Deloitte & Touche LLP
1200 Hato Rey Tower
268 Muñoz Rivera Avenue
San Juan, Puerto Rico 00918

Telephone: (787) 759-7171
Facsimile: (787) 756-6340
www.us.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities:

We have audited the accompanying statement of plan net assets of the Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (the "System") as of June 30, 2000 and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System for the year ended June 30, 1999 were audited by other auditors whose report, dated December 10, 1999, expressed an unqualified opinion on those statements.

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

In our opinion, such 2000 financial statements present fairly, in all material respects, the plan net assets of Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities as of June 30, 2000, and the changes in its plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic 2000 financial statements taken as a whole. The supplementary information included in the schedules of funding progress and of contributions, and related notes, is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the System's management. Such information included in the schedules of funding progress as of June 30, 1999, 1998, 1997, 1996, 1995 and 1994, and of employer contributions for each of the years then ended was subjected to auditing procedures by other auditors whose report dated December 10, 1999, referred to above, stated that such information is fairly stated in all material respects when considered in relation to the basic 1999 financial statements taken as a whole.

Deloitte & Touche LLP

December 22, 2000

Stamp No. 1691244
affixed to original.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF PUERTO RICO AND ITS INSTRUMENTALITIES

STATEMENTS OF PLAN NET ASSETS
JUNE 30, 2000 AND 1999 (In Thousands)

ASSETS	2000	1999
CASH AND INVESTMENTS:		
Cash and cash equivalents	$ 39,177	$ 41,415
Cash deposited with Government Development Bank for Puerto Rico:		
Unrestricted	28,478	69,206
Restricted	633	883
Total cash	68,288	111,504
Marketable securities:		
Bonds and notes	93,313	
Stocks	1,560,035	1,442,490
Mortgage notes acquired from third parties	1,393	2,378
Other investments	37,622	15,914
Total cash and investments	1,760,651	1,572,286
LOANS TO PLAN MEMBERS:		
Mortgage	65,561	75,322
Personal	181,085	163,963
Cultural trips	10,407	9,003
Total loans to plan members	257,053	248,288
Total cash, investments and loans to plan members	2,017,704	1,820,574
ACCOUNTS RECEIVABLE:		
Employers	27,043	25,895
General Fund of the Government of Puerto Rico	4,499	10,414
The Commonwealth of Puerto Rico Judiciary Retirement System	1,751	3,100
Investment sales	2,494	1,972
Accrued interest	3,247	1,420
Other	11,724	12,465
Total accounts receivable	50,758	55,266
PROPERTY AND EQUIPMENT, NET	8,151	8,679
OTHER ASSETS	16,402	19,548
TOTAL ASSETS	2,093,015	1,904,067
LIABILITIES		
ESCROW FUNDS OF MORTGAGE LOANS AND GUARANTEE INSURANCE RESERVE FOR LOANS TO PLAN MEMBERS	17,631	17,762
INVESTMENT PURCHASES	8,170	4,126
OTHER LIABILITIES	25,448	24,648
Total liabilities	51,249	46,536
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (see accompanying Schedule of Funding Progress)	$2,041,766	$1,857,531

See notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF PUERTO RICO AND ITS INSTRUMENTALITIES

STATEMENTS OF CHANGES IN PLAN NET ASSETS YEARS ENDED JUNE 30, 2000 AND 1999 (In Thousands)

	2000	1999
ADDITIONS:		
Contributions:		
Employers	$ 298,915	$ 260,111
Participating employees	218,342	217,179
Special	10,182	14,547
Total contributions	527,439	491,837
Investment income:		
Net appreciation in investments reported at fair value	236,218	198,622
Dividend income	9,648	9,500
Interest income	39,700	31,093
Total	285,566	239,215
Less investment expense	5,930	3,812
Net investment income	279,636	235,403
Other income	11,276	4,810
Total additions	818,351	732,050
DEDUCTIONS:		
Annuities	562,309	476,684
Special	10,182	14,547
Death benefits	9,811	6,023
Refunds:		
Employers	1,226	949
Participating employees	21,937	17,790
Administrative expenses	27,562	32,895
Other expenses	1,089	1,061
Total deductions	634,116	549,949
Net increase	184,235	182,101
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:		
Beginning of year	1,857,531	1,675,430
End of year	$2,041,766	$1,857,531

