PUBLIC SCHOOL AND NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEMS OF MISSOURI

FOUR YEARS ENDED JUNE 30, 2003

From The Office Of State Auditor
Claire McCaskill

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AUDIT REPORT

Office Of The
State Auditor Of Missouri
Claire McCaskill

August 2004

The following finding was noted as a result of a review conducted by our office of the Public School and Non-Teacher School Employee Retirement Systems of Missouri.

The Missouri Public School and Non-Teacher School Employee Retirement Systems' (systems) Board of Trustees (board) has not solicited proposals for investment custodian services since 1995. While the systems pay fees directly to the investment custodian of over $1 million per year, the investment custodian earns additional revenues from other sources related to services provided by contract, which generates approximately $10 million annually in revenues for the investment custodian. In 2003, the systems contracted with a consulting firm to perform a "best market practices" analysis of the investment custodian's fees. Based on the analysis results, the systems negotiated a new agreement with the investment custodian with projected future savings of just over $1 million annually.

In addition to the investment custodian, the systems have not formally solicited proposals for investment consulting, actuarial consulting, legislative consulting, and legal counsel services in recent years. While the systems performed periodic comparisons of fees paid for some professional services to other available sources to assess reasonableness, similar analyses were not performed or documented for some services. Without periodically requesting proposals for all professional services, the board may be missing the opportunity to obtain similar or improved service at a better price, either from existing or new firms.

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YELLOW SHEET

PUBLIC SCHOOL AND NON-TEACHER SCHOOL
EMPLOYEE RETIREMENT SYSTEMS OF MISSOURI

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STATE AUDITOR'S REPORT

CLAIRE C. McCASKILL
Missouri State Auditor

Honorable Bob Holden, Governor
and
Board of Trustees
and
M. Steve Yoakum, Executive Director
Public School and Non-Teacher School Employee
Retirement Systems of Missouri
Jefferson City, MO 65102

The State Auditor is required under Section 169.020.22, RSMo Cumulative Supplement 2003, to review the audits of the Public School and Non-Teacher School Employee Retirement Systems. The systems engaged Williams Keepers, LLC, Certified Public Accountants (CPAs), to audit the systems' financial statements for the years ended June 30, 2003, 2002, and 2001, and KPMG, LLP, CPAs to audit the systems' financial statements for the year ended June 30, 2000. We reviewed the reports and substantiating working papers of the CPAs as we considered necessary. The scope of our review included, but was not necessarily limited to, the years ended June 30, 2003, 2002, 2001, and 2000. The objectives of this review were to:

1. Review compliance with certain legal provisions.

2. Evaluate the economy and efficiency of certain management practices and operations.

Our methodology to accomplish these objectives included reviewing minutes of meetings, written policies, financial records, and other pertinent documents; interviewing various personnel of the systems, as well as certain external parties; and analysis of comparative data obtained from internal sources.

In addition, we obtained an understanding of internal controls significant to the review objectives and considered whether specific controls have been properly designed and placed in operation. We also performed tests of certain controls to obtain evidence regarding the effectiveness of their design and operation. However, providing an opinion on internal controls was not an objective of our procedures and accordingly, we do not express such an opinion.

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We also obtained an understanding of legal provisions significant to the review objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our procedures and accordingly, we do not express such an opinion.

Our review was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the systems' management and was not subjected to the procedures applied in the review of the systems.

The accompanying Management Advisory Report presents our finding arising from our review of the Public School and Non-Teacher School Employee Retirement Systems.

Claire McCaskill
State Auditor

May 10, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Kenneth W. Kuster, CPA
Audit Manager:	Douglas J. Porting, CPA
In-Charge Auditor:	Robyn Lamb

MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

Solicitation of Professional Services Contracts

The Missouri Public School and Non-Teacher School Employee Retirement Systems' (systems) Board of Trustees (board) has not formally solicited proposals for investment custodian, investment consulting, actuarial consulting, legislative consulting, and legal counsel services in recent years. Instead, systems' officials indicated they use other methods, such as utilizing a consulting firm to perform a best market practices analysis of fees or comparing contracted fees to annual surveys depicting various professional services fees, to determine whether the systems are receiving these services at fair prices. However, these comparisons are not always adequately documented and the analysis of one contract, which had been renewed multiple times over an eight year period, proved large savings could be incurred by renegotiating the fees. Expenses paid annually by the board for these services during the past four fiscal years are shown in following table:

