Michigan Public School Employees Retirement System

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1999

A Pension Trust Fund of
the State of Michigan

John Engler, Governor

Michigan Public School Employees' Retirement System
a Pension Trust Fund of the State of Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1999

MPSERS

Prepared by:
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INTRODUCTORY SECTION

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The cost of printing this report was $2,373.32 ($1.39 each), which was paid for by the retirement system at no cost to taxpayers.

INTRODUCTORY SECTION

Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Michigan Public School Employees Retirement System

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Letter of Transmittal

Michigan Public School
Employees' Retirement System
P.O. Box 30171
Lansing, Michigan 48909-7671
Telephone 517- 322-5103
Outside Lansing 1-800-381-5111

STATE OF MICHIGAN

JOHN ENGLER, Governor

DEPARTMENT OF MANAGEMENT AND BUDGET

February 10, 2000

The Honorable John Engler
Governor, State of Michigan,

Members of the Legislature
State of Michigan,

Retirement Board Members
and
Members, Retirees and Beneficiaries

Ladies and Gentlemen:

We are pleased to present the annual report of the Michigan Public School Employees' Retirement System (System) for fiscal year 1999.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the leadership team of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

The Michigan Public School Employees' Retirement System was established by legislation under Public Act 136 of 1945, and is administered by the Office of Retirement Services (ORS). The number of active and retired members and beneficiaries for the System is presented in Note 1 of the financial statements in the Financial Section of this report. The purpose of the System is to provide benefits for all public school employees. The services performed by the staff provides benefits to members.

The 1999 annual report is presented in five sections. The Introductory Section contains the transmittal letter, and identifies the administrative organization and professional consultants used by the System. The Financial Section contains the independent auditors' report, financial statements of the System and certain supplemental schedules. The Investment Section summarizes investment activities. The Actuarial Section contains the independent consulting actuary's certification, an outline of actuarial assumptions and methods, and other actuarial statistics. The Statistical Section contains statistical tables of significant data pertaining to the System.

Letter of Transmittal (Continued)

MAJOR GOALS ACCOMPLISHED

Providing excellent service to Office of Retirement Services customers now and into the future requires a focused effort by management and staff. This year, ORS began strategic planning to move ORS towards its newly established mission and vision, which are:

> *ORS Mission: We deliver pensions, related benefits and services to promote the future financial security of our customers.*
>
> *ORS Vision: Fast, easy access to complete and accurate information and exceptional service.*

The State of Michigan worked aggressively to ensure compliance with Year 2000 requirements for the state's critical information systems, including the state's retirement systems. In ORS, systems such as those which handle quarterly report processing, annual statements, member billings, service credit evaluations, beneficiary nominations, the new tax deferred purchase program, and the payment of retiree pensions and 1099R distribution were all completed by September 30, 1999.

ORS designed a contingency plan to make sure customer records were protected and business processes would continue on schedule if a natural disaster struck, or systems and processes *outside* of ORS created potential business disruptions if they were not adequately compliant for Year 2000. Contingency plans were in place to ensure ORS could continue to provide essential services, such as issuing monthly pension payments, placing new pension recipients on payroll, and enrolling retirees in their appropriate insurance plans. ORS is pleased to report that no service or system disruptions were experienced due to Year 2000.

ORS is identified by other organizations across the country for the use of innovative solutions to problems. Several companies and governmental entities, including Blue Cross/Blue Shield of Michigan, the State of New Jersey Division of Pension and Benefits, Minnesota Teachers' Retirement System, Oregon Public Employees' Retirement System, and the Segal Company, sent representatives to hear about ORS' techniques for responding to major organizational changes, reengineering business processes, and striving to be a more customer-focused organization. One of the major areas of interest was the Customer Information Center (CIC) telephone response group. The CIC services approximately 240 personal counseling visits per month and handles an average of 13,733 of the 19,776 telephone calls ORS receives each month.

New channels of communication have been created to keep in touch with ORS' various customers. The *Connections* retiree newsletter continues to provide pension recipients with a link to current activities at ORS. Other newsletters reach ORS staff and human resource offices, with additional newsletters in development to reach other specialty audiences. Providing updates to interested parties has become easier with the introduction of ListServ technology which allows individuals to "subscribe" to an Internet notification system. ORS staff have been able to efficiently reach larger audiences in remote locations with timely information using video conferencing and satellite broadcasting.

In February 1999, ORS launched a new Internet web site to make available a wealth of information to interested parties, and allow interactive communications between customers and staff. ORS customers can now access copies of publications, forms, retirement acts, and pension calculation estimators, along with general information about the Retirement System.

Response to the new Tax-Deferred Purchase (TDP) program was tremendous, with over 30,000 billing statements requested and mailed between July 1, 1998, and June 30,1999. TDP participants are able to purchase service credit or repay previous refunds of contributions with pre-tax dollars through payroll deduction.

Approximately 7,780 former public school employees who were not working or not members of the Retirement System during the enrollment periods for the Member Investment Plan (MIP) but were later re-employed, have been notified of a limited MIP sign-up opportunity.

Letter of Transmittal (Continued)

As of January 1, 2000, pending Public School Employee retirees will be able to select from an additional pension payment option, the 75% Survivor Pension option. Processes required to implement this new program, and communication plans to inform employees of its availability are complete.

In September 1999, ORS introduced a new interactive web site, the ORS Member Inquiry System, which allows Reporting Units secure direct Internet access to specific member information, using a designated ID and password. This new system uses the latest technology to improve customers' efficiency and access to data when retrieving member information from ORS.

Public school Reporting Units can now report their member wage and service data on computer diskettes, improving their efficiency.

The August 1999 payroll had the largest number ever of new retirees receiving pension payments within 60 days of their retirement effective date. Staff placed 2,033 retirees on payroll in August 1999 compared to 1,745 in August 1998.

Health Maintenance Organization (HMO) focus groups demonstrated how satisfied participants are with the optional HMO Pilot program, which may lead to further expansion of the HMO program within the state.

A semi-annual survey continues to be used to evaluate public school retirees' level of satisfaction with the services they receive.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its comprehensive annual financial report for the fiscal year ended September 30, 1998. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

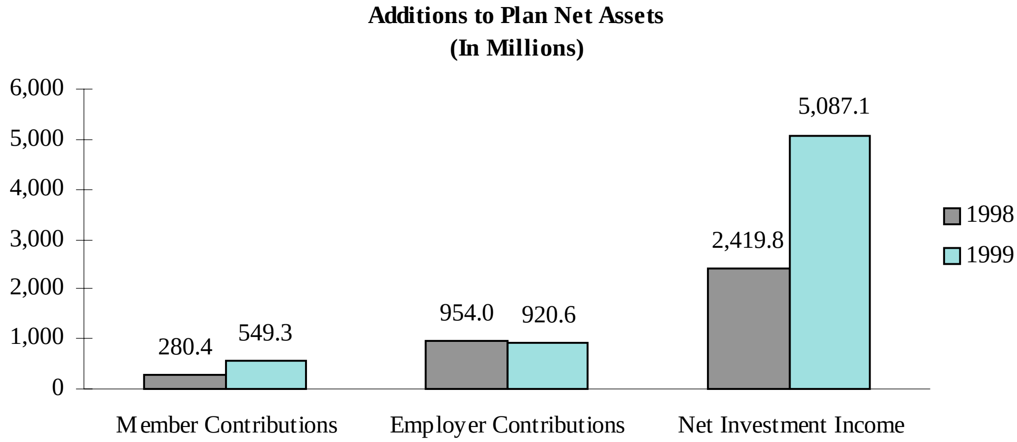
FINANCIAL INFORMATION

Additions to Plan Net Assets

The reserves needed to finance retirement and health benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. Contributions and net investment income for fiscal year 1999 totaled approximately $6.6 billion.

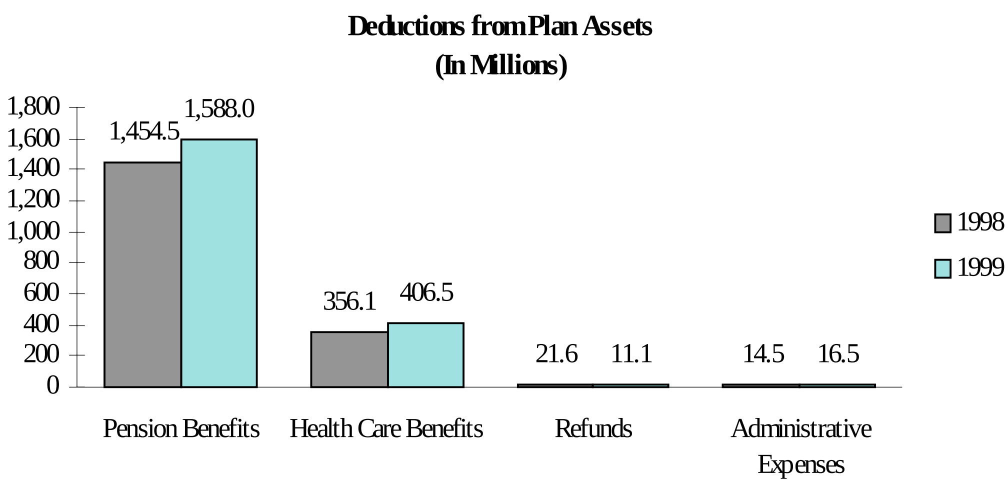
Total contributions and net investment income increased 79.4% from those of the prior year due primarily to increased investment earnings. Total employee contributions increased by $268.9 million or 95.9%. The increase is attributable to the tax deferred purchases program which allows employees to purchase service credit on a tax deferred basis. Employer contributions decreased 3.5% and investment income increased 110.7% from the prior year. The Investment Section of this report reviews the results of investment activity for 1999.

Letter of Transmittal (Continued)



Deductions From Plan Net Assets

The primary expenditures of the System include the payment of pension benefits to members and beneficiaries, payments for health, dental and vision benefits, refund of contributions to former members, and cost of administering the System. The growth of health care expenditures continued during the year and increased by $50.4 million from $356.1 million to $406.5 million during the fiscal year. Total deductions for fiscal year 1999 were $2 billion, an increase of 9.5% over 1998 expenditures. The increase in pension benefit expenditures resulted from an increase in retirees (4,293) and an increase in benefit payments to retirees.



Letter of Transmittal (Continued)

Internal Control

The management of the System is responsible for maintaining adequate internal accounting controls designed to provide reasonable assurance that transactions are executed in accordance with management's general or specific authorization, and are recorded as necessary to maintain accountability for assets and to permit preparation of financial statements in accordance with generally accepted accounting principles. The internal control structure is designed to provide reasonable assurance regarding the safekeeping of assets and reliability of all financial records.

INVESTMENT

The State Treasurer is the investment fiduciary and custodian of all investments of the System pursuant to state law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment return rate. The investment activity for the year produced a total rate of return on the portfolio of 16.1%. For the last five years, the System has experienced an annualized dollar weighted rate of return of 15.9%. A summary of asset allocation and rates of return can be found in the Investment Section of this report.

FUNDING

Funds are derived from the excess additions to plan net assets over deductions from plan net assets. Funds are accumulated by the System in order to meet future benefit obligations to retirees and beneficiaries. The percentage computed by dividing the actuarial value of assets by the actuarial accrued liability is referred to as the "funded ratio." This ratio provides an indication of the funding status of the System and, generally, the greater this percentage, the stronger the System. As of September 30, 1999, the actuarial value of the assets and actuarial accrued liability were $34.1 billion and $34.3 billion respectively, resulting in a funded ratio of 99.3%. As of September 30, 1998, the amounts were $31.9 billion and $32.9 billion respectively. A historical perspective of funding is presented on the Schedule of Funding Progress in the Required Supplementary Information of the Financial Section.

POSTEMPLOYMENT BENEFITS

The System also administers the post employment health benefits (health, dental, and vision) offered to retirees. The benefits are funded on a cash or "pay as you go" basis. An actuarial valuation was completed to determine the actuarial accrued liability if the benefits were to be pre-funded. If these benefits were pre-funded, the actuarial accrued liability for these benefits would be approximately $11 billion and the employer contribution for health care benefit would be 12.27%.

PROFESSIONAL SERVICES

An annual audit of the System was conducted by Andrews Hooper & Pavlik P.L.C., independent auditors. The auditors' report on the System's financial statements is included in the Financial Section of this report.

Statute requires an annual actuarial valuation be conducted. The purpose of the valuation is to evaluate the mortality, service, compensation and other financial experience of the System and to recommend employer funding rates for the subsequent year. This annual actuarial valuation was completed by the Segal Company for the fiscal years ended September 30, 1999 and 1998. Actuarial certification and supporting statistics are included in the Actuarial Section of this report.

INTRODUCTORY SECTION

ACKNOWLEDGMENTS

The preparation of this report was accomplished with the dedication and cooperation of many people. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the funds of the System.

We would, therefore, like to express our appreciation for the assistance given by staff, the advisors and many people who contributed to its preparation. We believe their combined efforts have produced a report that will enable the employers and plan members to better evaluate and understand the Michigan Public School Employees' Retirement System. Their cooperation contributes significantly to the success of the System.

Sincerely,

Janet E. Phipps

Janet E. Phipps, Director
Department of Management and Budget

Christopher M. DeRose

Christopher M. DeRose, Director
Office of Retirement Services

Administrative Organization

Retirement Board Members

Linda Adams
Term Expires March 30, 2002

Thomas Lukshaitis
Term Expires March 30, 2000

Diana R. Osborn, Chair
Term Expires March 30, 2001

Larry Moeller
Term Expires March 30, 2003

John Cook
Term Expires March 30, 2001

Michael R. Meyer
Term Expires March 30, 2000

W. Howard Morris
Term Expires March 30, 2000

Robert Rietz
Term Expires March 30, 2002

Michael E. Cassady
Term Expires March 30, 2000

Marsha Smith
Term Expires March 30, 2001

Dr. Rudy Stefancik
Term Expires March 30, 2001

Dr. Donald Weatherspoon
Representing Arthur E. Ellis
State Superintendent of Education

Administrative Organization

Department of Management and Budget
Office of Retirement Services
P.O. Box 30171
Lansing, Michigan 48909-7671
517-322-5103
1-800-381-5111

Advisors and Consultants

Actuary
The Segal Company
Michael J. Karlin, F.S.A., M.A.A.A.
New York, New York

Auditors
Thomas H. McTavish, C.P.A.
Auditor General
State of Michigan

Andrews Hooper & Pavlik P.L.C.
Jeffrey J. Fineis, C.P.A.
Okemos, Michigan

Investment Manager and Custodian
Mark A. Murray
State Treasurer
State of Michigan

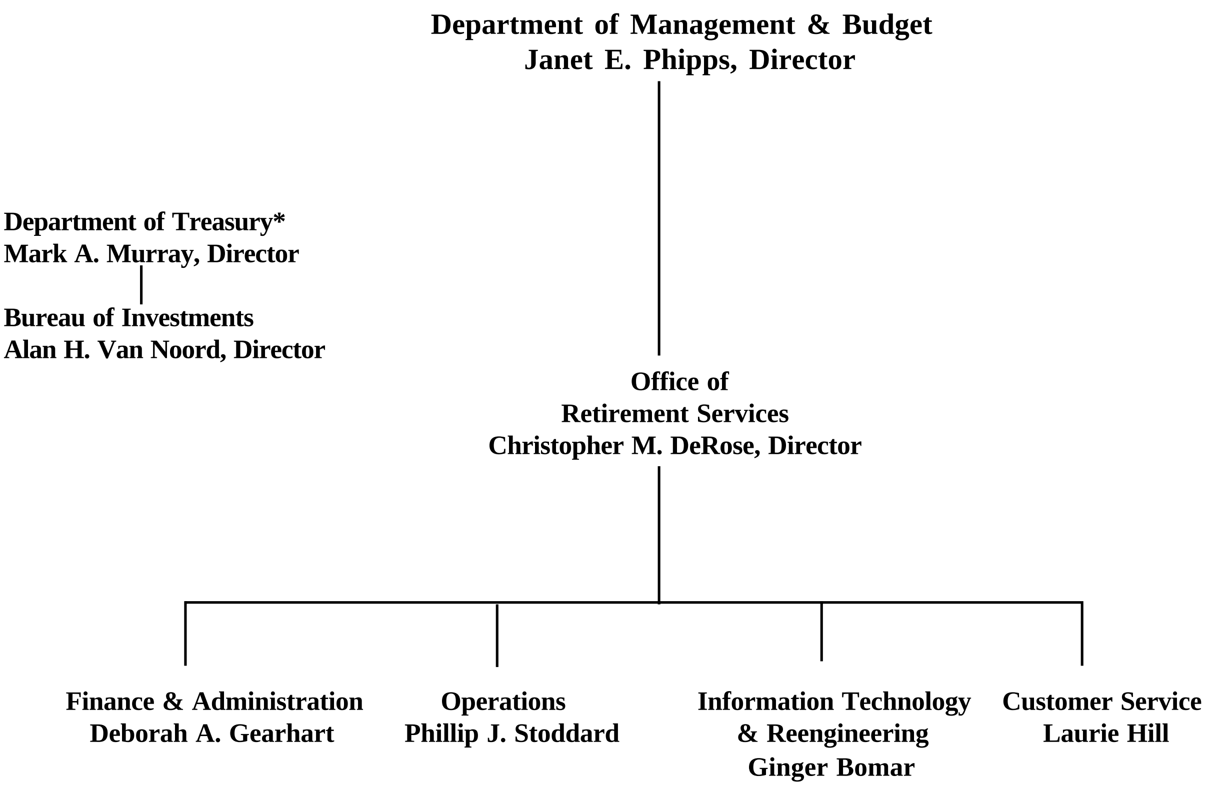
Legal Advisor
Jennifer M. Granholm
Attorney General
State of Michigan

Medical Advisors
Gabriel, Roeder, Smith
and Company
Bethesada, MD

Investment Performance Measurement
Capital Resource Advisors
Chicago, Illinois

Administrative Organization

Organization Chart



***The investments of the system are managed by the Michigan Department of Treasury. Information on the investments and the fiduciary, Michigan Department of Treasury, can be found in the Investment Section.**

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FINANCIAL SECTION

Independent Auditors' Report

ANDREWS HOOPER & PAVLIK P.L.C.
Certified Public Accountants

Ms. Janet Phipps, Director
Department of Management and Budget
Mr. Christopher M. DeRose, Director
Office of Retirement Systems
Mr. Thomas H. McTavish, CPA
Auditor General
Michigan Public School Employees
Retirement System Board

We have audited the accompanying statements of pension plan and postemployment healthcare plan net assets of the Michigan Public School Employees Retirement System, as of September 30, 1999 and 1998, and the related statements of changes in pension plan and postemployment healthcare plan net assets for the years then ended. These financial statements are the responsibility of the management of the Michigan Public School Employees Retirement System. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Michigan Public School Employees Retirement System, as of September 30, 1999 and 1998, and the changes in plan net assets for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information and supporting schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The required supplementary information and supporting schedules are the responsibility of the System's management. The Schedules of Funding Progress and Employer Contributions and related notes on pages 30 to 32 and the supporting schedules on pages 34 to 37 have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The Year 2000 information on page 33 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that Michigan Public School Employees Retirement System is or will become year 2000 compliant, that Michigan Public School Employees Retirement System year 2000 remediation efforts will be successful in whole or in part, or that parties with which Michigan Public School Employees Retirement System does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 27, 2000 on our consideration of the Michigan Public School Employees Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts.

