



**STATE OF MAINE
STATE AND TEACHERS RETIREE HEALTHCARE PLAN**

June 30, 2014 GASB 45 Actuarial Valuation
Final Valuation Results

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November 11, 2014

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BENEFIT SUMMARY

■ Eligibility

- **MainePERS normal retirement:**
 - **Regular Plan:**
 - Normal retirement age and 1 year of service¹:
 - 60 if ≥ 10 years of service on 7/1/93 (Tier 1)
 - 62 if < 10 years of service on 7/1/93 or hire $\geq 7/1/93$ (Tier 2)
 - 65 if < 5 years of service on 7/1/11 or hire $\geq 7/1/11$ (Tier 3)
 - 25 years of service if earlier
 - **Special Plans:**
 - 1998 Special Plan – 55&10 or 25 years
 - 25 & Out Plan – 25 years
 - State Police, Marine Resource Officers, and Inland Fisheries Wildlife Officers Plans – 20 years
 - State Prison Plan – 50 & 20
 - Forest Rangers Plan – 50 & 25
- **MainePERS disability retirement**
- **Former employees with 25 years of service at normal retirement age**
- **Part-time employees receive full benefits²**

¹ Service as used in this section is MainePERS credit service.

² Substantive plan per State.



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BENEFIT SUMMARY

■ State Employees & Ancillary Group Service Retirement Medical Benefit

| DOH $\leq 7/1/91$ | 7/1/91 < Hired < 7/1/11 | | DOH $\geq 7/1/11$ | |
|-------------------------|--------------------------------------|--------------------------|--------------------------------------|--------------------------|
| 100% of Retiree Premium | Years in <u>Medical</u> ³ | % Retiree <u>Premium</u> | Years in <u>Medical</u> ³ | % Retiree <u>Premium</u> |
| | < 5 | 0% | < 10 | 0% |
| | 5 | 50% | 10-14 | 50% |
| | 6 | 60% | 15-19 | 75% |
| | 7 | 70% | ≥ 20 | 100% |
| | 8 | 80% | | |
| | 9 | 90% | | |
| | ≥ 10 | 100% | | |

- **Percent of retiree premium above based on:**
 - **Single rate for single and employee + child(ren) coverage**
 - **50% of 2-party rate for 2-party and family coverage**
- **No cash subsidy until retiree reaches normal retirement age for non-special plan service retirements $\geq 1/1/12$ (7/1/12 for Maine Educational Center for Deaf and Teachers in unorganized territories)**
- **Disability retirement benefits are 100% vested and cash subsidy begins at disability retirement**

³ Continuous years of group health plan participation before retirement.



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BENEFIT SUMMARY

| | |
|--|--|
| <ul style="list-style-type: none"> ■ Teachers Medical Benefit | <ul style="list-style-type: none"> ● 45% of retiree premium based on: <ul style="list-style-type: none"> ➢ Single rate for single and employee + child(ren) coverage ➢ 50% of 2-party rate for 2-party and family coverage ● No State cash subsidy until retiree reaches normal retirement age for retirements \geq 7/1/12 |
| <ul style="list-style-type: none"> ■ Self-Pay | <ul style="list-style-type: none"> ● Retirees eligible for State cash subsidy can pay additional premium for spouses and dependents ● Retirees not eligible for State cash subsidy can participate by paying full premium for themselves, spouses, and dependents ● Surviving spouses and surviving dependents can participate by paying full premium |
| <ul style="list-style-type: none"> ■ Waived Retirees | <ul style="list-style-type: none"> ● Waived retirees not allowed to rejoin medical plan |
| <ul style="list-style-type: none"> ■ Other OPEB | <ul style="list-style-type: none"> ● No State contribution for dental, vision, life insurance, Medicare Part B premium, or pre-retirement death benefit |



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BENEFIT SUMMARY

| <ul style="list-style-type: none"> ■ Pay-As-You-Go Cost (000's) | <ul style="list-style-type: none"> ● Benefit payments (excluding administrative expenses): <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"><u>Year</u></th> <th colspan="3"><u>State Employees</u></th> <th><u>Teachers</u></th> <th rowspan="2"><u>Source</u></th> </tr> <tr> <th><u>Cash</u></th> <th><u>IS</u></th> <th><u>Total</u></th> <th><u>Cash</u></th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>\$47,932</td> <td>\$15,000</td> <td>\$62,932</td> <td>\$25,241</td> <td>State</td> </tr> <tr> <td>2012/13</td> <td>51,988</td> <td>14,000</td> <td>65,988</td> <td>24,950</td> <td>State</td> </tr> <tr> <td>2011/12</td> <td>44,607</td> <td>22,000</td> <td>66,607</td> <td>21,742</td> <td>State</td> </tr> </tbody> </table> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th colspan="6" style="text-align: center;"><u>Maine Educational Center for the Deaf and Hard of Hearing</u></th> </tr> <tr> <th><u>Year</u></th> <th><u>Cash</u></th> <th><u>IS</u></th> <th><u>Total</u></th> <th colspan="2"><u>Source</u></th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>\$98</td> <td>\$27</td> <td>\$125</td> <td colspan="2">State</td> </tr> <tr> <td>2012/13</td> <td>97</td> <td>30</td> <td>127</td> <td colspan="2">State</td> </tr> <tr> <td>2011/12</td> <td>102</td> <td>43</td> <td>145</td> <td colspan="2">State</td> </tr> </tbody> </table> <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th colspan="6" style="text-align: center;"><u>Northern New England Rail Passenger Authority</u></th> </tr> <tr> <th><u>Year</u></th> <th><u>Cash</u></th> <th><u>IS</u></th> <th><u>Total</u></th> <th colspan="2"><u>Source</u></th> </tr> </thead> <tbody> <tr> <td>2013/14</td> <td>\$5</td> <td>\$0</td> <td>\$5</td> <td colspan="2">State</td> </tr> <tr> <td>2012/13</td> <td>8</td> <td>0</td> <td>8</td> <td colspan="2">NNEPRA</td> </tr> <tr> <td>2011/12</td> <td>6</td> <td>0</td> <td>6</td> <td colspan="2">State</td> </tr> </tbody> </table> | <u>Year</u> | <u>State Employees</u> | | | <u>Teachers</u> | <u>Source</u> | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Cash</u> | 2013/14 | \$47,932 | \$15,000 | \$62,932 | \$25,241 | State | 2012/13 | 51,988 | 14,000 | 65,988 | 24,950 | State | 2011/12 | 44,607 | 22,000 | 66,607 | 21,742 | State | <u>Maine Educational Center for the Deaf and Hard of Hearing</u> | | | | | | <u>Year</u> | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Source</u> | | 2013/14 | \$98 | \$27 | \$125 | State | | 2012/13 | 97 | 30 | 127 | State | | 2011/12 | 102 | 43 | 145 | State | | <u>Northern New England Rail Passenger Authority</u> | | | | | | <u>Year</u> | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Source</u> | | 2013/14 | \$5 | \$0 | \$5 | State | | 2012/13 | 8 | 0 | 8 | NNEPRA | | 2011/12 | 6 | 0 | 6 | State | |
|--|---|-------------|------------------------|-----------------|---------------|-----------------|---------------|-------------|-----------|--------------|-------------|---------|----------|----------|----------|----------|-------|---------|--------|--------|--------|--------|-------|---------|--------|--------|--------|--------|-------|--|--|--|--|--|--|-------------|-------------|-----------|--------------|---------------|--|---------|------|------|-------|-------|--|---------|----|----|-----|-------|--|---------|-----|----|-----|-------|--|--|--|--|--|--|--|-------------|-------------|-----------|--------------|---------------|--|---------|-----|-----|-----|-------|--|---------|---|---|---|--------|--|---------|---|---|---|-------|--|
| <u>Year</u> | <u>State Employees</u> | | | <u>Teachers</u> | <u>Source</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Cash</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | \$47,932 | \$15,000 | \$62,932 | \$25,241 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 51,988 | 14,000 | 65,988 | 24,950 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011/12 | 44,607 | 22,000 | 66,607 | 21,742 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Maine Educational Center for the Deaf and Hard of Hearing</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Source</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | \$98 | \$27 | \$125 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 97 | 30 | 127 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011/12 | 102 | 43 | 145 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Northern New England Rail Passenger Authority</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Cash</u> | <u>IS</u> | <u>Total</u> | <u>Source</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | \$5 | \$0 | \$5 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 8 | 0 | 8 | NNEPRA | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2011/12 | 6 | 0 | 6 | State | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



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FUNDING POLICY & BENEFIT COMMITMENT

**State Employees
State Funding Policy**

- Phase into full ARC funding over 10-year period beginning with 2009/10:

| Fiscal Year | Funding Policy Contribution | Trust Pre-Funding (\$millions) | |
|-------------|-----------------------------|--------------------------------|---------|
| | | Per Policy | Actual |
| 2007/08 | PayGo + \$100 million | \$100.0 | \$100.0 |
| 2008/09 | PayGo | - | - |
| 2009/10 | PayGo + 10% x (ARC – PayGo) | 3.5 | 0 |
| 2010/11 | PayGo + 20% x (ARC – PayGo) | 9.8 | 14.4 |
| 2011/12 | PayGo + 30% x (ARC – PayGo) | 17.7 | 6.0 |
| 2012/13 | PayGo + 40% x (ARC – PayGo) | 10.8 | 1.8 |
| 2013/14 | PayGo + 50% x (ARC – PayGo) | 14.0 | 0 |
| 2014/15 | PayGo + 60% x (ARC – PayGo) | n/a | n/a |
| 2015/16 | PayGo + 70% x (ARC – PayGo) | n/a | n/a |
| 2016/17 | PayGo + 80% x (ARC – PayGo) | n/a | n/a |
| 2017/18 | PayGo + 90% x (ARC – PayGo) | n/a | n/a |
| 2018/19+ | 100% of ARC | n/a | n/a |



FUNDING POLICY & BENEFIT COMMITMENT

**State Employees
State Funding Policy**

- Benefit payments paid from State Cash Pool until 2027
- Amortization (Public Law 368 §H-2 amending Title 5 MRSA §286-B):
 - Experience gains & losses amortized over fixed 10-year periods
 - Contribution losses amortized over fixed 10-year periods
 - Assumption changes amortized over fixed 23-year periods from 6/30/14
 - Plan changes amortized over fixed 23-year periods from 6/30/14
- Budgeted 2014/15 pre-funding contribution is \$0

**State Employees
State Benefit Commitment**

- Public Law Chapter 368 §H-1: “The total premium increase for active and retired state employee health insurance is capped at the fiscal year 2010-11 funding level for the fiscal years ending June 30, 2012 and June 30, 2013. The total premium increase for the fiscal years ending June 30, 2014 and June 30, 2015 is limited to no more than 1.5 percentage points per year. The total premium increase for fiscal years ending after June 30, 2015 is limited to no more than any percentage increase in the Consumer Price Index as defined in section 17001, subsection 9 plus 3%.”



FUNDING POLICY & BENEFIT COMMITMENT

Teachers State Funding Policy

- Phase into full ARC funding over an 8-year period beginning with 2015/16:

| Fiscal Year | Contribution |
|------------------|---|
| Prior to 2013/14 | PayGo |
| 2013/14 | PayGo (\$24 million budget per LD 1509) |
| 2014/15 | PayGo (\$26 million budget per LD 1509) |
| 2015/16 | PayGo + 12.5% x (ARC – PayGo) |
| 2016/17 | PayGo + 25.0% x (ARC – PayGo) |
| 2017/18 | PayGo + 37.5% x (ARC – PayGo) |
| 2018/19 | PayGo + 50.0% x (ARC – PayGo) |
| 2019/20 | PayGo + 62.5% x (ARC – PayGo) |
| 2020/21 | PayGo + 75.0% x (ARC – PayGo) |
| 2021/22 | PayGo + 87.5% x (ARC – PayGo) |
| 2022/23+ | 100% of ARC |



FUNDING POLICY & BENEFIT COMMITMENT

Teachers State Funding Policy

- Benefit payments assumed paid from State Cash Pool until at least 2023
- Amortization (Public Law 368 §H-2 amending Title 5 MRSA §286-B):
 - Experience gains & losses amortized over fixed 15-year periods
 - Contribution losses amortized over fixed 15-year periods
 - Assumption changes amortized over fixed 23-year periods from 6/30/14
 - Plan changes amortized over fixed 23-year periods from 6/30/14

Teachers State Benefit Commitment

- Public Law Chapter 368 §H-3: “For fiscal years ending June 30, 2012, June 30, 2013, June 30, 2014, and June 30, 2015, the State’s total cost for retired teachers’ health insurance premiums is budgeted at the fiscal years 2010-11 funding level adjusted for projected membership growth. The increase in the State’s total cost for retired teachers’ health insurance premiums for fiscal years ending after June 30, 2015 is budgeted at no more than any percentage increase in the Consumer Price Index as defined in Title 5, section 17001, subsection 9 plus 3%.”



DATA SUMMARY

Participant Statistics
June 30, 2014

| | State Employees⁴ | Teachers⁵ | Maine Educational Center for the Deaf⁶ | Northern New England Passenger Rail Authority⁷ |
|---------------------------|--|-----------------------------|--|--|
| ■ Actives | | | | |
| • Count | 12,416 | 27,733 | 70 | 7 |
| • Average Age | 47.9 | 46.5 | 46.6 | 45.5 |
| • Average Service | 14.0 | 15.3 | 12.1 | 7.3 |
| • Average Pay | \$43,758 | \$39,886 | \$42,130 | \$63,327 |
| • Total Payroll (\$000's) | 543,300 | 1,106,167 | 2,949 | 443 |
| ■ Retirees | | | | |
| • Count | 11,056 | 9,933 | 36 | 2 |
| • Average Age | 71.5 | 70.9 | 69.6 | 71.4 |

⁴ Includes 181 Legislative and 60 Judicial active employees and 89 Legislative and 54 Judicial retirees.

⁵ Average age assumed for 1 retiree with missing birth date.

⁶ Actives exclude substitute teachers not eligible for the retiree healthcare plan benefit. Actives include 10 employees who waived coverage.

⁷ Actives include 1 employee who waived coverage.



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DATA SUMMARY

Participant Statistics
June 30, 2012

| | State Employees⁸ | Teachers | Maine Educational Center for the Deaf | Northern New England Passenger Rail Authority |
|-----------------------------|--|---------------------|--|--|
| ■ Actives | | | | |
| • Count | 12,419 | 28,375 ⁹ | 57 | 6 |
| • Average Age | 48.0 | 46.3 | 47.4 | 45.4 |
| • Average Service | 14.1 | 14.9 | 10.0 | 6.0 |
| • Average Pay ¹⁰ | \$40,417 | \$40,744 | \$42,705 | \$62,531 |
| • Total Payroll (\$000's) | 501,935 | 1,156,122 | 2,434 | 375 |
| ■ Retirees | | | | |
| • Count | 9,587 | 9,520 | 11 | 2 |
| • Average Age | 70.4 | 70.1 | 62.6 | 69.4 |

⁸ Includes 165 Legislative and 59 Judicial active employees and 78 Legislative and 22 Judicial retirees. Average age by service group assumed for 101 employees missing birth dates and average service by age group assumed for 152 employees missing hire dates.

⁹ Data excludes 7,253 non Teacher school employees who were included in the prior valuation and includes 9,647 Teachers that waived medical coverage and were not included in the prior valuation. Includes 564 inactives and 257 terminated vested with the active Teacher data.

¹⁰ Average pay provided by the State. Total payroll calculated as average pay multiplied by number of active employees.



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DATA SUMMARY

Active Participant Statistics by Tier
State Employees and Teachers
June 30, 2014

| | State Employees ¹¹ | | | | Teachers | | | |
|-------------------|-------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|
| | Tier 1 | Tier 2 | Tier 3 | Total | Tier 1 | Tier 2 | Tier 3 | Total |
| ■ Actives | | | | | | | | |
| • Counts | | | | | | | | |
| ➤ Covered | 637 | 5,548 | 3,480 | 9,665 | 1,563 | 11,551 | 5,616 | 18,730 |
| ➤ Waived | <u>20</u> | <u>233</u> | <u>705</u> | <u>958</u> | <u>226</u> | <u>3,043</u> | <u>5,734</u> | <u>9,003</u> |
| ➤ Total | 657 | 5,781 | 4,185 | 10,623 | 1,789 | 14,594 | 11,350 | 27,733 |
| • Tier Percent | 6% | 55% | 39% | 100% | 6% | 53% | 41% | 100% |
| • Waived Percent | 3% | 4% | 17% | 9% | 13% | 21% | 51% | 32% |
| • Average Age | 59.3 | 52.1 | 42.2 | 48.6 | 60.0 | 50.5 | 39.4 | 46.5 |
| • Average Service | 35.6 | 18.7 | 4.7 | 14.2 | 34.7 | 19.9 | 6.4 | 15.3 |

¹¹ Excludes 1,793 State employees in Special Plans.



DATA SUMMARY

Active Participant Statistics by Tier
State Employees and Teachers
June 30, 2012

| | State Employees ¹² | | | | Teachers | | | |
|-------------------|-------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|
| | Tier 1 | Tier 2 | Tier 3 | Total | Tier 1 | Tier 2 | Tier 3 | Total |
| ■ Actives | | | | | | | | |
| • Counts | | | | | | | | |
| ➤ Covered | 1,058 | 6,423 | 2,481 | 9,962 | 2,648 | 13,040 | 3,040 | 18,728 |
| ➤ Waived | <u>18</u> | <u>284</u> | <u>502</u> | <u>804</u> | <u>484</u> | <u>5,640</u> | <u>3,523</u> | <u>9,647</u> |
| ➤ Total | 1,076 | 6,707 | 2,983 | 10,766 | 3,132 | 18,680 | 6,563 | 28,375 |
| • Tier Percent | 10% | 62% | 28% | 100% | 11% | 66% | 23% | 100% |
| • Waived Percent | 2% | 4% | 17% | 7% | 15% | 30% | 54% | 34% |
| • Average Age | 57.9 | 49.9 | 41.9 | 48.5 | 58.3 | 47.5 | 37.5 | 46.3 |
| • Average Service | 35.0 | 15.8 | 2.8 | 14.1 | 33.8 | 15.9 | 2.9 | 14.9 |

¹² Excludes 1,653 State employees in Special Plans. Includes State employees (not in Special Plans) with assumed birth and hire dates (101 with missing birth dates and 149 with missing hire dates).



STATE PLAN ASSETS

State Employees Trust Fund – Market Value of Assets (MVA)

(Amounts in Thousands)

| Market Value of Assets | 2011/12 | 2012/13 | 2013/14 |
|---|-----------|-----------|-----------|
| ■ Market Value at Beginning of Year | \$133,007 | \$139,897 | \$160,358 |
| • Prefunding Contributions | 6,000 | 1,840 | 0 |
| • State Paygo Contributions ¹³ | 44,607 | 51,988 | 47,932 |
| • Investment Return | 1,001 | 18,754 | 29,618 |
| • State Paygo Benefit Payments | (44,607) | (51,988) | (47,932) |
| • Investment Expenses | (42) | (47) | (53) |
| • Administrative Expenses | (69) | (94) | (94) |
| ■ Market Value at End of Year | 139,897 | 160,350 | 189,829 |
| ■ Approximate Return | 0.7% | 13.3% | 18.4% |

¹³ Benefit payments only. Excludes administrative expenses paid directly by State.



