

Maine Public Employees Retirement System

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FINANCIAL

For the Fiscal Year Ended  
June 30, 2010

INVESTMENT

ACTUARIAL

STATISTICAL



MainePERS - A Component Unit of the State of Maine



**Maine Public Employees Retirement System**  
A Component Unit of the State of Maine

**Comprehensive Annual  
Financial Report**

For the fiscal year ended  
June 30, 2010

46 State House Station, Augusta, Maine 04333

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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.”

This report was prepared by the Financial, Administrative and Investment staff of the Maine Public Employees Retirement System. Costs for producing this report were paid from the operating budget of the Maine Public Employees Retirement System.

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

Maine Public Employees  
Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

  
Executive Director

Public Pension Coordinating Council

**Recognition Award for Funding  
2010**

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, 2010

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A stylized botanical illustration in shades of green and brown. The background is a light, muted green. In the foreground, there are several dark green, pointed buds on thin stems. Some stems have small, pointed leaves. The overall style is minimalist and artistic. The text 'INTRODUCTORY SECTION' is positioned in the upper right quadrant of the page.

INTRODUCTORY  
SECTION



Sandra J. Matheson, *Executive Director*

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

#### BOARD OF TRUSTEES

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

## LETTER OF TRANSMITTAL

December 17, 2010

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, 2010. This CAFR, taken as a whole, provides information on all aspects of the System. It is written to conform to Governmental Accounting Standards Board (GASB) requirements. Management of the System takes full responsibility for the accuracy, completeness and fairness of the representations made in this report.

Baker, Newman, and Noyes, LLC, Certified Public Accountants, have issued an unqualified opinion on the MainePERS’ financial statements for the year ended June 30, 2010. The independent auditors’ report is located at the front of the financial section.

Management’s discussion and analysis (MD&A) immediately follows the independent auditors’ report and provides a narrative introduction, overview and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### FUNDING OF SYSTEM PROGRAMS

The System administers six retirement plans, often referred to as “programs.” The System also operates a Group Life Insurance Program (GLI) and 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.

The System’s defined benefit retirement plans, or programs, are the dominant element in its financial activities and position. These are the State and Teacher’s Retirement Program, the Judicial Program, the Legislative Program and the Participating Local District’s Consolidated Plan.

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 for former governors and their surviving spouses. The programs are funded each biennium by a direct appropriation from the Legislature and in, the case of the active governor, by employee contributions required by statute.

The basic defined benefit retirement plan equation provides that, over the long term, contributions plus investment earnings must be equal to benefits. While investment market performance affects plan funding requirements, it does not affect benefits being paid or to be paid in the future.

The return on invested contributions has historically supplied a significant amount of the benefit funding resources of defined benefit plans. In periods when the investment markets provide less return than expected, the resulting funding shortfall has historically been made up by a combination of increased employer contributions and investment market returns in other periods that exceed expectations. For this reason, the performance of the investment markets is a significant factor affecting the financial activities or position of the System, and the effects of market performance flow through to contributions made by participating employers.



As with all actuarially-funded defined benefit plans, the System uses actuarial methods and procedures that integrate short-term market behavior with the long-term time horizon of the plan. One of these methods is “smoothing” of investment results which moderates the volatility of employer contribution requirements.

The interplay of liabilities (i.e., the obligation to pay benefits) and assets (i.e., contributions and investment earnings on contributions) can be observed in changes in the System’s programs’ actuarial funded ratios over time. The funded ratio of the State Employee and Teacher Program had improved steadily and consistently since the mid-1980s until 2008. Periods of low or negative returns in the investment markets during 2009 and 2010 adversely affected the funding ratio for those years. The actuarial funded ratio of those plans at June 30, 2010 was 65.9 percent, 67.6 percent at June 30, 2009, and 74.0 percent at June 30, 2008.

The Judicial Program was slightly underfunded at June 30, 2009, and remained underfunded as of June 30, 2010. The actuarial funded ratio of this plan was 89.7 percent at June 30, 2010. The Consolidated Plan for Participating Local Districts (PLDs) was slightly underfunded at June 30, 2009, and remained underfunded as of June 30, 2010. The actuarial funded ratio of this plan was 92.9 percent at June 30, 2010. Information regarding overall funding progress appears in the MD&A starting 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’s defined contribution plans had 46 participating employers with 629 participants at June 30, 2010. This program provides an important supplement for our defined benefit participants and a valuable alternative for other participants. MaineSTART offers a family of funds from Vanguard designed to be very low cost and easy for participants to manage.

The Group Life Insurance Program is funded by premiums paid by its participants and the employers of those participants, and by investment returns on the Group Life Insurance Program assets. The investment strategy for these assets is a similar strategy as the strategy employed for the defined benefit plan assets.

### Investments

The centerpiece of the investment policy is the mix of investment types in which assets are invested and the allocation of assets among asset classes. The System’s Board of Trustees (Board) is responsible for establishing the policy that is the framework for investment of the programs’ assets. The Board employs in-house experts and outside investment consultants to advise it on investment matters, including policy.

The defined benefit and group life insurance portfolios experienced a considerable rebound after two years of negative returns with an overall return of 11.1%. Total value of the portfolio increased to \$8.9 billion at June 30, 2010 from \$8.6 billion at June 30, 2009. The increase in investment income is due to strong equity markets worldwide as well as solid fixed income returns.

Until June 2008, the permitted portfolio asset classes under the System’s investment policy included domestic equities, international equities, Treasury Inflation Protected Securities (TIPS), real estate and infrastructure. In June 2008, a new asset allocation was established that includes investments in alternative strategies including private equity and opportunistic strategies.

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.

## HIGHLIGHTS OF THE PAST YEAR

The System continued efforts to expand and improve our communication with members, interested organizations, the Legislature and the public. As pension issues come to the forefront of public discussion, we want all affected groups to share a common understanding of the funding and benefit structure of current programs administered by MainePERS.

As previously reported, in 2006 the System launched a major project to install an integrated pension benefits system. Vitech Systems Group was the vendor selected. In January 2009, the System began issuing retirement payments from the new system, officially retiring an obsolete legacy system. Currently, the System is in the final phase of testing the Employer Self-Service (ESS), pension, group life insurance, and general ledger modules and has begun training staff in preparation for implementation. We anticipate a full implementation of all core functionality in 2011.

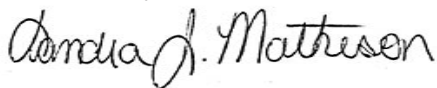
## ACKNOWLEDGEMENTS

Once again, we are pleased to inform you that for the sixth 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 Comprehensive Annual Financial Report ("CAFR"), with contents that meet or exceed program standards. We are extremely proud that we are recognized for handling and accounting for 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 2010 CAFR will also be submitted to the GFOA.

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.

Respectfully submitted,



Sandra J. Matheson  
Executive Director

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



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 the 293 municipalities and other public entities, called "participating local districts" (PLDs) that have chosen to provide retirement plans to their employees 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 some PLD employees.

### Board of Trustees

Responsibility for the operation of the Maine Public Employees Retirement System rests with the System's Board of Trustees, which is comprised of eight members. State law specifies the Board's composition. Each trustee is subject to the legislative confirmation process. 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 appointed by the governing body of the Maine Municipal Association. 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. 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." 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 serve as Trustees of the State and Teacher, Judicial and Legislative Retirement Programs as well as for the PLD Consolidated Program and 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 fiscal years 2009 and 2010 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 Hewitt EnnisKnupp 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 independent 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 the Maine Superior Court.

### Administration

The **Office of the Executive Director** has administrative responsibility for all aspects of the System and its operations. The Executive Director oversees all actuarial work and investments, and has administrative responsibility 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 and has day-to-day responsibility for legislative matters, appeals, federal, state, and local governmental relations, planning, organizational development, 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, including information technology supports, communications, facilities, and human resources.

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

- ◆ service retirement benefits, that provide retirement income to qualified members;
- ◆ disability retirement benefits, that 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, that 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 PLD Consolidated Plan 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 otherwise 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 provide a retirement program for 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. The 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 accrued liability (UAAL) contribution is a 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 UAAL be fully funded in not more than 31 years from July 1, 1997. The amortization period at the end of FY 2010 is 18 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 former governors and their surviving spouses. The programs are funded each biennium by a direct appropriation from the Legislature and in, the case of the active governor, by employee contributions required by statute.

The Group Life Insurance Program is provided or made available to all State employees, public school teachers, and employees of those PLDs who elect to offer this coverage to their employees, as well as to 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 fiscal year 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, GASB Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis for State and Local Governments, and, with respect to the Group Life Insurance Program, GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. 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 has an Internal Audit program, staffed by one internal auditor. This program is currently focused on a plan of 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 programs 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.

**BOARD OF TRUSTEES, MANAGEMENT STAFF,  
and PRINCIPAL PROFESSIONAL CONSULTANTS  
June 30, 2010**

**BOARD OF TRUSTEES**

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

**SENIOR ADMINISTRATIVE STAFF**

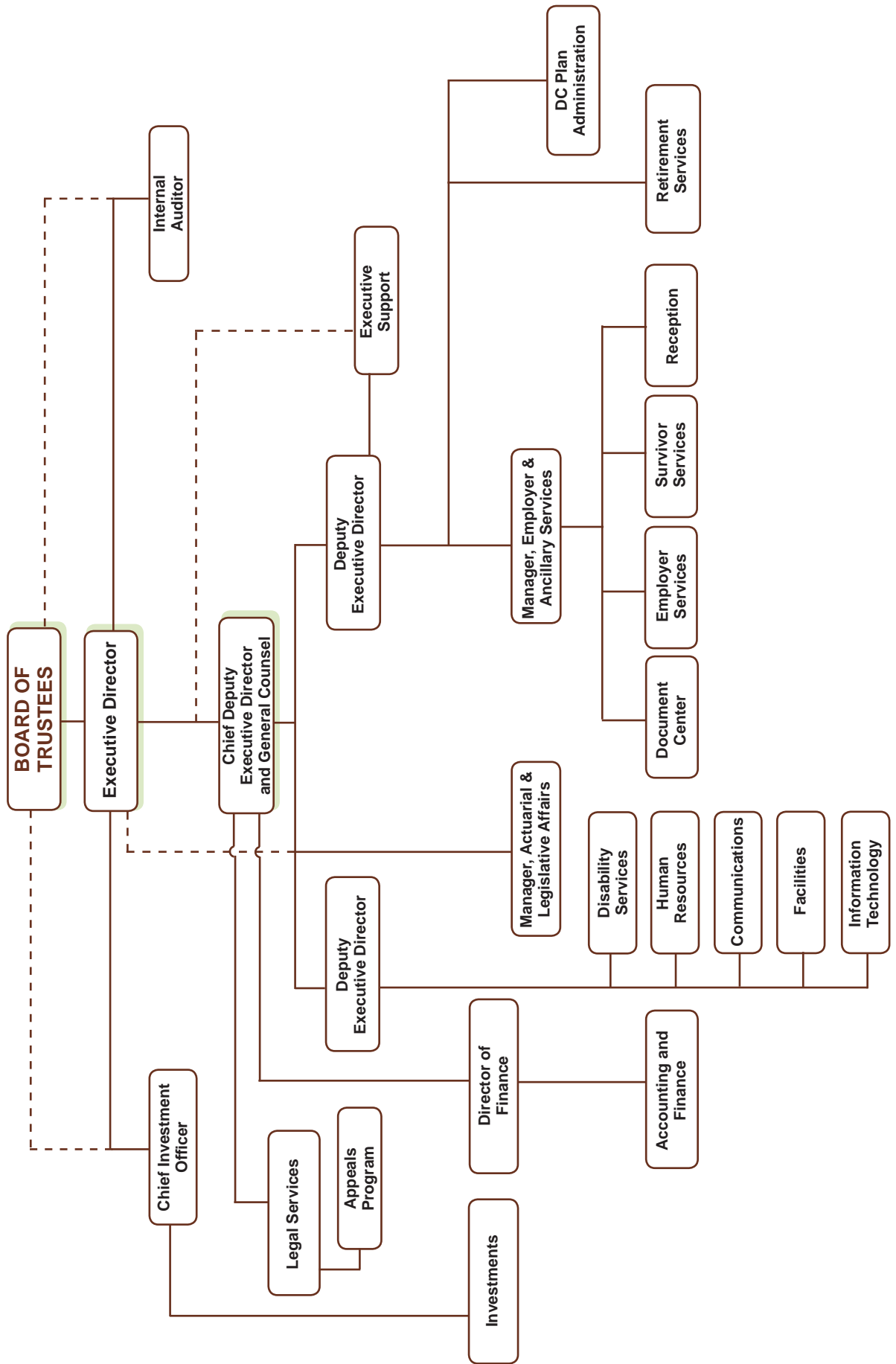
Sandra J. Matheson	Executive Director
John C. Milazzo	General Counsel and Chief Deputy Executive Director
Andrew H. Sawyer, CFA, CAIA	Chief Investment Officer
Christine S. Gianopoulos	Deputy Executive Director
Rebecca A. Grant	Deputy Executive Director
Sherry Tripp Vandrell	Director of Finance
Marlene McMullen-Pelsor	Manager, Payrolls Administration, Employer and Ancillary Services
Kathy J. Morin	Manager, Actuarial and Legislative Affairs

**PRINCIPAL PROFESSIONAL CONSULTANTS**

Actuary	Investment Consultant	Auditors	Internal Auditor
Cheiron, Inc.	Hewitt EnnisKnupp, Inc.	Baker Newman & Noyes, LLC	John F. Fleming

*See page 74 for a list of professional investment management firms.*

MainePERS Organizational Chart by Function



## Legislative Update

LEGISLATION ENACTED IN THE SECOND REGULAR SESSION  
OF THE 124<sup>th</sup> LEGISLATURE

### **An Act To Bring the Laws of the Maine Public Employees Retirement System into Compliance with the Federal Internal Revenue Code**

**PL 2009, c. 474 [L.D. #1582]  
Effective Date: July 12, 2010**

This bill updates Maine law to comply with the Internal Revenue Code and maintain the qualified tax status of the programs administered by the System and authorizes the Board of Trustees to adopt rules necessary to maintain that qualified tax status.

### **An Act Making Supplemental Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2010 and June 30, 2011**

**PL 2009, c. 571 [L.D. #1671]  
Effective Date: May 17, 2010**

This bill is the Supplemental State budget for fiscal years 2010 and 2011 and includes two sections that pertain to System members. First, it permits teachers who are subject to furlough days in FYs 2010 and 2011 to pay the employee contributions on the missed earnings in order to increase average final compensation at retirement. Second, it includes as earnable compensation lost earnings for judges for whom the FY11 salary cost-of-living adjustment has not been funded. This is consistent with how unfunded COLAs in FYs 2004 and 2005 are treated.

### **An Act To Protect Teacher Retirement Income**

**PL 2009, c. 630 [L.D. #1776]  
Effective Date: April 9, 2010**

This bill gives the same treatment to PLD members as teachers were given in c. 571 (see L.D. 1671 above); specifically, those members who are subject to furlough days in FYs 2010 and 2011 can pay the employee contributions on the missed earnings in order to increase average final compensation at retirement.

### **An Act To Provide Continued Protection of Benefits for Retirees of the Maine Public Employees Retirement System**

**PL 2009, c. 473 [L.D. #1595]  
Effective Date: July 12, 2010**

This bill is a follow up to legislation passed in the First Regular Session that ensured that no reduction in benefits would occur if the CPI-U, the index on which cost-of-living adjustments are based, was negative, as it was in 2009. This follow up legislation further ensures no reduction in benefits if the CPI-U is negative for multiple years or if, in the year subsequent to a negative CPI-U year, it is not sufficient enough to offset the prior year. In this case, the offset will be spread over multiple years.

### **An Act Regarding Maine Public Employees Retirement System Life Insurance Policies**

**PL 2009, c. 515 [L.D. #1657]  
Effective Date: March 17, 2010**

This bill changes how the System disburses group life insurance proceeds when there is no beneficiary designation so that the proceeds go to the appointed executor or personal representative for distribution according to a lawfully executed will. If the System is not notified of the appointment of an executor or personal representative within six months of the death of the member, or if there is no lawfully executed will, the proceeds will instead be paid according to the next listed in the law (i.e., children).

*continued on next page*



## Legislative Update *(continued)*

### **An Act Regarding Accidental Death Benefits for Beneficiaries of Deceased Firefighters**

**PL 2009, c. 513 [L.D. #1558]  
Effective Date: July 12, 2010**

This bill makes the spouse and/or dependent child(ren) of a firefighter potentially eligible for an accidental death benefit if the firefighter dies as a result of either cardiovascular injury or disease or pulmonary disease. If the death is within thirty days of fighting a fire or participating in training or a drill that involves fighting a fire, it is deemed to be work related. If the death is after thirty days but within six months of having participated in one of these events, there is a rebuttable presumption that the death is work related. The Board of Trustees is required to adopt rules to administer this benefit.

### **An Act To Stimulate Capital Investment for Innovative Businesses in Maine**

**PL 2009, c. 633 [L.D. #1]  
Effective Date: July 12, 2010**

This bill encourages investment in venture capital opportunities, which typically are start-up businesses needing capital in order to get started. The bill authorizes, but does not require, MainePERS to invest in these funds. Any investment opportunity that arises as a result of this bill would be analyzed under the Board's Investment Policy, as is the case with all investment opportunities.

This bill also makes certain information pertaining to investment activity confidential and not open to public inspection under the Freedom of Access laws.

### **An Act To Further Regulate the Communications of Members of Public Bodies**

**Resolve, c. 171 [L.D. #1551]  
Effective Date: July 12, 2010**

This bill was introduced to further enhance constituent access to government. The bill was amended to a Resolve that directs the Right To Know Advisory Committee to further study the freedom of access laws and how those laws can address the use of communication technologies to ensure that decisions of public bodies are made in proceedings that are open and accessible to the public.

### **An Act To Implement Recommendations of the Right To Know Advisory Committee Concerning Records of Public Proceedings**

**Resolve, c. 186 [L.D. #1791]  
Effective Date: July 12, 2010**

This bill was introduced to clarify what must be included in the recordings of public proceedings. This bill was amended to a Resolve that directs the Right To Know Advisory Committee to further study issues related to requiring public bodies to keep records of public proceedings. This study includes the form, content and maintenance of records.



