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November 8, 2023

Sandra Royce
Director of Financial Reporting & Analysis
Office of the State Controller
State of Maine
14 State House Station
Augusta, ME 04333-0014

**Subject: Fiscal Year End June 30, 2023 GASB Statement No. 74 Disclosure Information
for the State of Maine Retiree Healthcare Plan for Teachers**

Dear Sandra:

This letter and the associated documents contain certain information required by the State of Maine retiree healthcare plan ("plan") for Teachers in connection with the Governmental Accounting Standards Board ("GASB") Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". The calculation of the liability associated with the benefits referenced in this letter was performed for the purpose of satisfying the requirements of GASB No. 74.

The information provided herein will be used for the June 30, 2023 GASB 74 disclosures.

The Total OPEB Liability and certain sensitivity information shown in this letter are based on the actuarial valuation performed as of June 30, 2021. The Total OPEB Liability was rolled-forward from the valuation date to fiscal year ended June 30, 2023 using generally accepted actuarial principles. We are not aware of any significant events or material changes in benefit provisions that required an adjustment to the roll-forward of the liability.

This letter and accompanying exhibits are based upon information furnished to us by the State of Maine, which includes benefit provisions, membership information, and financial data. We have analyzed the data and other information provided for reasonableness, but we have not independently audited the data or other information provided. We have no reason to believe the data or other information provided is not complete and accurate and know of no further information that is essential to the preparation of the actuarial valuation.

This letter complements the actuarial valuation reports as of June 30, 2021, provided to the State and should be considered together as a complete report for the State's fiscal year ended June 30, 2023 GASB No. 74 reporting. Please see the actuarial valuation report as of June 30, 2021, for additional discussion of the results used in the roll-forward, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

State of Maine Teachers Trust Established During Fiscal Year Ended June 30, 2023

A single discount rate of 6.50% was used to measure the Total OPEB Liability as of June 30, 2023 (3.54% at June 30, 2022). The selection of this discount rate is consistent with the rate to be used for purposes of GASB No. 74. Since the State's postretirement medical plan for the Teachers is being funded by assets in a separate trust as of the June 30, 2023 Measurement Date, GASB No. 74 requires that the discount rate be based on the long-term expected asset return to the extent that

assets are sufficient to cover future benefit payments. The selected rate is based on the long-term expected asset return for the State of Maine Teachers' Retiree Health Insurance Trust Fund since projected assets are sufficient to cover future benefit payments. At June 30, 2022, the trust had not yet been established and therefore the discount rate was based on an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date. This change in discount rate decreased the liability by \$536.4 million.

To support the selection of the discount rate for the Teachers Plan, we used a "building block" method, as outlined in the Actuarial Standards of Practice ("ASOP") for "Selection of Economic Assumptions for Measuring Pension Obligations" (No. 27). Under the "building block" method, the expected future investment of a portfolio is estimated using the following information and estimates:

1. The expected long-term inflation level;
2. The broad asset classes making up the portfolio's target allocation and their proportion of total assets; and
3. For each asset class, the expected long-term real return (excess above inflation) of that asset class.

The expected future return of each asset class is then the sum of (1) and (3) above, and the expected future portfolio return is the weighted average of the asset class returns, where the weights are the proportions in (2) above.

Determination of Actuarially Determined Contributions

GASB no. 74 requires the disclosure of the Actuarially Determined Contribution ("ADC"). The following is a brief explanation of the components of the ADC:

- **Normal Cost:** The portion of the total present value of benefits attributed to employee service during the current fiscal year.
- **Amortization Payments:** Total amortization payments of Amortization Balances of Actuarially Determined Contributions.
 - Unfunded liability as of 6/30/2022 amortized over 15 years (fully recognized by 6/30/2037)

Presented below is an illustration of the ADC for the fiscal year ending June 30, 2023. Dollar amounts are in thousands.

1. Normal Cost (with interest)	\$ 21,413
2. Sum of Amortizations (with interest)	<u>85,204</u>
3. Actuarially Determined Contribution: (1) + (2)	\$ 106,617

Methods and assumptions used to determine ADC:

Amortization Method:	Level percent of payroll
Amortization Periods:	<ul style="list-style-type: none">• Unfunded liability as of 6/30/2022 amortized over 15 years (fully recognized by 6/30/2037)
Asset Valuation Method:	5-year smoothed market
Long-Term Expected Rate of Return:	6.50%
All Other Assumptions and Methods:	Please refer to the June 30, 2021 State of Maine Teachers Retiree Healthcare Plan valuation report dated September 2022

Actuarial Valuation Opinion

In our opinion, all costs, liabilities, rates of interest, and other factors underlying these actuarial computations have been determined on the basis of actuarial assumptions and methods that are each reasonable (or consistent with authoritative guidance) for the purposes described herein taking into account the experience of the Plan and future expectations.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operations of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law.

