



BARTHEL
ASSOCIATES, LLC

STATE OF MAINE
STATE AND TEACHERS RETIREE HEALTHCARE PLAN

June 30, 2012 GASB 45 Actuarial Valuation
Final Valuation Results

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January 4, 2013

AGENDA

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BENEFIT SUMMARY

■ Eligibility

- **MainePERS normal retirement:**
 - **Regular Plan:**
 - Normal retirement age and 1 year of service:
 - 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 benefits**



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> ¹	% Retiree <u>Premium</u>	Years in <u>Medical</u> ₁	% 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%		

- **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**
- **Waived retirees not allowed to rejoin medical plan**
- **Medical premiums for 2011/12 and 2012/13 remain at their 2010/11 levels per LD 1043**

¹ Continuous years of group health plan participation before retirement.



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 ● Waived retirees not allowed to rejoin medical plan ● The State's total cost for retired Teachers premiums for 2011/12 and 2012/13 is capped at the 2010/11 funding level per LD 1043 (\$23 million for 2011/12 and 2012/13 per State budget)
<ul style="list-style-type: none"> ■ Self-Pay 	<ul style="list-style-type: none"> ● 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"> ■ 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



BENEFIT SUMMARY

<ul style="list-style-type: none"> ■ Pay-As-You-Go Cost (000's) 	<ul style="list-style-type: none"> ● Benefit payments plus administrative expenses: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th rowspan="2"><u>Year</u></th> <th colspan="3"><u>State</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>2011/12</td> <td>\$44,765</td> <td>\$22,000</td> <td>\$66,765</td> <td>\$21,762</td> <td>State</td> </tr> <tr> <td>2010/11</td> <td>48,632</td> <td>22,000</td> <td>70,632</td> <td>18,375</td> <td>State</td> </tr> <tr> <td>2009/10</td> <td>42,408</td> <td>13,000</td> <td>55,408</td> <td>18,901</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>2011/12</td> <td>\$102</td> <td>\$43</td> <td>\$145</td> <td colspan="2">State</td> </tr> <tr> <td>2010/11</td> <td>105</td> <td>37</td> <td>142</td> <td colspan="2">State</td> </tr> <tr> <td>2009/10</td> <td>78</td> <td>16</td> <td>94</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>2011/12</td> <td>\$6</td> <td>\$0</td> <td>\$6</td> <td colspan="2">State</td> </tr> <tr> <td>2010/11</td> <td>2</td> <td>0</td> <td>2</td> <td colspan="2">State</td> </tr> <tr> <td>2009/10</td> <td>3</td> <td>1</td> <td>4</td> <td colspan="2">State</td> </tr> </tbody> </table>	<u>Year</u>	<u>State</u>			<u>Teachers</u>	<u>Source</u>	<u>Cash</u>	<u>IS</u>	<u>Total</u>	<u>Cash</u>	2011/12	\$44,765	\$22,000	\$66,765	\$21,762	State	2010/11	48,632	22,000	70,632	18,375	State	2009/10	42,408	13,000	55,408	18,901	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>		2011/12	\$102	\$43	\$145	State		2010/11	105	37	142	State		2009/10	78	16	94	State		<u>Northern New England Rail Passenger Authority</u>						<u>Year</u>	<u>Cash</u>	<u>IS</u>	<u>Total</u>	<u>Source</u>		2011/12	\$6	\$0	\$6	State		2010/11	2	0	2	State		2009/10	3	1	4	State	
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FUNDING POLICY

State Employees

- 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	-
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 + 35% x (ARC – PayGo)	n/a	9.0 (budgeted)
2013/14	PayGo + 50% 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

- Benefit payments paid from State Cash Pool until 2027

- Amortization:

- Experience gains & losses amortized over fixed 10-year periods (Title 5 MRSA §286-B)
- Contribution losses amortized over fixed 10-year periods
- Assumption changes amortized over fixed 25-year periods from 6/30/12
- Plan changes amortized over fixed 25-year periods from 6/30/12



FUNDING POLICY

Teachers

- Phase into full ARC funding over an 8-year period beginning 2013/14:

Fiscal Year	Contribution
2007/08 to 2012/13	PayGo
2013/14	PayGo + 12.5% x (ARC – PayGo)
2014/15	PayGo + 25.0% x (ARC – PayGo)
2015/16	PayGo + 37.5% x (ARC – PayGo)
2016/17	PayGo + 50.0% x (ARC – PayGo)
2017/18	PayGo + 62.5% x (ARC – PayGo)
2018/19	PayGo + 75.0% x (ARC – PayGo)
2019/20	PayGo + 87.5% x (ARC – PayGo)
2020/21+	100% of ARC

- Benefit payments assumed paid from State Cash Pool until at least 2021

- Amortization:

- Experience gains & losses amortized over fixed 15-year periods
- Contribution losses amortized over fixed 15-year periods
- Assumption changes amortized over fixed 25-year periods from 6/30/12
- Plan changes amortized over fixed 25-year periods from 6/30/12



DATA SUMMARY

Participant Statistics
June 30, 2012

	State Employees ²	Teachers	Maine Educational Center for the Deaf	Northern New England Passenger Rail Authority
■ Actives				
• Count	12,419	28,375 ³	57	6
• Average Age	48.0	46.3	47.4	45.4
• Average Service	14.1	14.9	10.0	6.0
• Average Pay ⁴	\$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

² 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.

³ 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 included with the active Teacher data.

⁴ Average pay provided by the State. Total payroll calculated as average pay multiplied by number of active employees.



January 4, 2013



DATA SUMMARY

Participant Statistics
March 31, 2010

	State Employees ⁵	Teachers	Maine Educational Center for the Deaf	Northern New England Passenger Rail Authority
■ Actives				
• Count	12,720	27,159	62	5
• Average Age	47.7	48.2	49.5	43.1
• Average Service ⁶	14.3	16.8	11.2	4.6
• Average Pay ⁷	\$42,805	\$38,853	\$41,978	\$57,602
• Total Payroll (000's)	544,480	1,055,209	2,603	288
■ Retirees				
• Count	8,920	9,381 ⁸	10	1
• Average Age	70.3	70.3	60.6	69.0

⁵ Includes 169 Legislative and 55 Judicial active employees and 69 Legislative and 18 Judicial retirees.

⁶ Average service by age group assumed for 827 State employees and 7,253 Teachers with missing hire dates.

⁷ Average pay provided by the State. Total payroll calculated as average pay multiplied by number of active employees.

⁸ 8,442 Teacher retirees receiving 45% cash subsidy from State.



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DATA SUMMARY

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

	State Employees ⁹				Teachers			
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>
■ Actives								
• Counts								
➤ Covered	1,127	7,612	2,863	11,602	2,648	13,040	3,040	18,728
➤ Waived	<u>18</u>	<u>296</u>	<u>503</u>	<u>817</u>	<u>484</u>	<u>5,640</u>	<u>3,523</u>	<u>9,647</u>
➤ Total	1,145	7,908	3,366	12,419	3,132	18,680	6,563	28,375
• Average Age	57.9	49.4	41.3	48.0	58.3	47.5	37.5	46.3
• Average Service	34.9	15.8	2.8	14.1	33.8	15.9	2.9	14.9

⁹ Includes 165 Legislative and 59 Judicial active employees. Includes State employees with assumed birth and hire dates (101 with missing birth dates and 152 with missing hire dates).



DATA SUMMARY

Active Participant Statistics by Tier
State Employees and Teachers
March 31, 2010

	State Employees ¹⁰				Teachers			
	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>	<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 3</u>	<u>Total</u>
■ Actives								
• Counts								
➤ Covered	1,663	9,008	2,049	12,720	3,904	21,102	2,153	27,159
➤ Waived	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
➤ Total	1,663	9,008	2,049	12,720	3,904	21,102	2,153	27,159
• Average Age	56.0	47.8	40.3	47.7	57.2	48.0	34.7	48.2
• Average Service	32.9	13.8	1.9	14.3	32.5	16.2	2.1	16.8

¹⁰ Includes 169 Legislative and 55 Judicial active employees. Includes assumed hire dates for 827 State Employees with missing hire dates.



STATE PLAN ASSETS

State Employees Trust Fund – Market Value of Assets

Fiscal Year 2011/12

(Amounts in Thousands)

Market Value of Assets	State OPEB Trust	State Cash Pool ¹¹	Total
■ June 30, 2011	\$ 133,007	\$ -	\$ 133,007
• Contributions	6,000	44,765	50,765
• Investment Return	1,001	-	1,001
• Benefit Payments	0	(44,765)	(44,765)
• Investment Expenses	(42)	-	(42)
• Administrative Expenses	(69)	-	(69)
■ June 30, 2012	139,897	-	139,897
■ Approximate Return	0.7%	-	0.7%

¹¹ Cash subsidy plus administrative expenses.



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STATE PLAN ASSETS

State Employees Trust Fund – Actuarial Value of Assets

Fiscal Year 2011/12

(Amounts in Thousands)

Actuarial Value of Assets	June 30, 2012
■ Actuarial Value at Beginning of Year	\$ 120,146
• Contributions	50,765
• Benefit Payments	(44,765)
• Expected Investment Return	8,711
■ Expected AVA at End of Year	134,857
■ Market Value at End of Year	139,897
■ MVA – Expected AVA	5,040
■ 1/5 of (MVA – Expected AVA)	1,008
■ Preliminary AVA	135,865
■ Minimum AVA (80% of MVA)	111,918
■ Maximum AVA (120% of MVA)	167,876
■ Actuarial Value at End of Year	135,865
■ AVA Net Return	8.1%
■ AVA/MV	97.1%