January 27, 2000

Andrews Hooper & Pavlik P.L.C.

4295 Okemos Road, Suite 200 • Okemos, Michigan 48864 • ph 517.487.5000 fx 517.487.9535 • www.ahpplc.com

Statements of Pension Plan and Postemployment Healthcare Plan Net Assets

As of Fiscal Year Ending September 30, 1999 and 1998

	September 30, 1999			September 30, 1998		
	Pension Plan	Health Plan	Total	Pension Plan	Health Plan	Total
Assets:						
Cash	$ 94,945,803	$ 327,336	$ 95,273,139	$ 124,988,748	$ 561,986	$ 125,550,734
Receivables:						
Amounts due from employer	119,424,128	254,496	119,678,624	107,310,844	482,500	107,793,344
Amounts due from employer long term	192,737,002		192,737,002			
Interest and dividends	146,903,796	506,467	147,410,263	130,980,034	588,923	131,568,957
Sale of investments	25,771,328	88,850	25,860,178	22,048,030	99,134	22,147,164
Total receivables	484,836,254	849,813	485,686,067	260,338,908	1,170,557	261,509,465
Investments:						
Short term investments	1,843,254,840	6,354,828	1,849,609,668	1,793,827,383	8,065,553	1,801,892,936
Bonds, notes mortgages and preferred stock	7,767,653,370	26,779,857	7,794,433,227	7,682,160,180	34,541,156	7,716,701,336
Common stock	18,104,408,019	62,416,979	18,166,824,998	15,430,092,267	69,378,042	15,499,470,309
Real estate	2,637,397,057	9,092,722	2,646,489,779	2,533,422,389	11,390,981	2,544,813,370
Alternative investments	3,547,485,384	12,230,354	3,559,715,738	2,791,912,790	12,553,226	2,804,466,016
International investments	2,008,086,191	6,923,103	2,015,009,294	1,289,063,863	5,795,994	1,294,859,857
Collateral on loaned securities	1,065,352,915	3,672,924	1,069,025,839	1,305,957,563	5,871,953	1,311,829,516
Total investments	36,973,637,776	127,470,767	37,101,108,543	32,826,436,435	147,596,905	32,974,033,340
Total assets	37,553,419,833	128,647,916	37,682,067,749	33,211,764,091	149,329,448	33,361,093,539
Liabilities:						
Warrants outstanding	10,002,665	34,485	10,037,150	7,920,575	35,613	7,956,188
Accounts payable and other accrued liabilities	129,101,234	445,091	129,546,325	101,948,160	458,388	102,406,548
Deferred revenue				206,339	928	207,267
Obligations under securities lending	1,065,352,915	3,672,924	1,069,025,839	1,305,957,563	5,871,953	1,311,829,516
Total liabilities	1,204,456,814	4,152,500	1,208,609,314	1,416,032,637	6,366,882	1,422,399,519
Net Assets Held in Trust for Pension and Healthcare Benefits*	$ 36,348,963,019	$ 124,495,416	$ 36,473,458,435	$ 31,795,731,454	$ 142,962,566	$ 31,938,694,020

*A schedule of funding progress is presented in the Required Supplementary Information in the Financial Section.

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

Statements of Changes in Pension Plan and Postemployment Healthcare Plan Net Assets

For Fiscal Years Ended September 30, 1999 and September 30, 1998

	September 30, 1999			September 30, 1998		
	Pension Plan	Health Plan	Total	Pension Plan	Heath Plan	Total
Additions:						
Members contributions:						
Other	$ 515,904,800	$ 30,397,928	$ 546,302,728	$ 250,804,095	$ 27,709,644	$ 278,513,739
Military	2,956,756		2,956,756	1,868,341		1,868,341
Employer contributions :						
Undistributed receipts and other	43,043,296		43,043,296	28,055,510		28,055,510
Colleges, universities and federal	37,714,523	28,871,647	66,586,170	42,957,896	26,162,381	69,120,277
School districts and other	493,679,110	317,293,345	810,972,455	551,423,616	305,394,739	856,818,355
Investment income:						
Investment income	5,109,635,758		5,109,635,758	2,431,213,996		2,431,213,996
Securitites lending income	59,036,537		59,036,537	57,140,632		57,140,632
Investment expenses:						
Real estate operating expenses	(3,967,780)		(3,967,780)	(2,156,898)		(2,156,898)
Securities lending expenses	(55,673,467)		(55,673,467)	(55,312,331)		(55,312,331)
Other investment expenses	(33,471,920)		(33,471,920)	(21,581,916)		(21,581,916)
Interest Income		11,437,005	11,437,005		10,471,271	10,471,271
Miscellaneous income	89,972		89,972	1,196		1,196
Total additions	6,168,947,585	387,999,925	6,556,947,510	3,284,414,137	369,738,035	3,654,152,172
Deductions:						
Benefits and refunds paid to plan members and beneficiaries:						
Retirement benefits	1,587,992,361		1,587,992,361	1,454,451,439		1,454,451,439
Health benefits		331,522,164	331,522,164		285,446,554	285,446,554
Dental/vision benefits		40,499,045	40,499,045		38,399,113	38,399,113
Refund of member contributions	11,145,521		11,145,521	21,575,588	(374,557)	21,201,031
Transfers to other systems	52,779		52,779	51,116		51,116
Administrative expenses	16,525,359	34,445,866	50,971,225	14,463,339	32,594,836	47,058,175
Total deductions	1,615,716,020	406,467,075	2,022,183,095	1,490,541,482	356,065,946	1,846,607,428
Net Increase (Decrease)	4,553,231,565	(18,467,150)	4,534,764,415	1,793,872,655	13,672,089	1,807,544,744
Net Assets Held in Trust for Pension and Healthcare Benefits:						
Beginning of Year	31,795,731,454	142,962,566	31,938,694,020	30,001,858,799	129,290,477	30,131,149,276
End of Year*	$ 36,348,963,019	$ 124,495,416	$ 36,473,458,435	$ 31,795,731,454	$ 142,962,566	$ 31,938,694,020

*A schedule of funding progress is presented in the Required Supplementary Information in the Financial Section.

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

Notes to General Purpose Financial Statements

NOTE 1 - PLAN DESCRIPTION

ORGANIZATION

The Michigan Public School Employees' Retirement System is a cost-sharing multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. The System was established to provide retirement, survivor and disability benefits to the public school employees. There are 708 participating employers. A list of employers is provided in the Statistical Section. The System is a qualified trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern, Central, Northern, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

The System's financial statements are included as a pension trust fund in the combined financial statements of the State of Michigan.

The System is administered by the Office of Retirement Services within the Michigan Department of Management and Budget. The Department Director appoints the Office Director who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System. Public Act 488 of 1996, made changes in the membership of the System's Board. These changes added two members on January 1, 1997 and two more members on March 31, 1998.

MEMBERSHIP

At September 30, 1999, and 1998, the System's membership consisted of the following.

Retirees and beneficiaries currently receiving benefits:	**1999**	**1998**
Regular benefits	106,333	102,523
Survivor benefits	10,402	9,989
Disability benefits	4,178	4,108
Total	120,913	116,620
Current employees:		
Vested	118,658	119,201
Non-vested	190,666	182,815
Total	309,324	302,016
Inactive employees entitled to benefits and not yet receiving them	8,655	10,883
Total All Members	438,892	429,519

Enrollment in the health care fund is voluntary. The number of participants is as follows:

Health/Dental/Vision Plan	**1999**	**1998**
Eligible participants	120,913	116,620
Participants receiving benefits:		
Health	97,001	95,324
Dental/Vision	102,167	99,103

Notes to General Purpose Financial Statements

BENEFIT PROVISIONS

Introduction

Benefit provisions of the defined benefit pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan. Retirement benefits are determined by final average compensation and years of service. Members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits.

A member who leaves Michigan Public School employment may request a refund of his or her member contribution account. Returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Under the Public School Employees' Retirement Act, all retirees have the option of continuing health, dental and vision coverage. The employer funds health benefits on a pay-as-you-go basis. Retirees with this coverage contribute a portion of the monthly premium amount.

Regular Retirement

The retirement benefit is based on a member’s years of credited service (employment) and final average compensation. Final average compensation is the member's highest total wages earned during a specific period of consecutive calendar months divided by the service credit accrued during that same time period. For a Member Investment Plan (MIP) member, the averaging period is 36 consecutive months. For a Basic Plan member this period is the 60 consecutive months yielding the highest total wages. A pension is payable monthly for the lifetime of a retiree and equals 1.5% of a member’s final average compensation multiplied by the total number of years of credited service.

A Member Investment Plan member may retire at:

1. any age with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service; or
3. age 60 with 5 years of credited service provided the member has worked through his or her 60th birthday and has credited service in each of the five school fiscal years immediately preceding the retirement effective date.

A Basic Plan member may retire at:

1. age 55 with 30 or more years of credited service; or
2. age 60 with 10 or more years of credited service.

There is no mandatory retirement age.

Early Retirement

A member may retire with an early permanently reduced pension:

1. after completing at least 15 but less than 30 years of credited service; and
2. after attaining age 55; and
4. with credited service in each of the 5 school years immediately preceding the pension effective date.

The early pension is computed in the same manner as a regular pension but is permanently reduced 0.5% for each full and partial month between the pension effective date and the date the member will attain age 60.

Notes to General Purpose Financial Statements

Deferred Retirement

If a member terminates employment before attaining the age qualification but after accruing 10 or more years of credited service, the member becomes a deferred member and is eligible for a pension at the time the age qualification is attained.

Non-Duty Disability Benefit

A member with 10 or more years of credited service who becomes totally and permanently disabled due to any non-duty related cause and who has not met the age requirement for a regular pension is eligible for a non-duty disability pension computed in the same manner as an age and service pension, upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Duty Disability Benefit

A member who becomes totally and permanently disabled as a result of a duty-related cause, who has not met the age and service requirement for a regular pension, and who is in receipt of Weekly Worker's Compensation is eligible for a duty disability pension computed in the same manner as an age and service pension (but based upon a minimum of 10 years of service) upon recommendation from the member's personal physician and the Retirement Board physician and the approval of the Retirement Board. An Annual Certification of Disability is conducted each January. Upon prior approval, total disability benefits plus authorized outside earnings are limited to 100% of final average compensation (increased by two percent for each year retired).

Forms of Payment

The election of a pension option is made at the time of application. Once a member has retired, the option choice is irrevocable. The pension effective date is the first of the calendar month following the date the member has satisfied the age and service requirements, has terminated public school employment and has the completed application forms on file with the System for a period of 15 days. A retroactive pension can be paid for no more than 12 calendar months. Thus, delay in filing the application can result in a loss of some retroactive pension benefits. An applicant may select only one of the following options.

Straight Life Pension — The Straight Life Pension pays the largest level pension a retiree can receive during his or her lifetime and stops with the month of a retiree's death. There are no monthly benefits for a beneficiary. The pension benefit is computed with no beneficiary rights. If the retiree made contributions while an employee and has not received the total accumulated contributions before death, a refund of the balance of the contributions is made to the beneficiary of record. If the retiree did not make any contributions, there will not be payments to any beneficiaries.

Survivor Options — Under the Survivor Options, 100% Survivor Pension, 100% Equated, 50% Survivor Pension and 50% Equated, the reduction is an actuarial determination dependent upon the combined life expectancies of a retiree and a beneficiary, and varies from case to case. A beneficiary may only be a spouse, brother, sister, parent or child (including an adopted child) of a retiring member. If the beneficiary pre-deceases a retiree, the pension will revert to either the Straight Life or Straight Life Equated amount ("pop-up" provision). Beginning January 1, 2000, a 75% Survivor Pension will also be available.

100% Survivor Pension — pays a reduced pension to a retiree. The month after a retiree's death the same amount will be paid to a designated beneficiary for the remainder of his or her lifetime.

Notes to General Purpose Financial Statements

50% Survivor Pension — pays a reduced pension to a retiree. The month after a retiree's death, one-half of the 50% Survivor Pension amount will be paid to the designated beneficiary for the remainder of his or her lifetime.

Equated Plan — The equated plan may be combined with the Straight Life, 100% Survivor or 50% Survivor Pension by any member under age 61 except a disability applicant. The equated plan provides a higher pension every month until age 62, at which time the monthly pension is permanently decreased to a lower amount than the Straight Life, 100% Survivor or 50% Survivor alone would provide.

The intent of the Equated Plan is for the retiree's pension to decrease at age 62 by approximately the same amount as that person's Social Security benefit will provide. The System pension until age 62 should be about the same as the combined System pension and Social Security after age 62.

The actual projected Social Security pension the retiring member obtains from the Social Security Administration and furnishes to the Retirement System is used in the Equated Plan calculation. The actual Social Security pension may vary from the estimate.

NOTE: The reduction in the pension at age 62 pertains to the Equated Plan only and affects only the retiree. A beneficiary under 100% Equated or 50% Equated will receive the 100% Survivor or 50% Survivor amount the month following the retiree's death as if the Equated Plan had not been chosen. A beneficiary does not participate in the Equated Plan.

Survivor Benefit

A non-duty survivor pension is available if a Member Investment Plan participant has 10 years of credited service or, if age 60 or older, five years. The Basic Plan provides a survivor pension with 15 years of credited service or, if age 60 or older, 10 years. An active member may nominate as a survivor beneficiary a spouse, child(ren) (including adopted child(ren)), brother, sister, or a parent. If other than the spouse is nominated and a spouse exists, the spouse must waive this benefit. If no beneficiary has been nominated, the beneficiary is automatically the spouse; or, if there is no spouse, unmarried children under age 18 share the benefit equally until age 18. The benefit is computed as a regular pension but reduced in accordance with an Option 2 (100% survivor pension factor). The pension begins the first of the month following the member's death. In the event of the death of a deferred member, the System begins payment to the nominated beneficiary at the time the member would have attained the minimum age qualification.

A duty survivor pension is payable if weekly Worker's Compensation is being paid to the eligible beneficiary due to the member's death. The spouse receives the benefit (based on a minimum of 10 years of service credit) reduced in accordance with an (l00% survivor pension factor). If there is no spouse, unmarried children under age 18 share the benefit equally until age 18; if there is no spouse or child(ren), a disabled and dependent parent is eligible.

Post Retirement Adjustments

Member Investment Plan (MIP) recipients receive an annual post-retirement non-compounded increase of three percent of the initial pension in the October following twelve months of retirement. Basic Plan recipients receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

On January 1, 1990, pre-October 1, 1981, retirees received an increase that ranged from 1% to 22% depending on pension effective date. On October 1, 1990, the base pension of all retirees with an effective pension date of January 1, 1987, or earlier was increased to include all prior post-retirement adjustments.

