State of Maine Teachers Retiree Healthcare Plan

Actuarial Valuation Report

June 30, 2023

Prepared by Deloitte Consulting LLP

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Actuarial Valuation Opinion

This report presents results of the actuarial valuation of the "Other" Post-Employment Benefits ("OPEB") provided under the State of Maine Retiree Healthcare Plan for Teachers ("Teachers Plan" or "Plan") as of June 30, 2023. In our opinion, this report is complete and accurate and represents fairly the actuarial position of the Plan for the purposes stated herein.

The State of Maine provided the participant data, financial information, and plan descriptions as of June 30, 2023 to be used as the basis of this valuation. The actuary has analyzed the data and other information provided for reasonableness but has not independently audited the data or other information provided. The actuary has no reason to believe the data or other information provided is not complete and accurate and knows of no further information that is essential to the preparation of the actuarial valuation.

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 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. Our scope for this actuarial valuation did not include analyzing the potential range of such future measurements, and we did not perform that analysis.

The undersigned with actuarial credentials collectively 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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Background and Comments

Governmental Accounting Requirements and Report Purpose

The Governmental Accounting Standards Board released the Statement of Governmental Accounting Standard No. 75 in June 2015. GASB No. 75 requires employers and non-employer contributing entities to accrue the cost of post-employment benefits other than pensions ("OPEB") while eligible employees are providing services to the employer. The State of Maine is a non-employer contributing entity with respect to certain OPEB benefits provided to eligible teachers, as described in this report. The State of Maine adopted GASB No. 75 for the June 30, 2018 Reporting Date (using a Measurement Date of June 30, 2017).

The purpose of this actuarial valuation report is to provide information that will serve as the basis for the State of Maine's employer financial reporting. The information provided herein will be used for the Reporting Dates for fiscal years ending June 30, 2024 and June 30, 2025 (for GASB No. 75 the State of Maine has elected to use a measurement date as of the end of the prior fiscal year). GASB No. 75 disclosures will be provided under separate cover.

Overview of Plan

The State of Maine provides a Retiree Healthcare Plan ("Plan") for Teachers. To be eligible for reimbursement from the State, a retiree must be receiving a retirement benefit from the Maine Public Employees Retirement System ("MainePERS"). For teachers retiring after July 1, 2012 the reimbursement from the State shall begin when the retiree reaches normal retirement age with at least one year of service under MainePERS; normal retirement age defined as:

Tier 1 - Be at least 60 years of age; with at least 10 years of service on 7/1/1993

Tier 2 - Be at least 62 years of age; with less than 10 years of service on 7/1/1993 or hired on/after 7/1/1993 but had 5 years of service on 7/1/2011

Tier 3 - Be at least 65 years of age; with less than 5 years of service on 7/1/2011 or hired on/after 7/1/2011

Normal retirement eligibility occurs upon attainment of 25 years of service, if earlier.

State of Maine Contributions

- 60% of the retiree medical premium based on:
  - Single rate for single and employee + child(ren) coverage
  - 50% of 2-party rate for 2-party and family coverage

Retirees pay the remaining portion of the retiree-only premium and/or the full additional premium for spouse and family coverage. There is no benefit for surviving spouses.

The State of Maine contribution increased from 55% to 60% effective after June 30, 2023. The substantive plan benefits are described in Section 10 – Summary of Substantive Plan Provisions of this report.

Implicit Rate Subsidy

GASB No. 75 requires that employers/non-employer contributing entities recognize the Implicit Rate Subsidy that exists in many postretirement medical plans provided by governmental employers. The Implicit Rate Subsidy refers to the concept that retirees under the age of 65 (i.e., not eligible for Medicare) generate higher claims on average than active participants.

When a medical plan is self-insured through a third-party administrator or fully insured, a premium is usually determined by analyzing the claims of the entire population in that plan and adjusting for administrative costs. The resulting premium is called a blended premium because it blends the claims of active and retired participants. Since individuals generally have more and higher claims as they get older, the blended premium paid for retirees is lower than their expected claims. Another way of considering this is that if the retirees were removed from the plan, the premium for the active group would be lower; therefore, the retirees' premiums are being subsidized by the active group. Since the employer generally pays a large portion or all of the premiums for the active group, this subsidy creates a liability for the employer. The difference between the expected claims for the retiree group and the blended premium is called the Implicit Rate Subsidy.

The State of Maine has confirmed that it is not responsible for the implicit rate subsidy for the participants in this plan given that the State contributes only a specified explicit subsidy for participants to cover a portion of the blended premium and provides no contributions for active employee health insurance premiums.

It is our understanding that the implicit rate subsidy is the responsibility of each individual school district because each pays for a portion (or all) of their active employees' premiums and provide retirees access to postretirement medical coverage at a blended rate.

Health Care Reform

The Patient Protection and Affordable Care Act ("PPACA") was signed into law on March 23, 2010. The primary objective of the act is to increase the number of Americans with health insurance coverage. There are several provisions within PPACA with potentially significant short- and long-term cost implications for employers. The applicable provisions of PPACA were considered in this valuation. On December 18, 2015, the Consolidated Appropriations Act, 2016 became law. This legislation delayed the effective date of the high cost plan excise tax from 2018 to 2020 and made it tax deductible. On January 22, 2018, the Federal Register Printing Savings Act further delayed the effective date from 2020 to 2022. On December 20, 2019, the excise tax and the health insurance provider fee for calendar years beginning after December 31, 2020 were repealed. In future years, there may continue to be increased cost impact to the extent the health & welfare program experiences increased utilization due to these changes, all of which are assumed to be in place indefinitely.