Professional Services Expenses

Service	FY 2003	FY 2002	FY 2001	FY 2000
Investment custodian[1]	$ 1,678,755	1,363,517	1,275,781	1,188,429
Investment consulting	364,551	333,333	329,042	235,389
Actuarial consulting	120,947	82,716	175,023	119,226
Legal counsel	66,416	37,167	32,501	45,797
Legislative consulting	32,000	31,084	21,000	18,000
Totals	$ 2,262,669	1,847,817	1,833,347	1,606,841

[1] The expenses shown for the investment custodian do not include all revenues generated for the custodian by the systems, but rather the direct fees paid to the custodian.

Source: Public School and Non-Teacher Retirement Systems of Missouri Comprehensive Annual Financial Reports for fiscal years 2003, 2002, 2001, and 2000, and auditee calculations.

The board has not solicited proposals for investment custodian services since 1995, choosing instead to periodically renew the original contract. However, in 2003, the systems contracted with a consulting firm to perform a "best market practices" analysis of the investment custodian's fees. While the systems pay fees directly to the investment custodian of over $1 million per year for certain custody, accounting, and performance reporting services, the investment custodian earns additional revenues from other sources related to services provided by contract. These additional services and fees include revenue-sharing of lending income on securities lending transactions, amounts earned on foreign exchange and foreign cash management activities, and fees earned on managing and settling transactions related to transitions between the systems' investment managers' portfolios. According to the consulting firm's analysis the fees paid directly, plus the additional services, generates approximately $10 million annually in revenues for the investment custodian. Based on the results of the consultant's analysis, the systems negotiated a new agreement with the investment custodian with projected future savings of just over $1 million annually.

The board has not solicited proposals for investment consulting services since 1995, choosing instead to periodically renegotiate fees with the consultant. During each subsequent fee negotiation, the system compared the requested fee increase to average and median consultant costs provided in an annual pension fund survey and noted prices were comparable. Documentation was retained of these comparisons.

In 2003, the system's investment consultant was partially purchased by another consulting firm, with the intention of full purchase in approximately two years. Because of this purchase, system officials performed due diligence meetings to determine the impact of shifting consulting services to the purchasing firm. In late 2003, the board approved a new contract with the purchasing firm for consulting services. System officials did not solicit proposals from or consider other consulting firms during this process. Instead, officials compared the new firm's consulting fees with an annual pension fund survey to ensure they received fair pricing. Documentation was retained of these comparisons and rates charged to the system appeared reasonable.

The board has not solicited proposals for legal counsel services since 1995. A system official compares the hourly fees paid for legal counsel services to an annual survey of the top 100 largest firms in Missouri, of which the system's contracted firm is in the top five. Documentation was retained of the annual surveys and rates charged to the system appeared comparable to other large Missouri law firms.

The board has not solicited proposals for actuarial consulting services or legislative consulting services since 1997 and 1992, respectively. System officials have not performed and documented formal reviews of the fees paid to the actuarial consultant during the life of the contract. Officials did state this contract is currently being re-negotiated, and they plan to compare actuarial consulting fees paid by other systems to ensure fair pricing. The legislative consultant's fees are informally reviewed with other organizations each year. However, system officials were unable to provide documentation of these reviews.

While system officials indicate they periodically perform various reviews of current market pricing levels for these services, without adequately documenting the reviews the board cannot ensure it is receiving these services at a fair cost. In addition, proposals have not been solicited for some professional services for 6 to 8 years. Without periodically requesting proposals for all professional services, the board may be missing the opportunity to obtain similar or improved service at a better price, either from existing or new firms.

WE RECOMMEND the systems' Board of Trustees periodically solicit proposals for all professional services. If intermediate, alternate methods are used to review current market pricing levels to ensure fair pricing is obtained, such reviews should be adequately documented.

