

2008

Comprehensive Annual Financial Report



For the Fiscal Year Ended June 30, 2008

MainePERS
A Component Unit of the State of Maine

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

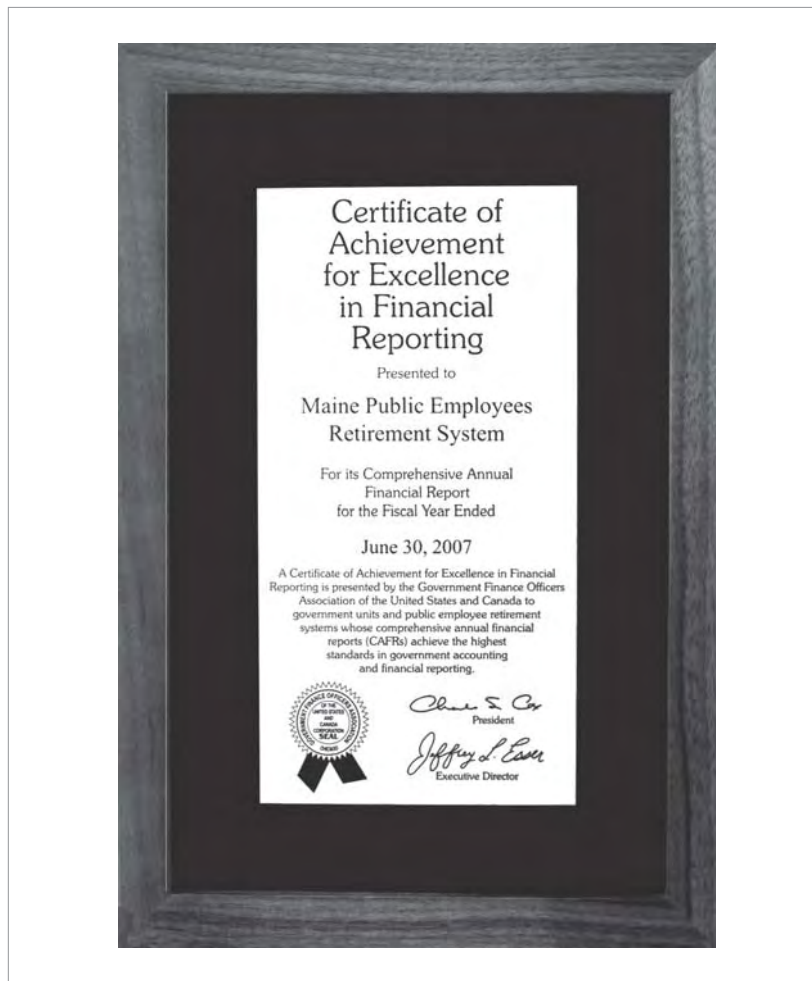
A Component Unit of the State of Maine

46 State House Station
Augusta, Maine 04333

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
JUNE 30, 2008

This report was prepared by the Financial, Administrative and Investment staff of the Maine Public Employees Retirement System.



Public Pension Coordinating Council

**Recognition Award for Funding
2008**

Presented to

Maine Public Employees Retirement System

In recognition of meeting professional standards for
plan funding as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2008

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**INTRODUCTORY
SECTION**



Gail Drake Wright, *Executive Director*
 John C. Milazzo, *Chief Deputy Executive Director*
 and *General Counsel*

BOARD OF TRUSTEES

Peter M. Leslie, *Chair*
 Catherine R. Sullivan, *Vice Chair*
 George A. Burgoyne
 David G. Lemoine, *State Treasurer, ex-officio*
 Richard T. Metivier
 Carol L. Mitchell
 Benedetto Viola
 Kenneth L. Williams

LETTER OF TRANSMITTAL

December 4, 2008

In accordance with the requirements of 5 M.R.S.A. §17102, I am pleased to present the Comprehensive Annual Financial Report ("CAFR" or "Annual Report") of the Maine Public Employees Retirement System ("MainePERS" or the "System") for the fiscal year ended June 30, 2008. Please note that the name of the System was changed by statute from the Maine State Retirement System to the Maine Public Employees Retirement System in September 2007. This CAFR, taken as a whole, provides details on all aspects of the System. It is written so as to conform to the requirements of the Governmental Accounting Standards Board (GASB). Management of the System takes full responsibility for the accuracy, completeness and fairness of the representations made in this report.

FUNDING OF RETIREMENT PLANS AND GROUP LIFE INSURANCE PLAN

The System's defined benefit retirement plans are by far the dominant element in its financial activities and position. The design of defined benefit plans presupposes that the return on invested contributions will supply a significant amount of the benefit funding resources of such plans. When the investment markets do not provide the return expected, the resulting funding shortfall must be made up by employer contributions. For this reason, the performance of the investment markets is the single most significant factor affecting the financial activities or position of the System, and the effects of market performance flow through to contributions made by its participating employers.

As with all actuarially-funded defined benefit plans, the System utilizes actuarial methods and procedures that integrate short-term market behavior with the very long demographic time horizon of the plan. This actuarial "smoothing" of investment results moderates the volatility of employer contribution requirements. Finally, while investment market performance affects plan funding requirements, it does not affect benefits being paid or to be paid in the future. The basic defined benefit retirement plan equation provides that, over the long term, contributions plus investment earnings must be equal to benefits.

The interplay of liabilities (i.e., the obligation to pay benefits) and assets (i.e., contributions and investment earnings thereon) can be seen in the plan's actuarial funded ratio and changes in funded ratios over time. The funded ratio of the State Employee and Teacher Program has improved steadily and consistently since the mid-1980s, though it has been affected by poor investment markets in a few of those years. The actuarial funded ratio of those plans at June 30, 2008 was 74.0 percent compared to 73.9 percent in 2007.

The Judicial Program was slightly overfunded last year and remains so this year. The greater than 100 percent funded status of the Consolidated Plan for Participating Local Districts (PLDs) continues and reflects the circumstances and structure of the plan and relatively recent inception. Information regarding

overall funding progress appears in the MD&A on page 19. More information on the funding levels of all of the System's retirement programs can be obtained from the System.

The System also operates a program of defined contribution retirement plans under sections 401(a), 403(b) and 457(b) of the Internal Revenue Code, collectively referred to as MaineSTART. At the conclusion of fiscal year 2008, there were 36 participating employers in MaineSTART, with 415 participants. While MaineSTART constitutes a small part of the System's retirement programs, we believe that it provides an important supplement for our defined benefit participants and a valuable alternative for our other members. MaineSTART offers a family of funds by Vanguard designed to be very low cost and enticingly easy to manage.

The Group Life Insurance Program is funded by premiums paid by its participants and the employers of those participants, and investment returns on reserves. The investment strategy for these reserves is the same strategy employed for the defined benefit plan assets. As a result of the System's extensive premium study and valuation of the Group Life Insurance Program, the funding structure of the plan and premium rates were revised and have been implemented in FY 2008.

Investments

Both the necessary inflows of employer and member contributions and healthy long-term returns from the investment of assets are essential to the sound funding of the defined benefit retirement programs administered by the System. The centerpiece of the investment policy is the mix of investment types in which assets are reinvested and the allocation of assets among asset classes. Until June 2008, under its investment policy, the permitted asset classes for the System's portfolio included domestic equities, international equities, Treasury Inflation Protected Securities (TIPS), real estate and infrastructure. In June, 2008, a new asset allocation was established that allocates additional investments in alternative strategies including private equity and provides for investment in opportunistic strategies. The System's Board of Trustees is responsible for establishing the policy that is the framework for investment of the plan assets. The Board employs in-house experts and outside investment consultants to advise it on investment matters, including policy. The Board's choice of asset classes reflects its assessment of expected investment return and the nature, level, and management of risk. The defined benefit plan assets perform two functions. They collateralize the benefits owed to participants, and they provide investment earnings. All benefit payments must eventually be funded from contributions or from investment earnings.

The defined benefit and group life insurance portfolio experienced a year of negative returns, following five consecutive years of positive returns, with an overall return of negative 3.1%. Total value of the portfolio decreased to \$10.5 billion at June 30, 2008 from \$11.0 billion at June 30, 2007. The decrease in investment income is primarily attributable to weakness in equity markets worldwide.

The 122nd Legislature enacted a law requiring the System to divest of non-commingled investments in companies doing business in the Republic of Sudan when it could be done in accordance with sound investment criteria and the Board's fiduciary responsibilities. The Board reported to the Legislature in December 2007 about its progress in this regard, and at that time, it had divested \$21 million of securities of firms determined to be in violation of the mandate. Staff of the System actively researches allegations of portfolio companies' involvement in Sudan, and regularly updates the list of prohibited investments, as well as lists of other companies whose alleged involvement requires ongoing attention.

The 123rd Legislature created an Investment Trust (Retiree Health Insurance Post-Employment Benefits Investment Trust) for the purpose of investing funds set aside by the State of Maine to cover Other Post Employment Benefits (OPEB) liabilities for retiree health insurance benefits for state employees and teachers. The Trustees of MainePERS were named Trustees for this Investment Trust with the responsibility of investing these funds. MainePERS received the first funds in FY08.

HIGHLIGHTS OF THE PAST YEAR

Effective September 20, 2007, by virtue of Chapter 58 of the Public Laws of 2007, the Maine State Retirement System became the Maine Public Employees Retirement System, or MainePERS. In proposing the change to a nomenclature that is more common across the country, the System wanted its name to be more representative and inclusive of all its constituencies, the common denominator being the term "public employees".

In Fiscal Year 2008, the System continued to refine its record-keeping data capabilities allowing for an expansion of the population of members receiving annual statements, including statements to members of the PLD, Legislative, and Judicial plans in calendar 2007. The long-awaited completion of legacy work in the area of service credit computations contributed to this increased capability as well. At the same time, data has continued to be cleansed and verified, enabling the identification and disposition of orphaned balances of long-inactive members.

As previously reported, the System launched a major project in 2006 to install a complete "line-of-business" technology system that will result in the automation of nearly all pension administrative services and functions. Vitech Systems Group was the vendor selected to deliver, configure, customize, and implement the line-of-business automated system. Currently, the System is preparing to test a shift of its critical benefits payroll functions from an obsolete legacy system to the new Vitech program, and other portions of the new technology are in various stages of design and development. Changes this year in our approach to the project mean that some functions will not be available until well into 2009; we made these changes in our current project priorities to provide the best assurance that mission critical functions will perform reliably and accurately throughout the transition and into the future. After recovering from a difficult start, this technology installation surpasses our expectations and is proceeding smoothly.

Throughout FY2008, the Board of Trustees conducted comprehensive asset/liability and asset allocation studies and as a result adopted a new asset allocation in June, 2008. The new allocation realigns equity holdings in domestic and international equities, moves a large percentage of fixed income assets from TIPS to a customized Lehman Aggregate portfolio, and creates a 20% allocation to alternative strategies, including infrastructure, private equity and enhanced real estate investments. The Board also created a 0-10% allocation to opportunistic strategies to allow for hybrid asset classes that do not fit into other traditional asset classes. The Board expects there to be a transition period of up to five years to be fully invested in this allocation.

Moving into more specialized and complex investments in the alternative and opportunistic areas has also resulted in Board decisions to enhance the investment department with additional staff having expertise in these areas.

In the past year the Board also participated in the first-ever educational program for new Trustees, facilitated by the Board's fiduciary governance consultant. Regular annual training in the complex area of Board governance and fiduciary responsibilities was also established and held.

RECENT DEVELOPMENTS

Along with all major investors, the Trustees are concerned about the turmoil in the financial markets and the negative effect on earnings that can be expected to flow from these chaotic events. Given that the recent volatility of the financial markets can make investors of all types uneasy, the System has taken care to reassure retirees that the defined benefits they receive are not directly affected by a decline in the stock market. The System Trustees operate under a carefully constructed investment policy that they believe balances the long range return on, and expected volatility of, the System's assets.

Once again, we are pleased to inform you that for the fourth consecutive year, the System was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, with contents that meet or exceed program standards. We are extremely proud that we are recognized for handling and accounting for your retirement funds in a manner that satisfies generally accepted accounting practices and all applicable legal requirements. We expect ourselves to be in compliance with all of the Certificate of Achievement Program requirements into the future. This 2008 CAFR will also be submitted to the GFOA.

ACKNOWLEDGMENTS

The System, through its management staff, is responsible for establishing and maintaining an internal control structure that is designed to provide reasonable assurance that assets are protected from theft, fraud, or misuse and that financial recordkeeping is complete and accurate. Management believes the existing internal accounting controls accomplish these objectives. An internal auditor works with both staff and the Board to ensure appropriate internal control procedures. Management is also responsible for the completeness, accuracy and fair presentation of financial information and for all disclosures. This responsibility notably encompasses the System's financial statements themselves, including the amounts therein that, necessarily, are based on estimates and judgments.

The preparation of this report has been a collaborative effort of senior management, the Accounting and Finance Department, the Investment Department and the Communications Department. The System takes responsibility for all of the information contained in the report and confidently presents it as a basis for the many decisions of the Board of Trustees, staff and others who will rely on it.

I am joined in transmitting this Comprehensive Annual Financial Report to all of our constituencies by the System's Director of Finance.

Respectfully submitted,



Gail Drake Wright
Executive Director



Sherry Tripp Vandrell
Director of Finance

Appendix A to Letter of Transmittal

OVERVIEW OF THE SYSTEM

The Maine Public Employees Retirement System (MainePERS) is an independent public agency of the State of Maine that traces its history to 1942. By the authority granted to it by the Maine Legislature, the System administers retirement programs that cover State employees, the State's public school teachers, judges, legislators, and employees of municipalities and other public entities, called "participating local districts" (PLDs) that have chosen to provide retirement plans through MainePERS. The System is also responsible for the payment of retirement and survivors' benefits to former governors and their surviving spouses and to judges who retired prior to the establishment of the Judicial Retirement Program in 1984. In addition, the System administers a Group Life Insurance Program that provides or makes available life insurance benefits for active and retired System members and for the employees of a few PLDs for whom MainePERS administers only the Group Life Insurance Program. The System also administers defined contribution plans for PLD employees.

Board of Trustees

Responsibility for the operation of the Maine Public Employees Retirement System is held by the System's Board of Trustees, which is comprised of eight members. State law specifies the Board's composition. Each individual appointed to serve as a trustee is subject to the legislative confirmation process. All appointed trustees are required to have "a working knowledge of retirement policy and legal issues and a general knowledge and understanding of banking, finance, and investment practices." Three trustees are System members, one of whom is proposed and elected by the Maine Education Association, one of whom is proposed and elected by the Maine State Employees Association, and one of whom is a PLD member proposed by the governing body of the Maine Municipal Association. The Governor in turn appoints these seats. Four other trustees are appointed by the Governor. Of these, one must be selected by the Governor from a list of nominees submitted by the Maine Retired Teachers Association and one must be a MainePERS retiree selected from a list of nominees submitted by State and/or PLD retirees. The remaining two appointees are direct gubernatorial appointments, both of whom must be qualified through training or experience in investments, accounting, banking or insurance or as actuaries. The eighth trustee is the State Treasurer, who serves ex-officio. All trustee terms are three years, except for the two-year term of the State Treasurer. The Board annually elects its chair and vice chair from among its members.

The MainePERS Trustees also serve as Trustees of the Judicial and Legislative Retirement Programs as well as for the Retiree Health Insurance Post-Employment Benefits Investment Trust.

The Board contracts for the services of an actuary to prepare annual valuations of the assets and liabilities of each of the retirement programs administered by the System. The actuary also provides information and recommendations as to sound and appropriate actuarial assumptions, which are utilized, together with valuation information, to determine the programs' funding requirements. The System's actuary in FYs 2007 and 2008 was the firm of Cheiron, Inc.

The Board's management of MainePERS investments is embodied in its investment policy. The policy states the Board's underlying investment objectives, sets out the investment strategies intended to realize the objectives, and establishes guidelines and criteria for implementation of the strategies. The Board currently contracts with the firm of Ennis Knupp & Associates to advise it on the investment policy and the carrying out of the investment program.

The Board is the final administrative decision maker in matters involving the rights, credits, and benefits of members. It has established an administrative appeals process for the making of such decisions; in this process relevant factual information and legal requirements are identified and analyzed by the Hearing Officers who serve under contract. In decisions on disability retirement appeals, statutorily established medical boards and individual medical advisors provide recommendations as to the medical aspects of disability. The Board's final administrative decisions are appealable to Superior Court.

Administration

The [Office of the Executive Director](#) has overall administrative responsibility for the System and its operations including all actuarial work, investments, accounting and financial functions, services and for the internal audit function. Actuarial work is carried out with the assistance of an actuary; investment operations are carried out with the assistance of the System's Chief Investment Officer and staff, one or more investment consultants, investment managers and other appropriate advisors. In addition, the Office performs the executive functions of the System, prepares and manages the administrative budget, and has day-to-day responsibility for legislative matters, appeals, federal, state, and local governmental relations, planning, process improvement, and numerous special projects.

The [Department of Service Programs](#) administers the service and disability retirement programs, MaineSTART defined contribution plans, employer programs, survivor benefit and group life insurance programs, and payrolls administration. The Department is the System's primary contact for members, participating employers, and benefit recipients.

The [Department of Administration](#) is responsible for most administrative and support functions, and consists of Communications, Facilities, Human Resources, and Information Technology units.

The System's primary responsibility is the administration of defined benefit retirement plans. Retirement and related benefits provided by MainePERS include:

- service retirement benefits, which provide retirement income to qualified members;
- disability retirement benefits, which provide income to a member who becomes disabled under MainePERS law while the member is in service and before the member retires; and
- death benefits, which are paid to a member's designated beneficiaries.

Administration of these programs includes financial administration, investments, recordkeeping of members' work and compensation data, and provision of retirement-related services to members, employers and retirees.

The System also administers the [MaineSTART](#) defined contribution retirement plans that are established under sections 401(a), 403(b), and 457(b) of the Internal Revenue Code. These plans are presently available to employees of those employers in the Consolidated Plan for PLDs that have adopted one or more of the plans.

The System itself and all of its programs are established by and operate within the scope of Maine statutes. The operation of the System's defined benefit retirement plans is also governed by provisions of the Maine Constitution, not all of which apply to all of the plans.

Membership and Contributions

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program. State employees are required by law to become members of MainePERS when hired. There is an exception to this rule for elected and appointed officials, for whom membership is optional. Public school teachers, other than substitute teachers, must also become members of MainePERS when hired. PLD employees

become members of MainePERS when they are hired if their employer participates as a PLD in MainePERS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees, membership is optional. These employees include those employed by their PLD before the PLD joined MainePERS, those whose employers provide Social Security under a federal law, elected and appointed officials, and chief administrative officers.

The Legislative Retirement Program, also administered by MainePERS, was established to provide a retirement program for those serving in the Maine Legislature. Except as provided by statute, membership in the Maine Legislative Retirement Program is mandatory for legislators entering service on or after December 3, 1986.

The Judicial Retirement Program was established to cover Maine's judges. Membership in the Judicial Retirement Program is a condition of employment for all judges serving on or after December 1, 1984.

All members of the System contribute a percentage of their compensation to the System. Each employer also contributes to the System an amount for the normal costs of the programs that is a percentage of total wages paid to members who are employees of that employer.

The State pays the normal cost employer contributions and unfunded actuarial liability contributions on behalf of all teacher members as well as all State employee members. These employer contribution percentages are actuarially determined by plan and vary from year to year.

The State's employer normal cost contributions, along with current member contributions, support benefits currently being earned by active members. The State's unfunded actuarial liability (UAL) contribution is payment on the amortized debt that represents the liability for benefits in excess of the amount supported by assets of the System. The Maine Constitution requires that the UAL be fully funded in not more than 31 years from July 1, 1997. The amortization period at the end of FY 2008 is 20 years, requiring full payment of the UAL by the end of FY 2028.

The System also administers pay-as-you-go retirement programs for judges who retired prior to the establishment of the Judicial Retirement Program in 1984 and governors and their surviving spouses. The programs are funded each biennium by a direct appropriation from the Legislature and in the case of active governors, by employee contributions required by statute.

The Group Life Insurance Program is provided or made available to all State employees, public school teachers, and the employees of those PLDs who elect to offer this coverage to their employees, as well as members of the Legislative and Judicial Retirement Programs. Basic coverage for the employee is equal to the employee's annual base compensation rounded up to the next \$1,000; supplemental coverage for the employee and coverage for dependents are also available.

Further details regarding program and plan provisions can be found elsewhere in this report in the actuarial valuation for each program.

Financial Reporting

Beginning in FY 2008, the System began drawing the funds formerly provided by the State of Maine to support its operating expenses directly from the trust funds. In the past, the State, as employer, contributed a certain amount for the System's administrative costs. Total operating expenses for staff and all other costs of operations, with the exception of certain investment related expenses required by law to be paid directly from investments, are allocated among the System's three employer/employee groups (i.e. State employees (including for this purpose judges and legislators), teachers, and PLDs). The System's administrative budget allocates these funds, is approved annually by the Board of Trustees, and is reported to the Legislature.

The System's financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis, in accordance with the standards and requirements of the Governmental Accounting Standards Board (GASB). The financial statements are presented in accordance with GASB Statement No. 25, Financial Reporting for Defined Benefit Plans, and GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments. Financial information presented throughout this Report is consistent with the financial statements. The financial statements are prepared on the accrual basis of accounting.

The System also has an Internal Audit program, staffed by one internal auditor. This program is currently focused on first-time, in-depth audits of internal controls in all of the departments at the System. The internal auditor presents audit reports to both management and the Audit Committee of the Board of Trustees.

The independent auditor, Baker Newman Noyes (BNN), has conducted an audit of the financial statements in accordance with, as stated in its audit report, generally

accepted auditing standards and including those tests and procedures BNN deemed necessary to express its opinion in its audit report.

The auditors have unrestricted access to the Board and the Board's Audit Committee to discuss the audit and their findings with respect to the integrity of the System's financial reporting and adequacy of the System's internal controls.

The System's defined benefit retirement plans are reported as an agent multiple employer plan. Separate actuarial valuations are performed for each of the retirement programs that the System administers; contributions, inflows, and benefits payments are separately tracked and recorded, and separate trust fund balances are attributed to each such program. The System reports the Group Life Insurance Program and the MaineSTART Defined Contribution plans as separate plans. The System's financial statements, notes thereto and required supplementary information are prepared accordingly. As additional supplementary information, the System includes with its financial statements a schedule that sets out in relevant detail the trust fund balances of the State Employee and Teacher Retirement Program, the Judicial Retirement Program, the Legislative Retirement System Program, and the Consolidated Plan for PLDs and the non-consolidated PLDs combined.

**BOARD OF TRUSTEES, MANAGEMENT STAFF,
and PRINCIPAL PROFESSIONAL CONSULTANTS
June 30, 2008**

BOARD OF TRUSTEES

Peter M. Leslie, Chair	Public Member, Governor's direct appointee
Catherine R. Sullivan, Vice Chair	Retired Teacher member, elected by the Maine Retired Teachers Association and appointed by the Governor
Carol L. Mitchell	Public member, Governor's direct appointee
Richard T. Metivier	MainePERS Participating Local District member, appointed by the Maine Municipal Association and the Governor
George A. Burgoyne	Retired MainePERS recipient member, nominated by retired State employees and Participating Local District retirees, appointed by the Governor
Benedetto Viola	State Employee member, elected by the Maine State Employees Association
Kenneth L. Williams	Teacher member, elected by the Maine Education Association
David G. Lemoine	State Treasurer, <i>Ex-officio</i> member

SENIOR ADMINISTRATIVE STAFF

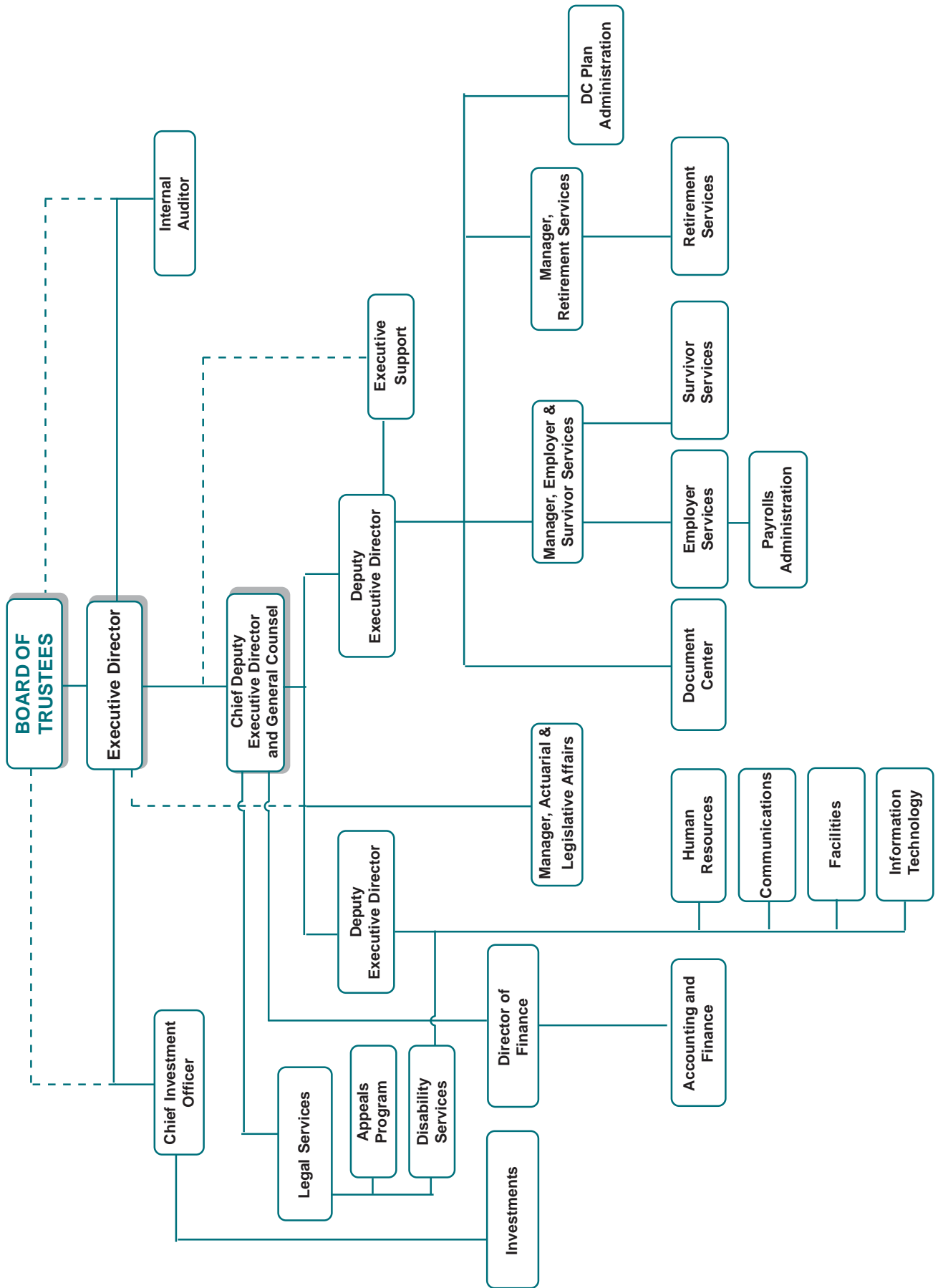
Gail Drake Wright	Executive Director
John C. Milazzo	Chief Deputy Executive Director and General Counsel
Andrew H. Sawyer, CFA	Chief Investment Officer
Christine S. Gianopoulos	Deputy Executive Director
Rebecca A. Grant	Deputy Executive Director
Sherry Tripp Vandrell	Director of Finance
Edward B. Creedon	Deputy Managing Director, Alternative Investments
Gary E. Emery	Deputy Managing Director, General Investments
Marlene McMullen-Pelsor	Manager, Payrolls Administration, Employer and Ancillary Services
Kathy J. Morin	Manager, Actuarial and Legislative Affairs
Vacant	Manager, Retirement Services

PRINCIPAL PROFESSIONAL CONSULTANTS

Actuary	Investment Consultant	Auditors	Internal Auditor
Cheiron, Inc.	Ennis Knupp + Associates	Baker Newman & Noyes, LLC	John F. Fleming

See page 72 for a list of professional investment management firms.

