

Public Employees' Retirement Fund of Indiana

November 1, 2000 | Annual Report

"Even though the Retirement Fund has been in existence for almost 12 years, it is still in its infancy. Many years will elapse before it reaches its full maturity. During the intervening years the State must be constantly aware of the changing economic conditions and the Fund will need to be continuously revised in order to keep pace with the corresponding economic needs of the employee."

- Horace Abbott, Chairman (1957)

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BOARD OF TRUSTEES

Richard T. Doermer, Chair
Nancy K. Turner, Vice Chair
Jonathan Birge, Trustee
Dr. Teresa Ghilarducci, Trustee
Steven A. Miller, Trustee

Executive Director

E. William Butler

LETTER OF TRANSMITTAL

November 1, 2000

Honorable Frank O'Bannon
Office of the Governor
200 West Washington Street
Indianapolis, IN 46204

Pension Management Oversight Commission
200 West Washington Street
Indianapolis, IN 46204

State Budget Committee
200 West Washington Street
Indianapolis, IN 46204

Dear Governor O'Bannon, Members of the Pension Management Oversight Commission, and Members of the State Budget Committee:

On behalf of the Board of Trustees of the Indiana Public Employees' Retirement Fund (PERF or Fund), I am pleased to present you this report due on or before November 1, in accordance with Senate Bill 64. You may recall that S.B. 64 became effective July 1, 2000. Due to the brief time the law has been in effect, this report is necessarily an abbreviated statement of our current activities. You will receive a more detailed explanation on the Fund's status and its activities in the Fund's annual report, due early next year.

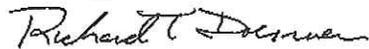
We support the Legislature's decision to make the Fund a "separate body corporate and politic" and fully appreciate the responsibilities and obligations associated with that important status. We see this new law as providing us with an opportunity to better serve the retirement interests of Indiana public employees for many years to come.

The Public Employees' Retirement Fund administers six separately managed pension funds, as well as the Pension Relief Fund, the Special Death Benefit Fund for police officers and firefighters, and the State Employee Death Benefit Fund. Since its creation in 1945, the agency has provided a wide variety of services to Indiana's public employees. Today, in addition to our primary responsibility to pay benefits to nearly 50,000 members who are retired or disabled, we provide other related services to more than 140,000 active members and over 1,000 employers.

As of June 30, 2000, we are responsible for the investment of over \$11 billion in combined assets. Now in our third year of diversifying the fixed income portfolio, we have reallocated approximately 60% of its assets into large and small capitalization common stocks. The Board's present policy of spreading our investments among a variety of carefully selected securities in various classes is, in our judgement, key to the maintenance of the good health and soundness of the Fund through any economic cycle.

The Board of Trustees and the staff of the Fund take very seriously their obligations related to the investment and administration of the Fund's assets, and we are pleased to provide each of you with regular reports on our activities. Be assured that we will strive diligently to provide the highest quality of service possible to our members and their various public employers throughout the State.

Sincerely,



Richard T. Doermer
Chair, Board of Trustees

Public
Employees'
Retirement
Fund of Indiana

EXECUTIVE DIRECTOR'S LETTER

November 1, 2000

Board of Trustees
Public Employees' Retirement Fund
Harrison Building
143 West Market Street
Indianapolis, IN 46204

Dear Board Members:

I am pleased to present this report on the status of the Public Employees' Retirement Fund. This report, to be followed by a full annual report in the spring of 2001, sets out:

- The status of the Fund as it exists today,
- Our vision for the future, especially as it defines member services, and
- A summary of financial, investment, actuarial and statistical reports as of the last valuation date.

As you know, the last few years have been a time of transition for the Public Employees' Retirement Fund (PERF or Fund). The first stage began in the early 1990s with the forward-looking decision by our Governor and State Legislature to lay the groundwork for a referendum, adopted by voters in 1996, to repeal a long-standing rule prohibiting the Fund from investing in equities. That repeal allowed us to expand our investment program and provide members a much greater return on investment.

Stage two of the transition, completed on July 1, 2000, was the passage of Senate Bill 64, which made PERF a "separate body corporate and politic." We are now in a position to organize and operate the Fund using the best knowledge and practices from both the public and private sectors.

The third stage involves the development and implementation of our plan to take PERF to the next level among public retirement funds. This report to the Governor, the Pension Management Oversight Commission, and the State Budget Committee touches briefly on our vision shaping that plan.

You will find that PERF is currently in sound financial condition. With your continued support of our efforts to reorganize the Fund, we know we can set the standard for our sister state retirement funds across the country.

Sincerely,



E. William Butler
Executive Director

A BRIEF HISTORY OF PERF

The Public Employees' Retirement Fund (PERF) was created on July 1, 1945, with the passage of the Public Employees' Retirement Act. Since then, the Fund has faithfully served its members and their employers, providing a wide range of retirement services. Although the Fund was created in 1945, events that occurred almost 100 years earlier had a significant impact in shaping the Fund.

Early Events that Shaped the Fund

In the 1840s, the State of Indiana held significant common stock in canal construction companies. The birth of the railroad industry spelled the decline of those companies, taking its toll on the State's investment dollars. To avert similar financial losses in the future, a Constitutional amendment was adopted prohibiting State money from being invested in the "common stock of any company." Therefore, from the Fund's inception in 1945 until the law changed in 1996, its monies were invested exclusively in domestic fixed income assets.

The Public Employees' Retirement Fund (PERF) was created on July 1, 1945, with the passage of the Public Employees' Retirement Act. Since then, the Fund has faithfully served its members and their employers, providing a wide range of retirement services.

Expanding the Scope of the Fund

The period from the 1950s through the 1980s was a time of great change for PERF. The scope of the Fund was expanded to cover more and more employees, and many important changes were made to the operation of the Fund.

Year	Event
1953	<ul style="list-style-type: none"> First Judges' Retirement System created
1955	<ul style="list-style-type: none"> Referendum approved to allow the combination of comprehensive benefits between PERF and the Federal Social Security Act Fund moves from yearly reporting to quarterly reporting Employees begin contributing to the Fund based on a percentage of payroll
1971	<ul style="list-style-type: none"> Fund administers first cost-of-living increase to retirement benefits
1972	<ul style="list-style-type: none"> Creation of the Excise Police and Conservation Enforcement Officers' Retirement Fund
Mid 1970s	<ul style="list-style-type: none"> PERF initiates formal program to systematically amortize any unfunded accrued liability
1977	<ul style="list-style-type: none"> 1977 Municipal Police Officers' and Firefighters' Pension and Disability Fund and 1977 Judges' Retirement System created Pension Relief Fund created to assist cities with the burden of locally administered police and fire pension funds
1985	<ul style="list-style-type: none"> Judges' Retirement System updated to include salary designations and cost-of-living adjustments each year Legislators' Retirement System created
1989	<ul style="list-style-type: none"> Creation of the Prosecuting Attorneys' Retirement System Defined contribution plan created within Legislators' Retirement System

The Transformation of PERF

November 1996 was a watershed in the transformation of PERF, when Indiana voters passed the Equity Referendum of 1996. The following year, enabling legislation was signed to allow the Fund its first investment in equities. As a result, the existing \$7 billion portfolio could be diversified among fixed income, equities, and various other asset classes. This event forever changed the way the PERF Board of Trustees and staff fulfill their responsibilities as fiduciaries of the Fund.

A new chapter in PERF's history was written on July 1, 2000, when the Fund was reconstituted by the State Legislature as a "separate body corporate and politic." Although the Fund has a new legal structure, its primary functions have not changed.

In May 1997, PERF made its first equity investment with a \$300 million buy into an S&P 500 Fund. The Board of Trustees adopted a three-year plan to move \$100 million per month from fixed income investments into equity investments. As of June 30, 2000, 60% of the Fund's portfolio was invested in equity classes and 40% in fixed income. Thanks to these changes, the Fund's asset base has grown to over \$11 billion in combined assets.

In July 1998, legislation was enacted to allow PERF members to begin directing the investment of their Annuity Savings Account into two new funds:

- The S&P 500 Stock Index Fund and
- The U.S. Small Companies Stock Fund.

These investment options are in addition to the traditional Guaranteed, Money Market, and Bond Funds. With this legislation, PERF offers equity investment to its members. The ability to invest in equity funds and the opportunity to make voluntary contributions to the Annuity Savings Account provide PERF members with valuable new financial planning tools.

A new chapter in PERF's history was written on July 1, 2000, when the Fund was reconstituted by the State Legislature as a "separate body corporate and politic." Although the Fund has a new legal structure, its primary functions have not changed. However, it is now in a position to employ the best practices of both the public and private sectors. The Fund will continue to deliver current and effective services to its members and employers.

As the demographics of the retirement population change, bringing more pressure on the Fund to deliver more and better services to its members and employers, the Fund must be flexible enough to meet these demands. The foresight of the Governor and the Legislature in preparing PERF for these challenges will surely benefit members and employers well into the future.