AUDITEE'S RESPONSE

The Executive Director provided the following response:

Initially, I would like to note that we believe that the "review" performed by the State Auditor's Office went beyond the scope of the review authorized by section 169.020.22 RSMo. That section states "the state auditor shall ***review the audit*** *of the records and accounts of the system at least once every three years and shall report the results to the board of trustees and the governor." (Emphasis added.) In a March 12, 2004 letter, PSRS outside counsel, Thompson Coburn, opined that the State Auditor is limited to a review of the PSRS/NTRS audit performed by its external auditors. It appeared that the auditors spent substantial time in our offices reviewing documentation that was not part of the reports or substantiating working papers of the external auditors.*

The PSRS and NTRS Board of Trustees believe that it is very important to ensure that fees paid for professional services are fair and reasonable. However, there are many issues that determine the selection of a consulting firm. Price is just one of these. The trustees have a fiduciary obligation to administer the system in the best interest of the members and must have the flexibility to exercise sound judgment regarding how to best carry out that legal fiduciary obligation. This includes judgments regarding the best methods for assuring that services are being received at fair prices. In some cases, this will involve a bid process for the acquisition of services and in other cases it will not.

As indicated in your report, we have processes in place to monitor the reasonableness of fees paid to various consultants. The systems will continue to utilize processes that we deem appropriate for the individual situation to ensure the best services for the lowest price. In addition, we will maintain documentation of all fee studies for future review by auditors.

HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

PUBLIC SCHOOL AND NON-TEACHER SCHOOL
EMPLOYEE RETIREMENT SYSTEMS OF MISSOURI
HISTORY, ORGANIZATION, AND
STATISTICAL INFORMATION

The Public School Retirement System of Missouri (PSRS) was created August 1, 1945, under an act of the 63rd General Assembly, and commenced actual operations on July 1, 1946. The Non-Teacher School Employee Retirement System of Missouri (NTRS) was created October 13, 1965, under an act of the 73rd General Assembly, and commenced actual operations on November 1, 1965. Both plans are governed by Chapter 169 of the Revised Statutes of Missouri and are defined benefit plans providing service retirement, death, and disability benefits to members.

The PSRS is a mandatory cost-sharing multiple employer retirement system for all full-time certificated employees and certain part-time certificated employees of all public school districts in Missouri (except the school districts of St. Louis and Kansas City) and all public community colleges. The system also includes certificated employees of PSRS, NTRS, Missouri State Teachers Association, Missouri State High School Activities Association, and certain state teachers who elected to remain covered by PSRS under legislation enacted in 1986, 1987, and 1989.

The NTRS is a mandatory cost-sharing multiple employer retirement system for all public school district employees in Missouri (except the school districts of St. Louis and Kansas City) and public community college district employees (except the Community College of St. Louis) who work 20 or more hours per week on a regular basis and who are not contributing members of the PSRS. The system also includes non-certificated employees of the NTRS and the PSRS and employees of certain statewide nonprofit educational associations.

The responsibility for the operation and administration of the retirement systems is vested in the Board of Trustees. The Board consists of three elected PSRS members, one elected NTRS member, and three persons appointed by the Governor. The members from the PSRS and NTRS are elected from the active and retired members of the retirement systems. Two elected trustees are seated each even-numbered calendar year to serve four-year terms. The Board of Trustees as of June 30, 2003, was as follows:

Name	Position	Membership	Term Expires
Lynn Harmon	Member	Appointed	2002 *
Wayne Wheeler	Chair	Elected (PSRS)	2004
Peggy Preston	Member	Elected (PSRS)	2004
John Kruse	Member	Appointed	2006
Cheryl Boggess	Member	Elected (PSRS)	2006
Nancy Gaines	Member	Elected (NTRS)	2006
J. Richard Franklin	Member	Appointed (Retired)	2007

* Lynn Harmon's original term expired June 30, 2002; however, as of June 30, 2003, a replacement member had not been appointed. Until this occurs, Lynn Harmon will continue to serve on the Board.

Joel Walters served as Executive Director to the board through June 2001. M. Steve Yoakum was appointed June 1, 2001. The Executive Director is responsible for employment of the retirement office staff, routine operation of the systems, and advising the board on all matters pertaining to the systems.

