

**Maine Public Employees Retirement System  
State Employee and Teacher Retirement Program  
Actuarial Valuation Report**

**as of June 30, 2008**

**Produced by [Cheiron](#)**

**September 2008**



## Table of Contents

Letter of Transmittal .....	<b>i</b>
Foreword.....	<b>ii</b>
Section I – Board Summary .....	<b>1</b>
Section II – Assets .....	<b>12</b>
Section III – Liabilities .....	<b>17</b>
Section IV – Contributions .....	<b>21</b>
Section V – Accounting Statement Information.....	<b>24</b>
Appendix A – Membership Information.....	<b>30</b>
Appendix B – Actuarial Assumptions and Methods.....	<b>39</b>
Appendix C – Summary of Plan Provisions .....	<b>44</b>

September 16, 2008

Board of Trustees  
Maine Public Employees Retirement System  
#46 State House Station  
Augusta, Maine 04333-0046

Dear Members of the Board:

We are pleased to submit the June 30, 2008 Actuarial Valuation Report for the Plans in the State Employee and Teacher Retirement Program of the Maine Public Employees Retirement System. This report contains information on assets, liabilities, and contributions of the System's Retirement Programs, as well as the required accounting statement disclosures under the Government Accounting Standards Board Statement #25.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the System's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information. The actuarial assumptions reflect our understanding of the likely future experience of the plans in the program and the assumptions as a whole represent our best estimate for the future experience of the those plans. The accuracy of the results presented in this report is dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plans could vary from our results.

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 Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as Members of the American Academy of Actuaries, we meet the Qualification Standards to render the opinion contained in this report.

Sincerely,  
Cheiron



Gene Kalwarski, FSA, EA  
Consulting Actuary



Fiona E. Liston, FSA, EA  
Consulting Actuary



## FOREWORD

Cheiron has performed the actuarial valuation of the plans in the Maine Public Employees Retirement System State Employee and Teacher Program as of June 30, 2008. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the plans in the Program;
- 2) **Indicate trends**, both historical and prospective, in the financial condition of the plans in the Program;
- 3) **Develop the contribution rate** to be paid by the State for Fiscal Years 2010 and 2011
- 4) **Provide specific information** and documentation required by the Government Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of investment performance as well as an analysis of actuarial liability gains and losses.

**Section I** presents a summary containing our key findings and discloses important trends experienced by the plans in the Program in recent years.

**Section II** contains details on various asset measures, together with pertinent performance measurements.

**Section III** shows similar information on liabilities, measured for actuarial, accounting, and government reporting purposes.

**Section IV** develops the State contribution rates that would be applied absent the State's biennial budgeting process.

**Section V** includes the required disclosures under GASB Statement No. 25.

Finally, at the end of this report we present appendices that contain a summary of the:

- Program membership by plan at the valuation date (Appendix A)
- the actuarial methods and assumptions used in the valuation (Appendix B)
- major benefit provisions of the Program and the various plans included in the Program (Appendix C)

**SECTION I  
BOARD SUMMARY**

**General Comments**

The State of Maine's annual contributions to the plans in this Program are determined on a biennial basis (in every even-numbered year). As such, this year's valuation will produce the employer contribution rates for each plan, which are used in the State's budgeting process to develop applicable State budget contributions for FY 10 and FY 11.

The State of Maine composite rate produced by the June 30, 2007 valuation for all plans in the State Employee and Teacher Retirement Program was 17.11% of payroll. The State composite rate produced in this valuation is 17.79% of payroll.

State law requires that a portion of any General Fund surplus must be allocated to the Maine Public Employee Retirement System (MainePERS) on an annual basis. There was no surplus in the Fiscal Year 2008 budget and so no allocation took place.

There were no changes in actuarial assumptions or program or plan provisions since the 2007 valuation.

**Experience from July 1, 2007 through June 30, 2008 (FY 2008)**

As of June 30, 2008, the Program had an Unfunded Actuarial Liability (UAL) of \$3.036 billion. This represents an increase of \$124 million from the \$2.912 billion UAL measured as of June 30, 2007. The UAL was projected to increase to \$2.942 billion and so the experience of the Program reflected a net loss of \$94 million over what was anticipated.

Two sources contributed to that \$94 million net loss; investment performance measured on an actuarial smoothing basis produced

an actuarial loss of \$160 million, and the overall liability experience for FY 2008 produced a gain of \$66 million.

**Historical Trends**

It is important to remember that each valuation is merely a snapshot in the long-term progress of a pension fund. It is more important to judge a current year's valuation result relative to historical trends, as well as trends expected into the future.

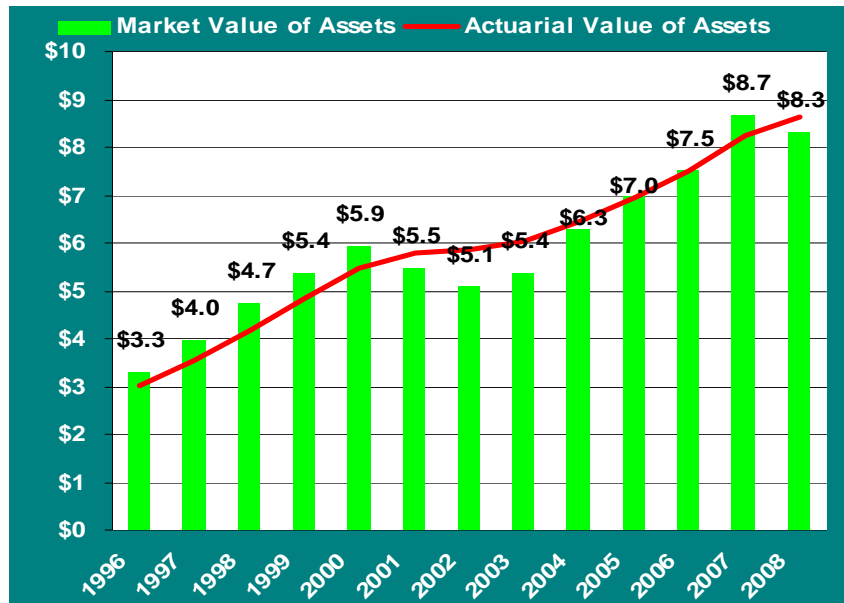
On the next page, we present a series of charts which display key historical trends in the Program's financial condition. Following the historical review, we present projections of the probable condition of the Program into the future under various market return scenarios.

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION I  
BOARD SUMMARY**

Growth in Assets

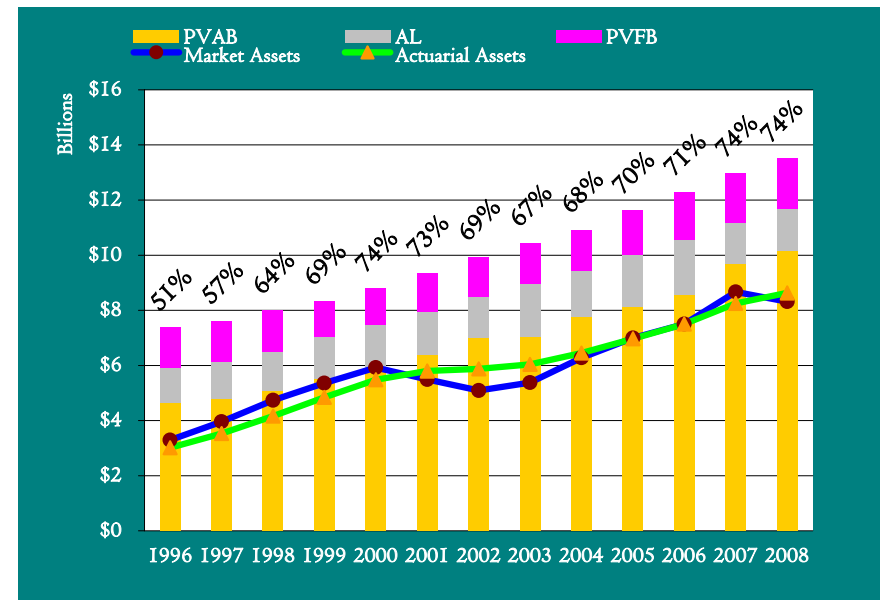
The first graph below illustrates how well the actuarial smoothing method has insulated the Program from market volatility. The upward trend in market value of assets since 1996 was reversed in 2001 and 2002 as the equity bull market turned into a bear market. Due to the asset smoothing method in place, the actuarial value of assets continued to increase over these years. Because of unfavorable investment returns in FY 2008, the market value of assets now lags behind the actuarial value of assets.



Assets and Liabilities

The next graph illustrates the progress of assets against liabilities. The three colored bars represent the three different measures of liability mentioned in Section III of this report. Used for funding purposes, the actuarial liability (AL) is represented by the top of the grey bar. We compare the actuarial value of assets to this measure of liability in developing the funding ratios. These are the percentages shown in the graph labels.

The chart illustrates that the funded ratio has rebounded from the market downturn earlier this decade. At the top of the pink bars, there is the Present Value of Future Benefits (PVFB). This is the amount needed to provide all projected benefits for the current participants and their beneficiaries. The yellow bars represent the Present Value of Accrued Benefits (PVAB) as of the valuation date.



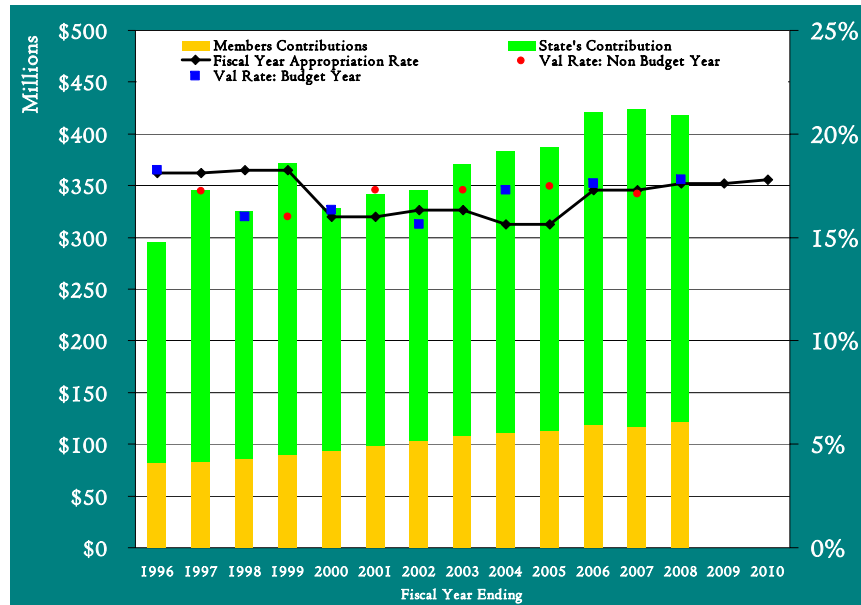
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION I  
BOARD SUMMARY**

Contributions

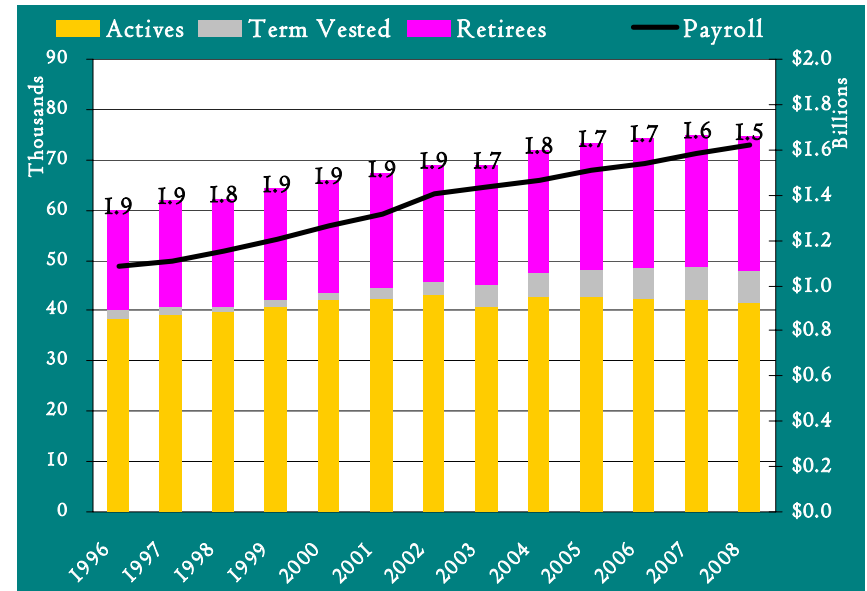
This graph shows the history of contributions to the Program both as dollar amounts and as a percentage of payroll. The stacked bars in this graph show the contributions made by both the State and the members in dollar terms. These bars should be read in relation to the axis on the left-hand side. The solid black line shows the State's Fiscal Year Appropriation contribution rate as a percent of payroll and should reference the right-hand axis. In addition red and blue dots show the computed contribution rates coming out of each year's valuation.