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The image features a light green background with a dark red vertical bar on the left side. Overlaid on the background is a stylized illustration of a plant with several buds and leaves. The buds are dark green and pointed, while the leaves are light green and elongated. The text 'FINANCIAL SECTION' is positioned in the upper right area of the page.

FINANCIAL  
SECTION

**BAKER | NEWMAN | NOYES**

Certified Public Accountants  
 INTEGRITY • SERVICE • SOLUTIONS

**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, 2010 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 has been derived from the System's 2009 financial statements as restated and, in our report dated November 30, 2009, 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. 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, 2010 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.

The Management's Discussion and Analysis on pages 19 through 26 and the historical pension information on pages 55 through 59 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 Employees Public Retirement System's basic financial statements. The accompanying schedules on pages 60 through 62 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 basic financial statements and, accordingly, we express no opinion on them.

Portland, Maine  
 December 3, 2010

*Baker Newman & Noyes*  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

### June 30, 2010 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 System implemented GASB Statement Number 53, *Accounting and Financial Reporting for Derivatives*, with this report. 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 funds managed by the System are held in trust and consistent with federal law, can only be used for the payment of pension and related benefits to its members or in the case of the Retiree Health Insurance Trust Fund, for the payment of retiree health insurance premiums for eligible retirees of the State of Maine. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and oversees their overall implementation. The System administers an agent multiple employer pension plan and reports its financial statements on an aggregated basis. The System maintains separate reserves and accounts and performs separate actuarial valuations for each pension program within the plan.

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 System reports the Defined Benefit (DB) Plans, Defined Contribution (DC) Plans, the Group Life Insurance (GLI) Plan and the Retiree Health Insurance Trust as separate funds and in separate columns in the financial statements. Condensed versions of both statements are included in the following section.

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 accrued liability (UAAL). The Schedule also presents the actuarial funded ratio and the UAAL as a percentage of covered payroll of all participants.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010 Financial Report**  
(continued)

**Financial Highlights and Analysis**

The Net Assets of the System increased in 2010 by \$783 million (9.3%) from the prior year's Net Asset balance. This increase was due primarily to \$962 million of Net Income from Investment Activities during fiscal year 2010. By comparison, Net Income from Investment Activities during fiscal year 2009 reflected a decrease of \$2,014 million. As of June 30, 2010, approximately 33% of the System's assets were invested in domestic common stocks, 26% in foreign common stocks, 30% in domestic bonds, 6% in opportunistic strategies, 4% in real estate, and 1% in private equity, either with direct holdings or through investment in common/collective trusts.

In 2009, the Net Assets of the System had decreased by \$2,204 million (20.7%) from the prior year's Net Asset balance. This decrease was due primarily to \$2,014 million of Net Losses from Investment Activities during fiscal year 2009, coupled with increased benefits paid and other deductions. By comparison, Net Income from Investment Activities during fiscal year 2008 reflected a decrease of \$341 million. As of June 30, 2009, approximately 32% of the System's assets were invested in domestic common stocks, 28% in foreign common stocks, 36% in domestic bonds, and 4% 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, 2010, 2009, and 2008:

**Condensed Comparative Statements of Fiduciary Net Assets**

*(Dollar Values Expressed in Millions)*

	June 30, 2010	June 30, 2009	June 30, 2008
Cash and Receivables	\$ 840.1	\$ 526.9	\$ 789.7
Investments at Fair Value	9,017.0	8,540.2	10,259.4
Securities Lending Collateral	381.5	199.2	2,689.8
Other Assets	10.8	10.2	4.9
<b>Total Assets</b>	<b>\$ 10,249.4</b>	<b>\$ 9,276.5</b>	<b>\$ 13,743.8</b>
Investment Purchases	\$ 612.4	\$ 321.1	\$ 198.8
Securities Lending Payable	381.5	199.2	2,689.8
Investment Management Fees Payable	2.8	6.3	6.7
Other Liabilities	26.7	306.8	201.3
<b>Total Liabilities</b>	<b>\$ 1,023.4</b>	<b>\$ 833.4</b>	<b>\$ 3,096.6</b>
<b>Net Assets Held in Trust for Benefits</b>	<b>\$ 9,226.0</b>	<b>\$ 8,443.1</b>	<b>\$ 10,647.2</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010 Financial Report**  
(continued)

**Condensed Comparative Statements of Changes in Fiduciary Net Assets**

*(Dollar Values Expressed in Millions)*

	June 30, 2010	June 30, 2009	June 30, 2008
<b>ADDITIONS (SUBTRACTIONS):</b>			
Member Contributions	\$ 165.9	\$ 161.0	\$ 163.7
Employer Contributions	348.9	339.1	418.0
Net Investment and Other Income	961.6	(2,014.2)	(341.3)
<b>Total Additions (Subtractions)</b>	<b>\$ 1,476.4</b>	<b>\$ (1,514.1)</b>	<b>\$ 240.4</b>
<b>DEDUCTIONS:</b>			
Benefits	\$ 659.4	\$ 632.6	\$ 584.6
Other	34.1	57.4	38.9
<b>Total Deductions</b>	<b>\$ 693.5</b>	<b>\$ 690.0</b>	<b>\$ 623.5</b>
<b>Net Increase (Decrease)</b>	<b>\$ 782.9</b>	<b>\$ (2,204.1)</b>	<b>\$ (383.1)</b>
<b>Fiduciary Net Assets, Beginning of Year</b>	<b>\$ 8,443.1</b>	<b>\$ 10,647.2</b>	<b>\$ 11,030.3</b>
<b>Fiduciary Net Assets, End of Year</b>	<b>\$ 9,226.0</b>	<b>\$ 8,443.1</b>	<b>\$ 10,647.2</b>

Assets

Investments at Fair Value increased by \$477 million (5.6%), primarily due to favorable equity markets in the United States and abroad. As a result of this increase in Investments at Fair Value, coupled with an increase in securities lending collateral held at year end, total assets increased \$973 million during 2010. The System records as an asset and corresponding liability, the cash collateral it holds due to its securities lending activity. Securities lending activity increased by \$182 million (91.5%) due to a favorable lending environment, higher utilization rates, and an overall increase in market value of lendable assets during the year. 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, 2010 was approximately \$295 million more than at June 30, 2009, due to the timing of investment purchases by the System's investment managers.

Total assets had decreased \$4,467 million (32.5%) during 2009. This decrease was primarily attributable to a decrease in Investments at Fair Value combined with a decrease in securities lending collateral held at year end. The \$1,719 million (16.8%) decrease in Investments at Fair Value was attributable primarily to unfavorable equity markets in the United States and abroad.

Please 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, 2010 were approximately \$291 million more than at June 30, 2009, 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, 2010, the amount of loans outstanding in the securities lending program was approximately \$182 million more than at June 30, 2009.



**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010 Financial Report**  
(continued)

Outstanding trades at June 30, 2009 were approximately \$122 million more than at June 30, 2008. On June 30, 2009, the amount of loans outstanding in the securities lending program was \$2,491 million less than at June 30, 2008.

Additions to / Subtractions from Fiduciary Net Assets

Additions to fiduciary net assets during fiscal year 2010 totaled \$1,476 million, an increase of \$2,990 million over the subtractions of \$1,514 million from fiduciary net assets in fiscal year 2009. This was largely due to the fact that investment income net of fees and other deductions increased by \$2,976 million. The increase in investment income is primarily attributable to favorable equity returns. US equities rose more than 16%, while international equities rose nearly 11%. These two asset classes alone account for approximately 60% of the MainePERS investments at June 30, 2010.

Subtractions from fiduciary net assets during fiscal year 2009 totaled \$1,514 million, a decrease from the additions to fiduciary net assets in fiscal year 2008 which were \$240 million. This was largely due to the fact that investment income net of fees and other deductions decreased by \$1,673 million. The decrease in investment income is primarily attributable to poor equity returns. US equities fell more than 26%, while international equities fell nearly 31%. These two asset classes alone account for approximately 60% of the MainePERS investments at June 30, 2009.

Pension Contributions

The State's contributions on behalf of State employees totaled \$108.7 million, \$117.0 million, and \$110.0 million for fiscal years 2010, 2009, and 2008, respectively. The State's contributions on behalf of teachers totaled \$187.8 million, \$183.7 million, and \$177.1 million, for fiscal years 2010, 2009, and 2008, respectively. The State's fiscal 2010 contribution on behalf of judges was \$961 thousand; in fiscal years 2009 and 2008 this contribution was \$1.3 million and \$1.2 million, respectively. 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 2010, 2009 or 2008.

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. For fiscal year 2010, the amount due from the State of Maine is \$11.2 million, which is included in contributions receivable from state and local governments at June 30, 2010. There were no GFS monies available for this purpose at June 30, 2009 or June 30, 2008. When available, these additional contributions are allocated, according to System policy, in equal parts to the unfunded liabilities of the State employee and teacher plan.

The balance of employer contributions reported are from Participating Local District (PLD) employers. For PLDs in the Consolidated Plan, the range of employer contributions as a percent of earnable compensation in fiscal year 2010 and in fiscal year 2009 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 2010 was 3.6% to 16.8% across regular and special plans.

Member and employer data, contribution and benefit data for the 18 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, 2010 Financial Report**  
 (continued)

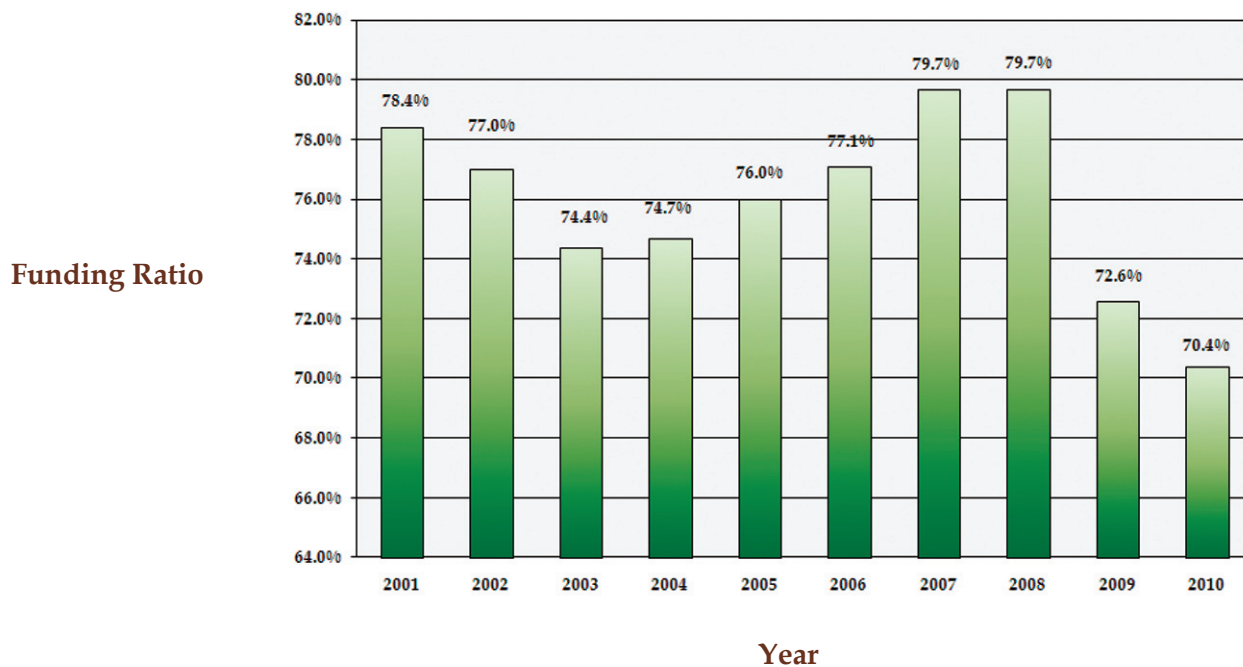
Deductions from Fiduciary Net Assets

Total deductions from fiduciary net assets during fiscal year 2010 increased by .5% (\$4 million). The fiscal year 2010 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 an increase in the number of retirees and beneficiaries receiving benefits. Benefit payments in 2010 exceeded contributions by \$144 million. Contributions totaled \$515 million, and benefit payments totaled \$659 million.

Total deductions from fiduciary net assets during fiscal year 2009 had increased by 10.7% (\$67 million). The fiscal year 2009 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 awarded in September 2008 of 4.0% 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 2009 exceeded contributions by \$133 million. Contributions totaled \$500 million, and benefit payments totaled \$633 million.

**System Funding Status**

**Funding Progress**

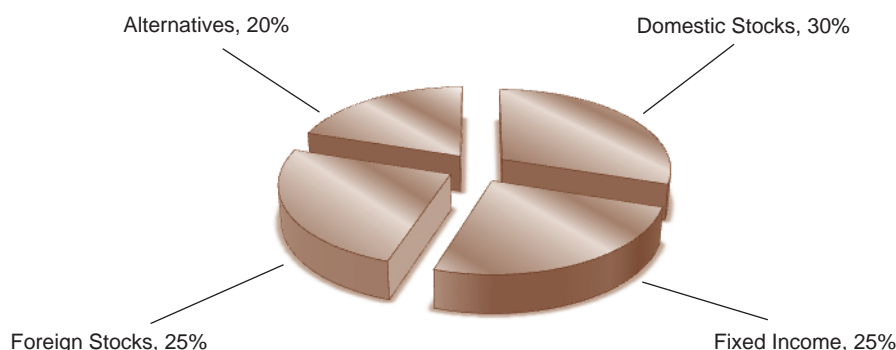


At June 30, 2010, the State/Teacher and PLD defined benefit plans were actuarially funded at 70.4%, a decline from the actuarial funding level of 72.6% at June 30, 2009. As illustrated in the chart, the actuarial funded ratio of the System decreased steadily from 2001 to a low of 74.4% in 2003 before beginning to improve again. The decline was due primarily to the investment markets. The funding level remained steady in 2004, followed by smaller incremental increases in 2005, 2006, and in 2007 to a high of 79.7%. This level remained steady for 2008, followed by two consecutive significant declines in 2009 to 72.6% and in 2010 to 70.4%. The 2009 decline was due primarily to poor returns in the investment market. In 2010, investment returns improved, although not enough to offset the prior years' investment declines.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010 Financial Report**  
 (continued)

### Investments

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



Essentially all of the assets administered by the System in its investment portfolio are currently invested in seven asset classes: publicly traded domestic stocks, publicly traded foreign stocks, cash and cash-like securities, publicly traded domestic bonds, infrastructure, private equity and real estate. Publicly traded derivative securities are used in some portfolios to emulate one or more of the seven asset classes. The investment policy established by the System's Board of Trustees in 2008 assigns strategic target allocations for each of four asset classes. These 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.

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, 2010, total assets in these portfolios (together with the amounts otherwise managed) were \$8.9 billion. The total assets as of June 30, 2009 were \$8.6 billion. The investment return for the fiscal year ending June 30, 2010 was 11.1%. The investment return for the fiscal year ending June 30, 2009 was negative 18.8%. Investment returns in fiscal year 2010 were more than in 2009 as global markets recovered from the steep declines during fiscal 2009. Over the five, ten and thirty year periods ended June 30, 2010, the average annual investment return was positive 1.8%, positive 2.5%, and positive 9.4%, respectively.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2010 Financial Report**  
 (continued)

### System Membership

The following membership counts are derived from actuarial valuation data:

	June 30		Percentage change
	2010	2009	
<b>Current active participants:</b>			
Vested and nonvested	50,482	50,477	0.0%
<b>Terminated participants</b>			
Vested	8,102	7,782	4.1%
<b>Retirees and beneficiaries receiving benefits</b>	35,805	34,962	2.4%
<b>Total Membership</b>	<b>94,389</b>	<b>93,221</b>	<b>1.3%</b>

The number of State employees at June 30, 2010 in the Regular and Special plans was 13,862, a decrease of 174 from June 30, 2009. The number of Teachers at June 30, 2010 was 26,022, a decrease of 422 from June 30, 2009. Membership for judges was 59, an increase of 2 from the previous year. Membership for Legislators was 170, a decrease of 2 from June 30, 2009. 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, 2010 was 10,369, an increase of 607 from June 30, 2009.

### Group Life Insurance Plan

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

	June 30		
	2010	2009	2008
Actuarial Value of Assets	\$50.8	\$43.5	\$52.0
Actuarial Liability	\$150.9	\$139.8	\$133.2
<b>Unfunded Actuarial Liability</b>	<b>\$100.1</b>	<b>\$96.3</b>	<b>\$81.2</b>

### Defined Contribution Plan

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, 2010 Financial Report**  
(continued)

**Retiree Health Insurance 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. At June 30, 2010, the value of this fund was \$95,381,297.

**Currently Known Facts, Decisions, or Conditions**

The Maine Public Employees Retirement System will conduct an experience study for the State Employee and Teacher Retirement Program in the coming fiscal year. An experience study is a summarization of actual experience over a defined period of time and is used as a guide in setting future actuarial assumptions. The 2010 experience study will address economic assumptions for all plans administered by MainePERS and demographic assumptions for the State Employees and Teacher Retirement Program.