THE VISION FOR THE FUTURE

As we move into the new century, PERF remains committed to providing its members with a secure retirement. But changing times require changing operations.

Recent political developments and shifting demographics have created new challenges for the pension industry. PERF must be prepared. As a large financial institution, PERF must excel in its current duties, while showing the flexibility to meet the future demands of its members and their employers.

PERF's vision rests on the twin pillars of investing assets prudently and paying benefits to members. Overarching these primary functions is the Board's fiduciary duty to its members.

The Best of the Public and Private Sectors

Thanks to the wisdom of the Governor and State Legislature, PERF is now positioned to employ the most effective public sector policies and procedures, while capitalizing on the best practices of private business. Some of the more notable of these policies and practices are:

1. **Benefits guaranteed under state law.** The State of Indiana is obligated to make a retirement program available to public employees. PERF is charged with the essential governmental function of providing this retirement program. The change in PERF's legal structure changes neither its role nor its responsibilities to the state or its members across the country.
2. **Accountability.** Public accountability is vital to the creation of trust between members, their employers, and the Fund. Members and employers must trust the Fund's ability to invest their retirement assets prudently. As a public trust, the Fund provides open access to information concerning its activities, investments, and policies. It remains accountable not only to members and their employers, but also to those in state and local governments concerned with the effective operation of the Fund.
3. **The Prudent Investor Rule.** While not unique to public financial institutions, the Prudent Investor Rule sets the standards that govern the Fund's fiduciaries and provides an enlightened guide to the investment of public assets. These standards encourage the careful balance between capturing the highest investment returns and simultaneously exposing the portfolio to the lowest possible level of risk, thus keeping the beneficiary's best interests in mind.
4. **Expanded investment opportunities.** PERF's new status positions it to better focus on one of the Fund's fundamental objectives: investing prudently in a competitive and global financial marketplace. Since 1997, PERF's return on investment has increased significantly, creating a stronger financial base for both members and their employers. Equity investment will continue to be critical to the future strength of the Fund's overall financial base.

In addition, PERF can now compete in domestic and international markets to seek the best returns on its portfolio investments. Accordingly, PERF invests in a wide array of asset classes using the most sophisticated institutional investment techniques available to the public or private sectors. PERF is among the 100 largest pension funds in the country and, therefore, is a formidable institutional investor in global markets. The Fund is able to use its size and strength to its competitive advantage.

Thanks to the foresight of the Governor and State Legislature, PERF is now positioned to employ the most effective public sector policies and procedures, while capitalizing on the best practices of private business.

Taking Care of Customers – PERF Members and Their Employers

PERF has two groups of customers: members and employers. Improving service to those customers is one of PERF's highest priorities.

PERF has two groups of customers: members and employers. Improving service to those customers is one of PERF's highest priorities. Dissatisfaction among members or their employers means PERF is not doing its job. To ensure customer satisfaction, the Fund has developed a vision to empower its staff to provide comprehensive services in a professional manner for active and retired members and their employers.

PERF's goal is to be **helpful, accessible, and efficient** in providing the Fund's three most important customer services:

- Delivery of benefits,
- Communication with members and their employers, and
- Member and employer education.

Delivery of Benefits

Delivering retirement benefits to members is PERF's primary goal. The Fund strives to ensure that retiring members begin receiving timely, accurate, and uninterrupted benefit payments.

The Board is assessing the current benefits delivery structure and working diligently to increase its service levels. Several programs, such as faster benefits calculations with the new information technology system, have already begun while others are being planned. The Board is seeking input from the members to more fully understand their concerns.

Communicating With Members and Their Employers

Providing information to members about the activities and on-going changes occurring at PERF is an important Fund goal. To this end, the primary tool for communication is the PERF newsletter. In addition, members will have access to the annual report to be published early next year.

To open effective channels of communication with its employer constituency, the Fund is forming an Employer Advisory Group to facilitate better two-way information flow and develop a partnership with its employers to help resolve service issues.

Three major initiatives currently underway will drastically change the way the Fund communicates with its members and their employers:

- The State of Indiana Retirement Information System (SIRIS) is a joint project with the Teachers' Retirement Fund (TRF) that will enable PERF and TRF to employ state-of-the-art technology in a new, fully functional information technology system. Among other things, when SIRIS is fully implemented in late 2001, the Fund's current reliance on paper files will be steadily replaced with immediate electronic access to member data, and retirement calculations will be more quickly available.
- The Fund's inability to keep pace with the high volume of telephone inquiries has been a constant frustration to members and employers. The creation of a call center will increase the Fund's capacity for counseling and education, as well as provide quick and accurate information over the phone.
- The PERF web site is an increasingly popular mode of accessing member information. However, current capabilities limit the level of information provided online. It is PERF's goal to create a service delivery web site where members and employers can send and receive information electronically.

To open effective channels of communication with its employer constituency, the Fund is forming an Employer Advisory Group to facilitate better two-way information flow and develop a partnership with its employers to help resolve service issues.

Member and Employer Education

Providing information to members throughout their public careers and into their subsequent retirement, as well as maintaining an education and communications program with the employers, are some of the Fund's most important roles. This assistance to members and employers includes:

- Explaining the Annuity Savings Account investment options,
- Helping members understand their retirement income sources,
- Identifying other issues that should be considered before retiring,
- Determining whether an active member is ready to retire,
- Sponsoring seminars to inform employers of plan provision changes and new services to active and retired members, and
- Working with the Employer Advisory Group to identify new ways to effectively serve and communicate with both active and retired members.

Increased demand from members requires strengthening the counseling services provided at the Fund's offices. In addition, the Fund will implement an outreach program that provides regional conferences for those considering retirement, educational conferences for active members, and informational conferences for employers.

What Needs to be Done

Before PERF can make any significant changes, it must have a clear understanding of its needs and priorities. The PERF Board of Trustees has commissioned studies that will take an in-depth look at the Fund's essential functions. The results of these studies will provide an understanding of present needs and a baseline against which PERF can measure future progress.

FINANCIAL SUMMARY

This section of the report provides a broad overview of the financial condition of the Fund. Audited financial information for the fiscal year ending June 30, 2000, is not yet available. However, this section will:

- Show the Fund's total assets as of June 30, 2000,
- Detail the financial audit currently being conducted by the State Board of Accounts,
- Review the audited financial numbers from the Fund as of June 30, 1999, and
- Review the most recent, unaudited financial numbers from the Fund as of June 30, 2000.

Status of the Fund

The Public Employees' Retirement Fund is in sound financial condition – and the audited numbers for the fiscal year ending June 30, 2000, should show this positive trend continuing. According to the Fund's most recent financial information from June 30, 2000, the Fund's total assets (consisting of the Fund's equity and liability) are shown in the chart below:

The Public Employees' Retirement Fund is in sound financial condition – and the audited numbers for the fiscal year ending June 30, 2000 should show this positive trend continuing.

Special Revenue Funds	\$ 855,079,965
Benefit Membership Plans	\$ 11,502,729,438
TOTAL PLAN ASSETS	\$ 12,357,809,403

Ongoing Financial Audit

Audited financial information for the fiscal year ending June 30, 2000, will be available later this year from the State Board of Accounts. The audit is being conducted in accordance with the generally accepted auditing standards and the standards applicable to financial audits issued by the Comptroller General of the United States.

The purpose of the audit is to evaluate the accuracy of financial statements through June 30, 2000. The audit examines – on a test basis – evidence supporting the amounts and disclosures in the financial statements. The audit also:

- Assesses the accounting principles used,
- Assesses the significant estimates made by the management of the Fund, and
- Evaluates the overall financial statement presentation.

The audit should be completed later this year and will appear in the Financial Section of the Fund's Annual Report to be published in April 2001.

Financial Report

The financial report that follows represents the status of the Fund as of June 30, 1999 (audited) and June 30, 2000 (unaudited).

