

**Actuarial Valuation Report
as of June 30, 2008
Maine Public Employees Retirement System
Retiree Group Life Insurance**

Presented by [Cheiron](#)

October 2008

Table of Contents

i	Letter of Transmittal
1	Section I Financial Statement Information
2	Section II Balance Sheet Information
3	Section III Premium Development
4	Section IV Participant Data, Assumptions, and Methods
6	Section V Summary of Key Plan Provisions

October 8, 2008

Ms. Gail Drake-Wright
Executive Director
Maine Public Employees Retirement System
#46 State House Station
Augusta, ME 04333-0046

Dear Gail:

As requested, we have calculated the Post-Retirement Group Life Insurance obligations as of June 30, 2008 for the Maine Public Employees Retirement System (MainePERS). The enclosed Sections contain the information the auditors need to prepare the disclosure section of the annual report.

Section I contains the Liability and Asset information as of June 30, 2008. Per the System's direction, this is the information needed for the auditors. The assets represent the total group life reserve, and adjustments may be necessary if any reserves are not available to satisfy retiree liabilities. This year we performed a new biennial valuation as of June 30, 2008. As such, this will also be used as the basis for the roll-forward interim valuation next year.

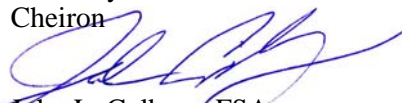
In the remainder of this report, Section II describes the Participant Data, Assumptions, and Methods used in the calculation of the disclosure items contained in Section I. Section III contains the substantive Plan Provisions provided by the System.


We would like to caution you about automatically concluding the Plan is in financial difficulty because of the unfunded liability in the accounting disclosures. The accounting disclosures only represent a snapshot and do not reflect the future income that will be generated for retiree benefits.

The actuarial computations contained in this report are for purposes of fulfilling financial accounting requirements. The calculations reported in the enclosed Sections have been made on a basis consistent with our understanding of the associated actuarial standards of practice. Determinations for purposes other than meeting financial accounting requirements may be significantly different from the results in this report. In performing our calculations, we relied without audit on information provided by the System.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Actuarial Standards of Practice as Promulgated by the Actuarial Standards Board. We are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron


John L. Colberg, FSA
Consulting Actuary


Eric Lynn Foster, FSA
Consulting Actuary

cc: Fiona Liston

Section I: Financial Statement Information

As of June 30, 2008 (in millions)	State	Teachers	PLDs ¹	Judges	Legislators	Total
Actuarial Liability						
- Active Employees	\$26.8	\$25.3	\$ 7.6	\$0.6	\$0.0 ²	\$ 60.3
- Retirees	<u>36.9</u>	<u>26.8</u>	<u>8.6</u>	<u>0.4</u>	<u>0.2</u>	<u>72.9</u>
Total	\$63.7	\$52.1	\$16.2	\$1.0	\$0.2	\$133.2
<i>Less: Assets at Valuation Date</i>	<u>20.7</u>	<u>19.9</u>	<u>11.0</u>	<u>0.3</u>	<u>0.1</u>	<u>52.0</u>
Unfunded Actuarial Liability (UAL)	\$43.0	\$32.2	\$ 5.2	\$0.7	\$0.1	\$ 81.2

For Fiscal 2009 (in millions)	State	Teachers	PLDs ¹	Judges	Legislators	Total
Actuarial Required Contribution (ARC)						
- Normal Cost	\$ 1.1	\$ 0.5	\$ 0.5	\$0.0 ²	\$0.0 ²	\$ 2.1
- UAL Amortization ³	<u>2.3</u>	<u>1.7</u>	<u>0.3</u>	<u>0.1</u>	<u>0.0²</u>	<u>4.4</u>
Total	\$ 3.4	\$ 2.2	\$ 0.8	\$0.1	\$0.0²	\$ 6.5

¹Net of PLD premiums (\$0.46 per month per \$1000 of benefit)

²Less than \$0.05 million

³Amortized as a level percent of pay over 29 years (PLDs over 22 years)

Section II: Balance Sheet Information

As of June 30, 2008 (in millions)	State	Teachers	PLDs ¹	Judges	Legislators	Total
Assets						
- Current Value of Assets	\$20.7	\$19.9	\$11.0	\$0.3	\$0.1	\$ 52.0
- Future State Contributions	<u>49.7</u>	<u>35.3</u>	<u>7.6</u>	<u>0.8</u>	<u>0.1</u>	<u>93.5</u>
Total Present Value of Assets	\$70.4	\$55.2	\$18.6	\$1.1	\$0.2	\$145.5
Liabilities						
- Active Accrued Benefits	\$19.6	\$17.3	\$ 6.2	\$0.5	\$0.0 ²	\$ 43.6
- Active Future Accruals	<u>13.9</u>	<u>11.1</u>	<u>3.8</u>	<u>0.2</u>	<u>0.0²</u>	<u>29.0</u>
- Active Present Value of Benefits	\$33.5	\$28.4	\$ 10.0	\$0.7	\$0.0 ²	\$72.6
- Inactive Present Value of Benefits	<u>36.9</u>	<u>26.8</u>	<u>8.6</u>	<u>0.4</u>	<u>0.2</u>	<u>72.9</u>
Total Present Value of Benefits	\$70.4	\$55.2	\$18.6	\$1.1	\$0.2	\$145.5