**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 or toll-free at (800) 451-9800.

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**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2010**  
**With Summarized Information as of June 30, 2009**

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
<b>Assets:</b>			
Cash and cash equivalents (note 3)	\$ 47,747,651	\$ 2,325,379	\$ 69,920
Investments at fair value (notes 3 and 4):			
Debt securities:			
U.S. Government and government agencies	165,138,292	-	-
U.S. and foreign corporate	201,701,624	-	-
Foreign government and government agencies	41,205,908	-	-
Common equity securities	2,741,723,488	-	-
Preferred equity securities	2,156,921	-	-
Common/collective trusts	5,320,620,428	55,640,336	10,359,963
Mutual funds	377,750,197	-	-
Other	<u>5,304,055</u>	<u>-</u>	<u>-</u>
Total investments	8,855,600,913	55,640,336	10,359,963
<b>Receivables:</b>			
State and local agency contributions and premiums (notes 6 and 7)	20,643,781	770,695	2,208
Accrued interest and dividends	7,179,075	-	-
Due from brokers for securities sold	<u>761,331,103</u>	<u>-</u>	<u>-</u>
Total receivables	789,153,959	770,695	2,208
Collateral on loaned securities (note 5)	381,545,156	-	-
Capital assets, net of accumulated depreciation	<u>10,547,211</u>	<u>253,248</u>	<u>-</u>
Total assets	10,084,594,890	58,989,658	10,432,091
<b>Liabilities:</b>			
Accounts payable	6,248,967	18,599	-
Due to brokers for securities purchased	612,380,762	-	-
Securities sold not yet purchased	-	-	-
Obligations to settle investment contracts (note 4)	3,895,237	-	-
Other liabilities	8,299,995	8,181,217	22,025
Accrued investment management fees	2,751,309	18,407	-
Obligations under securities lending activities (note 5)	<u>381,545,156</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,015,121,426</u>	<u>8,218,223</u>	<u>22,025</u>
Net assets held in trust for benefits	<u>\$ 9,069,473,464</u>	<u>\$50,771,435</u>	<u>\$10,410,066</u>

See accompanying notes.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2010**  
**With Summarized Information as of June 30, 2009**  
*(continued)*

<u>Retiree Health Insurance Trust</u>	<u>2010 Total</u>	<u>2009 Summarized</u>
\$ -	\$ 50,142,950	\$ 34,311,485
-	165,138,292	1,029,319,256
-	201,701,624	303,036,817
-	41,205,908	-
-	2,741,723,488	1,449,110,136
-	2,156,921	13,320,694
95,381,297	5,482,002,024	5,397,228,874
-	377,750,197	344,243,199
-	<u>5,304,055</u>	<u>3,999,162</u>
95,381,297	9,016,982,509	8,540,258,138
-	21,416,684	11,283,328
-	7,179,075	15,408,353
-	<u>761,331,103</u>	<u>465,884,160</u>
-	789,926,862	492,575,841
-	381,545,156	199,187,608
-	<u>10,800,459</u>	<u>10,167,995</u>
95,381,297	10,249,397,936	9,276,501,067
-	6,267,566	6,070,690
-	612,380,762	321,132,792
-	-	277,243,236
-	3,895,237	6,555,192
56,754	16,559,991	16,898,275
15,624	2,785,340	6,263,988
-	<u>381,545,156</u>	<u>199,187,608</u>
<u>72,378</u>	<u>1,023,434,052</u>	<u>833,351,781</u>
<u>\$95,308,919</u>	<u>\$ 9,225,963,884</u>	<u>\$ 8,443,149,286</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2010**  
**With Summarized Information for the Year Ended June 30, 2009**

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
Additions (subtractions):			
Investment income:			
From investing activities:			
Net appreciation (depreciation) in the fair value of plan investments	\$ 857,645,099	\$ 5,537,623	\$ 787,985
Interest	52,929,640	7,322	514
Dividends	52,038,836	-	-
Less: investment expenses	<u>(21,892,794)</u>	<u>(22,883)</u>	<u>(46,264)</u>
Net income (loss) from investing activities	940,720,781	5,522,062	742,235
From securities lending activities:			
Securities lending income	919,126	-	-
Securities lending expenses:			
Borrower rebates refunded (paid)	823,206	-	-
Management fees	<u>(261,022)</u>	<u>-</u>	<u>-</u>
Total securities lending expenses	<u>562,184</u>	<u>-</u>	<u>-</u>
Net income from securities lending activities	<u>1,481,310</u>	<u>-</u>	<u>-</u>
Total net investment income (loss)	942,202,091	5,522,062	742,235
Contributions and premiums (notes 6 and 7):			
Members	158,962,754	4,578,292	2,381,995
State and local agencies	<u>341,999,575</u>	<u>6,825,209</u>	<u>53,956</u>
Total contributions	<u>500,962,329</u>	<u>11,403,501</u>	<u>2,435,951</u>
Total additions (subtractions)	1,443,164,420	16,925,563	3,178,186
Deductions:			
Benefits paid, net	650,834,368	8,555,182	-
Refunds and withdrawals	23,095,732	25,819	411,390
Claims processing expenses (note 7)	-	803,695	-
Administrative expenses	<u>9,508,395</u>	<u>249,547</u>	<u>56,686</u>
Total deductions	<u>683,438,495</u>	<u>9,634,243</u>	<u>468,076</u>
Net increase (decrease)	759,725,925	7,291,320	2,710,110
Net assets held in trust for benefits, beginning of year	<u>8,309,747,539</u>	<u>43,480,115</u>	<u>7,699,956</u>
Net assets held in trust for benefits, end of year	\$ <u>9,069,473,464</u>	\$ <u>50,771,435</u>	\$ <u>10,410,066</u>

See accompanying notes.



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2010**  
**With Summarized Information for the Year Ended June 30, 2009**  
*(continued)*

<u>Retiree Health Insurance Trust</u>	<u>2010 Total</u>	<u>2009 Summarized</u>
\$ 13,174,104	\$ 877,144,811	\$ (2,154,695,649)
-	52,937,476	110,258,079
-	52,038,836	45,111,725
<u>(30,107)</u>	<u>(21,992,048)</u>	<u>(23,245,049)</u>
13,143,997	960,129,075	(2,022,570,894)
-	919,126	23,923,872
-	823,206	(14,114,959)
<u>-</u>	<u>(261,022)</u>	<u>(1,471,144)</u>
-	562,184	(15,586,103)
<u>-</u>	<u>1,481,310</u>	<u>8,337,769</u>
13,143,997	961,610,385	(2,014,233,125)
-	165,923,041	161,015,287
<u>-</u>	<u>348,878,740</u>	<u>339,068,006</u>
-	514,801,781	500,083,293
13,143,997	1,476,412,166	(1,514,149,832)
-	659,389,550	632,571,564
-	23,532,941	46,114,983
-	803,695	717,587
<u>56,754</u>	<u>9,871,382</u>	<u>10,478,656</u>
<u>56,754</u>	<u>693,597,568</u>	<u>689,882,790</u>
13,087,243	782,814,598	(2,204,032,622)
<u>82,221,676</u>	<u>8,443,149,286</u>	<u>10,647,181,908</u>
<u>\$ 95,308,919</u>	<u>\$ 9,225,963,884</u>	<u>\$ 8,443,149,286</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009**

**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 293 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 PLD's 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. 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 and performs separate actuarial valuations for each pension 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:

<u>System Membership</u>	<u>2010</u>	<u>2009</u>
Current participants:		
Vested and nonvested	50,482	50,477
Terminated participants:		
Vested	8,102	7,782
Retirees and beneficiaries receiving benefits	<u>35,805</u>	<u>34,962</u>
	<u>94,389</u>	<u>93,221</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *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 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, 2010, the Group Life Insurance participant counts are as follows:

	<u>2010</u>	<u>2009</u>
Actives	33,790	34,031
Retirees	<u>15,705</u>	<u>14,918</u>
	<u>49,495</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, 2010, there were ten employers participating in the Section 401(a) plan with 83 plan participants and 35 employers participating in the Section 457 plan with 347 plan participants. One employer participates in the Section 403(b) plan with 199 plan participants.

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

Retiree Health Insurance Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust as an irrevocable trust formed solely to hold and invest 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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued***2. Summary of Significant Accounting Policies***Basis of Accounting*

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

*Comparative Summarized Information*

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

*Reclassification*

Certain 2009 amounts have been reclassified to conform to the 2010 financial statement presentation.

*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.

*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 and the Retiree Health Insurance Trust 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 and the Retiree Health Insurance Trust are recognized in the period the disbursement is made.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

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 private market partnerships, is based on third-party appraisals and valuations provided by the sponsor of the partnerships. Management reviews and approves all such appraisals and valuations prepared by other parties. 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 are adjusted to the fair value of the securities.

During fiscal 2010, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The Statement does not allow hedge accounting for economic hedges of assets or liabilities carried at fair value. Since all of the System's economic hedges are for investments carried at fair value, adoption of the Statement had no effect on the System's financial statements other than to expand disclosure requirements related to derivatives.

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.

Administrative Expenses

The cost of administering the Plans is paid out of the assets of the Plans and other designated revenues.

Capital Assets

All capital assets with a unit cost of \$5,000 or greater are capitalized and reported in the accompanying financial statements. Purchased assets are valued at cost where historical records exist. Where necessary, for real estate, estimates of original cost are derived from historical real estate appraisals, historical real estate tax valuation records, and relevant accounting information derived from the records.

Capital asset costs include the purchase price or construction cost, plus those costs necessary to place the asset in its intended location and condition for use.

Depreciation is calculated using the straight-line method with estimated useful lives of 3 to 40 years.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*Risks and Uncertainties

The System makes investments in accordance with the Board of Trustees' investment policy in a combination of equities, fixed income securities, infrastructure, private equity, real estate, 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 two institutions: Bangor Savings Bank and Northern Trust Company. Balances in Bangor Savings Bank up to \$250,000 at June 30, 2010 are insured by the Federal Deposit Insurance Corporation (FDIC). Bangor Savings Bank mitigates 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.

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>2010</u>	<u>2009</u>
Exposed to Custodial Credit Risk (uninsured and uncollateralized)	\$ 344,818	\$ 1,894,497
Not Exposed to Custodial Credit Risk	<u>9,066,780,641</u>	<u>8,572,675,126</u>
Total Fair Value	<u>\$9,067,125,459</u>	<u>\$8,574,569,623</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

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>2010</u>	<u>2009</u>
Cash and Cash Equivalents	\$ 50,142,950	\$ 34,311,485
Investments	<u>9,016,982,509</u>	<u>8,540,258,138</u>
Total Fair Value	<u>\$9,067,125,459</u>	<u>\$8,574,569,623</u>

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, 2010 and 2009:

<u>Quality Rating</u>	<u>2010</u>	<u>2009</u>
AAA	\$ 139,483,966	\$ 288,295,348
AA	33,338,184	18,056,758
AA-	-	2,466,150
A	36,040,158	72,735,149
BBB	23,130,170	55,691,754
BB+	-	4,495,355
BB	22,640,541	7,957,110
B	4,948,126	4,978,943
B-	485,448	-
CCC	10,286,972	4,323,729
CC	2,325,121	-
D	<u>3,306,761</u>	<u>-</u>
Total credit risk debt	275,985,447	459,000,296
U.S. Government & Agencies <sup>(1)</sup>	<u>132,060,377</u>	<u>873,355,777</u>
	<u>\$ 408,045,824</u>	<u>\$ 1,332,356,073</u>

<sup>(1)</sup> Includes securities issued by GNMA, which are explicitly guaranteed by the U.S. Government, and excludes securities issued by FHLMC and FNMA.



## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

The System has no formal investment policy limiting its investment choices. 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. The System's investment policy places no limit on the amount the System may invest in any one issuer. As of June 30, 2010 and 2009, the System did not have investments in any one organization, other than the U.S. government, which represented greater than 5% of net assets held in trust. Furthermore, the impact of credit risk on the System's portfolio has been mitigated since active management has nearly been eliminated. The resulting credit risk is consistent with the Barclays Capital Aggregate Index.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal investment policy related to managing interest rate risk. 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 System's interest rate risk is closely aligned with the Barclays Capital Aggregate Index. The following table details the System's interest rate risk for its investments at June 30, using the segmented time distribution method.

Investment Type	Maturities as of June 30, 2010				
	Fair Value	Less than 1 Year	1 to 6 Years	6 to 10 Years	10+ Years
Asset-Backed Securities	\$ 2,659,256	\$ -	\$ -	\$ -	\$ 2,659,256
Bank Loans	1,522,028	-	1,522,028	-	-
Commercial Mortgage-Backed Securities	1,877,857	-	-	-	1,877,857
Corporate Bonds	80,381,602	9,173,545	53,046,937	11,310,495	6,850,625
Government Bonds	66,354,907	-	38,955,989	27,097,711	301,207
Government Mortgage-Backed Securities	10,891,274	-	-	-	10,891,274
Index-Linked Government Bonds	130,392,686	3,126,387	56,650,006	29,706,515	40,909,778
Municipal Bonds	5,240,431	-	-	1,943,301	3,297,130
Nongovernment-Backed Collateralized Mortgage Obligations	<u>108,725,783</u>	<u>-</u>	<u>-</u>	<u>1,154,071</u>	<u>107,571,712</u>
Total	\$ <u>408,045,824</u>	\$ <u>12,299,932</u>	\$ <u>150,174,960</u>	\$ <u>71,212,093</u>	\$ <u>174,358,839</u>



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

<u>Investment Type</u>	<u>Maturities as of June 30, 2009</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	\$ 2,645,684	\$ -	\$ 585,304	\$ -	\$ 2,060,380
Bank Loans	9,984,856	-	9,984,856	-	-
Commercial Mortgage-Backed Securities	23,123,580	-	-	-	23,123,580
Corporate Bonds	158,978,213	20,259,281	89,957,360	27,094,464	21,667,108
Government Bonds	3,899,512	-	2,519,512	1,380,000	-
Government Mortgage-Backed Securities	261,981,625	891,049	-	-	261,090,576
Index-Linked Government Bonds	760,587,982	13,900,049	330,644,290	177,617,671	238,425,972
Municipal Bonds	2,850,137	-	-	-	2,850,137
Nongovernment-Backed Collateralized Mortgage Obligations	<u>108,304,484</u>	<u>-</u>	<u>-</u>	<u>1,629,994</u>	<u>106,674,490</u>
<b>Total</b>	<b><u>\$ 1,332,356,073</u></b>	<b><u>\$ 35,050,379</u></b>	<b><u>\$ 433,691,322</u></b>	<b><u>\$ 207,722,129</u></b>	<b><u>\$ 655,892,243</u></b>

Investments in foreign fixed income corporate securities included above at June 30, 2010 mature as follows:

<u>Date</u>	
July 6, 2010	\$ 3,668,820
January 3, 2012	9,634,069
May 2, 2014	2,262,145
December 1, 2014	12,010,809
January 6, 2015	9,842,855
January 20, 2017	3,285,378
September 15, 2066	2,477,667
March 15, 2067	<u>1,210,958</u>
	<b><u>\$ 44,392,701</u></b>

Foreign currency risk is the risk that changes in exchange rates will adversely impact the recorded fair value of an investment. The System does not have a formal investment policy limiting the amount of foreign currency exposure of its investments. The System's currency exposures reside primarily in the System's international equity investments. The System 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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

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. Furthermore, the System has nearly eliminated all direct exposure to foreign currency by using index funds which means the System owns units of dollar denominated commingled funds rather than conducting transactions directly in foreign currencies. The System is still indirectly exposed to all the foreign currencies held within the index. The System's direct exposure to foreign currency risk in U.S. dollars as of June 30, 2010 and 2009 is highlighted in the table below:

<u>Currency</u>	June 30, 2010				
	<u>Cash</u>	<u>Forward Currency Contracts</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Total</u>
Australian Dollar	\$ 1,746	\$ -	\$ -	\$ -	\$ 1,746
Canadian Dollar	322,793	(31,416,727)	-	31,487,733	393,799
Euro	-	(11,964,132)	20,090,658	11,694,010	19,820,536
British Pound Sterling	499	(1,392,811)	-	1,210,958	(181,354)
Hong Kong Dollar	(6,350)	-	-	-	(6,350)
Japanese Yen	22,818	-	-	-	22,818
Mexican Peso	2,242	-	-	-	2,242
New Zealand Dollar	1,017	-	-	-	1,017
New Taiwan Dollar	53	-	-	-	53
<b>Total</b>	<b><u>\$344,818</u></b>	<b><u>\$(44,773,670)</u></b>	<b><u>\$20,090,658</u></b>	<b><u>\$44,392,701</u></b>	<b><u>\$20,054,507</u></b>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

Currency	June 30, 2009				
	Cash	Forward Currency Contracts	Fixed Equity	Income	Total
Australian Dollar	\$ 1,669	-	\$ 8,034,334	-	\$ 8,036,003
Brazilian Real	(550,307)	-	2,848,704	-	2,298,397
Canadian Dollar	210	-	16,451,467	-	16,451,677
Swiss Franc	44,529	-	34,487,155	-	34,531,684
Danish Krone	-	-	2,759,841	-	2,759,841
Egyptian Pound	-	-	1,097,484	-	1,097,484
Euro	(74,489)	(2,366,314)	133,048,056	2,041,557	132,648,810
British Pound Sterling	66,280	(291,482)	65,392,135	501,466	65,668,399
Hong Kong Dollar	327,564	-	23,901,989	-	24,229,553
Hungarian Forint	(238,139)	-	374,186	-	136,047
New Israeli Shekel	-	-	1,234,803	-	1,234,803
Japanese Yen	187	(4,457,900)	53,925,252	-	49,467,539
South Korean Won	-	-	5,008,340	-	5,008,340
Mexican Peso	18,019	-	9,194,357	-	9,212,376
Malaysian Ringgit	-	-	2,030,616	-	2,030,616
Norwegian Krone	-	-	5,169,119	-	5,169,119
Swedish Krona	-	-	91,574	-	91,574
Singapore Dollar	-	-	5,131,309	-	5,131,309
Thai Baht	-	-	1,073,120	-	1,073,120
Turkish Lira	-	-	702,825	-	702,825
New Taiwan Dollar	1,717,261	-	12,283,328	-	14,000,589
South African Rand	<u>62</u>	<u>-</u>	<u>3,353,490</u>	<u>-</u>	<u>3,353,552</u>
<b>Total</b>	<b><u>\$1,312,846</u></b>	<b><u>\$(7,115,696)</u></b>	<b><u>\$387,593,484</u></b>	<b><u>\$ 2,543,023</u></b>	<b><u>\$384,333,657</u></b>

Negative cash amounts represent pending settlements net of cash holdings.

The System has entered into contracts to invest up to approximately \$579,000,000 into common/collective trusts with a focus on private equity, infrastructure, opportunistic and real estate investment strategies. As of June 30, 2010, approximately \$174,000,000 has been invested; the remaining commitment is approximately \$405,000,000.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

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 interest rate risk, credit risk, leverage risk, counterparty risk, and custodial credit risk.

Interest rate risk is the risk that fixed income securities and derivatives 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 or derivative 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 an amount more than 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 the System.

The System manages interest rate risk, leverage risk, and counterparty risk on a manager by manager basis by establishing guidelines with each manager. The manager is customarily allowed to invest within these predetermined guidelines.

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 may be 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.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2010 and 2009 *continued*

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 statement of changes in fiduciary net assets.