MainePERS Organizational Chart by Function



2008 Legislative Update

LEGISLATION ENACTED IN THE SECOND REGULAR AND FIRST SPECIAL SESSIONS OF THE 123RD LEGISLATURE

An Act to Clarify Retirement Programs for Participating Local Districts

PL 2007, Chapter 490 [L.D. #2150]

Effective Date: March 7, 2008

This bill makes changes to participation eligibility for both participating local district employees and entities that are interested in becoming participating local districts. Specifically, this bill makes System membership more readily available to individuals who have previously declined membership. It also gives more flexibility to entities that are joining/rejoining the System as a participating local district, and to existing participating local districts seeking to amend the terms of participation.

An Act to Improve the Codification of Retirement Plans Administered by the Maine Public Employees Retirement System

PL 2007, Chapter 491 [L.D. #2146]

Effective Date: June 30, 2008

This bill establishes a new referencing structure for the System and the programs and plans that it administers. Specifically, Maine Public Employees Retirement System, as the entity, will administer four retirement programs: the Judicial Retirement Program, the Legislative Retirement Program, the State and Teacher Retirement Program, and the Participating Local District Retirement Program. Each of these programs will consist of one or more retirement plans. This new referencing structure is intended to make clear whether benefits and provisions apply only to members of specific retirement programs, or whether those benefits and provisions apply more broadly. This new referencing structure will be incorporated into the System's communications and publications.

An Act to Allow Changes of Beneficiaries under the Maine Public Employees Retirement System

PL 2007, Chapter 523 [L.D. #1996]

Effective Date: March 27, 2008

This bill permits a retiree who has executed a one-time change in beneficiary, to subsequently revert back to the originally named beneficiary. When such a reversion is executed, there is an impact to the benefit that the beneficiary receives if predeceased by the retiree.

An Act to Correct the Law Regarding Portability of Pension Benefits for Law Enforcement Officers and Firefighters

PL 2007, Chapter 542 [L.D. #2177]

Effective Date: June 30, 2008

This bill corrects the portability provisions that were enacted by PL 2005, Chapter 636 (*see Summer 2006 Retirement News article*). The prior law was enacted in such a way that the System could not administer it. Under the provisions of this new bill, the eligibility for members in specific job classifications to purchase portability of retirement service credit is no longer linked to eligibility for subsidized retiree medical insurance, as established and enacted in the original bill.

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**FINANCIAL
SECTION**

BAKER | NEWMAN | NOYES LLC
Certified Public Accountants**INDEPENDENT AUDITORS' REPORT**

The Board of Trustees
Maine Public Employees Retirement System

We have audited the accompanying statement of fiduciary net assets of Maine Public Employees Retirement System (the System) (A Component Unit of the State of Maine) as of June 30, 2008 and the related statement of changes in fiduciary net assets for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information as restated has been derived from the System's 2007 financial statements and, in our report dated November 8, 2007, we expressed an unqualified opinion on the financial statements of the System.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the System as of June 30, 2008 and the changes in fiduciary net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 19 through 26 and the historical pension information on pages 54 through 58 are not required parts of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Maine Public Employees Retirement System's basic financial statements. The accompanying schedules on pages 59 and 60 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Portland, Maine
November 18, 2008

Baker Newman & Noyes
Limited Liability Company

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 Financial Report

Introduction

This Management Discussion and Analysis (MD&A) is prepared by the management staff of the Maine Public Employees Retirement System (MainePERS or the System) for the purpose of providing an overview of the System's financial statements.

Financial Reporting Structure

The System's financial statements are prepared on an accrual basis of accounting in accordance with Governmental Accounting Standards Board (GASB) pronouncements. The accrual basis of accounting requires the recognition and recording of financial transactions and other related events when they occur and not just in conjunction with the inflows and outflows of cash and other resources.

The total funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan. The System administers an agent multiple employer pension plan and reports its financial statements on an aggregated basis.

The System reports the Defined Benefit (DB) Plans, Defined Contribution (DC) Plans, the Group Life Insurance (GLI) Plan and the Retiree Health Insurance Investment Trust as separate funds and in separate columns in the financial statements. The Statement of Fiduciary Net Assets reports the balance of Net Assets held in trust for future benefits as of the fiscal year end, with comparative values reported as of the previous fiscal year end. The Statement of Changes in Fiduciary Net Assets reports the net change in Net Assets for the fiscal year, with comparative values reported for the previous fiscal year.

The Schedule of Funding Progress for the Defined Benefit Plans (Required Supplementary Information) presents a summary of the defined benefit retirement plans administered by the System. This Schedule compares the actuarial value of pension assets to actuarial accrued liabilities, as of actuarial valuation dates over a period of six years, and reports the unfunded actuarial accrued liability (UAAL). The Schedule also presents the actuarial funded ratio and the UAAL as a percentage of the covered payroll of all members.

The Schedule of Employers' Contributions (Required Supplementary Information) presents the annual required contributions as defined by GASB for all employers participating in MainePERS defined benefit plans and compares them to actual employer contributions, over a period of six years. It also provides the percentage of the required to actual contributions for each year.

The Schedule of Funding Progress for the Group Life Insurance Plan (Required Supplementary Information) compares the actuarial value of plan assets with actuarial liabilities, as of actuarial valuation dates over a period of six years, and presents the unfunded actuarial liability (UAL). The Schedule also presents the actuarial funded ratio.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 Financial Report
(continued)

Financial Highlights and Analysis

The Net Assets of the System in 2008 decreased by \$481 million (4.4%) from the prior year's Net Asset balance. This decrease was due primarily to \$359 million of Net Losses from Investment Activities during fiscal year 2008, coupled with increased benefits paid and other deductions. By comparison, Net Income from Investment Activities during fiscal year 2007 reflected an increase of \$1,542 million. As of June 30, 2008, approximately 41% of the System's assets were invested in domestic common stocks, 21% in foreign common stocks, 33% in index linked government bonds, and 5% in real estate, either with direct holdings or through investment in common/collective trusts.

The Net Assets of the System in 2007 had increased by \$1,458 million (15%) from the prior year's Net Asset balance. This increase was due primarily to \$1,546 million of Net Investment and Other Income during fiscal year 2007, offset by increased benefits paid and other deductions. By comparison, Net Investment Income during fiscal year 2006 was \$665 million. As of June 30, 2007, approximately 48% of the System's assets were invested in domestic common stocks, 20% in foreign common stocks, 27% in index linked government bonds, and 5% in real estate, either with direct holdings or through investment in common/collective trusts.

The following are the Condensed Comparative Statements of Fiduciary Net Assets and Condensed Comparative Statements of Changes in Fiduciary Net Assets for the System for the fiscal years ended June 30, 2008, 2007, and 2006:

Condensed Comparative Statements of Changes in Fiduciary Net Assets

(Dollar Values Expressed in Millions)

	June 30, 2008	June 30, 2007	June 30, 2006
ADDITIONS:			
Member Contributions	\$ 163.7	\$ 171.1	\$ 153.0
Employer Contributions	318.0	323.7	322.1
Net Investment and Other Income	(339.7)	1,546.2	665.2
Total Additions	\$ 142.0	\$ 2,041.0	\$ 1,140.3
DEDUCTIONS:			
Benefits	\$ 584.6	\$ 549.4	\$ 510.6
Other	38.9	34.0	29.2
Total Deductions	\$ 623.5	\$ 583.4	\$ 539.8
Net Increase (Decrease)	\$ (481.5)	\$ 1,457.5	\$ 600.5
Net Assets, Beginning of Year	\$ 11,030.3	\$ 9,572.8	\$ 8,972.3
Net Assets, End of Year	\$ 10,548.8	\$ 11,030.3	\$ 9,572.8

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 Financial Report
(continued)

Condensed Comparative Statements of Fiduciary Net Assets

(Dollar Values Expressed in Millions)

	June 30, 2008	June 30, 2007	June 30, 2006
Cash and Receivables	\$ 789.7	\$ 387.5	\$ 240.4
Investments at Fair Value	10,194.1	10,746.6	9,382.4
Securities Lending Collateral	2,689.8	3,031.7	2,673.9
Other Assets	4.9	4.2	3.7
Total Assets	\$ 13,678.5	\$ 14,170.0	\$ 12,300.4
Investment Purchases	\$ 198.8	\$ 71.5	\$ 24.8
Securities Lending Payable	2,689.8	3,031.7	2,673.9
Investment Management Fees Payable	6.7	7.3	6.6
Other Liabilities	234.4	29.2	22.4
Total Liabilities	\$ 3,129.7	\$ 3,139.7	\$ 2,727.6
Net Assets Held in Trust for Benefits	\$ 10,548.8	\$ 11,030.3	\$ 9,572.8

Assets

Total assets decreased \$491.5 million (3.5%) during 2008. This decrease is primarily attributable to a decrease in Investments at Fair Value combined with increased cash and the addition of the Retiree Health Insurance Trust Fund. The \$552.5 million (5.1%) decrease in Investments at Fair Value is attributable primarily to unfavorable equity markets in the United States and abroad. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. The System's custodian records an Investment Purchase or Sale Receivable between the time it enters into a trade and the time that trade is settled. The receivable for outstanding trades at June 30, 2008 was approximately \$64 million more than at June 30, 2007, due to the timing of investment purchases by the System's investment managers.

Total assets had increased \$1,870 million (15.2%) during 2007. This increase was primarily attributable to increases in equity investments. The \$1,364 million (14.5%) increase in Investments at Fair Value was attributable primarily to favorable equity markets. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity.

Refer to the [Investment Section](#) for more information on the System's investments.

Liabilities

The System's custodian records an Investment Purchase or Sale between the time it enters into a trade and the time that trade is settled. The outstanding trades at June 30, 2008 were approximately \$127 million more than at June 30, 2007, due to the timing of investment purchases by the System's investment managers. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. On June 30, 2008, the amount of loans outstanding in the securities lending program was approximately \$342 million less than at June 30, 2007.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 Financial Report

(continued)

Outstanding trades at June 30, 2007 were approximately \$47 million more than at June 30, 2006. On June 30, 2007, the amount of loans outstanding in the securities lending program was \$358 million more than at June 30, 2006.

Additions to Fiduciary Net Assets

Additions to fiduciary net assets during fiscal year 2008 totaled \$142 million, a decrease of 93% from the additions to fiduciary net assets in fiscal year 2007 which were \$2,041 million. This was largely due to the fact that investment income net of fees and other deductions decreased by 122% (\$1,885.9 million). The decrease in investment income is primarily attributable to poor equity returns. US equities fell more than 12%, while international equities fell 6.5%. These two asset classes alone account for approximately 62% of the MainePERS fund.

During fiscal year 2007, additions to fiduciary net assets totaled \$2,041 million, an increase of 79% from the additions to fiduciary net assets in fiscal year 2006. This was largely due to the fact that investment income net of fees and other deductions grew by 132.4% (\$881 million). The increase in investment income was primarily attributable to excellent equity returns. US equities rose more than 20%, while international equities rose nearly 30%. These two asset classes alone accounted for approximately 65% of the MainePERS fund.

Pension Contributions

The State's contributions on behalf of State employees totaled \$112.3 million, \$93.3 million, and \$89.5 million for fiscal years 2008, 2007, and 2006, respectively. The State's contributions on behalf of teachers totaled \$177.1 million, \$184.1 million, and \$174.2 million, for fiscal years 2008, 2007, and 2006, respectively.

An additional employer contribution is mandated by statute to be made when General Fund Surplus (GFS) monies designated for the purpose of funding the unfunded actuarial liability of the State Employee/Teacher Retirement Program exist at fiscal year end. There were no GFS monies available for this purpose at June 30, 2008 or June 30, 2007, but because GFS monies had been identified by the State at June 30, 2006, contributions of \$17 million were accrued by the System as an estimate of what the System would receive. Actual contributions received were \$17.5 million, slightly higher than the estimated amount. These additional contributions were allocated, according to System policy, in equal parts to the unfunded liabilities of the State employee and teacher plan.

The State's fiscal 2008 contribution on behalf of judges was \$1.2 million; in fiscal year 2007 this contribution was \$1.0 million. Based on the funding methodology used and considering the funded status of the Maine Legislative Retirement Plan, no employer contribution was required in fiscal years 2008 or 2007. For Participating Local Districts (PLDs) in the Consolidated Plan, the range of employer contributions as a percent of earnable compensation in fiscal year 2008 and in fiscal year 2007 was 1.5% to 6.5%. The Consolidated Plan's funded status and established funding approach results in employers of the Consolidated Plan currently paying less than what the true normal cost would otherwise require. The amount paid is never less than a base level that is appropriate given the then-current funding status. New entrants to the Consolidated Plan pay the true normal cost for a period of three years. The range of true normal cost in fiscal year 2008 was 3.6% to 16.8% across regular and special plans.

Member and employer data, contribution and benefit data for the 31 non-consolidated PLDs are specific to each PLD and are obtainable from the System. Contribution amounts for each of these membership groups are available at the System.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 Financial Report
(continued)

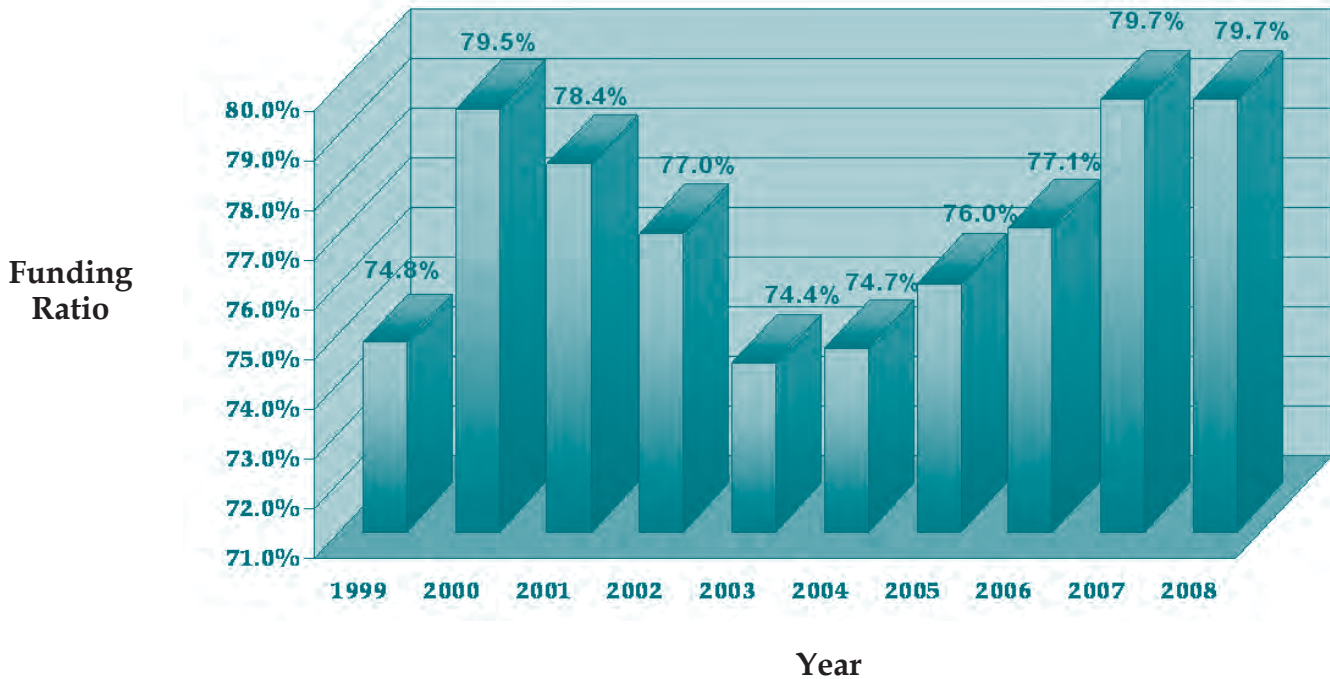
Deductions from Fiduciary Net Assets

Total deductions from fiduciary net assets during fiscal year 2008 increased by 6.9% (\$40.1 million). The fiscal year 2008 increase was due to the increased cost of benefits paid and refunds and withdrawals of contributions. The increase in benefits paid is the result of the annual application of a cost-of-living adjustment of 2.7% for State Employee/Teacher, Judicial and Legislative retirement programs as well as for participating local districts, and an increase in the number of retirees and beneficiaries receiving benefits. Benefit payments in 2008 exceeded contributions by \$103 million. Contributions totaled \$482 million, and benefit payments totaled \$585 million.

Total deductions from fiduciary net assets during fiscal year 2007 had increased by 8% (\$43.6 million). The fiscal year 2007 increase was due to the increased cost of benefits paid and refunds and withdrawals of contributions. The increase in benefits paid was the result of the annual application of a cost-of-living adjustment of 4.0% for State Employee/Teacher, Judicial and Legislative retirement programs and 4.3% for participating local districts, and a 2% increase in the number of retirees and beneficiaries receiving benefits. Benefit payments exceeded contributions in 2007 by \$54 million. Contributions totaled \$495 million, and benefit payments totaled \$549 million.

System Funding Status

**Funding
Progress**



MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2008 Financial Report

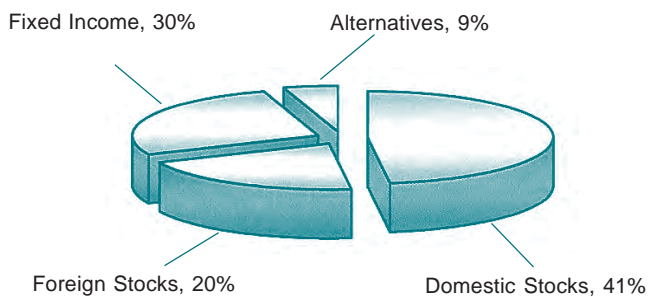
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At June 30, 2008, the State/Teacher and PLD defined benefit plans were actuarially funded at 79.7% which is the same as the actuarial funding level of 79.7% at June 30, 2007. As illustrated in the chart, the actuarial funded ratio of the System increased significantly from 1999 to a peak of 79.5% in 2000 after which there was a decline over the following three years to 74.4% at the end of fiscal year 2003. The decline was due primarily to the investment markets. It remained steady in 2004, then was followed by smaller incremental increases in 2005, 2006, and in 2007.

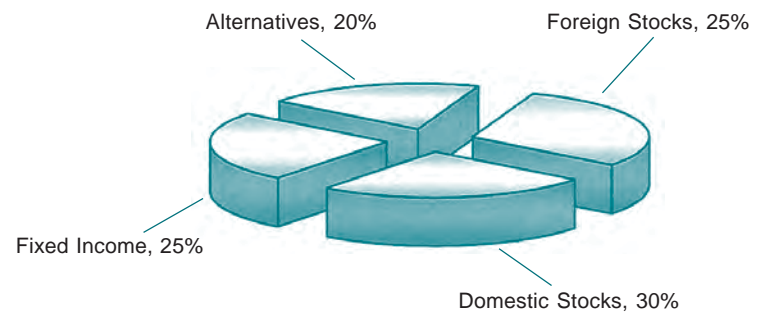
Investments

The assets of all the defined benefit retirement plans that the System administers and those of the Group Life Insurance plan are commingled for investment purposes. Investments of the Retiree Health Investment Trust are invested following the same Target Asset Allocation but are not commingled with the assets of the defined benefit retirement plans and the Group Life Insurance plan.

Target Asset Allocation Thru June 11, 2008



Target Asset Allocation Effective June 12, 2008



Essentially all of the assets administered by the System in its investment portfolio are currently invested in five asset classes: publicly traded domestic stocks, publicly traded foreign stocks, cash and cash-like securities, fixed income, and alternatives. Publicly traded derivative securities are used in some portfolios to emulate one or more of the five asset classes. At the June 12, 2008 meeting of the Board of Trustees new strategic target allocations were established. The new targets are 30% for domestic stocks, 25% for foreign stocks, 25% for fixed income, and 20% for alternative investments. Alternative investments include private equity, infrastructure, and real estate. In addition to these targets the board approved an allocation to "opportunistic strategies" of up to 10%, but no target was set. Opportunistic strategies are investment strategies that do not fit into one of the other broad asset classes for which the Board of Trustees has set an explicit target. The Board of Trustees anticipates that it may take three to five years to fully reach the new asset allocation targets. Prior to June 12, 2008, the System's allocation policy was 41% for domestic stocks, 20% for foreign stocks, 30% for fixed income and 9% for alternative investments. Essentially all of the assets invested by the System are in portfolios managed by professional investment management firms. These managers act as fiduciaries and invest the assets assigned to them in accordance with the Board's investment policy and their separate contractual arrangements. At June 30, 2008, total assets in these portfolios (together with the amounts otherwise managed) were \$10.8 billion. The total assets as of June 30, 2007 were \$11.0 billion. The investment return for the fiscal year ending June 30, 2008 was negative 3.1%. The investment return for the fiscal year ending June 30, 2007 was positive 16.2%. Investment returns in fiscal year 2008 were less than in 2007 primarily because approximately 62% of the System's portfolio was invested in equity markets, which performed poorly. In 2008 the System's index linked government bonds investments returned 17.4%, compared to 3.4% in 2007. Over the five and ten year periods ended June 30, 2008, the average annual investment return was positive 9.5% and positive 5.6%, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 Financial Report
(continued)

System Membership

The following membership counts derive from actuarial valuation data:

	June 30		Percentage change
	2008	2007	
Current active participants:			
Vested and nonvested	51,402	52,060	-1.3%
Terminated participants			
Vested	8,193	7,852	4.3%
Retirees and beneficiaries receiving benefits	34,182	33,586	1.8%
Total Membership	93,777	93,498	0.3%

The number of State employees at June 30, 2008 in the Regular and Special plans was 14,334, a decrease of 138 from June 30, 2007. The number of Teachers at June 30, 2008 was 27,227, a decrease of 485 from June 30, 2007. Membership for judges was 59, a decrease of 1 from the previous year. Membership for Legislators was 170, the same as June 30, 2007. The Consolidated Plan for Participating Local Districts (PLDs) offers 11 retirement plans. Each PLD participating in the Consolidated Plan chooses the plan or plans under which its employees will be covered. Membership in the Consolidated Plan at June 30, 2008 was 9,612, a decrease of 34 from June 30, 2007.

Group Life Insurance Plan

The following summarized data is derived from actuarial valuation data for the Group Life Insurance Plan.

Group Life Insurance Plan Actuarial Data			
<i>(Dollar Values Expressed in Millions)</i>			
	June 30		
	2008	2007	2006
Actuarial Value of Assets	\$52.0	\$50.6	\$43.5
Actuarial Liability	\$133.2	\$135.5	\$129.8
Unfunded Actuarial Liability	\$81.2	\$84.9	\$86.3

Defined Contribution Plans

The Section 401(a), Section 457, and Section 403(b) Plans administered by the System's Board of Trustees are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of employees of PLDs that elect to participate in the Defined Contribution Plans. Contributions may be made to the Plans subject to plan and Internal Revenue Code limitations. Investments in the Defined Contribution Plans are individually directed and controlled by plan participants.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2008 Financial Report
(continued)

Retiree Health Investment Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the Fund for the purpose of accumulating assets to provide funding to the State's unfunded liability obligations for retiree health benefits. The Trustees of the Maine Public Employees Retirement System were named Trustees of the Investment Trust Fund. The assets in the Investment Trust Fund are unrelated to and not available to pay plan benefits and therefore are reported as an asset and liability in the accompanying statement of fiduciary net assets. At June 30, 2008, the value of this fund was \$98,406,714.

Currently Known Facts, Decisions, or Conditions

The 123rd Legislature created an Investment Trust for the purpose of investing funds set aside by the State of Maine to cover OPEB liabilities for retiree health insurance benefits for State employees and teachers. The Trustees of MainePERS were named Trustees for this Trust with the responsibility of investing these funds. MainePERS received the first of these funds in January 2008.

The law requiring divestiture of companies doing business in Sudan has resulted in the divestiture of \$21.1 million. Investment managers are presently prohibited from holding equities in a total of 128 corporations.

Requests for Information

Questions concerning this Management Discussion and Analysis, other parts of the System's financial statements or the System's financial activities should be directed to Maine Public Employees Retirement System, Sherry Tripp Vandrell, Director of Finance, at 46 State House Station, Augusta, Maine 04333 or at (207) 512-3100; toll-free (800) 451-9800.

