District
West Paris, Town of
Westbrook Housing Authority
Winter Harbor Utility District
Winthrop School Support
Winthrop, Town of
Wiscasset, Town of
Yarmouth School Support
Yarmouth Water District
Yarmouth, Town of
York County
York School Support
York Sewer District
York, Town of
York Water District

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

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

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

MAINE STATE RETIREMENT SYSTEM
46 State House Station
Augusta, ME 04333-0046

Telephone: (207) 512-3100
Toll-free: 1-800-451-9800
Fax: (207) 512-3101
TTY: (207) 512-3102

www.msrs.org

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