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STATE PLAN ASSETS

State Employees Trust Fund – Actuarial Value of Assets (AVA)

(Amounts in Thousands)

| Actuarial Value of Assets | 2011/12 | 2012/13 | 2013/14 |
|--|-----------|-----------|-----------|
| ■ Actuarial Value at Beginning of Year | \$120,146 | \$135,865 | \$150,114 |
| • Contributions | 50,765 | 54,184 | 47,932 |
| • Benefit Payments | (44,765) | (52,344) | (47,932) |
| • Expected Investment Return | 8,711 | 9,850 | 10,883 |
| ■ Expected AVA at End of Year | 134,857 | 147,555 | 160,998 |
| ■ Market Value at End of Year | 139,897 | 160,350 | 189,829 |
| ■ MVA - Expected AVA | 5,040 | 12,795 | 28,831 |
| ■ 1/5 of (MVA - Expected AVA) | 1,008 | 2,559 | 5,766 |
| ■ Preliminary AVA | 135,865 | 150,114 | 166,764 |
| ■ Minimum AVA (80% of MVA) | 111,918 | 128,280 | 151,863 |
| ■ Maximum AVA (120% of MVA) | 167,876 | 192,420 | 227,795 |
| ■ Actuarial Value at End of Year | 135,865 | 150,114 | 166,764 |
| ■ AVA Net Return | 8.1% | 9.1% | 11.1% |
| ■ AVA/MVA | 97.1% | 93.6% | 87.8% |



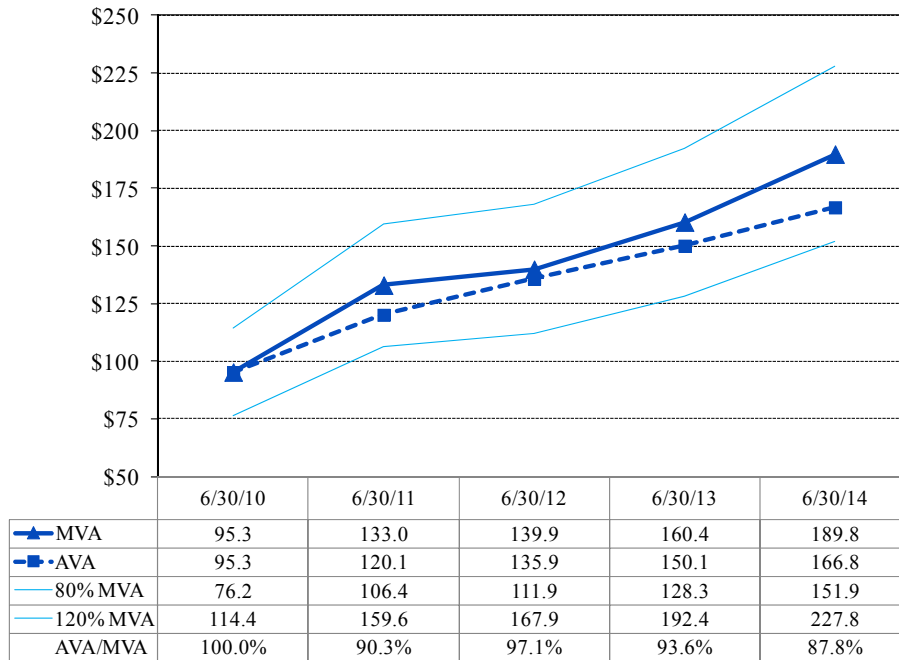
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STATE PLAN ASSETS

Historical Plan Assets (Amounts in Millions)



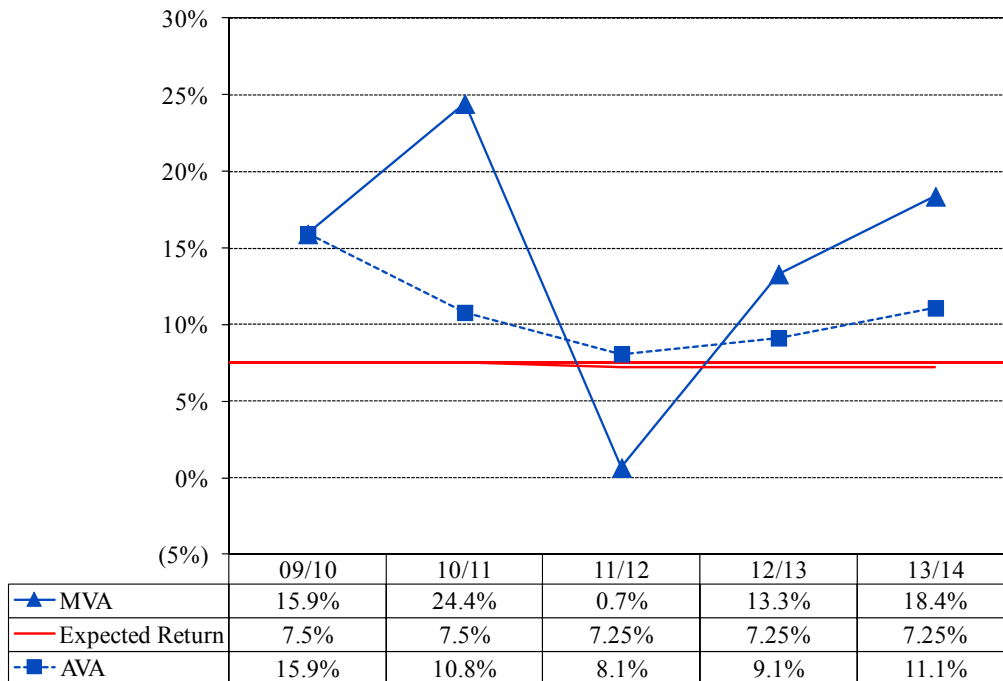
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STATE PLAN ASSETS

Historical Asset Returns



November 11, 2014

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STATE PLAN ASSETS

Asset Allocation
(Amounts in Thousands)

| Asset Class | Target Allocation | 6/30/14 Actual Allocation | |
|------------------------|-------------------|---------------------------|------|
| ■ US Equity | 45% | \$88,448 | 46% |
| ■ International Equity | 25% | 46,748 | 25% |
| ■ US Fixed Income | 25% | 45,809 | 24% |
| ■ Real Estate | 5% | 8,932 | 5% |
| ■ Cash | 0% | 0 | 0% |
| ■ Total | 100% | 189,937 ¹⁴ | 100% |

¹⁴ Differs from market value of plan assets of \$189,829 which includes a \$94 liability and \$14 in accrued investment management fees.



STATE PLAN ASSETS

Expected Rate of Return Illustration¹⁵

| Asset Class | Expected Real Return ¹⁶ | Target Asset Allocation |
|---|------------------------------------|-------------------------|
| ■ US Equity | 5.5% | 45% |
| ■ Foreign Equity | 5.5% | 25% |
| ■ US Fixed Income | 1.6% | 25% |
| ■ Real Estate | 4.3% | 5% |
| ■ Cash | 0.5% | 0% |
| ■ Assumed Long-Term Rate of Inflation | | 3.00% |
| ■ Assumed Long-Term Investment Expenses | | 0.10% |
| ■ 50% Confidence Level Return (50 th Percentile) | | 7.67% |
| ■ 55% Confidence Level Return (45 th Percentile) ¹⁷ | | 7.42% |
| ■ 60% Confidence Level Return (40 th Percentile) | | 7.13% |
| ■ Recommended Full Prefunding Discount Rate | | 7.25% |

¹⁵ Discount rate review done for 3/31/11 valuation and will be updated for 6/30/15 interim valuation.

¹⁶ Approximate 10-year geometric real rates of return provided by independent investment advisors in May 2010.

¹⁷ "55% Confidence Level" means that over the long-term 55% of the time net returns are expected to be greater than 7.42% and 45% of the time net returns are expected to be less than 7.42%.



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------|---|---|-------------|-------------|-------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|---|-------------|-------------|-------------|-------------|---------|-----|---------|-------|---------|-----|---------|-------|---------|-------|----------|-------|---------|-------|--|--|
| ■ Valuation Date | <ul style="list-style-type: none"> • June 30, 2012 • 2012/13 and 2013/14 ARCs | <ul style="list-style-type: none"> • June 30, 2014 • 2014/15 and 2015/16 ARCs | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Discount Rate Basis | <ul style="list-style-type: none"> • No pre-funding rate - 4.00% • Full pre-funding rate - 7.25% | <ul style="list-style-type: none"> • Same | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Discount Rate State Employees | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>4.49%</td> <td>2016/17</td> <td>6.60%</td> </tr> <tr> <td>2013/14</td> <td>5.63%</td> <td>2017/18</td> <td>6.93%</td> </tr> <tr> <td>2014/15</td> <td>5.95%</td> <td>2018/19+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>6.28%</td> <td></td> <td></td> </tr> </tbody> </table> | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | 4.49% | 2016/17 | 6.60% | 2013/14 | 5.63% | 2017/18 | 6.93% | 2014/15 | 5.95% | 2018/19+ | 7.25% | 2015/16 | 6.28% | | | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>n/a</td> <td>2016/17</td> <td>6.60%</td> </tr> <tr> <td>2013/14</td> <td>n/a</td> <td>2017/18</td> <td>6.93%</td> </tr> <tr> <td>2014/15</td> <td>5.95%</td> <td>2018/19+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>6.28%</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> • State should consider using lower discount rate if it cannot follow stated funding policy | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | n/a | 2016/17 | 6.60% | 2013/14 | n/a | 2017/18 | 6.93% | 2014/15 | 5.95% | 2018/19+ | 7.25% | 2015/16 | 6.28% | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 4.49% | 2016/17 | 6.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | 5.63% | 2017/18 | 6.93% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 5.95% | 2018/19+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 6.28% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | n/a | 2016/17 | 6.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | n/a | 2017/18 | 6.93% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 5.95% | 2018/19+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 6.28% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|----------------------------------|---|--|-------------|-------------|-------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|---------|-------|--|--|---------|-------|--|--|---|-------------|-------------|-------------|-------------|---------|-----|---------|-------|---------|-----|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|
| ■ Discount Rate Teachers | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>4.00%</td> <td>2018/19</td> <td>6.44%</td> </tr> <tr> <td>2013/14</td> <td>4.41%</td> <td>2019/20</td> <td>6.84%</td> </tr> <tr> <td>2014/15</td> <td>4.81%</td> <td>2020/21+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>5.22%</td> <td></td> <td></td> </tr> <tr> <td>2016/17</td> <td>5.63%</td> <td></td> <td></td> </tr> <tr> <td>2017/18</td> <td>6.03%</td> <td></td> <td></td> </tr> </tbody> </table> | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | 4.00% | 2018/19 | 6.44% | 2013/14 | 4.41% | 2019/20 | 6.84% | 2014/15 | 4.81% | 2020/21+ | 7.25% | 2015/16 | 5.22% | | | 2016/17 | 5.63% | | | 2017/18 | 6.03% | | | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1" style="margin-left: 40px;"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>n/a</td> <td>2018/19</td> <td>5.63%</td> </tr> <tr> <td>2013/14</td> <td>n/a</td> <td>2019/20</td> <td>6.03%</td> </tr> <tr> <td>2014/15</td> <td>4.00%</td> <td>2020/21</td> <td>6.44%</td> </tr> <tr> <td>2015/16</td> <td>4.41%</td> <td>2021/22</td> <td>6.84%</td> </tr> <tr> <td>2016/17</td> <td>4.81%</td> <td>2022/23+</td> <td>7.25%</td> </tr> <tr> <td>2017/18</td> <td>5.22%</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> • State should consider using lower discount rate if it cannot follow stated funding policy | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | n/a | 2018/19 | 5.63% | 2013/14 | n/a | 2019/20 | 6.03% | 2014/15 | 4.00% | 2020/21 | 6.44% | 2015/16 | 4.41% | 2021/22 | 6.84% | 2016/17 | 4.81% | 2022/23+ | 7.25% | 2017/18 | 5.22% | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 4.00% | 2018/19 | 6.44% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | 4.41% | 2019/20 | 6.84% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 4.81% | 2020/21+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 5.22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 | 5.63% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 | 6.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | n/a | 2018/19 | 5.63% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | n/a | 2019/20 | 6.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 4.00% | 2020/21 | 6.44% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 4.41% | 2021/22 | 6.84% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 | 4.81% | 2022/23+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 | 5.22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| ■ Discount Rate Ancillary Groups | <ul style="list-style-type: none"> • 4.0% | <ul style="list-style-type: none"> • Same | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | | | | June 30, 2014 Valuation | | | | | |
|---|---|---------------|-------------|-------------|--------------------------|---------------|-------------|-------------|----------|--|
| ■ Healthcare Cost Increases State Employees and Ancillary Groups | Increase from Prior Year | | | | Increase from Prior Year | | | | | |
| | | HMO | | Medicare | | | HMO | | Medicare | |
| | <u>Year</u> | <u>Choice</u> | <u>Year</u> | <u>Plan</u> | <u>Year</u> | <u>Choice</u> | <u>Year</u> | <u>Plan</u> | | |
| | 2012/13 | Premium | 2012 | Premium | 2012/13 | n/a | 2012 | n/a | | |
| | 2013/14 | 8.5% | 2013 | 8.9% | 2013/14 | n/a | 2013 | n/a | | |
| | 2014/15 | 8.0% | 2014 | 8.3% | 2014/15 | Premium | 2014 | Premium | | |
| | 2015/16 | 7.5% | 2015 | 7.8% | 2015/16 | 6.0% | 2015 | 7.8% | | |
| | 2016/17 | 7.0% | 2016 | 7.2% | 2016/17 | 6.0% | 2016 | 7.2% | | |
| | 2017/18 | 6.5% | 2017 | 6.7% | 2017/18 | 6.0% | 2017 | 6.7% | | |
| | 2018/19 | 6.0% | 2018 | 6.1% | 2018/19 | 6.0% | 2018 | 6.1% | | |
| | 2019/20 | 5.5% | 2019 | 5.6% | 2019/20 | 5.5% | 2019 | 5.6% | | |
| 2020/21+ | 5.0% | 2020+ | 5.0% | 2020/21+ | 5.0% | 2020+ | 5.0% | | | |
| | <ul style="list-style-type: none"> ● HMO Choice premium increases for fiscal years ending after 6/30/15 limited to CPI plus 3% per Public Law Chapter 368 §H-1 | | | | | | | | | |



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | | | | June 30, 2014 Valuation | | | | | |
|---|---|---------------|---------------|-------------|--------------------------|---------------|---------------|-------------|----------|--|
| ■ Healthcare Cost Increases Teachers | Increase from Prior Year | | | | Increase from Prior Year | | | | | |
| | | HMO | | Medicare | | | HMO | | Medicare | |
| | <u>Year</u> | <u>Choice</u> | <u>Choice</u> | <u>Plan</u> | <u>Year</u> | <u>Choice</u> | <u>Choice</u> | <u>Plan</u> | | |
| | 2012/13 | Premium | Premium | Premium | 2012/13 | n/a | n/a | n/a | | |
| | 2013/14 | 8.5% | 8.5% | 8.9% | 2013/14 | n/a | n/a | n/a | | |
| | 2014/15 | 8.0% | 8.0% | 8.3% | 2014/15 | Premium | Premium | Premium | | |
| | 2015/16 | 7.5% | 7.5% | 7.8% | 2015/16 | 7.5% | 7.5% | 7.8% | | |
| | 2016/17 | 7.0% | 7.0% | 7.2% | 2016/17 | 7.0% | 7.0% | 7.2% | | |
| | 2017/18 | 6.5% | 6.5% | 6.7% | 2017/18 | 6.5% | 6.5% | 6.7% | | |
| | 2018/19 | 6.0% | 6.0% | 6.1% | 2018/19 | 6.0% | 6.0% | 6.1% | | |
| | 2019/20 | 5.5% | 5.5% | 5.6% | 2019/20 | 5.5% | 5.5% | 5.6% | | |
| 2020/21+ | 5.0% | 5.0% | 5.0% | 2020/21+ | 5.0% | 5.0% | 5.0% | | | |
| | <ul style="list-style-type: none"> ● LD 1043 capped State cost for Teachers non-Medicare premiums for 2011/12 and 2012/13 at the 2010/11 funding level. Multiplied State paid cash subsidy by 93.8% for 2012/13 so as not to exceed budgeted \$23 million. | | | | | | | | | |



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|--------------------------------------|--|--|
| <p>■ Participation at Retirement</p> | <ul style="list-style-type: none"> • State: <ul style="list-style-type: none"> ➢ Currently covered - 95% for future retirees and 10% for spouses ➢ Currently waived: <ul style="list-style-type: none"> - Hired \leq 7/1/91 - 20% will elect medical coverage before retirement - Hired $>$ 7/1/91 - 20% will elect medical coverage before retirement and receive 50% cash subsidy, 10% will elect medical and have implied subsidy only • Teachers: <ul style="list-style-type: none"> ➢ Currently covered - 75% for future retirees ➢ Currently waived - $\frac{1}{3}$ will elect medical coverage | <ul style="list-style-type: none"> • Same |



ASSUMPTIONS HIGHLIGHTS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|------------------------------|--|--|
| <p>■ Ineligible Teachers</p> | <ul style="list-style-type: none"> • Ineligible Teachers assumed equal to 10% of all Teachers • 1/3 of ineligible Teachers assumed to receive State contribution at retirement • Assumption per State | <ul style="list-style-type: none"> • Same |



STATE EMPLOYEES RESULTS

Actuarial Obligations

(Amounts in Millions)

| Actuarial Obligations | 6/30/12 Valuation | | | 6/30/14 Valuation | | |
|---|-------------------|-----------------|--------------|-------------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$ 541 | \$ 124 | \$ 665 | \$ 509 | \$ 103 | \$ 612 |
| • Retirees | <u>624</u> | <u>184</u> | <u>808</u> | <u>574</u> | <u>164</u> | <u>738</u> |
| • Total | 1,165 | 308 | 1,473 | 1,083 | 267 | 1,350 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 401 | 107 | 508 | 395 | 91 | 486 |
| • Retirees | <u>624</u> | <u>184</u> | <u>808</u> | <u>574</u> | <u>164</u> | <u>738</u> |
| • Total | 1,025 | 291 | 1,316 | 969 | 255 | 1,224 |
| ■ Actuarial Value of Assets ¹⁸ | <u>(106)</u> | <u>(30)</u> | <u>(136)</u> | <u>(132)</u> | <u>(35)</u> | <u>(167)</u> |
| ■ Unfunded AAL | 919 | 261 | 1,180 | 837 | 220 | 1,057 |
| ■ Funded % | | | 10.3% | | | 13.6% |
| ■ Normal Cost | 20 | 3 | 23 | 18 | 2 | 20 |
| ■ Normal Cost % Pay | 4.0% | 0.6% | 4.6% | 3.3% | 0.4% | 3.7% |

¹⁸ Allocated in proportion to the Actuarial Accrued Liability.



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STATE EMPLOYEES RESULTS

Estimated Actuarial Gains & Losses

(Amounts in Millions)

| Actuarial Gains & Losses | NC% | AAL | (AVA) | UAAL |
|---|--------|---------|---------|---------|
| ■ 6/30/12 Actual | 4.6% | \$1,316 | \$(136) | \$1,180 |
| ■ 6/30/14 Expected | 4.6% | 1,353 | (199) | 1,154 |
| ■ Experience Losses (Gains): | | | | |
| • Actual versus Expected Healthcare Costs | (0.5%) | (161) | - | (161) |
| • Demographic, Benefit Payments, & Other | (0.4%) | 48 | - | 48 |
| • Asset Loss (Gain) | - | - | 32 | 32 |
| ■ Assumption Changes: | | | | |
| • Healthcare Trend Capped at 6% | 0.0% | (16) | - | (16) |
| ■ Plan Changes - None | 0.0% | 0 | - | 0 |
| ■ Total Changes | (0.9%) | (129) | 32 | (97) |
| ■ 6/30/14 Actual | 3.7% | 1,224 | (167) | 1,057 |



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STATE EMPLOYEES RESULTS

Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Millions)

| Amortization Base | Original Bases | | | Remaining Bases 6/30/2014 | | 2014/15 Amortization Payment |
|------------------------------|----------------|-------|---------|------------------------------|---------|------------------------------------|
| | Date | Years | Amount | Years | Balance | |
| ■ Initial UAAL | 6/30/08 | 29 | \$1,144 | 23 | \$1,108 | \$73 |
| ■ Experience Losses (Gains) | 6/30/09 | 10 | 83 | 5 | 51 | 11 |
| | 6/30/10 | 10 | 99 | 6 | 69 | 13 |
| | 6/30/11 | 10 | (34) | 7 | (26) | (4) |
| | 6/30/12 | 10 | (199) | 8 | (171) | (25) |
| | 6/30/13 | 10 | (146) | 9 | (137) | (18) |
| | 6/30/14 | 10 | 56 | 10 | 56 | 7 |
| ■ Assumption Changes | 6/30/10 | 27 | 35 | 23 | 31 | 2 |
| | 6/30/11 | 26 | 266 | 23 | 258 | 17 |
| | 6/30/12 | 25 | (32) | 23 | (31) | (2) |
| | 6/30/14 | 23 | (16) | 23 | (16) | (1) |
| ■ Plan Changes | 6/30/11 | 26 | (139) | 23 | (135) | (9) |
| ■ Unfunded AAL | 6/30/14 | | | | 1,057 | 64 |
| ■ Unfunded AAL ¹⁹ | 6/30/14 | | | 30 | 1,057 | 60 |

¹⁹ Total amortization payment cannot be less than the UAAL amortized over 30 years.



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STATE EMPLOYEES RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

| Valuation Date | 6/30/12 Valuation | | 6/30/14 Valuation | |
|----------------------|-------------------|--------------|-------------------|--------------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$ 23 | \$ 24 | \$ 20 | \$ 21 |
| • UAAL Amortization | <u>71</u> | <u>75</u> | <u>64</u> | <u>67</u> |
| • ARC | 94 | 99 | 84 | 88 |
| ■ Projected Payroll | 502 | 518 | 543 | 561 |
| ■ ARC - % | | | | |
| • Normal Cost | 4.6% | 4.6% | 3.7% | 3.7% |
| • UAAL Amortization | <u>14.0%</u> | <u>14.5%</u> | <u>11.8%</u> | <u>11.9%</u> |
| • ARC | 18.6% | 19.1% | 15.5% | 15.7% |
| ■ Pay-As-You-Go Cost | 67 | 71 | 67 | 71 |



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STATE EMPLOYEES RESULTS

Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Millions)

| Annual Required Contribution | 2014/15 | | | 2015/16 | | |
|-----------------------------------|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 18 | \$ 2 | \$ 20 | \$ 19 | \$ 2 | \$ 21 |
| • UAAL Amortization ²⁰ | <u>50</u> | <u>14</u> | <u>64</u> | <u>53</u> | <u>14</u> | <u>67</u> |
| • ARC | 68 | 16 | 84 | 72 | 16 | 88 |
| ■ Projected Payroll | 543 | 543 | 543 | 561 | 561 | 561 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 3.3% | 0.4% | 3.7% | 3.4% | 0.4% | 3.7% |
| • UAAL Amortization | <u>9.2%</u> | <u>2.5%</u> | <u>11.8%</u> | <u>9.4%</u> | <u>2.5%</u> | <u>11.9%</u> |
| • ARC | 12.5% | 2.9% | 15.5% | 12.8% | 2.9% | 15.7% |
| ■ Pay-As-You-Go Cost | 53 | 14 | 67 | 56 | 15 | 71 |

²⁰ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



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STATE EMPLOYEES RESULTS

Annual Required Contribution (ARC)

June 30, 2012 Valuation

(Amounts in Millions)

| Annual Required Contribution | 2012/13 | | | 2013/14 | | |
|-----------------------------------|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 20 | \$ 3 | \$ 23 | \$ 21 | \$ 3 | \$ 24 |
| • UAAL Amortization ²¹ | <u>55</u> | <u>16</u> | <u>71</u> | <u>58</u> | <u>17</u> | <u>75</u> |
| • ARC | 75 | 19 | 94 | 79 | 20 | 99 |
| ■ Projected Payroll | 502 | 502 | 502 | 518 | 518 | 518 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 4.0% | 0.6% | 4.6% | 4.0% | 0.6% | 4.6% |
| • UAAL Amortization | <u>10.9%</u> | <u>3.1%</u> | <u>14.0%</u> | <u>11.2%</u> | <u>3.2%</u> | <u>14.5%</u> |
| • ARC | 14.9% | 3.7% | 18.6% | 15.2% | 3.8% | 19.1% |
| ■ Pay-As-You-Go Cost | 53 | 14 | 67 | 56 | 15 | 71 |

²¹ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



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STATE EMPLOYEES RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Millions)

| Estimated Net OPEB Obligation | CAFR 2012/13 | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 |
|---------------------------------------|-----------------|---------------------|---------------------|---------------------|
| ■ Discount Rate | 4.49% | 5.63% | 5.95% | 6.28% |
| ■ NOO at Beginning of Year | \$ 92 | \$ 111 | \$ 140 | \$ 148 |
| ■ Annual OPEB Cost (AOC) | | | | |
| • Annual Required Contribution | 94 | 99 | 84 | 88 |
| • Interest on NOO | 4 | 6 | 8 | 9 |
| • NOO Adjustment | (11) | (13) | (17) | (18) |
| • Annual OPEB Cost | 87 | 92 | 75 | 79 |
| ■ Contributions | | | | |
| • Benefit Payments Outside Trust | | | | |
| ➢ Cash Subsidy Payments ²² | (52) | (48) | (53) | (56) |
| ➢ Implied Subsidy Payments | (14) | (15) | (14) | (15) |
| • Trust Pre-Funding | (2) | (0) | (0) | (12) |
| • Total Contributions | (68) | (63) | (67) | (83) |
| ■ NOO at End of Year | 111 | 140 | 148 | 144 |
| ■ NOO Amortization Years | 10 | 10 | 10 | 10 |
| ■ NOO Amortization Factor | 8.52 | 8.30 | 8.19 | 8.10 |

²² Estimated contributions for years after 2013/14. Estimated items other than the ARC must be revised when actual contributions are known.



