State of Maine
State & Teachers Retiree Healthcare Plan

June 30, 2008 Actuarial Valuation
Roll-Forward to June 30, 2009
For Fiscal Year 2009/10 GASB 45 Information

December 2009

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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 requires public agencies recognize promised benefits as employees render service and adds 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 for State employees and Teachers ("Plan"). The State contributes a portion of the retiree medical premium for eligible employees. Legislative, Judicial, and State employees hired on or before July 1, 1991 receive 100% of the retiree-only premium. State employees hired after July 1, 1991 with 5 years service receive 50% of the retiree-only premium, grading to 100% after 10 years of service. Teachers receive 45% of the retiree-only premium (50% of 2-party rate for 2-party and family coverage). State retirees pay the remaining portion of the retiree-only premium and the full additional premium for spouse and family coverage. Eligible surviving spouses and dependents pay the full premium.

The results for the following four ancillary groups are also included in this valuation report: Maine Educational Center for the Deaf and Hard of Hearing, Maine Community College System, MainePERS, and Northern New England Passenger Rail Authority.

The results in this report are based on the June 30, 2008 actuarial valuation, rolled-forward to the June 30, 2009 valuation date. The June 30, 2008 valuation results were adjusted for 2009/10 premiums and expected 2010/11 premium increases as provided by the State and take into account the market value of the State Employees' Trust as of June 30, 2009. The participant data used was from the June 30, 2008 actuarial valuation.

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. The PVPB as of June 30, 2009 was $1.53 billion for State employees and $1.20 billion for Teachers.

  The PVPB for State employees increased from $1.47 billion on June 30, 2008 to $1.53 billion as of June 30, 2009, largely due to healthcare insurance premium costs increasing more than expected, including the tentative change of the Medicare plan from the Coventry Advantra Freedom PFFS plan to Anthem Blue Cross and Blue Shield effective January 1, 2010. State HMO Choice premiums increased by 6% for 2009/10, compared to the previous assumption of 5% provided by the State. The premiums for the 2010 Anthem Medicare plan are expected to be 13% higher than the 2009 Coventry Advantra Freedom PFFS premiums, compared to the previous assumption of 3%.

The PVPB for Teachers decreased from $1.29 billion on June 30, 2008 to $1.20 billion as of June 30, 2009, largely due to the 2009/10 premiums remaining the same as the 2008/09 premiums, compared to the prior valuation's increase assumption of 9% provided by the State.

- The Actuarial Accrued Liability (AAL) is the discounted value of benefits allocated to prior service. The AAL as of June 30, 2009 was $1.31 billion for State employees and $0.99 billion for Teachers. The AAL on June 30, 2008 was $1.24 billion for State employees and $1.04 billion for Teachers. Again, the increase for the State employees primarily reflects actual premiums increasing at a higher rate than assumed in the previous valuation. For Teachers, the decrease is due to premiums staying level from 2008/09 to 2009/10 versus an expected 9% increase.

- The Annual Required Contribution (ARC) is the Plan cost allocated to the current fiscal year. The ARC for the 2009/10 fiscal year is $90 million for State employees (15.2% of projected payroll) and $58 million for Teachers (4.8% of projected payroll). The 2008/09 ARC was $77 million for State employees (13.5% of payroll) and $60 million for Teachers (5.2% of payroll).

- Because active State employees and non-Medicare eligible State retirees pay the same blended healthcare premiums, GASB 45 requires that an implied subsidy be calculated. The State employee results and the ancillary group results include this implied subsidy. The Teachers results do not include any implied subsidy, because payments of General Purpose Aid for Public Education do not directly pay for active Teachers premiums.

- For the State employees plan, the State intends to phase into full ARC funding over a 10-year period between 2009/10 and 2018/19. The State contributed $100 million into an irrevocable trust for the State employees during 2007/08, in addition to paying retiree benefits from the State's Cash Pool. During 2008/09, the State did not make a contribution to the trust, and continued paying retiree benefits from the State's Cash Pool (the State does not intend to pay benefit payments for State employees from the trust until at least 2027). The State will phase into full ARC funding between 2009/10 and 2018/19, each year funding an additional 10% of the ARC in excess of pay-as-you-go costs. The State employees results are calculated reflecting this funding policy. The State does not intend to pre-fund the Teachers' retiree healthcare plan and will continue to pay Teacher retiree healthcare benefits when due ("pay-as-you-go").

- The Actuarial Value of Assets for this valuation is set equal to the Market Value of Assets for the State employees plan. During 2008/09, the return on the State employees trust fund was approximately -16.4%. In future valuations, the State may want to consider asset smoothing methods to mitigate the effect of investment volatility.

- 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 of 7.5% was used to discount benefits to the extent they are pre-funded, that is, when the State makes contributions that exceed pay-as-you-go benefit payments. The expected return of 7.5% is the anticipated return on the Plan fund taking into account the expected asset mix and the expected long-term return for each

asset class. An expected return of 4.5% was assumed on benefits not funded. This is the expected return on the State's Cash Pool.

This valuation reflects the State's intention to phase into full funding of the Annual Required Contribution by 2018/2019 for State employees. Advance funding of the Plan allows the use of a higher discount rate which lowers the discounted value of the Benefit Obligations and the Annual Required Contribution. The sooner the State funds the Benefit Obligations, the lower the total amount of funding will be. The State currently does not plan to pre-fund the Teachers' plan.

Healthcare Cost Increases
Expected healthcare cost increases are the assumed healthcare inflation increases for medical claims and the premiums charged to employees and retirees. If actual medical cost increases are less than expected, then the PVPB and AAL will be adjusted to reflect this experience in future valuations. The better the State is 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.

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, 2009 roll-forward benefit obligations and the 2009/10 Plan costs for State and Teachers are as follows (millions of dollars):

	June 30, 2009	
	State	**Teachers**
■ **Present Value of Projected Benefits (PVPB)**	$ 1,525	$ 1,202
The Present Value of Projected Benefits 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 June 30, 2008 PVPB was $1.47 billion for the State employees and $1.29 billion for Teachers.)		
■ **Actuarial Accrued Liability (AAL)**	1,311	994
The Actuarial Accrued Liability is a measure of the State obligation for benefits earned or allocated to past service. (The June 30, 2008 AAL was $1.24 billion for the State employees and $1.04 billion for Teachers.)		
■ **Plan Assets**	82	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. (The June 30, 2008 Plan Assets were $98 million for the State employees and $0 for Teachers.)		