The member contribution rate is set by the statutes, depending on the plan in which the member participates. The employer contribution rate paid by the State is set by the actuarial process, on a biennial basis. The contribution rate paid during FY 2008 was based on the June 30, 2006 valuation and now fully reflects the impact of the 2001 – 2002 market downturn.



Participant Trends

As with many funds in this country, there has been a steady growth in the number of retired members as the Program has matured. The bars in the graph below show the number of active members, terminated vesteds and retirees over the last 13 years. The labels above each bar show the “support ratio” defined as the number of active members per retiree. We anticipate this support ratio will continue to decline as the baby boom generation enters retirement. The valuation process takes this trend into account and the projections on the next two pages show that assets will be sufficient to meet this growing demand.



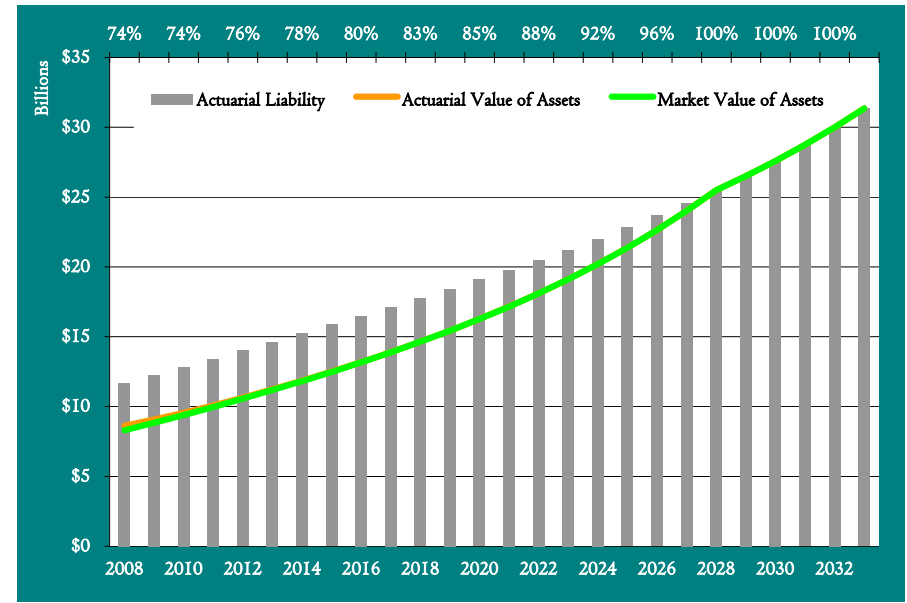
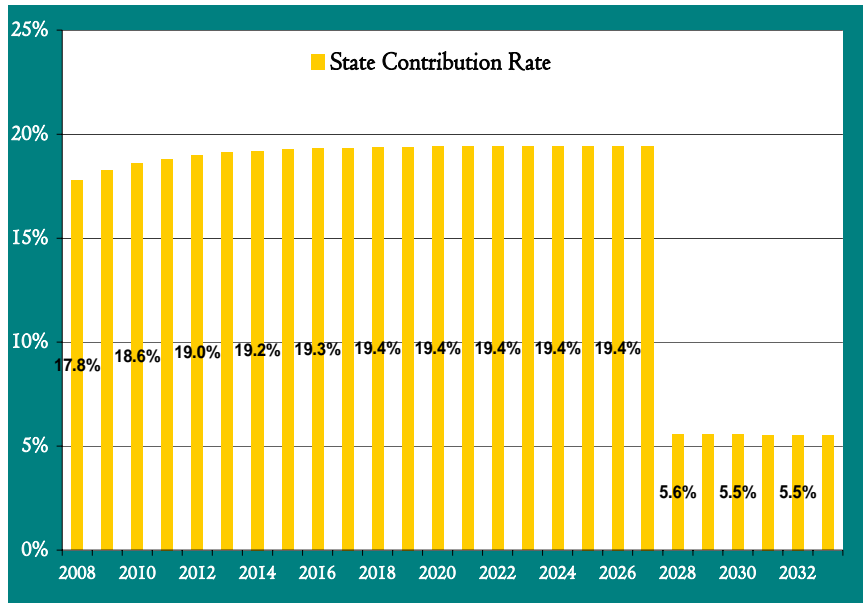
SECTION I  
 BOARD SUMMARY

Projections

Base Line Projections

The charts on this page show the expected progress of the Program’s funding status over the next 25 years measured in terms of the employer contribution rate and the funding ratio. The first chart below shows that the State’s composite contribution rate is projected to increase as the remaining asset loss is recognized through 2027, if all actuarial assumptions are met, including the 7.75% investment assumption. In 2028, the UAL is expected to be paid off, and the State’s contribution rate drops to the Normal Cost.

The next chart compares Assets and Liabilities and shows that if all actuarial assumptions are exactly met, the Program’s funded ratio is projected to improve from the current level of 74% to 100% funding in 2028, the year that the Maine Constitution mandates that the Program’s UAL is to be paid off.





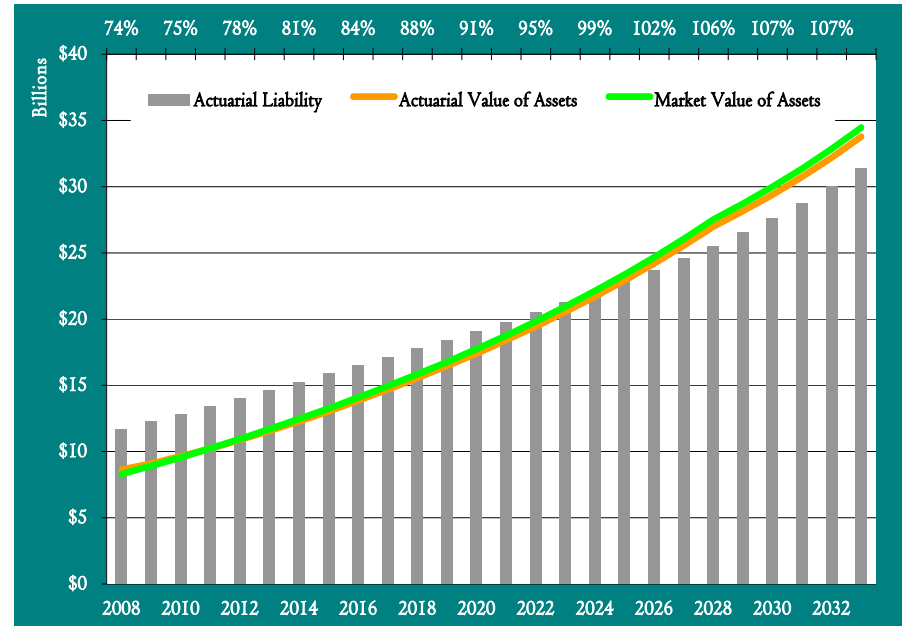
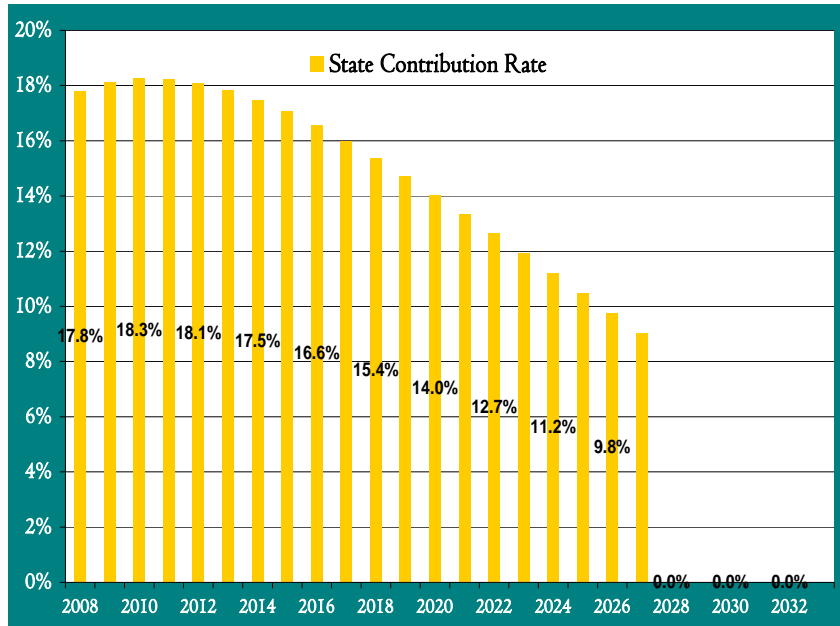
MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

SECTION I  
BOARD SUMMARY

Projections with Asset Returns of 8.75%

The future funding of this Program will be largely driven by the investment earnings. Relatively minor changes in the market returns can have significant effects on the Program's status. The chart below shows that if the Program were to earn 8.75% annual returns each year, the contribution rate would decline to 0% by 2028.

Assuming the same 8.75% return on investments, this next chart shows that the Program would reach full funding in 15 years, or 2025, in advance of the 2028 target date.



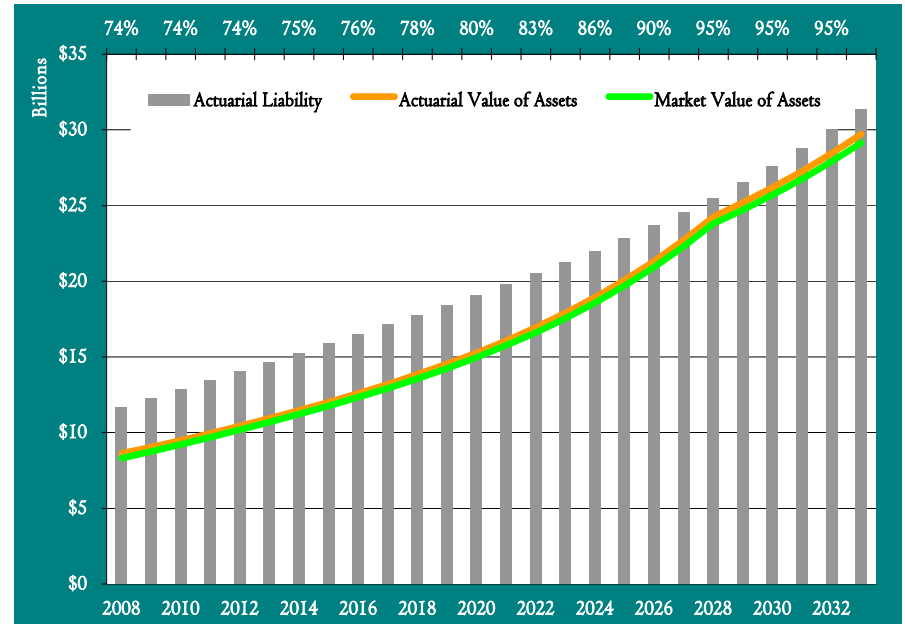
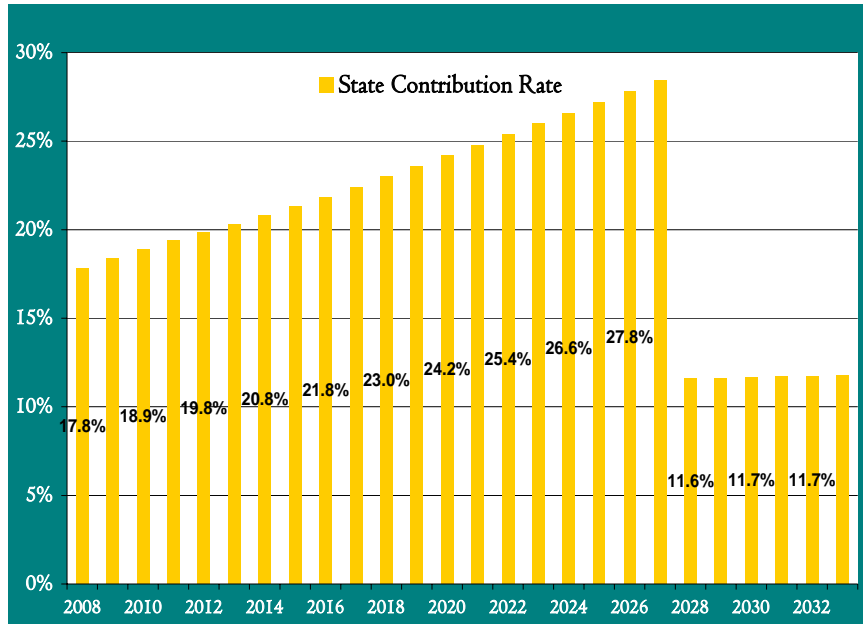
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION I  
BOARD SUMMARY**

Projections with Asset Returns of 6.75%

Just as returns in excess of the earnings assumption will lead to declining State contributions and an improved funded status, the opposite will occur if investment earnings are below the assumption. The graphs on this page show the projections under a 6.75% annual return scenario. The State's contribution rate would rise to nearly 30% of payroll in order to meet the requirement of full funding in 2028.

