State of Maine

County and Municipal
Law Enforcement Officers & Municipal Firefighters
Retiree Healthcare Plan

June 30, 2007 Actuarial Valuation
For Fiscal Year 2008/09 GASB 45 Information

February 2009

BARTEL ASSOCIATES, LLC

GLICKSMAN CONSULTING, LLC

Table of Contents

Actuarial and accounting terminology used in this report

- AAL – Actuarial Accrued Liability
- AOC – Annual OPEB Cost
- ARC – Annual Required Contribution
- EAN – Entry Age Normal Cost Method
- GASB 45 – Governmental Accounting Standards Board Statement No. 45
- NC – Normal Cost
- NOO – Net OPEB Obligation
- OPEB – Other (than pensions) Post Employment Benefits
- PVPB – Present Value of Projected Benefits
- UAAL – Unfunded Actuarial Accrued Liability

SECTION 1
EXECUTIVE SUMMARY

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), Accounting Standards for Other (than Pensions) Post Employment Benefits (OPEB). The information presented in this report is based on the financial reporting standards established under GASB 45.

The purpose of GASB 45 is to make OPEB reporting and disclosure consistent with pension reporting and disclosure. This will both require public agencies recognize promised benefits as employees render service and add transparency to underlying benefit promises. The State implemented GASB 45 for the fiscal year beginning July 1, 2007.

The State of Maine provides a Retiree Healthcare Plan ("Plan") for County and Municipal Law Enforcement Officers & Municipal Firefighters ("First Responders"). State-provided benefits were paid under the Plan starting July 1, 2007. Eligible retirees must be at least age 50, receive a retirement benefit through the Maine Public Employees Retirement System (or a defined contribution plan), and have made 5 years of employee contributions into the Firefighters and Law Enforcement Officers Health Insurance Program Fund. Participating active employees were required to begin making contributions of 1.5% of pay beginning on January 1, 2007. Retirees without 5 years of contributions can pay a make-up contribution.

For municipal employers participating in the Maine Municipal Employees Health Trust ("MMEHT"), the State contributes 45% of the retiree-only medical premium. For municipal employers not participating in the MMEHT, the State contributes 45% of the retiree-only medical premium (45% of half the 2-party premium for retirees in the State Employees Health Plan with 2-party or family coverage), but not greater than 45% of the highest MMEHT retiree-only premium for the medical plans elected by the participating municipalities. Retirees pay the remaining portion of the retiree-only premium and the full additional premium for spouse and family coverage. There is no benefit for surviving spouses. The State-paid retiree medical payments cease when the retiree becomes eligible for Medicare.

A prior actuarial valuation was performed on the Plan as of June 30, 2007. The results in this report are based on the June 30, 2007 actuarial valuation rolled-forward to June 30, 2008. This means the results are based on the June 30, 2007 participant data, plan provisions, and medical premiums. However, the actual 2007/08 benefit payment of $161,000 was provided by the State and used in the actuarial roll-forward.

Highlights and conclusions of this actuarial valuation are:

- The Present Value of Projected Benefits (PVPB) is the discounted value of State-provided retiree healthcare benefits expected to be paid in the future for current actives and retirees, reduced by the present value of expected future employee contributions. The State's PVPB as of June 30, 2008 was $24.2 million. The PVPB on June 30, 2007 was $22.5 million.

- The Actuarial Accrued Liability (AAL) is the discounted value of benefits allocated to prior service. The AAL as of June 30, 2008 was $19.8 million. The AAL on June 30, 2007 was $18.0 million.

SECTION 1
EXECUTIVE SUMMARY

- The Annual Required Contribution (ARC) is the Plan cost allocated to the current fiscal year. The State's ARC for the 2008/09 fiscal year is $1.2 million (2.3% of payroll). The 2007/08 ARC was $1.0 million (2.1% of payroll).

- Many assumptions factor into the actuarial calculations. Two key assumptions are the expected return on assets and the expected healthcare cost increases.

  Expected Return on Assets

  The expected return on assets (the Discount Rate under GASB 45) is used to calculate the discounted value of future Plan benefits. An expected return, based on the long-term expected return on the State's Cash Pool, of 4.5% was used to discount benefits since the Plan is not pre-funded in a segregated trust.

  Healthcare Cost Increases

  Expected healthcare cost increases (see page 24) are the assumed healthcare inflation increases for premiums charged to retirees. If actual premium increases are more or less than expected, then the PVPB and AAL will be adjusted to reflect this experience in future valuations. The better the MMEHT and the State are able to manage healthcare cost increases, the lower the overall cost of the Benefit Obligations. This will lower the total amount of funding as it reduces benefit payments.

- Because the active employees and non-Medicare eligible retirees pay the same blended healthcare premiums, the active employee's healthcare cost includes an implicit subsidy of the retiree healthcare cost. This valuation assumes that the municipalities, not the State, are responsible for any implied subsidy. Therefore, this valuation does not value any implied subsidy for the First Responders.

Actuarial valuations rely on a number of assumptions about future events. As time passes, actual experience may differ from these assumptions. It is therefore important that the State prepare regular actuarial valuations to monitor actual experience and revise the assumptions and the funding policy, if necessary.

The June 30, 2008 benefit obligations and the 2008/09 plan cost using a 4.5% discount rate are as follows based on an actuarial roll-forward of the June 30, 2007 valuation results (amounts in 000's):

	June 30, 2008
Present Value of Projected Benefits (PVPB)	$ 24,157

The Present Value of Projected Benefits is a measure of the total obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees, reduced by the present value of expected future employee contributions. (The June 30, 2007 PVPB was $22.5 million.)

SECTION 1
EXECUTIVE SUMMARY

	June 30, 2008
Actuarial Accrued Liability (AAL)	$ 19,806

- **Actuarial Accrued Liability (AAL)** — $ 19,806

  The Actuarial Accrued Liability is a measure of the State obligation for benefits earned or allocated to past service. (The June 30, 2007 AAL was $18.0 million.)

