

# MainePERS

Maine Public Employees Retirement System



2012

Comprehensive Annual Financial Report  
For the Fiscal Year Ended  
June 30, 2012



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, 2012

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.



Public Pension Coordinating Council

**Recognition Award for Funding  
2012**

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, 2012

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# INTRODUCTORY SECTION





Sandra J. Matheson, *Executive Director*

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

#### BOARD OF TRUSTEES

Peter M. Leslie, *Chair*  
 Benedetto Viola, *Vice Chair*  
 George A. Burgoyne  
 Brian H. Noyes  
 Bruce L. Poliquin, *State Treasurer, ex-officio*  
 Richard T. Metivier  
 Catherine R. Sullivan  
 Kenneth L. Williams

## LETTER OF TRANSMITTAL

December 28, 2012

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, 2012. 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, 2012. 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. In fiscal years 2008 and 2009 the investment markets were negative, adversely affecting the funding ratio for those years. Fiscal years 2010 and 2011 experienced strong investment returns and the funding ratio improved. Low but positive returns in fiscal year 2012, combined with increased deductions for benefits, contributed to a modest decrease in the funding ratio to 76.9 percent. The actuarial funded ratio of this plan at June 30, 2011 was 77.4 percent and 65.9 percent at June 30, 2010.

The funded ratio of the Judicial Program at June 30, 2011 was 103.0 percent. Changes in plan design, combined with low but positive returns in fiscal year 2012 contributed to an increase in the funding ratio to 107.3 percent as of June 30, 2012.

The funded ratio of the Legislative Program at June 30, 2011 was 157.9 percent. As of June 30, 2012 the funded ratio was 149.3 percent.

The funded ratio of the Participating Local Districts (PLDs) Program including consolidated and withdrawn PLDs was 93.5 percent at June 30, 2011 and 88.8 percent at June 30, 2012. Information regarding overall funding progress appears in the MD&A beginning 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 57 participating employers with 817 participants at June 30, 2012. 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 combined defined benefit programs and the group life insurance program each had a return of 0.6% for fiscal year 2012. Total value of the portfolio decreased to \$10.6 billion at June 30, 2012 from \$10.8 billion at June 30, 2011. This decrease in the total value of the portfolio is due, in part, to weaker returns in the market over the prior year.

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.

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. We are pleased to report that the new system is now operational. In October of 2011, all member, employer, and retiree data from the legacy systems was converted to the new pension benefits system and legacy systems have since been retired. As part of this phase of the project, an Employer Self-Service portal was opened to employers which enabled all employers to submit payroll reports and other forms electronically, some for the first time.

A future 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

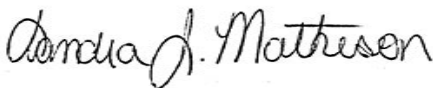
Once again, we are pleased to inform you that for the eighth consecutive year, the System was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (GFOA). In order to be awarded a Certificate of Achievement, a governmental unit must 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 2012 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. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Management believes that the existing internal controls accomplish these objectives. 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 293 municipalities and other public entities, called "participating local districts" (PLDs) that have chosen to provide retirement plans to their employees through MainePERS. The System is also responsible for the payment of retirement and survivors' benefits to former governors and their surviving spouses and to judges who retired prior to the establishment of the Judicial Retirement Program in 1984. In addition, the System administers a Group Life Insurance Program that provides or makes available life insurance benefits for active and retired System members and for the employees of a few PLDs for whom MainePERS administers only the Group Life Insurance Program. The System also administers defined contribution plans for some PLD employees.

#### Board of Trustees

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

The MainePERS Trustees serve as Trustees of the State and Teacher, Judicial and Legislative Retirement Programs as well as for the PLD Consolidated Program and the Retiree Health Insurance Post-Employment Benefits Investment Trust.

The Board contracts for the services of an actuary to prepare annual valuations of the assets and liabilities of each of the retirement programs administered by the System. The actuary also provides information and recommendations as to sound and appropriate actuarial assumptions, which are utilized, together with valuation information, to determine the programs' funding requirements. The System's actuary in fiscal years 2011 and 2012 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. Effective January 1, 2012, the Board has engaged Strategic Investment Solutions, Inc. 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

## Appendix A to Letter of Transmittal

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 2012 is 16 years, requiring full payment of the UAL by the end of FY 2028.

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

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

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

### Financial Reporting

Beginning in fiscal year 2008, the System began drawing the funds formerly provided by the State of Maine to support its operating expenses directly from the trust funds. In the past, the State, as employer, contributed a certain amount for the System's administrative costs. Total operating expenses for staff and all other costs of operations, with the exception of certain investment related expenses required by law to be paid directly from investments, are allocated among the System's three employer/employee groups (i.e. State employees (including for this purpose judges and legislators), teachers, and PLDs). The System's administrative budget 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 continues to focus 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, 2012**

**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
George A. Burgoyne	Retired MainePERS recipient member, nominated by retired State employees and Participating Local District retirees, appointed by the Governor
Richard T. Metivier	MainePERS Participating Local District member, appointed by the Maine Municipal Association and the Governor
Brian H. Noyes	Public member, Governor's direct appointee
Bruce L. Poliquin	State Treasurer, Ex-officio member
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**

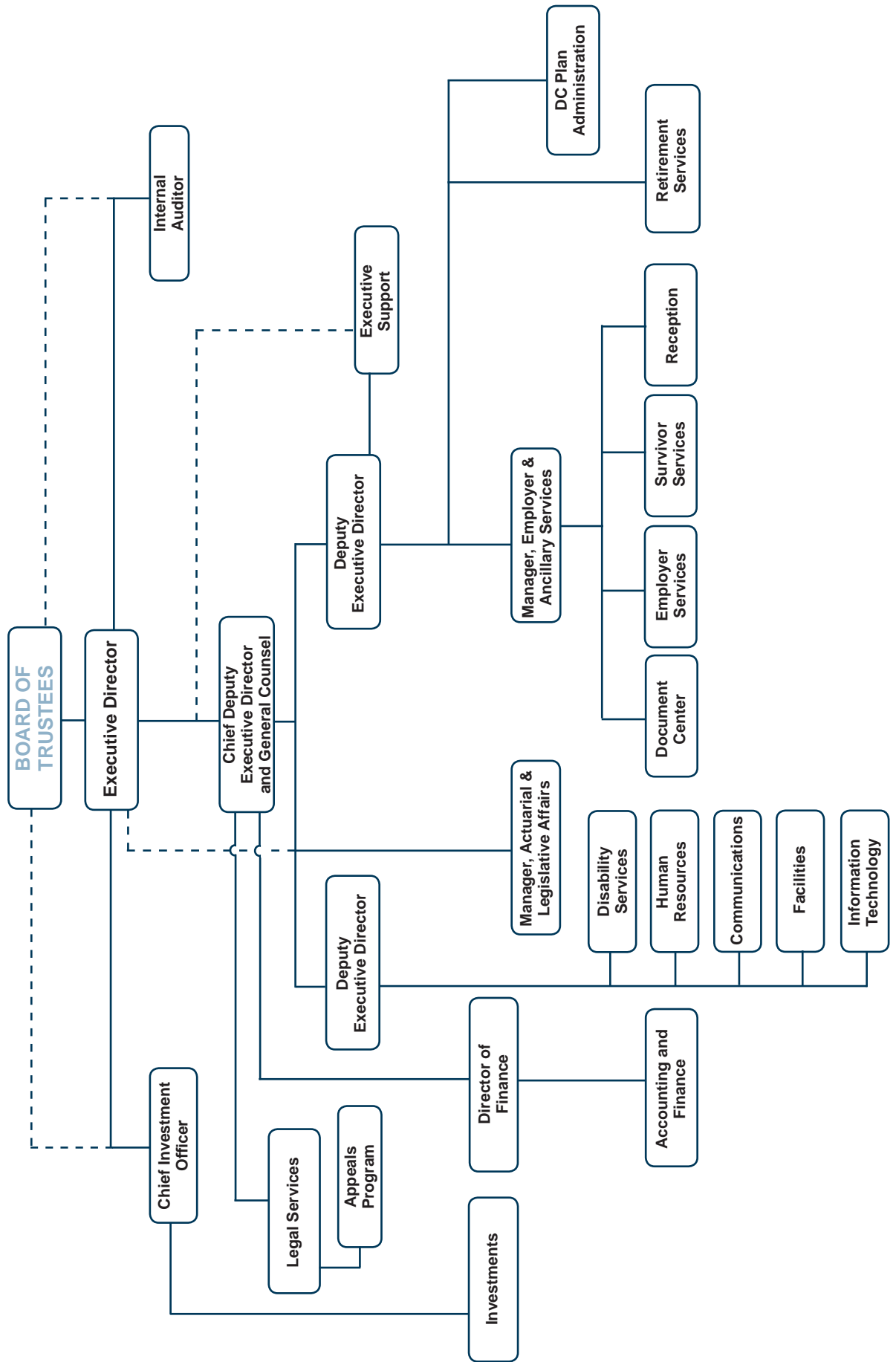
Sandra J. Matheson	Executive Director
John C. Milazzo	General Counsel and Chief Deputy Executive Director
Andrew H. Sawyer, CFA, CAIA	Chief Investment Officer
Rebecca A. Grant	Deputy Executive Director
Sherry Tripp Vandrell	Director of Finance
Marlene McMullen-Pelsor	Manager, Payrolls Administration,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

**PRINCIPAL PROFESSIONAL CONSULTANTS**

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

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

Organizational Chart by Function



## 2012 Legislative Update

### LEGISLATION ENACTED IN THE SECOND REGULAR SESSION OF THE 125<sup>TH</sup> LEGISLATURE

#### **An Act to Clarify Health Insurance Benefits for Disabled Participants in the Maine Public Employees Retirement System**

PL 2011, c. 540 [L.D. 1651]  
Effective Date: March 20, 2012

This bill excludes disability retirees who subsequently change to service retirement from the impact of recent health insurance changes.

#### **An Act to Allow Forfeiture of Maine Public Employees Retirement System Benefits for Persons Convicted of Certain Crimes**

PL 2011, c. 606 [L.D. 1831]  
Effective Date: August 30, 2012

This bill provides for the forfeiture of benefits of a public employee who is convicted of certain types of crimes. It gives the court discretion to order the forfeiture of retirement benefits of a member of MainePERS who commits a crime in connection with the member's public office or public employment, or a crime the member's position placed the member in a position to commit.

#### **An Act to Implement the Recommendations of the Office of Program Evaluation and Government Accountability and the Government Oversight Committee Regarding Quasi-independent State Entities**

PL 2011, c. 616 [L.D. 1843]  
Effective Date: August 30, 2012

This bill implements the recommendations of the Office of Program Evaluation and Government Accountability (OPEGA) to require quasi-independent state agencies to adopt and implement policies and procedures for certain business practices, such as procurement.

#### **An Act to Make Additional Supplemental Appropriations and Allocations and to Change Certain Provisions of the Law for the Fiscal Years Ending June 30, 2012 and June 20, 2013**

PL 2011, c. 655 [L.D. 1902]  
Effective Date: April 24, 2012

This bill is a State Supplemental budget for fiscal years 2012 and 2013. It includes an appropriation to subsidize the purchase of military service credit for one MainePERS member from the list of those who have made a request under the applicable statutory provision.

#### **An Act To Make Supplemental Appropriations and Allocations for the Expenditures of State Government and to Change Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Year Ending June 30, 2013**

PL 2011, c. 657 [L.D. 1746]  
Effective Date: May 16, 2012

This bill is the State's supplemental budget for fiscal years 2012 and 2013. It includes two sections that pertain to MainePERS. The first enables Charter Schools to elect to include employees in a MainePERS-administered defined benefit plan. The second further directs MainePERS on the implementation of a new pension plan for State employees and teachers hired after June 30, 2015.

*continued on next page*



## 2012 Legislative Update *(continued)*

### **An Act to Amend the Laws Governing Freedom of Access**

PL 2011, c. 662 [L.D. 1465]  
Effective Date: August 30, 2012

This bill makes several changes and clarifications to the Freedom of Access Act.

### **An Act to Create the Leased Reserve Fund and to Amend the Law Regarding the Issuance of Securities under the Maine Governmental Facilities Authority and to Provide for the Transfer of Certain Land**

PL 2011, c. 689 [L.D. 1904]  
Effective Date: August 30, 2012

This bill addresses a number of property issues for the State. It also authorizes the Commissioner of Administrative and Financial Services to negotiate and effect the purchase of current MainePERS properties.

### **An Act to Provide Tax Relief for Maine's Citizens by Reducing Income Taxes**

PL 2011, c. 692 [L.D. 849]  
Effective Date: August 30, 2012

This bill amends tax law. It also reduces from twenty percent to thirteen percent the portion of any general fund surplus that is allocated to the retirement allowance fund.

### **An Act to Restructure the National Board Certification Program for Teachers**

PL 2011, c. 702 [L.D. 1781]  
Effective Date: August 30, 2012

This bill restructures the salary supplement incentive established for teachers who attain certification from the National Board for Professional Teaching Standards. It provides that, in fiscal year 2012-13, the salary supplement is \$2,500; in fiscal year 2013-14, the salary supplement is \$2,750; and in fiscal year 2014-15 and succeeding years, the salary supplement is \$3,000. This supplement continues to be added to the teacher's base salary and is considered earnable compensation.



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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, 2012 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 2011 financial statements and, in our report dated December 22, 2011, 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, 2012 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 19 through 26 and the historical pension information on pages 53 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Maine Public Employees Retirement System's basic financial statements. The accompanying schedules of investment expenses and administrative expenses and professional fees and the introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of investment expenses and administrative expenses and professional fees are fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Portland, Maine  
December 20, 2012

*Baker Newman & Noyes*  
Limited Liability Company

Baker Newman &amp; Noyes, LLC

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### June 30, 2012 Financial Report

#### Introduction

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

#### Financial Reporting Structure

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

The 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 five years. It also provides the percentage of the required to actual contributions for each year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012 Financial Report**  
(continued)

### Financial Highlights and Analysis

The Net Assets of the System decreased in fiscal year 2012 by \$284.8 million (2.6%) from the prior year's Net Asset balance. This decrease was due in part to a significant decrease in Net Income from Investment Activities during fiscal year 2012. For fiscal year 2012, Net Income from Investment Activities was \$56 million. By comparison, Net Income from Investment Activities during fiscal year 2011 was \$2,018.3 million. As of June 30, 2012, approximately 36% of the System's assets were invested in domestic common stocks, 23% in foreign common stocks, 29% in domestic bonds, 6% in real estate, 3% in opportunistic strategies, 2% in infrastructure, and 1% in private equity, either with direct holdings or through investment in common/collective trusts.

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.