The provisions of PPACA considered are as follows:

- Prohibiting lifetime and annual limits on the dollar value of coverage for "essential health benefits"
- Increasing the dependent child age limit to age 26
- Elimination of cost sharing for in-network preventive services
- Reflecting manufacturer discounts available to certain Medicare beneficiaries receiving applicable covered Part D drugs (mostly brand) while in the coverage gap
- Out-of-pocket limit includes both medical and Rx expenses

Inflation Reduction Act

The Inflation Reduction Act of 2022 ("IRA") was signed into law on August 16, 2022 and includes provisions to reform Medicare prescription drugs. The IRA impacts the duration of Medicare Part D Retiree Drug Subsidy ("RDS") payments. Since RDS payments should not be reflected in GASB actuarial valuations, there is no effect on the per capita claims costs assumption in this report.

The impact of applicable plan enhancements required by the IRA on Employer Group Waiver Plans ("EGWPs") were incorporated in the per capita claims costs/trend assumption summarized in the Actuarial Assumptions Summary section of this report (if applicable).

- Limit cost-sharing for insulin to no more than $35/month
- Eliminate cost-sharing for adult vaccines covered under Medicare Part D
- Eliminate 5% member cost share in the catastrophic phase
- Limit Medicare Part D Base Beneficiary Premium to 6% cap over prior year
- Expand eligibility for Part D Low-Income Subsidy full benefits up to 150% Federal Poverty Level ("FPL")
- Additional enhancements starting in calendar year 2025, including:
    - Define new standard Part D with three phases: deductible, initial coverage, catastrophic
    - Limit maximum out-of-pocket ("MOOP") to $2,000 for beneficiaries
    - Replace Coverage Gap Discount Program with a new Manufacturer Discount Program
    - Decrease government reinsurance for catastrophic coverage

Additional impacts of the IRA on EGWPs are still not currently estimable due to the unknown effect of other provisions and market reactions, such as:

- Medicare prescription drug negotiations starting in 2026
- The introduction of the Medicare Prescription Payment Plan
- Changes in member behavior or potential induced utilization in response to the benefit changes
- Changes in PBM and pharmaceutical manufacturer pricing and rebating behaviors in response to the regulation
- Potential future volatility in Medicare Part D National Average Bid Amount.

Actuarial Methods and Assumptions

The actuarial methods and assumptions are described in Section 8 – Summary of Actuarial Methods & Assumptions of this report.

The majority of the Teachers covered under this plan are participants in the MainePERS State and Teacher Retirement Program. For this reason, several demographic assumptions are selected to be consistent with the most recently available active lives actuarial valuation of that plan.

Since the State's portion of the Teachers' postretirement medical plans is being funded by assets in a separate trust as of June 30, 2023, GASB Nos. 74 and 75 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 Trust is projected to have sufficient assets to meet projected benefit payments in all future years. State of Maine has elected to use a discount rate of 6.5%. Since the State of Maine has funded its liability with investments held in a separate trust, those assets should be used as the basis for the selection of the discount rate. The discount rate was 6.50% as of the measurement date, June 30, 2023 (2.16% as of June 30, 2021).

To recommend a discount rate for the State of Maine, we used a "building block" method, as outlined in the Actuarial Standards of Practice ("ASOP") for "Selection of Economic Assumptions for Measuring Pension Obligations" (No. 27). Under the "building block" method, the expected future investment of a portfolio is estimated using the following information and estimates:

1. The expected long-term inflation level;
2. The broad asset classes making up the portfolio and their proportion of total assets; and
3. For each asset class, the expected long-term real return (excess above inflation) of that asset class.

The expected future return of each asset class is then the sum of (1) and (3) above, and the expected future portfolio return is the weighted average of the asset class returns, where the weights are the proportions in (2) above.

Pre-65 claim costs are developed using current premiums without any age-adjustments because the individual school districts − not the State of Maine − are responsible for the implicit subsidy. Costs for retirees enrolled in the Medicare Advantage plan are developed using current premiums, without any age-adjustments, because the Medicare Advantage risk-adjusted federal subsidy is intended to eliminate any cost differences due to age. We note that the current pre-65 premiums increased less than expected and the Medicare Advantage premiums decreased from the prior valuation.

For the June 30, 2023 valuation, the valuation was based on the same plan provisions and actuarial methods and assumptions as the previous valuation with the exception of the following:

- The discount rate assumption was updated to 6.50%;
- The annual medical premiums were updated based on recent experience;
- Healthcare cost trend rates were updated based on projected 2025 premium rates (if available), industry observations, the most current SOA-Getzen model, an adjustment to short-term trend rates to estimate the impact of the current general inflation environment, and an adjustment for expected IRA impact; and
- Per statute, the State of Maine's retiree medical premium subsidy increased from 55% to 60% after June 30, 2023.

The effect of these changes on the Actuarial Accrued Liability is summarized in Section 2 – Actuarial Experience of the report. The actuarial methods and assumptions are described in more detail later in this report.

Valuation Results

Section 1 – Summary of Actuarial Valuation Results

Presented below are the current and prior actuarial valuation results for the Teachers Plan. All information is provided as of the valuation date shown. Dollar amounts are in thousands.

	Valuation Date	
	June 30, 2023	June 30, 2021
1. Actuarial Accrued Liability	$927,707	$1,789,794
2. Actuarial Value of Assets	103,000	-
3. Unfunded Actuarial Accrued Liability (UAAL) (1) - (2)	$824,707	$1,789,794
4. Funded ratio (2 / 1)	11.10%	0.00%
5. UAAL as a percentage of covered payroll (3 / 8b)	55.25%	126.54%
6. Normal Cost	$19,954	$66,336
7. Discount Rate	6.50%	2.16%
8. Census Data Used		
a. Count of Covered Participants		
Actives	27,767	27,346
Terminated Vested - Eligible for Participation	482	559
Retirees	10,851	10,513
Total	39,100	38,418
b. Covered Payroll	$1,492,683	$1,414,447
9 Expected Benefit Payments	$36,080	$32,951

Section 2 – Actuarial Value of Assets

This section provides a summary of the development of the actuarial value of assets. All information is provided as of the measurement date. Dollar amounts are in thousands.