Gabriel, Roeder, Smith & Company of Roseville, California, serves the systems as actuarial consultant. As of June 30, 2003 the following investment managers held investments for the PSRS and NTRS: BlackRock Financial Management, Inc. of New York, New York; NISA Investment Advisors, of St. Louis, Missouri; State Street Global Advisors, of Boston, Massachusetts; Wellington Management Company, of Boston, Massachusetts; Alliance Capital Management, of Minneapolis, Minnesota; DSI International Management, Inc., of Norwalk, Connecticut; TCW Asset Management Company, of Los Angeles, California; Thomson, Horstmann & Bryant, Inc., of Saddle Brook, New Jersey; Bank of Ireland Asset Management, of Dublin, Ireland; INVESCO Global Asset Management, Inc., of Atlanta, Georgia; Oechsle International Advisors, of Boston, Massachusetts; Aronson and Partners, LP, of Philadelphia, Pennsylvania; Chartwell Investment Partners, of Berwyn, Pennsylvania; UBS Global Asset Management, of Chicago, Illinois; BPI Global Asset Management, of Orlando, Florida; Payden and Rygel, of Los Angeles, California; Pathway, of Irvine, California; Analytic Investors, Inc., of Los Angeles, California; Legg Mason Capital Management, of Baltimore, Maryland; New Amsterdam Partners, of New York, New York; Next Century Growth Investors, LLC, of Minneapolis, Minnesota; Systematic Financial Management, of Teaneck, New Jersey; Westwood Management Corporation, of Dallas, Texas; and Zevenbergen Capital, Inc., of Seattle Washington. State Street Bank and Trust Company, of Boston, Massachusetts serves as the systems' master custodian. Strategic Investment Solutions, Inc., of San Francisco, California served as the systems' investment consultant through August 2003 when Frank Russell Company was named as the investment consultant. Thompson Coburn, Attorneys at Law, of St. Louis, Missouri serves as the systems' general counsel. Williams Keepers, LLC, of Jefferson City, Missouri serves as the systems' independent auditor.

As of June 30, 2003, PSRS membership included 74,347 active members, 10,331 inactive members, and 32,249 retired members and beneficiaries receiving benefits. NTRS membership at that date included 46,863 active members, 17,651 inactive members, and 14,837 retired members and beneficiaries receiving benefits.

As of June 30, 2003, membership, required contributions, and benefits provided under the PSRS and NTRS are generally as follows:

<u>Eligibility</u>

PSRS membership is automatic, regardless of position, for certificated, full-time employees of public school districts in Missouri (except the St. Louis and the Kansas City school districts), public junior college districts in Missouri, and of PSRS/NTRS. NTRS membership is also automatic, regardless of position, for all persons not covered by the PSRS who are regularly employed for 20 or more hours a week by the public school districts in Missouri (except the St. Louis and the Kansas City school districts), public junior college districts (except the Community College District of St. Louis) in Missouri, and the PSRS/NTRS. Part-time certificated employees working 20 or more hours per week (17 hours beginning August 28, 2003) automatically become a PSRS member, but have the option of being a member of the NTRS. Members working in covered employment are considered active members and members not working in covered employment are considered inactive members.

Employee Contributions

Active PSRS members contributed 10.5 percent of gross salary for the years ended June 30, 2003, 2002, 2001, and 2000. Active NTRS members contributed 5 percent of gross salary for the years ended June 30, 2003 and 2002, and 4.5 percent of gross salary for the years ended June 30, 2001 and 2000. The contributions for both PSRS and NTRS members are deducted and remitted by the employer, and are credited to individual member accounts. Member contributions are tax-deferred for federal and state income tax purposes.

Interest, at a rate set each year by the Board of Trustees, is credited to individual member accounts each June 30 based on the previous June 30 balance. The rate credited on June 30, 2003, 2002, 2001, and 2000 was 6 percent.

Member contributions plus interest are fully refundable upon termination of service or death. All credit and benefit rights are forfeited upon voluntary withdrawal or automatic termination of membership. Voluntary withdrawal is available to members who cease covered employment. Automatic termination occurs when a non-vested member is absent from covered employment for five consecutive school years. A member may, upon returning to covered employment, reinstate the credit forfeited through withdrawal or termination of a previous membership by repaying the money withdrawn plus interest.