Public Employees' Retirement Fund
Board Of Trustees
Combining Balance Sheet
(Combining Statement Of Plan Net Assets)
Defined Benefit And Defined Contribution Pension Trust Plans
June 30, 1999

	-----Defined Benefit Pension Trust Plans-----						Defined Contribution Pension Trust Plan	Totals (Memorandum Only)
	Public Employees' Retirement Plan	Judges' Retirement Plan	Excise Police And Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' And Firefighters' Pension And Disability Plan	Legislators' Retirement Defined Benefit Plan	Prosecuting Attorneys' Retirement Plan	Legislators' Retirement Plan	
Assets:								
Cash and cash equivalents	\$310,849,681	\$5,128,886	\$1,302,704	\$45,410,285	\$166,744	\$365,700	\$372,002	\$363,596,002
Securities lending collateral	\$808,696,603	\$9,961,618	\$3,517,446	\$136,716,756	\$497,613	\$932,375	\$993,568	\$961,315,979
Receivables:								
Contributions	\$59,097,456	\$75,015	\$89,344	\$21,568,837		\$41,304		\$80,871,956
Investment income	\$56,466,575	\$691,282	\$244,092	\$9,487,400	\$34,532	\$64,702	\$68,948	\$67,057,531
Due from other funds	\$3,719,729			\$150,000				\$3,869,729
From investment sales	\$128,106,403	\$1,570,457	\$554,528	\$21,553,505	\$78,449	\$146,990	\$156,637	\$152,166,969
Due from teachers' retirement fund	\$5,709,819							\$5,709,819
Total receivables	\$253,099,982	\$2,336,754	\$887,964	\$52,759,742	\$112,981	\$252,996	\$225,585	\$309,676,004
Investments at fair value:								
U. S. Treasury and agency obligations	\$1,431,203,955	\$17,596,275	\$6,213,243	\$241,497,476	\$878,986	\$1,646,954	\$1,755,046	\$1,700,791,935
Corporate bonds and notes	\$1,298,979,996	\$16,071,819	\$5,674,958	\$220,575,298	\$802,835	\$1,504,270	\$1,602,998	\$1,545,212,174
Common stock	\$3,806,787,032	\$45,224,944	\$15,978,185	\$620,999,394	\$2,258,296	\$4,236,063	\$4,513,518	\$4,499,997,432
Foreign bonds	\$65,114,180	\$802,084	\$283,216	\$11,008,083	\$40,067	\$75,072	\$80,000	\$77,402,702
Mortgage securities	\$1,131,699,397	\$13,940,404	\$4,922,355	\$191,323,012	\$696,365	\$1,304,777	\$1,390,411	\$1,345,276,721
Total investments	\$7,733,784,560	\$93,635,526	\$33,071,957	\$1,285,403,263	\$4,676,549	\$8,767,136	\$9,341,973	\$9,168,680,964
Real estate investment	\$5,095,152							\$5,095,152
Equipment net of accumulated depreciation	\$76,601							\$76,601
Total assets	\$9,111,602,579	\$111,062,784	\$38,780,071	\$1,520,290,046	\$5,453,887	\$10,318,207	\$10,933,128	\$10,808,440,702
Liabilities and fund equity:								
Liabilities:								
Accounts payable	\$4,760,242							\$4,760,242
Salaries and benefits payable	\$73,062							\$73,062
Compensated absences liability	\$9,207							\$9,207
Investment purchase payable	\$222,171,007	\$2,666,628	\$941,586	\$36,597,749	\$133,206	\$249,588	\$265,969	\$263,025,733
Due to teachers' retirement fund	\$2,534,497							\$2,534,497
Securities lending collateral	\$808,696,603	\$9,961,618	\$3,517,446	\$136,716,756	\$497,613	\$932,375	\$993,568	\$961,315,979
Due to other funds-admin exp		\$370,088	\$298,513	\$2,242,083	\$172,007	\$160,262		\$3,242,953
Total current liabilities	\$1,038,244,618	\$12,998,334	\$4,757,545	\$175,556,588	\$802,826	\$1,342,225	\$1,259,537	\$1,234,961,673
Long-term compensated absences	\$193,880							\$193,880
Total liabilities	\$1,038,438,498	\$12,998,334	\$4,757,545	\$175,556,588	\$802,826	\$1,342,225	\$1,259,537	\$1,235,155,553
Fund equity								
Net assets held in trust for pension benefits	\$8,073,164,081	\$98,064,450	\$34,022,526	\$1,344,733,458	\$4,651,061	\$8,975,982	\$9,673,591	\$9,573,285,149
Total liabilities and fund equity	\$9,111,602,579	\$111,062,784	\$38,780,071	\$1,520,290,046	\$5,453,887	\$10,318,207	\$10,933,128	\$10,808,440,702

The notes to the financial statements are an integral part of the financial statements and are available in the full State Board of Accounts audit for fiscal year 1999.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Statement Of Changes In Plan Net Assets)
Defined Benefit And Defined Contribution Pension Trust Plans
For The Year Ended June 30, 1999

	-----Defined Benefit Pension Trust Plans-----						Defined Contribution Pension Trust Plan	Totals (Memorandum Only)
	Public Employees' Retirement Plan	Judges' Retirement Plan	Excise Police And Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' And Firefighters' Pension And Disability Plan	Legislators' Retirement Defined Benefit Plan	Prosecuting Attorneys' Retirement Plan	Legislators' Retirement Plan	
Additions:								
Contributions:								
Members	\$104,863,772	\$1,544,504	\$74,145	\$18,620,050		\$818,642	\$970,052	\$126,891,165
Employers	\$203,054,459	\$11,095,378	\$1,799,625	\$63,446,540	\$200,600	\$184,350		\$279,780,952
Total Contributions	\$307,918,231	\$12,639,882	\$1,873,770	\$82,066,590	\$200,600	\$1,002,992	\$970,052	\$406,672,117
Investment Income:								
Investment Income	\$744,243,996	\$8,818,651	\$3,090,013	\$119,129,708	\$429,486	\$862,302	\$865,306	\$877,439,462
Securities Lending Income	\$55,863,213	\$533,412	\$186,858	\$7,269,822	\$26,618	\$49,418	\$52,752	\$63,982,093
Less Investment Expense:								
Investment Fees	-\$11,402,460	-\$10,431	-\$3,717	-\$143,182	-\$534	-\$961	-\$1,031	-\$11,562,316
Securities Lending Fees	-\$53,653,590	-\$512,190	-\$179,424	-\$6,980,588	-\$25,559	-\$47,453	-\$50,653	-\$61,449,457
Net Investment Income	\$735,051,159	\$8,829,442	\$3,093,730	\$119,275,760	\$430,011	\$863,306	\$866,374	\$868,409,782
Other Additions:								
Transfers From Other Retirement Plans	\$3,915,184							\$3,915,184
Late Fees				\$31,938				\$31,938
Total Other Additions	\$3,915,184	\$0	\$0	\$31,938	\$0	\$0	\$0	\$3,947,122
Total Additions	\$1,046,884,574	\$21,469,324	\$4,967,500	\$201,374,288	\$630,611	\$1,866,298	\$1,836,426	\$1,279,029,021
Deductions:								
Pension Benefits	\$236,627,269	\$7,134,695	\$1,114,259	\$11,048,798	\$186,782	\$188,455		\$256,300,258
Disability Benefits	\$11,829,060	\$197,745	\$39,935	\$5,678,646				\$17,745,386
Survivor Benefits				\$1,868,841				\$1,868,841
Funeral Benefits				\$101,000				\$101,000
Refunds Of Contributions And Interest/Valuation	\$35,766,445	\$3,720		\$2,124,520		\$179,208	\$610,538	\$38,684,431
Transfers To Other Retirement Plans	\$1,343,631							\$1,343,631
Administrative	\$1,563,518	\$200,447	\$149,128	\$1,534,091	\$82,574	\$70,813		\$3,600,571
Total Deductions	\$287,129,923	\$7,536,607	\$1,303,322	\$22,355,896	\$269,356	\$438,476	\$610,538	\$319,644,118
Net Increase	\$759,754,651	\$13,932,717	\$3,664,178	\$179,018,392	\$361,255	\$1,427,822	\$1,225,888	\$959,384,903
Net Assets Held In Trust For Pension Benefits:								
Beginning Of Year	\$7,313,409,430	\$84,131,733	\$30,358,348	\$1,165,715,066	\$4,289,806	\$7,548,160	\$8,447,703	\$8,613,900,246
End Of Year	\$8,073,164,081	\$98,064,450	\$34,022,526	\$1,344,733,458	\$4,651,061	\$8,975,982	\$9,673,591	\$9,573,285,149

The notes to the financial statements are an integral part of the financial statements and are available in the full State Board of Accounts audit for fiscal year 1999.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Balance Sheet)
Special Revenue And
Internal Service Plans
JUNE 30, 1999

	Special Revenue Plans		Internal Service Plan	Total (Memorandum Only)
	Pension Relief Plan	Public Safety Officers' Death Benefit Plan	State Employees' Death Benefit Plan	
Assets:				
Cash And Cash Equivalents	\$3,373,683	\$383,522	\$580,155	\$4,337,360
Securities Lending Collateral	\$257,315,900	\$1,184,131	\$1,473,656	\$259,973,687
Receivables:				
Investment Income	\$9,018,726	\$51,271	\$64,174	\$9,134,171
Due From The Lottery Commission	\$7,500,000			\$7,500,000
Total Receivables	\$16,518,726	\$51,271	\$64,174	\$16,634,171
Investments At Fair Value:				
U. S. Treasury And Agency Obligations	\$290,868,968	\$2,555,874	\$3,162,336	\$296,587,178
Corporate Bonds And Notes	\$169,103,499	\$717,051	\$941,409	\$170,761,959
Mortgage Securities	\$44,208,628	\$344,711	\$430,825	\$44,984,164
Total Investments	\$504,181,095	\$3,617,636	\$4,534,570	\$512,333,301
Total Assets	\$781,389,404	\$5,236,560	\$6,652,555	\$793,278,519
Liabilities And Fund Balance:				
Current Liabilities:				
Due To Other Funds-Admin Exp	\$507,904	\$59,440	\$59,440	\$626,784
Due To State General Fund	\$20,000,000			\$20,000,000
Securities Lending Collateral	\$257,315,900	\$1,184,131	\$1,473,656	\$259,973,687
Death Benefit Due To Beneficiary	\$150,000	\$150,000		\$300,000
Total Liabilities	\$277,973,804	\$1,393,571	\$1,533,096	\$280,900,471
Fund Balance:				
Unreserved Fund Balance	\$503,415,600	\$3,842,989	\$5,119,459	\$512,378,048
Total Liabilities And Fund Balance	\$781,389,404	\$5,236,560	\$6,652,555	\$793,278,519