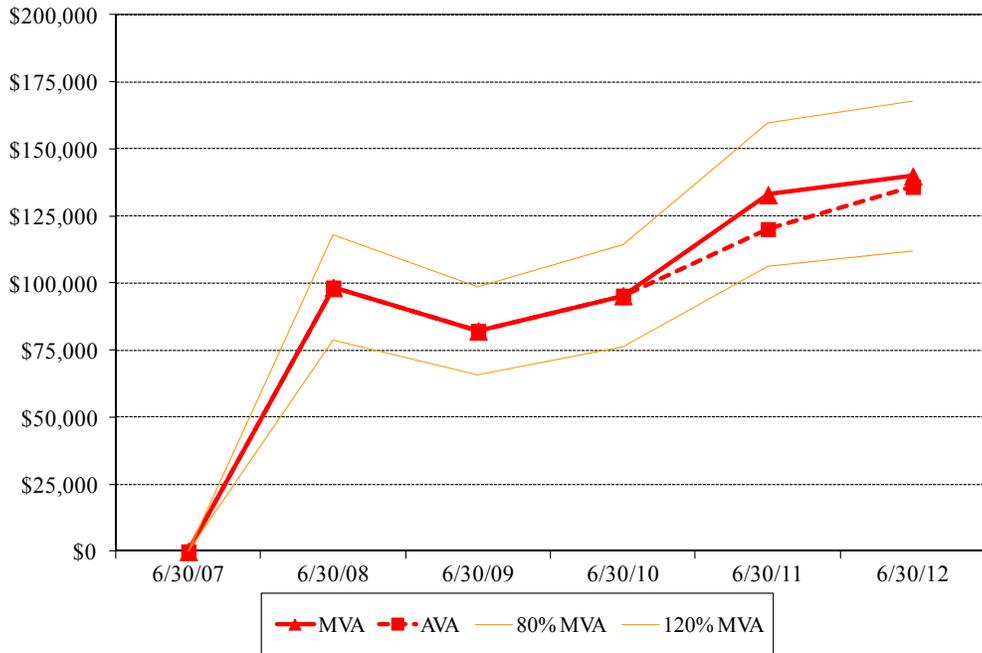
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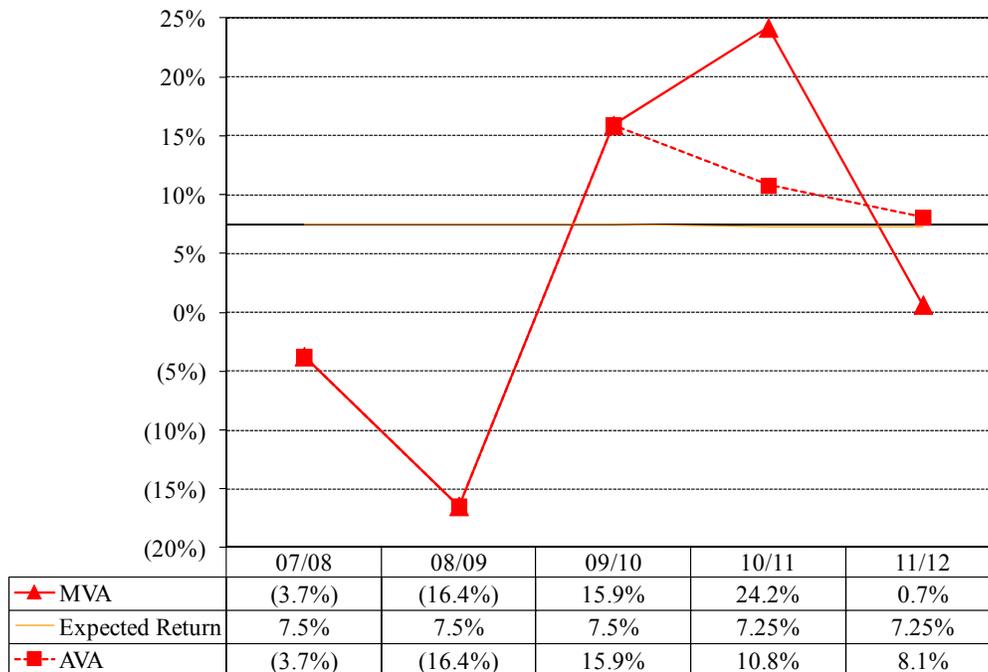
STATE PLAN ASSETS

Historical Plan Assets (Amounts in Thousands)



STATE PLAN ASSETS

Historical Asset Returns



STATE PLAN ASSETS

Asset Allocation
(Amounts in Thousands)

Asset Class	Target Allocation	6/30/12 Actual Allocation	
■ US Equity	45%	\$ 63,097	47%
■ International Equity	25%	28,329	21%
■ US Fixed Income	25%	34,528	26%
■ Real Estate	5%	8,030	6%
■ Cash	0%	0	0%
■ Total	100%	133,984 ¹²	100%

¹² Differs from plan asset value of \$139,897,197 which includes an \$86,650 liability and a \$6,000,000 contribution received on 7/3/12 and not yet invested.



STATE PLAN ASSETS

Expected Rate of Return Illustration

Asset Class	Expected Real Return ¹³	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 Rate of Inflation		3.00%
■ Investment and Administrative Expenses		(0.10%)
■ 50% Confidence Level Return (50 th Percentile)		7.67%
■ 55% Confidence Level Return (45 th Percentile) ¹⁴		7.42%
■ 60% Confidence Level Return (40 th Percentile)		7.13%
■ Full Pre-Funding Discount Rate		7.25%

¹³ Approximate 10-year geometric real rates of return provided by independent investment advisors in May 2010.

¹⁴ “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	March 31, 2011 Valuation	June 30, 2012 Valuation																																								
■ Valuation Date	<ul style="list-style-type: none"> • March 31, 2011 • 2011/12 ARC 	<ul style="list-style-type: none"> • June 30, 2012 • 2012/13 and 2013/14 ARCs 																																								
■ Discount Rate Basis	<ul style="list-style-type: none"> • No pre-funding rate - 4.00% <ul style="list-style-type: none"> ➢ State cash pool return exceeded inflation by 25 bp for 5 years and 14 bp for 10 years ending 6/30/11 • Full pre-funding rate - 7.25% 	<ul style="list-style-type: none"> • No pre-funding rate - 4.00% • Full pre-funding rate - 7.25% (Reflects investment and administrative expenses) 																																								
■ 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>2011/12</td> <td>4.98%</td> <td>2015/16</td> <td>6.28%</td> </tr> <tr> <td>2012/13</td> <td>5.30%</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> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	4.98%	2015/16	6.28%	2012/13	5.30%	2016/17	6.60%	2013/14	5.63%	2017/18	6.93%	2014/15	5.95%	2018/19+	7.25%	<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>2011/12</td> <td>n/a</td> <td>2015/16</td> <td>6.28%</td> </tr> <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> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	n/a	2015/16	6.28%	2012/13	4.49%	2016/17	6.60%	2013/14	5.63%	2017/18	6.93%	2014/15	5.95%	2018/19+	7.25%
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ASSUMPTIONS HIGHLIGHTS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																																				
<p>■ Retirement</p>	<ul style="list-style-type: none"> ● MainePERS 2010 Experience Study: <ul style="list-style-type: none"> ➢ Adjusted for increased retirements before LD 1043 changes ➢ Adjusted for deferred retirements after LD 1043 changes since no cash subsidy before NRA 	<ul style="list-style-type: none"> ● MainePERS 2010 Experience Study Tier 1 assumption: <ul style="list-style-type: none"> ➢ Tier 2 and Tier 3 rates based on set-back of Tier 1 rates ➢ Adjusted for deferred retirements since no cash subsidy before NRA 																																				
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ASSUMPTIONS HIGHLIGHTS

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ASSUMPTIONS HIGHLIGHTS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
<p>■ Participation at Retirement</p>	<ul style="list-style-type: none"> ● State - 95% for future retirees and 20% for spouses ● Teachers - 75% for future retirees 	<ul style="list-style-type: none"> ● State: <ul style="list-style-type: none"> ➢ Currently covered - 95% for future retirees and 20% for spouses ➢ Currently waived hired after 7/1/91 - 20% will elect medical and have 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 - 1/3 will elect medical



ASSUMPTIONS HIGHLIGHTS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
<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 ≥ 4/1/86 - 100% ● Current retirees < 65 - 87.5% ● Current retirees ≥ 65 - actual data 	<ul style="list-style-type: none"> ● Future retirees: <ul style="list-style-type: none"> ➢ Hired < 4/1/86 - 75% ➢ Hired ≥ 4/1/86 - 100% ● Current retirees < 65 - 94% ● Current retirees ≥ 65 - actual data (88% in Medicare Plans)



STATE EMPLOYEES RESULTS

Actuarial Obligations

(Amounts in Millions)

Actuarial Obligations	3/31/11 Valuation			6/30/12 Valuation		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits						
• Actives	\$ 668	\$ 249	\$ 917	\$ 541	\$ 124	\$ 665
• Retirees	<u>566</u>	<u>278</u>	<u>844</u>	<u>624</u>	<u>184</u>	<u>808</u>
• Total	1,234	527	1,761	1,165	308	1,473
■ Actuarial Accrued Liability						
• Actives	494	206	700	401	107	508
• Retirees	<u>566</u>	<u>278</u>	<u>844</u>	<u>624</u>	<u>184</u>	<u>808</u>
• Total	1,060	484	1,544	1,025	291	1,316
■ Actuarial Value of Assets ¹⁵	<u>(77)</u>	<u>(35)</u>	<u>(112)</u>	<u>(106)</u>	<u>(30)</u>	<u>(136)</u>
■ Unfunded AAL	983	449	1,432	919	261	1,180
■ Normal Cost	26	7	33	20	3	23
■ Normal Cost % Pay	4.6%	1.2%	5.8%	4.0%	0.6%	4.6%

¹⁵ 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
■ 6/30/11 Projected	5.8%	\$ 1,553	\$ (120)	\$ 1,433
■ 6/30/12 Expected	5.8%	1,591	(180)	1,411
■ Experience Losses (Gains):				
• Actual versus Expected Healthcare Costs	(0.8%)	(215)	-	(215)
• Demographic, Benefit Payments, & Other	(0.7%)	(28)	(8)	(36)
• Contribution Loss	-	-	53	53
• Investment Loss (Gain)	-	-	(1)	(1)
■ Assumption Changes:				
• Discount Rate	0.3%	2	-	2
• Merit & Longevity Pay Increases	0.0%	3	-	3
• Retirement Rates	0.0%	13	-	13
• Medicare Eligibility	<u>0.0%</u>	<u>(50)</u>	<u>-</u>	<u>(50)</u>
■ Total Changes	(1.2%)	(275)	44	(231)
■ 6/30/12 Actual	4.6%	1,316	(136)	1,180



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STATE EMPLOYEES RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

Annual Required Contribution	3/31/11 Valuation 2011/12 ARC			6/30/12 Valuation 2012/13 ARC		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$						
• Normal Cost	\$ 26	\$ 7	\$ 33	\$ 20	\$ 3	\$ 23
• UAAL Amortization	<u>64</u>	<u>29</u>	<u>93</u>	<u>55</u>	<u>16</u>	<u>71</u>
• ARC	90	36	126	75	19	94
■ Projected Payroll	567	567	567	502	502	502
■ ARC - %						
• Normal Cost	4.6%	1.2%	5.8%	4.0%	0.6%	4.6%
• UAAL Amortization	<u>11.3%</u>	<u>5.1%</u>	<u>16.4%</u>	<u>10.9%</u>	<u>3.1%</u>	<u>14.0%</u>
• ARC	15.9%	6.3%	22.2%	14.9%	3.7%	18.6%



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STATE EMPLOYEES RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

Annual Required Contribution	6/30/12 Valuation	
	2012/13	2013/14
■ Fiscal Year		
■ ARC - \$		
• Normal Cost	\$ 23	\$ 24
• UAAL Amortization	<u>71</u>	<u>75</u>
• ARC	94	99
■ Projected Payroll	502	518
■ ARC - %		
• Normal Cost	4.6%	4.6%
• UAAL Amortization	<u>14.0%</u>	<u>14.5%</u>
• ARC	18.6%	19.1%



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STATE EMPLOYEES RESULTS

Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Millions)

Amortization Base	Original Bases			Remaining Bases 6/30/2012		2012/13 Amortization Payment
	Date	Years	Amount	Years	Balance	
■ Fresh Start UAAL	6/30/08	29	\$ 1,144	25	\$ 1,133	\$ 68
■ Experience Losses (Gains)	6/30/09	10	83	7	66	10
	6/30/10	10	99	8	86	12
	6/30/11	10	(34)	9	(32)	(4)
	6/30/12	10	(199)	10	(199)	(23)
■ Assumption Changes	6/30/10	27	35	25	32	2
	6/30/11	26	266	25	264	16
	6/30/12	25	(32)	25	(32)	(2)
■ Plan Changes	6/30/11	26	(139)	25	<u>(138)</u>	<u>(8)</u>
■ Unfunded AAL	6/30/12				1,180	71
■ Unfunded AAL ¹⁶	6/30/12			30	1,180	64

¹⁶ Total amortization payment cannot be less than the UAAL amortized over 30 years.