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STATE EMPLOYEES RESULTS

Contribution & Expense Projection

(Amounts in Millions)

| Fiscal Year | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contributions | | | | | Contrib % of ARC | ARC as % of Payroll | Funded % Begin Year |
|-------------|----------------|------|------------------------|------------------|-----------------|------------|----------|---------------|------------------|---------------------|---------------------|
| | | | | Benefit Payments | | | Pre Fund | Total Contrib | | | |
| | | | | Cash Subsidy | Implied Subsidy | Total Pmts | | | | | |
| 2014/15 | \$140 | \$84 | \$75 | \$53 | \$14 | \$67 | \$ - | \$ 67 | 80% | 15.5% | 13.6% |
| 2015/16 | 148 | 88 | 79 | 56 | 15 | 71 | 12 | 83 | 94% | 15.7% | 14.2% |
| 2016/17 | 144 | 90 | 81 | 60 | 16 | 76 | 11 | 87 | 97% | 15.5% | 15.8% |
| 2017/18 | 138 | 92 | 84 | 63 | 17 | 80 | 10 | 90 | 98% | 15.3% | 17.3% |
| 2018/19 | 132 | 95 | 86 | 66 | 18 | 84 | 11 | 95 | 100% | 15.4% | 18.8% |
| 2019/20 | 123 | 87 | 77 | 68 | 18 | 86 | 1 | 87 | 100% | 13.6% | 20.4% |
| 2020/21 | 113 | 89 | 77 | 71 | 19 | 90 | (1) | 89 | 100% | 13.5% | 21.3% |
| 2021/22 | 101 | 91 | 79 | 73 | 20 | 93 | (2) | 91 | 100% | 13.5% | 21.7% |
| 2022/23 | 89 | 115 | 100 | 76 | 20 | 96 | 19 | 115 | 100% | 16.3% | 22.3% |
| 2023/24 | 74 | 143 | 127 | 78 | 21 | 99 | 44 | 143 | 100% | 19.8% | 24.5% |



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STATE EMPLOYEES RESULTS

Discount Rate Sensitivity - Actuarial Obligations

June 30, 2014 Valuation

(Amounts in Millions)

| ■ Funding Policy | Valuation Results | | | No Future Pre-Funding | | |
|---|-------------------|-----------------|--------------|-----------------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Actuarial Obligations | | | | | | |
| ■ Discount Rate | Select & Ultimate | | | 4.45% ²³ | | |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$ 509 | \$ 103 | \$ 612 | \$ 867 | \$ 162 | \$ 1,029 |
| • Retirees | <u>574</u> | <u>164</u> | <u>738</u> | <u>730</u> | <u>210</u> | <u>940</u> |
| • Total | 1,083 | 267 | 1,350 | 1,597 | 372 | 1,969 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 395 | 91 | 486 | 618 | 136 | 754 |
| • Retirees | <u>574</u> | <u>164</u> | <u>738</u> | <u>730</u> | <u>210</u> | <u>940</u> |
| • Total | 969 | 255 | 1,224 | 1,348 | 346 | 1,694 |
| ■ Actuarial Value of Assets ²⁴ | <u>(132)</u> | <u>(35)</u> | <u>(167)</u> | <u>(132)</u> | <u>(35)</u> | <u>(167)</u> |
| ■ Unfunded AAL | 837 | 220 | 1,057 | 1,216 | 311 | 1,527 |

²³ Prorated discount rate based on portion of PVB funded (14.5%) using 7.25% discount rate and Market Value of Assets: [14.5%*7.25% + 85.5%*4.00%] rounded to the nearest 0.05%.

²⁴ Allocated in proportion to the Actuarial Accrued Liability.



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STATE EMPLOYEES RESULTS

Discount Rate Sensitivity - Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Millions)

| ■ Funding Policy | Valuation Results | | No Future Pre-Funding | |
|----------------------|-------------------|--------------|-----------------------|--------------|
| | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| ■ Discount Rate | Select & Ultimate | | 4.45% | |
| ■ Fiscal Year | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$ 20 | \$ 21 | \$ 35 | \$ 37 |
| • UAAL Amortization | <u>64</u> | <u>67</u> | <u>100</u> | <u>107</u> |
| • ARC | 84 | 88 | 135 | 144 |
| ■ Projected Payroll | 543 | 561 | 543 | 561 |
| ■ ARC - % | | | | |
| • Normal Cost | 3.7% | 3.7% | 6.5% | 6.6% |
| • UAAL Amortization | <u>11.8%</u> | <u>11.9%</u> | <u>18.4%</u> | <u>19.1%</u> |
| • ARC | 15.5% | 15.7% | 24.9% | 25.7% |
| ■ Pay-As-You-Go Cost | 67 | 71 | 67 | 71 |



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TEACHERS RESULTS

Actuarial Obligations

(Amounts in Millions)

| Actuarial Obligations | 6/30/12 Valuation | | | 6/30/14 Valuation | | |
|-------------------------------|-------------------|-----------------|------------|-------------------|-----------------|------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$378 | n/a | \$378 | \$389 | n/a | \$389 |
| • Retirees | <u>356</u> | <u>n/a</u> | <u>356</u> | <u>371</u> | <u>n/a</u> | <u>371</u> |
| • Total | 734 | n/a | 734 | 760 | n/a | 760 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 309 | n/a | 309 | 313 | n/a | 313 |
| • Retirees | <u>356</u> | <u>n/a</u> | <u>356</u> | <u>371</u> | <u>n/a</u> | <u>371</u> |
| • Total | 665 | n/a | 665 | 684 | n/a | 684 |
| ■ Actuarial Value of Assets | <u>0</u> | <u>n/a</u> | <u>0</u> | <u>0</u> | <u>n/a</u> | <u>0</u> |
| ■ Unfunded AAL | 665 | n/a | 665 | 684 | n/a | 684 |
| ■ Normal Cost | 10 | n/a | 10 | 11 | n/a | 11 |
| ■ Normal Cost % Pay | 0.9% | n/a | 0.9% | 1.0% | n/a | 1.0% |



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TEACHERS RESULTS

Estimated Actuarial Gains & Losses

(Amounts in Millions)

| Actuarial Gains & Losses | NC% | AAL | (AVA) | UAAL |
|---|------|-------|-------|-------|
| ■ 6/30/12 Actual | 0.9% | \$665 | \$ - | \$665 |
| ■ 6/30/14 Expected | 0.9% | 696 | (40) | 656 |
| ■ Experience Losses (Gains): | | | | |
| • Actual versus Expected Healthcare Costs | 0.0% | (24) | - | (24) |
| • Demographic, Benefit Payments, & Other | 0.0% | (16) | - | (16) |
| • Asset Loss (Gain) | - | - | 40 | 40 |
| ■ Assumption Changes: | | | | |
| • Select & Ultimate Discount Rates | 0.1% | 28 | - | 28 |
| ■ Plan Changes - None | 0.0% | 0 | - | 0 |
| ■ Total Changes | 0.1% | (12) | 40 | 28 |
| ■ 6/30/14 Actual | 1.0% | 684 | - | 684 |



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TEACHERS RESULTS

Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Millions)

| Amortization Base | Original Bases | | | Remaining Bases 6/30/2014 | | 2014/15 Amortization Payment |
|------------------------------|----------------|-------|----------|------------------------------|----------|------------------------------------|
| | Date | Years | Amount | Years | Balance | |
| ■ Initial UAAL | 6/30/08 | 29 | \$ 1,044 | 23 | \$ 1,020 | \$61 |
| ■ Experience Losses (Gains) | 6/30/09 | 15 | (62) | 10 | (50) | (6) |
| | 6/30/10 | 15 | (7) | 11 | (6) | (1) |
| | 6/30/11 | 15 | (10) | 12 | (9) | (1) |
| | 6/30/12 | 15 | (120) | 13 | (110) | (10) |
| | 6/30/13 | 15 | 25 | 14 | 24 | 2 |
| | 6/30/14 | 15 | (24) | 15 | (24) | (2) |
| ■ Assumption Changes | 6/30/10 | 27 | 6 | 23 | 6 | 1 |
| | 6/30/11 | 26 | (133) | 23 | (127) | (8) |
| | 6/30/12 | 25 | (13) | 23 | (12) | (1) |
| | 6/30/14 | 23 | 28 | 23 | 28 | 2 |
| ■ Plan Changes | 6/30/11 | 26 | (59) | 23 | (56) | (3) |
| ■ Unfunded AAL | 6/30/14 | | | | 684 | 34 |
| ■ Unfunded AAL ²⁵ | 6/30/14 | | | 30 | 684 | 35 |

²⁵ Total amortization payment cannot be less than the UAAL amortized over 30 years.



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TEACHERS RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

| Valuation Date | 6/30/12 Valuation | | 6/30/14 Valuation | |
|----------------------|-------------------|-------------|-------------------|-------------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$ 10 | \$ 11 | \$ 11 | \$ 12 |
| • UAAL Amortization | <u>34</u> | <u>34</u> | <u>35</u> | <u>36</u> |
| • ARC | 44 | 45 | 46 | 48 |
| ■ Projected Payroll | 1,156 | 1,194 | 1,106 | 1,142 |
| ■ ARC - % | | | | |
| • Normal Cost | 0.9% | 0.9% | 1.0% | 1.0% |
| • UAAL Amortization | <u>2.9%</u> | <u>2.9%</u> | <u>3.2%</u> | <u>3.2%</u> |
| • ARC | 3.8% | 3.8% | 4.2% | 4.2% |
| ■ Pay-As-You-Go Cost | 23 | 27 | 26 | 29 |



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TEACHERS RESULTS

Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Millions)

| Annual Required Contribution | 2014/15 | | | 2015/16 | | |
|------------------------------|--------------|-----------------|-------------|--------------|-----------------|-------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 11 | n/a | \$ 11 | \$ 12 | n/a | \$ 12 |
| • UAAL Amortization | <u>35</u> | <u>n/a</u> | <u>35</u> | <u>36</u> | <u>n/a</u> | <u>36</u> |
| • ARC | 46 | n/a | 46 | 48 | n/a | 48 |
| ■ Projected Payroll | 1,106 | n/a | 1,106 | 1,142 | n/a | 1,142 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 1.0% | n/a | 1.0% | 1.0% | n/a | 1.0% |
| • UAAL Amortization | <u>3.2%</u> | <u>n/a</u> | <u>3.2%</u> | <u>3.2%</u> | <u>n/a</u> | <u>3.2%</u> |
| • ARC | 4.2% | n/a | 4.2% | 4.2% | n/a | 4.2% |
| ■ Pay-As-You-Go Cost | 26 | n/a | 26 | 29 | n/a | 29 |



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TEACHERS RESULTS

Annual Required Contribution (ARC)

June 30, 2012 Valuation

(Amounts in Millions)

| Annual Required Contribution | 2012/13 | | | 2013/14 | | |
|------------------------------|--------------|-----------------|-------------|--------------|-----------------|-------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 10 | n/a | \$ 10 | \$ 11 | n/a | \$ 11 |
| • UAAL Amortization | <u>34</u> | <u>n/a</u> | <u>34</u> | <u>34</u> | <u>n/a</u> | <u>34</u> |
| • ARC | 44 | n/a | 44 | 45 | n/a | 45 |
| ■ Projected Payroll | 1,156 | n/a | 1,156 | 1,194 | n/a | 1,194 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 0.9% | n/a | 0.9% | 0.9% | n/a | 0.9% |
| • UAAL Amortization | <u>2.9%</u> | <u>n/a</u> | <u>2.9%</u> | <u>2.9%</u> | <u>n/a</u> | <u>2.9%</u> |
| • ARC | 3.8% | n/a | 3.8% | 3.8% | n/a | 3.8% |
| ■ Pay-As-You-Go Cost | 23 | n/a | 23 | 27 | n/a | 27 |



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TEACHERS RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Millions)

| Estimated Net OPEB Obligation | CAFR 2012/13 | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 |
|---------------------------------------|-----------------|---------------------|---------------------|---------------------|
| ■ Discount Rate | 4.00% | 4.41% | 4.00% | 4.41% |
| ■ NOO at Beginning of Year | \$ 174 | \$ 186 | \$ 199 | \$ 211 |
| ■ Annual OPEB Cost (AOC) | | | | |
| • Annual Required Contribution | 44 | 45 | 46 | 48 |
| • Interest on NOO | 7 | 8 | 8 | 9 |
| • NOO Adjustment | (14) | (15) | (16) | (17) |
| • Annual OPEB Cost | 37 | 38 | 38 | 40 |
| ■ Contributions | | | | |
| • Benefit Payments Outside Trust | | | | |
| ➢ Cash Subsidy Payments ²⁶ | (25) | (25) | (26) | (29) |
| ➢ Implied Subsidy Payments | (0) | (0) | (0) | (0) |
| • Trust Pre-Funding | (0) | (0) | (0) | (2) |
| • Total Contributions | (25) | (25) | (26) | (31) |
| ■ NOO at End of Year | 186 | 199 | 211 | 220 |
| ■ NOO Amortization Years | 15 | 15 | 15 | 15 |
| ■ NOO Amortization Factor | 12.41 | 12.11 | 12.41 | 12.11 |

²⁶ Estimated contributions for years after 2013/14. Estimated items other than the ARC must be revised when actual contributions are known.



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TEACHERS RESULTS

Contribution & Expense Projection

(Amounts in Millions)

| Fiscal Year | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contributions | | | | | Contrib % of ARC | ARC as % of Payroll | Funded % Begin Year |
|-------------|----------------|------|------------------------|------------------|-----------------|------------|----------|---------------|------------------|---------------------|---------------------|
| | | | | Benefit Payments | | | Pre Fund | Total Contrib | | | |
| | | | | Cash Subsidy | Implied Subsidy | Total Pmts | | | | | |
| 2014/15 | \$199 | \$46 | \$38 | \$26 | n/a | \$26 | \$ 0 | \$26 | 57% | 4.2% | 0.0% |
| 2015/16 | 211 | 48 | 40 | 29 | n/a | 29 | 2 | 31 | 65% | 4.2% | 0.0% |
| 2016/17 | 220 | 50 | 42 | 31 | n/a | 31 | 5 | 36 | 72% | 4.2% | 0.3% |
| 2017/18 | 227 | 53 | 45 | 33 | n/a | 33 | 7 | 40 | 75% | 4.3% | 0.9% |
| 2018/19 | 231 | 54 | 47 | 36 | n/a | 36 | 9 | 45 | 83% | 4.3% | 1.9% |
| 2019/20 | 233 | 56 | 50 | 38 | n/a | 38 | 11 | 49 | 88% | 4.3% | 3.1% |
| 2020/21 | 233 | 58 | 52 | 40 | n/a | 40 | 13 | 53 | 91% | 4.3% | 4.6% |
| 2021/22 | 231 | 59 | 54 | 42 | n/a | 42 | 15 | 57 | 97% | 4.3% | 6.4% |
| 2022/23 | 228 | 62 | 56 | 45 | n/a | 45 | 17 | 62 | 100% | 4.3% | 8.4% |
| 2023/24 | 223 | 64 | 57 | 47 | n/a | 47 | 17 | 64 | 100% | 4.3% | 10.5% |



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TEACHERS RESULTS

Discount Rate Sensitivity - Actuarial Obligations

June 30, 2014 Valuation

(Amounts in Millions)

| ■ Funding Policy | Valuation Results | | | No Future Pre-Funding | | |
|-------------------------------|-------------------|-----------------|------------|-----------------------|-----------------|------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Actuarial Obligations | | | | | | |
| ■ Discount Rate | Select & Ultimate | | | 4.00% ²⁷ | | |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$389 | n/a | \$389 | \$ 719 | n/a | \$ 719 |
| • Retirees | <u>371</u> | <u>n/a</u> | <u>371</u> | <u>465</u> | <u>n/a</u> | <u>465</u> |
| • Total | 760 | n/a | 760 | 1,184 | n/a | 1,184 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 313 | n/a | 313 | 545 | n/a | 545 |
| • Retirees | <u>371</u> | <u>n/a</u> | <u>371</u> | <u>465</u> | <u>n/a</u> | <u>465</u> |
| • Total | 684 | n/a | 684 | 1,010 | n/a | 1,010 |
| ■ Actuarial Value of Assets | <u>0</u> | <u>n/a</u> | <u>0</u> | <u>0</u> | <u>n/a</u> | <u>0</u> |
| ■ Unfunded AAL | 684 | n/a | 684 | 1,010 | n/a | 1,010 |

²⁷ Prorated discount rate based on portion of PVB funded (0%) using 7.25% discount rate and Market Value of Assets: [0%*7.25% + 100%*4.00%] rounded to the nearest 0.05%.



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TEACHERS RESULTS

Discount Rate Sensitivity - Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Millions)

| ■ Funding Policy | Valuation Results | | No Future Pre-Funding | |
|----------------------|-------------------|-------------|-----------------------|-------------|
| | 2014/15 | 2015/16 | 2014/15 | 2015/16 |
| ■ Discount Rate | Select & Ultimate | | 4.00% | |
| ■ Fiscal Year | | | | |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$ 11 | \$ 12 | \$ 21 | \$ 21 |
| • UAAL Amortization | <u>35</u> | <u>36</u> | <u>51</u> | <u>53</u> |
| • ARC | 46 | 48 | 72 | 75 |
| ■ Projected Payroll | 1,106 | 1,142 | 1,106 | 1,142 |
| ■ ARC - % | | | | |
| • Normal Cost | 1.0% | 1.0% | 1.9% | 1.8% |
| • UAAL Amortization | <u>3.2%</u> | <u>3.2%</u> | <u>4.6%</u> | <u>4.6%</u> |
| • ARC | 4.2% | 4.2% | 6.5% | 6.6% |
| ■ Pay-As-You-Go Cost | 26 | 29 | 26 | 29 |



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Actuarial Obligations

(Amounts in Thousands)

| Actuarial Obligations | 6/30/12 Valuation | | | 6/30/14 Valuation | | |
|-------------------------------|-------------------|-----------------|--------------|-------------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$3,739 | \$ 572 | \$4,311 | \$4,104 | \$ 677 | \$4,781 |
| • Retirees | <u>1,504</u> | <u>438</u> | <u>1,942</u> | <u>2,889</u> | <u>737</u> | <u>3,626</u> |
| • Total | 5,243 | 1,010 | 6,253 | 6,993 | 1,414 | 8,407 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 2,247 | 475 | 2,722 | 2,605 | 555 | 3,160 |
| • Retirees | <u>1,504</u> | <u>438</u> | <u>1,942</u> | <u>2,889</u> | <u>737</u> | <u>3,626</u> |
| • Total | 3,751 | 913 | 4,664 | 5,494 | 1,292 | 6,786 |
| ■ Actuarial Value of Assets | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| ■ Unfunded AAL | 3,751 | 913 | 4,664 | 5,494 | 1,292 | 6,786 |
| ■ Normal Cost | 172 | 15 | 187 | 165 | 18 | 183 |
| ■ Normal Cost % Pay | 7.1% | 0.6% | 7.7% | 5.6% | 0.6% | 6.2% |



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MAINE EDUCATIONAL CENTER FOR THE DEAF

Estimated Actuarial Gains & Losses

(Amounts in Thousands)

| Actuarial Gains & Losses | NC% | AAL | (AVA) | UAAL |
|---|--------|---------|-------|---------|
| ■ 6/30/12 Actual | 7.7% | \$4,664 | \$ - | \$4,664 |
| ■ 6/30/14 Expected | 7.7% | 5,166 | (555) | 4,611 |
| ■ Experience Losses (Gains): | | | | |
| • Actual versus Expected Healthcare Costs | (1.0%) | (565) | - | (565) |
| • Demographic, Benefit Payments, & Other | (0.5%) | 2,259 | - | 2,259 |
| • Asset Loss (Gain) | - | - | 555 | 555 |
| ■ Assumption Changes: | | | | |
| • Healthcare Trend Capped at 6% | 0.0% | (74) | - | (74) |
| ■ Plan Changes - None | 0.0% | 0 | - | 0 |
| ■ Total Changes | (1.5%) | 1,620 | 555 | 2,175 |
| ■ 6/30/14 Actual | 6.2% | 6,786 | - | 6,786 |



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MAINE EDUCATIONAL CENTER FOR THE DEAF

Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Thousands)

| Amortization Base | Original Bases | | | Remaining Bases 6/30/2014 | | 2014/15 Amortization Payment |
|------------------------------|----------------|-------|----------|------------------------------|----------|------------------------------------|
| | Date | Years | Amount | Years | Balance | |
| ■ Initial UAAL | 6/30/07 | 30 | \$ 3,814 | 23 | \$ 3,834 | \$ 187 |
| ■ Experience Losses (Gains) | 6/30/08 | 15 | (127) | 9 | (97) | (12) |
| | 6/30/09 | 15 | 474 | 10 | 382 | 41 |
| | 6/30/10 | 15 | 597 | 11 | 506 | 50 |
| | 6/30/11 | 15 | 114 | 12 | 101 | 9 |
| | 6/30/12 | 15 | (1,453) | 13 | (1,352) | (113) |
| | 6/30/13 | 15 | (381) | 14 | (369) | (29) |
| | 6/30/14 | 15 | 2,618 | 15 | 2,618 | 191 |
| ■ Assumption Changes | 6/30/08 | 29 | 511 | 23 | 486 | 24 |
| | 6/30/10 | 27 | 251 | 23 | 243 | 12 |
| | 6/30/11 | 26 | 1,218 | 23 | 1,199 | 59 |
| | 6/30/12 | 25 | (184) | 23 | (182) | (9) |
| | 6/30/14 | 23 | (74) | 23 | (74) | (3) |
| ■ Plan Changes | 6/30/11 | 26 | (517) | 23 | (509) | (25) |
| ■ Unfunded AAL | 6/30/14 | | | | 6,786 | 382 |
| ■ Unfunded AAL ²⁸ | 6/30/14 | | | 30 | 6,786 | 261 |

²⁸ Total amortization payment cannot be less than the UAAL amortized over 30 years.