On January 1, 1986, all recipients through calendar year 1985 received a permanent 8% increase that established the 1986 base pension. In addition, each October, retirees with a pension effective date of January 1, 1987, or earlier receive a fixed increase equal to 3% of the base pension. Both increases are deducted from the distribution of excess investment income, if any. Beginning in 1983, eligible recipients receive an annual distribution of excess investment income, if any.

Notes to General Purpose Financial Statements

One time upward adjustments were made in 1972, 1974, 1976, and 1977 for retirees who retired on or after July 1, 1956, and were eligible for Social Security benefits. (Social Security coverage was enacted by referendum in 1956.) The minimum base pension of retirees who were unable to qualify for Social Security through their public school employment (essentially pre-July 1, 1956 retirees), was increased in 1965, 1971, 1972, 1974, and 1981 with a percentage increase granted in 1976 and 1977.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted.

MIP members enrolled in MIP prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9%. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first $5,000; 3.6% of $5,001 through $15,000; 4.3% of all wages over $15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987, or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPSERS service and no pension is payable, the member's accumulated contributions plus interest, if any, are refundable.

Employer Contributions

The System implemented new employer contribution procedures as a result of implementing the effects of the school finance reform act. Under these new procedures, each school district or reporting entity is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. In prior years each school district or reporting entity contributed 5% of gross wages, with additional amounts from community college, higher educational institutions and federal programs. A table showing the employer contribution rates is included in the Statistical Section of this report.

Other PostEmployment Benefits

Retirees have the option of health coverage which is funded on a cash disbursement basis by the employers. The State of Michigan has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. All health care benefits are on a self-funded basis. A significant portion of the premium is paid by the System with the balance deducted from the monthly pension. Public Act 180 of 1996 also authorized payments to the school districts as a one time $174.5 million reduction in the System reserves for health benefits, which in years prior to 1991 was pre-funded.

Pension recipients are eligible for fully paid Master Health Plan coverage and 90% paid Dental Plan, Vision Plan and Hearing Plan coverage with the following exceptions:

1. Retirees not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Retirees with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially employer paid health benefit coverage (no payment for less than 21 years of service).

Notes to General Purpose Financial Statements

Dependents may receive 90% employer paid health benefit coverages (partial payment for dependents of deferred vested members who had 21 or more years of service).

The number of participants and other relevant financial information are as follows:

	1999	1998
Health, Dental and Vision Plan:		
Eligible participants	120,913	116,620
Participants receiving benefits:		
Health	97,001	95,324
Dental/Vision	102,167	99,103
Expenses for the year	$ 406,467,075	$ 356,065,946
Payroll contribution rate	4.04%	3.98%

The only requirements for health benefits are that the retiree or beneficiary make application and be in receipt of a monthly pension. Applications for enrollment after retirement are accepted anytime during the year, with coverage effective six months following the receipt of the application.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue in the period in which employees provide service. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Reserves

Reserve for Employees' Contributions — Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Employers' Contribution Reserve representing unclaimed funds. At September 30, 1999, and 1998, the balance in this account was $977 million and $738 million respectively.

Reserve for Member Investment Plan — This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 1999, and 1998, the balance in this account was $2.2 billion and $2 billion respectively.

Reserve for Employer Contributions — All reporting unit contributions, except payments for health benefits, are credited to this reserve. Interest from the Reserve for Undistributed Investment Income account is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 1999, and 1998, the balance in this account was $3.3 billion and $3.6 billion respectively.

Reserve for Retired Benefit Payments — This represents the reserves for payment of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 1999, and 1998, the balance in this account was $15.5 billion and $14.5 billion respectively.

Notes to General Purpose Financial Statements

Reserve for Undistributed Investment Income and Reserve for Administrative Expenses — The Reserve for Undistributed Investment Income account is credited with all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the retirement system are paid from the Reserve for Administrative Expense, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. At September 30, 1999, and 1998, the balance in this account was $14.4 billion and $10.9 billion respectively. The balance of this reserve includes the balance of the Stabilization Subaccount.

Stabilization Subaccount

Under Public Act 143, effective November 19, 1997, the actuarial value of assets was set at market at September 30, 1997, with the 5 year smoothing of investment gains or losses applied prospectively. Also, the inflation component of the salary scale was reduced from 5% to 4%. The act also established a stabilization subaccount of the Reserve for Undistributed Investment Income (income fund) to which any overfunding is credited. As of October 1, 1998, the balance in the subaccount was $280 million ($259 million plus interest of $21 million). The balance in the subaccount is included in the balance of the income fund, which is included in pension plan net assets.

Reserve for Health Benefits — This fund is credited with employee and employer contributions for retirees' health, dental and vision benefits and interest is allocated on the beginning balance. Health, dental and vision benefits are paid from this fund. The Retirement System pays 90% of the monthly premium, membership, or subscription fee for health, dental, vision and hearing benefits. At September 30, 1999, and 1998, the balance in this account was $124.5 million and $143 million respectively.

Fair Value of Investments

Plan investments are reported at fair value, except for short-term investments. Short-term investments are carried at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. Real estate debt is valued on the basis of future principal and interest payments, and is discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Other investments that do not have an established market are recorded at estimated fair value

Reporting Entity

The Michigan Public School Retirement System is a pension trust fund of the State of Michigan. As such, the System is considered part of the State and is included in the State’s comprehensive annual financial report as a pension trust fund. The System and its board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Investment Income

Dividend income is recognized based on the ex-dividend date and interest income is recognized on the accrual basis as earned. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Notes to General Purpose Financial Statements

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds $5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Postemployment Healthcare Plan Net Assets. Such assets are depreciated on a straight line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated.

Related Party Transactions

Leases and services — The Michigan Public School Retirement System leases operating space and purchases certain administrative, data processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The following summarizes costs incurred by System for such services.

	1999	1998
Building rentals	$ 460,004	$ 407,148
Technological Support	5,454,483	4,113,938
Attorney General	37,763	62,238
Investment Services	5,596,300	4,728,300

Cash — On September 30, 1999 and 1998 the System had $85 million and $123 million respectively in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to $5.6 million and $6 million for the years ended September 30, 1999, and 1998, respectively.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified or restated to conform with the current year presentation.

NOTE 3 - CONTRIBUTIONS

The majority of the members currently participate on a contributory basis. Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The actuarial accrued liability is amortized over a 37 year period for the 1998-99 fiscal year.

Actual employer contributions for retirement benefits were $574,436,929 and $622,254,551 representing 6.6% and 7.5% of reported annual payroll, for the years ended September 30, 1999, and 1998, respectively. Required employer contributions for pensions included:

1. $861,772,355 and $845,875,061 for fiscal years 1999 and 1998, respectively, for normal cost of pensions representing 6.59% and 6.70%, respectively, of annual covered payroll.

2. $49,194,310 and $ -0- for fiscal years 1999 and 1998, respectively, for amortization of unfunded actuarial accrued liability, representing 0.59% and 0.0%, respectively, of annual covered payroll.

Notes to General Purpose Financial Statements

The System is required to reconcile with actuarial requirements annually. Any funding excess or deficiency is included in the subsequent years contribution, and is not recognized as a payable or receivable in the accounting records. Based on this reconciliation and other adjustments, the differences are smoothed over 5 years.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in school year 98-99.

The tax deferred purchase program began in fiscal year 1997-1998. The program allows members to purchase service credit and repay refunds on a tax deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 year to 20 years. The amounts are withheld from members' pay checks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). During fiscal year 1999, 16,261 new agreements, totaling $271.2 million were signed. Members paid $32.9 million on the contracts. As of September 30, 1999 the amount receivable was $238.3 million. Of that amount 192.7 million was a long term receivable and $45.6 million was a short term receivable.

NOTE 4 - INVESTMENTS

Investment Authority

Under Public Act 380 of 1965, as amended, the authority for the purchase and the sale of investments resides with the State Treasurer. Investments are made subject to the Michigan Public Pension Investment Act, Public Act 314 of 1965, as amended. The Michigan Public Pension Investment Act authorizes, with certain restrictions, the investment of pension fund assets in stock, corporate and government bonds and notes, mortgages, real estate, and certain short-term and alternative investments. Investments must be made for the exclusive purposes of providing benefits to active members, retired members and beneficiaries, and for defraying the expenses of investing the assets.

Under Public Act 314 of 1965, as amended, the State Treasurer may invest up to 5% of the System’s assets in small businesses having more than one half of assets or employees in Michigan as described in section 20(a) of the act and up to 15% of the System's assets in investments not otherwise qualified under the act as described in section 20(d). Alternative investments include limited partnerships and distributions from these partnerships in the form of bonds, preferred stock and common stock and direct investments.

Derivatives

The State Treasurer does not employ the use of derivatives in the investment of the Common Cash or the investment of trust funds other than the pension trust funds.

Derivatives are used in managing pension trust fund portfolios, but uses do not include speculation or leverage of investments. Less than 6% of the total pension trust fund’s portfolio has been invested from time to time in futures contracts, collateralized mortgages and swap agreements. State investment statues limit total derivative exposure to 15% of a fund's total asset value, and restrict uses to replication of returns and hedging of assets. Swap agreements represent the largest category of derivatives used and represented 5.5% of the September 30, 1999 portfolio using market values.

To diversify the pension fund’s portfolio into international equities, the State Treasurer has entered into swap agreements with investment grade counterparties which are tied to stock market indices in eighteen foreign countries. The notional amounts of the swap agreements at September 30, 1999, and 1998, were $1,650.2 million and $1,320.8 million, respectively. Approximately one half of the notional amount is hedged against foreign currency fluctuations. The swap agreements provide that the System will pay quarterly, over the term of the swap agreements, interest indexed to the three

Notes to General Purpose Financial Statements

month London InterBank Offer Rate (LIBOR), adjusted for an interest rate spread, on the notional amount stated in the agreements. At the maturity of the swap agreements the pension fund will either receive the increase in the value of the international equity indices from the level at the inception of the agreements, or pay the decrease in the value of the indices. Swap agreement maturities range from October 1999 to August 2002.

US domestic LIBOR based floating rate notes were purchased in the open market to correspond with the notional amount of the swap agreements. The State Treasurer maintains custody and control of these notes.

The value of these synthetic equity structures is a combination of the value of the swap agreements and the value of the notes. The current value represents the current value of the notes and the change in value of the underlying indices from the inception of the swap agreements. The current value is used as a representation of the fair value based on the intention to hold all swap agreements until maturity. Since the inception of the international equity investment program, over $446.8 million of gains on international equity exposure and excess interest received have been realized. The unrealized gain of $319.6 million at September 30, 1999, reflects the increase in international stock indices and changes in currency exchange rates.

The respective September 30, 1999 and 1998 values are as follows:

	Notional Value	**Current Value**
9/30/99 (dollars in millions)	$1,650.2	$1,980.2
9/30/98 (dollars in millions)	1,320.8	1,294.9

In September, 1999, futures contracts on the S&P 500 and S&P MidCap indices were purchased as part of the allocation of funds to the Index Funds as the stock markets corrected. These transactions resulted in the purchase of $61.4 million of notional exposure to the indices, the designation of short term funds of an equal amount held in combination with the contracts and the placement and maintenance of Treasury bonds as collateral for the futures transactions. A very small gain on the combined synthetic equity position was recognized on September 30. Subsequently, the synthetic equity positions were increased by approximately $83 million in October, 1999, and dedicated commercial paper was purchased to replace short term cash fund balances held in combination with the futures contracts.

Investments Exceeding 5% of Plan Net Assets

The System did not hold an individual investment (other than US Government securities) that exceeded 5% of net assets available for benefits at September 30, 1999 or 1998.

Securities Lending

State statutes do not prohibit the retirement system from participating in securities lending transactions, and the retirement system has, via a Securities Lending Authorization Agreement, authorized the agent bank to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During the fiscal year, the agent bank lent, at the direction of the retirement system, the retirement system's securities and received cash (United States and foreign currency), securities issued or guaranteed by the United States government, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit issued by a person other than the borrower or an affiliate of the borrower as collateral. The agent bank did not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to: (i) at least 102% of the market value of the loaned securities in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by

Notes to General Purpose Financial Statements

foreign governments or (ii) 105% of the market value of the loaned securities in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States.

The System did not impose any restrictions during the fiscal year on the amount of the loans that the agent bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or the agent bank.

During the fiscal year, the System and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 1999, such investment pool had an average duration of 64 days and an average weighted maturity of 489 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On September 30, 1999, the retirement system had no credit risk exposure to borrowers. The collateral held and the market value of securities on loan for the System as of September 30, 1999, were $1,219,390,200 and $1,191,864,002 respectively.

Gross income from security lending for the fiscal year was $59,036,537. Expenses associated with this income amounted to $54,553,620 for the borrower's rebate and $1,119,846 for fees paid to the agent.

Categories of Investment Risk

Investments made by the fund, including repurchase agreements and information concerning reverse repurchase agreements, are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk in three categories.

Category 1 includes investments insured, registered, or held by the Public School Retirement System or its agent in the System's name. Category 3 includes uninsured and unregistered investments held by the counterparty, its trust department, or agent, but not in the System's name.

Notes to General Purpose Financial Statements

At September 30, 1999, all investments of the pension trust fund were classified as Category 1, and Category 3 except for certain investments not categorized. The following table summarizes the investments at market value:

Category 1	1999	1998
Prime Commercial Paper	$ 1,264,399,341	$ 1,392,660,520
Short Term Note	585,210,327	409,232,416
Government Securities	4,045,333,367	3,259,756,927
Corporate Bonds & Notes	2,639,856,571	3,235,604,735
Preferred Stock	729	881,383
Equities	17,918,328,369	15,012,352,064
Real Estate	218,104,652	231,071,103
Alternative Investments	136,861,989	104,516,117
Derivatives (International)	1,980,158,122	1,294,859,857
Total Category 1	$ 28,788,253,467	$ 24,940,935,122
Category 3		
Government Securities	$ 18,777,500	$ 0
Total Category 3	$ 18,777,500	$ 0
Non-Categorized		
Private Placements	$ 284,990,896	$ 337,984,950
Mortgages	43,911,305	108,701,854
Real Estate	2,428,385,127	2,313,742,267
Alternative Investments	3,422,853,749	2,699,949,899
Cash Collateral	1,069,025,839	1,311,829,516
Securities on Loan:		
Government Securities	738,616,765	708,606,557
Corporate Bonds & Notes	22,946,094	65,164,930
Equities	283,347,801	487,118,245
Total Non Categorized	$ 8,294,077,576	$ 8,033,098,218
Grand Total	$ 37,101,108,543	$ 32,974,033,340

In Category 1, the real estate investments are all publicly traded real estate investment trusts. Non-Categorized real estate consists of investments in real estate through various legal entities.

In Category 1, the alternative investments are publicly traded stocks and bonds. Non Categorized alternative investments consist of limited partnerships and non publicly traded stocks and bonds.

NOTE 5 — COMMITMENTS AND CONTINGENCIES

Under the Administrative Procedures Act, members may appeal a decision made by the Board. Once the administrative procedure has been exhausted, the decision may be appealed in Michigan's court system. Various cases that have exhausted the administrative procedures have been appealed in the court system. These cases are in the normal course of business and the System does not anticipate any material loss as a result of the contingent liabilities.

Required Supplementary Information

Schedule of Funding Progress

Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the Michigan Public School Retirement System's funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the underfunded or overfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system.

Retirement Benefits ($ in Millions)

Valuation Date Sept 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Accrued Liability (UAAL) (b-a)	Funded Ratio AAL (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1990	13,746	15,766	2,020	87.2	5,818	34.7
1991	14,653	18,032	3,379	81.3	6,248	54.1
1992	15,333	19,563	4,230	78.4	6,592	64.2
1993#	16,999	21,699	4,700	78.3	7,070	66.5
1994	18,503	23,500	4,997	78.7	7,344	68.0
1994@	18,503	25,014	6,511	74.0	7,344	88.7
1995	20,455	27,402	6,947	74.6	7,565	91.8
1996	22,529	28,571	6,042	78.9	7,807	77.4
1997	25,485	30,179	4,694	84.4	8,027	58.5
1997**	30,051	29,792	(259)	100.9	8,027	(3.2)
1998	31,870	32,137	267	99.2	8,265	3.2
1998@	31,870	32,863	993	97.0	8,265	12.0
1999	34,095	34,348	253	99.3	8,644	2.9

Revised asset valuation method
@ Revised actuarial assumptions
** Revised actuarial assumptions and revised asset valuation method

Required Supplementary Information (Continued)

Schedule of Employer Contributions

Fiscal Year Ended Sept. 30	Actuarial Required Contribution (ARC)	Actual Contributions	Percentage Contributed
1990	448,009,100	472,111,990	105.38%
1991	503,604,920	502,698,431	99.82
1992	572,914,320	533,039,483	93.04
1993	635,531,820	612,207,802	96.33
1994	630,940,900	809,749,551	128.34
1995	810,994,850	770,526,207	95.01
1996	866,813,250	829,626,962	95.71
1997	923,480,135	904,165,262	97.91
1998	845,875,061	622,254,551	73.56
1999	861,772,355	574,436,929	66.66

Notes to Required Supplemental Information

NOTE A - DESCRIPTION

Ten year historical trend information designed to provide information about the Public School Retirement System progress made in accumulating sufficient assets to pay benefits when due is presented in the preceding schedules. Other ten year historical trend information related to the pension plan is presented in the Statistical and Actuarial Sections of the report. This information is presented to enable the reader to assess the progress made by the System in accumulating sufficient assets to pay pension benefits as they become due.