SECTION 1
EXECUTIVE SUMMARY

	June 30, 2009 State	June 30, 2009 Teachers
■ **Unfunded Actuarial Accrued Liability (UAAL)**	$ 1,229	$ 994
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, 2008 UAAL was $1.14 billion for the State employees and $1.04 billion for Teachers.)		
■ **2009/10 Normal Cost (NC)**	29	24
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. (The 2008/09 NC was $27 million for the State employees and $25 million for Teachers.)		
■ **2009/10 Annual Required Contribution (ARC)**	90	58
The Annual Required Contribution is the sum of the Normal Cost plus a level 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. (The 2008/09 ARC was $77 million for the State employees and $60 million for Teachers.)		
■ **2009/10 Annual OPEB Cost (AOC)**	88	57
The Annual OPEB Cost is the expense recognized on the State's income statement for providing post-retirement healthcare benefits. The first year that the State complies with GASB 45, the AOC will equal the ARC. In subsequent years, the AOC will equal the ARC, adjusted for prior differences between the ARC and actual contributions. (The 2008/09 AOC was $77 million for the State employees and $60 million for Teachers.)		
■ **Estimated Net OPEB Obligation (NOO) on June 30 ,2009**	(31)	70
The Net OPEB Obligation is the historical difference between the ARC and actual contributions. (The June 30, 2008 NOO was ($55) million for the State employees and $28 million for Teachers.)		
■ **2009/10 Expected Benefit Payments**	59[1]	21[2]
Benefit Payments, or the Pay-As-You-Go Cost, are the State-paid retiree healthcare benefit payments for the fiscal year. It includes payments for current retirees and active employees expected to retire during the year. (The 2008/09 Benefit Payments were $53 million[3] for the State employees and $18 million[4] for Teachers.)		

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1 2009/10 expected State employees cash subsidy benefit payment ($46 million) plus implied subsidy benefit payment ($13).

2 2009/10 expected Teachers cash subsidy benefit payment ($21 million).

3 2008/09 actual State employees cash subsidy benefit payment ($41 million) plus implied subsidy benefit payment ($12).

4 2008/09 actual Teachers cash subsidy benefit payment ($18 million).

For this valuation, the State requested that results (both cash and implied subsidy) be shown separately for the following four ancillary groups: Maine Educational Center for the Deaf and Hard of Hearing, Maine Community College System, MainePERS, and Northern New England Passenger Rail Authority.

Following are results for the four ancillary groups (thousands of dollars):

	June 30, 2009 Roll-Forward Valuation			
	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ **PVPB**	$ 6,438	$ 79,316	$ 9,158	$ 444
■ **AAL**	4,720	60,741	6,053	341
■ **Plan Assets**	-	-	-	-
■ **UAAL**	4,720	60,741	6,053	341
■ **2009/10 NC**	223	2,383	310	14
■ **2009/10 ARC**	416	4,743	577	33
■ **2009/10 AOC**	399	4,614	555	33
■ **Estimated NOO - BOY**	645	4,981	836	36
■ **2009/10 Expected Benefit Payments:**				
• **Cash Subsidy**	54	1,330	78	12
• **Implied Subsidy**	16	424	32	1
• **Total**	70	1,754	110	13

Respectfully submitted,

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December 1, 2009

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The GASB 45 accounting standard was effective for the State for the 2007/08 fiscal year. The 2009/10 ARC, AOC, and the estimated June 30, 2010 NOO are as follows:

Annual Required Contribution (ARC)

The 2009/10 Annual Required Contribution determined by this valuation includes the Normal Cost plus an amortization of the Unfunded AAL. The amortization of the Unfunded AAL is calculated using separate amortization bases for the initial UAAL, actuarial methods and assumption changes, and experience gains and losses. (See Section 6 for a description of the amortization periods used for each type of base.) Following is the 2009/10 ARC for State employees and Teachers calculated as a level percent of payroll and determined as of the end of the fiscal year (millions of dollars):

	State Employees	Teachers
■ Normal Cost	$ 29	$ 24
■ UAAL Amortization	61	34
■ 2009/10 ARC	90	58
■ Payroll	595	1,215
■ ARC as % of Payroll	15.2%	4.8%

Following is the 2009/10 Annual Required Contribution for the ancillary groups calculated as a level percent of payroll and determined as of the end of the fiscal year (thousands of dollars):

	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ Normal Cost	$ 223	$ 2,383	$ 310	$ 14
■ UAAL Amortization	193	2,360	267	18
■ 2009/10 ARC	416	4,743	577	33
■ Payroll	3,321	40,461	4,904	305
■ ARC as % of Payroll	12.5%	11.7%	11.7%	10.7%

Annual OPEB Cost (AOC)

The AOC is equal to the ARC, except when there is 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 the estimated June 30, 2009 Net OPEB Asset of $31 million for the State employees and Net OPEB Obligation of $70 million for Teachers, the 2009/10 AOC for State employees and Teachers is estimated as follows (millions of dollars):

	State Employees	Teachers
■ ARC	$ 90	$ 58
■ Interest on NOO	(2)	3
■ Adjustment of NOO	0	(4)
■ AOC	88	57

The 2009/10 AOC for the four ancillary groups is estimated as follows (thousands of dollars):

	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ ARC	$ 416	$ 4,743	$ 577	$ 33
■ Interest on NOO	29	224	38	2
■ Adjustment of NOO	(46)	(353)	(60)	(2)
■ AOC	399	4,614	555	33

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 paid directly by the State 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, 2009 NOO for State employees and Teachers is calculated as (millions of dollars):

	State Employees	Teachers
■ June 30, 2008 NOO	$ (55)	$ 28
■ 2008/09 AOC	77	60
■ 2008/09 Contributions	(53)[5]	(18)[6]
■ Estimated June 30, 2009 NOO	(31)	70

Based on the estimated June 30, 2009 NOO developed above and the AOC developed on the previous page, the estimated June 30, 2010 NOO is (millions of dollars):

	State Employees	Teachers
■ Estimated June 30, 2009 NOO	$ (31)	$ 70
■ 2009/10 AOC	88	57
■ Expected 2009/10 Contributions	(62)[7]	(21)[8]
■ Estimated June 30, 2010 NOO	(5)	106

The actual June 30, 2010 NOO may differ from the estimated amount because actual contributions may differ from those expected.

5 Actual 2008/09 retiree benefit payments as provided by the State ($41 million), plus the 2008/09 implied subsidy benefit payments ($12 million) from the 6/30/08 valuation.
6 Actual 2008/09 Teachers retiree benefit payments as provided by the State.
7 Expected State 2009/10 cash ($46 million) and implied subsidy ($13 million) benefit payments, plus expected pre-funding contribution to the Trust ($3 million).
8 Expected Teacher 2009/10 cash benefit payments.

The estimated June 30, 2009 NOO for the four ancillary groups is (thousands of dollars):

	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ Estimated June 30, 2008 NOO	$ 358	$ 2,420	$ 456	$ 13
■ 2008/09 AOC	345	4,003	478	29
■ 2008/09 Contributions[9]	(58)	(1,442)	(98)	(6)
■ Estimated June 30, 2009 NOO	645	4,981	836	36

Based on the estimated June 30, 2009 NOO developed above and the AOC developed on page 7, the estimated June 30, 2010 NOO is (thousands of dollars):

	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ Estimated June 30, 2009 NOO	$ 645	$ 4,981	$ 836	$ 36
■ 2009/10 AOC	399	4,614	555	33
■ Expected 2009/10 Contributions[10]	(70)	(1,754)	(110)	(13)
■ Estimated June 30, 2010 NOO	974	7,841	1,281	56

The actual June 30, 2010 NOO may differ from the estimated amounts because actual contributions may differ from those expected.

[9] 2008/09 cash benefit payments provided by the State (estimated for MainePERS) plus implied subsidy benefit payments from the June 30, 2008 valuation.

[10] Expected 2009/10 cash and implied subsidy benefit payments.