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STATE EMPLOYEES RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Millions)

Estimated Net OPEB Obligation	CAFR 2007/08	CAFR 2008/09	CAFR 2009/10	CAFR 2010/11	Estimate 2011/12	Estimate 2012/13
■ Discount Rate	4.50%	4.50%	4.80%	5.10%	4.98%	4.49%
■ NOO at Beginning of Year	\$ 0	\$ (55)	\$ (29)	\$ 8	\$ 42	\$ 92
■ Annual OPEB Cost (AOC)						
• Annual Required Contribution	111	77	90	120	126	94
• Interest on NOO	0	(2)	(1)	0	2	4
• NOO Adjustment ¹⁷	<u>(0)</u>	<u>2</u>	<u>3</u>	<u>(1)</u>	<u>(5)</u>	<u>(11)</u>
• Annual OPEB Cost	111	77	92	119	123	87
■ Contributions						
• Benefit Payments Outside Trust						
➤ Cash Payments & Admin Fees ¹⁸	(41)	(38)	(42)	(49)	(45)	(53)
➤ Implied Subsidy Payments	(25)	(12)	(13)	(22)	(22)	(14)
➤ Trust Pre-Funding	<u>(100)</u>	<u>(0)</u>	<u>(0)</u>	<u>(14)</u>	<u>(6)</u>	<u>(9)</u> ¹⁹
• Total Contributions	(166)	(50)	(55)	(85)	(73)	(76)
■ NOO at End of Year	(55)	(29)	8	42	92	103

¹⁷ NOO amortized over average weighted remaining experience gain or loss period for fiscal years starting 2009/10.

¹⁸ Valuation estimate for 2012/13. Actual amount should be used in CAFR.

¹⁹ Budgeted 2012/13 per State.



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STATE EMPLOYEES RESULTS

Contribution & Expense Projection

(Amounts in Millions)

Fiscal Year	Begin Year NOO ²⁰	ARC	Annual OPEB Cost (AOC)	Contribution			Contrib % of ARC	Payroll	ARC as % of Payroll	Contrib % of Payroll
				Benefit Pmts	Pre Funding	Total Contrib				
2012/13	\$ 92	\$ 94	\$ 87	\$ 67	\$ 9	\$ 76	81.7%	\$ 502	18.6%	15.1%
2013/14	103	99	92	71	14	85	85.9%	518	19.1%	16.4%
2014/15	110	104	96	76	17	93	89.4%	535	19.4%	17.4%
2015/16	113	108	99	82	18	100	92.6%	553	19.5%	18.1%
2016/17	112	112	103	86	21	107	95.5%	571	19.6%	18.7%
2017/18	108	116	106	90	23	113	97.4%	589	19.7%	19.2%
2018/19	101	120	109	94	26	120	100.0%	608	19.7%	19.7%
2019/20	90	111	98	98	13	111	100.0%	628	17.7%	17.7%
2020/21	78	100	85	100	-	100	100.0%	648	15.3%	15.3%
2021/22	63	108	92	104	4	108	100.0%	669	16.1%	16.1%

²⁰ Gains and losses amortized over 10-year fixed (closed) periods for ARC. NOO amortized over average weighted remaining ARC gain and loss amortization period.



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STATE EMPLOYEES RESULTS

Benefit Payment Projection

(Amounts in Millions)

Fiscal Year	Cash Subsidy	Implied Subsidy	Total
2012/13	\$ 53	\$ 14	\$ 67
2013/14	56	15	71
2014/15	60	16	76
2015/16	64	18	82
2016/17	67	19	86
2017/18	70	20	90
2018/19	73	21	94
2019/20	76	22	98
2020/21	78	22	100
2021/22	81	23	104



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TEACHERS RESULTS

Actuarial Obligations

(Amounts in Millions)

Actuarial Obligations	3/31/11 Valuation			6/30/12 Valuation		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits						
• Actives	\$ 568	n/a	\$ 568	\$ 378	n/a	\$ 378
• Retirees	<u>318</u>	<u>n/a</u>	<u>318</u>	<u>356</u>	<u>n/a</u>	<u>356</u>
• Total	886	n/a	886	734	n/a	734
■ Actuarial Accrued Liability						
• Actives	483	n/a	483	309	n/a	309
• Retirees	<u>318</u>	<u>n/a</u>	<u>318</u>	<u>356</u>	<u>n/a</u>	<u>356</u>
• Total	801	n/a	801	665	n/a	665
■ 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	801	n/a	801	665	n/a	665
■ Normal Cost	14	n/a	14	10	n/a	10
■ Normal Cost % Pay	1.3%	n/a	1.3%	0.9%	n/a	0.9%



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TEACHERS RESULTS

Estimated Actuarial Gains & Losses

(Amounts in Millions)

Actuarial Gains & Losses	NC%	AAL	(AVA)	UAAL
■ 6/30/11 Projected	1.3%	\$ 806	\$ 0	\$ 806
■ 6/30/12 Expected	1.3%	830	(32)	798
■ Experience Losses (Gains):				
• Actual versus Expected Healthcare Costs	(0.1%)	(35)	-	(35)
• Demographic, Benefit Payments, & Other	(0.3%)	(117)	(1)	(118)
• Contribution Loss	-	-	33	33
■ Assumption Changes:				
• Merit & Longevity Pay Increases	0.0%	2	-	2
• Retirement Rates	0.0%	(9)	-	(9)
• Medicare Eligibility	<u>0.0%</u>	<u>(6)</u>	<u>-</u>	<u>(6)</u>
■ Total Changes	(0.4%)	(165)	32	(133)
■ Total Changes	0.9%	665	0	665



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TEACHERS RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

Annual Required Contribution	3/31/11 Valuation 2011/12 ARC			6/30/12 Valuation 2012/13 ARC		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$						
• Normal Cost	\$ 14	n/a	\$ 14	\$ 10	n/a	\$ 10
• UAAL Amortization	<u>41</u>	<u>n/a</u>	<u>41</u>	<u>34</u>	<u>n/a</u>	<u>34</u>
• ARC	55	n/a	55	44	n/a	44
■ Projected Payroll	1,098	n/a	1,098	1,156	n/a	1,156
■ ARC - %						
• Normal Cost	1.3%	n/a	1.3%	0.9%	n/a	0.9%
• UAAL Amortization	<u>3.7%</u>	<u>n/a</u>	<u>3.7%</u>	<u>2.9%</u>	<u>n/a</u>	<u>2.9%</u>
• ARC	5.0%	n/a	5.0%	3.8%	n/a	3.8%



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TEACHERS RESULTS

Annual Required Contribution (ARC)

(Amounts in Millions)

Annual Required Contribution	6/30/12 Valuation	
	2012/13	2013/14
■ Fiscal Year		
■ ARC - \$		
• Normal Cost	\$ 10	\$ 11
• UAAL Amortization	<u>34</u>	<u>34</u>
• ARC	44	45
■ Projected Payroll	1,156	1,194
■ ARC - %		
• Normal Cost	0.9%	0.9%
• UAAL Amortization	<u>2.9%</u>	<u>2.9%</u>
• ARC	3.8%	3.8%



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TEACHERS RESULTS

Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Millions)

Amortization Base	Original Bases			Remaining Bases 6/30/2012		2012/13 Amortization Payment
	Date	Years	Amount	Years	Balance	
■ Fresh Start UAAL	6/30/08	29	\$ 1,044	25	\$ 1,054	\$ 60
■ Experience Losses (Gains)	6/30/09	15	(62)	12	(57)	(5)
	6/30/10	15	(7)	13	(6)	(1)
	6/30/11	15	(10)	14	(10)	(1)
	6/30/12	15	(120)	15	(120)	(10)
■ Assumption Changes	6/30/10	27	6	25	6	0
	6/30/11	26	(133)	25	(131)	(7)
	6/30/12	25	(13)	25	(13)	(1)
■ Plan Changes	6/30/11	26	(59)	25	(58)	(3)
■ Unfunded AAL	6/30/12				665	32
■ Unfunded AAL ²¹	6/30/12			30	665	34

²¹ Total amortization payment cannot be less than the UAAL amortized over 30 years.



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TEACHERS RESULTS

Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Millions)

Estimated Net OPEB Obligation	CAFR 2007/08	CAFR 2008/09	CAFR 2009/10	CAFR 2010/11	Estimate 2011/12	Estimate 2012/13
■ Discount Rate	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%
■ NOO at Beginning of Year	\$ 0	\$ 28	\$ 70	\$ 107	\$ 147	\$ 174
■ Annual OPEB Cost (AOC)						
• Annual Required Contribution	46	60	58	61	55	44
• Interest on NOO	0	1	3	5	6	7
• NOO Adjustment ²²	(0)	(1)	(5)	(8)	(12)	(14)
• Annual OPEB Cost	46	60	56	58	49	37
■ Contributions						
• Benefit Payments Outside Trust						
➢ Cash Payments & Admin Fees ²³	(18)	(18)	(19)	(18)	(22)	(23)
➢ Implied Subsidy Payments	(0)	(0)	(0)	(0)	(0)	(0)
➢ Trust Pre-Funding	(0)	(0)	(0)	(0)	(0)	(0)
• Total Contributions	(18)	(18)	(19)	(18)	(22)	(23)
■ NOO at End of Year	28	70	107	147	174	188

²² NOO amortized over average weighted remaining experience gain or loss period for fiscal years starting 2009/10.

²³ Valuation estimate for 2012/13. Actual amount should be used in CAFR.



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TEACHERS RESULTS

Contribution & Expense Projection

(Amounts in Millions)

Fiscal Year	Begin Year NOO ²⁴	ARC	Annual OPEB Cost (AOC)	Contribution			Contrib % of ARC	Payroll	ARC as % of Payroll	Contrib % of Payroll
				Benefit Pmts	Pre-Funding	Total Contrib				
2012/13	\$ 174	\$ 44	\$ 37	\$ 23	\$ -	\$ 23	52.3%	\$ 1,156	3.8%	2.0%
2013/14	188	45	38	27	2	29	64.4%	1,194	3.8%	2.4%
2014/15	197	48	40	29	5	34	70.8%	1,232	3.9%	2.8%
2015/16	203	50	42	32	7	39	78.0%	1,272	3.9%	3.1%
2016/17	206	52	44	34	9	43	82.7%	1,314	4.0%	3.3%
2017/18	207	54	46	36	11	47	87.0%	1,356	4.0%	3.5%
2018/19	206	56	48	39	13	52	92.9%	1,401	4.0%	3.7%
2019/20	202	58	50	41	15	56	96.6%	1,446	4.0%	3.9%
2020/21	197	61	52	43	18	61	100.0%	1,493	4.1%	4.1%
2021/22	188	63	52	46	17	63	100.0%	1,542	4.1%	4.1%

²⁴ Gains and losses amortized over 15-year fixed (closed) periods for ARC. NOO amortized over average weighted ARC gain and loss amortization period.