The comparability of trend information is affected by changes in actuarial assumptions, benefit provisions, actuarial funding methods, accounting policies, and other changes. Those changes usually affect trends in contribution requirements and in ratios that use the pension benefit obligation as a factor.

The Schedule of Funding Progress and Schedule of Employer Contributions are reported as historical trend information. The Schedule of Funding Progress is presented to measure the progress being made to accumulate sufficient assets to pay benefits when due. The Schedule of Employer Contributions is presented to show the responsibility of the Employer in meeting the actuarial requirements to maintain the System on a sound financial basis.

NOTE B - SUMMARY OF ACTUARIAL ASSUMPTIONS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation Date	09/30/99
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll, Closed
Remaining Amortization Period	37 years
Asset Valuation Method	5-Year Smoothed Market Value
Actuarial Assumptions:	
Inflation Rate	4%
Investment Rate of Return	8%
Projected Salary Increases	4-16.5%
Cost-of-Living Adjustments	3% annual non-compounded for MIP members

Required Supplementary Information (Continued)

YEAR 2000

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1, entitled *Disclosures about Year 2000 Issues.* The provisions of the GASB technical bulletin, as amended by Technical Bulletin 99-1, require the System to make disclosures about its readiness in addressing year 2000 issues for its computer systems and other electronic equipment.

To address the year 2000 issues, the State established the Year 2000 Project Office within the Department of Management and Budget (DMB). The Year 2000 Project Office's mission is to lead, support, and facilitate achievement of year 2000 compliance throughout the state's executive branch to ensure uninterrupted service to Michigan's citizens. The Year 2000 Project Office is monitoring year 2000 compliance efforts at the various agencies and is providing assistance and assigning resources to accelerate compliance for all mission critical systems and equipment. Additional disclosure regarding the status of statewide systems year 2000 compliance efforts upon which the System is dependent can be found in the State of Michigan's Comprehensive Annual Financial Report.

The System in conjunction with the Year 2000 Project Office, DMB, is subjecting those systems and equipment to the following stages of work to address year 2000 issues:

Awareness stage — Establishing a budget and project plan for dealing with the year 2000 issue.
Assessment stage — Identifying the systems and components for year 2000 compliance.
Remediation stage — Making changes to systems and equipment.
Validation/testing stage — Validating and testing the changes that were made during the remediation stage.

The System has identified the computer systems and electronic equipment that are critical to its operations, and the following is a summary of progress towards achieving year 2000 compliance:

Internal Systems:
Common Pension Payroll, ARS and ARMS--the System has completed the assessment, remediation, validation and testing stages of these systems.

External Factors:
There can be no assurance that organizations and governmental agencies with which the System interacts, including banks, vendors, customers, state and federal governments will be year 2000 compliant. With regard to these external organizations, the System obtained assurances that their systems will be ready for the year 2000. If issues are identified, action plans will be instituted as necessary. However, even if the systems of both are compliant in a timely manner, problems could arise with communications between systems if compliance is achieved through inconsistent approaches or methodologies.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management believes that it has instituted a plan to minimize the impact that the year 2000 issue may have on critical operations.

Supporting Schedules

Comparative Summary Schedule of Pension Plan Administrative Expenses for the Years Ended September 30, 1999 and 1998

	1999	1998
Personnel Service:		
Staff Salaries	$ 5,305,494	$ 5,101,503
Retirement and Social Security	913,723	752,948
Other Fringe Benefits	733,886	558,021
Total	6,953,103	6,412,472
Professional Services:		
Actuarial	174,944	310,126
Attorney General	37,763	62,238
Audit	35,968	60,087
Consulting	517,536	211,188
Medical	171,436	84,406
Total	937,647	728,045
Building and Equipment:		
Building Rentals	460,004	407,149
Equipment Purchase, Maintenance and Rentals	272,752	285,377
Depreciation	0	1,818
Total	732,756	694,344
Miscellaneous:		
Travel and Board Meetings	69,920	67,174
Office Supplies	221,577	287,849
Postage, Telephone and Other	1,965,425	2,027,484
Printing	190,448	132,033
Technological Support	5,454,483	4,113,938
Total	7,901,853	6,628,478
Total Administrative Expenses	$ 16,525,359	$ 14,463,339

Supporting Schedules (Continued)

Schedule of Investment Expenses

	1999	1998
Real Estate	$ 3,967,780	$ 2,156,898
Securities Lending Expense	55,673,467	55,312,331
Other Investment Expenses	33,471,920	21,581,916
Total Investment Expenses	$ 93,113,167	$ 79,051,145

Schedule of Payments to Consultants

	1999	1998
Independent Auditors	$ 35,968	$ 60,087
Medical Advisor	171,436	84,406
Actuary	174,944	310,126
Total Payments	$ 382,348	$ 454,619

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)
For the Year Ended September 30, 1999

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions:							
Members contributions:							
Other	$ 304,000,052	$ 211,904,748				$ 30,397,928	$ 546,302,728
Military	2,956,756						2,956,756
Employer contributions :							
Undistributed receipts and other			$ 43,043,296				43,043,296
Colleges, universities and federal			37,714,523			28,871,647	66,586,170
School districts and other			493,679,110			317,293,345	810,972,455
Investment income:							
Investment income					$ 5,109,635,758		5,109,635,758
Securitites lending income					59,036,537		59,036,537
Less investment expenses							
Real estate operating expenses					(3,967,780)		(3,967,780)
Securities lending expenses					(55,673,467)		(55,673,467)
Other investment expenses					(33,471,920)		(33,471,920)
Interest Income						11,437,005	11,437,005
Miscellaneous income					89,972		89,972
Total additions	306,956,808	211,904,748	574,436,929		5,075,649,100	387,999,925	6,556,947,510
Deductions:							
Benefits and refunds paid to plan members and beneficiaries:							
Retirement benefits				$ 1,587,992,361			1,587,992,361
Health benefits						331,522,164	331,522,164
Dental/vision benefits						40,499,046	40,499,046
Refund of member contributions	1,726,327	8,844,055	575,139				11,145,521
Transfers to other systems	52,779						52,779
Administrative expenses					16,525,359	34,445,866	50,971,225
Total deductions	1,779,106	8,844,055	575,139	1,587,992,361	16,525,359	406,467,075	2,022,183,095
Net Increase (Decrease)	305,177,702	203,060,693	573,861,790	(1,587,992,361)	5,059,123,741	(18,467,150)	4,534,764,415
Other Changes in Net Assets:							
Interest allocation	31,105,081	152,724,550	284,574,466	1,162,829,682	(1,631,233,779)		-
Transfers upon retirement	(96,912,346)	(134,015,098)		230,927,444			-
Transfer - stabilization account							-
Transfers of employer shares			(1,154,041,649)	1,154,041,649			-
Total other changes in net assets	(65,807,265)	18,709,452	(869,467,183)	2,547,798,775	(1,631,233,779)		-
Net Increase (Decrease) After Other Changes	239,370,437	221,770,145	(295,605,393)	959,806,414	3,427,889,962	(18,467,150)	4,534,764,415
Net Assets Held in Trust for Pension and Healthcare Benefits:							
Beginning of Year	737,695,009	2,015,642,609	3,557,180,822	14,535,371,021	10,949,841,993	142,962,566	31,938,694,020
End of Year	$ 977,065,446	$ 2,237,412,754	$ 3,261,575,429	$ 15,495,177,435	$ 14,377,731,955	$ 124,495,416	$ 36,473,458,435

Supporting Schedules (continued)

Detail of Changes in Plan Net Assets (Pension and Postemployment Healthcare Benefits)
For the Year Ended September 30, 1998

	Employee Contributions	Member Investment Plan	Employer Contributions	Retired Benefit Payments	Undistributed Investment Income	Health Benefits	Total
Additions:							
Members contributions:							
Other	$ 34,770,262	$ 216,033,833				$ 27,709,644	$ 278,513,739
Military	1,868,341						1,868,341
Employer contributions :							
Undistributed receipts and other			$ 27,873,039		$ 182,471		28,055,510
Colleges, universities and federal			42,957,896			26,162,381	69,120,277
School districts and other			551,423,616			305,394,739	856,818,355
Investment income:							
Investment income					2,431,213,996		2,431,213,996
Securitites lending income					57,140,632		57,140,632
Less investment expenses							
Real estate operating expenses					(2,156,898)		(2,156,898)
Securities lending expenses					(55,312,331)		(55,312,331)
Other investment expenses					(21,581,916)		(21,581,916)
Interest Income						10,471,271	10,471,271
Miscellaneous income					1,196		1,196
Total additions	36,638,603	216,033,833	622,254,551		2,409,487,150	369,738,035	3,654,152,172
Deductions:							
Benefits and refunds paid to plan members and beneficiaries							
Retirement benefits				$ 1,454,451,439			1,454,451,439
Health benefits						285,446,554	285,446,554
Dental/vision benefits						38,399,113	38,399,113
Refund of member contributions	1,877,300	8,676,472	11,021,816			(374,557)	21,201,031
Transfers to other systems	51,116						51,116
Administrative expenses					14,463,339	32,594,836	47,058,175
Total deductions	1,928,416	8,676,472	11,021,816	1,454,451,439	14,463,339	356,065,946	1,846,607,428
Net Increase (Decrease)	34,710,187	207,357,361	611,232,735	(1,454,451,439)	2,395,023,811	13,672,089	1,807,544,744
Other Changes in Net Assets:							
Interest allocation	32,373,300	197,771,974	250,451,106	1,122,472,952	(1,603,069,332)		
Transfers upon retirement	(105,125,939)	(113,297,847)		218,423,786			
Transfer - stabilization account			(259,050,967)		259,050,967		
Total other changes in net assets	(72,752,639)	84,474,127	(8,599,861)	1,340,896,738	(1,344,018,365)		
Net Increase (Decrease) After Other Changes	(38,042,452)	291,831,488	602,632,874	(113,554,701)	1,051,005,446	13,672,089	1,807,544,744
Net Assets Held in Trust for Pension and Healthcare Benefits:							
Beginning of Year	775,737,461	1,723,811,121	2,954,547,948	14,648,925,722	9,898,836,547	129,290,477	30,131,149,276
End of Year	$ 737,695,009	$ 2,015,642,609	$ 3,557,180,822	$ 14,535,371,021	$ 10,949,841,993	$ 142,962,566	$ 31,938,694,020

INVESTMENT SECTION

Report on Investment Activity

INTRODUCTION

The State Treasurer reports quarterly the investment activity to the Investment Advisory Committee which reviews the investments, goals and objectives of the retirement funds and may submit recommendations regarding them to the State Treasurer. The Investment Advisory Committee may also, by a majority vote, direct the State Treasurer to dispose of any holdings which, in the committee's judgement, are not suitable for the funds involved, and may, by unanimous vote, direct the State Treasurer to make specific investments.

The Investment Advisory Committee was created by Act 380 of the Public Acts of 1965. The three public members of the five-member committee are appointed by the Governor with the advice and consent of the Senate for three-year terms. The Director of the Department of Consumer and Industry Services and the Director of the Department of Management and Budget are ex-officio members. The members of the Investment Advisory Committee are as follows: Mr. Samuel Valenti III (public member), Farris W. Womack (public member), Jerry L. Tubergen, CPA (public member), Kathleen M. Wilbur (ex-officio member), and Janet E. Phipps (ex-officio member). The public members serve without pay, but are paid actual and necessary travel and other expenses.

INVESTMENT POLICY & GOAL

The primary function of the System is to provide retirement, survivor and disability benefits to its members. The State Treasurer is the sole investment fiduciary and custodian of the systems investment pursuant to state law. The primary investment objective is to maximize the rate of return on the total investment portfolio, consistent with a high degree of prudence and sufficient diversity to eliminate inordinate risks and to meet the actuarial assumption for the investment rate of return, at a reasonable cost achieved by cultivating a motivated team of dedicated professionals. The goals of the fund are:

1. To outperform the actuarial assumption over the long-term.
2. To produce competitive results at a low cost.
3. To achieve a delicate balance between risk and return.
4. To perform in the top half of the Capital Resource Advisors public plan universe.
5. To exceed individual asset class benchmarks over the long-term.

The strategy for achieving these goals is carried out by investing the assets of the system according to a five year asset allocation model which currently has seven different asset classes which provides for a well diversified portfolio.

Asset Allocation
(Excludes Collateral on Loaned Securities)

Investment Category	As of 9/30/99 Actual %	Target %
Mortgages	0.1%	0.0%
International Equities Passive	5.6%	12.5%
Real Estate	7.3%	8.5%
Alternative Investments	9.9%	12.5%
Short Term Investments	5.4%	2.5%
Fixed Income	21.4%	20.0%
Domestic Equity	50.3%	44.0%
TOTAL	100.0%	100.0%

Report on Investment Activity

STATE LAW

Pursuant to State Law (Section 91 of Act No. 380 of the Public Acts of 1965, as amended), the State Treasurer, State of Michigan, is the investment fiduciary for the following four State sponsored retirement systems: Michigan Public School Employees' Retirement System; Michigan State Employees' Retirement System; Michigan State Police Retirement System; and Michigan Judges' Retirement System.

Act No. 314 of the Public Act of 1965, as amended, authorizes the investment of assets of public employee retirement systems or plans created and established by the state or any political subdivision.

PROXY VOTING POLICY

The System's Proxy Voting Policy sets forth directives on the following issues: Board of Directors, Corporate Governance, Social Issues, corporate restructurings and defenses. All proxies are reviewed and voted in accordance with the above mentioned items.

INVESTMENT RESULTS

Total Portfolio Result

For the fiscal year ended September 30, 1999, the total portfolio returned 16.1%, compared to the median of 15.4% of state plans, including the System, as compiled by Capital Resource Advisiors. For the three year period the fund returned 15.8%, and for the five-year period the fund returned 15.9%. This compares with the median fund return of 14.9% for the three-year period and 15.5% for the five-year period.

During the fiscal year ending September 30, 1999, the nation's economy was characterized by full employment, low inflation, rising interest rates, and moderate economic growth. The equity markets experienced exceptional returns over the time period as the S&P 500 increased 27.8% with the Dow Jones Industrial Average ahead 34.1%. The technology portion of the S&P 500 paced the market with a 73.3% increase followed by the capital goods sector which increased 42.0% and the utility sector which appreciated 24.0%. The Federal Reserve increased the Federal Funds rate by 1/4% to 5.0% in June and boosted rates an additional 1/4% to 5.25% in August. As a result of these tightening moves, the yield on the 30 year Treasury increased from 5.0% at September 30, 1998 to 6.0% at September 30, 1999. Because of the rise in interest rates, the Lehman Brothers Government/Corporate Index experienced a negative return of 1.6% for the year ending September 30, 1999.

The returns were calculated using a time weighted rate of return in accordance with standards of the Association for Investment Management and Research (AIMR), unless a modification is described in the discussion of the return.

The System is well diversified among asset classes. As of September 30, 1999, the portfolio consisted of 50.3% domestic equities, 21.5% fixed income (includes 0.1% in mortgages), 9.9% alternative investments, 7.3% real estate, 5.4% short-term investments, and 5.6% international equities.

Domestic Stocks - Active

The objective of actively-managed domestic stock investments is long-term capital appreciation by investing in publicly-traded stocks of primarily US-based companies.

Equity markets again experienced considerable volatility in fiscal year 1999 as economic conditions mirrored those of fiscal year 1998. The Federal Reserve moved to alleviate global economic difficulties by lowering rates three times in the quarter ending December 1998, sending equity markets rebounding from their earlier declines. Corporate earnings growth accelerated throughout the year and major foreign economies strengthened, sending equity markets to record highs by July. Later in the year, fears of inflation arose as commodity prices recovered from the previous year's lows and the US unemployment rate continued to inch lower. Combined with a strong economy, this caused the Federal Reserve to reverse two of its previous actions and equity markets to retreat from their record highs.

The actively-managed domestic stock portfolio achieved a total rate of return of 23.4% for the fiscal year, compared with 27.8% for the S&P 500 Index and 34.1% for the Dow Jones Industrial Average. This compared with a median return of 24.2% for state plans, including the System, as compiled by Capital Resource Advisors. The markets were led by a 73.3% gain for technology stocks, followed by 42.0% for capital goods and 24.0% for utilities. Three-year and five-year annualized returns for the actively-managed domestic stock portfolio were 21.1% and 21.2%, respectively. This compared with 25.1% and 25.0% for the S&P 500 and 21.4% and 21.9% for the median of state plans.

At the close of fiscal year 1999, actively-managed domestic stocks represented 36.7% of total System investments, unchanged from the end of fiscal year 1998, and compared to 36.7% at the close of fiscal year 1997.