- **Plan Assets** — 0

  Plan Assets include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits. (June 30, 2007 Plan Assets were $0)

- **Unfunded Actuarial Accrued Liability (UAAL)** — 19,806

  Unfunded Actuarial Accrued Liability is the excess of the AAL over Plan Assets. This represents the amount of the Actuarial Accrued Liability at the valuation date that must still be funded. (The June 30, 2007 UAAL was $18.0 million)

- **2008/09 Annual Required Contribution (ARC)** — 1,159

  The Annual Required Contribution is the sum of the Normal Cost plus a level percent of pay amortization of the Unfunded Actuarial Accrued Liability less the expected participant contributions for the fiscal year, determined as of the end of the fiscal year. (The 2007/08 ARC was $1.0 million)

- **Estimated 2008/09 Annual OPEB Cost (AOC)** — 1,130

  The Annual OPEB Cost is the expense recognized on the State's income statement for providing post-retirement healthcare benefits. The AOC equals the ARC, adjusted for prior differences between the ARC and actual contributions. (The 2007/08 AOC was $1.0 million)

- **Estimated Net OPEB Obligation (NOO) on June 30, 2008** — 1,045

  The Net OPEB Obligation is the historical difference between the ARC and actual contributions. (The June 30, 2007 NOO was $0)

- **2008/09 Benefit Payments** — 376

  Benefit Payments, or the Pay-As-You-Go Cost, are the expected State-paid retiree healthcare benefit payments for the current fiscal year. It includes payments for current retirees and active employees expected to retire during the year. (The 2007/08 Expected Benefit Payments were $0.3 million)

Respectfully submitted,

John E. Bartel, ASA, MAAA
President
Bartel Associates, LLC
February 10, 2009

Steven A. Glicksman
Steven A. Glicksman, FCAS, MAAA
Actuary
Glicksman Consulting, LLC
February 10, 2009

The GASB 45 accounting standard was effective for the State for the 2007/08 fiscal year. The results of the prior actuarial valuation as of June 30, 2007 were rolled-forward to June 30, 2008 to determine the Actuarial Obligations on June 30, 2008 and the Annual Required Contribution for the 2008/09 fiscal year. The 2008/09 ARC, AOC, and the estimated June 30, 2009 NOO are as follows:

Annual Required Contribution (ARC)

The 2008/09 Annual Required Contribution determined by this valuation includes the Normal Cost plus an amortization of the Unfunded AAL, both as a level percent of payroll and determined as of the end of the fiscal year (amounts in 000's):

■ Normal Cost	$ 1,219
■ Expected 2008/09 Active Contributions	(782)
■ Expected 2008/09 Retiree Make-Up Contributions	(123)
■ State Normal Cost	314
■ UAAL Amortization[1]:	
• Initial 6/30/2007 UAAL	720
• (Gains)/Losses	125
■ State ARC	1,159
■ Projected 2008/09 Payroll[2]	51,021
■ State ARC as % of Payroll	2.3%

Annual OPEB Cost (AOC)

The AOC is equal to the ARC, except when the State has a NOO at the beginning of the year. When that happens, the AOC will equal the ARC adjusted for expected interest on the NOO and reduced by an amortization of the NOO. Based on an estimated June 30, 2008 NOO of $1.045 million (see next page), the estimated AOC for 2008/09 is determined as follows (amounts in 000's):

■ State ARC	$ 1,159
■ Interest on NOO	47
■ Amortization of NOO[3]	(76)
■ Estimated State AOC	1,130
■ State AOC as % of Payroll	2.2%

1 Initial 6/30/2007 UAAL amortized as a level percent of payroll over a closed 30-year period starting 2007/08. (Gains)/losses are amortized as a level percent of payroll over a rolling 15-year period.
2 Payroll was projected to 2008/09 using the aggregate payroll increase assumption.
3 Amortized as a level percent of payroll over 15 years.

Projected Net OPEB Obligation (NOO)

The NOO is the historical difference between the ARC and actual contributions. If the State always contributes the ARC, then the NOO will equal zero. Benefit payments are considered contributions. Contributions in excess of benefit payments must be segregated in a trust for the sole purpose of paying Plan benefits in order to be considered Plan Assets for purposes of GASB 45.

The estimated June 30, 2008 NOO is calculated as (amounts in 000's):

■ June 30, 2007 NOO	$ 0
■ 2007/08 AOC	1,045
■ 2007/08 Contributions[4]	(0)
■ June 30, 2008 NOO	1,045

Based on the June 30, 2008 NOO and the AOC developed on the previous page, the projected June 30, 2009 NOO is (amounts in 000's):

■ June 30, 2008 NOO	$ 1,045
■ 2008/09 AOC	1,130
■ Expected 2008/09 Contributions[4]	(0)
■ Projected June 30, 2009 NOO	2,175

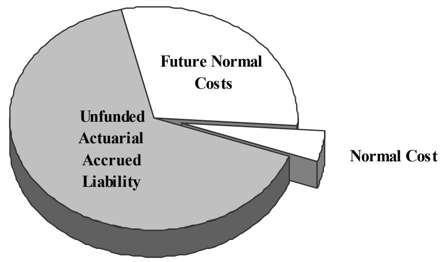
The State's actual June 30, 2009 NOO may differ from the projected amount because actual contributions may differ from those expected.

4 Assumes retiree benefit payments are paid from employee contributions.

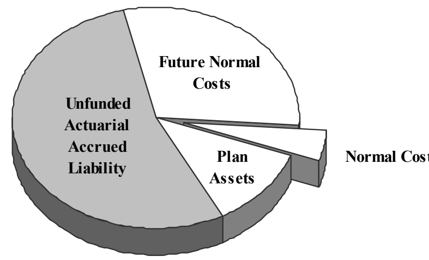
SECTION 3
ACTUARIAL VALUATION RESULTS

Actuarial Obligations

The valuation develops the Actuarial Accrued Liability and the Normal Cost using the Entry Age Normal actuarial cost method. This method is designed to produce a Normal Cost which, if all assumptions are met, will be a level percent of payroll. The following chart illustrates the Present Value of Projected Benefits, with the shaded area representing the Unfunded Actuarial Accrued Liability.