The Program's funded ratio would continue to increase from its current 74% but would grow to 95% over the next 24 years. In this scenario, the Program would likely still have an Unfunded Actuarial Liability at the end of the current amortization period. The Constitutional Amendment would be satisfied, in that the UAL existing on July 1, 1997 would be paid off by 2028, but new losses would create additional UAL that would have to be funded.



MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION I  
BOARD SUMMARY**

<b>Summary of Principal Results Total State Employee and Teacher Program</b>			
<b>Valuation as of:</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Actives	42,184	41,561	(1.5%)
Retired Members	18,251	18,746	2.7%
Beneficiaries of Retirees	5,553	5,588	0.6%
Survivors of Deceased Members	810	797	(1.6%)
Disabled Members	1,687	1,690	0.2%
Deferred "Vested" Members	6,621	6,898	4.2%
Total	<u>75,106</u>	<u>75,280</u>	0.2%
Annual Salaries of Active Members	\$ 1,586,436,561	\$ 1,619,705,846	2.1%
Annual Payments to Benefit Recipients	\$ 456,863,471	\$ 485,529,823	6.3%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$11,157,770,138	\$11,668,032,511	4.6%
Assets/Actuarial (Smoothed)	<u>8,245,520,019</u>	<u>8,631,557,629</u>	4.7%
Unfunded Actuarial Liability	\$ 2,912,250,119	\$ 3,036,474,882	4.3%
Funding Ratio	73.90%	73.98%	
Present Value of Accrued Benefits	\$ 9,679,295,888	\$10,166,502,044	5.0%
Assets/Market Value	<u>8,668,381,195</u>	<u>8,311,970,624</u>	(4.1%)
Unfunded PVAB	\$ 1,010,914,693	\$ 1,854,531,420	83.5%
Accrued Benefit Funding Ratio	89.56%	81.76%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	
Normal Cost Contribution	5.52%	5.52%	
Unfunded Actuarial Liability Contribution	<u>11.59%</u>	<u>12.27%</u>	
Total Contribution	17.11%	17.79%	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION I  
BOARD SUMMARY**

<b>Summary of Principal Results</b>			
<b>Teachers</b>			
<b>Valuation as of:</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Actives	27,712	27,227	(1.8%)
Retired Members	10,399	10,746	3.3%
Beneficiaries of Retirees	2,369	2,419	2.1%
Survivors of Deceased Members	329	328	(0.3%)
Disabled Members	689	690	0.1%
Deferred "Vested" Members	4,831	5,085	5.3%
Total	46,329	46,495	0.4%
Annual Salaries of Active Members	\$ 1,012,497,013	\$ 1,041,045,352	2.8%
Annual Payments to Benefit Recipients	\$ 262,533,986	\$ 281,146,872	7.1%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$ 7,153,160,276	\$ 7,528,390,936	5.2%
Assets/Actuarial (Smoothed)	5,290,457,349	5,563,681,745	5.2%
Unfunded Actuarial Liability	\$ 1,862,702,927	\$ 1,964,709,191	5.5%
Funding Ratio	73.96%	73.90%	
Present Value of Accrued Benefits	\$ 6,110,385,320	\$ 6,464,527,048	5.8%
Assets/Market Value	5,561,771,834	5,357,684,118	(3.7%)
Unfunded PVAB	\$ 548,613,486	\$ 1,106,842,930	101.8%
Accrued Benefit Funding Ratio	91.02%	82.88%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	
Normal Cost Contribution	5.25%	5.25%	
Unfunded Actuarial Liability Contribution	11.61%	12.35%	
Total State Contribution	16.86%	17.60%	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION I  
BOARD SUMMARY**

<b>Summary of Principal Results State Employees (Regular and Special Plans)</b>			
<b>Valuation as of:</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Actives	14,472	14,334	(1.0%)
Retired Members	7,852	8,000	1.9%
Beneficiaries of Retirees	3,184	3,169	(0.5%)
Survivors of Deceased Members	481	469	(2.5%)
Disabled Members	998	1,000	0.2%
Deferred "Vested" Members	1,790	1,813	1.3%
Total	<u>28,777</u>	<u>28,785</u>	0.0%
Annual Salaries of Active Members	\$ 573,939,548	\$ 578,660,494	0.8%
Annual Payments to Benefit Recipients	\$ 194,329,485	\$ 204,382,951	5.2%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$ 4,004,609,862	\$ 4,139,641,575	3.4%
Assets/Actuarial (Smoothed)	<u>2,995,062,670</u>	<u>3,067,875,884</u>	3.8%
Unfunded Actuarial Liability	\$ 1,049,547,192	\$ 1,071,765,691	2.1%
Funding Ratio	73.79%	74.11%	
Present Value of Accrued Benefits	\$ 3,568,910,568	\$ 3,701,974,996	3.7%
Assets/Market Value	<u>3,106,609,361</u>	<u>2,954,286,506</u>	(4.9%)
Unfunded PVAB	\$ 462,301,207	\$ 747,688,490	61.7%
Accrued Benefit Funding Ratio	87.05%	79.80%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	
Normal Cost Contribution	6.00%	6.00%	
Unfunded Actuarial Liability Contribution	<u>11.54%</u>	<u>12.12%</u>	
Total State Contribution	17.54%	18.12%	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION I  
BOARD SUMMARY**

<b>Valuation as of:</b>	<b>Summary of Principal Results State Employees (Regular Plan)</b>		
	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Actives	12,548	12,409	(1.1%)
Retired Members	7,062	7,209	2.1%
Beneficiaries of Retirees	2,846	2,828	(0.6%)
Survivors of Deceased Members	470	456	(3.0%)
Disabled Members	928	929	0.1%
Deferred "Vested" Members	1,790	1,813	1.3%
Total	25,644	25,644	0.0%
Annual Salaries of Active Members	\$ 483,861,505	\$ 484,981,869	0.2%
Annual Payments to Benefit Recipients	\$ 167,236,774	\$ 176,268,715	5.4%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$ 3,389,596,849	\$ 3,505,104,076	3.4%
Assets/Actuarial (Smoothed)	2,541,365,194	2,644,793,698	4.1%
Unfunded Actuarial Liability	\$ 848,231,655	\$ 860,310,378	1.4%
Funding Ratio	74.98%	75.46%	
Present Value of Accrued Benefits	\$ 3,012,686,920	\$ 3,126,971,043	3.8%
Assets/Market Value	2,671,695,928	2,546,869,114	(4.7%)
Unfunded PVAB	\$ 340,990,992	\$ 580,101,929	70.1%
Accrued Benefit Funding Ratio	88.68%	81.45%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	
Normal Cost Contribution	5.75%	5.75%	
Unfunded Actuarial Liability Contribution	11.07%	11.61%	
Total State Contribution	16.82%	17.36%	

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION I  
BOARD SUMMARY**

<b>Summary of Principal Results</b>			
<b>State Employees (Special Plans - Composite)</b>			
<b>Valuation as of:</b>	<b>June 30, 2007</b>	<b>June 30, 2008</b>	<b>% Change</b>
<b><u>Participant Counts</u></b>			
Actives	1,924	1,925	0.1%
Retired Members	790	791	0.1%
Beneficiaries of Retirees	338	341	0.9%
Survivors of Deceased Members	11	13	18.2%
Disabled Members	70	71	1.4%
Deferred "Vested" Members	0	0	0.0%
<b>Total</b>	<b>3,133</b>	<b>3,141</b>	<b>0.3%</b>
Annual Salaries of Active Members	\$ 90,078,043	\$ 93,678,625	4.0%
Annual Payments to Benefit Recipients	\$ 27,092,711	\$ 28,114,236	3.8%
<b><u>Assets and Liabilities</u></b>			
Total Actuarial Liability	\$ 615,013,013	\$ 634,537,499	3.2%
Assets/Actuarial (Smoothed)	413,697,476	423,082,186	2.3%
Unfunded Actuarial Liability	\$ 201,315,537	\$ 211,455,313	5.0%
Funding Ratio	67.27%	66.68%	
Present Value of Accrued Benefits	\$ 556,223,648	\$ 575,003,953	3.4%
Assets/Market Value	434,913,433	407,417,392	(6.3%)
Unfunded PVAB	\$ 121,310,215	\$ 167,586,561	38.1%
Accrued Benefit Funding Ratio	78.19%	70.85%	
<b><u>Contributions as a Percentage of Payroll</u></b>			
	<b>Fiscal Year 2009</b>	<b>Fiscal Year 2010</b>	
Normal Cost Contribution	7.34%	7.31%	
Unfunded Actuarial Liability Contribution	14.11%	14.77%	
<b>Total State Contribution</b>	<b>21.45%</b>	<b>22.08%</b>	

## SECTION II ASSETS

Pension program assets play a key role in the financial operation of the Program and in the decisions the Trustees make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact benefit levels, State Contributions, and the ultimate security of participants' benefits.

The assets of the Program include amounts contributed for all programs for which the System is the Plan Sponsor, namely, the State Employee and Teacher Retirement Program, the Judicial Retirement Program, the Legislative Retirement Program, the Participating Local District Retirement Program, which includes the Consolidated Plan for Participating Local Districts (PLDs), along with several plans of PLDs who withdrew from the System, as the assets of all these programs are co-mingled for investment purposes. In performing the annual valuation, the actuarial value of assets that is developed reflects all defined benefit plan assets and subsequently it is allocated across all of the defined benefit plans included in the programs administered by MainePERS.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of assets at June 30, 2007 and June 30, 2008;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- **Allocation** of Actuarial Value to subplans;
- Assessment of **investment performance**; and
- Projection of expected **cash flows** for the next ten years.

### Disclosure

The market value of assets represents a “snap-shot” or “cash-out” value which provides the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. Because these fluctuations would result in volatility in the resulting contributions if the market value were used, unadjusted, in the valuation process, an actuarial value is developed.

The actuarial value is based on the market value that has been smoothed. This actuarial value becomes the actuary's best estimate of long-term asset values and is used for evaluating the Program's ongoing ability to meet its obligations.

Current actuarial methods employed in this Program set the actuarial value equal to the expected value plus one-third of the difference between the actual market value of assets and the expected value of assets. The expected value of assets takes the prior year's actuarial value of assets and adjusts it for contributions, benefit payments, and expected interest earnings at the assumed 7.75% rate.



MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION II  
ASSETS**

Changes in Market Value of Total Defined Benefit Plan Assets (All Programs)		
<b>Value of Assets – June 30, 2007</b>		<b>\$ 10,972,353,470</b>
<b><u>Additions</u></b>		
Contributions:		
Employer Contributions	\$ 307,473,828	
Employee Contributions	150,543,091	
Transfer	(20,288)	\$ 457,996,631
Total Contributions		
Investment Income:		
Net Appreciation (Depreciation) in Fair Value of Investments	\$ (304,016,162)	
Interest on Bank Balances	1,087,136	
Total Investment Income		\$ (302,929,026)
Investment Activity Expenses:		
Management Fees	\$ (34,016,162)	
Investment Related Expense	(356,701)	
Banking Fees	(52,919)	
Total Investment Activity Expenses		\$ (34,500,184)
Net Income from Investing Activities		\$ (337,429,210)
Total Additions		\$ 120,567,421
<b><u>Deductions</u></b>		
Retirement Benefits	\$ (516,723,712)	
Disability Benefits	(53,402,715)	
Survivor Benefits	(6,063,767)	
Refunds and Other Expenses	(27,310,189)	
Total Deductions		\$ (603,500,383)
<b><u>Total</u></b>		
Net Increase (Decrease)		\$ (482,932,962)
<b>Value of Assets – June 30, 2008</b>		<b>\$ 10,489,420,508</b>

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION II  
ASSETS**

<b>Development of Actuarial Value of Assets (All Programs) as of June 30, 2008</b>		
1. Actuarial Value of Assets at June 30, 2007		\$ 10,437,099,865
2. Amount in (1) with Interest to June 30, 2008		11,245,975,105
3. Employer and Member Contributions for the Plan Year Ended June 30, 2008		457,996,631
4. Interest on Contributions Assuming Received Uniformly Throughout the Year to June 30, 2008		17,416,226
5. Disbursements from Trust Except Investment Expenses, July 1, 2006 through June 30, 2008		(603,500,383)
6. Interest on Disbursements Assuming Payments Made Uniformly throughout the Year to June 30, 2008		(23,505,389)
7. Expected Value of Assets at June 30, 2008 = (2) + (3) + (4) + (5) + (6)		\$ 11,094,382,190
8. Actual Market Value of Assets at June 30, 2008		\$ 10,489,420,508
9. Excess of (8) Over (7)		(604,961,682)
10. Actuarial Value of Assets at June 30, 2008 = (7) + 33⅓% of (9)		\$ 10,892,728,296

**SECTION II  
ASSETS**

**Actuarial Value of Assets**

The Actuarial Value of Assets represents a “smoothed” value developed by the actuary to reduce, or eliminate, volatile contribution rates which could develop from short-term fluctuations in the Market Value of Assets. For this Program, the Actuarial Value has been calculated by adding one-third of the difference between actual Market Value and Expected Value, to the Expected Value. The previous table illustrates the calculation of Actuarial Value of Assets for the June 30, 2008 valuation.

**Allocation of Actuarial Value of Assets**

The assets for all of the defined benefit plans in the programs administered by MainePERS are commingled for investment purposes. Other assets are in effect commingled in that their value is allocated among all of the programs. The actuarial smoothing methodology is applied on the market value of total assets. This produces an asset ratio which is then applied to the market value of assets attributable to each of the programs. The asset value derived in this valuation is 1.03845 ( $\$10,892,728,296 \div \$10,489,420,508$ ). The allocation of actuarial value of assets to each of the System’s retirement programs is shown in the following chart.

Allocation of Actuarial Value of Assets as of June 30, 2008		
	Market Value	Actuarial Value
Teachers	\$ 5,357,684,118	\$ 5,563,681,745
State (Regular & Special)	2,954,286,505	3,067,875,884
Judges	48,552,160	50,418,942
Legislators	8,762,234	9,099,133
Participating Local Districts (Consolidated & Non-Consolidated)	<u>2,120,135,491</u>	<u>2,201,652,592</u>
Total Fund	\$10,489,420,508	\$10,892,728,296

**Investment Performance**

The Market Value of Assets returned negative 3.10% during FY 2008. This is significantly lower than the assumed return of 7.75%. The returns in FY 2007 and FY 2006 were 16.23% and 7.46% respectively. These higher returns helped to cushion the impact of this year’s loss.

On an actuarial value of assets basis, the return for FY 2008 was a positive 5.80%. This return is higher than the return on a market value basis, but does not meet the 7.75% assumption and therefore gives rise to an investment loss this year.

SECTION II  
ASSETS

<b>Projection of State and Teacher Program Benefit Payments and Contributions</b>				
<b>FY Ending June 30</b>	<b>Expected Benefit Payments</b>	<b>Expected State Contributions</b>	<b>Expected Member Contributions</b>	<b>Total Expected Contribution</b>
2009	\$ 535,339,000	\$ 288,146,000	\$ 124,879,000	\$ 413,025,000
2010	580,276,000	301,833,000	130,811,000	432,644,000
2011	626,065,000	316,170,000	137,025,000	453,195,000
2012	674,624,000	331,188,000	143,533,000	474,721,000
2013	725,889,000	346,919,000	150,351,000	497,270,000
2014	778,919,000	363,398,000	157,493,000	520,891,000
2015	833,353,000	380,659,000	164,974,000	545,633,000
2016	887,590,000	398,740,000	172,810,000	571,550,000
2017	940,415,000	417,681,000	181,018,000	598,699,000
2018	992,935,000	437,520,000	189,617,000	627,137,000

We provide this projection of cash flows in and out of the Program for informational purposes. The Board may share these projections with its investment advisor for consideration of the growing gap between cash coming in from State and member contributions and cash being paid out to provide benefits. The chart shows this gap is expected to widen as more of the baby boom generation joins the retiree payroll.

The expected benefit payments were developed on the basis of those currently included in this valuation and on the assumption that the actuarial assumptions disclosed in Appendix B will be exactly met. Actual benefit payments will vary if members retire sooner or later than assumed and if salary increases and projected future post-retirement COLAs differ from those assumed. The

projections exclude any assumption about new hires, whose experience will eventually lead to increased benefit payments. However, we do not feel this exclusion will materially impact the projections for the time period shown.

Expected contributions are based on the current covered payroll and the composite State contribution rate developed in this valuation of 17.79% of payroll. We have assumed that payroll will increase by 4.75% per year in the projection period and that the rate will remain constant.

The projection of member contributions is similarly based on a 4.75% per year increase in covered payroll multiplied by the average aggregate member contribution rate of 7.70%.

### SECTION III LIABILITIES

In this section, we present detailed information on liabilities including:

- **Disclosure** of liabilities at June 30, 2007 and June 30, 2008;
- Statement of **changes** in these liabilities during the year; and
- An **allocation** of liabilities to the Teachers, State Regular and State Special plans.

#### Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the purpose for which the figures are ultimately used.

- **Present Value of Future Benefits:** Used for analyzing the overall financial obligations, this represents the amount of money needed today to fully pay off all future benefits, assuming participants continue to earn salary increases and accrue benefits under the current program and plan provisions.
- **Actuarial Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Future Benefits above and subtracting the value of obligations that are assigned to future years. This offset is equal to the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.

- **Present Value of Accrued Benefits:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Program can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior years' valuations. With respect to the Actuarial Liability and the Present Value of Accrued Benefits, a subtraction of the appropriate value of assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

The Present Value of Future Benefits is compared to the current market value of assets, the expected future value of member contributions and the expected future value of State contributions assuming the valuation rate remains constant. The difference between the Present Value of Future Benefits (PVB) and these anticipated resources indicates either a shortfall or an expected surplus that may develop over time. This surplus or a shortfall indicates the size of the State and Teacher Program's allocation of the stored gains or losses that remain outside of the valuation process. These gains or losses may enter the rate-making processes depending on the future investment performance.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION III  
LIABILITIES**

Disclosure of Liabilities		
	June 30, 2007	June 30, 2008
<b>Present Value of Future Benefits (PVB)</b>		
Active Participant Benefits	\$ 7,111,965,049	\$ 7,295,192,494
Retiree Benefits	5,439,581,538	5,764,122,503
Terminated Vested and Inactive Members	<u>411,301,233</u>	<u>444,883,113</u>
<b>Total PVB</b>	<b>\$ 12,962,847,820</b>	<b>\$ 13,504,198,110</b>
Market Value of Assets (MVA)	8,668,381,195	8,311,970,624
Future Employee Contributions	1,052,428,059	1,070,826,825
Future State Contributions at the Current Rate (17.11% FY 2007; 17.79% FY 2008)	3,666,043,089	3,803,381,388
Projected (Surplus)/Shortfall	<u>(424,004,523)</u>	<u>318,019,273</u>
<b>Total Resources</b>	<b>\$ 12,962,847,820</b>	<b>\$ 13,504,198,110</b>
<b>Actuarial Liability</b>		
Present Value of Future Benefits (PVB)	\$ 12,962,847,820	\$ 13,504,198,110
Present Value of Future Normal Costs (PVFNC)		
Employer Portion	752,649,623	765,338,774
Employee Portion	<u>1,052,428,059</u>	<u>1,070,826,825</u>
<b>Actuarial Liability (AL = PVB – PVFNC)</b>	<b>\$ 11,157,770,138</b>	<b>\$ 11,668,032,511</b>
Actuarial Value of Assets (AVA)	8,245,520,019	8,631,557,629
<b>Net (Surplus)/Unfunded (AL – AVA)</b>	<b>\$ 2,912,250,119</b>	<b>\$ 3,036,474,882</b>
<b>Present Value of Accrued Benefits</b>		
Present Value of Future Benefits (PVB)	\$ 12,962,847,820	\$ 13,504,198,110
Present Value of Future Benefit Accruals (PVFBA)	<u>3,283,551,932</u>	<u>3,337,696,066</u>
<b>Accrued Liability (PVAB = PVB – PVFBA)</b>	<b>\$ 9,679,295,888</b>	<b>\$ 10,166,502,044</b>
Market Value of Assets (MVA)	8,668,381,195	8,311,970,624
<b>Net (Surplus)/Unfunded (PVAB – MVA)</b>	<b>\$ 1,010,914,693</b>	<b>\$ 1,854,531,420</b>

**SECTION III  
LIABILITIES**

**Changes in Liabilities**

Each of the liabilities disclosed in the prior table is expected to change at each subsequent valuation. The components of these changes, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Program and Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in assets resulting from:

- State contributions being different than expected
- Investment earnings being different than expected
- A change in the method used to measure Plan assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the Program. Below we present key changes in liabilities since the last valuation.

	<b>Present Value of Future Benefits</b>	<b>Actuarial Liability</b>	<b>Present Value of Accrued Benefits</b>
Liabilities 6/30/2007	\$ 12,962,847,820	\$ 11,157,770,138	\$ 9,679,295,888
Liabilities 6/30/2008	13,504,198,110	11,668,032,511	10,166,502,044
Liability Increase (Decrease)	541,350,290	510,262,373	487,206,156
Change Due to:			
Program/Plan Amendment	\$ --	\$ --	\$ --
System Change	--	--	--
Actuarial (Gain)/Loss	N/C	(68,570,730)	N/C
Benefits Accumulated and Other Sources	541,350,290	578,833,103	487,206,156

N/C = Not calculated

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION III  
LIABILITIES**

<b>Allocation of Actuarial Liability as of June 30, 2008</b>				
	<b>Total Program</b>	<b>Teachers</b>	<b>State Regular</b>	<b>Special Plans</b>
1. Actuarial Liabilities for:				
a. Active Members	\$ 5,459,026,895	\$ 3,753,279,556	\$ 1,433,006,183	\$ 272,741,156
b. Retired, Disabled and Beneficiary Members	5,764,122,503	3,442,145,631	1,960,180,529	361,796,343
c. Vested Deferred and Inactive Status Members	<u>444,883,113</u>	<u>332,965,749</u>	<u>111,917,364</u>	<u>0</u>
2. Total Actuarial Liability (1(a) + 1(b) + 1(c))	\$ 11,668,032,511	\$ 7,528,390,936	\$ 3,505,104,076	\$ 634,537,499
3. Actuarial Value of Assets	<u>8,631,557,629</u>	<u>5,563,681,745</u>	<u>2,644,793,698</u>	<u>423,082,186</u>
4. Unfunded Actuarial Liability (2 – 3)	\$ 3,036,474,882	\$ 1,964,709,191	\$ 860,310,378	\$ 211,455,313



**SECTION IV  
 CONTRIBUTIONS**

In the process of evaluating the financial condition of the plans of any pension program, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to achieve and maintain an appropriate funded status. Typically, the actuarial process will use a funding method that will result in a pattern of contributions that are both stable and predictable.

For the plans in this Program, the funding methodology employed is the **Entry Age Actuarial Cost Method**. Under this method, there are two components to the total contribution: the **normal cost rate**, and the **unfunded actuarial liability rate** (UAL rate). The normal cost rate is determined by the following steps. First, an individual normal cost rate is determined by taking the value, as of entry age into a plan, of a representative new entrant's projected future benefits. Second, this value is then divided by the value, also at entry age, of the member's expected future salary. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

The UAL rate is that percentage of member payroll which, when applied to each year's payroll, is sufficient to amortize the unfunded actuarial liability (UAL) over 20 years from June 30, 2008.

The table below presents and compares the composite State contribution rate for all plans in the Program for this valuation and the prior one.