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Employees' Retirement System of the Government of Puerto Rico and its Instrumentalities (the "System") was created by Act No. 447 on May 15, 1951. The System started operations on January 1, 1952, at which date contributions by employers and participating employees commenced. The System is considered an integral part of the Commonwealth of Puerto Rico (the "Commonwealth") financial reporting entity and is included in the Commonwealth's financial statements as a trust fund. The System, as a governmental retirement plan, is excluded from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

The responsibility for the proper operation and administration of the System is vested in a Board of Trustees, composed of two participating employees and one pensioner, who are appointed by the Governor of the Commonwealth, and four Commonwealth government agency representatives.

The following are the significant accounting policies followed by the System in the preparation of its financial statements:

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of Statement of Governmental Accounting Standards No. 25 (SGAS No. 25), ***Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans***. Participating employees and employers' contributions are recognized as revenues in the period in which the employee services are rendered. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets held in trust for pension benefits, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions to net assets held in trust for pension benefits during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents consist of "overnight deposits" guaranteed by the custodial bank. Restricted cash deposited with Government Development Bank for Puerto Rico ("GDB") consists of payments received from mortgage loanholders to be used by Banco Popular de Puerto Rico, the mortgage servicer, in the servicing of loan escrows.

Investments - Investments are carried at fair value, except for certain mortgage notes, which do not have readily determinable fair values. The fair value of notes, bonds and stocks is based on quotations obtained from national securities exchanges. Securities transactions are accounted for on the trade date.

Mortgage notes acquired from third parties are held to maturity and are not readily marketable. Consequently, these are carried at amortized cost.

No investment in any organization represents 5% or more of the System's net assets held in trust for pension benefits.

Loans to Plan Members - Mortgage, personal and cultural trip loans to plan members are stated at their outstanding principal balance. No allowance for uncollectible amounts has been established since loans to plan members are secured by mortgage deeds, plan members' contributions and any unrestricted amount remaining in the escrow funds. Maximum amounts that may be granted to plan members for mortgage, personal and cultural trip loans are \$100,000, \$3,000 and \$5,000, respectively. The carrying value of these loans approximates their fair value.

On September 30, 1999, the System sold mortgage loans with a principal balance of approximately \$9,766,000 to a commercial bank at a loss of approximately \$63,000. The agreement stipulates that if during the first 18 months any loan becomes delinquent for over 120 days, the System should repurchase from the buyer such mortgage loan. As of June 30, 2000, the System had not repurchased any of these loans. In addition, as of June 30, 2000 and 1999, the System had repurchased approximately \$48,000 and \$1,400,000, respectively, in mortgage loans that were sold during fiscal year 1998 to Federal National Mortgage Association (FNMA). The sale contract stipulates that the System must repurchase any loans with payments in arrears over 90 days.

Guarantee Insurance Reserve - Premiums collected and benefits claimed are recorded as additions and deductions of the guarantee insurance reserve, respectively.

Reclassifications – Certain reclassifications were made to the 1999 financial statements to conform them with the 2000 presentation.

2. PLAN DESCRIPTION

The System is a cost-sharing multi-employer defined benefit plan sponsored by the Commonwealth. Substantially all full-time employees of the Commonwealth and its Instrumentalities (including the System) are covered by the System under the terms of the Act No. 447 of 1951. All regular, appointed and temporary employees of the Commonwealth at the date of employment become plan members of the System. The System is optional for members of the Cabinet of the Governor and Heads of Agencies. At June 30, 2000 and 1999, membership consisted of the following:

	2000	1999
Retirees and beneficiaries currently receiving benefits	82,000	72,500
Current participating employees	150,000	158,000

The plan members of the System, other than those joining the System after March 31, 1990, are eligible for the benefits described below:

Retirement Annuity - Plan members are eligible for a retirement annuity upon reaching the following age:

Policemen and Firemen:	Other Employees:
Age 50 with 25 years of credited service, 30 years of credited service or age 58 with 10 years of credited service.	Age 55 with 25 years of credited service, 30 years of credited service or age 58 with 10 years of credited service.