	June 30, 2023	June 30, 2022
1. Market value of assets (MVA) at beginning of year	$0	$0
a. Contributions	141,523	30,586
b. Benefit Payments	(38,523)	(30,586)
c. Administrative Expenses	0	0
d. Expected Investment Earnings	0	0
2. Expected MVA at end of year: (1a)+(1b)+(1c)+(1d)	$103,000	$0
3. Actual MVA at end of year	$103,000	$0
4. Actuarial value of assets (AVA) at beginning of year	$0	$0
a. Contributions	141,523	30,586
b. Benefit Payments	(38,523)	(30,586)
c. Administrative Expenses	0	0
d. Expected Investment Earnings	0	0
5. Expected AVA at end of year: (4a)+(4b)+(4c)+(4d)	$103,000	$0
6. MVA - Expected AVA: (3) - (5)	$0	$0
7. 1/5 of (MVA - Expected AVA)	$0	$0
8. Preliminary AVA: (5) + (7)	$103,000	$0
9. Minimum AVA (80% of MVA)	$82,400	$0
10. Maximum AVA (120% of MVA)	$123,600	$0
11. AVA at the end of the year	$103,000	$0

Amounts may be off by $1,000 due to rounding

Section 3 – Actuarial Experience

Actuarial gains and losses arise from experience different from that assumed, changes in actuarial assumptions and methods, and changes in plan provisions. The following summarizes the changes in the Actuarial Accrued Liability due to these sources from June 30, 2021 to June 30, 2023. Dollar amounts are in thousands.

1.	Actuarial Accrued Liability as of June 30, 2021		$1,789,794
2.	Normal Cost for year ending June 30, 2022		66,336
3.	Actual Benefit Payments for the year ending June 30, 2022		(30,586)
4.	Interest at 2.16% on (1), (2) and (3)		39,764
5.	Expected Actuarial Accrued Liability as of June 30, 2022 (1) + (2) + (3) + (4)		$1,865,308
6.	Normal Cost for year ending June 30, 2023		$68,326
7.	Actual Benefit Payments for the year ending June 30, 2023		(38,523)
8.	Interest at 2.16% on (5), (6) and (7)		41,353
9.	Expected Actuarial Accrued Liability as of June 30, 2023 (5) + (6) + (7) + (8)		$1,936,464
10.	(Gain)/Loss		
	i. Demographic and Premium Experience	(310,943)	
	ii. Change in Other Assumptions	17,667	
	iii. Change in Discount Rate	(792,790)	
	iv. Plan Change - Increase in Subisdy Percentage	77,309	
	v. Total (Gain)/Loss		(1,008,757)
11.	Actual Actuarial Accrued Liability as of June 30, 2023 (9) + (10)(v)		$927,707

Section 4 – Development of Unfunded Actuarial Accrued Liability

Presented below is the development of the Unfunded Actuarial Accrued Liability as of June 30, 2023, which is the Actuarial Accrued Liability minus the Actuarial Value of Assets. The Actuarial Accrued Liability is the portion of the Present Value of Future Benefits accrued to date. The Present Value of Future Normal Costs represents the portion of the Present Value of Future Benefits expected to accrue in the future, based on the current population. Dollar amounts are in thousands.

1. Present Value of Future Benefits	
Actives	$607,935
Terminated Vested	18,860
Retirees and Beneficiaries	470,237
Total	$1,097,032
2. Present Value of Future Normal Costs	$169,325
3. Actuarial Accrued Liability	
Actives	$438,610
Terminated Vested	18,860
Retirees and Beneficiaries	470,237
Total	$927,707
4. Actuarial Value of Assets	103,000
5. Unfunded Actuarial Accrued Liability (3) - (4)	$824,707

Section 5 – Schedule of Amortization Balances for Actuarially Determined Contributions

	Original Bases			Remaining Bases June 30, 2023		2023/24 End of Year Amortization Payment[2]
	Date	Years	Amount	Years	Balance[1]	
Initial UAAL	6/30/2022	15	959,691	14	900,729	84,375
Experience Losses (Gains)	6/30/2023	15	(170,998)	15	(170,998)	(15,182)
Assumption Change	6/30/2023	14	17,667	14	17,667	1,655
Plan Change	6/30/2023	14	77,309	14	77,309	7,242
Unfunded AAL					**$824,707**	**$78,090**

[1] Totals may not match the sum of individual amounts due to rounding.

Section 6 – Determination of Actuarially Determined Contributions

GASB 75 requires the disclosure of the Actuarially Determined Contribution ("ADC"). The following is a brief explanation of the components of the ADC:

- **Normal Cost**: The portion of the total present value of benefits attributed to employee service during the current fiscal year.
- **Amortization Payments**: Total amortization payments detailed in Section 5 – Schedule of Amortization Balances of Actuarially Determined Contributions.
    - Unfunded liability as of 6/30/2022 amortized over 15 years (fully recognized by 6/30/2037)
    - Experience losses (gains) amortized over 15 years
    - Assumptions changes and plan changes amortized over period to 6/30/2037 (14-year fixed period from 6/30/2023)
    - Actual contributions greater than or less than ADC are allocated to each existing amortization base

Presented below is an illustration of the ADC for the fiscal year ending June 30, 2024. Dollar amounts are in thousands.

Teachers

1.	Normal Cost (with interest)	$ 21,251
2.	Sum of Amortizations from Section 6 (with interest)	78,090
3.	Actuarially Determined Contribution: (1) + (2)	$ 99,341
4.	Expected Pay-as-you-go Cost for Fiscal Year Ending June 30, 2024	$ 36,080

Section 7 – 10-Year Projection of Employer Benefit Payments

Presented below are the projected employer benefit payments for the next ten years based on the current plan design. These projected benefit payments are based on actuarial assumptions shown in Section 5 - Summary of Actuarial Methods & Assumptions. If actual experience differs from that expected by the actuarial assumptions, the actual employer benefit payments will vary from those presented below. Dollar amounts are in thousands.