The undersigned with actuarial credentials meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.


This report was prepared solely for the benefit and internal use of the plan sponsor. This report is not intended for the benefit of any other party and may not be relied upon by any third party for any purpose, and Deloitte Consulting accepts no responsibility or liability with respect to any party other than the plan sponsor.

To the best of our knowledge, no employee of the Deloitte U.S. Firms is an officer or director of the employer. In addition, we are not aware of any relationship between the Deloitte U.S. Firms and the employer that may impair or appear to impair the objectivity of the work detailed in this report.

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State of Maine - Teachers
Fiscal Year Ended June 30, 2023 GASB Statement No. 74 Disclosure Information

Exhibit 1: Schedule of Changes in Net OPEB Liability
(All dollar amounts are in thousands)

	Discount Rate	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
June 30, 2022	3.54%	\$ 1,480,042	\$ -	\$ 1,480,042
Service Cost		45,372		45,372
Interest		53,324		53,324
Changes In Benefit Terms		-		-
Changes In Assumptions - Discount Rate		(536,445)		(536,445)
Changes In Assumptions - Others		-		-
Differences Between Expected And Actual Experience		2,824		2,824
Benefit Payments				
Explicit Subsidy	\$ (38,523)			
Implicit Subsidy	-			
Total		(38,523)	(38,523)	-
Contributions - Employer				
Discretionary/Prefunded	\$ 103,000			
Explicit Subsidy	38,523			
Implicit Subsidy	-			
Total			141,523	(141,523)
Contributions - Employee			-	-
Contributions - Retiree		-	-	-
Administrative Expenses			-	-
Net Investment Income				
Expected Investment Earnings	\$ -			
Differences Between Projected And Actual Investment Earnings	-			
Total			-	-
Net Change		\$ (473,448)	\$ 103,000	\$ (576,448)
June 30, 2023	6.50%	\$ 1,006,594	\$ 103,000	\$ 903,594
			June 30, 2023	June 30, 2022
Plan Fiduciary Net Position As A Percentage Of Total OPEB Liability			10.2%	0.0%
Covered Payroll			\$ 1,492,683	\$ 1,473,733
Net OPEB Liability As A Percentage Of Covered Payroll			60.5%	100.4%
Sensitivity of Net OPEB Liability to changes in Discount Rate			June 30, 2023	% Change
A one percentage point change in discount rate would have the following effect on Total OPEB Liability as of June 30, 2023:				
One Percentage Increase (7.50%)		\$ (119,119)		-12%
One Percentage Decrease (5.50%)		\$ 145,600		14%
Net OPEB Liability at a one percentage point change in discount rate as of June 30, 2023 is as follows:				Net OPEB Liability
One Percentage Increase (7.50%)				\$ 784,475
One Percentage Decrease (5.50%)				\$ 1,049,194
Sensitivity of Net OPEB Liability to changes in Trend Rate			June 30, 2023	% Change
A one percentage point change in trend rate would have the following effect on Total OPEB Liability as of June 30, 2023:				
One Percentage Increase (8.53% grading down to 5.19%)		\$ 194,192		19%
One Percentage Decrease (6.53% grading down to 3.19%)		\$ (153,159)		-15%
Net OPEB Liability at a one percentage point change in trend rate as of June 30, 2023 is as follows:				Net OPEB Liability
One Percentage Increase (8.53% grading down to 5.19%)				\$ 1,097,786
One Percentage Decrease (6.53% grading down to 3.19%)				\$ 750,435
Key Assumptions			June 30, 2023	June 30, 2022
Discount Rate			6.50%	3.54%
Investment Rate of Return			6.50%	0.00%
Inflation			2.75%	2.75%
Initial Medical Trend Rate			7.53%	7.63%
Ultimate Medical Trend Rate			4.19%	4.19%
Year Ultimate Trend Rate Reached			2075	2075

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Exhibit 2: 10-Year Schedule of Employer Contributions
(All dollar amounts are in thousands)

Year Ended	Actuarially Determined Contributions¹ (a)	Contributions in Relation to Actuarially Determined Contributions (b)	Contribution Deficiency (Excess) (c)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (e)
			(a)-(b)		(b)/(d)
June 30, 2023	\$106,617	\$141,523	(\$34,906)	\$1,492,683	9.5%