<b>Composite State Rate</b>		
	<b>June 30, 2007</b>	<b>June 30, 2008</b>
Normal Cost Rate	5.52%	5.52%
UAL Rate	<u>11.59%</u>	<u>12.27%</u>
Total State Rate	17.11%	17.79%

The charts on the pages that follow show the rate for each plan within the State and Teacher Program and the development of the UAL amortization rate for each plan.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
 ACTUARIAL VALUATION AS OF JUNE 30, 2008

SECTION IV  
 CONTRIBUTIONS

Table IV-1 State Employer Contribution Rates								
Valuation Date June 30, 2008	Total State	Teacher	State Regular	State Police Marine Resources Inland Fish & Wildlife (Closed)	Prison Employees (Closed)	Forest Rangers (Closed)	25 & Out Plan	1998 Special Plan
New Entrant Normal Cost Contributions as a Percent of Payroll	5.52%	5.25%	5.75%	17.84%	9.04%	7.34%	8.25%	6.50%
Unfunded Actuarial Liability Contribution as a Percent of Payroll	<u>12.27</u>	<u>12.35</u>	<u>11.61</u>	<u>36.04</u>	<u>18.26</u>	<u>14.83</u>	<u>16.67</u>	<u>13.13</u>
Total Contributions as a Percent of Payroll	17.79%	17.60%	17.36%	53.88%	27.30%	22.17%	24.92%	19.63%

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**SECTION IV  
CONTRIBUTIONS**

**Table IV-2  
Derivation of Unfunded Actuarial Liability Rates**

<b>Valuation Date June 30, 2008</b>	<b>Teachers</b>	<b>State Regular</b>	<b>State Police Marine Resources Inland Fish &amp; Wildlife (Closed)</b>	<b>Prison Employees (Closed)</b>	<b>Forest Rangers (Closed)</b>	<b>25 &amp; Out Plan</b>	<b>1998 Special Plan</b>
1. Present Value of Future Benefits	\$ 8,672,102,024	\$ 4,071,630,954	\$ 269,596,493	\$ 57,073,950	\$ 28,161,512	\$ 123,716,314	\$ 281,916,863
2. Normal Cost Rate	5.25%	5.75%	17.84%	9.04%	7.34%	8.25%	6.50%
3. Present Value of Future Payroll	8,865,977,429	4,227,812,524	4,288,537	2,328,287	2,406,360	242,640,973	547,779,699
4. Present Value of Future Normal Cost (2) x (3)	465,463,815	243,099,220	765,075	210,477	176,627	20,017,880	35,605,680
5. Present Value of Future Contributions	678,247,273	323,427,658	370,959	201,397	208,150	20,988,444	47,382,944
6. Actuarial Liability (1) – (4) – (5)	7,528,390,936	3,505,104,076	268,460,459	56,662,076	27,776,735	82,709,990	198,928,239
7. Actuarial Value of Assets	5,563,681,745	2,644,793,698	256,043,987	54,406,738	25,743,577	13,195,394	73,692,491
8. Unfunded Actuarial Liability (6) – (7)	1,964,709,191	860,310,378	12,416,472	2,255,338	2,033,158	69,514,596	125,235,748
9. Estimated Payroll	1,041,045,352	484,981,869	2,254,825	808,263	897,397	27,298,044	62,420,096
10. Amortization Factor	15.2806	15.2806	15.2806	15.2806	15.2806	15.2806	15.2806
11. Unfunded Actuarial Liability Rate (8) / (9) / (10)	12.35%	11.61%	36.04%	18.26%	14.83%	16.67%	13.13%

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

Statement No. 35 of the Financial Accounting Standards Board (FASB) requires the disclosure of certain information regarding the funded status of the plans in a retirement program. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how assets compare to liabilities if contributions were to stop and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if all plans in the Program were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the plans in the Program are ongoing and participants will continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 7.75% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets

for funding purposes. The relevant amounts as of June 30, 2007 and June 30, 2008 are exhibited in Table V-1. Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, June 30, 2007 to the liabilities as of June 30, 2008.

Tables V-3 through V-5 are exhibits required for the System’s Comprehensive Annual Financial Report. The GFOA recommends showing 6-10 years of experience in each of these exhibits. This report will continue to add years of experience to the charts and eventually build up to the recommended disclosure. Table V-3 shows the Notes to Required Supplementary Information. Table V-4 is a history of gains and losses in Accrued Liability, and Table V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008

**SECTION V**  
**ACCOUNTING STATEMENT INFORMATION**

<b>Table V-1</b>		
<b>Accounting Statement Information</b>		
	<b>June 30, 2007</b>	<b>June 30, 2008</b>
<b>A. FASB No. 35 Basis</b>		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 5,439,581,538	\$ 5,764,122,503
b. Vested Terminated	411,301,233	444,883,113
c. Active Members	<u>3,828,413,117</u>	<u>3,957,496,428</u>
d. Total PVAB	\$ 9,679,295,888	\$10,166,502,044
2. Assets at Market Value	<u>8,668,381,195</u>	<u>8,311,970,624</u>
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 1,010,914,693	\$ 1,854,531,420
4. Ratio of Assets to Value of Benefits (2) / (1)(d)	89.56%	81.76%
<b>B. GASB No. 25 Basis</b>		
1. Actuarial Liabilities		
a. Members Currently Receiving Payments	\$ 5,439,581,538	\$ 5,764,122,503
b. Vested Deferred and Inactive Status Members	411,301,233	444,883,113
c. Active Members	<u>5,306,887,367</u>	<u>5,459,026,895</u>
d. Total	\$11,157,770,138	\$11,668,032,511
2. Actuarial Value of Assets	<u>8,245,520,019</u>	<u>8,631,557,629</u>
3. Unfunded Actuarial Liability	\$ 2,912,250,119	\$ 3,036,474,882
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2) / (1)(d)	73.90%	73.98%

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
 ACTUARIAL VALUATION AS OF JUNE 30, 2008

SECTION V  
 ACCOUNTING STATEMENT INFORMATION

<b>Table V-2</b>	
<b>Statement of Changes in Total Actuarial Present Value of All Accrued Benefits</b>	
	<b>Accumulated Benefit Obligation (FASB 35)</b>
Actuarial Present Value of Accrued Benefits as of June 30, 2007	\$ 9,679,295,888
Increase (Decrease) During Years Attributable to:	
Passage of Time	710,850,465
Benefits Paid – FY 2008	(507,031,819)
System Change	--
Program/Plan Amendment	--
Benefits Accrued, Other Gains/Losses	<u>283,387,510</u>
Net Increase (Decrease)	487,206,156
Actuarial Present Value of Accrued Benefits as of June 30, 2008	\$ 10,166,502,044

SECTION V  
 ACCOUNTING STATEMENT INFORMATION

**Table V-3**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2008
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	20 years
Asset valuation method	3-Year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.75%
*Includes inflation at	4.50%
Cost-of-living adjustments	3.75%

The actuarial assumptions used have been recommended by the actuary and adopted by the System's Board of Trustees based on the most recent review of the experience of the plans in the Program, completed in 2006.

The rate of employer contributions to the plans in the Program is composed of the normal cost and an amortization of the unfunded actuarial accrued liability. The normal cost is a level percent of payroll cost which, along with the member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability.

SECTION V  
 ACCOUNTING STATEMENT INFORMATION

<b>Table V-4</b>				
<b>ANALYSIS OF FINANCIAL EXPERIENCE</b>				
<b>Gain and Loss in Accrued Liability During Years Ended June 30</b>				
<b>Resulting from Differences Between Assumed Experience and Actual Experience</b>				
	<i>Gain (or Loss)</i> <i>for Year ended</i> <i>June 30, 2005</i>	<i>Gain (or Loss)</i> <i>for Year ended</i> <i>June 30, 2006</i>	<i>Gain (or Loss)</i> <i>for Year ended</i> <i>June 30, 2007</i>	<i>Gain (or Loss)</i> <i>for Year ended</i> <i>June 30, 2008</i>
<b>Type of Activity</b>				
Investment Income	\$ 16,350,568	\$ (2,036,992)	\$ 209,910,525	\$(160,831,089)
Combined Liability Experience	<u>3,388,524</u>	<u>48,354,919</u>	<u>\$ (39,346,019)</u>	<u>\$ 68,570,730</u>
Gain (or Loss) During Year from Financial Experience	\$ 19,739,092	\$ 46,317,927	\$ 170,564,505	\$ (92,260,359)
Non-Recurring Items	<u>0</u>	<u>5,292,234</u>	<u>0</u>	<u>0</u>
Composite Gain (or Loss) During Year	<b>\$ 19,739,092</b>	<b>\$ 51,610,161</b>	<b>\$ 170,564,505</b>	<b>\$ (92,260,359)</b>



MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
 ACTUARIAL VALUATION AS OF JUNE 30, 2008

SECTION V  
 ACCOUNTING STATEMENT INFORMATION

**Table V-5**  
**SOLVENCY TEST**  
**Aggregate Accrued Liabilities For**

Valuation Date June 30,	(1)	(2)	(3)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirees Vested Terms, Beneficiaries	Active Members (Employer Financed Portion)		(1)	(2)	(3)
2008	\$ 1,898,148,565	\$ 6,209,005,616	\$ 3,560,878,330	\$ 8,631,557,629	100%	100%	15%
2007	1,789,362,929	5,850,882,771	3,517,524,438	8,245,520,019	100%	100%	17%
2006	1,645,241,719	5,367,785,679	3,534,271,796	7,504,219,546	100%	100%	14%
2005	1,569,409,748	4,832,994,427	3,596,845,863	6,964,597,457	100%	100%	16%
2004	1,464,936,256	4,387,963,456	3,589,489,687	6,452,570,243	100%	100%	17%

APPENDIX A  
 MEMBERSHIP INFORMATION

Active Member Data as of June 30, 2008	
<b><u>Teachers</u></b>	
Count	27,227
Average Current Age	46.3
Average Service	14.8
Average Valuation Pay	\$ 38,236
<b><u>State Employee Regular Plan</u></b>	
Count	12,409
Average Current Age	47.4
Average Service	13.2
Average Valuation Pay	\$ 39,083
<b><u>Forest Rangers Special Plan (Closed Plan)</u></b>	
Count	17
Average Current Age	52.0
Average Service	28.5
Average Valuation Pay	\$ 52,788
<b><u>Inland Fisheries &amp; Wildlife Officers Special Plan (Closed Plan)</u></b>	
Count	11
Average Current Age	55.0
Average Service	30.8
Average Valuation Pay	\$ 54,980
<b><u>Prison Employees Special Plan (Closed Plan)</u></b>	
Count	16
Average Current Age	54.7
Average Service	28.8
Average Valuation Pay	\$ 50,516

APPENDIX A  
 MEMBERSHIP INFORMATION

<b>Active Member Data as of June 30, 2008</b>	
<b><u>State Police Special Plan (Closed Plan)</u></b>	
Count	18
Average Current Age	51.9
Average Service	26.8
Average Valuation Pay	\$ 81,419
<b><u>Marine Resource Officers Special Plan (Closed Plan)</u></b>	
Count	3
Average Current Age	52.8
Average Service	31.0
Average Valuation Pay	\$ 61,503
<b><u>State Employee Special 25 &amp; Out Plan</u></b>	
Count	454
Average Current Age	39.1
Average Service	12.5
Average Valuation Pay	\$ 60,128
<b><u>State Employee 1998 Special Plan</u></b>	
Count	1,406
Average Current Age	43.9
Average Service	11.0
Average Valuation Pay	\$ 44,396
<b><u>State Employee Totals (Excludes Teachers)</u></b>	
Count	14,334
Average Current Age	46.8
Average Service	13.0
Average Valuation Pay	\$ 40,370

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**APPENDIX A  
MEMBERSHIP INFORMATION**

<b>Non-Active Member Data as of June 30, 2008</b>			
<b>Teachers</b>			
	<b>Count</b>	<b>Total Annual Benefit</b>	<b>Average Annual Benefit</b>
Retired	10,746	\$ 238,646,971	\$ 22,208
Retired – Concurrent Beneficiaries	1,355	\$ 7,014,713	\$ 5,177
Disabilities / 1122	1	\$ 23,063	\$ 23,063
Disabilities / 3 and 3A	689	\$ 18,145,224	\$ 26,336
Beneficiaries	1,064	\$ 15,383,742	\$ 14,458
Pre-Retirement Death Benefits	328	\$ 1,933,159	\$ 5,894
Terminated Vested	5,085	\$ 34,365,873	\$ 6,758