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, 2012, 2011, and 2010:

#### Condensed Comparative Statements of Fiduciary Net Assets

*(Dollar Values Expressed in Millions)*

	June 30, 2012	June 30, 2011	June 30, 2010
Cash and Receivables	\$ 175.0	\$ 55.9	\$ 840.1
Investments at Fair Value	10,610.3	11,018.7	9,017.0
Securities Lending Collateral	812.2	279.7	381.5
Other Assets	10.9	10.9	10.8
<b>Total Assets</b>	<b>\$ 11,608.4</b>	<b>\$ 11,365.2</b>	<b>\$ 10,249.4</b>
Investment Purchases	\$ -	\$ -	\$ 612.4
Securities Lending Payable	-	-	381.5
Investment Management Fees Payable	3.8	2.6	2.8
Other Liabilities	837.7	310.9	26.7
<b>Total Liabilities</b>	<b>\$ 841.5</b>	<b>\$ 313.5</b>	<b>\$ 1,023.4</b>
<b>Net Assets Held in Trust for Benefits</b>	<b>\$ 10,766.9</b>	<b>\$ 11,051.7</b>	<b>\$ 9,226.0</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012 Financial Report**  
(continued)

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

	June 30, 2012	June 30, 2011	June 30, 2010
<b>ADDITIONS (SUBTRACTIONS):</b>			
Member Contributions	\$ 161.7	\$ 167.6	\$ 165.9
Employer Contributions	288.8	373.5	348.9
Net Investment and Other Income	56.0	2,018.3	961.6
<b>Total Additions (Subtractions)</b>	<b>\$ 506.5</b>	<b>\$ 2,559.4</b>	<b>\$ 1,476.4</b>
<b>DEDUCTIONS:</b>			
Benefits	\$ 735.4	\$ 689.8	\$ 659.4
Other	55.9	43.9	34.1
<b>Total Deductions</b>	<b>\$ 791.3</b>	<b>\$ 733.7</b>	<b>\$ 693.5</b>
<b>Net Increase (Decrease)</b>	<b>\$ (284.8)</b>	<b>\$ 1,825.7</b>	<b>\$ 782.9</b>
<b>Fiduciary Net Assets, Beginning of Year</b>	<b>\$ 11,051.7</b>	<b>\$ 9,226.0</b>	<b>\$ 8,443.1</b>
<b>Fiduciary Net Assets, End of Year</b>	<b>\$ 10,766.9</b>	<b>\$ 11,051.7</b>	<b>\$ 9,226.0</b>

### Assets

Investments at Fair Value decreased by \$408 million (3.7%). This decrease in Investments at Fair Value combined with increases of \$119 million in cash and receivables and \$533 million in securities lending collateral, contributed to an increase in total assets of \$243 million during fiscal year 2012. The System records the cash collateral it holds due to its securities lending activity as an asset and corresponding liability. Securities lending activity increased by \$533 million (190%) due to a favorable lending environment, higher utilization rates, and wider spreads. 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, 2012 was approximately \$75 million more than at June 30, 2011, due to the timing of an investment redemption by the System's investment managers.

Comparatively, investments at Fair Value increased in fiscal year 2011 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. 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 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012 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 was one outstanding trade for approximately \$75 million at June 30, 2012, due to the timing of an investment redemption by the System's investment managers. The System records the cash collateral it holds due to its securities lending activity as an asset and corresponding liability. On June 30, 2012, total loans outstanding in the securities lending program was \$534,164 with the balance of collateral invested in cash equivalents.

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. On June 30, 2011 and 2010, the total loans outstanding in the securities lending program was \$0 and \$320,719, respectively. The balance of collateral was invested in cash equivalents.

**Additions to Fiduciary Net Assets**

Additions to fiduciary net assets during fiscal year 2012 totaled \$507 million, a decrease of \$2,052 million from the additions of \$2,559 million to fiduciary net assets in fiscal year 2011. This was largely due to the fact that investment income net of fees and other deductions decreased by \$1,962 million. The decrease in investment income is primarily attributable to mixed market returns. Fixed income was up almost 9% and US equities rose nearly 4%, while international equities fell more than 14%.

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.

**Pension Contributions**

The State's contributions on behalf of State employees totaled \$87.3 million, \$106 million, and \$108.7 million for fiscal years 2012, 2011, and 2010, respectively. The State's contributions on behalf of teachers totaled \$146.6 million, \$196.7 million, and \$187.8 million, for fiscal years 2012, 2011, and 2010, respectively. Legislative changes to the state employees and teacher plans in 2011, including changes in normal retirement age for certain classes of employees and the freezing of COLA increases, reduced the employer contribution rates beginning in fiscal year 2012. The State's contribution on behalf of judges totaled \$810.7 thousand, \$987 thousand, and \$961 thousand, for fiscal years 2012, 2011, and 2010, respectively. Based on the funding methodology used and considering the funded status of the Maine Legislative Retirement Plan, no employer contribution on behalf of Legislative employees was required in fiscal years 2012, 2011 or 2010.

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 2012, there were no additional contributions due. This compares to \$5.9 million and \$11.2 million in additional contributions at June 30, 2011 and June 30, 2010, respectively. 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, 2012 Financial Report**  
 (continued)

The balance of employer contributions reported is 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 years 2012 and 2011 was 1.9% to 8.1%. In fiscal year 2010, 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 2012 was 2.4% to 12.1% across regular and special plans.

Member and employer data, contribution and benefit data for the 13 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.

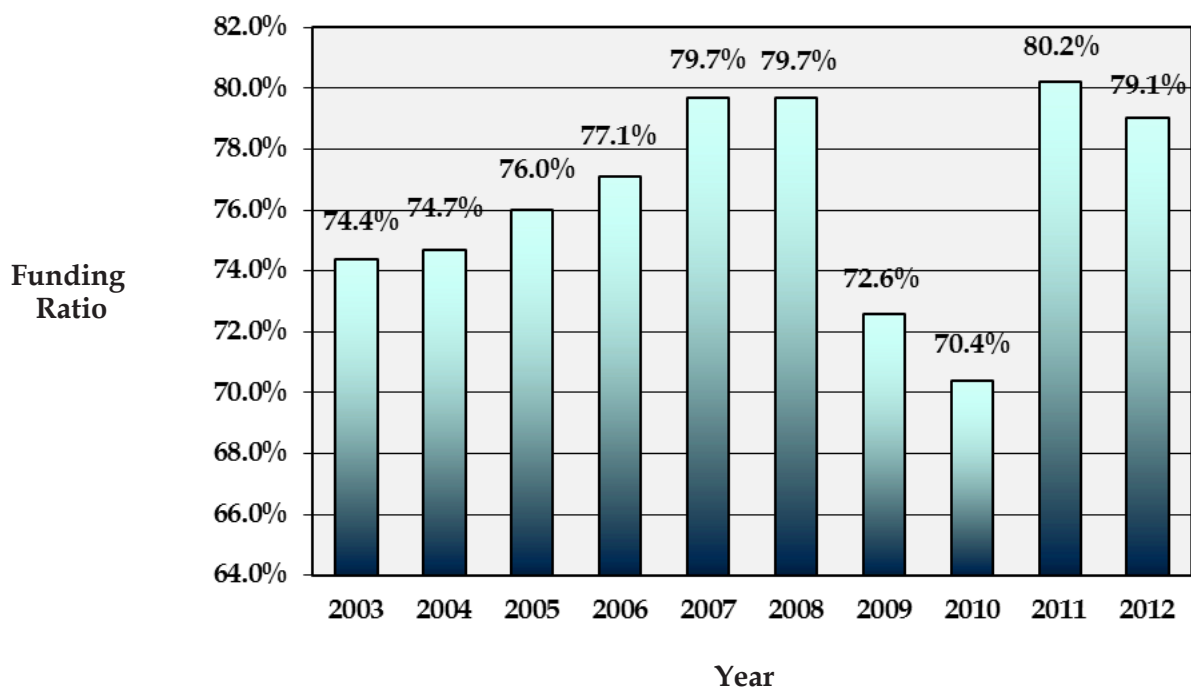
***Deductions from Fiduciary Net Assets***

Total deductions from fiduciary net assets during fiscal year 2012 increased by 7.9% (\$58 million). The fiscal year 2012 increase was due to the increased benefits paid and refunds and withdrawals of contributions. Benefit payments in fiscal year 2012 exceeded contributions by \$285 million. Contributions totaled \$450 million, and benefit payments totaled \$735 million.

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 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.

**System Funding Status**

**Funding Progress**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

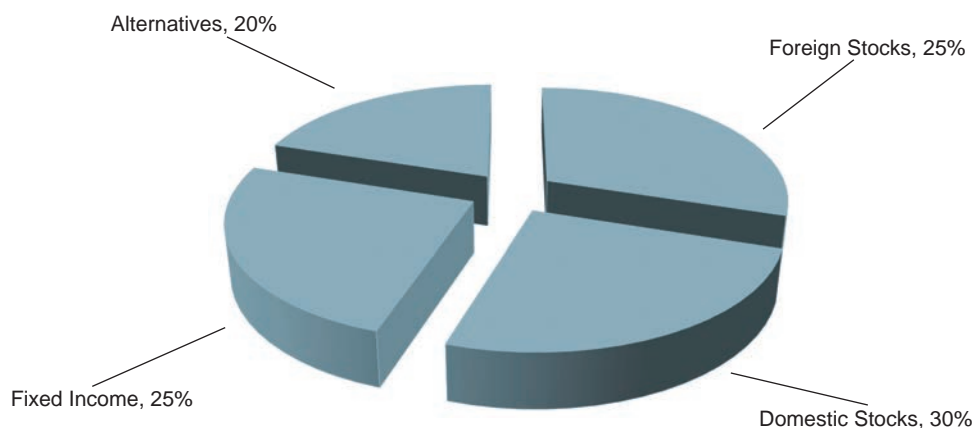
### June 30, 2012 Financial Report

(continued)

At June 30, 2012, the State/Teacher and PLD defined benefit plans were actuarially funded at 79.1%, a slight decrease from the actuarial funding level of 80.2% at June 30, 2011. As illustrated in the chart, the actuarial funded ratio of the System remained relatively flat in 2003 and 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. Modest investment returns combined with increased deductions from the Plan for benefits, contributed to the decrease in 2012.

### 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.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012 Financial Report**  
(continued)

Board's investment policy and their separate contractual arrangements. At June 30, 2012, total fair value of assets in these portfolios (together with the amounts otherwise managed) was \$10.6 billion. The total fair value of assets as of June 30, 2011 was \$11 billion. The investment return for the fiscal year ending June 30, 2012 was .6%. The investment return for the fiscal year ending June 30, 2011 was 22.4%. Investment returns in fiscal year 2012 were less than in fiscal year 2011 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, 2012, the average annual investment return was 1.5%, 6.3%, and 9.7%, respectively.

### System Membership

The following membership counts are derived from actuarial data:

	June 30		Percentage change
	2012	2011	
Current active participants:			
Vested and nonvested	50,394	49,620	1.6%
Terminated participants			
Vested	7,598	8,427	-9.8%
Retirees and beneficiaries receiving benefits	38,408	36,717	4.6%
<b>Total Membership</b>	<b>96,400</b>	<b>94,764</b>	<b>1.7%</b>

The number of State employees at June 30, 2012 in the Regular and Special plans was 12,943, a decrease of 321 from June 30, 2011. The number of Teachers at June 30, 2012 was 26,417, an increase of 922 from June 30, 2011. Membership for judges was 59, which was the same as the previous year. Membership for Legislators was 175, an increase of 2 from June 30, 2011. 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, 2012 was 10,800, an increase of 171 from June 30, 2011.

### Group Life Insurance Plan

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

<b>Group Life Insurance Plan Actuarial Data</b>			
<i>(Dollar Values Expressed in Millions)</i>			
	June 30		
	2012	2011	2010
Actuarial Value of Assets	\$66.4	\$63.6	\$50.8
Actuarial Liability	\$173.9	\$167.4	\$150.9
<b>Unfunded Actuarial Liability</b>	<b>\$107.5</b>	<b>\$103.8</b>	<b>\$100.1</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2012 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, 2012, the net assets held in trust for the Fund was \$139,897,196.

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

The Maine Public Employees Retirement System conducted an experience study for the Group Life Insurance Plan in 2012. 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 2012 experience study addressed economic assumptions as well as demographic assumptions for participants in the plan. Changes in economic and demographic assumptions resulting from the study were adopted by the System's trustees and are incorporated within the 2012 actuarial valuation. New premium rates established as a result of the study will be effective with premiums paid beginning in fiscal year 2014.

Legislation passed in 2011 froze regular COLAs for eligible retirees in the State Employee, Teacher, Judicial, and Legislative plans for a period of three years beginning in 2011. The same legislation provided for potential non-cumulative cost-of-living adjustments (COLAs) for those three years to be paid in 2012, 2013, and 2014 depending on the availability of budget surpluses in each prior fiscal year. The State of Maine closed its fiscal year 2012 with a budget surplus sufficient to cover the cost of the first of these payments and MainePERS distributed these funds to eligible retirees in September 2012.

**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, 2012**  
**With Summarized Information as of June 30, 2011**

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
Assets:			
Cash and cash equivalents (note 3)	\$ 53,404,814	\$ 7,738,151	\$ 24,686
Investments at fair value (notes 3 and 4):			
Debt securities:			
U.S. Government and government agencies	-	-	-
U.S. and foreign corporate	971,615	-	-
Common equity securities	3,635,545,839	-	-
Preferred equity securities	2,066,013	-	-
Common/collective trusts	6,001,958,960	68,092,940	16,433,850
Mutual funds	215,918,063	-	-
Partnerships	<u>535,373,982</u>	<u>-</u>	<u>-</u>
Total investments	10,391,834,472	68,092,940	16,433,850
Receivables:			
State and local agency contributions and premiums (notes 6 and 7)	27,452,884	558,553	63,778
Accrued interest and dividends	4,818,158	-	-
Due from brokers for securities sold	<u>74,941,690</u>	<u>-</u>	<u>-</u>
Total receivables	107,212,732	558,553	63,778
Collateral on loaned securities (note 5)	812,174,674	-	-
Capital assets, net of accumulated depreciation	<u>10,459,052</u>	<u>389,795</u>	<u>-</u>
Total assets	11,375,085,744	76,779,439	16,522,314
Liabilities:			
Accounts payable	5,683,880	31,208	-
Other liabilities	9,390,996	10,340,138	5,233
Accrued investment management fees	3,774,531	17,173	-
Obligations under securities lending activities (note 5)	<u>812,174,674</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>831,024,081</u>	<u>10,388,519</u>	<u>5,233</u>
Net assets held in trust for benefits	<u>\$ 10,544,061,663</u>	<u>\$66,390,920</u>	<u>\$16,517,081</u>

See accompanying notes.

