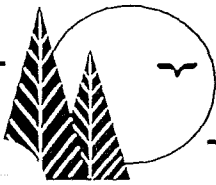


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MAINE STATE RETIREMENT SYSTEM

Claude R. Perrier, *Executive Director*
Kay R. H. Evans, *Deputy Director*
Joseph A. Gahagan, *Deputy Director*
Gail Drake Wright, *Asst. Executive Director*

BOARD OF TRUSTEES

David S. Wakelin, *Chairman*
John H. Kimball, *Vice Chairman*
William C. Bullock Jr.
George A. Burgoyne
Eunice Cotton
Charles M. Jackson
Grover B. MacLaughlin

Ex-officio Member
Samuel Shapiro,
State Treasurer

October 5, 1993

Members, Committee to
Study the Retirement System

Dear Committee Member:

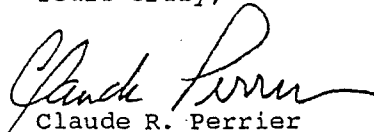
As requested, the MSRS is submitting an analysis of the accrued unfunded liability dating back to 1972.

This analysis is intended to provide Committee members with an overview of what transpired during the last 20 years resulting in the present accrued unfunded liability. We attempted to identify major events that occurred during this period and present supporting documentation in the form of Board minutes, legislation, correspondence, actuarial analysis, etc.

Much of what was done was a reconstruction of historical events spanning 20 years and in some cases, information was simply not available and is therefore not presented. However, we attempted to be as accurate and complete as possible in order to present an objective analysis of the events as they occurred. Apart from specific events such as legislative changes, the System incurred experience gains and losses throughout this period of time which have been identified in the summary entitled Chart I.

I am prepared to answer any questions and provide you with an explanation of our approach in developing this information.

Yours truly,


Claude R. Perrier
Executive Director

CRP/pjm
Enclosure

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(207) 287-3461

800-451-9800 (Maine only)

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CHART I

UNFUNDED ACCRUED LIABILITY

FY			
	70	M.S. 1/70 to 1/60, AFC FROM 5 YEAR AVE. TO 3 YEAR AVE., MINIMUM BEN. \$80 MO.	
	72	TEACHER PRIOR SERVICE (PRE 1947) 1/70 TO 1/60, RETIRED TEACHERS INC. 16-2/3% - STATE SPECIAL PLAN CHANGES	\$ 263M
NEW ACTUARY	73	NO REPORT LOCATED	
	74	M.S 1/60 TO 1/50, P.S. 1/60 TO 1/50, MINIMUM BEN. \$80 TO \$100 MO. - INC. UAL, \$175M EARLY RET. 30 YRS. TO 25 YRS.	\$ 465M
	75	INVESTMENT LOSS \$13.25M, SALARY INCREASES \$6.75M, OLD SYSTEM TEACHERS	OST \$10M \$ 495M
	76	EXPERIENCE LOSSES, INVEST RETURN, SALARY INC., RETIREMENT AGES	OST \$14M \$ 528M
	77	INVESTMENT RETURN, COLA, RETIREMENT AGES	OST \$ 6M \$ 589M
ASSUMPTION CHANGES	78	ACTUARIAL ASSUM. CHG. - \$101M, EXPER. LOSS - \$79M (SALARY, COLA, RET. AGE, INVEST)	OST \$30M \$ 799M
	79	TEACHER PRIOR SERV. PRE 1942 1/60 TO 1/50 - \$9M, EXP. LOSSES \$47M (SALARY, RET. AGES)	OST \$18M \$ 873M
	80	EXPER. LOSSES - \$53M (SALARY, RET. AGES)	OST \$16M \$ 942M
FUNDING OST BEGAN	81	EXPER. LOSSES - \$39M (SALARY, RET. AGES) - INVEST GAIN	OST \$20M \$1,001M
	82	EXPER. LOSSES - \$51M (SALARY, RET. AGES) EXTRA 2% COLA - \$15M - INVEST GAIN	OST \$10M \$1,077M
	83	EXPER. GAINS & LOSSES BALANCED, EXTRA 50¢ COLA - \$17M - INVEST GAIN	OST \$11M \$1,102M
	84	EXPER. LOSSES - \$51M (SALARY, RET. AGES, INVEST) BENEFIT REVISION (SOUCY) - \$1.3M, EXTRA 1.4% COLA	OST N/C \$1,155M
	85	EXPER. LOSSES - \$25M (RET. AGES) - INVEST GAIN	\$1,190M
NEW ACTUARY	86	FUNDING METHOD CHANGED FROM "ATTAINED AGE NORMAL" TO "ENTRY AGE NORMAL," ASSUMPTIONS CHANGED	\$1,046M
ASSUMPTION CHANGES	87	ASSUMPTIONS STRENGTHENED (RETIRE AGE 60) EXPERIENCE LOSSES (SALARIES, RET. AGES) ASSET GAIN \$23M	\$1,185M
	88	EXPER. LOSSES - ASSET LOSS OF \$23M	\$1,301M
	89	EXPER. LOSSES - ASSET LOSS OF \$3M	\$1,311M
	90	EXPER. LOSSES - ASSET GAIN OF \$3M	\$1,308M
BENEFIT CHANGES	91	EXPER. LOSSES - ASSET LOSS OF \$10M - BENEFIT CHANGES (GAIN) - CONTRIBUTIONS LESS THAN EXPECTED - \$13M	\$1,394M
ASSUMPTION CHANGES	92	EXPER. LOSSES - ASSET GAIN OF \$29M - CONTRIBUTIONS LESS THAN EXPECTED - ASSUMPTION CHANGES	\$1,488M
	93	EXPER. LOSSES - ASSET GAIN OF \$82M - CONTRIBUTIONS LESS THAN EXPECTED - GAIN - ASSUMPTION CHANGES	\$1,252M