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STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
With Summarized Information as of June 30, 2007

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
Assets:			
Cash and cash equivalents (note 3)	\$ 562,304,893	\$ 6,076,785	\$ 20,198
Investments at fair value (notes 3 and 4):			
Debt securities:			
U.S. Government and government agencies	3,845,076,055	17,653,520	–
Corporate	381,295,815	1,807,951	–
Foreign government bonds	–	–	–
Common equity securities	1,982,196,024	9,368,068	–
Preferred equity securities	6,408,764	30,548	–
Common/collective trusts	3,820,954,689	18,020,298	7,359,771
Real estate/mortgages	<u>5,546,016</u>	<u>6,135</u>	<u>–</u>
Total investments	10,041,477,363	46,886,520	7,359,771
Receivables:			
State and local agency contributions and premiums (notes 6 and 7)	9,782,721	496,961	9,123
Accrued interest and dividends	23,010,883	53,843	–
Due from brokers for securities sold	<u>187,206,455</u>	<u>692,732</u>	<u>–</u>
Total receivables	220,000,059	1,243,536	9,123
Collateral on loaned securities (note 5)	2,677,164,314	12,625,726	–
Fixed assets, net of accumulated depreciation	<u>4,742,261</u>	<u>155,431</u>	<u>–</u>
Total assets	13,505,688,890	66,987,998	7,389,092
Liabilities:			
Accounts payable	4,854,324	23,337	–
Due to brokers for securities purchased	198,087,386	714,143	–
Securities sold not yet purchased	111,361,118	–	–
Other liabilities	18,145,989	1,588,973	5,752
Accrued investment management fees	6,643,477	31,331	–
Amounts held for Retiree Health Insurance Investment Trust (note 9)	–	–	–
Obligations under securities lending activities (note 5)	<u>2,677,164,314</u>	<u>12,625,726</u>	<u>–</u>
Total liabilities	<u>3,016,256,608</u>	<u>14,983,510</u>	<u>5,752</u>
Net assets held in trust for benefits (information on funding progress is shown on pages 54 - 55)	<u>\$ 10,489,432,282</u>	<u>\$ 52,004,488</u>	<u>\$ 7,383,340</u>

See accompanying notes.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008
With Summarized Information as of June 30, 2007
(continued)

Retiree Health Insurance Trust	2008 Total	2007 Summarized (Restated) (Note 10)
\$ —	\$ 568,401,876	\$ 216,279,408
—	3,862,729,575	3,245,953,155
—	383,103,766	469,014,072
—	—	14,590,050
—	1,991,564,092	2,916,435,939
—	6,439,312	18,705,587
98,406,714	3,944,741,472	4,076,096,632
—	<u>5,552,151</u>	<u>5,788,657</u>
98,406,714	10,194,130,368	10,746,584,092
—	10,288,805	11,354,634
—	23,064,726	35,969,810
—	<u>187,899,187</u>	<u>123,912,431</u>
—	221,252,718	171,236,875
—	2,689,790,040	3,031,736,933
—	<u>4,897,692</u>	<u>4,176,434</u>
98,406,714	13,678,472,694	14,170,013,742
—	4,877,661	2,016,380
—	198,801,529	71,487,698
—	111,361,118	—
28,347	19,769,061	27,147,725
16,569	6,691,377	7,320,348
98,361,798	98,361,798	—
—	<u>2,689,790,040</u>	<u>3,031,736,933</u>
98,406,714	<u>3,129,652,584</u>	<u>3,139,709,084</u>
\$ <u>—</u>	\$ <u>10,548,820,110</u>	\$ <u>11,030,304,658</u>

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
Additions:			
Investment income:			
From investing activities:			
Net (depreciation) appreciation in the fair value of plan investments	\$ (539,909,370)	\$ (2,706,855)	\$ (480,546)
Interest	160,414,481	756,580	-
Dividends	57,205,142	269,784	-
Less:			
Investment expenses	<u>(34,447,266)</u>	<u>(165,576)</u>	<u>(31,474)</u>
Net (loss) income from investing activities	(356,737,013)	(1,846,067)	(512,020)
From securities lending activities:			
Securities lending income	140,001,083	660,257	-
Securities lending expenses:			
Borrower rebates	(117,286,282)	(553,132)	-
Management fees	<u>(3,406,996)</u>	<u>(16,068)</u>	<u>-</u>
Total securities lending expenses	<u>(120,693,278)</u>	<u>(569,200)</u>	<u>-</u>
Net income from securities lending activities	<u>19,307,805</u>	<u>91,057</u>	<u>-</u>
Total net investment (loss) income	(337,429,208)	(1,755,010)	(512,020)
Contributions and premiums (notes 6 and 7):			
Members	150,522,802	12,006,708	1,181,618
State and local agencies	<u>317,757,236</u>	<u>220,933</u>	<u>16,583</u>
Total contributions	<u>468,280,038</u>	<u>12,227,641</u>	<u>1,198,201</u>
Total additions	130,850,830	10,472,631	686,181
Deductions:			
Benefits paid, net	576,345,663	8,210,909	-
Refunds and withdrawals	27,308,551	20,511	570,014
Claims processing expenses (note 7)	-	621,203	-
Administrative expenses	<u>10,179,823</u>	<u>220,933</u>	<u>16,583</u>
Total deductions	<u>613,834,037</u>	<u>9,073,556</u>	<u>586,597</u>
Net (decrease) increase	(482,983,207)	1,399,075	99,584
Net assets held in trust for benefits:			
Beginning of year	<u>10,972,415,489</u>	<u>50,605,413</u>	<u>7,283,756</u>
End of year	\$ <u>10,489,432,282</u>	\$ <u>52,004,488</u>	\$ <u>7,383,340</u>

See accompanying notes.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2008
With Summarized Information for the Year Ended June 30, 2007
(continued)

<u>2008</u> <u>Total</u>	<u>2007 Summarized</u> <u>(Restated) (Note 10)</u>
\$ (543,096,771)	\$ 1,366,543,447
161,171,061	143,769,128
57,474,926	55,972,196
<u>(34,644,316)</u>	<u>(23,842,329)</u>
(359,095,100)	1,542,442,442
140,661,340	163,628,678
(117,839,414)	(159,156,108)
<u>(3,423,064)</u>	<u>(670,694)</u>
<u>(121,262,478)</u>	<u>(159,826,802)</u>
<u>19,398,862</u>	<u>3,801,876</u>
(339,696,238)	1,546,244,318
163,711,128	171,062,854
<u>317,994,752</u>	<u>323,619,962</u>
<u>481,705,880</u>	<u>494,682,816</u>
142,009,642	2,040,927,134
584,556,572	549,408,341
27,899,076	22,248,474
621,203	613,321
<u>10,417,339</u>	<u>11,135,484</u>
<u>623,494,190</u>	<u>583,405,620</u>
(481,484,548)	1,457,521,514
<u>11,030,304,658</u>	<u>9,572,783,144</u>
<u>\$ 10,548,820,110</u>	<u>\$ 11,030,304,658</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

1. Overview of the Maine Public Employees Retirement System Benefit Plans

Background

The Maine Public Employees Retirement System (the System), which is a component unit of the State of Maine, is the administrator of a public employee retirement system established and administered under the Laws of the State of Maine. The System was formerly named the Maine State Retirement System. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes) and employees of 272 local municipalities and other public entities (participating local districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

Individual PLDs are permitted by law to withdraw from participation in the System. Withdrawal precludes the PLDs' nonmember employees, if any, and its employees hired subsequent to withdrawal from membership in the System. Depending on the circumstances and requirements of the PLDs participation under the System, a withdrawn PLD has continuing funding obligations after withdrawal with respect to its employees who are active members at time of withdrawal and who continue to be members thereafter, to its terminated vested employee members, and to its former employee members who are retired at the time of withdrawal.

Defined Benefit Plan

Pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan. Management's interpretation of the State of Maine statutes is that the System is administering an agent multiple employer plan for financial reporting purposes.

At June 30, the membership counts are as follows:

System Membership	<u>2008</u>	<u>2007</u>
Current participants:		
Vested and nonvested	51,402	52,060
Terminated participants:		
Vested	8,193	7,852
Retirees and beneficiaries receiving benefits	<u>34,182</u>	<u>33,586</u>
	93,777	93,498

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

*(continued)*Group Life Insurance Plan

The Group Life Insurance Plan was established by the State Legislature to provide group life insurance benefits, during active service as well as in retirement, to State employees, Teachers, members of the Judiciary and the Legislature, as well as Elected and Appointed Officers of the State, that are eligible for membership in the Maine Public Employees Retirement System. Group Life Insurance benefits are also provided to the employees of PLDs that elect to participate in the Group Life Insurance Plan. Employees are eligible for coverage under the Plan, subject to their membership in one or more of the aforementioned eligible employment classes and any other conditions of eligibility that the Board of Trustees of the System may prescribe by rule or decision.

Group Life Insurance funds managed by the System are held in trust for the payment of benefits to participants and/or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System maintains separate reserves and accounts for each of the employment classes and a single actuarial valuation for the plan is performed that provides separate data for each of the five classes.

At June 30, 2008, the Group Life Insurance participant levels for each employment class are as follows:

	<u>Group Life Insurance Participants</u>					<u>Totals</u>
	<u>State</u>	<u>Teachers</u>	<u>Judges</u>	<u>Legislators</u>	<u>PLD</u>	
Actives	13,907	14,116	59	4	5,945	34,031
Retirees	<u>7,396</u>	<u>5,204</u>	<u>31</u>	<u>33</u>	<u>2,254</u>	<u>14,918</u>
	<u>21,303</u>	<u>19,320</u>	<u>90</u>	<u>37</u>	<u>8,199</u>	<u>48,949</u>

Defined Contribution Plans

The Section 401(a), Section 457, and Section 403(b) Plans administered by the System's Board of Trustees are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of employees of PLDs that elect to participate in the Defined Contribution Plans. Contributions may be made to the Plans by Plan participants subject to Plan and Internal Revenue Code limitations. At June 30, 2008, there were nine employers participating in the Section 401(a) Plans with 87 plan participants and 33 employers participating in the Section 457 Plans with 265 plan participants. One employer participates in the Section 403(b) Plan with 77 plan participants.

Investments in the Defined Contribution Plans are individually directed and controlled by plan participants.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

*(continued)***2. Summary of Significant Accounting Policies***Basis of Accounting*

The System's financial statements are prepared using the accrual basis of accounting.

Revenue Recognition

Pension contributions and group life insurance premiums are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Contributions to Defined Contribution Plans are recognized in the period they are contributed. Investment income is recognized when earned.

Net investment income includes net appreciation (depreciation) in the fair value of investments, interest and dividend income, foreign currency transaction gains and losses, and securities lending income, less investment expenses, which include investment management and custodial fees and all other significant investment related costs. Investment income and expenses are recorded on the accrual basis.

Benefits and Refunds

Pension and group life insurance benefits and contributions and premium refunds to the System's members and beneficiaries are recognized as deductions when due and payable in accordance with the terms of the statutes. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits payable and incurred but not reported are reflected as other liabilities. Distributions from Defined Contribution Plans are recognized in the period the disbursement is made.

Investments

Investments are reported at fair value. Debt and equity securities that are traded on recognized exchanges are valued at the last sales price and the current exchange rates on the reporting date. Other regularly traded securities, including derivatives, are valued by the System's custodians through a variety of external sources. Investments that do not have an established market are reported at estimated fair value. The fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

Due to/from Brokers

Amounts due to/from brokers for securities purchased or sold consist of trades not yet settled.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments that have a maturity of 90 days or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

*(continued)*Administrative Expenses

The cost of administering the Plans is paid out of the assets of the Plans.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make significant estimates and assumptions. These estimates affect the reported amounts of net assets held in trust for benefits at the date of the financial statements, the actuarial information included in the required supplementary information as of the actuarial information date, the changes in net assets during the reporting period and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Risks and Uncertainties

The System makes investments in accordance with the Board of Trustees' investment policy in a combination of equities, fixed income securities, derivative financial instruments, other investment securities and mutual funds and common/collective trusts holding such investments. The investment policy specifically prohibits investment managers from using derivative financial instruments to introduce leverage without specific prior approval by the Board. Investment securities and securities underlying certain investments are exposed to various risks, such as interest rate risk, market risk, custodial credit risk and credit risk. Investments in the Defined Contribution Plans are individually directed and controlled by plan participants. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, changes in the values of investment securities are likely to occur in the near term and it is at least possible that such changes could materially affect the amounts reported in the statement of fiduciary net assets and the statement of changes in fiduciary net assets.

Employers' contributions to the Defined Benefit Plan are established by an actuarial valuation on the basis of actuarial assumptions related to economic indicators (e.g., interest rates, inflation rates), and member and retiree compensation and demographics. By law, the assumptions are adopted by the Board of Trustees based on recommendation of the System's actuary. The System is also required by Maine law to perform an actuarial experience study whenever the Board of Trustees, on recommendation of its actuary, determines such a study to be necessary for actuarial soundness or prudent administration.

3. Cash and Investments

Custodial credit risk is the risk that in the event of a financial institution failure, the System's deposits may not be returned to it. Cash and cash-like securities are held at three institutions: Bangor Savings Bank, KeyBank National Association and Northern Trust Company. Balances in Bangor Savings Bank and KeyBank up to \$100,000 at June 30, 2008 are insured by the Federal Deposit Insurance Corporation (FDIC). Both Bangor Savings Bank and KeyBank mitigate custodial credit risk through use of securities repurchase arrangements. Other securities are held by a prime broker and may participate in short sales of securities.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Cash equivalents at Northern Trust are invested in the Government Short Term Investment Fund (GSTIF). The GSTIF is composed of short term debt securities held in a collective fund for the benefit of the System and other investors. All securities purchased in the GSTIF must either be payable on demand or have a maturity not exceeding eighteen months from the time of purchase. The System's custodial credit risk exposure for cash and investments at June 30 is summarized in the table below:

	<u>2008</u>	<u>2007</u>
Exposed to Custodial Credit Risk (uninsured and uncollateralized)	\$ 691,031	\$ 5,691,149
Not Exposed to Custodial Credit Risk	<u>10,761,841,213</u>	<u>10,957,172,351</u>
Total Fair Value	<u>\$ 10,762,532,244</u>	<u>\$ 10,962,863,500</u>

Amounts are not exposed to custodial credit risk (a) because the underlying investments are registered in the name of the System and held by the System's custodian or (b) because their existence is not evidenced by securities that exist in physical or book entry form.

These amounts are disclosed in the financial statements at June 30 as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 568,401,876	\$ 216,279,408
Investments	<u>10,194,130,368</u>	<u>10,746,584,092</u>
Total Fair Value	<u>\$ 10,762,532,244</u>	<u>\$ 10,962,863,500</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The following table summarizes the System's fixed income portfolio credit ratings for the fiscal years ended June 30, 2008 and 2007:

<u>Quality Rating</u>	<u>2008</u>	<u>2007</u>
AAA	\$ 577,201,622	\$ 440,523,160
AA+	1,850,277	40,727,175
AA	34,652,133	20,709,023
AA-	48,870,392	33,518,474
A+	18,642,214	50,007,365
A	24,839,827	12,185,515
A-	4,732,571	2,080,148
BBB+	8,581,728	10,663,301
BBB	11,340,706	2,600,000
BBB-	25,985,468	14,313,772
BB+	2,328,853	14,416,812
BB	5,923,576	15,236,191
BB-	9,695,808	10,085,582
B+	4,884,558	1,952,250
B	<u>5,715,367</u>	<u>8,613,898</u>
Total credit risk debt	785,245,100	677,632,666
U.S. Government & Agencies ⁽¹⁾	<u>3,460,588,241</u>	<u>3,051,924,611</u>
	<u>\$ 4,245,833,341</u>	<u>\$ 3,729,557,277</u>

(1) Includes securities issued by GNMA, which is explicitly guaranteed by the U.S. Government, and excludes securities issued by FHLMC and FNMA.

As a matter of practice, there are no overarching limitations for credit risk exposures in the portfolio. The System's contractual guidelines with each manager specify a level of tracking error. Tracking error is the standard deviation of the difference between the manager's return and the return of that manager's benchmark. The manager has the responsibility of determining the amount of credit risk that is compatible with the specified tracking error. In addition, the contractual guidelines generally specify credit quality limits that are appropriate for the portfolio's strategy. Managers may not hold unrated securities, unless the security is downgraded subsequent to purchase, in which case the manager has a period of time to divest the security.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. As of June 30, 2008 and 2007, the System did not have investments in any one organization, other than the U.S. government, which represented greater than 5% of plan net assets.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All of the System's fixed income portfolios are managed in accordance with contractual guidelines. These guidelines specify a level of tracking error. The investment manager has the responsibility of determining the amount of interest rate risk that is compatible with the specified tracking error. In addition, contractual guidelines generally specify a range of effective duration for the portfolio. Duration is widely used in the management of fixed income portfolios as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. The following table details the System's interest rate risk for its investments at June 30, using the segmented time distribution method.

Maturities as of June 30, 2008

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	<u>10+ Years</u>
Asset-Backed Securities \$	13,440,120	\$ —	\$ 9,040,425	\$ —	\$ 4,399,695
Bank Loans	16,715,302	—	15,536,353	1,178,949	—
Commercial Mortgage					
Backed	15,101,206	—	—	—	15,101,206
Corporate Bonds	175,439,523	36,663,729	112,595,859	5,759,446	20,420,489
Government Bonds	35,741,296	—	—	—	35,741,296
Government Mortgage-					
Backed Securities	420,152,718	594,980	3,586,810	6,787,410	409,183,518
Index Linked					
Government Bonds	3,404,430,875	—	1,358,312,043	1,094,876,979	951,241,853
Municipal Bonds	2,404,685	—	—	—	2,404,685
Nongovernment-Backed					
Collateralized					
Mortgage Obligations	<u>162,407,616</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>162,407,616</u>
Total	<u>\$ 4,245,833,341</u>	<u>\$ 37,258,709</u>	<u>\$ 1,499,071,490</u>	<u>\$ 1,108,602,784</u>	<u>\$ 1,600,900,358</u>

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(continued)

Maturities as of June 30, 2007					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	<u>10+ Years</u>
Asset-Backed Securities \$	22,086,877	\$ 379,161	\$ –	\$ –	\$ 21,707,716
Commercial Paper	27,424,885	27,424,885	–	–	–
Corporate Bonds	223,676,230	20,581,480	173,012,945	5,598,222	24,483,583
Government Bonds	17,997,428	–	–	–	17,997,428
Government Mortgage-Backed Securities	217,447,047	97,532	7,568,980	23,767,587	186,012,948
Index Linked Government Bonds	3,025,098,730	4,222,678	53,496,381	–	2,967,379,671
Nongovernment-Backed Collateralized Mortgage Obligations	185,422,109	–	–	–	185,422,109
Other Fixed Income	<u>10,403,971</u>	<u>6,001,230</u>	<u>4,402,741</u>	<u>–</u>	<u>–</u>
Total	<u>\$ 3,729,557,277</u>	<u>\$ 58,706,966</u>	<u>\$ 238,481,047</u>	<u>\$ 29,365,809</u>	<u>\$ 3,403,003,455</u>

Investments in foreign fixed income corporate and government securities at June 30, 2008 mature as follows:

<u>Date</u>	
January 5, 2022	\$ 1,740,648
January 10, 2028	1,779,261
September 20, 2036	13,643,882
July 4, 2039	15,410,894
September 15, 2066	<u>3,313,648</u>
	<u>\$ 35,888,333</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Foreign currency risk is the risk that changes in exchange rates will adversely impact the recorded fair value of an investment. The System's currency exposures reside primarily in the System's international equity investments. Managers may or may not hedge a portfolio's foreign currency exposure with currency forward contracts depending on their views of the currency relative to the dollar. All of the System's portfolios are managed in accordance with contractual guidelines. These guidelines specify a level of tracking error. The investment manager has the responsibility of determining the amount of foreign currency risk that is compatible with the specified tracking error. The System's exposure to foreign currency risk in U.S. dollars as of June 30, is highlighted in the table below:

June 30, 2008				
<u>Currency</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Australian Dollar	\$ 29,061,366	\$ 9,059,828	\$ —	\$ 38,121,194
Brazilian Real	1,040,793	3,168,060	3,519,909	7,728,762
Canadian Dollar	23,793,868	70,057,648	—	93,851,516
Swiss Franc	(12,035,602)	46,473,385	—	34,437,783
Chilean Peso	(44,642)	—	—	(44,642)
Danish Krone	—	7,678,201	—	7,678,201
Egyptian Pound	—	2,294,061	—	2,294,061
Euro	231,654,091	123,150,716	18,724,542	373,529,349
British Pound Sterling	115,898,748	60,309,401	—	176,208,149
Hong Kong Dollar	(1,028,084)	17,264,751	—	16,236,667
Indonesian Rupiah	—	1,377,261	—	1,377,261
New Israeli Shekel	—	1,089,555	—	1,089,555
Japanese Yen	51,944,114	103,995,170	13,643,882	169,583,166
South Korean Won	—	8,301,089	—	8,301,089
Mexican Peso	(94,396)	5,932,834	—	5,838,438
Malaysian Ringgit	4,286,231	3,809,890	—	8,096,121
Norwegian Krone	—	11,255,472	—	11,255,472
New Zealand Dollar	1,125	—	—	1,125
Philippine Peso	4,215,257	—	—	4,215,257
Swedish Krona	—	5,001,275	—	5,001,275
Singapore Dollar	4,442,941	6,092,239	—	10,535,180
Thai Baht	—	3,709,604	—	3,709,604
Turkish Lira	—	287,302	—	287,302
New Taiwan Dollar	5,006,198	10,177,975	—	15,184,173
South African Rand	—	1,482,389	—	1,482,389
Total	\$ 458,142,008	\$ 501,968,106	\$ 35,888,333	\$ 995,998,447

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(continued)

June 30, 2007				
<u>Currency</u>	<u>Cash</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Australian Dollar	\$ 29,981	\$ 20,610,127	\$ –	\$ 20,640,108
Brazilian Real	3,110,850	8,189,748	3,805,720	15,106,318
Canadian Dollar	–	48,947,101	–	48,947,101
Swiss Franc	–	66,403,510	–	66,403,510
Chilean Peso	1,038,561	–	–	1,038,561
Danish Krone	–	6,838,016	–	6,838,016
Euro	(21,499,582)	315,130,928	16,861,037	310,492,383
British Pound Sterling	8,559,340	150,521,267	–	159,080,607
Hong Kong Dollar	–	41,937,253	–	41,937,253
Indonesian Rupiah	(87,872)	1,690,935	–	1,603,063
Japanese Yen	(9,148,101)	147,158,991	4,045,791	142,056,681
South Korean Won	2,220,286	11,573,796	–	13,794,082
Mexican Peso	2,016,278	1,773,247	–	3,789,525
Malaysian Ringgit	–	2,867,606	–	2,867,606
Norwegian Krone	–	13,472,465	–	13,472,465
New Zealand Dollar	(391,226)	–	–	(391,226)
Swedish Krona	–	19,278,419	–	19,278,419
Singapore Dollar	–	10,460,819	–	10,460,819
Thai Baht	–	1,029,231	–	1,029,231
Turkish Lira	–	1,572,113	–	1,572,113
New Taiwan Dollar	691,664	20,002,087	–	20,693,751
South African Rand	<u>169,398</u>	<u>11,914,338</u>	<u>–</u>	<u>12,083,736</u>
Total	<u>\$(13,290,423)</u>	<u>\$ 901,371,997</u>	<u>\$ 24,712,548</u>	<u>\$ 912,794,122</u>

4. Derivative Securities

Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. In addition, some traditional securities can have derivative-like characteristics, e.g., asset-backed securities, including collateralized mortgage obligations (CMOs), which are sensitive to changes in interest rates and to prepayments.

The System is a party, both directly and indirectly, to various derivative financial investments that are used in the normal course of investing to enhance expected returns on investments, to manage the risk of exposure to changes in value of investments due to fluctuations in market conditions, and to gain passive exposure to markets. In addition to normal market risks these investments may involve, to varying degrees, elements of leverage risk, credit risk, interest rate risk, counterparty risk, and custodial credit risk.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Interest rate risk is the risk that fixed income securities will decline in value because of changes in interest rates.

Credit risk is the risk that an issuer or guarantor of a fixed income security is unable or unwilling to make timely principal and/or interest payments.

Leverage risk may be created with derivatives. Financial leverage generally involves borrowing and then reinvesting the proceeds with the hope of earning a higher rate of return than the borrowing costs. With derivative instruments economic leverage may be effectively created without any explicit borrowing. Leveraged investments may be more volatile than if an investment had not been leveraged. Leveraging tends to exaggerate the effect of any increase or decrease in the value of an underlying investment. In a leveraged transaction more than all of the initial investment may be lost.

Counterparty risk is the risk that the counterparty to a derivative transaction is unwilling or unable to deliver on their obligations to MainePERS.

Custodial credit risk is the risk that in the event of a financial institution failure, the System's investments may not be returned to it. Derivative securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name.

The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk arises due to adverse changes in market price or to interest rate or foreign exchange rate fluctuations that may result in a decrease in the market value of a financial investment and/or increase its funding cost. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer, and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed upon price. The contracts are valued at forward exchange rates, and the changes in value of open contracts are recognized in the statement of changes in fiduciary net assets. The unrealized gain or loss on forward currency contracts represents the difference between the value of the original contracts and the closing value of such contracts and is included in the statements of changes in fiduciary net assets. As of June 30, 2008 and 2007, the fair value of forward currency contracts held by the System was \$(63,474,439) and \$(39,003,863), respectively.

The System's fixed income managers invest in CMOs and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2008 and 2007, the fair value of the System's CMO and Asset-Backed Securities holdings totaled \$175,847,736 and \$207,508,986, respectively.

The System's managers also invest in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term rates; short positions decrease exposure. Credit default swaps are used to manage credit exposure. Purchased credit default swaps decrease credit exposure, while written credit default swaps increase exposure. Total return swaps are a means to gain exposure to an index. As of June 30, 2008 and 2007, the System carried swaps with fair values of \$(5,426,447) and \$22,098,052 and notional values of \$1,898,393,980 and \$1,408,707,388, respectively.

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(continued)

The System also holds investments in futures and options, which are used to manage various risks within the portfolio. A financial futures contract is an agreement between two parties to buy or sell units of a particular index or a certain amount of a security at a set price on a future date. The System may purchase and sell financial futures contracts to hedge against the effect of changes in the values of securities it owns or expects to purchase.

Upon entering into such a contract, the System is required to pledge to the broker an amount of cash or securities equal to a certain percentage of the contract amount (initial margin deposit). Pursuant to the contract, the System agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in value of the contract. Such receipts or payments are known as "variation margin" and are recorded by the custodial bank on behalf of the System as unrealized gains or losses. When the contract is closed, the custodial bank on behalf of the System records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. The potential risk to the System is that the change in value of futures contracts primarily corresponds to the value of the underlying instruments, which may not correspond to the change in value of the hedged instruments. In addition, there is a risk that the System may not be able to close out its futures positions due to an illiquid secondary market or the potential inability of a counterparty to meet the terms of a contract.

Futures and options with a fair value of \$316,161 and \$1,769,201 and notional value of \$893,683,429 and \$2,160,692,206 were held for investment purposes at June 30, 2008 and 2007, respectively. Gains and losses on futures and options are determined based upon quoted market prices and recorded in the statements of changes in plan net assets.

In addition to the derivative financial instruments directly held, the System may have indirect exposure to risk through its ownership interests in commingled investment funds, which use, hold or write derivative financial instruments. There also may be indirect exposure in the securities lending programs in which the System participates, in which some collateral pools may include derivatives (note 5). Where derivatives are held in those funds/pools, risks and risk management are as described above.

5. Securities Lending

The System has entered into agreements with its master custodian to lend to broker-dealers and other entities any type of security held in the System's portfolio and custodied at the master custodian. Securities are loaned against collateral that may include cash, U.S. government securities and irrevocable letters of credit. U.S. securities are loaned against collateral generally valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105% of the market value of the securities plus any accrued interest.

Noncash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the lender or the borrower. The average term of the System's loans was approximately 178 days and 198 days as of June 30, 2008 and 2007, respectively.

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section, which had an interest sensitivity of 32 and 29 days as of June 30, 2008 and 2007, respectively. Cash collateral may also be invested separately in "term loans," in which case the investments match the loan term. These loans can be terminated on demand by either lender or borrower.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

During fiscal years 2008 and 2007, there were no violations of legal or contractual provisions, and no borrower or lending agent default losses identified to the System by the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to the System on approximately the fifteenth day of the following month.

Custodial credit risk is the risk that the System's securities are not returned due to the insolvency of a borrower and the master custodian has failed to live up to its contractual responsibilities relating to the lending of those securities. The master custodian's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending. At June 30, 2008 and 2007, all of the collateral for securities lending is subject to custodial credit risk.