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, 2010 and 2009, the carrying value of the System's CMO and Asset-Backed Securities holdings totaled \$111,385,039 and \$110,950,168, respectively.

The System's managers may 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.

The System may also hold 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.

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.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

The following table details the System's derivative investments at June 30. All changes in fair value are reported in net appreciation (depreciation) in fair value of Plan investments in 2010 and 2009.

	2010 Changes in Fair Value	Fair Value at June 30, 2010		
		Classification	Amount	Notional
Investment derivatives:				
Interest rate swaps:				
Pay fixed	\$ <u>(2,549,985)</u>	OSIC*	\$ <u>(3,311,261)</u>	\$ 36,400,000
Credit default swaps:				
Buy protection	\$ (1,275,504)	Investments	\$ 2,592,692	\$ 78,327,200
Sell protection	<u>500,805</u>	OSIC*	<u>(306,666)</u>	\$ 5,400,000
	\$ <u>(774,699)</u>		\$ <u>2,286,026</u>	
Foreign currency contracts:				
To sell:				
Canadian dollar	\$ 1,681,205	Investments	\$ 1,681,205	33,386,000
EURO	945,910	Investments	945,910	9,766,000
British Pound Sterling	<u>(13,041)</u>	OSIC*	<u>(13,041)</u>	931,000
	\$ <u>2,614,074</u>		\$ <u>2,614,074</u>	
Futures:				
Equity Index Futures Contracts	\$ <u>(264,269)</u>	OSIC*	\$ <u>(264,269)</u>	\$ 30,917,640

\* OSIC = Obligations to settle investment contracts

	2009 Changes in Fair Value	Fair Value at June 30, 2009		
		Classification	Amount	Notional
Investment derivatives:				
Interest rate swaps:				
Pay fixed	\$ <u>(5,081,513)</u>	OSIC*	\$ <u>(5,081,513)</u>	\$ 130,800,000
Credit default swaps:				
Buy protection	\$ (421,754)	Investments	\$ 2,858,032	\$ 88,870,400
Sell protection	<u>(1,492,933)</u>	OSIC*	<u>(1,147,481)</u>	\$ 24,415,114
	\$ <u>(1,914,687)</u>		\$ <u>1,710,551</u>	

\* OSIC = Obligations to settle investment contracts

*continued on next page*

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

*continued from previous page*

	2009 Changes in Fair Value	Fair Value at June 30, 2009		
		Classification	Amount	Notional
Foreign currency contracts:				
To sell:				
EURO	\$ (16,311)	OSIC*	\$ (16,311)	1,687,000
British Pound Sterling	(16,711)	OSIC*	(16,711)	354,000
Japanese Yen	8,192	Investments	8,192	806,103,000
Singapore Dollar	(200,956)	OSIC*	(200,956)	5,985,546
Chilean Peso	(85,469)	OSIC*	(85,469)	547,691,000
To buy:				
British Pound Sterling	(922)	OSIC*	(922)	177,000
Japanese Yen	(5,829)	OSIC*	(5,829)	376,171,000
Singapore Dollar	104,699	Investments	104,699	5,985,546
Chilean Peso	<u>89,555</u>	Investments	<u>89,555</u>	547,691,000
	\$ <u>(123,752)</u>		\$ <u>(123,752)</u>	
Options:				
Fixed income option	\$ 505,850	OSIC*	\$ 505,850	\$ 75,300,000
Currency option Japanese Yen	<u>36,112</u>	Investments	<u>207,695</u>	\$ 16,600,000
	\$ <u>541,962</u>		\$ <u>713,545</u>	

\* OSIC = Obligations to settle investment contracts

## 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 fair value of the securities plus any accrued interest. Non-U.S. securities are loaned against collateral valued at 105% of the fair 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 78 days and 41 days as of June 30, 2010 and 2009, respectively.

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section, which had an interest sensitivity of 30 and 20 days as of June 30, 2010 and 2009, 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, 2010 and 2009 *continued*

During fiscal year 2010, 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. During fiscal year 2009, there was an instance of a violation of legal or contractual provisions by Lehman Brothers, Inc., however, the lending agent acted properly once the borrower defaulted. The lending agent's diligent adherence to the lending agreements resulted in no losses to the System. In 2009, 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, 2010 and 2009, 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 Statement No. 28 and GASB Statement No. 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>2010</u>	<u>2009</u>
Domestic equity	\$322,775,431	\$ 90,305,865
Foreign equity	48,233	53,148,907
Domestic fixed income	2,682,004	24,924,881
Foreign fixed income	5,766,371	1,895,797
U.S. Government and government agencies	<u>39,297,286</u>	<u>22,939,552</u>
Total securities on loan	<u>\$370,569,325</u>	<u>\$193,215,002</u>
Securities lending collateral:		
Short-term investment collateral pool	\$381,545,156	\$199,187,608
Noncash collateral (debt and equity securities, at fair value)	<u>320,719</u>	<u>859,932</u>
Total collateral	<u>\$381,865,875</u>	<u>\$200,047,540</u>
Collateral ratio	<u>103.0%</u>	<u>103.5%</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *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 and 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 Accrued Actuarial Liability (UAAL) payments). Level percentage of payroll employer contribution rates are 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., unpooled) 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, 2010 was as follows:

Actuarial accrued liability (AAL)	\$14,799.2
Actuarial value of plan assets	<u>10,415.1</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>4,384.1</u>
Funded ratio (actuarial value of plan assets/AAL)	70.4%
Covered payroll (active plan members)	\$ 2,079.1
UAAL as a percentage of covered payroll	210.9%

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *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, present 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.

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

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll).

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 10). The unfunded actuarial accrued liability credit of the judicial and legislative plans is amortized for a period of ten years. The pooled unfunded accrued actuarial liability of the PLD Consolidated Plan is amortized over a period of fifteen years.

The Initial Unpooled Unfunded Actuarial Liabilities (IUUALs) of PLDs are amortized over periods established for each PLD separately.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2010 and 2009 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 10.5% per year.

*Mortality Rates* – For active State employee members and non-disabled retirees of the State employees', participating local districts and judicial plans, the UP 1994 Tables are used; for active members and non-disabled retirees of the teachers' plan, 85% of the UP 1994 Tables are used; for all active and non-disabled retired legislators, the UP 1994 Tables are used; for all recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are used.

*Cost of Living Benefit Increases* – 3.75% per annum.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2010 and 2009 *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 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 \$297.4 million and \$302.0 million for the years ended June 30, 2010 and 2009, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2010 or 2009.

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 year 2010, the amount due from the State of Maine was \$11.2 million. This amount is included in receivable from state and local agency contributions and premiums at June 30, 2010. For fiscal year 2009, 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 UAAL 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 accrued 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 UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in twelve equal monthly installments.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2010 and 2009 are as follows:

Contribution Rates<sup>(3)</sup> (effective July 1 through June 30 of each fiscal year)

	<u>2010</u>	<u>2009</u>
State:		
Employees <sup>(1)</sup>	7.65 - 8.65%	7.65 - 8.65%
Employer <sup>(1)</sup>	14.35 - 53.32%	15.85 - 50.14%
Teachers:		
Employees	7.65%	7.65%
Employer	17.28%	16.72%
Participating local districts:		
Employees <sup>(1)</sup>	3.0 - 8.0%	3.0 - 8.0%
Employers <sup>(1)</sup>	1.5 - 6.5%	1.5 - 6.5%
Employer other <sup>(2)</sup>	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 UAAL required payment, expressed as a percentage of payroll.

## 7. Group Life Insurance Plan

### Plan 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 participant's 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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010 and 2009** *continued*

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 life 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 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. At June 30, 2010, the employees of the State of Maine, the Judiciary, the Legislature, as well as 220 school districts, and 170 PLDs were participating in the Group Life Insurance Plan

*Funding Policy*

Premium rates are those determined by the System's 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 are required to remit a premium of \$0.46 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>
2010	\$7,900,000	\$6,825,209	86.4%
2009	6,500,000	6,812,155	104.8
2008	6,000,000	6,363,100	106.1

*Funded Status and Funding Progress*

The funded status of the plan, stated in millions of dollars, as of June 30, 2010 was as follows:

Actuarial accrued liability (AAL)	\$ 150.9
Actuarial value of plan assets	<u>50.8</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$100.1</u>
Funded ratio (actuarial value of plan assets/ AAL)	33.7%
Covered payroll (active plan members)	\$ 1,519.5
UAAL as a percentage of covered payroll	6.6%



## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *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, present 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, 2010 and 2009 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 10.5% per year for PLDs.

*Mortality Rates* – For active State employee members and non-disabled retirees of the State employees', participating local districts, 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 a closed basis. As of June 30, 2010, there were 28 years remaining in the amortization schedule.

*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 System's 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.



## NOTES TO FINANCIAL STATEMENTS

### June 30, 2010 and 2009 *continued*

Included in the State and Local Agencies Premiums in the statement of changes in fiduciary net assets are group life insurance premiums received from the State on behalf of active and retired state employees, retired teachers, judges, and legislators in the total amount of \$6.6 million per year for the years ended June 30, 2010 and 2009.

#### Benefits

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 \$803,695 and \$717,587 for the years ended June 30, 2010 and 2009, 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 plan, within the limits of plan provisions, and by employer contributions made into the Plan 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 Insurance 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. The assets in the Investment Trust Fund are unrelated to and not available to pay benefits for any plan administered by the System. Additionally, the State of Maine is obligated to comply with reporting requirements under GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

#### **10. 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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2010 and 2009 *continued*

June 30, 1996, over a period not to exceed 31 years beginning July 1, 1997 and not later than June 30, 2028. The amendment 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 the use of actuarially sound current cost accounting, reinforcing existing statutory requirements.

**11. System's Employee Benefits***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 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 2010, 2009 and 2008, respectively, and the employer contribution on behalf of its employees, equal to the required contribution, was \$144,319, \$142,693, and \$140,810 for 2010, 2009, and 2008, 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 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 2010, 2009, and 2008 fiscal years. The total premiums the System paid on behalf of its active employees were \$27,424, \$25,932, and \$24,164 for 2010, 2009, and 2008, 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 \$4,756, \$4,535, and \$3,948 for 2010, 2009, and 2008, respectively. The other post-employment benefits liability for the Plan is immaterial.

*Other Post-Employment Benefits*

The System provides Other Post-Employment Benefits to its retirees in the form of health insurance coverage and group life insurance coverage.

The System, as the employer of its staff, provides for continued health insurance coverage into retirement for eligible retirees. The total premiums paid by the System on behalf of its retirees were \$141,942, \$125,767, and \$126,021 for 2010, 2009, and 2008, respectively. The other post-employment benefits liability for this plan is immaterial.

## REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION  
DEFINED BENEFIT PLANJune 30, 2010  
(UNAUDITED)SCHEDULE OF FUNDING PROGRESS*Dollars in Millions*

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
June 30, 2010	\$10,415.1	\$14,799.2	\$ 4,384.1	70.4%	\$ 2,079.1	210.9%
June 30, 2009	10,466.9	14,410.0	3,943.1	72.6	2,061.4	191.3
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

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS*Dollars in Millions*

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2010	\$ 330.3	\$ 341.5	103.4%
2009	331.7	331.7	100.0
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

See notes to historical pension information.

See accompanying independent auditors' report.

## REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION  
GROUP LIFE INSURANCE PLANJune 30, 2010  
(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<sup>(1)</sup></u>	((b-a)/c) <u>UAAL as a Percentage of Covered Payroll<sup>(1)</sup></u>
June 30, 2010	\$50.8	\$150.9	\$100.1	33.7%	\$1,519.5	6.6%
June 30, 2009	43.5	139.8	96.3	31.1	1,494.0	6.4
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	-	-

<sup>(1)</sup> 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<sup>(1)</sup>

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2010	\$7,900,000	\$6,825,209	86.4%
2009	6,500,000	6,812,155	104.8
2008	6,000,000	6,363,100	106.1

<sup>(1)</sup> 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, 2010 - 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 PLDs.

#### **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, 2010, is as follows:

##### *Actuarial Cost 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.

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 10 to the Financial Statements). The unfunded actuarial accrued liabilities of both the Judicial Retirement Program and the Legislative Retirement Program are amortized 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 2010 and 2009 there were no additional contributions to reduce or pay in full IUUALs. The pooled unfunded actuarial liability of the PLD Consolidated Plan is amortized over a period of fifteen years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2010 are as follows:

**NOTES TO HISTORICAL PENSION INFORMATION**  
**June 30, 2010 - UNAUDITED** *(continued)*

Investment Return – 7.75% per annum, compounded annually.

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 10.5% per year.

Mortality Rates – For active State employee members and non-disabled retirees of the State employees', participating local districts, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teachers' 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, 2010, 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 the System without audit or change, except that State assets are allocated to State, Judges, and Legislators based upon total actuarial liability.

#### *Amortization*

The unfunded actuarial accrued liability is being amortized as a level percentage of pay over a 30-year period on a closed basis. As of June 30, 2010, there were 28 years remaining in the amortization schedule.

**NOTES TO HISTORICAL PENSION INFORMATION**  
**June 30, 2010 - UNAUDITED** *(continued)*

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2010 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 10.5% per year.

Mortality Rates – For all active members and non-disabled retirees of the State employees', participating local districts, judicial and legislative programs, the UP 1994 Tables are used; for active members and non-disabled retirees of the teachers' 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.



**SUPPLEMENTARY INFORMATION**  
**June 30, 2010** *continued*

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2010

	Defined Benefit Pension <u>Plan</u>	Group Life Insurance <u>Plan</u>	Defined Contri- bution <u>Plan</u>	Retiree Health Insurance <u>Trust</u>	<u>Total</u>
Active equity:					
Blackrock Alpha Tilts	\$ 730,974	\$ -	\$ -	\$ -	\$ 730,974
Capital Guardian	437,794	-	-	-	437,794
Grantham, Mayo, Van Oterloo (GMO)	2,096,966	-	-	-	2,096,966
Jacobs Levy	399,567	-	-	-	399,567
Jacobs Levy 120/20	325,174	-	-	-	325,174
Legg Mason	951,100	-	-	-	951,100
Templeton Investment Counsel	468,605	-	-	-	468,605
Consultants:					
Cliffwater - Private Equity	451,613	-	-	-	451,613
Ennis Knupp - General	437,500	-	-	-	437,500
Ennis Knupp - Infrastructure	139,750	-	-	-	139,750
Ennis Knupp - Opportunistic Strategies	12,500	-	-	-	12,500
ORG - Real Estate	272,313	-	-	-	272,313
Infrastructure:					
Alinda Infrastructure	1,049,771	-	-	-	1,049,771
Carlyle Infrastructure	375,000	-	-	-	375,000
Cube Infrastructure	458,825	-	-	-	458,825
Global Infrastructure	1,000,000	-	-	-	1,000,000
Passive equity - domestic:					
Blackrock Extended Equity	19,081	2,187	-	4,435	25,703
Blackrock DJ Total Stock Market	239,153	-	-	-	239,153
Blackrock US Total Market	35,253	-	-	-	35,253
Passive equity - foreign:					
Blackrock ACWIEX_US	279,415	3,746	-	7,322	290,483
Passive fixed income:					
Blackrock Custom Fixed Income	225,288	-	-	-	225,288
Blackrock US Debt Index Fund B	-	6,606	-	13,116	19,722
Private equity:					
Carlyle Asia Partners	618,410	-	-	-	618,410
Oaktree	354,293	-	-	-	354,293

**SUPPLEMENTARY INFORMATION**  
**June 30, 2010** *continued*

SCHEDULE OF INVESTMENT EXPENSES (CONTINUED)

For the Year Ended June 30, 2010

	Defined Benefit Pension <u>Plan</u>	Group Life Insurance <u>Plan</u>	Defined Contri- bution <u>Plan</u>	Retiree Health Insurance <u>Trust</u>	<u>Total</u>
Real estate:					
Blackrock (Index RESI)	\$ 56,764	\$ -	\$ -	\$ -	\$ 56,764
Blackrock Granite	264,865	-	-	-	264,865
Blackrock US Real Estate Securities Fund B	-	2,368	-	5,234	7,602
JP Morgan	1,053,556	-	-	-	1,053,556
Principal	477,380	-	-	-	477,380
Prudential	647,975	-	-	-	647,975
Opportunistic strategies:					
Metwest Talf	399,197	-	-	-	399,197
Pacific Investment Management (PIMCO)	1,195,512	-	-	-	1,195,512
Other investment expenses	5,030,001	350	46,264	-	5,076,615
In-house investment management	<u>1,389,199</u>	<u>7,626</u>	<u>-</u>	<u>-</u>	<u>1,396,825</u>
Total investment expenses	<u>\$21,892,794</u>	<u>\$22,883</u>	<u>\$46,264</u>	<u>\$30,107</u>	<u>\$21,992,048</u>

**SUPPLEMENTARY INFORMATION**  
**June 30, 2010**

SCHEDULE OF ADMINISTRATIVE EXPENSES  
For the Year Ended June 30, 2010

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contri- bution Plan	Retiree Health Insurance Trust	Total
Personal services	\$ 6,303,419	\$ 165,432	\$ 37,581	\$ 37,624	\$ 6,544,056
Professional services	862,535	22,637	5,142	5,148	895,462
Communications	418,742	10,990	2,496	2,499	434,727
Computer support and system development	427,047	11,208	2,546	2,549	443,350
Office rent	509,502	13,372	3,037	3,041	528,952
Miscellaneous:					
Computer maintenance and supplies	287,137	7,536	1,712	1,714	298,099
Depreciation	206,867	5,429	1,233	1,235	214,764
Office equipment and supplies	61,440	1,613	366	367	63,786
Professional development	34,418	903	205	205	35,731
Medical records and exams	35,779	939	213	214	37,145
Miscellaneous operating expenses	<u>361,509</u>	<u>9,488</u>	<u>2,155</u>	<u>2,158</u>	<u>375,310</u>
Total miscellaneous	<u>987,150</u>	<u>25,908</u>	<u>5,884</u>	<u>5,893</u>	<u>1,024,835</u>
Total administrative expenses	<u>\$ 9,508,395</u>	<u>\$ 249,547</u>	<u>\$ 56,686</u>	<u>\$ 56,754</u>	<u>\$ 9,871,382</u>

SCHEDULE OF PROFESSIONAL FEES

For the Year Ended June 30, 2010

Professional services:	
Audit	\$ 100,395
Actuarial services	325,836
Legal services	183,954
Medical consulting	135,879
Other services	<u>149,398</u>
Total professional services	<u>\$ 895,462</u>

A stylized illustration of a plant with several buds and leaves, rendered in various shades of green. The plant is positioned on the right side of the page, with its stems and leaves extending towards the bottom and left. The background is a solid light green color. The text 'INVESTMENT SECTION' is located in the upper right quadrant of the page.