<b>Non-Active Member Data as of June 30, 2008</b>			
<b>State Regular</b>			
	<b>Count</b>	<b>Total Annual Benefit</b>	<b>Average Annual Benefit</b>
Retired	7,197	\$ 129,080,586	\$ 17,935
Retired – Concurrent Beneficiaries	1,110	\$ 5,163,558	\$ 4,652
Disabilities / 1122	6	\$ 107,472	\$ 17,912
Disabilities / 3 and 3A	923	\$ 18,955,038	\$ 20,536
Beneficiaries	1,713	\$ 19,908,889	\$ 11,622
Pre-Retirement Death Benefits	456	\$ 2,681,425	\$ 5,880
Terminated Vested	1,813	\$ 14,417,582	\$ 7,952

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
 ACTUARIAL VALUATION AS OF JUNE 30, 2008

APPENDIX A  
 MEMBERSHIP INFORMATION

<b>Non-Active Member Data as of June 30, 2008</b>			
<b>Special Plans</b>			
	<b>Count</b>	<b>Total Annual Benefit</b>	<b>Average Annual Benefit</b>
Retired	791	\$ 22,799,136	\$ 28,823
Retired – Concurrent Beneficiaries	159	\$ 827,117	\$ 5,202
Disabilities / 1122	3	\$ 52,667	\$ 17,556
Disabilities / 3 and 3A	68	\$ 1,659,707	\$ 24,407
Beneficiaries	182	\$ 2,654,356	\$ 14,584
Pre-Retirement Death Benefits	13	\$ 121,253	\$ 9,327
Terminated Vested	0	\$ 0	\$ 0

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

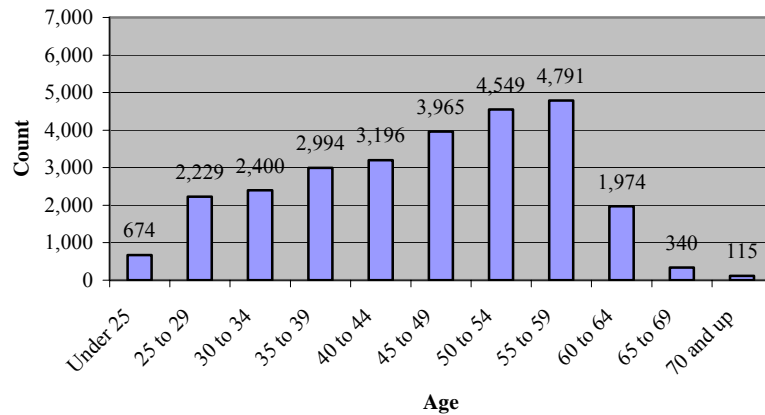
**APPENDIX A  
MEMBERSHIP INFORMATION**

Distribution of Active Members  
As of June 30, 2008

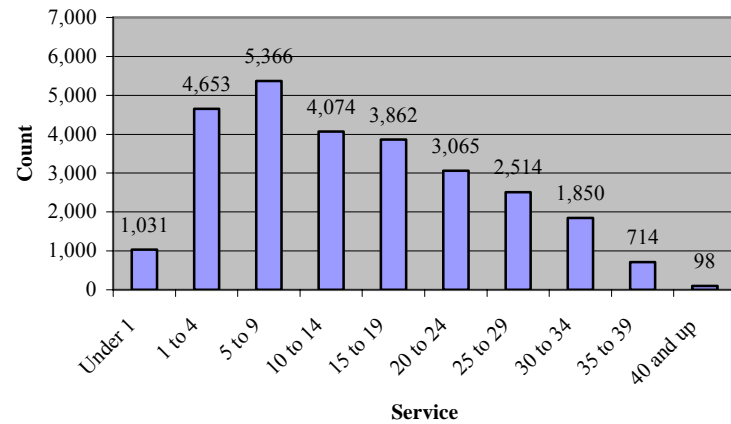
Teachers

	Years of Service										Totals
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up	
Under 25	158	464	52	0	0	0	0	0	0	0	674
25 to 29	199	1,064	924	42	0	0	0	0	0	0	2,229
30 to 34	146	554	958	703	39	0	0	0	0	0	2,400
35 to 39	143	608	647	887	704	5	0	0	0	0	2,994
40 to 44	121	606	674	504	825	454	12	0	0	0	3,196
45 to 49	102	510	804	588	567	859	532	3	0	0	3,965
50 to 54	75	368	613	624	680	598	1,021	564	6	0	4,549
55 to 59	57	268	427	472	720	723	608	1,070	439	7	4,791
60 to 64	17	153	196	193	283	365	288	178	249	52	1,974
65 to 69	11	40	39	42	37	52	43	29	18	29	340
70 and up	2	18	32	19	7	9	10	6	2	10	115
<b>Total</b>	<b>1,031</b>	<b>4,653</b>	<b>5,366</b>	<b>4,074</b>	<b>3,862</b>	<b>3,065</b>	<b>2,514</b>	<b>1,850</b>	<b>714</b>	<b>98</b>	<b>27,227</b>

**Age Distribution**



**Service Distribution**



**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

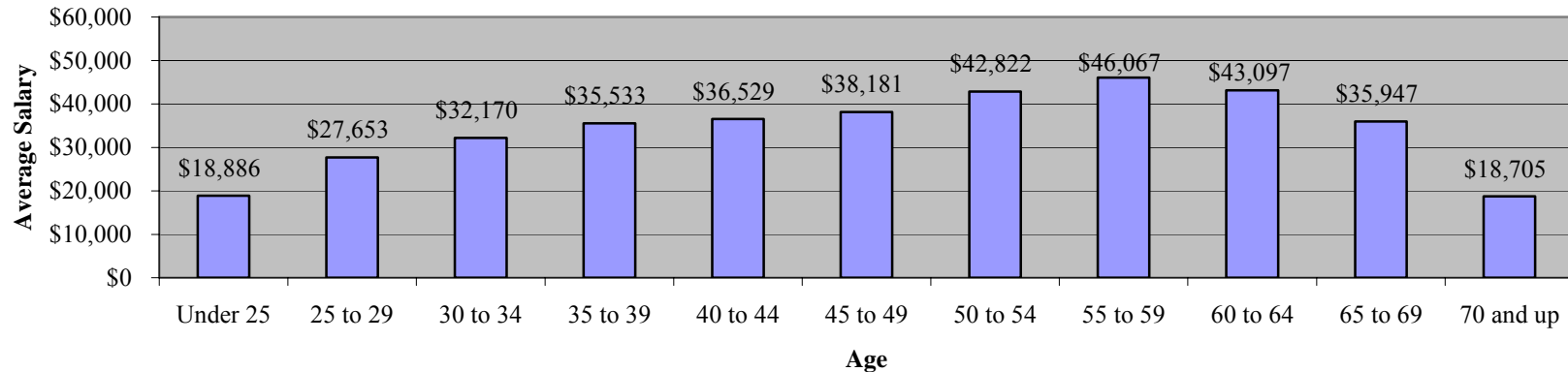
**APPENDIX A  
MEMBERSHIP INFORMATION**

Distribution of Active Members  
As of June 30, 2008

Teachers

	Average Salary Years of Service										Average	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 13,718	\$ 20,114	\$ 23,628									\$ 18,886
25 to 29	20,314	26,416	30,458	32,034								27,653
30 to 34	20,201	26,771	34,074	36,010	37,671							32,170
35 to 39	19,130	25,701	34,227	39,794	43,150	41,013						35,533
40 to 44	19,989	24,367	31,142	38,521	45,239	46,883	45,897					36,529
45 to 49	16,689	22,553	29,256	36,076	43,430	48,301	50,982	70,243				38,181
50 to 54	22,325	25,473	29,989	36,079	42,323	48,520	52,581	55,071	52,495			42,822
55 to 59	20,352	26,569	33,469	37,585	43,263	47,382	50,945	55,377	55,358	65,158		46,067
60 to 64	19,517	23,078	31,640	35,803	40,304	45,670	49,046	53,183	55,318	51,100		43,097
65 to 69	14,779	14,378	24,150	25,554	38,057	41,232	45,663	51,070	49,197	54,720		35,947
70 and up	10,721	6,220	10,953	12,263	29,870	30,189	20,235	33,013	18,840	51,525		18,705
Average	\$ 18,784	\$ 24,689	\$ 31,465	\$ 37,078	\$ 43,176	\$ 47,419	\$ 51,163	\$ 54,957	\$ 55,062	\$ 53,219		\$ 38,236

**Average Salary Distribution**



**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

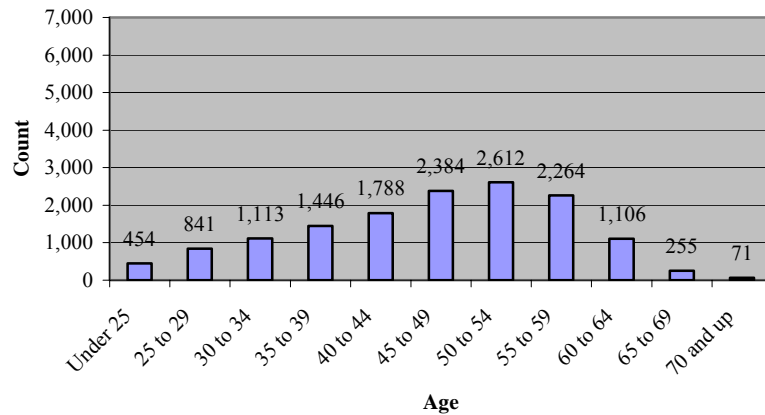
**APPENDIX A  
MEMBERSHIP INFORMATION**

Distribution of Active Members  
As of June 30, 2008

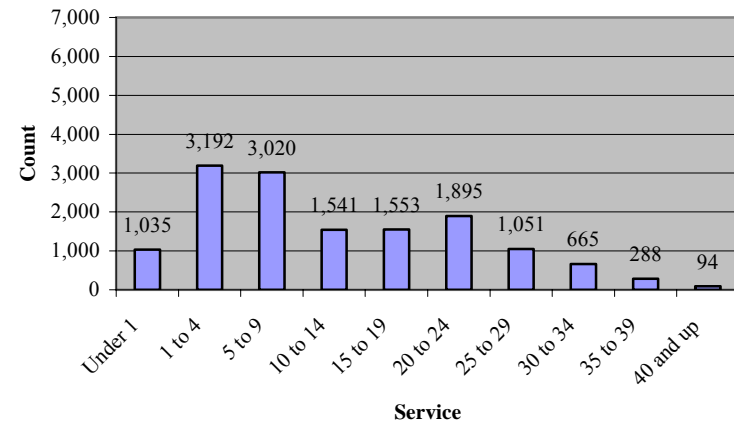
State

	Years of Service										Totals	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	215	229	10	0	0	0	0	0	0	0	0	454
25 to 29	143	486	202	10	0	0	0	0	0	0	0	841
30 to 34	132	413	451	113	4	0	0	0	0	0	0	1,113
35 to 39	112	422	451	275	160	26	0	0	0	0	0	1,446
40 to 44	112	387	425	260	308	281	15	0	0	0	0	1,788
45 to 49	126	399	466	241	347	494	266	45	0	0	0	2,384
50 to 54	99	395	452	276	296	437	366	256	35	0	0	2,612
55 to 59	69	279	321	213	249	406	268	272	167	20	0	2,264
60 to 64	19	149	186	121	146	196	106	65	69	49	0	1,106
65 to 69	6	27	42	29	39	46	23	17	8	18	0	255
70 and up	2	6	14	3	4	9	7	10	9	7	0	71
<b>Total</b>	<b>1,035</b>	<b>3,192</b>	<b>3,020</b>	<b>1,541</b>	<b>1,553</b>	<b>1,895</b>	<b>1,051</b>	<b>665</b>	<b>288</b>	<b>94</b>		<b>14,334</b>