Year Ending	Amount
6/30/2024	$36,080
6/30/2025	39,201
6/30/2026	42,506
6/30/2027	45,223
6/30/2028	47,866
6/30/2029	50,649
6/30/2030	53,793
6/30/2031	57,110
6/30/2032	60,355
6/30/2033	63,223

Basis for the Valuation

Section 8 – Summary of Actuarial Methods & Assumptions

Actuarial Cost Method

The Actuarial Cost Method used in this valuation to determine the Actuarial Accrued Liability was the Entry Age Normal Percent of Pay method.

This method is one of the family of projected benefit cost methods. An estimate of the projected monthly benefit payable at retirement is initially required to determine costs and liabilities under this method.

The Normal Cost is the sum of the annual contributions required for each participant from his entry date to his assumed retirement date so that the accumulated contribution at retirement is equal to the liability for the projected benefit. The projected benefits are based on estimates of future years of service. The normal cost is developed as a level percentage of pay.

The Present Value of Future Benefits is equal to the value of the projected benefit payable at retirement discounted back to the participant's current age. Discounts include such items as interest and mortality. The Present Value of Future Normal Costs is equal to the discounted value of the normal costs payable from the member's current age to retirement age.

The difference between the Present Value of Future Benefits and the Present Value of Future Normal Costs represents the actuarial liability at the participant's current age.

The Actuarial Accrued Liability for participants currently receiving benefits and terminated vested participants is calculated as the actuarial present value of future benefits expected to be paid. No normal cost is payable for these participants.

This Actuarial Cost Method is required by GASB No. 75.

Actuarial Value of Assets

Investment gains and losses are spread over a 5-year period, with the resulting Actuarial Value of Assets limited to be not less than 80% nor more than 120% of market value.

Investment Policy

Asset Class	**Target Allocation**	**June 30, 2023 Actual Allocation**
International Equity	25.0%	0.0%
US Fixed Income	25.0%	0.0%
US Equity	45.0%	0.0%
Real Estate	5.0%	0.0%
Cash	0.0%	100.0%*
Total	**100.0%**	**100.0%**

*$103M contribution from FY2023

Funding Policy

- Initial prefunding contribution of $103 million for FY2023
- The State intends to fund the Teachers plan based on amounts approved during the budget process, as informed by the calculation of the plan's ADC.
- As required by Statute, the plan's unfunded liability base will be fully funded by 2037.

Amortization Method and Periods

Amortization Method: Level percent of payroll

Amortization periods for determining the ADC for Teachers:

- Unfunded liability as of 6/30/2022 amortized over 15 years (fully recognized by 6/30/2037)
- Experience losses (gains) amortized over 15 years
- Assumptions changes and plan changes amortized over period to 6/30/2037 (14-year fixed period from 6/30/2023)
- Actual contributions greater than or less than ADC are allocated to each existing amortization base

Financial and Census Data

The State of Maine provided the participant data, financial information and plan descriptions used in this valuation. The actuary has checked the data for reasonableness, but has not independently audited the data. The actuary has no reason to believe the data is not complete and accurate, and knows of no further information that is essential to the preparation of the actuarial valuation.

Census Date

June 30, 2023

Measurement Date

June 30, 2023

Method Changes Since Prior Valuation

None.

Section 8 – Summary of Actuarial Methods & Assumptions (Cont.)

Discount Rate	6.50%, representing the expected long-term rate of return on the assets expected to be used to pay plan benefits.
Healthy Mortality	Rates for Teachers are based on the 2010 Public Plan Teacher Headcount-Weighted Employee and Healthy Retiree Mortality Tables and MP-2020 Mortality Improvement Scale with the following adjustments: • Adjustment of 93.1% for males and 91.9% for females applied to the base Employee mortality rates • Adjustment of 98.1% for males before the age of 85 and 87.5% for females before the age of 80 applied to the base Healthy Retiree mortality rates • Adjustment of 106.4% for males on and after age 85 and 122.3% for females on and after age 80 applied to the base Healthy Retiree mortality rates • MP-2020 Mortality Improvement Scale adjusted to use an ultimate rate of 1.00% for ages 20-80, grading down to 0.05% at age 95, grading down to an ultimate rate of 0.00% at age 115, and convergence to the ultimate rate in the year 2027.
Disabled Mortality	Rates are based on the 2010 Public Plan Non-Safety Headcount-Weighted Disabled Retiree Mortality Table and MP-2020 Mortality Improvement Scale with the following adjustments: • Adjustment of 94.2% for males and 123.8% for females applied to the base Disabled Retiree mortality rates • MP-2020 Mortality Improvement Scale adjusted to use an ultimate rate of 1.00% for ages 20-80, grading down to 0.05% at age 95, grading down to an ultimate rate of 0.00% at age 115, and convergence to the ultimate rate in the year 2027.
Termination	Sample Rates of Termination at Selected Years of Service: **Service** **Rate** 0 26.0% 5 9.0% 10 5.5% 15 3.5% 20 3.0% 25 3.0%

Section 8 – Summary of Actuarial Methods & Assumptions (Cont.)

Retirement	Sample Rates of Retirement at Selected Ages (see Section 7 for Tier eligibility):
Disability	Sample Rates of Disability at Selected Ages:

Retirement — Sample Rates of Retirement at Selected Ages (see Section 7 for Tier eligibility):

Age	Tier 1	Tier 2	Tier 3
57	4.0%	3.5%	N/A
59	20.0%	4.5%	N/A
60	27.5%	8.0%	2.0%
61	21.0%	24.0%	2.0%
62	23.0%	22.0%	5.0%
63	22.0%	18.0%	8.0%
64	28.0%	22.0%	20.0%
65	34.0%	30.0%	30.0%
70	30.0%	20.0%	30.0%
75	40.0%	20.0%	30.0%
80	100.0%	100.0%	100.0%

Disability — Sample Rates of Disability at Selected Ages:

Age	Rate
25	0.011%
30	0.012%
35	0.012%
40	0.016%
45	0.031%
50	0.066%
55	0.221%
60	0.222%

Section 8 – Summary of Actuarial Methods & Assumptions (Cont.)

