Maine Public Employees Retirement System

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2011

2011

maine PERS
Public Employees
Retirement System

MainePERS
A Component Unit of the State of Maine

Maine Public Employees Retirement System

A Component Unit of the State of Maine

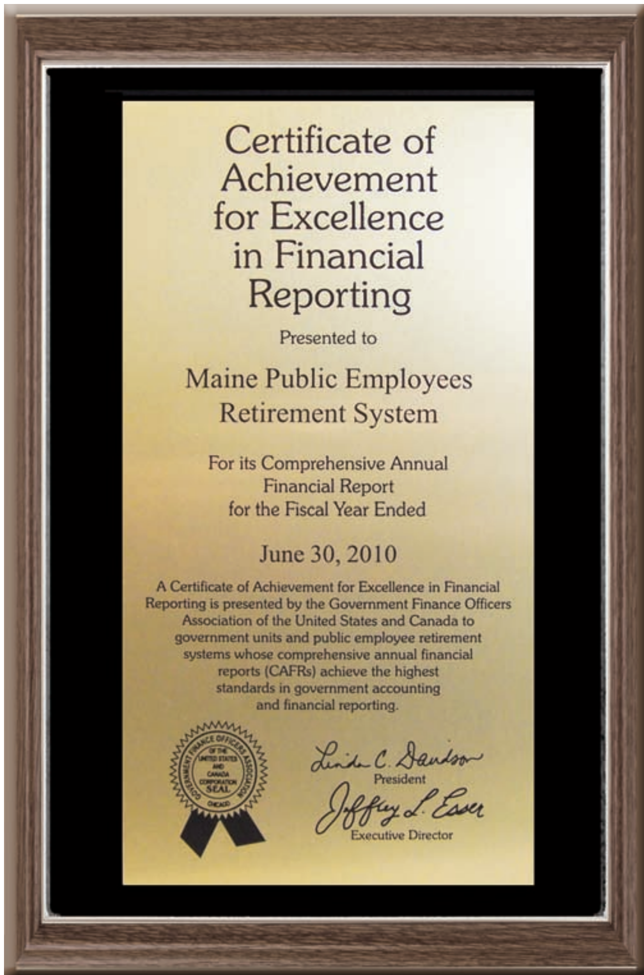
46 State House Station, Augusta, Maine 04333

Comprehensive Annual Financial Report

For the fiscal year ended
June 30, 2011

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. This CAFR is printed and also made available online. We respect the environment by printing on recycled paper and using soy-based inks—for a cleaner, healthier planet.



PPCC

Public Pension Coordinating Council

Recognition Award for Funding
2011

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

MainePERS Comprehensive Annual Financial Report

For the fiscal year ended June 30, 2011

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Sandra J. Matheson, *Executive Director*

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

LETTER OF TRANSMITTAL

December 19, 2011

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, 2011. 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, 2011. 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. The four major programs are the State and Teacher's Retirement Program, the Judicial Program, the Legislative Program and the Participating Local District Retirement Program.

The System also administers two pay-as-you-go retirement programs, one for judges who retired prior to the establishment of the Judicial Retirement Program in 1984 and the other 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 owed 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 lower returns 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 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 fiscal years 2009 and 2010 adversely affected the funding ratio for those years. Changes in the plan design, along with positive returns in fiscal year 2011, contributed to an increase in the funding ratio of more than 11 percentage points to 77.4 percent. The actuarial funded ratio of this plan at June 30, 2010 was 65.9 percent and 67.7 percent at June 30, 2009.

The funded ratio of the Judicial Program at June 30, 2010 was 89.7 percent. Again, changes to the plan design, along with positive returns in fiscal year 2011, contributed to an increase in the funding ratio to 103.0 percent as of June 30, 2011.

The funded ratio of the Consolidated Plan for Participating Local Districts (PLDs) was 92.9 percent at June 30, 2010 and 93.5 percent at June 30, 2011.Information regarding overall funding progress appears in the MD&A on page 19. More information on the funding levels of all of the System's retirement programs can be obtained from the System.

The System's defined contribution plans, collectively called MaineSTART, had 51 participating employers with 742 participants at June 30, 2011. 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 investment strategy for these assets is determined by each participant.

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 to the strategy employed for the defined benefit plan assets.

INVESTMENTS

The focal point 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 investment professionals and outside investment consultants to advise it on investment matters, including policy.

The defined benefit programs had a combined return of 22.4% for fiscal year 2011 while the group life insurance program returned 24.5%. Total value of the portfolio increased to $10.8 billion at June 30, 2011 from $8.9 billion at June 30, 2010. The increase in investment income is due to strong equity markets worldwide as well as solid fixed income returns.

The current asset allocation was modified in June 2008 to include investments in alternative strategies such as private equity, infrastructure, 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 plans 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 its focused efforts to expand and improve communications with members, interested organizations, the Legislature and the public. As pension issues continue to be a focus of public discussion, MainePERS' primary goal is to provide comprehensive and trusted information about the plans we administer to all interested parties.

As previously reported, the System launched a major project in 2006 to install an integrated pension benefits information and operating system with the assistance of Vitech Systems Group. Throughout fiscal year 2011, the System completed the final phases of testing the Employer Self-Service (ESS), pension, group life insurance, and general ledger modules and continued training staff and employers in preparation for implementation.

POST FISCAL YEAR 2011 DEVELOPMENTS

The System performed a final data conversion cycle of the new information and operating system in October of 2011, and migrated all member, employer, and retiree data from the legacy systems to the new pension benefits system. An Employer Self-Service portal was opened to employers which enabled all employers to submit not only payroll reports, but other forms electronically, some for the first time.

A final phase of this project will be to provide a Member Self-Service portal where members and retirees alike can access information about their accounts and complete and submit a variety of forms electronically for processing.

ACKNOWLEDGEMENTS

Once again, we are pleased to inform you that for the seventh 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 fully expect to be in compliance with all of the Certificate of Achievement Program requirements into the future. This 2011 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 Executive Management, the Accounting and Finance Department, the Investment Department and the Communications Department. The System takes responsibility for all of the information contained in the report and confidently presents it as a basis for the many decisions of the Board of Trustees, staff, and others who will rely on it.

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

Respectfully submitted,

Sandra J. Matheson

Executive Director

Sherry Tripp Vandrell

Director of Finance

Appendix A to Letter of Transmittal

OVERVIEW OF THE SYSTEM

The Maine Public Employees Retirement System (MainePERS) is an independent public agency of the State of Maine that traces its history to 1942. By the authority granted to it by the Maine Legislature, the System administers retirement programs that cover State employees, the State's public school teachers, judges, legislators, and employees of the 313 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 2010 and 2011 was 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, through December 2011, with Hewitt EnnisKnupp, an Aon company, 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 legal and legislative matters, appeals, federal, state, and local governmental relations, planning, organizational development, accounting and financial reporting, and numerous special projects.

Appendix A to Letter of Transmittal

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. 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, for whom membership is also optional, 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 State employee and teacher 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 2011 is 17 years, requiring full payment of the UAL by the end of FY 2028.

Appendix A to Letter of Transmittal

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 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, 2011

BOARD OF TRUSTEES

Peter M. Leslie, *Chair*	Public Member, Governor's direct appointee
Benedetto Viola, *Vice Chair*	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
Bruce L. Poliquin	State Treasurer, *Ex-officio* 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

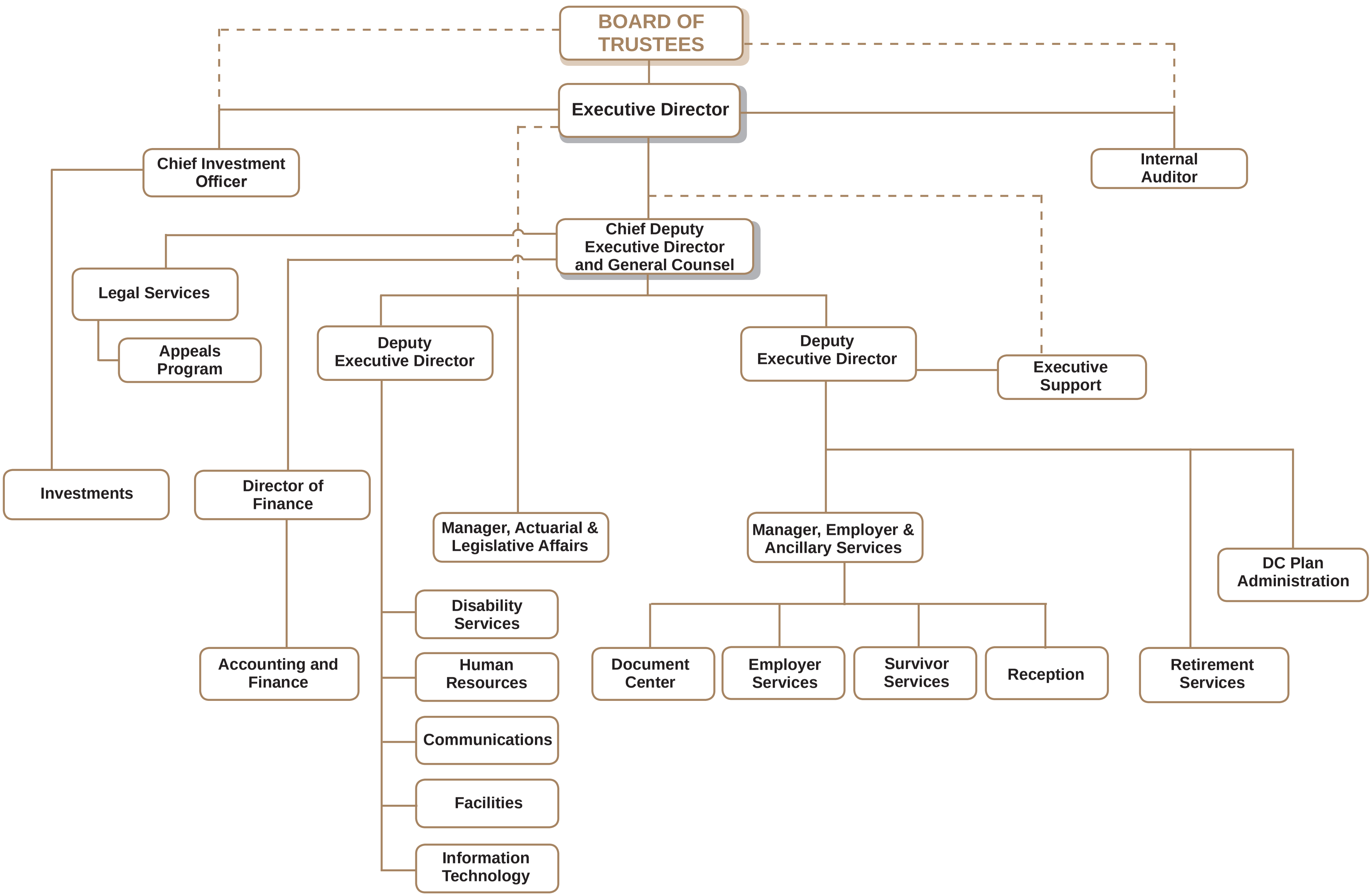
Sandra J. Matheson	Executive Director
John C. Milazzo	General Counsel and Chief Deputy Executive Director
Andrew H. Sawyer, CFA, CAIA	Chief Investment Officer
Christine S. Gianopoulos	Deputy Executive Director
Rebecca A. Grant	Deputy Executive Director
Sherry Tripp Vandrell	Director of Finance
Marlene 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 72 for a list of professional investment management firms.

Organizational Chart by Function



2011 Legislative Update

LEGISLATION ENACTED IN THE FIRST REGULAR SESSION OF THE 125TH LEGISLATURE

An Act to Provide Access to State Forms

PL 2011, c. 33 [L.D. 128]
Effective Date: September 28, 2011

This bill requires that every state agency, department, board, office, commission, institution, authority or public instrumentality that requires filing of information by the public shall make a paper copy of any required filing form available, upon request, by regular mail at no cost to the requestor.

An Act Making Unified 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, 2011, June 30, 2012 and June 30, 2013

PL 2011, c. 380 [L.D. 1043]
Effective Date: June 20, 2011

This bill is the State's biennial budget for fiscal years 2012 and 2013. It includes several sections that pertain to retirement plan provisions for active and retired State employees, teachers, judges and legislators, including changes to: normal retirement age, cost-of-living adjustments, restoration to service, and eligibility for paid/subsidized retiree health care. It also includes a provision to establish a working group to develop a new retirement plan for State employees and teachers hired after June 30, 2015.

An Act to Create a Public Charter School Program in Maine

PL 2011, c. 414 [L.D. 1553]
Effective Date: September 28, 2011

This law authorizes the establishment of charter schools in Maine. It requires the System to review the laws governing participating local districts' retirement plans and to report any legislation necessary to permit charter schools to participate in the System as participating local districts.

An Act to Correct Errors and Inconsistencies in the Laws of Maine

PL 2011, c. 420 [L.D. 1480]
Effective Date: July 6, 2011

This bill changes the retirement date associated with the new restoration to service provision enacted in L.D. 1043 (see above).

continued on next page

2011 Legislative Update *(continued)*

<u>An Act to Amend the Laws Relating to the Maine Public Employees Retirement System</u>

PL 2011, c. 449 [L.D. 1524]
Effective Date: September 28, 2011

This bill addresses various substantive and non-substantive, technical matters of retirement law, including changes to the confidentiality laws that pertain to investment matters and to personnel records of MainePERS employees; clarification of a number of provisions for further consistency with federal law; and, clarification of a number of group life insurance provisions that have created ambiguity in the administration of the program.

<u>Resolve, To Encourage State Agencies to Limit Their Use of Social Security Numbers</u>

Resolve, c. 56 [L.D. 1008]
Effective Date: September 28, 2011

This resolve directs the Department of Administrative and Financial Services to create a policy to be used as guidance by state agencies that encourages the agencies to limit their use of social security numbers in outgoing written correspondence and interdepartmental correspondence by either not including a social security number at all or using only the last 4 digits of a social security number.

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FINANCIAL SECTION

BAKER | NEWMAN | NOYES

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Maine Public Employees Retirement System

We have audited the accompanying statement of fiduciary net assets of Maine Public Employees Retirement System (the System) (A Component Unit of the State of Maine) as of June 30, 2011 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 2010 financial statements and, in our report dated December 3, 2010, 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, 2011 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 52 through 56 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 System's basic financial statements. The accompanying schedules on pages 57 through 59 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.

Baker Newman & Noyes
Limited Liability Company

Portland, Maine
December 22, 2011

Baker Newman & Noyes, LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 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 59, *Financial Instruments Omnibus*, 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, as fiduciary, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

Financial Highlights and Analysis

The Net Assets of the System increased in fiscal year 2011 by $1,826 million (19.8%) from the prior year's Net Asset balance. This increase was due primarily to $2,018 million of Net Income from Investment Activities during fiscal year 2011. By comparison, Net Income from Investment Activities during fiscal year 2010 reflected an increase of $962 million. As of June 30, 2011, approximately 34% of the System's assets were invested in domestic common stocks, 23% in foreign common stocks, 31% in domestic bonds, 5% in real estate, 4% in opportunistic strategies, 2% in infrastructure, and 1% in private equity, either with direct holdings or through investment in common/collective trusts.