Present Value of Projected Benefits (Without Plan Assets)



Present Value of Projected Benefits (With Plan Assets)

- The **Present Value of Projected Benefits (PVPB)** is a measure of the total State obligation for expected retiree healthcare benefits due to both past and future service for current employees and retirees.
- The **Actuarial Accrued Liability (AAL)** is a measure of the State obligation for benefits earned or allocated to past service.
- **Plan Assets** include funds that have been segregated and restricted in a trust so that they can only be used to pay plan benefits.
- The **Unfunded Actuarial Accrued Liability (UAAL)** is the excess of the AAL over Plan Assets.
- The **Normal Cost** is the value of the State-provided benefits expected to be earned or allocated to the current fiscal year determined as of the end of the fiscal year.
- **Expected Benefit Payments**, or the Pay-As-You-Go Cost, are the State-paid retiree healthcare benefit payments for the current fiscal year. It includes payments for current retirees and active employees expected to retire during the year.
- The **Annual Required Contribution** is the sum of the Normal Cost plus a percent of pay amortization of the Unfunded Actuarial Accrued Liability (or less an amortization of excess assets) determined as of the end of the fiscal year.
- GASB 45 requires that the **Implied Subsidy** for retirees be included in the AAL and the ARC for plans that are not community rated. An Implied Subsidy exists when the premium for a group of employees is determined by aggregating the experience of the group. For this valuation, we assumed that the individual municipalities are responsible for any Implied Subsidy for their retirees. Therefore, the valuation results do not include any Implied Subsidy.

Actuarial Obligations
(Amounts in $000's)

	June 30, 2007	June 30, 2008
■ Present Value of Projected Benefits (PVPB)		
• Total PVPB	$ 32,543	$ 33,843
• Present Value of Future Participant Contributions	(10,044)	(9,686)
• State Present Value of Projected Benefits	22,499	24,157
■ Actuarial Accrued Liability (AAL)		
• AAL	17,986	19,806
• Plan Assets	(0)	(0)
• Unfunded AAL	17,986	19,806
■ Expected Benefit Payments	291	376

Annual Required Contribution (ARC)
(Amounts in $000's)

	June 30, 2007	June 30, 2008
■ ARC - $		
• Normal Cost		
➢ Total Normal Cost	$ 1,175	$ 1,219
➢ Expected Active Contributions	(754)	(782)
➢ Expected Retiree Make-Up Contributions	(70)	(123)
➢ State Normal Cost	351	314
• UAAL Amortization[5]		
➢ Initial 6/30/2007 UAAL	694	720
➢ State Contribution Loss	n/a	76
➢ Employee Contribution Loss	n/a	39
➢ Experience Loss	n/a	10
➢ Total UAAL Amortization	694	845
• State ARC	1,045	1,159
■ Projected Payroll	49,177	51,021[6]
■ ARC - % of Payroll		
• Normal Cost		
➢ Total Normal Cost	2.4%	2.4%
➢ Expected Active Contributions	(1.5%)	(1.5%)
➢ Expected Retiree Make-Up Contributions	(0.2%)	(0.3%)
➢ State Normal Cost	0.7%	0.6%
• UAAL Amortization	1.4%	1.7%
• State ARC	2.1%	2.3%

5 Initial 6/30/2007 UAAL amortized as a level percent of payroll over a closed 30-year period starting 2007/08. (Gains)/losses amortized as a level percent of payroll over a rolling 15-year period.

6 Payroll projected to 2008/09 using the aggregate payroll increase assumption.

Amortization Bases on June 30, 2008

(Amounts in $000's)

	Original			Remaining		Amortization
	Date	**Years**	**Amount**	**Years**	**Balance**	**Amount**
■ **Initial UAAL**	6/30/07	30	$ 17,986	29	$ 18,101	$ 720
■ **State Contrib. Loss**	6/30/08	15	1,045	15	1,045	76
■ **EE Contrib. Loss**	6/30/08	15	527	15	527	39
■ **Experience Loss**	6/30/08	15	133	15	133	10
■ **Total**					19,806	845

Benefit Payment Projection
(Amounts in $000's)

The following table shows the projected "pay-as-you-go" benefit payments for the next 10 years.

Year	Benefit Payment
2008/09	$ 376
2009/10	489
2010/11	626
2011/12	758
2012/13	902
2013/14	1,105
2014/15	1,309
2015/16	1,499
2016/17	1,683
2017/18	1,860

Participant Statistics
June 30, 2007

- Actives
  - Count 934
  - Average Age[7] 41.4
  - Average Service[8] 14.3
  - Average Pay[9] $52,652
  - Total Payroll[10] (000's) $48,861
  - Valuation Payroll[11] (000's) $49,177
- Retirees
  - Count 45
  - Average Age 58.6
  - Average Retirement Age[12] 51.2
  - Total Make-Up Contributions $180,232
  - Average Make-Up Contribution per Retiree $4,005

7 Excludes 12 actives with missing birth dates.
8 Excludes 10 actives with missing hire dates. Includes 16 employees hired between 7/1/07 and 12/31/07.
9 Pay varies considerably each week. This is average pay for the first 6 months of 2007. (State backed into pay using reported employee contributions.) Excludes 6 participants with no contribution history.
10 Excludes 6 participants with no contribution history, so did not estimate pay.
11 Average pay assumed for 6 participants with missing pay information.
12 Excludes 8 retirees with missing retirement dates.

Participant Counts by Municipality
June 30, 2007

Municipality	Actives	Retirees	Total
Auburn	64	4	68
Augusta	4	-	4
Bangor	96	5	101
Bar Harbor	2	1	3
Bath	29	5	34
Biddeford	5	1	6
Brewer	11	2	13
Brunswick	13	-	13
Bucksport	7	-	7
Buxton	7	-	7
Camden	1	-	1
Cape Elizabeth	1	-	1
Caribou	4	-	4
Cumberland Police	6	-	6
Cumberland County Sheriff	4	-	4
Ellsworth	15	1	16
Falmouth	8	-	8
Farmington	7	-	7
Fort Fairfield	2	-	2
Franklin County	2	-	2
Freeport	4	-	4
Gardiner	16	-	16
Gorham	3	-	3
Hallowell	3	-	3
Hampden	5	-	5
Kennebec County Sheriff	5	-	5
Kennebunk	12	-	12
Lewiston	33	2	35
Lincoln County Sheriff	12	-	12
Lisbon	4	-	4