Estimated 2009/10 State Employees Implied Subsidy Transfer for Medical Coverage

The following illustrates the transfer of the implied subsidy from the State active employees to the State retirees. The amounts below are estimated, and intended to be used for illustrative purposes only (millions of dollars):

	State Employees Before GASB 45		
	Actives	**Retirees**	**Total**
■ Total Premium[11]	$ 167	$ 52	$ 219
■ Member Contribution	(21)	(7)	(28)
■ State Contribution[12]	146	45	191

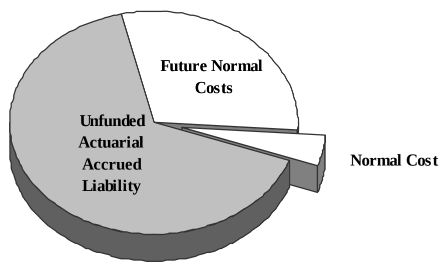
	State Employees After GASB 45		
	Actives	**Retirees**	**Total**
■ Total Premium	$ 167	$ 52	$ 219
■ Member Contribution	(21)	(7)	(28)
■ Implied Subsidy Transfer	(13)	13	0
■ State Contribution	133	58	191

11 Estimated premium based on the 6/30/2008 participant data.

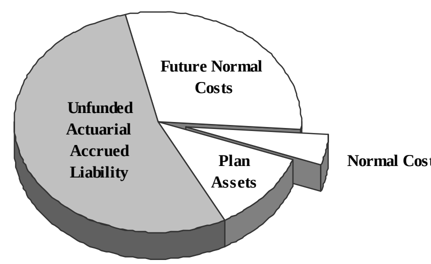
12 The State contribution for active participants was estimated from the State's 2009/10 employee contribution schedule as the employee-only premium plus 1/3 of the dependent premium.

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 an 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. An implied subsidy for the State employees plan is calculated for retirees, spouses, and surviving spouses to age 65 if Medicare eligible and for lifetime if not Medicare eligible. An implied subsidy is included with the obligations for the four Ancillary Groups. The Teachers results do not include any implied subsidy because the State does not directly pay active Teacher premiums.

Actuarial Obligations
State Employees & Teachers
June 30, 2009
(millions of dollars)

State Employees	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Projected Benefits			
● Actives	$ 610	$ 193	$ 803
● Retirees	526	196	722
● Total	1,136	389	1,525
■ Actuarial Accrued Liability			
● Actives	431	158	589
● Retirees	526	196	722
● Total	957	354	1,311
■ Plan Assets	(60)	(22)	(82)
■ Unfunded AAL	897	332	1,229
■ Expected Benefit Payments	46	13	59

Teachers	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Projected Benefits			
● Actives	$ 866	n/a	$ 866
● Retirees	336	n/a	336
● Total	1,202	n/a	1,202
■ Actuarial Accrued Liability			
● Actives	658	n/a	658
● Retirees	336	n/a	336
● Total	994	n/a	994
■ Plan Assets	-	n/a	-
■ Unfunded AAL	994	n/a	994
■ Expected Benefit Payments	21	n/a	21

Actuarial Obligations
Ancillary Groups
June 30, 2009
(thousands of dollars)

Ancillary Groups	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ Present Value of Projected Benefits				
● Actives	$ 5,507	$ 55,376	$ 7,764	$ 206
● Retirees	931	23,940	1,394	238
● Total	6,438	79,316	9,158	444
■ Actuarial Accrued Liability				
● Actives	3,789	36,801	4,659	103
● Retirees	931	23,940	1,394	238
● Total	4,720	60,741	6,053	341
■ Plan Assets	-	-	-	-
■ Unfunded AAL	4,720	60,741	6,053	341
■ Expected Benefit Payments				
● Cash Subsidy	54	1,330	78	12
● Implied Subsidy	16	424	32	1
● Total	70	1,754	110	13

Annual Required Contribution (ARC)
State Employees & Teachers
2009/10 Fiscal Year
(millions of dollars)

State Employees	Cash Subsidy	Implied Subsidy	Total
■ ARC - $			
● Normal Cost	$ 23	$ 6	$ 29
● UAAL Amortization	45	16	61
● Total	68	22	90
■ Projected Payroll	595	595	595
■ ARC - %			
● Normal Cost	3.9%	1.0%	4.9%
● UAAL Amortization	7.6%	2.7%	10.3%
● Total	11.5%	3.7%	15.2%

Teachers	Cash Subsidy	Implied Subsidy	Total
■ ARC - $			
● Normal Cost	$ 24	n/a	$ 24
● UAAL Amortization	34	n/a	34
● Total	58	n/a	58
■ Projected Payroll	1,215	n/a	1,215
■ ARC - %			
● Normal Cost	2.0%	n/a	2.0%
● UAAL Amortization	2.8%	n/a	2.8%
● Total	4.8%	n/a	4.8%

Annual Required Contribution (ARC)
Ancillary Groups
2009/10 Fiscal Year
(thousands of dollars)

Ancillary Groups	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ ARC - $				
● Normal Cost	$ 223	$ 2,383	$ 310	$ 14
● UAAL Amortization	193	2,360	267	18
● Total	416	4,743	577	33
■ Projected Payroll	3,321	40,461	4,904	305
■ ARC - %				
● Normal Cost	6.7%	5.9%	6.3%	4.7%
● UAAL Amortization	5.8%	5.8%	5.4%	6.0%
● Total	12.5%	11.7%	11.7%	10.7%

Asset Reconciliation
State Employees
(thousands of dollars)

Following is a reconciliation from June 30, 2008 to June 30, 2009 of the Plan Assets for State employees as provided by the State. For this valuation, Actuarial Value of Assets were set equal to Market Value of Assets. During 2008/09, the return on the State employees' trust was approximately -16.4%.

Market Value of Assets	State Employees Trust	State's Cash Pool	Total
■ **Assets on June 30, 2008**	$ 98,362	$ -	$ 98,362
● Additions			
♦ Employer Contributions	-	41,374	41,374
♦ Investment Income			
➢ Investment Return	(16,094)	-	(16,094)
➢ Investment Expense	(28)	-	(28)
♦ Total Additions	(16,122)	41,374	25,252
● Deductions			
♦ Benefit Payments	-	(41,264)	(41,264)
♦ Administrative Expenses	(56)	(110)	(166)
♦ Total Deductions	(56)	(41,374)	(41,430)
■ **Assets on June 30, 2009**	82,184	-	82,184

Unfunded Actuarial Accrued Liability (UAAL) Reconciliation
State Employees
(millions of dollars)

Following is a reconciliation from June 30, 2008 to June 30, 2009 of the Unfunded Actuarial Accrued Liability of the Retiree Healthcare Plan for State employees:

Actuarial Gains & Losses	AAL	(Assets)	UAAL
■ **Actual on 6/30/2008**	$ 1,242	$ (98)	$ 1,144
■ **Expected on 6/30/2009**	1,267	(121)	1,146
• Medical premiums greater than expected[13]	44	-	44
• Contribution Loss	-	24	24
• Investment Loss	-	20	20
• Benefit Payment Gain	-	(5)	(5)
• Total Changes	44	39	83
■ **Roll-Forward on 6/30/2009**	1,311	(82)	1,229

[13] Actual 2009/10 State HMO Choice premiums are 6% greater than the 2008/09 premiums versus the prior State estimate of 5% used in the 6/30/2008 valuation. Actual 2010 State Medicare Plan premiums are estimated by the State to be 13% higher than the 2009 premiums (tentative change from Coventry's Advantra Freedom PFFS to Anthem) versus the prior State estimate of 3% used in the 6/30/2008 valuation.