Employer Participation

The employers served by PSRS and NTRS withhold members' contributions from salary payments and match those contributions. Employer contributions and investment earnings on those funds are placed by PSRS and NTRS in a general reserve account to pay monthly benefits to retirees and to beneficiaries of deceased members. Employers are responsible for remitting contributions promptly and for furnishing contribution information and new member records to PSRS and NTRS. Employers also provide needed data when members apply for benefits or refunds of contributions upon termination of employment. Unlike employee contributions noted above, employer contributions are not refunded to the employer upon a member's voluntary withdrawal from the system, termination of service, or death.

Service Retirement Benefits

Service retirement benefits are payable to members who have terminated covered employment and who have met certain eligibility requirements. All service retirement benefits are based on a formula which multiplies final average salary by the applicable formula factor, by the years of creditable service and, in the case of early retirement, by an age reduction factor. Prior to July 1, 1999, for PSRS members and July 1, 2000, for NTRS members, final average salary was obtained by dividing the total salaries for the highest five consecutive years of service by sixty. Since those dates, final average salary is obtained by dividing the total salaries for the three highest consecutive years of service by thirty-six. The applicable factor is determined by the type of retirement eligibility; total creditable service is the amount accumulated at retirement for covered service and purchased credit; and the age factor, where applicable, is determined by the age at retirement. The board may set a maximum percentage increase in annual compensation from one year to the next in the final average salary period.

NORMAL RETIREMENT

For both PSRS and NTRS, a member may retire with benefits calculated under the standard formula factor at age sixty with five years of credit, at any age with thirty years of credit, or when a combination of age and service credit equals eighty. The standard PSRS benefit formula is .025. The standard NTRS benefit formula was .0145 until June 30, 2000, .0151 until June 30, 2001, and increased to .0161 July 1, 2001.

For PSRS, a new provision in effect between July 1, 2001, and June 30, 2008, increases the formula factor to .0255 for each year of credit for members having thirty-one or more years of credit.

For NTRS, effective July 1, 2000, if the retiring member qualified for Rule of 80 (a combination of age and service total eighty) or qualified to retire with 30 or more years of service credit and was under the age of 62, an additional .4% temporary benefit was added to the base formula. Effective July 1, 2001, the temporary benefit was increased from .4% to .8%. This temporary benefit is payable until the attainment of the minimum social security age (age 62).

EARLY RETIREMENT

Twenty-Five-and-Out:

A special provision in effect until July 1, 2008, allows members under age fifty-five with twenty five, but less than thirty years of credit to retire with benefits calculated under a modified formula factor ranging from .022 to .024 (based on years of credit) for PSRS members and .0151 to .0159 (based on years of credit) for NTRS members but with no age reduction factor applied. Previous modified formula factors for NTRS members were .0135 to .0143 from July 1, 1999 to June 30, 2000 and .0141 to .0149 from July 1, 2000 to June 30, 2001.

Age Reduced:

A member may retire with benefits calculated under the standard PSRS formula (.025) or the standard NTRS formula (.0161) with an age reduction factor applied, at age fifty-five with five years of credit or at any age with twenty-five years of credit (PSRS only), as long as they do not qualify for the Rule of Eighty (this provision relates only to PSRS and will not be used until the more generous twenty-five-and-out formula sunsets).

PAYMENT OPTIONS

A retiring PSRS or NTRS member may elect to receive the maximum benefits payable under the Single Life option, or may elect to receive a reduced benefit under one of three Joint-and-Survivor options or under one of two Term-Certain options, to provide survivor benefit coverage in varying degrees after the retiree's death.

For PSRS members, certain benefit minimums apply to normal or early retirement with fifteen or more years of credit. The minimums for fifteen but fewer than twenty-five years of credit are reduced if a Joint-and-Survivor or a Term-Certain option is elected and/or if an age factor is applicable because of early retirement. The minimums for twenty-five or more years of credit are reduced only if a Joint-and-Survivor or a Term-Certain option is elected.