**Age Distribution**



**Service Distribution**





**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

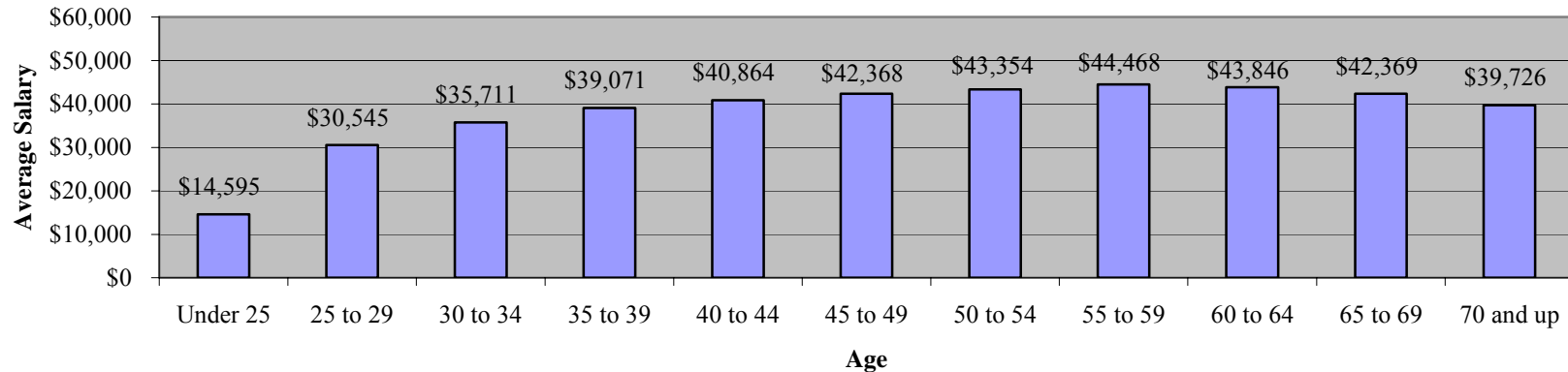
**APPENDIX A  
MEMBERSHIP INFORMATION**

Distribution of Active Members  
As of June 30, 2008

State

	Average Salary Years of Service										Average	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and up		
Under 25	\$ 6,681	\$ 21,608	\$ 24,108									\$ 14,595
25 to 29	15,143	32,788	35,879	34,054								30,545
30 to 34	14,888	34,155	41,063	44,166	41,230							35,711
35 to 39	13,868	34,792	40,827	49,383	43,821	48,327						39,071
40 to 44	15,896	35,838	40,032	46,064	47,995	46,172	44,513					40,864
45 to 49	13,302	35,254	40,227	47,340	47,174	49,105	46,128	49,132				42,368
50 to 54	16,055	34,628	39,978	45,928	45,839	48,059	51,919	46,900	47,053			43,354
55 to 59	14,627	36,073	40,005	44,254	45,751	47,552	51,704	50,643	48,506	45,202		44,468
60 to 64	15,780	35,809	39,649	42,796	45,318	44,980	49,400	53,364	56,107	46,876		43,846
65 to 69	10,600	30,972	37,425	44,199	42,695	45,392	50,327	50,467	50,152	48,938		42,369
70 and up	5,136	20,664	32,756	18,368	47,176	29,539	47,532	47,795	49,513	65,967		39,726
<b>Average</b>	<b>\$ 13,091</b>	<b>\$ 33,724</b>	<b>\$ 39,900</b>	<b>\$ 46,018</b>	<b>\$ 46,206</b>	<b>\$ 47,476</b>	<b>\$ 49,975</b>	<b>\$ 49,318</b>	<b>\$ 50,228</b>	<b>\$ 48,336</b>		<b>\$ 40,370</b>

**Average Salary Distribution**



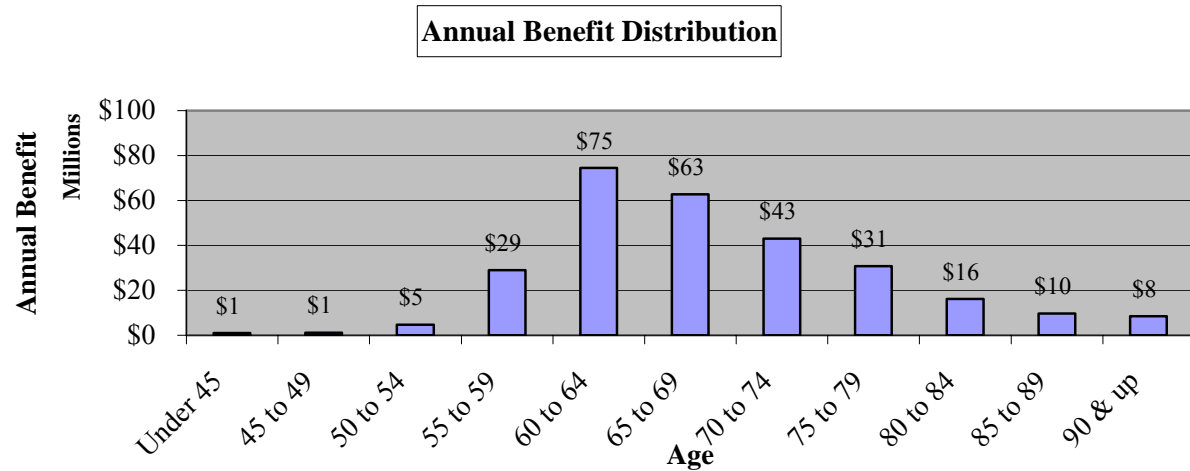
**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM STATE EMPLOYEE AND TEACHER RETIREMENT PROGRAM  
ACTUARIAL VALUATION AS OF JUNE 30, 2008**

**APPENDIX A  
MEMBERSHIP INFORMATION**

**Distribution of Retirees, Disabled  
Members, Beneficiaries, and Survivors  
As of June 30, 2008**

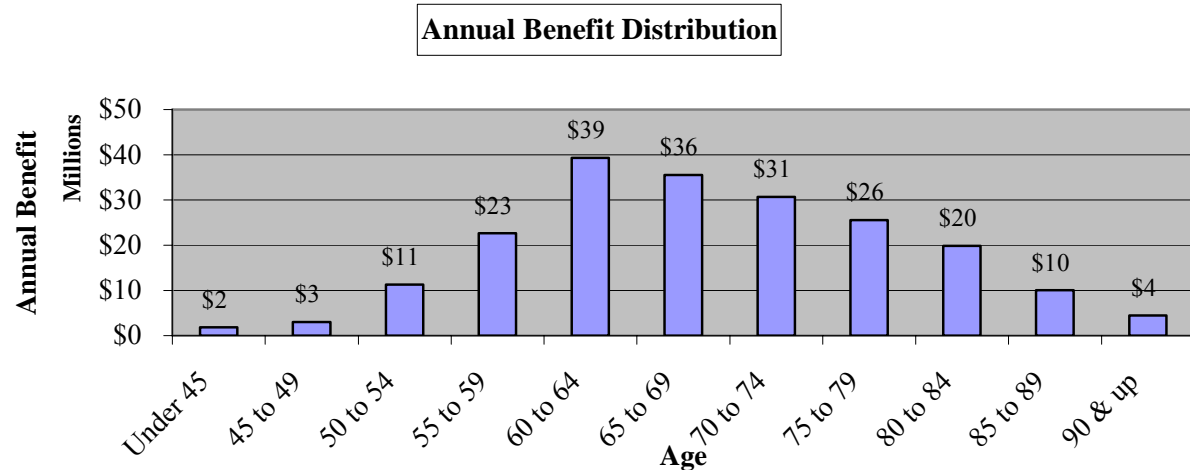
**Teachers**

Age	Count	Annual Benefit
Under 45	157	\$ 1,022,562
45 to 49	70	1,059,300
50 to 54	228	4,628,372
55 to 59	1,273	28,916,079
60 to 64	3,171	74,512,691
65 to 69	2,976	62,816,688
70 to 74	2,233	43,054,232
75 to 79	1,756	30,778,044
80 to 84	1,060	16,175,470
85 to 89	685	9,712,265
90 & up	574	8,471,170
<b>Total</b>	<b>14,183</b>	<b>\$ 281,146,872</b>



**State**

Age	Count	Annual Benefit
Under 45	203	1,866,097
45 to 49	203	3,043,779
50 to 54	644	11,325,184
55 to 59	1,145	22,687,516
60 to 64	2,005	39,341,316
65 to 69	2,053	35,550,386
70 to 74	1,945	30,654,889
75 to 79	1,734	25,566,557
80 to 84	1,456	19,837,352
85 to 89	833	10,073,300
90 & up	417	4,436,577
<b>Total</b>	<b>12,638</b>	<b>204,382,953</b>



**APPENDIX B  
 ACTUARIAL ASSUMPTIONS AND METHODS**

**A. Actuarial Assumptions**

**1. Rate of Investment Return:**

*State Employees:* 7.75%

*Teachers:* 7.75%

**2. Cost-of-Living Increases in Benefits:**

*State Employees:* 3.75%

*Teachers:* 3.75%

**3. Rates of Salary Increase  
 (% at Selected Years of Service):**

Service	State Employees and Teachers
0	10.00%
5	7.50
10	6.07
15	5.28
20	4.90
25 and over	4.75

The above rates include a 4.75% across-the-board increase at each year of service.

**4. Rates of Termination (% at Selected Service):**

Service	State Employees	Teachers
0	30.00%	37.00%
5	7.50	12.50
10	4.40	6.00
15	3.50	4.50
20	2.00	3.00
25	2.00	2.00

Members with ten or more years of service and whose age plus service totals 60 or more are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.

APPENDIX B  
 ACTUARIAL ASSUMPTIONS AND METHODS

5. Rate of Mortality for Active Healthy Lives and Retired Healthy Lives at Selected Ages (number of deaths per 10,000 members)\*:

Age	State Employees		Teachers	
	Male	Female	Male	Female
20	5	3	5	3
25	7	3	6	3
30	9	4	7	3
35	9	5	8	4
40	12	8	10	6
45	17	10	14	9
50	28	15	24	13
55	48	25	40	21
60	86	48	73	41
65	156	93	133	79
70	255	148	217	125

6. Rates of Mortality for Future Disabled Lives and Retired Disabled Lives at Selected Ages (number of deaths per 10,000 members):

Age	State Employees		Teachers	
	Male	Female	Male	Female
25	92	72	92	72
30	112	89	112	89
35	134	109	134	109
40	160	126	160	126
45	193	144	193	144
50	236	165	236	165
55	295	191	295	191
60	362	226	362	226
65	446	272	446	272
70	576	331	576	331

\* For State Regular and Teachers 5% of deaths assumed to arise out of and in the course of employment; for State Special 20% of deaths are assumed to arise out of and in the course of employment.

**APPENDIX B  
ACTUARIAL ASSUMPTIONS AND METHODS**

**7. Rates of Retirement at Selected Ages (number retiring per 1,000 members):**

Age	State Employees		Teachers	
	Tier 1	Tier 2	Tier 1	Tier 2
45	28	28	18	18
50	42	42	39	39
55	103	103	106	106
59	200	148	156	100
60	228	148	225	100
61	133	133	139	100
62	268	250	277	250
63	202	202	224	224
64	221	221	223	223
65	478	478	485	485
70	589	589	570	570

\* Members of Special Groups are assumed to retire at a rate of 50% per year, once they reach eligibility for unreduced benefits at every age.

In the case of State Regular and Teacher employees, Tier 1 refers to those who had accrued at least 10 years of service by July 1, 1993. Tier 2 are those who had not or were hired after that date.

**8. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)\*\*:**

Age	State	
	Employees	Teachers
25	6.8	4.6
30	7.6	5.0
35	10.2	5.5
40	19.0	6.8
45	27.9	15.5
50	42.7	24.3
55	81.0	33.0
60	119.3	41.8

\*\* 10% assumed to receive Workers Compensation benefits offsetting disability benefit; also, rates for State Special groups are higher by 7 per 10,000 at all ages.

**9. Family Composition Assumptions:**

80% of active members are married and have two children born when the member is 24 and 28; children are dependent until age 18; female spouse is three years younger than male spouse; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries.

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**10. Vacation/Sick Leave Credits:**

For members who had ten years of service on July 1, 1993, credits for unused vacation and sick leave may be used to increase final average compensation and/or creditable service. In order to reflect this, projected benefits are increased by 1.0% for state employees and 1.3% for teachers.

**11. Changes Since Last Valuation**

None.

**APPENDIX B**  
**ACTUARIAL ASSUMPTIONS AND METHODS**

**B. Actuarial Methods**

**1. Funding Method:**

The Entry Age Normal method is used to determine costs. Under this funding method, a total contribution rate is determined which consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

For Teachers and State Employees, including each of the State Special Plans, a normal cost rate is determined for a typical new entrant. This rate is determined by taking the value, as of age at entry into a plan in the Program, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

In addition to contributions required to meet a plan's normal cost, contributions are required to fund the plan's unfunded actuarial liability. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs and future member contributions. The unfunded actuarial liability is the total of the actuarial liability for all members less the actuarial value of assets. The actuarial liability includes projections of future member pay increases and future service credits and should not be confused with the Accrued Benefit Liability.