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TEACHERS RESULTS

Benefit Payment Projection

(Amounts in Millions)

Fiscal Year	Cash Subsidy	Implied Subsidy	Total
2012/13	\$ 23	n/a	\$ 23
2013/14	27	n/a	27
2014/15	29	n/a	29
2015/16	32	n/a	32
2016/17	34	n/a	34
2017/18	36	n/a	36
2018/19	39	n/a	39
2019/20	41	n/a	41
2020/21	43	n/a	43
2021/22	46	n/a	46



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Actuarial Obligations

(Amounts in Thousands)

Actuarial Obligations	3/31/11 Valuation			6/30/12 Valuation		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits						
• Actives	\$ 4,958	\$ 1,122	\$ 6,080	\$ 3,739	\$ 572	\$ 4,311
• Retirees	<u>1,511</u>	<u>762</u>	<u>2,273</u>	<u>1,504</u>	<u>438</u>	<u>1,942</u>
• Total	6,469	1,884	8,353	5,243	1,010	6,253
■ Actuarial Accrued Liability						
• Actives	3,137	857	3,994	2,247	475	2,722
• Retirees	<u>1,511</u>	<u>762</u>	<u>2,273</u>	<u>1,504</u>	<u>438</u>	<u>1,942</u>
• Total	4,648	1,619	6,267	3,751	913	4,664
■ Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	4,648	1,619	6,267	3,751	913	4,664
■ Normal Cost	231	37	268	172	15	187
■ Normal Cost % Pay	8.5%	1.4%	9.9%	7.1%	0.6%	7.7%



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MAINE EDUCATIONAL CENTER FOR THE DEAF

Estimated Actuarial Gains & Losses

(Amounts in Thousands)

Actuarial Gains & Losses	NC%	AAL	(AVA)	UAAL
■ 6/30/11 Projected	9.9%	\$ 6,360	\$ -	\$ 6,360
■ 6/30/12 Expected	9.9%	6,747	(446)	6,301
■ Experience Losses (Gains):				
• Actual versus Expected Healthcare Costs	(1.0%)	(712)	-	(712)
• Demographic, Benefit Payments, & Other	(1.3%)	(1,187)	9	(1,178)
• Contribution Loss	-	-	437	437
■ Assumption Changes:				
• Merit & Longevity Pay Increases	0.0%	21	-	21
• Retirement Rates	0.1%	54	-	54
• Medicare Eligibility	<u>0.0%</u>	<u>(259)</u>	<u>-</u>	<u>(259)</u>
■ Total Changes	(2.2%)	(2,083)	446	(1,637)
■ 6/30/12 Actual	7.7%	4,664	-	4,664



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Annual Required Contribution (ARC)

(Amounts in Thousands)

Annual Required Contribution	<u>3/31/11 Valuation</u> 2011/12 ARC			<u>6/30/12 Valuation</u> 2012/13 ARC		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$						
• Normal Cost	\$ 231	\$ 37	\$ 268	\$ 172	\$ 15	\$ 187
• UAAL Amortization	<u>233</u>	<u>81</u>	<u>314</u>	<u>168</u>	<u>41</u>	<u>209</u>
• ARC	464	118	582	340	56	396
■ Projected Payroll	2,709	2,709	2,709	2,434	2,434	2,434
■ ARC - %						
• Normal Cost	8.5%	1.4%	9.9%	7.1%	0.6%	7.7%
• UAAL Amortization	<u>8.6%</u>	<u>3.0%</u>	<u>11.6%</u>	<u>6.9%</u>	<u>1.7%</u>	<u>8.6%</u>
• ARC	17.1%	4.4%	21.5%	14.0%	2.3%	16.3%



Annual Required Contribution (ARC)

(Amounts in Thousands)

Annual Required Contribution	<u>6/30/12 Valuation</u>	
	2012/13	2013/14
■ Fiscal Year		
■ ARC - \$		
• Normal Cost	\$ 187	\$ 192
• UAAL Amortization	<u>209</u>	<u>233</u>
• ARC	396	425
■ Projected Payroll	2,434	2,513
■ ARC - %		
• Normal Cost	7.7%	7.6%
• UAAL Amortization	<u>8.6%</u>	<u>9.3%</u>
• ARC	16.3%	16.9%



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Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Thousands)

Amortization Base	Original Bases			Remaining Bases 6/30/2012		2012/13 Amortization Payment
	Date	Years	Amount	Years	Balance	
■ Initial UAAL	6/30/07	30	\$ 3,814	25	\$ 3,881	\$ 176
■ Experience Losses (Gains)	6/30/08	15	(127)	11	(110)	(11)
	6/30/09	15	474	12	427	38
	6/30/10	15	597	13	557	47
	6/30/11	15	114	14	110	9
	6/30/12	15	(1,453)	15	(1,453)	(106)
■ Assumption Changes	6/30/08	29	511	25	492	22
	6/30/10	27	251	25	246	11
	6/30/11	26	1,218	25	1,213	55
	6/30/12	25	(184)	25	(184)	(9)
■ Plan Changes	6/30/11	26	(517)	25	<u>(515)</u>	<u>(23)</u>
■ Unfunded AAL	6/30/11				4,664	209
■ Unfunded AAL ²⁵	6/30/12			30	4,664	179

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



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Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Thousands)

Estimated Net OPEB Obligation	Estimate 2007/08	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13
■ Discount Rate	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%
■ NOO at Beginning of Year	\$ 0	\$ 358	\$ 645	\$ 950	\$ 1,284	\$ 1,678
■ Annual OPEB Cost (AOC)						
• Annual Required Contribution	394	353	416	505	582	396
• Interest on NOO	0	16	29	43	51	67
• NOO Adjustment ²⁶	<u>(0)</u>	<u>(24)</u>	<u>(46)</u>	<u>(72)</u>	<u>(94)</u>	<u>(123)</u>
• Annual OPEB Cost	394	345	399	476	539	340
■ Contributions						
• Benefit Payments Outside Trust						
➢ Cash Payments & Admin Fees ²⁷	(22)	(45)	(78)	(105)	(102)	(96)
➢ Implied Subsidy Payments	(14)	(13)	(16)	(37)	(43)	(30)
➢ Trust Pre-Funding	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
• Total Contribution	(36)	(58)	(94)	(142)	(145)	(126)
■ NOO at End of Year	358	645	950	1,284	1,678	1,892

²⁶ NOO amortized over average weighted remaining experience gain or loss period for fiscal years starting 2009/10.

²⁷ Valuation estimate for 2012/13. Actual amount should be used in CAFR.



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Contribution & Expense Projection

(Amounts in Thousands)

Fiscal Year	Begin Year NOO ²⁸	ARC	Annual OPEB Cost (AOC)	Contribution			Contrib % of ARC	Payroll	ARC as % of Payroll	Contrib % of Payroll
				Benefit Pmts	Pre-Funding	Total Contrib				
2012/13	\$ 1,678	\$ 396	\$ 340	\$ 126	\$ -	\$ 126	31.8%	\$ 2,434	16.3%	5.2%
2013/14	1,892	425	358	127	-	127	29.9%	2,513	16.9%	5.1%
2014/15	2,123	457	376	158	-	158	34.6%	2,595	17.6%	6.1%
2015/16	2,342	490	394	177	-	177	36.1%	2,679	18.3%	6.6%
2016/17	2,559	524	413	166	-	166	31.7%	2,766	18.9%	6.0%
2017/18	2,806	564	433	202	-	202	35.8%	2,856	19.7%	7.1%
2018/19	3,037	605	453	215	-	215	35.5%	2,949	20.5%	7.3%
2019/20	3,274	650	473	236	-	236	36.3%	3,045	21.3%	7.8%
2020/21	3,511	698	493	239	-	239	34.2%	3,144	22.2%	7.6%
2021/22	3,766	751	515	251	-	251	33.4%	3,246	23.1%	7.7%

²⁸ Gains and losses amortized over 15-year fixed (closed) periods for ARC. NOO amortized over average weighted remaining ARC gain and loss amortization period.



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Benefit Payment Projection

(Amounts in Thousands)

Fiscal Year	Cash Subsidy	Implied Subsidy	Total
2012/13	\$ 96	\$ 30	\$ 126
2013/14	100	27	127
2014/15	121	37	158
2015/16	133	44	177
2016/17	134	32	166
2017/18	160	42	202
2018/19	173	42	215
2019/20	191	45	236
2020/21	193	46	239
2021/22	203	48	251



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Actuarial Obligations

(Amounts in Thousands)

Actuarial Obligations	3/31/11 Valuation			6/30/12 Valuation		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ Present Value of Benefits						
• Actives	\$ 297	\$ 24	\$ 321	\$ 326	\$ 12	\$ 338
• Retirees	<u>69</u>	<u>0</u>	<u>69</u>	<u>137</u>	<u>0</u>	<u>137</u>
• Total	366	24	390	463	12	475
■ Actuarial Accrued Liability						
• Actives	124	5	129	139	3	142
• Retirees	<u>69</u>	<u>0</u>	<u>69</u>	<u>137</u>	<u>0</u>	<u>137</u>
• Total	193	5	198	276	3	279
■ Actuarial Value of Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
■ Unfunded AAL	193	5	198	276	3	279
■ Normal Cost	19	2	21	21	1	22
■ Normal Cost % Pay	6.4%	0.6%	7.0%	5.5%	0.3%	5.8%



Estimated Actuarial Gains & Losses

(Amounts in Thousands)

Actuarial Gains & Losses	NC%	AAL	(AVA)	UAAL
■ 6/30/11 Projected	7.0%	\$ 204	\$ -	\$ 204
■ 6/30/12 Expected	7.0%	228	(26)	202
■ Experience Losses (Gains):				
• Actual versus Expected Healthcare Costs	(0.7%)	(28)	-	(28)
• Demographic, Benefit Payments, & Other	(0.7%)	74	2	76
• Contribution Loss	-	-	24	24
■ Assumption Changes:				
• Merit & Longevity Pay Increases	0.1%	2	-	2
• Retirement Rates	0.1%	3	-	3
• Medicare Eligibility	<u>0.0%</u>	<u>-</u>	<u>-</u>	<u>-</u>
■ Total Changes	(1.2%)	51	26	77
■ 6/30/12 Actual	5.8%	279	-	279



Annual Required Contribution (ARC)

(Amounts in Thousands)

Annual Required Contribution	<u>3/31/11 Valuation</u> 2011/12 ARC			<u>6/30/12 Valuation</u> 2012/13 ARC		
	Cash Subsidy	Implied Subsidy	Total	Cash Subsidy	Implied Subsidy	Total
■ ARC - \$						
• Normal Cost	\$ 19	\$ 2	\$ 21	\$ 21	\$ 1	\$ 22
• UAAL Amortization	<u>10</u>	<u>0</u>	<u>10</u>	<u>15</u>	<u>0</u>	<u>15</u>
• ARC	29	2	31	36	1	37
■ Projected Payroll	300	300	300	375	375	375
■ ARC - %						
• Normal Cost	6.4%	0.6%	7.0%	5.5%	0.3%	5.8%
• UAAL Amortization	<u>3.2%</u>	<u>0.1%</u>	<u>3.3%</u>	<u>4.1%</u>	<u>0.0%</u>	<u>4.1%</u>
• ARC	9.6%	0.7%	10.3%	9.6%	0.3%	9.9%



Annual Required Contribution (ARC)

(Amounts in Thousands)

Annual Required Contribution	<u>6/30/12 Valuation</u>	
	2012/13	2013/14
■ Fiscal Year		
■ ARC - \$		
• Normal Cost	\$ 22	\$ 23
• UAAL Amortization	<u>15</u>	<u>18</u>
• ARC	37	41
■ Projected Payroll	375	387
■ ARC - %		
• Normal Cost	5.8%	5.8%
• UAAL Amortization	<u>4.1%</u>	<u>4.7%</u>
• ARC	9.9%	10.5%



Unfunded Actuarial Accrued Liability Amortization Balances

(Amounts in Thousands)

Amortization Base	Original Bases			Remaining Bases 6/30/2012		2012/13 Amortization Payment
	Date	Years	Amount	Years	Balance	
■ Initial UAAL	6/30/07	30	\$ 130	25	\$ 132.0	\$ 6.0
■ Experience Losses (Gains)	6/30/08	15	119	11	103.3	10.1
	6/30/09	15	35	12	31.1	2.8
	6/30/10	15	(198)	13	(184.3)	(15.4)
	6/30/11	15	34	14	33.1	2.6
	6/30/12	15	72	15	71.9	5.2
■ Assumption Changes	6/30/08	29	60	25	57.8	2.6
	6/30/10	27	9	25	8.5	0.4
	6/30/11	26	29	25	28.2	1.3
	6/30/12	25	5	25	4.9	0.2
■ Plan Changes	6/30/11	26	(8)	25	<u>(7.5)</u>	<u>(0.3)</u>
■ Unfunded AAL	6/30/11				279.0	15.5
■ Unfunded AAL ²⁹	6/30/12			30	279.0	10.7

²⁹ Total amortization payment cannot be less than the UAAL amortized over 30 years.