Domestic Stocks - Passive

The objective of the enhanced S&P 500 and S&P MidCap Index Funds is to closely match the return performance of their benchmarks, use low risk strategies to offset transaction costs and add to performance when possible. The S&P 500 Index Fund return for the fiscal year was 27.9% versus the benchmark's 27.8%. The S&P MidCap Index Fund return for the fiscal year was 26.8% versus its benchmark's 25.5%. The enhancements to the returns were the result of strategic allocations of additional funds to passive equity investments during market corrections and the opportunistic use of derivative programs. During fiscal year 1999, $327.6 million was added to these index funds. At the end of the fiscal year, passive domestic stock portfolios represented 13.6% of total assets, with the S&P 500 Index Fund accounting for 12.7% and the S&P MidCap Index Fund accounting for 0.9%. Totals include both index fund portfolios of stocks and related synthetic equity positions, a combination of futures contracts and fixed income securities. Indexed stock portfolios represented 11.9% of total investment assets at the end of the prior fiscal year.

International Equities - Passive

The objective of the passive international equity portfolio is to match the return performance of the Net Salomon Broad Market Index (BMI) Europe and Pacific Composite adjusted for net dividends. Fifty percent of the benchmark is hedged to the U.S. dollar and the other half is affected by foreign currency exchange rate changes. The total passive international equity return of 31.7% in the fiscal year compared favorably with the Net Salomon BMI-EPAC return of 31.4%. The passive international equity return of 14.0% for three years compared well with the benchmark's return of 12.1% over the same period.

Core passive exposure to international equity returns is achieved by investing in a combination of fixed income notes and equity swap agreements on foreign stock indices in developed markets. Interest on the dedicated notes is exchanged for international stock returns, and the total notional amount of the swap agreements is invested in the approximate proportions of the Net Salomon Broad Market Index (BMI) Europe and Pacific Composite (EPAC) country weightings in those country indices. Use of swap agreements for a core position began in 1993, and an ADR and index-related security portfolio was added in June of 1999 to increase management flexibility. During fiscal year 1999, $345.4 million of exposure was added, raising passive international investments to 5.6% of total investments assets.

The combination of fixed income LIBOR notes and equity swap agreements was valued at $1,980 million on September 30, 1999. That valuation included a net unrealized gain of $320.1 million equity index exposures and an unrealized loss of $1.9 million on LIBOR note investments held. During fiscal year 1999, $55.0 million of gains on equity exposures were realized, and $14.8 million of interest in excess of obligations on completed swaps was also recognized. At the end of the fiscal year 1999, total realized gains and net interest received in excess of counterparty obligations on completed agreements reached a record $446.8 million since the program began.

Report on Investment Activity

Fixed Income (Excluding Mortgages)

For the fiscal year ending September 30, 1999, the fixed income portfolio returned a negative 0.1% compared to the median of negative 0.2% for the state plans, including the Public School Retirement System, as compiled by Capital Resource Advisors evaluations. The fixed income portfolio returned 6.7% for the three year period and 8.2% for the five-year period. These returns compare with the median portfolio returns of 6.9% for the three year and 8.2% for the five year periods.

During the year, rates increased steadily and spreads narrowed. Fixed income markets rewarded shorter duration portfolios. The System's fixed income portfolio was shorter than the Lehman Brother's Government Index. Consequently, the fund out-performed the Lehman Index for the one year period negative 0.1% versus negative 1.6%, was close for the three year period 6.7% versus 6.8% and outperformed the index for the five year period 8.2% versus 7.8%. Relative to the Salomon Smith Barney Broad Investment Grade Index, the System outperformed in the one year time horizon negative 0.1% compared to a negative 0.3%, was close in the three year period 6.7% to 6.8% and was ahead in the five year period 8.2% to 7.9%.

Fixed Income represented 21.5% of the total portfolio compared with 23.9% last year. The corporate sector represented 37.9% of fixed income securities with government securities representing 62.1%. Last year, corporate securities were 48% of the fixed income securities with government securities representing 52%. The increased level of government securities was the result of quality spreads narrowing.

Real Estate Equity

As of the year ending September 30, 1999, 7.3% of the total portfolio was invested in equity real estate. This compares to 8.0% and 6.4% for the fiscal years ending September 30, 1998 and 1997, respectively. The target asset allocation for equity real estate investments is 8.5%.

The one-year, three-year and five-year total equity real estate net returns for the fiscal year ending September 30, 1999, were 13.4, 12.8% and 11.4% respectively, as compiled by Capital Resource Advisors. This compares to the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index returns of 11.9%, 13.7% and 11.6% relating to the same periods. As of September 30, 1999, the NCREIF portfolio of properties is heavily weighted in the office sector at 43% versus the System's portfolio at 25%. The historical volatility of the office sector returns makes it a more risky property type. The NCREIF Index returns are quoted on an unleveraged basis and before deducting fees/overhead, while the System's returns quoted above are leveraged after fees/overhead.

The real estate investments are broadly diversified geographically, across the country, by type of property, and by class of property, to reduce risk. Major property types as of September 30, 1999, included: apartments 37%, retail centers, including regional malls and neighborhood/community shopping centers 30%, commercial office buildings 25%, and miscellaneous other property types such as: industrial, self storage, and hotel 8%. The System, through its advisors controls, acquires, develops, redevelops and disposes of real estate with the goal of maximizing returns while maintaining an ***acceptable*** level of risk. The properties are held in various investment vehicles: Partnerships, LLC's, Trusts, Commingled funds, and REIT stock. These legal entities allow the System to enjoy the benefits of real estate ownership while limiting the liability associated with this asset class. In all new investments, the System retains approval rights over critical decisions in order to further mitigate risk. The properties are regularly valued by independent appraisers to establish fair market values.

Mortgages

As of the year ending September 30, 1999, less than 0.5% of the total investment portfolio was invested in mortgages. The asset allocation objective is to reduce mortgage holdings to 0% over time. A majority of the mortgage portfolio has been sold during the previous two years to take advantage of the favorable low interest rate environment. The one-year, three-year and five-year total returns for the mortgage portfolio, for the fiscal year ending September 30, 1999, were negative 3.3%, positive 6.6% and 7.6%, respectively.

Report on Investment Activity

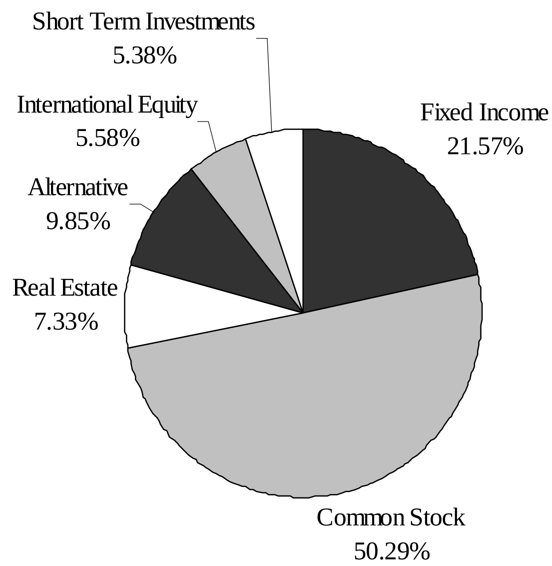
Alternative Investments

Alternative Investments are investments in the private equity market, either directly in companies or indirectly through limited partnerships. Through September 30, 1999, approximately 92% of alternative investments were made through limited partnerships. Of the investments in limited partnerships, approximately 10% were in partnerships investing internationally. The remaining 8% were direct private equity investments and public stock distributions received from the limited partnerships. The percentage of assets in alternative investments has consistently increased from 4.8% as of September 30, 1993, to 9.9% as of September 30, 1999. The asset allocation for alternative investments is 9.9% while the long-term target asset allocation is 12.5%. The System operates within a five year range of 10%-15%.

The one-year, three-year and five-year total alternative investment returns for the fiscal year ending September 30, 1999, were 11.8%, 18.1% and 20.7%, respectively. Based on returns for quarters ending June 30 and September 30, 1999 of 6.45% and 7.10% respectively, the alternative investments are experiencing returns at an annualized rate of return of 27.1%.

Report on Investment Activity

Asset Allocation



Investment Results Periods Ending September 30, 1999

Investment Category	Current Year	Annualized Rate of Return 3 Years	5 Years	10 Years
Total Portfolio	16.1 %	15.8 %	15.9 %	11.5 %
Median	15.4	14.9	15.5	11.5
Domestic Equities Stock - Active	23.4	21.1	21.2	13.9
Domestic Equities Stock - Passive*	27.9	24.7	24.8	17.3
Standard & Poor's (S&P 500)	27.8	25.1	25.0	16.8
Median of State Plans (Domestic Equities - Active)	24.2	21.4	21.9	14.8
Standard & Poor's (MidCap)	25.5	17.8	18.6	15.6
International Equities - Passive	31.7	14.0	12.7	N/A
Net Salomon BMI - EPAC 50/50	31.4	12.1	10.7	N/A
Fixed Income Bonds (U.S. Corp and Govt)	(0.1)	6.7	8.2	8.5
Salomon Smith Barney Broad Investment Grade Bond Index	(0.3)	6.8	7.9	8.2
Lehman Brothers Government/Corporate	(1.6)	6.8	7.8	8.1
Median of State Plans	(0.2)	6.9	8.2	8.5
Mortgages	(3.3)	6.6	7.6	8.4
Salomon Smith Barney Broad Investment Grade Bond Index	(0.3)	6.8	7.9	8.2
Real Estate - Equity	13.4	12.8	11.4	5.0
NCREIF	11.9	13.7	11.6	5.6
Alternative Investments	11.8	18.1	20.7	16.4

* Passive portfolio consists of a S&P 500 fund and a S&P Midcap fund. The return is a weighted average of the two funds.

Report on Investment Activity

Largest Assets Held

Largest Stock Holdings (By Market Value)
September 30, 1999

Rank	Shares	Stocks	Market Value
1	10,002,037	Microsoft Corporation	$ 905,809,476
2	6,418,545	General Electric Corporation	760,998,742
3	11,744,082	Pfizer Incorporated	421,318,942
4	8,741,461	Wal-Mart Stores Incorporated	415,765,739
5	6,062,590	Cisco Systems Incorporated	415,666,327
6	9,308,417	Citigroup Incorporated	409,570,348
7	3,555,051	BP Amoco PLC	393,944,089
8	5,845,433	Warner-Lambert Company	387,990,615
9	8,117,613	McDonald's Corporation	351,086,762
10	4,178,989	Intel Corporation	310,551,120

Largest Bond Holdings (By Market Value)
September 30, 1999

Rank	Par Amount	Bonds & Notes	Market Value
1	$ 256,047,000	US Treasury Bonds at 9.125% Due 5-15-2009	$ 286,132,523
2	206,552,500	US Treasury 0% Coupon Strips Due 8-15-2003	164,754,536
3	240,428,110	US Treasury 0% Callable Principal Due 5-15-2011	161,291,198
4	150,820,000	Ford Motor Credit Corp FRN 5.63% Due 10-09-2001	150,895,410
5	120,176,000	Bankers Trust Corp FRN 5.59% Due 3-16-2001	120,288,965
6	170,499,700	US Treasury 0% Coupon Strips Due 11-15-2011	110,927,105
7	112,665,000	FHLMC Debenture 6.70% Due 7-23-2008	108,897,764
8	92,024,463	Chemical Bank FRN 5.3545% Due 7-29-2003	92,602,887
9	91,595,105	First Chicago Corp FRN 5.43625% Due 7-28-2003	91,431,676
10	119,821,000	US Treasury Tiger 0% Coupon Due 8-15-2004	88,690,306

A complete list of stock and bond holdings is available from the Michigan Department of Treasury.

Schedule of Investment Fees

The State Treasurer is the investment fiduciary and custodian of the retirement system's funds pursuant to state law. Outside advisors are utilized to augment the State Treasurer's internal staff in the real estate and alternative investment markets. Only 9.4% of the total investment portfolio is managed by fully discretionary outside advisors. Outside advisors' fees are netted against the partnership or trust fund income. The Michigan Department of Treasury's cost of operations applicable to the retirement system for the fiscal year amounted to $5,596.3 thousand or less than two basis points (.02%) of the average market value of the portfolio.

State law created an Investment Advisory Committee comprised of the directors of the Department of Consumer and Industry Services and Management and Budget, or their duly authorized representatives, and three public members appointed by the Governor with the advice and consent of the Senate. The public members serve without pay, but are paid actual and necessary travel and other expenses. The committee meets quarterly to review investments, goals and objectives and may submit recommendations to the State Treasurer. The committee may also, by a majority vote, direct the State Treasurer to dispose of any holding which in the committee's judgement is not suitable for the fund involved, and may by unanimous vote direct the State Treasurer to make specific investments.

Schedule of Investment Fees

Investment Managers' Fees:

	Asset under Management (in thousands)	Fees (in thousands)	Basis Points*
State Treasurer	$ 32,732,992.1	$ 5,596.3	1.7
Outside Advisors - Alternative	3,276,110.3	27,711.0	84.6
Real Estate	118,253.4	-	-
Total	$ 36,127,355.8		

Other Investment Services Fees:

	Assets in Custody**	Fees (in thousands)
Custody & Research Fees	$ 27,827,775.2	$ 164.9
Security Lending Fees	1,191,864.0	55,673.5

* Outside Advisors Fees are netted against the income of the partnership and trust income. The partnership agreements define the management fees, which range from 150 to 250 basis points of the committed capital, in most cases the fees are netted against income. For Real Estate the asset management fees normally range from 25 to 90 basis points and are netted against current year's income.

** Other investment service fees are charged on assets managed by the State Treasurer at its custodial bank in the amount of $27.8 billion; $1.2 billion of assets were on loan at fiscal year end.

Schedule of Commissions

	Commissions Paid [1]	Number of Shares Traded	Average Commission Rate Per Share
	Fiscal Year Ended 9-30-99		
Investment Brokerage Firms:			
Paine Webber, Inc.	$ 544,843	9,157,286	0.06
Merrill Lynch & Co.	474,039	8,206,238	0.06
Goldman, Sachs & Co.	416,538	7,308,727	0.06
Morgan Stanley Dean Witter & Co.	350,815	5,846,914	0.06
CS First Boston Corporation	349,571	5,873,833	0.06
Salomon Smith Barney, Inc.	309,827	5,402,518	0.06
Donaldson, Lufkin & Jenrette Securities Corp.	280,695	4,706,783	0.06
Schroder & Co., Inc.	240,752	4,013,207	0.06
Prudential Securities, Inc.	231,383	3,925,493	0.06
Lehman Brothers, Inc.	217,964	3,745,887	0.06
Bridge Trading Company	214,389	3,573,152	0.06
Sanford C. Bernstein & Co.	213,864	3,564,404	0.06
Bear, Stearns & Co.	167,710	2,843,427	0.06
Capital Institutional Services, Inc.	167,636	2,793,941	0.06
Oppenheimer & Company	163,778	2,732,197	0.06
J.P. Morgan Securities, Inc.	158,237	2,700,130	0.06
SG Cowen & Company	157,719	2,662,157	0.06
Standard & Poor's Securities, Inc.	136,082	2,268,031	0.06
Charles Schwab & Co., Inc.	109,156	1,819,266	0.06
Everen Securities, Inc.	80,656	1,344,259	0.06
Deutsche Bank Securities	59,241	987,343	0.06
Bank of America Securities	52,003	912,300	0.06
Wilshire Associates	47,368	789,467	0.06
BancBoston Robertson Stephens	27,927	753,363	0.04
The Citation Group	26,016	433,608	0.06
Subtotal (25 highest)	$ 5,198,209	88,363,931	0.06 [2]
All Other Brokerage Firms	328,743	5,766,441	0.06 [3]
Total	$ 5,526,952	94,130,372	0.06 [4]

[1] These amounts are included in purchase and sale prices of investments.
[2] The average commission rate per share for the top 25 brokerage firms.
[3] The average commission rate per share for all other brokerage firms, excluding the top 25 brokerage firms.
[4] The average commission rate per share for all brokerage firms.

Investment Summary

	Fiscal Year Ended 9-30-99				Fiscal Year Ended 9-30-98			
	Market Value [a]	Percent of Total Market Value	Investment & Interest Income [c]	Percent of Investment & Interest Income	Market Value [a]	Percent of Total Market Value	Investment & Interest Income [c]	Percent of Investment & Interest Income
Fixed Income:								
Government Bonds	$ 4,802,727,632	13.29%	$ (15,011,369)	(0.29%)	$ 3,968,363,484	12.48%	$ 412,742,941	16.90%
Corporate Bonds & Preferred Stocks	2,947,794,289	8.16%	27,149,378	0.53%	3,639,635,998	11.45%	319,892,227	13.10%
Mortgages	43,911,306	0.12%	(1,555,752)	(0.03%)	108,701,854	0.34%	19,955,444	0.82%
Total Fixed Income	7,794,433,227	21.57%	10,582,257	0.21%	7,716,701,336	24.27%	752,590,612	30.82%
Common Stock	18,166,824,998	50.29%	3,744,927,176	73.12%	15,499,470,309	48.76%	866,128,628	35.48%
Real Estate	2,646,489,779	7.33%	302,481,705	5.91%	2,544,813,370	8.01%	208,000,648	8.52%
Alternative	3,559,715,738	9.85%	484,739,910	9.47%	2,804,466,016	8.83%	535,262,815	21.92%
International Equities - Passive	2,015,009,294	5.58%	463,057,187	9.04%	1,294,859,857	4.07%	(97,166,433)	(3.98%)
Short Term Investments[b]	1,944,882,807	5.38%	115,284,528	2.25%	1,927,443,670	6.06%	176,868,997	7.24%
Total	$ 36,127,355,843	100.00%	$ 5,121,072,763	100.00%	$ 31,787,754,558	100.00%	$ 2,441,685,267	100.00%

[a] Short Term Investments are at cost, which approximates market.