Plan members are eligible for monthly benefit payments determined by the application of stipulated benefit ratios to the plan member's average compensation. Average compensation is computed based on the highest 36 months of compensation recognized by the System. The annuity, for which a plan member is eligible, is limited to a minimum of $200 per month and a maximum of 75% of the average compensation.

Merit Annuity - Plan members are eligible for a merit annuity with a minimum of 30 years or more of credited service. The annuity for which the plan member is eligible is limited to a minimum of 65% and a maximum of 75% of the average compensation

Deferred Retirement Annuity - A participating employee who ceases to be an employee of the Commonwealth after having accumulated a minimum of ten years of credited service qualifies for a retirement benefit provided his/her contributions to the System are left within the System until attainment of 58 years of age.

Reversionary Annuity - A plan member, upon retirement, could elect to receive a reduced retirement annuity giving one or more benefit payments to his/her dependents. The payments would start after the death of the retiree for an amount not less than $240 yearly nor greater than the annuity payments being received by the retiree.

Occupational Disability Annuity - A participating employee, who as a direct result of the performance of his/her occupation is totally and permanently disabled is eligible for a disability annuity of 50% of the compensation received at the time of the disability.

Nonoccupational Disability Annuity - A participating employee totally and permanently disabled for causes not related to his/her occupation, and with no less than 10 years of credited service, is eligible for an annuity of 30% of the average compensation of the first 10 years of credited services increased by 1% for every additional year of credited service in excess of 10 years up to a maximum of 50% of the average compensation.

Death Benefits:

Occupational:

- Surviving spouse - annuity equal to 50% of the participating employee's salary at the date of the death.
- Children - $10 per month for each child, minor or student, up to a maximum benefit per family of 100% of the participating employee's salary at the date of the death. If no spouse survives or dies while receiving the annuity payments, each child, 18 or under, is eligible to receive an annuity of $20 per month up to the attainment of 18 years of age or the completion of his/her studies.

Nonoccupational:

- Beneficiary - the contributions and interest accumulated as of the date of the death plus an amount equal to the annual compensation at the time of the death.

Post-retirement:

- Beneficiary - with surviving spouse age 60 or over and child, 18 or under, up to 30% (60%, if not covered under Title II of the Social Security Act) of retiree's pension or otherwise the excess, if any, of the accumulated contributions at the time of retirement over the total annuity benefits received before death, limited to a minimum of $500. On September 2, 2000, an amendment to Article 2-113 of Act No. 447 of May 15, 1951 was made to increase the minimum to $750 to all cases in which the death date is on or after July 1, 2000.

Refunds - A participating employee who ceases his/her employment with the Commonwealth without right to a retirement annuity has the right to a refund of the contributions to the System plus any interest earned thereon.

Amendments to Benefits Payable to Plan Members Who Joined the System on or After April 1, 1990 - Act No. 1 of 1990 made certain amendments applicable to new participating employees joining the System effective April 1, 1990. These changes consist principally of an increase in the retirement age from 58 to 65, a decrease in the benefit percentage of the average compensation in the occupational disability and occupational death benefits annuities from 50% to 40%, and the elimination of the Merit Annuity for participating employees who have completed 30 years of creditable service.

Amendments to Benefits Payable to Plan Members Effective January 1, 1998 - Act No. 10 of 1992 provides, subject to the approval of the Legislature, for increases of 3% every three years, of the pensions paid by the System to those plan members with three or more years of retirement. On August 9, 1998, Act. No. 221 was approved which provides, retroactively to January 1, 1998, for increases of the pensions paid by the System to those plan members with three or more years of retirement.

Early Retirement - On July 28, 1998, Act No. 182 was approved, which provides that effective March 31, 1998, plan members are eligible for early retirement upon attaining age 55 with 25 years of service or 30 years of service but under 55 years of age. Those who select early retirement under these conditions will receive monthly benefits equal to 75% of their average compensation, which is computed based on the highest 36 months of compensation recognized by the System. Plan members may also elect an alternative early retirement annuity upon attaining 25 years of service but less than 55 years of age or age 65 with 24 years of service. Under this election, plan members will receive monthly benefits equal to 65% of their average compensation. In these cases, the employer will contribute to the System an additional amount to cover the benefit payments until the participant reaches the normal retirement age.