Estimated Net OPEB Obligation (NOO) Illustration

(Amounts in Thousands)

Estimated Net OPEB Obligation	Estimate 2007/08	Estimate 2008/09	Estimate 2009/10	Estimate 2010/11	Estimate 2011/12	Estimate 2012/13
■ Discount Rate	4.50%	4.50%	4.50%	4.50%	4.00%	4.00%
■ NOO at Beginning of Year	\$ 0	\$ 13	\$ 36	\$ 63	\$ 82	\$ 104
■ Annual OPEB Cost (AOC)						
• Annual Required Contribution	17	29	33	23	31	37
• Interest on NOO	0	1	2	3	3	4
• NOO Adjustment ³⁰	<u>(0)</u>	<u>(1)</u>	<u>(2)</u>	<u>(5)</u>	<u>(6)</u>	<u>(8)</u>
• Annual OPEB Cost	17	28	32	21	28	33
■ Contributions						
• Benefit Payments Outside Trust						
➢ Cash Payments & Admin Fees ³¹	(4)	(5)	(3)	(2)	(6)	(8)
➢ Implied Subsidy Payments	(1)	(1)	(1)	(0)	(0)	(0)
➢ Trust Pre-Funding	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>	<u>(0)</u>
• Total Contribution	(4)	(6)	(4)	(2)	(6)	(8)
■ NOO at End of Year	13	36	63	82	104	129

³⁰ NOO amortized over average weighted remaining experience gain or loss period for fiscal years starting 2009/10.

³¹ Valuation estimate for 2012/13. Actual amount should be used in CAFR.



Contribution & Expense Projection

(Amounts in Thousands)

Fiscal Year	Begin Year NOO ³²	ARC	Annual OPEB Cost (AOC)	Contribution			Contrib % of ARC	Payroll	ARC as % of Payroll	Contrib % of Payroll
				Benefit Pmts	Pre-Funding	Total Contrib				
2012/13	\$ 104	\$ 37	\$ 33	\$ 8	\$ -	\$ 8	21.6%	\$ 375	9.9%	2.1%
2013/14	129	41	36	9	-	9	22.0%	387	10.5%	2.3%
2014/15	157	44	38	10	-	10	22.7%	400	11.0%	2.5%
2015/16	185	48	40	12	-	12	25.0%	413	11.6%	2.9%
2016/17	213	52	42	13	-	13	25.0%	426	12.2%	3.1%
2017/18	242	56	45	15	-	15	26.8%	440	12.7%	3.4%
2018/19	272	61	47	15	-	15	24.6%	454	13.4%	3.3%
2019/20	304	66	49	16	-	16	24.2%	469	14.1%	3.4%
2020/21	337	72	52	16	-	16	22.2%	484	14.9%	3.3%
2021/22	373	78	55	17	-	17	21.8%	500	15.6%	3.4%

³² Gains and losses amortized over 15-year fixed (closed) periods for ARC. NOO amortized over average weighted remaining ARC gain and loss amortization period.



Benefit Payment Projection

(Amounts in Thousands)

Fiscal Year	Cash Subsidy	Implied Subsidy	Total
2012/13	\$ 8	\$ 0	\$ 8
2013/14	9	0	9
2014/15	10	0	10
2015/16	12	0	12
2016/17	13	0	13
2017/18	15	0	15
2018/19	15	0	15
2019/20	16	0	16
2020/21	16	0	16
2021/22	17	0	17



ACTUARIAL CERTIFICATION

This report presents the State of Maine Retiree Healthcare Plan for State Employees and Teachers (“Plan”) June 30, 2012 actuarial valuation. The purpose of this valuation is to:

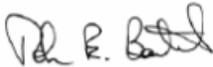
- Determine the Governmental Accounting Standards Board Statement Nos. 43 and 45 June 30, 2012 Benefit Obligations,
- Determine the Plan’s June 30, 2012 Funded Status, and
- Calculate the 2012/13 and 2013/14 Annual Required Contributions.

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, contribution policy, and asset information 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
January 4, 2013



Joseph R. D’Onofrio, FSA, EA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
January 4, 2013



Catherine A. Wandro, ASA, MAAA, FCA
Assistant Vice President
Bartel Associates, LLC
January 4, 2013



January 4, 2013

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EXHIBITS

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Definitions	E-43



January 4, 2013

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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

* LD 1043 caps premium increases to 0% for 2011/12 and 2012/13.



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



PREMIUMS

Teachers' Health Plans
Monthly Premiums

Active and Non-Medicare Eligible Retirees

Medical Plan	Year	Single	2-Party	Family	Participant w/Child(ren)
MEA Choice Plus (HMO Choice)	2009/10	\$528.40	\$1,190.91	\$1,449.51	\$935.16
	2010/11	538.97	1,214.73	1,478.50	953.86
	2011/12	574.00	1,293.69	1,574.60	1,015.86
	2012/13	596.96	1,345.44	1,637.58	1,056.49
MEA Standard Plan (Blue Choice \$15)	2009/10	570.61	1,286.19	1,565.47	1,009.96
	2010/11	582.02	1,311.91	1,596.78	1,030.16
	2011/12	619.85	1,397.18	1,700.75	1,097.12
	2012/13	644.64	1,453.07	1,768.59	1,141.00
MEA Standard \$500 Ded. (Blue Choice \$20)	2012/13	567.11	1,278.17	1,555.70	1,003.67
MEA Standard \$1,000 Ded. (Blue Choice \$20)	2012/13	540.85	1,218.97	1,483.65	957.18



PREMIUMS

Teachers' Health Plans
Monthly Premiums

Medicare Eligible Retirees

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



PARTICIPANT STATISTICS

Active Employee Plan & Coverage Elections

June 30, 2012

State Employees

Medical Plan	Single	2-Party	Family	EE + Child(ren)	FLES³³	Waived	Total
HMO Choice	5,640	1,469	2,128	1,674	641	-	11,552
Comp Care ³⁴	39	2	-	7	2	-	50
Waived	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>817</u>	<u>817</u>
Total	5,679	1,471	2,128	1,681	643	817	12,419

Teachers

Medical Plan	Single	2-Party	Family	EE + Child(ren)	FLES	Waived	Total
HMO Choice	6,054	2,107	4,342	2,714	n/a	n/a	15,217
Blue Choice \$15	1,627	625	811	430	n/a	n/a	3,493
Blue Choice \$20 ³⁵	2	5	8	3	n/a	n/a	18
Waived	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>9,647</u>	<u>9,647</u>
Total	7,683	2,737	5,161	3,147	n/a	9,647	28,375

³³ State employees or retirees married to other State employees or retirees and valued as single coverage.

³⁴ Included with HMO Choice for purposes of the valuation.

³⁵ Assumed to be in MEA Standard \$500 Deductible Plan for purposes of the valuation.



January 4, 2013

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PARTICIPANT STATISTICS

Retiree Plan & Coverage Elections

June 30, 2012

State Employees

Medical Plan	Single	2-Party	Family	EE + Child(ren)	FLES³⁶	Total
HMO Choice	3,329	277	27	49	53	3,735
Comp Care ³⁷	153	4	-	-	2	159
Medicare PFFS	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>5,693</u>
Total	3,482	281	27	49	55	9,587

Teachers

Medical Plan	Single	2-Party	Family	EE + Child(ren)	FLES	Total
HMO Choice	1,575	242	21	26	n/a	1,864
Blue Choice \$15	1,698	170	9	15	n/a	1,892
Blue Choice \$20 ³⁸	7	2	-	-	n/a	9
Group Companion	4,640	1,109	-	-	n/a	5,749
Medigap B	<u>5</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>n/a</u>	<u>6</u>
Total	7,925	1,524	30	41	n/a	9,520

³⁶ State employees or retirees married to other State employees or retirees and valued as single coverage.

³⁷ Included with HMO Choice for purposes of the valuation.

³⁸ Assumed to be in MEA Standard \$500 Deductible Plan for purposes of the valuation.



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PARTICIPANT STATISTICS

State Actives by Age and Service³⁹
June 30, 2012

Age	Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	103	178	3	-	-	-	-	284
25-29	117	315	210	13	-	-	-	655
30-34	77	267	406	171	7	-	1	929
35-39	66	221	325	416	101	12	-	1,141
40-44	119	254	327	406	261	211	37	1,615
45-49	57	228	317	367	193	371	304	1,837
50-54	81	249	340	365	212	347	611	2,205
55-59	44	192	288	355	186	263	720	2,048
60-64	26	120	210	186	130	172	439	1,283
≥ 65	6	38	84	82	53	53	106	422
Total	696	2,062	2,510	2,361	1,143	1,429	2,218	12,419

³⁹ Including actives with assumed birth and hire dates.



January 4, 2013

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PARTICIPANT STATISTICS

Teacher Actives by Age and Service
June 30, 2012

Age	Service							Total
	< 1	1-4	5-9	10-14	15-19	20-24	≥ 25	
< 25	368	470	51	-	-	-	-	889
25-29	298	943	920	60	-	-	-	2,221
30-34	160	517	1,113	903	40	-	-	2,733
35-39	158	455	648	937	766	24	-	2,988
40-44	156	462	724	675	1,056	583	14	3,670
45-49	103	357	698	704	548	771	557	3,738
50-54	85	285	547	769	617	553	1,365	4,221
55-59	56	195	387	550	656	662	1,858	4,364
60-64	49	115	235	324	379	520	1,181	2,803
≥ 65	22	70	117	101	79	91	268	748
Total	1,455	3,869	5,440	5,023	4,141	3,204	5,243	28,375