INVESTMENT  
SECTION



November 29, 2010

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 Hewitt EnnisKnupp 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,

A handwritten signature in black ink, appearing to read 'Stephen Cummings'.

Stephen Cummings, CFA  
Principal

Hewitt EnnisKnupp, Inc.  
10 South Riverside Plaza, Suite 1600 | Chicago, IL 60606  
t 312.715.1700 | f 312.715.1952 | www.hewitennisknupp.com

## INVESTMENT ACTIVITY

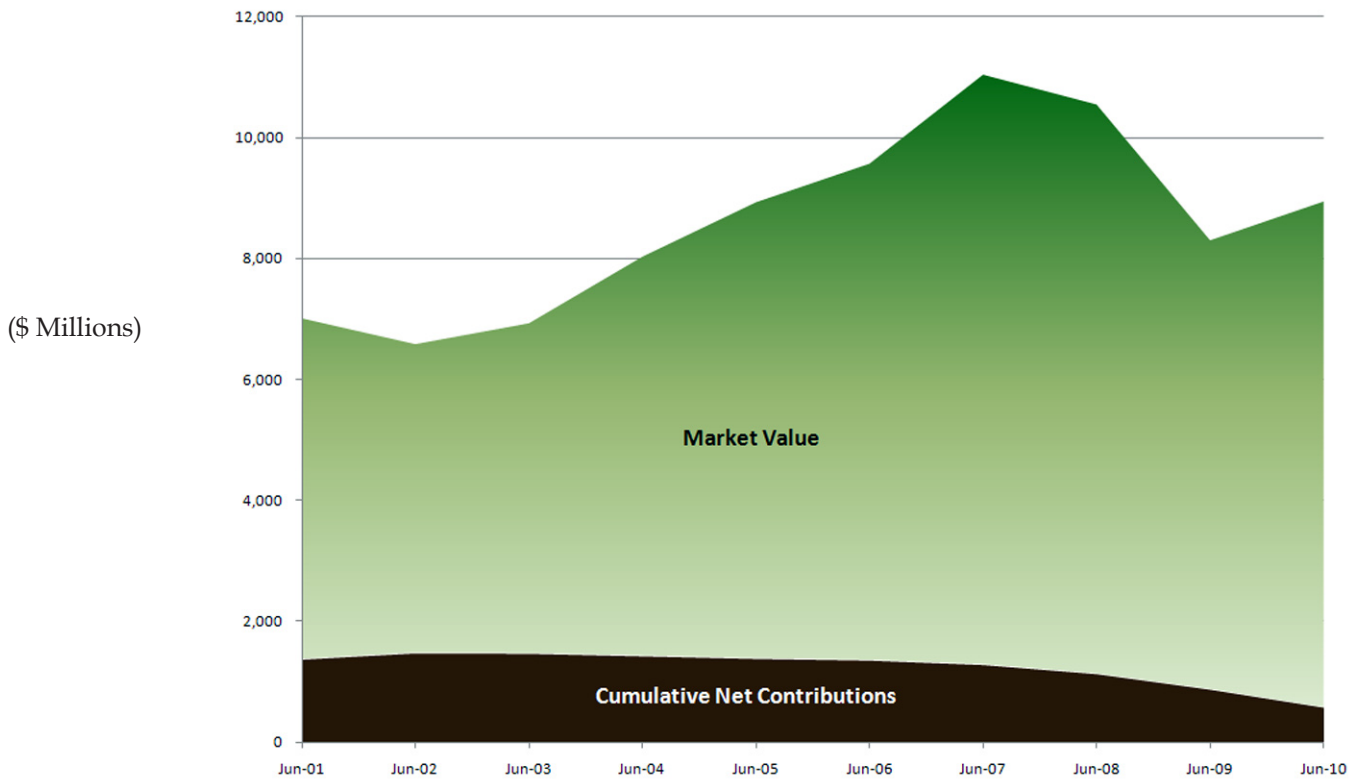
The table and graph below summarize portfolio activity for the ten years ended June 30, 2010. During this period, assets grew by \$1.3 billion from \$7.6 billion to \$8.9 billion. Substantially all of this increase is attributable to net investment gains. In the year ended June 30, 2010 benefit payments 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.

### SUMMARY OF INVESTMENT ACTIVITY

<u>FY Ended June 30</u>	<u>Opening Market Value (\$ millions)</u>	<u>Closing Market Value (\$ millions)</u>	<u>Rate of Return</u>
2010	\$8,291	\$8,934	11.1%
2009	\$10,538	\$8,291	-18.8%
2008	\$11,031	\$10,538	-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	-7.8%
Annualized 10-year period			2.4%
Cumulative 10-year period			26.8%

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 MainePERS has adopted to optimize the financial health of the plans is reviewed.

The System invests essentially all of the plan assets in seven major asset classes: publicly traded domestic stocks, publicly traded foreign stocks, cash and cash-like securities, publicly traded domestic bonds, infrastructure, private equity, and real estate. MainePERS also uses derivative positions to emulate these asset classes. The table and pie charts on the following page display the actual allocations at June 30 for the year ended June 30, 2010. 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.

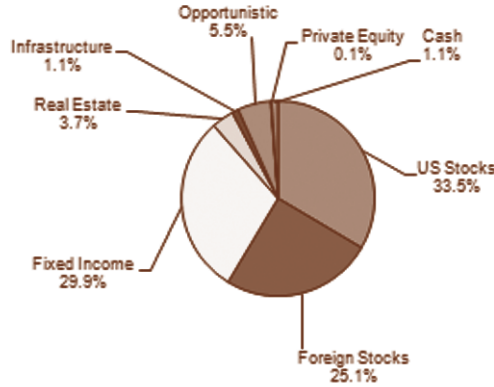
The Board of Trustees is of the view that a prudent investment strategy for these plan assets requires accepting some level of investment risk. The Board allocates 60% to 80% of assets to equities and equity like securities and is of the view that this provides a prudent compromise between low risk and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



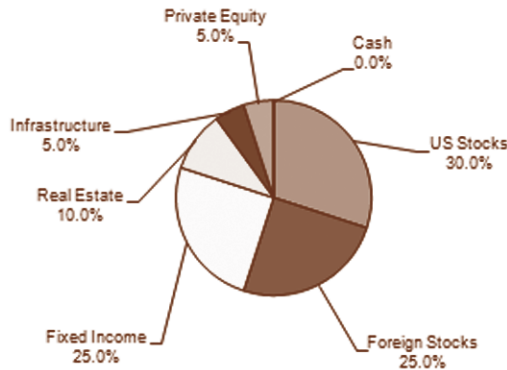
STRATEGIC ASSET ALLOCATION

	<u>US Stocks</u>	<u>Foreign Stocks</u>	<u>Fixed Income</u>	<u>Real Estate</u>	<u>Infrastructure</u>	<u>Opportunistic</u>	<u>Private Equity</u>	<u>Cash</u>	
<u>Current Actual</u>	33.5%	25.1%	29.9%	3.7%	1.1%	5.5%	0.1%	1.1%	100.0%
<u>Current Target</u>	30.0%	25.0%	25.0%	10.0%	5.0%	0.0%	5.0%	0.0%	100.0%
<u>Former Target</u>	41.0%	20.0%	30.0%	5.0%	4.0%	0.0%	0.0%	0.0%	100.0%

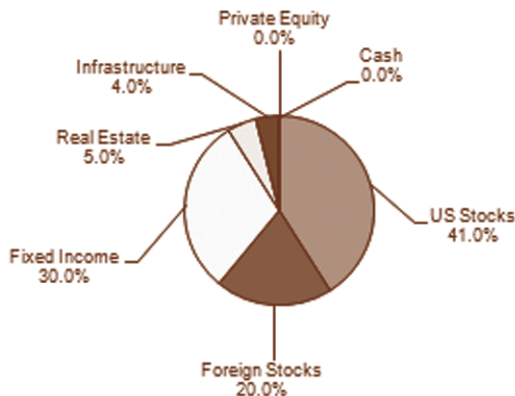
Current Actual Allocation at June 30, 2010



Current Target Allocation



Former 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 83% of assets were invested in passively managed index funds and separate accounts at June 30, 2010. 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, 2009, approximately 61% of assets were invested in passively managed index funds. 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 a low risk of significantly underperforming their benchmarks, the Board finds this concentration of assets to be appropriate.

BENEFIT PLANS  
INVESTMENT PORTFOLIO

	6/30/2010		6/30/2009	
	<u>\$ millions</u>	<u>% of assets</u>	<u>\$ millions</u>	<u>% of assets</u>
<b>Active Equity</b>				
Barclays Global Investors	\$ 0	0%	\$ 485	6%
Capital Guardian	0	0%	461	6%
Grantham, Mayo, Van Oterloo (GMO)	322	3%	468	6%
Jacobs Levy Equity Management	0	0%	537	6%
Legg Mason	169	2%	153	2%
Templeton Global Equity	<u>0</u>	<u>0%</u>	<u>239</u>	<u>3%</u>
<b>Total Active Equity</b>	<b>\$ 491</b>	<b>5%</b>	<b>\$ 2,343</b>	<b>29%</b>
<b>Passive Equity</b>				
BlackRock (Domestic)	\$ 2,607	29%	\$ 1,478	18%
BlackRock (Foreign)	<u>2,141</u>	<u>24%</u>	<u>1,264</u>	<u>15%</u>
<b>Total Passive Equity</b>	<b>\$ 4,748</b>	<b>53%</b>	<b>\$ 2,742</b>	<b>33%</b>
<b>Passive Fixed Income</b>				
BlackRock - Custom Index	\$ 2,478	28%	\$ 1,644	20%
Grantham, Mayo, Van Oterloo (GMO)	187	2%	0	0%
Barclays Global Investors - TIPS	<u>0</u>	<u>0%</u>	<u>599</u>	<u>7%</u>
<b>Total Passive Fixed Income</b>	<b>\$ 2,665</b>	<b>30%</b>	<b>\$ 2,243</b>	<b>27%</b>
<b>Real Estate</b>				
BlackRock (RESI)	\$ 68	1%	\$ 44	0%
BlackRock Granite Fund	36	0%	46	1%
JP Morgan	106	1%	117	1%
Principal	48	1%	55	1%
Prudential	<u>70</u>	<u>1%</u>	<u>78</u>	<u>1%</u>
<b>Total Real Estate</b>	<b>\$ 328</b>	<b>4%</b>	<b>\$ 340</b>	<b>4%</b>
<b>Infrastructure</b>				
Alinda Fund II	\$ 9	0%	\$ 0	0%
Carlyle	14	0%	11	0%
Cube	20	0%	0	0%
Global Infrastructure Partners	<u>58</u>	<u>1%</u>	<u>26</u>	<u>0%</u>
<b>Total Infrastructure</b>	<b>\$ 101</b>	<b>1%</b>	<b>\$ 37</b>	<b>0%</b>
<b>Opportunistic Strategies</b>				
Metropolitan West TALF	\$ 58	1%	\$ 0	0%
Pacific Investment Management (PIMCO)	<u>436</u>	<u>5%</u>	<u>563</u>	<u>7%</u>
<b>Total Opportunistic Strategies</b>	<b>\$ 494</b>	<b>6%</b>	<b>\$ 563</b>	<b>7%</b>
<b>Private Equity</b>				
Oaktree Opportunity Fund VIII	\$ 9	0%	\$ 0	0%
Carlyle Asia Partners III	<u>4</u>	<u>0%</u>	<u>0</u>	<u>0%</u>
<b>Total Private Equity</b>	<b>\$ 13</b>	<b>0%</b>	<b>\$ 0</b>	<b>0%</b>
<b>Cash</b>				
Liquidity Account	<u>\$ 95</u>	<u>1%</u>	<u>\$ 23</u>	<u>0%</u>
<b>Total Cash</b>	<b>\$ 95</b>	<b>1%</b>	<b>\$ 23</b>	<b>0%</b>
<b>Total Assets</b>	<b>\$ 8,934</b>	<b>100%</b>	<b>\$ 8,291</b>	<b>100%</b>

**LARGEST HOLDINGS**  
at June 30, 2010

<u>Top 10 Direct Common Stock Holdings</u>	<u>\$ Millions</u>	<u>% of Assets</u>
EXXON MOBIL	66	0.74%
APPLE	51	0.57%
MICROSOFT	44	0.49%
IBM	42	0.47%
PROCTER & GAMBLE	39	0.44%
GENERAL ELECTRIC	38	0.43%
JP MORGAN CHASE	37	0.42%
JOHNSON & JOHNSON	37	0.41%
BANK OF AMERICA	37	0.41%
BERKSHIRE HATHAWAY CL-B	35	0.39%

<u>Top 10 Direct Bond Holdings</u>	<u>\$ Millions</u>	<u>% of Assets</u>
US TREAS NTS INDEX LINKED 1.875% 07-15-2015	31	0.35%
US TREAS NTS INDEX LINKED 0.625% 04-15-2013	26	0.29%
US TREAS NTS INDEX LINKED 2.375% 01-15-2017	25	0.28%
US TREAS BDS INDEX LINKED 2.500% 01-15-2029	23	0.26%
MACQUARIE SR MED TERM NTS 4.1% 12-17-2013	19	0.21%
US TREAS NTS INDEX LINKED 3.875% 04-15-2029	14	0.16%
CANADA(GOVT OF) 2.000% 01/12/2014	12	0.13%
CANADA(GOVT OF) 4.500% 01/06/2015	10	0.11%
CMO CITIGROUP MTG LN 4.700% 12-25-2035	10	0.11%
CANADA(GOVT OF) STEP-UP NTS 01/03/2012	10	0.11%

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. For a complete list of the System's holdings, please contact MainePERS.

#### 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 18.

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, 2010. Because the System's investment strategy has changed very little from year to year, 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 retained managers whose investment mandates crossed traditional asset class lines. The third added class is Real Estate. In FY 2010, those managers hired for Global Equity Mandates were terminated and the assets were invested in an international equity index.

Over the ten-year period, the annualized rate of return on the System's assets was 2.4%. MainePERS experienced six years of positive returns and four 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 2.4%, 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, 2010, 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 offset by positive or equal performance in other categories.

The total return figures in the table on pages 72 and 73 are net of all expenses that can be directly attributed to the investment program (see Expenses, page 74). 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

(All returns are time weighted)

Fiscal Year Ended June 30	TOTAL FUND			DOMESTIC EQUITY			FOREIGN EQUITY		
	Actual Return	Benchmark <sup>(7)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(8)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(9)</sup> Return	Excess <sup>(1)</sup> Return
2010	11.1%	11.9%	-0.8%	18.3%	16.1%	2.2%	9.7%	10.9%	-1.2%
2009	-18.8%	-19.4%	0.5%	-29.3%	-26.4%	-2.9%	-32.1%	-30.5%	-1.6%
2008	-3.1%	-1.9%	-1.2%	-15.0%	-12.5%	-2.4%	-7.5%	-6.2%	-1.3%
2007	16.2%	16.3%	-0.2%	19.9%	20.5%	-0.6%	29.8%	30.2%	-0.4%
2006	7.5%	7.3%	0.2%	9.4%	9.9%	-0.6%	28.0%	27.9%	0.1%
2005	11.8%	12.1%	-0.4%	7.9%	8.2%	-0.3%	15.7%	16.5%	-0.8%
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%
3 years ending 2010	-4.4%	-3.8%	-0.6%	-10.7%	-9.2%	-1.5%	-11.7%	-10.3%	-1.4%
5 years ending 2010	1.6%	2.1%	-0.5%	-1.4%	-0.2%	-1.2%	2.8%	3.8%	-1.0%
10 years ending 2010	2.4%	2.6%	-0.2%	-1.4%	-0.7%	-0.7%	1.3%	2.1%	-0.8%

**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 1st quarter of 2007 and re-opened in the 4th quarter of 2008.
6. Fixed Income includes TIPS as of 7/31/04.

TABLE CONTINUED ON NEXT PAGE

**PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS**

(All returns are time weighted)

GLOBAL EQUITY <sup>(2)</sup>			GLOBAL BALANCED <sup>(3)</sup>			REAL ESTATE <sup>(4)</sup>			FIXED INCOME <sup>(5,6)</sup>		
Actual Return	Benchmark <sup>(10)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(11)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(12)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(13)</sup> Return	Excess <sup>(1)</sup> Return
N/A	N/A	N/A	8.8%	13.4%	-4.6%	-4.1%	-1.5%	-2.6%	10.8%	9.5%	1.3%
-29.1%	-30.9%	1.8%	-10.7%	-19.9%	9.3%	-35.0%	-19.6%	-15.4%	-0.8%	6.1%	-6.9%
-8.4%	-8.8%	0.4%	-1.0%	-2.7%	1.7%	3.0%	9.2%	-6.2%	17.5%	7.1%	10.3%
23.5%	25.2%	-1.7%	15.7%	16.6%	-0.9%	16.5%	17.2%	-0.7%	3.4%	6.1%	-2.7%
20.6%	18.0%	2.6%	7.6%	7.6%	0.0%	20.2%	20.5%	-0.4%	-5.6%	-0.8%	-4.8%
-1.4%	-0.4%	-1.0%	3.0%	1.8%	1.2%	6.6%	6.6%	0.0%	16.1%	6.8%	9.3%
									4.2%	0.3%	3.9%
									13.1%	10.4%	2.7%
									7.2%	8.6%	-1.4%
									9.7%	11.2%	-1.6%
			-1.3%	-4.0%	2.8%	-13.7%	-4.7%	-9.0%	8.9%	7.5%	1.3%
			3.7%	2.0%	1.7%	-2.1%	4.1%	-6.2%	4.7%	5.5%	-0.8%
									7.3%	6.5%	0.9%

**Benchmarks:**

7. Total Fund Benchmark: A combination of the benchmarks for the seven 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: Barclays Capital Aggregate Bond Index less Governments plus TIPS, since Oct 2008.