Municipality	Actives	Retirees	Total
Madawaska	11	-	11
Madison	1	-	1
Mexico	1	-	1
North Berwick	5	-	5
Ogunquit	5	-	5
Old Orchard Beach	26	-	26
Old Town	6	-	6
Oxford County	9	-	9
Portland	191	12	203
Presque Isle	6	1	7
Rockland	15	1	16
Rockport	2	-	2
Rumford	2	-	2
Sabattus	1	-	1
Saco	8	-	8
Sagadahoc County Sheriff	8	-	8
Sanford	70	1	71
Scarborough	12	1	13
Somerset County	11	-	11
South Berwick	8	-	8
South Portland	35	4	39
Veazie	-	1	1
Washburn	1	-	1
Waterville	2	1	3
Wells	9	-	9
Westbrook	28	1	29
Windham	20	-	20
Winslow	2	-	2
Winthrop	8	-	8
Yarmouth	2	-	2
York	25	1	26
York County Sheriff	19	-	19
Total	**934**	**45**	**979**

Active Employee Coverage

Municipalities Participating in MMEHT

2007 Active (Miscellaneous & Safety) Medical Plan Elections

	MMEHT Medical Plan			
Municipality	**Trad.**	**POS-A**	**Comp**	**POS-C**
Auburn	-	-	-	100%
Augusta	2%	4%	2%	92%
Bar Harbor	-	-	4%	96%
Bath	7%	93%	-	-
Brewer	-	-	2%	98%
Brunswick	3%	97%	-	-
Bucksport	-	-	2%	98%
Buxton	-	-	-	100%
Camden	-	-	7%	93%
Cape Elizabeth	-	-	16%	84%
Caribou	-	-	2%	98%
Cumberland County Sheriff	-	-	4%	96%
Ellsworth	-	-	2%	98%
Falmouth	4%	57%	-	39%
Farmington	23%	77%	-	-
Fort Fairfield	-	-	-	100%
Franklin County	-	100%	-	-
Freeport	8%	73%	-	19%
Gardiner	-	25%	-	75%
Gorham	7%	93%	-	-
Hallowell	8%	92%	-	-
Hampden	-	100%	-	-
Kennebec County Sheriff	8%	92%	-	-
Kennebunk	-	-	11%	89%
Lewiston	-	-	2%	98%
Lincoln County Sheriff	-	-	-	100%
Lisbon	-	-	-	100%
Madawaska	-	-	23%	78%

	MMEHT Medical Plan			
Municipality	**Trad.**	**POS-A**	**Comp**	**POS-C**
Madison	-	-	-	100%
Mexico	-	-	-	100%
North Berwick	-	-	-	100%
Old Orchard Beach	-	-	10%	90%
Old Town	-	-	6%	94%
Oxford County	-	100%	-	-
Presque Isle	-	-	3%	97%
Rockland	-	-	15%	85%
Rockport	17%	83%	-	-
Rumford	-	-	-	100%
Sabattus	-	-	-	100%
Saco	-	-	5%	95%
Sagadahoc County Sheriff	-	-	-	100%
Sanford	3%	97%	-	-
Scarborough	-	100%	-	-
Somerset County	-	-	-	100%
South Berwick	-	-	-	100%
South Portland	17%	72%	-	11%
Veazie	-	-	-	100%
Washburn	-	-	-	100%
Waterville	-	-	2%	98%
Wells	-	-	13%	87%
Westbrook	-	-	-	100%
Windham	14%	86%	-	-
Winslow	-	-	2%	98%
Winthrop	-	-	12%	88%
Yarmouth	2%	38%	7%	53%
York	-	-	1%	99%

Active Employee Coverage
Municipalities Not Participating in MMEHT
June 30, 2007

Municipality Not in MMEHT	Medical Provider	Count
Bangor	Anthem BC/BS	96
Biddeford	Northern New England Benefit Trust	5
Cumberland Police	N/A	6
Ogunquit	N/A	5
Portland	Anthem BC/BS	191
York County Sheriff	N/A	19
Total		**322**

Retiree Coverage[13]
June 30, 2007

Retirees in MMEHT Medical Plans

Municipality	MMEHT Medical Plan				Total
	Traditional	POS-A	Comp	POS-C	
Auburn	-	-	1	3	4
Bar Harbor	-	-	-	1	1
Bath	3	2	-	-	5
Brewer	-	-	-	2	2
Ellsworth	-	-	1	-	1
Lewiston	-	-	-	2	2
Presque Isle	-	-	-	1	1
Rockland	-	-	-	1	1
Sanford	1	-	-	-	1
Scarborough	-	1	-	-	1
South Portland	2	1	-	-	3
Vezie	-	-	-	1	1
Waterville	-	-	-	1	1
Westbrook	-	-	-	1	1
York	-	-	-	1	1
Total	**6**	**4**	**2**	**14**	**26**

Retirees Not in MMEHT Medical Plans

Municipality	State Employees Health Plan	Municipality Health Plan	Northern New England Trust/ Teamsters	Total
Bangor	-	5	-	5
Biddeford	-	-	1	1
Portland	12	-	-	12
South Portland	1	-	-	1
Total	**13**	**5**	**1**	**19**

13 All current retirees in the data are under age 65.

SECTION 4
PARTICIPANT INFORMATION

Active Employees
Age/Service/Pay Distribution[14]
June 30, 2007

Age		Service								
		Under 1	1-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Total
Under 25	**Count**	19	14	-	-	-	-	-	-	33
	Average Pay	43,279	51,070	-	-	-	-	-	-	46,584
25-29	**Count**	15	47	16	-	-	-	-	-	78
	Average Pay	43,637	44,583	47,878	-	-	-	-	-	45,077
30-34	**Count**	7	32	62	16	-	-	-	-	117
	Average Pay	45,363	46,906	52,718	53,328	-	-	-	-	50,772
35-39	**Count**	5	20	70	72	25	1	-	-	193
	Average Pay	49,274	46,153	48,986	54,074	53,116	42,343	-	-	51,099
40-44	**Count**	3	8	13	28	83	44	-	-	179
	Average Pay	61,579	56,974	48,467	52,177	52,287	55,503	-	-	53,148
45-49	**Count**	2	2	7	10	50	63	18	-	152
	Average Pay	66,137	45,715	50,472	51,993	54,782	58,513	59,666	-	56,555
50-54	**Count**	2	2	3	4	13	40	38	13	115
	Average Pay	40,965	36,412	55,672	44,400	52,704	52,690	63,816	64,988	57,060
55-59	**Count**	-	2	5	3	6	9	13	19	57
	Average Pay	-	49,654	52,385	52,399	50,815	53,433	54,370	60,101	55,315
60-64	**Count**	-	-	-	-	-	-	-	8	8
	Average Pay	-	-	-	-	-	-	-	52,676	52,676
65 & Over	**Count**	-	-	-	-	-	-	-	2	2
	Average Pay	-	-	-	-	-	-	-	37,711	37,711
Total	**Count**	53	127	176	133	177	157	69	42	934
	Average Pay	46,032	46,880	50,431	53,100	53,090	55,792	60,954	59,133	52,652

[14] Average age, service, and/or pay assumed for those with missing birth dates, hire dates, and/or pay.