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MAINE EDUCATIONAL CENTER FOR THE DEAF

Annual Required Contribution (ARC)

(Amounts in Thousands)

| Valuation Date | 6/30/12 Valuation | | 6/30/14 Valuation | |
|----------------------|-------------------|-------------|-------------------|--------------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$187 | \$192 | \$183 | \$189 |
| • UAAL Amortization | <u>209</u> | <u>233</u> | <u>382</u> | <u>408</u> |
| • ARC | 396 | 425 | 565 | 597 |
| ■ Projected Payroll | 2,434 | 2,513 | 2,949 | 3,045 |
| ■ ARC - % | | | | |
| • Normal Cost | 7.7% | 7.6% | 6.2% | 6.2% |
| • UAAL Amortization | <u>8.6%</u> | <u>9.3%</u> | <u>13.0%</u> | <u>13.4%</u> |
| • ARC | 16.3% | 16.9% | 19.2% | 19.6% |
| ■ Pay-As-You-Go Cost | 126 | 127 | 246 | 272 |



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Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Thousands)

| Annual Required Contribution | 2014/15 | | | 2015/16 | | |
|-----------------------------------|--------------|-----------------|--------------|--------------|-----------------|--------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$165 | \$18 | \$183 | \$171 | \$18 | \$189 |
| • UAAL Amortization ²⁹ | <u>309</u> | <u>73</u> | <u>382</u> | <u>330</u> | <u>78</u> | <u>408</u> |
| • Total ARC | 474 | 91 | 565 | 501 | 96 | 597 |
| ■ Projected Payroll | 2,949 | 2,949 | 2,949 | 3,045 | 3,045 | 3,045 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 5.6% | 0.6% | 6.2% | 5.6% | 0.6% | 6.2% |
| • UAAL Amortization | <u>10.5%</u> | <u>2.5%</u> | <u>13.0%</u> | <u>10.8%</u> | <u>2.6%</u> | <u>13.4%</u> |
| • Total ARC | 16.1% | 3.1% | 19.2% | 16.4% | 3.2% | 19.6% |
| ■ Pay-As-You-Go Cost | 192 | 54 | 246 | 209 | 63 | 272 |

²⁹ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



Annual Required Contribution (ARC)

June 30, 12 Valuation

(Amounts in Thousands)

| Annual Required Contribution | 2012/13 | | | 2013/14 | | |
|-----------------------------------|--------------|-----------------|-------------|--------------|-----------------|-------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$172 | \$15 | \$187 | \$177 | \$15 | \$192 |
| • UAAL Amortization ³⁰ | <u>168</u> | <u>41</u> | <u>209</u> | <u>187</u> | <u>46</u> | <u>233</u> |
| • Total ARC | 340 | 56 | 396 | 364 | 61 | 425 |
| ■ Projected Payroll | 2,434 | 2,434 | 2,434 | 2,513 | 2,513 | 2,513 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 7.1% | 0.6% | 7.7% | 7.1% | 0.6% | 7.6% |
| • UAAL Amortization | <u>6.9%</u> | <u>1.7%</u> | <u>8.6%</u> | <u>7.4%</u> | <u>1.8%</u> | <u>9.3%</u> |
| • Total ARC | 14.0% | 2.3% | 16.3% | 14.5% | 2.4% | 16.9% |
| ■ Pay-As-You-Go Cost | 96 | 30 | 126 | 100 | 27 | 127 |

³⁰ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



MAINE EDUCATIONAL CENTER FOR THE DEAF

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Thousands)

| Estimated Net OPEB Obligation | Estimate 2012/13 | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 |
|---------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| ■ Discount Rate | 4.00% | 4.00% | 4.00% | 4.00% |
| ■ NOO at Beginning of Year | \$1,678 | \$1,891 | \$2,129 | \$2,378 |
| ■ Annual OPEB Cost (AOC) | | | | |
| • Annual Required Contribution | 396 | 425 | 565 | 597 |
| • Interest on NOO | 67 | 76 | 85 | 95 |
| • NOO Adjustment | <u>(123)</u> | <u>(138)</u> | <u>(155)</u> | <u>(173)</u> |
| • Annual OPEB Cost | 340 | 363 | 495 | 519 |
| ■ Contributions | | | | |
| • Benefit Payments Outside Trust | | | | |
| ➢ Cash Subsidy Payments ³¹ | (97) | (98) | (192) | (209) |
| ➢ Implied Subsidy Payments | (30) | (27) | (54) | (63) |
| • Trust Pre-Funding | <u>(0)</u> | <u>(0)</u> | <u>(0)</u> | <u>(0)</u> |
| • Total Contributions | <u>(127)</u> | <u>(125)</u> | <u>(246)</u> | <u>(272)</u> |
| ■ NOO at End of Year | 1,891 | 2,129 | 2,378 | 2,625 |
| ■ NOO Amortization Years | 15 | 15 | 15 | 15 |
| ■ NOO Amortization Factor | 13.72 | 13.72 | 13.72 | 13.72 |

³¹ Estimated contributions for years after 2013/14. Estimated items other than the ARC must be revised when actual contributions are known.



MAINE EDUCATIONAL CENTER FOR THE DEAF

Contribution & Expense Projection

(Amounts in Thousands)

| Fiscal Year | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contributions | | | | | Contrib % of ARC | ARC as % of Payroll |
|--------------------|-----------------------|------------|-------------------------------|-------------------------|------------------------|-------------------|-----------------|----------------------|-------------------------|----------------------------|
| | | | | Benefit Payments | | | Pre Fund | Total Contrib | | |
| | | | | Cash Subsidy | Implied Subsidy | Total Pmts | | | | |
| 2014/15 | \$2,129 | \$565 | \$495 | \$192 | \$54 | \$246 | \$ 0 | \$246 | 43.5% | 19.2% |
| 2015/16 | 2,378 | 597 | 519 | 209 | 63 | 272 | 0 | 272 | 45.6% | 19.6% |
| 2016/17 | 2,625 | 628 | 542 | 209 | 56 | 265 | 0 | 265 | 42.2% | 20.0% |
| 2017/18 | 2,902 | 663 | 567 | 237 | 68 | 305 | 0 | 305 | 46.0% | 20.4% |
| 2018/19 | 3,164 | 697 | 592 | 241 | 65 | 306 | 0 | 306 | 43.9% | 20.8% |
| 2019/20 | 3,450 | 733 | 619 | 264 | 71 | 335 | 0 | 335 | 45.7% | 21.2% |
| 2020/21 | 3,734 | 769 | 646 | 275 | 71 | 346 | 0 | 346 | 45.0% | 21.5% |
| 2021/22 | 4,034 | 807 | 674 | 284 | 75 | 359 | 0 | 359 | 44.5% | 21.9% |
| 2022/23 | 4,350 | 847 | 703 | 301 | 80 | 381 | 0 | 381 | 45.0% | 22.2% |
| 2023/24 | 4,672 | 903 | 749 | 327 | 92 | 419 | 0 | 419 | 46.4% | 23.0% |



Actuarial Obligations

(Amounts in Thousands)

| Actuarial Obligations | 6/30/12 Valuation | | | 6/30/14 Valuation | | |
|-------------------------------|-------------------|-----------------|------------|-------------------|-----------------|------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ Present Value of Benefits | | | | | | |
| • Actives | \$326 | \$12 | \$338 | \$332 | \$12 | \$344 |
| • Retirees | <u>137</u> | <u>0</u> | <u>137</u> | <u>121</u> | <u>0</u> | <u>121</u> |
| • Total | 463 | 12 | 475 | 453 | 12 | 465 |
| ■ Actuarial Accrued Liability | | | | | | |
| • Actives | 139 | 3 | 142 | 160 | 4 | 164 |
| • Retirees | <u>137</u> | <u>0</u> | <u>137</u> | <u>121</u> | <u>0</u> | <u>121</u> |
| • Total | 276 | 3 | 279 | 281 | 4 | 285 |
| ■ Actuarial Value of Assets | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| ■ Unfunded AAL | 276 | 3 | 279 | 281 | 4 | 285 |
| ■ Normal Cost | 21 | 1 | 22 | 20 | 1 | 21 |
| ■ Normal Cost % Pay | 5.5% | 0.3% | 5.8% | 4.5% | 0.2% | 4.7% |



Estimated Actuarial Gains & Losses

(Amounts in Thousands)

| Actuarial Gains & Losses | NC% | AAL | (AVA) | UAAL |
|---|--------|--------|-------|--------|
| ■ 6/30/12 Actual | 5.8% | \$ 279 | \$ - | \$ 279 |
| ■ 6/30/14 Expected | 5.8% | 329 | (59) | 270 |
| ■ Experience Losses (Gains): | | | | |
| • Actual versus Expected Healthcare Costs | (0.6%) | (40) | - | (40) |
| • Demographic, Benefit Payments, & Other | (0.5%) | (3) | - | (3) |
| • Asset Loss (Gain) | - | - | 59 | 59 |
| ■ Assumption Changes: | | | | |
| • Healthcare Trend Capped at 6% | 0.0% | (1) | - | (1) |
| ■ Plan Changes - None | 0.0% | 0 | - | 0 |
| ■ Total Changes | (1.1%) | (44) | 59 | 15 |
| ■ 6/30/14 Actual | 4.7% | 285 | - | 285 |



Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Thousands)

| Amortization Base | Original Bases | | | Remaining Bases 6/30/2014 | | 2014/15 Amortization Payment |
|------------------------------|----------------|-------|--------|------------------------------|----------|------------------------------------|
| | Date | Years | Amount | Years | Balance | |
| ■ Initial UAAL | 6/30/07 | 30 | \$ 130 | 23 | \$ 130.4 | \$ 6.4 |
| ■ Experience Losses (Gains) | 6/30/08 | 15 | 119 | 9 | 90.8 | 10.8 |
| | 6/30/09 | 15 | 35 | 10 | 27.8 | 3.0 |
| | 6/30/10 | 15 | (198) | 11 | (167.5) | (16.4) |
| | 6/30/11 | 15 | 34 | 12 | 30.5 | 2.7 |
| | 6/30/12 | 15 | 72 | 13 | 66.9 | 5.6 |
| | 6/30/13 | 15 | (23) | 14 | (21.9) | (1.7) |
| | 6/30/14 | 15 | 38 | 15 | 37.8 | 2.7 |
| ■ Assumption Changes | 6/30/08 | 29 | 60 | 23 | 57.0 | 2.8 |
| | 6/30/10 | 27 | 9 | 23 | 8.4 | 0.4 |
| | 6/30/11 | 26 | 29 | 23 | 27.9 | 1.3 |
| | 6/30/12 | 25 | 5 | 23 | 4.9 | 0.2 |
| | 6/30/14 | 23 | (1) | 23 | (0.6) | (0.0) |
| ■ Plan Changes | 6/30/11 | 26 | (8) | 23 | (7.4) | (0.4) |
| ■ Unfunded AAL | 6/30/14 | | | | 285.0 | 17.4 |
| ■ Unfunded AAL ³² | 6/30/14 | | | 30 | 285.0 | 11.0 |

³² Total amortization payment cannot be less than the UAAL amortized over 30 years.



Annual Required Contribution (ARC)

(Amounts in Thousands)

| Valuation Date | 6/30/12 Valuation | | 6/30/14 Valuation | |
|----------------------|-------------------|-------------|-------------------|-------------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 |
| ■ ARC - \$ | | | | |
| • Normal Cost | \$ 22 | \$ 23 | \$ 21 | \$ 21 |
| • UAAL Amortization | <u>15</u> | <u>18</u> | <u>17</u> | <u>20</u> |
| • ARC | 37 | 41 | 38 | 41 |
| ■ Projected Payroll | 375 | 387 | 443 | 457 |
| ■ ARC - % | | | | |
| • Normal Cost | 5.8% | 5.9% | 4.7% | 4.6% |
| • UAAL Amortization | <u>4.1%</u> | <u>4.7%</u> | <u>3.8%</u> | <u>4.4%</u> |
| • ARC | 9.9% | 10.6% | 8.5% | 9.0% |
| ■ Pay-As-You-Go Cost | 8 | 9 | 8 | 9 |



Annual Required Contribution (ARC)

June 30, 2014 Valuation

(Amounts in Thousands)

| Annual Required Contribution | 2014/15 | | | 2015/16 | | |
|-----------------------------------|--------------|-----------------|-------------|--------------|-----------------|-------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 20 | \$ 1 | \$ 21 | \$ 20 | \$ 1 | \$ 21 |
| • UAAL Amortization ³³ | <u>17</u> | <u>0</u> | <u>17</u> | <u>20</u> | <u>0</u> | <u>20</u> |
| • Total ARC | 37 | 1 | 38 | 40 | 1 | 41 |
| ■ Projected Payroll | 443 | 443 | 443 | 457 | 457 | 457 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 4.5% | 0.2% | 4.7% | 4.4% | 0.2% | 4.6% |
| • UAAL Amortization | <u>3.8%</u> | <u>0.0%</u> | <u>3.8%</u> | <u>4.4%</u> | <u>0.0%</u> | <u>4.4%</u> |
| • Total ARC | 8.3% | 0.2% | 8.5% | 8.8% | 0.2% | 9.0% |
| • Pay-As-You-Go Cost | 8 | 0 | 8 | 9 | 0 | 9 |

³³ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



Annual Required Contribution (ARC)

June 30, 2012 Valuation

(Amounts in Thousands)

| Annual Required Contribution | 2012/13 | | | 2013/14 | | |
|-----------------------------------|--------------|-----------------|-------------|--------------|-----------------|-------------|
| | Cash Subsidy | Implied Subsidy | Total | Cash Subsidy | Implied Subsidy | Total |
| ■ ARC - \$ | | | | | | |
| • Normal Cost | \$ 21 | \$ 1 | \$ 22 | \$ 21 | \$ 2 | \$ 23 |
| • UAAL Amortization ³⁴ | <u>15</u> | <u>0</u> | <u>15</u> | <u>18</u> | <u>0</u> | <u>18</u> |
| • Total ARC | 36 | 1 | 37 | 39 | 2 | 41 |
| ■ Projected Payroll | 375 | 375 | 375 | 387 | 387 | 387 |
| ■ ARC - % | | | | | | |
| • Normal Cost | 5.5% | 0.3% | 5.8% | 5.4% | 0.5% | 5.9% |
| • UAAL Amortization | <u>4.1%</u> | <u>0.0%</u> | <u>4.1%</u> | <u>4.7%</u> | <u>0.0%</u> | <u>4.7%</u> |
| • Total ARC | 9.6% | 0.3% | 9.9% | 10.1% | 0.5% | 10.6% |
| • Pay-As-You-Go Cost | 8 | 0 | 8 | 9 | 0 | 9 |

³⁴ Allocated to Cash Subsidy and Implied Subsidy based on UAAL.



Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Thousands)

| Estimated Net OPEB Obligation | Financial Stmt 2012/13 | Estimate 2013/14 | Estimate 2014/15 | Estimate 2015/16 |
|---------------------------------------|---------------------------|---------------------|---------------------|---------------------|
| ■ Discount Rate | 4.00% | 4.00% | 4.00% | 4.00% |
| ■ NOO at Beginning of Year | \$105 | \$129 | \$161 | \$186 |
| ■ Annual OPEB Cost (AOC) | | | | |
| • Annual Required Contribution | 37 | 41 | 38 | 41 |
| • Interest on NOO | 3 | 5 | 7 | 8 |
| • NOO Adjustment | (8) | (9) | (12) | (14) |
| • Annual OPEB Cost | 32 | 37 | 33 | 35 |
| ■ Contributions | | | | |
| • Benefit Payments Outside Trust | | | | |
| ➢ Cash Subsidy Payments ³⁵ | (8) | (5) | (8) | (9) |
| ➢ Implied Subsidy Payments | (0) | (0) | (0) | (0) |
| • Trust Pre-Funding | (0) | (0) | (0) | (0) |
| • Total Contributions | (8) | (5) | (8) | (9) |
| ■ NOO at End of Year | 129 | 161 | 186 | 212 |
| ■ NOO Amortization Years | 15 | 15 | 15 | 15 |
| ■ NOO Amortization Factor | 13.72 | 13.72 | 13.72 | 13.72 |

³⁵ Estimated contributions for years after 2013/14. Estimated items other than the ARC must be revised when actual contributions are known.



Contribution & Expense Projection

(Amounts in Thousands)

| Fiscal Year | Begin Year NOO | ARC | Annual OPEB Cost (AOC) | Contributions | | | | | Contrib % of ARC | ARC as % of Payroll |
|-------------|----------------|------|------------------------|------------------|-----------------|------------|----------|---------------|------------------|---------------------|
| | | | | Benefit Payments | | | Pre Fund | Total Contrib | | |
| | | | | Cash Subsidy | Implied Subsidy | Total Pmts | | | | |
| 2014/15 | \$161 | \$38 | \$33 | \$ 8 | \$ 0 | \$ 8 | \$ 0 | \$ 8 | 21.1% | 8.5% |
| 2015/16 | 186 | 41 | 35 | 9 | 0 | 9 | 0 | 9 | 22.0% | 9.0% |
| 2016/17 | 212 | 44 | 37 | 11 | 0 | 11 | 0 | 11 | 25.0% | 9.3% |
| 2017/18 | 238 | 47 | 39 | 13 | 0 | 13 | 0 | 13 | 27.7% | 9.6% |
| 2018/19 | 264 | 49 | 41 | 14 | 0 | 14 | 0 | 14 | 28.6% | 9.7% |
| 2019/20 | 291 | 52 | 43 | 14 | 0 | 14 | 0 | 14 | 26.9% | 10.0% |
| 2020/21 | 319 | 56 | 45 | 15 | 0 | 15 | 0 | 15 | 26.8% | 10.4% |
| 2021/22 | 349 | 59 | 47 | 15 | 0 | 15 | 0 | 15 | 25.4% | 10.6% |
| 2022/23 | 382 | 62 | 50 | 16 | 0 | 16 | 0 | 16 | 25.8% | 10.8% |
| 2023/24 | 415 | 51 | 38 | 16 | 0 | 16 | 0 | 16 | 31.4% | 8.6% |



ACTUARIAL CERTIFICATION

This report presents the State of Maine Retiree Healthcare Plan for State Employees and Teachers ("Plan") June 30, 2014 actuarial valuation. The purpose of this valuation is to:

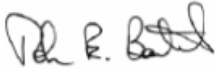
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2014 Benefit Obligations,
- Determine the Plan's June 30, 2014 Funded Status, and
- Calculate the 2014/15 and 2015/16 Annual Required Contributions.

This report provides information intended for reporting under GASB 43 and 45, but may not be appropriate for other purposes. Information provided in this report may be useful to the State for the Plan's financial management. Future valuations may differ significantly if the Plan's experience differs from our assumptions or if there are changes in Plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

The valuation is based on Plan provisions, participant data, premiums, asset information, and contribution policy provided by the State as summarized in this report, which we relied on and did not audit. We reviewed the participant data for reasonableness.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASB 43 and 45. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

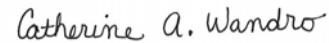
Respectfully submitted,



John E. Bartel, ASA, MAAA, FCA
President
Bartel Associates, LLC
November 11, 2014



Joseph R. D'Onofrio, FSA, EA, MAAA, FCA
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November 11, 2014

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EXHIBITS

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PREMIUMS

State Employees' Health Plans
Monthly Premiums

Actives and 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 | 727.54 | 1,521.78 | 1,810.70 | 1,196.90 |
| | 2011/12 | 727.54 | 1,521.78 | 1,810.70 | 1,196.90 |
| | 2012/13 | 727.54 | 1,521.78 | 1,810.70 | 1,196.90 |
| | 2013/14 | 727.54 | 1,521.78 | 1,810.70 | 1,196.90 |
| | 2014/15 | 750.20 | 1,569.16 | 1,867.08 | 1,234.16 |



PREMIUMS

State Employees' Health Plans
Monthly Premiums

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 |
| Advantra Freedom PFFS | 2009 | 237.42 | 469.34 | n/a | n/a |
| Anthem SmartValue PFFS | 2010 | 269.28 | 533.06 | n/a | n/a |
| Anthem Medicare PPO | 2011 | 290.07 | 574.64 | n/a | n/a |
| | 2012 | 290.07 | 574.64 | n/a | n/a |
| Aetna Medicare Advantage PPO ³⁶ | 2013 | 259.02 | 510.54 | n/a | n/a |
| | 2014 | 300.69 | 593.88 | n/a | n/a |

³⁶ Aetna Medicare Advantage ESA PPO Plan assumed to have the same premiums for valuation.



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Choice Plus

Active and Non-Medicare Eligible Retirees through 2013/14

| Medical Plan | Year | Rate Band | Single | 2-Party | Family | Participant w/Child(ren) |
|------------------------------|-----------------------|-----------|----------|------------|------------|--------------------------|
| MEA Choice Plus (HMO Choice) | 2008/09 | n/a | \$528.40 | \$1,190.91 | \$1,449.51 | \$935.16 |
| | 2009/10 | n/a | 528.40 | 1,190.91 | 1,449.51 | 935.16 |
| | 2010/11 | n/a | 538.97 | 1,214.73 | 1,478.50 | 953.86 |
| | 2011/12 | n/a | 574.00 | 1,293.69 | 1,574.60 | 1,015.86 |
| | 2012/13 | n/a | 596.96 | 1,345.44 | 1,637.58 | 1,056.49 |
| | 2013/14 ³⁷ | 1 | 596.96 | 1,345.44 | 1,637.58 | 1,056.49 |
| | | 2 | 614.87 | 1,385.80 | 1,686.71 | 1,088.18 |
| | | 3 | 632.78 | 1,426.17 | 1,735.83 | 1,119.88 |
| | | 4 | 644.72 | 1,453.08 | 1,768.59 | 1,141.01 |
| | | 5 | 662.63 | 1,493.44 | 1,817.71 | 1,172.70 |
| | 6 | 674.56 | 1,520.35 | 1,850.47 | 1,193.83 | |

³⁷ Starting 2013/14, school district premiums were separated into 6 rate bands determined by local experience factors.