TABLE CONTINUED FROM PREVIOUS PAGE



INVESTMENT MANAGEMENT EXPENSES

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, Legg Mason's \$0.95 million of management fees in 2010 was 0.48% of the average assets managed by Legg Mason.

The decrease of expenses in 2010 can be attributed to a reduction in active management.

<u>Detail for year ended 6/30/2010</u>	<u>\$ Expense</u>	<u>% of Assets</u>
Investment management fees	21,992,048	0.25%
Active Equity		
Barclays Global Investors	730,974	0.32%
Capital Guardian	437,794	0.24%
Grantham, Mayo, Van Oterloo (GMO)	2,096,966	0.38%
Jacobs Levy Equity Management (Long)	399,567	0.28%
Jacobs Levy Equity Management (120/20)	325,174	0.44%
Legg Mason	951,100	0.48%
Templeton Investment Counsel	468,605	0.43%
Passive Equity		
BlackRock (Domestic)	293,487	0.01%
BlackRock (Foreign)	279,415	0.01%
Passive Fixed Income		
BlackRock - Fixed Income	225,288	0.01%
Real Estate		
BlackRock (Index RESI)	56,764	0.08%
Principal	477,380	0.99%
BlackRock Granite Fund	264,865	0.74%
JP Morgan	1,053,536	0.99%
Prudential	647,975	0.93%
Infrastructure		
Alinda	1,049,771	1.50%
Carlyle	375,000	1.50%
Cube	458,825	1.50%
Global Infrastructure Partners	1,000,000	2.00%
Private Equity		
Carlyle Asia Partners	618,410	1.50%
Oaktree	354,293	1.75%
Opportunistic Strategies		
MetWest TALF	399,197	0.62%
Pacific Investment Management (PIMCO)	1,195,512	0.27%
Consultants		
Cliffwater - Private Equity	451,613	
Ennis Knupp - General	437,500	
Ennis Knupp - Infrastructure	139,750	
Ennis Knupp - Opportunistic Strategies	12,500	
ORG - Real Estate	272,313	
Other Investment Expenses	5,030,001	
In House Expenses	1,389,199	
DC Investment Expenses	46,264	
Retiree Health Insurance Trust Expenses	30,107	
Group Life Insurance Expenses	22,883	

<u>Total for FY ended June 30</u>	<u>\$ Millions</u>	<u>% of Total Assets</u>
2010	22.0	0.25%
2009	23.1	0.28%
2008	34.6	0.19%
2007	19.7	0.33%
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%

<u>Total for FY ended June 30</u>	<u>\$ Millions</u>	<u>% of Total Assets</u>
2010	22.0	0.25%
2009	23.1	0.28%
2008	34.6	0.19%
2007	19.7	0.33%
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%

**BROKERAGE COMMISSIONS**  
Year Ended June 30, 2010

<b>Broker</b>	<b>Commissions \$ Millions</b>	<b>Amount Traded \$ Millions</b>	<b>% Cost of Trade</b>	<b>Total Shares Millions</b>	<b>Commissions Cents per Share</b>
Jefferies & Company	\$ 0.45	\$1,178	0.038%	85.6	0.524
Investment Technology	0.34	890	0.038%	42.6	0.795
Instinet	0.15	300	0.050%	38.1	0.393
UBS	0.14	322	0.045%	86.0	0.167
Weeden & Co	0.09	134	0.071%	9.3	1.021
Frank Russell	0.07	188	0.039%	7.3	1.000
Citigroup	0.07	1,041	0.007%	923.6	0.008
Morgan Stanley	0.07	1,458	0.005%	1,392.4	0.005
Macquarie	0.04	88	0.050%	45.9	0.097
Credit Suisse First Boston	0.04	6,549	0.001%	6,188.3	0.001
All Remaining Brokers	0.44	37,477	0.001%	21,255.9	0.002
<b>Total</b>	<b>\$ 1.90</b>	<b>\$49,625</b>	<b>0.004%</b>	<b>30,075.0</b>	<b>0.006</b>

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 74. 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, the increase in portfolio value is attributable to positive investment return and positive cash flow.

### SUMMARY OF INVESTMENT ACTIVITY

<u>FY Ended</u> <u>June 30</u>	<u>Opening</u> <u>Market Value</u> <u>(\$ Millions)</u>	<u>Closing</u> <u>Market Value</u> <u>(\$ Millions)</u>	<u>Actual</u> <u>Return</u>	<u>Benchmark</u> <u>Return</u>	<u>Performance</u>
2010	50.2	58.0	15.1%	15.1%	0.0%
2009	53.0	50.2	-18.8%	-19.0%	0.2%
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%
		3 yrs ended 2010	-3.2%	-2.9%	-0.3%
		5 yrs ended 2010	1.6%	2.0%	-0.4%
		10 yrs ended	3.4%	3.4%	0.0%

**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

In fiscal year 2009, the Group Life Insurance assets were separated from the defined benefit plan assets while maintaining the same type of investment strategy. Up until this change, beginning in November 2005, the assets had been combined with those of the other plans in the general investment portfolio. Prior to November 2005, the assets had been invested in either a medium term, investment grade fixed income portfolio or similar commingled funds. While 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 or gain/loss figures.

Over the ten-year period ended June 30, 2010, the actual return on the portfolio was essentially equivalent to the return of 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.

A stylized illustration of a plant with several buds and leaves, rendered in various shades of green. The plant is positioned on the right side of the page, with its stems and leaves extending towards the bottom and left. The buds are dark green, while the leaves and stems are lighter shades of green. The background is a solid light green color.

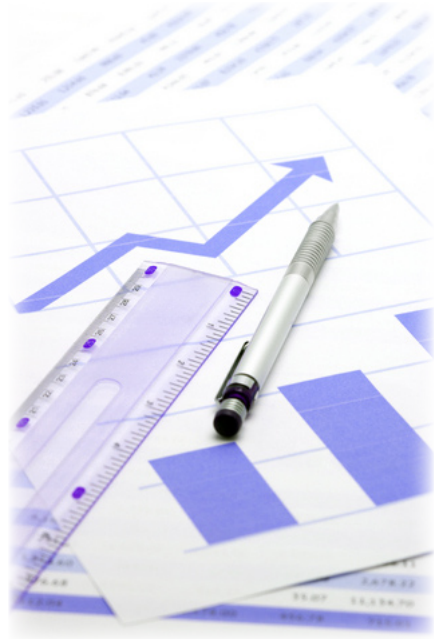
# ACTUARIAL SECTION

## 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 2010 Comprehensive Annual Financial Report are for the year ended June 30, 2009. 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, 2008 valuations established the employer contribution rates for the FY 2010-2011 biennium which began July 1, 2009. 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, 2009 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, 2009 established the participating employer rates for the twelve month period beginning July 1, 2010. 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 18, 2009

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, 2009. 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 2006-2009 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
<b>State Employee and Teacher Program</b>				
2009	40,486	\$1,669,885,710	\$41,246	5.84%
2008	41,561	\$1,619,705,846	\$38,972	3.63%
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%
<b>Consolidated Plan for Participating Local Districts</b>				
2009	9,719	\$380,541,135	\$39,154	3.80%
2008	9,562	\$360,693,816	\$37,722	5.58%
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%
<b>Withdrawn Participating Local Districts</b>				
2009	43	\$1,974,113	\$45,910	9.86%
2008	50	\$2,089,427	\$41,789	-0.56%
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
<b>Judicial Retirement System</b>				
2009	57	\$6,718,453	\$117,868	7.63%
2008	59	\$6,461,343	\$109,514	-0.61%
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%
<b>Legislative Retirement Program</b>				
2009	172	\$2,326,786	\$13,528	2.02%
2008	170	\$2,254,173	\$13,260	4.75%
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%

\* 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)*

<b>Schedule of Benefit Recipients Valuation Data</b>				
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
<b>State Employee and Teacher Program</b>				
2009	27,544	\$525,718,969	\$19,087	5.43%
2008	26,821	\$485,529,823	\$18,103	4.21%
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%
<b>Consolidated Plan for Participating Local Districts</b>				
2009	7,021	\$93,249,060	\$13,281	5.86%
2008	6,939	\$87,059,562	\$12,546	4.94%
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%
<b>Withdrawn Participating Local Districts</b>				
2009	214	\$2,355,639	\$11,008	5.24%
2008	252	\$2,636,025	\$10,460	6.68%
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
<b>Judicial Retirement Program</b>				
2009	53	\$2,603,792	\$49,128	-1.13%
2008	50	\$2,484,586	\$49,692	0.84%
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%
<b>Legislative Retirement Program</b>				
2009	130	\$229,960	\$1,769	3.32%
2008	120	\$205,417	\$1,712	10.94%
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%

**SECTION I**  
**DEMOGRAPHIC INFORMATION** *(continued)*

<b>Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls</b>						
Year Ended June 30,	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>On Rolls at Year End</u>	
	No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance
<b>State Employee and Teacher Program</b>						
2009	1,645	\$53,170,359	912	\$12,981,213	27,544	\$ 525,718,969
2008	1,462	\$42,000,560	942	\$13,334,208	26,821	\$ 485,529,823
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
<b>Participating Local Districts (Consolidated and non-Consolidated Plans)</b>						
2009	326	\$ 8,821,806	287	\$ 2,912,694	7,235	\$ 95,604,699
2008	366	\$ 7,295,589	295	\$ 2,239,222	7,196	\$ 89,695,587
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
<b>Judicial Retirement Program</b>						
2009	5	\$ 266,650	2	\$ 147,444	53	\$ 2,603,792
2008	8	\$ 394,227	1	\$ 71,836	50	\$ 2,484,586
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
<b>Legislative Retirement Program</b>						
2009	18	\$ 34,185	8	\$ 9,642	130	\$ 229,960
2008	9	\$ 28,388	6	\$ 3,501	120	\$ 205,417
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 five 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, 2009					
	State Employee & Teacher Program	Consolidated Plan for PLD & Withdrawn	Judicial Retirement Program	Legislative Retirement Program	
<b>A. FASB No. 35 Basis</b>					
1. Present Value of Benefits Accrued and Vested to Date					
a. Members Currently Receiving Payments	\$ 6,203,580,797	\$ 1,015,459,764	\$ 25,330,091	\$ 2,160,082	
b. Vested Terminated and Inactive Members	418,562,812	50,081,782	239,917	1,476,569	
c. Active Members	<u>4,154,428,107</u>	<u>725,616,531</u>	<u>23,162,039</u>	<u>1,922,577</u>	
d. Total PVAB	\$ 10,776,571,716	\$ 1,791,158,077	\$ 48,732,047	\$ 5,559,228	
2. Assets at Market Value	<u>6,620,849,642</u>	<u>1,656,980,351</u>	<u>38,550,289</u>	<u>6,932,518</u>	
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	\$ 4,155,722,074	\$ 134,177,726	\$ 10,181,758	\$ 0	
4. Ratio of Assets to Value of Benefits (2) / (1)(d)	61%	93%	79%	125%	
<b>B. GASB No. 25 Basis</b>					
1. Actuarial Liabilities					
a. Members Currently Receiving Payments	\$ 6,203,580,797	\$ 1,015,459,764	\$ 25,330,091	\$ 2,160,082	
b. Vested Deferred and Inactive Status Members	418,562,812	50,081,782	239,917	1,476,569	
c. Active Members	<u>5,699,075,723</u>	<u>967,195,862</u>	<u>24,973,312</u>	<u>1,863,158</u>	
d. Total	\$ 12,321,219,332	\$ 2,032,737,408	\$ 50,543,320	\$ 5,499,809	
2. Actuarial Value of Assets	<u>8,325,951,236</u>	<u>2,083,711,056</u>	<u>48,478,344</u>	<u>8,717,885</u>	
3. Unfunded Actuarial Liability	\$ 3,995,268,096	\$ (50,973,648)	\$ 2,064,976	\$ (3,218,076)	
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2) / (1)(d)	68%	103%	96%	159%	

**SECTION II**  
**ACCOUNTING INFORMATION** *(continued)*

<b>STATEMENT OF CHANGES IN</b>					
<b>Total Actuarial Present Value of All Accrued Benefits</b>					
	State Employee & Teacher Program	Consolidated Plan for PLD & Withdrawn	Judicial Retirement Program	Legislative Retirement Program	
Actuarial Present Value of Accrued Benefits as of June 30, 2008	\$ 10,166,502,044	\$ 1,735,977,021	\$ 45,824,120	\$ 5,414,373	
Increase (Decrease) During Years Attributable to:					
Passage of Time	766,156,691	130,514,053	3,450,181	405,475	
Benefits Paid – FY 2008	(561,218,515)	(103,849,459)	(2,611,306)	(364,876)	
Plan Amendment	0	0	0	0	
Assumption Change	0	0	0	0	
Benefits Accrued, Other Gains/Losses	<u>405,131,496</u>	<u>28,516,461</u>	<u>2,069,052</u>	<u>104,256</u>	
Net Increase (Decrease)	610,069,672	55,181,056	2,907,927	144,855	
Actuarial Present Value of Accrued Benefits as of June 30, 2009	\$ 10,776,571,716	\$ 1,791,158,077	\$ 48,732,047	\$ 5,559,228	

**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.

	<b>State Employee &amp; Teacher Program</b>	<b>Consolidated Plan for PLD</b>	<b>Judicial Retirement Program</b>	<b>Legislative Retirement Program</b>
Valuation date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
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	19 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	2008	2006	2008

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 funds accumulated as of the same date is the unfunded actuarial accrued liability.

**SECTION II**  
**ACCOUNTING INFORMATION** *(continued)*

<b>ANALYSIS OF FINANCIAL EXPERIENCE</b> <b>Gain and Loss in Accrued Liability During Year</b> <b>Resulting from Differences Between Assumed Experience and Actual Experience</b> <b>For Year Ended June 30, 2009</b>					
<b>Type of Activity</b>	<b>State Employee &amp; Teacher Program</b>	<b>Consolidated Plan for PLD</b>	<b>Judicial Retirement Program</b>	<b>Legislative Retirement Program</b>	
Investment Income	\$(843,411,410)	\$(201,290,399)	\$ (4,948,106)	\$(882,888)	
Combined Liability Experience	(91,293,558)	(14,959,821)	92,596	618,371	
Gain (or Loss) During Year from Financial Experience	\$(934,704,968)	(216,250,220)	\$ 5,040,702	\$(264,517)	
Non-Recurring Items	0	27,744,658	0	0	
Composite Gain (or Loss) During Year	<b>\$(934,704,968)</b>	<b>\$(188,505,562)</b>	<b>\$ 5,040,702</b>	<b>\$(264,517)</b>	



**SECTION II**  
**ACCOUNTING INFORMATION** *(continued)*

<b>SOLVENCY TEST</b> <b>Aggregate Accrued Liabilities For</b>								
Valuation Date June 30,	(1) Active Member Contributions	(2) Retirees Vested Terms, Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets			
					(1)	(2)	(3)	
<b>State Employee and Teacher Program</b>								
2009	\$ 2,002,784,768	\$ 6,622,143,609	\$ 3,696,290,955	\$ 8,325,951,236	100%	95%	0%	
2008	1,898,148,565	6,209,005,616	3,560,878,330	8,631,557,629	100%	100%	15%	
2007	1,789,362,929	5,850,882,771	3,517,524,438	8,245,520,019	100%	100%	17%	
2006	1,645,241,719	5,367,785,679	3,534,271,796	7,504,219,546	100%	100%	14%	
2005	1,569,409,748	4,832,994,427	3,596,845,863	6,964,597,457	100%	100%	16%	
2004	1,464,936,256	4,387,963,456	3,589,489,687	6,452,570,243	100%	100%	17%	
<b>Consolidated Plan for Participating Local Districts &amp; Withdrawn</b>								
2009	\$ 324,627,396	\$ 1,065,541,546	\$ 642,568,466	\$ 2,083,711,056	100%	100%	108%	
2008	300,245,422	1,019,812,922	633,570,676	2,201,652,592	100%	100%	139%	
2007	276,537,426	966,459,013	636,689,069	2,134,633,222	100%	100%	140%	
2006	246,927,961	911,285,480	600,858,747	1,974,083,999	100%	100%	136%	
2005	224,374,016	864,100,913	556,860,350	1,874,380,141	100%	100%	141%	
2004	201,503,697	816,412,720	530,796,552	1,769,280,433	100%	100%	142%	
<b>Judicial Retirement Program</b>								
2009	\$ 7,980,202	\$ 25,570,008	\$ 16,993,110	\$ 48,478,344	100%	100%	88%	
2008	7,481,505	24,943,576	15,209,371	50,418,942	100%	100%	118%	
2007	6,941,423	21,133,577	18,767,351	48,225,053	100%	100%	107%	
2006	6,463,859	20,608,730	16,029,820	44,350,649	100%	100%	108%	
2005	6,026,669	19,988,075	15,916,386	41,842,216	100%	100%	99%	
2004	5,600,058	18,534,194	12,254,479	39,210,995	100%	100%	123%	
<b>Legislative Retirement Program</b>								
2009	\$ 2,005,895	\$ 3,636,651	\$ (142,737)	\$ 8,717,885	100%	100%	2155%	
2008	1,892,250	3,237,876	474,879	9,099,133	100%	100%	836%	
2007*	1,783,293	3,101,175	211,170	8,721,571	100%	100%	1817%	
2006	1,648,363	2,634,954	3,661,151	7,944,468	100%	100%	100%	
2005	1,526,704	2,662,444	3,217,327	7,406,475	100%	100%	100%	
2004	1,359,835	2,203,021	3,264,622	6,827,478	100%	100%	100%	

\* The funding method was changed for the Legislative Plan 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)\*:**

	STATE EMPLOYEES		TEACHERS	
Age	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):**

	STATE EMPLOYEES		TEACHERS	
Age	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.

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

**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.

**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. Date of Adoption of Assumptions**

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2006 and covering the period July 1, 1997 through June 30, 2005.

**12. 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, 2009 is amortized over a 19 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.

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

**2. Asset Valuation Method:**

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

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

**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 2¼% 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.

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.



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

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.