In fiscal year 2010, the Net Assets of the System had increased 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, 25% in foreign common stocks, 30% in domestic bonds, 6% in opportunistic strategies, 4% in real estate, 1% in infrastructure, and 1% in private equity, 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, 2011, 2010, and 2009:

Condensed Comparative Statements of Fiduciary Net Assets

(Dollar Values Expressed in Millions)

	June 30, 2011	June 30, 2010	June 30, 2009
Cash and Receivables	$ 55.9	$ 840.1	$ 526.9
Investments at Fair Value	11,018.7	9,017.0	8,540.2
Securities Lending Collateral	279.7	381.5	199.2
Other Assets	10.9	10.8	10.2
Total Assets	**$ 11,365.2**	**$ 10,249.4**	**$ 9,276.5**
Investment Purchases	$ -	$ 612.4	$ 321.1
Securities Lending Payable	-	381.5	199.2
Investment Management Fees Payable	2.6	2.8	6.3
Other Liabilities	310.9	26.7	306.8
Total Liabilities	**$ 313.5**	**$ 1,023.4**	**$ 833.4**
Net Assets Held in Trust for Benefits	**$ 11,051.7**	**$ 9,226.0**	**$ 8,443.1**

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

Condensed Comparative Statements of Changes in Fiduciary Net Assets
(Dollar Values Expressed in Millions)

	June 30, 2011		June 30, 2010		June 30, 2009	
ADDITIONS (SUBTRACTIONS):						
Member Contributions	$	167.6	$	165.9	$	161.0
Employer Contributions		373.5		348.9		339.1
Net Investment and Other Income		2,018.3		961.6		(2,014.2)
Total Additions (Subtractions)	**$**	**2,559.4**	**$**	**1,476.4**	**$**	**(1,514.1)**
DEDUCTIONS:						
Benefits	$	689.8	$	659.4	$	632.6
Other		43.9		34.1		57.4
Total Deductions	**$**	**733.7**	**$**	**693.5**	**$**	**690.0**
Net Increase (Decrease)	**$**	**1,825.7**	**$**	**782.9**	**$**	**(2,204.1)**
Fiduciary Net Assets, Beginning of Year	**$**	**9,226.0**	**$**	**8,443.1**	**$**	**10,647.2**
Fiduciary Net Assets, End of Year	**$**	**11,051.7**	**$**	**9,226.0**	**$**	**8,443.1**

Assets

Investments at Fair Value increased by $2,002 million (22.2%), primarily due to favorable equity markets in the United States and abroad. This increase in Investments at Fair Value combined with a decrease of $784 million in cash and receivables at year end, contributed to an increase in total assets of $1,116 million during fiscal year 2011. The System records the cash collateral it holds due to its securities lending activity as an asset and corresponding liability. Securities lending activity decreased by $102 million (26.7%) due to an unfavorable lending environment, lower utilization rates, and a decrease in the 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, 2011 was approximately $761 million less than at June 30, 2010, due to the timing of investment purchases by the System's investment managers and the virtual elimination of active management.

Total assets increased $973 million (10.5%) during fiscal year 2010. This increase was primarily attributable to an increase in Investments at Fair Value, combined with an increase in cash and receivables at year end. The $477 million (5.6%) increase in Investments at Fair Value was attributable primarily to favorable equity markets in the United States and abroad.

Please refer to the Investment Section for more information on the System's investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

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. There were no outstanding trades at June 30, 2011, compared to $612 million outstanding at June 30, 2010, due to the timing of investment purchases by the System's investment managers and the virtual elimination of active management. The System records the cash collateral it holds due to its securities lending activity as an asset and corresponding liability. On June 30, 2011, there were no loans outstanding in the securities lending program since all collateral was invested in cash equivalents.

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

Additions to Fiduciary Net Assets

Additions to fiduciary net assets during fiscal year 2011 totaled $2,559 million, an increase of $1,083 million over the additions of $1,476 million to fiduciary net assets in fiscal year 2010. This was largely due to the fact that investment income net of fees and other deductions increased by $1,057 million. The increase in investment income is primarily attributable to favorable equity returns. US equities rose more than 32%, while international equities rose nearly 30%. These two asset classes alone account for approximately 57% of the MainePERS investments at June 30, 2011.

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 58% of the MainePERS investments at June 30, 2010.

Pension Contributions

The State's contributions on behalf of State employees totaled $106.0 million, $108.7 million, and $117.0 million for fiscal years 2011, 2010, and 2009, respectively. The State's contributions on behalf of teachers totaled $196.7 million, $187.8 million, and $183.7 million, for fiscal years 2011, 2010, and 2009, respectively. The State's contribution on behalf of judges totaled $987 thousand, $961 thousand, and $1.3 million, for fiscal years 2011, 2010, and 2009, 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 2011, 2010 or 2009.

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 2011, the amount due from the State of Maine is $5.9 million, which is included in the contributions receivables from state and local agencies at June 30, 2011. This compares to $11.2 million in additional contributions at June 30, 2010. There were no GFS monies available for this purpose at June 30, 2009. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

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 2011 was 1.9% to 8.1%. In fiscal years 2010 and 2009, that range 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 2011 was 3.4% to 16.3% across regular and special plans.

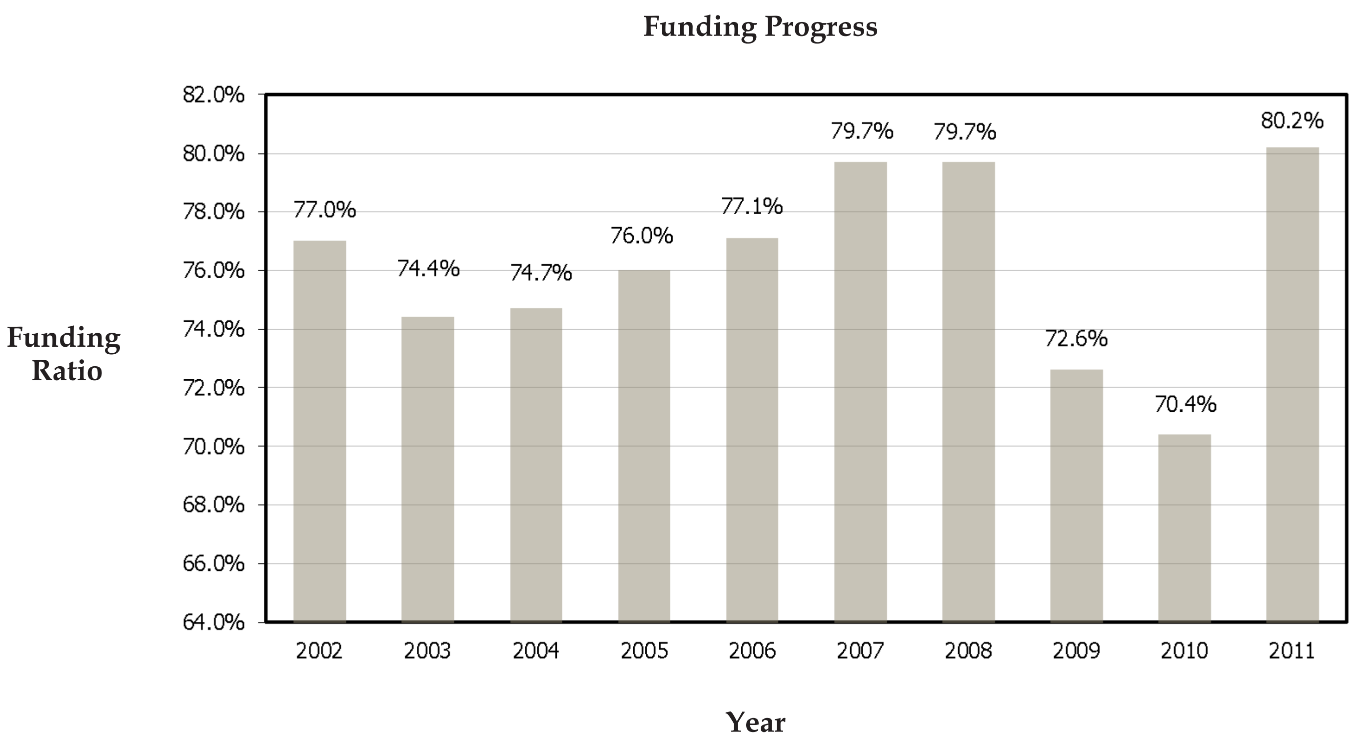
Member and employer data, contribution and benefit data for the 15 non-consolidated PLDs are specific to each PLD and are obtainable from the System. Contribution amounts for each of these membership groups are available at the System.

Deductions from Fiduciary Net Assets

Total deductions from fiduciary net assets during fiscal year 2011 increased by 5.8% ($40 million). The fiscal year 2011 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 fiscal year 2011 exceeded contributions by $149 million. Contributions totaled $541 million, and benefit payments totaled $690 million.

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 fiscal year 2010 exceeded contributions by $144 million. Contributions totaled $515 million, and benefit payments totaled $659 million.

System Funding Status

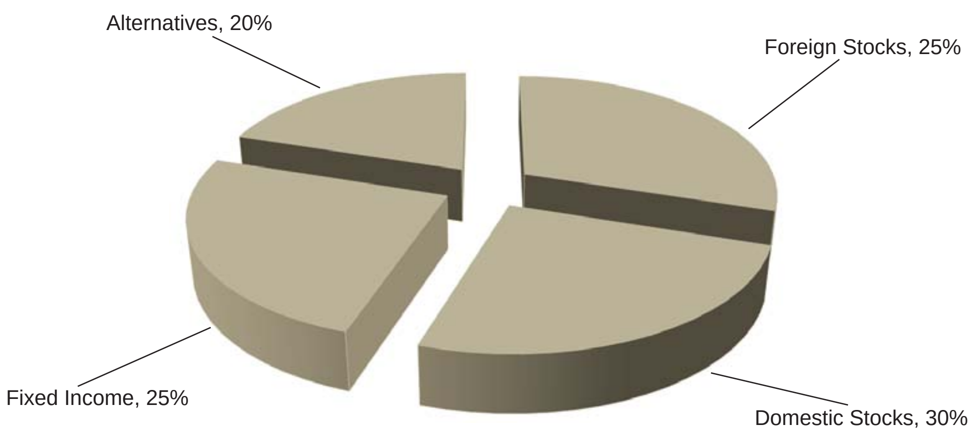


MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

At June 30, 2011, the State/Teacher and PLD defined benefit plans were actuarially funded at 80.2%, an improvement from the actuarial funding level of 70.4% at June 30, 2010. As illustrated in the chart, the actuarial funded ratio of the System dropped slightly from 77.0% to 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. Significant improvement in investment returns in 2011, combined with a decrease in the overall unfunded liabilities of the plan resulting from changes in assumptions adopted following the completion of an experience study in 2011, pushed the funding level to a high of 80.2% for this year.

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. These investment strategies generally have traditional market exposure, but seek to take advantage of a unique or transient opportunity that has arisen due to an unanticipated market disruption. 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, 2011, total fair value of assets in these portfolios (together with the amounts otherwise managed) were $11.0 billion. The total fair value of assets as of June 30, 2010 were $9.0 billion. The investment return for the fiscal year ending June 30, 2011 was 22.4%. The investment return for the fiscal year ending June 30, 2010 was 11.1%. Investment returns in fiscal year 2011 were more than in 2010 as global markets continued to recover from the steep declines during fiscal year 2009. Over the five, ten and thirty year periods ended June 30, 2011, the average annual investment return was 4.4%, 5.4%, and 9.6%, respectively.

System Membership

The following membership counts are derived from actuarial valuation data:

	June 30		Percentage
	2011	2010	change
Current active participants:			
Vested and nonvested	49,620	50,482	-1.7%
Terminated participants			
Vested	8,427	8,102	4.0%
Retirees and beneficiaries receiving benefits	36,717	35,805	2.5%
Total Membership	**94,764**	**94,389**	**0.4%**

The number of State employees at June 30, 2011 in the Regular and Special plans was 13,264, a decrease of 598 from June 30, 2010. The number of Teachers at June 30, 2011 was 25,495, a decrease of 527 from June 30, 2010. Membership for judges was 59, which was the same as the previous year. Membership for Legislators was 173, an increase of 3 from June 30, 2010. 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, 2011 was 10,629, an increase of 260 from June 30, 2010.

Group Life Insurance Plan

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

Group Life Insurance Plan Actuarial Data
(Dollar Values Expressed in Millions)

	June 30		
	2011	2010	2009
Actuarial Value of Assets	$63.6	$50.8	$43.5
Actuarial Liability	$167.4	$150.9	$139.8
Unfunded Actuarial Liability	**$103.8**	**$100.1**	**$96.3**

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011 Financial Report
(continued)

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.

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, 2011, the value of the Fund was $133,080,739.

Currently Known Facts, Decisions, or Conditions

The Maine Public Employees Retirement System conducted an experience study for the State Employee and Teacher Retirement Program in 2011. 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 2011 experience study addressed economic assumptions for all plans administered by MainePERS and demographic assumptions for the State Employees and Teacher Retirement Program. Changes in economic and demographic assumptions resulting from the study were adopted by the System's trustees and are incorporated within the 2011 actuarial valuation.

The Maine Legislature enacted several laws during the First Regular Session of the 125th Legislature that impact several of the plans administered by MainePERS, including changes to normal retirement age, cost-of-living adjustments, restoration to service, and eligibility for paid/subsidized retiree health care. These changes had a significant impact on the funding and costs of the plans. Summary information regarding these laws can be found in the introductory section of the System's FY11 CAFR. Additional information is also available on the System's website at www.mainepers.org.

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, 2011
With Summarized Information as of June 30, 2010

	Defined Benefit	Group Life Insurance	Defined Contribution
Assets:			
Cash and cash equivalents (note 3)	$ 26,323,629	$ 6,159,549	$ 69,390
Investments at fair value (notes 3 and 4):			
Debt securities:			
U.S. Government and government agencies	4,510,987	–	–
U.S. and foreign corporate	99,174,191	–	–
Foreign government and government agencies	–	–	–
Common equity securities	3,861,463,105	–	–
Preferred equity securities	2,099,181	–	–
Common/collective trusts	6,323,758,164	66,376,509	14,282,001
Mutual funds	205,098,546	–	–
Partnerships	308,880,026	–	–
Other	–	–	–
Total investments	10,804,984,200	66,376,509	14,282,001
Receivables:			
State and local agency contributions and premiums (notes 6 and 7)	17,425,859	733,902	20,956
Accrued interest and dividends	4,997,262	–	–
Due from brokers for securities sold	104,331	–	–
Total receivables	22,527,452	733,902	20,956
Collateral on loaned securities (note 5)	279,673,679	–	–
Capital assets, net of accumulated depreciation	10,576,826	370,551	–
Total assets	11,144,085,786	73,640,511	14,372,347
Liabilities:			
Accounts payable	6,026,308	27,474	–
Due to brokers for securities purchased	–	–	–
Obligations to settle investment contracts (note 4)	–	–	–
Other liabilities	15,143,959	9,952,637	5,232
Accrued investment management fees	2,572,503	10,536	–
Obligations under securities lending activities (note 5)	279,673,679	–	–
Total liabilities	303,416,449	9,990,647	5,232
Net assets held in trust for benefits	$ 10,840,669,337	$63,649,864	$14,367,115

See accompanying notes.

STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011
With Summarized Information as of June 30, 2010
(continued)

Retiree Health Insurance Trust	2011 Total	2010 Summarized
$ –	$ 32,552,568	$ 50,142,950
–	4,510,987	165,138,292
–	99,174,191	201,701,624
–	–	41,205,908
–	3,861,463,105	2,741,723,488
–	2,099,181	2,156,921
133,080,739	6,537,497,413	5,286,132,624
–	205,098,546	377,750,197
–	308,880,026	195,869,400
–	–	5,304,055
133,080,739	11,018,723,449	9,016,982,509
–	18,180,717	21,416,684
–	4,997,262	7,179,075
–	104,331	761,331,103
–	23,282,310	789,926,862
–	279,673,679	381,545,156
–	10,947,377	10,800,459
133,080,739	11,365,179,383	10,249,397,936
–	6,053,782	6,267,566
–	–	612,380,762
–	–	3,895,237
64,510	25,166,338	16,559,991
9,724	2,592,763	2,785,340
–	279,673,679	381,545,156
74,234	313,486,562	1,023,434,052
$ 133,006,505	$ 11,051,692,821	$ 9,225,963,884

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010

	Defined Benefit	Group Life Insurance	Defined Contribution
Additions:			
Investment income:			
From investing activities:			
Net appreciation in the fair value of plan investments	$ 1,892,601,298	$11,087,477	$ 1,996,448
Interest	23,584,576	798	518
Dividends	83,908,996	–	–
Less: investment expenses	(19,584,107)	(27,636)	(57,292)
Net income from investing activities	1,980,510,763	11,060,639	1,939,674
From securities lending activities:			
Securities lending income	1,261,080	–	–
Securities lending expenses:			
Borrower rebates refunded	392,268	–	–
Management fees	(247,527)	–	–
Total securities lending expenses	144,741	–	–
Net income from securities lending activities	1,405,821	–	–
Total net investment income	1,981,916,584	11,060,639	1,939,674
Contributions and premiums (notes 6 and 7):			
Members	160,205,523	4,633,560	2,790,771
State and local agencies	352,190,861	6,836,808	47,377
Total contributions	512,396,384	11,470,368	2,838,148
Total additions	2,494,312,968	22,531,007	4,777,822
Deductions:			
Benefits paid, net	681,156,473	8,664,079	–
Refunds and withdrawals	32,203,992	18,145	770,630
Claims processing expenses (note 7)	–	737,382	–
Administrative expenses	9,756,630	232,972	50,143
Total deductions	723,117,095	9,652,578	820,773
Net increase	1,771,195,873	12,878,429	3,957,049
Net assets held in trust for benefits, beginning of year	9,069,473,464	50,771,435	10,410,066
Net assets held in trust for benefits, end of year	$10,840,669,337	$63,649,864	$14,367,115

See accompanying notes.