**STATEMENT OF FIDUCIARY NET ASSETS**  
**June 30, 2012**  
**With Summarized Information as of June 30, 2011**  
*(continued)*

<u>Retiree Health Insurance Trust</u>	<u>2012 Total</u>	<u>2011 Summarized</u>
\$ -	\$ 61,167,651	\$ 32,552,568
-	-	4,510,987
-	971,615	99,174,191
-	3,635,545,839	3,861,463,105
-	2,066,013	2,099,181
133,983,847	6,220,469,597	6,537,497,413
-	215,918,063	205,098,546
<u>-</u>	<u>535,373,982</u>	<u>308,880,026</u>
133,983,847	10,610,345,109	11,018,723,449
6,000,000	34,075,215	18,180,717
-	4,818,158	4,997,262
<u>-</u>	<u>74,941,690</u>	<u>104,331</u>
6,000,000	113,835,063	23,282,310
-	812,174,674	279,673,679
<u>-</u>	<u>10,848,847</u>	<u>10,947,377</u>
139,983,847	11,608,371,344	11,365,179,383
-	5,715,088	6,053,782
68,643	19,805,010	25,166,338
18,008	3,809,712	2,592,763
<u>-</u>	<u>812,174,674</u>	<u>279,673,679</u>
<u>86,651</u>	<u>841,504,484</u>	<u>313,486,562</u>
<u>\$ 139,897,196</u>	<u>\$ 10,766,866,860</u>	<u>\$11,051,692,821</u>

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2012**  
**With Summarized Information for the Year Ended June 30, 2011**

	<u>Defined Benefit</u>	<u>Group Life Insurance</u>	<u>Defined Contribution</u>
Additions:			
Investment income:			
From investing activities:			
Net (decrease) increase in the fair value of plan investments	\$ (24,730,889)	\$ 497,213	\$ 383,098
Interest	3,888,125	482	411
Dividends	96,895,257	-	-
Less: investment expenses	<u>(24,201,167)</u>	<u>(30,343)</u>	<u>(64,869)</u>
Net income from investing activities	51,851,326	467,352	318,640
From securities lending activities:			
Securities lending income	1,709,229	-	-
Securities lending expenses:			
Borrower rebates refunded	1,171,414	-	-
Management fees	<u>(431,502)</u>	<u>-</u>	<u>-</u>
Total securities lending expenses	<u>739,912</u>	<u>-</u>	<u>-</u>
Net income from securities lending activities	<u>2,449,141</u>	<u>-</u>	<u>-</u>
Total net investment income	54,300,467	467,352	318,640
Contributions and premiums (notes 6 and 7):			
Members	154,299,064	4,504,407	2,888,874
State and local agencies	<u>275,748,880</u>	<u>7,005,992</u>	<u>43,434</u>
Total contributions	<u>430,047,944</u>	<u>11,510,399</u>	<u>2,932,308</u>
Total additions	484,348,411	11,977,751	3,250,948
Deductions:			
Benefits paid, net	727,214,247	8,197,040	-
Refunds and withdrawals	44,142,736	3,702	1,055,018
Claims processing expenses (note 7)	-	722,591	-
Administrative expenses	<u>9,599,102</u>	<u>313,362</u>	<u>45,964</u>
Total deductions	<u>780,956,085</u>	<u>9,236,695</u>	<u>1,100,982</u>
Net (decrease) increase	(296,607,674)	2,741,056	2,149,966
Net assets held in trust for benefits, beginning of year	<u>10,840,669,337</u>	<u>63,649,864</u>	<u>14,367,115</u>
Net assets held in trust for benefits, end of year	<u>\$ 10,544,061,663</u>	<u>\$66,390,920</u>	<u>\$16,517,081</u>

See accompanying notes.



**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**Year Ended June 30, 2012**  
**With Summarized Information for the Year Ended June 30, 2011**  
*(continued)*

<u>Retiree Health Insurance Trust</u>	<u>2012 Total</u>	<u>2011 Summarized</u>
\$ 1,000,818	\$ (22,849,760)	\$ 1,929,071,679
-	3,889,018	23,585,892
-	96,895,257	83,908,996
<u>(41,484)</u>	<u>(24,337,863)</u>	<u>(19,704,763)</u>
959,334	53,596,652	2,016,861,804
-	1,709,229	1,261,080
-	1,171,414	392,268
<u>-</u>	<u>(431,502)</u>	<u>(247,527)</u>
<u>-</u>	<u>739,912</u>	<u>144,741</u>
<u>-</u>	<u>2,449,141</u>	<u>1,405,821</u>
959,334	56,045,793	2,018,267,625
-	161,692,345	167,629,854
<u>6,000,000</u>	<u>288,798,306</u>	<u>373,486,414</u>
<u>6,000,000</u>	<u>450,490,651</u>	<u>541,116,268</u>
6,959,334	506,536,444	2,559,383,893
-	735,411,287	689,820,552
-	45,201,456	32,992,767
-	722,591	737,382
<u>68,643</u>	<u>10,027,071</u>	<u>10,104,255</u>
<u>68,643</u>	<u>791,362,405</u>	<u>733,654,956</u>
6,890,691	(284,825,961)	1,825,728,937
<u>133,006,505</u>	<u>11,051,692,821</u>	<u>9,225,963,884</u>
<u>\$ 139,897,196</u>	<u>\$ 10,766,866,860</u>	<u>\$11,051,692,821</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011**

**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 293 local municipalities and other public entities (participating local districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

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

*Defined Benefit Plan*

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

At June 30, the membership counts are as follows:

<u>System Membership</u>	<u>2012</u>	<u>2011</u>
Current participants:		
Vested and nonvested	50,394	49,620
Terminated participants:		
Vested	7,598	8,427
Retirees and beneficiaries receiving benefits	38,408	36,717
	<u>96,400</u>	<u>94,764</u>

*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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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, 2012, the Group Life Insurance participant counts are as follows:

	<u>Group Life Insurance Participants</u>					<u>Total</u>
	<u>State</u>	<u>Teachers</u>	<u>Judges</u>	<u>Legislators</u>	<u>PLD</u>	
Actives	11,876	13,595	60	-	5,573	31,104
Retirees	<u>8,245</u>	<u>6,134</u>	<u>51</u>	<u>10</u>	<u>2,590</u>	<u>17,030</u>
	<u>20,121</u>	<u>19,729</u>	<u>111</u>	<u>10</u>	<u>8,163</u>	<u>48,134</u>

Defined Contribution Plans

The Section 401(a), Section 457 and Section 403(b) Plans administered by the System's Board of Trustees are defined contribution plans. These plans are available as supplemental plans to the basic retirement benefits of employees of PLDs that elect to participate in the Defined Contribution Plans. Contributions may be made to the Plans by plan participants subject to plan and Internal Revenue Code limitations. At June 30, 2012, participation in the defined contribution plans was as follows:

	<u>401(a) Plan</u>	<u>457 Plan</u>	<u>403(b) Plan</u>
Employers	8	48	1
Participants	82	461	274

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

Retiree Health Insurance Trust Fund

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust as an irrevocable trust formed solely to hold and invest funds appropriated or otherwise provided to the Fund for the purpose of accumulating assets to provide funding to the State's unfunded liability obligations for retiree health benefits. The Trustees of the Maine Public Employees Retirement System were named Trustees of the Investment Trust Fund.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

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

*Comparative Summarized Information*

The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

*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 as well as contributions to the Retiree Health Insurance Trust 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.

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 is recognized when earned and investment expenses are recorded when incurred.

*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.

*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.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

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.

#### 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.

#### 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.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

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.

#### New Accounting Pronouncements

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This pronouncement is intended to codify all sources of Generally Accepted Accounting Principles for state and local governments so that they can be found in one source. This pronouncement will supersede Statement No. 20. It is effective for financial statements for periods beginning after December 15, 2011 and earlier application is encouraged. The System is evaluating the impact of this pronouncement but anticipates no changes in accounting or reporting applications will result from its adoption.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This pronouncement requires the presentation of certain elements of the Statement of Net Position as deferred inflows and outflows of resources in accordance with Concepts Statement No. 4, *Elements of Financial Statements* for transactions that result in the consumption or acquisition of net assets in one period that are applicable to future periods. This statement is effective for financial statements for periods beginning after December 15, 2011, and earlier application is encouraged. The System is evaluating this pronouncement and, at a minimum, anticipates the retitling of the Statement of Fiduciary Net Assets as the Statement of Net Position.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements, deferred outflows of resources and deferred inflows of resources, such as changes in determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this Statement are effective for financial statements for fiscal years beginning after December 15, 2012. The System is currently evaluating the impact, if any, this guidance will have on its financial statements.

In June 2012, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. This Statement requires changes to the content of pension plans' financial statements and footnotes, as well as required supplementary information. The content of the financial statements will be revised to incorporate the changes required in Statements 63 and 65. The footnotes will provide more information about investments. The required supplementary information will provide more detail about the changes in net pension liability and investment rates of return. In addition, the Statement prescribes certain methods of computing net pension liability. The Statement is effective for fiscal years beginning after June 15, 2013. The System is currently evaluating the impact, if any, this guidance will have on its financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

In June 2012, GASB issued Statement No. 68 (Statement 68), *Accounting and Financial Reporting for Pensions*. Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pension by State and Local Government Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. The provisions of this Statement are effective for financial statements for fiscal years beginning after June 15, 2014. The System is currently evaluating the impact, if any, this guidance will have on its financial statements.

### 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, 2012 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 Earnings Credit Rate (ECR) program. The JP Morgan ECR program is a managed rate set periodically by JP Morgan after considering a range of factors, including; market rate environment, deposit insurance fees, competitor pricing, and JP Morgan's demand for funds. Using the ECR program protects MainePERS from short-term volatility that could exist with an indexed rate. The earnings from the ECR program can be used to offset the custodian fees. The System's custodial credit risk exposure for cash and investments at June 30 is summarized in the table below:

	<u>2012</u>	<u>2011</u>
Exposed to Custodial Credit Risk (uninsured and uncollateralized)	\$ 368,590	\$ 413,531
Not Exposed to Custodial Credit Risk	<u>10,671,144,170</u>	<u>11,050,862,486</u>
Total Fair Value	\$ <u>10,671,512,760</u>	\$ <u>11,051,276,017</u>

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

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

	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$ 61,167,651	\$ 32,552,568
Investments	<u>10,610,345,109</u>	<u>11,018,723,449</u>
Total Fair Value	\$ <u>10,671,512,760</u>	\$ <u>11,051,276,017</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. The following table summarizes the System's fixed income portfolio credit ratings for the fiscal year ended June 30, 2012:

<u>Quality Rating</u>	
AAA	\$ 2,299,885,745
AA	93,546,459
A	348,139,512
BBB	304,034,035
BB	4,100,000
Not rated	<u>4,628,593</u>
 Total credit risk debt	 <u>\$ 3,054,334,344<sup>(1)</sup></u>

<sup>(1)</sup> 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 \$3,035,362,729; the amount included from mutual funds is \$18,000,000.

Individual investments that constitute 5% or more of total investments are as follows:

Pooled fixed income funds:	
Maine Custom Barclays Capital	\$3,031,994,268
Pooled equity funds:	
BGI ACWIEX - U.S. Superfund	2,384,875,301

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. 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



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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, 2012 using the segmented time distribution method.

<u>Investment Type</u>	<u>Maturities as of June 30, 2012</u>				
	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1 to 6 Years</u>	<u>6 to 10 Years</u>	<u>10+ Years</u>
Common Collective					
Trusts	\$ 3,031,994,268	\$19,223,802	\$ 1,835,979,650	\$582,121,116	\$594,669,700
Corporate bonds	971,615	-	971,615	-	-
Mutual Funds	18,000,000	8,300,000	5,600,000	4,100,000	-
Short Term Bills and Notes <sup>(1)</sup>	<u>3,368,461</u>	<u>3,368,461</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 3,054,334,344</u></b>	<b><u>\$30,892,263</u></b>	<b><u>\$ 1,842,551,265</u></b>	<b><u>\$586,221,116</u></b>	<b><u>\$594,669,700</u></b>

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

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, 2012 is highlighted in the table below:

<u>Currency</u>	<u>Cash</u>	<u>Equity</u>	<u>Total</u>
Canadian Dollar	\$ 870	\$ -	\$ 870
Swiss Franc	358,230	-	358,230
Euro	<u>9,489</u>	<u>54,025,311</u>	<u>54,034,800</u>
<b>Total</b>	<b><u>\$368,589</u></b>	<b><u>\$54,025,311</u></b>	<b><u>\$54,393,900</u></b>

The System has entered into contracts to invest up to approximately \$1.493 billion into common/collective trusts and partnerships with a focus on private equity, infrastructure, opportunistic and real estate investment strategies. As of June 30, 2012, approximately \$749 million has been invested; the remaining commitment is approximately \$744 million.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

#### 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. 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.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

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, 2012 and 2011, the carrying value of the System's CMO and Asset-Backed Securities holdings totaled \$0 and \$97,151,134, respectively.

The System's managers may also invest in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities. Long swap positions increase exposure to long term rates; short positions decrease exposure. Credit default swaps are used to manage credit exposure. Purchased credit default swaps decrease credit exposure, while written credit default swaps increase exposure. Total return swaps are a means to gain exposure to an index.

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

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

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

The following table details the System's derivative investments at June 30. All changes in fair value are reported in net increase (decrease) in fair value of Plan investments in 2012 and 2011.

	2012 Change at in Fair Value	Fair Value June 30, 2012 Classification	Amount	June 30, 2012 Notional Amount
Investment derivatives:				
Futures:				
Equity Index Futures Contracts	\$ <u>1,181,330</u>	Investments	\$ <u>1,455,150</u>	\$ <u>56,417,460</u>
<hr/>				
	2011 Change at in Fair Value	Fair Value June 30, 2011 Classification	Amount	June 30, 2011 Notional Amount
Investment derivatives:				
Futures:				
Equity Index Futures Contracts	\$ <u>538,089</u>	Investments	\$ <u>273,820</u>	\$ <u>32,545,655</u>

## 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 50 days and 79 days as of June 30, 2012 and 2011, respectively.

Cash collateral is invested in a short-term investment account, which had an interest sensitivity of 32 and 25 days as of June 30, 2012 and 2011, 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 2012 and 2011, 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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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, 2012 and 2011, all of the collateral for securities lending is subject to custodial credit risk.

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

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

Securities on loan by asset class:	<u>2012</u>	<u>2011</u>
Total securities on loan – all domestic equity	\$ <u>792,216,758</u>	\$ <u>274,391,924</u>
Securities lending collateral:		
Short-term investment collateral pool	\$ 811,640,510	\$ 279,673,679
Noncash collateral (debt and equity securities, at fair value)	<u>534,164</u>	<u>—</u>
Total collateral	\$ <u>812,174,674</u>	\$ <u>279,673,679</u>
Collateral ratio	<u>102.5%</u>	<u>101.9%</u>

## 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, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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, 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:

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2012	\$274.9	\$275.2	100.1%
2011	345.8	351.7	101.7
2010	330.3	341.5	103.4

Funded Status and Funding Progress

The funded status of the defined benefit plan, stated in millions of dollars, as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$14,011.6
Actuarial value of plan assets	<u>11,076.4</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,935.2</u>
Funded ratio (actuarial value of plan assets/AAL)	79.1%
Covered payroll (active plan members)	\$ 2,203.9
UAAL as a percentage of covered payroll	133.2%

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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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

Actuarial Methods and Assumptions

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

The actuarial method employed sets the actuarial value equal to the expected value plus one-third of the difference between the actual market value of assets and the expected value of assets. The expected value of assets takes the prior year's actuarial value of assets and adjusts it for contributions, benefit payments, and expected interest earnings at the assumed 7.25% 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, 2012 was 16 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, 2012 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.

*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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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% 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.

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 \$234.7 million and \$303.7 million for the years ended June 30, 2012 and 2011, respectively. There were no contributions due from the State of Maine on behalf of legislators in 2012 or 2011.

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 2012, there were no additional contributions due from the State of Maine. 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.

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



**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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 2012 and 2011 are as follows:

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

	<u>2012</u>	<u>2011</u>
State:		
Employees <sup>(1)</sup>	7.65 – 8.65%	7.65 – 8.65%
Employer <sup>(1)</sup>	23.47 – 39.22%	14.12 – 54.49%
Teachers:		
Employees	7.65%	7.65%
Employer	13.85%	17.28%
Participating local districts:		
Employees <sup>(1)</sup>	3.0 – 8.0%	3.0 – 8.0%
Employers <sup>(1)</sup>	2.4 – 10.2%	1.9 – 8.1%
Employer other <sup>(2)</sup>	2.4 – 12.1%	1.8 – 8.2%

<sup>(1)</sup> 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.

<sup>(2)</sup> "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.

<sup>(3)</sup> 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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

year to the greater of 40% of the initial amount or \$2,500. Eligible employment classes include retirees who were State employees, Teachers, and members of the Judiciary and the Legislature. Group Life Insurance benefits are also provided to the retired employees of PLDs in the Retirement Program and those that elect to participate only in the Group Life Insurance Plan. At June 30, 2012, the employees of the State of Maine, the Judiciary, the Legislature, as well as 152 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 \$.46 per \$1,000 of coverage per month during the post-employment retired period.