Healthcare Cost Increases

Medical trend rates were developed using a combination of trend surveys and the SOA-Getzen trend rate model. Initial trend rates start at 7.16% in 2024 based on survey data and client market expectations. The SOA-Getzen model was then used to determine the trend rates beginning in year 2028 and thereafter based on reasonable macro-economic assumptions for the growth of health care expenditures during this period relative to the general economy.

The short-term trend rates reflect an estimated impact of recent general inflation. CPI-U for the 12-month period ending in June 2022 was 9.1%. Based on historical information available regarding how general inflation impacts medical inflation, 60% of the increase in general inflation (over the long-term assumption of 2.75%) is assumed to be reflected in higher medical costs. Based on historical observations of CPI-U for medical care lagging general CPI-U, this increase is spread out over a two-year period starting in the fiscal year ending 2024.

Plan Year*	Rate
2024	7.16%
2025	7.09%**
2026	5.65%
2027	5.58%
2028	5.50%
2029	5.43%
2030	5.35%
2031	5.28%
2032	5.20%
2033	5.13%
2034 - 2035	4.80%
2036	4.79%
2037	4.78%
2038	4.77%

Plan Year*	Rate
2039 - 2040	4.76%
2041	4.75%
2042	4.74%
2043 - 2044	4.73%
2045	4.72%
2046 - 2047	4.71%
2048 - 2049	4.70%
2050	4.69%
2051 - 2052	4.68%
2053 - 2054	4.67%
2055 - 2056	4.66%
2057 - 2058	4.65%
2059 - 2060	4.64%
2061 - 2062	4.63%

Plan Year*	Rate
2063 - 2064	4.62%
2065	4.61%
2066	4.57%
2067	4.52%
2068	4.48%
2069	4.43%
2070	4.39%
2071	4.35%
2072	4.31%
2073	4.27%
2074	4.23%
2075+	4.19%

**Year ending June 30*

***Adjusted to reflect preliminary premium increases from July 1, 2024 to July 1, 2025, which include the expected impact of IRA; 11.49% for Medicare Premiums.*

Section 8 – Summary of Actuarial Methods & Assumptions (Cont.)

<table>
<tr><td>Monthly Premiums</td><td>Actual premiums for Rate Band 5 and applicable factors applied to those premiums for all other Rate Bands, as disclosed in Section 11, were used in the valuation for those receiving benefits. The premium information for certain participants prior to Medicare eligibility was not available and was therefore assumed to be equivalent to the Choice Plan for rate band 213 (highest rate band in the census), with a State Share of $730.68. The premium information for certain Medicare-eligible participants was not available and was therefore assumed to be equivalent to the Medicare Advantage Preferred plan, with a State Share of $232.66.</td></tr>
<tr><td>Salary Increases</td><td>Sample rates below:
Service / Rate
0 / 13.03%
5 / 5.83%
10 / 4.81%
15 / 4.29%
20 / 3.26%
25+ / 2.80%</td></tr>
<tr><td>Inflation Rate</td><td>2.75% annually</td></tr>
<tr><td>Aggregate Payroll Increases</td><td>3.00% annually</td></tr>
<tr><td>Coverage Election</td><td>75% of active participants currently with coverage continue coverage at retirement.

33% of active participants who have currently waived coverage elect coverage at retirement.

Same assumptions apply to vested terminated participants (based on coverage at termination, if available) who have maintained eligibility for coverage at retirement. For vested terminated participants with no coverage information at termination, we assume they have waived coverage.</td></tr>
<tr><td>Medical Plan at Retirement</td><td>Pre-65 Participants: Current plan election, or most recent plan election if currently waived or terminated vested. If recent plan election information is not available, assumed to be the Choice Plus plan for rate band 213 (highest rate band in the census).

Post-65 Participants: Currently available Medicare Advantage plan.</td></tr>
<tr><td>Ineligible Teachers</td><td>93.33% of all Teachers are assumed to be eligible to receive a State contribution at retirement.

• Ineligible Teachers assumed equal to 10% of all Teachers, with 1/3 of those assumed to receive State contribution at retirement.</td></tr>
</table>

Section 8 – Summary of Actuarial Methods & Assumptions (Cont.)

Model use	Actuarial Standard of Practice No. 56 – Modeling requires disclosure of certain information regarding the actuary's use of models when issuing actuarial reports for work performed on or after October 1, 2020. For this valuation, the liability calculations and open group projections to develop service cost of future employees used in the development of the single discount rate were determined using industry-leading defined benefit valuation software developed and maintained by a third-party vendor. The model was designed specifically for the measurement of defined benefit pension and postretirement medical plan liabilities and the actuary has updated the applicable parameters for the specific plan provisions and assumptions selected for this valuation. An Excel-based model that calculates a long-term rate of return on assets using a target asset allocation and publicly available capital market assumptions by asset class were used to assess the reasonableness of the long-term rate of return assumption. The medical inflation trend rate assumptions were set using the Getzen Model of Long-Run Medical Cost Trends ("Getzen Model"), which adds transparency to the economic assumptions behind medical and prescription drug trends. The Getzen Model is an excel based projection of expected growth rates in medical premiums and expenditures from 2028 to 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 for the next 80 years using linked formulas and assumptions developed by the author, Professor Thomas Getzen, with the assistance of a SOA project oversight group.