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
Year Ended June 30, 2011
With Summarized Information for the Year Ended June 30, 2010
(continued)

Retiree Health Insurance Trust	2011 Total	2010 Summarized
$ 23,386,456	$ 1,929,071,679	$ 877,144,811
–	23,585,892	52,937,476
–	83,908,996	52,038,836
(35,728)	(19,704,763)	(21,992,048)
23,350,728	2,016,861,804	960,129,075
–	1,261,080	919,126
–	392,268	823,206
–	(247,527)	(261,022)
–	144,741	562,184
–	1,405,821	1,481,310
23,350,728	2,018,267,625	961,610,385
–	167,629,854	165,923,041
14,411,368	373,486,414	348,768,030
14,411,368	541,116,268	514,691,071
37,762,096	2,559,383,893	1,476,301,456
–	689,820,552	659,389,550
–	32,992,767	23,532,941
–	737,382	803,695
64,510	10,104,255	9,760,672
64,510	733,654,956	693,486,858
37,697,586	1,825,728,937	782,814,598
95,308,919	9,225,963,884	8,443,149,286
$ 133,006,505	$ 11,051,692,821	$ 9,225,963,884

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

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 include 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 313 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:

System Membership	2011	2010
Current participants:		
Vested and nonvested	49,620	50,482
Terminated participants:		
Vested	8,427	8,102
Retirees and beneficiaries receiving benefits	36,717	35,805
	94,764	94,389

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, 2011, the Group Life Insurance participant counts are as follows:

Group Life Insurance Participants

	State	Teachers	Judges	Legislators	PLD	2011
Actives	13,394	14,316	59	–	6,021	33,790
Retirees	7,715	5,620	34	30	2,306	15,705
	21,109	19,936	93	30	8,327	49,495

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, 2011, there were eight employers participating in the Section 401(a) plan with 66 plan participants and 42 employers participating in the Section 457 plan with 439 plan participants. One employer participates in the Section 403(b) plan with 237 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.

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, 2010, from which the summarized information was derived.

Reclassification

Certain 2010 amounts have been reclassified to conform to the 2011 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 or 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, 2011 and 2010 *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 common collective trusts 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 2011, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 59, *Financial Instruments Omnibus*. The Statement clarified that interest rate risk disclosure should be limited to investments in debt investment pools, and further clarified what financial instruments are within the scope of GASB Statement No. 53. Adoption of GASB Statement No. 59 had no effect on the financial statements.

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 financed primarily by investment income, with a small percentage of contributions from select employers.

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, 2011 and 2010 *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. The System has no formal policy for custodial credit risk. Cash and cash-like securities are held at two institutions: Bangor Savings Bank and JP Morgan. Balances in Bangor Savings Bank up to $250,000 at June 30, 2011 are insured by the Federal Deposit Insurance Corporation (FDIC). Bangor Savings Bank mitigates custodial credit risk through use of securities repurchase arrangements.

Cash equivalents at JP Morgan are invested in the JP Morgan Prime Money Market Fund. The JP Morgan Prime Money Market Fund 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 Prime Money Market 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:

	2011	2010
Exposed to Custodial Credit Risk		
(uninsured and uncollateralized)	$ 413,531	$ 344,818
Not Exposed to Custodial Credit Risk	11,050,862,486	9,066,780,641
Total Fair Value	$ 11,051,276,017	$9,067,125,459

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *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:

	2011	2010
Cash and Cash Equivalents	$ 32,552,568	$ 50,142,950
Investments	11,018,723,449	9,016,982,509
Total Fair Value	$ 11,051,276,017	$9,067,125,459

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, 2011:

Quality Rating	
AAA	$ 2,155,473,368
AA+	27,521,843
AA	74,280,226
AA-	8,771,055
A	535,787,284
A-	212,118,540
BBB+	2,940,634
BBB	4,211,828
BBB-	5,746,880
BB+	7,548,785
BB	3,800,000
B	1,611,906
B-	3,078,991
CCC	9,878,442
CC	1,996,467
D	3,144,832
Not rated	104,193,362
Total credit risk debt	3,162,104,443
U.S. Government & Agencies[1]	822,295
	$ 3,162,926,738[2]

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

(2) Includes direct investments in debt securities held by the System as well as common collective trusts and mutual funds invested in debt securities. The amount included from common collective trusts is $3,011,041,560; the amount included from mutual funds is $48,200,000.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

The System's investment policy specifies target allocations but does not limit 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, excluding investments held in common collective trusts, 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, 2011 and 2010, the System did not have investments in any one organization, 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 debt investments at June 30, 2011 using the segmented time distribution method.

Maturities as of June 30, 2011

Investment Type	Fair Value	Less than 1 Year	1 to 6 Years	6 to 10 Years	10+ Years
Asset-Backed Securities	$ 6,254,316	$ 3,540,191	$ –	$ –	$ 2,714,125
Commercial Mortgage-Backed Securities	2,023,056	–	–	–	2,023,056
Common Collective Trusts	2,906,848,198	–	1,568,396,451	1,155,456,263	182,995,484
Government Mortgage-Backed Securities	4,510,987	3,743,321	–	–	767,666
Mutual Funds	48,200,000	–	17,300,000	30,900,000	–
Nongovernment-Backed Collateralized Mortgage Obligations	90,896,819	76,718,351	–	311,331	13,867,137
Short Term Bills and Notes (1)	2,069,922	2,069,922	–	–	–
Short Term Investment Funds (1)	102,123,440	102,123,440	–	–	–
Total	$ 3,162,926,738	$ 188,195,225	$ 1,585,696,451	$ 1,186,667,594	$ 202,367,468

(1) Amounts are included in Common Collective Trusts on Statement of Fiduciary Net Assets.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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. 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, 2011 is highlighted in the table below:

Currency	Cash	Equity	Total
Swiss Franc	$402,690	$ –	$ 402,690
Euro	10,841	48,758,742	48,769,583
Total	$413,531	$48,758,742	$49,172,273

The System has entered into contracts to invest up to approximately $1.0 billion into common/collective trusts and partnerships with a focus on private equity, infrastructure, opportunistic and real estate investment strategies. As of June 30, 2011, approximately $515 billion has been invested; the remaining commitment is approximately $485 million.

4. Derivative Securities

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

The System may be 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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. 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, 2011 and 2010, the carrying value of the System's CMO and Asset-Backed Securities holdings totaled $97,151,134 and $111,385,039, 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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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.

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 2011 and 2010.

	2011 Change in Fair Value	Fair Value at June 30, 2011 Classification	Fair Value at June 30, 2011 Amount	June 30, 2011 Notional Amount
Investment derivatives:				
Futures:				
Equity Index Futures Contracts	$ 538,089	Investments	$ 273,820	$32,545,655

	2010 Change in Fair Value	Fair Value at June 30, 2010 Classification	Fair Value at June 30, 2010 Amount	June 30, 2010 Notional Amount
Investment derivatives:				
Interest rate swaps:				
Pay fixed	$ (2,549,985)	OSIC*	$ (3,311,261)	$36,400,000
Credit default swaps:				
Buy protection	$ (1,275,504)	Investments	$ 2,592,692	$78,327,200
Sell protection	500,805	OSIC*	(306,666)	5,400,000
	$ (774,699)		$ 2,286,026	
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	(13,041)	OSIC*	(13,041)	931,000
	$ 2,614,074		$ 2,614,074	
Futures:				
Equity Index Futures Contracts	$ (264,269)	OSIC*	$ (264,269)	$30,917,640

* 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 held with 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 79 days and 78 days as of June 30, 2011 and 2010, respectively.

Cash collateral is invested in a short-term investment account, which had an interest sensitivity of 25 and 30 days as of June 30, 2011 and 2010, 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.

During fiscal years 2011 and 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. 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, 2011 and 2010, 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

	2011	2010
Securities on loan by asset class:		
Domestic equity	$274,391,927	$322,775,431
Foreign equity	–	48,233
Domestic fixed income	–	2,682,004
Foreign fixed income	–	5,766,371
U.S. Government and government agencies	–	39,297,286
Total securities on loan	$274,391,924	$370,569,325
Securities lending collateral:		
Short-term investment collateral pool	$279,673,679	$381,545,156
Noncash collateral (debt and equity securities, at fair value)	–	320,719
Total collateral	$279,673,679	$381,865,875
Collateral ratio	101.9%	103.0%

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 5.0%.

Funding Policy

The Maine Constitution, Maine statutes and the System's funding policy provide for 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,

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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.

Annual Required Contribution

The annual required contributions and contributions made for all employment classes are as follows, in millions of dollars:

Year Ended:	Annual Required Contribution	Annual Contribution	Percentage Contributed
2011	$345.8	$351.7	101.7%
2010	330.3	341.5	103.4
2009	331.7	331.7	100.0

Funded Status and Funding Progress

The funded status of the defined benefit plan, stated in millions of dollars, as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	$ 13,602.8
Actuarial value of plan assets	10,914.7
Unfunded actuarial accrued liability (UAAL)	$ 2,688.1
Funded ratio (actuarial value of plan assets/AAL)	80.2%
Covered payroll (active plan members)	$ 2,088.6
UAAL as a percentage of covered payroll	128.7%

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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 7.25% 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 on a closed basis. The remaining amortization period as of June 30, 2011 was 17 years. The unfunded actuarial accrued liability of the judicial and legislative plans is amortized on an open basis over a period of ten years. The pooled unfunded accrued actuarial liability of the PLD Consolidated Plan is amortized on an open basis 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, 2011 are as follows:

Investment Return – 7.25% per annum, compounded annually.

Inflation Rate – 3.5%.

Salary Increases, Merit and Inflation – State employees, 3.5% to 10.5% per year; Teachers, 3.5% to 13.5% per year; Judicial plan, 3.5% per year; Legislative plan, 3.5% per year; Consolidated plan for PLDs, 3.5% to 9.5% per year. However, State employees, Legislative and Judicial Plan salary increase assumptions are reduced by 2.0% in 2011; Teachers Plan salary increase assumptions are reduced by 1.4% in 2011.

Mortality Rates – For active State employee members and non-disabled retirees of the State employees, participating local districts, legislator and judicial plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are used.

Cost of Living Benefit Increases – 2.55% per annum for State employees, teachers, judges and legislators; 3.12% for participating local districts.

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.

Inflation Rate – 4.5%

Salary Increases, Merit and Inflation – 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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.

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 $303.7 million and $297.4 million for the years ended June 30, 2011 and 2010, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2011 or 2010.

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 2011, the amount due from the State of Maine was $5.9 million. This amount is included in receivable from state and local agency contributions and premiums at June 30, 2011. For fiscal year 2010, the amount contributed was $11.2 million.

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. PLD employer contribution rates are the actuarially determined rates. The rates in effect in 2011 and 2010 are as follows:

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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

	2011	2010
State:		
Employees[1]	7.65 – 8.65%	7.65 – 8.65%
Employer[1]	14.12 – 54.49%	14.35 – 53.32%
Teachers:		
Employees	7.65%	7.65%
Employer	17.28%	17.28%
Participating local districts:		
Employees[1]	3.0 – 8.0%	3.0 – 8.0%
Employers[1]	1.9 – 8.1%	1.5 – 6.5%
Employer other[2]	1.8 – 8.2%	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.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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, 2011, the employees of the State of Maine, the Judiciary, the Legislature, as well as 159 school districts, and 165 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:

Year Ended	Annual Required Contribution	Annual Contribution	Percentage of Annual Cost Contributed
2011	$8,200,000	$6,836,808	83.4%
2010	7,900,000	6,825,209	86.4
2009	6,500,000	6,812,155	104.8

Funded Status and Funding Progress

The funded status of the plan, stated in millions of dollars, as of June 30, 2011 was as follows:

Actuarial accrued liability (AAL)	$167.4
Actuarial value of plan assets	63.6
Unfunded actuarial accrued liability (UAAL)	$103.8
Funded ratio (actuarial value of plan assets/AAL)	38.0%
Covered payroll (active plan members)	$1,546.1
UAAL as a percentage of covered payroll	6.7%

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

Actuarial Methods and Assumptions

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

Costs are developed using the individual entry age normal cost method.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2011 are as follows:

Investment Return – 7.25% per annum, compounded annually

Salary Increases, Merit and Inflation – State employees, 3.5% to 10.5% per year; Teachers, 3.5% to 13.5% per year; Consolidated Plan for PLDs, 3.5% to 9.5% per year; Legislative and Judicial, 3.5% per year. However, State employees, Legislative and Judicial Plan salary increase assumptions are reduced by 2.0% in 2011; Teachers Plan salary increase assumptions are reduced by 1.4% in 2011.

Mortality Rates – For active State employee members and non-disabled retirees of the State employees, participating local districts, legislator and judicial plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are used.

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, Merit and Inflation – 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, legislator 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 recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are used.

The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2011, there were 27 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.

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, 2011 and 2010.

<u>Benefits</u>

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 $737,382 and $803,695 for the years ended June 30, 2011 and 2010, 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*.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010 *continued*

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 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 3.5% of annual covered payroll for 2011, and 2.8% for 2010 and 2009, and the employer contribution on behalf of its employees, equal to the required contribution, was $173,299, $144,319, and $142,693 for 2011, 2010, and 2009, 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 2011, 2010, and 2009 fiscal years. The total premiums the System paid on behalf of its active employees were $25,639, $27,424, and $25,932 for 2011, 2010, and 2009, respectively.

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's annual other post-employment benefits (OPEB) costs are actuarially determined based on the parameters of the Governmental Accounting Standards Board Statement No. 45.

The total contributions for retiree health insurance coverage, equal to the required contributions, were $400,776, $385,733 and $330,781 for 2011, 2010, and 2009, respectively. The other post-employment benefits liability for this plan is immaterial.

The total contributions for retiree group life insurance coverage, equal to the required contributions, were $6,732, $3,234 and $5,183 for 2011, 2010 and 2009, respectively. The other post employment benefits liability for the Plan is immaterial.

REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION
DEFINED BENEFIT PLAN

June 30, 2011
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS
Dollars in Millions

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
June 30, 2011	$10,914.7	$13,602.8	$ 2,688.1	80.2%	$ 2,088.6	128.7%
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

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS
Dollars in Millions

Year Ended:	Annual Required Contribution	Annual Contribution	Percentage Contributed
2011	$345.8	$351.7	101.7%
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

See notes to historical pension information.

See accompanying independent auditors' report.

REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION
GROUP LIFE INSURANCE PLAN

June 30, 2011
(UNAUDITED)

SCHEDULE OF FUNDING PROGRESS
Dollars in Millions

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll[1]	((b-a)/c) UAAL as a Percentage of Covered Payroll[1]
June 30, 2011	$ 63.6	$167.4	$103.8	38.0%	$ 1,546.1	6.7%
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	–	–

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

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS[1]

Year Ended:	Annual Required Contribution	Annual Contribution	Percentage Contributed
2011	$8,200,000	$6,836,808	83.4%
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

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

See notes to historical pension information.