Annual Required Contribution

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

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage of Annual Cost Contributed</u>
2012	\$10,900,000	\$7,005,992	64.3%
2011	8,200,000	6,836,808	83.4
2010	7,900,000	6,825,209	86.4

Funded Status and Funding Progress

The funded status of the plan, stated in millions of dollars, as of June 30, 2012 was as follows:

Actuarial accrued liability (AAL)	\$173.9
Actuarial value of plan assets	<u>66.4</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>107.5</u>
Funded ratio (actuarial value of plan assets/AAL)	38.2%
Covered payroll (active plan members)	\$ 1,431.1
UAAL as a percentage of covered payroll	7.5%

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.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

The Schedules of Funding Progress, presented as Required Supplementary Information immediately following the Notes to Financial Statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

#### Actuarial Methods and Assumptions

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

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, 2012 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.

*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, 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.

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, 2012, there were 25 years (PLDs over 18 years) remaining in the amortization schedule.

## NOTES TO FINANCIAL STATEMENTS

### June 30, 2012 and 2011 *continued*

#### 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 \$6.7 million and \$6.6 million, respectively, for the years ended June 30, 2012 and 2011.

#### Benefits

Upon service retirement, basic life insurance only in an amount equal to the retiree's average final compensation will continue at no cost to the participant as long as the retiree participated in the group life insurance plan prior to retirement for a minimum of 10 years.

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

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

All benefits are processed and paid by a third-party administrator (TPA). The fees incurred for services performed by the TPA totaled \$722,591 and \$737,382 for the years ended June 30, 2012 and 2011, 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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

**9. Retiree Health Insurance Trust Fund**

The Maine State Legislature established the Retiree Health Insurance Post Employment Investment Trust as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the Fund for the purpose of accumulating assets to provide funding to the State's unfunded liability obligations for retiree health benefits. The Trustees of the Maine Public Employees Retirement System were named Trustees of the Investment Trust Fund. The effective date of the establishment of the Fund was July 1, 2007. The assets in the Investment Trust Fund are unrelated to and not available to pay benefits for any plan administered by the System. Additionally, the State of Maine is obligated to comply with reporting requirements under GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

**10. Statutory and Constitutional Requirements**

An amendment to the Maine constitution approved in November 1995 requires the State to fund the unfunded actuarial liabilities of the State Employee and Teacher Retirement Program existing on 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 4.4% of annual covered payroll for 2012, 3.5% of annual covered payroll for 2011 and 2.8% for 2010, and the employer contributions on behalf of its employees, equal to the required contribution, were \$248,525, \$173,299 and \$144,319 for 2012, 2011, and 2010, 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 2012, 2011, and 2010 fiscal years. The total premiums the System paid on behalf of its active employees, equal to the required contribution, were \$25,975, \$25,639 and \$27,424 for 2012, 2011, and 2010, respectively.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2012 and 2011** *continued*

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 \$109,482, \$400,776 and \$385,733 for 2012, 2011, and 2010, 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 \$6,888, \$6,732 and \$3,234 for 2012, 2011 and 2010, respectively. The other post employment benefits liability for the Plan is immaterial.

**12. Litigation**

The System is currently a defendant in a lawsuit filed in February 2012 by groups representing retired State and teacher employees alleging that certain legislation enacted by the Maine State Legislature which changed existing law by reducing cost of living adjustments for retirees was unconstitutional. The System believes the suit is without merit and is vigorously defending it. At this time, the System cannot predict the outcome of the litigation. If the suit is successful, the System's actuarial liabilities would increase which would require future State contributions to increase.

**13. Risk Management**

The system carries insurance to cover its exposure to various risks of loss. There were no uninsured losses during the last three years.

## REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION  
DEFINED BENEFIT PLANJune 30, 2012  
(UNAUDITED)SCHEDULE OF FUNDING PROGRESS*Dollars in Millions*

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
June 30, 2012	\$11,076.4	\$14,011.6	\$ 2,935.2	79.1%	\$ 2,203.9	133.2%
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

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS*Dollars in Millions*

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2012	\$ 274.9	\$ 275.2	100.1%
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

See notes to historical pension information.

See accompanying independent auditors' report.

## REQUIRED SUPPLEMENTAL SCHEDULE

SCHEDULE OF HISTORICAL PENSION INFORMATION  
GROUP LIFE INSURANCE PLANJune 30, 2012  
(UNAUDITED)SCHEDULE OF FUNDING PROGRESS*Dollars in Millions*

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL) Entry Age</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>((b-a)/c) UAAL as a Percentage of Covered Payroll</u>
June 30, 2012	\$ 66.4	\$173.9	\$107.5	38.2%	\$ 1,431.1	7.5%
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

SCHEDULE OF EMPLOYERS' CONTRIBUTIONS<sup>(1)</sup>

<u>Year Ended:</u>	<u>Annual Required Contribution</u>	<u>Annual Contribution</u>	<u>Percentage Contributed</u>
2012	\$10,900,000	\$7,005,992	64.3%
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

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

See notes to historical pension information.

See accompanying independent auditors' report.



## NOTES TO HISTORICAL PENSION INFORMATION

### June 30, 2012 - 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, 2012, 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.

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.

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 is amortized on a level percentage of payroll 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 2012, two PLDs made additional contributions totaling \$316,113 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, 2012 - UNAUDITED**

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2012 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.

*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, 2012, 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, 2012 - UNAUDITED**

Amortization

The unfunded actuarial accrued liability is being amortized as a level percentage of pay over a 30-year period on a closed basis. As of June 30, 2012, there were 25 years (PLDs over 18 years) remaining in the amortization schedule.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2012 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; Legislature and Judicial, 3.5% per year.

*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, 2012**

SCHEDULE OF INVESTMENT EXPENSES

For the Year Ended June 30, 2012

	Defined Benefit Pension <u>Plan</u>	Group Life Insurance <u>Plan</u>	Defined Contri- bution <u>Plans</u>	Retiree Health Insurance <u>Trust</u>	<u>Total</u>
Active equity:					
Grantham, Mayo, Van Oterloo (GMO)	\$ 2,363,445	\$ -	\$ -	\$ -	\$ 2,363,445
Consultants:					
Cliffwater - Private Equity	550,000	-	-	-	550,000
Hewitt Ennis Knupp - General	175,000	-	-	-	175,000
Hewitt Ennis Knupp - Infrastructure	104,000	-	-	-	104,000
Hewitt Ennis Knupp - Cliffwater Infrastructure	18,500	-	-	-	18,500
ORG - Real Estate	285,532	-	-	-	285,532
Strategic Investment Solutions - General	225,000	-	-	-	225,000
Infrastructure:					
Alinda Infrastructure	619,230	-	-	-	619,230
ArcLight V	1,804,657	-	-	-	1,804,657
Carlyle Infrastructure	735,707	-	-	-	735,707
Cube Infrastructure	521,292	-	-	-	521,292
First Reserve Energy Infrastructure	540,325	-	-	-	540,325
GIP II	203,125	-	-	-	203,125
Global Infrastructure	1,412,449	-	-	-	1,412,449
KKR Infrastructure	119,780	-	-	-	119,780
MainePERS - Cliffwater Secondary Account	367,394	-	-	-	367,394
Passive equity - domestic:					
Blackrock Extended Equity	-	3,026	-	5,968	8,994
Blackrock DJ Total Stock Market	1,820,411	-	-	-	1,820,411
Passive equity - foreign:					
Blackrock ACWIEX_US	736,075	4,519	-	8,755	749,349
Passive fixed income:					
Blackrock Custom Fixed Income	296,532	-	-	-	296,532
Blackrock US Debt Index Fund B	-	9,147	-	20,239	29,386

**SUPPLEMENTARY INFORMATION**  
**June 30, 2012** *(continued)*

SCHEDULE OF INVESTMENT EXPENSES *(continued)*

For the Year Ended June 30, 2012

	Defined Benefit Pension <u>Plan</u>	Group Life Insurance <u>Plan</u>	Defined Contri- bution Plans	Retiree Health Insurance <u>Trust</u>	<u>Total</u>
Private equity:					
ABRY ASF II	\$ 314,056	\$ -	\$ -	\$ -	\$ 314,056
ABRY Partners	185,431	-	-	-	185,431
Berkshire VIII	156,319	-	-	-	156,319
Blackstone Capital Partners VI	376,589	-	-	-	376,589
Carlyle Asia Partners	225,000	-	-	-	225,000
Encap Energy VIII	336,729	-	-	-	336,729
GTCR X	275,591	-	-	-	275,591
Hellman & Friedman PE	347,486	-	-	-	347,486
HIG Bayside	531,250	-	-	-	531,250
HIG Buyouts II	391,667	-	-	-	391,667
Oaktree	397,643	-	-	-	397,643
Summit GE VIII	29,688	-	-	-	29,688
Summit VC III	312	-	-	-	312
Real estate:					
Blackrock (Index RESI)	84,273	-	-	-	84,273
Blackrock Granite	183,999	-	-	-	183,999
Blackrock US Real Estate Securities Fund B	-	3,141	-	6,522	9,663
BREP VII	950,000	-	-	-	950,000
H/2 Credit Partners	584,796	-	-	-	584,796
JP Morgan	1,414,911	-	-	-	1,414,911
Principal	610,332	-	-	-	610,332
Prima Advisors	208,959	-	-	-	208,959
Prudential	874,193	-	-	-	874,193
Opportunistic strategies:					
Metwest Talf	244,165	-	-	-	244,165
Pacific Investment Management (PIMCO)	103,919	-	-	-	103,919
Other investment expenses	748,202	-	64,869	-	813,071
In-house investment management	<u>1,727,203</u>	<u>10,510</u>	<u>-</u>	<u>-</u>	<u>1,737,713</u>
Total investment expenses	<u>\$24,201,167</u>	<u>\$30,343</u>	<u>\$64,869</u>	<u>\$41,484</u>	<u>\$24,337,863</u>

## SUPPLEMENTARY INFORMATION

June 30, 2012 (continued)

## SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended June 30, 2012

	Defined Benefit Pension Plan	Group Life Insurance Plan	Defined Contri- bution Plans	Retiree Health Insurance Trust	Total
Personal services	\$5,629,312	\$183,769	\$26,955	\$40,254	\$ 5,880,290
Professional services	1,296,434	42,322	6,208	9,271	1,354,235
Communications	465,795	15,206	2,230	3,331	486,562
Computer support and system development 778,563		745,333	24,331	3,569	5,330
Office rent and building operations	438,949	14,329	2,102	3,139	458,519
Miscellaneous:					
Computer maintenance and supplies	276,968	9,042	1,326	1,981	289,317
Depreciation	336,543	10,986	1,611	2,407	351,547
Office equipment and supplies	50,996	1,665	244	365	53,270
Professional development	76,554	2,499	367	547	79,967
Medical records and exams	34,564	1,128	166	247	36,105
Miscellaneous operating expenses	<u>247,654</u>	<u>8,085</u>	<u>1,186</u>	<u>1,771</u>	<u>258,696</u>
Total miscellaneous	<u>1,023,279</u>	<u>33,405</u>	<u>4,900</u>	<u>7,318</u>	<u>1,068,902</u>
Total administrative expenses	<u>\$9,599,102</u>	<u>\$313,362</u>	<u>\$45,964</u>	<u>\$68,643</u>	<u>\$10,027,071</u>

## SCHEDULE OF PROFESSIONAL FEES

For the Year Ended June 30, 2012

Professional services:	
Actuarial services	\$ 441,739
Legal services	231,829
Medical consulting	128,618
Other services	<u>552,049</u>
Total professional services	<u>\$1,354,235</u>

# INVESTMENT SECTION



## STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, STE. 2000  
SAN FRANCISCO, CALIFORNIA 94104

TEL 415/362-3484 ■ FAX 415/362-2752

December 14, 2012

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 Strategic Investment Solutions 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.

Sincerely,  
Strategic Investment Solutions



Pete Keliuotis, CFA



## INVESTMENT ACTIVITY

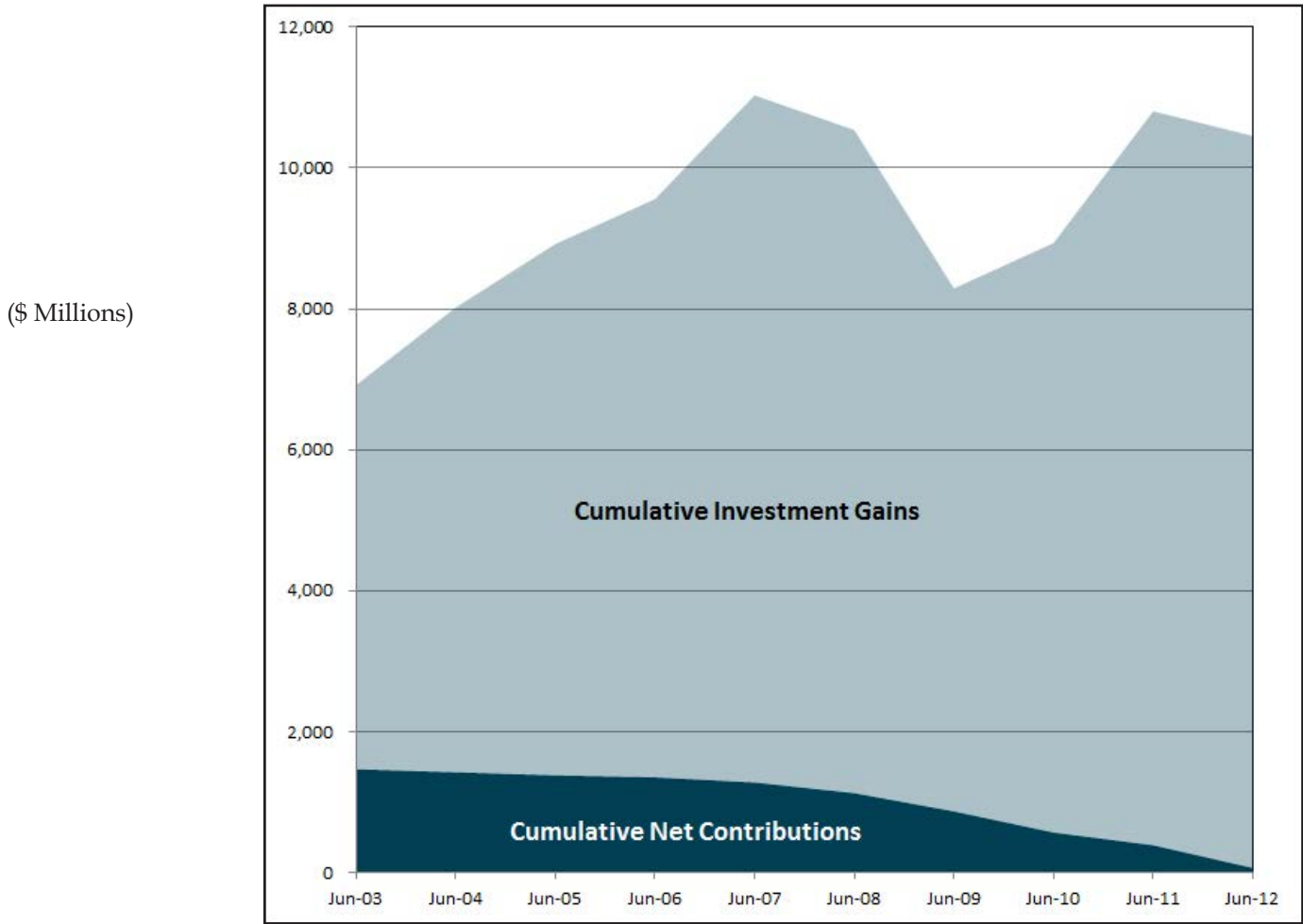
The table and graph below summarize portfolio activity for the ten years ended June 30, 2012. During this period, assets grew by \$3.9 billion from \$6.6 billion to \$10.5 billion. Substantially all of this increase is attributable to net investment gains. In the year ended June 30, 2012, benefit payments exceeded contributions, and this is expected to continue in the future.