The notes to the financial statements are an integral part of the financial statements and are available in the full State Board of Accounts audit for fiscal year 1999.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Statement Of Revenues, Expenditures And Changes In Fund Balance)
Special Revenue And Internal Service Plans
For The Year Ended June 30, 1999

	Special Revenue Plans		Internal Service Plan	Total (Memorandum Only)
	Pension Relief Plan	Public Safety Officers' Death Benefit Plan	State Employees' Death Benefit Plan	
Revenues:				
Contributions			\$987,908	\$987,908
Cigarette Tax	\$37,470,993			\$37,470,993
Alcohol Tax	\$2,297,947			\$2,297,947
Lottery Fees	\$15,000,000			\$15,000,000
Bail Bond Fees		\$478,793		\$478,793
Investment Income	\$19,574,220	\$129,776	\$156,182	\$19,860,178
Securities Lending Income	\$9,563,675	\$19,704	\$24,829	\$9,608,208
Total Revenues	\$83,906,835	\$628,273	\$1,168,919	\$1,797,192
Expenditures:				
Pension Relief Distribution	\$79,047,335			\$79,047,335
Survivor Death Benefits	\$300,000	\$300,000	\$50,000	\$650,000
Investment Expenses	\$9,366,491	\$27,849	\$34,557	\$9,428,897
Administrative	\$357,904	\$59,440	\$59,440	\$476,784
Total Expenditures	\$89,071,730	\$387,289	\$143,997	\$89,603,016
Revenues In Excess (Less) Of Expenditures	-\$5,164,895	\$240,984	\$1,024,922	-\$3,898,989
Other Financing Sources(Uses):				
Legislative Supplement	\$25,000,000			\$25,000,000
Revenues & Other In Excess (Less) Of Exp. & Other	\$19,835,105	\$240,984	\$1,024,922	\$21,101,011
Beginning Fund Balance	\$483,580,495	\$3,602,005	\$4,094,537	\$491,277,037
Ending Fund Balance	\$503,415,600	\$3,842,989	\$5,119,459	\$512,378,048

The notes to the financial statements are an integral part of the financial statements and are available in the full State Board of Accounts audit for fiscal year 1999.

Public Employees' Retirement Fund
Board Of Trustees
Combining Balance Sheet
(Combining Statement Of Plan Net Assets)
Defined Benefit And Defined Contribution Pension Trust Plans
For The Year Ended June 30, 2000 (Unaudited)

	-----Defined Benefit Pension Trust Plans-----						Defined Contribution Pension Trust Plan	
	Public Employees' Retirement Plan	Judges' Retirement Plan	Excise Police & Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' & Firefighters' Pension and Disability Plan	Legislators' Retirement Defined Benefit Plan	Prosecuting Attorneys' Retirement Plan	Legislators' Retirement Plan	Totals (Memorandum Only)
Assets:								
Cash And Cash Equivalents	\$243,851,818	\$4,756,894	\$1,149,370	\$40,667,440	\$135,172	\$344,086	\$326,710	\$291,231,490
Securities Lending Collateral	\$789,099,495	\$10,051,968	\$3,419,304	\$136,975,225	\$463,795	\$964,560	\$1,007,828	\$941,982,175
Receivables:								
Contributions	\$65,282,601	\$123,705	\$115,680	\$23,374,702		\$47,299		\$88,943,987
Investment Income	\$45,078,010	\$589,436	\$200,504	\$8,032,075	\$18,362	\$60,640	\$59,098	\$54,038,125
Due From Other Funds	\$5,154,199							\$5,154,199
From Investment Sales	\$143,977,937	\$1,842,847	\$626,868	\$25,704,431	\$85,028	\$176,835	\$184,767	\$172,598,713
Due From Teachers' Retirement Fund	\$4,950,986							\$4,950,986
Total Receivables	\$264,443,733	\$2,555,988	\$943,052	\$57,111,208	\$103,390	\$284,774	\$243,865	\$325,686,010
Investments At Fair Value:								
U. S. Treasury And Agency Obligations	\$1,001,555,347	\$13,157,826	\$4,475,801	\$179,297,857	\$607,099	\$1,262,590	\$1,319,228	\$1,201,675,748
Corporate Bonds And Notes	\$883,979,180	\$11,684,152	\$3,974,511	\$158,624,021	\$555,129	\$1,176,907	\$1,171,475	\$1,061,165,375
Common Stock	\$5,317,593,074	\$66,332,521	\$22,563,847	\$903,893,872	\$3,082,130	\$6,365,094	\$6,650,620	\$6,326,481,158
Foreign Bonds	\$71,043,693	\$932,857	\$317,323	\$12,711,768	\$14,285	\$29,708	\$93,530	\$85,143,164
Mortgage Securities	\$1,053,213,435	\$13,850,839	\$4,711,538	\$188,741,336	\$639,074	\$1,329,090	\$1,388,711	\$1,263,874,023
Total Investments	\$8,327,384,729	\$105,958,195	\$36,043,020	\$1,443,268,854	\$4,897,717	\$10,163,389	\$10,623,564	\$9,938,339,468
Real Estate Investment	\$5,390,976							\$5,390,976
Equipment Net Of Accumulated Depreciation	\$99,319							\$99,319
Total Assets	\$9,630,270,070	\$123,323,045	\$41,554,746	\$1,678,022,727	\$5,600,074	\$11,756,809	\$12,201,967	\$11,502,729,438
Liabilities And Fund Equity:								
Liabilities:								
Accounts Payable	\$4,024,624							\$4,024,624
Salaries And Benefits Payable	\$90,283							\$90,283
Compensated Absences Liability	\$12,582							\$12,582
Investment Purchase Payable	\$208,383,698	\$2,656,392	\$903,605	\$36,197,871	\$122,565	\$254,900	\$266,335	\$248,785,366
Due To Teachers' Retirement Fund	\$4,496,808							\$4,496,808
Securities Lending Collateral	\$789,099,495	\$10,051,968	\$3,419,304	\$136,975,225	\$463,795	\$964,560	\$1,007,829	\$941,982,176
Due To Other Funds-Admin Exp		\$451,889	\$334,457	\$2,993,383	\$183,658	\$170,114		\$4,133,501
Total Current Liabilities	\$1,006,107,490	\$13,160,249	\$4,657,366	\$176,166,479	\$770,018	\$1,389,574	\$1,274,164	\$1,203,525,340
Long-term Compensated Absences	\$199,479							\$199,479
Total Liabilities	\$1,006,306,969	\$13,160,249	\$4,657,366	\$176,166,479	\$770,018	\$1,389,574	\$1,274,164	\$1,203,724,819
Fund Equity								
Net Assets Held In Trust For Pension Benefits	\$8,623,963,101	\$110,162,796	\$36,897,380	\$1,501,856,248	\$4,830,056	\$10,367,235	\$10,927,803	\$10,299,004,619
Total Liabilities And Fund Equity	\$9,630,270,070	\$123,323,045	\$41,554,746	\$1,678,022,727	\$5,600,074	\$11,756,809	\$12,201,967	\$11,502,729,438

The notes to the financial statements are an integral part of the financial statements and will be available upon completion of the State Board of Accounts audit for fiscal year 2000.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Statement Of Changes In Plan Net Assets)
Defined Benefit And Defined Contribution Pension Trust Plans
For The Year Ended June 30, 2000 (Unaudited)