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Choice Plus

Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 1 and 2

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) | |
|------------------------------|-----------|---------------|----------|------------|------------|--------------------------|----------|
| MEA Choice Plus (HMO Choice) | 1 | 0.0% | \$596.96 | \$1,345.44 | \$1,637.58 | \$1,056.49 | |
| | 1 | 2.5% | 611.88 | 1,379.08 | 1,678.52 | 1,082.90 | |
| | 1 | 5.0% | 626.81 | 1,412.71 | 1,719.46 | 1,109.31 | |
| | 1 | 7.5% | 641.73 | 1,446.35 | 1,760.40 | 1,135.73 | |
| | 1 | 9.5% | 653.67 | 1,473.26 | 1,793.15 | 1,156.86 | |
| | 2 | 2 | 0.0% | 614.87 | 1,385.80 | 1,686.71 | 1,088.18 |
| | | 2 | 2.5% | 630.24 | 1,420.45 | 1,728.88 | 1,115.38 |
| | | 2 | 5.0% | 645.61 | 1,455.09 | 1,771.05 | 1,142.59 |
| | | 2 | 7.5% | 660.99 | 1,489.74 | 1,813.21 | 1,169.79 |
| | | 2 | 9.5% | 673.28 | 1,517.45 | 1,846.95 | 1,191.56 |



PREMIUMS

Teachers' Health Plans

Monthly Premiums – MEA Choice Plus

Active and Non-Medicare Eligible Retirees 2014/15

Rate Bands 3 and 4

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|---------------------------------|------------------|----------------------|---------------|----------------|---------------|---------------------------------|
| MEA Choice Plus (HMO Choice) | 3 | 0.0% | \$632.78 | \$1,426.17 | \$1,735.83 | \$1,119.88 |
| | 3 | 2.5% | 648.60 | 1,461.82 | 1,779.23 | 1,147.88 |
| | 3 | 5.0% | 664.42 | 1,497.48 | 1,822.62 | 1,175.87 |
| | 3 | 7.5% | 680.24 | 1,533.13 | 1,866.02 | 1,203.87 |
| | 3 | 9.5% | 692.89 | 1,561.66 | 1,900.73 | 1,226.27 |
| | 4 | 0.0% | 644.72 | 1,453.08 | 1,768.59 | 1,141.01 |
| | 4 | 2.5% | 660.84 | 1,489.41 | 1,812.80 | 1,169.54 |
| | 4 | 5.0% | 676.96 | 1,525.73 | 1,857.02 | 1,198.06 |
| | 4 | 7.5% | 693.07 | 1,562.06 | 1,901.23 | 1,226.59 |
| | 4 | 9.5% | 705.97 | 1,591.12 | 1,936.61 | 1,249.41 |



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PREMIUMS

Teachers' Health Plans

Monthly Premiums – MEA Choice Plus

Active and Non-Medicare Eligible Retirees 2014/15

Rate Bands 5 and 6

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|---------------------------------|------------------|----------------------|---------------|----------------|---------------|---------------------------------|
| MEA Choice Plus (HMO Choice) | 5 | 0.0% | \$662.63 | \$1,493.44 | \$1,817.71 | \$1,172.70 |
| | 5 | 2.5% | 679.20 | 1,530.78 | 1,863.15 | 1,202.02 |
| | 5 | 5.0% | 695.76 | 1,568.11 | 1,908.60 | 1,231.34 |
| | 5 | 7.5% | 712.33 | 1,605.45 | 1,954.04 | 1,260.65 |
| | 5 | 9.5% | 725.58 | 1,635.32 | 1,990.39 | 1,284.11 |
| | 6 | 0.0% | 674.56 | 1,520.35 | 1,850.47 | 1,193.83 |
| | 6 | 2.5% | 691.42 | 1,558.36 | 1,896.73 | 1,223.68 |
| | 6 | 5.0% | 708.29 | 1,596.37 | 1,942.99 | 1,253.52 |
| | 6 | 7.5% | 725.15 | 1,634.38 | 1,989.26 | 1,283.37 |
| | 6 | 9.5% | 738.64 | 1,664.78 | 2,026.26 | 1,307.24 |



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PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard Plan

Active and Non-Medicare Eligible Retirees through 2013/14

| Medical Plan | Year | Rate Band | Single | 2-Party | Family | Participant w/Child(ren) |
|---|-----------------------|-----------|----------|------------|------------|--------------------------|
| MEA Standard Plan (Blue Choice \$15) | 2008/09 | n/a | \$570.61 | \$1,286.19 | \$1,565.47 | \$1,009.96 |
| | 2009/10 | n/a | 570.61 | 1,286.19 | 1,565.47 | 1,009.96 |
| | 2010/11 | n/a | 582.02 | 1,311.91 | 1,596.78 | 1,030.16 |
| | 2011/12 | n/a | 619.85 | 1,397.18 | 1,700.75 | 1,097.12 |
| | 2012/13 | n/a | 644.64 | 1,453.07 | 1,768.59 | 1,141.00 |
| | 2013/14 ³⁸ | 1 | 644.64 | 1,453.07 | 1,768.59 | 1,141.00 |
| | | 2 | 663.98 | 1,496.66 | 1,821.65 | 1,175.23 |
| | | 3 | 683.32 | 1,540.25 | 1,874.71 | 1,209.46 |
| 4 | | 696.21 | 1,569.32 | 1,910.08 | 1,232.28 | |
| 5 | | 715.55 | 1,612.91 | 1,963.13 | 1,266.51 | |
| | 6 | 728.44 | 1,641.97 | 1,998.51 | 1,289.33 | |

³⁸ Starting 2013/14, school district premiums were separated into 6 rate bands determined by local experience factors.



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard Plan

Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 1 and 2

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) | |
|---|-----------|---------------|----------|------------|------------|--------------------------|----------|
| MEA Standard Plan (Blue Choice \$15) | 1 | 0.0% | \$644.64 | \$1,453.07 | \$1,768.59 | \$1,141.00 | |
| | 1 | 2.5% | 660.76 | 1,489.40 | 1,812.80 | 1,169.53 | |
| | 1 | 5.0% | 676.87 | 1,525.72 | 1,857.02 | 1,198.05 | |
| | 1 | 7.5% | 692.99 | 1,562.05 | 1,901.23 | 1,226.58 | |
| | 1 | 9.5% | 705.88 | 1,591.11 | 1,936.61 | 1,249.40 | |
| | 2 | 2 | 0.0% | 663.98 | 1,496.66 | 1,821.65 | 1,175.23 |
| | | 2 | 2.5% | 680.58 | 1,534.08 | 1,867.19 | 1,204.61 |
| | | 2 | 5.0% | 697.18 | 1,571.49 | 1,912.73 | 1,233.99 |
| | | 2 | 7.5% | 713.78 | 1,608.91 | 1,958.27 | 1,263.37 |
| | | 2 | 9.5% | 727.06 | 1,638.84 | 1,994.71 | 1,286.88 |



PREMIUMS

Teachers' Health Plans

Monthly Premiums – MEA Standard Plan

Active and Non-Medicare Eligible Retirees 2014/15

Rate Bands 3 and 4

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|---|------------------|----------------------|---------------|----------------|---------------|---------------------------------|
| MEA Standard Plan (Blue Choice \$15) | 3 | 0.0% | \$683.32 | \$1,540.25 | \$1,874.71 | \$1,209.46 |
| | 3 | 2.5% | 700.40 | 1,578.76 | 1,921.58 | 1,239.70 |
| | 3 | 5.0% | 717.49 | 1,617.26 | 1,968.45 | 1,269.93 |
| | 3 | 7.5% | 734.57 | 1,655.77 | 2,015.31 | 1,300.17 |
| | 3 | 9.5% | 748.24 | 1,686.57 | 2,052.81 | 1,324.36 |
| | 4 | 0.0% | 696.21 | 1,569.32 | 1,910.08 | 1,232.28 |
| | 4 | 2.5% | 713.62 | 1,608.55 | 1,957.83 | 1,263.09 |
| | 4 | 5.0% | 731.02 | 1,647.79 | 2,005.58 | 1,293.89 |
| | 4 | 7.5% | 748.43 | 1,687.02 | 2,053.34 | 1,324.70 |
| | 4 | 9.5% | 762.35 | 1,718.41 | 2,091.54 | 1,349.35 |



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PREMIUMS

Teachers' Health Plans

Monthly Premiums – MEA Standard Plan

Active and Non-Medicare Eligible Retirees 2014/15

Rate Bands 5 and 6

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|---|------------------|----------------------|---------------|----------------|---------------|---------------------------------|
| MEA Standard Plan (Blue Choice \$15) | 5 | 0.0% | \$715.55 | \$1,612.91 | \$1,963.13 | \$1,266.51 |
| | 5 | 2.5% | 733.44 | 1,653.23 | 2,012.21 | 1,298.17 |
| | 5 | 5.0% | 751.33 | 1,693.56 | 2,061.29 | 1,329.84 |
| | 5 | 7.5% | 769.22 | 1,733.88 | 2,110.36 | 1,361.50 |
| | 5 | 9.5% | 783.53 | 1,766.14 | 2,149.63 | 1,386.83 |
| | 6 | 0.0% | 728.44 | 1,641.97 | 1,998.51 | 1,289.33 |
| | 6 | 2.5% | 746.65 | 1,683.02 | 2,048.47 | 1,321.56 |
| | 6 | 5.0% | 764.86 | 1,724.07 | 2,098.44 | 1,353.80 |
| | 6 | 7.5% | 783.07 | 1,765.12 | 2,148.40 | 1,386.03 |
| | 6 | 9.5% | 797.64 | 1,797.96 | 2,188.37 | 1,411.82 |



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PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$500 Deductible
Active and Non-Medicare Eligible Retirees

| Medical Plan | Year | Rate Band | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------------------|-----------|----------|------------|------------|--------------------------|
| MEA Standard \$500 Deductible (Blue Choice \$20) | 2012/13 | n/a | \$567.11 | \$1,278.17 | \$1,555.70 | \$1,003.67 |
| | 2013/14 ³⁹ | 1 | 567.11 | 1,278.17 | 1,555.70 | 1,003.67 |
| | | 2 | 584.12 | 1,316.52 | 1,602.37 | 1,033.78 |
| | | 3 | 601.14 | 1,354.86 | 1,649.04 | 1,063.89 |
| | | 4 | 612.48 | 1,380.42 | 1,680.16 | 1,083.96 |
| | | 5 | 629.49 | 1,418.77 | 1,726.83 | 1,114.07 |
| | | 6 | 640.83 | 1,444.33 | 1,757.94 | 1,134.15 |

³⁹ Starting 2013/14, school district premiums were separated into 6 rate bands determined by local experience factors.



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$500 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 1 and 2

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$500 Deductible (Blue Choice \$20) | 1 | 0.0% | \$567.11 | \$1,278.17 | \$1,555.70 | \$1,003.67 |
| | 1 | 2.5% | 581.29 | 1,310.12 | 1,594.59 | 1,028.76 |
| | 1 | 5.0% | 595.47 | 1,342.08 | 1,633.49 | 1,053.85 |
| | 1 | 7.5% | 609.64 | 1,374.03 | 1,672.38 | 1,078.95 |
| | 1 | 9.5% | 620.99 | 1,399.60 | 1,703.49 | 1,099.02 |
| | 2 | 0.0% | 584.12 | 1,316.52 | 1,602.37 | 1,033.78 |
| | 2 | 2.5% | 598.72 | 1,349.43 | 1,642.43 | 1,059.62 |
| | 2 | 5.0% | 613.33 | 1,382.35 | 1,682.49 | 1,085.47 |
| | 2 | 7.5% | 627.93 | 1,415.26 | 1,722.55 | 1,111.31 |
| | 2 | 9.5% | 639.71 | 1,441.59 | 1,754.60 | 1,131.99 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$500 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 3 and 4

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$500 Deductible (Blue Choice \$20) | 3 | 0.0% | \$601.14 | \$1,354.86 | \$1,649.04 | \$1,063.89 |
| | 3 | 2.5% | 616.17 | 1,388.73 | 1,690.27 | 1,090.49 |
| | 3 | 5.0% | 631.20 | 1,422.60 | 1,731.49 | 1,117.08 |
| | 3 | 7.5% | 646.23 | 1,456.47 | 1,772.72 | 1,143.68 |
| | 3 | 9.5% | 658.25 | 1,483.57 | 1,805.70 | 1,164.96 |
| | 4 | 0.0% | 612.48 | 1,380.42 | 1,680.16 | 1,083.96 |
| | 4 | 2.5% | 627.79 | 1,414.93 | 1,722.16 | 1,111.06 |
| | 4 | 5.0% | 643.10 | 1,449.44 | 1,764.17 | 1,138.16 |
| | 4 | 7.5% | 658.42 | 1,483.95 | 1,806.17 | 1,165.26 |
| | 4 | 9.5% | 670.67 | 1,511.56 | 1,839.78 | 1,186.94 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$500 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 5 and 6

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$500 Deductible (Blue Choice \$20) | 5 | 0.0% | \$629.49 | \$1,418.77 | \$1,726.83 | \$1,114.07 |
| | 5 | 2.5% | 645.23 | 1,454.24 | 1,770.00 | 1,141.92 |
| | 5 | 5.0% | 660.96 | 1,489.71 | 1,813.17 | 1,169.77 |
| | 5 | 7.5% | 676.70 | 1,525.18 | 1,856.34 | 1,197.63 |
| | 5 | 9.5% | 689.29 | 1,553.55 | 1,890.88 | 1,219.91 |
| | 6 | 0.0% | 640.83 | 1,444.33 | 1,757.94 | 1,134.15 |
| | 6 | 2.5% | 656.85 | 1,480.44 | 1,801.89 | 1,162.50 |
| | 6 | 5.0% | 672.87 | 1,516.55 | 1,845.84 | 1,190.86 |
| | 6 | 7.5% | 688.89 | 1,552.65 | 1,889.79 | 1,219.21 |
| | 6 | 9.5% | 701.71 | 1,581.54 | 1,924.94 | 1,241.89 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$1,000 Deductible
Active and Non-Medicare Eligible Retirees

| Medical Plan | Year | Rate Band | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------------------|-----------|----------|------------|------------|--------------------------|
| MEA Standard \$1,000 Deductible (Blue Choice \$20) | 2012/13 | n/a | \$540.85 | \$1,218.97 | \$1,483.65 | \$957.18 |
| | 2013/14 ⁴⁰ | 1 | 540.85 | 1,218.97 | 1,483.65 | 957.18 |
| | | 2 | 557.08 | 1,255.54 | 1,528.16 | 985.90 |
| | | 3 | 573.30 | 1,292.11 | 1,572.67 | 1,014.61 |
| | | 4 | 584.12 | 1,316.49 | 1,602.34 | 1,033.75 |
| | | 5 | 600.34 | 1,353.06 | 1,646.85 | 1,062.47 |
| | | 6 | 611.16 | 1,377.44 | 1,676.52 | 1,081.61 |

⁴⁰ Starting 2013/14, school district premiums were separated into 6 rate bands determined by local experience factors.



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$1,000 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 1 and 2

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$1,000 Deductible (Blue Choice \$20) | 1 | 0.0% | \$540.85 | \$1,218.97 | \$1,483.65 | \$957.18 |
| | 1 | 2.5% | 554.37 | 1,249.44 | 1,520.74 | 981.11 |
| | 1 | 5.0% | 567.89 | 1,279.92 | 1,557.83 | 1,005.04 |
| | 1 | 7.5% | 581.41 | 1,310.39 | 1,594.92 | 1,028.97 |
| | 1 | 9.5% | 592.23 | 1,334.77 | 1,624.60 | 1,048.11 |
| | 2 | 0.0% | 557.08 | 1,255.54 | 1,528.16 | 985.90 |
| | 2 | 2.5% | 571.01 | 1,286.93 | 1,566.36 | 1,010.55 |
| | 2 | 5.0% | 584.93 | 1,318.32 | 1,604.57 | 1,035.20 |
| | 2 | 7.5% | 598.86 | 1,349.71 | 1,642.77 | 1,059.84 |
| | 2 | 9.5% | 610.00 | 1,374.82 | 1,673.34 | 1,079.56 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$1,000 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 3 and 4

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$1,000 Deductible (Blue Choice \$20) | 3 | 0.0% | \$573.30 | \$1,292.11 | \$1,572.67 | \$1,014.61 |
| | 3 | 2.5% | 587.63 | 1,324.41 | 1,611.99 | 1,039.98 |
| | 3 | 5.0% | 601.97 | 1,356.72 | 1,651.30 | 1,065.34 |
| | 3 | 7.5% | 616.30 | 1,389.02 | 1,690.62 | 1,090.71 |
| | 3 | 9.5% | 627.76 | 1,414.86 | 1,722.07 | 1,111.00 |
| | 4 | 0.0% | 584.12 | 1,316.49 | 1,602.34 | 1,033.75 |
| | 4 | 2.5% | 598.72 | 1,349.40 | 1,642.40 | 1,059.59 |
| | 4 | 5.0% | 613.33 | 1,382.31 | 1,682.46 | 1,085.44 |
| | 4 | 7.5% | 627.93 | 1,415.23 | 1,722.52 | 1,111.28 |
| | 4 | 9.5% | 639.61 | 1,441.56 | 1,754.56 | 1,131.96 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums – MEA Standard \$1,000 Deductible
Active and Non-Medicare Eligible Retirees 2014/15
Rate Bands 5 and 6

| Medical Plan | Rate Band | Increase Rate | Single | 2-Party | Family | Participant w/Child(ren) |
|--|-----------|---------------|----------|------------|------------|--------------------------|
| MEA Standard \$1,000 Deductible (Blue Choice \$20) | 5 | 0.0% | \$600.34 | \$1,353.06 | \$1,646.85 | \$1,062.47 |
| | 5 | 2.5% | 615.35 | 1,386.89 | 1,688.02 | 1,089.03 |
| | 5 | 5.0% | 630.36 | 1,420.71 | 1,729.19 | 1,115.59 |
| | 5 | 7.5% | 645.37 | 1,454.54 | 1,770.36 | 1,142.16 |
| | 5 | 9.5% | 657.37 | 1,481.60 | 1,803.30 | 1,163.40 |
| | 6 | 0.0% | 611.16 | 1,377.44 | 1,676.52 | 1,081.61 |
| | 6 | 2.5% | 626.44 | 1,411.88 | 1,718.43 | 1,108.65 |
| | 6 | 5.0% | 641.72 | 1,446.31 | 1,760.35 | 1,135.69 |
| | 6 | 7.5% | 657.00 | 1,480.75 | 1,802.26 | 1,162.73 |
| | 6 | 9.5% | 669.22 | 1,508.30 | 1,835.79 | 1,184.36 |



PREMIUMS

Teachers' Health Plans
Monthly Premiums

Medicare Eligible Retirees

| Medical Plan | Year | Single | 2-Party | Family | Participant w/Child(ren) |
|-------------------------------|-------------|---------------|----------------|---------------|---------------------------------|
| Group Companion ⁴¹ | 2008/09 | \$321.36 | \$674.55 | n/a | n/a |
| | 2009/10 | 321.36 | 674.55 | n/a | n/a |
| | 2010/11 | 321.36 | 674.55 | n/a | n/a |
| | 2011/12 | 327.79 | 688.04 | n/a | n/a |
| | 2012/13 | 340.90 | 715.56 | n/a | n/a |
| | 2013/14 | 368.17 | 772.80 | n/a | n/a |
| | 2014/15 | 386.58 | 811.44 | n/a | n/a |

⁴¹ Medigap B, Harvard Pilgrim, and MSMA assumed to have the same premiums for valuation.



PREMIUMS



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PARTICIPANT STATISTICS

Active Employee Plan & Coverage Elections

June 30, 2014

State Employees

| Medical Plan | Single | 2-Party | Family | EE+ Child(ren) | FLES⁴² | Waived | Total |
|---------------------|---------------|----------------|---------------|---------------------------|--------------------------|---------------|---------------|
| HMO Choice | 5,701 | 1,422 | 2,292 | 1,633 | 315 | n/a | 11,363 |
| Waived | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>1,053</u> | <u>1,053</u> |
| Total | 5,701 | 1,422 | 2,292 | 1,633 | 315 | 1,053 | 12,416 |

Teachers

| Medical Plan | Single | 2-Party | Family | EE + Child(ren) | FLES | Waived | Total |
|---------------------|---------------|----------------|---------------|----------------------------|-------------|---------------|---------------|
| HMO Choice | 6,215 | 2,001 | 4,373 | 2,874 | n/a | n/a | 15,463 |
| Blue Choice \$15 | 1,399 | 559 | 716 | 405 | n/a | n/a | 3,079 |
| Blue Choice \$20 | 80 | 26 | 49 | 33 | n/a | n/a | 188 |
| Waived | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>9,003</u> | <u>9,003</u> |
| Total | 7,694 | 2,586 | 5,138 | 3,312 | n/a | 9,003 | 27,733 |

⁴² State employees or retirees married to other State employees or retirees and valued as single coverage.