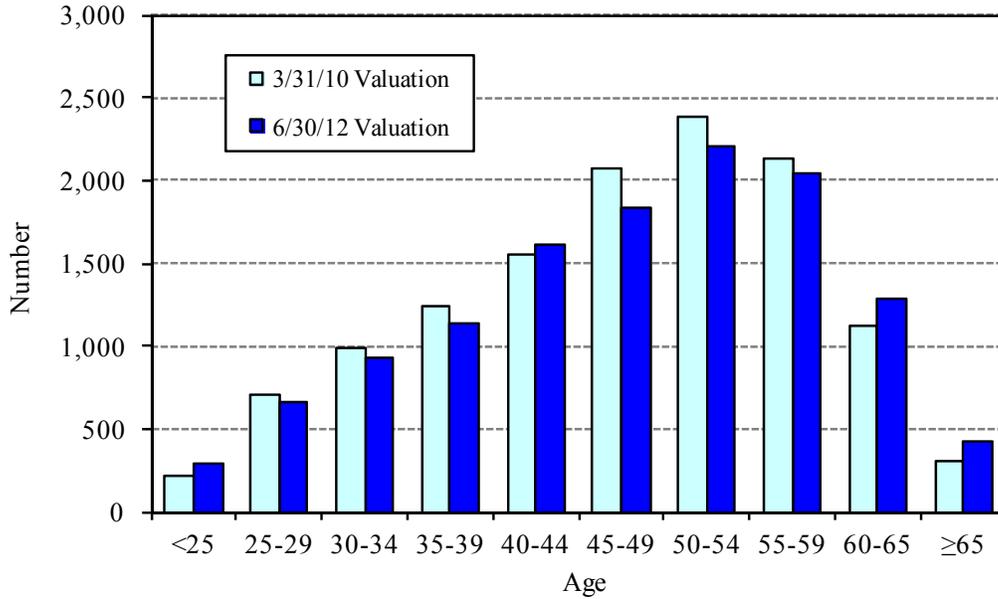
January 4, 2013

E-8



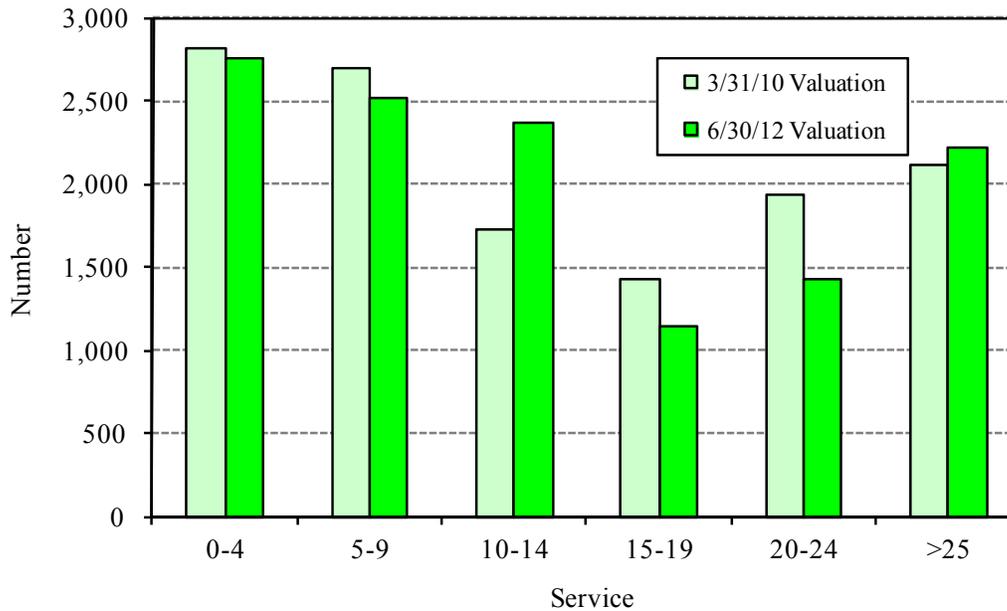
PARTICIPANT STATISTICS

Active Age Distribution
State Employees



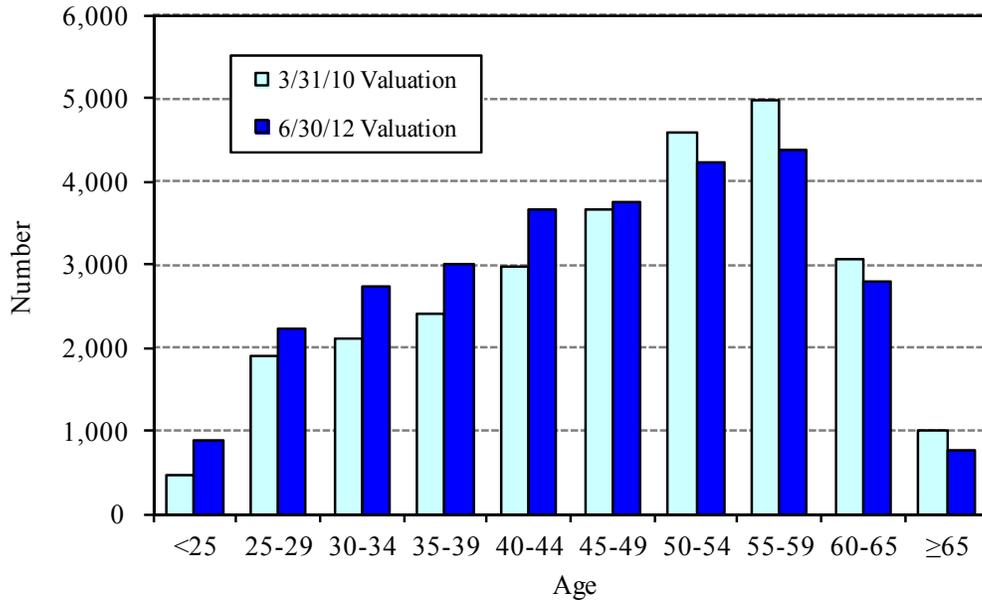
PARTICIPANT STATISTICS

Active Service Distribution
State Employees



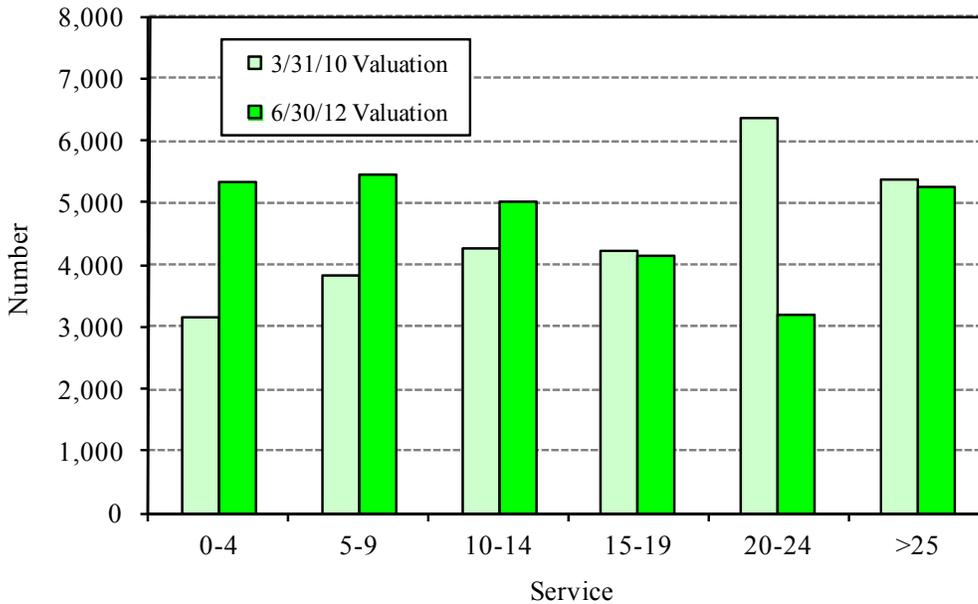
PARTICIPANT STATISTICS

Active Age Distribution Teachers



PARTICIPANT STATISTICS

Active Service Distribution Teachers



PARTICIPANT STATISTICS

State Retiree Healthcare Coverage by Age Group
June 30, 2012

Age	Single	2-Party	Family	FLES	PFFS ⁴⁰	Total
Under 50	96	2	9	9	3	119
50-54	340	17	24	10	10	401
55-59	827	71	18	18	10	944
60-64	1,590	148	23	17	35	1,813
65-69	202	14	1	1	1,592	1,810
70-74	161	11	-	-	1,147	1,319
75-79	138	11	1	-	1,074	1,224
80-84	71	6	-	-	937	1,014
Over 85	57	1	-	-	885	943
Total	3,482	281	76	55	5,693	9,587

Average Age	62.3	62.6	55.6	56.7	76.1	70.4
< 65 Election %	87%	7%	2%	2%	2%	100%
≥ 65 Election %	10%	1%	0%	0%	89%	100%
Total Election %	36%	3%	1%	1%	59%	100%

⁴⁰ Medical coverage election not provided for State retirees in Medicare PFFS plan.



PARTICIPANT STATISTICS

Teachers Retiree Healthcare Coverage by Age Group
June 30, 2012

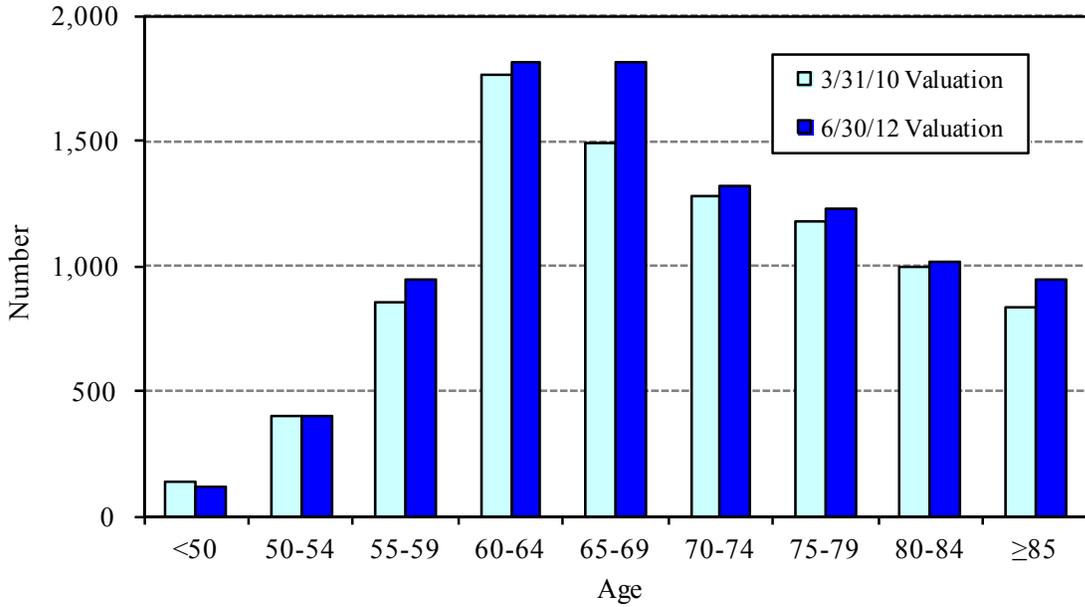
Age	Single	2-Party	Family	Total
Under 50	19	-	-	19
50-54	44	1	8	53
55-59	412	70	26	508
60-64	2,097	305	35	2,437
65-69	2,179	333	1	2,513
70-74	1,285	337	-	1,622
75-79	834	251	1	1,086
80-84	521	144	-	665
Over 85	534	83	-	617
Total	7,925	1,524	71	9,520

Average Age	69.9	71.3	59.9	70.1
< 65 Election %	85%	12%	2%	100%
≥ 65 Election %	82%	18%	0%	100%
Total Election %	83%	16%	1%	100%



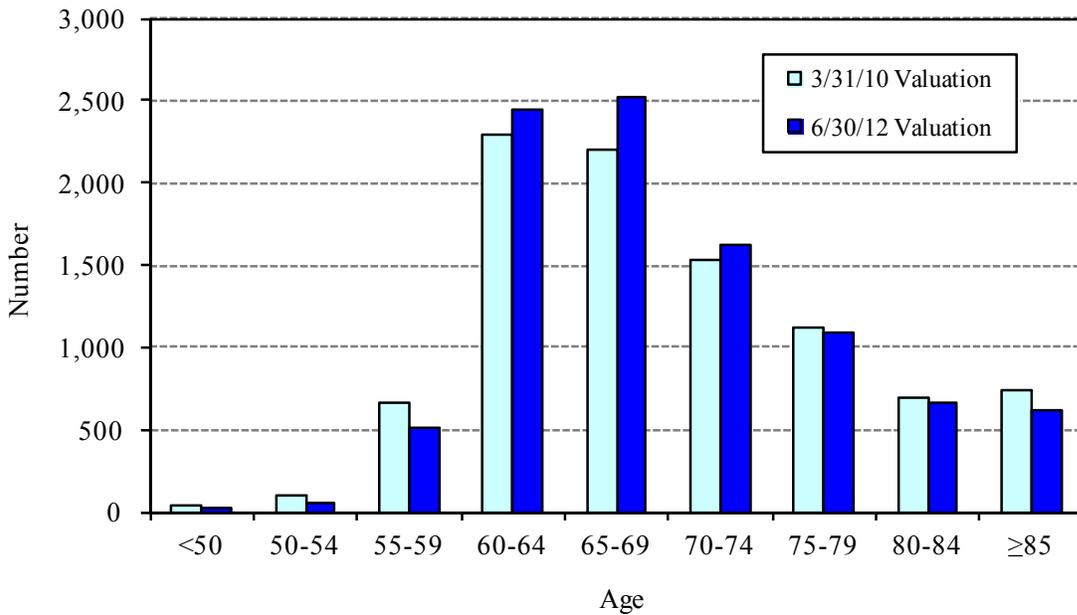
PARTICIPANT STATISTICS

**Retiree Age Distribution
State Employees**



PARTICIPANT STATISTICS

**Retiree Age Distribution
Teachers**



PARTICIPANT STATISTICS

Data Reconciliation
Maine Educational Center for the Deaf

Participants	Actives	Retirees
■ March 31, 2010 Valuation Count	62	10
• New Hires	15	-
• Terminations/Deaths	(21)	(2)
• Retirements	(1)	1
• Adjustments	<u>2</u>	<u>2</u>
■ June 30, 2012 Valuation Count	57	11