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

## SUMMARY OF INVESTMENT ACTIVITY

<u>FY Ended June 30</u>	<u>Opening Market Value (\$ millions)</u>	<u>Closing Market Value (\$ millions)</u>	<u>Rate of Return</u>
2012	\$10,739	\$10,470	0.6%
2011	\$8,934	\$10,739	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%
Annualized 10-year period			6.3%
Cumulative 10-year period			84.6%

SUMMARY OF INVESTMENT ACTIVITY *(continued)*



INVESTMENT PORTFOLIO

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

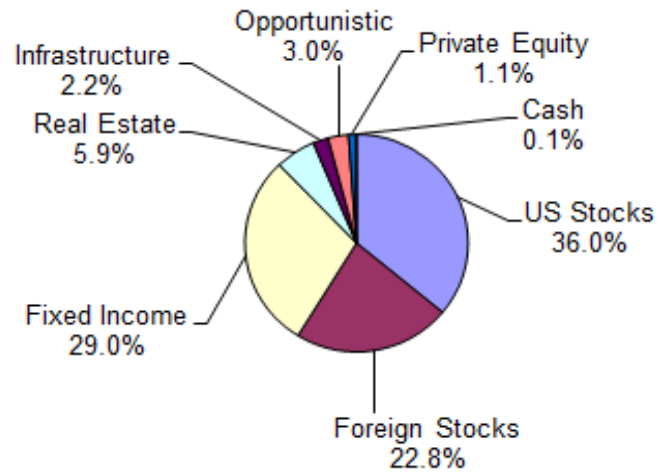
The System invests essentially all of the plan assets in seven major asset classes: publicly traded domestic stocks, publicly traded foreign stocks, cash and cash-like securities, publicly traded domestic bonds, infrastructure, private equity, and real estate. MainePERS may use derivative positions to emulate these asset classes. The table and pie charts on the following page display the actual allocations at June 30, 2012. 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.

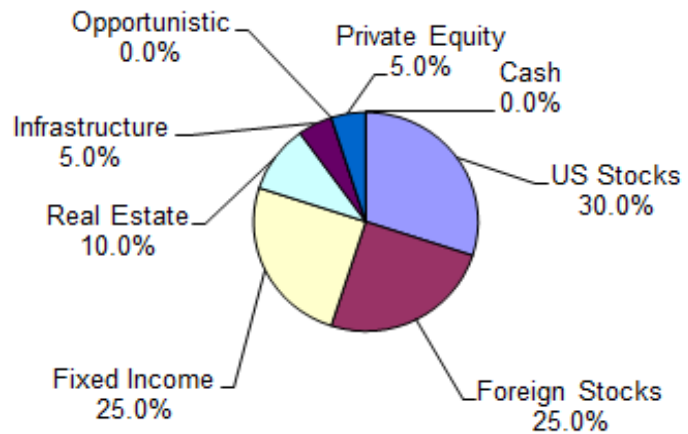
STRATEGIC ASSET ALLOCATION

	<u>US Stocks</u>	<u>Foreign Stocks</u>	<u>Fixed Income</u>	<u>Real Estate</u>	<u>Infrastructure</u>	<u>Opportunistic</u>	<u>Private Equity</u>	<u>Cash</u>	<u>Total</u>
Actual Allocation	36.0%	22.8%	29.0%	5.9%	2.2%	3.0%	1.1%	0.1%	100.0%
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, 2012



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 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 89% of assets were invested in passively managed index funds and separate accounts at June 30, 2012. 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, 2011, approximately 91% 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 conducted 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 06/30/2012		at 06/30/2011	
	millions of dollars	% of assets	millions of dollars	% of assets
<b>Passive Equity</b>				
BlackRock (Domestic)	\$ 3,763	36%	\$ 3,893	36%
BlackRock (International)	2,385	23%	2,783	26%
<b>Total Passive Equity</b>	<b>\$ 6,148</b>	<b>59%</b>	<b>\$ 6,676</b>	<b>62%</b>
<b>Passive Fixed Income</b>				
BlackRock Custom Index Fund	\$ 3,032	29%	\$ 2,907	27%
<b>Total Passive Fixed Income</b>	<b>\$ 3,032</b>	<b>29%</b>	<b>\$ 2,907</b>	<b>27%</b>
<b>Real Estate</b>				
BlackRock RESI Fund	\$ 104	1%	\$ 92	1%
BlackRock Granite Fund	25	0%	37	0%
Blackstone RE Partners	17	0%	-	0%
H/2 Credit Partners	81	1%	-	0%
JP Morgan Strategic Property Fund	147	1%	131	1%
Principal US Property Fund	69	1%	61	1%
Prima Advisors Mortgage Fund	80	1%	40	0%
Prudential PRISA Fund	104	1%	92	1%
<b>Total Real Estate</b>	<b>\$ 627</b>	<b>6%</b>	<b>\$ 453</b>	<b>4%</b>
<b>Infrastructure</b>				
Alinda Infrastructure Fund II	\$ 31	0%	\$ 19	0%
ArcLight Energy Partners	4	0%	-	0%
Carlyle Infrastructure Fund	32	0%	25	0%
Cube Infrastructure Fund	39	0%	34	0%
First Reserve Energy	8	0%	-	0%
Global Infrastructure Partners Fund	76	1%	73	1%
Global Infrastructure Partners Fund II	19	0%	-	0%
KKR Infrastructure	24	0%	-	0%
<b>Total Infrastructure</b>	<b>\$ 233</b>	<b>2%</b>	<b>\$ 151</b>	<b>1%</b>
<b>Opportunistic Strategies</b>				
Grantham, Mayo, Van Oterloo	\$ 270	3%	\$ 255	2%
Metropolitan West TALF	36	0%	48	0%
Pacific Investment Management Company	3	0%	110	1%
	<b>\$ 309</b>	<b>3%</b>	<b>\$ 412</b>	<b>4%</b>
<b>Private Equity</b>				
ABRY Advanced Securities Fund II	\$ 8	0%	\$ 2	0%
ABRY VII	2	0%	-	0%
Berkshire VIII	1	0%	-	0%
Blackstone Cap VI	3	0%	-	0%
Carlyle Asia Partners Fund III	7	0%	8	0%
EnCap Energy Capital Fund VIII	11	0%	2	0%
EnCap Energy Capital Fund VIII Co-Invest	3	0%	-	0%
GTCR	10	0%	-	0%
Hellman & Friedman	6	0%	-	0%
HIG Bayside Loan Opportunity Fund II	7	0%	4	0%
HIG Buyouts	1	0%	-	0%
Oaktree Opportunity Fund VIII	34	0%	25	0%
Summit III	-	0%	-	0%
Summit GE VIII	1	0%	-	0%
MainePERS Secondary Fund	21	0%	18	0%
<b>Total Private Equity</b>	<b>\$ 115</b>	<b>1%</b>	<b>\$ 58</b>	<b>1%</b>
<b>Cash</b>				
Liquidity Account	6	0%	81	1%
<b>Total Cash</b>	<b>\$ 6</b>	<b>0%</b>	<b>\$ 81</b>	<b>1%</b>
<b>Total Assets</b>	<b>\$ 10,470</b>	<b>100%</b>	<b>\$ 10,739</b>	<b>100%</b>

LARGEST HOLDINGS  
at June 30, 2012

Top 10 Direct Common Stock Holdings	Market Value	% of Assets
Apple	\$ 131,951,880	1.26%
Exxon Mobil	97,588,392	0.93%
Microsoft	55,755,567	0.53%
General Electric	54,100,048	0.52%
IBM	52,501,300	0.50%
AT&T	50,959,495	0.49%
Chevron	50,730,308	0.49%
Johnson & Johnson	45,063,331	0.43%
Pfizer	42,046,852	0.40%
Procter & Gamble	41,039,889	0.39%

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, 2012. 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, 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 6.3%. MainePERS experienced eight years of positive returns and two 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 6.3%, 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, 2012, the return on the System's actual total portfolio approximated the return on its total performance benchmark. Positive relative performance in five of the ten years was offset by negative performance in five of the ten years. In terms of asset classes, negative relative performance in domestic and international equities over the ten years was offset by positive or equal relative 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 Year Ended June 30	TOTAL FUND			DOMESTIC EQUITY			FOREIGN EQUITY		
	Actual Return	Benchmark <sup>(5)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(6)</sup> Return	Excess <sup>(1)</sup> Return	Actual Return	Benchmark <sup>(7)</sup> Return	Excess <sup>(1)</sup> Return
2012	0.6%	1.4%	-0.8%	3.8%	4.0%	-0.2%	-14.3%	-14.2%	-0.2%
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%
2001	-7.9%	-7.8%	-0.1%	-14.8%	-15.3%	0.6%	-24.0%	-24.1%	0.1%
3 years ending 2012	11.0%	11.3%	-0.3%	17.7%	16.9%	0.7%	6.9%	7.4%	-0.5%
5 years ending 2012	1.5%	1.7%	-0.3%	-0.4%	0.6%	-1.0%	-5.1%	-4.2%	-1.0%
10 years ending 2012	6.3%	6.3%	0.0%	5.4%	6.1%	-0.7%	6.3%	7.0%	-0.7%

## 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





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 professionals. Examples of expenses 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 professionals. 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 \$0.61 million of management fees in 2012 was approximately 0.95% of the average assets managed by Principal.

The increase of expenses in 2012 can be attributed to continued funding of the Alternatives Programs and adding internal investment professionals.

<u>Total for FY ended June 30</u>	<u>\$ Millions</u>	<u>% of Total Assets</u>
2012	24.3	0.23%
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%

INVESTMENT MANAGEMENT EXPENSES

<u>Detail for year ended 6/30/2012</u>	<u>\$ Expense</u>	<u>% of Assets</u>
<b>Investment management fees</b>	24,337,863	0.23%
<b>Passive Equity</b>		
BlackRock (Domestic)	1,820,411	0.04%
BlackRock (International)	736,075	0.03%
<b>Passive Fixed Income</b>		
BlackRock Custom Index Fund	296,532	0.01%
<b>Real Estate</b>		
BlackRock Granite Fund	183,999	0.50%
BlackRock RESI Fund	84,273	0.09%
Blackstone Real Estate	950,000	1.50%
H/2 Credit Partners	584,796	0.75%
JP Morgan Strategic Property Fund	1,414,911	1.00%
Prima Advisors Mortgage Fund	208,959	0.35%
Principal US Property Fund	610,332	0.95%
Prudential PRISA Fund	874,193	0.90%
<b>Infrastructure</b>		
Alinda Infrastructure Fund II	619,230	1.75%
ArcLight V	1,804,657	1.50%
Carlyle Infrastructure	735,707	1.50%
Cube Infrastructure Fund	521,292	1.25%
First Reserve Energy	540,325	1.48%
Global Infrastructure Partners I	1,412,449	2.00%
Global Infrastructure Partners II	203,125	1.63%
KKR Infrastructure	119,780	1.00%
<b>Private Equity</b>		
ABRY Advanced Securities Fund II	314,056	2.00%
ABRY VII	185,431	2.00%
Berkshire VIII	156,319	2.00%
Blackstone Capital Partners Fund	376,589	1.26%
Carlyle Asia Partners Fund III	225,000	1.50%
EnCap Energy Capital Fund VIII	336,729	1.50%
GTCR	275,591	1.50%
Hellman & Friedman	347,486	1.50%
HIG Bayside Loan Opportunity Fund II	531,250	2.00%
HIG Buyouts	391,667	2.00%
Oaktree Opportunity Fund VIII	397,643	1.30%
Summit GE	29,688	1.43%
Summit VC	312	1.43%
MainePERS Secondary Fund	367,394	1.50%
<b>Opportunistic Strategies</b>		
Grantham, Mayo, Van Oterloo	2,363,445	0.90%
Metropolitan West TALF	244,165	0.62%
Pacific Investment Management Company	103,919	0.25%
<b>Consultants</b>		
Cliffwater - Private Equity	550,000	
Cliffwater - Infrastructure	18,500	
Hewitt Ennis Knupp - General	175,000	
Hewitt Ennis Knupp - Infrastructure	104,000	
ORG - Real Estate	285,532	
Strategic Investment Solutions - General	225,000	
<b>Other</b>		
Other Investment Expenses	748,202	
In House Expenses	1,727,203	
DC Investment Expenses	64,869	
Retiree Health Insurance Trust Expenses	41,484	
Group Life Insurance Expenses	30,343	

BROKERAGE COMMISSIONS  
Year Ended June 30, 2012

Broker	Commissions (\$)	Amount Traded (\$ Millions)	Cost of Trade (%)	Total Shares (Millions)	Commissions (Cents per Share)
Morgan Stanley	\$ 51,154	\$ 253.8	0.020%	9.4	0.018
Nomura Securities	27,851	122.8	0.023%	3.3	0.012
UBS	25,207	237.7	0.011%	2.4	0.009
Merrill Lynch	12,238	66.3	0.018%	3.7	0.031
JP Morgan	4,986	14	0.035%	0.7	0.013
Jefferies & Company	3,614	3.6	0.100%	0.4	0.010
Credit Suisse	3,498	37.6	0.009%	1.6	0.045
Goldman Sachs	2,303	6.9	0.033%	0.5	0.020
Deutsche Bank	917	3.8	0.024%	0.4	0.047
Pershing	500	0.7	0.074%	0.0	0.006
Other	1,886	54	0.004%	0.4	0.023
<b>Total</b>	<b>\$134,155</b>	<b>\$801.2</b>	<b>0.017%</b>	<b>22.8</b>	<b>0.017</b>

Commissions reported above are those paid directly by MainePERS. The table does not include other transaction costs 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. In addition some of the System's managers employ placement agents to market their funds. MainePERS does not pay placement agent fees and requires managers that do use placement agents to disclose the identity of said parties and the method and amount of payment.

## 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

<b>FY Ended June 30</b>	<b>Opening Fair Market Value</b>	<b>Closing Fair Market Value</b>	<b>Actual Return</b>	<b>Benchmark Return</b>	<b>Performance</b>	
2012	66.4	68.1	0.6%	0.5%	0.1%	
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%	
			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, 2012, 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





November 20, 2012

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, 2012. 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.

*Page 1 of 2*



**Reliance on Others**

In preparing our report, we relied on information (some oral and some written) supplied by the Maine Public Employees Retirement System. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice #23.