Amendment to Act No. 447 Effective January 1, 2000 - On September 24, 1999, an amendment to Act No. 447 of May 15, 1951, which created the System, was enacted with the purpose of establishing a new pension program ("System 2000").

System 2000 became effective on January 1, 2000. Employees participating in the current system as of December 31, 1999, may elect either to stay in the defined benefit plan or transfer to the new program. Persons joining the government on or after January 1, 2000, will only be allowed to become members of System 2000.

System 2000 is a hybrid defined contribution plan, also known as a cash balance plan. Under this new plan, there will be a pool of pension assets, which will be invested by the System, together with those of the current defined benefit plan. Benefits at retirement age will not be guaranteed by the Commonwealth. The annuity will be based on a formula which assumes that each year the employee's contribution (with a minimum of 8.275% of the employee's salary up to a maximum of 10%) will be invested in an account which will either: (1) earn a fixed rate based on the two-year Constant Maturity Treasury Note or, (2) earn a rate equal to 75% of the return of the System's investment portfolio (net of management fees), or (3) earn a combination of both alternatives. Participants receive periodic account statements similar to those of defined contribution plans showing their accrued balances. Disability pensions are not be granted under System 2000. The employers' contributions (9.275% of the employee's salary) will be used to fund the current plan.

System 2000 will reduce the retirement age from 65 years to 60 for those employees who joined the current plan on or after April 1, 1990.

Termination - Although the Commonwealth has not expressed any intent to terminate the plan, it may do so at any time. In the event of termination of the plan, the rights of all affected plan members and beneficiaries to whom benefits have been accrued under the plan shall be nonforfeitable to the extent funded.

3. FUNDING POLICY

The contribution requirement to the System is established by law and is not actuarially determined. Required contributions consist of 9.275% of applicable payroll in the cases of municipalities, central government and public corporations, and 5.775% of the first $550 of the monthly salary with the excess at 8.275% or 8.275% of the total monthly salary for participating employees' contributions. Commonwealth contributions should ultimately cover any deficiency between the participating employees' contributions and the System's pension benefit obligations and administrative costs.

The special contributions of approximately $10,182,000 and $14,547,000 in 2000 and 1999, respectively, represent the reimbursement to the System of the benefits paid on behalf of the General Fund of the Commonwealth under the provisions of Law No. 127 of 1958, which covers the occupational disability of firemen, policemen and others, and under the provisions of Law No. 23 of 1983, which covers half of the increase in pension benefit annuities.

Calculations of the present value of benefits under the System were made by consulting actuaries as of June 30, 1999 and 1998, using the projected unit credit actuarial cost method. Significant assumptions underlying the actuarial computations include: (a) assumed rate of return on investments of 8.5%; (b) assumed compound rate of wage increases of 5% per year; and (c) assumed mortality rate based on the Group Annuity Table for 1951.

The actuarial accrued liability as of June 30, 1999 and 1998, was approximately $8,308,000,000 and $7,638,000,000, respectively. At June 30, 1999 and 1998, the unfunded actuarial accrued liability was approximately $6,450,000,000 and $5,963,000,000, respectively.

The Legislature of the Commonwealth enacted Act No. 1, effective April 1, 1990, which is directed to improve the solvency of the System for the next 50 years. Among other provisions, the legislation increases the level of contribution to the System and limits benefits for new participating employees by increasing the age from 58 to 65 years for the vesting of certain benefits and reducing the level of benefits in the case of early retirement. The legislation also reduces the level of occupational injury and death benefits received by new participating employees from 50% to 40% (see Note 2). In addition, participation in System 2000 will be required for all participants who start working for the Commonwealth effective January 1, 2000 (see Note 2).

As an employer, the System has contributed $976,000, $1,119,000 and $935,000, which represented its contractually required contribution for the years ended June 30, 2000, 1999 and 1998, respectively.