CHAPTER II

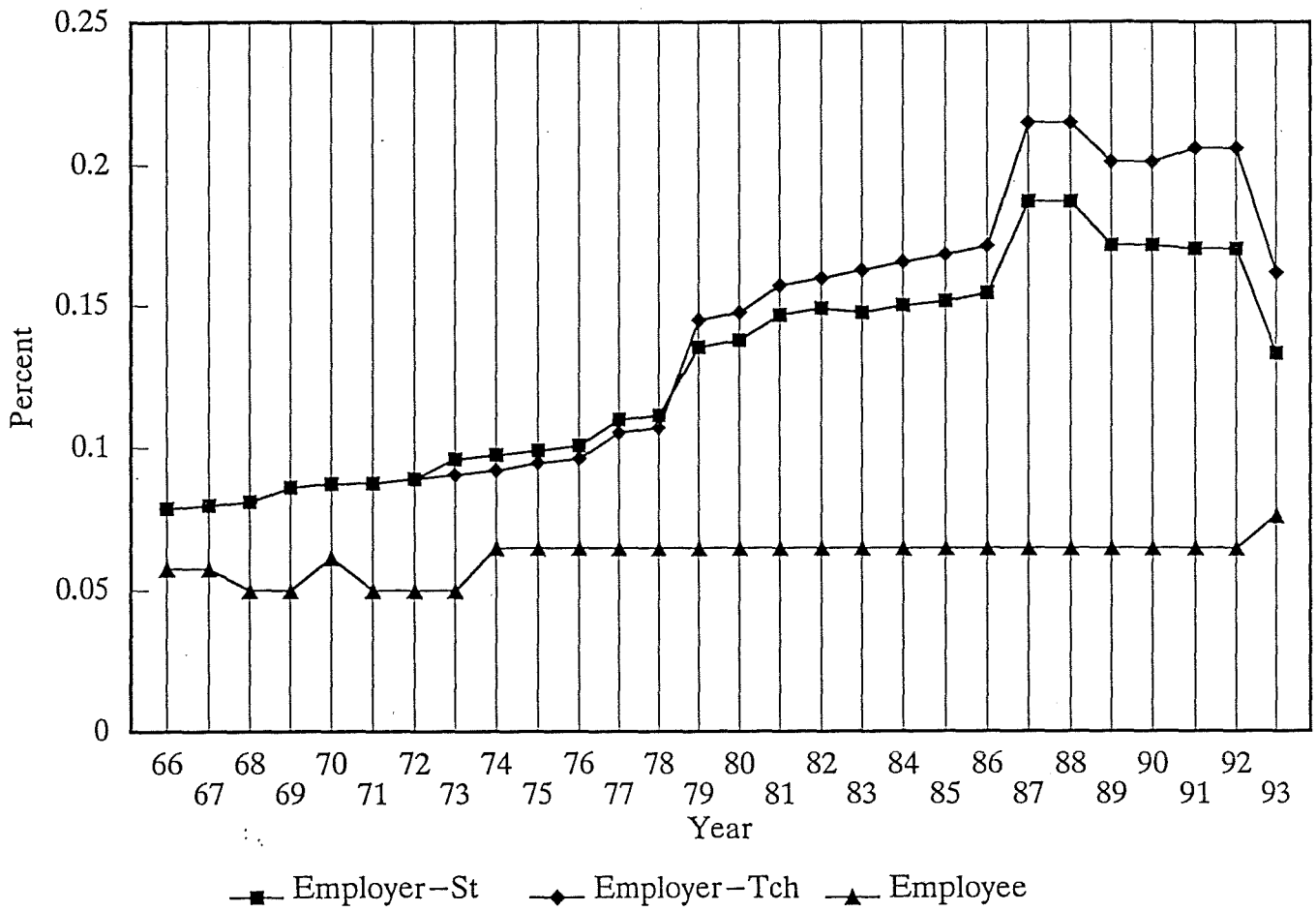
6/30 VALUATION	SALARY		COLA		INVEST.		ACT. TIME WEIGHTED	MEMBER CONTRIBUTION
	ASSUM.	ACTUAL	ASSUM.	ACTUAL	ASSUM.	ACTUARIAL VALUE		
92	6 %	2.5%	4%	4 %	8 %	9.32%	12.9 %	6.5 %
91	6 %	6.9%	4%	4 %	8.5%	8.00%	6.1 %	6.5 %
90	6 %	6.7%	4%	4 %	9.0%	9.25%	10.02%	6.5 %
89	6 %	5.8%	4%	4.0 %	9.5%	9.25%	13.25%	6.5 %
88	6 %	10 %	4%	3.7 %	10.0%	7.43%	-1.07%	6.5 %
87	6 %	9.2%	4%	1.7 %	10.5%	12.56%	12.49%	6.5 %
86	6 %	15 %	4%	3.7 %	8.5%		27.08%	6.5 %
85	5.5%	6.6%	4%	4 %	8.5%	12.71%	27.05%	6.5 %
84	5.5%	6.5%	4%	4 %**	8.5%	7.58%	-7.17%	6.5 %
83	5.5%	3 %	4%	4 % + 50¢*	8.5%	18.60%	47.55%	6.5 %
82	5.5%	12 %	4%	6 %	8.5%	11.45%	-1.84%	6.5 %
81	5.5%	9 %	4%	4 %	8.5%	9.95%	15.89%	6.5 %
80	5.5%	10 %	4%	4 %	8.5%	8.72% 7.92%	14.75%	6.5 %
79	5.5%	9 %	4%	4 %	8.5%	8.45% 7.94%	11.78%	6.5 %
78	5.5%	12 %	4%	9.58%	8.5%	5.24%	4.39%	6.5 %
77	3.5%	1.0%	2%	7.7 %	6.5%	3.56%	2.70%	6.5 %
76	3.5%	4.8%	2%	0.0 %	6.5%	5.77%	7.70%	6.5 %
75	3.5%	7.3%	2%	0.0 %	6.5%	5.67%	11.90%	6.5 %
74	3.5%	5.5%	2%	5.5 %	6.5%	3.23%	-11.80%	6.5 % eff. 10/1/73
72					5.5%	4.53%	8.00%	5.0 % ***
70					5.5%			5 % eff. 9/1/70
70					5.0%			6.14% eff. 1/1/70
68					4.0%			5.0 % eff. 9/1/68
PRIOR					3.0%			5.75% prior

*In addition to 4%, each service retirement recipient received 50¢ per month per year of creditable service. Benefits not based on service received extra 2%.