November 11, 2014

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PARTICIPANT STATISTICS

Retiree Plan & Coverage Elections

June 30, 2014

State Employees

| Medical Plan | Single | 2-Party | Family | EE+ Child(ren) | Total |
|-------------------------------------|---------------|----------------|---------------|---------------------------|---------------|
| HMO Choice | 3,167 | 202 | 20 | 48 | 3,437 |
| Medicare Advantage 100 PPO Plan | n/a | n/a | n/a | n/a | 5,875 |
| Medicare Advantage 100 ESA PPO Plan | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>1,744</u> |
| Total | 3,167 | 202 | 20 | 48 | 11,056 |

Teachers

| Medical Plan | Single | 2-Party | Family | EE + Child(ren) | Total |
|---------------------|---------------|----------------|---------------|----------------------------|--------------|
| HMO Choice | 1,450 | 182 | 15 | 11 | 1,658 |
| Blue Choice \$15 | 1,461 | 97 | 9 | 8 | 1,575 |
| Blue Choice \$20 | 19 | 8 | 3 | - | 30 |
| Group Companion | 5,387 | 1,128 | - | - | 6,515 |
| Medigap B | 5 | - | - | - | 5 |
| Harvard Pilgrim | n/a | n/a | n/a | n/a | 100 |
| MSMA | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>n/a</u> | <u>50</u> |
| Total | 8,322 | 1,415 | 27 | 19 | 9,933 |



November 11, 2014

E-22



PARTICIPANT STATISTICS

State Actives by Age and Service⁴³
June 30, 2014

| Age | Service | | | | | | | Total |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 244 | 147 | 10 | - | - | - | - | 401 |
| 25-29 | 206 | 390 | 136 | 9 | - | - | - | 741 |
| 30-34 | 123 | 320 | 325 | 169 | 9 | - | - | 946 |
| 35-39 | 92 | 228 | 314 | 342 | 167 | 8 | - | 1,151 |
| 40-44 | 111 | 252 | 245 | 329 | 296 | 137 | 41 | 1,411 |
| 45-49 | 92 | 225 | 264 | 310 | 235 | 252 | 327 | 1,705 |
| 50-54 | 82 | 259 | 253 | 324 | 230 | 256 | 702 | 2,106 |
| 55-59 | 75 | 216 | 265 | 308 | 219 | 210 | 799 | 2,092 |
| 60-64 | 38 | 144 | 178 | 202 | 136 | 127 | 512 | 1,337 |
| ≥ 65 | 13 | 51 | 94 | 86 | 54 | 54 | 174 | 526 |
| Total | 1,076 | 2,232 | 2,084 | 2,079 | 1,346 | 1,044 | 2,555 | 12,416 |

⁴³ Includes 1 active with assumed birth date.



November 11, 2014

E-23



PARTICIPANT STATISTICS

Teacher Actives by Age and Service
June 30, 2014

| Age | Service | | | | | | | Total |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| | < 1 | 1-4 | 5-9 | 10-14 | 15-19 | 20-24 | ≥ 25 | |
| < 25 | 328 | 498 | 14 | - | - | - | - | 840 |
| 25-29 | 259 | 1,225 | 654 | 40 | - | - | - | 2,178 |
| 30-34 | 177 | 598 | 972 | 897 | 41 | - | - | 2,685 |
| 35-39 | 184 | 560 | 563 | 906 | 797 | 29 | - | 3,039 |
| 40-44 | 183 | 546 | 611 | 572 | 834 | 762 | 2 | 3,510 |
| 45-49 | 136 | 432 | 601 | 627 | 476 | 923 | 387 | 3,582 |
| 50-54 | 91 | 350 | 443 | 630 | 521 | 484 | 1,321 | 3,840 |
| 55-59 | 71 | 253 | 340 | 499 | 548 | 604 | 1,772 | 4,087 |
| 60-64 | 43 | 182 | 200 | 334 | 322 | 449 | 1,428 | 2,958 |
| ≥ 65 | 30 | 94 | 105 | 123 | 110 | 127 | 425 | 1,014 |
| Total | 1,502 | 4,738 | 4,503 | 4,628 | 3,649 | 3,378 | 5,335 | 27,733 |



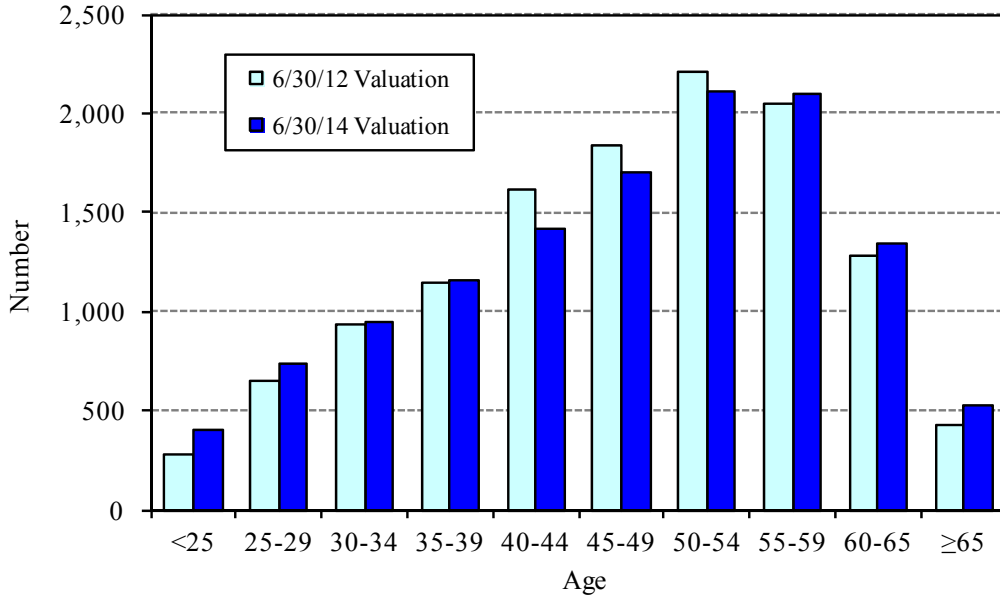
November 11, 2014

E-24



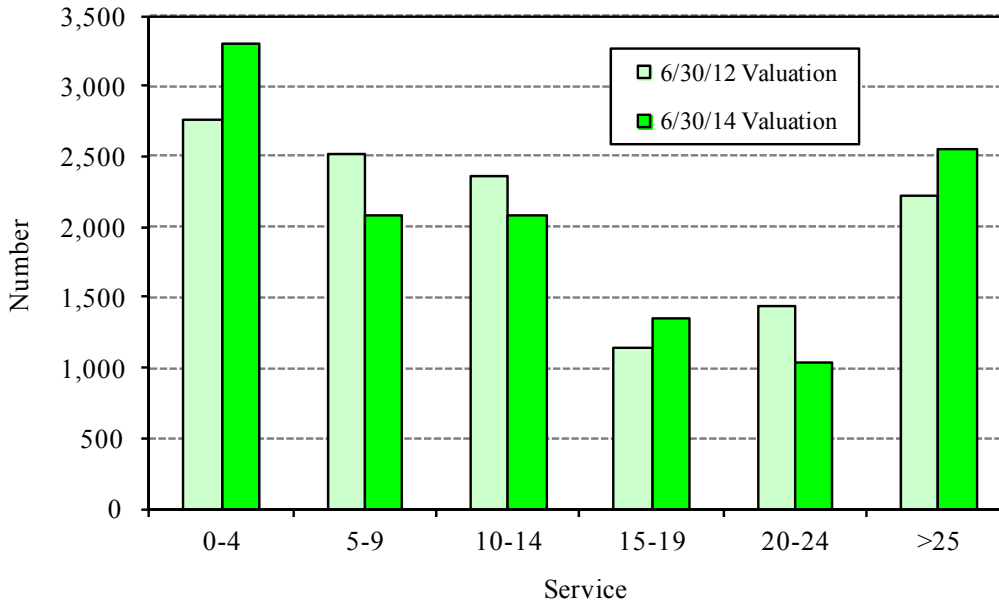
PARTICIPANT STATISTICS

Active Age Distribution
State Employees



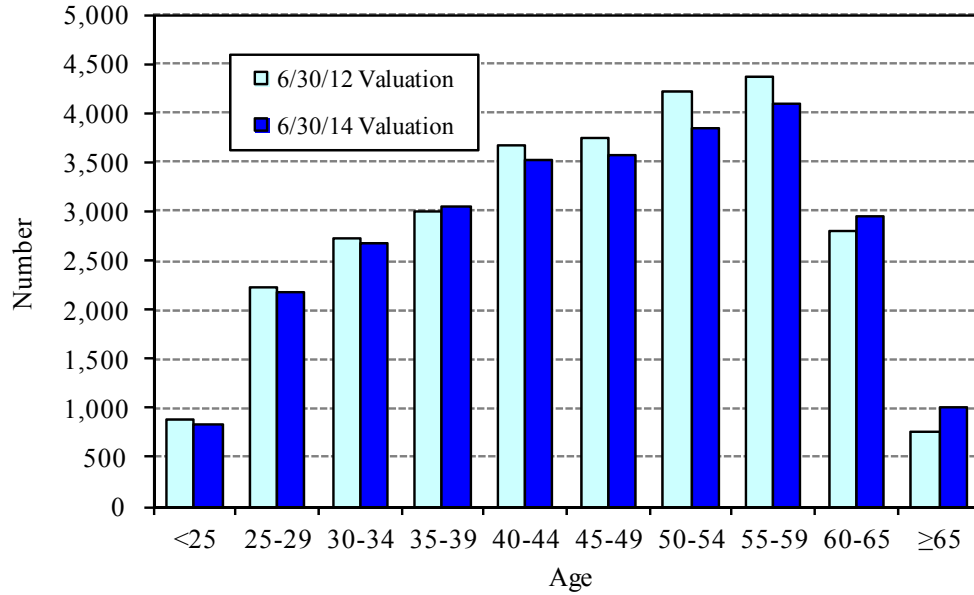
PARTICIPANT STATISTICS

Active Service Distribution
State Employees



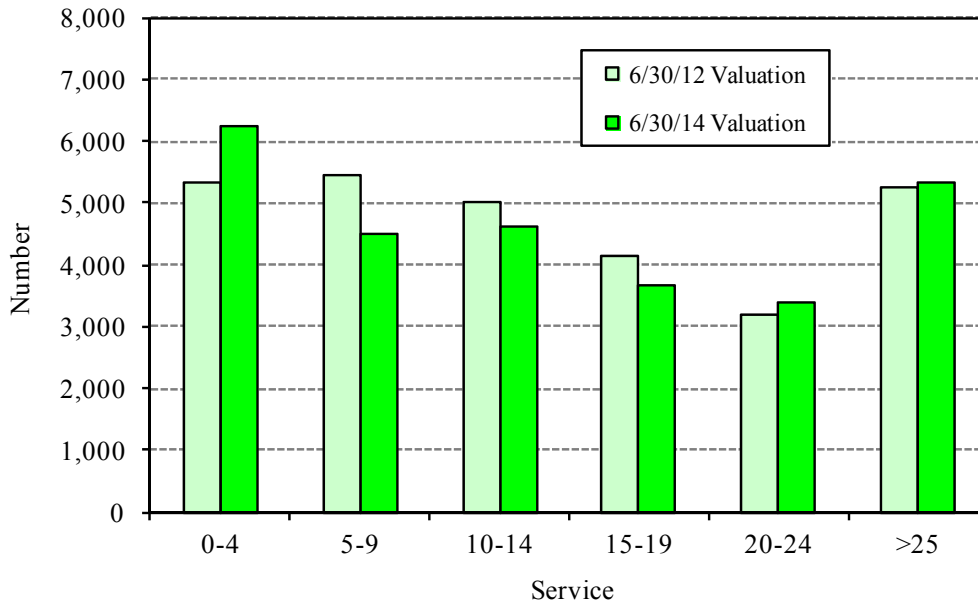
PARTICIPANT STATISTICS

Active Age Distribution Teachers



PARTICIPANT STATISTICS

Active Service Distribution Teachers



PARTICIPANT STATISTICS

State Retiree Healthcare Coverage by Age Group
June 30, 2014

| Age | Single | 2-Party | Family | EE+Ch | MA PPO ⁴⁴ | Total |
|--------------|--------------|------------|-----------|-----------|----------------------|---------------|
| Under 50 | 67 | - | - | 6 | 11 | 84 |
| 50-54 | 231 | 9 | 4 | 13 | 9 | 266 |
| 55-59 | 714 | 47 | 5 | 12 | 32 | 810 |
| 60-64 | 1,489 | 105 | 10 | 16 | 112 | 1,732 |
| 65-69 | 212 | 14 | 1 | 1 | 2,225 | 2,453 |
| 70-74 | 167 | 11 | - | - | 1,711 | 1,889 |
| 75-79 | 150 | 8 | - | - | 1,331 | 1,489 |
| 80-84 | 73 | 5 | - | - | 1,097 | 1,175 |
| Over 85 | 64 | 3 | - | - | 1,091 | 1,158 |
| Total | 3,167 | 202 | 20 | 48 | 7,619 | 11,056 |

| | | | | | | |
|------------------|------|------|------|------|------|------|
| Average Age | 63.0 | 63.6 | 59.7 | 54.9 | 75.4 | 71.5 |
| < 65 Election % | 86% | 6% | 1% | 2% | 6% | 100% |
| ≥ 65 Election % | n/a | n/a | n/a | n/a | n/a | 100% |
| Total Election % | n/a | n/a | n/a | n/a | n/a | 100% |

⁴⁴ Medical coverage election not provided for State retirees in Medicare Advantage PPO Plans.



November 11, 2014

E-29



PARTICIPANT STATISTICS

Teachers Retiree Healthcare Coverage by Age Group
June 30, 2014

| Age | Single | 2-Party | Family | EE+Ch | HP/MSMA | Total |
|--------------|--------------|--------------|-----------|-----------|------------|--------------|
| Under 50 | 12 | - | - | 1 | - | 13 |
| 50-54 | 34 | - | 6 | 1 | - | 41 |
| 55-59 | 222 | 28 | 5 | - | 2 | 257 |
| 60-64 | 1,836 | 221 | 14 | 17 | 45 | 2,133 |
| 65-69 | 2,483 | 321 | 1 | - | 43 | 2,848 |
| 70-74 | 1,674 | 338 | 1 | - | 27 | 2,040 |
| 75-79 | 932 | 263 | - | - | 9 | 1,204 |
| 80-84 | 605 | 151 | - | - | 12 | 768 |
| Over 85 | 524 | 93 | - | - | 12 | 629 |
| Total | 8,322 | 1,415 | 27 | 19 | 150 | 9,933 |

| | | | | | | |
|------------------|------|------|------|------|------|------|
| Average Age | 70.7 | 72.6 | 60.2 | 59.4 | 70.6 | 70.9 |
| < 65 Election % | 86% | 10% | 1% | 1% | 2% | 100% |
| ≥ 65 Election % | 83% | 16% | 0% | 0% | 1% | 100% |
| Total Election % | 84% | 14% | 0% | 0% | 2% | 100% |



November 11, 2014

E-30



PARTICIPANT STATISTICS

State Employees Retiree Healthcare Cash Subsidy Percent
June 30, 2014

| Age | 0% | 50% | 60% | 70% | 80% | 90% | 100% | Total |
|----------------|--------------|-------------|-------------|-------------|-------------|-------------|--------------|---------------|
| Under 50 | 10 | 0 | 0 | 5 | 1 | 1 | 67 | 84 |
| 50-54 | 8 | 0 | 1 | 2 | 1 | 1 | 253 | 266 |
| 55-59 | 27 | 2 | 2 | 1 | 0 | 1 | 777 | 810 |
| 60-64 | 65 | 2 | 6 | 3 | 6 | 9 | 1,641 | 1,732 |
| 65-69 | 453 | 12 | 13 | 17 | 13 | 19 | 1,926 | 2,453 |
| 70-74 | 457 | 3 | 6 | 14 | 24 | 6 | 1,379 | 1,889 |
| 75-79 | 412 | 5 | 5 | 1 | 8 | 3 | 1,055 | 1,489 |
| 80-84 | 374 | 0 | 1 | 0 | 4 | 0 | 796 | 1,175 |
| Over 85 | 386 | 0 | 1 | 0 | 1 | 1 | 769 | 1,158 |
| Total | 2,192 | 24 | 35 | 43 | 58 | 41 | 8,663 | 11,056 |
| Percent | 19.8% | 0.2% | 0.3% | 0.4% | 0.5% | 0.4% | 78.4% | 100% |



PARTICIPANT STATISTICS

State Employees Retiree Healthcare Cash Subsidy Percent
June 30, 2012

| Age | 0% | 50% | 60% | 70% | 80% | 90% | 100% | Total |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| Under 50 | 10 | 0 | 0 | 0 | 0 | 0 | 109 | 119 |
| 50-54 | 7 | 0 | 0 | 0 | 0 | 0 | 394 | 401 |
| 55-59 | 24 | 0 | 1 | 0 | 0 | 0 | 919 | 944 |
| 60-64 | 109 | 0 | 2 | 0 | 1 | 0 | 1,701 | 1,813 |
| 65-69 | 31 | 11 | 16 | 16 | 13 | 11 | 1,712 | 1,810 |
| 70-74 | 68 | 4 | 6 | 4 | 20 | 5 | 1,212 | 1,319 |
| 75-79 | 112 | 2 | 3 | 1 | 7 | 2 | 1,097 | 1,224 |
| 80-84 | 159 | 0 | 1 | 0 | 4 | 0 | 850 | 1,014 |
| Over 85 | 245 | 0 | 1 | 0 | 0 | 0 | 697 | 943 |
| Total | 765 | 17 | 30 | 21 | 45 | 18 | 8,691 | 9,587 |
| Percent | 8.0% | 0.2% | 0.3% | 0.2% | 0.5% | 0.2% | 90.6% | 100% |



PARTICIPANT STATISTICS

Teachers Retiree Healthcare Cash Subsidy Percent
June 30, 2014

| Age | 0% | 45% | Total |
|----------------|-------------|--------------|--------------|
| Under 50 | 7 | 6 | 13 |
| 50-54 | 5 | 36 | 41 |
| 55-59 | 17 | 240 | 257 |
| 60-64 | 140 | 1,993 | 2,133 |
| 65-69 | 76 | 2,772 | 2,848 |
| 70-74 | 31 | 2,009 | 2,040 |
| 75-79 | 12 | 1,192 | 1,204 |
| 80-84 | 7 | 761 | 768 |
| Over 85 | 14 | 615 | 629 |
| Total | 309 | 9,624 | 9,933 |
| Percent | 3.1% | 96.9% | 100% |



PARTICIPANT STATISTICS

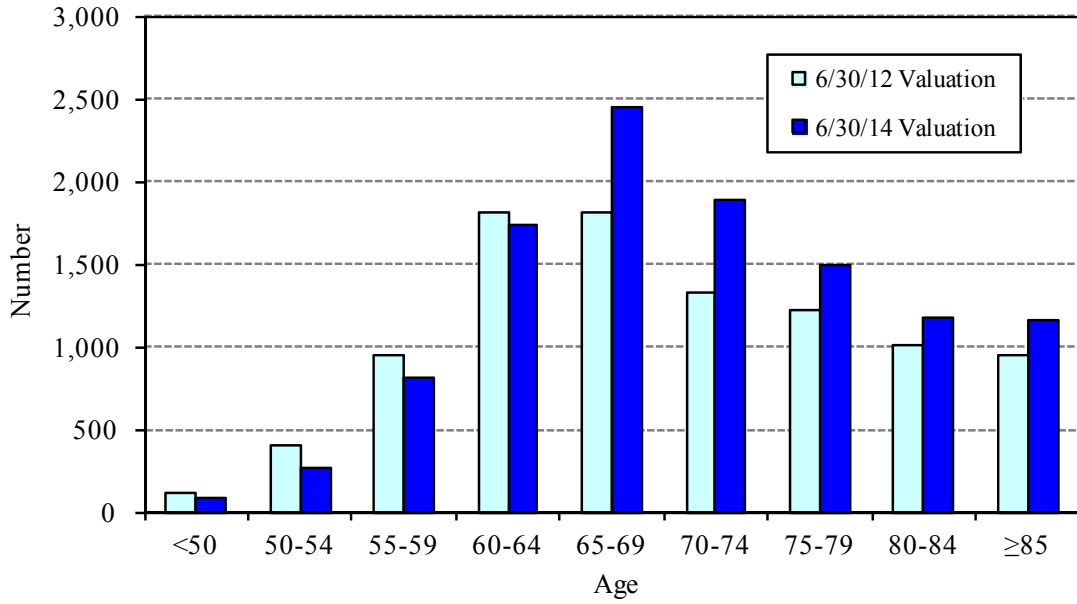
Teachers Retiree Healthcare Cash Subsidy Percent
June 30, 2012

| Age | 0% | 45% | Total |
|----------------|-----------|--------------|--------------|
| Under 50 | 0 | 19 | 19 |
| 50-54 | 0 | 53 | 53 |
| 55-59 | 0 | 508 | 508 |
| 60-64 | 0 | 2,437 | 2,437 |
| 65-69 | 0 | 2,513 | 2,513 |
| 70-74 | 0 | 1,622 | 1,622 |
| 75-79 | 0 | 1,086 | 1,086 |
| 80-84 | 0 | 665 | 665 |
| Over 85 | 0 | 617 | 617 |
| Total | 0 | 9,520 | 9,520 |
| Percent | 0% | 100% | 100% |