4. CASH AND INVESTMENTS

Pursuant to the provisions of Act No. 46 of 1988, the System may invest, with certain restrictions, in obligations of the Commonwealth and its Instrumentalities, the United States of America, private corporations and foreign countries. In addition, the System may invest in common and preferred stock, in income-producing real properties and in high-risk securities.

Cash and cash equivalents are guaranteed by the custodial bank. Cash deposited with Government Development Bank for Puerto Rico amounting to approximately $29,111,000 and $70,089,000 as of June 30, 2000 and 1999, respectively, is not collateralized.

The following table shows the cost and market value of the investments in marketable securities held by the System as of June 30, 2000 and 1999. The following investments are held by agents in the System's name:

	2000		1999	
	Cost	Fair Value	Cost	Fair Value
	(In Thousands)			
U.S. Government and agencies' securities	$ 29,902	$ 30,051	$ -	$ -
Corporate bonds	62,855	63,262		
Domestic corporate stocks	1,017,105	1,278,081	915,337	1,223,689
International corporate stocks	180,988	194,468	132,814	159,674
Emerging markets stocks	76,612	87,486	51,862	59,127
Total	$1,367,462	$1,653,348	$1,100,013	$1,442,490

Other investments include $34,357,000 and $11,270,000 as of June 30, 2000 and 1999, respectively, in Guayacán Fund of Funds, L. P., Guayacán Fund of Funds II, L. P., and Guayacán Private Equity Fund, L.P. (the "Funds"). The Funds are limited partnerships which invest in United States and international private equity investment partnerships, which in turn, invest in equity and equity related investments primarily in private equity. The System is committed to invest up to $55,000,000 in the Funds. In addition, at June 30, 2000, *Other investments* includes an interest of $1,796,000 in participation units of Martineau Bay Resort, a resort to be constructed in Vieques, Puerto Rico.

The System services mortgage loans with principal balances of approximately $42,000,000 and $50,000,000 at June 30, 2000 and 1999, respectively, related to certain mortgage loans sold to FNMA for a fee of 0.25%.

The System may issue Collateralized Promissory Notes (the "Notes") to generate additional funds to carry out the investment objectives and to improve the investment portfolio. The Notes cannot exceed, in an aggregate principal amount, $400,000,000 outstanding at any time, and a term to maturity up to 90 days so that at the end of each quarter the outstanding balance equals zero. The Notes are secured by a pledge on the System's securities. GDB acts as the System's agent for selling the Notes, effecting the pledge on the securities, securing them, investing their proceeds and acting as custodian of the securities purchased with the proceeds. GDB issues and sells the Notes through brokers and records the transfer of and make payments of principal and interest on the Notes, all under such terms and conditions, and at such interest rates and prices, as the GDB shall consider to be in the best interest of the System. In connection with such issuance, GDB pays a commission from the proceeds of the Notes to these brokers. At June 30, 2000 there were no Notes outstanding.

5. PROPERTY AND EQUIPMENT

Property and equipment acquisitions are recorded at cost. Depreciation is provided using the straight-line method over the useful life of the asset. At June 30, 2000 and 1999, property and equipment consist of the following:

	Estimated Useful Life	2000	1999
		(In Thousands)	
Land	0	$ 969	$ 969
Building	50 years	7,631	7,631
Furniture and equipment	5 - 10 years	8,957	8,502
Total		17,557	17,102
Accumulated depreciation		(9,406)	(8,423)
Total		$ 8,151	$ 8,679

6. OTHER ASSETS

At June 30, 2000 and 1999, other assets consist of the following:

	2000	1999
	(In Thousands)	
Repossessed and in-substance foreclosed properties	$ 1,902	$ 5,048
Executed land	14,500	14,500
Total	$ 16,402	$ 19,548

Repossessed and in-substance foreclosed properties consist mainly of properties acquired or to be acquired upon foreclosure proceedings as collateral from delinquent mortgage loans. Foreclosed properties are valued at the outstanding principal balance of the related mortgage upon foreclosure. These will be sold under a bidding process intended to recover the outstanding principal balance. Gain or loss is recognized at the time of sale. Differences resulting from recognition of losses at the point of sale rather than upon foreclosure, as required by generally accepted accounting principles, are not material. Management believes that the carrying value of these properties approximates its fair value.