Benefit Summary

■ Eligibility	■ Retired after age 50 (can terminate before 50) and receive a retirement benefit from the Maine Public Employees Retirement System (25 years of service) or a defined contribution plan • If less than 25 years of service, normal retirement benefit must be at least 50% of final average compensation ■ Made employee contributions for 5 years ■ Participate in employer's health insurance plan or other fully insured health plan ■ Cannot join if waived participation at retirement
■ Benefit	■ Cash subsidy is 45% of employee-only premium (45% of half of 2-party premium for retirees with 2-party or family coverage in the State Employees Health Plan) ■ For employers not participating in MMEHT, not greater than 45% of highest MMEHT employee-only premium for plan options elected by all municipalities (Brewer employee-only premiums of $748.35 for 2007 and $769.31 for 2008) ■ No cash subsidy after Medicare eligible ■ Cash subsidy began July 1, 2007
■ Health Insurance Plan at Retirement	■ Active coverage under MMEHT – continued coverage under MMEHT at retirement ■ Active coverage under other fully insured employer plan: • Continued coverage under employer's plans if plans allow retiree coverage • If plans do not allow retiree coverage, retiree coverage under State Employees Health Plan

■ Employee Contributions	■ Active contribution of 1.5% of pay effective January 1, 2007 ■ Must join plan and start employee contributions within 60 days of hire or involuntary loss of coverage ■ Actives can drop out but will forfeit contributions and cannot re-enroll ■ Retirees on 7/1/2007 can enroll by paying a make-up contribution within 12 months of enrollment: (Percent) x (3-Year Average Highest Pay) x (5 years) <u>Age</u> <u>Percent</u> 50-55 2.00% 55-60 1.75% 60+ 1.50% ■ Actives without 5 years of contributions at retirement must pay the make-up contribution amount less any active contributions already made
■ Dependent Benefits	■ No cash subsidy for spouse or dependents ■ Retiree must pay full cost to cover spouse and/or dependents
■ Surviving Spouse Benefit	■ None
■ Dental, Vision, Life	■ None

2007 Monthly Premiums
MMEHT Medical Plans

Municipality	Trad.	POS-A	Comp	POS-C
Auburn	$671.77	$631.47	$591.16	$555.69
Augusta	520.19	488.98	457.77	430.31
Bar Harbor	731.14	687.28	643.40	604.80
Bath	493.31	463.72	434.11	408.06
Brewer	850.40	799.39	748.35	703.45
Brunswick	519.01	487.87	456.73	429.32
Bucksport	643.23	614.48	579.02	544.28
Buxton	643.23	614.48	579.02	544.28
Camden	643.23	614.48	579.02	544.28
Cape Elizabeth	613.70	576.88	540.06	507.65
Caribou	702.09	659.96	617.84	580.78
Cumberland County Sheriff	547.11	514.29	481.46	452.58
Ellsworth	655.31	615.99	576.68	542.08
Falmouth	575.96	541.40	506.84	476.43
Farmington	643.23	614.48	579.02	544.28
Fort Fairfield	643.23	614.48	579.02	544.28
Franklin County	643.23	614.48	579.02	544.28
Freeport	606.10	569.73	533.37	501.37
Gardiner	643.23	614.48	579.02	544.28
Gorham	532.80	500.84	468.86	440.72
Hallowell	643.23	614.48	579.02	544.28
Hampden	643.23	614.48	579.02	544.28
Kennebec County Sheriff	503.55	473.34	443.12	416.53
Kennebunk	680.60	639.76	598.93	563.00
Lewiston	596.62	560.83	525.02	493.51
Lincoln County Sheriff	627.42	589.77	552.13	519.00
Lisbon	643.23	614.48	579.02	544.28
Madawaska	643.23	614.48	579.02	544.28

Municipality	Trad.	POS-A	Comp	POS-C
Madison	$643.23	$614.48	$579.02	$544.28
Mexico	643.23	614.48	579.02	544.28
North Berwick	643.23	614.48	579.02	544.28
Old Orchard Beach	542.76	510.20	477.63	448.97
Old Town	696.50	654.72	612.91	576.13
Oxford County	601.16	565.09	529.03	497.29
Presque Isle	661.30	621.62	581.94	547.02
Rockland	643.23	614.48	579.02	544.28
Rockport	643.23	614.48	579.02	544.28
Rumford	643.04	604.46	565.87	531.92
Sabattus	643.23	614.48	579.02	544.28
Saco	533.79	501.76	469.74	441.56
Sagadahoc County Sheriff	641.24	602.77	564.30	530.44
Sanford	528.56	496.84	465.14	437.24
Scarborough	486.50	457.31	428.13	402.45
Somerset County	643.23	614.48	579.02	544.28
South Berwick	643.23	614.48	579.02	544.28
South Portland	567.61	533.55	499.49	469.52
Veazie	643.23	614.48	579.02	544.28
Washburn	643.23	614.48	579.02	544.28
Waterville	657.97	618.48	579.02	544.28
Wells	637.79	599.52	561.26	527.59
Westbrook	582.68	547.72	512.76	482.00
Windham	534.19	502.14	470.09	441.88
Winslow	643.23	614.48	579.02	544.28
Winthrop	643.23	614.48	579.02	544.28
Yarmouth	544.16	511.52	478.86	450.12
York	706.02	663.66	621.30	584.02

2007 Monthly Premiums
Non MMEHT Medical Plans

Municipality Not in MMEHT	Medical Provider at Retirement	Medical Plan	Single Premium
Bangor	Anthem BC/BS	HMO w/ $8 Drug Co-pay	$821.83
		Full Service w/o Drug Card	759.91
Biddeford[15]	Northern New England Benefit Trust	Teamsters	474.00
Cumberland Police[16]	N/A	N/A	N/A
Ogunquit[16]	N/A	N/A	N/A
Portland[17]	State Employees Health Plan	HMO Choice	Single: $620.44 Married: $648.44
York County Sheriff[16]	N/A	N/A	N/A

15 Based on one Biddeford retiree.
16 Information not available. Assume State Employees Health Plan.
17 Premium is for 2007/08 fiscal year. Premium for 2-party coverage is $1,296.88.