	-----Defined Benefit Pension Trust Plans-----						Defined Contribution Pension Trust Plan		Totals (Memorandum Only)
	Public Employees' Retirement Plan	Judges' Retirement Plan	Excise Police And Conservation Enforcement Officers' Retirement Plan	1977 Police Officers' And Firefighters' Pension And Disability Plan	Legislators' Retirement Defined Benefit Plan	Prosecuting Attorneys' Retirement Plan	Legislators' Retirement Plan		
Additions:									
Contributions:									
Members	\$111,483,711	\$1,631,239	\$67,913	\$21,145,071		\$830,491	\$906,464	\$136,064,889	
Employers	\$215,559,466	\$11,774,950	\$1,937,275	\$73,535,005	\$170,144	\$275,266		\$303,252,106	
Total Contributions	\$327,043,177	\$13,406,189	\$2,005,188	\$94,680,076	\$170,144	\$1,105,757	\$906,464	\$439,316,995	
Investment Income:									
Investment Income	\$542,620,981	\$6,697,903	\$2,305,776	\$92,470,442	\$313,408	\$634,695	\$652,186	\$645,695,391	
Securities Lending Income	\$46,944,456	\$593,318	\$202,347	\$8,024,192	\$27,887	\$55,679	\$57,601	\$55,905,480	
Less Investment Expense:									
Investment Fees	-\$10,011,710	-\$137,465	-\$46,561	-\$1,851,613	-\$18,822	-\$13,075	-\$1,134	-\$12,080,380	
Securities Lending Fees	-\$44,549,258	-\$563,052	-\$192,024	-\$7,614,801	-\$26,464	-\$52,839	-\$54,668	-\$53,053,106	
Net Investment Income	\$535,004,469	\$6,590,704	\$2,269,538	\$91,028,220	\$296,009	\$624,460	\$653,985	\$636,467,385	
Other Additions:									
Transfers From Other Retirement Plans	\$1,035,801			\$13,057				\$1,048,858	
Late Fees	\$237,670			\$36,675				\$274,345	
Total Other Additions	\$1,273,471	\$0	\$0	\$49,732	\$0	\$0	\$0	\$1,323,203	
Total Additions	\$863,321,117	\$19,996,893	\$4,274,726	\$185,758,028	\$466,153	\$1,730,217	\$1,560,449	\$1,077,107,583	
Deductions:									
Pension Benefits	\$258,075,103	\$7,512,932	\$1,211,093	\$15,648,916	\$211,213	\$216,187		\$282,875,444	
Disability Benefits	\$12,744,291	\$208,370	\$42,242	\$6,992,588				\$19,987,491	
Survivor Benefits				\$3,345,703				\$3,345,703	
Funeral Benefits				\$96,000				\$96,000	
Refunds Of Contributions And Interest/Valuation	\$33,943,140	\$20,755	\$4,033	\$1,972,080		\$54,091	\$306,237	\$36,300,336	
Transfers To Other Retirement Plans	\$1,768,376							\$1,768,376	
Administrative	\$5,991,187	\$156,490	\$142,504	\$579,951	\$75,945	\$68,686		\$7,014,763	
Total Deductions	\$312,522,097	\$7,898,547	\$1,399,872	\$28,635,238	\$287,158	\$338,964	\$306,237	\$351,388,113	
Net Increase	\$550,799,020	\$12,098,346	\$2,874,854	\$157,122,790	\$178,995	\$1,391,253	\$1,254,212	\$725,719,470	
Net Assets Held In Trust For Pension Benefits:									
Beginning Of Year	\$8,073,164,081	\$98,064,450	\$34,022,526	\$1,344,733,458	\$4,651,061	\$8,975,982	\$9,673,591	\$9,573,285,149	
End Of Year	\$8,623,963,101	\$110,162,796	\$36,897,380	\$1,501,856,248	\$4,830,056	\$10,367,235	\$10,927,803	\$10,299,004,619	

The notes to the financial statements are an integral part of the financial statements and will be available upon completion of the State Board of Accounts audit for fiscal year 2000.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Balance Sheet)
Special Revenue And
Internal Service Plans
For The Year Ended June 30, 2000 (Unaudited)

	Special Revenue Plans		Internal Service Plan	Total (Memorandum Only)
	Pension Relief Plan	Public Safety Officers' Death Benefit Plan	State Employees' Death Benefit Plan	
Assets:				
Cash And Cash Equivalents	\$11,361,052	\$33,736	\$182,461	\$11,577,249
Securities Lending Collateral	\$294,105,854	\$1,228,775	\$2,172,981	\$297,507,610
Receivables:				
Investment Income	\$8,424,411	\$33,684	\$63,860	\$8,521,955
Investment Sales	\$22,724,828			\$22,724,828
Due From The Lottery Commission	\$7,500,000			\$7,500,000
Total Receivables	\$38,649,239	\$33,684	\$63,860	\$38,746,783
Investments At Fair Value:				
U. S. Treasury And Agency Obligations	\$344,914,396	\$1,081,986	\$1,989,036	\$347,985,418
Corporate Bonds And Notes	\$140,108,480	\$1,409,145	\$2,349,892	\$143,867,517
Mortgage Securities	\$0	\$611,722	\$1,138,146	\$1,749,868
Foreign Bonds	\$13,645,520			\$13,645,520
Total Investments	\$498,668,396	\$3,102,853	\$5,477,074	\$507,248,323
Total Assets	\$842,784,541	\$4,399,048	\$7,896,376	\$855,079,965
Liabilities And Fund Balance:				
Current Liabilities:				
Due To Other Funds-Admin Exp	\$885,108	\$66,327	\$69,263	\$1,020,698
Investment Purchases Payable	\$30,291,578			\$30,291,578
Securities Lending Collateral	\$294,105,854	\$1,228,775	\$2,172,981	\$297,507,610
Death Benefit Due To Beneficiary	\$0	\$0		\$0
Total Liabilities	\$325,282,540	\$1,295,102	\$2,242,244	\$328,819,886
Fund Balance:				
Unreserved Fund Balance	\$517,502,001	\$3,103,946	\$5,654,132	\$526,260,079
Total Liabilities And Fund Balance	\$842,784,541	\$4,399,048	\$7,896,376	\$855,079,965

The notes to the financial statements are an integral part of the financial statements and will be available upon completion of the State Board of Accounts audit for fiscal year 2000.

Public Employees' Retirement Fund
Board Of Trustees
(Combining Statement Of Revenues, Expenditures And Changes In Fund Balance)
Special Revenue And Internal Service Plans
For The Year Ended June 30, 2000 (Unaudited)

	Special Revenue Plans		Internal Service Plan	Total (Memorandum Only)
	Pension Relief Plan	Public Safety Officers' Death Benefit Plan	Employees' Death Benefit Plan	
Revenues:				
Contributions			\$355,394	\$355,394
Cigarette Tax	\$36,572,893			\$36,572,893
Alcohol Tax	\$2,418,249			\$2,418,249
Lottery Fees	\$30,000,000			\$30,000,000
Bail Bond Fees		\$70,709		\$70,709
Investment Income	\$23,058,746	\$154,542	\$245,218	\$23,458,506
Securities Lending Income	\$16,106,876	\$68,872	\$111,305	\$16,287,053
Total Revenues	\$108,156,764	\$294,123	\$711,917	\$109,162,804
Expenditures:				
Pension Relief Distribution	\$76,162,405			\$76,162,405
Survivor Death Benefits	\$150,000	\$900,000		\$1,050,000
Investment Expenses	\$16,181,265	\$70,556	\$114,634	\$16,366,455
Administrative	\$251,462	\$62,610	\$62,610	\$376,682
Total Expenditures	\$92,745,132	\$1,033,166	\$177,244	\$93,955,542
Revenues In Excess (Less) Of Expenditures	\$15,411,632	-\$739,043	\$534,673	\$15,207,262
Other Financing Sources (Uses):				
Legislative Supplement				\$0
Non Investment Interest	\$45,522			\$45,522
INTEREST EXPENSE	-\$1,370,753			-\$1,370,753
Total Other Financing Sources (Uses)	-\$1,325,231	\$0	\$0	-\$1,325,231
Revenues & Other In Excess (Less) Of Exp. & Other	\$14,086,401	-\$739,043	\$534,673	\$13,882,031
Beginning Fund Balance	\$503,415,600	\$3,842,989	\$5,119,459	\$512,378,048
Ending Fund Balance	\$517,502,001	\$3,103,946	\$5,654,132	\$526,260,079

The notes to the financial statements are an integral part of the financial statements and will be available upon completion of the State Board of Accounts audit for fiscal year 2000.