**CPI was 2.6%, 4% COLA granted

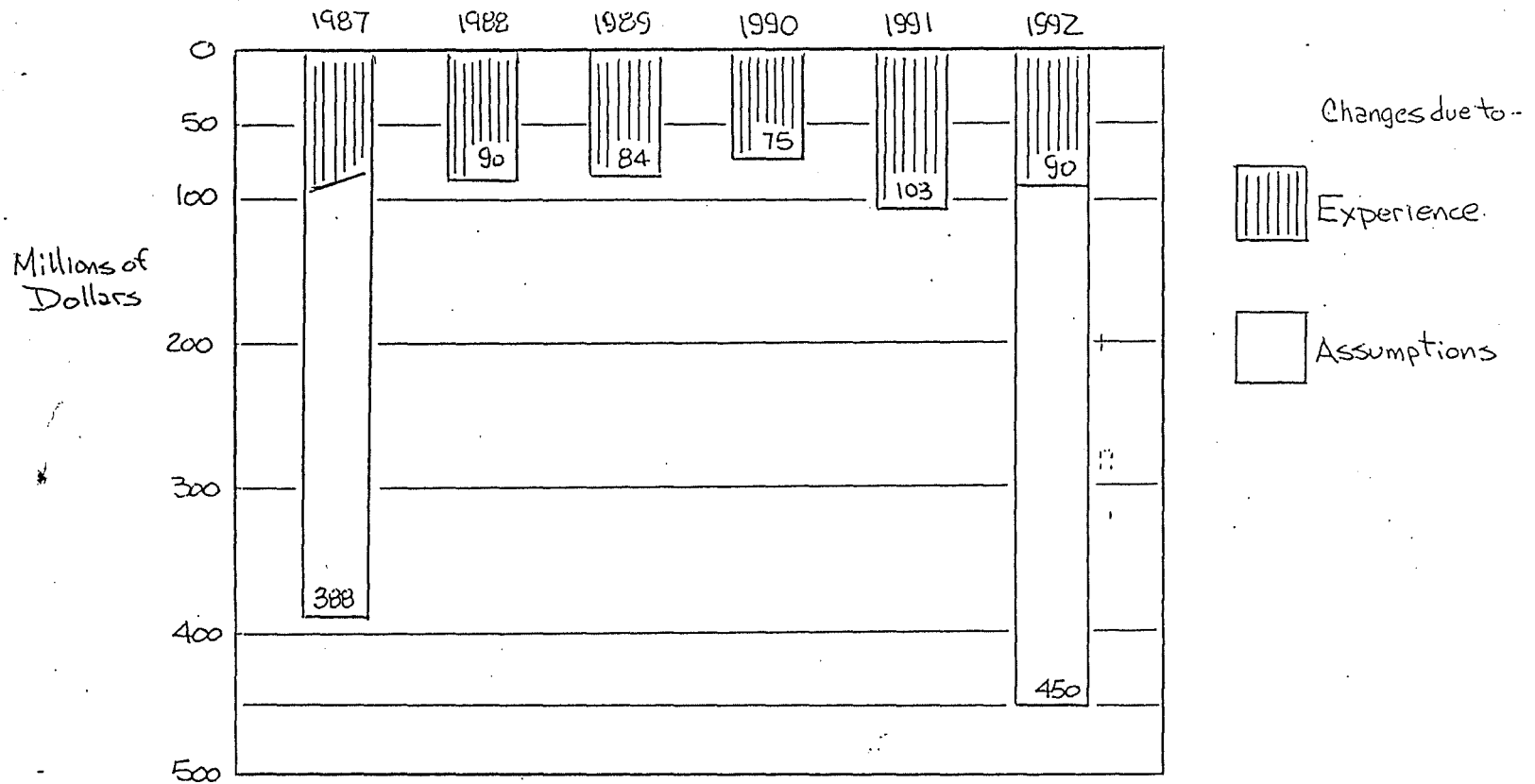
***L 743 - provided for employer rate up to 5.7% based on recommendation by Actuary and set by Board.

Contribution Rates



Maine State Retirement System

ACTUARIAL LOSSES DUE TO CHANGES IN ASSUMPTIONS & EXPERIENCE



- 1987 Assumption Changes
1. Investment Return Increased
 2. Incr. Rate of Salary Increases
 3. Retirement Age Lowered

- 1992 Assumption Changes
1. Consideration Given Vacation/Sick-Leave Credits
 2. Pay Increases at Career End,