2008 Monthly Premiums
MMEHT Medical Plans

Municipality	Indemnity Choice	POS-A	POS-C
Auburn	$630.83	$630.83	$555.13
Augusta	498.36	498.36	438.56
Bar Harbor	671.31	671.31	590.76
Bath	465.27	465.27	409.44
Brewer	769.31	769.31	676.99
Brunswick	486.78	486.78	428.36
Bucksport	643.23	643.23	566.04
Buxton	643.23	643.23	566.04
Camden	643.23	643.23	566.04
Cape Elizabeth	565.93	565.93	498.02
Caribou	643.12	643.12	565.95
Cumberland County Sheriff	483.43	483.43	425.42
Ellsworth	590.26	590.26	519.43
Falmouth	512.26	512.26	450.79
Farmington	643.23	643.23	566.04
Fort Fairfield	643.23	643.23	566.04
Franklin County	643.23	643.23	566.04
Freeport	553.19	553.19	486.81
Gardiner	643.23	643.23	566.04
Gorham	486.85	486.85	428.42
Hallowell	643.23	643.23	566.04
Hampden	643.23	643.23	566.04
Kennebec County Sheriff	449.60	449.60	395.64
Kennebunk	645.21	645.21	567.78
Lewiston	533.53	533.53	469.51
Lincoln County Sheriff	578.36	578.36	508.96
Lisbon	643.23	643.23	566.04
Madawaska	643.23	643.23	566.04

Municipality	Indemnity Choice	POS-A	POS-C
Madison	$643.23	$643.23	$566.04
Mexico	643.23	643.23	566.04
North Berwick	643.23	643.23	566.04
Old Orchard Beach	504.89	504.89	444.31
Old Town	638.43	638.43	561.82
Oxford County	532.14	532.14	468.28
Presque Isle	584.33	584.33	514.21
Rockland	643.23	643.23	566.04
Rockport	643.23	643.23	566.04
Rumford	573.37	573.37	504.56
Sabattus	643.23	643.23	566.04
Saco	471.65	471.65	415.05
Sagadahoc County Sheriff	626.87	626.87	551.64
Sanford	467.03	467.03	410.99
Scarborough	429.88	429.88	378.29
Somerset County	643.23	643.23	566.04
South Berwick	643.23	643.23	566.04
South Portland	528.98	528.98	465.51
Veazie	643.23	643.23	566.04
Washburn	643.23	643.23	566.04
Waterville	581.37	581.37	511.60
Wells	599.35	599.35	527.43
Westbrook	522.94	522.94	460.19
Windham	472.50	472.50	415.80
Winslow	643.23	643.23	566.04
Winthrop	643.23	643.23	566.04
Yarmouth	501.61	501.61	441.42
York	624.95	624.95	549.96

2008 Monthly Premiums
Non MMEHT Medical Plans

Municipality Not in MMEHT	Medical Provider at Retirement	Medical Plan	Single Premium
Bangor	Cigna	OAS-IN 100%	$673.32
		OAS 80%	655.53
		OAS 90%	560.29
Biddeford	Northern New England Benefit Trust	Teamsters	N/A
Cumberland Police[18]	N/A	N/A	N/A
Ogunquit[18]	N/A	N/A	N/A
Portland[19]	State Employees Health Plan	HMO Choice	Single: $648.36 Married: $677.62
York County Sheriff[18]	N/A	N/A	N/A

[18] Information not available. Assume State Employees Health Plan.
[19] Assumes 2008/09 premiums increase by 4.5% over 2007/08 premiums, as provided by the State.

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) cost method. Under the EAN cost method, the Normal Cost for each participant is determined as a level percent of payroll throughout the participant's working lifetime.

The Actuarial Accrued Liability (AAL) is the cumulative value, on the valuation date, of prior Normal Costs. For retirees, the AAL is the present value of all projected benefits. The initial unfunded AAL on June 30, 2007 is amortized as a level percent of payroll over a closed 30-year period starting in the 2007/08 fiscal year. (Gains)/losses are amortized as level percent of payroll over a rolling 15-year period.

The results in this report are based on a roll-forward of the June 30, 2007 actuarial valuation to June 30, 2008.

Funding Policy

The State is currently funding the Plan on a pay-as-you-go basis. This valuation assumes the State will continue this policy.

Actuarial Assumptions

- **Discount Rate**
  - 4.5%, representing the expected long-term rate of return on the State's Cash Pool. GASB 45 requires the discount rate represent the underlying expected return for the source of funds used to pay benefits. Unless the State sets up a segregated trust, this source is the State's Cash Pool.

- **Inflation Rate**
  - 3.75% per annum. (Same as PLD Consolidated Plan 6/30/2007 valuation assumption)

- **Aggregate Payroll Increases**
  - 3.75% per annum. (Same as PLD Consolidated Plan 6/30/2007 valuation assumption)

- **Salary Merit and Longevity Increases**
  - Same as PLD Consolidated Plan 6/30/07 valuation assumption.