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**

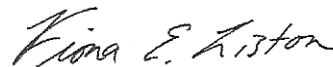
We believe that the State's pension plans are adequately and appropriately financed, in that the contributions are determined and funded on a level cost as a percentage of payroll basis using reasonable actuarial methods and assumptions.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

Sincerely,  
Cheiron



Gene Kalwarski, FSA, EA  
Principal Consulting Actuary



Fiona E. Liston, FSA, EA  
Principal Consulting Actuary

**SECTION I  
DEMOGRAPHIC INFORMATION**

<b>Schedule of Active Member Valuation Data</b>				
Valuation Date June 30,	Number of Active Members	Annual Salaries of Active Members*	Average Annual Pay	Percentage Increase in Average Pay
<b>State Employee and Teacher Program</b>				
2012	39,360	\$ 1,718,449,172	\$ 43,660	2.97%
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%
<b>Consolidated Plan for Participating Local Districts</b>				
2012	10,772	\$ 474,828,262	\$ 44,080	7.55%
2011	10,614	435,012,940	40,985	6.99%
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%
<b>Withdrawn Participating Local Districts</b>				
2012	28	\$ 1,415,305	\$ 50,547	0.38%
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%
<b>Judicial Retirement System</b>				
2012	59	\$ 6,790,274	\$ 115,089	0.00%
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%
<b>Legislative Retirement Program*</b>				
2012	175	\$ 2,424,480	\$ 13,854	0.04%
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%

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



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

<b>Schedule of Benefit Recipients Valuation Data</b>					
Valuation Date June 30,	Total Number of Benefit Recipients at Year End	Annual Payments to Benefit Recipients	Average Annual Benefit	Percentage Increase in Average Benefit	
<b>State Employee and Teacher Program</b>					
2012	30,485	\$ 614,303,923	\$ 20,151	2.32%	
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%	
<b>Consolidated Plan for Participating Local Districts</b>					
2012	7,520	\$ 110,230,682	\$ 14,658	5.77%	
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%	
<b>Withdrawn Participating Local Districts</b>					
2012	199	\$ 2,631,584	\$ 13,224	6.95%	
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%	
<b>Judicial Retirement Program</b>					
2012	63	\$ 3,129,136	\$ 49,669	(0.64%)	
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%	
<b>Legislative Retirement Program</b>					
2012	141	\$ 264,716	\$ 1,877	1.19%	
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%	

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

<b>Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls</b>							
Year Ended June 30,	<u>Added to Rolls</u>		<u>Removed from Rolls</u>		<u>On Rolls at Year End</u>		
	No.	Annual Allowance	No.	Annual Allowance	No.	Annual Allowance	
<b>State Employee and Teacher Program</b>							
2012	2,402	\$ 58,170,235	817	\$ 13,008,150	30,485	\$ 614,303,923	
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	
<b>Participating Local Districts (Consolidated and non-Consolidated Plans)</b>							
2012	425	\$ 10,710,058	316	\$ 3,014,263	7,719	\$ 112,862,266	
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	
<b>Judicial Retirement Program</b>							
2012	3	\$ 142,235	2	\$ 112,433	63	\$ 3,129,136	
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	
<b>Legislative Retirement Program</b>							
2012	2	\$ 9,025	6	\$ 13,289	141	\$ 264,716	
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	

SECTION II  
ACCOUNTING INFORMATION

		ACCOUNTING STATEMENT INFORMATION as of June 30, 2012			
		State Employee & Teacher Program	Consolidated Plan for PLD & Withdrawn	Judicial Retirement Program	Legislative Retirement Program
<b>A. FASB ASC Topic 960</b>					
1. Present Value of Benefits Accrued and Vested to Date					
a.	Members Currently Receiving Payments	\$ 6,208,801,279	\$ 1,222,093,662	\$ 24,713,894	\$ 2,182,433
b.	Vested Terminated and Inactive Members	448,058,912	67,902,714	17,916	1,713,543
c.	Active Members	<u>3,882,165,084</u>	<u>861,068,523</u>	<u>20,082,565</u>	<u>2,285,461</u>
d.	Total PVAB	\$ 10,539,025,275	\$ 2,151,064,899	\$ 44,814,375	\$ 6,181,437
2. Assets at Market Value		<u>8,453,862,754</u>	<u>2,033,951,477</u>	<u>47,344,407</u>	<u>8,874,321</u>
3. Unfunded Present Value of Accrued Benefits, But Not Less Than Zero					
		\$ 2,085,162,521	\$ 117,113,422	\$ 0	\$ 0
4. Ratio of Assets to Value of Benefits (2) / (1)(d)		80%	95%	106%	144%
<b>B. GASB No. 25 Basis</b>					
1. Actuarial Liabilities					
a.	Members Currently Receiving Payments	\$ 6,208,801,279	\$ 1,222,093,662	\$ 24,713,894	\$ 2,182,433
b.	Vested Deferred and Inactive Status Members	448,058,912	67,902,714	17,916	1,713,543
c.	Active Members	<u>4,896,446,090</u>	<u>1,115,711,864</u>	<u>21,608,868</u>	<u>2,347,663</u>
d.	Total	\$ 11,553,306,281	\$ 2,405,708,240	\$ 46,340,678	\$ 6,243,639
2. Actuarial Value of Assets		<u>8,880,730,120</u>	<u>2,136,653,347</u>	<u>49,735,004</u>	<u>9,322,419</u>
3. Unfunded Actuarial Liability		\$ 2,672,576,161	\$ 269,054,893	\$ (3,394,326)	\$ (3,078,780)
4. Ratio of Actuarial Value of Assets to Actuarial Liability (2) / (1)(d)		77%	89%	107%	149%

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

<b>STATEMENT OF CHANGES IN Total Actuarial Present Value of All Accrued Benefits</b>					
	<b>State Employee &amp; Teacher Program</b>	<b>Consolidated Plan for PLD &amp; Withdrawn</b>	<b>Judicial Retirement Program</b>	<b>Legislative Retirement Program</b>	
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	
Increase (Decrease) During Years Attributable to:					
Passage of Time	726,263,161	141,894,856	3,158,752	421,179	
Benefits Paid - FY 2012	(633,350,369)	(134,368,131)	(3,171,846)	(279,701)	
Plan Amendment	0	0	0	0	
Assumption Change	0	0	0	0	
Benefits Accrued, Other Gains/Losses	112,014,389	119,183,679	(327,442)	90,750	
Net Increase (Decrease)	\$ 204,927,181	\$ 126,710,404	\$ (340,536)	\$ 232,228	
Actuarial Present Value of Accrued Benefits as of June 30, 2012	\$ 10,539,025,275	\$ 2,151,064,899	\$ 44,814,375	\$ 6,181,437	

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

**NOTES TO TREND DATA**

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

	<b>State Employee &amp; Teacher Program</b>	<b>Consolidated Plan for PLD</b>	<b>Judicial Retirement Program</b>	<b>Legislative Retirement Program</b>
Valuation date	June 30, 2012	June 30, 2012	June 30, 2012	June 30, 2012
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	16 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% - 13.50%	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, 2012**

	State Employee & Teacher Program	Consolidated Plan for PLD	Judicial Retirement Program	Legislative Retirement Program
<b>Type of Activity</b>				
Investment Income	\$ (220,050,211)	\$ (40,834,984)	\$ (1,255,201)	\$ (221,747)
Combined Liability Experience	57,603,161	(45,091,413)	2,127,639	633,285
Gain (or Loss) During Year from Financial Experience	\$ (162,447,050)	\$ (85,926,397)	\$ 872,438	\$ 411,538
Non-Recurring Items	15,629,192	4,567,558	1,031,107	(529,987)
Composite Gain (or Loss) During Year	\$ (146,817,858)	\$ (81,358,839)	\$ 1,903,544	\$ (118,449)

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	(1) (2)	(3) (2)
<b>State Employee and Teacher Program</b>						
2012	\$ 2,271,164,594	\$ 6,656,860,191	\$ 2,625,281,496	\$ 8,880,730,120	100%	99%
2011	2,229,984,968	6,453,384,730	2,598,295,489	8,736,885,121	100%	100%
2010	2,117,903,830	6,856,828,427	3,642,411,748	8,313,459,810	100%	90%
2009	2,002,784,768	6,622,143,609	3,696,290,955	8,325,951,236	100%	95%
2008	1,898,148,565	6,209,005,616	3,560,878,330	8,631,557,629	100%	100%
2007	1,789,362,929	5,850,882,771	3,517,524,438	8,245,520,019	100%	100%
<b>Consolidated Plan for Participating Local Districts &amp; Withdrawn</b>						
2012	\$ 398,895,449	\$ 1,289,996,376	\$ 716,816,415	\$ 2,136,653,347	100%	100%
2011	379,478,840	1,202,315,483	685,780,199	2,119,465,931	100%	100%
2010	352,496,429	1,110,451,355	659,894,751	2,045,337,000	100%	100%
2009	324,627,396	1,065,541,546	642,568,466	2,083,711,056	100%	100%
2008	300,245,422	1,019,812,922	633,570,676	2,201,652,592	100%	100%
2007	276,537,426	966,459,013	636,689,069	2,134,633,222	100%	100%
<b>Judicial Retirement Program</b>						
2012	\$ 9,379,428	\$ 24,731,810	\$ 12,229,440	\$ 49,735,004	100%	100%
2011	9,028,737	24,690,578	14,148,981	49,324,784	100%	100%
2010	8,510,723	26,915,670	17,723,306	47,677,635	100%	100%
2009	7,980,202	25,570,008	16,993,110	48,478,344	100%	100%
2008	7,481,505	24,943,576	15,209,371	50,418,942	100%	100%
2007	6,941,423	21,133,577	18,767,351	48,225,053	100%	100%
<b>Legislative Retirement Program</b>						
2012	\$ 2,321,819	\$ 3,895,976	\$ 25,844	\$ 9,322,419	100%	100%
2011	2,228,233	4,002,993	(506,033)	9,040,180	100%	100%
2010	2,099,683	3,680,940	292,741	8,634,635	100%	100%
2009	2,005,895	3,636,651	(142,737)	8,717,885	100%	100%
2008	1,892,250	3,237,876	474,879	9,099,133	100%	100%
2007*	1,783,293	3,101,175	211,170	8,721,571	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**  
**SUMMARY OF PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS and METHODS**  
*(continued)*

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

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

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

Form of Payment: Life annuity.

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

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

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

Form of Payment: Life annuity.

*vi. 1998 Special Plan*

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

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

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

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

Benefit: For service prior to coverage in the 1998 Special Plan, 1/50 of average final compensation multiplied by years of service reduced for retirement before age 60 or 62, except 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.

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

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.

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

**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.

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

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:**

None.

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

**B. Actuarial Assumptions****1. Rate of Investment Return:**

State Employees	7.25%
Teachers	7.25%

Rate is net of both administrative and investment expense.

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

State Employee	2.55%
Teachers	2.55%

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

Service	State Employees	Teachers
0	10.50%	13.50%
5	6.00	6.25
10	4.50	5.00
15	3.95	4.50
20	3.70	3.70
25 and over	3.50	3.50

The above rates include a 3.50% across-the-board increase at each year of service.

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

Service	State Employees	Teachers
0	30.00%	37.00%
5	7.50	12.00
10	4.40	6.90
15	4.00	5.50
20	4.00	5.50
25	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.

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

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

Age	State Employees		Teachers	
	Male	Female	Male	Female
50	16	13	14	11
55	27	24	22	20
60	53	47	41	36
65	103	90	81	71
70	177	155	142	125
75	306	249	246	204
80	554	413	448	338
85	997	708	807	571
90	1,727	1,259	1,418	1,026
95	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.

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

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

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



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

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

Age	State Employees			Teachers		
	Tier 1	Tier 2	Tier 3	Tier 1	Tier 2	Tier 3
45	3	NA	NA	13	NA	NA
50	19	NA	NA	29	NA	NA
55	19	NA	NA	79	NA	NA
59	58	75	75	150	225	225
60	300	100	100	225	225	225
61	300	100	100	230	225	225
62	270	250	125	250	300	225
63	270	250	125	260	300	225
64	250	250	125	270	300	225
65	250	250	250	300	300	300
70	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 ten 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 five years of service by July 1, 2011.

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

Age	State Employees	Teachers
25	6.8	3.5
30	7.6	3.8
35	10.2	3.8
40	19.0	5.1
45	27.9	11.6
50	42.7	18.2
55	53.0	24.8
60	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.

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

**9. Family Composition Assumptions:**

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

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

For members who had ten years of service on July 1, 1993, credits for unused vacation and sick leave may be used to increase final average compensation and/or creditable service. In order to reflect this, projected retirement benefits are increased by 0.48% for state (regular) employees and 0.75% for teachers.

**11. Date of Adoption of Assumptions**

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

**12. Changes Since Last Valuation**

The State retirement assumption was lowered before NRA to reflect the closing of the retirement window for early retiree health coverage.

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

**C. Actuarial Methods**

**1. Funding Method:**

The Individual 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 each active member. 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. The UAL measured as of June 30, 2012 is amortized over a 16 year period. Net losses to the System are amortized over a 10 year period from the date when they are first measured.

**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.

**3. Changes Since Last Valuation:**

Effective with this 2012 valuation, moved from the new entrant version of the Entry Age Normal method to the Individual version.

**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.

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**  
*(continued)*

***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.

***Special Plan 1N***

This benefit plan is identical to Special Benefit Plan 1C, 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**  
*(continued)*

***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 2<sup>1</sup>/<sub>4</sub>% 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**  
*(continued)*

*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**  
*(continued)*

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

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

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

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

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

**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.



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

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

All service and disability retirement (and survivor) benefits payable to (or in relation to) benefit recipients who were employed by a PLD that elected a plan which provides for a COLA are adjusted each year that there is a percentage change in the Consumer Price Index, based on the Index. If the percentage change is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full value of the non-zero COLA.

Cost-of-living adjustments are effective September 1 and are applied to all benefits which have been in payment for six months. The maximum annual increase is 4%.

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

At retirement, a member must choose one of the following methods of payment.

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

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

Option 2: 100% joint and survivor annuity.

Option 3: 50% joint and survivor annuity.

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

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

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

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

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

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

**12. Changes in Plan Provisions:**

None

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

**B. Actuarial Assumptions**

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)\*:**

Age	Male	Female
50	16	13
55	27	24
60	53	47
65	103	90
70	177	155
75	306	249
80	554	413
85	997	708
90	1,727	1,259
95	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:**

None

**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 each active member. 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.

**3. Changes Since Last Valuation:**

Effective with this 2012 valuation, moved from the new entrant version of the Entry Age Normal method to the Individual version.

## 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 12 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:**

None

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

*(continued)*

**B. Actuarial Assumptions**

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.

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

Age	Disability	Termination	Death	
			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	.0027	.0024
60	.0053	.0047
65	.0103	.0090
70	.0177	.0155
75	.0306	.0249
80	.0554	.0413

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

**JUDICIAL 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:**

None

## JUDICIAL RETIREMENT PROGRAM

### SUMMARY OF PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS and METHODS

#### 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 each active employee. This rate is determined by taking the value, as of entry age 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 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 ten-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.

##### 3. Changes Since Last Valuation:

Effective with this 2012 valuation, moved from the new entrant version of the Entry Age Normal method to the Individual version.

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

*(continued)*

**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.



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

*(continued)*

Form of Payment: Life annuity.

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

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

Benefit: 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 12 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:**

None

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

*(continued)*

**B. Actuarial Assumptions**

- 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:**

Age	Disability	Termination	Death	
			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	.0027	.0024
60	.0053	.0047
65	.0103	.0090
70	.0177	.0155
75	.0306	.0249
80	.0554	.0413

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:**

None

## LEGISLATIVE RETIREMENT PROGRAM

### SUMMARY OF PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS and METHODS

*(continued)*

#### 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 each active employee. This rate is determined by taking the value, as of entry age 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 contributions required to meet the program's normal cost, contributions will be required to fund the program's unfunded actuarial liability. The actuarial liability is defined as the present value of future benefits, less the present value of future normal costs and future member contributions. The unfunded actuarial liability is the total actuarial liability less the actuarial value of plan assets.

The unfunded liability is amortized by annual payments over an open ten-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.

##### 3. Changes Since Last Valuation:

Effective with this 2012 valuation, moved from the new entrant version of the Entry Age Normal method to the Individual version.