Unfunded Actuarial Accrued Liability (AAL) Reconciliation
Teachers
(millions of dollars)

Following is a reconciliation from June 30, 2008 to June 30, 2009 of the Unfunded Actuarial Accrued Liability of the Retiree Healthcare Plan for Teachers:

Actuarial Gains & Losses	AAL	(Assets)	UAAL
■ **Actual on 6/30/2008**	$ 1,044	$ 0	$ 1,044
■ **Expected on 6/30/2009**	1,096	(40)	1,056
• Medical premiums lower than expected[14]	(102)	-	(102)
• Contribution Loss	-	42	42
• Benefit Payment Gain	-	(2)	(2)
• Total Changes	(102)	40	(62)
■ **Roll-Forward on 6/30/2009**	994	(0)	994

14 2009/10 Teachers premiums increased 0% over the 2008/09 premiums versus the prior State estimate of a 9% expected increase.

Actuarial Accrued Liability (AAL) Reconciliation
Ancillary Groups
(thousands of dollars)

Following is a reconciliation from June 30, 2008 to June 30, 2009 of the Actuarial Accrued Liability of the Retiree Healthcare Plan for four Ancillary Groups:

Actuarial Gains & Losses	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ **AAL on 6/30/2008**	$ 4,207	$ 55,199	$ 5,355	$ 309
■ **Expected AAL on 6/30/2009**	4,541	58,401	5,777	329
• Medical premiums greater than expected[15]	179	2,340	276	12
■ **Roll-Forward AAL on 6/30/09**	4,720	60,741	6,053	341

15 Actual 2009/10 State HMO Choice premiums are 6% greater than the 2008/09 premiums versus the prior State estimate of 5% used in the 6/30/2008 valuation. Actual 2010 State Medicare Plan premiums are estimated by the State to be 13% higher than the 2009 premiums (tentative change from Coventry's Advantra Freedom PFFS to Anthem) versus the prior State estimate of 3% used in the 6/30/2008 valuation.

Unfunded Accrued Liability Balances on June 30, 2009
State Employees & Teachers
(millions of dollars)

State Employees Amortization Bases	Original Bases			Remaining Bases		
	Date	Years[16]	Amount	Years	Balance	Payment
■ Fresh Start UAAL	6/30/08	30 F	$ 1,199	29 F	$ 1,201	$ 55
■ Contrib Loss (Gain)	6/30/08	30 F	(55)	29 F	(55)	(3)
■ Experience Loss (Gain)	6/30/09	10 F	59	10 F	59	6
■ Contrib Loss (Gain)	6/30/09	10 F	24	10 F	24	3
■ Total					1,229	61
■ 30-Yr Amort UAAL[17]	6/30/09	30 F	1,229	30 F	1,229	55
■ Total Contrib Loss (Gain)					(31)	0

Teachers Amortization Bases	Original Bases			Remaining Bases		
	Date	Years	Amount	Years	Balance	Payment
■ Fresh Start UAAL	6/30/08	30 F	$ 1,016	29 F	$ 1,028	$ 36
■ Contrib Loss (Gain)	6/30/08	30 F	28	29 F	28	1
■ Experience Loss (Gain)[18]	6/30/09	17 R	(104)	17 R	(104)	(6)
■ Contrib Loss (Gain)	6/30/09	15 F	42	15 F	42	3
■ Total					994	34
■ 30-Yr Amort UAAL	6/30/09	30 F	994	30 F	994	34
■ Total Contrib Loss (Gain)					90	4

[16] "F" stands for a fixed (closed) amortization period and "R" stands for a rolling (open) amortization period.
[17] Total amortization payment cannot be less than the UAAL amortized over 30 years.
[18] Amortized over 17 years so that the Equivalent Single Amortization Period (ESAP) does not exceed 30 years. The ESAP would be 30.8 years if the experience gain was amortized over 15 years.

Unfunded Accrued Liability Balances on June 30, 2009

Ancillary Groups

(thousands of dollars)

Maine Educational Center for the Deaf	Original Bases			Remaining Bases		
Amortization Bases	Date	Years[19]	Amount	Years	Balance	Payment
■ Initial UAAL	6/30/07	30 F	$ 3,814	28 F	$ 3,862	$ 140
■ Assumption Change	6/30/08	20 F	511	19 F	508	27
■ Contrib Loss (Gain)	6/30/08	15 F	358	14 F	350	26
■ Experience Loss (Gain)	6/30/08	15 R	(485)	15 R	(474)	(32)
■ Contrib Loss (Gain)	6/30/09	15 F	295	15 F	295	20
■ Experience Loss (Gain)	6/30/09	15 R	179	15 R	179	12
■ Total					4,720	193
■ 30-Yr Amort UAAL[20]	6/30/09	30 F	4,720	30 F	4,720	159
■ Total Contrib Loss (Gain)					645	46

Maine Community College System	Original Bases			Remaining Bases		
Amortization Bases	Date	Years	Amount	Years	Balance	Payment
■ Initial UAAL	6/30/07	30 F	$ 52,552	28 F	$ 53,212	$ 1,923
■ Assumption Change	6/30/08	20 F	6,221	19 F	6,183	333
■ Contrib Loss (Gain)	6/30/08	15 F	2,420	14 F	2,363	174
■ Experience Loss (Gain)	6/30/08	15 R	(6,119)	15 R	(5,975)	(409)
■ Contrib Loss (Gain)	6/30/09	15 F	2,618	15 F	2,618	179
■ Experience Loss (Gain)	6/30/09	15 R	2,340	15 R	2,340	160
■ Total					60,741	2,360
■ 30-Yr Amort UAAL	6/30/09	30 F	60,741	30 F	60,741	2,043
■ Total Contrib Loss (Gain)					4,981	353

19 "F" stands for a fixed (closed) amortization period and "R" stands for a rolling (open) amortization period.

20 Total amortization payment cannot be less than the UAAL amortized over 30 years.

Unfunded Accrued Liability Balances on June 30, 2009
Ancillary Groups
(thousands of dollars)

MainePERS Amortization Bases	Original Bases			Remaining Bases		
	Date	Years[21]	Amount	Years	Balance	Payment
■ Initial UAAL	6/30/07	30 F	$ 4,146	28 F	$ 4,197	$ 152
■ Assumption Change	6/30/08	20 F	1,010	19 F	1,004	54
■ Contrib Loss (Gain)	6/30/08	15 F	456	14 F	445	33
■ Experience Loss (Gain)	6/30/08	15 R	(266)	15 R	(260)	(18)
■ Contrib Loss (Gain)	6/30/09	15 F	391	15 F	391	27
■ Experience Loss (Gain)	6/30/09	15 R	276	15 R	276	19
■ Total					6,053	267
■ 30-Yr Amort UAAL[22]	6/30/09	30 F	6,053	30 F	6,053	204
■ Total Contrib Loss (Gain)					836	60

Northern New England Passenger Rail Authority Amortization Bases	Original Bases			Remaining Bases		
	Date	Years	Amount	Years	Balance	Payment
■ Initial UAAL	6/30/07	30 F	$ 130	28 F	$ 131	$ 5
■ Assumption Change	6/30/08	20 F	60	19 F	59	3
■ Contrib Loss (Gain)	6/30/08	15 F	13	14 F	13	1
■ Experience Loss (Gain)	6/30/08	15 R	106	15 R	(103)	7
■ Contrib Loss (Gain)	6/30/09	15 F	23	15 F	23	1
■ Experience Loss (Gain)	6/30/09	15 R	12	15 R	12	1
■ Total					341	18
■ 30-Yr Amort UAAL	6/30/09	30 F	341	30 F	341	11
■ Total Contrib Loss (Gain)					36	2

21 "F" stands for a fixed (closed) amortization period and "R" stands for a rolling (open) amortization period.
22 Total amortization payment cannot be less than the UAAL amortized over 30 years.