Supplemental Schedules
Year Ended June 30

Total Employer Contributions

Retirement Plan	Year	Member Contributions	Employer Contributions	Legislative Supplement, Fees And Tax	Net Investment Income	Benefit Payments	Refunds
Public Employees' Retirement Plan	1999	\$104,863,772	\$203,054,459	----	\$735,051,159	\$248,456,329	\$35,766,445
	2000	\$111,483,711	\$215,559,466	----	\$535,004,469	\$270,819,394	\$33,943,140
Judges' Retirement Plan	1999	\$1,544,504	\$11,095,378	----	\$8,829,442	\$7,332,440	\$3,720
	2000	\$1,631,239	\$11,774,950	----	\$6,590,704	\$7,721,302	\$20,755
Excise And Conservation Officers Retirement Plan	1999	\$74,145	\$1,799,625	----	\$3,093,730	\$1,154,194	----
	2000	\$67,913	\$1,937,215	----	\$2,269,538	\$1,253,335	\$4,033
1977 Police And Firefighters' Pension And Disability Plan	1999	\$18,620,050	\$63,446,540	----	\$119,275,760	\$18,697,285	\$2,124,520
	2000	\$21,145,071	\$73,535,005	----	\$91,028,220	\$26,083,207	\$1,972,080
Legislators' Defined Benefit Retirement Plan	1999	----	\$200,600	----	\$430,011	\$186,782	----
	2000	----	\$170,144	----	\$296,009	\$211,213	----
Prosecuting Attorneys' Retirement Plan	1999	\$818,642	\$184,350	----	\$863,306	\$188,455	\$179,208
	2000	\$830,491	\$275,266	----	\$624,460	\$216,187	\$54,091
Legislators' Defined Contribution Retirement Plan	1999	\$970,052	----	----	\$866,374	----	\$610,538
	2000	\$906,464	----	----	\$653,985	----	\$306,237
Pension Relief Plan (Special Revenue Plan)	1999	----	----	\$79,768,940	\$19,771,404	\$79,347,335	----
	2000	----	----	\$68,991,142	\$21,659,126	\$76,312,405	----
Public Safety Officers' Death Benefit Plan (Special Revenue Plan)	1999	----	----	\$478,793	\$121,631	\$300,000	----
	2000	----	----	\$70,709	\$152,858	\$900,000	----
State Employees' Death Benefit Plan (Internal Service Plan)	1999	----	\$987,908	----	\$146,454	\$50,000	----
	2000	----	\$355,394	----	\$241,889	----	----

INVESTMENT SUMMARY

PERF's primary investment objectives are to preserve Fund assets and generate an appropriate level of risk-adjusted return to meet future pension obligations.

This section of the report provides an overview of the performance of PERF's investment portfolio, including the Fund's:

- Asset allocation at fair value,
- 2000 investment summary,
- Comparative investment results,
- Broker commission fees,
- Schedule of investment fees and commissions, and
- Team of investment professionals, advisors, and consultants.

PERF's primary investment objectives are to preserve Fund assets and generate an appropriate level of risk-adjusted return to meet future pension obligations. The Fund periodically completes an asset allocation and liability study. This study helps determine the optimal amount of diversification expected to generate a return sufficient to meet the Fund's actuarial investment requirements.

In this third year of the process to reallocate the Fund's portfolio, over 60% of the investment portfolio has been diversified from fixed income into equities. The Fund now has combined assets of over \$11 billion. In addition, during the period from June 30, 1999 through June 30, 2000, the Fund's investments (both fixed and equity) experienced a rate of return of 6.74%.

The following information represents the status of the Fund's investments as of June 30, 2000.

Asset Allocation at Fair Value

Year ended June 30, 2000

	1996	1997	June 30, 1998	1999	2000
Fixed Income	100.0%	93.5%	74.2%	54.3%	39.8%
Equities	0.0%	6.5%	25.8%	45.7%	60.2%
Total Portfolio	100.0%	100.0%	100.0%	100.0%	100.0%

2000 Investment Summary*

(dollars in thousands)

	1999 Beginning Fair Value	Net Contributions	Income and Capital Gains	2000 Ending Fair Value	Percentage of Total Fair Value
Bonds	\$5,055,526	\$1,321,501	\$197,618	\$3,931,643	39.78%
Equities	\$4,260,173	\$1,258,353	\$432,818	\$5,951,344	60.22%
Total	\$9,315,699	\$63,148	\$630,436	\$9,882,987	100.0%

*Information on purchases and sales are not captured.

Comparative Investment Results*

Year Ended June 30, 2000

Investment Category	1 Year	3 Year	5 Year
Total Equity	8.07%	18.86%	N/A
Total Fixed	4.83%	6.48%	6.44%
Total Fund	6.74%	10.43%	8.83%

*Investment return calculations were prepared using a time-weighted return in accordance with the Performance Presentation Standards of the Association for Investment Management and Research (AIMR). Also, rates of return for periods longer than one year are annualized rates.

Broker Commission Fees

Year Ended June 30, 2000

Broker	Total Commission Fees
Instinet	\$283,988
Goldman Sachs	\$180,645
Morgan Stanley	\$139,591
Jones Associates	\$104,867
Nat West	\$104,046
Merrill Lynch	\$95,487
Jefferies & Co.	\$91,358
DLJ	\$80,388
Bear Stearns	\$77,114
Nutmeg	\$77,055
Other brokers (146 total)	\$1,075,352
Total	\$2,309,891

Schedule of Investment Fees and Commission

Year Ended June 30, 2000

Investment advisor fees	(in thousands)
Equity securities	\$5,843
Bonds	\$3,987
Portfolio consultants	\$335
Total investment advisory fees	\$10,165
Investment brokerage fees	\$2,310
Total fees and commissions	\$12,475

Investment Managers

Defined Benefit Plan – Equities

Barclays Global Investors
45 Fremont Street
San Francisco, CA 94105

J.P. Morgan Investment
Management
227 West Monroe Street
Suite 2800
Chicago, IL 60606

Dimensional Fund Advisors
10 South Wacker Drive
Suite 2275
Chicago, IL 60606

Brinson Partners, Inc.
209 South LaSalle Street
Chicago, IL 60604-1295

Defined Benefit Plan – Fixed Income

Reams Asset Management
Company
227 Washington Street
P.O. Box 666
Columbus, IN 47202-0666

BlackRock
345 Park Avenue
New York, NY 10154-0004

Western Asset Management
117 East Colorado Blvd., 6th Floor
Pasadena, CA 91105

Lincoln Capital Management
200 South Wacker Drive
Chicago, IL 60606

Utendahl Capital Management
30 Broad Street
New York, NY 10004

Conseco Capital Management
11825 North Pennsylvania
Carmel, IN 46032

Hughes Capital Management
315 Cameron Street
Alexandria, VA 22314

Northern Trust Global Investors
50 South LaSalle Street
Chicago, IL 60675

Taplin, Canida & Habacht
1001 Brickell Bay Drive
Suite 2100
Miami, FL 33131

Seix Investment Advisors
300 Tice Boulevard
Woodcliff Lake, NJ 07675-7633

Investment Consultants

William M. Mercer, Incorporated
10 South Wacker Drive
Suite 1500
Chicago, IL 60606

Burnley Associates, Inc.
300 East Fifth Avenue
Suite 470
Naperville, IL 60563

ACTUARIAL SUMMARY

November 1, 2000

Indiana Public Employees' Retirement Fund
Board of Trustees
143 West Market Street, Suite 500
Indianapolis, IN 46204

Dear Members of the Board:

The actuarial data presented in this report describes the current actuarial condition of the defined benefit pension plans (Plans) administered by the Public Employees' Retirement Fund (PERF). Valuations are prepared annually, as of July 1, for all Plans except the Municipal Police and Fire pension plans that are as of January 1.

Under PERF statutes, employer contribution rates are certified annually for each Plan by the Board of Trustees. These rates are determined actuarially, based on the Board's funding policy. Contribution rates for the PERF Plans, as determined by a given actuarial valuation, become effective eighteen months after the valuation date. For example, the rates determined by the July 1, 1999, actuarial valuation will be used by the Board when certifying the employer contribution rates for the year beginning January 1, 2001, and ending December 31, 2001. If new legislation is enacted between the valuation date and the date the contribution rates become effective, the Board may adjust the recommended rates before certifying them, in order to reflect this new legislation. Such adjustments are based on information supplied by the actuary.

Funding Objectives and Funding Policy

In setting contribution rates, the Board's principal objectives have been:

- To set rates so that the unfunded actuarial accrued liability (UAAL) will be amortized over a fixed period. The fixed period was formerly 40 years, but is being reduced to 30 years over a 10-year period (to be completed on July 1, 2007) and
- To set rates so that they remain relatively level over time.

To accomplish this, the Board's funding policy requires that the employer contribution rate be equal to the sum of the employer normal cost rate (which pays the current year's cost) and an amortization rate which results in the amortization of the UAAL in equal installments. The Board has adopted smoothing rules to the determination of the employer contribution rate to reduce the variability of these rates.

No membership growth is anticipated in setting the contribution rate. This is consistent with GASB 25, which prohibits anticipating membership growth in determining the minimum Annual Required Contribution (ARC).

Under this policy, the objectives of amortizing the UAAL and maintaining relatively level contribution rates over time are achieved.

Progress Toward Realization of Financing Objectives

The funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) is a standard measure of a Plan's funded status. In the absence of benefit improvements, it should increase over time, until it reaches 100%. The funded ratio for all of the PERF Plans (except the pay-as-you go Plans) have increased over the last few years.

Benefit Provisions

The benefit provisions reflected in this report are those which were in effect on each Plan's valuation date.

No material changes have been made to the provisions since the preceding valuation.

Assumptions and Methods

Actuarial assumptions and methods used in the valuation are set by the Board, based upon the recommendations of the actuary. The actuary reviews actual plan experience before making these recommendations. The last such review of actuarial assumptions was carried out in connection with the July 1, 1995, actuarial valuation for the PERF Plans and the January 1, 1998, actuarial valuation for the 1977 Municipal Police and Fire Pension Plan. It is our opinion that the assumptions are internally consistent and are reasonably based on past and anticipated future experience of each Plan.