See accompanying independent auditors' report

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2011 - 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, 2011, 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 the 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 7.25% 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 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. In fiscal year 2011, one PLD made additional contributions totaling $258,108 to pay in full their IUUAL. The pooled unfunded actuarial liability of the PLD Consolidated Plan is amortized on an open basis over a period of fifteen years.

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2011 - UNAUDITED

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2011 are as follows:

Investment Return – 7.25% per annum, compounded annually.

Inflation Rate – 3.5%

Salary Increases, Merit and Inflation – State employees, 3.5% to 10.5% per year; Teachers, 3.5% to 13.5% per year; Judicial plan, 3.5% per year; Legislative plan, 3.5% per year; Consolidated plan for PLDs, 3.5% to 9.5% per year. However, State employees, Legislative and Judicial Plan salary increase assumptions are reduced by 2.0% in 2011; Teachers Plan salary increase assumptions are reduced by 1.4% in 2011.

Mortality Rates – For active State employee members and non-disabled retirees of the State employees, participating local districts, legislator and judicial plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are used.

Cost of Living Benefit Increases – 2.55% per annum for State employees, teachers, judges and legislators; 3.12% for participating local districts.

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, 2011, 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 accrued liability is defined as the present value of future benefits less the present value of future normal costs. The unfunded actuarial accrued 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 accrued 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 on total actuarial liability.

NOTES TO HISTORICAL PENSION INFORMATION
June 30, 2011 - UNAUDITED *(continued)*

<u>*Amortization*</u>

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, 2011, there were 27 years remaining in the amortization schedule.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2011 are as follows:

Investment Return – 7.25% per annum, compounded annually

Salary Increases, Merit and Inflation – State employees, 3.5% to 10.5% per year; Teachers, 3.5% to 13.5% per year; Consolidated Plan for PLDs, 3.5% to 9.5% per year; Legislative and Judicial, 3.5% per year. However, State employees, Legislative and Judicial Plan salary increase assumptions are reduced by 2.0% in 2011; Teachers Plan salary increase assumptions are reduced by 1.4% in 2011.

Mortality Rates – For active State employee members and non-disabled retirees of the State employees, participating local districts, legislator and judicial plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; for active members and non-disabled retirees of the teachers' plan, the ages are set back two years; for all recipients of disability benefits, the RPA 1994 Tables for pre-1995 disabilities are 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, 2011

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2011

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contri-bution Plans	Retiree Health Insurance Trust	Total
Active equity:					
Grantham, Mayo, Van Oterloo (GMO)	$ 2,239,074	$ –	$ –	$ –	$ 2,239,074
Legg Mason	173,414	–	–	–	173,414
Consultants:					
Cliffwater – Private Equity	535,618	–	–	–	535,618
Hewitt Ennis Knupp – General	437,500	–	–	–	437,500
Hewitt Ennis Knupp – Infrastructure	146,252	–	–	–	146,252
Hewitt Ennis Knupp – Opportunistic Strategies	37,500	–	–	–	37,500
ORG – Real Estate	283,805	–	–	–	283,805
Infrastructure:					
Alinda Infrastructure	875,000	–	–	–	875,000
Carlyle Infrastructure	673,039	–	–	–	673,039
Cube Infrastructure	1,314,403	–	–	–	1,314,403
First Reserve Energy Infrastructure	1,089,000	–	–	–	1,089,000
Global Infrastructure	1,493,717	–	–	–	1,493,717
MainePERS – Cliffwater Secondary Account	265,319	–	–	–	265,319
Passive equity – domestic:					
Blackrock Extended Equity	–	2,797	–	5,127	7,924
Blackrock DJ Total Stock Market	1,615,445	–	–	–	1,615,445
Passive equity – foreign:					
Blackrock ACWIEX_US	784,305	4,591	–	8,399	797,295
Passive fixed income:					
Blackrock Custom Fixed Income	357,351	–	–	–	357,351
Blackrock US Debt Index Fund B	–	8,259	–	16,313	24,572
Private equity:					
ABRY Partners	178,044	–	–	–	178,044
Blackstone Capital Partners VI	185,088	–	–	–	185,088
Carlyle Asia Partners	112,500	–	–	–	112,500
Encap Energy VIII	392,275	–	–	–	392,275
HIG Bayside	468,750	–	–	–	468,750
Oaktree	384,970	–	–	–	384,970

SUPPLEMENTARY INFORMATION
June 30, 2011 *(continued)*

SCHEDULE OF INVESTMENT EXPENSES *(continued)*
For the Year Ended June 30, 2011

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contribution Plans	Retiree Health Insurance Trust	Total
Real estate:					
Blackrock (Index RESI)	$ 76,027	$ –	$ –	$ –	$ 76,027
Blackrock Granite	185,964	–	–	–	185,964
Blackrock US Real Estate Securities Fund B	–	2,808	–	5,889	8,697
JP Morgan	1,207,172	–	–	–	1,207,172
Principal	521,896	–	–	–	521,896
Prima Advisors	4,364	–	–	–	4,364
Prudential	870,547	–	–	–	870,547
Opportunistic strategies:					
Metwest Talf	276,222	–	–	–	276,222
Pacific Investment Management (PIMCO)	299,100	–	–	–	299,100
Other investment expenses	501,339	–	57,292	–	558,631
In-house investment management	1,599,107	9,181	–	–	1,608,288
Total investment expenses	$19,584,107	$27,636	$57,292	$35,728	$19,704,763

SUPPLEMENTARY INFORMATION
June 30, 2011 *(continued)*

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2011

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contribution Plans	Retiree Health Insurance Trust	Total
Personal services	$6,134,700	$146,487	$31,528	$40,563	$ 6,353,278
Professional services	1,353,464	32,318	6,956	8,949	1,401,687
Communications	363,270	8,674	1,867	2,402	376,213
Computer support and sys. development	336,300	8,030	1,728	2,224	348,282
Office rent and building operations	559,754	13,366	2,877	3,701	579,698
Miscellaneous:					
Computer maintenance and supplies	366,461	8,750	1,883	2,423	379,517
Depreciation	265,792	6,347	1,366	1,757	275,262
Office equipment and supplies	91,867	2,194	472	607	95,140
Professional development	39,641	947	204	262	41,054
Medical records and exams	34,550	825	178	228	35,781
Miscellaneous operating expenses	210,831	5,034	1,084	1,394	218,343
Total miscellaneous	1,009,142	24,097	5,187	6,671	1,045,097
Total administrative expenses	$9,756,630	$232,972	$50,143	$64,510	$10,104,255

SCHEDULE OF PROFESSIONAL FEES

For the Year Ended June 30, 2011

Professional services:	
Audit	$ 115,000
Actuarial services	624,141
Legal services	191,322
Medical consulting	163,147
Other services	308,077
Total professional services	$1,401,687

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INVESTMENT SECTION

Hewitt ennisknupp
An Aon Company

December 22, 2011

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 MainePERS' custodian, 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,

Stephen Cummings, CFA
Principal

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INVESTMENT ACTIVITY

The table and graph below summarize portfolio activity for the ten years ended June 30, 2011. During this period, assets grew by $3.8 billion from $7.0 billion to $10.8 billion. Substantially all of this increase is attributable to net investment gains. In the year ended June 30, 2011 benefit payments exceeded contributions, and this is expected to continue in the future.

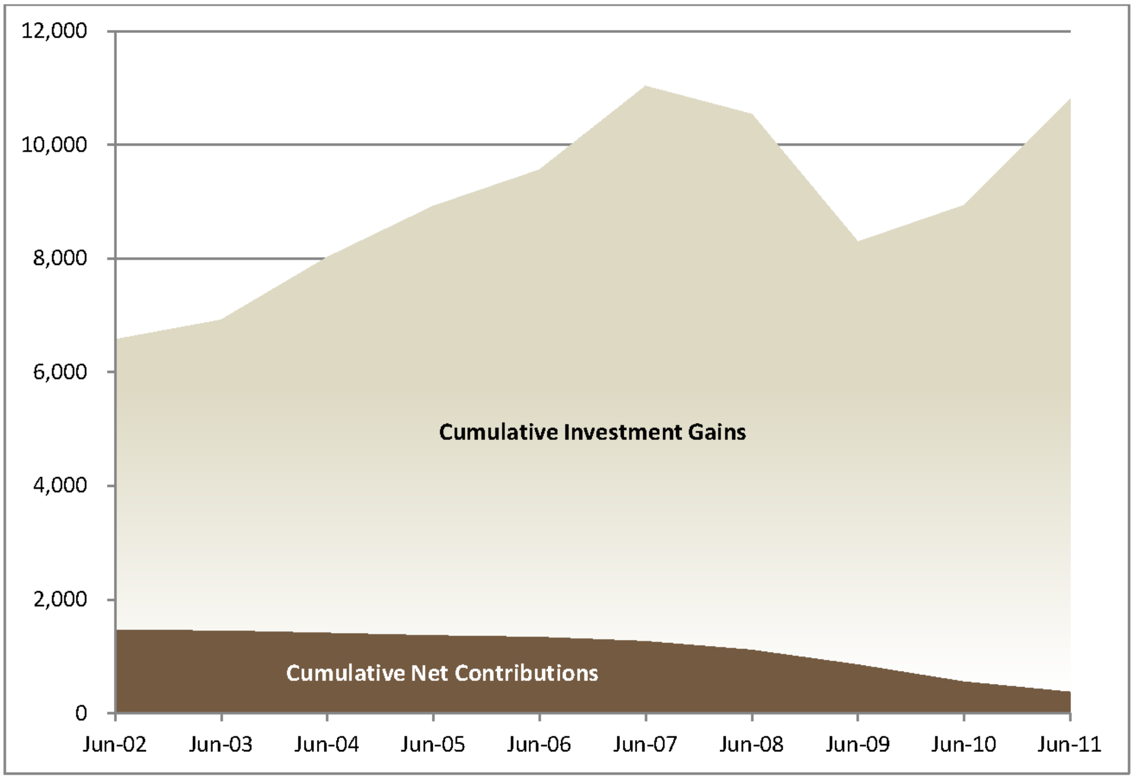
The rates of return displayed in the table are time weighted rates of return. The table displays the net invested assets of the investment portfolio. Securities lending liabilities are netted against securities lending collateral. Certain assets, such as cash in the System's operating bank accounts and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

SUMMARY OF INVESTMENT ACTIVITY

FY Ended June 30	Opening Market Value ($ millions)	Closing Market Value ($ millions)	Rate of Return
2011	$8,934	$10,805	22.4%
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%
		Annualized 10-year period	5.4%
		Cumulative 10-year period	69.7%

SUMMARY OF INVESTMENT ACTIVITY *(continued)*

($ Millions)



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.

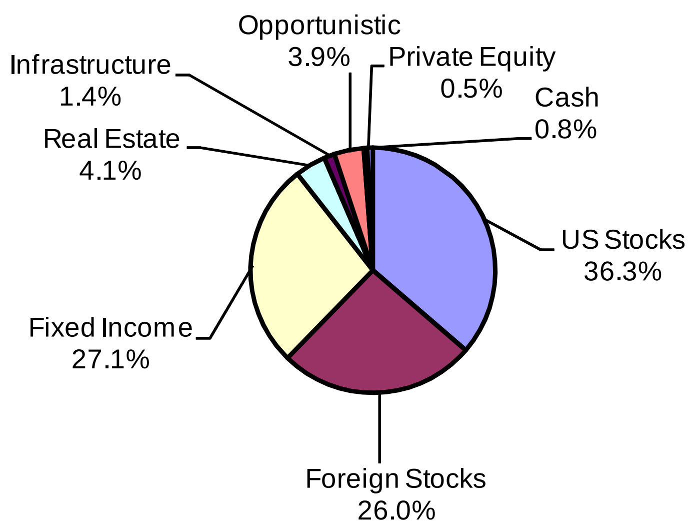
The System invests essentially all of the plan assets in seven major asset classes: publicly traded domestic stocks, publicly traded foreign stocks, cash and cash-like securities, publicly traded domestic bonds, infrastructure, private equity, and real estate. MainePERS also uses derivative positions to emulate these asset classes. The table and pie charts on the following page display the actual allocations at June 30, 2011. 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 involves accepting some level of investment risk. The Board allocates 60% to 80% of assets to equities and equity like securities and is of the view that this provides a prudent compromise between low risk and high return for the plans.

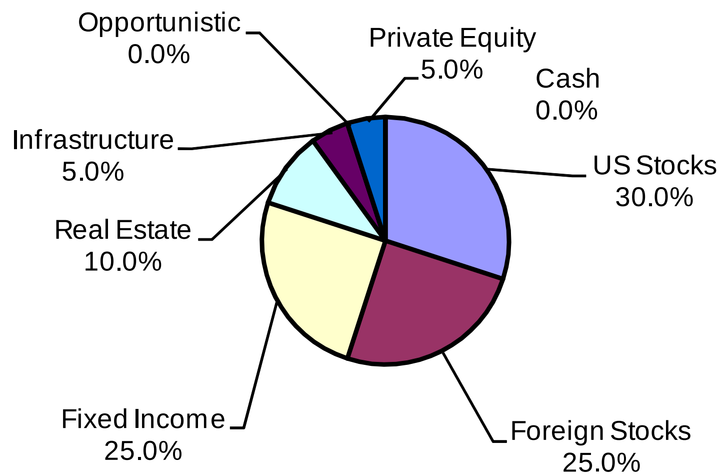
STRATEGIC ASSET ALLOCATION

	US Stocks	Foreign Stocks	Fixed Income	Real Estate	Infrastructure	Opportunistic	Private Equity	Cash	Total
Actual Allocation	36.3%	26.0%	27.1%	4.1%	1.4%	3.9%	0.5%	0.8%	100.0%
Strategic Target Allocation	30.0%	25.0%	25.0%	10.0%	5.0%	0.0%	5.0%	0.0%	100.0%

Actual Allocation at June 30, 2011



Strategic Target Allocation



The System's Investment Policy has long-term, strategic asset class targets and requires the investment team to rebalance the portfolio to these targets as needed. 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 and other return-seeking investments. 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 91% of assets were invested in passively managed index funds and separate accounts at June 30, 2011. 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, 2010, approximately 83% of assets were invested in passively managed index funds.

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, the investment staff and the system's investment consultant finds this concentration of assets to be appropriate.

In fiscal year 2012 the system plans to conduct a thorough review of its strategic asset allocation. This type of review is typically conducted every three years with the assistance of the system's actuary and the general investment consultant.