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 4.75% per year. The UAL measured as of June 30, 2008 is amortized over a 20 year period.

**2. Asset Valuation Method:**

For purposes of determining the State contribution to the plans in the Program, we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

In determining the actuarial value of assets, we calculate an expected actuarial value based on cash flow for the year and imputed returns at the actuarial assumption. This expected value is compared to the market value and one-third of the difference is added to the preliminary actuarial value to arrive at the final actuarial value.

APPENDIX C  
SUMMARY OF PROGRAM AND PLAN PROVISIONS

State Employees and Teachers

**1. Membership:**

Membership is a condition of employment for state employees and teachers, and optional for elected and appointed officials.

Membership ceases on the earlier of withdrawal of contributions, retirement, or death.

**2. Member Contributions:**

Except as otherwise described below, members are required to contribute 7.65% of earnable compensation.

**Contribution Requirements for Special State Employee Groups**

State police, inland fisheries and wildlife officers, and marine resources officers employed before 9/1/84 – 8.65% of earnable compensation for 20 years; 7.65% thereafter.

Forest rangers and state prison employees employed before 9/1/84 – 8.65% of earnable compensation until eligible for retirement; 7.65% thereafter.

1998 Special Plan employees which include state prison employees, airplane pilots, forest rangers, defense, veterans and emergency management firefighters employed at Bangor International Airport, corrections employees, Baxter State Park Authority rangers, fire marshals, investigators and inspectors, oil and hazardous materials emergency response workers and capitol security officers –

8.65% of earnable compensation for 25 years; 7.65% thereafter.

State police employed on or after 9/16/84 and special agent investigators hired before 6/21/82 – 8.65% of earnable compensation for 25 years; 7.65% thereafter.

Inland fisheries and wildlife officers and marine resources officers employed on or after 9/1/84 – 8.65% of earnable compensation for 25 years; 7.65% thereafter.

**3. Average Final Compensation:**

For purposes of determining benefits payable, average final compensation is the average annual rate of earnable compensation for the three years of creditable service (not necessarily consecutive) which produce the highest such average.

For compensation paid on or after July 1, 1993, increases in earnable compensation of greater than 5% per year or 10% over the highest three years are not included in calculating average final compensation unless the employer pays the cost of including such compensation. Earnable compensation does not include sick and vacation pay for those members who had less than ten years of service at July 1, 1993. For members for whom sick and vacation pay is includible in earnable compensation, these payments are included in applying the caps described above.



APPENDIX C  
SUMMARY OF PROGRAM AND PLAN PROVISIONS

**4. Creditable Service:**

Creditable service includes service while a member, certain service prior to the establishment of the Program, purchased military service credit, other purchased service credit, and service while receiving disability benefits under the Program.

Benefit: 1/50 of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by approximately 2¼% for each year retirement age is less than age 60.

Form of Payment: Life annuity.

**5. Service Retirement Benefits:**

**A. Regular Plan (State Employees and Teachers)**

**i. Provisions for Members With at Least Ten Years of Creditable Service on July 1, 1993**

Normal Retirement Age: 60

Eligibility for Members in Active Service and Inactive Members: 25 years of creditable service.

Eligibility Alternative for Members in Active Service: At least one year of creditable service immediately before retirement and at least normal retirement age.

Eligibility for Members not in Active Service at Retirement, and not in Active Service on or After October 1, 1999: At least ten years of creditable service and at least normal retirement age.

Eligibility for Members not in Active Service at Retirement, but in Active Service on or After October 1, 1999: At least five years of creditable service and at least normal retirement age.

**ii. Provisions for Members With Less Than Ten Years of Creditable Service on July 1, 1993**

Normal Retirement Age: 62

Eligibility for Members in Active Service and Inactive Members: 25 years of creditable service.

Eligibility Alternative for Members in Active Service: At least one year of creditable service immediately before retirement age and at least normal retirement age.

Eligibility for Members not in Active Service at Retirement, and not in Active Service on or After October 1, 1999: At least ten years of creditable service and at least normal retirement age.

Eligibility for Members not in Active Service at Retirement, but in Active Service on or After October 1, 1999: At least five years of creditable service and at least normal retirement age.

Benefit: 1/50 of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by 6% for each year retirement age is less than age 62.

APPENDIX C  
SUMMARY OF PROGRAM AND PLAN PROVISIONS

Form of Payment: Life annuity.

**B. Special Plans (State Employees)**

***i. State Police Employed Before 9/16/84; Inland Fisheries and Wildlife Officers and Marine Resource Officers Employed Before 9/1/84***

Eligibility: 20 years of creditable service in named positions.

Benefit: one-half of average final compensation plus 2% for each year of service in excess of 20. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of Payment: 50% joint and survivor annuity, or life annuity.

***ii. Forest Rangers Employed Before 9/1/84***

Eligibility: Age 50 with 25 years of creditable service as a forest ranger.

Benefit: one-half of average final compensation plus 2% for each year of service earned after qualification for retirement. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of Payment: Life annuity.

***iii. Airplane Pilots Employed Before 9/1/84***

Eligibility: Age 55 and 25 years of creditable service as an airplane pilot.

Benefit: Greater of (1) one-half of average final compensation plus 2% for each year of service earned after qualification for retirement, and (2) if retiring after age 60, the benefit under the general formula.

Form of Payment: Life annuity.

***iv. Liquor Inspectors Employed Before 9/1/84***

Eligibility: Age 55 and 25 years of creditable service as a liquor inspector.

Benefit: one-half of average final compensation plus 2% for each year of service earned after qualification for retirement. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of Payment: Life annuity.

***v. State Prison Employees Employed Before 9/1/84***

Eligibility: Age 50 and 20 years of creditable service as a prison employee.

Benefit: one-half of average final compensation plus 2% for each year of service earned after qualification for retirement.

APPENDIX C  
SUMMARY OF PROGRAM AND PLAN PROVISIONS

Form of Payment: Life annuity.

*vi. 1998 Special Plan*

1998 Entrants: State prison employees, airline pilots, forest rangers and liquor inspectors, employed after 8/31/84; defense, veterans and emergency management firefighters employed on and after 7/1/98.

2000 Entrants: Baxter State Park Authority rangers, correctional employees and state fire marshals employed on or after 1/1/2000.

2002 Entrants: Capitol security officers and oil and hazardous materials emergency response workers.

Eligibility: Ten years of creditable service under the 1998 Special Plan in one or a combination of the covered capacities and the attainment of age 55 – OR – 25 years of creditable service in one or a combination of the covered capacities.

Benefit: For service prior to coverage in the 1998 Special Plan, 1/50 of average final compensation multiplied by years of service reduced for retirement before age 60 or 62, except oil and hazardous materials emergency response workers and certain prison employee benefits are reduced for retirement before age 55.

-AND-

For service under the 1998 Special Plan, 1/50 of average final compensation multiplied by years of service reduced for retirement before age 55.

Form of Payment: Life annuity.

*vii. 25 & Out Plan*

1998 Entrants: State police employed on or after 9/16/84 and special agent investigators hired before 6/21/82.

2002 Entrants: Inland fisheries and wildlife officers and marine resources officers employed on and after 8/31/84.

Eligibility: 25 years of creditable service in named positions.

Benefit: 1/50 of average final compensation multiplied by years of service.

Form of Payment: Life annuity.

Members in Special Plans who fail to qualify for special plan benefits can receive regular plan benefits when and as eligible and qualified.

**6. Disability Retirement Benefits Other Than No Age Benefits (See Item 7):**

Eligibility: Disabled as defined in the MainePERS statutes prior to normal retirement age; employed prior to October 16, 1992 and did not elect No Age Disability Benefits.

**APPENDIX C**  
**SUMMARY OF PROGRAM AND PLAN PROVISIONS**

Benefit: 66 $\frac{2}{3}$ % of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with Worker's Compensation and Social Security, exceeds 80% of average final compensation.

Form of Payment: Payment begins on termination of service and ceases on cessation of disability or after five or two years, depending on disability plan, unless the member is unable to engage in any substantially gainful activity, in which case payments cease on the earlier of ten years following normal retirement age or on the date the service retirement benefit equals or exceeds the disability benefit.

Conversion to Service Retirement: During the period of disability, average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 66 $\frac{2}{3}$ % of average final compensation or ten years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

**7. No Age Disability Retirement Benefits**

Eligibility: Disabled as defined in the MainePERS statutes; employed on or after October 16, 1992 or employed prior to October 16, 1992 and elected the provisions of No Age Disability.

Benefit: 59% of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with Worker's

Compensation and Social Security, exceeds 80% of average final compensation.

Form of Payment: Payment begins on termination of service and ceases on cessation of disability or after five or two years, depending on disability plan, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit equals or exceeds the disability benefit.

Conversion to Service Retirement: During the period of disability, average final compensation is increased with cost-of-living adjustments and service is credited. On the date when service benefits reach a level of 59% of average final compensation, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

**8. Pre-Retirement Ordinary Death Benefits:**

Eligibility: Death while active, inactive eligible to retire, or disabled.

Benefit: Designated beneficiary, spouse, child(ren), or parents entitled to benefit calculated as if deceased member had retired under Option 2 (see item 12); however, beneficiary may elect survivor benefits payable to a surviving spouse, dependent child(ren), parent, or other designated beneficiaries in monthly amounts varying by status of beneficiary and number of eligible survivors. Otherwise accumulated contributions with interest are payable to designated beneficiary, spouse, child(ren), older parents, or estate.

**APPENDIX C**  
**SUMMARY OF PROGRAM AND PLAN PROVISIONS**

**9. Pre-Retirement Accidental Death Benefits:**

Eligibility: Death while active or disabled resulting from an injury received in the line of duty.

- If the member is survived by a spouse who has the care of dependent child(ren) of the member, the surviving spouse shall receive an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive 2/3 of member's average final compensation until death.
- If the member is survived by a spouse who does not have the care of the member's dependent child(ren), the surviving spouse and dependent child(ren) shall share equally an annual sum equal to the member's average final compensation. When there is no longer any dependent child, the surviving spouse shall receive 2/3 of member's average final compensation until death.
- If the member leaves no spouse, the dependent child(ren) shall be paid an annual sum equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

**10. Refund of Contributions:**

Eligibility: Termination of service without retirement or death.  
Benefit: Member's accumulated contributions with interest.

**11. Cost-of-Living Adjustments:**

All service and disability retirement and survivor benefits are adjusted each year that there is a percentage change in the Consumer Price Index, based on the Index.

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for twelve months. The maximum annual increase or decrease is 4%. Average final compensation used in determining disability benefits for disabled members is similarly adjusted for purposes of determining the recipient's service retirement benefit if and when the recipient moves to service retirement.

Members on service retirement who did not have ten years of service on July 1, 1993 will not receive a cost-of-living adjustment until 12 months after their normal retirement age.

**12. Methods of Payment of Service Retirement Benefits:**

At retirement, a member who retires with a benefit must choose from the following methods of payment:

Full Benefit: Unadjusted benefit paid for the life of the member only.

Option 1: Cash refund equal to the remaining employee contribution balance, if any, at the date of death (where the employee contribution balance has been reduced each month by the portion of the monthly benefit deemed to be provided by employee contributions).

Option 2: 100% joint and survivor annuity.

**APPENDIX C**  
**SUMMARY OF PROGRAM AND PLAN PROVISIONS**

Option 3: 50% joint and survivor annuity.

Option 4: Joint and survivor annuity at any percentage other than those available under Option 2 and Option 3.

Option 5: Designated percentage of the benefit (not less than 51%) payable to the member, with the remaining percentage (the two to equal 100%) payable to a beneficiary (may only be a sole beneficiary) while both are alive. At the death of either, the higher of the two percentages is paid to the survivor for the survivor's life, and the lower-percentage benefit ceases to be paid.

Option 6: 100% joint and survivor annuity (Option 2) with pop-up\*.

Option 7: 50% joint and survivor annuity (Option 3) with pop-up.\*

Option 8: Option 4 with pop-up\*.

\* The "pop-up" feature attached to a given Option means that in the case of a beneficiary predeceasing the member, the member's benefit will be revised prospectively to the amount that the benefit would have been had the member selected Full Benefit payment upon retirement.