Section 9 – Rationale for Assumptions

Discount Rate	Selected by the State of Maine based on the expected long-term rate of return on the assets expected to be used to pay plan benefits. The selected rate was supported by analyzing the target asset allocation and benchmark return expectations by asset class:

Asset Class	Target Allocation	Real Return Above Inflation Expectation*
US Equity	45%	6.90%
International Equity	25%	6.91%
Real Estate	5%	5.01%
US Fixed Income	25%	2.46%
Portfolio Arithmetic Return	100%	5.70%
Portfolio Geometric Return		4.89%
Long-Term Inflation		2.75%
Geometric Return + Inflation		7.64%

**Horizon Actuarial Services, LLC publishes an annual survey of forward looking expectations by asset class from a number of investment advisors. These return expectations were pulled from the 2023 edition, which reflected the expectations of 42 investment advisors.*

https://www.horizonactuarial.com/survey-of-capital-market-assumptions

Mortality, Termination, Retirement, Disability, and Salary Scale	The assumptions used in the actuarial valuation are the same assumptions as the June 30, 2023 actuarial valuation for the MainePERS State and Teacher Retirement Program, with the exception of the base mortality rates. Headcount-weighted base mortality rates were used in this valuation rather than the associated Amount-weighted rates used in the MainePERS valuation. Headcount-weighted mortality rates are more appropriate for retiree medical benefits where the level of benefit is not dependent on employee salary.
Healthcare Cost Increases	Rationale described in Section 5 – Summary of Actuarial Methods & Assumptions.
Monthly Premiums	For groups where premium information was unavailable, the premiums were set equivalent to the highest rate band for pre-65 participants and the Medicare Advantage Preferred plan for post-65 participants.
Inflation	Inflation is consistent with the assumption used in the June 30, 2023 MainePERS actuarial valuation.
Coverage Election	Based on recent experience of the plan.
Medical Plan at Retirement	Based on recent experience of the plan.
Ineligible Teachers	Based on recent experience of the plan.
Health Care Reform	Rationale described in Background and Comments section.

Section 10 – Summary of Substantive Plan Provisions

Eligibility	Retire with a retirement benefit from the Maine Public Employees Retirement System (MainePERS). For teachers retiring after July 1, 2012 the reimbursement from the State shall begin when the retiree reaches normal retirement age with at least one year of service under MainePERS; normal retirement age defined as: **Tier 1** - Be at least 60 years of age; with at least 10 years of service on 7/1/1993. **Tier 2 -** Be at least 62 years of age; with less than 10 years of service on 7/1/1993 or hired on/after 7/1/1993 but had 5 years of service on 7/1/2011. **Tier 3** - Be at least 65 years of age; with less than 5 years of service on 7/1/2011 or hired on/after 7/1/2011. Normal retirement eligibility occurs upon attainment of 25 years of service, if earlier.
Benefit	Subsidy of 60% of retiree medical premium based on: • 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. Disability retirement benefits are 100% vested and cash subsidy begins at disability retirement.
Surviving Spouse Benefit	None.
Dependent Benefits	No cash subsidy for spouse or dependents. Retiree must pay full cost to cover spouse and/or dependents.
Dental, Vision, Life	None.
Changes Since Last Valuation	Per statute, the State of Maine's retiree medical premium subsidy increased from 55% to 60% after June 30, 2023

Section 10 – Summary of Substantive Plan Provisions (Cont.)

Medical Benefits

Plan participants under the Maine Municipal Employees Health Trust are covered by one of five medical plans: MEA Choice Plus, MEA Standard Plan, MEA Standard Plan $500 Deductible, MEA Standard Plan $1,000 Deductible, or MEA Medicare Advantage Preferred Plan (upon Medicare-eligibility).

MEA Choice Plus

Deductible Single/Family:	$200/$400 if authorized by PCP, $250/$500 if not authorized by PCP
Coinsurance Limit:	$1,000/$2,000 authorized, $2,250/$4,500 not authorized
Out-of-Pocket Limit Single/Family:	$9,100/$18,200 authorized, $10,400/$20,800 not authorized
Physician Services:	$0 for first visit, then $15-$25 copayment per visit authorized, 65% after deductible not authorized
Hospital Services:	85% after deductible authorized, 65% after deductible not authorized
Retail Prescription Drugs (30-day supply):	$10 Tier 1a, $15 Tier 1b, $35 Tier 2, $60 Tier 3, $85 Tier 4 Specialty
Mail Order Prescription Drugs (90-day supply):	$20 Tier 1a, $30 Tier 1b, $70 Tier 2, $120 Tier 3, Tier 4 Not Eligible for 90-day supply

MEA Standard Plan

Deductible Single/Family:	$200/$400
Coinsurance Limit:	$1,000/$2,000
Out-of-Pocket Limit Single/Family:	$9,100/$18,200
Physician Services:	$0 for first visit, then, $15-$25 copayment per visit in-network, 65% after deductible out-of-network
Hospital Services:	85% after deductible in-network, 65% after deductible out-of-network
Retail Prescription Drugs (30-day supply):	$10 Tier 1a, $15 Tier 1b, $35 Tier 2, $60 Tier 3, $85 Tier 4 Specialty
Mail Order Prescription Drugs (90-day supply):	$20 Tier 1a, $30 Tier 1b, $70 Tier 2, $120 Tier 3, Tier 4 Not Eligible for 90-day supply

Section 10 – Summary of Substantive Plan Provisions (Cont.)