BENEFIT PLANS
INVESTMENT PORTFOLIO

	at 06/30/2011		at 06/30/2010	
	millions of dollars	% of assets	millions of dollars	% of assets
Active Equity				
Legg Mason	$ 0	0%	$ 169	2%
Total Active Equity	$ 0	0%	$ 169	2%
Passive Equity				
BlackRock (Domestic)	$ 3,893	36%	$ 2,607	29%
BlackRock International Fund	2,783	26%	2,141	24%
Total Passive Equity	$ 6,676	62%	$ 4,748	53%
Passive Fixed Income				
BlackRock Custom Index Fund	$ 2,907	27%	$ 2,478	28%
Total Passive Fixed Income	$ 2,907	27%	$ 2,478	28%
Real Estate				
BlackRock (RESI) Fund	$ 92	1%	$ 68	1%
BlackRock Granite Fund	37	0%	36	0%
JP Morgan Strategic Property Fund	131	1%	106	1%
Principal US Property Fund	61	1%	48	1%
Prima Advisors Mortgage Fund	40	0%	0	0%
Prudential PRISA Fund	92	1%	69	1%
Total Real Estate	$ 453	4%	$ 327	4%
Infrastructre				
Alinda Infrastructure Fund II	$ 19	0%	$ 9	0%
Carlyle Infrastructure Fund	25	0%	14	0%
Cube Infrastructure Fund	34	0%	20	0%
Global Infrastructure Partners Fund	73	1%	58	1%
Total Infrastructure	$ 151	1%	$ 101	1%
Opportunistic Strategies				
Grantham, Mayo, Van Oterloo	$ 255	2%	$ 509	6%
Metropolitan West TALF	48	0%	58	1%
Pacific Investment Management Company	110	1%	436	5%
	$ 412	4%	$ 1,003	11%
Private Equity				
ABRY Advanced Securities Fund II	$ 2	0%	$ 0	0%
Carlyle Asia Partners Fund III	8	0%	4	0%
EnCap Energy Capital Fund VIII	2	0%	0	0%
HIG Bayside Loan Opportunity Fund II	4	0%	0	0%
Oaktree Opportunity Fund VIII	25	0%	9	0%
MainePERS Secondary Fund	18	0%	0	0%
Total Private Equity	$ 58	1%	$ 12	0%
Cash				
Liquidity Account	$ 81	1%	$ 95	1%
Total Cash	$ 81	1%	$ 95	1%
Total Assets	$ 10,739	100%	$ 8,934	100%

LARGEST HOLDINGS
at June 30, 2011

Top 10 Direct Common Stock Holdings	Market Value	% of Assets
Exxon Mobil	$ 103,775,288	0.97%
Apple	79,619,581	0.74%
IBM	53,966,542	0.50%
Chevron	53,329,122	0.50%
General Electric	52,045,735	0.49%
Microsoft	50,232,676	0.47%
AT&T	48,186,081	0.45%
Johnson & Johnson	46,939,372	0.44%
Procter & Gamble	45,882,537	0.43%
Pfizer	42,960,620	0.40%

Top 10 Direct Bond Holdings	Market Value	% of Assets
Citigroup 4.700% 12-25-2035	$ 8,500,368	0.08%
Master Reperforming 05-05-2035	5,334,052	0.05%
Bank of America 02-20-2036	4,324,346	0.04%
Goldman Sachs Mtg Secs Corp 11-25-2035	4,259,888	0.04%
Bear Stearns ARM 10-25-2035	4,123,807	0.04%
Wells Fargo MBS 03-25-2036	3,621,114	0.03%
CWALT Floating Rate 02-25-2037	3,446,540	0.03%
Citigroup 10-25-2035	3,288,897	0.03%
Goldman Sachs Mtg Secs Corp 09-25-2035	3,207,412	0.03%
RALI 06-25-2036	3,144,832	0.03%

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 fiscal years, and for the three, five, and ten-year periods ended June 30, 2011. 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 fiscal years ended June 30, 2002, 2008, and 2009 were the result of declines in domestic and foreign stock markets, partially offset by gains in the domestic bond market.

Over the ten-year period, the annualized rate of return on the System's assets was 5.4%. MainePERS experienced seven years of positive returns and three years of negative returns. These results are consistent with the long-term risk/return strategy that forms the basis of the System's policies. At 5.4%, the ten-year return has underperformed relative to the 7.25% investment return assumption utilized in the actuarial process.

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, 2011, the return on the System's actual total portfolio approximated the return on its total performance benchmark. Positive performance in five of the ten years was offset by negative performance in five 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 70 and 71 are net of all expenses that can be directly attributed to the investment program (see Expenses, page 72). The table reports time weighted rates of return and all figures for periods greater than one year are annualized.

PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS

(All returns are time weighted)

Fiscal Yead Ended June 30	TOTAL FUND Actual Return	TOTAL FUND Benchmark [5] Return	TOTAL FUND Excess [1] Return	DOMESTIC EQUITY Actual Return	DOMESTIC EQUITY Benchmark [6] Return	DOMESTIC EQUITY Excess [1] Return	FOREIGN EQUITY Actual Return	FOREIGN EQUITY Benchmark [7] Return	FOREIGN EQUITY Excess [1] Return
2011	22.4%	21.5%	0.9%	32.6%	32.4%	0.2%	30.0%	30.3%	-0.3%
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%
3 years ending 2011	3.3%	3.1%	0.2%	3.5%	4.2%	-0.7%	-1.1%	0.1%	-1.2%
5 years ending 2011	4.4%	4.7%	-0.3%	2.5%	3.6%	-1.1%	3.1%	4.1%	-1.1%
10 years ending 2011	5.4%	5.4%	0.0%	3.0%	3.8%	-0.8%	6.9%	7.7%	-0.9%

Notes:

1. Excess Return is Actual Return minus Benchmark Return
2. The asset class of General Fixed Income was closed in the 1st quarter of 2007 and re-opened in the 4th quarter of 2008.
3. Fixed Income includes TIPS as of 7/31/04
4. The Real Estate Return for the year ending 06/30/05 is attributable to REIT's only.
5. Total Fund Benchmark: A combination of the benchmarks for the five major asset classes using the target asset class weights.
6. Domestic Equity Benchmark: Dow Jones US Total Stock Market Index

TABLE CONTINUED ON NEXT PAGE

PERFORMANCE: ACTUAL RETURNS VS. BENCHMARK RETURNS

(All returns are time weighted)

FIXED INCOME (2,3)			REAL ESTATE (4)			INFRASTRUCTURE			PRIVATE EQUITY		
Actual Return	Benchmark (8) Return	Excess (1) Return	Actual Return	Benchmark (9) Return	Excess (1) Return	Actual Return	Benchmark (10) Return	Excess (1) Return	Actual Return	Benchmark (11) Return	Excess (1) Return
6.2%	3.9%	2.3%	22.5%	16.0%	6.5%						
10.8%	9.5%	1.3%	-4.1%	-1.5%	-2.6%	Data Not Meaningful[12]			Data Not Meaningful[12]		
-0.8%	6.1%	-6.9%	-35.0%	-19.6%	-15.4%						
17.5%	7.1%	10.3%	3.0%	9.2%	-6.2%						
3.4%	6.1%	-2.7%	16.5%	17.2%	-0.7%						
-5.6%	-0.8%	-4.8%	20.2%	20.5%	-0.4%						
16.1%	6.8%	9.3%	6.6%	6.6%	0.0%						
4.2%	0.3%	3.9%									
13.1%	10.4%	2.7%									
7.2%	8.6%	-1.4%									
5.3%	6.5%	-1.2%	-8.6%	-2.8%	-5.8%						
7.2%	6.5%	0.7%	-1.7%	3.3%	-5.0%						
7.0%	5.7%	1.2%									

Notes *(continued)*:

7. Foreign Equity Benchmark: Morgan Stanley Capital International All Country World Ex-U.S. Free, since Jan. 1, 1998

8. General Fixed Income Benchmark: Barclays Capital Aggregate Bond Index minus Treasury and Agency components plus U.S. TIPS component, since Oct 2008

9. 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

10. Infrastructure Benchmark: Consumer Price Index + 5%

11. Private Equity Benchmark: Dow Jones US Total Stock Market Index + 3%

12. Infrastructure and Private Equity returns are not meaningful due to the short investment history of those the program. The performance impact of the system's private equity and infrastructure investments are captured in the Total Fund returns.

TABLE CONTINUED FROM PREVIOUS PAGE

INVESTMENT EXPENSES

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

Where the table displays an expense as a percentage of assets, the percentage is calculated with respect to the assets associated with the particular expense item. For example, Principal Real Estate Fund's $0.52 million of management fees in 2011 was approximately 1.00% of the average assets managed by Principal.

The decrease of expenses in 2011 can be attributed to a reduction in active management.

Total for FY ended June 30	$ Millions	% of Total Assets
2011	19.7	0.18%
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%

INVESTMENT MANAGEMENT EXPENSES

Detail for year ended 6/30/2011	$ Expense	% of Assets
Investment management fees	19,704,763	0.18%
Active Equity		
Legg Mason	173,414	0.48%
Passive Equity		
BlackRock (Domestic)	1,615,445	0.01%
BlackRock International Fund	784,305	0.03%
Passive Fixed Income		
BlackRock Custom Index Fund	357,351	0.01%
Real Estate		
BlackRock (RESI) Fund	76,027	0.08%
Principal US Property Fund	521,896	0.99%
BlackRock Granite Fund	185,964	0.74%
JP Morgan Strategic Property Fund	1,207,172	0.99%
Prudential PRISA Fund	870,547	0.93%
Prima Advisors Mortgage Fund	4,364	1.25%
Infrastructure		
Alinda Infrastructure Fund II	875,000	1.50%
Carlyle Infrastructure Fund	673,039	1.50%
Cube Infrastructure Fund	1,314,403	1.50%
First Reserve Energy	1,089,000	1.25%
Global Infrastructure Partners	1,493,717	2.00%
Private Equity		
ABRY Advanced Securities Fund II	178,044	2.00%
Blackstone Capital Partners Fund	185,088	1.29%
Carlyle Asia Partners Fund III	112,500	1.50%
EnCap Energy Capital Fund VIII	392,275	1.75%
HIG Bayside Loan Opportunity Fund II	468,750	1.50%
Oaktree Opportunity Fund VIII	384,970	1.75%
MainePERS Secondary Fund	265,319	1.50%
Opportunistic Strategies		
Grantham, Mayo, Van Oterloo	2,239,074	0.95%
Metropolitan West TALF	276,222	0.62%
Pacific Investment Management Company	299,100	0.27%
Consultants		
Cliffwater - Private Equity	535,618	
Ennis Knupp - General	437,500	
Ennis Knupp - Infrastructure	146,252	
Ennis Knupp - Opportunistic Strategies	37,500	
ORG - Real Estate	283,805	
Other Investment Expenses	501,339	
In House Expenses	1,599,107	
DC Investment Expenses	57,292	
Retiree Health Insurance Trust Expenses	35,728	
Group Life Insurance Expenses	27,636	

BROKERAGE COMMISSIONS
Year Ended June 30, 2011

Broker	Commissions ($)	Amount Traded ($ Millions)	Cost of Trade (%)	Total Shares (Millions)	Commissions (Cents per Share)
Automatic Data Processing	$ 92,897	$ 239.5	0.039%	9.3	0.010
Chase Securities	36,289	136.6	0.027%	111.6	0.308
JP Morgan	30,604	95.1	0.032%	0.9	0.003
Goldman Sachs	26,819	140.5	0.019%	5.4	0.020
Morgan Stanley	17,437	102	0.017%	4.5	0.026
Deutsche Bank	12,936	43.9	0.029%	2.0	0.016
Credit Suisse	11,050	100.8	0.011%	4.3	0.039
UBS	8,147	90.0	0.009%	1.1	0.013
Cowen	5,286	1.9	0.276%	0.1	0.003
CAP Institutional	2,866	1.7	0.167%	0.1	0.002
All Remaining Brokers	21,090	26	0.080%	1.0	0.005
Total	**$ 265,421**	**$ 978.1**	**0.027%**	**140.3**	**0.053**

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

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

GROUP LIFE INSURANCE PROGRAM

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

SUMMARY OF INVESTMENT ACTIVITY

FY Ended June 30	Opening Fair Market Value	Closing Fair Market Value	Actual Return	Benchmark Return	Performance
2011	58.0	66.4	24.5%	24.4%	0.1%
2010	50.2	58.0	15.1%	15.1%	0.1%
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%
		3 yrs ended 2011	5.2%	5.1%	0.1%
		5 yrs ended 2011	5.6%	5.8%	-0.2%
		10 yrs ended 2011	4.7%	4.7%	0.0%

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, 2011, 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.

ACTUARIAL SECTION

CHEIRON Classic Values, Innovative Advice

November 22, 2011

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, 2011. The purpose of this report is to present the annual actuarial valuation results for the various Programs. This report is for the use of the Board and its auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of this report is not an intended user and is considered a third party. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

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.

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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 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
We 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.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Guides to Professional Conduct, Amplifying Opinions, and Supporting Recommendations and Interpretations of the Actuarial Standards Board. We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,
Cheiron

Gene Kalwarski, FSA, EA
Principal Consulting Actuary

Fiona E. Liston

Fiona E. Liston, FSA, EA
Principal Consulting Actuary

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SECTION I
DEMOGRAPHIC INFORMATION

Schedule of Active Member Valuation Data

Valuation Date June 30,	Number of Active Members	Annual Salaries of Active Members*	Average Annual Pay	Percentage Increase in Average Pay
State Employee and Teacher Program				
2011	38,759	$ 1,643,389,735	$ 42,400	1.13%
2010	39,884	1,672,252,868	41,928	1.65%
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%
Consolidated Plan for Participating Local Districts				
2011	10,598	$ 434,454,316	$ 40,994	7.01%
2010	10,331	395,747,663	38,307	(2.16%)
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%
Withdrawn Participating Local Districts				
2011	31	$ 1,561,053	$ 50,357	23.11%
2010	43	1,758,909	40,905	(10.90%)
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%)
Judicial Retirement System				
2011	59	$ 6,790,233	$ 115,089	(2.39%)
2010	59	6,956,364	117,904	0.03%
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%
Legislative Retirement Program				
2011	173	$ 2,395,694	$ 13,848	(1.25%)
2010	170	2,384,083	14,024	3.67%
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%

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

SECTION I
DEMOGRAPHIC INFORMATION *(continued)*

Schedule of Benefit Recipients Valuation Data

Valuation Date June 30,	Total Number of Benefit Recipients at Year End	Annual Payments to Benefit Recipients	Average Annual Benefit	Percentage Increase in Average Benefit
State Employee and Teacher Program				
2011	28,900	$ 569,141,838	$ 19,693	1.69%
2010	28,248	547,042,219	19,366	1.46%
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%
Consolidated Plan for Participating Local Districts				
2011	7,409	$ 102,681,024	$ 13,859	2.70%
2010	7,172	96,787,246	13,495	1.61%
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%
Withdrawn Participating Local Districts				
2011	201	$ 2,485,447	$ 12,365	3.93%
2010	198	2,355,639	11,897	8.08%
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%)
Judicial Retirement Program				
2011	62	$ 3,099,334	$ 49,989	0.19%
2010	56	2,794,145	49,895	1.56%
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%)
Legislative Retirement Program				
2011	145	$ 268,980	$ 1,855	1.31%
2010	131	239,823	1,831	3.50%
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%

SECTION I
DEMOGRAPHIC INFORMATION *(continued)*

Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls

Year Ended June 30,	Added to Rolls No.	Added to Rolls Annual Allowance	Removed from Rolls No.	Removed from Rolls Annual Allowance	On Rolls at Year End No.	On Rolls at Year End Annual Allowance
State Employee and Teacher Program						
2011	1,515	$ 35,608,087	863	$ 13,508,468	28,900	$ 569,141,838
2010	1,659	36,147,606	955	14,824,356	28,248	547,042,219
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
Participating Local Districts (Consolidated and non-Consolidated Plans)						
2011	516	$ 8,796,407	276	$ 2,862,417	7,610	$ 105,166,471
2010	422	6,462,161	287	2,834,379	7,370	99,232,481
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
Judicial Retirement Program						
2011	6	$ 305,189	0	$ 0	62	$ 3,099,334
2010	3	190,353	0	0	56	2,794,145
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
Legislative Retirement Program						
2011	18	$ 36,695	4	$ 7,538	145	$ 268,980
2010	5	15,259	4	5,396	131	239,823
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

SECTION II
ACCOUNTING INFORMATION

ACCOUNTING STATEMENT INFORMATION
as of June 30, 2011

	State Employee & Teacher Program	Consolidated Plan for PLD & Withdrawn	Judicial Retirement Program	Legislative Retirement Program
A. FASB No. 35 Basis				
1. Present Value of Benefits Accrued and Vested to Date				
a. Members Currently Receiving Payments	$ 5,968,859,934	$ 1,138,374,260	$ 24,446,618	$ 2,232,080
b. Vested Terminated and Inactive Members	484,524,796	63,941,224	243,960	1,770,913
c. Active Members	3,880,713,364	822,039,011	20,464,334	1,946,216
d. Total PVAB	$ 10,334,098,094	$ 2,024,354,494	$ 45,154,912	$ 5,949,209
2. Assets at Market Value	8,677,947,874	2,105,168,446	48,992,049	8,979,197
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero	$ 1,656,150,220	$ 0	$ 0	$ 0
4. Ratio of Assets to Value of Benefits (2) / (1)(d)	84%	104%	108%	151%
B. GASB No. 25 Basis				
1. Actuarial Liabilities				
a. Members Currently Receiving Payments	$ 5,968,859,934	$ 1,138,374,260	$ 24,446,618	$ 2,232,080
b. Vested Deferred and Inactive Status Members	484,524,796	63,941,224	243,960	1,770,913
c. Active Members	4,828,280,456	1,065,259,039	23,177,719	1,722,200
d. Total	$ 11,281,665,186	$ 2,267,574,522	$ 47,868,297	$ 5,725,193
2. Actuarial Value of Assets	8,736,885,121	2,119,465,931	49,324,784	9,040,180
3. Unfunded Actuarial Liability	$ 2,544,780,065	$ 148,108,591	$ (1,456,487)	$ (3,314,987)
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2) / (1)(d)	77%	93%	103%	158%

