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

**Subject: Fiscal Year End June 30, 2025 GASB Statement No. 74 Disclosure Information
for the State of Maine Retiree Healthcare Plan for State Employees**

Dear Sandra:

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

The information provided herein will be used for the June 30, 2025 GASB 74 disclosures.

The Total OPEB Liability and certain sensitivity information shown in this letter are based on the actuarial valuation performed as of June 30, 2023. The Total OPEB Liability was rolled-forward from the valuation date to fiscal year ended June 30, 2025 using generally accepted actuarial principles. We are not aware of any significant events or material changes in benefit provisions that required an adjustment to the roll-forward of the liability.

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

This letter complements the actuarial valuation reports as of June 30, 2023, provided to the State and should be considered together as a complete report for the State's fiscal year ended June 30, 2025 GASB No. 74 reporting. Please see the actuarial valuation report as of June 30, 2023, for additional discussion of the results used in the roll-forward, including the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

A single discount rate of 6.50% was used to measure the Total OPEB Liability as of June 30, 2025. The selection of this discount rate is consistent with the rate to be used for purposes of GASB No. 74. Since the State's postretirement medical plan for this group is being funded by assets in a separate trust, GASB No. 74 requires that the discount rate be based on the long-term expected asset return to the extent that assets are sufficient to cover future benefit payments. The selected rate is based on the long-term expected asset return for the State of Maine Retiree Health Insurance Trust Fund since projected assets are sufficient to cover future benefit payments.

The plan experienced a loss of \$39 million during the year due to the difference between expected and actual (allocated) implicit benefit payments. It is our understanding the State allocates 25% of all incurred claims costs, or benefit payments, to retirees.

Statement Regarding Model Use

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

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

The medical inflation trend rate assumptions were set using the Getzen Model of Long-Run Medical Cost Trends ("Getzen Model"), which adds transparency to the economic assumptions behind medical and prescription drug trends. The Getzen Model is an excel based projection of annual expected growth rates in medical premiums and expenditures through 2103. Development of the model was sponsored by the Society of Actuaries ("SOA"), and it is used primarily in the estimation of reportable liabilities for retiree health benefits in accordance with FASB and GASB standards. It projects medical care cost increases and the health share of GDP using linked formulas and assumptions developed by the author, Professor Thomas Getzen, with the assistance of a SOA project oversight group.

Actuarial Valuation Opinion

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

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

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

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

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

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State of Maine - State Employees
Fiscal Year Ended June 30, 2025 GASB Statement No. 74 Disclosure Information

Exhibit 1: Schedule of Changes in Net OPEB Liability

(All dollar amounts are in thousands)

	Discount Rate	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
June 30, 2024	6.50%	\$ 787,292	\$ 496,042	\$ 291,250
Service Cost		12,856		12,856
Interest		49,138		49,138
Changes In Benefit Terms		-		-
Changes In Assumptions - Discount Rate		-		-
Changes In Assumptions - Others		-		-
Differences Between Expected And Actual Experience		38,808		38,808
Benefit Payments				
Explicit Subsidy	\$ (37,969)			
Implicit Subsidy	(51,813)			
Total		(89,782)	(89,782)	-
Contributions - Employer				
Discretionary/Prefunded	\$ 37,071			
Explicit Subsidy	37,969			
Implicit Subsidy	51,813			
Total			126,853	(126,853)
Contributions - Employee			-	-
Contributions - Retiree		-	-	-
Administrative Expenses			(2)	2
Net Investment Income				
Expected Investment Earnings	\$ 33,695			
Differences Between Projected And Actual Investment Earnings	33,726			
Total			67,421	(67,421)
Net Change		\$ 11,020	\$ 104,490	\$ (93,470)
June 30, 2025	6.50%	\$ 798,312	\$ 600,532	\$ 197,780
			June 30, 2025	June 30, 2024
Plan Fiduciary Net Position As A Percentage Of Total OPEB Liability			75.2%	63.0%
Covered Payroll			\$ 939,940	\$ 835,682
Net OPEB Liability As A Percentage Of Covered Payroll			21.0%	34.9%
Sensitivity of Net OPEB Liability to changes in Discount Rate			June 30, 2025	% Change
A one percentage point change in discount rate would have the following effect on Total OPEB Liability as of June 30, 2025:				
One Percentage Increase (7.50%)		\$ (67,221)		-8%
One Percentage Decrease (5.50%)		\$ 79,025		10%
Net OPEB Liability at a one percentage point change in discount rate as of June 30, 2025 is as follows:				Net OPEB Liability
One Percentage Increase (7.50%)				\$ 130,559
One Percentage Decrease (5.50%)				\$ 276,805
Sensitivity of Net OPEB Liability to changes in Trend Rate			June 30, 2025	% Change
A one percentage point change in trend rate would have the following effect on Total OPEB Liability as of June 30, 2025:				
One Percentage Increase (6.65% grading down to 5.19%)		\$ 113,868		14%
One Percentage Decrease (4.65% grading down to 3.19%)		\$ (94,463)		-12%
Net OPEB Liability at a one percentage point change in trend rate as of June 30, 2025 is as follows:				Net OPEB Liability
One Percentage Increase (6.65% grading down to 5.19%)				\$ 311,648
One Percentage Decrease (4.65% grading down to 3.19%)				\$ 103,317
Key Assumptions			June 30, 2025	June 30, 2024
Discount Rate			6.50%	6.50%
Investment Rate of Return			6.50%	6.50%
Inflation			2.75%	2.75%
Initial Medical Trend Rate ¹			5.65%	7.09% ²
Ultimate Medical Trend Rate ¹			4.19%	4.19%
Year Ultimate Trend Rate Reached			2075	2075

¹ Trend applied to premium rates is limited to no more than inflation + 3% in any given year.

² Adjusted to reflect preliminary premium increases from July 1, 2024 to July 1, 2025, which include the expected impact of IRA: 28.21% for Medicare Part A&B Premiums and 1.14% for Medicare Part B Only Premiums

State of Maine - State Employees
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Exhibit 2: 10-Year Schedule of Employer Contributions

(All dollar amounts are in thousands)

Year Ended	Actuarially Determined Contributions ¹ (a)	Contributions in Relation to Actuarially Determined		Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (e)
		Contributions (b)	Contribution Deficiency (Excess) (c)		
			(a)-(b)		(b)/(d)
June 30, 2017	\$69,000	\$78,746	(\$9,746)	\$582,934	13.5%
June 30, 2018	\$71,179	\$80,612	(\$9,433)	\$591,521	13.6%
June 30, 2019	\$71,363	\$92,829	(\$21,466)	\$626,384	14.8%
June 30, 2020	\$56,241	\$71,200	(\$14,959)	\$698,462	10.2%
June 30, 2021	\$58,819	\$77,095	(\$18,276)	\$736,411	10.5%
June 30, 2022	\$52,922	\$82,158	(\$29,236)	\$737,707	11.1%
June 30, 2023	\$74,913	\$148,265	(\$73,352)	\$785,462	18.9%
June 30, 2024	\$27,551	\$84,573	(\$57,022)	\$835,682	10.1%
June 30, 2025	\$40,033	\$126,853	(\$86,820)	\$939,940	13.5%

¹ Actuarially Determined Contributions for year ended June 30, 2017 was calculated by the prior plan actuary.