Age	Increase
25	5.25%
30	3.75%
35	1.75%
40	1.75%
45	1.25%
50	0.75%
55	0.75%
60	0.75%

■ **Healthcare Cost Increases**

Year	Increase
2008	Actual Premiums
2009	8.9%
2010	8.4%
2011	7.8%
2012	7.3%
2013	6.7%
2014	6.2%
2015	5.6%
2016	5.1%
2017+	4.5%

■ **Mortality**

- Same as PLD Consolidated Plan 6/30/07 valuation assumption:

	Healthy Lives		Disabled Lives	
Age	Male	Female	Male	Female
25	0.07%	0.03%	0.92%	0.72%
30	0.09%	0.04%	1.12%	0.89%
35	0.09%	0.05%	1.34%	1.09%
40	0.12%	0.08%	1.60%	1.26%
45	0.17%	0.10%	1.93%	1.44%
50	0.28%	0.15%	2.36%	1.65%
55	0.48%	0.25%	2.95%	1.91%
60	0.86%	0.48%	3.62%	2.26%
65	1.56%	0.93%	4.46%	2.72%
70	2.55%	1.48%	5.76%	3.31%

■ **Termination**

- Adjusted PLD Consolidated Plan 6/30/07 valuation assumption for Special Plans:

Age	Rate	Adjusted Rate
25	7.5%	3.75%
30	7.5%	3.75%
35	4.2%	2.10%
40	3.2%	0%
45	2.2%	0%
50	2.0%	0%
55	2.0%	0%

- Employee contributions are forfeited if less than 25 years service.
- Valuation data includes only employees who elected to participate in the plan.
- Termination rates adjusted to reflect that these employees are more likely to remain employed until eligible for benefits.

- **Disability**
  - No disability assumed because under MainePERS service continues to be credited under disability.

- **Retirement**
  - Same as PLD Consolidated Plan 6/30/07 valuation assumption:
    - Special Plan: 50% of those eligible will retire each year.
    - Assumed 100% retirement at age 70.

- **Participation at Retirement**
  - 100%

- **Original Hire Date**
  - Data includes only service with current employer.
  - Original hire date as a First Responder:
    - Hired before age 30 – assume original hire date is hire date with current employer.
    - Hired after age 30 – assume original hire date is midway between age 30 and hire date with current employer.

- **Make-Up Contributions**
  - Future retirees with less than 5 years of employee contributions will pay make-up contributions for the remaining portion of the 5 years.
  - Make-up contribution percent assumed to be 1.75%.

- **Marital Status at Retirement**
  - Future retirees in State Employees Health Plan – 80%.
  - Same as PLD Consolidated Plan 6/30/07 valuation assumptions.

- **Medicare Eligible**
  - Future retirees:
    - Hired before 4/1/1986 – 90%.
    - Hired on or after 4/1/1986 – 100%.
  - Current retirees under age 65 – 95%.

- **Medical Plan at Retirement**
  - Current actives in municipalities participating in MMEHT:
    - Same as current active (miscellaneous and safety) elections, except 50% of 2007 Traditional and Comprehensive Indemnity participants are assumed to elect POS plans for 2008 (50% POS-A and 50% POS-C).
  - Current actives in municipalities not participating in MMEHT:
    - Bangor – Cigna plans offered changed for 2008. Based on current retiree elections, assume:
      - 50% elect Cigna OAS-IN 100%.
      - 50% elect Cigna OAS 80%.
    - Biddeford – Northern New England Benefit Trust/Teamsters.
    - Portland, Cumberland Police, Ogunquit, York County Sheriff – State Employees Health Plan.
  - Current retirees:
    - Same as current plan election, except 50% of 2007 Traditional and Comprehensive Indemnity participants are assumed to elect POS plans for 2008 (50% POS-A and 50% POS-C).

- **Active Data Assumptions**
  - Annual pay provided by the State – average of 6 months pay determined from employee contributions (January through June 2007).
  - Missing birth dates – average age by service group.
  - Missing hire dates – average service by age group.
  - Missing pay – average pay.

- **Future New Participants**
  - Closed Group – no future new participants assumed.

On June 21, 2004, the Governmental Accounting Standards Board approved Statement No. 45 (GASB 45), accounting standards for *other* (than pensions) *postemployment benefits* (OPEB). Accounting for these benefits – primarily postretirement medical – can have significant impact on state and local government financial statements. This section summarizes GASB 45.

Background

Historically, most public sector entities have accounted for OPEB using a "pay-as-you-go" approach; very few have prefunded or even accrued for these benefits. This means OPEB costs are ignored while an employee renders service and recognized only after an employee retires. GASB argues this delayed recognition shifts "costs" from one taxpaying generation to another. The GASB position is that OPEB, like pension benefits, are a form of deferred compensation. Accordingly, GASB 45 requires recognizing OPEB (in the financial statement) *as employees render service* (and consequently earn the benefit), rather than when paid.

Effective Dates

GASB 45 effective dates are phased in similar to GASB Statement No. 34:

- Fiscal years beginning after December 15, 2006 for GASB 34 phase 1 governments (total annual revenue of $100 million or more)
- Fiscal years beginning after December 15, 2007 for GASB 34 phase 2 governments (total annual revenue of $10 million to $100 million)
- Fiscal years beginning after December 15, 2008 for GASB 34 phase 3 governments (total annual revenue less than $10 million).

What Benefits are OPEB?

OPEB includes most postemployment benefits, other than pensions, that employees are entitled to after leaving employment:

- Retiree medical
- Dental
- Prescription drug
- Vision
- Life insurance
- Outside group legal
- Long-term care
- Disability benefits outside a pension plan

OPEB does not include vacation, sick leave, COBRA, or ad hoc early retirement incentives, which fall under other GASB accounting statements.

Accounting Standards

Under GASB 45, pay-as-you-go accounting is replaced with accrual accounting. This is virtually identical to GASB's approach under Statement No. 27, with the key financial statement components being an Annual Required Contribution, an Annual OPEB Cost, and a Net OPEB Obligation.

- **Annual Required Contribution (ARC)**: GASB 45 doesn't require an agency to make up any shortfall (unfunded Actuarial Liability) immediately, nor does it allow an immediate credit for any excess Plan Assets. Instead, the difference is amortized over time. An agency's ARC is nothing more than the employer current Normal Cost (value of benefits being "earned" during a year), plus the amortized unfunded Actuarial Liability (or less the amortized excess Plan Assets). Simply put, ARC is the value of benefits earned during the year plus (or minus) something to move the plan toward being on track for funding. GASB 45 allows actuaries to amortize the unfunded Actuarial Liability (or excess Plan Assets) on a level dollar or level percent of payroll basis. We believe most agencies will want to use a level percent of payroll amortization because it's more consistent with the budget process and how pension contributions are usually calculated. ARC must be based on the underlying OPEB promise (as understood by the plan sponsor and employees).