Data

Member data for retired, active, and inactive members was supplied as of each Plan's valuation date by PERF staff. We did not audit this data, but we did apply a number of tests to the data, and we concluded that it was reasonable and consistent with the prior year's data. Asset information for each Plan was supplied by PERF.

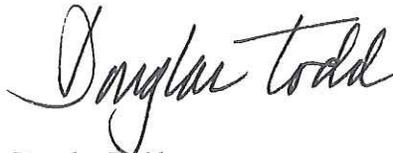
Certification

I certify that the information presented herein is accurate and fairly portrays the actuarial position of each Plan administered by PERF as of each Plan's 1999 valuation date (2000 valuation date for the 1977 Municipal Police and Fire Pension Plan). I prepared the accompanying Summary of Actuarial Assumptions and Methods and the other supporting schedules in this section.

All of my work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board. In our opinion, our calculations also comply with the requirements of Indiana State law and, where applicable, the Internal Revenue Code, Employee Retirement Income Security Act (ERISA), and the Statements of the Governmental Accounting Standards Board. I am an independent Enrolled Actuary and Member of the American Academy of Actuaries and experienced in performing valuations for large public retirement systems.

If you have any questions or require additional information, please don't hesitate to contact me.

Sincerely,



Douglas Todd
A.S.A., M.A.A.A., E.A.
Senior Actuary

McCready and Keene, Inc.

DLT:scm

Actuarial Report

The Fund's actuaries, McCready and Keene, Inc., provide assistance, education, and advice to the Board of Trustees on key decisions about the Fund. Since the Board is charged with the responsibility of maintaining and operating the Fund, the actuaries help the Board understand the short- and long-term financial ramifications of:

- Proposed plan improvements,
- Changes in investments,
- Actuarial methods and assumptions, and
- Effects of potential state and federal legislation.

The actuaries act as an independent third party to help the Board make the most informed decisions possible. The key services provided each year by the actuaries include:

- Performing an actuarial valuation of the system to determine the minimum required contribution for members each year,
- Monitoring the actual experience of the Fund and recommending changes in the assumptions when appropriate,
- Helping the Board members understand proposed or enacted state and federal legislation that will have an effect on the Fund, and
- Performing special actuarial valuations to assist the Board in understanding the financial implications of any changes to the Fund.

The Actuarial Valuation Process

The actuaries receive participant and financial data from the Fund each year and review the data for completeness. At this point, a two-step process is used:

- Step One: A calculation is performed for each participant in the system to estimate what benefits the member is expected to receive if he/she retires at different ages, becomes disabled, dies or leaves employment.
- Step Two: Based on the member data (for example, participant's age and length of service), the actuaries establish the probability that each of the scenarios in Step One would actually occur.

These two steps allow the actuaries to determine the amount of money that the Fund must provide for all of the benefits that are promised. These are referred to as the liabilities of the Fund.

The actuaries then compare the Fund's liabilities and assets. Based on that comparison, the actuaries determine the minimum contribution required by member units (or sponsors) for the upcoming year.

Setting the Fund's Actuarial Assumptions

Whenever the actuaries calculate the long-term funding costs of the Fund, certain assumptions are made as to the future of the plan. These assumptions represent the actuaries' best projection of future plan experience, and are generally either economic or demographic. Economic assumptions include anticipated inflation ranges and performance of the Fund's assets. Demographic assumptions tend to be more specific to the plan being evaluated, and are dependent on such factors as the age and life expectancy of Fund members.

The assumptions having the most significant impact on the statement of Fund liabilities include:

- The rate of interest earnings on investments (the interest assumption), and
- The rate of anticipated salary increases for Fund members (the salary assumption).

As the actuaries perform the annual valuation, they compare what was expected to happen with what actually happened. The actuaries work with the Board, spotting trends and setting new assumptions to ensure the Board is fully informed of any implications for the Fund.

Reviewing the Actuarial Report

The Actuarial Report that follows represents the status of the Fund as of June 30, 1999.

Solvency Test* (dollars in thousands)										
System	Date	Actuarial Accrued Liabilities				Actuarial Value of Assets	Portion of Actuarial Accrued Liabilities Covered by Assets			
		(1) Active Members Contrib.	(2) Retired and Beneficiaries	(3) Active Member (Employee Financed Portion)	(4) Total Actuarial Accrued Liabilities		(1)	(2)	(3)	(4)
PERF	7-1-99	\$1,428,913	\$2,158,640	\$3,488,428	\$7,075,981	\$7,595,266	100%	100%	100%	100%
1977 Municipal Police Officers' & Firefighters' Retirement Plan	1-1-00	N/A	383,844	1,067,610	1,451,454	1,338,554	N/A	100%	89%	92%
Pre-1977 Municipal Police Officers' & Firefighters' Retirement Plan	1-1-99	N/A.	2,479,437	873,605	3,353,042	0*	0%	0%	0%	0%
Judges' Retirement System	7-1-99	13,986	87,163	75,152	176,301	91,073	100%	88%	0%	52%
Legislators' Retirement System	7-1-99	N/A	3,085	2,388	5,473	4,319	N/A	100%	52%	79%
Prosecuting Attorneys' Retirement System	7-1-99	N/A	4,177	9,535	13,712	8,322	N/A	100%	43%	61%
Excise Police and Conservation Enforcement Officers' Retirement Fund	7-1-99	N/A	13,451	29,916	43,368	31,510	N/A	100%	60%	73%

*The Pension Relief Fund, which distributes assets annually to cities and towns to assist the payment of pre-1977 Municipal Police Officers' & Firefighters' pension benefits, had a balance of \$498,811,964 on a market value basis as of December 31, 1999.

Schedules of Active Member Valuation Data					
System	Year	Active Members	Active Members		Percent Increase/(decrease)
			Annual Payroll (000's)	Average Pay	
PERF	7-1-99	141,441	\$3,250,197	\$22,979	4.5%
1977 Municipal Police Officers' & Firefighters' Retirement Plan	1-1-00	9,729	352,377	36,219	4.0%
Pre-1977 Municipal Police Officers' & Firefighters' Retirement Plan	1-1-99	2,262	80,650	35,654	3.6%
Judges' Retirement System	7-1-99	341	30,963	90,800	(0.2%)
Legislators' Retirement System	7-1-99	60	N/A	N/A	N/A
Prosecuting Attorneys' Retirement System	7-1-99	202	12,566	62,210	(3.5%)
Excise Police and Conservation Enforcement Officers' Retirement Fund	7-1-99	269	11,317	42,069	2.5%

Schedules of Retirees and Beneficiaries				
System	Year	Total Retirees And Beneficiaries	Annual Benefits (000's)	Total Terminated Vested
1977 Municipal Police Officers & Firefighters Retirement Plan	1-1-00	1,646	25,711	122
Pre-1977 Municipal Police Officers & Firefighters Retirement Plan	1-1-99	8,802	150,708	22
Judges' Retirement System	7-1-99	221	7,393	18
Legislators' Retirement System	7-1-99	34	225	25
Prosecuting Attorneys' Retirement System	7-1-99	16	200	41
Excise Police and Conservation Enforcement Officers' Retirement Fund	7-1-99	112	1,186	0

Summary of Actuarial Assumptions and Methods

1. PERF

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates			Disability Rates			Termination Rates		
7-1-99	7.25%	5.00%	2%	Based on PERF Exp., 1991-1994, Sample Rates			Based on PERF Exp., 1991-1994, Sample Rates			Based on PERF Exp., 1991-1994, Sample Ultimate Rates:		
				Male:	Female:		Male:	Female:		Male:	Female:	
				Age	Rate	Rate	Age	Rate	Rate	Age	Rate	Rate
				60	7%	10%	40	0.1%	0.1%	25	7.0%	9.0%
				62	30%	25%	50	0.3%	0.2%	30	5.7%	7.1%
				65	45%	40%	60	1.0%	0.5%	35	4.6%	5.6%
				70+	100%	100%	65	1.8%	1.0%	45	3.0%	3.5%

2. 1977 Municipal Police Officers' & Firefighters' Retirement Plan

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates			Disability Rates		Termination Rates	
1-1-00	7.50%	5.00%	3%	Later of (a) age 52, (b) 20 years service, or (c) current age plus 1 year			150% of 1964 OASDI		Sarason T-1	

3. Pre-1977 Municipal Police Officers' & Firefighters' Retirement Plan

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates			Disability Rates		Termination Rates	
1-1-99	6.75%	5.00%	5.00%	Based on 1976 Study Sample Rates			150% of 1964 OASDI		Sarason T-1	
				Years Serv.	Police Rate	Fire Rate				
				20	50%	20%				
				25	25%	30%				
				30	20%	20%				
				35	10%	10%				
				40	15%	10%				
				45	30%	50%				

4. Judges' Retirement System

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates	Disability Rates	Termination Rates
7-1-99	7.25%	5.00%	5% for 1977 System	Later of (a) age 65, (b) 8 years service, or (c) current age plus 1 year	1964 OASDI	Sarason T-4
			None for 1985 System			

5. Legislators' Retirement System

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates	Disability Rates	Termination Rates	
7-1-99	7.25%	5.00%	2%	Ages	75% of 1964 OASDI	Sarason T-2	
				55-61			10%
				62			50%
				63-64			10%
				65+			100%

6. Prosecuting Attorneys' Retirement System

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates	Disability Rates	Termination Rates
7-1-99	7.25%	5.00%	None	Later of (a) age 62, or (b) 10 years service	75% of 1964 OASDI	50% every 4 years

7. Excise Police and Conservation Enforcement Officers' Retirement Fund

Valuation Date	Investment Return	Salary Scale	Post-Ret. COLA	Retirement Rates	Disability Rates	Termination Rates
7-1-99	7.25%	5.00%	2%	Later of (a) age 62, or (b) 10 years service	200% of United Auto Workers	Sarason T-6

Note 1: All plans use mortality rates according to 1983 GAM

Note 2: Actuarial funding method for all systems is Entry Age Normal Cost, except Pay-As-You-Go for pre-1977 Municipal Police and Fire and Accrued Benefit (Unit Credit) for the Legislators' Defined Benefit Plan.