Because of the program's collateralization of loans, generally at 102% (or more), plus accrued interest for fixed income securities, the System believes that there is no credit risk as defined in GASB 28 and GASB 40.

Some of the System's assets are held in common/collective trusts and are subject to similar agreements arranged by those trusts. The income from those arrangements and the associated collateral are not included in the securities lending amounts reported.

Securities on loan by asset class:

	<u>2008</u>	<u>2007</u>
Domestic equity	\$ 277,108,056	\$ 195,417,547
Foreign equity	117,078,223	256,526,576
Domestic fixed income	16,627,622	29,107,533
Foreign fixed income	1,881,460	6,750,394
U.S. Government and government agencies	<u>3,318,647,778</u>	<u>3,015,015,448</u>
Total securities on loan	<u>\$ 3,731,343,139</u>	<u>\$3,502,817,498</u>

Securities lending collateral:

	<u>2008</u>	<u>2007</u>
Short-term investment collateral pool	\$ 2,689,790,040	\$3,031,736,933
Noncash collateral (debt and equity securities, at fair value)	<u>1,133,611,765</u>	<u>547,895,606</u>
Total collateral	<u>\$ 3,823,401,805</u>	<u>\$3,579,632,539</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

*(continued)***6. Defined Benefit Plan**Benefits

The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for State employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers, judges and legislative members is age 60 or 62. The normal retirement age is determined by whether a member had at least ten years of creditable service on June 30, 1993. For PLD members, normal retirement age is 60. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 6.0%.

Funding Policy

The Maine Constitution, Maine statutes and the System's funding policy provide for the State Employee/Teacher Program periodic employer contributions in addition to the normal cost contributions. These are actuarially determined amounts that, based on certain actuarial assumptions are sufficient to fully fund, on an actuarial basis, the State Employee and Teacher Retirement Program by the year 2028 (Unfunded Actuarial Liability (UAL) payments). Level percentage of payroll employer contribution rates is determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State Employee and Teacher Retirement Program. For participating local districts having separate (i.e., un-pooled) unfunded liabilities, the level percentage of payroll method is also used.

Funded Status and Funding Progress

The funded status of the defined benefit plan, stated in millions of dollars, as of June 30, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 13,674.9
Actuarial value of plan assets	<u>10,892.7</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u><u>2,782.2</u></u>
Funded ratio (actuarial value of plan assets/AAL)	79.7%
Covered payroll (active plan members)	\$ 1,991.2
UAAL as a percentage of covered payroll	139.7%

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Actuarial valuations of ongoing plans involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Assumptions in an actuarial valuation typically include projections concerning future employment, mortality, and inflation. Actuarially determined contribution requirements are subject to continual periodic revision as actual results are compared to past expectations and new estimates are made concerning the future. The Schedules of Funding Progress, presented as Required Supplementary Information immediately following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the provisions of the plan in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll). Assets are valued for funding purposes using a three-year moving average.

The unfunded actuarial accrued liability of the state employee and teacher program is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements (note 11). The unfunded actuarial accrued liability credit of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

The Initial Unpooled Unfunded Actuarial Liabilities (IUUALs) of PLDs are amortized over periods established for each PLD separately. The Consolidated Plan has no Pooled Unfunded Actuarial Liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2008 and 2007 are as follows:

Investment Return - 7.75% per annum, compounded annually.

Salary Increases - State employee and teacher plan, 4.75% to 10.0% per year; Judicial plan, 4% per year; Legislative plan, 4.75% per year; Consolidated plan for PLDs, 4.5% to 9% per year.

Mortality Rates - For active State employee members and non-disabled retirees of the State employees', participating local district's, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teacher's plan, 85% of the UP 1994 Tables are used; for all recipients of disability benefits, the RPA 1994 Table for pre-1995 disabilities is used.

Cost of Living Benefit Increases - 3.75% per annum.

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(continued)

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the terms of the plan under which a member is covered. Employers' contributions are determined by annual actuarial valuations.

Included in the State and Local Agency Contributions reported in the statement of changes in fiduciary net assets are contributions received from the State of Maine on behalf of state employees, judges, and teachers in the total amount of \$288.3 million and \$278.3 million for the years ended June 30, 2008 and 2007, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2008 or 2007.

Apart from the amount of required normal cost and unfunded actuarial liability contributions, the State of Maine is required by Maine law to remit a percentage of its unallocated General Fund Surplus, if sufficient, at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for state employees and teachers. For fiscal years 2008 and 2007, there was no additional contribution to the System due to the lack of sufficient General Fund Surplus dollars.

Retirement contribution rates for all employee members are set by law. Employer normal cost retirement contribution rates as applied to State employee members' and teacher members' compensation are the actuarially determined rates. The UAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial liability payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAL payment amount for State employees. For teachers, the actuarially determined UAL amount is paid in twelve equal monthly installments. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2008 and 2007 are shown on the following page:

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

Contribution Rates⁽³⁾ (effective July 1 through June 30 of each fiscal year)

	<u>2008</u>	<u>2007</u>
State:		
Employees ⁽¹⁾	7.65 – 8.65%	7.65 – 8.65%
Employer ⁽¹⁾	15.01 – 47.07%	15.01 – 47.07%
Teachers:		
Employees	7.65%	7.65%
Employer	17.23%	17.23%
Participating local districts:		
Employees ⁽¹⁾	3.0 – 8.0%	3.0 – 8.0%
Employers ⁽¹⁾	1.5 – 6.5%	1.5 – 6.5%
Employer other ⁽²⁾	5.1 – 10.3%	5.1 – 10.3%

- (1) Employer and Employee retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or in the case of PLDs, on benefit plan options selected by a particular PLD. The contributions of withdrawn entities that do not have active employees but continue to have other liabilities are set in dollar amounts, not as rates.
- (2) "Employer Other" retirement contribution rates refer to rates for new or returning employers to the Consolidated PLD Plan. These rates, reflecting the true normal cost of the fully funded consolidated plan are assessed for a three year period to previously withdrawn PLDs who choose to return to participation in the System, and to public entities that newly elect to participate in the System as a PLD employer. After three years, the rates for all other Consolidated Plan participants are assessed.
- (3) Employer Contribution Rates include normal cost and UAL required payment, expressed as a percentage of payroll.

7. Group Life Insurance PlanPlan Description

Group Life Insurance Plan coverage is available to eligible participants and includes Basic insurance which consists of life insurance and accidental death and dismemberment insurance in the amount equal to the participants annual base compensation rounded up to the next \$1,000. Additional Supplemental insurance coverage is available to those participants who elect Basic coverage. Participants may also elect to insure the life of a dependent not otherwise insured under the Basic and Supplemental insurance provisions of the plan.

The Group Life Insurance Plan provides Basic group life insurance benefits, during retirement, to retirees who participated in the group life insurance plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of Basic group life insurance benefit is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500. Eligible employment

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007

(continued)

classes include retirees who were State employees, Teachers, and members of the Judiciary and the Legislature. Group Life Insurance benefits are also provided to the retired employees of PLDs in the Retirement Program and those that elect to participate only in the Group Life Insurance Plan. Additional information concerning exceptions for members of the judiciary who retired prior to September 14, 1979 may be obtained from the System. At June 30, 2008, the employees of State of Maine, the Judiciary, the Legislature, as well as 262 school districts, and 169 PLDs were participating in the Group Life Insurance Plan

Funding Policy

Premium rates are those determined by the MainePERS Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employee, legislative and judicial employment classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. Premiums for retiree life insurance coverage for retired teachers are paid by the State of Maine based on a rate of \$.33 per \$1,000 of coverage per month during the post-employment retired period. Employers of retired PLD employees or the retirees of participating Group Life Plan PLDs are required to remit a premium of \$.46 per \$1,000 of coverage per month during the post-employment retired period.

Annual Required Contribution

The annual required contributions and contributions made for all employment classes are as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage of Annual Cost Contributed</u>
2008	\$6,000,000	\$ 12,006,708	200.1%
2007	6,000,000	8,837,809	147.3

Funded Status and Funding Progress

The funded status of the Plan, stated in millions of dollars, as of June 30, 2008 was as follows:

Actuarial accrued liability (AAL)	\$ 133.2
Actuarial value of Plan assets	<u>52.0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 81.2</u>
Funded ratio (actuarial value of Plan assets / AAL)	39.0%
Covered Payroll (active Plan members)	\$ 1,426.7
UAAL as a percentage of covered payroll	5.7%

Actuarial valuations of ongoing plans involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Assumptions in an actuarial valuation typically include projections concerning future employment, mortality, and inflation. Actuarially determined contribution requirements are subject to continual periodic revision

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

as actual results are compared to past expectations and new estimates are made concerning the future. The Schedules of Funding Progress, presented as Required Supplementary Information immediately following the Notes to Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the provisions of the plan in effect at the time of each valuation and the historical pattern of sharing of premium costs between the employer and plan members. Actuarial methods and assumptions include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the funding methodologies.

In the June 30, 2008 and 2007 actuarial valuations, the individual entry age normal actuarial method was used. The actuarial assumptions included a 7.75% investment rate of return and salary rate increase of 4.75% to 10.0% per year for the State and Teacher classes, 4% per year for the Judicial class, 4.75% per year for the Legislative class, and 4.5% to 9% per year for PLDs.

Mortality Rates - For active State employee members and non-disabled retirees of the State employees', participating local district's, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teacher's plan, 85% of the UP 1994 Tables are used; for all recipients of disability benefits, the RPA 1994 Table for pre-1995 disabilities is used.

The unfunded actuarial accrued liability is being amortized as a level percentage of pay over a 30-year period on an open basis.

Premiums

The basic life benefits for participants are funded by the State, school districts, participating local districts and individuals. Participants pay additional premiums for Supplemental and Dependent insurance based upon the coverage selected.

The Statutes require the MainePERS Board of Trustees to establish on a regular basis the premium rates for participants in the Group Life Insurance Plan. The premium rates are determined to be actuarially sufficient to pay anticipated claims and cover administrative costs. The State remits premiums at a single rate that supports basic coverage for active and retired state employees (including Judicial and Legislative employees). This rate is \$.56 per month for every \$1,000 of coverage. The State remits premiums for retired teachers at a rate of \$.33 per month for every \$1,000 of coverage. As per individual collective bargaining agreements between employers and employees, individual school districts or teachers themselves pay premiums at the rate of \$.11 per month for every \$1,000 of coverage while active and employees of participating local districts or the district itself pay premiums of \$.46 per month for every \$1,000 in coverage for employees while active and retired. Employees' contributions are usually deducted from employees' compensation and remitted to the System.

New premium rates in Group Life Insurance were adopted by the Board after an extensive premium study and valuation of the Group Life Insurance Program in 2006. This study resulted in changes in both the funding structure and premium rates that became effective in fiscal 2008.

Included in the Members Premiums in the statements of changes in fiduciary net assets are group life insurance premiums received from the State of Maine on behalf of active and retired state employees,

NOTES TO FINANCIAL STATEMENTS
June 30, 2008 and 2007
(continued)

retired teachers, judges, and legislators in the total amount of \$7.0 million and \$3.5 million for the years ended June 30, 2008 and 2007, respectively.

Benefits

For all participant groups except employees of Participating Local Districts, upon service retirement, Basic life insurance only in an amount equal to the retiree's average final compensation will continue at no cost to the participant as long as the retiree participated in the group life insurance plan prior to retirement for a minimum of 10 years.

If a participant becomes eligible for disability retirement, the amount of Basic insurance in force at the time of such retirement will be continued until normal retirement age, after which the amount will be reduced at the same rate as for a service retiree. The 10-year participation requirement does not apply to recipients of disability retirement benefits.

Under the Accidental Death and Dismemberment provisions of the plan, no legal action can be brought to recover under any benefit after 3 years from the deadline for filing claims. The deadline for filing claims under the Accidental Death and Dismemberment provisions of the plan is 90 days after the date of the loss giving rise to the claim.

All benefits are processed and paid by a third-party administrator (TPA). The fees incurred for services performed by the TPA totaled \$621,203 and \$613,321 for the years ended June 30, 2008 and 2007, respectively, and are listed as claims processing expenses in the basic financial statements.

8. Defined Contribution Plans

The Defined Contribution Plans are funded by participants through voluntary deferrals of compensation into the Plans, within the limits of plan provisions, and by employer contributions made into the Plans on behalf of employees. The recognition of deferred compensation, employer contributions, and earnings on the accounts are not recognized by Plan participants for income tax purposes until actually paid to the participant or beneficiary.

9. Retiree Health Investment Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the Fund for the purpose of accumulating assets to provide funding to the State's unfunded liability obligations for retiree health benefits. The Trustees of the Maine Public Employees Retirement System were named Trustees of the Investment Trust Fund. The effective date of the establishment of the Fund was July 1, 2007. An initial investment of \$100,000,000 was received by the System to be invested in the Fund in January 2008. The assets in the Investment Trust Fund are unrelated to and not available to pay benefits for any plans administered by the System and therefore are reported as an asset and liability in the accompanying statement of fiduciary net assets. Additionally, the State of Maine is obligated to comply with reporting requirements under Governmental Accounting Standards Board Statement Number 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

The following summary shows the additions and deductions to the Retiree Health Insurance Post Employment Investment Trust for the fiscal year ended June 30, 2008:

Balance, July 1, 2007	\$	—
Additions:		
Contributions		100,000,000
Net Investment and Other Income (Loss)		<u>(1,609,855)</u>
Total Additions:		98,390,145
Deductions:		
Administrative Expenses		<u>28,347</u>
Balance, June 30, 2008	\$	<u>98,361,798</u>

10. Restatement

The summarized information relating to the statement of fiduciary net assets as of June 30, 2007 was restated to reflect the assets of the Defined Contribution Plans which were previously omitted due to immateriality as follows:

	<u>Defined Contribution Plans</u>	<u>Total All Plans</u>
Net assets held in trust for benefits:		
As previously reported	\$ —	\$ 11,023,020,902
Adjustment	<u>7,283,756</u>	<u>7,283,756</u>
Net assets held in trust for benefits (restated)	<u>\$7,283,756</u>	<u>\$ 11,030,304,658</u>

The effect on the summarized information relating to the statement of changes in fiduciary net assets for 2007 was immaterial.

11. Statutory and Constitutional Requirements

An amendment to the Maine constitution approved in November 1995 requires the State to fund the unfunded actuarial liabilities of the State Employee and Teacher Retirement Program existing on June 30, 1996, over a period not to exceed 31 years beginning July 1, 1997. The amendment also prohibits the creation of new unfunded liabilities in that Program except those arising from experience losses, which must be funded over a period of not more than ten years. In addition, the amendment requires use of actuarially sound current cost accounting, reinforcing existing statutory requirements. In 1998, the State enacted a statute that required the State to fund the unfunded actuarial liabilities of the State Employee and Teacher Retirement Program existing on June 30, 1998 over a period not to exceed 25 years, commencing June 30, 1998, thus adopting a shorter amortization period than required

NOTES TO FINANCIAL STATEMENTS

June 30, 2008 and 2007

(continued)

by the State constitution. In 2000, the amortization period was further reduced by the Legislature to 19 years, commencing June 30, 2000. The two legislative changes made in 1998 and 2000 shortened the amortization period by a total of nine years. In 2004, the Legislature re-extended the amortization period to the full extent permitted under the constitution for the Fiscal years 2004 and 2005 and enacted a "sunset" provision that would have the effect of reducing the amortization period beginning July 1, 2005 (the beginning of fiscal year 2006) back to 14 years. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028.

12. System's Employees*Defined Benefit Plan*

The System, as the employer of its staff, is a participating employer (i.e., a PLD) in the Consolidated Plan for Participating Local Districts administered by the Maine Public Employees Retirement System. As such, System employees are required by statute to contribute 6.5% of their annual covered salaries. The System is required to contribute at the contribution rate established by the Board of Trustees under the actuarial valuation of the Consolidated Plan. The contribution rate was 2.8% of annual covered payroll for 2008, 2007 and 2006, respectively, and the employer contribution on behalf of its employees, equal to the required contribution, was \$140,810, \$153,427 and \$154,076 for 2008, 2007 and 2006, respectively. The actuarial assumptions used in the Consolidated Plan valuation are described in the actuarial assumptions and methods footnote to the required supplementary information.

Group Life Insurance Plan

The System, as the employer of its staff, is a participating employer (i.e., a PLD) in the Group Life Insurance plan administered by the Maine Public Employees Retirement System. The System pays the premiums for Basic only coverage for all active employees. Employees who elect additional coverage under the Supplemental and/or Dependent provisions have the additional required premiums withheld from their pay in order to fund such coverage.

The System was required to pay premiums for Basic coverage at the rate of \$0.46 per \$1,000 of coverage for the 2008, 2007, and 2006 fiscal years. The total premiums the System paid on behalf of its active employees were \$24,164, \$27,410, and \$27,441 for 2008, 2007, and 2006, respectively.

The System, as a PLD, is also required to continue to pay the Basic Group Life Insurance premiums due for its retirees, based upon the reduced coverage for retired employees. The total premiums paid by the System on behalf of its retirees were \$3,948, \$3,565, and \$2,793, for 2008, 2007, and 2006, respectively.

REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION
DEFINED BENEFIT PLANJune 30, 2008
(UNAUDITED)**SCHEDULE OF FUNDING PROGRESS***Dollars in Millions*

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Accrued Liability (AAL) Entry Age</u>	(b-a) <u>Unfunded AAL (UAAL)</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Annual Covered Payroll</u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll</u>
June 30, 2008	\$10,892.7	\$13,674.9	\$2,782.2	79.7%	\$1,991.2	139.7%
June 30, 2007	10,437.1	13,089.4	2,652.3	79.7	1,940.2	136.7
June 30, 2006	9,530.6	12,357.4	2,826.8	77.1	1,872.6	151.0
June 30, 2005	8,888.2	11,689.7	2,801.5	76.0	1,821.4	153.8
June 30, 2004	8,273.6	11,068.6	2,795.0	74.7	1,764.8	158.4
June 30, 2003	7,787.2	10,471.3	2,684.1	74.4	1,719.3	156.1

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS*Dollars in Millions*

<u>Year Ended⁽¹⁾:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2008	\$317.5	\$317.5	100.0%
2007	313.9	314.2	100.1
2006	296.7	313.8	105.8
2005	271.1	284.1	104.8
2004	260.9	292.3	112.0
2003	263.0	287.4	109.3

⁽¹⁾ Annual Required Contribution, Annual Contribution, and Percentage Contributed for the years 2007, 2006, 2005, 2004 and 2003 have been recalculated to include portions of employer contributions omitted from previous schedules.

See notes to historical pension information.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION
GROUP LIFE INSURANCE PLANJune 30, 2008
(UNAUDITED)**SCHEDULE OF FUNDING PROGRESS***Dollars in Millions*

<u>Actuarial Valuation Date</u>	(a) <u>Actuarial Value of Assets</u>	(b) <u>Actuarial Liability</u>	(b-a) <u>Unfunded Actuarial Liability</u>	(a/b) <u>Funded Ratio</u>	(c) <u>Annual Covered Payroll⁽¹⁾</u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll⁽¹⁾</u>
June 30, 2008	\$ 52.0	\$ 133.2	\$ 81.2	39.0%	\$ 1,426.7	5.7%
June 30, 2007	50.6	135.5	84.9	37.3	1,250.0	6.8
June 30, 2006	43.5	129.8	86.3	33.5	—	—
June 30, 2005	41.8	127.0	85.2	32.9	—	—
June 30, 2004	40.1	91.7	51.6	43.7	—	—
June 30, 2003	39.0	87.3	48.3	44.7	—	—

⁽¹⁾ The System currently has this information available for the valuation date indicated. This required information will be updated annually until the requisite six years is obtained.

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS ⁽¹⁾

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2008	\$6,000,000	\$12,006,707	200.1%
2007	6,000,000	8,837,809	147.3

⁽¹⁾ The System currently has this information available for the valuation date indicated. This required information will be updated annually until the requisite six years is obtained.

See notes to historical pension information.

See accompanying independent auditors' report.

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2008 - UNAUDITED

1. Basis of Presentation

For reporting purposes, the historical pension information includes combined amounts for all participating entities: State employees, teachers, judicial and legislative employees, as well as employees of Participating Local Districts.

2. Actuarial Methods and Assumptions - State, Teacher, Judicial, Legislative, and PLD Valuations

The information in the historical pension information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2008, is as follows:

Actuarial Cost Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll). Under the entry age normal method, the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payroll. Entry age is defined as the first day service is credited under the plan.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the 7.75% actuarial assumption for investment return.

Amortization

The unfunded actuarial accrued liability of the State Employee and Teacher Retirement Program is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements (note 11 to the Financial Statements). The unfunded actuarial accrued liability credits of both the Judicial Retirement Program and the Legislative Retirement Program are amortized by annual payments over open ten year periods.

The Initial Unpooled Unfunded Actuarial Liabilities (IUUALs) of PLDs are amortized over periods established for each PLD separately. During fiscal year 2008 there were no additional contributions to reduce or pay in full IUUALs. In 2007, various PLDs contributed in total approximately \$186,741 to reduce or pay in full their IUUALs. The Consolidated Plan has no Pooled Unfunded Actuarial Liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2008 are as follows:

Investment Return - 7.75% per annum, compounded annually.

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2008 - UNAUDITED
(continued)

Salary Increases - State Employee and Teacher Retirement Program, 4.75% to 10.0% per year; Judicial Retirement Program, 4% per year; Legislative Retirement Program, 4.75% per year; Consolidated Plan for PLDs, 4.5% to 9% per year.

Mortality Rates - For active State employee members and non-disabled retirees of the State employees', participating local district's, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teacher's plan, 85% of the UP 1994 Tables are used; for all recipients of disability benefits, the RPA 1994 Table for pre-1995 disabilities is used.

Cost of Living Benefit Increases - 3.75% per annum.

3. Actuarial Methods and Assumptions - Group Life Insurance Plan

Many of the assumptions used to determine the actuarial liability in this plan are the same as for the pension plan.

The information in the historical group life information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2008, is as follows:

Actuarial Cost Method

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. 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 employee is the product of his pay and his 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.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial liability.

Asset Valuation Method

Asset amounts are taken as reported to the actuaries by MainePERS without audit or change. MainePERS' financial statements are prepared using the accrual basis of accounting and as such:

- Group life insurance premiums are recognized as additions in the period when they become due
- Investment income is recognized when earned. Investments are reported at fair value
- Group life insurance benefits and premiums refunds are recognized as deductions when due and payable
- Group life insurance death benefits incurred but not reported (IBNR) are estimated and recognized as other liabilities at year end

In addition, any significant estimates and assumptions made by management to comply with generally accepted accounting principles affect the reported amounts of net assets held in trust for group life insurance benefits at the date of the financial statements, the actuarial information included in the

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2008 - UNAUDITED
(continued)

required supplementary information as of the actuarial information date, the changes in net assets during the reporting period and, when applicable, the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of pay over a 30-year period on an open basis.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2008 are as follows:

Investment Return - 7.75% per annum, compounded annually.

Salary Increases - State Employee and Teacher Program, 4.75% to 10.0% per year; Judicial Retirement Program, 4% per year; Legislative Retirement Program, 4.75% per year; Consolidated Plan for PLDs, 4.5% to 9% per year.

Mortality Rates - For all active members and non-disabled retirees of the State employees', participating local district's, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teacher's plan, 85% of the UP 1994 Tables are used; for all recipients of disability benefits, the RPA 1994 Table for pre-1995 disabilities is used.

Cost of Living Benefit Increases - N/A.

Participation Percent for Future Retirees - 100% of those currently enrolled.

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

Form of Benefit Payment - Lump Sum.

OTHER SUPPLEMENTAL INFORMATION
June 30, 2008 - UNAUDITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2008

(UNAUDITED)

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contribution Plan	Total
Personal services	\$ 7,413,126	\$ 147,126	\$ –	7,560,252
Professional services	450,306	2,666	–	452,972
Communications	411,130	13,486	–	424,616
Computer support and system development	150,309	4,926	–	155,235
Office rent	476,829	15,568	–	492,397
Miscellaneous:				
Computer maintenance and supplies	365,925	10,729	–	376,654
Depreciation	311,951	10,224	–	322,175
Office equipment and supplies	82,724	2,711	–	85,435
Professional development	27,899	914	–	28,813
Insurance	6,303	207	–	6,510
Maintenance and repair – vehicle	2,136	70	–	2,206
Maintenance and repair – facilities	783	26	–	809
Medical records and exams	29,375	–	–	29,375
Miscellaneous operating expenses	<u>451,027</u>	<u>12,280</u>	<u>16,583</u>	<u>479,890</u>
Total miscellaneous	<u>1,278,123</u>	<u>37,161</u>	<u>16,583</u>	<u>1,331,867</u>
Total administrative expenses	<u>\$ 10,179,823</u>	<u>\$ 220,933</u>	<u>\$ 16,583</u>	<u>\$ 10,417,339</u>

SCHEDULE OF PROFESSIONAL FEES

For the Year Ended June 30, 2008

(UNAUDITED)

Professional services:	
Audit	\$ 84,000
Actuarial services	10,169
Legal services	74,577
Medical consulting	131,737
Other services	<u>152,489</u>
Total professional services	<u>\$452,972</u>

OTHER SUPPLEMENTAL INFORMATION
June 30, 2008 - UNAUDITED

(continued)

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2008

(UNAUDITED)

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contribution Plan	Total
Active equity:				
Capital Guardian	\$ 2,677,713	\$ 12,915	\$ –	2,690,628
Wellington Management Company	1,208,058	5,827	–	1,213,885
Pacific Investment Management (PIMCO)	2,401,182	11,581	–	2,412,763
Legg Mason	1,191,594	5,747	–	1,197,341
Jacobs Levy	1,799,446	8,679	–	1,808,125
Jacobs Levy 120/20	1,798,276	8,673	–	1,806,949
Grantham, Mayo, Van Oterloo (GMO)	2,207,370	10,646	–	2,218,016
Templeton Investment Counsel	1,533,455	7,396	–	1,540,851
Barclays Global Investors	2,495,911	12,038	–	2,507,949
Infrastructure:				
Carlyle Infrastructure	1,685,024	8,127	–	1,693,151
Global Infrastructure	2,613,422	12,605	–	2,626,027
Passive equity – domestic:				
Barclays Global Investors Extended Equity	63,863	308	–	64,171
Barclays Global Investors US Total Market	176,472	851	–	177,323
Passive equity – foreign:				
Barclays Global Investors (foreign)	38,206	184	–	38,390
Russell	186,038	897	–	186,935
Passive treasury inflation protected securities:				
Barclays Global Investors	321,616	1,551	–	323,167
Real Estate:				
Barclays Global Investors (Index REIT)	78,300	378	–	78,678
Principal	744,294	3,590	–	747,884
BlackRock	741,950	3,579	–	745,529
JP Morgan	1,559,032	7,519	–	1,566,551
Prudential	940,741	4,537	–	945,278
Other investment expenses	7,653,729	36,349	31,474	7,721,552
In-house investment management	<u>331,574</u>	<u>1,599</u>	<u>–</u>	<u>333,173</u>
Total administrative expenses	<u>\$ 34,447,266</u>	<u>\$ 165,576</u>	<u>\$ 31,474</u>	<u>\$ 34,644,316</u>



**INVESTMENT
SECTION**

ENNISKNUPP

December 9, 2008

Board of Trustees
Maine Public Employees Retirement System
46 State House Station
Augusta, ME 04333-046

As independent investment advisor to the Board of Trustees of the Maine Public Employees Retirement System ("MainePERS"), we comment on the reporting of MainePERS investment results, MainePERS investment policy and the Board's oversight of System investments.