***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.

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

**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.

**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.

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

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

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

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

**7. No Age Disability Retirement Benefits**

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

Benefit: 59% of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with Worker's Compensation and Social Security, exceeds 80% of average final compensation.

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

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

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

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

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

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

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

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

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

**10. Refund of Contributions:**

Eligibility: Termination of service without retirement or death.

Benefit: Member's accumulated contributions with interest.

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

All service and disability retirement and survivor benefits are adjusted each year that there is a percentage change in the Consumer Price Index, based on the Index. If the percentage change is negative then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full value of the non-zero COLA.

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 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.

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

**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\*:**

SERVICE	REGULAR	SPECIAL
0	20.0%	25.0%
1	17.5	12.5
2	15.0	10.0
3	12.5	7.5
4	10.0	5.0
5	7.5	4.0
10	2.5	2.5
15	2.5	2.5

\* 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
45	50
50	50
55	100
60	270
65	300
70	1,000

**Special Plans**

SERVICE	ASSUMPTION
20	400
21-24	300
25	400
26-29	300
30	400
31-34	300
35+	1,000

Note that the rates are only applied once the member is eligible to retire so those in 25 year plans are not assumed to retire at 20 years of service.

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

AGE	ALL PLANS
25	3
30	4
35	5
40	7
45	15
50	33
55	61

\*\* 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:**

<b>RATES OF INCREASES AT SELECTED YEARS</b>	
<b>Years of Service</b>	<b>Increase</b>
0	10.5%
1	8.0
2	6.5
3	5.7
4	5.3
5	5.0
10	4.5
15	4.5
20	4.5
25	4.5
30	4.5

**10. Date of Adoption of Assumptions**

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2008 and covering the period July 1, 2000 through June 30, 2008.

**11. Assumption Changes Since Last Valuation**

As a result of an experience study performed in 2008, the actuary recommended changes to several assumptions and these recommendations were adopted by the Board. Please refer to the Experience Study report for details on the recommended changes.

**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.

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

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.

**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.

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

**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.

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 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: 1/100 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.

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

***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)).

***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.
- ◆ 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.

**CONSOLIDATED PLAN FOR PARTICIPATING LOCAL DISTRICTS**  
**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(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: 66⅔% 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 66⅔% 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.

**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.

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

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. If the percentage change is negative then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full value of the non-zero COLA.

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 is 4%.

**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

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

**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

**8. Date of Adoption of Assumptions**

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2006 and covering the period July 1, 1997 through June 30, 2005.

**9. 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 an open 10-year period. 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

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

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 System.

**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 System, 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 System; 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 System.

**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.

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

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.

***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.

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

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.

**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**

66-⅔% 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 66-⅔% 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.

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

**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 November 30, 1984 may elect benefits applicable for retirement before December 1, 1984.

**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.

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

**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.

**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. If the percentage change is negative then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full value of the non-zero COLA.

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 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.



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

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).

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.**

None.

**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

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

*(continued)*

**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

**8. Date of Adoption of Assumptions**

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2006 and covering the period July 1, 1997 through June 30, 2005.

**9. 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.

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

*(continued)*

**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.

**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 System, 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 System; 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 System.

**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.

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

*(continued)*

- 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.

***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.

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

*(continued)*

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

**Form of Payment**

Payment begins on termination of service and ceases on cessation of disability or after five 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- $\frac{2}{3}$ % of average final compensation or ten years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

**7. No Age Disability Retirement Benefits**

**Eligibility**

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

**Benefit**

59% of average final compensation, reduced by employment earnings over the specified statutory limit, and to the extent that the benefit, in combination with Worker's Compensation and Social Security, exceeds 80% of average final compensation.

**Form of Payment**

Payment begins on termination of service and ceases on cessation of disability or after five 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.

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

*(continued)*

### 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), 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."



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

*(continued)*

### 10. Refund of Contributions

#### Eligibility

Termination of service without retirement or death.

#### Benefit

Member's accumulated contributions with interest.

### 11. Cost-of-Living Adjustments

All service and disability retirement and survivor benefits are adjusted each year there is a percentage change in the Consumer Price Index, based on the Index. If the percentage change is negative then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full value of the non-zero COLA.

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for 12 months. The maximum annual increase 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.

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

*(continued)*

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.



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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**Source:**

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

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**DEFINED BENEFIT PLAN  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Additions</b>										
Member contributions	158,962,754	154,546,403	150,522,802	155,061,294	144,397,946	138,622,166	132,254,628	128,911,129	122,613,972	116,032,261
Employer contributions	341,999,575	332,102,517	317,757,236	323,376,847	321,901,020	291,615,599	299,900,485	295,154,266	423,674,078	272,419,817
Other contributions	-	-	-	-	-	-	-	-	-	-
Investment Income (net of expenses)	942,202,091	(1,988,123,183)	(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)
<b>Total additions to plan net assets</b>	<b>1,443,164,420</b>	<b>(1,501,474,263)</b>	<b>130,850,830</b>	<b>2,017,304,589</b>	<b>1,130,192,126</b>	<b>1,372,541,013</b>	<b>1,576,111,927</b>	<b>773,255,629</b>	<b>13,455,579</b>	<b>(206,005,324)</b>
<b>Deductions</b>										
Benefit payments	650,834,368	622,604,996	576,345,663	541,387,999	503,027,886	470,218,358	433,798,828	410,080,688	387,950,631	362,594,933
Refunds	23,095,732	45,611,942	27,308,551	21,938,751	18,907,578	15,975,376	15,677,722	13,816,968	15,807,418	17,453,576
Administrative expenses	9,508,395	9,993,542	10,179,823	10,892,569	9,459,332	9,323,141	9,328,218	8,828,510	7,572,748	7,321,806
<b>Total deductions from plan net assets</b>	<b>683,438,495</b>	<b>678,210,480</b>	<b>613,834,037</b>	<b>574,219,119</b>	<b>531,394,796</b>	<b>495,516,875</b>	<b>458,804,768</b>	<b>432,726,166</b>	<b>411,330,797</b>	<b>387,370,315</b>
<b>Change in net assets</b>	<b>\$ 759,725,925</b>	<b>\$ (2,179,684,743)</b>	<b>\$ (482,983,207)</b>	<b>\$ 1,443,085,470</b>	<b>\$ 598,797,330</b>	<b>\$ 877,024,138</b>	<b>\$ 1,117,307,159</b>	<b>\$ 340,529,463</b>	<b>\$ (397,875,218)</b>	<b>\$ (593,375,639)</b>

**GROUP LIFE INSURANCE PLAN  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Additions</b>										
Member contributions	4,578,292	4,501,396	5,643,608	6,614,117	6,462,425	6,299,199	6,173,418	6,030,238	5,756,733	5,446,710
Employer contributions	6,825,209	6,812,155	6,363,100	2,223,692	2,170,510	2,157,420	2,171,823	2,029,475	1,892,137	1,769,459
Other contributions	-	-	220,933	243,115	216,103	211,576	211,691	215,777	184,336	178,086
Investment Income (net of expenses)	5,522,062	(8,851,694)	(1,755,010)	6,978,299	1,290,819	1,122,921	391,887	2,150,357	2,762,100	3,219,707
<b>Total additions to plan net assets</b>	<b>16,925,563</b>	<b>2,461,857</b>	<b>10,472,631</b>	<b>16,059,223</b>	<b>10,139,857</b>	<b>9,791,116</b>	<b>8,948,819</b>	<b>10,425,847</b>	<b>10,595,306</b>	<b>10,613,962</b>
<b>Deductions</b>										
Benefit payments	8,555,182	9,966,568	8,210,909	8,020,342	7,571,942	7,215,050	7,104,121	7,100,216	8,447,953	6,221,450
Refunds	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195	14,724	14,688
Administrative expenses	1,053,242	987,371	842,136	856,436	812,833	841,752	854,891	895,521	734,383	703,686
<b>Total deductions from plan net assets</b>	<b>9,634,243</b>	<b>10,986,230</b>	<b>9,073,556</b>	<b>8,906,935</b>	<b>8,416,777</b>	<b>8,074,081</b>	<b>7,978,547</b>	<b>8,012,932</b>	<b>9,197,060</b>	<b>6,939,824</b>
<b>Change in net assets</b>	<b>\$ 7,291,320</b>	<b>\$ (8,524,373)</b>	<b>\$ 1,399,075</b>	<b>\$ 7,152,288</b>	<b>\$ 1,723,080</b>	<b>\$ 1,717,035</b>	<b>\$ 970,272</b>	<b>\$ 2,412,915</b>	<b>\$ 1,398,246</b>	<b>\$ 3,674,138</b>

**DEFINED BENEFIT AND GROUP LIFE INSURANCE PLANS COMBINED  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Additions</b>										
Member contributions	163,541,046	159,047,799	156,166,410	161,675,411	150,860,371	144,921,365	138,428,046	134,941,367	128,370,705	121,478,971
Employer contributions	348,824,784	338,914,672	324,120,336	325,600,539	324,071,530	293,773,019	302,072,308	297,183,741	425,566,215	274,189,276
Other contributions	-	-	220,933	243,115	216,103	211,576	211,691	215,777	184,336	178,086
Investment income (net of expenses)	947,724,153	(1,996,974,877)	(339,184,218)	1,545,844,747	665,183,979	943,426,169	1,144,348,701	351,340,591	(530,070,371)	(591,237,695)
<b>Total additions to plan net assets</b>	<b>1,460,089,983</b>	<b>(1,499,012,406)</b>	<b>141,323,461</b>	<b>2,033,363,812</b>	<b>1,140,331,983</b>	<b>1,382,332,129</b>	<b>1,585,060,746</b>	<b>783,681,476</b>	<b>24,050,885</b>	<b>(195,391,362)</b>
<b>Deductions</b>										
Benefit payments	659,389,550	632,571,564	584,556,572	549,408,341	510,599,828	477,433,408	440,902,949	417,180,904	396,398,584	368,816,383
Refunds	23,121,551	45,644,233	27,329,062	21,968,908	18,939,580	15,992,655	15,697,257	13,834,163	15,822,142	17,468,264
Administrative expenses	10,561,637	10,980,913	11,021,959	11,748,805	10,272,165	10,164,893	10,183,109	9,724,031	8,307,131	8,025,492
<b>Total deductions from plan net assets</b>	<b>693,072,738</b>	<b>689,196,710</b>	<b>622,907,593</b>	<b>583,126,054</b>	<b>539,811,573</b>	<b>503,590,956</b>	<b>466,783,315</b>	<b>440,739,098</b>	<b>420,527,857</b>	<b>394,310,139</b>
<b>Change in net assets</b>	<b>\$ 767,017,245</b>	<b>\$(2,188,209,116)</b>	<b>\$(481,584,132)</b>	<b>\$ 1,450,237,758</b>	<b>\$ 600,520,410</b>	<b>\$ 878,741,173</b>	<b>\$ 1,118,277,431</b>	<b>\$ 342,942,378</b>	<b>\$(396,476,972)</b>	<b>\$(589,701,501)</b>



**RETIREE HEALTH INVESTMENT TRUST  
CHANGES IN NET ASSETS**

**LAST TEN FISCAL YEARS**

	Fiscal Year		
	2010	2009	2008
<b>Additions</b>			
Member contributions	-	-	-
Employer contributions	-	-	100,000,000
Other contributions	-	-	-
Investment Income (net of expenses)	13,143,997	(16,084,427)	(1,609,855)
Total additions to plan net assets	13,143,997	(16,084,427)	98,390,145
<b>Deductions</b>			
Benefit payments	-	-	-
Refunds	-	-	-
Administrative expenses	56,754	55,695	28,347
Total deductions from plan net assets	56,754	55,695	28,347
<b>Change in net assets</b>	<b>\$ 13,087,243</b>	<b>\$ (16,140,122)</b>	<b>\$ 98,361,798</b>

Note: The Retiree Health Investment Trust was established in FY2008.

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

**LAST TEN FISCAL YEARS**

Type of Benefit	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Type of Benefit</b>										
Service retirement benefits	\$ 595,870,176	\$ 564,341,497	\$ 516,877,544	\$ 484,050,311	\$ 448,493,907	\$ 419,704,172	\$ 387,324,422	\$ 365,631,640	\$ 346,156,313	\$ 323,949,709
Disability benefits	35,862,703	45,703,611	53,404,352	51,475,049	48,853,164	44,900,918	41,176,546	39,350,573	36,748,652	33,686,219
Pre-Retirement death benefits	19,001,489	12,559,888	6,063,767	5,862,639	5,680,814	5,613,268	5,297,859	5,098,475	5,045,666	4,959,005
<b>Total benefits</b>	<b>\$ 650,734,368</b>	<b>\$ 622,604,996</b>	<b>\$ 576,345,663</b>	<b>\$ 541,387,999</b>	<b>\$ 503,027,886</b>	<b>\$ 470,218,358</b>	<b>\$ 433,798,828</b>	<b>\$ 410,080,688</b>	<b>\$ 387,950,631</b>	<b>\$ 362,594,933</b>
<b>Type of Refund</b>										
Death	\$ 2,533,464	\$ 4,833,774	\$ 3,517,392	\$ 3,272,721	\$ 2,002,560	\$ 1,917,019	\$ 2,209,683	\$ 2,481,807	\$ 1,690,232	\$ 1,359,147
Separation	18,099,434	38,700,530	21,950,987	17,176,811	15,494,157	12,704,938	11,686,892	10,115,976	11,060,713	13,453,867
Other	2,462,834	2,077,637	1,840,172	1,489,218	1,410,862	1,353,419	1,781,147	1,219,184	3,056,473	2,640,562
<b>Total refunds</b>	<b>\$ 23,095,732</b>	<b>\$ 45,611,942</b>	<b>\$ 27,308,551</b>	<b>\$ 21,938,751</b>	<b>\$ 18,907,578</b>	<b>\$ 15,975,376</b>	<b>\$ 15,677,722</b>	<b>\$ 13,816,968</b>	<b>\$ 15,807,418</b>	<b>\$ 17,453,576</b>

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

**LAST TEN FISCAL YEARS**

Type of Benefit	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Basic active claims	\$ 1,401,542	\$ 2,109,195	\$ 1,667,981	\$ 1,650,657	\$ 1,553,776	\$ 1,680,927	\$ 1,451,264	\$ 1,684,414	\$ 1,559,284	\$ 1,227,841
Supplemental claims	1,242,024	1,520,346	1,471,000	1,505,000	1,280,000	846,410	1,612,705	731,000	1,943,000	1,030,982
Dependent claims	210,000	190,477	245,000	182,942	218,988	250,344	211,500	314,224	240,086	296,440
Accidental Death & Dismemberment claims	166,000	801,156	95,000	21,000	147,042	233,000	143,027	-	169,042	-
Basic retiree claims	5,373,083	5,215,134	4,647,103	4,509,130	4,169,092	4,111,284	3,649,725	4,302,678	4,412,198	3,579,737
	8,392,649	9,836,308	8,126,084	7,868,729	7,368,899	7,121,965	7,068,221	7,032,316	8,323,610	6,135,000
Conversion expense	162,533	130,260	84,825	151,613	203,044	93,085	35,900	67,900	124,343	86,450
Total benefits	\$ 8,555,182	\$ 9,966,568	\$ 8,210,909	\$ 8,020,342	\$ 7,571,942	\$ 7,215,050	\$ 7,104,121	\$ 7,100,216	\$ 8,447,953	\$ 6,221,450
Type of Refund										
Group Life Insurance premiums	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195	14,724	14,688
Total refunds	\$ 25,819	\$ 32,291	\$ 20,511	\$ 30,157	\$ 32,002	\$ 17,279	\$ 19,535	\$ 17,195	\$ 14,724	\$ 14,688

## DEFINED BENEFIT PLAN - RETIRED MEMBERS BY TYPE OF BENEFIT

<b>Fiscal Year</b>	<b>Service Retiree</b>	<b>Service Retiree</b>	<b>Disability Benefit</b>	<b>Pre-Retirement</b>	<b>Total Pension</b>
<b>Ending June 30:</b>	<b>Service Retirees</b>	<b>Beneficiary</b>	<b>Recipients</b>	<b>Death Benefits</b>	<b>Benefit Recipients</b>
		<b>Recipients</b>	<b>Recipients</b>	<b>Recipients</b>	
2010	25,695	6,478	1,515	2,158	35,846
2009	24,948	6,417	1,492	2,137	34,994
2008	27,000	3,407	2,733	1,117	34,257
2007	26,416	3,397	2,703	1,134	33,650
2006	25,800	3,360	2,628	1,119	32,907
2005	25,245	3,306	2,531	1,136	32,218
2004	24,603	3,309	2,403	1,109	31,424
2003	24,127	3,271	2,292	1,101	30,791
2002	23,714	3,172	2,165	1,071	30,122
2001	23,285	3,146	2,101	1,114	29,646

**DEFINED BENEFIT PLAN - AVERAGE BENEFIT PAYMENTS**

**Retirement Effective Dates**

**July 1, 2000 - June 30, 2010**

**Years of Creditable Service**

	<u>Less than 5</u>	<u>5-10</u>	<u>10-15</u>	<u>15-20</u>	<u>20-25</u>	<u>25-30</u>	<u>Greater than 30</u>
<b>Period 7/1/2000 to 6/30/2001</b>							
Average Monthly Benefit	113	289	439	740	1,233	1,424	2,028
Average Final Salary	14,796	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
<b>Period 7/1/2001 to 6/30/2002</b>							
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
<b>Period 7/1/2002 to 6/30/2003</b>							
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	33,730
Number of Active Retirees	379	968	2,935	2,397	3,473	5,417	5,366
<b>Period 7/1/2003 to 6/30/2004</b>							
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
<b>Period 7/1/2004 to 6/30/2005</b>							
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
<b>Period 7/1/2005 to 6/30/2006</b>							
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
<b>Period 7/1/2006 to 6/30/2007</b>							
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
<b>Period 7/1/2007 to 6/30/2008</b>							
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
<b>Period 7/1/2008 to 6/30/2009</b>							
Average Monthly Benefit	388	398	616	1,017	1,625	1,907	2,737
Average Final Salary	23,532	24,858	22,828	27,456	31,630	36,735	42,107
Number of Active Retirees	451	1,132	2,810	2,570	3,827	6,657	7,501
<b>Period 7/1/2009 to 6/30/2010</b>							
Average Monthly Benefit	617	388	617	1,016	1,583	1,867	2,653
Average Final Salary	25,338	26,322	23,944	28,556	32,700	37,655	43,265
Number of Active Retirees	559	1,175	2,819	2,594	3,898	6,782	7,868