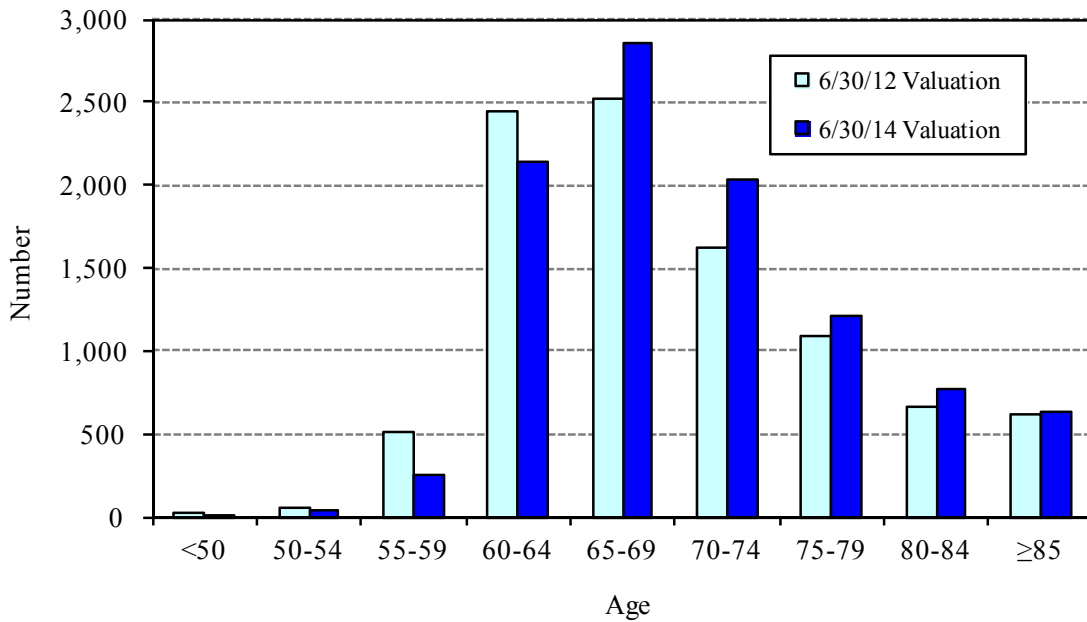
PARTICIPANT STATISTICS

**Retiree Age Distribution
State Employees**



PARTICIPANT STATISTICS

**Retiree Age Distribution
Teachers**



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|-----------------------|---|---|
| ■ Valuation Date | <ul style="list-style-type: none"> • June 30, 2012 • 2012/13 and 2013/14 ARCs | <ul style="list-style-type: none"> • June 30, 2014 • 2014/15 and 2015/16 ARCs |
| ■ Valuation Data | <ul style="list-style-type: none"> • 6/30/12 census data • 6/30/12 assets • 2012/13 premiums | <ul style="list-style-type: none"> • 6/30/14 census data • 6/30/14 assets • 2014/15 premiums |
| ■ Discount Rate Basis | <ul style="list-style-type: none"> • No pre-funding rate - 4.00% • Full pre-funding rate - 7.25% | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---------------------------------|--|--------------------------------|-------------|-------------|-------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|--|-------------|-------------|-------------|-------------|---------|-----|---------|-------|---------|-----|---------|-------|---------|-------|----------|-------|---------|-------|--|--|
| ■ Discount Rate State Employees | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>4.49%</td> <td>2016/17</td> <td>6.60%</td> </tr> <tr> <td>2013/14</td> <td>5.63%</td> <td>2017/18</td> <td>6.93%</td> </tr> <tr> <td>2014/15</td> <td>5.95%</td> <td>2018/19+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>6.28%</td> <td></td> <td></td> </tr> </tbody> </table> | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | 4.49% | 2016/17 | 6.60% | 2013/14 | 5.63% | 2017/18 | 6.93% | 2014/15 | 5.95% | 2018/19+ | 7.25% | 2015/16 | 6.28% | | | <ul style="list-style-type: none"> • Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>n/a</td> <td>2016/17</td> <td>6.60%</td> </tr> <tr> <td>2013/14</td> <td>n/a</td> <td>2017/18</td> <td>6.93%</td> </tr> <tr> <td>2014/15</td> <td>5.95%</td> <td>2018/19+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>6.28%</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> • State should consider using lower discount rate if it cannot follow stated funding policy | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | n/a | 2016/17 | 6.60% | 2013/14 | n/a | 2017/18 | 6.93% | 2014/15 | 5.95% | 2018/19+ | 7.25% | 2015/16 | 6.28% | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 4.49% | 2016/17 | 6.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | 5.63% | 2017/18 | 6.93% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 5.95% | 2018/19+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 6.28% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | n/a | 2016/17 | 6.60% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | n/a | 2017/18 | 6.93% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 5.95% | 2018/19+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 6.28% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|-------------|-------------|-------------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|---------|-------|--|--|---------|-------|--|--|--|-------------|-------------|-------------|-------------|---------|-----|---------|-------|---------|-----|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|---------|-------|----------|-------|---------|-------|--|--|
| <p>■ Discount Rate Teachers</p> | <ul style="list-style-type: none"> Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>4.00%</td> <td>2018/19</td> <td>6.44%</td> </tr> <tr> <td>2013/14</td> <td>4.41%</td> <td>2019/20</td> <td>6.84%</td> </tr> <tr> <td>2014/15</td> <td>4.81%</td> <td>2020/21+</td> <td>7.25%</td> </tr> <tr> <td>2015/16</td> <td>5.22%</td> <td></td> <td></td> </tr> <tr> <td>2016/17</td> <td>5.63%</td> <td></td> <td></td> </tr> <tr> <td>2017/18</td> <td>6.03%</td> <td></td> <td></td> </tr> </tbody> </table> | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | 4.00% | 2018/19 | 6.44% | 2013/14 | 4.41% | 2019/20 | 6.84% | 2014/15 | 4.81% | 2020/21+ | 7.25% | 2015/16 | 5.22% | | | 2016/17 | 5.63% | | | 2017/18 | 6.03% | | | <ul style="list-style-type: none"> Select & ultimate discount rates based on ARC phase-in funding policy: <table border="1"> <thead> <tr> <th><u>Year</u></th> <th><u>Rate</u></th> <th><u>Year</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>2012/13</td> <td>n/a</td> <td>2018/19</td> <td>5.63%</td> </tr> <tr> <td>2013/14</td> <td>n/a</td> <td>2019/20</td> <td>6.03%</td> </tr> <tr> <td>2014/15</td> <td>4.00%</td> <td>2020/21</td> <td>6.44%</td> </tr> <tr> <td>2015/16</td> <td>4.41%</td> <td>2021/22</td> <td>6.84%</td> </tr> <tr> <td>2016/17</td> <td>4.81%</td> <td>2022/23+</td> <td>7.25%</td> </tr> <tr> <td>2017/18</td> <td>5.22%</td> <td></td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> State should consider using lower discount rate if it cannot follow stated funding policy | <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | 2012/13 | n/a | 2018/19 | 5.63% | 2013/14 | n/a | 2019/20 | 6.03% | 2014/15 | 4.00% | 2020/21 | 6.44% | 2015/16 | 4.41% | 2021/22 | 6.84% | 2016/17 | 4.81% | 2022/23+ | 7.25% | 2017/18 | 5.22% | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | 4.00% | 2018/19 | 6.44% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | 4.41% | 2019/20 | 6.84% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 4.81% | 2020/21+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 5.22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 | 5.63% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 | 6.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <u>Year</u> | <u>Rate</u> | <u>Year</u> | <u>Rate</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2012/13 | n/a | 2018/19 | 5.63% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2013/14 | n/a | 2019/20 | 6.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2014/15 | 4.00% | 2020/21 | 6.44% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2015/16 | 4.41% | 2021/22 | 6.84% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2016/17 | 4.81% | 2022/23+ | 7.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2017/18 | 5.22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>■ Discount Rate Ancillary Groups</p> | <ul style="list-style-type: none"> 4.0% | <ul style="list-style-type: none"> Same | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|--------------------------------------|--|--|
| <p>■ General Inflation</p> | <ul style="list-style-type: none"> 3% annually Basis for aggregate payroll and discount rate assumptions | <ul style="list-style-type: none"> Same |
| <p>■ Aggregate Payroll Increases</p> | <ul style="list-style-type: none"> 3.25% Inflation plus 0.25% For Normal Cost calculation and UAAL amortization | <ul style="list-style-type: none"> Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | |
|--|--|--------------------------------|--------------|-----------------|---|-------|--------|---|-------|-------|----|-------|-------|----|-------|-------|----|-------|-------|-----|-------|-------|--|
| <p>■ Merit and Longevity Pay Increases</p> | <ul style="list-style-type: none"> MainePERS 6/30/11 Valuation sample rates: <table border="1"> <thead> <tr> <th><u>Service</u></th> <th><u>State</u></th> <th><u>Teachers</u></th> </tr> </thead> <tbody> <tr> <td>0</td> <td>7.00%</td> <td>10.00%</td> </tr> <tr> <td>5</td> <td>2.50%</td> <td>2.75%</td> </tr> <tr> <td>10</td> <td>1.00%</td> <td>1.50%</td> </tr> <tr> <td>15</td> <td>0.45%</td> <td>1.00%</td> </tr> <tr> <td>20</td> <td>0.20%</td> <td>0.20%</td> </tr> <tr> <td>25+</td> <td>0.00%</td> <td>0.00%</td> </tr> </tbody> </table> 0.0% for Legislative 0.0% for Judicial Added to aggregate payroll increase assumption and used for Normal Cost calculation | <u>Service</u> | <u>State</u> | <u>Teachers</u> | 0 | 7.00% | 10.00% | 5 | 2.50% | 2.75% | 10 | 1.00% | 1.50% | 15 | 0.45% | 1.00% | 20 | 0.20% | 0.20% | 25+ | 0.00% | 0.00% | <ul style="list-style-type: none"> Same for MainePERS 6/30/13 valuation |
| <u>Service</u> | <u>State</u> | <u>Teachers</u> | | | | | | | | | | | | | | | | | | | | | |
| 0 | 7.00% | 10.00% | | | | | | | | | | | | | | | | | | | | | |
| 5 | 2.50% | 2.75% | | | | | | | | | | | | | | | | | | | | | |
| 10 | 1.00% | 1.50% | | | | | | | | | | | | | | | | | | | | | |
| 15 | 0.45% | 1.00% | | | | | | | | | | | | | | | | | | | | | |
| 20 | 0.20% | 0.20% | | | | | | | | | | | | | | | | | | | | | |
| 25+ | 0.00% | 0.00% | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | | | | June 30, 2014 Valuation | | | |
|---|---|-------------------|-------------|----------------------|--------------------------------|-------------------|-------------|----------------------|
| <p>■ Healthcare Cost Increases State Employees and Ancillary Groups</p> | Increase from Prior Year | | | | Increase from Prior Year | | | |
| | <u>Year</u> | <u>HMO Choice</u> | <u>Year</u> | <u>Medicare Plan</u> | <u>Year</u> | <u>HMO Choice</u> | <u>Year</u> | <u>Medicare Plan</u> |
| | 2012/13 | Premium | 2012 | Premium | 2012/13 | n/a | 2012 | n/a |
| | 2013/14 | 8.5% | 2013 | 8.9% | 2013/14 | n/a | 2013 | n/a |
| | 2014/15 | 8.0% | 2014 | 8.3% | 2014/15 | Premium | 2014 | Premium |
| | 2015/16 | 7.5% | 2015 | 7.8% | 2015/16 | 6.0% | 2015 | 7.8% |
| | 2016/17 | 7.0% | 2016 | 7.2% | 2016/17 | 6.0% | 2016 | 7.2% |
| | 2017/18 | 6.5% | 2017 | 6.7% | 2017/18 | 6.0% | 2017 | 6.7% |
| | 2018/19 | 6.0% | 2018 | 6.1% | 2018/19 | 6.0% | 2018 | 6.1% |
| | 2019/20 | 5.5% | 2019 | 5.6% | 2019/20 | 5.5% | 2019 | 5.6% |
| 2020/21+ | 5.0% | 2020+ | 5.0% | 2020/21+ | 5.0% | 2020+ | 5.0% | |
| | <ul style="list-style-type: none"> HMO Choice premium increases for fiscal years ending after 6/30/15 limited to CPI plus 3% per Public Law Chapter 368 §H-1 | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | | | | June 30, 2014 Valuation | | | |
|--------------------------------------|---|---------------|---------------|-------------|--------------------------------|---------------|---------------|-------------|
| ■ Healthcare Cost Increases Teachers | Increase from Prior Year | | | | Increase from Prior Year | | | |
| | | HMO | Blue | Medicare | | HMO | Blue | Medicare |
| | <u>Year</u> | <u>Choice</u> | <u>Choice</u> | <u>Plan</u> | <u>Year</u> | <u>Choice</u> | <u>Choice</u> | <u>Plan</u> |
| | 2012/13 | Premium | Premium | Premium | 2012/13 | n/a | n/a | n/a |
| | 2013/14 | 8.5% | 8.5% | 8.9% | 2013/14 | n/a | n/a | n/a |
| | 2014/15 | 8.0% | 8.0% | 8.3% | 2014/15 | Premium | Premium | Premium |
| | 2015/16 | 7.5% | 7.5% | 7.8% | 2015/16 | 7.5% | 7.5% | 7.8% |
| | 2016/17 | 7.0% | 7.0% | 7.2% | 2016/17 | 7.0% | 7.0% | 7.2% |
| | 2017/18 | 6.5% | 6.5% | 6.7% | 2017/18 | 6.5% | 6.5% | 6.7% |
| | 2018/19 | 6.0% | 6.0% | 6.1% | 2018/19 | 6.0% | 6.0% | 6.1% |
| 2019/20 | 5.5% | 5.5% | 5.6% | 2019/20 | 5.5% | 5.5% | 5.6% | |
| 2020/21+ | 5.0% | 5.0% | 5.0% | 2020/21+ | 5.0% | 5.0% | 5.0% | |
| | <ul style="list-style-type: none"> • LD 1043 capped State cost for Teachers non-Medicare premiums for 2011/12 and 2012/13 at the 2010/11 funding level. Multiplied State paid cash subsidy by 93.8% for 2012/13 so as not to exceed budgeted \$23 million. | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | | | June 30, 2014 Valuation | | |
|---|--|-------------|---------------|--|-------------|---------------|
| ■ State Average Monthly Net Claims Cost | <ul style="list-style-type: none"> • 2012/13 claims cost by age: | | | <ul style="list-style-type: none"> • 2014/15 claims cost by age: | | |
| | HMO Choice | | | HMO Choice | | |
| | <u>Retiree Monthly Claims</u> | | | <u>Retiree Monthly Claims</u> | | |
| | <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Age</u> | <u>Male</u> | <u>Female</u> |
| | 50 | \$ 586 | \$ 763 | 50 | \$ 603 | \$ 784 |
| | 55 | 758 | 777 | 55 | 780 | 799 |
| | 60 | 963 | 829 | 60 | 990 | 853 |
| | 65 | 1,177 | 987 | 65 | 1,211 | 1,015 |
| | 70 | 1,492 | 1,215 | 70 | 1,535 | 1,250 |
| | 75 | 1,801 | 1,454 | 75 | 1,853 | 1,495 |
| | <ul style="list-style-type: none"> • Assumes medical plan is modified to result in unchanged premiums for 2012/13 | | | <ul style="list-style-type: none"> • Increases with healthcare trend assumption | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|---|--|--|
| ■ State Relative Age-Related Claims Cost Factors | HMO Choice Retiree and Spouse | |
| | <u>Age</u> | <u>Male</u> <u>Female</u> |
| | 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% |
| | <ul style="list-style-type: none"> • Used to allocate claims cost by age and gender | |
| | | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|---|---|--|-----------------|--------------|---------------|-----------------|--|------------|-------------|---------------|-------------|---------------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|
| ■ Mortality for Healthy Lives | <ul style="list-style-type: none"> • MainePERS 6/30/11 valuation assumption <ul style="list-style-type: none"> ➢ State, Legislative & Judicial - RP2000 projected to 2015 using Scale AA ➢ Teachers - RP2000 projected to 2015 using Scale AA setback 2 years | | <ul style="list-style-type: none"> • Same for MainePERS 6/30/13 valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <table border="0"> <thead> <tr> <th></th> <th align="center" colspan="2"><u>State</u></th> <th align="center" colspan="2"><u>Teachers</u></th> </tr> <tr> <th><u>Age</u></th> <th><u>Male</u></th> <th><u>Female</u></th> <th><u>Male</u></th> <th><u>Female</u></th> </tr> </thead> <tbody> <tr><td>20</td><td>0.03%</td><td>0.01%</td><td>0.02%</td><td>0.02%</td></tr> <tr><td>25</td><td>0.03%</td><td>0.02%</td><td>0.03%</td><td>0.02%</td></tr> <tr><td>30</td><td>0.04%</td><td>0.02%</td><td>0.04%</td><td>0.02%</td></tr> <tr><td>35</td><td>0.07%</td><td>0.04%</td><td>0.06%</td><td>0.03%</td></tr> <tr><td>40</td><td>0.10%</td><td>0.06%</td><td>0.09%</td><td>0.05%</td></tr> <tr><td>45</td><td>0.12%</td><td>0.09%</td><td>0.11%</td><td>0.07%</td></tr> <tr><td>50</td><td>0.16%</td><td>0.13%</td><td>0.14%</td><td>0.11%</td></tr> <tr><td>55</td><td>0.27%</td><td>0.24%</td><td>0.22%</td><td>0.20%</td></tr> <tr><td>60</td><td>0.53%</td><td>0.47%</td><td>0.41%</td><td>0.36%</td></tr> <tr><td>65</td><td>1.03%</td><td>0.90%</td><td>0.81%</td><td>0.71%</td></tr> <tr><td>70</td><td>1.77%</td><td>1.55%</td><td>1.42%</td><td>1.25%</td></tr> </tbody> </table> | | | <u>State</u> | | <u>Teachers</u> | | <u>Age</u> | <u>Male</u> | <u>Female</u> | <u>Male</u> | <u>Female</u> | 20 | 0.03% | 0.01% | 0.02% | 0.02% | 25 | 0.03% | 0.02% | 0.03% | 0.02% | 30 | 0.04% | 0.02% | 0.04% | 0.02% | 35 | 0.07% | 0.04% | 0.06% | 0.03% | 40 | 0.10% | 0.06% | 0.09% | 0.05% | 45 | 0.12% | 0.09% | 0.11% | 0.07% | 50 | 0.16% | 0.13% | 0.14% | 0.11% | 55 | 0.27% | 0.24% | 0.22% | 0.20% | 60 | 0.53% | 0.47% | 0.41% | 0.36% | 65 | 1.03% | 0.90% | 0.81% | 0.71% | 70 | 1.77% | 1.55% | 1.42% | 1.25% |
| | | <u>State</u> | | <u>Teachers</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>Age</u> | <u>Male</u> | | <u>Female</u> | <u>Male</u> | <u>Female</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 20 | 0.03% | | 0.01% | 0.02% | 0.02% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 25 | 0.03% | | 0.02% | 0.03% | 0.02% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 30 | 0.04% | | 0.02% | 0.04% | 0.02% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 35 | 0.07% | | 0.04% | 0.06% | 0.03% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 40 | 0.10% | | 0.06% | 0.09% | 0.05% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 45 | 0.12% | | 0.09% | 0.11% | 0.07% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 50 | 0.16% | | 0.13% | 0.14% | 0.11% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 55 | 0.27% | | 0.24% | 0.22% | 0.20% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 60 | 0.53% | | 0.47% | 0.41% | 0.36% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 65 | 1.03% | | 0.90% | 0.81% | 0.71% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 70 | 1.77% | | 1.55% | 1.42% | 1.25% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | |
|---------------------------------------|--|--|---------------------------|
| ■ Mortality for Disabled Lives | <ul style="list-style-type: none"> MainePERS 6/30/11 valuation assumption | <ul style="list-style-type: none"> Same for MainePERS 6/30/13 valuation | |
| | <u>State & Teachers</u> | | |
| | <u>Age</u> | | <u>Male</u> <u>Female</u> |
| | 25 | | 0.92% 0.72% |
| | 30 | | 1.12% 0.89% |
| | 35 | | 1.34% 1.09% |
| | 40 | | 1.60% 1.26% |
| | 45 | | 1.93% 1.44% |
| | 50 | | 2.36% 1.65% |
| | 55 | | 2.95% 1.91% |
| 60 | 3.62% 2.26% | | |
| 65 | 4.46% 2.72% | | |
| 70 | 5.76% 3.31% | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | |
|----------------------|--|--|------------------|
| ■ Termination | <ul style="list-style-type: none"> MainePERS 6/30/11 valuation assumption | <ul style="list-style-type: none"> Same for MainePERS 6/30/13 valuation | |
| | <u>Service</u> <u>State</u> <u>Teachers</u> | | |
| | 0 | | 30.0% 37.0% |
| | 5 | | 7.5% 12.0% |
| | 10 | | 4.4% 6.9% |
| | 15 | | 4.0% 5.5% |
| | 20 | | 4.0% 5.5% |
| | 25+ | | 4.0% 5.5% |
| | <u>Age</u> <u>Legislative</u> <u>Judicial</u> | | |
| | 25 | | 7.0% 7.0% |
| 30 | 6.0% 6.0% | | |
| 35 | 5.0% 5.0% | | |
| 40 | 4.0% 4.0% | | |
| 45 | 3.0% 3.0% | | |
| 50 | 2.0% 2.0% | | |
| 55 | 1.0% 1.0% | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|-------------------------------|--|--|------------|--------------|-----------------|-----------------------------------|-----------------------------------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|----|-------|-------|------|
| ■ Disability Incidence | <ul style="list-style-type: none"> MainePERS 6/30/11 valuation assumption | <ul style="list-style-type: none"> Same for MainePERS 6/30/13 valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="0"> <tr> <td></td> <td align="center"><u>Age</u></td> <td align="center"><u>State</u></td> <td align="center"><u>Teachers</u></td> <td align="center"><u>Legislative & Judicial</u></td> </tr> <tr> <td>25</td> <td align="center">.068%</td> <td align="center">.035%</td> <td align="center">.06%</td> </tr> <tr> <td>30</td> <td align="center">.076%</td> <td align="center">.038%</td> <td align="center">.06%</td> </tr> <tr> <td>35</td> <td align="center">.102%</td> <td align="center">.038%</td> <td align="center">.07%</td> </tr> <tr> <td>40</td> <td align="center">.190%</td> <td align="center">.051%</td> <td align="center">.11%</td> </tr> <tr> <td>45</td> <td align="center">.279%</td> <td align="center">.116%</td> <td align="center">.22%</td> </tr> <tr> <td>50</td> <td align="center">.427%</td> <td align="center">.182%</td> <td align="center">.42%</td> </tr> <tr> <td>55</td> <td align="center">.530%</td> <td align="center">.248%</td> <td align="center">.72%</td> </tr> <tr> <td>60</td> <td align="center">.630%</td> <td align="center">.313%</td> <td align="center">.00%</td> </tr> </table> | | | <u>Age</u> | <u>State</u> | <u>Teachers</u> | <u>Legislative & Judicial</u> | 25 | .068% | .035% | .06% | 30 | .076% | .038% | .06% | 35 | .102% | .038% | .07% | 40 | .190% | .051% | .11% | 45 | .279% | .116% | .22% | 50 | .427% | .182% | .42% | 55 | .530% | .248% | .72% | 60 | .630% | .313% | .00% |
| | | | <u>Age</u> | <u>State</u> | <u>Teachers</u> | <u>Legislative & Judicial</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 25 | | .068% | .035% | .06% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 30 | | .076% | .038% | .06% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 35 | | .102% | .038% | .07% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 40 | | .190% | .051% | .11% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 45 | | .279% | .116% | .22% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 50 | | .427% | .182% | .42% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 55 | .530% | .248% | .72% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 60 | .630% | .313% | .00% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|--|--|------------|-----------------------|-----------------------|--------------------|--------------------|---------------|----|------|------|------|------|----|------|------|------|------|----|------|------|------|------|----|-------|------|------|------|----|-------|-------|------|------|----|-------|-------|------|------|----|-------|-------|-------|------|----|-------|-------|-------|------|----|-------|-------|-------|------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|-------|-------|-------|-------|----|------|------|------|------|
| ■ Service Retirement - State Regular Plan Adjusted MainePERS Assumption | <ul style="list-style-type: none"> MainePERS 2010 Experience Study Tier 1 assumption* | <ul style="list-style-type: none"> Same | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="0"> <tr> <td></td> <td align="center"><u>Age</u></td> <td align="center"><u>Pension Tier 1</u></td> <td align="center"><u>Tier 1</u></td> <td align="center"><u>OPEB Tier 2</u></td> <td align="center"><u>Tier 3</u></td> </tr> <tr> <td>45</td> <td align="center">1.0%</td> <td align="center">1.0%</td> <td align="center">1.0%</td> <td align="center">1.0%</td> </tr> <tr> <td>50</td> <td align="center">7.5%</td> <td align="center">7.5%</td> <td align="center">7.5%</td> <td align="center">1.0%</td> </tr> <tr> <td>55</td> <td align="center">7.5%</td> <td align="center">6.6%</td> <td align="center">6.5%</td> <td align="center">7.5%</td> </tr> <tr> <td>56</td> <td align="center">10.0%</td> <td align="center">9.0%</td> <td align="center">6.2%</td> <td align="center">7.1%</td> </tr> <tr> <td>57</td> <td align="center">14.0%</td> <td align="center">12.7%</td> <td align="center">5.8%</td> <td align="center">6.6%</td> </tr> <tr> <td>58</td> <td align="center">15.0%</td> <td align="center">13.6%</td> <td align="center">8.0%</td> <td align="center">6.1%</td> </tr> <tr> <td>59</td> <td align="center">23.0%</td> <td align="center">21.0%</td> <td align="center">11.4%</td> <td align="center">5.5%</td> </tr> <tr> <td>60</td> <td align="center">30.0%</td> <td align="center">36.3%</td> <td align="center">12.4%</td> <td align="center">5.0%</td> </tr> <tr> <td>61</td> <td align="center">30.0%</td> <td align="center">30.0%</td> <td align="center">19.3%</td> <td align="center">7.0%</td> </tr> <tr> <td>62</td> <td align="center">27.0%</td> <td align="center">27.0%</td> <td align="center">41.6%</td> <td align="center">10.3%</td> </tr> <tr> <td>63</td> <td align="center">27.0%</td> <td align="center">27.0%</td> <td align="center">30.0%</td> <td align="center">11.3%</td> </tr> <tr> <td>64</td> <td align="center">25.0%</td> <td align="center">25.0%</td> <td align="center">27.0%</td> <td align="center">17.8%</td> </tr> <tr> <td>65</td> <td align="center">25.0%</td> <td align="center">25.0%</td> <td align="center">27.0%</td> <td align="center">46.1%</td> </tr> <tr> <td>70</td> <td align="center">100%</td> <td align="center">100%</td> <td align="center">100%</td> <td align="center">100%</td> </tr> </table> | | | <u>Age</u> | <u>Pension Tier 1</u> | <u>Tier 1</u> | <u>OPEB Tier 2</u> | <u>Tier 3</u> | 45 | 1.0% | 1.0% | 1.0% | 1.0% | 50 | 7.5% | 7.5% | 7.5% | 1.0% | 55 | 7.5% | 6.6% | 6.5% | 7.5% | 56 | 10.0% | 9.0% | 6.2% | 7.1% | 57 | 14.0% | 12.7% | 5.8% | 6.6% | 58 | 15.0% | 13.6% | 8.0% | 6.1% | 59 | 23.0% | 21.0% | 11.4% | 5.5% | 60 | 30.0% | 36.3% | 12.4% | 5.0% | 61 | 30.0% | 30.0% | 19.3% | 7.0% | 62 | 27.0% | 27.0% | 41.6% | 10.3% | 63 | 27.0% | 27.0% | 30.0% | 11.3% | 64 | 25.0% | 25.0% | 27.0% | 17.8% | 65 | 25.0% | 25.0% | 27.0% | 46.1% | 70 | 100% | 100% | 100% | 100% |
| | | | <u>Age</u> | <u>Pension Tier 1</u> | <u>Tier 1</u> | <u>OPEB Tier 2</u> | <u>Tier 3</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 45 | | 1.0% | 1.0% | 1.0% | 1.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 50 | | 7.5% | 7.5% | 7.5% | 1.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 55 | | 7.5% | 6.6% | 6.5% | 7.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 56 | | 10.0% | 9.0% | 6.2% | 7.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 57 | | 14.0% | 12.7% | 5.8% | 6.6% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 58 | | 15.0% | 13.6% | 8.0% | 6.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 59 | | 23.0% | 21.0% | 11.4% | 5.5% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 60 | | 30.0% | 36.3% | 12.4% | 5.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 61 | | 30.0% | 30.0% | 19.3% | 7.0% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 62 | | 27.0% | 27.0% | 41.6% | 10.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 63 | 27.0% | 27.0% | 30.0% | 11.3% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 64 | 25.0% | 25.0% | 27.0% | 17.8% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 65 | 25.0% | 25.0% | 27.0% | 46.1% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 70 | 100% | 100% | 100% | 100% | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>* Tier 1 rates set back 2 years for Tier 2 and 5 years for Tier 3 and adjusted for OPEB as stated below</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | |
|--|---|--|----------------|----------------|---------------|---------------|--|------------|---------------|---------------|---------------|---------------|--|
| ■ Service Retirement - Teachers Adjusted MainePERS Assumption | <ul style="list-style-type: none"> MainePERS 2010 Experience Study Tier 1 assumption* | <ul style="list-style-type: none"> Same | | | | | | | | | | | |
| | <table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>Pension</u></td> <td align="center" colspan="2"><u>OPEB</u></td> </tr> <tr> <td align="center"><u>Age</u></td> <td align="center"><u>Tier 1</u></td> <td align="center"><u>Tier 1</u></td> <td align="center"><u>Tier 2</u></td> <td align="center"><u>Tier 3</u></td> </tr> </table> | | | <u>Pension</u> | | <u>OPEB</u> | | <u>Age</u> | <u>Tier 1</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> | |
| | | | <u>Pension</u> | | <u>OPEB</u> | | | | | | | | |
| | <u>Age</u> | | <u>Tier 1</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> | | | | | | | |
| | 45 | | 1.8% | 1.8% | 1.8% | 1.8% | | | | | | | |
| | 50 | | 3.9% | 3.9% | 2.9% | 1.8% | | | | | | | |
| | 55 | | 10.6% | 9.4% | 4.5% | 3.9% | | | | | | | |
| | 56 | | 11.6% | 10.4% | 4.8% | 3.7% | | | | | | | |
| | 57 | | 12.9% | 11.7% | 8.3% | 4.1% | | | | | | | |
| | 58 | | 14.4% | 13.2% | 9.3% | 4.1% | | | | | | | |
| | 59 | | 20.0% | 18.3% | 10.6% | 4.3% | | | | | | | |
| | 60 | | 22.5% | 29.0% | 12.0% | 7.2% | | | | | | | |
| | 61 | | 23.0% | 23.0% | 16.9% | 8.2% | | | | | | | |
| 62 | 25.0% | 25.0% | 34.4% | 9.5% | | | | | | | | | |
| 63 | 26.0% | 26.0% | 23.0% | 11.0% | | | | | | | | | |
| 64 | 27.0% | 27.0% | 25.0% | 15.6% | | | | | | | | | |
| 65 | 30.0% | 30.0% | 26.0% | 39.1% | | | | | | | | | |
| 70 | 100% | 100% | 100% | 100% | | | | | | | | | |
| | * Tier 1 rates set back 2 years for Tier 2 and 5 years for Tier 3 and adjusted for OPEB as stated below | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | |
|--|---|--|------------|---------------|---------------|---------------|---------------|--|
| ■ Service Retirement State Regular Plan and Teachers OPEB Assumption Adjustment | <ul style="list-style-type: none"> Retirement rates above include an additional percentage of retirees who defer retirement until NRA since no cash subsidy before NRA | <ul style="list-style-type: none"> Same | | | | | | |
| | <table border="0"> <tr> <td></td> <td align="center"><u>Age</u></td> <td align="center"><u>Tier 1</u></td> <td align="center"><u>Tier 2</u></td> <td align="center"><u>Tier 3</u></td> </tr> </table> | | | <u>Age</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> | |
| | | | <u>Age</u> | <u>Tier 1</u> | <u>Tier 2</u> | <u>Tier 3</u> | | |
| | 51 | | 2% | 0% | 0% | | | |
| | 52 | | 4% | 0% | 0% | | | |
| | 53 | | 6% | 4% | 0% | | | |
| | 54 | | 8% | 8% | 0% | | | |
| | 55 | | 10% | 12% | 0% | | | |
| | 56 | | 8% | 16% | 6% | | | |
| | 57 | | 6% | 20% | 12% | | | |
| | 58 | | 4% | 16% | 18% | | | |
| | 59 | | 2% | 12% | 24% | | | |
| | 60 | | n/a | 8% | 30% | | | |
| 61 | n/a | 4% | 24% | | | | | |
| 62 | n/a | n/a | 18% | | | | | |
| 63 | n/a | n/a | 12% | | | | | |
| 64 | n/a | n/a | 6% | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|---|---|--|
| <ul style="list-style-type: none"> ■ Service Retirement Legislative and Judicial Plans | <ul style="list-style-type: none"> • Maine Legislative and Judicial 6/30/11 valuation assumptions • Legislative: Tier 1 - Age 60, Tier 2 - Age 62, Tier 3 - Age 65 • Judicial: Tier 1 - Age 60, Tier 2 - 50%/year starting at 62, Tier 3 - 50%/year starting at 65 | <ul style="list-style-type: none"> • Same for Maine Legislative and Judicial 6/30/13 valuations |
| <ul style="list-style-type: none"> ■ Service Retirement State Special Plans | <ul style="list-style-type: none"> • MainePERS 6/30/11 valuation assumption for all Special Plans <ul style="list-style-type: none"> ➢ 50% per year once eligibility for unreduced benefits is reached | <ul style="list-style-type: none"> • Same for MainePERS 6/30/13 valuation |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation | | | | | | | | | | | | | | | | | | | | | | | | |
|---|---|--------------------------------|----------------|--|--|-----------------|------------|--------------|----|----|--------------|----|----|--------------|----|----|-----------------|----|----|-----------------|----|----|-----------------|----|----|--|
| <ul style="list-style-type: none"> ■ Expected Retirement Age | <table border="0"> <thead> <tr> <th><u>Group</u></th> <th colspan="2"><u>Assumed</u></th> </tr> <tr> <th></th> <th><u>Hire Age</u></th> <th><u>ERA</u></th> </tr> </thead> <tbody> <tr> <td>State Tier 1</td> <td align="center">25</td> <td align="center">57</td> </tr> <tr> <td>State Tier 2</td> <td align="center">25</td> <td align="center">58</td> </tr> <tr> <td>State Tier 3</td> <td align="center">25</td> <td align="center">60</td> </tr> <tr> <td>Teachers Tier 1</td> <td align="center">25</td> <td align="center">58</td> </tr> <tr> <td>Teachers Tier 2</td> <td align="center">25</td> <td align="center">60</td> </tr> <tr> <td>Teachers Tier 3</td> <td align="center">25</td> <td align="center">62</td> </tr> </tbody> </table> | <u>Group</u> | <u>Assumed</u> | | | <u>Hire Age</u> | <u>ERA</u> | State Tier 1 | 25 | 57 | State Tier 2 | 25 | 58 | State Tier 3 | 25 | 60 | Teachers Tier 1 | 25 | 58 | Teachers Tier 2 | 25 | 60 | Teachers Tier 3 | 25 | 62 | <ul style="list-style-type: none"> • Same |
| <u>Group</u> | <u>Assumed</u> | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>Hire Age</u> | <u>ERA</u> | | | | | | | | | | | | | | | | | | | | | | | | |
| State Tier 1 | 25 | 57 | | | | | | | | | | | | | | | | | | | | | | | | |
| State Tier 2 | 25 | 58 | | | | | | | | | | | | | | | | | | | | | | | | |
| State Tier 3 | 25 | 60 | | | | | | | | | | | | | | | | | | | | | | | | |
| Teachers Tier 1 | 25 | 58 | | | | | | | | | | | | | | | | | | | | | | | | |
| Teachers Tier 2 | 25 | 60 | | | | | | | | | | | | | | | | | | | | | | | | |
| Teachers Tier 3 | 25 | 62 | | | | | | | | | | | | | | | | | | | | | | | | |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|--------------------------------------|--|--|
| <p>■ Participation at Retirement</p> | <ul style="list-style-type: none"> • State: <ul style="list-style-type: none"> ➢ Currently covered - 95% for future retirees and 10% for spouses ➢ Currently waived: <ul style="list-style-type: none"> - Hired \leq 7/1/91 - 20% will elect medical coverage before retirement - Hired $>$ 7/1/91 - 20% will elect medical coverage before retirement and receive 50% cash subsidy, 10% will elect medical and have implied subsidy only • Teachers: <ul style="list-style-type: none"> ➢ Currently covered - 75% for future retirees ➢ Currently waived - $\frac{1}{3}$ will elect medical coverage | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|-------------------------------------|--|--|
| <p>■ Medical Plan at Retirement</p> | <ul style="list-style-type: none"> • Medicare eligible: <ul style="list-style-type: none"> ➢ Current plan election $<$ 65 ➢ Medicare plan \geq 65 • Non Medicare eligible <ul style="list-style-type: none"> ➢ Current plan election • State employees have one plan option | <ul style="list-style-type: none"> • Same |
| <p>■ Medicare Eligible Rate</p> | <ul style="list-style-type: none"> • Future retirees: <ul style="list-style-type: none"> ➢ Hired $<$ 4/1/86 - 75% ➢ Hired \geq 4/1/86 - 100% • Current retirees $<$ 65 - 94% • Current retirees \geq 65 - actual data | <ul style="list-style-type: none"> • Same |
| <p>■ Marital Status</p> | <ul style="list-style-type: none"> • Currently covered - based on current coverage election • Currently waived - 80% | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|---|--|--|
| <ul style="list-style-type: none"> ■ Ineligible Teachers | <ul style="list-style-type: none"> • Ineligible Teachers assumed equal to 10% of all Teachers • 1/3 of ineligible Teachers assumed to receive State contribution at retirement • Assumption per State | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Spouse Age | <ul style="list-style-type: none"> • Current actives - males 3 years older than females • Current retirees - males 3 years older than females if no retiree spouse birth date provided | <ul style="list-style-type: none"> • Same |