Benefit Payment Projection
State Employees & Teachers
(millions of dollars)

The following table shows the projected "pay-as-you-go" benefit payments for the next 10 years for State employees and Teachers:

	State Employees			Teachers		
Year	Cash Subsidy	Implied Subsidy	Total Payment	Cash Subsidy	Implied Subsidy	Total Payment
2009/10	$ 46	$ 13	$ 59	$ 21	$ -	$ 21
2010/11	51	15	66	25	-	25
2011/12	55	17	72	28	-	28
2012/13	60	18	78	31	-	31
2013/14	64	20	84	35	-	35
2014/15	68	22	90	39	-	39
2015/16	72	23	95	42	-	42
2016/17	76	25	101	46	-	46
2017/18	78	27	105	49	-	49
2018/19	81	28	109	52	-	52

The implied subsidy benefit payment is the estimated portion of the retiree payment that is subsidized by active employee premiums.

Estimated Net OPEB Obligation (NOO) Development
State Employees
(millions of dollars)

The following table shows the development of the estimated NOO for the State employees plan for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ (55)	$ (31)
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	111	77	90
• Interest on NOO	0	(2)	(2)
• Amortization of NOO	(0)	2	0
• Annual OPEB Cost	111	77	88
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(41)	(41)	(46)
➢ Implied Subsidy	(25)	(12)	(13)
• Trust Pre-Funding	(100)	(0)	(3)
• Total Contribution	(166)	(53)	(62)
■ **NOO at End of Year**	(55)	(31)	(5)

Estimated Net OPEB Obligation (NOO) Development
Teachers
(millions of dollars)

The following table shows the development of the estimated NOO for the Teachers plan for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ 28	$ 70
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	46	60	58
• Interest on NOO	0	1	3
• Amortization of NOO	(0)	(1)	(4)
• Annual OPEB Cost	46	60	57
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(18)	(18)	(21)
➢ Implied Subsidy	(0)	(0)	(0)
• Trust Pre-Funding	(0)	(0)	(0)
• Total Contribution	(18)	(18)	(21)
■ **NOO at End of Year**	28	70	106

Estimated Net OPEB Obligation (NOO) Development
Maine Educational Center for the Deaf
(thousands of dollars)

The following table shows the development of the estimated NOO for the Maine Educational Center for the Deaf ancillary group for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ 358	$ 645
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	394	353	416
• Interest on NOO	0	16	29
• Amortization of NOO	(0)	(24)	(46)
• Annual OPEB Cost	394	345	399
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(22)	(45)	(54)
➢ Implied Subsidy	(14)	(13)	(16)
• Trust Pre-Funding	(0)	(0)	(0)
• Total Contribution	(36)	(58)	(70)
■ **NOO at End of Year**	358	645	974

Estimated Net OPEB Obligation (NOO) Development
Maine Community College System
(thousands of dollars)

The following table shows the development of the estimated NOO for the Maine Community College System ancillary group for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ 2,420	$ 4,981
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	4,246	4,060	4,743
• Interest on NOO	0	109	224
• Amortization of NOO	(0)	(166)	(353)
• Annual OPEB Cost	4,246	4,003	4,614
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(1,093)	(1,098)	(1,330)
➢ Implied Subsidy	(733)	(343)	(424)
• Trust Pre-Funding	(0)	(0)	(0)
• Total Contribution	(1,826)	(1,442)	(1,754)
■ **NOO at End of Year**	2,420	4,981	7,841

Estimated Net OPEB Obligation (NOO) Development
MainePERS
(thousands of dollars)

The following table shows the development of the estimated NOO for the MainePERS ancillary group for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ 456	$ 836
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	475	489	577
• Interest on NOO	0	20	38
• Amortization of NOO	(0)	(31)	(60)
• Annual OPEB Cost	475	478	555
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(12)	(71)	(78)
➢ Implied Subsidy	(7)	(27)	(32)
• Trust Pre-Funding	(0)	(0)	(0)
• Total Contribution	(19)	(98)	(110)
■ **NOO at End of Year**	456	836	1,281

Estimated Net OPEB Obligation (NOO) Development
Northern New England Passenger Rail Authority
(thousands of dollars)

The following table shows the development of the estimated NOO for the Northern New England Passenger Rail Authority ancillary group for fiscal years 2007/08, 2008/09, and 2009/10:

Estimated Net OPEB Obligation	CAFR 2007/08	Estimated 2008/09	Estimated 2009/10
■ **NOO at Beginning of Year**	$ 0	$ 13	$ 36
■ **Annual OPEB Cost (AOC)**			
• Annual Required Contribution	17	29	33
• Interest on NOO	0	1	2
• Amortization of NOO	(0)	(1)	(2)
• Annual OPEB Cost	17	29	33
■ **Contributions**			
• Benefit Payments Outside of Trust			
➢ Cash Subsidy (Est for 2009/10)	(4)	(5)	(12)
➢ Implied Subsidy	(1)	(1)	(1)
• Trust Pre-Funding	(0)	(0)	(0)
• Total Contribution	(4)	(6)	(13)
■ **NOO at End of Year**	13	36	56

Contribution and Expense Projections

State Employees

(millions of dollars)

The following projections for the State employee plan assume the State phases into full ARC funding over a 10-year period beginning in 2009/10, each year funding an additional 10% of the ARC over the pay-as-you-go benefit payments until the total contribution in 2018/19 equals the ARC.

Fiscal Year	NOO (BOY)	ARC (EOY)	AOC	Contribution			Contr as % of ARC	Payroll	ARC as % of Pay	Contr as % of Pay
				Benefit Pmts	Pre-Funding	Total Contr				
2009/10	$ (31)	$ 90	$ 88	$ 59	$ 3	$ 62	68.9%	$ 595	15.2%	10.4%
2010/11	(5)	98	95	66	6	73	74.5%	623	15.7%	11.7%
2011/12	17	106	101	72	10	82	77.4%	653	16.2%	12.6%
2012/13	35	114	107	78	15	92	80.7%	684	16.7%	13.5%
2013/14	50	122	113	84	19	103	84.4%	717	17.0%	14.4%
2014/15	60	131	119	90	25	114	87.0%	751	17.4%	15.2%
2015/16	65	139	126	95	31	126	90.6%	786	17.7%	16.0%
2016/17	65	148	132	101	38	138	93.2%	824	18.0%	16.7%
2017/18	59	156	138	105	46	151	96.8%	863	18.1%	17.5%
2018/19	46	165	144	109	56	165	100.0%	904	18.3%	18.3%

Contribution and Expense Projections
Teachers
(millions of dollars)

The following projections for the Teachers assume the State does not pre-fund the Teachers plan and continues to pay Teacher retiree healthcare benefits on a pay-as-you-go basis.