# STATISTICAL SECTION



**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**  
**STATISTICAL SECTION**  
(unaudited)

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

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**Source:**

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

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Additions</b>										
Member contributions	154,299,064	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
Employer contributions	275,748,880	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
Other contributions	-	-	-	-	-	-	-	-	-	-
Investment income (net of expenses)	54,300,467	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
<b>Total additions to plan net assets</b>	<b>484,348,411</b>	<b>2,494,312,968</b>	<b>1,443,164,420</b>	<b>(1,501,474,263)</b>	<b>130,850,830</b>	<b>2,017,304,589</b>	<b>1,130,192,126</b>	<b>1,372,541,013</b>	<b>1,576,111,927</b>	<b>773,255,629</b>
<b>Deductions</b>										
Benefit payments	727,214,247	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
Refunds	44,142,736	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
Administrative expenses	9,599,102	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
<b>Total deductions from plan net</b>	<b>780,956,085</b>	<b>723,117,095</b>	<b>683,438,495</b>	<b>678,210,480</b>	<b>613,834,037</b>	<b>574,219,119</b>	<b>531,394,796</b>	<b>495,516,875</b>	<b>458,804,768</b>	<b>432,726,166</b>
<b>Change in net assets</b>	<b>\$(296,607,674)</b>	<b>\$1,771,195,873</b>	<b>\$759,725,925</b>	<b>\$(2,179,684,743)</b>	<b>\$(482,983,207)</b>	<b>\$1,443,085,470</b>	<b>\$598,797,330</b>	<b>\$877,024,138</b>	<b>\$1,117,307,159</b>	<b>\$340,529,463</b>

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Additions</b>										
Member contributions	4,504,407	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
Employer contributions	7,005,992	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
Other contributions	-	-	-	-	220,933	243,115	216,103	211,576	211,691	215,777
Investment income (net of expenses)	467,352	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
<b>Total additions to plan net assets</b>	<b>11,977,751</b>	<b>22,531,007</b>	<b>16,925,563</b>	<b>2,461,857</b>	<b>10,472,631</b>	<b>16,059,223</b>	<b>10,139,857</b>	<b>9,791,116</b>	<b>8,948,819</b>	<b>10,425,847</b>
<b>Deductions</b>										
Benefit payments	8,197,040	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
Refunds	3,702	18,145	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195
Administrative expenses	1,035,953	970,354	1,053,242	987,371	842,136	856,436	812,833	841,752	854,891	895,521
<b>Total deductions from plan net assets</b>	<b>9,236,695</b>	<b>9,652,578</b>	<b>9,634,243</b>	<b>10,986,230</b>	<b>9,073,556</b>	<b>8,906,935</b>	<b>8,416,777</b>	<b>8,074,081</b>	<b>7,978,547</b>	<b>8,012,932</b>
<b>Change in net assets</b>	<b>\$2,741,056</b>	<b>\$12,878,429</b>	<b>\$7,291,320</b>	<b>\$(8,524,373)</b>	<b>\$1,399,075</b>	<b>\$7,152,288</b>	<b>\$1,723,080</b>	<b>\$1,717,035</b>	<b>\$970,272</b>	<b>\$2,412,915</b>

**DEFINED CONTRIBUTION PLAN  
CHANGES IN NET ASSETS**

**LAST TEN FISCAL YEARS**

	Fiscal Year			
	2012	2011	2010	2008
<b>Additions</b>				
Member contributions	2,888,874	2,790,771	2,381,995	1,181,618
Employer contributions	43,434	47,377	53,956	153,334
Investment Income (net of expenses)	318,640	1,939,674	742,235	(1,173,821)
Total additions to plan net assets	3,250,948	4,777,822	3,178,186	947,001
<b>Deductions</b>				
Refunds	1,055,018	770,630	411,390	470,750
Administrative expenses	45,964	50,143	56,686	159,635
Total deductions from plan net assets	1,100,982	820,773	468,076	630,385
<b>Change in net assets</b>	<b>\$2,149,966</b>	<b>\$3,957,049</b>	<b>\$2,710,110</b>	<b>\$316,616</b>
				<b>586,597</b>

\*The System currently has this information available for the years indicated. Additional information will be added to the schedule each year until the requisite ten years is obtained.

**RETIREE HEALTH INVESTMENT TRUST  
CHANGES IN NET ASSETS  
LAST TEN FISCAL YEARS**

	Fiscal Year				
	2012	2011	2010	2009	2008
<b>Additions</b>					
Employer contributions	6,000,000	14,411,368	-	-	100,000,000
Investment income (net of expenses)	959,334	23,350,728	13,143,997	(16,084,427)	(1,609,855)
<b>Total additions to plan net assets</b>	<b>6,959,334</b>	<b>37,762,096</b>	<b>13,143,997</b>	<b>(16,084,427)</b>	<b>98,390,145</b>
<b>Deductions</b>					
Administrative expenses	68,643	64,510	56,754	55,695	28,347
<b>Total deductions from plan net assets</b>	<b>68,643</b>	<b>64,510</b>	<b>56,754</b>	<b>55,695</b>	<b>28,347</b>
<b>Change in net assets</b>	<b>\$6,890,691</b>	<b>\$37,697,586</b>	<b>\$13,087,243</b>	<b>\$(16,140,122)</b>	<b>\$98,361,798</b>

\*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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Type of Benefit</b>										
Service retirement benefits	\$ 670,876,190	\$ 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
Disability benefits	36,778,342	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
Pre-Retirement death benefits	19,559,715	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
<b>Total benefits</b>	<b>\$ 727,214,247</b>	<b>\$ 681,156,473</b>	<b>\$ 650,734,368</b>	<b>\$ 622,604,996</b>	<b>\$ 576,345,663</b>	<b>\$ 541,387,999</b>	<b>\$ 503,027,886</b>	<b>\$ 470,218,358</b>	<b>\$ 433,798,828</b>	<b>\$ 410,080,688</b>
<b>Type of Refund</b>										
Death	\$ 4,406,322	\$ 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
Separation	21,003,032	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
Other	18,733,381	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
<b>Total refunds</b>	<b>\$ 44,142,736</b>	<b>\$ 32,203,992</b>	<b>\$ 23,095,732</b>	<b>\$ 45,611,942</b>	<b>\$ 27,308,551</b>	<b>\$ 21,938,751</b>	<b>\$ 18,907,578</b>	<b>\$ 15,975,376</b>	<b>\$ 15,677,722</b>	<b>\$ 13,816,968</b>

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

**LAST TEN FISCAL YEARS**

Type of Benefit	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Basic active claims	\$ 2,579,586	\$ 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
Supplemental claims	549,000	972,344	1,242,024	1,520,346	1,471,000	1,505,000	1,280,000	846,410	1,612,705	731,000
Dependent claims	160,000	300,000	210,000	190,477	245,000	182,942	218,988	250,344	211,500	314,224
Accidental Death & Dismemberment claims	212,000	408,000	166,000	801,156	95,000	21,000	147,042	233,000	143,027	-
Basic retiree claims	4,600,319	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
	8,100,905	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
Conversion expense	96,135	181,545	162,533	130,260	84,825	151,613	203,044	93,085	35,900	67,900
Total benefits	\$ 8,197,040	\$ 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
<b>Type of Refund</b>										
Group Life Insurance premiums	3,702	18,145	25,819	32,291	20,511	30,157	32,002	17,279	19,535	17,195
Total refunds	\$ 3,702	\$ 18,145	\$ 25,819	\$ 32,291	\$ 20,511	\$ 30,157	\$ 32,002	\$ 17,279	\$ 19,535	\$ 17,195

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

### LAST TEN FISCAL YEARS

<b>Fiscal Year Ending June 30:</b>	<b>Service Retirees</b>	<b>Service Retiree Beneficiary Recipients</b>	<b>Disability Benefit Recipients</b>	<b>Pre-Retirement Death Benefits Recipients</b>	<b>Total Pension Benefit Recipients</b>
2012	28,218	6,541	1,538	2,179	38,476
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

**DEFINED BENEFIT PLAN - AVERAGE BENEFIT PAYMENTS**

**LAST TEN FISCAL YEARS**

**Retirement Effective Dates**  
**July 1, 2002 - June 30, 2012**

**Years of Creditable Service**

	<u>Less than 5</u>	<u>5-10</u>	<u>10-15</u>	<u>15-20</u>	<u>20-25</u>	<u>25-30</u>	<u>Greater than 30</u>
<b>Period 7/1/2002 to 6/30/2003</b>							
Average Monthly Benefit	121	306	468	791	1,312	1,515	2,170
Average Final Salary	16,083	18,912	17,361	21,472	26,137	30,469	33,730
Number of Active Retirants	379	968	2,935	2,397	3,473	5,417	5,366
<b>Period 7/1/2003 to 6/30/2004</b>							
Average Monthly Benefit	125	320	487	818	1,347	1,566	2,247
Average Final Salary	16,802	19,889	18,134	22,389	26,958	31,602	35,366
Number of Active Retirants	369	949	2,868	2,420	3,526	5,631	5,610
<b>Period 7/1/2004 to 6/30/2005</b>							
Average Monthly Benefit	132	329	511	855	1,408	1,634	2,343
Average Final Salary	17,769	20,676	18,974	23,337	28,063	32,716	36,905
Number of Active Retirants	375	957	2,827	2,442	3,607	5,843	5,925
<b>Period 7/1/2005 to 6/30/2006</b>							
Average Monthly Benefit	137	339	534	884	1,449	1,688	2,429
Average Final Salary	18,131	21,370	19,934	24,207	28,918	33,712	38,236
Number of Active Retirants	372	972	2,801	2,472	3,644	6,033	6,205
<b>Period 7/1/2006 to 6/30/2007</b>							
Average Monthly Benefit	143	357	561	931	1,514	1,769	2,549
Average Final Salary	18,663	22,659	20,722	25,350	29,825	34,774	39,620
Number of Active Retirants	371	1,009	2,806	2,484	3,682	6,264	6,476
<b>Period 7/1/2007 to 6/30/2008</b>							
Average Monthly Benefit	148	371	585	966	1,565	1,831	2,643
Average Final Salary	19,644	23,981	21,766	26,250	30,720	35,744	41,078
Number of Active Retirants	371	1,065	2,796	2,510	3,718	6,412	6,789
<b>Period 7/1/2008 to 6/30/2009</b>							
Average Monthly Benefit	388	398	616	1,017	1,625	1,907	2,737
Average Final Salary	23,532	24,858	22,828	27,456	31,630	36,735	42,107
Number of Active Retirants	451	1,132	2,810	2,570	3,827	6,657	7,501
<b>Period 7/1/2009 to 6/30/2010</b>							
Average Monthly Benefit	617	388	617	1,016	1,583	1,867	2,653
Average Final Salary	25,338	26,322	23,944	28,556	32,700	37,655	43,265
Number of Active Retirants	559	1,175	2,819	2,594	3,898	6,782	7,868
<b>Period 7/1/2010 to 6/30/2011</b>							
Average Monthly Benefit	419	399	636	1,035	1,599	1,877	2,681
Average Final Salary	26,382	27,791	25,452	29,842	34,108	38,836	44,693
Number of Active Retirants	551	1,276	2,913	2,681	4,083	7,060	8,221
<b>Period 7/1/2011 to 6/30/2012</b>							
Average Monthly Benefit	1,017	427	670	1,084	1,681	1,977	2,843
Average Final Salary	30,477	29,465	27,173	31,465	35,530	40,100	46,271
Number of Active Retirants	694	1,402	3,003	2,774	4,195	7,369	8,781



**DEFINED BENEFIT PLAN  
RETIRED MEMBERS BY TYPE OF BENEFIT AND OPTION  
As of June 30, 2012**

Amount of Monthly Benefit	<u>Type of Retirement</u>				<u>Option Selected</u>										
	Number of Retired Members	1	2	3	4	0	1	2	3	4	5	6	7	8	Other
0 - 250	4,366	1,188	1,207	871	1,100	710	149	366	124	10	988	33	8	10	1,968
251 - 500	4,279	1,825	1,839	417	198	990	266	435	171	10	1,674	83	17	20	613
501 - 750	3,607	1,958	1,259	180	210	1,024	262	396	222	15	1,144	88	26	39	391
751 - 1000	2,850	1,979	674	49	148	998	238	338	270	22	642	71	33	41	197
1001 - 1250	2,761	2,177	421	16	147	999	261	340	214	19	583	89	50	43	163
1251 - 1500	2,911	2,478	333	2	98	1,078	301	375	191	11	665	81	43	66	100
1501 - 1750	2,875	2,590	201	2	82	1,140	317	301	205	22	608	89	47	62	84
1751 - 2000	2,782	2,535	176	1	70	1,137	298	308	152	27	578	72	66	73	71
2001 - over	12,045	11,488	431	0	126	5,571	1,316	1,234	707	204	1,710	414	353	409	127
Totals	38,476	28,218	6,541	1,538	2,179	13,647	3,408	4,093	2,256	340	8,592	1,020	643	763	3,714

**EMPLOYEE CONTRIBUTION RATES  
LAST TEN FISCAL YEARS**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Judicial Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>Legislative Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>School Teacher Employees</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>State of Maine Employees</b>										
<b>Employee Class:</b>										
<b>General</b>	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
<b>Police - Grandfathered</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>Marine Wardens - Grandfathered</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>Game Wardens - Grandfathered</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>Prison Wardens - Grandfathered</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>Liquor Inspectors - Grandfathered</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	7.65%
<b>Forest Rangers - Grandfathered</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>1998 Special Groups</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>HazMat/DEP 24030</b>	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%	8.65%
<b>Participating Local District Employees</b>										
<b>Employee Class:</b>										
<b>AC - General COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>BC - General COLA</b>	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
<b>1C - Special COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>2C - Special COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>3C - Special COLA</b>	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
<b>4C - Special COLA</b>	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
<b>AN - General No COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>1N - Special No COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>2N - Special No COLA</b>	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>3N - Special No COLA</b>	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
<b>4N - Special No COLA</b>	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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
<b>Judicial Employees</b>	11.99%	14.12%	14.35%	15.85%	15.87%	15.01%	15.09%	18.08%	18.10%	14.93%
<b>Legislative Employees</b>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>School Teacher Employees</b>	13.85%	17.28%	17.28%	16.72%	16.72%	17.23%	17.23%	16.02%	16.05%	17.71%
<b>State of Maine Employees</b>										
<b>Employee Class:</b>										
<b>General</b>	14.18%	16.92%	16.38%	17.37%	17.01%	15.88%	15.52%	13.74%	13.39%	12.43%
<b>Police - Grandfathered</b>	39.22%	51.26%	50.19%	48.69%	47.70%	44.04%	43.02%	35.00%	34.32%	36.37%
<b>Marine Wardens - Grandfathered</b>	33.33%	54.49%	53.32%	40.67%	39.94%	45.63%	44.55%	38.27%	37.43%	35.36%
<b>Game Wardens - Grandfathered</b>	38.47%	54.48%	53.30%	50.14%	49.11%	47.07%	45.94%	39.03%	38.13%	37.12%
<b>Prison Wardens - Grandfathered</b>	26.74%	27.03%	25.81%	25.68%	25.15%	24.29%	23.70%	17.79%	17.44%	18.76%
<b>Liquor Inspectors - Grandfathered</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	16.43%
<b>Forest Rangers - Grandfathered</b>	13.65%	22.32%	21.84%	22.18%	21.70%	18.21%	17.79%	15.78%	15.47%	14.93%
<b>1998 Special Groups</b>	17.33%	19.06%	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.16%
<b>HazMat/DEP</b>	17.33%	19.06%	18.27%	19.50%	19.09%	18.11%	17.68%	15.55%	15.21%	14.96%
<b>Participating Local District Employees</b>										
<b>Employee Class:</b>										
<b>AC - General COLA</b>	4.40%	3.50%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%	2.80%
<b>BC - General COLA</b>	2.70%	2.10%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
<b>1C - Special COLA</b>	10.20%	8.10%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
<b>2C - Special COLA</b>	6.30%	5.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>3C - Special COLA</b>	8.30%	6.60%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%	5.30%
<b>4C - Special COLA</b>	5.50%	4.40%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
<b>AN - General No COLA</b>	2.40%	1.90%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%
<b>1N - Special No COLA</b>	5.60%	4.50%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%	3.60%
<b>2N - Special No COLA</b>	3.30%	2.60%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%	2.20%
<b>3N - Special No COLA</b>	4.50%	3.60%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%	2.90%
<b>4N - Special No COLA</b>	3.00%	2.40%	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**