[b] Includes equity in the State Treasurer's Common Cash Fund. Market Values for short term excludes the amounts payable and receivable for sales and purchases of securities with a settlement date after September 30 for each fiscal year. The amount also excludes $1,069,025,839 and $1,311,829,516 in cash collateral for security lending for fiscal year 1999 and 1998 respectively.

[c] Total Investment & Income excludes net security lending income of $3,363,070 and $1,828,302 for fiscal year 1999 and 1998 respectively.

ACTUARIAL SECTION

Actuary's Certification

THE SEGAL COMPANY

One Park Avenue
New York, New York
10016-5895
212-251-5321
FAX: 212-251-5490

Michael J. Karlin, F.S.A., M.A.A.A.
Senior Vice President & Actuary

January 14, 2000

Ms. Janet E. Phipps
Director
Department of Management and Budget
and
Retirement Board
Michigan Public School Employees Retirement System
P.O. Box 30176
Lansing, Michigan 48909

Ladies and Gentlemen:

The Michigan Public School Employees Retirement System (MPSERS) is funded on an actuarial reserve basis. The basic financial objective of MPSERS is to establish and receive contributions that remain approximately level as a percentage of active member payroll over a long period of years.

Actuarial valuations are prepared annually to determine MPSERS's actuarial liabilities and the employer contributions required to fund the System in accordance with the actuarial reserve funding provisions of the governing State Statute. The most recent actuarial valuation as of September 30, 1999 included a total of 438,892 members of MPSERS. The actuarial value of MPSERS's assets amounted to approximately $34.10 billion on September 30, 1999.

The actuarial assumptions used in the 1999 valuation are the same as those used in the previous annual actuarial valuation. These assumptions produce valuation results which we consider to be reasonably indicative of the plan's underlying cost. Also, in our opinion, the actuarial assumptions and methods used for funding purposes meet the parameters for the disclosures presented in the financial section by GASB Statement No. 25.

Our actuarial valuation of MPSERS as of September 30, 1999 was performed by qualified actuaries in accordance with accepted actuarial procedures. In our opinion, the calculated contribution rate meets the fundamental objectives of State law. Based on the 1999 valuation results, it is also our opinion that the Michigan Public School Employees Retirement System continues in sound condition, in accordance with actuarial principles of level cost financing.

Most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedules of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section of this report were provided by our firm.

Sincerely,

Michael Karlin

Michael Karlin, F.S.A., M.A.A.A.
Senior Vice President & Actuary

Summary of Actuarial Assumptions and Methods

1. The investment return rate used in making the valuations was 8% per year, compounded annually. This rate of return is not the assumed real rate of return. The real rate of return is the rate of investment return in excess of the inflation rate. Considering other financial assumptions, the 8% long range investment return rate translates to an assumed real rate of return of 4%. Adopted 1997.

2. The mortality table used in evaluating allowances to be paid was the 1994 Group Annuity Mortality Table. Adopted 1998

3. Sample probabilities of retirement with an age and service allowance are shown in Schedule 1 on the next page. Adopted 1998.

4. Sample probabilities of withdrawal from service and disability, together with individual pay increase assumptions, are shown in Schedule 2 on the next page of this report. Adopted 1998.

5. Total active member payroll is assumed to increase 4% per year. This represents the portion of the individual pay increase assumptions attributable to inflation. In effect, this assumes no change in the number of active members. Adopted 1997.

6. An individual entry age actuarial cost method of valuation was used in determining age and service allowance actuarial liabilities and normal cost. Adopted 1975. Unfunded actuarial accrued liabilities, including actuarial gains and losses, are funded over 50 years and over 40 years on a declining basis beginning October 1, 1996. Adopted 1996.

7. Valuation assets (cash and investment) were reset to market value as of September 30, 1997. After this date, they will again be valued using a five year smoothed market value method. The excess (shortfall) of actual investment income (including interest, dividends, realized and unrealized gains or losses) that occurs after September 30, 1997 over the imputed income at the valuation interest rate is considered the gain (loss), which is spread over five years. Adopted 1997.

8. The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

9. The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA). The assumptions used in the actuarial valuations were adopted by the System's board and the Department of Management and Budget after consulting with the actuary.

Summary of Actuarial Assumptions and Methods (Continued)

SCHEDULE 1

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Basic	MIP
50		50 %
52		25
55	28 %	20
58	22	25
61	20	23
64	25	28
67	25	25
70	30	30
71	40	40
72	50	50
73	60	60
74	70	70
75	100	100

SCHEDULE 2

Separation From Active Employment Before Age & Service Retirement & Individual Pay Increase Assumptions

Sample Ages	Years Service	Percent of Active Members Withdrawing Within Next Year (Men and Women)	Percent of Active Members Becoming Disabled Within Next Year	Percent Increase In Pay During Next Year
All	0	35.00 %		
	1	18.00		
	2	11.00		
	3	8.00		
	4	6.50		
25	5 & Over	4.00	0.01 %	12.50 %
35		2.40	0.02	7.55
45		1.40	0.13	5.65
55		1.40	0.33	4.60
60		1.40	0.45	4.00

Actuarial Valuation Data

Schedule of Active Member Valuation Data

Valuation Date Sept. 30	Number	Reported Annual Payroll*	Average Annual Pay	% Increase	Average Age	Average Service
1990	288,865	5,633,895	19,504	6.2	41.3	9.5 years
1991	293,503	6,032,513	20,553	5.4	41.5	9.6
1992	297,230	6,427,775	21,626	5.2	43.2	10.2
1993	296,585	6,897,924	23,258	7.5	42.2	9.8
1994	291,006	7,164,806	24,621	5.9	42.5	10.0
1995	294,911	7,564,876	25,651	4.2	43.4	10.1
1996	295,096	7,807,029	26,456	3.1	43.6	9.9
1997	295,691	8,027,450	27,148	2.6	43.6	10.0
1998	302,016	8,265,463	27,368	0.8	43.5	9.7
1999	309,324	8,643,718	27,944	2.1	43.6	9.5

* July 1 through June 30 payrolls in thousands of dollars through 1993, October 1 through September 30 annualized payments for fiscal years beginning October 1, 1993.

Schedule of Changes in the Retirement Rolls

Year Ended Sept. 30	Added to Rolls		Removed from Rolls		Rolls–End of Year		% Increase in Annual Allowances	Average Annual Allowances
	No.	Annual Allowances*	No.	Annual Allowances*	No.	Annual Allowances*		
1990	5,808	93,148	2,439	17,722	83,286	686,850	12.3	8,247
1991	5,595	83,226	2,628	20,359	86,253	749,717	9.2	8,692
1992	6,651	104,184	2,703	22,611	90,201	831,290	10.9	9,216
1993	6,278	100,691	2,905	20,295	93,574	911,686	9.7	9,743
1994	7,451	129,506	3,036	22,373	97,989	1,018,819	11.8	10,397
1995	8,192	146,151	3,030	22,998	103,151	1,141,972	12.1	11,071
1996	7,443	135,326	3,129	25,487	107,465	1,251,811	9.6	11,649
1997	7,691	147,433	3,314	27,765	111,842	1,371,479	9.6	12,263
1998	8,384	165,312	3,606	31,429	116,620	1,505,362	9.8	12,908
1999	7,842	166,104	3,549	31,641	120,913	1,639,825	8.9	13,562

* In thousands of dollars

Prioritized Solvency Test

The System's funding objective is to meet long term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will pay all promised benefits when due, the ultimate test of financial soundness. Testing for level contribution rates is the long term solvency test.

A prioritized solvency test is another means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with: (1) active member contributions on deposit; (2) the liabilities for future benefits to present retired lives; and (3) the liabilities for service already rendered by active and inactive members. In a system that has been following the discipline of level percent of payroll financing, the liabilities for active member contributions on deposit (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets (except in rare circumstances). In addition, the liabilities for service already rendered by active members (liability 3) is normally partially covered by the remainder of present assets. Generally, if the System has been using level-cost financing, the funded portion of liability 3 will increase over time. Liability 3 being fully funded is not necessarily a byproduct of level percent of payroll funding methods.

The schedule below illustrates the history of the liabilities of the System and is indicative of the System's policy of following the discipline of level percent of payroll financing.

	Actuarial Present Value of Accrued Liabilities ($ in Millions)				Portion of Present Value Covered by Assets			
	(1)	(2)	(3)					
Valuation Date Sept. 30	Active Member Contributions	Retirants and Beneficiaries	Active and Inactive Members (Employers Financed Portion)	Valuation Assets	(1)	(2)	(3)	(4)***
1990	$ 1,192	$ 6,611	$ 7,963	$ 13,746	100 %	100 %	74.6 %	87.2 %
1991	1,365	7,505	9,162	14,653	100	100	63.1	81.3
1992	1,510	8,212	9,841	15,333	100	100	57.0	78.4
1993+	1,700	9,177	10,822	16,999	100	100	56.6	78.3
1994	1,892	10,051	11,557	18,502	100	100	56.7	78.7
1994@	1,892	10,312	12,810	18,502	100	100	49.2	73.9
1995	2,057	11,569	13,776	20,455	100	100	49.6	74.6
1996	2,261	12,590	13,720	22,529	100	100	56.0	78.9
1997	2,500	14,303	13,376	25,485	100	100	64.9	84.4
1997@+	2,500	14,303	12,989	30,051	100	100	102.0	100.9
1998	2,505	15,689	13,943	31,870	100	100	98.1	99.2
1998@	2,505	15,888	14,470	31,870	100	100	93.1	97.0
1999	2,706	17,291	14,351	34,095	100	100	98.2	99.3

*** Percents funded on a total valuation asset and total actuarial accrued liability basis.
+ Revised asset valuation method.
@ Revised actuarial assumptions.

Summary Of Plan Provisions

Our actuarial valuation of the System as of September 30, 1999 is based on the present provisions of the Public School Employees' Retirement Act (Act 300 of 1980, as amended).

Regular Retirement (no reduction factor for age)

Eligibility — Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years.

Mandatory Retirement Age — None.

Annual Amount — Total credited service times 1.5% of final average compensation.

Final Annual Compensation — Average of highest 5 consecutive years. (3 years for MIP members).

Early Retirement (age reduction factor used)

Eligibility — Age 55 with 15 or more years credited service and earned credited service in each of the last 5 years.

Annual Amount — Regular retirement benefit, reduced by 1/2% for each month by which the commencement age is less than 60.

Deferred Retirement (vested benefit)

Eligibility — 10 years of credited service. Benefit commences at the time age qualification is met.

Annual Amount — Regular retirement benefit based on service and final average compensation at time of termination.

Duty Disability Retirement

Eligibility — No age or service requirement; in receipt of workers' disability compensation.

Annual Amount — Computed as regular retirement benefit with minimum benefit based on 10 years credited service. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Non-Duty Disability Retirement

Eligibility — 10 years of credited service.

Annual Amount — Computed as regular retirement benefit based on credited service and final average compensation at time of disability. Additional limitation such that disability benefits plus authorized outside earnings limited to 100% of final average compensation (increased by 2% each year retired).

Duty Death Before Retirement

Eligibility — No age or service requirement. Beneficiary is in receipt of workers' compensation. Also applies to "duty disability" retirees during first three years of disability.

Summary Of Plan Provisions (Continued)

Annual Amount — Spouse benefit computed as regular retirement benefit with minimum benefit based on ten years of credited service, reduced for 100% joint and survivor election. If no surviving spouse, children under 18 share in benefit; if no spouse or children, a disabled and dependent parent is eligible.

Non-Duty Death Before Retirement

Eligibility — 15 years of credited service, or age 60 and 10 years of credited service. 10 years of credited service, or age 60 and 5 years of credited service for MIP members.

Annual Amount — Computed as regular retirement benefit, reduced in accordance with a 100% joint and survivor election, with payments commencing first of month following death. For the beneficiary of a deferred member, benefit commences at the time a member would have attained the minimum age qualification.

Post-Retirement Cost-of-Living Adjustments

One-time upward adjustments have been made in 1972, 1974, 1976 and 1977 for members retired on or after July 1, 1956 and prior to July 1, 1976 who were eligible for Social Security benefits. For members who retired prior to July 1, 1956 and not eligible for Social Security benefits based upon membership service, the minimum base pension was increased in 1965, 1971, 1972, 1974 and 1981, and in 1976 and 1977 one-time upward adjustments were made.

Beginning in 1983, eligible recipients received an annual distribution of investment earnings in excess of 8% (supplemental payment). On January 1, 1986, all members who retired prior to January 1, 1986 were given a permanent 8% increase. On January 1, 1990 a one-time upward adjustment for members who retired prior to October 1, 1981 was made.

Currently members receive annual increases based on the following schedule:

Retired before January 1, 1987 -- Greater of Supplemental payment or automatic 3% increase
Retired on or after January 1, 1987 under MIP - Automatic 3% increase only
Retired on or after January 1, 1987 not under MIP - Supplemental payment only

Post-Retirement Health Benefits

Members in receipt of pension benefits are eligible for fully State-paid Master Health Care Plan coverage (90% State-paid Dental Plan, Vision Plan and Hearing Plan coverage) with the following exceptions:

1. Members not yet eligible for Medicare coverage pay an amount equal to the Medicare Part B premiums.

2. Members with less than 30 years of service, who terminate employment after October 31, 1980 with vested deferred benefits, are eligible for partially State-paid health benefit coverage (no State payment if less than 21 years service).

Dependents are eligible for 90% State-paid health benefit coverage (partial State payment for dependents of deferred vested members who had 21 or more years of service).

Summary Of Plan Provisions (Continued)

Member Contributions

MIP Participants hired before January 1, 1990 — 3.9% of pay

MIP Participants hired on or after January 1, 1990 — 3.0% of first $5,000 of pay, plus 3.6% of next $10,000 of pay, plus 4.3% pay in excess of $15,000.

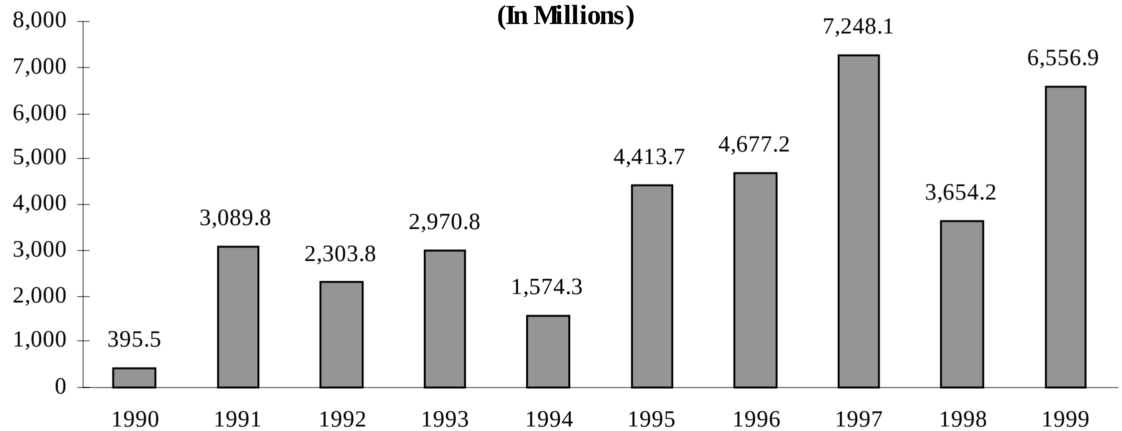
Non-MIP Participants — None.