Note 3: Actuarial asset valuation method is according to example (6) in IRS Regulation 1.412(c)(2)-1(b)(9) for all systems except PERF where valuation assets are equal to 75% of expected actuarial value plus 25% of market value.

STATISTICAL SUMMARY

This section of the report provides statistical information as of September 30, 2000. This information is an illustration of the Fund's active and retired membership. A full demographic profile of the Fund's active members, retired members, and employers will be included in the Annual Report published in the Spring of 2001. It will include more detailed discussions of issues such as:

- Member and employer contributions,
- Benefit payment options and participation within each option,
- Average benefit payments across each of the six plans within the Fund,
- Final average salary (FAS) information, and
- A schedule of all participating employers by plan.

All Employers Under the PERF Umbrella Statewide

FUND	MEMBERS COVERED
Conservation/Excise Officers	266
Judges	272
Legislators-Defined Contribution	148
Prosecuting Attorneys	211

All Employers Under the PERF Umbrella by County

COUNTY	MEMBERS COVERED
COUNTY 01 Adams County	581
COUNTY 02 Allen County	6,335
COUNTY 03 Bartholomew County	1,325
COUNTY 04 Benton County	187
COUNTY 05 Blackford County	369
COUNTY 06 Boone County	220
COUNTY 07 Brown County	278
COUNTY 08 Carroll County	275
COUNTY 09 Cass County	892
COUNTY 10 Clark County	1,615
COUNTY 11 Clay County	567
COUNTY 12 Clinton County	578
COUNTY 13 Crawford County	189
COUNTY 14 Daviess County	354
COUNTY 15 Dearborn County	575
COUNTY 16 Decatur County	466
COUNTY 17 DeKalb County	850
COUNTY 18 Delaware County	2,648
COUNTY 19 Dubois County	568
COUNTY 20 Elkhart County	2,971
COUNTY 21 Fayette County	575
COUNTY 22 Floyd County	1,177
COUNTY 23 Fountain County	214
COUNTY 24 Franklin County	306
COUNTY 25 Fulton County	246
COUNTY 26 Gibson County	457
COUNTY 27 Grant County	1,463
COUNTY 28 Greene County	434
COUNTY 29 Hamilton County	2,854
COUNTY 30 Hancock County	755
COUNTY 31 Harrison County	524
COUNTY 32 Hendricks County	1,333
COUNTY 33 Henry County	983
COUNTY 34 Howard County	1,664

All Employers Under the PERF Umbrella by County

	COUNTY	MEMBERS COVERED
COUNTY 35	Huntington County	562
COUNTY 36	Jackson County	629
COUNTY 37	Jasper County	448
COUNTY 38	Jay County	339
COUNTY 39	Jefferson County	631
COUNTY 40	Jennings County	282
COUNTY 41	Johnson County	1,499
COUNTY 42	Knox County	1,319
COUNTY 43	Kosciusko County	994
COUNTY 44	LaGrange County	621
COUNTY 45	Lake County	10,405
COUNTY 46	LaPorte County	1,788
COUNTY 47	Lawrence County	619
COUNTY 48	Madison County	2,138
COUNTY 49	Marion County	58,425
COUNTY 50	Marshall County	889
COUNTY 51	Martin County	107
COUNTY 52	Miami County	478
COUNTY 53	Monroe County	9,124
COUNTY 54	Montgomery County	473
COUNTY 55	Morgan County	980
COUNTY 56	Newton County	180
COUNTY 57	Noble County	547
COUNTY 58	Ohio County	97
COUNTY 59	Orange County	305
COUNTY 60	Owen County	282
COUNTY 61	Parke County	234
COUNTY 62	Perry County	251
COUNTY 63	Pike County	187
COUNTY 64	Porter County	2,115
COUNTY 65	Posey County	381
COUNTY 66	Pulaski County	264
COUNTY 67	Putnam County	565
COUNTY 68	Randolph County	555
COUNTY 69	Ripley County	502
COUNTY 70	Rush County	171
COUNTY 71	St. Joseph County	4,268
COUNTY 72	Scott County	412
COUNTY 73	Shelby County	641
COUNTY 74	Spencer County	266
COUNTY 75	Starke County	272
COUNTY 76	Steuben County	462
COUNTY 77	Sullivan County	196
COUNTY 78	Switzerland County	91
COUNTY 79	Tippecanoe County	6,728
COUNTY 80	Tipton County	205
COUNTY 81	Union County	139
COUNTY 82	Vanderburgh County	2,643
COUNTY 83	Vermillion County	259
COUNTY 84	Vigo County	1,248
COUNTY 85	Wabash County	374
COUNTY 86	Warren County	120
COUNTY 87	Warrick County	601
COUNTY 88	Washington County	503
COUNTY 89	Wayne County	1,285

All Employers Under the PERF Umbrella by County

	COUNTY	MEMBERS COVERED
COUNTY 90	Wells County	836
COUNTY 91	White County	591
COUNTY 92	Whitley County	420

PERF Retired Members by Location

Alabama	64	Montana	8
Alaska	4	Nebraska	6
Arizona	241	Nevada	44
Arkansas	49	New Hampshire	6
California	135	New Jersey	13
Colorado	55	New Mexico	32
Connecticut	1	New York	16
Delaware	3	North Carolina	75
District of Columbia	3	North Dakota	1
Florida	1,334	Ohio	169
Georgia	103	Oklahoma	14
Hawaii	4	Oregon	20
Idaho	2	Pennsylvania	28
Illinois	188	Puerto Rico	3
Indiana	36,262	Rhode Island	1
Iowa	25	South Carolina	35
Kansas	17	South Dakota	4
Kentucky	225	Tennessee	166
Louisiana	18	Texas	193
Maine	3	Utah	4
Maryland	16	Vermont	3
Massachusetts	11	Virginia	44
Michigan	199	Washington	31
Minnesota	23	West Virginia	14
Mississippi	26	Wisconsin	53
Missouri	50	Wyoming	2
Outside of United States	31		

PERF Retired Members by Plan and Service

	<i>Years of Service at Retirement</i>					
	<i>10</i>	<i>11-15</i>	<i>16-20</i>	<i>21-25</i>	<i>26-30</i>	<i>30+</i>
1995						
PERF	1,558	6,661	10,013	6,694	3,619	2,887
1977 Police & Fire	72	81	82	241	168	155
Legislators' DB	3	4	4	1	1	1
Judges	47	14	12	12	0	1
Prosecuting Attorneys	0	3	2	1	2	0
Excise and Conservation	2	0	7	11	17	20
1996						
PERF	1,644	7,134	10,756	7,234	4,006	3,298
1977 Police & Fire	78	90	97	278	208	174
Legislators' DB	3	5	6	1	2	1
Judges	48	14	12	12	0	2
Prosecuting Attorneys	0	4	3	1	2	0
Excise and Conservation	2	0	7	11	18	21
1997						
PERF	1,756	7,576	11,516	7,852	4,440	3,699
1977 Police & Fire	81	96	106	314	250	192
Legislators' DB	3	6	6	2	2	1
Judges	49	23	17	20	0	2
Prosecuting Attorneys	0	4	3	2	2	0
Excise and Conservation	2	0	7	11	20	26
1998						
PERF	1,845	8,087	12,155	8,408	4,862	4,069
1977 Police & Fire	88	97	119	344	285	221
Legislators' DB	5	8	7	2	3	1
Judges	49	24	17	23	0	2
Prosecuting Attorneys	0	4	4	2	2	0
Excise and Conservation	2	0	8	11	21	28
1999						
PERF	1,898	8,573	12,829	9,034	5,271	4,473
1977 Police & Fire	92	108	126	425	303	223
Legislators' DB	5	8	7	2	3	1
Judges	50	29	21	30	3	2
Prosecuting Attorneys	0	7	4	2	2	1
Excise and Conservation	2	0	8	13	23	29