<u>Participating Entity</u>	<u>2012</u>			<u>2003</u>		
	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>	<u>Covered Employees</u>	<u>Rank</u>	<u>Percentage of Total System</u>
State of Maine	14,793	1	25.82	16,224	1	24.47
Maine Veterans Home - Central Office	1,470	2	2.57	1,335	2	2.01
Portland School Department	1,162	3	2.03	1,242	3	1.87
City of Portland	851	4	1.49	871	4	1.31
Lewiston School Department	758	5	1.32	730	5	1.1
Bangor School Department	631	6	1.1	702	6	1.06
RSU #6 - MSAD #6 Bar Mills	580	7	1.01	681	7	1.03
Auburn School Department	557	8	0.97	648	8	0.98
RSU #14	525	9	0.92	635	9	0.96
South Portland School Department	519	10	0.91	612	10	0.92
All Others	35,436	11	61.86	42,632	11	64.29
<b>Total (531 Participating Entities)</b>	<b>57,282</b>		<b>100.00</b>	<b>66,312</b>		<b>100.00</b>

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

In 2012, "All Others" consisted of:

<u>Employer Type</u>	<u>Number of Employees</u>	<u>Covered Employees</u>
Judicial Retirement System	1	62
Legislative Retirement System	1	178
Participating Local Districts	307	9,648
School Districts	<u>212</u>	<u>25,548</u>
<b>Totals:</b>	<b>521</b>	<b>35,436</b>

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

**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)

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

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

Acton School Department  
 AOS #43 Central Office  
 AOS #43 Howland  
 AOS #43 Milo  
 AOS #47 Central Office  
 AOS #47 Dedham  
 AOS #47 Orrington  
 AOS #48 Central Office  
 AOS #48 Danforth  
 AOS #48 Hodgdon  
 AOS #62 Central Office  
 AOS #62 Madawaska/Grand Isle  
 AOS #66 Central Office  
 AOS #66 East Millinocket  
 AOS #66 Medway  
 AOS #77 Alexander  
 AOS #77 Calais  
 AOS #77 Central Office  
 AOS #77 Charlotte  
 AOS #77 Eastport  
 AOS #77 Lubec  
 AOS #77 Pembroke  
 AOS #77 Perry  
 AOS #77 Robbinston  
 AOS #81 Central Office  
 AOS #81 - CSD #8 Airline  
 AOS #81 Holden  
 AOS #90 Baileyville  
 AOS #90 Central Office  
 AOS #90 East Range  
 AOS #90 Lee

AOS #90 Princeton  
 AOS #91 Bar Harbor  
 AOS #91 Central Office  
 AOS #91 Cranberry Isle  
 AOS #91 Frenchboro  
 AOS #91 Mt Desert  
 AOS #91 Mt. Desert Island High School  
 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 / MSAD #46  
 AOS #94 Central Office  
 AOS #94 Harmony  
 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 Georgetown  
 AOS #98 Southport  
 AOS #99 Bridgewater  
 AOS #99 Central Office Mid-County School System  
 AOS #99 Fort Fairfield  
 AOS #99 Mars Hill  
 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 #9 - South Aroostook  
 CSD #13 - Deer Isle/Stonington  
 CSD #17 - Moosabec  
 CSD #18 - Wells/Ogunquit

**PARTICIPATING EMPLOYERS, DETAILED LISTING**

(continued)

**TEACHERS** (continued)

CSD #19 - Five Town CSD  
 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  
 Kittery School Department  
 Lee Academy  
 Lewiston School Department  
 Lincoln Academy  
 Lincolnville School Department  
 Lisbon School Department  
 Long Island School Department  
 Maine Central Institute  
 Maine Education Association  
 Maine Indian Education  
 Maine School of Science & Mathematics  
 Millinocket School Department  
 Monhegan Plantation School Department  
 MSAD #4 Guilford  
 MSAD #7 North Haven  
 MSAD #8 Vinalhaven  
 MSAD #12 Jackman  
 MSAD #13 Bingham  
 MSAD #23 Carmel  
 MSAD #24 Van Buren  
 MSAD #28 Camden  
 MSAD #32 Ashland  
 MSAD #33 St. Agatha  
 MSAD #35 Eliot  
 MSAD #40 Waldoboro  
 MSAD #45 Washburn  
 MSAD #53 Pittsfield  
 MSAD #58 Kingfield  
 MSAD #59 Madison  
 MSAD #65 Matinicus  
 Otis 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 #3 - MSAD #3 Unity  
 Regional School Unit #4  
 Regional School Unit #5  
 Regional School Unit #6 - MSAD #6 Bar Mills  
 Regional School Unit #9 - MSAD #9 Farmington  
 Regional School Unit #10  
 Regional School Unit #11 - MSAD #11 Gardiner  
 Regional School Unit #12 - Sheepscot Valley  
 Regional School Unit #13  
 Regional School Unit #14  
 Regional School Unit #15 - MSAD #15 Gray  
 Regional School Unit #16  
 Regional School Unit #17 - MSAD #17 South Paris  
 Regional School Unit #18  
 Regional School Unit #19  
 Regional School Unit #20  
 Regional School Unit #21  
 Regional School Unit #22 - MSAD #22 Hampden  
 Regional School Unit #23  
 Regional School Unit #24  
 Regional School Unit #25  
 Regional School Unit #26  
 Regional School Unit #29 - MSAD # 29 Houlton  
 Regional School Unit #34  
 Regional School Unit #37 - MSAD #37 Harrington  
 Regional School Unit #38  
 Regional School Unit #39 - Eastern Aroostook  
 Regional School Unit #44 - MSAD #44 Bethel  
 Regional School Unit #49 - MSAD #49 Fairfield  
 Regional School Unit #50  
 Regional School Unit #51 - MSAD #51 Cumberland Center  
 Regional School Unit #52 - MSAD #52 Turner  
 Regional School Unit #54 - MSAD #54 Skowhegan  
 Regional School Unit #55 - MSAD #55 Cornish  
 Regional School Unit #57 - MSAD #57 Waterboro  
 Regional School Unit #60 - MSAD #60 North Berwick  
 Regional School Unit #61 - MSAD #61 Bridgton  
 Regional School Unit #64 - MSAD #64 East Corinth  
 Regional School Unit #67 - MSAD #67 Lincoln  
 Regional School Unit #68 - MSAD #68 Dover-Foxcroft  
 Regional School Unit #72 - MSAD #72 Fryeburg  
 Regional School Unit #73  
 Regional School Unit #74 - MSAD #74 North Anson  
 Regional School Unit #75 - MSAD #75 Topsham  
 Regional School Unit #78  
 Regional School Unit #79 - MSAD #1 Presque Isle  
 Sanford School Department  
 Scarborough School Department  
 School Agent Carrabasset  
 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

**PARTICIPATING EMPLOYERS, DETAILED LISTING**

*(continued)*

**TEACHERS** *(continued)*

Union 103 Beals  
 Union 103 Jonesport  
 Union 108 Vanceboro  
 Union 122 New Sweden  
 Union 122 Westmanland  
 Union 122 Woodland  
 Washington Academy  
 Westbrook School Department  
 Yarmouth School Department  
 York School Department

Biddeford Housing Authority  
 Biddeford School Department  
 Biddeford, City of  
 Boothbay Harbor, Town of  
 Boothbay Region Water District  
 Bowdoinham Water District  
 Brewer Housing Authority  
 Brewer School Support  
 Brewer, City of  
 Brownville, Town of  
 Brunswick & Topsham Water District  
 Brunswick Fire & Police  
 Brunswick Public Library Association  
 Brunswick School Support  
 Brunswick Sewer District  
 Brunswick, Town of  
 Bucksport, Town of  
 Calais School Support  
 Calais, City of  
 Camden, Town of  
 Cape Elizabeth Police  
 Cape Elizabeth School Support  
 Cape Elizabeth, Town of  
 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 #903  
 Community School District #912  
 Community School District #918  
 Corinna Sewer District  
 Corinna, Town of  
 Cumberland County  
 Cumberland, Town of  
 Damariscotta, Town of  
 Dexter, Town of  
 Dover-Foxcroft Water District  
 Dover-Foxcroft, Town of  
 Durham, Town of  
 E. Millinocket School Support  
 Eagle Lake Water & Sewer District  
 East Millinocket, Town of  
 Easton School Support  
 Easton, Town of  
 Eliot, Town of  
 Ellsworth, City of  
 Erskine Academy  
 Fairfield, Town of  
 Falmouth Memorial Library  
 Falmouth School Support  
 Falmouth, Town of  
 Farmington Village Corporation  
 Farmington, Town of  
 Fayette, Town of  
 Fort Fairfield Housing Authority  
 Fort Fairfield Utilities District  
 Fort Fairfield, Town of  
 Fort Kent, Town of  
 Franklin County  
 Freeport, Town of

**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 School Support  
 Auburn Water And Sewer District  
 Auburn, City of  
 Augusta School Support  
 Augusta, City of  
 Baileyville School Support  
 Baileyville, Town of  
 Bangor Housing Authority  
 Bangor Public Library  
 Bangor School Support  
 Bangor Water District  
 Bangor, City of  
 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

## PARTICIPATING EMPLOYERS, DETAILED LISTING

*(continued)***CONSOLIDATED PLAN FOR PLDs** *(continued)*

Frenchville, Town of  
 Fryeburg Academy  
 Fryeburg, Town of  
 Gardiner Water District  
 Gardiner, City of  
 Glenburn, Town of  
 Gorham Fire and Police  
 Gorham School Support  
 Gorham, Town of  
 Gould Academy  
 Grand Isle, Town of  
 Greater Augusta Utility District  
 Greenville School Support  
 Greenville, Town of  
 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  
 Holden, Town of  
 Houlton Water Company  
 Houlton, Town of  
 Jackman Utility District  
 Jay, Town of  
 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  
 Levant, Town of  
 Lewiston Auburn 911  
 Lewiston Housing Authority  
 Lewiston School Support  
 Lewiston, City of  
 Lewiston-Auburn Water Pollution Control Authority  
 Limestone Water & Sewer District  
 Limestone, Town of  
 Lincoln & Sagadahoc Multi-County Jail Authority  
 Lincoln Academy  
 Lincoln County  
 Lincoln County Sheriffs  
 Lincoln Sanitary District  
 Lincoln Water District  
 Lincoln, Town of  
 Linneus, Town of  
 Lisbon School Support  
 Lisbon Water Department  
 Lisbon, Town of  
 Livermore Falls Water District  
 Livermore Falls, Town of  
 Lovell, Town of  
 Lubec Water District  
 Lubec, Town of  
 M.A.D.S.E.C.  
 Madawaska School Support  
 Madawaska Water District  
 Madawaska, Town of  
 Maine Indian Education  
 Maine International Trade Center  
 Maine Maritime Academy  
 Maine Municipal Association  
 Maine Municipal Bond Bank  
 Maine Principals' Association  
 Maine Public Employees Retirement System  
 Maine School Management Association  
 Maine State 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 School Support  
 Millinocket, Town of  
 Milo Water District  
 Milo, Town of  
 Monmouth, Town of  
 Monson, Town of  
 Mount Desert Island Regional School Support  
 Mount Desert Water District  
 MSAD #13 Bingham  
 MSAD #31 Howland  
 MSAD #36 Livermore Falls  
 MSAD #40 Waldoboro  
 MSAD #41 Milo  
 MSAD #52 Turner  
 MSAD #53 Pittsfield  
 MSAD #68 Dover-Foxcroft  
 MSAD #74 North Anson  
 Mt. Desert School Support  
 Mt. Desert, Town of  
 New Gloucester, Town of  
 Newport, Town of  
 Newport Water District  
 North Berwick Water District  
 North Berwick, Town of  
 Norway Water District  
 Norway, Town of  
 Ogunquit, Town of  
 Old Orchard Beach, Town of  
 Old Town Housing Authority  
 Old Town Water District  
 Old Town, City of  
 Orland, Town of  
 Orono, Town of  
 Orrington School Support



**PARTICIPATING EMPLOYERS, DETAILED LISTING**

*(continued)*

**CONSOLIDATED PLAN FOR PLDs** *(continued)*

<p>Orrington, Town of          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          Poland, Town of          Portland Housing Authority          Portland Public Library          Portland School Support          Portland, City of          Presque Isle Sewer District          Presque Isle Water District          Presque Isle, City of          Princeton School Support          Princeton, Town of          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 #9 - MSAD #9 Farmington          Regional School Unit #10          Regional School Unit #12          Regional School Unit #13          Regional School Unit #16 School Support          Regional School Unit #17 - MSAD #17 South Paris          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 #29 - MSAD # 29 Houlton          Regional School Unit #34          Regional School Unit #39          Regional School Unit #49 - MSAD #49 Fairfield          Regional School Unit #51 - MSAD #51 Cumberland Center          Regional School Unit #54 - MSAD #54 Skowhegan          Regional School Unit #60 - MSAD #60 North Berwick          Regional School Unit #67 - MSAD #67 Lincoln          Regional School Unit #73          Regional School Unit #79 - MSAD #1 Presque Isle          Richmond Utility District          Richmond, Town of          Rockland, City of          Rockport, Town of          Rumford Fire &amp; Police          Rumford Mexico Sewerage District          Rumford Water District          Rumford, Town of          Sabattus, Town of          Saco, City of</p>	<p>Sagadahoc County          Sanford Housing Authority          Sanford School Support          Sanford Sewerage District          Sanford Water District          Sanford, Town of          Scarborough School Support          Scarborough, Town of          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 School Support          South Portland, City of          St. Agatha, Town of          Thomaston, Town of          Thompson Free Library          Topsham Sewer District          Topsham, Town of          Trenton, Town of          Tri-Community Recycle/Sanitary Landfill          Van Buren Housing Authority          Van Buren, Town of          Vassalboro, Town of          Veazie Fire &amp; 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 &amp; Police          Waterville Sewer District          Wells, Town of          West Bath, Town of          Westbrook Fire &amp; Police          Westbrook School Support          Westbrook, City of          Western Maine Community Action          Wilton, Town of          Windham, Town of          Winslow, Town of          Winter Harbor Utility District          Winterport Water &amp; Sewer Districts          Winthrop School Support          Winthrop Utilities District          Winthrop, Town of          Wiscasset, Town of          Yarmouth School Support          Yarmouth Water District          Yarmouth, Town of          York County          York School Support          York Sewer District          York Water District          York, Town of</p>
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**PARTICIPATING EMPLOYERS, DETAILED LISTING**

*(continued)*

**PROGRAM: PARTICIPATING LOCAL DISTRICT  
RETIREMENT PROGRAM**

**Individual  
Employers: Withdrawn (Non-Consolidated)  
Participating Local Districts**

**Reporting Entities: (as follows)**

Bingham Water District  
 Bridgton, Town of  
 Cape Elizabeth School Support  
 Cape Elizabeth, Town of  
 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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