Fiscal Year	NOO (BOY)	ARC (EOY)	AOC	Contribution			Contr as % of ARC	Payroll	ARC as % of Pay	Contr as % of Pay
				Benefit Pmts	Pre-Funding	Total Contr				
2009/10	$ 70	$ 58	$ 57	$ 21	$ -	$ 21	36.2%	$ 1,215	4.8%	1.7%
2010/11	106	67	65	25	-	25	37.3%	1,272	5.3%	2.0%
2011/12	147	73	70	28	-	28	38.4%	1,333	5.5%	2.1%
2012/13	189	80	75	31	-	31	38.8%	1,396	5.7%	2.2%
2013/14	233	87	80	35	-	35	40.2%	1,463	5.9%	2.4%
2014/15	278	95	86	39	-	39	41.1%	1,532	6.2%	2.5%
2015/16	325	103	91	42	-	42	40.8%	1,605	6.4%	2.6%
2016/17	374	112	97	46	-	46	41.1%	1,681	6.7%	2.7%
2017/18	425	122	103	49	-	49	40.2%	1,761	6.9%	2.8%
2018/19	479	133	109	52	-	52	39.1%	1,844	7.2%	2.8%

Participant Statistics
June 30, 2008

Participants	State Employees	Teachers
■ Actives		
• Count	14,654	27,180
• Average Age	46.8	47.3
• Average Service[23]	12.7	16.5
• Average Pay[24]	$38,774	$42,666
• Total Payroll (000's)	$568,200	$1,159,671
■ Retirees		
• Count	8,772	9,201
• Average Age	70.3	69.6
■ Total Count	23,426	36,381

	Ancillary Groups			
Participants	Maine Educational Center for the Deaf	Maine Community College System	Maine PERS	Northern New England Passenger Rail Authority
■ Actives				
• Count	76	815	106	5
• Average Age	48.5	48.6	46.4	47.4
• Average Service	10.8	9.9	11.0	4.9
• Average Pay	$41,713	$47,394	$44,162	$58,181
• Total Payroll (000's)	$3,170	$38,626	$4,681	$291
■ Retirees				
• Count	4	233	12	2
• Average Age	58.9	67.4	69.8	62.2
■ Total Count	80	1,048	118	7

[23] Average service by age group assumed for 900 State employees and 7,770 Teachers with missing hire dates.
[24] Average pay by age/service group assumed for 357 State employees and 7,889 Teachers with missing pay.

Medical Plan Coverage
State & Teachers
June 30, 2008

Active Employees

Group	Medical Plan	Single	2-Party	Family	EE + Child	EE + Children	FLES[25]	Total
State	HMO Choice[26]	6,790	1,935	2,368	939	853	600	13,485
	Group Companion	2	-	-	-	-	-	2
	Waived	n/a	n/a	n/a	n/a	n/a	n/a	1,167
	Total State	6,792	1,935	2,368	939	853	600	14,654
Teachers	HMO Choice	9,502	3,420	5,152	1,369	1,748	n/a	21,191
	Blue Choice	2,991	1,217	1,173	277	319	n/a	5,977
	Group Companion	12	-	-	-	-	n/a	12
	Total Teachers	12,505	4,637	6,325	1,646	2,067	n/a	27,180

Retirees

Group	Medical Plan	Single	2-Party	Family	EE + Child	EE + Children	FLES[25]	Total
State	HMO Choice	3,059	325	49	79	26	14	3,552
	Group Companion	4,213	1,003	-	4	-	-	5,220
	Total State	7,272	1,328	49	83	26	14	8,772
Teachers	HMO Choice	1,436	258	23	10	6	n/a	1,733
	Blue Choice	1,929	248	23	20	3	n/a	2,223
	Group Companion[27]	4,139	1,106	-	-	-	n/a	5,245
	Total Teachers	7,504	1,612	46	30	9	n/a	9,201

[25] State employees or retirees married to other State employees or retirees – both valued as single coverage.
[26] 3 State actives and 152 State retirees in “Comp Care” plan were included with HMO Choice.
[27] 12 Teacher retirees in “Medigap B” plan were included with Group Companion plan.

Active Age/Service/Pay Distribution[28]
State Employees
June 30, 2008

Age		Service							
		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	Count	203	329	7	-	-	-	-	539
	Average Pay	18,663	18,415	20,200	-	-	-	-	18,532
25-29	Count	129	594	170	5	-	-	-	898
	Average Pay	28,437	30,864	33,639	39,158	-	-	-	31,087
30-34	Count	124	406	524	88	2	-	-	1,144
	Average Pay	30,536	33,039	36,982	39,524	45,302	-	-	35,094
35-39	Count	103	405	509	283	136	19	-	1,455
	Average Pay	29,821	33,739	37,063	44,509	39,055	44,736	-	37,360
40-44	Count	98	354	413	341	338	223	8	1,775
	Average Pay	29,608	33,768	39,091	38,764	44,010	42,202	44,730	38,796
45-49	Count	123	386	456	318	369	471	266	2,389
	Average Pay	28,347	34,601	38,594	41,968	43,220	45,109	43,378	40,402
50-54	Count	100	371	428	245	426	415	639	2,624
	Average Pay	33,430	35,312	40,429	44,802	41,720	44,846	46,042	42,122
55-59	Count	65	275	311	192	376	379	666	2,264
	Average Pay	36,568	35,453	40,577	45,508	40,636	45,208	47,505	43,081
60-64	Count	31	160	194	116	243	185	251	1,180
	Average Pay	33,279	36,130	39,442	42,561	37,870	43,207	47,774	41,177
65 & Over	Count	7	48	63	33	91	56	88	386
	Average Pay	30,490	25,801	31,796	43,076	29,876	40,676	44,111	35,634
Total	Count	983	3,328	3,075	1,621	1,981	1,748	1,918	14,654
	Average Pay	28,147	32,046	38,187	42,509	40,989	44,350	46,313	38,774