ACTUARIAL ASSUMPTIONS

| Assumption | June 30, 2012 Valuation | June 30, 2014 Valuation |
|--|--|---|
| <ul style="list-style-type: none"> ■ Data Assumptions | <ul style="list-style-type: none"> • 152 State employees missing hire dates - average service by age group • 101 State waived employees missing birth date - average age by service group • Ineligible State elected officials - assume none in data • Active employees with waived health insurance coverage - included in valuation • 9,647 waived Teachers missing school district - assume in rate band 4 | <ul style="list-style-type: none"> • 1 Teacher retiree missing birth date - assigned average age by medical plan • Ineligible State elected officials - assume none in data • Active employees with waived health insurance coverage - included in valuation |



ACTUARIAL METHODS

| Method | June 30, 2012 Valuation | June 30, 2014 Valuation |
|---|---|--|
| <ul style="list-style-type: none"> ■ Cost Method | <ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Actuarial Value of Assets | <ul style="list-style-type: none"> • Investment gains and losses spread over a 5-year period • Not less than 80% nor more than 120% of market value | <ul style="list-style-type: none"> • Same |
| <ul style="list-style-type: none"> ■ Amortization Method | <ul style="list-style-type: none"> • Level percent of payroll | <ul style="list-style-type: none"> • Same |



ACTUARIAL METHODS

| Method | June 30, 2012 Valuation | June 30, 2014 Valuation |
|--|--|--|
| <ul style="list-style-type: none"> ■ Amortization Periods State Employees | <ul style="list-style-type: none"> • 30-year fixed (closed) period from 6/30/07 for initial UAAL, assumption and plan changes (25 years remaining on 6/30/12) • 10-year fixed (closed) periods for gains and losses • Maximum 30-year combined period | <ul style="list-style-type: none"> • 30-year fixed (closed) period from 6/30/07 for initial UAAL, assumption and plan changes (23 years remaining on 6/30/14) • 10-year fixed (closed) periods for gains and losses • Maximum 30-year combined period |
| <ul style="list-style-type: none"> ■ Amortization Periods Teachers and Ancillary Groups | <ul style="list-style-type: none"> • 30-year fixed (closed) period from 6/30/07 for initial UAAL, assumption and plan changes (25 years remaining on 6/30/12) • 15-year fixed (closed) periods for gains and losses • Maximum 30-year combined period | <ul style="list-style-type: none"> • 30-year fixed (closed) period from 6/30/07 for initial UAAL, assumption and plan changes (23 years remaining on 6/30/14) • 15-year fixed (closed) periods for gains and losses • Maximum 30-year combined period |



ACTUARIAL METHODS

| Method | June 30, 2012 Valuation | June 30, 2014 Valuation |
|---|---|-------------------------|
| <ul style="list-style-type: none"> ■ Implied Subsidy | <ul style="list-style-type: none"> • Employer cost for allowing non-Medicare eligible retirees to participate at active rates • State Employees and Ancillary Groups – valuation includes an implied subsidy for retirees, spouses, and surviving spouses to age 65 if Medicare eligible and for life if not Medicare eligible • Teachers – valuation does not include an implied subsidy assuming State is not responsible for Teachers’ implied subsidy as Public Education General Purpose Aid payments do not directly pay for active Teachers’ premiums | |
| <ul style="list-style-type: none"> ■ Future New Entrants | <ul style="list-style-type: none"> • Valuation Results – closed group, no new hires • Projections – simplified open group projection: <ul style="list-style-type: none"> ➢ Actives – total pay increased with aggregate payroll assumption ➢ Retirees – no additional retirees from new hires over projection period | |



DEFINITIONS

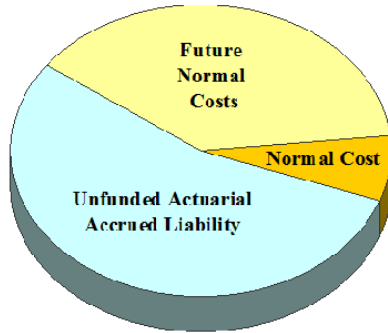
| | | |
|--|--|--|
| <ul style="list-style-type: none"> ■ GASB 45 Accrual Accounting | <ul style="list-style-type: none"> • Project future employer-provided benefit cash flow for current active employees and current retirees • Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits (PVB) • Discount rate is expected long-term return on plan assets • Allocate PVB to past, current, and future periods • Normal Cost (NC) is portion of PVB allocated to current fiscal year • Actuarial cost method used for valuation is Entry Age Normal (EAN) Cost method which determines Normal Cost as a level percent of payroll • Actuarial Accrued Liability (AAL) is portion of PVB allocated to prior service with the employer • Unfunded AAL (UAAL) is AAL less Plan Assets • Assets must be in segregated and restricted trust to be considered Plan Assets for GASB 45 | |
| <ul style="list-style-type: none"> ■ PayGo Cost | <ul style="list-style-type: none"> • Cash subsidy is employer pay-as-you-go benefit payments for retirees • Implied subsidy is difference between actual cost of retiree benefits and retiree premiums subsidized by active employee premiums | |



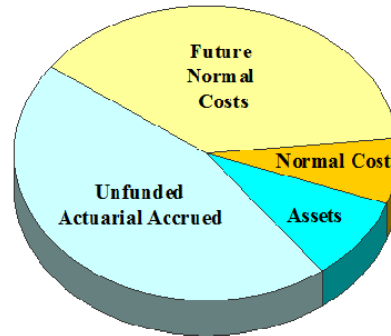
DEFINITIONS

Present Value of Benefits

**Present Value of Benefits
(Without Plan Assets)**



**Present Value of Benefits
(With Plan Assets)**



DEFINITIONS

| | |
|---|--|
| <p>■ Annual Required Contribution (ARC)</p> | <ul style="list-style-type: none"> ● GASB 45 contribution is Normal Cost plus amortization of: <ul style="list-style-type: none"> ➢ Initial UAAL and AAL for plan, assumption, and method changes ➢ Experience gains and losses (difference between actual experience and that expected from assumptions) ➢ Contribution gains and losses (difference between ARC and actual contributions) |
| <p>■ Net OPEB Obligation (NOO)</p> | <ul style="list-style-type: none"> ● NOO is accumulated amounts expensed but not funded ● Net OPEB Asset if amounts funded exceed those expensed |
| <p>■ Annual OPEB Cost (AOC)</p> | <ul style="list-style-type: none"> ● Expense for current period including: <ul style="list-style-type: none"> ➢ ARC ➢ Interest on NOO ➢ Adjustment of NOO ● Adjustment of NOO prevents double counting of expense since ARCs include amortization of prior contribution gains and losses previously expensed |



DEFINITIONS

■ Terminology
Used in
Report

- AAL - Actuarial Accrued Liability
- AOC - Annual OPEB Cost
- ARC - Annual Required Contribution
- AVA - Actuarial Value of Assets
- EAN - Entry Age Normal Cost Method
- GASB 45 - Governmental Accounting Standards Board Statement No. 45
- MVA - Market Value of Assets
- NOO - Net OPEB Obligation
- OPEB - Other (than pensions) Post Employment Benefits
- NC - Normal Cost
- PVB - Present Value of Projected Benefits
- S&U - Select and Ultimate assumption
- UAAL - Unfunded Actuarial Accrued Liability



DEFINITIONS



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