For NTRS members, the Accelerated Payment Plan (APP) is an early retirement option. The plan allows members to accelerate the payment of their benefit until age 62. When the member reaches the minimum Social Security eligibility age of 62, the benefit will be reduced, even if the member does not apply for their Social Security benefit at that time. In most cases, the APP allows a member to maintain fairly level income throughout retirement. The member is allowed to choose any survivor plan in conjunction with the APP.

Cost-of-Living Adjustments (COLA)

Each year during which the board determines that the consumer price index (CPI) has increased, the retirement allowance of each COLA-eligible retired member shall be increased by up to five percent of the benefit payable. The total of such increases may not exceed eighty percent of the original retirement benefit. COLA eligibility for PSRS members starts the second January after retirement for individuals who began receiving benefits effective July 1, 2001, or after. Prior to July 1, 2001, COLA eligibility for PSRS members started on the third January after retirement for those retiring between July 1, 2000 and June 30, 2001 and on the fourth January after retirement for those retired prior to July 1, 2000. COLA eligibility for NTRS members starts the fourth January after retirement.

Disability Retirement Benefits

Disability retirement benefits are payable to eligible members who, because of permanent disability, are unable to earn a livelihood in any occupation. For PSRS members, in most instances, the disability retirement benefit is calculated at 50 percent of the member's salary for the last full year of creditable service. For NTRS members, the disability retirement benefit is calculated at 90 percent of the normal service retirement accrued at the time the disability is established.

Withdrawal Benefit

A PSRS or NTRS member ceasing to be a public school employee may apply to receive a refund of the accumulated contributions with interest. After five years of inactivity, a non-vested member (less than five-years of creditable service) will no longer receive interest on his account balance. A vested member (at least five years of creditable service) ceasing to be a public school employee may elect to leave accumulated contributions in the system and claim a retirement allowance any time after reaching minimum retirement eligibility.

Death and Survivor Benefits

The designated beneficiary of a PSRS or NTRS member who dies before retirement is eligible for a lump sum refund of the member's contributions and interest.

If the beneficiary of a PSRS member is an eligible dependent and the member dies while in covered employment with at least two years of credit for such service, or while eligible for disability retirement benefits, monthly survivor benefits based on a percentage of the member's salary for the last full year of covered service can be elected instead of the contribution refund.

PSRS and NTRS primary beneficiaries of vested members with an insurable interest and eligible primary beneficiaries of disability retirees, may elect to receive monthly benefits under the Option 2 retirement plan in lieu of a lump sum refund (or in lieu of the monthly survivor benefits noted above for PSRS beneficiaries). Such benefits are payable when the member would have been eligible for early or normal retirement.

The PSRS provides a death benefit of $5,000 for beneficiaries of retired members.

Reciprocity

Vested members in the PSRS and NTRS systems who have vested credit in another Missouri system having a reciprocity agreement may transfer such credit to this system. The funds transferred are used to establish additional credit in this system based on actuarial reserve calculations. Likewise, members leaving the system may have funds transferred to another Missouri system under certain conditions. A vested member of any of the Missouri systems may buy credit in the vested system for non-vested services in any of the other Missouri systems, not to exceed the credit in the non-vested system.

Vested members or retirees who have credit in two or more of these public school retirement systems – PSRS, NTRS, the city of St. Louis or Kansas City – are eligible to have the credit from these systems recognized in order to reach retirement eligibility. While recognizing the credit may make the member eligible to retire earlier or at a higher formula, the benefit from each system is calculated using the final average salary and credit of that system only.

Subsequent Events

House Bill 346, effective August 28, 2003, contained provisions that affect both PSRS and NTRS. The legislation provides that a PSRS or NTRS member who is three years beyond normal retirement eligibility may elect a one-time Partial Lump Sum Option (PLSO) payment upon retirement. With this option, a member can elect to receive a payment equal to either 12, 24, or 36 monthly Option 1 payments. The lifetime benefit is actuarially reduced based upon the payment selected.

At June 30, 2003, the PSRS and NTRS had 98 employees. An organization chart follows.

PUBLIC SCHOOL AND NON-TEACHER SCHOOL EMPLOYEE RETIREMENT SYSTEMS OF MISSOURI
ORGANIZATION CHART
JUNE 30, 2003