PARTICIPANT STATISTICS

Data Reconciliation
Northern New England Passenger Rail Authority

Participants	Actives	Retirees
■ March 31, 2010 Valuation Count	5	1
• New Hires	1	-
• Terminations/Deaths	0	0
• Retirements	0	0
• Adjustments	<u>0</u>	<u>1</u>
■ June 30, 2012 Valuation Count	6	2



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																																								
■ Valuation Date	<ul style="list-style-type: none"> • March 31, 2011 • 2011/12 ARC 	<ul style="list-style-type: none"> • June 30, 2012 • 2012/13 and 2013/14 ARCs 																																								
■ Discount Rate Basis	<ul style="list-style-type: none"> • No pre-funding rate - 4.00% <ul style="list-style-type: none"> ➢ State cash pool return exceeded inflation by 25 bp for 5 years and 14 bp for 10 years ending 6/30/11 • Full pre-funding rate - 7.25% 	<ul style="list-style-type: none"> • No pre-funding rate - 4.00% • Full pre-funding rate - 7.25% (Reflects investment and administrative expenses) 																																								
■ 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>2011/12</td> <td>4.98%</td> <td>2015/16</td> <td>6.28%</td> </tr> <tr> <td>2012/13</td> <td>5.30%</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> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	4.98%	2015/16	6.28%	2012/13	5.30%	2016/17	6.60%	2013/14	5.63%	2017/18	6.93%	2014/15	5.95%	2018/19+	7.25%	<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>2011/12</td> <td>n/a</td> <td>2015/16</td> <td>6.28%</td> </tr> <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> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	n/a	2015/16	6.28%	2012/13	4.49%	2016/17	6.60%	2013/14	5.63%	2017/18	6.93%	2014/15	5.95%	2018/19+	7.25%
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ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																																																
■ Discount Rate Teachers	<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>2011/12</td> <td>4.00%</td> <td>2016/17</td> <td>5.63%</td> </tr> <tr> <td>2012/13</td> <td>4.00%</td> <td>2017/18</td> <td>6.03%</td> </tr> <tr> <td>2013/14</td> <td>4.41%</td> <td>2018/19</td> <td>6.44%</td> </tr> <tr> <td>2014/15</td> <td>4.81%</td> <td>2019/20</td> <td>6.84%</td> </tr> <tr> <td>2015/16</td> <td>5.22%</td> <td>2020/21+</td> <td>7.25%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	4.00%	2016/17	5.63%	2012/13	4.00%	2017/18	6.03%	2013/14	4.41%	2018/19	6.44%	2014/15	4.81%	2019/20	6.84%	2015/16	5.22%	2020/21+	7.25%	<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>2011/12</td> <td>n/a</td> <td>2016/17</td> <td>5.63%</td> </tr> <tr> <td>2012/13</td> <td>4.00%</td> <td>2017/18</td> <td>6.03%</td> </tr> <tr> <td>2013/14</td> <td>4.41%</td> <td>2018/19</td> <td>6.44%</td> </tr> <tr> <td>2014/15</td> <td>4.81%</td> <td>2019/20</td> <td>6.84%</td> </tr> <tr> <td>2015/16</td> <td>5.22%</td> <td>2020/21+</td> <td>7.25%</td> </tr> </tbody> </table>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	2011/12	n/a	2016/17	5.63%	2012/13	4.00%	2017/18	6.03%	2013/14	4.41%	2018/19	6.44%	2014/15	4.81%	2019/20	6.84%	2015/16	5.22%	2020/21+	7.25%
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■ Discount Rate Ancillary Groups	<ul style="list-style-type: none"> • 4.0% 	<ul style="list-style-type: none"> • Same 																																																
■ General Inflation	<ul style="list-style-type: none"> • 3% annually • Basis for aggregate payroll and discount rate assumptions 	<ul style="list-style-type: none"> • Same 																																																



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																																										
<ul style="list-style-type: none"> ■ Aggregate Payroll Increases 	<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 																																										
<ul style="list-style-type: none"> ■ Merit and Longevity Pay Increases 	<ul style="list-style-type: none"> • MainePERS 2010 Experience Study 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>7.25%</td><td>10.25%</td></tr> <tr><td>5</td><td>2.75%</td><td>3.00%</td></tr> <tr><td>10</td><td>1.25%</td><td>1.75%</td></tr> <tr><td>15</td><td>0.70%</td><td>1.25%</td></tr> <tr><td>20</td><td>0.45%</td><td>0.45%</td></tr> <tr><td>25+</td><td>0.25%</td><td>0.25%</td></tr> </tbody> </table> • 0.0% for Legislative • 0.5% for Judicial • Added to aggregate payroll increase assumption and used for Normal Cost calculation 	<u>Service</u>	<u>State</u>	<u>Teachers</u>	0	7.25%	10.25%	5	2.75%	3.00%	10	1.25%	1.75%	15	0.70%	1.25%	20	0.45%	0.45%	25+	0.25%	0.25%	<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%
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ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation				June 30, 2012 Valuation			
<ul style="list-style-type: none"> ■ Healthcare Cost Increases State Employees and Ancillary Groups 	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>
	2011/12	Premium*	2011	Premium	2011/12	n/a	2011	n/a
	2012/13	0.0%*	2012	9.4%	2012/13	Premium*	2012	Premium
	2013/14	8.5%	2013	8.9%	2013/14	8.5%	2013	8.9%
	2014/15	8.0%	2014	8.3%	2014/15	8.0%	2014	8.3%
	2015/16	7.5%	2015	7.8%	2015/16	7.5%	2015	7.8%
	2016/17	7.0%	2016	7.2%	2016/17	7.0%	2016	7.2%
	2017/18	6.5%	2017	6.7%	2017/18	6.5%	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%
		* LD 1043 caps non-Medicare premium increases to 0% for 2011/12 and 2012/13.				* LD 1043 caps non-Medicare premium increases to 0% for 2011/12 and 2012/13.		



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation			June 30, 2012 Valuation						
■ Healthcare Cost Increases Teachers	Increase from Prior Year*			Increase from Prior Year*						
		HMO <u>Choice</u>	Blue <u>Choice</u>	Medicare <u>Plan</u>		HMO <u>Choice</u>	Blue <u>Choice</u>	Medicare <u>Plan</u>		
		<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>Premium</u>		<u>Year</u>	<u>Premium</u>	<u>Premium</u>	<u>Premium</u>
		2011/12	n/a	n/a	n/a		2011/12	n/a	n/a	n/a
		2012/13	9.0%	9.0%	9.4%		2012/13	Premium	Premium	Premium
		2013/14	8.5%	8.5%	8.9%		2013/14	8.5%	8.5%	8.9%
		2014/15	8.0%	8.0%	8.3%		2014/15	8.0%	8.0%	8.3%
		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%	
	* LD 1043 caps 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 86.3% for 2012/13 so as not to exceed budgeted \$23 million.			* LD 1043 caps 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	March 31, 2011 Valuation	June 30, 2012 Valuation																																																
■ State Average Monthly Net Claims Cost	<ul style="list-style-type: none"> Average HMO Choice net claims cost: <ul style="list-style-type: none"> ➢ Based on 2009 retiree claims ➢ Includes 1% load for stop/loss premium and admin expenses Claims cost by age: <table border="1"> <thead> <tr> <th align="center" colspan="3">HMO Choice Retiree Monthly Claims</th> </tr> <tr> <th align="center"><u>Age</u></th> <th align="center"><u>Male</u></th> <th align="center"><u>Female</u></th> </tr> </thead> <tbody> <tr> <td align="center">50</td> <td align="center">\$ 697</td> <td align="center">\$ 907</td> </tr> <tr> <td align="center">55</td> <td align="center">901</td> <td align="center">924</td> </tr> <tr> <td align="center">60</td> <td align="center">1,145</td> <td align="center">986</td> </tr> <tr> <td align="center">65</td> <td align="center">1,400</td> <td align="center">1,174</td> </tr> <tr> <td align="center">70</td> <td align="center">1,774</td> <td align="center">1,446</td> </tr> <tr> <td align="center">75</td> <td align="center">2,143</td> <td align="center">1,729</td> </tr> </tbody> </table> 	HMO Choice Retiree Monthly Claims			<u>Age</u>	<u>Male</u>	<u>Female</u>	50	\$ 697	\$ 907	55	901	924	60	1,145	986	65	1,400	1,174	70	1,774	1,446	75	2,143	1,729	<ul style="list-style-type: none"> Average HMO Choice net claims cost: <ul style="list-style-type: none"> ➢ Based on 2012/13 premiums ➢ Assumes medical plan is modified to net unchanged premiums for 2012/13 Claims cost by age: <table border="1"> <thead> <tr> <th align="center" colspan="3">HMO Choice Retiree Monthly Claims</th> </tr> <tr> <th align="center"><u>Age</u></th> <th align="center"><u>Male</u></th> <th align="center"><u>Female</u></th> </tr> </thead> <tbody> <tr> <td align="center">50</td> <td align="center">\$ 586</td> <td align="center">\$ 763</td> </tr> <tr> <td align="center">55</td> <td align="center">758</td> <td align="center">777</td> </tr> <tr> <td align="center">60</td> <td align="center">963</td> <td align="center">829</td> </tr> <tr> <td align="center">65</td> <td align="center">1,177</td> <td align="center">987</td> </tr> <tr> <td align="center">70</td> <td align="center">1,492</td> <td align="center">1,215</td> </tr> <tr> <td align="center">75</td> <td align="center">1,801</td> <td align="center">1,454</td> </tr> </tbody> </table> 	HMO Choice Retiree Monthly Claims			<u>Age</u>	<u>Male</u>	<u>Female</u>	50	\$ 586	\$ 763	55	758	777	60	963	829	65	1,177	987	70	1,492	1,215	75	1,801	1,454
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ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																								
■ State Relative Age-Related Claims Cost Factors	HMO Choice <u>Retiree and Spouse</u>	<ul style="list-style-type: none"> • Same 																								
	<table border="0"> <tr> <td><u>Age</u></td> <td><u>Male</u></td> <td><u>Female</u></td> </tr> <tr> <td>50-55</td> <td>51%</td> <td>71%</td> </tr> <tr> <td>55-60</td> <td>66%</td> <td>73%</td> </tr> <tr> <td>60-65</td> <td>83%</td> <td>80%</td> </tr> <tr> <td>65-70</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>70-75</td> <td>130%</td> <td>122%</td> </tr> <tr> <td>75-80</td> <td>151%</td> <td>144%</td> </tr> <tr> <td>80-85</td> <td>160%</td> <td>160%</td> </tr> </table>		<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%
	<u>Age</u>		<u>Male</u>	<u>Female</u>																						
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80-85	160%	160%																								
<ul style="list-style-type: none"> • Used to allocate average net claims cost by age and gender 																										



