Deloitte.

Deloitte Consulting LLP
30 Rockefeller Plaza, 41st Floor
New York, NY 10112-0015
USA

Tel: +1 212 492 4000
Fax: +1 212 489 1687
www.deloitte.com

June 1, 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: GASB 75 Reporting and Disclosure - Actuarial Information for Fiscal Year Ending June 30, 2023 Reporting Date

Dear Sandy:

This letter and the associated documents contain certain information required by the State of Maine retiree healthcare plans ("plans") for County and Municipal Law Enforcement Officers & Municipal Firefighters ("First Responders"), Teachers, State Employees, and the Ancillary Groups in connection with the Governmental Accounting Standards Board ("GASB") Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions." 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. 75.

The information provided herein was determined using a Measurement Date of June 30, 2022 to be disclosed as of the June 30, 2023 Reporting Date.

The Total OPEB Liability, Net OPEB Liability (Total OPEB Liability minus Fiduciary Net Position), OPEB expense, and certain sensitivity information shown in this letter are based on the actuarial valuations performed as of June 30, 2021. The Total OPEB Liability was rolled-forward from the valuation date to the June 30, 2022 Measurement Date 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 ending June 30, 2023 reporting date. Please see the actuarial valuation reports as of June 30, 2021, for additional discussion of the results, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

State Employees and Ancillary Groups

For the State Employees, a single discount rate of 6.50% was used to measure the Total OPEB Liability as of June 30, 2022. This rate is based on the expected asset return for the State of Maine Retiree Health Insurance Trust Fund. The selection of this discount rate is consistent with the rate to be used for purposes of GASB No. 75. Since the State's postretirement medical plan for this group is being funded by assets in a separate trust, GASB No. 75 requires that the discount rate be based on the expected asset return to the extent that assets are sufficient to cover future benefit payments.

The plan experienced a loss of $15.54 million during the year due to the difference between expected and actual (allocated) implicit benefit payments. It is our understanding the State allocations 25% of all incurred claims costs, or benefit payments, to retirees.

For Ancillary groups, as prescribed by GASB 75 for contributing entities that do not fund benefits through an irrevocable trust, the discount rate will be 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. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. A single discount rate of 3.54% was used to measure the Total OPEB Liability as of June 30, 2022 (2.16% as of June 30, 2021). The single discount rate was applied to all periods of the projected benefit payments to determine the Total OPEB Liability for each Ancillary group. This change in discount rate decreased the liability by $1.21 million and $0.13 million for Baxter School and NNEPRA, respectively.

Teachers

The State of Maine contributes to Retiree Healthcare Plans for Teachers. The State of Maine is a governmental non-employer contributing entity in a special funding situation, where contributions are made on behalf of the single employer OPEB plans sponsored by each of the participating school districts.

As prescribed by GASB 75 for contributing entities that do not fund benefits through an irrevocable trust, the discount rate will be 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. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. A single discount rate of 3.54% was used to measure the Total OPEB Liability as of June 30, 2022 (2.16% as of June 30, 2021). The single discount rate was applied to all periods of the projected benefit payments to determine the Total OPEB Liability. This change in discount rate decreased the liability by $382.9 million.

The State's proportionate share of the Net OPEB liability as of the measurement date will be provided under separate cover once the data required for this estimate is made available.

First Responders

The State of Maine contributes to Retiree Healthcare Plans for First Responders. The State of Maine is a governmental non-employer contributing entity in a special funding situation, where contributions are made on behalf of the single employer OPEB plans sponsored by each of the participating municipalities.

As prescribed by GASB 75 for contributing entities that do not fund benefits through an irrevocable trust, the discount rate will be based on an index rate for 20-year tax-exempt general obligation municipal bond index rate with an average rating of AA/Aa or higher as of the measurement date. The State of Maine elected to determine the discount rate using the Bond Buyer 20-Bond General Obligation Index. A single discount rate of 3.54% was used to measure the Total OPEB Liability as of

June 30, 2022 (2.16% as of June 30, 2021). The single discount rate was applied to all periods of the projected benefit payments to determine the Total OPEB Liability. This change in discount rate decreased the liability by $3.7 million.

The State's proportionate share of the Net OPEB liability as of the measurement date will be provided under separate cover once the data required for this estimate is made available.

Statement Regarding Model Use

"Actuarial Standard of Practice No. 56 – Modeling" requires disclosure of certain information regarding the actuary's use of models when issuing actuarial reports for work performed on or after October 1, 2020. For this valuation, the liability calculations and open group projections to develop service cost of future employees used in the development of the single discount rate were determined using industry-leading defined benefit valuation software developed and maintained by a third-party vendor. The model was designed specifically for the measurement of defined benefit pension and postretirement medical plan liabilities and the actuary has updated the applicable parameters for the specific plan provisions and assumptions selected for this valuation.

An Excel-based model that calculates a long-term rate of return on assets using a target asset allocation and publicly available capital market assumptions by asset class were used to assess the reasonableness of the long-term rate of return assumption.

The medical inflation trend rate assumptions were set using the Getzen Model of Long-Run Medical Cost Trends ("Getzen Model"), which adds transparency to the economic assumptions behind medical and prescription drug trends. The Getzen Model is an excel based projection of expected growth rates in medical premiums and expenditures from 2025 to 2100. Development of the model was sponsored by the Society of Actuaries ("SOA"), and it is used primarily in the estimation of reportable liabilities for retiree health benefits in accordance with FASB and GASB standards. It projects medical care cost increases and the health share of GDP for the next 80 years using linked formulas and assumptions developed by the author, Professor Thomas Getzen, with the assistance of a SOA project oversight group.

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.

Deloitte Consulting LLP

Michael de Leon, EA, ASA, FCA, MAAA
Managing Director

Griffin Lothrop, EA, ASA, FCA, MAAA
Specialist Leader