¹Net of PLD premiums (\$0.46 per month per \$1000 of benefit)

²Less than \$0.05 million

Section III: Premium Development

As of June 30, 2008	State ¹	Teachers	PLDs ²
Active Data			
- Total Payroll (in millions)	\$601.1	\$591.1	\$234.5
- Insurance in Force ³	15.6	15.4	6.1
Current Total Premium³	\$0.26	\$0.20	\$0.21

Projected	State		Teachers	
	FY 2010	FY 2011	FY 2010	FY 2011
Premium Cost⁴				
- Inactive Cost	\$3,314,993	\$3,472,455	\$2,417,137	\$2,531,951
- Active Cost	<u>971,812</u>	<u>1,017,973</u>	<u>804,969</u>	<u>843,205</u>
Total Cost	\$4,286,805	\$4,490,428	\$3,222,106	\$3,375,156

¹Including Judge and Legislator amounts, as these are not developed separately

²Net of PLD premiums (\$0.46 per month per \$1000 of benefit)

³Biweekly amount per thousand

⁴Based on the current premium, which was not reviewed as part of this valuation

Section IV: Participant Data, Assumptions and Methods

Participant Data as of June 30, 2008¹

Actives				
Group	Count	Average Age	Average Service	Average Salary
State	13,907	46.9	13.0	\$ 42,763
Teachers	14,116	46.4	15.3	\$ 41,876
PLDs	5,945	48.2	11.6	\$ 39,444
Judges	59	58.3	21.7	\$105,390
Legislators	4	51.5	19.5	\$ 43,750
TOTAL	34,031	46.9	13.7	\$ 41,924

Retirees			
Group	Count	Average Age	Average Benefit ²
State	7,396	68.9	\$ 13,264
Teachers	5,204	70.4	\$ 15,082
PLDs	2,254	70.1	\$ 11,942
Judges	31	72.0	\$ 32,284
Legislators	33	74.1	\$ 11,623
TOTAL	14,918	69.6	\$ 13,734

¹This year's valuation is a new biennial measurement as of June 30, 2008

²Ultimate benefit (40% of initial base benefit)

Economic Assumptions:

Valuation Date: June 30, 2008

Investment Return: 7.75% per year

*Cost-of-Living
Increases in Life
Benefits:* N/A

*Rate of Salary
Increase:* Same as Pension Plan*

Demographic Assumptions

*Rate of
Termination:* Same as Pension Plan*

*Rate of Healthy
Mortality:* Same as Pension Plan*

*Rate of Disabled
Mortality:* Same as Pension Plan*

Rate of Retirement: Age 62 for those not in the MainePERS, and the same as Pension Plan for the rest*

Section IV: Participant Data, Assumptions and Methods (continued)

Demographic Assumptions (continued)

Rate of Disability: Same as Pension Plan*

Participation Percent for Future Retirees: 100% of those currently enrolled

* Pension Plan assumptions can be found in the MainePERS State Employee and Teacher Retirement Program Actuarial Valuation Report as of June 30, 2008, the Judicial Retirement Program Actuarial Valuation Report as of June 30, 2008, the Legislative Retirement Program Actuarial Valuation Report as of June 30, 2008, and the Consolidated Plan for Participating Local Districts Actuarial Valuation Report as of June 30, 2008.

Other Assumptions

Conversion Charges: Apply to the cost of active group life insurance not retiree group life insurance.

Form of Benefit Payment: Lump Sum

Actuarial Cost Method

To be consistent with past analyses and with the Pension Plan funding, the individual entry age normal method is used to determine liabilities. Under this funding method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the Plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his expected future salary. The normal cost for each member is the product of annual salary and the normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

The actuarial liability is defined as the present value of future benefits less the present value of future normal costs. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of the System's assets.

Asset Valuation Method

Figures are taken as reported by the MainePERS without audit or change, except that State assets are allocated to State, Judges and Legislators based on total actuarial liability.

Section V: Summary of Key Plan Provisions

Summary of Key Plan Provisions

Membership

Service Retirement: A retiree must have participated in the group life insurance program for at least ten years just prior to retirement. (One year for judges and legislators).

Disability Retirement: An employee must have participated in the group life insurance program immediately prior to disablement.

Average Basic Insurance

Average final compensation calculated for retirement purposes.

Amount of Insurance for a Retiree

Service Retirement: The Average Basic Insurance will be reduced by 15% per year until the amount equal to the greater of (a) 40% of the initial Average Basic Insurance, or (b) \$2,500.

Disability Retirement: The amount of basic life insurance in force prior to retirement will be continued until normal retirement age. At normal retirement age, the amount of insurance will be reduced as for service retirement.

Retiree Contributions

State Employees: None

Teachers: None

PLDs: PLD or member must pay \$0.46 per month per \$1,000 of base benefit, based on the coverage amounts declining from 100% to 40%.

Judges: None

Legislators: None

Normal Retirement Age

The specified age, the years of service requirement, or any age and years of service combination at which a participant may become eligible for unreduced service retirement benefits.

Discontinued Coverages at Retirement

- Supplemental Life
- Accidental Death and Dismemberment
- Dependent Life

(Discontinued coverages may be converted to individual policies at a charge to the State of Maine. Conversion charges are considered a cost of active, not retiree, group life insurance. Therefore, it is not included in these liabilities.)