Investment Results. Investment results are calculated independently by Northern Trust, and reviewed by Ennis Knupp + Associates for reasonableness. It is our understanding that all measurements and comparisons have been made using standard performance evaluation methods, consistent with the CFA Institute guidelines. MainePERS investment results, as presented in this report, fairly represent, in our opinion, the investment performance of MainePERS assets.

Investment Policy. MainePERS assets are managed under well-articulated policies, which, in our opinion, are appropriate to the circumstances of MainePERS. Investment policy is progressive, yet prudent. The policies ensure diversification and exhibit attention to risk control generally. Throughout the year the Board, Executive Director and staff have taken appropriate measures to ensure that investments have conformed with the Board's policies.

Prudent Oversight. While delegating day-to-day investment management responsibility to its staff, the Board retains the responsibility to monitor all aspects of investment. In our opinion, the Board has established and executed an appropriately comprehensive process for overseeing the management of assets. Through regular reviews by the Board, quarterly performance appraisals by an independent firm, and the day-to-day oversight activities of the staff, the Board has achieved a high degree of awareness and critical oversight of MainePERS investments.

Very truly yours,



Stephen Cummings, CFA
Principal

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Chicago, Illinois 60606-3709

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INVESTMENT ACTIVITY

The table and graph below summarize portfolio activity for the ten years ended June 30, 2008. During this period, assets grew by \$4.4 billion from \$6.1 billion to \$10.5 billion. Substantially all of this increase is attributable to net investment gains. Contributions in excess of benefit payments over the period was a very small portion of the gain. In the year ended June 30, 2008 benefit payments exceeded contributions, and this is expected to continue in the future.

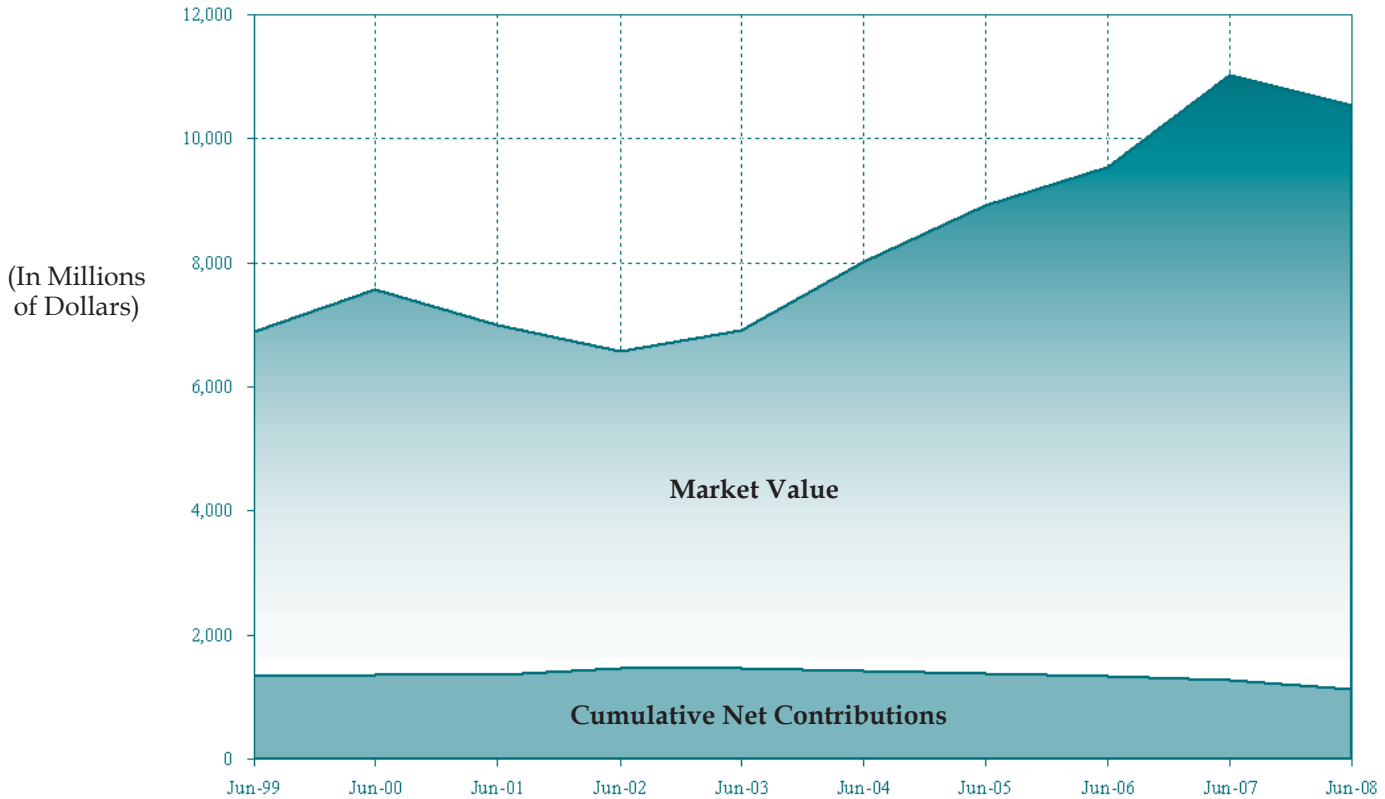
The rates of return displayed in the table are time weighted rates of return. The table displays the net invested assets of the investment portfolio. Securities lending liabilities are netted against securities lending collateral. Certain assets, such as cash in the System's operating bank accounts and office buildings are not considered part of the investment portfolio, and are therefore not included in the table or graph.

Prior to November 30, 2005, assets of the Group Life Insurance Plan were invested separately from the consolidated assets of the defined benefit plans. The Board of Trustees terminated this practice when they determined that the asset mix of the consolidated plans was a more appropriate investment strategy for the Group Life Insurance Plan. The assets of the Group Life Insurance Plan have been commingled with the consolidated assets of the defined benefit plans since November 30, 2005, and these assets are reflected in the tables that follow.

SUMMARY OF INVESTMENT ACTIVITY

<u>FY Ended June 30</u>	<u>Opening Market Value</u>	<u>Closing Market Value</u>	<u>Rate of Return</u>
2008	\$11,031	\$10,539	-3.1%
2007	9,559	11,031	16.2%
2006	8,921	9,559	7.5%
2005	8,021	8,921	11.8%
2004	6,919	8,021	16.6%
2003	6,574	6,919	5.3%
2002	7,001	6,574	-7.5%
2001	7,587	7,001	-7.9%
2000	6,885	7,587	9.7%
1999	6,104	6,885	11.1%
Annualized 10-year period			5.6%
Cumulative 10-year period			72.5%

SUMMARY OF INVESTMENT ACTIVITY *(continued)*



INVESTMENT PORTFOLIO

The graph above illustrates the importance of investment returns to the financing of the System's benefit plans. In this section, the investment strategy that MainePERS has adopted to optimize the financial health of the plans is reviewed.

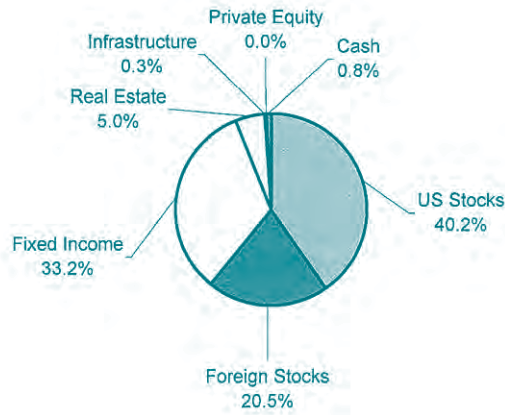
The System invests essentially all of the plan assets in four major asset classes: publicly traded domestic stocks, publicly traded foreign stocks, publicly traded bonds, and alternatives. MainePERS also uses derivatives positions to emulate these asset classes. The table and pie charts below display the actual allocations at June 30 for the years ended June 30, 2008 and 2007. MainePERS assigns target allocations for each asset class, with minor variations permitted between actual allocations and the targets. The current strategic targets are 30% for domestic stocks, 25% for foreign stocks, 20% for alternatives and 25% for fixed income.

The Board of Trustees is of the view that a prudent investment strategy for these plan assets requires accepting some level of investment risk. The Board allocates 60% to 80% of assets to equities and equity-like securities and is of the view that this provides a prudent compromise between low risk and high return for the plans.

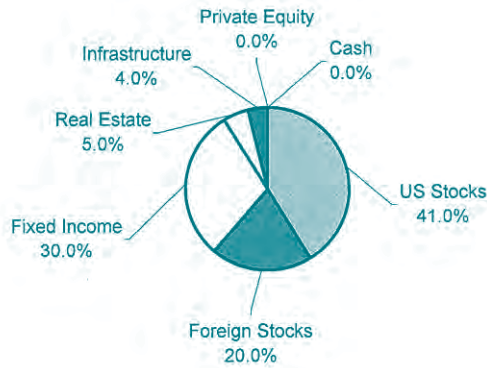
STRATEGIC ASSET ALLOCATION

	US Stocks	Foreign Stocks	Fixed Income	Real Estate	Infrastructure	Private Equity	Cash	
Current Actual	40.2%	20.5%	33.2%	5.0%	0.3%	0.0%	0.8%	100.0%
Former Target	41.0%	20.0%	30.0%	5.0%	4.0%	0.0%	0.0%	100.0%
Current Target	30.0%	25.0%	25.0%	10.0%	5.0%	5.0%	0.0%	100.0%

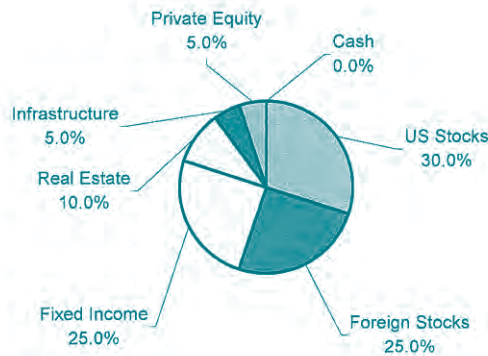
Current Actual Allocation at June 30, 2008



Former Target Allocation



Current Target Allocation



The System does not shift funds between asset classes based on short-term forecasts or results. The Board believes such "market timing" is a high-cost and high-risk strategy, inconsistent with the long-term nature of pension investments. In 2008, the System reduced its target allocation to publicly traded stocks and fixed income investments and created a target allocation of 20% to alternative investments including private equity, infrastructure and increased the real estate target allocation to 10%. At the same time, the Board approved an allocation of up to 10% to opportunistic strategies. Opportunistic strategies may include, but are not limited to other alternative investments such as global tactical asset allocation, market neutral strategies, alpha transport strategies, long/short strategies, concentrated portfolios, and strategies that seek to take advantage of temporary market dislocations. While the Board has approved the new Asset Allocation targets, it will take several years to implement and fully fund the alternatives allocation.

Because most of its benefit payments are not due for several decades into the future, the System has concluded that it is prudent to invest a substantial portion of its assets in equities. For the past ten years, the System has invested between 60% and 70% of its assets in equities. Over sufficiently long periods, equities have been shown to outperform bonds. The System expects this relationship to hold in the future.

Essentially all of the assets of the System's plans are in portfolios managed by professional investment management firms. These managers act as fiduciaries and invest the assets assigned to them in accordance with the System's investment policies and the individual agreements between MainePERS and the investment managers.

Approximately 57% of assets were invested in passively managed index funds and separate accounts at June 30, 2008. The Board of Trustees views index funds as a cost-effective way of investing in most of the world's capital markets. However, the System does make use of actively managed portfolios where it has identified managers who are thought to be able to add value over an index fund, net of all costs. At June 30, 2007, approximately 49% of assets were invested in passively managed index funds. The increase to 57% that occurred during FY 2008 was the result of replacing an actively managed global equity account with a passively managed account. Historically, the System's proportion of passively managed assets has been between 45% and 60%.

The System uses a single firm to manage all of its passive investments. This enables the System to obtain attractive fees and also provides other cost savings on certain kinds of transactions. Since passively managed portfolios have extremely low risk of underperforming their benchmarks, the Board finds this concentration of risk to be appropriate.

BENEFIT PLANS
INVESTMENT PORTFOLIO

	at 06/30/2008		at 06/30/2007	
	<u>millions of dollars</u>	<u>% of assets</u>	<u>millions of dollars</u>	<u>% of assets</u>
Active Equity				
Jacobs Levy Equity Management	775	7%	919	8%
Wellington Management Company	0	0%	648	6%
Pacific Investment Management (PIMCO)	819	8%	943	9%
Legg Mason	221	2%	338	3%
Capital Guardian	663	6%	716	6%
Grantham, Mayo, Van Oterloo (GMO)	523	5%	529	5%
Templeton Global Equity	326	3%	377	3%
Barclays Global Investors	<u>711</u>	<u>7%</u>	<u>768</u>	<u>7%</u>
	4,037	38%	5,237	47%
Passive Equity				
Barclays Global Investors (Domestic)	1,913	18%	2,347	21%
Russell MSCI ACWI ex US (Foreign)	606	6%		
Barclays Global Investors (Foreign)	<u>120</u>	<u>1%</u>	<u>128</u>	<u>1%</u>
	2,638	25%	2,474	22%
Passive General Fixed Income				
Barclays Global Investors	0	0%	0	0%
Other	<u>0</u>	<u>0%</u>	<u>2</u>	<u>0%</u>
	0	0%	2	0%
Passive Treasury Inflation Protected Securities				
Barclays Global Investors	<u>3,265</u>	<u>31%</u>	<u>2,803</u>	<u>25%</u>
Real Estate				
Barclays Global Investors (Index REIT)	80	1%	95	1%
Principal	81	1%	76	1%
BlackRock	76	1%	71	1%
JP Morgan	159	2%	145	1%
Prudential	<u>124</u>	<u>1%</u>	<u>115</u>	<u>1%</u>
	520	5%	502	5%
Other				
Carlyle Infrastructure	13	0%	<u>0</u>	
Global Infrastructure Partners	20	0%	<u>0</u>	
Liquidity Account	<u>46</u>	<u>0%</u>	<u>12</u>	<u>0%</u>
	79	1%	12	0%
Total Assets	\$ 10,539	100%	\$ 11,031	100%

LARGEST HOLDINGS
At June 30, 2008

<u>Top 10 Direct Common Stock Holdings</u>	<u>\$ Millions</u>	<u>% of Assets</u>
Potash Corp	25	0.24%
Time Warner	22	0.21%
Chevron	19	0.18%
Google	19	0.18%
Aetna	19	0.18%
Hewlett Packard	18	0.17%
AES Corp	18	0.17%
Amgen	17	0.16%
Amazon	16	0.15%
Baxter Intl	15	0.14%

<u>Top 10 Direct Bond Holdings</u>	<u>\$ Millions</u>	<u>% of Assets</u>
US Treasury Notes Inflation 0.875% 04-15-2010	215	2.04%
US Treasury Inflation Indexed Bonds 2.375% 01-15-2025	209	1.98%
US Treasury Bonds Inflation Index Linked 3.875% 04-15-2029	197	1.87%
US Treasury Notes Bond Inflation Indexed 3.000% 07-15-2012	188	1.79%
US Treasury Notes Inflation Indexed 2.000% 01-15-2014	174	1.65%
US Treasury Inflation Indexed Bonds 1.875% 07-15-2013	174	1.65%
US Treasury Bonds Inflation Indexed 3.625% 4-15-2028	163	1.55%
US Treasury Notes Inflation Indexed 2.000% 07-15-2014	160	1.52%
US Treasury Notes Inflation Linked Bond 1.625% 01-15-2015	153	1.46%
US Treasury Inflation Index Note 2.375% 04-15-2011	138	1.31%

Some of the System's index fund investments are made through commingled funds, with MainePERS owning units in the funds, and having beneficial, rather than direct ownership of the securities. The largest holdings list reports direct holdings held outside of the commingled funds.

SECURITIES LENDING

MainePERS earns additional income on its investment portfolio by lending its securities. The System pays its custodian for managing the securities lending program. Information regarding the results of the securities lending program for the current and prior fiscal years may be found in the Financial Section starting on page 17.

Several of the collective trusts through which the System holds interests in commingled funds also lend securities. Because these trusts are legal entities separate from MainePERS, their lending activities are not reflected in the securities lending results reported in the financial statements. The System shares in the income and the risks of the securities lending activity in the commingled funds, and the income is included in the total income and return figures in this Investment Section and the Financial Statements.

INVESTMENT PERFORMANCE

The table on the following pages displays the rates of return on the System's investment portfolio over the last ten years, and for the three, five, and ten-year periods ended June 30, 2008. Because the System's investment strategy has changed very little from year to year (aside from the substitution of TIPS for fixed income securities, and the addition of real estate funds), these results are determined almost entirely by the behavior of the capital markets. Negative returns for the years ended June 30, 2001 and 2002 were the result of declines in domestic and foreign stock markets, partially offset by gains in the domestic bond market.

The table contains three asset classes that were entered in 2005. The categories of Global Equity and Global Balanced were added because the Board has retained new managers whose investment mandates cross traditional asset class lines. The third added class is Real Estate.

Over the ten-year period, the annualized rate of return on the System's assets was 5.6%. MainePERS experienced seven years of positive returns and three years of negative returns. These results are consistent with the long-term risk/return strategy that forms the basis of the System's policies. At 5.6%, the ten-year return has underperformed relative to the 7.75% investment return assumption utilized in the actuarial process throughout this period.

Because the Board of Trustees rarely changes its asset class allocation targets, most of the System's investment return is determined by the choice of targets, i.e., by the System's choice of investment strategy and, as mentioned above, the behavior of the capital markets in general. A small portion of the investment return is determined by how well the investment managers perform their assignments. To measure this, the Board compares the return on each manager's portfolio to an appropriate benchmark. Over the ten years ended June 30, 2008, the return on the System's actual total portfolio approximated the return on its total performance benchmark. Positive performance in four of the ten years was offset by negative performance in six of the ten years. In terms of asset classes, negative performance in domestic and international equities over the ten years was partially offset by positive or equal performance in other categories.

The total return figures in the table on pages 70 and 71 are net of all expenses that can be directly attributed to the investment program (see Expenses, page 72). The table reports time weighted rates of return and all figures for periods greater than one year are annualized.

PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS

Fiscal Year Ended June 30	TOTAL FUND			DOMESTIC EQUITY			FOREIGN EQUITY			GLOBAL EQUITY ⁽²⁾		
	Actual Return	Benchmark ⁽⁷⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽⁸⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽⁹⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽¹⁰⁾ Return	Excess Return ⁽¹⁾
2008	-3.1%	-1.9%	-1.2%	-15.0%	-12.5%	-2.4%	-7.5%	-6.2%	-1.3%	-8.4%	-8.8%	0.4%
2007	16.2%	16.3%	-0.1%	19.9%	20.5%	-0.6%	29.8%	30.2%	-0.4%	23.5%	25.2%	-1.7%
2006	7.5%	7.3%	0.2%	9.4%	9.9%	-0.6%	28.0%	27.9%	0.1%	20.6%	18.0%	2.6%
2005	11.8%	12.1%	-0.3%	7.9%	8.2%	-0.3%	15.7%	16.5%	-0.8%	-1.4%	-0.4%	-1.0%
2004	16.6%	15.9%	0.7%	21.3%	21.2%	0.1%	30.5%	32.0%	-1.5%			
2003	5.3%	4.3%	1.0%	0.9%	1.3%	-0.4%	-4.5%	-4.6%	0.1%			
2002	-7.5%	-6.8%	-0.7%	-17.4%	-16.6%	-0.9%	-9.5%	-8.4%	-1.1%			
2001	-7.9%	-7.8%	-0.1%	-14.8%	-15.3%	0.6%	-24.0%	-24.1%	0.1%			
2000	9.7%	9.1%	0.6%	10.0%	9.5%	0.5%	19.0%	17.8%	1.1%			
1999	11.1%	12.7%	-1.6%	18.2%	19.6%	-1.3%	4.6%	9.2%	-4.7%			
3 years ending 2008	6.5%	7.0%	-0.5%	3.7%	5.0%	-1.3%	15.4%	16.2%	-0.7%	10.9%	10.8%	0.1%
5 years ending 2008	9.5%	9.7%	-0.2%	7.9%	8.7%	-0.9%	18.4%	19.4%	-1.1%			
10 years ending 2008	5.6%	5.8%	-0.2%	3.0%	3.6%	-0.6%	6.6%	7.7%	-1.1%			

Notes:

1. Excess Return is Actual Return minus Benchmark Return.
2. The inception date for Global Equity was 12/08/04.
3. The inception date for Global Balanced was 12/06/04.
4. The Real Estate Return for the year ending 06/30/05 is attributable to REIT's only.
5. The asset class of General Fixed Income was closed in the first quarter of 2007.
6. The inception date for TIPS was 07/31/04.
- 7-14. All benchmarks shown on next page.

TABLE CONTINUED ON NEXT PAGE

PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS

GLOBAL BALANCED ⁽³⁾			REAL ESTATE ⁽⁴⁾			GENERAL FIXED INCOME ⁽⁵⁾			TREASURY INFLATION PROTECTED SECURITIES ⁽⁶⁾		
Actual Return	Benchmark ⁽¹¹⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽¹²⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽¹³⁾ Return	Excess Return ⁽¹⁾	Actual Return	Benchmark ⁽¹⁴⁾ Return	Excess Return ⁽¹⁾
-1.0%	-2.7%	1.7%	3.0%	9.2%	-6.2%				17.4%	17.9%	-0.5%
15.7%	16.6%	-0.9%	16.5%	17.2%	-0.7%				3.4%	3.4%	0.0%
7.6%	7.6%	0.0%	20.2%	20.5%	-0.4%	-0.5%	-0.8%	0.3%	-6.0%	-6.2%	0.2%
3.0%	1.8%	1.2%	6.6%	6.6%	0.0%	6.8%	6.8%	0.0%	17.2%	17.0%	0.2%
						3.1%	1.0%	2.1%			
						13.1%	11.0%	2.1%			
						7.3%	8.6%	-1.4%			
						9.6%	11.2%	-1.6%			
						5.2%	4.6%	0.6%			
						3.3%	3.1%	0.2%			
7.2%	6.8%	0.4%	13.0%	14.6%	-1.6%				4.5%	4.6%	-0.1%

Benchmarks:

- 7. Total Fund Benchmark: A combination of the the benchmarks for the five major asset classes using the target asset class weights.
- 8. Domestic Equity Benchmark: Dow Jones Wilshire 5000.
- 9. Foreign Equity Benchmark: Morgan Stanley Capital International All Country World Ex-U.S. Free, since Jan. 1, 1998.
- 10.Global Equity Benchmark: Morgan Stanley Capital International All Country World Index since December 31, 2004.
- 11.Global Balanced Benchmark: A combination of the benchmarks for Domestic Equity, Foreign Equity, and TIPS benchmarks, approximating the Total Fund benchmark.
- 12.Real Estate Benchmark: A combination of DJ Wilshire Real Estate Securities Index and National Council of Real Estate Investment Fiduciaries Property Index since July 1, 2005.
- 13.General Fixed Income Benchmark: Lehman Brothers Aggregate Bond Index, since Dec. 31, 2003.
- 14.Treasury Inflation Protected Securities (TIPS) Benchmark: Lehman Brothers U.S. Treasury Inflation Notes 10+ Year Index since Dec. 31, 2003.

TABLE CONTINUED FROM PREVIOUS PAGE

INVESTMENT EXPENSES

The adjacent table displays investment management expenses directly attributable to the investment program and paid directly by the System. Examples of directly attributable expenses include fees paid to investment managers and compensation and expenses of the System's own investment staff. Examples of expenses that are not directly attributable to the investment program and therefore not included in expenses include office space expense and time spent on investment matters by staff other than full-time investment staff. Other expenses not paid directly by the System include the expenses of securities lending programs conducted by managers of the commingled funds.

Where the table displays an expense as a percentage of assets, the percentage is calculated with respect to the assets associated with the particular expense item. For example, Jacobs Levy's \$1.81 million of management fees in 2008 was 0.39% of the average assets managed by Jacobs Levy.

The increase of expenses in 2008 can be attributed to active real estate, infrastructure managers, and a significant increase in securities lending activity, resulting in an increase in securities lending expenses. The securities lending expenses are offset by greater securities lending revenue.

INVESTMENT MANAGEMENT EXPENSES

<u>Detail for year ended 6/30/2008</u>	<u>Dollar Expense</u>	<u>% of Assets</u>
Investment management fees	34,644,316	0.33%
Active Equity		
Barclays Global Investors	2,507,949	0.33%
Capital Guardian	2,690,628	0.41%
Grantham, Mayo, Van Oterloo (GMO)	2,218,016	0.41%
Jacobs Levy Equity Management (Long)	1,808,125	0.39%
Jacobs Levy Equity Management (120/20)	1,806,949	0.50%
Legg Mason	1,197,341	0.44%
Pacific Investment Management (PIMCO)	2,412,763	0.27%
Templeton Investment Counsel	1,540,851	0.44%
Wellington Management Company	1,213,885	0.44%
Passive Equity		
Barclays Global Investors (Domestic)	241,494	0.01%
Barclays Global Investors (Foreign)	38,390	0.03%
Russell	186,935	0.12%
Passive Treasury Inflation Protected Securities		
Barclays Global Investors	323,167	0.01%
Real Estate		
Barclays Global Investors (Index REIT)	78,678	0.09%
Principal	747,884	0.98%
BlackRock	745,529	1.10%
JP Morgan	1,566,551	1.00%
Prudential	945,278	0.59%
Infrastructure		
Carlyle	1,693,151	1.50%
Global Infrastructure Partners	2,626,027	2.00%
Other Investment Expenses	7,690,078	
In House Expenses	333,173	
DC Investment Expenses	31,474	

<u>Total for FY ended June 30</u>	<u>\$ Millions</u>	<u>% of Total Assets</u>
2008	34.6	0.33%
2007	19.7	0.19%
2006	18.8	0.20%
2005	15.3	0.17%
2004	12.0	0.16%
2003	9.6	0.14%
2002	10.4	0.15%
2001	10.8	0.15%
2000	12.2	0.17%
1999	12.1	0.19%

BROKERAGE COMMISSIONS
Year Ended June 30, 2008

Broker	Commissions \$ millions	Amount traded \$ millions	Commissions % of amount traded	Shares traded \$ millions	Commissions cents per share
Goldman Sachs	0.28	299.1	0.09%	11.5	2.39
Investment Technology	0.20	1,762.5	0.01%	49.2	0.41
Merrill Lynch	0.19	206.8	0.09%	8.6	2.20
Morgan Stanley	0.17	240.0	0.07%	12.1	1.37
Lehman Brothers	0.15	373.5	0.04%	8.0	1.88
Credit Suisse First Boston	0.15	175.9	0.09%	9.8	1.54
UBS	0.14	170.0	0.08%	12.4	1.12
Jefferies & Company	0.12	1,016.3	0.01%	34.3	0.35
Deutsche Bank	0.11	74.9	0.15%	6.1	1.83
Liquidnet	0.11	168.9	0.06%	5.4	1.97
All Remaining Brokers	<u>1.14</u>	<u>1,333.5</u>	<u>0.09%</u>	<u>72.3</u>	<u>1.57</u>
	2.75	5,821.3	0.05%	229.5	1.20

Commissions reported above are those paid directly by MainePERS. The table does not include other transaction costs that the System may incur, nor does it include brokerage commissions incurred indirectly through investments in commingled funds. Brokerage commissions and other transaction costs are excluded from the expense table on page 72. Those commissions and expenses are accounted for in the net income and total return figures reported elsewhere in this report.