**DEFINED BENEFIT PLAN  
RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION  
As of June 30, 2010**

Amount of Monthly Benefit	<u>Type of Retirement</u>				<u>Option Selected</u>										
	Number of Retired Members	1	2	3	4	0	1	2	3	4	5	6	7	8	Other
0 - 250	3,465	1,187	1,282	712	284	1,418	147	630	135	9	1,024	29	5	8	60
251 - 500	4,940	1,783	1,860	494	803	1,495	236	610	189	8	1,644	52	13	19	674
501 - 750	3,727	1,876	1,227	205	419	1,198	230	574	236	10	1,074	67	21	30	287
751 - 1000	2,710	1,850	646	73	141	1,002	205	451	267	18	594	57	28	28	60
1001 - 1250	2,630	2,053	402	23	152	951	238	472	210	14	571	64	43	36	31
1251 - 1500	2,793	2,381	312	5	95	1,026	273	441	211	8	660	60	37	49	28
1501 - 1750	2,738	2,464	193	2	79	1,080	270	358	207	18	607	77	38	49	34
1751 - 2000	2,596	2,359	169	1	67	1,057	252	339	155	21	561	55	60	58	38
2001 - over	10,247	9,742	387	0	118	4,576	1,009	1,152	659	155	1,558	290	264	306	278
Totals	35,846	25,695	6,478	1,515	2,158	13,803	2,860	5,027	2,269	261	8,293	751	509	583	1,490

**EMPLOYEE CONTRIBUTION RATES  
LAST TEN FISCAL YEARS**

	<u>Fiscal Year</u>									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Judicial Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>Legislative Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>School Teacher Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>State of Maine Employees</b>										
<b><u>Employee Class:</u></b>										
General	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
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	n/a	n/a	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	n/a	n/a	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%	8.65%	8.65%	n/a
<b>Participating Local District Employees</b>										
<b><u>Employee Class:</u></b>										
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**

	<u>Fiscal Year</u>									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Judicial Employees</b>	14.35%	15.85%	15.87%	15.01%	15.09%	18.08%	18.10%	14.93%	14.45%	24.30%
<b>Legislative Employees</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>School Teacher Employees</b>	17.28%	16.72%	16.72%	17.23%	17.23%	16.02%	16.05%	17.71%	17.71%	18.34%
<b>State of Maine Employees</b>										
<b><u>Employee Class:</u></b>										
General	16.38%	17.37%	17.01%	15.88%	15.52%	13.74%	13.39%	12.43%	12.19%	14.81%
Police - Grandfathered	50.19%	48.69%	47.70%	44.04%	43.02%	35.00%	34.32%	36.37%	35.65%	43.90%
Marine Wardens - Grandfathered	53.32%	40.67%	39.94%	45.63%	44.55%	38.27%	37.43%	35.36%	35.15%	43.61%
Game Wardens - Grandfathered	53.30%	50.14%	49.11%	47.07%	45.94%	39.03%	38.13%	37.12%	36.35%	40.23%
Prison Wardens	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.88%	16.87%
Prison Wardens - Grandfathered	25.81%	25.68%	25.15%	24.29%	23.70%	17.79%	17.44%	18.76%	18.39%	22.28%
Liquor Inspectors - Grandfathered	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.43%	16.02%	20.26%
Forest Rangers - Grandfathered	21.84%	22.18%	21.70%	18.21%	17.79%	15.78%	15.47%	14.93%	14.65%	17.65%
1998 Special Groups	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.16%	13.88%	16.87%
HazMat/DEP	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.96%	14.68%	n/a
<b>Participating Local District Employees</b>										
<b><u>Employee Class:</u></b>										
AC - General COLA	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
BC - General COLA	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
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	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3C - Special COLA	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%
4C - Special COLA	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
AN - General No COLA	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
1N - Special No COLA	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%
2N - Special No COLA	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
3N - Special No COLA	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
4N - Special No COLA	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%	1.90%

**PRINCIPAL PARTICIPATING EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO**

2010		2002	
<u>Participating Entity</u>	<u>Covered Employees</u>	<u>Participating Entity</u>	<u>Covered Employees</u>
	<u>Rank</u>		<u>Rank</u>
	<u>Percentage of Total System</u>		<u>Percentage of Total System</u>
State of Maine	15,449 1	State of Maine	17,043 1
Maine Veterans Home - Central Office	1,358 2	Portland School Department	1,384 2
Portland School Department	1,239 3	Maine Veterans Home - Central Office	1,122 3
Portland, City of	841 4	Portland, City Of	914 4
Lewiston School Department	776 5	Bangor School Department	783 5
Bangor School Department	680 6	Lewiston School Department	737 6
Auburn School Department	640 7	RSU #75 - MSAD #75 Topsham	727 7
RSU #14	599 8	Auburn School Department	673 8
RSU #75 - MSAD #75 Topsham	584 9	South Portland School Department	632 9
RSU #6 - MSAD #6 Bar Mills	572 10	RSU #6 - MSAD #6 Bar Mills	614 10
All Others	36,269 11	All Others	40,274 11
<b>Total (556 Participating Entities)</b>	<b>59,007</b>	<b>Total (561 Participating Entities)</b>	<b>64,903</b>
	<b>100.00%</b>		<b>100.00%</b>

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

In 2010, "All Others" consisted of:

<u>Employer Type</u>	<u>Number of Employers</u>	<u>Covered Employees</u>
Judicial Retirement System	1	63
Legislative Retirement System	1	174
Participating Local Districts	304	9,688
School Districts	<u>250</u>	<u>26,344</u>
<b>Totals:</b>	<b>556</b>	<b>36,269</b>

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
- Norther New England Passenger Rail Authority
- Southern Maine Community College
- 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
- AOS #91 Bar Harbor
- AOS #91 Cranberry Isle
- AOS #91 Frenchboro
- AOS #91 Central Office
- AOS #91 MDI High School
- AOS #91 Mt. Desert
- AOS #91 Southwest Harbor
- AOS #91 Swans Island
- AOS #91 Tremont
- AOS #91 Trenton
- AOS #92 Central Office
- AOS #92 Vassalboro
- AOS #92 Waterville
- AOS #92 Winslow
- AOS #93 Central Office
- AOS #93 Bristol
- AOS #93 Great Salt Bay
- AOS #93 Jefferson
- AOS #93 Nobleboro
- AOS #93 South Bristol
- AOS #94 Central Office
- AOS #94 Harmony
- AOS #94 MSAD 46
- AOS #95 Central Office
- AOS #95 St. John Valley, Allagash
- AOS #95 St. John Valley, Ft. Kent
- Auburn School Department
- Augusta School Department
- Bangor School Department
- Biddeford School Department
- Brewer School Department

- Bridgewater School Department
- Brunswick School Department
- Cape Elizabeth School Department
- Caswell School Department
- Chebeague Island School Department
- CSD #3 Boothbay Harbor
- CSD #8 Airline CSD
- CSD #9 South Aroostook
- CSD #12 East Range
- CSD #13 Deer Isle - Stonington
- CSD #17 Moosabec
- CSD #18 Wells-Ogunquit
- CSD #19 Five Town CSD
- Cutler School Department
- Dedham School Department
- East Machias School Department
- Easton School Department
- Erskine Academy
- Falmouth School Department
- Fayette School Department
- Foxcroft Academy
- Fryeburg Academy
- George Stevens Academy
- Gorham School Department
- Gould Academy
- 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
- Lincoln Academy
- Lincolville School Department
- Lisbon School Department
- Long Island School Department
- Machiasport School Department
- Madawaska School Department
- Maine Central Institute
- Maine Education Association
- Maine Indian Education
- Maine School of Science & Mathematics
- Millinocket School Department
- Monhegan Plantation School Department
- MSAD #1 Presque Isle
- MSAD #3 Unity
- MSAD #4 Guilford
- MSAD #6 Bar Mills
- MSAD #7 North Haven
- MSAD #8 Vinalhaven
- MSAD #9 Farmington
- MSAD #11 Gardiner
- MSAD #12 Jackman
- MSAD #13 Bingham
- MSAD #14 Danforth
- MSAD #15 Gray
- MSAD #17 South Paris
- MSAD #19 Lubec
- MSAD #20 Fort Fairfield
- MSAD #22 Hampden
- MSAD #23 Carmel
- MSAD #24 Van Buren

## EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

**TEACHERS** (continued)

MSAD #25 Sherman Station	Regional School Unit #24
MSAD #28 Camden	Regional School Unit #25
MSAD #29 Houlton	Regional School Unit #26
MSAD #30 Lee	Regional School Unit #34
MSAD #31 Howland	Regional School Unit #38
MSAD #32 Ashland	Regional School Unit #39
MSAD #33 St. Agatha	Sanford School Department
MSAD #35 Eliot	Scarborough School Department
MSAD #36 Livermore Falls	School Agent Carrabasset
MSAD #37 Harrington	School Agent Coplin Plantation
MSAD #40 Waldoboro	School Agent Pleasant Ridge Plantation
MSAD #41 Milo	South Portland School Department
MSAD #42 Mars Hill	Thornton Academy
MSAD #44 Bethel	Union 37 Rangeley
MSAD #45 Washburn	Union 47 Georgetown
MSAD #49 Fairfield	Union 49 Edgecomb
MSAD #51 Cumberland Center	Union 49 Southport
MSAD #52 Turner	Union 60 Greenville
MSAD #53 Pittsfield	Union 60 Shirley
MSAD #54 Skowhegan	Union 69 Appleton
MSAD #55 Cornish	Union 69 Hope
MSAD #57 Waterboro	Union 76 Brooklin
MSAD #58 Kingfield	Union 76 Sedgewick
MSAD #59 Madison	Union 90 Greenbush
MSAD #60 North Berwick	Union 90 Milford
MSAD #61 Bridgton	Union 92 Surry
MSAD #63 East Holden	Union 93 Blue Hill
MSAD #64 East Corinth	Union 93 Brooksville
MSAD #65 Matinicus	Union 93 Castine
MSAD #67 Lincoln	Union 93 Penobscot
MSAD #68 Dover-Foxcroft	Union 102 Jonesboro
MSAD #70 Hodgdon	Union 102 Machias
MSAD #72 Fryeburg	Union 102 Marshfield
MSAD #74 North Anson	Union 102 Northfield
MSAD #75 Topsham	Union 102 Rogue Bluffs
Orrington School Department	Union 102 Wesley
Oxford Hill Technical School #11	Union 102 Whitneyville
Pleasant Point School	Union 103 Beals
Portland School Department	Union 103 Jonesport
Region 2 School of Applied Southern Aroostook County	Union 104 Charlotte
Region 3 Northern Penobscot County	Union 104 Eastport
Region 4 Southern Penobscot County	Union 104 Pembroke
Region 7 Waldo County Technical Center	Union 104 Perry
Region 8 Cooperative Board for Vocational Education	Union 106 Alexander
Region 9 School of Applied Technology	Union 106 Calais
Region 10 Cumberland-Sagadahoc County	Union 106 Robbinston
Regional School Unit #1	Union 107 Baileyville
Regional School Unit #2 K.I.D.S	Union 107 Princeton
Regional School Unit #4	Union 108 Vanceboro
Regional School Unit #5	Union 113 East Millinocket
Regional School Unit #10	Union 113 Medway
Regional School Unit #12	Union 122 New Sweden
Regional School Unit #13	Union 122 Westmanland
Regional School Unit #14	Union 122 Woodland
Regional School Unit #16	Washington Academy
Regional School Unit #18	Westbrook School Department
Regional School Unit #19	Whiting School Department
Regional School Unit #20	Winthrop School Department
Regional School Unit #21	Yarmouth School Department
Regional School Unit #23	York School Department

**EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS**

(continued)

**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:** PLDs (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  
 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  
 Bowdoinham Water District  
 Brewer Housing Authority  
 Brewer, City of  
 Brewer School Support  
 Bridgton Water District  
 Brunswick Fire and Police  
 Brunswick Public Library Association  
 Brunswick Sewer District  
 Brunswick, Town of

Brunswick School Support  
 Bucksport, Town of  
 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 #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  
 Eagle Lake Water & Sewer District  
 East Millinocket, Town of  
 East Millinocket School Support  
 Easton, Town of  
 Easton School Support  
 Eliot, Town of  
 Ellsworth, City of  
 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  
 Gorham School Support  
 Gorham, Town of  
 Gorham Fire & Police  
 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

## EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

## CONSOLIDATED PLAN FOR PLDs (continued)

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  
 Lewiston, City of  
 Lewiston-Auburn Water Pollution Control Authority  
 Lewiston School Support  
 Limestone, Town of  
 Lincoln Academy  
 Lincoln County  
 Lincoln County Sheriffs  
 Lincoln Sanitary District  
 Lincoln Water District  
 Lincoln, Town of  
 Lincoln & Sagadahoc Multi-County Jail Authority  
 Linneus, Town of  
 Lisbon Water Department  
 Lisbon, Town of  
 Lisbon School Support  
 Livermore Falls Water District  
 Livermore Falls, Town of  
 Lovell, Town of  
 Lubec Water & Electric District  
 Lubec, Town of  
 M.A.D.S.E.C.  
 MSAD #9 Farmington  
 MSAD #13 Bingham  
 MSAD #29 Houlton  
 MSAD #31 Howland  
 MSAD #41 Milo  
 MSAD #49 Fairfield  
 MSAD #51 Cumberland  
 MSAD #53 Pittsfield  
 MSAD #54 Skowhegan  
 MSAD #60 Berwick  
 MSAD #67 Lincoln  
 Madawaska Water District  
 Madawaska, Town of  
 Madawaska School Support  
 Maine County Commissioners Association  
 Maine International Trade Center  
 Maine Maritime Academy  
 Maine Municipal Association  
 Maine Municipal Bond Bank  
 Maine Principals' Association  
 Maine Public Employees Retirement System  
 Maine School Management Association  
 Maine State Housing Authority  
 Maine Turnpike Authority  
 Maine Veterans' Homes  
 Mapleton, Town of  
 Mars Hill Utility District  
 Mars Hill, Town of  
 Mechanic Falls Sanitary District  
 Mechanic Falls, Town of  
 Medway School Support  
 Medway, Town of  
 Mexico, Town of  
 Milford, Town of  
 Millinocket, Town of  
 Millinocket School Support  
 Milo Water District  
 Monmouth, Town of  
 Monson, Town of  
 Mount Desert Island Regional  
 Mount Desert Water District  
 Mt. Desert School Support  
 Mt. Desert, Town of  
 Naples, Town of  
 New Gloucester, Town of  
 Newport, Town of  
 Newport Water District  
 North Berwick, Town of  
 North Berwick Water District  
 Norway Water District  
 Norway, Town of  
 Ogunquit, Town of  
 Old Orchard Beach, Town of  
 Old Town Housing Authority  
 Old Town Water District  
 Old Town, City of  
 Orland, Town of  
 Orono, Town of  
 Orrington, Town of  
 Orrington School Support  
 Otisfield, Town of  
 Oxford County  
 Oxford, Town of  
 Paris Utility District  
 Paris, Town of  
 Penobscot County  
 Penquis C.A.P.  
 Phippsburg, Town of  
 Piscataquis County  
 Pittsfield, Town of  
 Pleasant Pt. Passamaquoddy Reservation Housing Authority  
 Portland Housing Authority  
 Portland Public Library  
 Portland, City of  
 Portland School Support  
 Princeton, Town of  
 Princeton School Support  
 Regional School Unit No. 1  
 Regional School Unit No. 2  
 Regional School Unit No. 4  
 Regional School Unit No. 5



EMPLOYERS FOR WHOM MAINEPERS ADMINISTERS RETIREMENT PROGRAMS

(continued)

**CONSOLIDATED PLAN FOR PLDs** (continued)

Regional School Unit No. 10  
 Regional School Unit No. 16  
 Regional School Unit No. 20  
 Regional School Unit No. 21  
 Regional School Unit No. 23  
 Regional School Unit No. 24  
 Regional School Unit No. 25  
 Regional School Unit No. 26  
 Regional School Unit No. 34  
 Regional School Unit No. 39  
 Richmond Utility District  
 Richmond, Town of  
 Rockland, City of  
 Rockport, Town of  
 Rumford Fire & Police  
 Rumford Mexico Sewerage District  
 Rumford Water District  
 Rumford, Town of  
 Sabattus, Town of  
 Saco, City of  
 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  
 Thomaston, Town of  
 Thompson Free Library  
 Topsham Sewer District  
 Topsham, Town of  
 Tri-Community Recycle/Sanitary Landfill  
 United Technologies Center, Region 4 Southern Penobscot  
 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  
 Washburn Water & Sewer District  
 Washington County  
 Waterville Fire & Police  
 Waterville Sewer District  
 Wells, Town of  
 West Bath, Town of  
 Westbrook Fire & Police  
 Westbrook, City of

Westbrook Housing Authority  
 Westbrook School Support  
 Wilton, Town of  
 Windham, Town of  
 Winslow School Support  
 Winslow, Town of  
 Winter Harbor Utility District  
 Winterport Water & Sewer Districts  
 Winthrop, Town of  
 Winthrop School Support  
 Yarmouth Water District  
 Yarmouth, Town of  
 Yarmouth School Support  
 York County  
 York Sewer District  
 York Water District  
 York, Town of  
 York School Support

**PROGRAM: PARTICIPATING LOCAL DISTRICT RETIREMENT PROGRAM**

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

Bingham Water District  
 Bridgton, Town of  
 Brownville, Town of  
 Cape Elizabeth, Town of  
 Cape Elizabeth School Support  
 Community School District #903  
 Damariscotta, Town of  
 Exeter, Town of  
 Fort Kent, Town of  
 Garland, Town of  
 Georgetown School Support  
 Georgetown, Town of  
 Howland, Town of  
 Knox County  
 Limestone Water & Sewer District  
 Milo, Town of  
 New Canada, Town of  
 Norway-Paris Solid Waste Incorporated  
 Presque Isle, City of  
 Richmond School Support  
 Wallagrass Plantation  
 Western Maine Community Action



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