- **Annual OPEB Cost (AOC)**: The first year an agency complies with the new standards, the AOC equals the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and AOC.

- **Net OPEB Obligation (NOO)**: An agency's NOO is the historical difference between actual contributions made and the ARC. If an agency has always contributed the ARC, the NOO equals zero. However, an agency has not "made" the contribution unless it has been set aside *and* cannot legally be used for any other purpose.

Implementation Process

The implementation process will be relatively straightforward: An agency will hire an actuary to calculate the ARC. The first time an agency does this, their AOC equals their ARC. The agency then decides whether to contribute all, none, or part of the ARC into a Trust that cannot legally be used for any purpose other than paying OPEB.

If an agency always contributes the ARC, then each subsequent year's AOC equals their ARC – and the NOO is zero. The first year an agency does *not* contribute the ARC, they must establish an NOO equal to the difference between their actual contribution and the ARC. The subsequent year's AOC equals the ARC, adjusted for interest and amortization of the NOO.

Disclosure Requirements

This may be the most important aspect of GASB 45. When disclosed, some agencies will show large OPEB unfunded liabilities, while others will show small or no unfunded liabilities. These differences *may* require an adjustment in an agency's bond rating. Plan sponsors must disclose in their financial statement footnotes:

SECTION 7
GASB 45 SUMMARY

- Basic plan information
  - Plan type
  - Benefits provided
  - Authority under which benefits were established
- Plan funding/contribution policy information:
  - Required contribution rates for active members and employers shown in dollars or as a percent of payroll
- Plan Funded Status information:
  - AOC and the dollar contributions actually made
  - If the employer has a NOO, also
    - Components of the AOC
    - NOO increase or decrease during the year
    - End of year NOO
  - 3-year history of
    - AOC
    - Percent of AOC contributed during the year
    - End of year NOO
  - Most recent year's plan Funded Status
  - Actuarial methods and assumptions used to determine the ARC, AOC, and Funded Status.

In addition, plan sponsors must provide 3 years of historical required supplementary information:

- Valuation dates
- Actuarial asset values
- Actuarial Liability
- Unfunded Actuarial Liability (excess Plan Assets)
- Plan funded ratio
- Annual covered payroll
- Ratio of unfunded Actuarial Liability (excess Plan Assets) to annual covered payroll
- Factors that significantly affect comparing the above information across the years.

Defining the Plan

GASB 45 refers to the *substantive plan* as the basis for accounting. It may differ from the *written plan* in that it reflects the employer's cost sharing policy based on:

- Past practice or communication of intended changes to a plan's cost sharing provisions, or
- Past practice of cost increases in monetary benefits.

The substantive plan is the basis for allowing recognition of potential future plan changes. This approach requires entities to acknowledge the underlying promise, not just the written plan.

What if retirees participate in the active healthcare plan, but are charged a rate based on composite active and retiree experience? (This was a contentious issue during the statement drafting, with one of the seven board members dissenting from Board adoption of the final statement.) In general, GASB 45 requires recognition of the implied subsidy. However, if benefits are provided through a community rated plan (premium rates based on experience of multiple employers rather than a single employer), and the same premium is charged for active and retired participants, it is appropriate to value unadjusted premiums.

Actuarial Assumptions and Discount Rate Requirements

Under GASB 45, the actuary must follow current actuarial standards of practice, which generally call for explicit assumptions – meaning each individual assumption represents the actuary's best estimate.

GASB 45 also requires basing the discount rate on the source of funds used to pay the benefits. This means the underlying expected long-term rate of return on Plan Assets for funded plans. Since the source of funds for unfunded plans is usually an agency's investment fund, unfunded plans will need to use a low (for example, 4% to 5%) discount rate. If an agency sets up a Trust and diversifies Trust Plan Assets, however, the discount rate might be much higher (such as 7%) depending on the Trust fund's expected long-term investment return.

Transition Issues

Typically, new accounting standards allow transition from old to new requirements. Because historical ARC calculations will rarely be available, GASB 45 takes a prospective transition approach: there is no requirement for an initial transition obligation. But if AOCs, before transition, were calculated consistently with the standard, a NOO at transition can be established at an agency's discretion.

Valuation Frequency Requirements and Small Plans

GASB 45 requires an actuarial valuation at least every two years for plans with more than 200 (active, inactive, and retired) members. Plans with fewer than 200 members will need a valuation every 3 years. In a significant departure from prior standards, though, GASB 45 allows plans with fewer than 100 members to elect a simplified measurement method not requiring an actuarial certification.

SECTION 8
ACTUARIAL VALUATION CERTIFICATION

This report presents the June 30, 2008 actuarial roll-forward of the June 30, 2007 actuarial valuation for the State of Maine County and Municipal Law Enforcement Officers & Municipal Firefighters Retiree Healthcare Plan ("Plan"). The purpose of this valuation is to:

- determine the Plan benefit obligations as of June 30, 2008 based on an actuarial roll-forward of the June 30, 2007 valuation results, and
- calculate the Annual Required Contribution for the 2008/09 fiscal year.

This report includes the following sections:

- Section 1 presents an executive summary of the GASB 45 valuation results.
- Section 2 provides financial accounting information, including the 2008/09 Annual Required Contribution and the estimated June 30, 2009 Net OPEB Obligation.
- Section 3 provides the results of the actuarial roll-forward valuation.
- Sections 4, 5, and 6 summarize the census data, Plan provisions, funding method, and actuarial assumptions that form the basis for this valuation.
- Section 7 includes a summary of GASB 45.

This report presents our best estimate of the State of Maine County and Municipal Law Enforcement Officers & Municipal Firefighters Retiree Healthcare Plan liabilities and costs in accordance with accepted actuarial principles and our understanding of GASB 45.

The undersigned are members of the American Academy of Actuaries and meet the Academy Qualification Standards to render the actuarial results and opinions in this report.

Respectfully submitted,

John E. Bartel, ASA, EA, MAAA, FCA
President
Bartel Associates, LLC
February 10, 2009

Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
February 10, 2009

Catherine A. Wandro, ASA, MAAA
Assistant Vice President
Bartel Associates, LLC
February 10, 2009