Medical Benefits

MEA Standard Plan $500 Deductible

Deductible Single/Family:	$500/$1,000
Coinsurance Limit:	$2,000/$4,000
Out-of-Pocket Limit Single/Family:	$9,100/$18,200
Physician Services:	$0 for first visit, then $15-$30 copayment per visit in-network, 60% after deductible out-of-network
Hospital Services:	80% after deductible in-network, 60% after deductible out-of-network
Retail Prescription Drugs (30-day supply):	$10 Tier 1a, $15 Tier 1b, $35 Tier 2, $60 Tier 3, $85 Tier 4 Specialty
Mail Order Prescription Drugs (90-day supply):	$20 Tier 1a, $30 Tier 1b, $70 Tier 2, $120 Tier 3, Tier 4 Not Eligible for 90-day supply

MEA Standard Plan $1,000 Deductible

Deductible Single/Family:	$1,000/$2,000
Coinsurance Limit:	$2,000/$4,000
Out-of-Pocket Limit Single/Family:	$9,100/$18,200
Physician Services:	$0 for first visit, then $15-$30 copayment per visit in-network, 60% after deductible out-of-network
Hospital Services:	80% after deductible in-network, 60% after deductible out-of-network
Retail Prescription Drugs (30-day supply):	$10 Tier 1a, $15 Tier 1b, $35 Tier 2, $60 Tier 3, $85 Tier 4 Specialty
Mail Order Prescription Drugs (90-day supply):	$20 Tier 1a, $30 Tier 1b, $70 Tier 2, $120 Tier 3, Tier 4 Not Eligible for 90-day supply

MEA Medicare Advantage Preferred (PPO) Plan

Deductible Individual:	$0
Individual Coinsurance Limit:	$0
Physician Services:	$0
Hospital Services:	$0
Retail Prescription Drugs (30-day supply):	$0 Tier 1a, $10 Tier 1b, $35 Tier 2, $60 Tier 3, $85 Tier 4 Specialty
Mail Order Prescription Drugs (90-day supply):	$0 Tier 1a, $20 Tier 1b, $70 Tier 2, $120 Tier 3, $85 Tier 4 Specialty

Section 11 – Monthly Premiums

Monthly Premiums

See Section 8 – Summary of Actuarial Methods & Assumptions for a description of the application of the monthly premiums and factors disclosed below. For the purposes of this valuation, we developed factors to apply to a base premium. Below are the base premium and factors by rate band.

Active and Non-Medicare Eligible Retirees Monthly Premiums Effective July 1, 2023

Base Premium	Coverage	CHOICE PLUS	STANDARD PLAN	STANDARD 500	STANDARD 1000
Rate Band 5	Single	$596.96	$644.64	$567.11	$540.85
	2-Adult	$1,345.44	$1,453.07	$1,278.17	$1,218.97

Rate Bands	Factor
Community Rate	1.530
Rate Band 5	1.000
Rate Band 10	1.025
Rate Band 11	1.030
Rate Band 12	1.035
Rate Band 13	1.040
Rate Band 14	1.045
Rate Band 15	1.050
Rate Band 16	1.055
Rate Band 17	1.060
Rate Band 19	1.070
Rate Band 22	1.085
Rate Band 24	1.095
Rate Band 25	1.100
Rate Band 26	1.105
Rate Band 27	1.110
Rate Band 28	1.115
Rate Band 29	1.120
Rate Band 30	1.125
Rate Band 31	1.130
Rate Band 32	1.135
Rate Band 33	1.140
Rate Band 34	1.145
Rate Band 35	1.150
Rate Band 36	1.155
Rate Band 37	1.160
Rate Band 38	1.165
Rate Band 39	1.170
Rate Band 40	1.175
Rate Band 41	1.180
Rate Band 42	1.185
Rate Band 43	1.190

Rate Bands	Factor
Rate Band 44	1.195
Rate Band 45	1.200
Rate Band 46	1.205
Rate Band 47	1.210
Rate Band 48	1.215
Rate Band 49	1.220
Rate Band 50	1.225
Rate Band 51	1.230
Rate Band 52	1.235
Rate Band 53	1.240
Rate Band 54	1.245
Rate Band 55	1.250
Rate Band 56	1.255
Rate Band 57	1.260
Rate Band 58	1.265
Rate Band 59	1.270
Rate Band 60	1.275
Rate Band 61	1.280
Rate Band 62	1.285
Rate Band 63	1.290
Rate Band 64	1.295
Rate Band 65	1.300
Rate Band 66	1.305
Rate Band 67	1.310
Rate Band 68	1.315
Rate Band 69	1.320
Rate Band 70	1.325
Rate Band 71	1.330
Rate Band 72	1.335
Rate Band 73	1.340
Rate Band 74	1.345
Rate Band 75	1.350

Rate Bands	Factor
Rate Band 76	1.355
Rate Band 77	1.360
Rate Band 78	1.365
Rate Band 79	1.370
Rate Band 80	1.375
Rate Band 81	1.380
Rate Band 82	1.385
Rate Band 83	1.390
Rate Band 84	1.395
Rate Band 85	1.400
Rate Band 86	1.405
Rate Band 87	1.410
Rate Band 88	1.415
Rate Band 89	1.420
Rate Band 90	1.425
Rate Band 91	1.430
Rate Band 92	1.435
Rate Band 93	1.440
Rate Band 94	1.445
Rate Band 95	1.450
Rate Band 96	1.455
Rate Band 97	1.460
Rate Band 98	1.465
Rate Band 99	1.470
Rate Band 100	1.475
Rate Band 101	1.480
Rate Band 102	1.485
Rate Band 103	1.490
Rate Band 104	1.495
Rate Band 105	1.500
Rate Band 106	1.505
Rate Band 107	1.510

Section 11 – Monthly Premiums (Cont.)