28 Average pay and/or service assumed for those with missing pay or hire date.

Active Age/Service/Pay Distribution[29]
Teachers
June 30, 2008

Age		Service							
		Under 1	1-4	5-9	10-14	15-19	20-24	25 & Over	Total
Under 25	Count	104	549	39	-	-	-	-	692
	Average Pay	13,518	21,072	25,264	-	-	-	-	20,173
25-29	Count	128	1,149	728	29	-	-	-	2,034
	Average Pay	21,334	28,253	31,251	34,915	-	-	-	28,986
30-34	Count	78	341	1,056	556	32	-	-	2,063
	Average Pay	26,749	31,056	35,468	37,547	38,761	-	-	35,020
35-39	Count	63	296	456	1,248	545	4	-	2,612
	Average Pay	26,102	34,029	38,057	41,157	44,428	41,799	-	40,128
40-44	Count	48	274	426	1,211	644	365	9	2,977
	Average Pay	28,783	31,381	35,648	42,187	47,857	49,618	48,775	42,198
45-49	Count	36	242	488	413	1,671	667	445	3,962
	Average Pay	21,642	29,184	34,740	39,705	44,267	50,544	52,719	43,497
50-54	Count	30	183	370	427	529	1,911	1,314	4,764
	Average Pay	24,912	30,603	35,772	40,049	44,289	47,700	54,255	46,717
55-59	Count	27	138	275	341	552	1,853	1,736	4,922
	Average Pay	27,023	34,872	39,300	41,243	46,619	49,479	55,257	49,524
60-64	Count	7	64	116	127	223	1,304	573	2,414
	Average Pay	28,859	33,590	38,543	41,320	43,280	46,622	52,295	46,596
65 & Over	Count	1	7	21	32	25	401	253	740
	Average Pay	30,550	45,856	33,580	30,502	41,938	45,789	45,429	44,508
Total	Count	522	3,243	3,975	4,384	4,221	6,505	4,330	27,180
	Average Pay	22,486	28,751	35,196	40,631	45,038	48,268	53,712	42,666

29 Average pay and/or service assumed for those with missing pay or hire date.

Benefit Summary
June 30, 2009

■ Eligibility	■ Earlier of: ● Age 62 with 10 years of service (Tier 2) ● Age 60 with 10 years of service on 7/1/93 (Tier 1) ● 25 years of service, if earlier than above ■ Disability (collect LTD) ■ Former Employees: 25 years of service & normal retirement age
■ State Paid Benefit State Employees	Retiree-Only Premium ■ Judicial 100% ■ Legislative 100% ■ Other State • DOH < 7/1/91: 100% • DOH > 7/1/91: Years of Medical Participation / % of Retiree-Only Premium <5 — 0% 5 — 50% 6 — 60% 7 — 70% 8 — 80% 9 — 90% ≥10 — 100%
■ State Paid Benefit Teachers	■ 45% of retiree-only premium ■ Based on: ● Single rate for single and employee+children coverage ● 50% of 2-party rate for 2-party and family coverage
■ Part-Time Employees	■ Eligible for prorated benefits: ● 50% full-time gets 100% benefit
■ Surviving Spouse & Dependent Benefits	■ Surviving spouses and dependents pay 100% of the premium
■ Dental, Vision, Life	■ None
■ Participation Benefit	■ Retirees not eligible for a state contribution are allowed to participate and pay retiree premium

State Employees Health Plans
Monthly Premiums

Non Medicare Eligible Retirees

Medical Plan	Year	Single	2-Party	Family	Participant w/Child(ren)
HMO Choice	2008/09	$ 648.10	$ 1,355.00	$ 1,612.10	$ 1,065.84
	2009/10	686.66	1,435.96	1,708.50	1,129.46
	2010/11[30]	741.59	1,550.84	1,845.18	1,219.82

Medicare Eligible Retirees

Medical Plan	Year	Single	2-Party	Family	Participant w/Child(ren)
Group Companion	2008/09	$ 320.10	$ 634.70	$ 988.14	$ 673.54
State Medicare Plan[31]	2009	237.42	469.34	n/a	n/a
	2010[32]	268.28	530.35	n/a	n/a
	2011[33]	292.43	578.09	n/a	n/a

30 Assumes 2010/11 Non Medicare premiums increase by 8% over 2009/10 premiums, as provided by the State.
31 Anthem tentatively replaces Coventry's Advantra Freedom PFFS plan effective January 1, 2010.
32 Assumes 2010 Medicare Plan premiums increase by 13% over 2009 premiums, as provided by the State.
33 Assumes 2011 Medicare Plan premiums increase by 9% over 2010 premiums, as provided by the State.

Teachers Health Plans
Monthly Premiums[34]

Non Medicare Eligible Retirees

Medical Plan	Year	Single	2-Party	Family	Participant w/Child(ren)
HMO Choice (MEA Choice Plus)	2008/09	$ 528.40	$ 1,190.91	$ 1,449.51	$ 935.16
	2009/10	528.40	1,190.91	1,449.51	935.16
	2010/11	575.96	1,298.09	1,579.97	1,019.32
Blue Choice (MEA Standard Plus)	2008/09	570.61	1,286.19	1,565.47	1,009.96
	2009/10	570.61	1,286.19	1,565.47	1,009.96
	2010/11	621.96	1,401.95	1,706.36	1,100.86

Medicare Eligible Retirees

Medical Plan	Year	Single	2-Party	Family	Participant w/Child(ren)
Group Companion	2008/09	$ 321.36	$ 674.55	n/a	n/a
	2009/10	321.36	674.55	n/a	n/a
	2010/11	350.28	735.26	n/a	n/a

34 Assumes 2010/11 Non Medicare and Medicare premiums increase by 9% over 2009/10 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 results in this report are based on the June 30, 2008 actuarial valuation, rolled-forward to the June 30, 2009 valuation date. The June 30, 2008 valuation results were adjusted for 2009/10 premiums and expected 2010/11 premium increases as provided by the State and take into account the market value of the State Employees' Trust as of June 30, 2009. The participant data used was from the June 30, 2008 actuarial valuation.

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. For the State employees and Teachers, the fresh start Unfunded AAL (UAAL) as of June 30, 2008 is amortized as a level percent of payroll over a fixed 30-year period starting with the 2008/09 fiscal year, with 29 years remaining as of June 30, 2009. Subsequent gains and losses for the State employees are amortized as a level percent of payroll over fixed 10-year periods, as required by Statute (Title 5 MRSA §286-B). For Teachers, experience gains and losses are amortized over a rolling 15-year period, and contribution gains and losses are amortized over fixed 15-year periods. GASB 45 requires the total UAAL amortization calculated using separate amortization bases not exceed an equivalent single amortization period of 30-years.

For the four Ancillary Groups, the initial UAAL on June 30, 2007 is amortized as a level percent of payroll over a fixed 30-year period starting with the 2007/08 fiscal year, with 28 years remaining as of June 30, 2009. Method and assumption changes are amortized as a level percent of payroll over fixed 20-year periods, experience gains and losses are amortized over rolling 15-year periods, and contribution gains and losses are amortized over fixed 15-year periods.

The adjustment of the Net OPEB Obligation in the estimated NOO illustrations reflects an exact calculation of the contribution loss amortization included with the ARC per GASB Technical Bulletin 2008-1.

Because underlying medical costs generally increase with age, allowing retirees to participate in the active healthcare plan results in the premiums charged to younger employees (actives) subsidizing the premiums charged to older employees (retirees). GASB 45 requires that this implied subsidy for retirees be included in the Actuarial Accrued Liability and the Annual Required Contribution. An implied subsidy was valued for the Retiree Healthcare Plan for the State employees and Ancillary Groups, but not for the Teachers because payments of General Purpose Aid for Public Education do not directly pay for active Teachers' premiums.

The Plan is assumed to be ongoing for cost purposes. This does not imply that an obligation to continue the Plan exists.