The executed land located in Hato Rey was acquired on February 19, 1991, from the Metropolitan Bus Authority (MBA), a government agency, as settlement for the debt MBA had with the System relative to employer and participants contributions and loans payments withholdings from June 1985 through December 1988. During 1999, the System rented this land to a third party that operated it as a parking facility. Rental income for 1999 amounted to $240,000, and is reflected as part of *Other income* in the accompanying statements of changes in plan net assets. According to an independent appraisal dated April 1, 1996, the market value of this land approximates $14,500,000. The System has been informed that a substantial portion of this land will be acquired by other instrumentalities of the Commonwealth. At June 30, 2000, there is no estimate of the proceeds that will be received by the System, but management estimates that these would normally approximate its market value.

7. GUARANTEE INSURANCE RESERVE OVER LOANS TO PLAN MEMBERS

The System provides life insurance that guarantees the payment of the outstanding principal balance of mortgage, personal and cultural trip loans in case of death of a plan member. This coverage is paid in its entirety by the plan members who obtain these loans from the System The life insurance rates are actuarially determined and do not vary by age, sex or health status.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The System is defendant or co-defendant in various lawsuits resulting from the ordinary conduct of its operations. Based on the advice of legal counsel and considering insurance coverage, management is of the opinion that the ultimate liability, if any, will not have a significant effect on the financial status of the System.

* * * * * *

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF PUERTO RICO AND ITS INSTRUMENTALITIES

SCHEDULE OF CONTRIBUTIONS
(Dollar Amounts In Thousands)

Year Ended June 30,	Annual Required Contribution	Contributions	Percentage Contributed
1999	$845,000	$491,800	58%
1998	777,800	502,100	65%
1997	722,300	454,600	62%
1996	677,200	402,200	59%
1995	608,800	380,700	63%
1994	566,900	353,900	62%

See notes to schedules of trend information.

EMPLOYEES' RETIREMENT SYSTEM OF THE GOVERNMENT OF PUERTO RICO AND ITS INSTRUMENTALITIES

SCHEDULE OF FUNDING PROGRESS
(Dollar Amounts In Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UUAL as a Percentage of Annual Covered Payroll
7/1/1999	$1,858,000	$8,308,000	$6,450,000	22%	$2,575,000	250%
7/1/1998	1,675,000	7,638,000	5,963,000	22%	2,366,000	252%
7/1/1997	1,444,000	6,914,000	5,470,000	21%	2,363,000	231%
7/1/1996	1,230,000	6,320,000	5,090,000	19%	2,223,000	229%
7/1/1995	1,075,000	6,033,000	4,958,000	18%	2,087,000	238%
7/1/1994	954,000	5,542,000	4,588,000	17%	1,867,000	246%

See notes to schedules of trend information.

NOTES TO SCHEDULES OF TREND INFORMATION

1. SCHEDULE OF FUNDING PROGRESS

The Schedule of Funding Progress provides information about the funded status of the System and the progress being made in accumulating sufficient assets to pay benefits when due.

2. SCHEDULE OF CONTRIBUTIONS

The Schedule of Contributions provides information about the annual required contributions (ARC) and the extent to which contributions made cover the ARC. The ARC is the annual required contribution for the year calculated in accordance with certain parameters, which include actuarial methods and assumptions.

The System's Schedule of Contributions includes both Commonwealth's and participating employees' contributions as the Commonwealth contributions, ultimately, should cover any deficiency between the participating employees' contributions, the pension benefits and the System's administration costs.

3. ACTUARIAL DATA

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	July 1, 1999
Actuarial Cost Method	Projected unit credit cost method
Amortization Method	Level percentage of the projected payroll
Remaining Amortization Period	27 years
Asset Valuation Method	Market value
Actuarial Assumptions:	
Investment rate of return*	8.5%
Projected salary increases*	5%
Cost of living adjustment	3%, every three years

*Includes inflation at 3.5%