Selection of brokers is at the discretion of the System's investment managers, subject to their fiduciary obligations. MainePERS does not have any directed brokerage programs, commission recapture programs, or similar arrangements. Some of the System's managers have soft dollar arrangements with brokers, in which the broker agrees to provide additional services to the manager beyond trade execution.

GROUP LIFE INSURANCE PROGRAM

The Group Life Insurance program is supported by premiums paid by its participants and by reserves. Substantially all the reserves are maintained in an investment portfolio, for which the summary results are displayed below. (Certain assets, such as the cash in the operating bank account, are not considered part of the investment portfolio.) Over this period, there has been a small net cash outflow from the investment portfolio, and the increase in portfolio value is solely attributable to investment return.

SUMMARY OF INVESTMENT ACTIVITIES

<u>FY Ended</u> <u>June 30</u>	<u>Opening Fair</u> <u>Market Value</u>	<u>Closing Fair</u> <u>Market Value</u>	<u>Actual</u> <u>Return</u>	<u>Benchmark</u> <u>Return</u>	<u>Performance</u>
2008	52.3	53.0	-3.1%	-1.9%	-1.2%
2007	44.3	52.3	16.2%	16.3%	-0.1%
2006	42.9	44.3	3.1%	3.9%	-0.8%
2005	41.8	42.9	2.7%	2.1%	0.6%
2004	41.5	41.8	0.7%	0.5%	0.2%
2003	39.3	41.5	5.5%	4.9%	0.6%
2002	36.6	39.3	7.5%	7.0%	0.5%
2001	34.4	36.6	9.5%	9.3%	0.2%
2000	32.9	34.4	3.8%	5.5%	-1.7%
1999	29.7	32.9	3.9%	4.7%	-0.8%
		3 yrs ended 2008	5.1%	5.8%	-0.7%
		5 yrs ended 2008	3.7%	4.0%	-0.3%
		10 yrs ended 2008	4.9%	5.1%	-0.3%

Benchmarks:

Merrill Lynch 1 to 3 year Treasury Index prior to January 1, 2000

Lehman Brothers 1 to 3 year Govt. Bond Index from January 1, 2000 through March 31, 2005

Merrill Lynch 1 to 3 year Treasury Index from April 1, 2005 through November 30, 2005

MainePERS Total Fund Benchmark since December 1, 2005

During Fiscal Year 2006, the assets were combined with those of the other plans in the general investment portfolio. This change occurred on November 30, 2005. In the Board's view, this change will better position the Plan to meet its future obligations. Prior to November 30, 2005, the assets were invested in a medium term, investment grade fixed income portfolio, managed by Pacific Investment Management Company (PIMCO) in a mutual fund. Prior to April 2005, the funds were managed by State Street Global Advisors in a commingled fund of a similar nature. Because the assets were invested in a mutual fund, they were not available for the System's own securities lending program. Any securities lending undertaken by the mutual fund is not covered in this report, although any results are reflected in the total return and gain/loss figures.

Over the ten-year period ended June 30, 2008, the actual return on the portfolio was slightly lower than the return on the performance benchmark. A portion of investment return is determined by how well the investment manager performs its assignment. To measure this, MainePERS compares the returns on the actual portfolio to an appropriate benchmark.

The fees paid by the portfolio are consistent with those detailed in the fees and expenses tables of the previous section. For the period of time the portfolio was invested in a mutual fund, fees were consistent with other holders of the institutional class of shares, as detailed in the fund's prospectus.



**JUNE 30, 2007
ACTUARIAL SECTION**

ACTUARIAL SECTION

The System's Comprehensive Annual Financial Report (CAFR) includes actuarial reports for its programs prepared as of June 30th of the fiscal year prior to the fiscal year of the CAFR itself. These are presented in order to better align the data contained in the valuation with its resulting effect on the System's financial condition, as described by the financial statements.

Actuarial valuations presented in this FY 2008 Comprehensive Annual Financial Report are for the year ended June 30, 2007. Data with respect to four valuations are presented:

- State Employee and Teacher Retirement Program
- Legislative Retirement Program
- Judicial Retirement Program
- Consolidated Plan for Participating Local Districts

State and Teacher, Legislative and Judicial Programs

Results of program valuations prepared as of June 30 of an even-numbered year are implemented as employer contribution rates in the State's biennial budget that covers the two-year period beginning July 1st of the following year of the valuations. For example, the results of the June 30, 2006 valuations established the employer contribution rates for the FY 2008-2009 biennium which began July 1, 2007. The State of Maine makes the employer contribution for all non-grant funded employees who are members under the State Employee and Teacher Retirement Program and the Legislative and Judicial programs. Valuation results as of June 30 of odd-numbered years, such as the June 30, 2007 valuation, while comprising important information, are not used to set State employer contribution rates.

Consolidated Plan for Participating Local Districts (PLD)

The Consolidated Plan valuation is prepared each year, reporting results as of June 30th. These results are then implemented in PLD budgets covering a twelve month period that begins as of July 1st one year later. For example, the valuation results for the period ending June 30, 2007 established the participating employer rates for the twelve month period beginning July 1, 2008. Each participating local district that is in the Consolidated Plan makes the employer contribution required by the Consolidated Plan valuation for the plan(s) covering its employee members.



November 19, 2007

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

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of each of the funded pension programs administered by the Board of the Maine Public Employees Retirement System as of June 30, 2007. The results of the valuation are contained in the enclosed exhibits.

Funding Objective

The funding objective of the Programs administered by the System is to establish contribution rates that, over time, will remain level as a percent of payroll. In order to achieve this, we developed a contribution rate that will provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus a level percent of payroll amortization of the unfunded liability over a specified period.

To our knowledge, the State has consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

Assumptions and Methods

The actuarial assumptions and methods used in these valuations have been recommended by the actuary, and adopted by the Board of Trustees, based on the actuary's most recent review of each Program's experience.

We believe that all the costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Programs administered by the System and reasonable expectations) and which, in the aggregate, offer our best estimate of anticipated experience affecting the Programs. Nevertheless, the emerging costs will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions.

The calculations in the following exhibits have been made on a basis consistent with our understanding of the System's funding requirements and goals, and of GASB Statement No. 25. The Group Life Insurance numbers disclosed in the Financial Section were produced in accordance with the requirements of GASB Statement No. 43. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Page 1 of 2



Reliance on Others

In performing this analysis, we relied on data and 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. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable. Such a review was beyond the scope of our assignment.

Supporting Schedules

The figures disclosed in the Required Supplemental Schedules to the Financial Section were provided by Cheiron. In addition, we were responsible for the 2005, 2006 and 2007 entries in all of the schedules to be found in this Actuarial Section. Numbers reported for previous years were developed by the prior actuary and are reported per their valuation reports.

Certification

I believe that the State's pension plans are adequately and appropriately financed, in that the contributions are determined and funded on a level cost as a percentage of payroll basis using reasonable actuarial methods and assumptions.

I hereby certify that, to the best of my 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 Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the Actuarial Standards Board. I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,
Cheiron



Fiona E. Liston, FSA, EA
Consulting Actuary

**SECTION I
DEMOGRAPHIC INFORMATION**

Schedule of Active Member Valuation Data				
Valuation Date June 30,	Number of Active Members	Annual Salaries of Active Members*	Average Annual Pay	Percentage Increase in Average Pay
State Employee and Teacher Program				
2007	42,184	\$1,586,436,561	\$37,608	4.26%
2006	42,643	\$1,538,201,110	\$36,072	2.60%
2005	42,910	\$1,508,645,818	\$35,158	2.78%
2004	42,816	\$1,464,608,355	\$34,207	2.20%
2003	42,862	\$1,434,596,605	\$33,470	2.99%
2002	43,264	\$1,405,943,887	\$32,497	4.89%
Consolidated Plan for Participating Local Districts				
2007	9,587	\$342,528,740	\$35,728	3.12%
2006	9,347	\$323,834,104	\$34,646	5.88%
2005	9,186	\$300,582,274	\$32,722	0.80%
2004	8,859	\$287,585,984	\$32,463	2.42%
2003	8,720	\$276,384,548	\$31,695	6.92%
2002	8,843	\$262,143,592	\$29,644	4.53%
Withdrawn Participating Local Districts				
2007	59	\$2,479,392	\$42,024	6.85%
2006	62	\$2,438,504	\$39,331	-1.53%
2005	110	\$4,393,404	\$39,940	NC
Judicial Retirement System				
2007	60	\$6,611,028	\$110,184	8.18%
2006	56	\$5,703,886	\$101,855	2.13%
2005	55	\$5,485,040	\$ 99,728	0.61%
2004	56	\$5,550,873	\$ 99,123	0.95%
2003	56	\$5,498,574	\$ 98,189	1.49%
2002	54	\$5,224,201	\$ 96,744	1.75%
Legislative Retirement Program				
2007	170	\$2,151,925	\$12,658	3.66%
2006	174	\$2,124,786	\$12,211	7.49%
2005	173	\$1,965,349	\$11,360	(4.92%)
2004	176	\$2,102,999	\$11,949	5.59%
2003	175	\$1,980,328	\$11,316	0.60%
2002	169	\$1,901,011	\$11,249	3.61%

* Legislative salaries in even-numbered valuation years have been increased to approximate a full session amount because data was based on previous, odd numbered year, data.

SECTION I
DEMOGRAPHIC INFORMATION *(continued)*

Schedule of Benefit Recipients Valuation Data				
Valuation Date June 30,	Total Number of Benefit Recipients at Year End	Annual Payments to Benefit Recipients	Average Annual Benefit	Percentage Increase in Average Benefit
State Employee and Teacher Program				
2007	26,301	\$456,863,471	\$17,371	5.84%
2006	25,731	\$422,302,916	\$16,412	1.50%
2005	25,123	\$406,220,642	\$16,169	5.27%
2004	24,388	\$374,579,605	\$15,359	4.19%
2003	23,768	\$350,388,824	\$14,742	3.46%
2002	23,228	\$330,969,987	\$14,249	4.94%
Consolidated Plan for Participating Local Districts				
2007	6,872	\$82,159,217	\$11,956	5.26%
2006	6,777	\$76,975,417	\$11,358	0.74%
2005	6,618	\$74,615,077	\$11,275	5.70%
2004	6,554	\$69,907,181	\$10,666	4.67%
2003	6,483	\$66,065,496	\$10,191	4.20%
2002	6,325	\$61,854,927	\$ 9,779	4.45%
Withdrawn Participating Local Districts				
2007	253	\$2,480,655	\$9,805	6.08%
2006	260	\$2,403,244	\$9,243	-5.11%
2005	362	\$3,526,359	\$9,741	NC
Judicial Retirement Program				
2007	43	\$2,119,008	\$49,279	0.52%
2006	43	\$2,108,084	\$49,025	(0.42%)
2005	43	\$2,116,914	\$49,231	1.27%
2004	41	\$1,993,183	\$48,614	0.07%
2003	38	\$1,846,018	\$48,579	2.67%
2002	38	\$1,798,065	\$47,318	1.63%
Legislative Retirement Program				
2007	117	\$180,530	\$1,543	5.04%
2006	107	\$157,216	\$1,469	1.10%
2005	104	\$151,096	\$1,453	4.23%
2004	92	\$128,270	\$1,394	2.73%
2003	92	\$124,843	\$1,357	1.94%
2002	78	\$103,835	\$1,331	5.79%

SECTION I
DEMOGRAPHIC INFORMATION *(continued)*

Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls						
Year Ended June 30,	Added to Rolls		Removed from Rolls		On Rolls at Year End	Annual Allowance
	No.	Annual Allowance	No.	Annual Allowance	No.	
State Employee and Teacher Program						
2007	1,486	\$46,699,912	916	\$12,139,357	26,301	\$456,863,471
2006	1,439	\$30,429,167	831	\$14,346,893	25,731	\$422,302,916
2005					25,123	\$406,220,642
Participating Local Districts (Consolidated and non-Consolidated Plans)						
2007	333	\$7,007,116	245	\$2,110,419	7,125	\$84,639,220
2006	375	\$5,131,207	318	\$3,460,785	7,037	\$79,742,522
2005					6,980	\$78,072,101
Judicial Retirement Program						
2007	1	\$114,167	1	\$60,055	43	\$ 2,162,196
2006	2	\$ 80,525	2	\$89,355	43	\$ 2,108,084
2005					43	\$ 2,116,914
Legislative Retirement Program						
2007	15	\$29,215	5	\$5,901	117	\$ 180,530
2006	4	\$ 8,035	1	\$1,915	107	\$ 157,216
2005					104	\$ 151,096

We will add one year of information to this chart in each of the next four years until it is built up to the full six-years that are recommended for disclosure purposes.

SECTION II
ACCOUNTING INFORMATION

ACCOUNTING STATEMENT INFORMATION

as of June 30, 2007

	State Employee & Teacher Plan	Consolidated Plan for PLD	Judicial Retirement System	Legislative Retirement System
A. FASB No. 35 Basis				
1. Present Value of Benefits Accrued and Vested to Date				
a. Members Currently Receiving Payments	\$ 5,439,581,538	\$ 901,057,359	\$ 20,684,415	\$ 1,715,042
b. Vested Terminated and Inactive Members	411,301,233	37,842,028	449,162	1,386,133
c. Active Members	3,828,413,117	681,584,452	20,390,026	1,547,489
d. Total PVAB	\$ 9,679,295,888	\$ 1,620,483,839	\$ 41,523,603	\$ 4,648,664
2. Assets at Market Value	<u>8,668,381,195</u>	<u>2,104,369,171</u>	<u>50,698,214</u>	<u>9,168,846</u>
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 1,010,914,693	\$ 0	\$ 0	\$ 0
4. Ratio of Assets to Value of Benefits (2) / (1)(d)	90%	130%	122%	197%
B. GASB No. 25 Basis				
1. Actuarial Liabilities				
a. Members Currently Receiving Payments	\$ 5,439,581,538	\$ 901,057,359	\$ 20,684,415	\$ 1,715,042
b. Vested Deferred and Inactive Status Members	411,301,233	37,842,028	449,162	1,386,133
c. Active Members	5,306,887,367	900,075,535	25,708,774	1,994,463
d. Total	\$ 11,157,770,138	\$ 1,838,974,922	\$ 46,842,351	\$ 5,095,638
2. Actuarial Value of Assets	<u>8,245,520,019</u>	<u>2,001,713,785</u>	<u>48,225,053</u>	<u>8,721,571</u>
3. Unfunded Actuarial Liability	\$ 2,912,250,119	\$ (162,738,863)	\$ (1,382,702)	\$ (3,625,933)
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2) / (1)(d)	74%	109%	103%	171%

The numbers in this section do not include liabilities or assets for the withdrawn Participating Local District plans. Funding of those plans is not done on a pooled basis.

SECTION II
ACCOUNTING INFORMATION (continued)

STATEMENT OF CHANGES IN Total Actuarial Present Value of All Accrued Benefits					
	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program	
Actuarial Present Value of Accrued Benefits as of June 30, 2006	\$ 8,585,575,164	\$ 1,511,362,184	\$ 37,744,821	\$ 4,233,376	
Increase (Decrease) During Years Attributable to:					
Passage of Time	628,804,533	117,130,569	2,840,903	319,821	
Benefits Paid - FY 2007	(471,968,288)	(82,159,217)	(2,176,006)	(213,304)	
System Change	467,969,358	0	0	0	
Plan Amendment	0	898,782	942,555	0	
Benefits Accrued, Other Gains/Losses	468,915,121	73,251,521	2,171,330	308,771	
Net Increase (Decrease)	1,093,720,724	109,121,655	3,778,782	415,288	
Actuarial Present Value of Accrued Benefits as of June 30, 2007	\$ 9,679,295,888	\$ 1,620,483,839	\$ 41,523,603	\$ 4,648,664	

SECTION II
ACCOUNTING INFORMATION *(continued)*

NOTES TO TREND DATA

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.

	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program
Valuation date	June 30, 2007	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percent closed	Level dollar open	Level percent open	Level percent open
Remaining amortization period	21 years	15 years	10 years	10 years
Asset valuation method	3-Year smoothed market	3-Year smoothed market	3-Year smoothed market	3-Year smoothed market
Actuarial assumptions:				
Investment rate of return*	7.75%	7.75%	7.75%	7.75%
Projected salary increases*	4.75%-10.00%	4.50%-9.0%	4.00%	4.75%
*Includes inflation at	4.50%	4.50%		
Cost-of-living adjustments	3.75%	3.75%	3.75%	3.75%
Most Recent Review of Plan Experience:	2006	2001	2006	2006

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 Program's experience.

The rate of employer contributions 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 new entrant. 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

SECTION II
ACCOUNTING INFORMATION *(continued)*

ANALYSIS OF FINANCIAL EXPERIENCE					
Gain and Loss in Accrued Liability During Year					
Resulting from Differences Between Assumed Experience and Actual Experience					
For Year Ended June 30, 2007					
Type of Activity	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program	
Investment Income	\$ 209,910,525	\$ 55,166,394	\$ 252,071	\$216,717	
Combined Liability Experience	(39,346,019)	(20,024,675)	1,251,838	69,396	
Gain (or Loss) During Year from Financial Experience	\$ 170,564,505	35,141,719	\$ 1,503,909	\$286,113	
Non-Recurring Items*	0	(898,782)	(1,256,445)	(3,194,856)	
Composite Gain (or Loss) During Year	\$ 170,564,505	\$ (32,242,937)	\$ 247,464	\$ (2,908,743)	

* Non-recurring items for Consolidated Plan and Judicial Retirement Program were plan improvements. For Legislative Program, it was a change in funding method from Aggregate to Entry Age Normal.

SECTION II
ACCOUNTING INFORMATION (continued)

SOLVENCY TEST*						
Aggregate Accrued Liabilities For						
Valuation Date June 30,	(1)	(2)	(3)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (1) (2)	(3) (3)
	Active Member Contributions	Retirees Vested Terms, Beneficiaries	Active Members (Employer Financed Portion)			
State Employee and Teacher Plan						
2007	\$ 1,789,362,929	\$ 5,850,882,771	\$ 3,517,524,438	\$ 8,245,520,019	100%	17%
2006	1,645,241,719	5,367,785,679	3,534,271,796	7,504,219,546	100%	14%
2005	1,569,409,748	4,832,994,427	3,596,845,863	6,964,597,457	100%	16%
2004	1,464,936,256	4,387,963,456	3,589,489,687	6,452,570,243	100%	17%
Consolidated Plan for Participating Local Districts						
2007	\$ 270,986,236	\$ 938,899,387	\$ 629,089,299	\$ 2,001,713,785	100%	126%
2006	239,876,523	884,015,065	596,238,152	1,846,304,483	100%	121%
2005	217,657,321	820,316,284	543,224,512	1,726,776,134	100%	127%
2004	195,013,387	772,474,507	524,178,904	1,633,016,411	100%	127%
Judicial Retirement System						
2007	\$ 6,941,423	\$ 21,133,577	\$ 18,767,351	\$ 48,225,053	100%	107%
2006	6,463,859	20,608,730	16,029,820	44,350,649	100%	108%
2005	6,026,669	19,988,075	15,916,386	41,842,216	100%	99%
2004	5,600,058	18,534,194	12,254,479	39,210,995	100%	123%
Legislative Retirement System						
2007 **	\$ 1,783,293	\$ 3,101,175	\$ 211,170	\$ 8,721,571	100%	1817%
2006	1,648,363	2,634,954	3,661,151	7,944,468	100%	100%
2005	1,526,704	2,662,444	3,217,327	7,406,475	100%	100%
2004	1,359,835	2,203,021	3,264,622	6,827,478	100%	100%

* This chart will be built up to the required six-years of disclosures.

** The funding method was changed for the Legislative Program from the Aggregate to Entry Age Normal in 2007.

**STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

State Employee and Teacher Program

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.

**STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

(continued)

**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

* 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.

**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

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

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 the 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, 2007 is amortized over a 21 year period.

Annual gains and losses are explicitly calculated under this method and are amortized in the same fashion as the rest of the unfunded actuarial liability. The Analysis of Financial Experience discloses the annual gains and losses for this Program.

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

C. Plan Provisions

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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 in the preceding paragraph.

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.

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.

Benefit: $1/50$ of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by approximately $2\frac{1}{4}\%$ for each year retirement age is less than age 60.

Form of Payment: Life annuity.

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

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 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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

Benefit: 66 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 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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.

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.

STATE EMPLOYEE AND TEACHER PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

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.
- 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.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

Consolidated Plan for Participating Local Districts

A. Actuarial Assumptions

1. Annual Rate of Investment Return: 7.75%
2. Cost-of-Living Increases in Benefits: 3.75% (Where Applicable)
3. Rates of Termination at Selected Ages*:

AGE	REGULAR	SPECIAL
25	19.5%	7.5%
30	12.5	7.5
35	10.0	4.2
40	7.5	3.2
45	5.3	2.2
50	3.6	2.0
55	2.3	2.0

* Members with five or more years of service are assumed to elect deferred vested benefits; other terminations are assumed to elect refunds.

4. Rates of Active Healthy Life Mortality at Selected Ages (number of deaths per 10,000 members)**:

AGE	MALE	FEMALE
25	7	3
30	9	4
35	9	5
40	12	8
45	17	10
50	28	15
55	48	25
60	86	48
65	156	93
70	255	148

** For Regulars, 5% of deaths are assumed to arise out of and in the course of employment; for Specials, 20% of deaths are assumed to arise out of and in the course of employment.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**
(continued)

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

AGE	MALE	FEMALE
25	92	72
30	112	89
35	134	109
40	160	126
45	193	144
50	236	165
55	295	191
60	362	226
65	446	272
70	576	331

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

Regular Plans

AGE	ASSUMPTION
25	50
30	50
35	100
40	100
45	100
50	150
55	250
60	400
65	250
70	1,000

Special Plans

50% of those eligible to retire in each year.

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

AGE	REGULAR PLAN	SPECIAL PLAN
25	6	13
30	6	13
35	7	14
40	11	18
45	22	29
50	42	49
55	72	79

** 10% assumed to receive Workers Compensation benefits offsetting disability benefit.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**
(continued)

8. 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; spouses are same age; member has no dependent parents; unmarried members have beneficiaries entitled to benefits worth 80% as much as those of married members' beneficiaries.

9. Salary Growth Assumption:

RATES OF INCREASES AT SELECTED AGES	
Age	Increase
25	9.0%
30	7.5
35	5.5
40	5.5
45	5.0
50	4.5
55	4.5
60	4.5

10. Assumption Changes Since Last Valuation

None.

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

B. Actuarial Methods

1. Funding Method:

The Entry Age Normal method is used to determine costs. Under this funding method, the total employer contribution rate is determined which consists of two elements, the normal cost rate and the pooled unfunded actuarial liability (PUAL) rate. The actual contribution for a given PLD will include an IUUAL payment as well, unless the PLD came into the Plan with surplus assets.

For each Regular and Special Plan, a normal cost rate is determined for the average new entrant. This rate is determined by taking the value, as of age at entry into the Plan, 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 normal cost contributions calculated per Plan, the employers in each Plan are required to make contributions to fund that plan's PUAL, if any. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs, less future member contributions, and less expected IUUAL payments. The PUAL is the total of the actuarial liability for all members less the actuarial value of the Plan's assets. The actuarial liability includes projections of future member pay increases and future service credits.

The Initial Unpooled Unfunded Actuarial Liability (IUUAL) was calculated at entry into the Consolidated Plan for each PLD. For PLDs with liabilities greater than assets, these amounts are amortized by annual payments over a fixed number of years. Additional unpooled unfunded liability amounts that arise for a given PLD after its entry to the Consolidated Plan are amortized over a period of not more than 15 years.

Annual gains and losses are explicitly calculated under this method and are amortized in the same fashion as the rest of the unfunded actuarial liability. The Analysis of Financial Experience discloses the annual gains and losses for this plan.

2. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is in excess of the 7.75% actuarial assumption for investment return.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**
(continued)

C. Plan Provisions

1. Member Contributions:

Members are required to contribute a percent of earnable compensation which varies by Plan as follows:

Regular AC & AN	6.5%
Regular BC	3.0%
Special 1C & 1N	6.5%
Special 2C & 2N	6.5%
Special 3C & 3N	8.0% for first 25 years, 6.5% after
Special 4C & 4N	7.5% for first 25 years, 6.5% after

2. Average Final Compensation:

For purposes of determining benefits payable under the Plan, average final compensation is the average annual rate of earnable compensation for the 3 years of creditable service (not necessarily consecutive) which produce the highest such average.

3. Creditable Service:

Creditable service includes service while a member, certain service prior to the establishment of the Plan, purchased service credit of which there are several types, and service while receiving disability benefits under the Plan.

4. Service Retirement Benefits:

Regular Plan AC

Normal Retirement Age: 60

Eligibility for Member 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.

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

Benefit: 1/50 of average final compensation multiplied by years of membership service under Consolidated Plan AC reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

Regular Plan AN

This benefit plan is the same as Regular Benefit Plan AC, except that there is no provision for cost-of-living adjustments.

Regular Plan BC

Normal Retirement Age: 60

Eligibility for Member 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 10 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: 1/100 of average final compensation multiplied by years of membership service under Consolidated Plan BC reduced by approximately 2¼% for each year that a member is younger than age 60 at retirement.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

Regular Plan Notes

1. Under certain circumstances, Regular Plan service can count, on a pro rata basis, toward meeting Special Plan benefit eligibility requirements.
2. The actual benefit for service earned prior to coverage under the Consolidated Plan may be based on a variable percentage of average final compensation multiplied by years of service under any previous plan(s) (the percentage depends on the previous plan(s)).

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

(continued)

Special Plan 1C

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.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

Special Plan 1N

This benefit plan is identical to Special Benefit Plan 1C, except that there is no provision for cost-of-living adjustments.

Special Plan 2C

Eligibility: 25 years of creditable service in named positions.

Benefit: One-half average final compensation plus 2% for each year of service in excess of 25.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

Special Plan 2N

This benefit plan is identical to Special Benefit Plan 2C, except that there is no provision for cost-of-living adjustments.

Special Plan 3C

Eligibility: 25 years of creditable service in named positions.