STATISTICAL SECTION

Schedule of Revenues by Source

Fiscal Year Ended Sept. 30	Member & Employer Health Contributions	Member Contributions	Employer Contributions		Net Investment & Other Income	Total
			Dollars	% of Annual Covered Payroll		
1990	182,127,000	174,658,758	472,089,593	8.38	(433,399,646)	395,475,705
1991	171,007,634	174,835,458	502,685,310	8.33	2,241,235,939	3,089,764,341
1992	231,559,072	196,103,714	533,025,550	8.29	1,343,143,928	2,303,832,264
1993	166,642,908	223,584,885	612,220,399	8.88	1,968,375,434	2,970,823,626
1994	88,178,299	244,086,635	809,768,082	11.30	432,291,116	1,574,324,132
1995	271,031,481	248,662,424	770,541,054	10.19	3,123,477,389	4,413,712,348
1996	305,173,023	255,085,948	829,600,401	10.63	3,287,367,155	4,677,226,527
1997	342,675,636	253,358,290	904,817,513	11.27	5,747,292,566	7,248,144,005
1998	359,266,764	252,672,436	622,437,022	7.53	2,419,775,950	3,654,152,172
1999	376,562,920	518,861,556	574,436,929	6.80	5,087,086,105	6,556,947,510

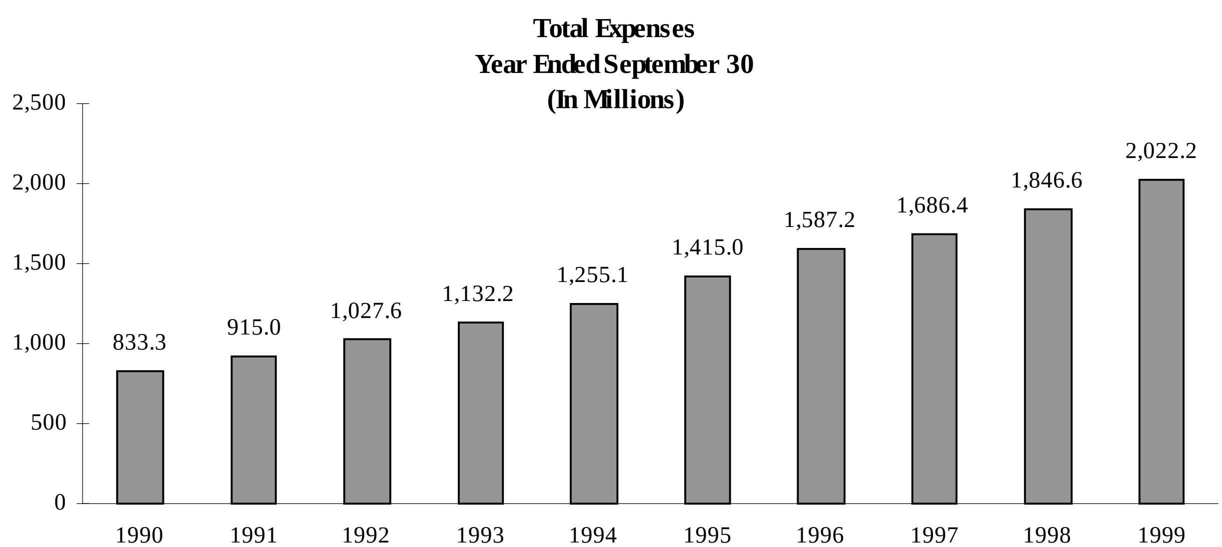
Total Revenue
Year Ended September 30
(In Millions)



Schedule of Expenses by Type

Fiscal Year Ended Sept. 30	Benefit Payments*	Refunds and Transfers	Administrative Expenses	Total
1990	821,705,321	2,418,521	9,162,436	833,286,278
1991	898,321,741	4,630,054	12,095,624	915,047,419
1992	1,010,916,803	3,453,420	13,229,581	1,027,599,804
1993	1,115,092,306	3,940,883	13,121,256	1,132,154,445
1994	1,234,384,948	5,457,370	15,307,293	1,255,149,611
1995	1,391,780,504	7,926,131	15,343,147	1,415,049,782
1996	1,565,111,270	11,698,045	10,381,801	1,587,191,116
1997	1,656,442,197	17,904,602	12,102,095	1,686,448,894
1998	1,810,891,942	21,252,147	14,463,339	1,846,607,428
1999	1,994,459,436	11,198,300	16,525,359	2,022,183,095

*Includes health benefits

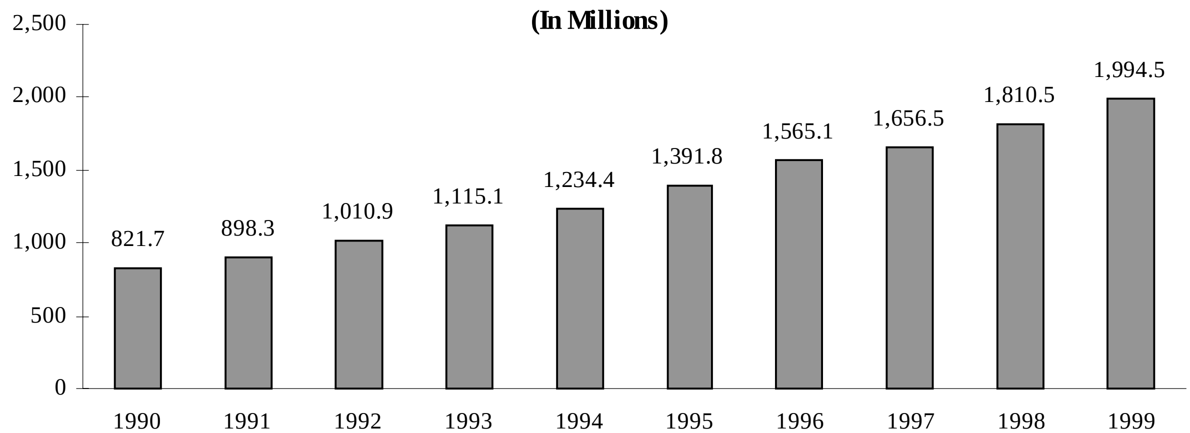


Schedule of Benefit Expenses by Type

Fiscal Year Ended Sept. 30	Regular Benefits*	Disability Benefits	Supplemental Check	Health Benefits**	Total
1990	645,955,531	19,981,087		155,768,703	821,705,321
1991	706,806,593	19,979,268		171,535,880	898,321,741
1992	775,316,096	21,836,151		213,764,556	1,010,916,803
1993	855,363,962	23,909,603		235,818,741	1,115,092,306
1994	952,147,141	25,839,763		256,398,044	1,234,384,948
1995	1,071,950,982	28,257,525		291,571,997	1,391,780,504
1996	1,178,250,042	31,209,798	58,800,478	296,850,952	1,565,111,270
1997	1,274,469,892	37,129,588	6,228,620	338,659,636	1,656,487,736
1998	1,412,550,359	35,908,817	5,992,263	356,065,946	1,810,517,485
1999	1,540,039,404	38,546,646	9,406,311	406,467,075	1,994,459,436

*Includes prior post retirement adjustments.
**Includes dental and vision benefits

Benefit Expenses
Year Ended September 30
(In Millions)



Schedule of Retired Members by Type of Benefit

September 30, 1999

Amount Monthly Benefit	Number of Retirees	Type of Retirement * 1	2	3	4	5	6	Selected Option** Opt. 1	Opt. 2	Opt. 3	Opt.1E 2E,3E
$ 1 - 200	14,403	12,338	1,124	106	607	1	227	8,886	2,699	1,908	910
201 - 400	18,516	15,201	1,440	92	1,287		496	11,096	3,744	2,606	1,070
401 - 600	13,398	10,916	1,035	52	904		491	7,478	2,737	2,158	1,025
601 - 800	10,287	8,528	720	23	584		432	5,665	2,018	1,624	980
801 - 1,000	8,388	7,088	507	16	454	1	322	4,381	1,708	1,259	1,040
1,001 - 1,200	7,159	6,158	406	7	308		280	3,438	1,545	1,146	1,030
1,201 - 1,400	6,547	5,773	298	2	255		219	2,905	1,538	1,071	1,033
1,401 - 1,600	6,319	5,708	271	3	159		178	2,697	1,720	1,098	804
1,601 - 1,800	6,183	5,752	182	0	108		141	2,652	1,631	1,210	690
1,801 - 2,000	6,409	6,069	169	2	58		111	2,662	1,633	1,331	783
Over 2,000	23,304	22,802	293	0	42	1	166	9,471	4,300	4,553	4,980
Totals	120,913	106,333	6,445	303	4,766	3	3,063	61,331	25,273	19,964	14,345

* Type of Retirement
1 - Normal retirement for age & service
2 - Survivor payment - normal retirement
3 - Duty disability retirement
4 - Non-duty disability retirement
5 - Survivor payment - duty death in service
6 - Survivor payment - non-duty death in service

**Selected Option
Opt. 1. - Straight life allowance
Opt. 2 - 100% survivor option
Opt. 3 - 50% survivor option
Opt. 1E, 2E, 3E - Equated retirement plans

Schedule of Health Benefits
For Years Ended September 30, 1999 and 1998

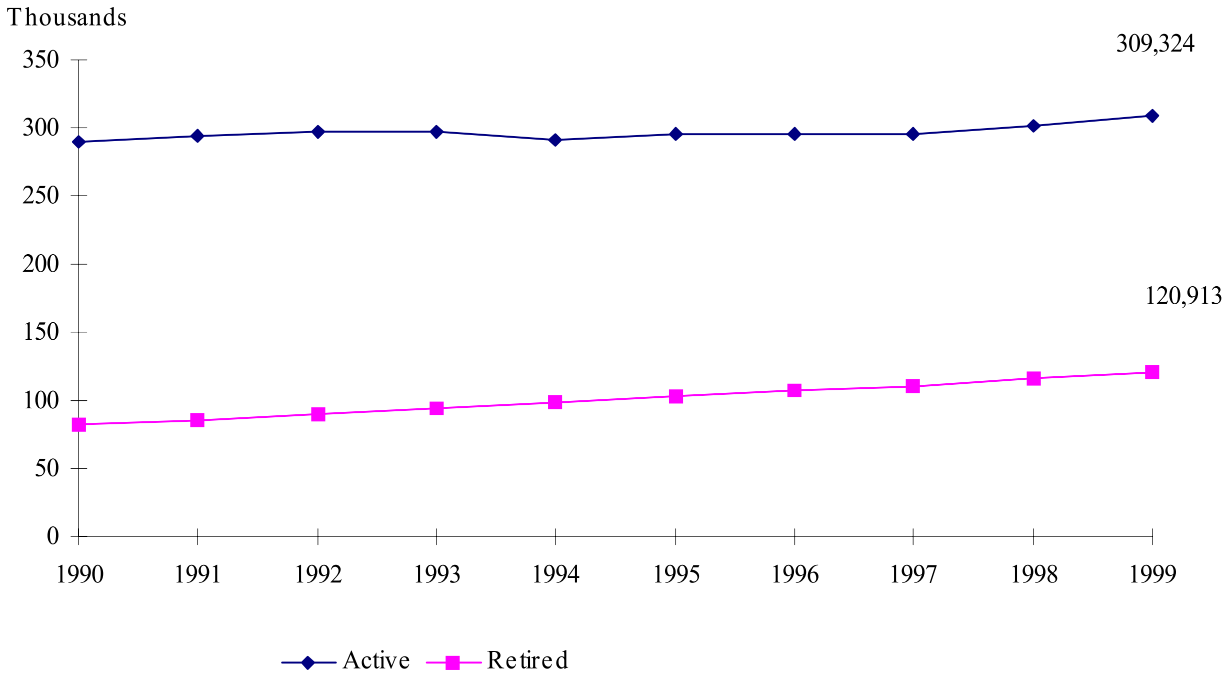
	1999	1998
Claims		
Health Insurance	$ 291,888,646	$ 250,401,047
Vision Insurance	4,001,210	4,075,419
Dental Insurance	33,251,423	31,039,312
Total Claims	$ 329,141,279	$ 285,515,778
IBNR (Incurred but not reported claims)		
Health Insurance	$ 39,633,518	$ 35,045,507
Vision Insurance	385,950	633,382
Dental Insurance	2,860,462	2,651,000
Total IBNR	$ 42,879,930	$ 38,329,889
Administrative Fees		
Health Insurance	$ 31,617,500	$ 29,393,497
Vision Insurance	258,575	741,027
Dental Insurance	2,569,791	2,460,312
Total Administrative Fees	34,445,866	32,594,836
Subtotal	406,467,075	356,440,503
Refunds	-0-	(374,557) *
Grand Total	$ 406,467,075	$ 356,065,946

*Includes a cancelled check for a refund issued in 1995

Schedule of Average Benefit Payments

Retirement Effective Dates	Years Credited Service							
	0-5	5-10	10-15	15-20	20-25	25-30	30+	Total
Period 10/1/94 to 9/30/95:								
Average Monthly Benefit	$ 305	$ 127	$ 216	$ 399	$ 660	$ 1,000	$ 1,609	$ 922
Average final Average Salary	5,577	13,480	11,960	16,363	21,333	25,673	34,402	24,144
Number of Active Retirants	226	2,504	15,390	17,934	16,455	13,205	37,437	103,151
Period 10/1/95 to 9/30/96:								
Average Monthly Benefit	$ 336	$ 131	$ 224	$ 411	$ 683	$ 1,030	$ 1,694	$ 971
Average final Average Salary	5,151	13,787	12,373	16,852	22,019	26,608	36,341	25,327
Number of Active Retirants	277	2,729	15,659	18,519	17,082	13,615	39,584	107,465
Period 10/1/96 to 9/30/97:								
Average Monthly Benefit	$ 359	$ 134	$ 230	$ 424	$ 703	$ 1,064	$ 1,779	$ 1,022
Average final Average Salary	4,725	13,993	12,738	17,348	22,636	27,515	38,285	26,540
Number of Active Retirants	333	2,742	15,893	18,982	17,724	13,941	42,027	111,842
Period 10/1/97 to 9/30/98:								
Average Monthly Benefit	$ 390	$ 139	$ 238	$ 438	$ 726	$ 1,097	$ 1,864	$ 1,076
Average final Average Salary	4,043	14,351	13,165	17,927	23,340	28,399	40,260	27,831
Number of Active Retirants	416	3,136	16,145	19,479	18,358	14,337	44,749	116,620
Period 10/1/98 to 9/30/99:								
Average Monthly Benefit	$ 439	$ 143	$ 246	$ 452	$ 746	$ 1,131	$ 1,944	$ 1,130
Average final Average Salary	3,467	14,633	13,635	18,462	23,931	29,187	42,081	29,072
Number of Active Retirants	528	3,338	16,299	19,815	18,838	14,535	47,560	120,913

10 Year History of Membership
Fiscal Year Ended September 30



Schedule of Participating Employers thru FY 9/30/99

Universities:

Central Michigan University
Eastern Michigan University
Ferris State University
Lake Superior State University
Michigan Technological University
Northern Michigan University
Western Michigan University

Community Colleges:

Alpena Community College
Bay De Noc Community College
Charles S Mott Community College
Delta College
Glen Oaks Community College
Gogebic Community College
Grand Rapids Community College
Henry Ford Community College
Jackson County Community College
Kalamazoo Valley Community College
Kellogg Community College
Kirtland Community College
Lake Michigan College
Lansing Community College
Macomb Community College
Mid-Michigan Community College
Monroe County Community College
Montcalm Community College
Muskegon Community College
North Central Michigan College
Northwestern Michigan College
Oakland Community College
Schoolcraft Community College
Southwestern Michigan College
St. Clair County Community College
Washtenaw Community College
Wayne County Community College
West Shore Community College

Intermediate School Districts:

Allegan County Intermediate School Distr.
Alpena-Montmorency-Alcona E. S. D.
Barry Intermediate School District
Bay-Arenac Intermediate School District
Berrien Intermediate School District
Branch Intermediate School District
C.O.O.R. Intermediate School District
Calhoun Intermediate School District

Intermediate School Districts (continued):

Charlevoix-Emmet Intermediate School District
Cheboygan-Otsego-Presque Isle ISD
Clare-Gladwin Intermediate School District
Clinton County R. E. S. A.
Copper Country Intermediate School District
Delta-Schoolcraft Intermediate School District
Dickinson-Iron Intermediate School District
Eastern U P Intermediate School District
Eaton Intermediate School District
Genesee Intermediate School District
Gogebic-Ontonagon Intermediate School District
Gratiot-Isabella R. E. S. D.
Hillsdale Intermediate School District
Huron Intermediate School District
Ingham Intermediate School District
Ionia Intermediate School District
Iosco Intermediate School District
Jackson Intermediate School District
Kalamazoo Valley Intermediate School District
Kent Intermediate School District
Lapeer Intermediate School District
Lenawee Intermediate School District
Lewis Cass Intermediate School District
Livingston E. S. A.
Macomb Intermediate School District
Manistee Intermediate School District
Marquette-Alger Intermediate School District
Mason Lake Intermediate School District
Mecosta-Osceola Intermediate School District
Menominee Intermediate School District
Midland Intermediate School District
Monroe Intermediate School District
Montcalm Area Intermediate School District
Muskegon Area Intermediate School District
Newaygo Intermediate School District
Oakland Intermediate School District
Oceana Intermediate School District
Ottawa Area Intermediate School District
Saginaw Intermediate School District
Sanilac Intermediate School District
Shiawassee R. E. S. D.
St. Clair Intermediate School District
St. Joseph Intermediate School District
Traverse Bay Area Intermediate School District
Tuscola Intermediate School District
Van Buren Intermediate School District
Washtenaw Intermediate School District
Wayne R. E. S. A.
Wexford-Missaukee Intermediate School District