SECTION II
ACCOUNTING INFORMATION *(continued)*

STATEMENT OF CHANGES IN
Total Actuarial Present Value of All Accrued Benefits

	State Employee & Teacher Program	Consolidated Plan for PLD & Withdrawn	Judicial Retirement Program	Legislative Retirement Program
Actuarial Present Value of Accrued Benefits as of June 30, 2010	$ 11,071,757,869	$ 1,876,463,950	$ 51,129,128	$ 6,034,050
Increase (Decrease) During Years Attributable to:				
Passage of Time	835,016,754	140,966,062	3,844,931	454,116
Benefits Paid – FY 2010	(594,696,270)	(115,094,048)	(3,034,219)	(348,990)
Plan Amendment	(1,652,267,764)	0	(8,624,227)	(565,435)
Assumption Change	424,343,809	60,754,544	1,870,872	0
Benefits Accrued, Other Gains/Losses	249,943,695	61,263,986	(31,573)	375,468
Net Increase (Decrease)	$ (737,659,775)	$ 147,890,544	$ (5,974,216)	$ (84,841)
Actuarial Present Value of Accrued Benefits as of June 30, 2011	$ 10,334,098,094	$ 2,024,354,494	$ 45,154,912	$ 5,949,209

SECTION II
ACCOUNTING INFORMATION *(continued)*

NOTES TO TREND DATA

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

	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program
Valuation date	June 30, 2011	June 30, 2011	June 30, 2011	June 30, 2011
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	17 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*	7.25%	7.25%	7.25%	7.25%
Projected salary increases*	3.50% - 10.00%	3.50%-9.5%	3.50%	3.50%
*Includes inflation at	3.50%	3.50%		
Cost-of-living adjustments	2.55%	3.12%	2.55%	2.55%
Most Recent Review of Plan Experience:	2010	2008	2010	2010

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)*

ANALYSIS OF FINANCIAL EXPERIENCE
Gain and Loss in Accrued Liability During Year
Resulting from Differences Between Assumed Experience and Actual Experience
For Year Ended June 30, 2011

Type of Activity	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program
Investment Income	$ (29,110,015)	$ 5,235,620	$ (225,240)	$ (47,490)
Combined Liability Experience	(91,222,335)	(2,603,019)	(1,076,385)	(188,488)
Gain (or Loss) During Year from Financial Experience	$ (120,332,350)	$ 2,632,600	$ (1,301,625)	$ (235,979)
Non-Recurring Items	1,822,058,877	(48,704,140)	(6,449,752)	(732,462)
Composite Gain (or Loss) During Year	**$ 1,701,726,527**	**$ (46,071,540)**	**$ (7,751,377)**	**$ (968,441)**

SECTION II
ACCOUNTING INFORMATION *(continued)*

SOLVENCY TEST
Aggregate Accrued Liabilities For

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)
State Employee and Teacher Program											
2011	$	2,229,984,968	$	6,453,384,730	$	2,598,295,489	$	8,736,885,121	100%	100%	2%
2010		2,117,903,830		6,856,828,427		3,642,411,748		8,313,459,810	100%	90%	0%
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%
Consolidated Plan for Participating Local Districts & Withdrawn											
2011	$	379,478,840	$	1,202,315,483	$	685,780,199	$	2,119,465,931	100%	100%	78%
2010		352,496,429		1,110,451,355		659,894,751		2,045,337,000	100%	100%	88%
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%
Judicial Retirement Program											
2011	$	9,028,737	$	24,690,578	$	14,148,981	$	49,324,784	100%	100%	110%
2010		8,510,723		26,915,670		17,723,306		47,677,635	100%	100%	69%
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%
Legislative Retirement Program											
2011	$	2,228,233	$	4,002,993	$	(506,033)	$	9,040,180	100%	100%	555%
2010		2,099,683		3,680,940		292,741		8,634,635	100%	100%	875%
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%

* 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 PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS and METHODS

State Employee and Teacher Program

A. 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.

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

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

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.

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.

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

iii. Provisions for Members With Less Than Five Years of Creditable Service on July 1, 2011

Normal Retirement Age: 65

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

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

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

Eligibility for Members not in Active Service at Retirement, but in Active Service on or After October 1, 1999: At least five years of creditable service and at least normal retirement age.
Benefit: 1/50 of average final compensation multiplied by years of membership service and up to 25 years of prior service, reduced by 6% for each year retirement age is less than age 65.

Form of Payment: Life annuity.

B. Special Plans (State Employees)

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

Eligibility: 20 years of creditable service in named positions.

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

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

ii. Forest Rangers Employed Before 9/1/84

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

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

Form of Payment: Life annuity.

iii. Airplane Pilots Employed Before 9/1/84

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

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

Form of Payment: Life annuity.

STATE EMPLOYEE AND TEACHER PROGRAM
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iv. Liquor Inspectors Employed Before 9/1/84

Eligibility: Age 55 and 25 years of creditable service as a liquor inspector.
Benefit: one-half of average final compensation plus 2% for each year of service earned after qualification for retirement. If greater, the pro-rated portion of the benefit for service before July 1, 1976 is based on annual pay instead of average final pay.

Form of Payment: Life annuity.

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

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

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

Form of Payment: Life annuity.

vi. 1998 Special Plan

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

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

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

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

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

-AND-

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

Form of Payment: Life annuity.

vii. 25 & Out Plan

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

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

Eligibility: 25 years of creditable service in named positions.

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

Form of Payment: Life annuity.

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

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

Eligibility: Disabled as defined in the MainePERS statutes prior to normal retirement age; employed prior to October 16, 1992 and did not elect No Age Disability Benefits.
Benefit: 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 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 66⅔% 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.

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8. Pre-Retirement Ordinary Death Benefits:

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

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

9. Pre-Retirement Accidental Death Benefits:

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

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

10. Refund of Contributions:

Eligibility: Termination of service without retirement or death.

Benefit: Member's accumulated contributions with interest.

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 that portion of the benefit which is not in-excess of $20,000 (indexed) for all benefits which have been in payment for twelve months. The maximum annual increase is 3%. 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.

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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.

No cost-of-living adjustments will be made until September 2014.

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.

13. Changes Since Prior Valuation:

Members with less than five years of creditable service on July 1, 2011 – As detailed in #5Aiii above, members who are not vested by July 1, 2011 and all those hired after July 1, 2011 will reach Normal Retirement Age at age 65. Early Retirement benefits are reduced from age 65.

Cost of Living – As detailed in #11 above, the cap on the annual COLA was lowered from 4.0% per year to 3.0% per year. Also, COLAs are only granted on the first $20,000 of annual benefit (indexed). No cost-of-living adjustments will be made until September 2014.

STATE EMPLOYEE AND TEACHER PROGRAM
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B. Actuarial Assumptions

Any changes from the assumptions found in Appendix B of the 2010 report have been highlighted below.

1. Rate of Investment Return:

	Previous	Revised
State Employees	7.75%	7.25%
Teachers	7.75%	7.25%

Rate is net of both administrative and investment expense.

2. Cost-of-Living Increases in Benefits:

	Previous	Revised
State Employees	3.75%	2.55%
Teachers	3.75%	2.55%

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

	Previous Scale	Revised Scale	
Service	State Employees and Teachers	State Employees	Teachers
0	10.00%	10.50%	13.50%
5	7.50	6.00	6.25
10	6.07	4.50	5.00
15	5.28	3.95	4.50
20	4.90	3.70	3.70
25 and over	4.75	3.50	3.50

The above rates include a 3.50% (previously 4.75%) across-the-board increase at each year of service. For fiscal years ending 2011 and 2012, the 3.50% assumption has been temporarily reduced to 1.50%.

STATE EMPLOYEE AND TEACHER PROGRAM
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(continued)

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

	Previous		Revised	
Service	State Employees	Teachers	State Employees	Teachers
0	30.00%	37.00%	30.00%	37.00%
5	7.50	12.50	7.50	12.00
10	4.40	6.00	4.40	6.90
15	3.50	4.50	4.00	5.50
20	2.00	3.00	4.00	5.50
25	2.00	2.00	4.00	5.50

Non-vested members are assumed to take a refund of contributions with interest. Once vested, the member is assumed to elect the greater of the deferred vested benefit or a refund.

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

	Previous				Revised			
	State Employees		Teachers		State Employees		Teachers	
Age	Male	Female	Male	Female	Male	Female	Male	Female
50	28	15	24	13	16	13	14	11
55	48	25	40	21	27	24	22	18
60	86	48	73	41	53	47	41	36
65	156	93	133	79	103	90	81	71
70	255	148	217	125	177	155	142	125
75	400	244	340	207	306	249	246	204
80	667	424	567	360	554	413	448	338
85	1,046	728	889	619	997	708	807	571
90	1,644	1,250	1,398	1,063	1,727	1,259	1,418	1,026
95	2,512	2,002	2,135	1,702	2,596	1,888	2,267	1,654

* 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.

Rates for State Employees are based on the RP 2000 Mortality Table for Males and Females projected forward for 2015 using Scale AA. Rates for Teachers are based on the same projected table but with a 2 year set back.

STATE EMPLOYEE AND TEACHER PROGRAM
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6. Rates of Mortality for 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

Rates are based on the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females.

No Change.

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

	Previous				Revised					
	State Employees		Teachers		State Employees			Teachers		
Age	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
45	28	28	18	18	8	NA	NA	13	NA	NA
50	42	42	39	39	56	NA	NA	29	NA	NA
55	103	103	106	106	56	NA	NA	79	NA	NA
59	200	148	156	100	173	113	113	150	225	225
60	228	148	225	100	300	150	150	225	225	225
61	133	133	139	100	300	150	150	230	225	225
62	268	250	277	250	270	250	188	250	300	225
63	202	202	224	224	270	250	188	260	300	225
64	221	221	223	223	250	250	188	270	300	225
65	478	478	485	485	250	250	250	300	300	300
70	589	589	570	570	1,000	1,000	1,000	1,000	1,000	1,000

* 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 but had 5 years of service by July 1, 2011. Tier 3 are those who did not have 5 years of service by July 1, 2011.

STATE EMPLOYEE AND TEACHER PROGRAM
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8. Rates of Disability at Selected Ages (members becoming disabled per 10,000 members)*:

	Previous		Revised	
Age	State Employees	Teachers	State Employees	Teachers
25	6.8	4.6	6.8	3.4
30	7.6	5.0	7.6	3.8
35	10.2	5.5	10.2	3.8
40	19.0	6.8	19.0	5.1
45	27.9	15.5	27.9	11.6
50	42.7	24.3	42.7	18.2
55	81.0	33.0	53.0	24.8
60	119.3	41.8	63.0	31.3

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

9. Family Composition Assumptions:

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

No Change.

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.

No Change.

11. Date of Adoption of Assumptions:

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2011 and covering the period July 1, 2005 through June 30, 2010.

12. Changes Since Last Valuation:

See highlighted areas above.

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

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C. Actuarial Methods

1. **Funding Method:**

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

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

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

The unfunded actuarial liability is amortized by annual payments. The payments are determined so that they will be a level percentage of pay, assuming payroll increases 3.50% per year (for FY2011 and FY2012 we used a 1.5% growth assumption). The UAL measured as of June 30, 2011 is amortized over a 17 year period.

2. **Asset Valuation Method:**

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

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

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

Consolidated Plan for Participating Local Districts

A. Plan Provisions

1. Member Contributions:

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

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

2. Average Final Compensation:

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

3. Creditable Service:

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

4. Service Retirement Benefits:

Regular Plan AC

Normal Retirement Age: 60

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

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

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

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

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.

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

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

Cost-of-Living Adjustment: See item 10.

Regular Plan AN

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

Regular Plan BC

Normal Retirement Age: 60

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

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

Eligibility for Members not in Active Service at Retirement, and not in Active Service on or after October 1, 1999: At least 10 years of creditable service and at least normal retirement age.

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

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

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

Cost-of-Living Adjustment: See item 10.

Regular Plan Notes

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

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.

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

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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.

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.

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

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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.

- 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.

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

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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.

   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

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

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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.

12. Changes in Plan Provision:

None.

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

(continued)

B. Actuarial Assumptions

Any changes from the assumptions found in Appendix D of the 2010 report have been highlighted below.

1. **Annual Rate of Investment Return:** 7.25%

2. **Cost-of-Living Increases in Benefits:** 3.12% (Where Applicable)

3. **Rates of Termination at Selected Years of Service*:**

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)*:**

	Previous		Revised	
Age	**Male**	**Female**	**Male**	**Female**
50	28	15	16	13
55	48	25	27	24
60	86	48	53	47
65	156	93	103	90
70	255	148	177	155
75	400	244	306	249
80	667	424	554	413
85	1,046	728	997	708
90	1,644	1,250	1,727	1,259
95	2,512	2,002	2,596	1,888

* 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.

Rates are based on the RP 2000 Mortality Table for Males and Females projected forward for 2015 using Scale AA.

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

(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

Rates are based on the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females.

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 PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS and METHODS

(continued)

8. Family Composition Assumptions:

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

9. Salary Growth Assumption:

Rates of Increases at Selected Years	
Years of Service	**Increase**
0	9.5%
1	7.5
2	6.0
3	4.7
4	4.3
5	4.0
10	3.5
15	3.5
20	3.5
25	3.5
30	3.5

10. Date of Adoption of Assumptions:

The economic assumptions and mortality tables were adopted by the Trustees as a result of the latest experience study review performed in 2011 and covering the period July 1, 2005 through June 30, 2010. The remaining assumptions were adopted by the Trustees as a result of the experience study review performed in 2008 and covering the period July 1, 2000 through June 30, 2008.

11. Assumption Changes Since Last Valuation:

See highlighted areas above.

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

(continued)

C. 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 or has paid off its IUUAL.

For each Regular and Special Plan, a normal cost rate is determined for the average new entrant. This rate is determined by taking the value, as of age at entry into the Plan, of the member's projected future benefits, reducing it by the value of future member contributions, and dividing it by the value, also as of the member's entry age, of the member's expected future salary.

In addition to normal cost contributions calculated per Plan, the employers in each Plan are required to make contributions to fund that plan's PUAL, if any. The actuarial liability is defined as the present value of future benefits less the present value of future normal costs, less future member contributions, and less expected IUUAL payments. The PUAL is the total of the actuarial liability for all members less the actuarial value of the Plan's assets. The actuarial liability includes projections of future member pay increases and future services 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.

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 7.25% actuarial assumption for investment return.

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

Judicial Retirement Program

A. 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 plan.

2. **Member Contributions:**

   Members are required to contribute 7.65% of earnable compensation.

3. **Average Final Compensation:**

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

   For active judges as of July 1, 2003, July 1, 2004 and July 1, 2010, average final compensation shall be increased to reflect missed salary increases.

4. **Creditable Service:**

   Creditable service includes the following:

   A. all judicial service as a member after November 30, 1984;

   B. all judicial service before December 1, 1984;

   C. service credited while receiving disability benefits under the Program; and

   D. all service creditable under the State Employee and Teacher Program provided the member elects to have the member's own and the employer's contributions on behalf of the service transferred to the Judicial Program.

5. **Service Retirement Benefits:**

   Eligibility:

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

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

      25 years of creditable service.

   ii. Eligibility alternative for members in active service:

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

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

(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 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.

C. Eligibility for Members With Less Than Five Years of Creditable Service on July 1, 2011

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 65 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 65 and five years of creditable service.

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

(continued)

Benefit:

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

The benefit is reduced for retirement before age 60 at the rate of approximately 2¼% for each year retirement age is less than 60, for members with at least ten years creditable service on July 1, 1993; reduced for retirement before age 62 by 6% for each year the member's age is less than age 62, if less than ten years creditable service on July 1, 1993; reduced for retirement before age 65 by 6% for each year the member's age is less than age 65, if less than five years creditable service on July 1, 2011.