Funding Policy

For the State employees plan, the State intends to phase into full ARC funding over a 10-year period beginning in 2009/10. The State contributed $100 million for 2007/08 into an irrevocable trust (in addition to paying retiree medical benefits outside the trust) and intends to make contributions exceeding benefit payments to the trust each year starting in 2009/10 and phasing into the full ARC by 2018/19. This funding policy is reflected in the select & ultimate discount rate assumption that starts at 4.5% in 2008/09 and phases into 7.5% in 2018/19.

The State does not plan to pre-fund the Teachers' plan into an irrevocable trust, instead paying retiree medical benefits as they are due (pay-as-you-go). This funding policy is reflected in the discount rate assumption of 4.5%. The four ancillary groups included in this valuation (Maine Educational Center for the Deaf and Hard of Hearing, Maine Community College System, MainePERS, and Northern New England Passenger Rail Authority) also use a 4.5% discount rate based on the assumption that they will not pre-fund into an irrevocable trust.

Actuarial Assumptions

■ **Discount Rate**

- State Employees - select & ultimate rates based on the State's expected funding policy:

Year	Rate	Year	Rate
2008/09	4.5%	2014/15	6.3%
2009/10	4.8%	2015/16	6.6%
2010/11	5.1%	2016/17	6.9%
2011/12	5.4%	2017/18	7.2%
2012/13	5.7%	2018/19+	7.5%
2013/14	6.0%		

- Teachers and Ancillary Groups - 4.5% for representing the expected long-term rate of return on the State's Cash Pool

■ **Inflation Rate**

- 3.75% per annum
- Same as MainePERS 6/30/2008 valuation assumption

■ **Aggregate Payroll Increases**

- 4.75% per annum
- Same as MainePERS 6/30/2008 valuation across-the-board increase assumption

- **Salary Merit and Longevity Increases**
  - Same as MainePERS 6/30/2008 valuation assumption

Service	Increase
0	5.25%
5	2.75%
10	1.32%
15	0.53%
20	0.15%
25+	0.00%

  - 0% for Legislative and Judicial

- **Demographic Assumptions (Mortality, Termination, Disability)**
  - Same as MainePERS 6/30/2008 valuation assumptions

- **Retirement Age**
  - Same as MainePERS 6/30/2008 valuation assumptions
  - Average expected retirement ages:

Retirement Group	Hire Age	Expected Retirement Age
State Employees Tier 1	24	57.1
State Employees Tier 2	36	63.8
Teachers Tier 1	30	59.9
Teachers Tier 2	32	62.0

- **Participation at Retirement**

Yrs of Medical Participation	State	Teacher
< 5	25%	25%
6	75%	25%
7	80%	25%
8	85%	25%
9	90%	25%
10+	95%	75%

  - Years of medical participation equals service

- **Medical Plan at Retirement**
  - Future retirees not eligible for Medicare: Same as current active plan election
  - Future retirees eligible for Medicare: State Medicare Plan for State Employees and Group Companion for Teachers

■ Healthcare Cost Increases

- Increases applied to premiums to calculate cash subsidy and applied to claims to calculate implied subsidy:

State Employees Health Plans				Teacher Health Plans			
Year	HMO Choice	Year	State Medicare Plan	Year	HMO Choice	Blue Choice	Group Companion
2008/09	Actual	2008/09	Actual	2008/09	Actual	Actual	Actual
2009/10	Actual	2009	Actual	2009/10	Actual	Actual	Actual
2010/11	8.0%	2010	13.0%	2010/11	9.0%	9.0%	9.0%
2011/12	7.8%	2011	9.0%	2011/12	9.2%	9.5%	9.5%
2012/13	7.3%	2012	8.1%	2012/13	8.5%	8.8%	8.8%
2013/14	6.7%	2013	7.5%	2013/14	7.8%	8.0%	8.0%
2014/15	6.2%	2014	6.9%	2014/15	7.1%	7.3%	7.3%
2015/16	5.6%	2015	6.3%	2015/16	6.4%	6.5%	6.5%
2016/17	5.1%	2016	5.7%	2016/17	5.7%	5.8%	5.8%
2017/18+	4.5%	2017	5.1%	2017/18+	5.0%	5.0%	5.0%
		2018+	4.5%				

■ Claims Cost

State Monthly Claims Cost at Age 65
2009/10 HMO Choice

Participant		Spouse	
Male	Female	Male	Female
$ 1,227	$ 1,042	$ 1,357	$ 1,152

- The assumed monthly claim cost at any age and year is the age 65 monthly claims cost multiplied by the age-related claims cost factor and increased by the healthcare cost increase trend rates.

■ Age-Related Claims Cost Factors for State Employees HMO Choice

Retiree and Spouse		
Age	Male	Female
50-55	51%	71%
55-60	66%	73%
60-65	83%	80%
65-70	100%	100%
70-75	130%	122%
75-80	151%	144%
80-85	160%	160%

■ State Contribution

- No future increases.

- **Spouses**
  - Current marital status (based on coverage election).
- **Spouse Age**
  - Males 3 years older than females.
- **Medicare Eligible**
  - Future retirees:
    - Hired before 4/1/1986 – 75%
    - Hired on or after 4/1/1986 – 100%
  - Current retirees under age 65 – 87.5%
  - Current retirees age 65 and over – 75%
- **State Part-Time Employees**
  - Hired before 3/1/2008 and not participating assumed part-time.
  - 25% of part-time employees assumed eligible for 100% State contribution at retirement.
- **Ineligible Teachers**
  - 33⅓% of ineligible Teachers assumed to receive State contribution at retirement.
  - Ineligible Teachers assumed equal to 10% of all Teachers.
- **Future New Participants – For Valuation Results**
  - Closed Group – no future new participants assumed.

- **Data Assumptions**
  - Data from Anthem:

    State:
    - 622 missing hire dates from the State – average service by age group
    - 330 missing pay from the State – average pay by age/service group
    - Ineligible elected officials – assume none in data

    Teachers:
    - 7,770 missing hire dates from the State– average service by age group
    - 7,889 missing pay from the State – average pay by age/service group
    - All Teachers with 25 years of service have retired
  - Data from State:

    State:
    - 278 missing hire dates – average service by age group
    - 27 missing salary – average pay by age/service group
    - 33 missing birth dates – average birth date

    Teachers:
    - 9,743 did not match with Anthem file – not included in valuation

SECTION 7
GASB 45 SUMMARY

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.

SECTION 7
GASB 45 SUMMARY

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, 2009 actuarial roll-forward valuation for the State of Maine Retiree Healthcare Plan ("Plan"). The purpose of this valuation is to:

- determine the Plan benefit obligations as of June 30, 2009 based on an actuarial roll-forward of the June 30, 2008 valuation results, and
- calculate the Annual Required Contribution for the 2009/10 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 2009/10 Annual Required Contribution and the June 30, 2009 benefit obligation.
- Section 3 provides the results of the actuarial 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.

The valuation is based on Plan provisions, employee data, claims, and asset information provided by the State and Anthem and summarized in this report. We reviewed the data and claims for reasonableness but did not perform an audit.

This report presents our best estimate of the State of Maine Retiree Healthcare Plan liabilities, funded status, and costs in accordance with generally accepted actuarial principles and practices and our understanding of GASB 43 and 45. The information presented in this report is intended to be used to satisfy the requirements of GASB 43 and GASB 45 and for no other purposes.

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,

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