Monthly Premiums

Active and Non-Medicare Eligible Retirees Monthly Premiums Effective July 1, 2023

Rate Bands	Factor
Rate Band 108	1.515
Rate Band 109	1.520
Rate Band 110	1.525
Rate Band 111	1.530
Rate Band 112	1.535
Rate Band 113	1.540
Rate Band 114	1.545
Rate Band 115	1.550
Rate Band 116	1.555
Rate Band 117	1.560
Rate Band 118	1.565
Rate Band 119	1.570
Rate Band 120	1.575
Rate Band 121	1.580
Rate Band 122	1.585
Rate Band 123	1.590

Rate Bands	Factor
Rate Band 124	1.595
Rate Band 125	1.600
Rate Band 126	1.605
Rate Band 127	1.610
Rate Band 128	1.615
Rate Band 129	1.620
Rate Band 130	1.625
Rate Band 131	1.630
Rate Band 132	1.635
Rate Band 135	1.650
Rate Band 137	1.660
Rate Band 138	1.665
Rate Band 139	1.670
Rate Band 140	1.675
Rate Band 142	1.685
Rate Band 143	1.690

Rate Bands	Factor
Rate Band 144	1.695
Rate Band 146	1.705
Rate Band 149	1.720
Rate Band 151	1.730
Rate Band 152	1.735
Rate Band 158	1.765
Rate Band 162	1.785
Rate Band 164	1.795
Rate Band 165	1.800
Rate Band 166	1.805
Rate Band 167	1.810
Rate Band 168	1.815
Rate Band 177	1.860
Rate Band 184	1.895
Rate Band 213	2.040

Section 11 – Monthly Premiums (Cont.)

Monthly Premiums

Medicare Eligible Retirees Monthly Premiums Effective July 1, 2023

Medicare Advantage Preferred (PPO)[1]	Premiums
Single	$387.76
2-Adult	775.52

[1] For pre-65 participants in MSMA, Sanford, Academies, and MAIS, the Choice Plan for rate band 213 (the highest rate band in the census) was assumed, with a State Share of $730.68. For post-65 participants in these groups, the Medicare Advantage Preferred plan was assumed with a State Share of $232.66.

Section 12 – Summary of Participant Demographic Information

The table below presents a summary of the basic participant information as of June 30, 2023 for the active and inactive participants covered under the terms of the Plan. The participant data used in the valuation was provided by the State of Maine.

Active participants			
	a.	Count	27,767
	b.	Average age	45.57
	c.	Average credited service	11.77
Terminated vested participants			
	a.	Count	482
	b.	Average age	57.80
Retirees			
	a.	Count	10,851
	b.	Average age	74.65

The following table displays the distribution of Active participants by Age and Credited Service.

	Service Group										
Age Group	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	All Years
0 - 24	630	411									**1,041**
25 - 29	404	1,376	388								**2,168**
30 - 34	275	991	1,132	270							**2,668**
35 - 39	269	959	862	824	248						**3,162**
40 - 44	266	888	801	590	1,001	237					**3,783**
45 - 49	229	722	734	525	603	834	182				**3,829**
50 - 54	171	549	624	450	534	609	713	153	2		**3,805**
55 - 59	118	398	415	365	504	496	438	557	134		**3,425**
60 - 64	110	312	277	257	339	436	296	243	333	25	**2,628**
65 - 69	62	142	126	80	113	153	89	57	49	41	**912**
70+	43	64	50	31	26	25	36	23	23	25	**346**
Total	**2,577**	**6,812**	**5,409**	**3,392**	**3,368**	**2,790**	**1,754**	**1,033**	**541**	**91**	**27,767**

The following table displays the distribution of Inactive participants by Age.

Age Group	Terminated Vested	Retirees
<45	32	1
45-49	30	1
50-54	64	3
55-59	105	21
60-64	201	630
65+	50	10,195
Total	**482**	**10,851**

Section 12 – Summary of Participant Demographic Information (Cont.)

Active Distribution by Plan and Coverage

Medical Plan	Single	2-Party	Family	EE + Child(ren)	Waived	Total
MEA Choice Plus	6,359	1,414	3,763	3,235	N/A	14,771
MEA Standard Plan	1,279	258	441	319	N/A	2,297
MEA Standard 500 Plan	653	133	328	205	N/A	1,319
MEA Standard 1000 Plan	539	139	394	205	N/A	1,277
Waived	N/A	N/A	N/A	N/A	8,103	8,103
Total	**8,830**	**1,944**	**4,926**	**3,964**	**8,103**	**27,767**

Retiree Distribution by Plan and Coverage

Medical Plan	Single	2-Party	Family	EE + Child(ren)	Other	Total
MEA Choice Plus	799	39	-	7	-	845
MEA Standard Plan	750	18	-	3	-	771
MEA Standard 500 Plan	32	10	-	-	-	42
MEA Standard 1000 Plan	42	9	-	1	-	52
MA Preferred (PPO)	9,141	-	-	-	-	9,141
Total	**10,764**	**76**	**-**	**11**	**-**	**10,851**

Glossary

Brief explanations of terms used in this report or the accompanying GASB 75 results:

Annual OPEB Expense

The amount recognized by an employer in each accounting period for contributions to a defined benefit OPEB plan on the modified accrual basis of accounting.

Collective deferred outflows of resources and deferred inflows of resources related to OPEB

Deferred outflows of resources and deferred inflows of resources related to OPEB arising from certain changes in the collective net OPEB liability or collective total OPEB liability.

Covered Payroll

Annual compensation paid (or expected to be paid) to active employees covered by an OPEB plan, in aggregate.

Net OPEB liability (NOL)

The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria of the GASB No. 75 Statements.

Normal Cost or Service Cost

The portion of the Total Present Value of Future Benefits attributed to employee service during the current fiscal year by the actuarial cost method. These terms are used interchangeably.

Other Postemployment Benefits (OPEB)

Retiree health care benefits and post-employment benefits provided separately from a pension plan (excluding termination offers and benefits).

Plan Fiduciary Net Position (FNP)

Set equal to the market value of assets as of the measurement date.

Present Value of Future Benefits (PVFB)

The value, as of the valuation date, of the projected benefits payable to all members for their accrued service and their expected future service, discounted to reflect the time value (present value) of money and adjusted for the probabilities of retirement, withdrawal, death and disability.

Total OPEB liability (TOL)

The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the GASB No. 75 Statements. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria of the GASB No. 75 Statements.