Benefit: Two thirds of average final compensation plus 2% for each year of service in excess of 25.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

(continued)

Special Plan 3N

This benefit is identical to Regular Benefit Plan 3C, except that there is no provision for cost-of-living adjustments.

Special Plan 4C

Eligibility: Age 55 with 25 years of creditable service in named positions.

Benefit: 1/50 of average final compensation multiplied by years of membership service under Consolidated Plan 4C reduced by approximately 2¼% for each year that a member is younger than age 55 at retirement.

Form of Payment: Life annuity ("full benefit"), unless an optional method of payment is selected.

Cost-of-Living Adjustment: See item 10.

Special Plan 4N

This benefit plan is identical to Special Benefit Plan 4C, except that there is no provision for cost-of-living adjustments.

Special Plan Notes

1. If a Special Plan member fails to meet the Special Plan eligibility criteria, their service retirement benefit is that provided by the applicable underlying Regular Plan; Special Plan service credits are used toward Regular Plan eligibility requirements.
2. Service in all Special Plans counts, on a percentage basis, toward meeting the benefit eligibility requirements of any Special Plan.
3. The actual benefit for service earned prior to coverage under the Consolidated Plan may be based on a variable percentage of average final compensation multiplied by years of service under any previous plan(s) (the percentage depends on the previous plan(s)).

5. Pre-Retirement Accidental Death Benefits:

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

Benefit:

- If the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death.

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

- 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(ren), the surviving spouse shall receive two-thirds 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(ren), the surviving spouse shall receive two-thirds of member's average final compensation until death.
- If the member leaves no spouse, the dependent child(ren) shall be paid an annual amount equal to the member's average final compensation. Benefits will cease when the last dependent child no longer meets the definition of "dependent child".

6. 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), parents, 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 parent or estate.

7. Disability Retirement Benefits Other Than No Age Benefits (See Item 8):

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.

Benefit: 66 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 years, 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 date the service retirement benefit equals or exceeds the disability benefit.

Conversion to Service Retirement: During the period of disability, service is credited and average final compensation may be increased with cost-of-living adjustments (see item 10). On the date when service benefits reach a level of 66 2/3% of average final compensation or ten years after the normal retirement date, if earlier, the disability converts to a service retirement benefit based on service and average final compensation at that point.

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

8. No-Age Disability 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 years, 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, service is credited and average final compensation may be increased with cost-of-living adjustments (see item 10). 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.

9. Refund of Contributions:

Eligibility: Termination of service other than by retirement or death.

Benefit: Member's accumulated contributions with interest.

10. Cost-of-Living Adjustments (COLA):

All service and disability retirement (and survivor) benefits payable to (or in relation to) benefit recipients who were employed by a PLD that elected a plan which provides for a COLA 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 six months. The maximum annual increase or decrease is 4%.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

(continued)

11. Methods of Payment of Service Retirement Benefits:

At retirement, a member must choose one of 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 (the employee contribution balance having 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.
- 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.

**JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

Judicial Retirement Program

A. Actuarial Assumptions

- 1. Annual Rate of Investment Return 7.75%
- 2. Annual Rate of Salary Increase 4.00%
- 3. Annual Cost-of-Living Increase 3.75%
- 4. Normal Retirement Age Age 60 for members with at least ten years of creditable service on July 1, 1993.

Age 62 for members with less than ten years of creditable service on July 1, 1993.

5. Probabilities of Employment Termination at Selected Ages Due to:

Age	Disability	Termination	DEATH	
			Male	Female
25	.0006	.07	.0007	.0003
30	.0006	.06	.0009	.0004
35	.0007	.05	.0009	.0005
40	.0011	.04	.0012	.0008
45	.0022	.03	.0017	.0010
50	.0042	.02	.0028	.0015
55	.0072	.01	.0048	.0025

6. Rate of Healthy Life Mortality at Selected Ages:

AGE	MALE	FEMALE
25	.0007	.0003
30	.0009	.0004
35	.0009	.0005
40	.0012	.0008
45	.0017	.0010
50	.0028	.0015
55	.0048	.0025

7. Rates of Disabled Life Mortality at Selected Ages

AGE	MALE	FEMALE
25	.0092	.0072
30	.0112	.0089
35	.0134	.0109
40	.0160	.0126
45	.0193	.0144
50	.0236	.0165
55	.0295	.0191

JUDICIAL RETIREMENT PROGRAM SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

8. Assumption Changes Since Last Valuation

None.

B. Actuarial Methods

1. Funding Method

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

The normal cost rate is developed for a typical new entrant. This rate is determined by taking the value, as of entry age to the plan, 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 the plan's normal cost, contributions will be 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 actuarial liability less the actuarial value of plan assets.

The unfunded liability is amortized by annual payments over a 10-year period from June 30, 2007. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 4% per year.

Annual gains and losses are explicitly calculated under this method and are amortized in the same fashion as the rest of the unfunded actuarial liability. The Analysis of Financial Experience discloses the annual gains and losses for this plan.

2. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the 7.75% actuarial assumption for investment return.

C. Plan Provisions

1. Membership:

Membership is a condition of employment for all judges serving on or after December 1, 1984.

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

Judges who retired prior to December 1, 1984 are covered under a different Program.

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

2. Member Contributions:

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation:

For purposes of determining benefits payable under the Program, 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 active judges as of July 1, 2003 and July 1, 2004, average final compensation shall be increased to reflect missed salary increases.

4. Creditable Service:

Creditable service includes the following:

- a. all judicial service as a member after November 30, 1984;
- b. all judicial service before December 1, 1984;
- c. service credited while receiving disability benefits under the Program; and
- d. all service creditable under the Maine Public Employees Retirement System provided the member elects to have his own and the employer's contributions on behalf of the service transferred to the Judicial Program.

5. Service Retirement Benefits:

Eligibility

a. Eligibility for Members With at Least Ten Years of Creditable Service on July 1, 1993

- i. Eligibility for members in active service and inactive members:
25 years of creditable service.
- ii. Eligibility alternative for members in active service:
Attainment of age 70 with at least one year of service immediately before retirement.
- iii. Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999:
Attainment of age 60 and ten years of creditable service.
- iv. Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999:
Attainment of age 60 and five years of creditable service.

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

b. Eligibility for Members With Less Than Ten Years of Creditable Service on July 1, 1993

- i. Eligibility for members in active service and inactive members:

25 years of creditable service.

- ii. Eligibility alternative for members in active service:

Attainment of age 70 with at least one year of service immediately before retirement.

- iii. Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999:

Attainment of age 62 with ten years of creditable service.

- iv. Eligibility for Members not in Active Service at Retirement, but in Active Service on or After October 1, 1999:

Attainment of age 62 and five years of creditable service.

Benefit

Sum of:

- (1) for service after November 30, 1984 and before July 1, 1998 and creditable service allowed under Section 1302(3), 2% of average final compensation multiplied by years of service;
- (2) for service on or after July 1, 1998, 3% of average final compensation multiplied by years of service; and
- (3) for judicial service prior to December 1, 1984, 75% of November 30, 1984 salary for the position held at retirement, pro-rated for prior service less than ten years.

The benefit is reduced for retirement before age 60 at the rate of approximately 2¼% for each year retirement age is less than 60, for members with at least ten years creditable service on July 1, 1993; reduced for retirement before age 62 by 6% for each year the member's age is less than age 62, if less than ten years creditable service on July 1, 1993.

Maximum Benefit

Total benefit cannot exceed 70% of average final compensation except as provided under the minimum benefit provision.

Minimum Benefit

For a judge in service and age 50 or older on December 1, 1984, 75% of salary on 6/30/84 for the position held at retirement, increased by 6% per year from 6/30/84 to 6/30/89 or retirement date if earlier, and increased beyond 6/30/89 by the cost-of-living increase granted the previous September.

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

Form of Payment

Life annuity; except, for a judge in service and age 50 before December 1, 1984, 50% joint and survivor annuity to surviving spouse.

6. Disability Retirement Benefits Other Than No Age Benefits

Conditions

Disabled as defined in the Judicial Retirement Program statutes, prior to normal retirement age; employed as a judge prior to October 16, 1992 and did not elect No Age Disability Option.

Benefit

66-2/3% 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 two years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the earlier of age 70 and the date the service retirement benefit 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 66-2/3% of average final compensation, or at age 70, if earlier, the disability benefit converts to a service retirement benefit based on service and pay at that point.

7. No Age Disability Retirement Benefits:

Conditions

Disabled as defined in the Judicial Retirement Program statutes; employed as a judge on or after October 16, 1992 or employed as a judge prior to October 16, 1992 and elected the provisions of No Age Disability.

Benefit

59% of average final compensation, reduced by the amount by which employment earnings plus the disability allowance exceeds the current salary of the position held at disability, and to the extent that the benefit, in combination with worker's compensation exceeds 80% of average final compensation. A member in service on 11/30/84 may elect benefits applicable for retirement before December 1, 1984.

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

Form of Payment

Payment begins on termination of service and ceases on cessation of disability or after two years, unless the member is unable to engage in any substantially gainful activity; in which case payments cease on the date the service retirement benefit 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 pay 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), parents, 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 parent or estate.

Minimum Benefit

For a judge in service prior to December 1, 1984, one-half of the judge's retirement benefit determined on date of death, payable to the spouse and/or dependent children.

9. Pre-Retirement Accidental Death Benefits:

Eligibility

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

Benefit

If the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death.

- 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 two-thirds of member's average final compensation until death.

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

- 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 two-thirds of member's average final compensation until death.
- If the member leaves no spouse, the dependent child(ren) shall be paid an annual amount 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:

Except as described below, all service and disability retirement and survivor benefits are adjusted each year 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 12 months. The maximum 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 at least ten years creditable service on July 1, 1993 are not eligible to receive a cost-of-living adjustment until 12 months after the member reaches normal retirement age.

Minimum benefits are increased 6% per year from July, 1985 through June, 1989, and as described above thereafter.

12. Methods of Payment of Service Retirement Benefits:

At retirement, a member must choose from the following methods of payment:

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

Option 1: Cash refund equal to the remaining employee contribution balance 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).

JUDICIAL RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS
(continued)

- Option 2: 100% joint and survivor annuity.
- 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 with pop-up*.
- Option 7: 50% joint and survivor annuity 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.

13. Plan Change Since Last Valuation.

Final average compensation is to include missed salary increases from 2003 and 2004 for judges who were active participants on those dates.

**LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS**

Legislative Retirement Program

A. Actuarial Assumptions

- 1. Annual Rate of Investment Return 7.75%
- 2. Annual Rate of Salary Increase 4.75%
- 3. Annual Cost-of-Living Increase 3.75%
- 4. Normal Retirement Age

Age 60 for members with at least ten years of creditable service on July 1, 1993.

Age 62 for members with less than ten years of creditable service on July 1, 1993.

5. Probabilities of Employment Termination at Selected Ages Due to:

Age	Disability	Termination	DEATH	
			Male	Female
25	.0006	.07	.0007	.0003
30	.0006	.06	.0009	.0004
35	.0007	.05	.0009	.0005
40	.0011	.04	.0012	.0008
45	.0022	.03	.0017	.0010
50	.0042	.02	.0028	.0015
55	.0072	.01	.0048	.0025

6. Rate of Healthy Life Mortality at Selected Ages:

AGE	MALE	FEMALE
25	.0007	.0003
30	.0009	.0004
35	.0009	.0005
40	.0012	.0008
45	.0017	.0010
50	.0028	.0015
55	.0048	.0025

7. Rates of Disabled Life Mortality at Selected Ages

AGE	MALE	FEMALE
25	.0092	.0072
30	.0112	.0089
35	.0134	.0109
40	.0160	.0126
45	.0193	.0144
50	.0236	.0165
55	.0295	.0191

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

8. Assumption Changes Since Last Valuation

None.

B. Actuarial Methods

1. Funding Method

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

The normal cost rate is developed for a typical new entrant. This rate is determined by taking the value, as of entry age to the plan, 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 the program's normal cost, contributions will be required to fund the program'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 actuarial liability less the actuarial value of plan assets.

The unfunded liability is amortized by annual payments over an open 10-year period. The payments are determined so that they will be a level percentage of pay, assuming total pay increases 4.75% per year.

2. Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swings in market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the 7.75% actuarial assumption for investment return.

3. Changes

Prior year's valuations were performed using the Aggregate actuarial funding method.

C. Plan Provisions

1. Membership

Except as provided by statute, membership is mandatory for every Legislator in service in the Legislature on or after December 3, 1986, and optional for those who were members of the Maine Public Employees Retirement System on December 2, 1986.

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

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

2. Member Contributions

Members are required to contribute 7.65% of earnable compensation.

3. Average Final Compensation

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

4. Creditable Service

Creditable service includes the following:

- a. all legislative service as a member after December 2, 1986;
- b. all legislative service before December 3, 1986, for which contributions have been made at the rate applicable to the Maine Public Employees Retirement System, including appropriate interest;
- c. service credited while receiving disability benefits under the Program; and
- d. all service creditable under the Maine Public Employees Retirement System as a State Employee, provided the member elects to have the member's own and the employer's contributions on behalf of such service transferred to the Legislative Program.

5. Service Retirement Benefits

Eligibility

a. Eligibility for Members with at Least Ten Years of Creditable Service on July 1, 1993

- i. Eligibility for members in active service and inactive members:
25 years of creditable service.
- ii. Eligibility alternative for members in active service:
Attainment of age 60.
- iii. Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999:
Attainment of age 60 and ten years of creditable service.
- iv. Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999:
Attainment of age 60 and five years of creditable service.

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

b. Eligibility for Members with Less Than Ten Years of Creditable Service on July 1, 1993

i. Eligibility for members in active service and inactive members:

25 years of creditable service.

ii. Eligibility alternative for members in active service:

Attainment of age 62.

iii. Eligibility for members not in active service at retirement, and not in active service on or after October 1, 1999:

Attainment of age 62 with ten years of creditable service.

iv. Eligibility for members not in active service at retirement, but in active service on or after October 1, 1999:

Attainment of age 62 and five years of creditable service.

For eligibility, creditable service includes service under the Maine Public Employees Retirement System.

Benefit

1/50 of average final compensation multiplied by years of creditable service, reduced for retirement before age 60 at the rate of approximately 2¼% for each year retirement age is less than age 60, for members with at least ten years creditable service on July 1, 1993; reduced for retirement before age 62 at the rate of 6% for each year retirement age is less than age 62, for members with less than ten years creditable service on July 1, 1993; minimum benefit \$100 per month if at least ten years of creditable service.

Form of Payment

Life annuity.

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 Option.

Benefit

66-2/3% 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.

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

Form of Payment

Payment begins on termination of service and ceases on cessation of disability or after five years, 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 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 66-2/3% 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 years, 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.

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

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), parents, 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 parent or estate.

9. Pre-Retirement Accidental Death Benefits

Eligibility

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

Benefit

If the member leaves no dependent children, two-thirds of the member's average final compensation to the surviving spouse until death.

- 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 two-thirds 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 two-thirds of member's average final compensation until death.
- If the member leaves no spouse, the dependent child(ren) shall be paid an annual amount 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.

LEGISLATIVE RETIREMENT PROGRAM
SUMMARY OF ACTUARIAL ASSUMPTIONS, METHODS, AND PLAN PROVISIONS

(continued)

11. Cost-of-Living Adjustments

All service and disability retirement and survivor benefits are adjusted each year 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 12 months. The maximum 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 at least ten years creditable service on July 1, 1993 are not eligible to 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 is 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.

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.

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**STATISTICAL
SECTION**

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATISTICAL SECTION
(unaudited)

This section of the Maine Public Employees Retirement System’s Comprehensive Annual Financial Report presents detailed information as a context for understanding this year’s financial statements, note disclosures, and supplementary information. This information has not been audited by the independent auditor.

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These tables contain trend information that may assist the reader in assessing the System’s current financial performance by placing it in historical perspective.

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Source:

Unless otherwise noted, the information in the Financial Trends tables is derived from the annual financial reports for the relevant year.

OPERATING INFORMATION

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These tables contain service and infrastructure indicators that can enhance one’s understanding of how the information in the System’s financial statements relates to the services the System provides and the activities it performs.

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**DEFINED BENEFIT PLAN
CHANGES IN NET ASSETS**

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Additions										
Member contributions	150,522,802	155,061,294	144,397,946	138,622,166	132,254,628	128,911,129	122,613,972	116,032,261	110,766,917	105,706,888
Employer contributions	317,757,236	323,376,847	321,901,020	291,615,599	299,900,485	295,154,266	423,674,078	272,419,817	258,050,705	299,525,280
Investment Income (net of expenses)	(337,429,208)	1,538,866,448	663,893,160	942,303,248	1,143,956,814	349,190,234	(532,832,471)	(594,457,402)	676,730,505	690,910,031
Total additions to plan net assets	130,850,830	2,017,304,589	1,130,192,126	1,372,541,013	1,576,111,927	773,255,629	13,455,579	(206,005,324)	1,045,548,127	1,086,142,199
Deductions										
Benefit payments	576,345,663	541,387,999	503,027,886	470,218,358	433,798,828	409,400,944	387,400,584	362,068,648	335,589,992	317,875,786
Refunds	27,308,551	21,938,751	18,907,578	15,975,376	15,677,722	13,816,988	15,807,418	17,453,576	17,675,072	19,156,890
Administrative expenses	10,179,823	10,892,369	9,459,332	9,323,141	9,328,218	9,508,254	8,122,795	7,847,406	7,772,582	7,446,433
Other expenses*	-	-	-	-	-	-	-	-	-	601,825
Total deductions from plan net assets	613,834,037	574,219,119	531,394,796	495,516,875	458,804,768	432,726,166	411,330,797	387,369,630	361,037,646	345,080,934
Change in net assets	\$ (482,983,207)	\$ 1,443,085,470	\$ 598,797,330	\$ 877,024,138	\$ 1,117,307,159	\$ 340,529,463	(\$397,875,218)	(\$593,374,954)	\$ 684,510,481	\$ 751,061,265

*Other Expenses include immaterial adjustments related to corrections to accumulated depreciation on fixed assets and accounts receivables.

**GROUP LIFE INSURANCE PLAN
CHANGES IN NET ASSETS**

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000*	1999*
Additions										
Member contributions	12,006,708	8,837,809	8,632,935	8,456,619	8,345,241	8,059,713	7,648,870	7,216,169	7,193,257	7,005,931
Employer contributions	220,933	243,115	216,103	211,576	211,691	215,777	184,336	178,086	176,388	168,987
Investment Income (net of expenses)	(1,755,010)	6,978,299	1,290,819	1,122,921	391,887	2,150,357	2,762,100	3,219,707	1,481,132	1,206,160
Total additions to plan net assets	10,472,631	16,059,223	10,139,857	9,791,116	8,948,819	10,425,847	10,595,306	10,613,962	8,850,777	8,381,078
Deductions										
Benefit payments	8,210,909	8,020,342	7,571,942	7,215,050	7,104,121	7,100,216	8,447,953	6,221,450	7,306,079	7,687,006
Refunds	20,511	30,157	32,002	17,279	19,535	17,195	14,724	14,688	15,000	25,834
Administrative expenses	842,136	856,436	812,833	841,752	854,891	895,521	734,383	703,686	650,303	595,419
Other expenses	-	-	-	-	-	-	-	-	-	-
Total deductions from plan net assets	9,073,556	8,906,935	8,416,777	8,074,081	7,978,547	8,012,932	9,197,060	6,939,824	7,971,382	8,308,259
Change in net assets	\$ 1,399,075	\$ 7,152,288	\$ 1,723,080	\$ 1,717,035	\$ 970,272	\$ 2,412,915	\$ 1,398,246	\$ 3,674,138	\$ 879,396	\$ 72,819

**Refunds in the amounts of \$14,999 for 2000 and \$25,834 for 1999 were originally reported in Member contributions in the respective years' CAFRs. This table reflects the re-class from additions to deductions from plan net assets. Also, in 1999 \$426,432 was originally reported as Benefits Paid and has been re-classed to Administrative Expenses.*

**DEFINED BENEFIT AND GROUP LIFE INSURANCE PLANS COMBINED
CHANGES IN NET ASSETS**

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Additions										
Member contributions	162,529,510	163,899,103	153,030,881	147,078,785	140,599,869	136,970,842	130,262,842	123,248,430	117,883,047	112,686,985
Employer contributions	317,978,169	323,619,962	322,117,123	291,827,175	300,112,176	295,370,043	423,858,414	272,597,903	258,261,090	299,694,267
Investment Income (net of expenses)	(339,184,218)	1,545,844,747	665,183,979	942,426,169	1,144,348,701	351,340,591	(530,070,371)	(591,237,695)	678,239,769	692,116,191
Total additions to plan net assets	141,323,461	2,033,363,812	1,140,331,983	1,381,332,129	1,585,060,746	783,681,476	24,050,885	(195,391,362)	1,054,383,906	1,104,497,443
Deductions										
Benefit payments	584,556,572	549,408,341	510,599,828	477,433,409	440,902,949	417,180,904	396,398,584	368,816,383	343,316,238	325,989,225
Refunds	27,329,062	21,968,908	18,939,580	15,992,655	15,697,257	13,834,163	15,822,142	17,468,264	17,728,820	19,156,890
Administrative expenses	11,021,959	11,748,805	10,272,165	10,164,891	10,183,109	9,724,031	8,307,131	8,025,492	7,948,970	7,615,420
Other expenses	-	-	-	-	-	-	-	-	-	601,825
Total deductions from plan net assets	622,907,593	583,126,054	539,811,573	503,590,955	466,783,315	440,739,098	420,527,857	394,310,139	368,994,028	353,363,360
Change in net assets	\$ (481,584,132)	\$ 1,450,237,758	\$ 600,520,410	\$ 877,741,174	\$ 1,118,277,431	\$ 342,942,378	\$ (396,476,972)	\$ (589,701,501)	\$ 685,389,878	\$ 751,134,083

**DEFINED BENEFIT PLAN
BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS
BY TYPE**

LAST TEN FISCAL YEARS

Type of Benefit	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Type of Benefit										
Service retirement benefits	\$ 516,877,544	\$ 484,050,311	\$ 448,493,907	\$ 419,704,172	\$ 387,324,422	\$ 364,951,896	\$ 345,606,266	\$ 323,423,424	\$ 300,816,207	\$ 285,256,849
Disability benefits	53,404,352	51,475,049	48,853,164	44,900,918	41,176,546	39,350,574	36,748,652	33,686,219	29,951,365	27,850,502
Pre-Retirement death benefits	6,063,767	5,862,639	5,680,814	5,613,268	5,297,859	5,098,475	5,045,666	4,959,005	4,822,420	4,768,434
Total benefits	\$ 576,345,663	\$ 541,387,999	\$ 503,027,886	\$ 470,218,358	\$ 433,798,828	\$ 409,400,944	\$ 387,400,584	\$ 362,068,648	\$ 335,589,992	\$ 317,875,786
Type of Refund										
Death	\$ 3,517,392	\$ 3,272,721	\$ 2,002,560	\$ 1,917,019	\$ 2,209,683	\$ 2,481,807	\$ 1,690,232	\$ 1,359,147	\$ 1,080,789	\$ 1,751,010
Separation	21,950,987	17,176,811	15,494,157	12,704,938	11,686,892	10,115,976	11,060,713	13,453,867	15,107,647	16,279,816
Other	1,840,172	1,489,218	1,410,862	1,353,419	1,781,147	1,219,184	3,056,473	2,640,562	1,486,637	1,126,064
Total refunds	\$ 27,308,551	\$ 21,938,751	\$ 18,907,578	\$ 15,975,376	\$ 15,677,722	\$ 13,816,968	\$ 15,807,418	\$ 17,453,576	\$ 17,675,072	\$ 19,156,890

**GROUP LIFE INSURANCE PLAN
BENEFIT AND REFUND DEDUCTIONS FROM NET ASSETS
BY TYPE**

LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Type of Benefit										
Basic active claims	\$ 1,667,981	\$ 1,650,657	\$ 1,553,776	\$ 1,680,927	\$ 1,451,264	\$ 1,684,414	\$ 1,559,284	\$ 1,227,841	\$ 1,421,541	\$ 2,016,006
Supplemental claims	1,471,000	1,505,000	1,280,000	846,410	1,612,705	731,000	1,943,000	1,030,982	1,302,693	1,506,039
Dependent claims	245,000	182,942	218,988	250,344	211,500	314,224	240,086	296,440	318,386	329,488
Accidental Death & Dismemberment claims	95,000	21,000	147,042	233,000	143,027	-	169,042	-	451,601	341,851
Basic retiree claims	4,647,103	4,509,130	4,169,092	4,111,284	3,649,726	4,302,678	4,412,198	3,579,737	3,765,336	3,340,554
	8,126,084	7,868,729	7,368,899	7,121,965	7,068,222	7,032,316	8,323,610	6,135,000	7,259,557	7,533,937
Conversion expense	84,825	151,613	203,044	93,085	35,900	67,900	124,343	86,450	46,522	153,069
Total benefits	\$ 8,210,909	\$ 8,020,342	\$ 7,571,942	\$ 7,215,050	\$ 7,104,122	\$ 7,100,216	\$ 8,447,953	\$ 6,221,450	\$ 7,306,079	\$ 7,687,006
Type of Refund										
Group Life Insurance premiums	20,511	30,157	32,002	17,279	19,535	17,195	14,724	14,688	15,000	25,834
Total refunds	\$ 20,511	\$ 30,157	\$ 32,002	\$ 17,279	\$ 19,535	\$ 17,195	\$ 14,724	\$ 14,688	\$ 15,000	\$ 25,834

DEFINED BENEFIT PLAN - RETIRED MEMBERS BY TYPE OF BENEFIT

Fiscal Year Ending June 30:	<u>Service Retirees</u>	<u>Service Retiree Beneficiary Recipients</u>	<u>Disability Benefit Recipients</u>	<u>Pre-Retirement Death Benefits Recipients</u>	<u>Total Pension Benefit Recipients</u>
2008	27,000	3,451	2,733	1,073	34,257
2007	26,416	3,442	2,703	1,090	33,651
2006	25,801	3,403	2,628	1,001	32,833
2005	21,973	6,615	2,528	1,134	32,250
2004	22,067	5,874	2,403	1,116	31,460
2003	21,675	5,735	2,292	1,072	30,774
2002	21,226	5,689	2,218	989	30,122
2001	20,887	5,575	2,096	1,008	29,566
2000	20,673	5,297	1,967	1,007	28,944
1999	19,681	5,906	1,672	1,113	28,372