Schedule of Participating Employers (Continued)

K - 12 School Districts:

Adams Township School District
Adams-Sigel #3 School
Addison Community Schools
Adrian Public Schools
Airport Community Schools
Akron-Fairgrove Schools
Alba Public Schools
Albion Public Schools
Alcona Community Schools
Algonac Community Schools
Allegan Public Schools
Allen Park Public Schools
Allendale Public Schools
Alma Public Schools
Almont Community Schools
Alpena Public Schools
Anchor Bay School District
Ann Arbor Public Schools
Arenac-Eastern High School
Armada Area Schools
Arvon Township Schools
Ashley Community Schools
Athens Area Schools
Atherton Community Schools
Atlanta Community Schools
Au Gres-Sims School District
Autrain-Onota Public Schools
Avondale School District
Bad Axe Public Schools
Baldwin Community Schools
Bangor Public Schools
Bangor Township Schools
Baraga Township Schools
Bark River - Harris Schools
Bath Community Schools
Battle Creek Public Schools
Bay City Public Schools
Beal City Schools
Bear Lake School
Beaver Island Community Schools
Beaverton Rural School District
Bedford Public Schools
Beecher Community School District
Belding Area Schools
Bellaire Public Schools
Bellevue Community Schools
Bendle Public Schools
Bentley Community Schools
Benton Harbor Area Schools
Benzie County Central Schools
Berkley City School District
Berrien Springs Public Schools
Bessemer Area School District
Big Bay De Noc School District
Big Burning-Colfax Township School District #1F
Big Jackson School District
Big Rapids Public Schools
Birch Run Area Schools
Birmingham City Schools
Blissfield Community School District
Bloomfield #7 Frl-Rapson School
Bloomfield Hills School District
Bloomingdale Public Schools
Bois Blanc Township School District
Boyne City Public Schools
Boyne Falls Public Schools
Brandon School District
Brandywine Public Schools
Breckenridge Community Schools
Breitung Township Schools
Bridgeport-Spaulding Community School District
Bridgman Public Schools
Brighton Area Schools
Brimley Public Schools
Britton-Macon Area School
Bronson Community Schools
Brown City Community Schools
Buchanan Community Schools
Buckley Community Schools
Buena Vista School District
Bullock Creek School District
Burr Oak Community Schools
Burt Township School District
Byron Area Schools
Byron Center Public Schools
Cadillac Area Public Schools
Caledonia Community Schools
Calumet Public Schools
Camden-Frontier School
Capac Community Schools
Carman-Ainsworth Community School District
Carney-Nadeau Public Schools
Caro Community Schools
Carrollton School District
Carson City-Crystal Area Schools
Carsonville-Port Sanilac School
Caseville Public Schools
Cass City Public Schools
Cassopolis Public Schools
Cedar Springs Public Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Center Line Public Schools
Central Lake-Antrim County Public Schools
Central Montcalm Public Schools
Centreville Public Schools
Charlevoix Public Schools
Charlotte Public Schools
Chassell Township Schools
Cheboygan Area School District
Chelsea School District
Chesaning-Union Schools
Chippewa Hills School District
Chippewa Valley Schools
Church School District
Clare Public Schools
Clarenceville School District
Clarkston Community Schools
Clawson City School District
Climax-Scotts Community Schools
Clinton Community Schools
Clintondale Community Schools
Clio Area School District
Coldwater Community Schools
Coleman Community Schools
Coloma Community Schools
Colon Community School
Columbia School District
Comstock Park Public Schools
Comstock Public Schools
Concord Community Schools
Constantine Public Schools
Coon-Berlin Township School District #3
Coopersville Public Schools
Corunna Public Schools
Covert Public Schools
Crawford-AuSable School District
Crawford-Excelsior School District #1
Crestwood School District
Croswell-Lexington Schools
Dansville Agricultural School
Davison Community Schools
Dearborn Heights School District #7
Dearborn Public Schools
Decatur Public Schools
Deckerville Community School District
Deerfield Public Schools
Delton-Kellogg Schools
DeTour Area Schools
Detroit Public Schools
Dewitt Public Schools
Dexter Community Schools
Dowagiac-Union School District
Dryden Community Schools
Dundee Community Schools
Durand Area Schools
East China Township School District
East Detroit School District
East Grand Rapids Public Schools
East Jackson Public Schools
East Jordan Public Schools
East Lansing Public Schools
Eaton Rapids Public Schools
Eau Claire Public Schools
Eccles-Sigel #4 School
Ecorse Public Schools
Edwardsburg Public Schools
Elk Rapids Schools
Elkton-Pigeon-Bay Port Schools
Ellsworth Community Schools
Elm River Township Schools
Engadine Consolidated School District #4
Escanaba Area Public Schools
Essexville-Hampton Public Schools
Evart Public Schools
Ewen-Trout Creek Consolidated School District
Fairview Area Schools
Farmington Public Schools
Farwell Area Schools
Fennville Public Schools
Fenton Area Public Schools
Ferndale City School District
Fitzgerald Public Schools
Flat Rock Community Schools
Flint City School District
Flushing Community Schools
Forest Area Schools
Forest Hills Public Schools
Forest Park School District
Fowler Public Schools
Fowlerville Community Schools
Frankenmuth School District
Frankfort-Elberta Area Schools
Fraser Public Schools
Free Soil Community School District # 8
Freeland Community Schools
Fremont Public Schools
Fruitport Community Schools
Fulton Schools
Galesburg-Augusta Community School District
Galien Township School
Garden City Public Schools
Gaylord Community Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Genesee School District
Gerrish-Higgins School District
Gibraltar School District
Gladstone Area Schools
Gladwin Community Schools
Glen Lake Community Schools
Glenn-Ganges School District #4
Gobles Public Schools
Godfrey-Lee Public Schools
Godwin Heights Public Schools
Goodrich Area Schools
Grand Blanc Community Schools
Grand Haven Public Schools
Grand Ledge Public Schools
Grand Rapids Public Schools
Grandville Public Schools
Grant Public Schools
Grant Township School
Grass Lake Community Schools
Greenville Public Schools
Grosse Ile Township Schools
Grosse Pointe Public Schools
Gull Lake Community Schools
Gwinn Area Community Schools
Hale Area Schools
Hamilton Community Schools
Hamtramck Public Schools
Hancock Public Schools
Hanover Horton School District
Harbor Beach Community School District
Harbor Springs Public Schools
Harper Creek Community Schools
Harper Woods Public Schools
Harrison Community Schools
Hart Public Schools
Hartford Public Schools
Hartland Consolidated Schools
Haslett Public Schools
Hastings Area School District
Haynor- Easton Township School District #6
Hazel Park Public Schools
Hemlock Public Schools
Hesperia Community Schools
Highland Park School District
Hillman Community Schools
Hillsdale Community Schools
Holland Public Schools
Holly Area Schools
Holt Public Schools
Holton Public Schools
Homer Community Schools
Hopkins Public Schools
Houghton Lake Community Schools
Houghton-Portage Township School District
Howell Public Schools
Hudson Area Schools
Hudsonville Public Schools
Huron School District
Huron Valley School District
Ida Public Schools
Imlay City Community Schools
Inkster Public Schools
Inland Lakes Schools
Ionia Public Schools
Iron Mountain Public Schools
Ironwood-Gogebic City Area Schools
Ishpeming Public Schools
Ithaca Public Schools
Jackson Public Schools
Jefferson Schools
Jenison Public Schools
Johannesburg-Lewiston Area Schools
Jonesville Community Schools
Kalamazoo Public Schools
Kaleva Norman Dickson School District
Kalkaska Public Schools
Kearsley Community Schools
Kelloggsville Public Schools
Kenowa Hills Public Schools
Kent City Community Schools
Kentwood Public Schools
Kingsley Area Schools
Kingston Community Schools
Kipper School
L'Anse Creuse Public Schools
L'Anse Public Schools
Laingsburg Community Schools
Lake City Area Schools
Lake Fenton Community School District
Lake Linden-Hubbell Public Schools
Lake Orion Community School #3
Lake Shore Public Schools
Lakeshore Public Schools
Lakeview Community Schools
Lakeview Public Schools
Lakeview School District
Lakeville Community Schools
Lakewood School District
Lamphere Public Schools
Lansing Public Schools
Lapeer Public Schools
Lawrence Public Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Lawton Community Schools
Leland Public Schools
Les Cheneaux Community Schools
Leslie Public Schools
Lincoln Consolidated Schools
Lincoln Park Public Schools
Linden Community Schools
Litchfield Community Schools
Littlefield Public Schools
Livonia Public Schools
Loucks-Roxend Township School District #12
Lowell Area Schools
Ludington Area Schools
Mackinac Island Public Schools
Mackinaw City Public Schools
Madison District Public Schools
Madison School District #2
Mancelona Public Schools
Manchester Community Schools
Manistee Public Schools
Manistique Area Schools
Manton Consolidated School District
Maple Valley Schools
Mar Lee School District
Marcellus Community Schools
Marenisco School District
Marion Public Schools
Marlette Community Schools
Marquette Area Public Schools
Marshall Public Schools
Martin Public Schools
Marysville Public Schools
Mason Consolidated Schools
Mason County Central School District
Mason County-Eastern-Custer #5 School District
Mason Public Schools
Mattawan Consolidated Schools
Mayville Community Schools
McBain Rural Agricultural School
Melvindale-Northern Allen Park School District
Memphis Community Schools
Mendon Community School
Menominee Area Public Schools
Meridian Public Schools
Merrill Community Schools
Mesick Consolidated Schools
Michigan Center School District
Mid Peninsula Schools
Midland City Schools
Milan Area Schools
Millington Community School District
Mio-AuSable Schools
Mona Shores School District #29
Monroe Public Schools
Montabella Community Schools
Montague Area Public Schools
Montrose Community Schools
Moran Township School District
Morenci Area Schools
Morley-Stanwood Community Schools
Morrice Area Schools
Mt Clemens Community Schools
Mt Morris Consolidated Schools
Mt Pleasant Public Schools
Munising Public Schools
Muskegon City Public Schools
Muskegon Heights City Public Schools
Napoleon Comm. School District
Negaunee Public Schools
New Buffalo Area Schools
New Haven Community Schools
New Lothrup Area Public Schools
Newaygo Public Schools
Nice Community Schools
Niles Public Schools
North Adams-Jerome Public Schools
North Branch Area Schools
North Central Area Schools
North Dickinson School
North Huron Schools
North Levalley School #2
North Muskegon Public Schools
Northport Public Schools
Northview Public Schools
Northville Public Schools
Northwest School District
Norway-Vulcan Area Schools
Nottawa Community Schools
Novi Community School District
Oak Park School District
Oakridge Public Schools
Okemos Public Schools
Olivet Community Schools
Onaway Area Community Schools
Onekama Consolidated Schools
Onsted Community Schools
Ontonagon Area School District
Orchard View Schools
Osceola Township Schools
Oscoda Area Schools
Otsego Public Schools
Ovid-Elsie Area Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Owendale-Gagetown Area Schools
Owosso Public Schools
Oxford Area Community Schools
Palo Community Schools
Parchment School District
Paw Paw Public Schools
Peck Community Schools
Pellston Public Schools
Pennfield Schools
Pentwater Public Schools
Perry Public Schools
Petoskey Public Schools
Pewamo-Westphalia Community School District
Pickford Public Schools
Pinckney Community Schools
Pinconning Area Schools
Pine River Area Schools
Pittsford Area Schools
Plainwell Community Schools
Plymouth-Canton Community School District
Pontiac City School District
Port Hope Community Schools
Port Huron Area Schools
Portage Public Schools
Portland Public Schools
Posen Consolidated Schools
Potterville Public Schools
Powell Township School District
Quincy Community Schools
Rapid River Public Schools
Ravenna Public Schools #24
Reading Community Schools
Redford-Union School District #1
Reed City Public School District
Reese Public Schools
Reeths-Puffer Schools
Republic-Michigamme Schools
Richmond Community Schools
River Rouge Public Schools
River School
River Valley School District
Riverside-Hagar School District #6
Riverview Community Schools
Rochester Community Schools
Rockford Public Schools
Rogers City Area Schools
Romeo Community Schools
Romulus Community Schools
Roseville Community Schools
Royal Oak City School District
Rudyard Public Schools
Saginaw City Schools
Saginaw Township Community Schools
Saline Area Schools
Sand Creek Community Schools
Sandusky Community Schools
Saranac Community Schools
Saugatuck Public Schools
Sault Ste Marie Public Schools
Schoolcraft Community Schools
Shelby Public Schools
Shepherd Public Schools
South Haven Public Schools
South Lake Public Schools
South Lyon Community Schools
South Redford School District
Southfield Public Schools
Southgate Community School District
Sparta Area Schools
Spring Lake Public Schools
Springport Public Schools
St. Charles Community Schools
St. Ignace Public Schools
St. Johns Public Schools
St. Joseph Public Schools
St. Louis Public Schools
Standish-Sterling Community School District
Stanton Twnshp. Public Schools
Stephenson Area Public Schools
Stockbridge Community Schools
Strange-Oneida School #3
Sturgis Public Schools
Summerfield Schools
Superior Central School District
Suttons Bay Public Schools
Swan Valley School District
Swartz Creek Community Schools
Tahquamenon Area School District
Tawas Area Schools
Taylor Township Schools
Tecumseh Public Schools
Tekonsha Community Schools
Thornapple-Kellogg School
Three Rivers Community Schools
Traverse City Public Schools
Trenton Public Schools
Tri-County Area Schools
Troy City School District
Ubly Community Schools
Union City Community Schools
Unionville-Sebewaing Area Schools
Utica Community Schools

Schedule of Participating Employers (Continued)

K - 12 School Districts (continued):

Van Buren Public Schools
Van Dyke Public Schools
Vanderbilt Area Schools
Vandercook Lake Public Schools
Vassar Public Schools
Verona Mills School
Vestaburg Community Schools
Vicksburg Community Schools
Wakefield Township Schools
Waldron Area Schools
Walkerville Rural Community School District
Walled Lake Consolidated Schools
Warren Consolidated Schools
Warren Woods Public Schools
Waterford School District
Watersmeet Township School District
Watervliet Public Schools
Waverly Community Schools
Wayland Union Schools
Wayne-Westland Community Schools
Webberville Community Schools
Wells Township School #18
West Bloomfield Schools
West Branch-Rose City Area Schools
West Iron County Public Schools
West Ottawa Public Schools
Western School District
Westwood Community Schools
Westwood Heights Schools
White Cloud Public Schools
White Pigeon Community Schools
White Pine School District
Whitefish Township School
Whiteford Agricultural School
Whitehall District Schools
Whitmore Lake Public Schools
Whittemore-Prescott Area Schools
Williamston Community Schools
Willow Run Community Schools
Wolverine Community Schools
Wood School District #8
Woodhaven School District
Wyandotte Public Schools
Wyoming Public Schools
Yale Public School District
Ypsilanti Public Schools
Zeeland Public Schools

Public School Academies:

Academy for Plastics Mfg. Technology
AGBU Alex & Marie Manoogian School
Ann Arbor Learning Community
Bahweting Anishnabe Public School Academy
Bay-Arenac Community High School
Benito Juarez Academy
Casman Alternative Academy
Colin Powell Academy
Commonwealth Community Development Academy
Countryside Charter School
Creative Technologies Academy
Crossroads Charter Academy
Dearborn Academy
Detroit Academy of Arts & Sciences
Detroit Community High School
Discovery Elementary School
Edison-Oakland Academy
Edison Public School Academy
El-Hajj Malik El-Shabazz Academy
Endeavor Charter Academy
Excel Charter Academy
Gateway Middle High School
Gaudior Academy
George Washington Academy
Grand Traverse Academy
Health Career Academy of St. Clair County
Henry Ford Academy of Mfg. Arts & Science
Honey Creek Community School
Horizons Community High School
International Academy of Flint
Kalamazoo Advantage Academy
Lakeshore Public Academy
Macomb Academy
Martin Luther King, Jr. Public School Academy
Michigan Early Elementary Center
Mid-Michigan Public School Academy
Nah Tah Wahsh Public School Academy
Nataki Talibah School of Detroit
New Branches School
North Star Academy
Pathfinder Charter Academy
Plymouth Educational Center Charter School
Questar Academy
Sankofa Shule
Sankore Marine Immersion H.S. Academy
St. Clair County Learning Academy
Summit Academy
Warwick Pointe Academy
Warwick Pointe Holly Academy
Washtenaw Technical Middle College

Schedule of Participating Employers (Continued)

Public School Academies (continued):

West Village Academy
Windover High School
YMCA Service Learning Academy

Libraries:

Ann Arbor District Library
Bacon Memorial District Library
Capitol Area District Library
Cheboygan Area Public Library
Grosse Pointe Public Library
Harbor Beach District Library
Kalamazoo Public Library
Public Libraries of Saginaw
Willard District Library

ACKNOWLEDGMENTS

The Michigan Public School Employees' Retirement System's Comprehensive Annual Financial Report is prepared by the Office of Retirement Services, Finance and Administration Division. Finance staff of the division for the fiscal year 1998-1999 report included:

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