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 (See Item 7):

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: 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 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 66⅔% of average final compensation, or at age 70, if earlier, the disability benefit converts to a service retirement benefit based on service and pay at that point.

7. No Age Disability Retirement Benefits:

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

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

(continued)

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.

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."

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

(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 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 that portion of the benefit which is not in-excess of $20,000 (indexed) for all benefits which have been in payment for twelve months. The maximum annual increase is 3%. 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.

No cost-of-living adjustments will be made until September 2014.

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.

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

(continued)

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.

13. Plan Change Since Last Valuation:

Members with less than five years of creditable service on July 1, 2011 – As detailed in #5 above, members who are not vested by July 1, 2011 and all those hired after July 1, 2011 will reach Normal Retirement Age at age 65. Early Retirement benefits are reduced from age 65.

Cost of Living – As detailed in #11 above, the cap on the annual COLA was lowered from 4.0% per year to 3.0% per year. Also, COLAs are only granted on the first $20,000 of annual benefit (indexed). No cost-of-living adjustments will be made until September 2014.

A. Actuarial Assumptions

Any changes from the assumptions found in Schedule C of the 2010 report have been highlighted below.

1. **Annual Rate of Investment Return:** 7.25%

2. **Annual Rate of Salary Increase:** 3.50%

3. **Annual Cost-of-Living Increase:** 2.55%

4. **Normal Retirement Age:**

   100% retirement assumed to occur at age 60 for members with at least ten years of creditable service on July 1, 1993.

   For members with less than ten years of creditable service on July 1, 1993, 50% are assumed to retire each year after reaching age 62.

   For members with less than five years of creditable service on July 1, 2011, 50% are assumed to retire each year after reaching age 65.

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

(continued)

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

			Death	
Age	**Disability**	**Termination**	**Male**	**Female**
25	.0006	.07	.0003	.0002
30	.0006	.06	.0004	.0002
35	.0007	.05	.0007	.0004
40	.0011	.04	.0010	.0006
45	.0022	.03	.0012	.0009
50	.0042	.02	.0016	.0013
55	.0072	.01	.0027	.0024

6. Rate of Healthy Life Mortality at Selected Ages:

Age	Male	Female
55	.0028	.0015
60	.0086	.0048
65	.0156	.0093
70	.0255	.0148
75	.0400	.0244
80	.0667	.0424

Rates are based on the RP-2000 Mortality Table for Males and Females, projected with Scale AA to 2015.

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

Rates are based on the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females.

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; 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.

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

(continued)

9. **Date of Adoption of Assumptions:**

   The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2011 and covering the period July 1, 2005 through June 30, 2010.

10. **Assumption Changes Since Last Valuation:**

    See highlighted areas above.

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 3.50% per year.

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.

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

Legislative Retirement Program

A. 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 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, 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 to the Retirement System at the applicable rate, including appropriate interest;

C. service credited while receiving disability benefits under the Program; and

D. all service creditable under the Retirement System as a State Employee, provided the member elects to have the member's own and the employer's contributions on behalf of such service transferred to the Legislative Program.

5. Service Retirement Benefits:

Eligibility:

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

i. Eligibility for members in active service and inactive members:
25 years of creditable service.

ii. Eligibility alternative for members in active service:
Attainment of age 60.

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

Attainment of age 60 and ten years of creditable service.

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

(continued)

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.

C. Eligibility for Members With Less Than Five Years of Creditable Service on July 1, 2011

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 65.

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

Attainment of age 65 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 65 and five years of creditable service.

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; reduced for retirement before age 65 at the rate of 6% for each year retirement age is less than age 65, for members with less than five years creditable service on July 1, 2011; minimum benefit $100 per month if at least ten years of creditable service.

Form of Payment: Life annuity.

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

(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: 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 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 66⅔% of average final compensation or ten years after the normal retirement date, if earlier, the disability benefit converts to a service retirement benefit based on service and average final compensation at that point.

7. No Age Disability Retirement Benefits:

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

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

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

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

8. Pre-Retirement Ordinary Death Benefits:

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

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.

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

(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:

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 that portion of the benefit which is not in-excess of $20,000 (indexed) for all benefits which have been in payment for twelve months. The maximum annual increase is 3%. 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.

No cost-of-living adjustments will be made until September 2014.

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

(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 is paid for the life of the member only.

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

Option 8: Option 4 with pop-up*.

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

13. Changes since last Valuation:

Members with less than five years of creditable service on July 1, 2011 – As detailed in #5 above, members who are not vested by July 1, 2011 and all those hired after July 1, 2011 will reach Normal Retirement Age at age 65. Early Retirement benefits are reduced from age 65.

Cost of Living – As detailed in #11 above, the cap on the annual COLA was lowered from 4.0% per year to 3.0% per year. Also, COLAs are only granted on the first $20,000 of annual benefit (indexed). No cost-of-living adjustments will be made until September 2014.

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

(continued)

B. Actuarial Assumptions

Any changes from the assumptions found in Schedule C of the 2010 report have been highlighted below.

1. **Annual Rate of Investment Return:** 7.25%

2. **Annual Rate of Salary Increase:** 3.50%

3. **Annual Cost-of-Living Increase:** 2.55%

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.

   Age 65 for members with less than five years of creditable service on July 1, 2011.

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

			Death	
Age	**Disability**	**Termination**	**Male**	**Female**
25	.0006	.07	.0003	.0002
30	.0006	.06	.0004	.0002
35	.0007	.05	.0007	.0004
40	.0011	.04	.0010	.0006
45	.0022	.03	.0012	.0009
50	.0042	.02	.0016	.0013
55	.0072	.01	.0027	.0024

6. **Rate of Healthy Life Mortality at Selected Ages:**

Age	Male	Female
55	.0028	.0015
60	.0086	.0048
65	.0156	.0093
70	.0255	.0148
75	.0400	.0244
80	.0667	.0424

Rates are based on the RP-2000 Mortality Table for Males and Females, projected with scale AA to 2015.

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

(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

Rates are based on the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females.

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; 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.

9. **Date of Adoption of Assumptions:**

The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2011 and covering the period July 1, 2005 through June 30, 2010.

10. **Assumption Changes Since Last Valuation:**

See highlighted areas above.

C. 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.

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

(continued)

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 3.50% per year.

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.

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STATISTICAL SECTION

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM
STATISTICAL SECTION
(unaudited)

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

TABLE OF CONTENTS

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

Source:

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

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

DEFINED BENEFIT PLAN
CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Member contributions	160,205,523	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
Employer contributions	352,190,861	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
Other contributions	-	-	-	-	-	-	-	-	-	-
Investment Income (net of expenses)	1,981,916,584	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)
Total additions to plan net assets	2,494,312,968	1,443,164,420	(1,501,474,263)	130,850,830	2,017,304,589	1,130,192,126	1,372,541,013	1,576,111,927	773,255,629	13,455,579
Deductions										
Benefit payments	681,156,473	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
Refunds	32,203,992	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
Administrative expenses	9,756,630	9,508,395	9,993,542	10,179,823	10,892,369	9,459,332	9,323,141	9,328,218	8,828,510	7,572,748
Total deductions from plan net assets	723,117,095	683,438,495	678,210,480	613,834,037	574,219,119	531,394,796	495,516,875	458,804,768	432,726,166	411,330,797
Change in net assets	$1,771,195,873	$759,725,925	$(2,179,684,743)	$(482,983,207)	$1,443,085,470	$598,797,330	$877,024,138	$1,117,307,159	$340,529,463	$(397,875,218)

GROUP LIFE INSURANCE PLAN
CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Member contributions	4,633,560	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
Employer contributions	6,836,808	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
Other contributions	-	-	-	220,933	243,115	216,103	211,576	211,691	215,777	184,336
Investment Income (net of expenses)	11,060,639	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
Total additions to plan net assets	22,531,007	16,925,563	2,461,857	10,472,631	16,059,223	10,139,857	9,791,116	8,948,819	10,425,847	10,595,306
Deductions										
Benefit payments	8,664,079	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
Refunds	18,145	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195	14,724
Administrative expenses	970,354	1,053,242	987,371	842,136	856,436	812,833	841,752	854,891	895,521	734,383
Total deductions from plan net assets	9,652,578	9,634,243	10,986,230	9,073,556	8,906,935	8,416,777	8,074,081	7,978,547	8,012,932	9,197,060
Change in net assets	$12,878,429	$7,291,320	$(8,524,373)	$1,399,075	$7,152,288	$1,723,080	$1,717,035	$970,272	$2,412,915	$1,398,246

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

LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Additions										
Member contributions	164,839,083	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
Employer contributions	359,027,669	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
Other contributions	-	-	-	220,933	243,115	216,103	211,576	211,691	215,777	184,336
Investment Income (net of expenses)	1,992,977,223	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)
Total additions to plan net assets	2,516,843,975	1,460,089,983	(1,499,012,406)	141,323,461	2,033,363,812	1,140,331,983	1,382,332,129	1,585,060,746	783,681,476	24,050,885
Deductions										
Benefit payments	689,820,552	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
Refunds	32,222,137	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
Administrative expenses	10,726,984	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
Total deductions from plan net assets	732,769,673	693,072,738	689,196,710	622,907,593	583,126,054	539,811,573	503,590,956	466,783,315	440,739,098	420,527,857
Change in net assets	$1,784,074,302	$767,017,245	$(2,188,209,116)	$(481,584,132)	$1,450,237,758	$600,520,410	$878,741,173	$1,118,277,431	$342,942,378	$(396,476,972)

RETIREE HEALTH INVESTMENT TRUST
CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2011	**2010**	**2009**	**2008**
Additions				
Member contributions	-	-	-	-
Employer contributions	14,411,368	-	-	100,000,000
Other contributions	-	-	-	-
Investment Income (net of expenses)	23,350,728	13,143,997	(16,084,427)	(1,609,855)
Total additions to plan net assets	37,762,096	13,143,997	(16,084,427)	98,390,145
Deductions				
Benefit payments	-	-	-	-
Refunds	-	-	-	-
Administrative expenses	64,510	56,754	55,695	28,347
Total deductions from plan net assets	64,510	56,754	55,695	28,347
Change in net assets	$37,697,586	$13,087,243	$(16,140,122)	$98,361,798

*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

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Type of Benefit										
Service retirement benefits	$ 625,577,713	$ 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
Disability benefits	36,289,226	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
Pre-Retirement death benefits	19,289,534	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
Total benefits	$ 681,156,473	$ 650,734,368	$ 622,604,996	$ 576,345,663	$ 541,387,999	$ 503,027,886	$ 470,218,358	$ 433,798,828	$ 410,080,688	$ 387,950,631
Type of Refund										
Death	$ 5,139,665	$ 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
Separation	20,567,589	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
Other	6,496,738	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
Total refunds	$ 32,203,992	$ 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

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

LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Type of Benefit										
Basic active claims	$1,670,491	$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
Supplemental claims	972,344	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
Dependent claims	300,000	210,000	190,477	245,000	182,942	218,988	250,344	211,500	314,224	240,086
Accidental Death & Dismemberment claims	408,000	166,000	801,156	95,000	21,000	147,042	233,000	143,027	-	169,042
Basic retiree claims	5,131,699	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
	8,482,534	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
Conversion expense	181,545	162,533	130,260	84,825	151,613	203,044	93,085	35,900	67,900	124,343
Total benefits	$8,664,079	$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
Type of Refund										
Group Life Insurance premiums	18,145	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195	14,724
Total refunds	$18,145	$25,819	$32,291	$20,511	$30,157	$32,002	$17,279	$19,535	$17,195	$14,724

DEFINED BENEFIT PLAN - RETIRED MEMBERS BY TYPE OF BENEFIT

Fiscal Year Ending June 30:	Service Retirees	Service Retiree Beneficiary Recipients	Disability Benefit Recipients	Pre-Retirement Death Benefits Recipients	Total Pension Benefit Recipients
2011	26,785	6,501	1,534	2,186	37,006
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

DEFINED BENEFIT PLAN - AVERAGE BENEFIT PAYMENTS

Retirement Effective Dates
July 1, 2001 - June 30, 2011

	Years of Creditable Service						
	Less than 5	5-10	10-15	15-20	20-25	25-30	Greater than 30
Period 7/1/2001 to 6/30/2002							
Average Monthly Benefit	118	301	456	768	1,279	1,479	2,109
Average Final Salary	15,389	17,866	16,542	20,259	24,904	29,146	31,792
Number of Active Retirants	391	998	2,989	2,401	3,450	5,191	5,111
Period 7/1/2002 to 6/30/2003							
Average Monthly Benefit	121	306	468	791	1,312	1,515	2,170
Average Final Salary	16,083	18,912	17,361	21,472	26,137	30,469	33,730
Number of Active Retirants	379	968	2,935	2,397	3,473	5,417	5,366
Period 7/1/2003 to 6/30/2004							
Average Monthly Benefit	125	320	487	818	1,347	1,566	2,247
Average Final Salary	16,802	19,889	18,134	22,389	26,958	31,602	35,366
Number of Active Retirants	369	949	2,868	2,420	3,526	5,631	5,610
Period 7/1/2004 to 6/30/2005							
Average Monthly Benefit	132	329	511	855	1,408	1,634	2,343
Average Final Salary	17,769	20,676	18,974	23,337	28,063	32,716	36,905
Number of Active Retirants	375	957	2,827	2,442	3,607	5,843	5,925
Period 7/1/2005 to 6/30/2006							
Average Monthly Benefit	137	339	534	884	1,449	1,688	2,429
Average Final Salary	18,131	21,370	19,934	24,207	28,918	33,712	38,236
Number of Active Retirants	372	972	2,801	2,472	3,644	6,033	6,205
Period 7/1/2006 to 6/30/2007							
Average Monthly Benefit	143	357	561	931	1,514	1,769	2,549
Average Final Salary	18,663	22,659	20,722	25,350	29,825	34,774	39,620
Number of Active Retirants	371	1,009	2,806	2,484	3,682	6,264	6,476
Period 7/1/2007 to 6/30/2008							
Average Monthly Benefit	148	371	585	966	1,565	1,831	2,643
Average Final Salary	19644	23,981	21,766	26,250	30,720	35,744	41,078
Number of Active Retirants	371	1065	2796	2510	3718	6412	6789
Period 7/1/2008 to 6/30/2009							
Average Monthly Benefit	388	398	616	1,017	1,625	1,907	2,737
Average Final Salary	23532	24,858	22,828	27,456	31,630	36,735	42,107
Number of Active Retirants	451	1132	2810	2570	3827	6657	7501
Period 7/1/2009 to 6/30/2010							
Average Monthly Benefit	617	388	617	1,016	1,583	1,867	2,653
Average Final Salary	25338	26,322	23,944	28,556	32,700	37,655	43,265
Number of Active Retirants	559	1175	2819	2594	3898	6782	7868
Period 7/1/2010 to 6/30/2011							
Average Monthly Benefit	419	399	636	1,035	1,599	1,877	2,681
Average Final Salary	26382	27,791	25,452	29,842	34,108	38,836	44,693
Number of Active Retirants	551	1276	2913	2681	4083	7060	8221

DEFINED BENEFIT PLAN
RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION
As of June 30, 2011

		Type of Retirement				Option Selected									
Amount of Monthly Benefit	Number of Retired Members	1	2	3	4	0	1	2	3	4	5	6	7	8	Other
0 - 250	4,592	1,374	1,272	809	1,137	1,588	175	660	138	13	1,023	47	14	20	914
251 - 500	4,299	1,814	1,837	456	192	1,448	246	626	184	10	1,622	69	15	21	58
501 - 750	3,531	1,916	1,231	181	203	1,183	248	584	222	11	1,086	78	24	30	65
751 - 1000	2,757	1,895	655	65	142	1,008	213	454	268	21	595	65	34	36	63
1001 - 1250	2,661	2,086	407	17	151	956	246	475	207	18	568	73	43	41	34
1251 - 1500	2,835	2,412	324	4	95	1,031	284	450	207	10	652	74	39	57	31
1501 - 1750	2,787	2,510	197	1	79	1,102	281	362	200	20	610	84	40	57	31
1751 - 2000	2,642	2,399	176	1	66	1,068	266	349	154	23	563	61	62	61	35
2001 - over	10,902	10,379	402	0	121	4,821	1,135	1,234	677	183	1,608	333	294	341	276
Totals	37,006	26,785	6,501	1,534	2,186	14,205	3,094	5,194	2,257	309	8,327	884	565	664	1,507