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation																																																																	
■ Mortality for Healthy Lives	<ul style="list-style-type: none"> • MainePERS 2010 Experience Study 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 per MainePERS 6/30/11 valuation 																																																																	
	<table border="0"> <tr> <td></td> <td align="center" colspan="2"><u>State</u></td> <td align="center" colspan="2"><u>Teachers</u></td> </tr> <tr> <td><u>Age</u></td> <td><u>Male</u></td> <td><u>Female</u></td> <td><u>Male</u></td> <td><u>Female</u></td> </tr> <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>0.15%</td> <td>0.11%</td> </tr> <tr> <td>55</td> <td>0.27%</td> <td>0.24%</td> <td>0.22%</td> <td>0.18%</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>1.45%</td> <td>1.25%</td> </tr> </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%	0.15%	0.11%	55	0.27%	0.24%	0.22%	0.18%	60	0.53%	0.47%	0.41%	0.36%	65	1.03%	0.90%	0.81%	0.71%	70	1.77%	1.55%	1.45%	1.25%
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ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation	
■ Mortality for Disabled Lives	<ul style="list-style-type: none"> MainePERS 6/30/10 valuation report assumption 	<ul style="list-style-type: none"> Same per MainePERS 6/30/11 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	March 31, 2011 Valuation	June 30, 2012 Valuation	
■ Termination	<ul style="list-style-type: none"> MainePERS 2010 Experience Study assumption 	<ul style="list-style-type: none"> Same per MainePERS 6/30/11 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	March 31, 2011 Valuation	June 30, 2012 Valuation	
■ Disability Incidence	<ul style="list-style-type: none"> MainePERS 2010 Experience Study assumption 	<ul style="list-style-type: none"> Same per MainePERS 6/30/11 valuation 	
		Legislative & Judicial	
		<u>Age</u> <u>State</u> <u>Teachers</u> <u>& Judicial</u>	
		25 .068% .034% .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	March 31, 2011 Valuation	June 30, 2012 Valuation	
■ Service Retirement - State Regular Plan Adjusted MainePERS Assumption	<ul style="list-style-type: none"> MainePERS 2010 Experience Study assumption* 	<ul style="list-style-type: none"> MainePERS 2010 Experience Study Tier 1 assumption* 	
		<u>Pension</u> <u>OPEB (>1/1/12)</u>	<u>Pension</u> <u>OPEB</u>
		<u>Age</u> <u>Tier 1</u> <u>Tier 2</u> <u>Tier 1</u> <u>Tier 2</u>	<u>Age</u> <u>Tier 1</u> <u>Tier 1</u> <u>Tier 2</u> <u>Tier 3</u>
		45 1.0% 0.5% 1.0% 0.5%	45 1.0% 1.0% 1.0% 1.0%
		50 7.5% 3.8% 7.5% 3.8%	50 7.5% 7.5% 7.5% 1.0%
		55 7.5% 3.8% 6.6% 3.3%	55 7.5% 6.6% 6.5% 7.5%
		56 10.0% 5.0% 9.0% 4.2%	56 10.0% 9.0% 6.2% 7.1%
		57 14.0% 15.0% 12.7% 12.0%	57 14.0% 12.7% 5.8% 6.6%
		58 15.0% 15.0% 13.6% 12.5%	58 15.0% 13.6% 8.0% 6.1%
		59 23.0% 15.0% 21.0% 13.1%	59 23.0% 21.0% 11.4% 5.5%
		60 30.0% 20.0% 36.3% 18.2%	60 30.0% 36.3% 12.4% 5.0%
		61 30.0% 20.0% 30.0% 18.9%	61 30.0% 30.0% 19.3% 7.0%
		62 27.0% 25.0% 27.0% 26.3%	62 27.0% 27.0% 41.6% 10.3%
		63 27.0% 25.0% 27.0% 25.0%	63 27.0% 27.0% 30.0% 11.3%
		64 25.0% 25.0% 25.0% 25.0%	64 25.0% 25.0% 27.0% 17.8%
		65 25.0% 25.0% 25.0% 25.0%	65 25.0% 25.0% 27.0% 46.1%
		70 100% 100% 100% 100%	70 100% 100% 100% 100%
	* Tier 2 rates estimated at ½ of Tier 1 rates for ages less than 57 and adjusted for OPEB as stated below	* 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	March 31, 2011 Valuation	June 30, 2012 Valuation																																																																																																																																																																																
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<ul style="list-style-type: none"> ■ Early Retirement State Regular Plans and Teachers OPEB Assumptions 	<ul style="list-style-type: none"> • Increase retirement rates by 10% for Tier 1 and 5% for Tier 2 for ½ year for State and 1 year for Teachers from valuation date to reflect additional retirements before cash subsidy eliminated on 1/1/12 for State and 7/1/12 for Teachers 	<ul style="list-style-type: none"> • n/a
<ul style="list-style-type: none"> ■ Service Retirement Legislative and Judicial Plans 	<ul style="list-style-type: none"> • MainePERS 6/30/09 valuation report assumption • Legislative: Tier 1 - Age 60, Tier 2 - Age 62 • Judicial: Tier 1 - Age 60, Tier 2 - 50%/year starting at 62 	<ul style="list-style-type: none"> • MainePERS 6/30/11 valuation report assumption • 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



ACTUARIAL ASSUMPTIONS

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<ul style="list-style-type: none"> ■ Service Retirement State Special Plans 	<ul style="list-style-type: none"> • MainePERS 6/30/10 valuation report assumption for all plans except 1998 Special Plan <ul style="list-style-type: none"> ➢ 50% per year once eligibility for unreduced benefits is reached • MainePERS 2010 Experience Study for 1998 Special Plan: <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: center;"><u>< 25 Yrs</u></th> <th style="text-align: center;"><u>> 25 Yrs</u></th> </tr> </thead> <tbody> <tr><td>50</td><td style="text-align: center;">25%</td><td style="text-align: center;">25%</td></tr> <tr><td>55</td><td style="text-align: center;">25%</td><td style="text-align: center;">25%</td></tr> <tr><td>59</td><td style="text-align: center;">25%</td><td style="text-align: center;">25%</td></tr> <tr><td>60</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>61</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>62</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>63</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>64</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>65</td><td style="text-align: center;">25%</td><td style="text-align: center;">50%</td></tr> <tr><td>70</td><td style="text-align: center;">25%</td><td style="text-align: center;">100%</td></tr> </tbody> </table> 	<u>Age</u>	<u>< 25 Yrs</u>	<u>> 25 Yrs</u>	50	25%	25%	55	25%	25%	59	25%	25%	60	25%	50%	61	25%	50%	62	25%	50%	63	25%	50%	64	25%	50%	65	25%	50%	70	25%	100%	<ul style="list-style-type: none"> • MainePERS 6/30/11 valuation report assumption for all Special Plans <ul style="list-style-type: none"> ➢ 50% per year once eligibility for unreduced benefits is reached
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Teachers Tier 2	25	60																																				
Teachers Tier 3	25	62																																				
■ Medicare Eligible Rate	<ul style="list-style-type: none"> ● Future retirees: <ul style="list-style-type: none"> ➢ Hired < 4/1/86 - 75% ➢ Hired ≥ 4/1/86 - 100% ● Current retirees < 65 - 87.5% ● Current retirees ≥ 65 - actual data 	<ul style="list-style-type: none"> ● Future retirees: <ul style="list-style-type: none"> ➢ Hired < 4/1/86 - 75% ➢ Hired ≥ 4/1/86 - 100% ● Current retirees < 65 - 94% ● Current retirees ≥ 65 - actual data (88% in Medicare Plans) 																																				



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
■ Medical Plan at Retirement	<ul style="list-style-type: none"> ● Medicare eligible: <ul style="list-style-type: none"> ➢ Current plan election < 65 ➢ Medicare plan ≥ 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
■ Marital Status	<ul style="list-style-type: none"> ● Based on current coverage election 	<ul style="list-style-type: none"> ● Currently covered - based on current coverage election ● Currently waived - 80%



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
<p>■ Participation at Retirement</p>	<ul style="list-style-type: none"> • State - 95% for future retirees and 20% for spouses • Teachers - 75% for future retirees 	<ul style="list-style-type: none"> • State: <ul style="list-style-type: none"> ➢ Currently covered - 95% for future retirees and 20% for spouses ➢ Currently waived hired after 7/1/91 - 20% will elect medical and have 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 - 1/3 will elect medical



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
<p>■ Spouse Age</p>	<ul style="list-style-type: none"> • Current actives - males 3 years older than females • Current retirees - males 3 years older than females, no retiree spouse birth dates provided 	<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
<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



ACTUARIAL ASSUMPTIONS

Assumption	March 31, 2011 Valuation	June 30, 2012 Valuation
<p>■ Data Assumptions</p>	<ul style="list-style-type: none"> • 827 State employees and 7,253 Teachers missing hire dates - average service by age group • Ineligible State elected officials - assume none in data • Active employees with waived health insurance coverage - small group per State and not included in valuation • Maine School Management Association (Aetna insurance) - claims data not provided by State and not included in valuation 	<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



ACTUARIAL METHODS

Method	March 31, 2011 Valuation	June 30, 2012 Valuation
<p>■ Cost Method</p>	<ul style="list-style-type: none"> • Entry Age Normal • Normal Cost is a level percentage of payroll 	<ul style="list-style-type: none"> • Same
<p>■ Actuarial Value of Assets</p>	<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
<p>■ Amortization Method</p>	<ul style="list-style-type: none"> • Level percent of payroll 	<ul style="list-style-type: none"> • Same



ACTUARIAL METHODS

Method	March 31, 2011 Valuation	June 30, 2012 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 (26 years remaining on 6/30/11) ● 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 (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"> ■ 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 (26 years remaining on 6/30/11) ● 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 (25 years remaining on 6/30/12) ● 15-year fixed (closed) periods for gains and losses ● Maximum 30-year combined period



ACTUARIAL METHODS

Method	March 31, 2011 Valuation	June 30, 2012 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

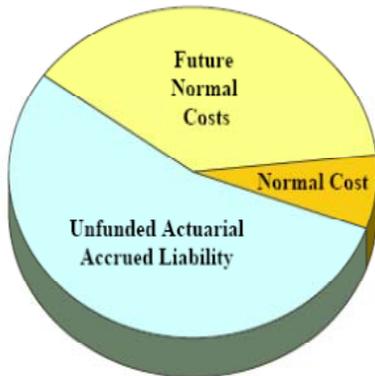
<p>■ GASB 45 Accrual Accounting</p>	<ul style="list-style-type: none"> ● Project future employer-provided benefit cash flow for current active employees and current retirees ● Discount projected cash flow to valuation date using discount rate and actuarial assumptions to determine present value of benefits (PVB) ● Discount rate is expected long-term return on plan assets ● Allocate PVB to past, current, and future periods ● Normal Cost is portion of PVB allocated to current fiscal year ● Actuarial cost method used for valuation is Entry Age Normal 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
<p>■ PayGo Cost</p>	<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



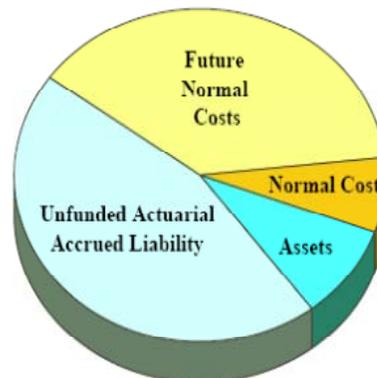
DEFINITIONS

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