DEFINED BENEFIT PLAN - AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates July 1, 1998 - June 30, 2008	Years of Creditable Service						
	Less than 5	5-10	10-15	15-20	20-25	25-30	Greater than 30
Period 7/1/1998 to 6/30/1999							
Average Monthly Benefit	105	269	412	689	1,142	1,320	1,856
Average Final Salary	13,917	16,089	14,768	18,321	22,697	26,449	27,180
Number of Active Retirees	411	1,092	3,004	2,451	3,387	4,733	4,530
Period 7/1/1999 to 6/30/2000							
Average Monthly Benefit	108	276	421	709	1,174	1,355	1,925
Average Final Salary	14,350	16,737	15,386	18,931	23,466	27,265	28,803
Number of Active Retirees	399	1,065	2,968	2,431	3,431	4,861	4,696
Period 7/1/2000 to 6/30/2001							
Average Monthly Benefit	113	289	439	740	1,233	1,424	2,028
Average Final Salary	14,797	17,383	16,093	19,593	24,288	28,405	30,555
Number of Active Retirees	389	1,026	2,986	2,400	3,428	5,038	4,895
Period 7/1/2001 to 6/30/2002							
Average Monthly Benefit	118	301	456	768	1,279	1,479	2,109
Average Final Salary	15,389	17,866	16,542	20,259	24,904	29,146	31,792
Number of Active Retirees	391	998	2,989	2,401	3,450	5,191	5,111
Period 7/1/2002 to 6/30/2003							
Average Monthly Benefit	121	306	468	791	1,312	1,515	2,170
Average Final Salary	16,083	18,912	17,361	21,472	26,137	30,469	33,731
Number of Active Retirees	379	968	2,935	2,397	3,473	5,417	5,366
Period 7/1/2003 to 6/30/2004							
Average Monthly Benefit	125	320	487	818	1,347	1,566	2,247
Average Final Salary	16,802	19,889	18,134	22,389	26,958	31,602	35,366
Number of Active Retirees	369	949	2,868	2,420	3,526	5,631	5,610
Period 7/1/2004 to 6/30/2005							
Average Monthly Benefit	132	329	511	855	1,408	1,634	2,343
Average Final Salary	17,769	20,676	18,974	23,337	28,063	32,716	36,905
Number of Active Retirees	375	957	2,827	2,442	3,607	5,843	5,925
Period 7/1/2005 to 6/30/2006							
Average Monthly Benefit	137	339	534	884	1,449	1,688	2,429
Average Final Salary	18,131	21,370	19,934	24,207	28,918	33,712	38,236
Number of Active Retirees	372	972	2,801	2,472	3,644	6,033	6,205
Period 7/1/2006 to 6/30/2007							
Average Monthly Benefit	143	357	561	931	1,514	1,769	2,549
Average Final Salary	18,663	22,659	20,722	25,350	29,825	34,774	39,620
Number of Active Retirees	371	1,009	2,806	2,484	3,682	6,264	6,476
Period 7/1/2007 to 6/30/2008							
Average Monthly Benefit	148	371	585	966	1,565	1,831	2,643
Average Final Salary	19,644	23,981	21,766	26,250	30,720	35,744	41,078
Number of Active Retirees	371	1,065	2,796	2,510	3,718	6,412	6,789

**DEFINED BENEFIT PLAN
RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION
As of June 30, 2008**

Amount of Monthly Benefit	Type of Retirement				Option Selected										
	Number of Retired Members	1	2	3	4	0	1	2	3	4	5	6	7	8	Other
	0 - 250	5,351	2,638	129	1,540	1,044	880	147	196	53	1	1,100	20	3	3
251 - 500	4,589	3,663	90	821	15	1,096	231	270	82	2	1,594	42	11	11	1,250
501 - 750	3,391	3,014	85	288	4	1,052	211	256	97	8	968	53	13	23	710
751 - 1000	2,650	2,487	62	96	5	986	206	186	133	5	530	36	23	20	525
1001 - 1250	2,521	2,428	65	24	4	946	228	200	134	8	515	46	30	36	378
1251 - 1500	2,646	2,597	43	6	0	1,040	252	246	180	6	542	52	30	33	265
1501 - 1750	2,577	2,529	45	2	1	1,068	238	209	187	10	533	51	31	44	206
1751 - 2000	2,466	2,427	39	0	0	1,106	239	179	149	18	456	58	46	43	172
2001 - over	8,066	8,008	58	0	0	3,951	716	661	560	99	1,167	183	184	207	338
Totals	34,257	29,791	616	2,777	1,073	12,125	2,468	2,403	1,575	157	7,405	541	371	420	6,792

**EMPLOYEE CONTRIBUTION RATES
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Judicial Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Legislative Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
School Teacher Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
State of Maine Employees										
Employee Class:										
General	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Police	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.65%	8.65%
Police - Grandfathered	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
Marine Wardens - Grandfathered	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
Game Wardens - Grandfathered	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
Prison Wardens	n/a	n/a	n/a	n/a	n/a	n/a	8.65%	8.65%	8.65%	8.65%
Prison Wardens - Grandfathered	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
Liquor Inspectors - Grandfathered	n/a	n/a	n/a	n/a	n/a	7.65%	7.65%	7.65%	7.65%	7.65%
Forest Rangers - Grandfathered	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
1998 Special Groups	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
HazMat/DEP 24030	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	n/a	n/a	n/a
Participating Local District Employees										
Employee Class:										
AC - General COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
BC - General COLA	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
1C - Special COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2C - Special COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
3C - Special COLA	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
4C - Special COLA	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
AN - General No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
1N - Special No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2N - Special No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
3N - Special No COLA	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
4N - Special No COLA	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

EMPLOYER CONTRIBUTION RATES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Judicial Employees	15.87%	15.01%	15.09%	18.08%	18.10%	14.93%	14.45%	24.30%	24.12%	33.92%
Legislative Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.47%
School Teacher Employees	16.72%	17.23%	17.23%	16.02%	16.05%	17.71%	17.71%	18.34%	18.34%	19.30%
State of Maine Employees										
Employee Class:										
General	17.01%	15.88%	15.52%	13.74%	13.39%	12.43%	12.19%	14.81%	14.47%	16.68%
Police	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.48%	20.10%
Police - Grandfathered	47.70%	44.04%	43.02%	35.00%	34.32%	36.37%	35.65%	43.90%	42.89%	67.85%
Marine Wardens - Grandfathered	39.94%	45.63%	44.55%	38.27%	37.43%	35.36%	35.15%	43.61%	42.62%	59.15%
Game Wardens - Grandfathered	49.11%	47.07%	45.94%	39.03%	38.13%	37.12%	36.35%	40.23%	39.32%	84.82%
Prison Wardens	n/a	n/a	n/a	n/a	n/a	n/a	13.88%	16.87%	16.48%	9.20%
Prison Wardens - Grandfathered	25.15%	24.29%	23.70%	17.79%	17.44%	18.76%	18.39%	22.28%	21.76%	27.14%
Liquor Inspectors - Grandfathered	n/a	n/a	n/a	n/a	n/a	16.43%	16.02%	20.26%	19.87%	31.02%
Forest Rangers - Grandfathered	21.70%	18.21%	17.79%	15.78%	15.47%	14.93%	14.65%	17.65%	17.27%	26.90%
1998 Special Groups	19.09%	18.11%	17.68%	15.55%	15.21%	14.16%	13.88%	16.87%	16.48%	17.95%
HazMat/DEP	19.09%	18.11%	17.68%	15.55%	15.21%	14.96%	14.68%	n/a	n/a	n/a
Participating Local District Employees										
Employee Class:										
AC - General COLA	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	3.30%	5.90%
BC - General COLA	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	2.00%	3.70%
1C - Special COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	7.70%	14.70%
2C - Special COLA	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.70%	9.00%
3C - Special COLA	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	6.30%	11.90%
4C - Special COLA	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	4.10%	6.50%
AN - General No COLA	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.80%	3.50%
1N - Special No COLA	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	4.30%	9.00%
2N - Special No COLA	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.50%	5.00%
3N - Special No COLA	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	3.40%	6.70%
4N - Special No COLA	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	2.20%	3.60%

PRINCIPAL PARTICIPATING EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2008		2000					
Participating Entity	Covered Employees	Rank	Percentage of Total System	Participating Entity	Covered Employees	Rank	Percentage of Total System
State of Maine	15,944	1	26.47%	State of Maine	16,669	1	26.99%
Maine Veterans Home	1,301	2	2.16%	Portland School Department	1,375	2	2.23%
Portland School Department	1,279	3	2.12%	Portland, City Of	973	3	1.58%
Portland, City Of	812	4	1.35%	Maine Veterans Home - Central	890	4	1.44%
Lewiston School Department	807	5	1.34%	Bangor School Department	793	5	1.28%
Bangor School Department	707	6	1.17%	Lewiston School Department	702	6	1.14%
MSAD #75 Topsham	645	7	1.07%	Bangor, City Of	698	7	1.13%
Auburn School Department	624	8	1.04%	Auburn School Department	675	8	1.09%
MSAD #6 Bar Mills	570	9	0.95%	MSAD #75 Topsham	663	9	1.07%
Scarborough School Department	551	10	0.91%	Augusta School Department	609	10	0.99%
All Others *	37,730	11	62.65%	All Others	38,716	11	62.69%
Total (556 Participating Entities)	60,225		100.00%	Total (554 Participating Entities)	61,761		100.00%

* All Others includes employees covered under two or more employer types.

In 2008, "All Others" consisted of:

Employer Type	Number of Employees	Covered Employees
Judicial Retirement System	1	63
Legislative Retirement System	1	174
Participating Local Districts	300	8,792
School Districts	262	28,701
	546	37,730

Note: Covered employees of these employers are eligible to participate in the Defined Benefit Plans administered by MainePERS, which provide normal and disability retirement benefits and certain survivor benefits, as well as benefits under the Group Life Insurance Plan.

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

PROGRAM: STATE EMPLOYEE / TEACHER
RETIREMENT PROGRAM

Participants: State Employees
Employer: State of Maine
Reporting Entity: State of Maine

Participants: State Employees
Employers: Various
Reporting Entity: (as follows)

Central Maine Community College
Eastern Maine Community College
Kennebec Valley Community College
Maine Community College System - Admin
Maine Dairy & Nutrition Council
Maine Developmental Disabilities Council
Maine Potato Board
ME Community College - Career Advantage
MECDHH/Gov. Baxter School for the Deaf
Northern Maine Community College
Southern Maine Community College
University Of Maine
Washington County Community College
Wild Blueberry Commission of Maine
York County Community College

Participants: Teachers
Employers: State of Maine; School Administrative
Units for Grant-funded Teachers
Reporting Entity: (as follows)

Acton School Department
Arundel School Department
Auburn School Department
Augusta School Department
Bangor School Department
Bath School Department
Biddeford School Department
Brewer School Department
Bridgewater School Department
Brunswick School Department
Bucksport School Department
CSD #3 Boothbay Harbor
CSD #4 Flanders Bay
CSD #7 Mt. Desert
CSD #8 Airline CSD
CSD #9 South Aroostook
CSD #10 Maranacook
CSD #11 Schoodic
CSD #12 East Range
CSD #13 Deer Isle - Stonington
CSD #14 Great Salt Bay - Damariscotta
CSD #15 Oak Hill
CSD #17 Moosabec
CSD #18 Wells-Ogunquit
CSD #19 Five Town CSD
Cape Elizabeth School Department

Caribou School Department
Caswell School Department
Chebeague Island School Department
Cutler School Department
Dedham School Department
Dresden School Department
East Machias School Department
Easton School Department
Ellsworth School Department
Erskine Academy
Falmouth School Department
Fayette School Department
Foxcroft Academy
Freeport School Department
Fryeburg Academy
George Stevens Academy
Glenburn School Department
Gorham School Department
Gould Academy
Harmony School Department
Hermon School Department
Indian Island
Indian Township
Isle Au Haut School Department
Islesboro School Department
Jay School Department
Kittery School Department
Lee Academy
Lewiston School Department
Limestone School Department
Lincoln Academy
Lincolnvile School Department
Long Island School Department
MSAD #1 Presque Isle
MSAD #3 Unity
MSAD #4 Guilford
MSAD #5 Rockland
MSAD #6 Bar Mills
MSAD #7 North Haven
MSAD #8 Vinalhaven
MSAD #9 Farmington
MSAD #10 Allagash
MSAD #11 Gardiner
MSAD #12 Jackman
MSAD #13 Bingham
MSAD #14 Danforth
MSAD #15 Gray
MSAD #16 Hallowell
MSAD #17 South Paris
MSAD #18 Bucksport
MSAD #19 Lubec
MSAD #20 Fort Fairfield
MSAD #21 Dixfield
MSAD #22 Hampden
MSAD #23 Carmel
MSAD #24 Van Buren
MSAD #25 Sherman Station
MSAD #26 Ellsworth

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

*(continued)***TEACHERS** *(continued)*

MSAD #27 Fort Kent	Millinocket School Department
MSAD #28 Camden	Monhegan Plantation School Department
MSAD #29 Houlton	Monmouth School Department
MSAD #30 Lee	Old Orchard Beach School Department
MSAD #31 Howland	Old Town School Department
MSAD #32 Ashland	Orland School Department
MSAD #33 St. Agatha	Orrington School Department
MSAD #34 Belfast	Oxford Hill Technical School #11
MSAD #35 Eliot	Peninsula Community School District
MSAD #36 Livermore Falls	Pleasant Point School
MSAD #37 Harrington	Portland School Department
MSAD #38 Etna	Raymond School Department
MSAD #39 Buckfield	Region 2 Southern Aroostook County
MSAD #40 Waldoboro	Region 3 Northern Penobscot County
MSAD #41 Milo	Region 4 Southern Penobscot County
MSAD #42 Mars Hill	Region 7 Waldo County Technical Center
MSAD #43 Mexico	Region 8 Knox County Vocational School
MSAD #44 Bethel	Region 9 School of Applied Technology
MSAD #45 Washburn	Region 10 Cumberland-Sagadahoc County
MSAD #46 Dexter	Regional School Unit #1
MSAD #47 Oakland	Richmond School Department
MSAD #48 Newport	Sanford School Department
MSAD #49 Fairfield	Scarborough School Department
MSAD #50 Thomaston	School Agent Carrabasset
MSAD #51 Cumberland Center	School Agent Coplin Plantation
MSAD #52 Turner	School Union 52, Winslow
MSAD #53 Pittsfield	School Union 132, Central Office
MSAD #54 Skowhegan	School Union 133, Central Office
MSAD #55 Cornish	South Portland School Department
MSAD #56 Searsport	Thornton Academy
MSAD #57 Waterboro	Union 7 Dayton
MSAD #58 Kingfield	Union 7 Saco
MSAD #59 Madison	Union 29 Mechanic Falls
MSAD #60 North Berwick	Union 29 Minot
MSAD #61 Bridgton	Union 30 Durham
MSAD #62 Pownal	Union 30 Lisbon
MSAD #63 East Holden	Union 37 Lincoln Plantation
MSAD #64 East Corinth	Union 37 Rangeley
MSAD #65 Matinicus	Union 42 Manchester
MSAD #67 Lincoln	Union 42 Mount Vernon
MSAD #68 Dover-Foxcroft	Union 42 Readfield
MSAD #70 Hodgdon	Union 42 Wayne
MSAD #71 Kennebunk	Union 44 Litchfield
MSAD #72 Fryeburg	Union 44 Sabattus
MSAD #74 North Anson	Union 44 Wales
MSAD #75 Topsham	Union 47 Administration
MSAD #76 Swans Island	Union 47 Georgetown
MSAD #77 Machias	Union 47 Phippsburg
Machiasport School Department	Union 47 West Bath
Madawaska School Department	Union 47 Woolwich
Maine Central Institute	Union 49 Edgecomb
Maine Education Association	Union 49 Southport
Maine Indian Education	Union 52 China
Maine School of Science & Mathematics	Union 52 Vassalboro
	Union 60 Greenville
	Union 60 Shirley

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

TEACHERS (continued)

Union 69 Appleton
 Union 69 Hope
 Union 74 Bristol
 Union 74 Damariscotta
 Union 74 Nobleboro
 Union 74 South Bristol
 Union 76 Brooklin
 Union 76 Sedgewick
 Union 87 Orono
 Union 87 Veazie
 Union 90 Alton
 Union 90 Bradley
 Union 90 Greenbush
 Union 90 Greenfield
 Union 90 Milford
 Union 92 Hancock
 Union 92 Lamoine
 Union 92 Otis
 Union 92 Surry
 Union 92 Trenton
 Union 93 Blue Hill
 Union 93 Brooksville
 Union 93 Castine
 Union 93 Penobscot
 Union 96 Steuben
 Union 98 Administration
 Union 98 Cranberry Isle
 Union 98 Frenchboro
 Union 98 Mount Desert
 Union 98 Southwest Harbor
 Union 98 Tremont
 Union 102 Jonesboro
 Union 102 Machias
 Union 102 Marshfield
 Union 102 Northfield
 Union 102 Roque Bluffs
 Union 102 Wesley
 Union 102 Whitneyville
 Union 103 Beals
 Union 103 Jonesport
 Union 104 Charlotte
 Union 104 Eastport
 Union 104 Pembroke
 Union 104 Perry
 Union 106 Alexander
 Union 106 Calais
 Union 106 Robbinston
 Union 107 Baileyville
 Union 107 Princeton
 Union 108 Vanceboro
 Union 110 Reed Plantation
 Union 113 East Millinocket
 Union 113 Medway
 Union 122 New Sweden

Union 122 Stockholm
 Union 122 Westmanland
 Union 122 Woodland
 Union 132 Chelsea
 Union 132 Jefferson
 Union 132 Whitefield
 Union 133 Palermo
 Union 133 Somerville
 Union 133 Windsor
 Washington Academy
 Waterville School Department
 Westbrook School Department
 Whiting School Department
 Windham School Department
 Winthrop School Department
 Wiscasset School Department
 Yarmouth School Department

PROGRAM: LEGISLATIVE RETIREMENT PROGRAM
Participants: Legislators
Employer: State of Maine
Reporting Entity: Office of the Executive Director of the Maine Legislature

PROGRAM: JUDICIAL RETIREMENT PROGRAM
Participants: Judges
Employer: State of Maine
Reporting Entity: Administrative Office of the Courts

PROGRAM: PARTICIPATING LOCAL DISTRICT RETIREMENT PROGRAM
Employers: Participating Local Districts (Active and Withdrawn)
Reporting Entities: (as follows)

Androscoggin County
 Androscoggin Valley Council of Government
 Aroostook County
 Auburn Housing Authority
 Auburn Lewiston Airport
 Auburn Public Library
 Auburn, City of
 Auburn School Support
 Auburn Water and Sewer District
 Augusta, City of
 Augusta School Support
 Baileyville, Town of
 Baileyville School Support
 Bangor Housing Authority
 Bangor, City of
 Bangor Public Library
 Bangor School Support

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS (continued)

Bangor Water District
 Bar Harbor School Support
 Bar Harbor, Town of
 Bath Water District
 Bath, City of
 Belfast Water District
 Belfast, City of
 Berwick Sewer District
 Berwick, Town of
 Bethel, Town of
 Biddeford Housing Authority
 Biddeford School Department
 Biddeford, City of
 Boothbay Harbor, Town of
 Boothbay Region Water District
 Brewer Housing Authority
 Brewer, City of
 Bridgton Water District
 Brunswick Fire and Police
 Brunswick Public Library Association
 Brunswick Sewer District
 Brunswick, Town of
 Brunswick School Support
 Bucksport, Town of
 Bucksport School Support
 Calais, City of
 Calais School Support
 Camden, Town of
 Cape Elizabeth Police
 Caribou Fire & Police
 Carrabassett Valley, Town of
 Chesterville, Town of
 Cheverus High School
 China, Town of
 Coastal Counties Workforce Incorporated
 Community School District #912
 Community School District #915
 Community School District #918
 Corinna Sewer District
 Corinna, Town of
 Cumberland County
 Cumberland, Town of
 Dexter, Town of
 Dover-Foxcroft Water District
 Dover-Foxcroft, Town of
 Durham, Town of
 Durham School Support
 Eagle Lake Water & Sewer District
 East Millinocket, Town of
 East Millinocket School Support
 Easton, Town of
 Eliot, Town of
 Ellsworth, City of
 Ellsworth School Support
 Erskine Academy
 Fairfield, Town of
 Falmouth Memorial Library
 Falmouth, Town of
 Falmouth School Support
 Farmington Village Corporation
 Farmington, Town of
 Fayette, Town of
 Fort Fairfield Housing Authority
 Fort Fairfield Utilities District
 Fort Fairfield, Town of
 Franklin County
 Freeport, Town of
 Frenchville, Town of
 Fryeburg, Town of
 Gardiner Water District
 Gardiner, City of
 Glenburn, Town of
 Glenburn School Support
 Gorham School Support
 Gorham, Town of
 Gould Academy
 Grand Isle, Town of
 Greater Augusta Utility District
 Greenville, Town of
 Greenville School Support
 Hallowell, City of
 Hampden Water District
 Hampden, Town of
 Hancock County
 Harpswell, Town of
 Harrison, Town of
 Hermon School Support
 Hermon, Town of
 Hodgdon, Town of
 Houlton Water Company
 Houlton, Town of
 Indian Township Tribal Government
 Jackman Utility District
 Jay, Town of
 Jay School Support
 Kennebec County
 Kennebec Sanitary Treatment District
 Kennebec Water District
 Kennebunk Kennebunkport Wells Water District
 Kennebunk Light & Power District
 Kennebunk Sewer District
 Kennebunk, Town of
 Kennebunkport, Town of
 Kittery School Support
 Kittery Water District
 Kittery, Town of
 Lebanon, Town of
 Lewiston Auburn 911
 Lewiston Housing Authority

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS (continued)

Lewiston, City of	Mechanic Falls School Support
Lewiston-Auburn Water Pollution Control Authority	Mechanic Falls, Town of
Lewiston School Support	Medway School Support
Limestone, Town of	Medway, Town of
Limestone School Support	Mexico, Town of
Lincoln Academy	Milford, Town of
Lincoln County	Millinocket, Town of
Lincoln County Sheriffs	Millinocket School Support
Lincoln Sanitary District	Milo Water District
Lincoln Water District	Monmouth, Town of
Lincoln, Town of	Monson, Town of
Lincoln & Sagadahoc Multi-County Jail Authority	Mount Desert Island Regional
Linneus, Town of	Mount Desert Water District
Lisbon Water Department	Mt. Desert School Support
Lisbon, Town of	Mt. Desert, Town of
Lisbon School Support	Naples, Town of
Livermore Falls Water District	New Gloucester, Town of
Livermore Falls, Town of	Newport, Town of
Lovell, Town of	Newport Water District
Lubec Water & Electric District	North Berwick, Town of
Lubec, Town of	Norway Water District
M.A.D.S.E.C.	Norway, Town of
MSAD #9 Farmington	Ogunquit, Town of
MSAD #13 Bingham	Old Orchard Beach, Town of
MSAD #16 Hallowell	Old Orchard Beach School Support
MSAD #21 Dixfield	Old Town Housing Authority
MSAD #29 Houlton	Old Town Water District
MSAD #31 Howland	Old Town, City of
MSAD #41 Milo	Old Town School Support
MSAD #49 Fairfield	Orland, Town of
MSAD #51 Cumberland	Orland School Support
MSAD #53 Pittsfield	Orono, Town of
MSAD #54 Skowhegan	Orono School Support
MSAD #60 Berwick	Orrington, Town of
MSAD #67 Lincoln	Orrington School Support
MSAD #71 Kennebunk	Otisfield, Town of
Madawaska Water District	Oxford County
Madawaska, Town of	Oxford, Town of
Madawaska School Support	Paris Utility District
Maine County Commissioners Association	Paris, Town of
Maine International Trade Center	Penobscot County
Maine Maritime Academy	Penquis C.A.P.
Maine Municipal Bond Bank	Phippsburg, Town of
Maine Principals' Association	Phippsburg School Support
Maine Public Employees Retirement System	Piscataquis County
Maine School Management Association	Pittsfield, Town of
Maine State Housing Authority	Pleasant Pt. Passamaquoddy Reservation Housing Auth.
Maine Turnpike Authority	Portland Housing Authority
Maine Veterans' Homes	Portland Public Library
Mapleton, Town of	Portland, City of
Mars Hill Utility District	Portland School Support
Mars Hill, Town of	Princeton, Town of
Mechanic Falls Sanitary District	Princeton School Support
	Region 4 So. Penobscot
	Regional School Unit 1
	Richmond Utility District

EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS *(continued)*

Richmond, Town of
 Rockland, City of
 Rockport, Town of
 Rumford Fire & Police
 Rumford Mexico Sewerage District
 Rumford Water District
 Rumford, Town of
 Rumford School Support
 Sabattus, Town of
 Sabattus School Support
 Saco, City of
 Saco School Support
 Sagadahoc County
 Sanford Housing Authority
 Sanford Sewerage District
 Sanford Water District
 Sanford, Town of
 Sanford School Support
 Scarborough, Town of
 Scarborough School Support
 Searsport Water District
 Searsport, Town of
 Skowhegan, Town of
 Somerset County
 South Berwick Sewer District
 South Berwick Water District
 South Berwick, Town of
 South Portland Housing Authority
 South Portland, City of
 South Portland School Support
 St. Agatha, Town of
 Topsham Sewer District
 Topsham, Town of
 Tri-Community Recycle/Sanitary Landfill
 Van Buren Housing Authority
 Van Buren, Town of
 Vassalboro, Town of
 Veazie Fire & Police
 Waldo County
 Waldo County Technical Center
 Waldoboro, Town of
 Washburn, Town of
 Washington County
 Waterville Fire & Police
 Waterville Sewer District
 Wells, Town of
 Westbrook Fire & Police
 Westbrook, City of
 Westbrook Housing Authority
 Westbrook School Support
 Windham, Town of
 Winslow School Support
 Winslow, Town of

Winter Harbor Utility District
 Winterport Water & Sewer Districts
 Winthrop, Town of
 Yarmouth Water District
 Yarmouth, Town of
 Yarmouth School Support
 York County
 York Sewer District
 York Water District
 York, Town of

PROGRAM: PARTICIPATING LOCAL DISTRICT RETIREMENT PROGRAM

Individual Employers: **Withdrawn (Non-Consolidated) Participating Local Districts**
Reporting Entities: **(as follows)**

Bingham Water District
 Bradford, Town of
 Bridgton, Town of
 Brownville, Town of
 Cape Elizabeth, Town of
 Cape Elizabeth School Support
 Community School District #903
 Cranberry Isles
 Damariscotta, Town of
 Exeter, Town of
 Fort Kent, Town of
 Garland, Town of
 Georgetown School Support
 Georgetown, Town of
 Greater Portland Council of Government
 Howland, Town of
 Knox County
 Limestone Water & Sewer District
 MSAD #34 Belfast
 MSAD #56 Searsport
 Maine Development Foundation
 Maine Municipal Association
 Mid-Maine Waste Action Corporation
 Milo, Town of
 New Canada, Town of
 Norway-Paris Solid Waste Incorporated
 Presque Isle, City of
 Readfield, Town of
 Richmond School Support
 Sabattus Sanitary District
 Thomaston, Town of
 Wallagrass Plantation
 Western Maine Community Action
 Wilton, Town of

This report has been produced as required by 5 M.R.S.A. §17102 (10), which states that the Maine Public Employees Retirement System must publish an annual report showing "the fiscal transactions of the retirement system for the fiscal year and the assets and liabilities of the retirement system at the end of the fiscal year; and the actuary's report on the actuarial valuation of the financial condition of the retirement system for the fiscal year."



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Costs for producing this report were paid from the operating budget of the Maine Public Employees Retirement System.



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A publication of



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