EMPLOYEE CONTRIBUTION RATES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Judicial Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Legislative Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
School Teacher Employees	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
State of Maine Employees										
Employee Class:										
General	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Police - 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	n/a	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	n/a	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%	8.65%
Participating Local District Employees										
Employee Class:										
AC - General COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
BC - General COLA	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
1C - Special COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2C - Special COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
3C - Special COLA	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
4C - Special COLA	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
AN - General No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
1N - Special No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2N - Special No COLA	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
3N - Special No COLA	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
4N - Special No COLA	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%

EMPLOYER CONTRIBUTION RATES
LAST TEN FISCAL YEARS

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Judicial Employees	14.12%	14.35%	15.85%	15.87%	15.01%	15.09%	18.08%	18.10%	14.93%	14.45%
Legislative Employees	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
School Teacher Employees	17.28%	17.28%	16.72%	16.72%	17.23%	17.23%	16.02%	16.05%	17.71%	17.71%
State of Maine Employees										
Employee Class:										
General	16.92%	16.38%	17.37%	17.01%	15.88%	15.52%	13.74%	13.39%	12.43%	12.19%
Police - Grandfathered	51.26%	50.19%	48.69%	47.70%	44.04%	43.02%	35.00%	34.32%	36.37%	35.65%
Marine Wardens - Grandfathered	54.49%	53.32%	40.67%	39.94%	45.63%	44.55%	38.27%	37.43%	35.36%	35.15%
Game Wardens - Grandfathered	54.48%	53.30%	50.14%	49.11%	47.07%	45.94%	39.03%	38.13%	37.12%	36.35%
Prison Wardens	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13.88%
Prison Wardens - Grandfathered	27.03%	25.81%	25.68%	25.15%	24.29%	23.70%	17.79%	17.44%	18.76%	18.39%
Liquor Inspectors - Grandfathered	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.43%	16.02%
Forest Rangers - Grandfathered	22.32%	21.84%	22.18%	21.70%	18.21%	17.79%	15.78%	15.47%	14.93%	14.65%
1998 Special Groups	19.06%	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.16%	13.88%
HazMat/DEP	19.06%	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.96%	14.68%
Participating Local District Employees										
Employee Class:										
AC - General COLA	3.50%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
BC - General COLA	2.10%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
1C - Special COLA	8.10%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
2C - Special COLA	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
3C - Special COLA	6.60%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%
4C - Special COLA	4.40%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
AN - General No COLA	1.90%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
1N - Special No COLA	4.50%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%
2N - Special No COLA	2.60%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
3N - Special No COLA	3.60%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
4N - Special No COLA	2.40%	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

2011

Participating Entity	Covered Employees	Rank	Percentage of Total System
State of Maine	14,993	1	26.11%
Maine Veterans Home - Central Office	1,330	2	2.30%
Portland School Department	1,218	3	2.12%
Portland, City Of	844	4	1.47%
Lewiston School Department	800	5	1.39%
Bangor School Department	655	6	1.16%
Auburn School Department	620	7	1.08%
RSU #14	587	8	1.02%
RSU #6 - MSAD #6 Bar Mills	565	9	0.98%
RSU #75 - MSAD #75 Topsham	565	10	0.98%
All Others	35,256	11	61.39%
Total (547 Participating Entities)	**57,433**		**100.00%**

2002

Participating Entity	Covered Employees	Rank	Percentage of Total System
State of Maine	16,866	1	26.05%
Portland School Department	1,359	2	2.10%
Maine Veterans Home - Central Office	1,217	3	1.88%
Portland, City Of	929	4	1.43%
Bangor School Department	767	5	1.18%
Lewiston School Department	731	6	1.13%
RSU #75 - MSAD #75 Topsham	704	7	1.09%
Auburn School Department	649	8	1.01%
RSU#6 – MSAD #6 Bar Mills	642	9	0.99%
RSU #17 - MSAD #17 South Paris	606	10	0.94%
All Others	40,269	11	62.20%
Total (561 Participating Entities)	**64,739**		**100.00%**

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

In 2011, "All Others" consisted of:

Employer Type	Number of Employers	Covered Employees
Judicial Retirement System	1	61
Legislative Retirement System	1	179
Participating Local Districts	308	9,539
School Districts	212	25,477
Totals:	**522**	**35,256**

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.

PARTICIPATING EMPLOYERS, DETAILED LISTING

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)

Bingham Water District
Bridgton, 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

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

AOS #77 Central Office
AOS #77 Alexander
AOS #77 Calais
AOS #77 Charlotte
AOS #77 Eastport
AOS #77 Lubec
AOS #77 Pembroke
AOS #77 Perry
AOS #77 Robbinston
AOS #90 Central Office
AOS #90 Baileyville
AOS #90 East Range
AOS #90 Lee
AOS #90 Princeton
AOS #91 Central Office
AOS #91 Mt. Desert Island High School
AOS #91 Bar Harbor
AOS #91 Cranberry Isle
AOS #91 Frenchboro
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 Bristol
AOS #93 Central Office
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 St John Valley Allagash
AOS #95 St. John Valley Central Office
AOS #95 St. John Valley Ft. Kent
AOS #96 Central Office
AOS #96 Cutler
AOS #96 East Machias
AOS #96 Jonesboro
AOS #96 Machias
AOS #96 Machiasport
AOS #96 Marshfield
AOS #96 Northfield
AOS #96 Roque Bluffs
AOS #96 Wesley
AOS #96 Whiting
AOS #96 Whitingville
AOS #97 Central Office
AOS #97 Fayette
AOS #97 Winthrop
AOS #98 Boothbay Harbor
AOS #98 Central Office Rocky Channels School System
AOS #98 Edgecomb
AOS #98 Southport
AOS #99 Bridgewater
AOS #99 Central Office Mid-County School System
AOS #99 Fort Fairfield
AOS #99 Mars Hill
Acton School Department
Auburn School Department
Augusta School Department
Bangor School Department
Biddeford School Department
Brewer School Department
Brunswick School Department
Cape Elizabeth School Department
Caswell School Department
Chebeague Island School Department
CSD #8 Airline CSD
CSD #9 South Aroostook
CSD #13 Deer Isle - Stonington
CSD #17 Moosabec
CSD #18 Wells - Ogunquit
CSD #19 Five Town CSD
Dedham School Department

PARTICIPATING EMPLOYERS, DETAILED LISTING

(continued)

TEACHERS *(continued)*

Easton School Department
Erskine Academy
Falmouth 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
Lincolnville School Department
Lisbon School Department
Long Island 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 #22 Hampden
MSAD #23 Carmel
MSAD #24 Van Buren
MSAD #25 Sherman Station
MSAD #28 Camden
MSAD #29 Houlton
MSAD #31 Howland
MSAD #32 Ashland
MSAD #33 St. Agatha
MSAD #35 Eliot
MSAD #36 Livermore Falls
MSAD #40 Waldoboro
MSAD #41 Milo
MSAD #44 Bethel
MSAD #45 Washburn
MSAD #49 Fairfield
MSAD #51 Cumberland Center
MSAD #52 Turner
MSAD #53 Pittsfield
MSAD #54 Skowhegan
MSAD #55 Cornish
MSAD #57 Waterboro
MSAD #58 Kingfield
MSAD #59 Madison
MSAD #60 North Berwick
MSAD #61 Bridgton
MSAD #63 East Holden
MSAD #64 East Corinth
MSAD #65 Matinicus
MSAD #67 Lincoln
MSAD #70 Hodgdon
MSAD #72 Fryeburg
MSAD #75 Topsham
Orrington School Department
Oxford Hill Technical School #11
Pleasant Point School
Portland School Department
Region 2 School of Applied Southern Aroostook County
Region 3 Northern Penobscot County
Region 4 Southern Penobscot County
Region 7 Waldo County Technical Center
Region 8 Cooperative Board for Vocational Education
Region 9 School of Applied Technology
Region 10 Cumberland-Sagadahoc County
Regional School Unit #1
Regional School Unit #2 K.I.D.S
Regional School Unit #4
Regional School Unit #5
Regional School Unit #10
Regional School Unit #12
Regional School Unit #13
Regional School Unit #14
Regional School Unit #16
Regional School Unit #18
Regional School Unit #19
Regional School Unit #20
Regional School Unit #21
Regional School Unit #23
Regional School Unit #24
Regional School Unit #25
Regional School Unit #26
Regional School Unit #34
Regional School Unit #37 - MSAD #37 Harrington
Regional School Unit #38
Regional School Unit #39
Regional School Unit #68 - MSAD #68 Dover-Foxcroft
Regional School Unit #74 - MSAD #74 North Anson
Regional School Unit #78
Sanford School Department
Scarborough School Department
School Agent Carrabassett

PARTICIPATING EMPLOYERS, DETAILED LISTING

(continued)

TEACHERS *(continued)*

School Agent Coplin Plantation
School Agent Pleasant Ridge Plantation
South Portland School Department
Thornton Academy
Union 47 Georgetown
Union 60 Greenville
Union 60 Shirley
Union 69 Appleton
Union 69 Hope
Union 76 Brooklin
Union 76 Sedgewick
Union 90 Greenbush
Union 90 Milford
Union 92 Surry
Union 93 Blue Hill
Union 93 Brooksville
Union 93 Castine
Union 93 Penobscot
Union 103 Beals
Union 103 Jonesport
Union 108 Vanceboro
Union 113 East Millinocket
Union 113 Medway
Union 122 New Sweden
Union 122 Westmanland
Union 122 Woodland
Washington Academy
Westbrook School Department
Yarmouth School Department
York School Department

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

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

PROGRAM:	**PARTICIPATING LOCAL DISTRICT RETIREMENT PROGRAM**
Employers:	**PLDs (Active and Withdrawn)**
Reporting Entities:	**(as follows)**

Androscoggin County
Androscoggin County Jail
Androscoggin Valley Council of Government
Aroostook County
Ashland, Town of
Auburn Housing Authority
Auburn Lewiston Airport
Auburn Public Library
Auburn Water And Sewer District
Auburn, City of
Auburn School Support
Augusta, City of
Augusta School Support
Baileyville, Town of
Baileyville School Support
Bangor Housing Authority
Bangor Public Library
Bangor Water District
Bangor, City of
Bangor School Support
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
Brownville, Town of
Brunswick & Topsham Water District
Brunswick Fire & 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
Cape Elizabeth, Town of
Cape Elizabeth School Support
Caribou Fire & Police
Carrabassett Valley, Town of
Castine, Town of
Chesterville, Town of
Cheverus High School
China, Town of
Coastal Counties Workforce
Community School District #912
Community School District #903
Community School District #918
Corinna Sewer District
Cumberland County
Cumberland, Town of
Dexter, Town of
Dover-Foxcroft Water District
Dover-Foxcroft, Town of
Durham, Town of
E. Millinocket School Support

PARTICIPATING EMPLOYERS, DETAILED LISTING

(continued)

CONSOLIDATE PLAN FOR PLDs *(continued)*

Eagle Lake Water & Sewer District
East Millinocket
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
Fort Fairfield Housing Authority
Fort Fairfield Utilities District
Fort Fairfield, Town of
Fort Kent, Town of
Franklin County
Frenchville, Town of
Fryeburg Academy
Fryeburg, Town of
Gardiner Water District
Gardiner, City of
Glenburn, Town of
Gorham Fire and Police
Gorham, Town of
Gorham School Support
Gould Academy
Greater Augusta Utility District
Greenville, Town of
Greenville School Support
Hallowell Water District
Hallowell, City of
Hampden Water District
Hampden, Town of
Hancock County
Harpswell, Town of
Harrison, Town of
Hermon School Support
Hermon, Town of
Hodgdon, Town of
Houlton Water Company
Houlton, Town of
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
Knox County
Lebanon, Town of
Lewiston Auburn 911
Lewiston Housing Authority
Lewiston, City of
Lewiston-Auburn Water Pollution Control Authority
Lewiston School Support
Limestone Water & Sewer District
Limestone, Town of
Lincoln Academy
Lincoln County
Lincoln County Sheriffs
Lincoln Sanitary District
Lincoln Water District
Lincoln, Town of
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 District
Lubec, Town of
M.A.D.S.E.C.
Madawaska Water District
Madawaska, Town of
Madawaska School Support
Maine International Trade Center
Maine Maritime Academy
Maine Municipal Assocation
Maine Municipal Bond Bank
Maine Principals' Association
Maine Public Employees Retirement System
Maine School Management Association
Maine State Employees Association
Maine State Housing Authority
Maine Turnpike Authority
Maine Veterans Home
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
Milford, Town of
Millinocket, Town of
Millinocket School Support
Milo Water District
Milo, Town of
Monson, Town of
Mount Desert Island Regional School Support
Mount Desert Water District
MSAD #1 Presque Isle
MSAD #9 Farmington
MSAD #13 Bingham
MSAD #17 South Paris
MSAD #29 Houlton
MSAD #31 Howland
MSAD #36 Livermore Falls
MSAD #40 Waldoboro
MSAD #41 Milo
MSAD #49 Fairfield
MSAD #51 Cumberland
MSAD #52 Turner
MSAD #53 Pittsfield

PARTICIPATING EMPLOYERS, DETAILED LISTING

(continued)

CONSOLIDATE PLAN FOR PLDs *(continued)*

MSAD #54 Skowhegan
MSAD #60 Berwick
MSAD #67 Lincoln
MSAD #68 Dover-Foxcroft
MSAD #74 North Anson
Mt. Desert School Support
Mt. Desert, Town of
New Gloucester, Town of
Newport Water District
North Berwick Water District
North Berwick, Town of
Norway Water District
Norway, Town of
Old Orchard Beach, Town of
Old Town Housing Authority
Old Town Water District
Old Town, City 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 Resvervation Housing Authority
Portland Housing Authority
Portland Public Library
Portland, City of
Portland School Support
Presque Isle Sewer District
Presque Isle Water District
Presque Isle, City of
Princeton School Support
Region 4 So. Penobscot
Region 8 Cooperative Board for Vocational Education
Regional School Unit #1
Regional School Unit #2 School Support
Regional School Unit #4
Regional School Unit #5 School Support
Regional School Unit #10
Regional School Unit #12
Regional School Unit #13
Regional School Unit #16 School Support
Regional School Unit #20
Regional School Unit #21
Regional School Unit #23 School Support
Regional School Unit #24 School Support
Regional School Unit #25
Regional School Unit #26
Regional School Unit #34
Regional School Unit #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
Town of Brownville
Town of Corrinna
Town of Damariscotta
Town of Fayette
Town of Freeport
Town of Grand Isle
Town of Holden
Town of Levant
Town of Monmouth
Town of Newport
Town of Ogunquit
Town of Orland
Town of Poland
Town of Princeton
Town of West Bath
Town of Windham
Tri-Community Recycle/Sanitary Landfill
Two Bridges Regional Jail
Van Buren Housing Authority
Van Buren, Town of
Vassalboro, Town of
Veazie Fire & Police
Waldo County
Waldo County Jail
Waldo County Technical Center
Waldoboro, Town of
Washburn Water and Sewer District
Washburn, Town of
Washington County
Waterville Fire & Police
Waterville Sewer District
Wells, Town of
Westbrook Fire & Police
Westbrook, City of

PARTICIPATING EMPLOYERS, DETAILED LISTING

(continued)

CONSOLIDATE PLAN FOR PLDs *(continued)*

Westbrook School Support
Western Maine Community Action
Wilton, Town of
Winslow, Town of
Winter Harbor Utility District
Winterport Water & Sewer Districts
Winthrop Utilities District
Winthrop, Town of
Winthrop School Support
Wiscasset, Town of
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)**
Reporting Entities:	**Participating Local Districts (as follows)**

Bingham Water District
Bridgton, 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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